

Company code: 600198 Company's short name: DATANG Telecom

Datang Telecom Technology Co., Ltd.
2016 Annual Report

Important Notes

- I. The board of directors, board of supervisors as well as directors, supervisors and senior managers of the Company guarantee that this annual report is true, accurate and complete and that there are no false records, misleading statements or material omissions; and they will assume joint and several liabilities therefor.
- II. All directors of the Company have attended the board meeting.
- III. BDO CHINA Shu Lun Pan Certified Public Accountants LLP has issued a standard unqualified auditors' report.
- IV. The statement from Huang Zhiqin, the Company responsible person, and Ouyang Guoyu, the accounting principal and the head of accounting department (accounting officer): The reality, accuracy, and integrity of the financial report in the annual report are guaranteed.
- V. **Profit distribution plan or conversion of provident fund into share capital plan during the reporting period subject to the deliberation of the board of directors.**
The Company has no profit distribution plan or conversion of provident fund into share capital plan during the reporting period.
- VI. **Forward-looking risk statements**
☒ Applicable ☐ Not applicable

Forward-looking statements in this report, including future plans and development strategies do not constitute a firm commitment to the investors, and the investors should notice the investment risks.
- VII. **Was there any capital used for non-operating purpose by the controlling shareholders and their related parties?**
No
- VIII. **Was there any external security provided in violation of the regulations, decisions or procedures?**
No
- IX. **Major risk prompts**
☒ Applicable ☐ Not applicable

The Company has described possible risks in details in this Report. Please refer to the part of discussion and analysis on the risks that may be faced in the future development of the Company under Section 4 on the discussion and analysis on operation.
- X. **Miscellaneous**
☐ Applicable ☒ Not applicable

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Section 1 Definition

I. Definition

In this report, unless the context requires otherwise, the following terms refer to as the following:

Definition of frequently-used terms

This Company / Company / Public Company / Datang Telecom	Refers to	Datang Telecom Technology Co., Ltd.
Controlling Shareholder / Telecom Research Institute	Refers to	China Academy of Telecommunications Technology
Datang Holdings	Refers to	Datang Telecom Technology Industry Holdings Co., Ltd.
Datang Microelectronics	Refers to	Datang Microelectronics Technology Co., Ltd.
Datang Software	Refers to	Datang Software Technologies Co., Ltd.
Xi'an Datang	Refers to	Xi'an Datang Telecom Technology Co., Ltd.
UniScope Technologies (Shanghai) Co., Ltd	Refers to	Shanghai Uniscope Communication Technologies Co., Ltd.
Terminal Equipment	Refers to	Datang Terminal Equipment Co., Ltd.
Chengdu Information	Refers to	Datang Telecom (Chengdu) Information Technology Co., Ltd.
Leadcore Technology Co. Ltd	Refers to	Leadcore Technology Co., Ltd.
Uniscope Electronic Co., Ltd	Refers to	Qidong Uniscope Electronics Co., Ltd.
Jiangsu I-front	Refers to	Jiangsu I-front Science & Technology Co., Ltd.
Datang Semiconductor	Refers to	Datang Semiconductor Design Co., Ltd.
Datang NXP	Refers to	Datang NXP Semiconductors Co., Ltd.
Guangzhou Yaowan/Yaowan Entertainment	Refers to	Guangzhou Yaowan Entertainment Network Technology Co., Ltd.
Terminal Technology	Refers to	Datang Terminal Technology Co., Ltd.
Reporting period	Refers to	January 1, 2016 to December 31, 2016

Second 2 Company Profile and Main Financial Indicators

I. Company information

Company's Chinese name	大唐电信科技股份有限公司
Company's Chinese name abbreviation	大唐电信
Company's foreign name	DATANG TELECOM TECHNOLOGY CO.,LTD
Company's foreign name abbreviation	DATANG TELECOM
Company's legal representative	Huang Zhiqin

II. Contact information

	Secretary of the Board	Securities Representative
Name	Jiang Kun	Zhang Jin
Address	No.6, Yongjia North Road, Haidian District, Beijing	No.6, Yongjia North Road, Haidian District, Beijing
Tel.	0086-10-58919172	0086-10-58919172
Fax	0086-10-58919173	0086-10-58919173
E-mail	dt600198@datang.com	dt600198@datang.com

III. Basic information

Registered Address	No.6, Yongjia North Road, Haidian District, Beijing
Post Code of Registered Address	100094
Office Address	No.6, Yongjia North Road, Haidian District, Beijing
Post Code of Office Address	100094
Company Website	www.datang.com
E-mail	dt600198@datang.com

IV. Information disclosure and preparation location

Media to disclose the Company information	<i>China Securities Journal</i> and <i>Shanghai Securities News</i>
Website to publish annual report designated by the China Securities Regulatory Commission	www.sse.com.cn
Preparation location for annual report	Office of the Board, No.6, Yongjia North Road, Haidian District, Beijing

V. Profile of the Company's shares

Profile of the Company's shares			
Type of shares	Stock Exchange	Stock Abbreviation	Stock Code
A-shares	Shanghai Stock Exchange	Datang Telecom	600198

VI. Other relevant information

Accounting firms hired by the Company (Domestic)	Name	BDO CHINA Shu Lun Pan Certified Public Accountants LLP
	Office address	28F, Building 3, Yard 29, North Third Ring Middle Road, Xicheng District, Beijing
	Accountant's signature	Cai Xiaoli and An Xing

VII. Major accounting data and financial indicators of the Company in the latest three years during the reporting period**(I) Major accounting data**

		Unit: Yuan		Currency: RMB
Main accounting data	Year 2016	Year 2015	Increase or decrease on a year-to-year basis (%)	Year 2014
Operating income	7,229,672,814.11	8,602,588,791.38	-15.96	7,984,031,029.75
Net profit attributable to shareholders of the public company	-1,775,623,467.63	28,443,877.59	-6,342.55	217,042,207.05
Net profit attributable to shareholders of public companies after deducting non-recurring gains and losses	-1,873,317,974.33	-706,122,920.38	Not applicable	-54,902,454.07
Net cash flows from operating activities	738,600,651.94	903,569,574.56	-18.26	-587,050,504.47
	End of 2016	End of 2015	Increase or decrease on a year-to-year basis (%)	End of 2014
Net assets attributable to the shareholders of public companies	2,291,750,823.50	4,071,255,425.22	-43.71	4,030,768,692.75
Total assets	11,993,854,518.71	13,794,580,777.44	-13.05	13,964,610,141.06

(II) Major financial indicators

Main financial indicators	Year 2016	Year 2015	Increase or decrease on a year-to-year basis (%)	Year 2014
Basic earnings per share (RMB per share)	-2.0129	0.0322	-6,351.24	0.2562
Diluted earnings per share (RMB per share)	-2.0129	0.0322	-6,351.24	0.2562
Basic Earnings per share after deducting non-recurring gains and losses (RMB per share)	-2.1237	-0.8005	Not applicable	-0.0648
Weighted average return on net assets (%)	-55.8108	0.7034	Down by 56.51 percentage points	6.1289
Weighted average return on net assets after deducting non-current gains and losses (%)	-58.8815	-17.4626	Not applicable	-1.5503

VIII. Accounting data differences under domestic and foreign accounting standard

(I) The discrepancy of the net profit and net assets attributable to shareholders of public companies in the financial report disclosed in accordance with both international accounting standards and Chinese accounting standards.

☐ Applicable ☒ Not applicable

(II) The discrepancy of the net profit and net assets attributable to shareholders of public companies in the financial report disclosed in accordance with both foreign accounting standards and Chinese accounting standards

☐ Applicable ☒ Not applicable

(III) Notes to the difference between domestic and foreign accounting standards:

☐ Applicable ☒ Not applicable

IX. Major financial data by quarter in 2016

Unit: Yuan Currency: RMB

	First quarter (January-March)	Second quarter (April - June)	Third quarter (July - September)	Fourth quarter (October - December)
Operating income	1,906,333,192.46	2,073,335,391.34	1,172,717,200.00	2,077,287,030.31
Net profit attributable to shareholders of the public company	-151,266,031.85	-223,991,446.73	-249,722,689.49	-1,150,643,299.56
Net profit attributable to shareholders of public companies after deducting non-recurring gains and losses	-158,643,806.99	-249,465,584.85	-267,538,850.29	-1,197,669,732.20
Net cash flows from operating activities	-38,858,206.38	-65,320,804.21	157,633,254.81	685,146,407.72

Notes to differences between quarterly data and data disclosed in regular reports

☐ Applicable ☒ Not applicable

X. Items and amounts of non-recurring gains and losses

√ Applicable □ Not applicable

Non-recurring gains and losses	Amount in 2016	Note (if applicable)	Unit: Yuan	Currency: RMB
			Amount in 2015	Amount in 2014
Profits or losses from disposal of non-current assets	2,383,552.52		23,861,250.60	16,512,900.93
Tax refunds, exemptions and reductions with ultra vires approval or without official approval documents				
Governmental subsidies recognized in the current gains and losses, except for the governmental subsidies closely related to the Company's normal operating business, which are subject to certain ration or quantity constantly in line with national policies and regulations	110,206,441.95		261,983,604.27	214,270,585.78
Payment for use of state funds received from non-financial institutions recorded in current profit or loss			28,427,623.69	22,651,976.67
Gains from the difference between the investment costs of acquisition of subsidiaries, associates and joint ventures and share in the net fair value of the identifiable assets of the investee when investing				
Gains or losses from non-monetary asset exchange				
Gains or losses from entrusting the investments or management of asset	721,940.63		4,556,743.57	
Impairment provision for force majeure such as natural calamities				
Gains or losses from debt restructuring				
Restructure expenses, such as the compensation for employee relocation and integration costs				
Gains or losses exceeding the fair value which arises from transactions with obvious unfair transaction price				
Year-to-date net profits or losses of subsidiaries arising from business combination under common control				
Profits or losses arising from contingencies not related to the Company's normal business				
Except for effective hedging business related to the normal business of the Company, profits or losses from fair value changes in held-for-trading financial assets and held-for-trading financial liabilities, and investment income from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets				
Reversal of the impairment provision for receivables subject to separate impairment test				
Profits or losses from entrusted loans				

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Non-recurring gains and losses	Amount in 2016	Note (if applicable)	Amount in 2015	Amount in 2014
Profits or losses from fair value changes in investment property subsequently calculated with the fair value mode				
Impacts of one-time adjusting the current profit or loss in accordance with requirements of tax and accounting laws and regulations on the current profit or loss				
Custodian income from entrusted management				
Other non-operating income and expenditure except for the above items	3,124,291.39		4,081,408.19	57,041,881.29
Other profits or losses which can be deemed as non-recurring profits or losses	-970,251.76		458,729,843.30	
Minority interest effects	-10,353,432.02		-10,875,570.56	-16,303,567.00
Income tax effects	-7,418,036.01		-36,198,105.09	-22,229,116.55
Total	97,694,506.70		734,566,797.97	271,944,661.12

Notes to other profits or losses which can be deemed as non-recurring profits or losses: the compensation arising from the changes in fair value of remaining equity and the changes in net assets during the transitional period after Nanjing Energy-saving withdraws the right of control.

XI. Items measured at the fair value

☐ Applicable ☒ Not applicable

XII. Miscellaneous

☐ Applicable ☒ Not applicable

Section 3 Company's Business Overview

I. Main businesses, operating mode and industry overview during the reporting period

In 2016, under the guidance of "integrated circuit+" strategy, the Company focuses on mobile internet, internet of vehicles, intelligent manufacturing and internet of things fields to create self-controlled, safe and reliable integrated circuits featured with wisdom, reliability and green connectivity, and focuses on its application and solution. The Company's main business includes four business segments, namely, integrated circuit design, terminal design, software and applications as well as mobile internet.

Integrated circuit design includes four business directions, such as mobile terminal chip, security chip, automotive electronic chip and converged communications. The mobile terminal chip business faces to the handset manufacturers who are provided with technical platform authorization, terminal chips and solutions; the security chip business faces to the customers in these industries such as public security, social security, finance, city management, transportation and so forth, and provides the 2nd-generation ID card chips and modules, social security card chips and modules, financial payment chips, fingerprint sensor and fingerprint algorithm chips, industry encryption terminal chips and other chips; the automotive electronic chip business engages in the research and development and sales of car light regulator, driver chip and power management chip; converged communications service faces to automotive aftermarket, LTE trunking communication, satellite communications, unmanned aerial vehicles and other markets, and provides the industry customers with terminal chips, communication modules and solutions.

Integrated circuit design business has a strong concentricity, and the technology and product of the consumption terminal chip market change rapidly, and compete fiercely, due to which the market has existed a trend that several major manufacturers occupy the most of the market; industry application chip is relatively stable with large market opportunity but with high industry threshold. The Company has certain competitive advantage.

In terms of the terminal design business, the Company faces to the industry market and operator market, and its main products include industry terminal, intelligent terminal PCBA and ODM, special terminal, etc.. In terms of the industry terminal, the Company faces to the urban management, water-related affairs, transportation, forestry and other industry markets and provides special-purpose terminal products and application platform. In terms of the PCBA and ODM business, the Company provides the brand handset manufactures with the mobile phone design plan, mobile phone mainboard and the complete set of machinery based on Qualcomm, MTK, Spreadtrum, Leadcore and other terminal chip platform, and actively expands the overseas business. Special terminal currently is under the research and development of products.

Consumption terminal design business competes intensely, and the profitability of non-mainstream products generally is poor resulting that the overall market demand tends to decline; while the industry terminal and special terminal are in great demand and have high gross margin with a larger space for development.

Software and application business include telecom operation supporting, information security, smart city construction, industry informatization, IT distribution, etc.. For telecom operators market, the Company mainly provides telecom operation support system (OSS/BSS), including software development and project implementation and maintenance; information security business provides product testing and solutions facing to the Internet and the network with safe IDC; smart city business mainly faces to city management and e-government affairs, and provides complete solutions from consulting and design, software development, system integration to the construction and operation, and has the end-to-end service capacity, and actively attempts at the PPP mode; the industry informatization business attaches importance to the fields such as education, water conservancy, transportation, energy and so on, and provides industry application software, education information-based system integration, the solution integration of urban water conservancy and expressway information-based plan as well as the wireless access equipment; in the IT integration and distribution business fields, the Company mainly faces to China Unicom, China Mobile and other corporate customers, and cooperates with PTC Company and Siemens, and provides the industrial enterprises with industrial overall lifecycle management software and consulting services.

Software and industry application markets have huge scale with low industry concentration, and the smart city, internet of things, intelligent manufacturing and other hot spots frequently occur with large market opportunity. Deep understanding of the industry and the ability to integrate plans become the competition key.

Mobile internet business includes game business, independent research and development of mobile games products, and cooperation between independent game products and Tencent, 360 and other distribution channels; meanwhile, the Company operates online games products based on own platform, and agents the operation of domestic and overseas well-known games products, and makes attempts at the "linkage between film and game", and actively develops overseas market.

In addition, the Company also provides double-innovation service, and offers technology platform, park service and investment service to the entrepreneurial enterprise, in respect of which the Company has a national qualification.

II. Notes to significant changes of the Company's main assets during the reporting period

☐ Applicable ☒ Not applicable

III. Analysis on core competitiveness during the reporting period

☒ Applicable ☐ Not applicable

1. Advantage in industry synergy and industry position

In the industrial layout, the Company takes "integrated circuit +" as the core to further focus on the upstream core area of the ICT industry, and pays great attention to industry market, service information security and the "internet+made in China" national strategies through industry upgrading of "integrated circuit+application+solutions". In the fields including

internet of things, internet of vehicles, intelligent manufacturing and other fields, the Company's chip design business, terminal design business and software application business have effective linkage, and the application-oriented and solutions promote the industry synergy through technology synergy thereby forming the overall competitive advantage in the subdivision industry.

In the field of integrated circuit design, the Company's integrated circuit design industry has ranked in the top 10 for many years; in the field of information security protection, the Company has played an important role in supporting software, terminal, Internet and other strategic and leading industry. In the field of terminal design, the Company focuses on the subdivision industry and operator market, and launch products with strong competitiveness, so that the Company has achieved stable development of the business. In software and applications field, the Company actively promotes product innovation, hardware systematic construction and industry applications. A number of projects have been widely recognized by customers, and the market environment achieves healthy and sustainable development. In the mobile internet field, the income from the mobile game and online games remain stable with broad market prospects.

2. Advantage in the talent and technology

Focusing on the Company's strategies and industrial layout and adhering to the morality-oriented talents selection criteria with equal stress on integrity and ability, the Company builds a cadre team with high professional level and rich experience and reasonable age structure, and has a staff team with strong sense of entrepreneur spirit and responsibility, strong business ability and execution, and constructs cadres' culture on having the courage to play, daring to be responsible and good at innovation, and forms a work style and team spirit of daring to innovate and having the courage to face the difficulties. With years of hard work in the fields of information communication and integrated circuit, the Company has a profound accumulation of technology, and positive patent applications and scientific and technological innovation. The Company has established scientific R & D management system, and the R & D team members have many years of working experience with great influence in the industry.

3. Advantage in the brand and qualification

The Company as the national team of electronic information industry has a large number of cooperative partner in the industry with strong brand influence, and wins a series of honors: The Company has acquired the honors such as "2016 National Technology Innovation Demonstration Enterprise", "Leading Enterprise of National Electronic Information Industry", "Top 10 Chinese Enterprises of Integrated Circuit", "Top 100 Chinese Enterprises in the Income of Software Business" and other honors. These honors reflect that the Company gains the recognition of the industrial circle, customers and cooperative partners. The Company also has the level-1 qualification of integration of information system and service, grade A qualification of integration of information system involving the national secrets, level-1 qualification of communication network security service capability, the safety certificate of international bank card organization (EMVCo) for standardization, special inspection certification of financial IC chip of commercial code and many other qualifications, which provides a solid foundation for the Company's business development.

Section 4 Discussion and Analysis on Operation

I. Discussion and analysis on operation

In 2016, the Company, under the double pressure from macro-economic downturn and self-development in the adjustment period, overcomes difficulties, accelerates the strategic transformation, seizes the opportunity to deepen the reform of state-owned enterprises, actively implements the requirements of "three cuts, one reduction and one improvement", strengthens the disposal of enterprises in dire straits and non-principal industries, makes efforts to promote the transformation and upgrading of industrial structure in order to lay the foundation for further development of the Company. In the competition of the domestic market further intensified, the Company actively adjusts the income structure, and achieves accumulated operating income of RMB

7.23 billion throughout 2016, down by 15.96% on year-on-year basis. During the Company's business adjustment, the overall gross margin declines to 11.24% in 2016 from 12.89% in 2015. Meanwhile, due to the increase in the impairment provision for the receivables, inventories, intangible assets, goodwill and others and the decrease in the government subsidies in 2016 as well as other factors, the Company operates at large losses, and the net profits attributable to shareholders of the public company in 2016 is RMB-1.776 billion. During the operation period, the Company promotes the improvement of quality and efficiency, and strengthens the operating collection. In 2016, the Company recognizes RMB 0.739 billion of the net operational cash flow which is positive for two consecutive years. In terms of the management of the receivables and the inventories, the Company takes various measures at the same time. The original values of the receivables and the inventories decline by 16.60% at the end of the period compared with that at the beginning of the period, and the occupation of funds sharply decreases than that in previous years.

In the field of integrated circuit design, the Company timely adjusts the market focus of the security chip as a result of the achievement of great breakthrough in the market segments. The delivery of the pan-financial chip is stable, and the Company's products involve the markets including co-branded card, resident health card, citizen card, residence permit, all-in-one card and social security card, of which the market performance is good. Fingerprint identification products make a commercial breakthrough in the fingerprint device, fingerprint locks and other markets. Standard bank IC card chip makes breakthrough in the market, and is successfully introduced into additional 50 commercial banks or so in 2016, however, due to the influence of the restriction of the product design process, overall production scale, and by reasons of the comprehensive influence of the relatively high cost, late access to the market, high access qualification, decrease in the distribution of new cards and price reduction by the competitors, the gross profit of the bank card chip of the Company is poor resulting in the increase in the losses from the inventories impairment. The Company's business market of the consumption mobile terminal chip has changed considerably and the global smartphone market grows slowly. The growth of the delivery of terminal chip declines, and the concentration of the downstream customer market of the consumption terminal complete machine is further enhanced with a part of customers of the terminal complete machine launch the self-researched chips. Affected by this, the delivery of the Company's mobile terminal chip falls sharply. The Company adjusts business strategy, and achieves progress in the business development in the industry, so that the UAV chip achieves large-scale delivery. The chip application products including vehicle-mounted module, trunking terminal and point-to-point communication cooperated with many manufacturers achieve the delivery in limited quantities. Security terminal solutions successfully enter the industry encryption terminal, rail transport, civil aviation monitoring and other related markets. Automotive electronics chip enters into the new energy automotive chip market. The market share of the car light regulator keeps the first place in the world, and the proportion of the domestic sale further rises. The Company also actively participates in the key and special project of the national "new energy vehicles", and launches the chip business layout of the relevant fields.

In the field of terminal design, the Company actively optimizes the industrial layout, and changes to the focus on the industrial terminal marketing from the focus on data terminal marketing, strengthens the marketing force for the operator and government and enterprises customers and in the key fields including petrochemical industry, transport and logistics, city comprehensive management, achieves a breakthrough in city management, water conservancy, transportation, forestry and other new markets. The product delivery and volume of transactions achieve a year-on-year growth, and the gross margin remains at a high level. In 2016, various industry terminals appear on the market. Special terminal ranks in the top in the customer comparison. In the Company's consumption terminal design business, ODM business focuses on the development of overseas market and intelligent terminal business, and the industry adjustment gains certain results. However, because domestic mobile phone market centralizes to big brands, small brand customers whom most mobile phone design companies depend on for existence in past and the delivery of the white-box mobile phone decline sharply with the market space greatly squeezed. The cooperation mode of the traditional chip manufacturers, design manufacturers and mobile phone brand manufacturers are changing, and the business mode of collecting design fees for the sales program or PCBA is greatly affected. As part companies with Internet property entering the mobile phone market, domestic mobile phone price falls sharply in recent years. In 2016, due to large rise in price of raw materials,

the Company's overall gross margin of mobile phone products substantially declines. Changes in the market also result in a large impairment of the inventories of the consumption terminal products.

In the fields of software and industry applications, the Company focuses on the key industrial markets, and achieves certain performance. In the field of cloud computing, the Company takes the lead to release a number of cloud computing standards (cloud computing management overview, service management requirements of the cloud sensing telecom management system, end to end service life cycle management requirements and other standards). In the field of intelligent transportation, big data platform of "Hebei expressway traffic big data analysis platform project" realizes the implementation and is applied deeply. In the field of education, educational management system platform of "secondary vocational school student informatization management system" is applied in a plurality of provinces, and the student data collection terminal launched has been recognized by the market. In the field of water conservancy, the Company focuses on Wuhan urban water conservancy and sponge city business, and provides the integration of urban water conservancy solutions. Under the premise of ensuring the basic stability of informatization business of the expressway, the Company makes positive efforts in the field of mechanical and electrical integration of the rail transit and the underground pipe gallery, and obtains partial results. The Company makes a breakthrough in the field of information security as well. With respect to the fields of WLAN products, solutions and private network communication products, the gross profit declines. Meanwhile, the Company accelerates the disposal of the overstocked inventories, promotes the settlement of bequeathal projects. The impairment losses from the inventories and receivables increase.

In the field of mobile internet, the Company continues to enhance the market development, launches a variety of online games and mobile game products, and constantly optimizes the business mode. The Company adopts the "linkage between film and game" cooperation mode that the mobile game of *Chinese Hero Zhao Zilong* and TV series of the same name are synchronously launched on the line. The strong reaction is acquired from the market, and a certain reputation is obtained in the industry. The mobile game of *Chinese Hero Zhao Zilong* and TV series of the same name are distributed in Hong Kong, Taiwan, Macao, Japan and other places and enter the overseas market.

In addition, the Company provides pan-IC collaborative innovation service, integrates superior resources, and launches the open innovation alliance of large enterprises together with 18 domestic and overseas well-known enterprises, which is selected as typical cases of double innovation of large enterprise service by the Ministry of Industry and Information Technology. The Company obtains the national-level mass entrepreneurship space and national-level incubator qualification.

In 2016, although the Company makes breakthroughs in part business fields, the provision and amortization of the non-current assets in 2016 formed in the past further increase due to the Company's overall income and gross profit decline, and the financial expenses arising from the Company's liabilities with interest are still high; the Company's investment income, government subsidies and other non-recurring gains and losses in 2016 significantly decrease comparing with that in the previous years; The Company actively carries out the requirements of "three cuts, one reduction and one improvement" in the national supply-side reform, enhances the disposal of the low-efficiency business, and makes special impairment provision for the inventories and intangible assets whose part use value decrease. In addition, due to the influence of the part financial strain and the disputes arising from the execution of contracts, the allowance for bad debts of receivables of part long-term project provided according to the accounting policies significantly increases, which has a greater negative impact on the profit and loss in 2016.

II. Main businesses during the reporting period

In 2016, the Company recognized operating income of RMB 7.23 billion, and net profit attributable to owners of the parent company of RMB -1,776 million with specific analysis of financial indicators as below:

(I) Analysis on primary business**Analysis statement for changes on the relevant items in the income statement and statement of cash flows**

Item	Unit: Yuan		Currency: RMB
	Year 2016	Year 2015	Change ratio (%)
Operating income	7,229,672,814.11	8,602,588,791.38	-15.96
Operating cost	6,417,340,170.06	7,494,012,338.05	-14.37
Selling expenses	293,815,818.51	338,621,515.24	-13.23
General and administrative expense	1,189,538,143.51	757,913,442.81	56.95
Financial expenses	299,704,185.98	368,295,785.02	-18.62
Net cash flow from operating activities	738,600,651.94	903,569,574.56	-18.26
Net cash flows from the investing activities	-434,484,471.12	-510,053,843.24	Not applicable
Net cash flows from financing activities	197,399,743.10	-893,993,857.71	Not applicable
Research and development expenditure	893,983,507.37	972,606,722.69	-8.08

1. Income and costs analysis

√Applicable □ Not applicable

(1) Primary businesses by industry, product and regions

Unit: Yuan Currency: RMB						
Primary business by industry						
Industry	Operating income	Operating cost	Gross margin (%)	Increase or decrease in operating income YoY (%)	Increase or decrease in operating costs YoY (%)	Increase or decrease in gross margin YoY(%)
IC design	2,265,597,477.98	1,831,415,808.06	19.16	-13.40	-21.13	Up by 7.92 percentage points
Terminal design	2,602,486,596.68	2,656,492,038.77	-2.08	-23.35	-18.17	Down by 6.47 percentage points
Software & application	1,918,915,094.91	1,832,998,206.14	4.48	-10.67	-0.20	Down by 10.02 percentage points
Mobile internet	438,762,671.31	93,267,686.20	78.74	0.06	9.08	Down by 1.76 percentage points
Total	7,225,761,840.88	6,414,173,739.17	11.23	-15.96	-14.37	Down by 1.65 percentage points
Primary Business by region						
Region	Operating income	Operating costs	Gross margin (%)	Increase or decrease in operating income YoY (%)	Increase or decrease in operating costs YoY (%)	Increase or decrease in gross margin YoY(%)

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Northern region	3,570,644,031.55	3,256,292,891.53	8.80	-4.87	-1.43	Down by 3.18 percentage points
Southern region	2,310,728,339.62	1,844,683,442.29	20.17	-13.89	-3.56	Down by 8.55 percentage points
Others	1,344,389,469.71	1,313,197,405.35	2.32	-37.80	-42.25	Up by 7.54 percentage points
Total	7,225,761,840.88	6,414,173,739.17	11.23	-15.96	-14.37	Down by 1.65 percentage points

Primary businesses by industry, product and regions

√Applicable □ Not applicable

(2) Production and sales analysis statement

√Applicable □ Not applicable

Monetary Unit: RMB 0,000

Main products	Production	Sales	Inventory	Increase or decrease in production YoY (%)	Increase or decrease in sales YoY (%)	Increase or decrease in inventory YoY (%)
Mobile terminal chips and solutions	63,454	77,642	8,495	-48%	-26%	-23%
Converged communication chips and solutions	54,963	56,638	3,800	25%	30%	231%
Security chips and solutions	54,026	82,342	25,820	87%	65%	325%
Automotive electronics and industrial chips	5,131	7,740	584	29%	17%	265%
ODM and PCBA	202,634	135,749	53,424	48%	-1%	-8%
Data terminal and industry terminal	80,326	74,937	10,948	508%	495%	29%
Expressway mechanical and electrical products and solutions	30,809	35,753	6,966	1%	-10%	1%
Smart City products and solutions	13,482	14,404	11,275	22%	-46%	-14%
Operator products and solutions	6,481	9,709	11,169	236%	-18%	-20%
Industry informatization products and solutions	6,015	6,786	5,766	518%	-58%	7%

Remark: As the unit of quantity cannot be unified due to the Company's multiple business directions and various forms of products.

(3) Cost analysis statement

Unit: Yuan

By industry							Remark
Industry	Cost breakdown	Year 2016	Proportion of 2016 costs in the total cost (%)	Year 2015	Proportion of 2015 costs in total costs (%)	Proportion of 2016 costs in 2015 costs (%)	
IC design	Raw materials	1,757,150,040.30	95.94	2,144,891,287.27	92.37	-18.08	
	Labor	30,551,391.43	1.67	56,536,779.53	2.43	-45.96	
	Depreciation	15,244,003.76	0.83	85,485,076.99	3.68	-82.17	
	Others	28,470,372.57	1.55	35,037,427.69	1.52	-18.74	
	Sub-total	1,831,415,808.06	100.00	2,321,950,571.48	100	-21.13	

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Terminal design	Raw materials	2,597,415,385.86	97.78	3,200,344,818.39	98.59	-18.84
	Labor	41,113,461.76	1.55	30,836,927.03	0.95	33.33
	Depreciation	6,167,027.48	0.23	5,881,864.88	0.18	4.85
	Others	11,796,163.67	0.44	9,198,030.93	0.28	28.25
	Subtotal	2,656,492,038.77	100.00	3,246,261,641.23	100	-18.17
Software & application	Raw materials	1,628,683,776.23	88.85	1,590,714,564.82	86.61	2.39
	Labor	200,409,656.26	10.93	237,742,306.34	12.94	-15.70
	Depreciation					
	Others	3,904,773.65	0.21	8,210,164.63	0.45	-52.44
	Subtotal	1,832,998,206.14	100.00	1,836,667,035.79	100	-0.20
Mobile internet	Raw materials					
	Labor	44,361,996.69	47.56	35,271,285.37	41.25	25.77
	Depreciation					
	Others	48,905,689.51	52.44	50,231,175.62	58.75	-2.64
	Subtotal	93,267,686.20	100.00	85,502,460.99	100	9.08
Total		6,414,173,739.17		7,490,381,709.49		

(4) Major customers and suppliers

√Applicable □ Not applicable

The sales to top five customers amounted to RMB 2,330,622,000, accounting for 32.24% of annual sales; including the sales to related parties of RMB 348,665,400, accounting for 4.82% of annual sales.

The purchase from top five suppliers amounted to RMB 2,472,854,300, accounting for 28.53% of annual purchase, including the purchase from the related parties of RMB 0, accounting for 0% of annual purchase.

2. Expenses

√Applicable □ Not applicable

Monetary unit: Yuan Currency: RMB

Item	Year 2016	Year 2015	Change ratio (%)
Selling expenses	293,815,818.51	338,621,515.24	-13.23
General and administrative expenses	1,189,538,143.51	757,913,442.81	56.95
Financial expenses	299,704,185.98	368,295,785.02	-18.62

Description:

- (1) In 2016, the selling expenses decreased by 13.23% over the previous year, mainly due to the company's strict control of expenditure in 2016, specifically, advertising costs fell sharply over the previous year;
- (2) This year, the general and administrative expenses increased by 56.95% over the previous year, mainly due to an increase of RMB 149.47 million in the depreciation and amortization of non-current assets formed in the previous period; The Company's R & D capitalization rate fell sharply from a year ago, and the R&D expenditures included in the general and administrative expenses increased by RMB 259.46 million YoY;
- (3) Financial expenses in 2016 have decreased by 18.62% over the last year, 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.

3. R & D investment
R & D investment statement
☒ Applicable ☐ Not applicable

Monetary unit: Yuan	
R & D investment expenditure in 2016	509,034,439.38
R & D investment capitalization in 2016	384,949,067.99
Total R & D investment	893,983,507.37
Proportion of total R & D investment in operating income (%)	12.37
Number of R & D personnel	1,784
Proportion of number of R & D personnel in total number of employees (%)	42.16
Ratio of R & D investment capitalization (%)	43.06

Remark:

☒ Applicable ☐ Not applicable

This year, the Company adhered to the market-oriented strategy, took more efforts to strictly control the research and development expenditures, and strived to improve the input and output efficiency of the research and development expenditures. Moreover, the Company continued to mainly invest in the security chips, mobile terminal chips, automotive electronics chips and online games, special terminals, industry applications and other fields to actively explore the scientific research and development system in order to improve the research and development efficiency and reduce the research and development costs.

The capitalization rate declined as compared with that in the same period of last year, mainly due to that the amount of the research and development investment directly included in current expenses in accordance with these Accounting Standards is relatively large as the research and development funds are mainly used in basic research and development and advanced research projects in 2016.

4. Cash flow
☒ Applicable ☐ Not applicable

Monetary unit: Yuan Currency: RMB			
Item	Year 2016	Year 2015	Change ratio (%)
Net cash flow from operating activities	738,600,651.94	903,569,574.56	-18.26
Net cash flows from the investing activities	-434,484,471.12	-510,053,843.24	Not applicable
Net cash flows from financing activities	197,399,743.10	-893,993,857.71	Not applicable

Remark:

- (1) The net cash flows from operating activities decreased by RMB 164.97 million over the last year, mainly due to the decline in the Company's income in 2016, and in payback and government subsidies received YoY;
- (2) The net cash flows from investing activities increased RMB 75,570,000 over the last year, mainly due to the decline in the cash paid to acquire and construct fixed assets, intangible assets and other long-term assets over the last year;
- (3) The net cash flows from financing activities increased by RMB 1,091,390,000 over the last year, mainly due to that the amount of interest-bearing debt financing is greater than the repayment amount.

(II) Description of significant changes in profits arising from non-primary business

√Applicable □ Not applicable

Monetary unit: Yuan Currency: RMB

Item	Balance as at December 31, 2016	Balance as at December 31, 2015	Amount of changes over the last year	Change ratio over the last year (%)
Losses on assets impairment	963,671,495.19	295,474,982.67	668,196,512.52	226.14
Investment income	36,239,468.63	465,748,701.22	-429,509,232.59	-92.22
Non-operating income	121,695,879.56	298,604,959.89	-176,909,080.33	-59.25

Description:

- (1) In 2016, the losses from asset impairment increased by 226.14% over the last year, mainly due to that the Company made special provision of impairment of part of inventories and intangible assets with decrease in the use value, and influenced by the financial strain of part of customers and the dispute over the implementation of contracts, made provision for bad debts in large amount of account receivables of part of long-term items in accordance with the accounting policies;
- (2) In 2016, the investment income decreased by 92.22% over the last year, mainly due to significant decrease in the investment income over the last year from the transfer of equities or the exit of the control right in 2016;
- (3) In 2016, non-operating income decreased by 59.25% over the previous year, mainly due to significant decrease in the Company's non-operating income arising from changes on the national industry support way and the government project cycle undertook by the Company.

(III) Assets and liabilities analysis

√Applicable □ Not applicable

1. Assets and liabilities

Monetary unit: Yuan

Item	Balance as at December 31, 2016	Proportion of balance as at December 31, 2016 in total assets (%)	Balance as at December 31, 2015	Proportion of balance as at December 31, 2015 in total assets (%)	Proportion of balance as at December 31, 2016 in balance as at December 31, 2015 (%)	Remark:
Cash and cash equivalents	1,722,012,696.06	14.36	1,310,206,685.49	9.50	31.43	
Accounts receivable	2,174,153,110.26	18.13	3,184,452,323.65	23.08	-31.73	
Advances to suppliers	466,374,092.10	3.89	713,856,820.84	5.17	-34.67	
Dividends receivable	173,766.32	0.00	2,812,051.53	0.02	-93.82	
Other receivable	135,131,446.91	1.13	246,427,297.98	1.79	-45.16	
Long-term receivables		0.00	14,751,100.00	0.11	-100.00	
Construction in process	285,881,602.60	2.38	192,589,738.24	1.40	48.44	
Long-term deferred expenses	26,883,729.25	0.22	7,505,842.01	0.05	258.17	
Deferred income tax assets	76,995,756.62	0.64	57,887,783.89	0.42	33.01	
Short-term borrowings	3,070,376,865.89	25.60	2,351,396,739.98	17.05	30.58	
Taxes and surcharges payable	45,599,751.97	0.38	89,787,451.25	0.65	-49.21	
Dividends payable	10,395,716.90	0.09	17,446,367.21	0.13	-40.41	

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Item	Balance as at December 31, 2016	Proportion of balance as at December 31, 2016 in total assets (%)	Balance as at December 31, 2015	Proportion of balance as at December 31, 2015 in total assets (%)	Proportion of balance as at December 31, 2016 in balance as at December 31, 2015 (%)	Remark:
Other payables	121,497,961.43	1.01	241,946,135.93	1.75	-49.78	
Non-current liabilities maturing within one year	1,097,443,064.35	9.15	570,000,000.00	4.13	92.53	
Long-term borrowings	935,973,175.48	7.80	657,503,175.48	4.77	42.35	
Bonds payable		0.00	994,883,934.85	7.21	-100.00	

Remark:

- (1) As at the end of the period, the cash and cash equivalents increased by 31.43% as compared with that as at the beginning of the period, mainly due to the money returned and borrowings received in large amount as at the end of the period;
- (2) At the end of the period, accounts receivable decreased by 31.73% over the beginning of the period, mainly due to that the Company took measures to put more efforts in payback, and had a significant decrease in the original value of accounts receivable as compared with that at the beginning of the period; and had a slight increase in allowance for bad debts because of the impact of rolling aging and special provision;
- (3) Advances to suppliers as at end of the period decreased by 34.67% over the beginning of the period, mainly due to the decrease in prepayment arising from stock up in 2016;
- (4) Dividends receivable at the end of the period decreased by 93.82% as compared with that at the beginning of the period, mainly due to that the Company actually received the dividends paid by Chengdu Datang Communication Cable, Co. Ltd.;
- (5) Other receivables as at end of the period decreased by 45.16% over the beginning of the period, mainly due to that the Company took back security deposit and proceeds from disposal of equities;
- (6) Long-term receivables at the end of the period decreased by 100.00% over the beginning of the period, mainly due to that the allowance for bad debts was made in full as such long-term receivables were involved in the litigation, and it would be difficult to recover such funds;
- (7) The construction in progress at the end of the period rose by 48.44% over the beginning of the period, mainly due to the increase in the expenses in Yongfeng Phase III Project;
- (8) Long-term deferred expenses at the end of the period increased by 258.17% over the beginning of the period, mainly due to the increase in the expenses for purchase of game copyrights and decoration of office buildings by Guangzhou Yaowan during the reporting period;
- (9) Deferred income tax assets at the end of the period increased by 33.01% over the beginning of the period, mainly due to significant increase in deductible temporary differences arising from the provision of losses from asset impairment in large amount in 2016;

- (10) The short-term borrowings at the end of the period rose by 30.58% over the beginning of the period, mainly due to the increase in short-term borrowings at the end of the year;
- (11) Taxes and surcharges payable as at end of the period decreased by 49.21% over the beginning of the period, mainly due to sharp decrease in the enterprise income tax payable at the end of the year because of the impact of the overall operation in 2016;
- (12) Dividends payable at the end of the period decreased by 40.41% over the beginning of the period, mainly due to that DATANG Microelectronics actually paid the dividends to minority shareholders;
- (13) Other payables at the end of the period decreased by 49.78% over the beginning of the period, mainly due to that the Company actually made payment for purchase of equities of Guangzhou Yaowan;
- (14) Non-current liabilities maturing within one year as at the end of the period increased by 92.53% over the beginning of the period, mainly due to that Hongkong Datang's bonds payable and part of long-term borrowings are due in 2017, and are reclassified in non-current liabilities maturing within one year;
- (15) The long-term borrowings at the end of the period rose by 42.35% over the beginning of the period, mainly due to the increase in long-term borrowings in 2016;
- (16) Bonds payable as at the end of the period decreased by 100% over the beginning of the period, mainly due to that Hongkong Datang's bonds payable are due in 2017, and are reclassified in non-current liabilities maturing within one year;

2. Restricted main assets as at the end of the reporting period

☒ Applicable ☐ Not applicable

3. Others

☒ Applicable ☐ Not applicable

(IV) Analysis on Operating Information of Industry

☒ Applicable ☐ Not applicable

The year 2016 is the opening year of the "13th Five-Year Plan" and a key year to deepen the reform of state-owned enterprises. At the macro level, the uncertainty in global economy increased; China's economy saw a slow but steady growth, but there were still many prominent contradictions and problems in the economic operation: excess capacity and prominent contradictions in the upgrading of demand structure, and insufficient endogenous impetus in economic growth.

Viewed from the Company's industrial market, challenges and opportunities coexist. It can be seen that the market competition heats up in the ICT industry, and the concentration in the integrated circuit design industry is strengthened. Global chip companies have to seek transformation development with obvious oligopoly competition trend. There are significant changes in the structure of the terminal design market, and weak growth in the consumption terminal market. Moreover, the industry concentration is further enhanced. Software industry is in the rapid transition to the network. Cloud computing and big data have become the core competitiveness of industrial development. But, at the same time, "new technologies, new business and new models" pop up in the ICT industry. Later, specific terminal and its applications to industry customers will have an opportunity for rapid growth. When it comes to automobile, new demand in new energy vehicles, intelligent network vehicles, unmanned

vehicles and other emerging areas continue to emerge, leading to a rapid growth in the market scale. In the aspect of the industry, the State strongly supports the development in robotics, industrial control, industrial big data, industrial Internet and other application areas. In the aspect of Internet of Things, the technology and security connectivity management system of core connectivity chips become a key area of technology and market competition, and there is still huge space for this industry to grow.

(V) Investment analysis

1. Overall analysis of external equity investment

√Applicable □ Not applicable

Monetary unit: RMB 0,000

Amount invested in the reporting period	62,000.00
Increase/decrease in the investment	36,678.08
Investment in the same period of last year	25,321.92
Increase or decrease in the investment (%)	145

(1) Significant equity investment

√Applicable □ Not applicable

① In June 2016, the Company, upon the approval at the 42th meeting of the 6th board of directors, agreed that the wholly-owned subsidiary Guangzhou Yaowan would contribute RMB 10 million in cash to establish Shanghai Yaowan Network Technology Co., Ltd. in Shanghai for operation and promotion of game products; and contribute RMB 10 million in cash to establish Guangzhou Kuaiyu Network Technology Co., Ltd. in Guangzhou for research and development of game products. The newly established subsidiaries Shanghai Yaowan and Guangzhou Kuaiyu have completed the registration of industrial and commercial establishment for the above matters in 2016.

② In November 2016, upon approval at the 3rd meeting of the 6th board of directors of the company, the Company agreed to purchase 100% equities of Datang Terminal Technology Co., Ltd. held by Datang Telecom (H.K.) Limited at a procurement price of RMB 600 million. The Company has completed the registration of industrial and commercial for the changes of above matters in 2016.

(2) Significant non-equity investment

√Applicable □ Not applicable

(3) Financial assets measured at fair value

√Applicable □ Not applicable

(VI) Significant assets and equity sales

√Applicable □ Not applicable

① In March 2016, the Company, upon the approval at the 38th meeting of the 6th board of directors, agreed to transfer 80% equity of Datang Telecom (Nanjing) Energy-saving & Information Technology Co., Ltd. held by the Company by public listing at the property rights exchange: Such equities were transferred to Jiangsu Chenwu Energy Conservation Technology Co., Ltd. at a price of RMB 40 million. Datang Telecom (Nanjing) Energy-saving & Information Technology Co., Ltd. will be no longer involved in the scope of the Company's consolidated statements. The Company has completed the registration of industrial and commercial for the changes of above matters in 2016.

② In December 2016, upon approval at the 5th meeting of the 7th board of directors of the Company, the Company agreed to transfer its 21.2% equities in Guangzhou Yaowan Entertainment Network Technology Co., Ltd. through the listing system in the equity exchange. On January 13, 2017, the first extraordinary general meeting of the Company in 2017 deliberated and adopted the Proposal on the Transfer of Part of Equities of

Guangzhou Yaowan Entertainment Network Technology Co., Ltd.. In April 2017, Zhou Hao, Chen Yong, Datang Telecom Investment Co., Ltd. and Beijing Hongtian Growth Asset Management Co., Ltd., after going through the relevant procedures of China Beijing Equity Exchange, accepted 21.2% equities of Guangzhou Yaowan at a price of RMB 368.88 million and signed the Property Transaction Contract.

(VII) Analysis of main controlling shareholders and participating shareholders

√Applicable □ Not applicable

Monetary unit: Yuan

Unit	Business scope	Registered capital	Total assets	Shareholders' equity	Operating income	Net profits
Datang Semiconductor Design Co., Ltd.(merger)	Integrated circuit design and computer system integration; technology development, technology transfer, technical service and technical advice in the field of integrated circuit; sales of electronic products, computer software and hardware and auxiliary equipment, communication equipment, instruments and meters; import and export of goods, import and export of technology, agent import and export. Engineering surveying and design; property management. (Except projects without achieving administrative license)	777,990,000.00	4,565,524,908.74	1,536,732,648.07	2,191,172,493.35	-458,118,356.45
Leadcore Technology Co., Ltd. (merger)	Technology development, technology transfer, technical advice, technical services, technical training, technical contracting, technology investment, technology intermediary in the field of electronic products, computer software and hardware, communication equipment, and integrated circuit; product development and sales in the field of electronics, communication equipment, and integrated circuits; sales of electronics, communication equipment, and integrated circuits; import and export of goods and technology business	370,384,615.00	2,314,414,708.20	736,292,308.94	805,134,142.70	-398,883,741.22
Datang Microelectronics Technology Co., Ltd.	Research, development and production of integrated circuit products, smart card system and software, computer systems integration; provision of technology development, transfer of technology, technical service and technical advices; sale of self-produced products.	204,210,526.32	1,501,535,656.48	611,015,803.10	823,424,184.58	24,055,174.02
Datang NXP Semiconductors Co., Ltd.	Research, development, design, production and sales of semiconductor integrated circuit and electronic components and provide technology transfer, technical consulting and technology services; import and export of related technology in the field of integrated circuit (except national restrictions and prohibitions); wholesale, import and export of integrated circuit products (without involvement of the state-run trade management goods, with	125,091,843.75	220,876,230.51	133,456,863.25	77,395,460.70	3,389,064.70

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Unit	Business scope	Registered capital	Total assets	Shareholders' equity	Operating income	Net profits
	involvement of quota license management goods that shall be applied in accordance with the relevant state regulations)					
DATANG Terminal Technology Co., Ltd. (merger)	Research and development, manufacturing and sales of communication and electronic equipment and related products, mobile phones, instruments, office equipment, computer hardware and software and peripheral equipment, system integration, optical cable, microelectronics devices, industrial electronic module, communication equipment and components; technology development, technology transfer, technical consulting, technology services, and business consulting (excluding brokerage) in the field of communication, computer network engineering, system integration technology; import and export of self-management and agent goods and technologies; leasing of self-holding mechanical equipment and specialized electronic industrial equipment; research and development of bio-metric technologies including fingerprints instruments (operation of the project which shall be approved in accordance with the laws shall start only after the approval of the relevant departments)	663,017,700.00	1,041,513,236.87	252,792,097.12	1,701,539,321.82	-393,384,891.89
DATANG Terminal Equipment Co., Ltd.	Technology development, technology transfer, technical consulting, technical services, manufacturing, sales of electronic and communications equipment, mobile phones, and other equipment and meters	194,000,000.00	141,636,965.72	-28,692,155.25	354,692,469.32	-90,940,559.79
Shanghai Uniscope Communication Technologies Co., Ltd.(merger)	Research and development, and sales of communication equipment and related products; technology development, technology transfer, technical consulting, technology services, and business consulting (excluding brokerage) in the field of communication, computer, network engineering and system integration technology; import and export of goods and technologies	6,000,000.00	734,752,605.48	69,825,734.37	1,198,272,282.76	-232,816,338.11
Qidong Uniscope Electronics Co., Ltd.	Manufacturing and sales of industrial electronic module and communication equipment and components Export of self-produced products and technologies, export of machinery and equipment, spare parts, raw and auxiliary materials and technology required by itself, lease of special equipment for electronic industry	10,000,000.00	53,775,255.52	42,749,375.35	21,288,302.79	-9,258,790.75

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Unit	Business scope	Registered capital	Total assets	Shareholders' equity	Operating income	Net profits
DATANG Software Technology Co., Ltd.(merger)	Technology development, technical services and technology promotion; products import and export business; computer system, basic software and application software services; data processing; sales of computers, software and auxiliary equipment and communications equipment; machinery equipment leasing (excluding car rental); computer and communication equipment leasing; engineering and technology research and experimental development; professional contract	109,720,080.00	1,671,744,661.97	-47,463,501.51	1,411,723,704.15	-390,671,199.44
Jiangsu I-front Science & Technology Co., Ltd.(merger)	Road traffic monitoring, charging, communication system, security facilities project, intelligent urban road traffic and landscape lighting engineering, building intelligence engineering, design and construction of all kinds of electronics, information, and computer systems engineering; installation and sales of mechanical and electronic products.	100,000,000.00	649,622,048.84	245,047,192.68	372,601,061.18	12,035,243.26
Datang Telecom (Chengdu) Information Technology Co., Ltd.	Sales of electronic equipment, communication equipment, application system integration, optical cable, radio frequency identification tag and read/write device, sensing equipment, detection equipment, and positioning equipment and system; microelectronic device research, development, production, sales, technology transfer and technical advisory service; communication and information system engineering design; intelligent management software development and sales; commodity information consulting service; as well as other legitimate projects no need of permission or approval.	100,000,000.00	101,214,568.23	11,103,702.65	14,022,447.39	-49,121,911.20
Xi'an Datang Telecom Technology Co., Ltd.	Development, production and sales of communication equipment, communication terminal and electronic components.	492,398,051.93	325,462,386.06	-597,316,991.62	30,032,893.94	-377,225,878.20
Guangzhou Yaowan Entertainment Network Technology Co., Ltd.(merger)	Research and development of animation technology, computer hardware and software products and network technology, communication equipment and electronic products; sales of animation products, computers, software and auxiliary equipment, communication equipment and electronic products; design, production, agents and release of various domestic and foreign advertisements; information service business	10,763,441.00	589,503,924.96	412,788,380.85	438,711,745.99	237,945,365.91

(VIII) Structured body by controlled by the Company√Applicable ☐ Not applicable**III. Discussion and Analysis on the Future Development of the Company****(I) Industry structure and trend**√Applicable ☐ Not applicable

At present, China's economic development enters a new normal with constant changes in the development way, speed and momentum. In general, China saw a slow but steady growth in the economy, but there were excess capacity and prominent in contradictions in the upgrading of demand structure and insufficient endogenous impetus in economic growth. The State gradually deepens the implementation of the strategic planning on the construction of a network power and the promotion of the real economy, thus bringing about a positive impact on the development of China's manufacturing industry and information communication industry, especially the core chip design and manufacturing industry and other relevant industries. In the "13th Five-Year Plan", the plans on national strategic emerging industry, information communication industry, big data industry, new energy vehicles industry and other industries have been released, and pointed out the direction for the in-depth development of the Made in China 2025 strategy, Internet of Things, internet of vehicles, Industrial Internet and other fields.

Overall, the electronic information industry enjoys a sound momentum of development; the integrated circuit industry enters into an upturn cycle; and the structure upgrading drives the application development of the subdivision industry driven at a higher speed. Automotive semiconductor and industrial control post the fastest growth in the integrated circuit design field. "Green" semiconductor products and solutions take a lead in the application market of the subdivision industry.

In the field of integrated circuit design, the industrial integration is intensified; global chip companies have to seek transformation development with obvious oligopoly competition trend; the concentration on China's IC design industry further improved with gradual achievement of industrial merger and acquisition and active capital operation; and the top ten design companies mainly engage in the communications terminal, image and card chip field. There are full competition in the connectivity technology and great potential in "green" and "safe" connectivity chips. The automotive semiconductor market post a significant growth, especially the semiconductor products applied to electric vehicles have enormous market demand. The new energy vehicles experience a rapid development, while there is great demand for the battery management system. Industrial controlled semiconductor devices and modules have a remarkable growth, specifically, MCU, IGBT and other products have attracted great attention.

In the field of terminal design and manufacturing, general terminal manufacturers enhance self-development and weaken the OEM mode; and special terminal and industry terminal have greater demand for technologies, and are expected to grow rapidly. Great demand for Internet of Things terminal and vehicle-mounted terminal can be seen.

In the field of software and informatization, "Internet Plus", cloud computing, intelligent manufacturing, industrial network and other fields have a rapid development, and the whole industry maintains steady and rapid development. The transformation of the economy and society, including the expansion of the residence information consumption, the upgrading of enterprise equipment investment and consumption and the transformation of government public services consumption, leaves a broad space for the application of cloud computing, big data and other new technologies.

The field of mobile Internet is still in a period of rapid development, but industrial bubbles appear indistinctly, and a large number of homogenization and low technology innovation projects are eliminated in the market competition. Benefited from the national strategy of "Internet Plus" and "Public Entrepreneurship and Innovation", the science and technology business incubator base, the maker space and other innovation and entrepreneurship service agencies also have good prospects for development.

(II) Company Development Strategy

√Applicable ☐ Not applicable

On the basis of the previously developed "13th Five-Year Plan", the Company, after summing up the development experience and carefully studying the complicated market and technology competition environment at present and for some time to come, insisted on the improvement of quality and efficiency, aimed at boosting profitability, stick to the market-oriented and profit-oriented strategy, further made the existing industries stronger, controlled the scale of the consumption business, make layout in the industry control and automobile electronic field, cultivated new business growth points, and took use of respective competition characteristics and advantages of the existing industries to actively promote the industrial linkage, to create a new situation of healthy linkage and coordinated development under which the upstream supports the downstream and the downstream drives the upstream, and to form a business system with balanced, stable and sustainable development.

(III) Business Plan

√Applicable ☐ Not applicable

In 2017, under the guidance of the "13th Five-Year" strategy, the Company will deem the industry and capital operation as the starting point, become market and profit-oriented, further do well in the operation and improve the assets quality, and make good use of the management tools to ensure the good operation quality, the control of operation risks, and the quality, efficient and sustainable development. The Company will continue to advance the industrial restructuring by enhancing its industrial advantages and controlling the scale of the consumption business in a stable and orderly manner; consolidate its position in the security chip industry, and promote the integration and transformation of mobile terminal chip business; and promote the layout of the integrated circuit design business in the industry, automobile electronic and other non-consumption fields, strengthen the automotive electronic chip business, foster new business growth points, and form a business system of balanced, stable and sustainable development. In the terminal design field, the Company will promote the adjustment on the ODM and PCBA business structure, cut inventory and receivables, strive to explore overseas markets, optimize the structure of domestic customers, improve the quality of orders; and vigorously develop the industry terminal and application platform, complete the research and development of special terminal products, and is well prepared for the market. In the field of software and industry application, the Company will develop in key industries, focus on the areas of strength, and strive to create a self-development business platform and core products, strengthen the share and reuse of the software platform, and improve the business profitability of the industry informatization sector; and continue to promote the reform of mixed ownership and to maintain a stable profitability level of online game business to ensure the introduction of new game products as scheduled.

In 2017, the Company will continue to improve the efficiency by cutting work force and reducing layers of management by adjusting the three-layer management model of "Company headquarters-business sector-business units" to the two-layer management model of "Company headquarters-business unit". The Company will 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; improve

the research and development system and efficiency, and exchange the improvement of management for the improvement of benefits.

(IV) Possible Risks

√Applicable ☐ Not applicable

1. Market risk

At present, new technologies in the field of information communication are constantly emerging; new products and new commercial activities pop up; the industry concentration in part of the fields is increased; and the market competition is further intensified, resulting in the increase the market risks in part of the fields.

IC design business. With the slowdown in the growth of the mobile terminal chip market, the industry concentration has improved, and traditional mobile communication chip manufacturers have to seek new market growth points. In the bank IC card chip market, it is difficult to change the competition pattern under which foreign manufacturers dominate the market, and price competition tends to be intensified. With the rapid development of the automotive semiconductor industry, new entrants at home and abroad have increased significantly, and the market access threshold has been lowered.

Terminal design business. As the proportion of main terminal manufacturers doing independent research and development continues to increase, the market demand for ODM/PCBA has a slight decline; the consumption terminal design business faces the risks in double reduction of primary market and secondary market.

Software and application business. The Company's Smart City business presented the characteristic of significant fragmentation, resulting in that the scale effect of such business is not obvious enough. Later, the Company needs to focus on limited key business markets, which still requires a certain time to explore.

Mobile internet business. The Company's online game business faces fierce market competition. Two major Internet giants occupy 70% market share in the online game industry. Homogeneous and repetitive projects struggle to survive.

Overall, the ICT market which the Company belongs to is a fully competitive market in the world. The consumption market and the industry market show different competitive patterns and trends. In the face of the consumption market with more and more risks, the Company will control the scale of the consumption business. For the non-consumption market with good growth, the Company will conduct in-depth market research, further focus on the business direction, increase investment in resources, take effective measures to avoid market risks, and strive to achieve more prominent market advantage.

2. Financial and operational risk

In 2016, the Company had a loss in operation and significant decline in the gross profit. At the same time, the Company, after operating for so many years, faces accumulated operation and financial risks. The company's capital quality, capital structure, and operational efficiency and profitability still need to be improved, and its debt burden needs to be released. There is still room for the improvement of its operating capital management. The possible financial and operational risks may have a negative effect on the company's performance improvement, as well as its benign and healthy development.

For these problems, in 2017, the Company will regard the comprehensive budget management as the core, enhance the efficiency of capital allocation and utilization; and promote the accounting of the product line, and refine the financial management. The Company will further strengthen the cost control, search for the weakness in the cost management, and reduce the costs and improve the efficiency; actively broaden the financing channels, optimize the financing structure, continue to strengthen the management of accounts receivable and inventory, promote the classification

management of accounts receivable and inventory, and enhance the tracking analysis and supervision and inspection to ensure the constant reduction of occupation of funds.

(V) Others

☐Applicable ☒Not applicable

IV. Notes to the failure of disclosure in compliance with the standards due to the inconformity with the standards by the Company or other special reasons including State secrets and trade secrets and relevant reasons

☐Applicable ☒Not applicable

Section 5 Significant Matters

I. Plan on profit distribution of ordinary shares or conversion of capital reserves

(I) Formulation, implementation or adjustment of cash dividend policy

☒Applicable ☐Not applicable

The Company has explicitly described the specific conditions and proportion of cash dividends, review process of profit distribution plan, decision-making process for revision of profit distribution policy and authority to be exercised by independent directors in the provisions of the Articles of Association on cash dividend policies revised on September 11, 2012.

The amount of the Company's loss and its undistributed profit during the reporting period was negative number, and adopted by the 10th meeting of the seventh board of directors of the Company upon deliberation, there was no profit distribution plan or plan for conversion of provident fund into share capital during the reporting period.

(II) Plans for profit distribution for ordinary shares, and plans for capital reserves into equities in the latest three years (including the reporting period)

Unit: Yuan Currency: RMB

Dividend payout year	Number of bonus shares per 10 shares (share)	Dividends paid per 10 shares (RMB) (tax inclusive)	Increase per 10 shares (share)	Amount of cash dividends (tax inclusive)	Net profit attributable to shareholders of the listed company in the consolidated statement in the dividend payout year	Net profit attributable to shareholders of the listed company in the consolidated statement (%)
2016					-1,775,623,467.63	
2015					28,443,877.59	
2014					217,042,207.05	

(III) Share repurchase in cash included in cash dividends

☐Applicable ☒Not applicable

(IV) Detailed reasons for profit in the reporting period and a positive amount of the profit available for distribution to ordinary shareholders of the parent company, but without a plan for the distribution of cash profit on ordinary shares, as well as the purpose of and using plan for such undistributed profit

☐Applicable ☒Not applicable

II. Status of the implementation of the commitment

(I) Commitments of the actual controller, shareholders, related parties, acquirers of the Company and other relevant parties to a commitment to the Company in the reporting period or lasting to the reporting period

√Applicable □Not applicable

Background for commitments	Type of commitments	Commitment party	Commitment content	Commitment time and deadline	If there is a deadline for performance	If it is timely strictly performed	If it is not timely strictly performed, the specific reasons for the unfinished fulfilled is required to be stated	If it is not timely strictly performed, the next plan is required to be described
Commitment related to major asset restructuring	Restricted shares	Zhou Hao, Chen Yong, Ye Yubin and Zhejiang Hongfan Venture Capital Co., Ltd.	The shares of the public companies subscribed shall not be transferred, pledged or disposed of otherwise (hereinafter referred to as the "transfer") within 12 months since the end of this transaction; no more than 30% within 24 months, no more than 60% within 36 months, no more than 90% within 48 months and no more than 95% within 60 months; and the remaining shares may be transferred after the 60 th month since the end of this transaction. After this transaction, the shares increased by the subscriber due to the bonus shares given by Datang Telecom, the conversion of shares and other reasons should be included in the subscribed shares and subject to the foregoing provisions. In case that the China Securities Regulatory Commission and/or the Shanghai Exchange Stock disagree with the above-mentioned arrangement for lockup period, it agrees to revise and implement such arrangement in accordance with the opinions of the CSRC and/or Shanghai Stock Exchange For the subscribed shares, the transfer after the expiration of the lockup period will be conducted in accordance with the laws,	Commitment time: June 24, 2013; commitment term: 5 years	Yes	Yes		

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Background for commitments	Type of commitments	Commitment party	Commitment content	Commitment time and deadline	If there is a deadline for performance	If it is timely strictly performed	If it is not timely strictly performed, the specific reasons for the unfinished fulfilled is required to be stated	If it is not timely strictly performed, the next plan is required to be described
			regulations and the provisions of the Shanghai Exchange Stock in effective.					
			If it has held the equities of Guangzhou Yaowan for 12 months as at the transaction date, it shall undertake not to transfer the subscribed shares of Datang Telecom in any way within 12 months since the end of this transaction; no more than 30% within 24 months, no more than 60% within 36 months, no more than 90% within 48 months and no more than 95% within 60 months; and the remaining shares may be transferred after the 60 th month since the end of this transaction. After this transaction, the shares increased by the subscriber due to the bonus shares given by Datang Telecom, the conversion of shares and other reasons should be included in the subscribed shares and subject to the foregoing provisions. In case that the China Securities Regulatory Commission and/or the Shanghai Exchange Stock disagree with the above-mentioned arrangement for lockup period, it agrees to revise and implement such arrangement in accordance with the opinions of the CSRC and/or Shanghai Stock Exchange For the subscribed shares, the transfer after the expiration of the lockup period will be conducted in accordance with the laws, regulations and the provisions of the Shanghai Exchange Stock in effective.	Commitment time: June 24, 2013; commitment term: 5 years	Yes	Yes		
	Restricted shares	Chen Ling, Kang Yanzun, Huang Yong, Guangzhou Shibao Investment Partnership (Limited Partnership) and Haitong Kaiyuan Investment Limited						
	Earnings prediction	Zhou Hao, Chen Yong, Ye	If the transaction is completed in 2014, the	Commitment time:	Yes	Yes		

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Background for commitments	Type of commitments	Commitment party	Commitment content	Commitment time and deadline	If there is a deadline for performance	If it is timely strictly performed	If it is not timely strictly performed, the specific reasons for the unfinished fulfilled is required to be stated	If it is not timely strictly performed, the next plan is required to be described
	and compensation	Yubin, Chen Ling, Kang Yanzun, Huang Yong, Zhejiang Hongfan Venture Capital Co., Ltd. and Guangzhou Shibao investment partnership (Limited Partnership)	subscriber promises that the actual net profit of Guangzhou Yaowan as at the end of 2014, 2015 and 2016 will not be less than the predicted accumulated net profits at the same time. See the Report of Datang Telecom Technology Co., Ltd. on Issuance of Shares and Payment of Cash to Purchase Assets and Raise Supporting Funds in the website of Shanghai Exchange Stock on November 6, 2013 for details of Profit Forecast Compensation Agreement.	June 24, 2013; commitment term: 3 years				
	Settling issues concerning horizontal competition	Zhou Hao and Chen Yong	1. During the period in which I hold shares of Datang Telecom and in the next three years, neither I or my family members having close ties to me (refer to the provisions of the Rules of the Shanghai Stock Exchange on the Listing of Stocks (Revised in 2012) for the definition of family members) shall engage in, participate or assist others in any operating activities which Datang Telecom is engaging in then or have direct or indirect competitive relation with Datang Telecom in any form (including, but not limited to independent operation or joint ventures, collaboration or joint operation within or outside the territory of China), or directly or indirectly invest in any economic entity which has direct or indirect competitive relation with any business that Datang Telecom or its subsidiaries are engaging in then. 2. If I breach the above-mentioned obligations of avoidance of competition within the same	Commitment time: June 24, 2013; commitment term: 3 years	Yes	Yes		

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Background for commitments	Type of commitments	Commitment party	Commitment content	Commitment time and deadline	If there is a deadline for performance	If it is timely strictly performed	If it is not timely strictly performed, the specific reasons for the unfinished fulfilled is required to be stated	If it is not timely strictly performed, the next plan is required to be described
			industry, a penalty of 10% of the price of the shares under non-public replacement and assets purchased by cash shall be given to Datang Telecom as compensation.					
	Others	China Academy of Telecommunications Technology	Assure the commitment of the public companies on "Five Independent" and avoidance of competition within the same industry and standardization of related party transactions.	Commitment time: May 14, 2012; commitment term: long term effective	Yes	Yes		
	Others	Zhou Hao and Chen Yong	Not resign from Guangzhou Yaowan within five years from the date of completion of the transaction unless agreed by Datang Telecom	Commitment time: June 24, 2013; commitment term: 5 years	Yes	Yes		
Other commitments to minority shareholders of the Company	Others	China Academy of Telecommunications Technology	I. The China Academy of Telecommunications Technology takes initiative to undertake the social responsibility and will not sell the shares of the company within six months as of July 10, 2015. II. The China Academy of Telecommunications Technology will choose a good chance to buy more shares of the company in compliance with the laws, regulations and the regulation provisions.	Commitment time: July 10, 2015; commitment term: 6 months	No			

(II) When forecasting the profitability of corporate assets or projects, provided that the reporting period still falls in the profitability forecast period, the company should make statements on whether the original forecast profit value is reached in respect of the assets or projects and explain the reasons therefor.

√Reached ☐Unreached ☐Not applicable

From 2013 to 2014, issued shares and paid cash to buy asserts, and raised matching asserts major asset restructuring projects, the company signed "Profit Forecast Compensation Agreement" and "Profit Forecast Compensation Supplemental Agreement" with Zhou Hao, Chen Yong, Ye Yubin, Chen Ling, Kang Yanzun, Huang Yong, Zhejiang Hongfan Venture Capital Co., Ltd., and Guangzhou Shibao Investment Partnership (limited partnership); for details, please refer to Report on Issuing of Shares of DATANG Telecom Technology Co., Ltd. and Buying Assets by Cash Payment and Raising Supporting Funds published on the Shanghai Stock Exchange website on June 10, 2014. As of December 31, 2016, the promised profits for year 2016 of Guangzhou Yaowan have been achieved. Specific conditions as follows:

(Monetary Unit: RMB 0,000)		
Company	Annual projected profits in 2016	Annual actual profits in 2016
Guangzhou Yaowan	23,707.37	23,721.47

The forecasting profits and the actual profits of Guangzhou Yaowan are net profits (excluding legally obtained fiscal subsidies and tax deduction and exemption) after deducting nonrecurring gains and losses. BDO Shu Lun Pan Certified Public Accountants LLP issued the special auditors' report (PCPAR [2017] No.ZG11680) based on the 2016 annual forecast profit realization of the Guangzhou Yaowan.

III. Occupied funds and debt settlement progress during the reporting period

☐Applicable ☒Not applicable

IV. Notes of the Company to the "Non-standard Auditor's Report" of the accounting firm

☐Applicable ☒Not applicable

V. Notes of the Company to the analysis on the reasons for and effects of changes in accounting policies and accounting estimates or corrections of significant accounting errors

(I) Notes of the Company to the analysis on the reasons for and effects of changes in accounting policies and accounting estimates

√Applicable ☐Not applicable

On December 3, 2016, the Ministry of Finance issued the Provisions on the Accounting Treatment for Value-added Tax (Cai Kuai [2016] No.22, the "Provisions"), which is applicable to relevant transactions occurring as of May 1, 2016. According to the Provisions, the major effect on the Company is set out as follows:

1. The item "business taxes and surcharges" in the income statement was adjusted to the item "taxes and surcharges" therein.
2. Such sub-items as the property tax, land use tax, vehicle and vessel use tax and stamp duty levied from enterprise operating activities as of May 1, 2016 under the item "general and administrative expenses" was reclassified into the item "taxes and surcharges", taxes incurred prior to May 1, 2016 shall not be adjusted. Compared date shall not be adjusted as well.
3. The sub-item "VAT amount where income (or profit) has been recognized but the VAT has not been paid and which shall be recognized as the output tax amount" under the item "taxes and surcharges payable" was reclassified into the item "other current liabilities" (or "other non-current liabilities"). Compared data shall not be adjusted.

4. Such sub-items of debit balance in relation to "VAT payable", "Unpaid VAT", "Input tax to be deducted", "Input tax to be certificated" and "Excess VAT paid for future offsetting" under the item "taxes and surcharges payable" was reclassified into the item "other current assets" (or "other non-current assets"). Compared data shall not been adjusted.

For details of the amount under specific effects see "29. Changes in principal accounting policies and accounting estimates" of "III. Principal accounting policies and accounting estimates" of Section 11 Financial Report.

(II) Notes of the Company to the analysis on the reasons for and effects of corrections of significant accounting errors

☐Applicable ☒Not applicable

(III) Notes of the Company to the communication with the former accounting firm

☐Applicable ☒Not applicable

(IV) Notes to other matters

☐Applicable ☒Not applicable

VI. Appointment and dismissal of accounting firm

Unit: Yuan Currency: RMB		
Existing employment		
Name of domestic accounting firm	BDO CHINA Shu Lun Pan Certified Public Accountants LLP	
Reward of domestic accounting firm		1,380,000.00
Audit years of domestic accounting firms		6
Name of overseas accounting firm		
Reward of overseas accounting firm		
Audit years of overseas accounting firms		
	Name	Reward
Internal control audit accounting firm	BDO CHINA Shu Lun Pan Certified Public Accountants LLP	680,000.00
Financial advisor		
Sponsor		

Notes to the appointment and dismissal of accounting firm

☐Applicable ☒Not applicable

Notes to the changes of the accounting firm during the reporting period

☐Applicable ☒Not applicable

VII. Risks under which the listing of the stocks are suspended

(I) Reasons for suspension

☐Applicable ☒Not applicable

(II) Measures adopted by the Company to eliminate such circumstance

☐Applicable ☒Not applicable

VIII. Circumstances under which the listing of the stocks are terminated and relevant reasons

☐Applicable ☒Not applicable

IX. Related matters on bankruptcy and reorganization

☐Applicable ☒Not applicable

- X. Major lawsuits and arbitration**
☒The Company had major lawsuits and arbitration during the reporting period ☐The Company had no major lawsuits or arbitration during the reporting period
- (I) Lawsuits and arbitration which have been disclosed in the provisional announcement and have no subsequent progresses**
☒Applicable ☐Not applicable
- | Overview and type of event | Query index |
|----------------------------|---|
| Lawsuits and arbitration | See the Announcement of Datang Telecom Technology Co., Ltd. on Lawsuits and Arbitration on April 22, 2017 on SSE website for details. |
- (II) Lawsuits or arbitration which have not been disclosed in the provisional announcement but have subsequent progresses**
☐Applicable ☒Not applicable
- (III) Notes to other matters**
☐Applicable ☒Not applicable
- XI. Punishment and rectification on the listed company and its directors, supervisors, executives, controlling shareholders, actual controller and purchaser**
☐Applicable ☒Not applicable
- XII. Notes to credit conditions of the Company and its controlling shareholders and actual controllers during the reporting period**
☐Applicable ☒Not applicable
- XIII. The Company's equity incentive plan, employee stock ownership plans or other employee incentives and their impact**
- (I) Relevant incentive matters which have been disclosed in the provisional announcement and have no subsequent progresses or changes**
☐Applicable ☒Not applicable
- (II) Relevant incentive matters which have not been disclosed in the provisional announcement but have subsequent progresses**
- Equity incentive
☐Applicable ☒Not applicable
- Notes to other matters
☐Applicable ☒Not applicable
- Employee stock ownership plan
☐Applicable ☒Not applicable
- Other incentive measures
☐Applicable ☒Not applicable
- XIV. Significant related party transactions**
- (I) Related party transactions related to daily operation**
- 1. Matters which have been disclosed in the provisional announcement and have no subsequent progresses or changes**
☐Applicable ☒Not applicable

2. **Matters which have been disclosed in the provisional announcement but have subsequent progresses or changes**

√Applicable □Not applicable

(1) Purchase of goods/receipt of services

Unit: Yuan Currency: RMB

Related party	Related party transactions	Pricing mode and decision-making procedures of related party transactions	Year 2016		Year 2015	
			Amount	Proportion in the similar transactions (%)	Amount	Proportion in the similar transactions (%)
Datang Mobile Communications Equipment Co., Ltd.	Purchase of goods	Negotiated price	11,189,872.51	0.17	1,248,396.88	0.02
Gohigh Data Network Technology Co., Ltd.	Purchase of goods	Negotiated price	2,040,923.05	0.03	2,623,536.45	0.04
Shanghai DS Communication Equipment Co., Ltd.	Purchase of goods	Negotiated price	81,020.80	0.001	8,405.91	0.00
Semiconductor Manufacturing International Corporation	Purchase of goods	Negotiated price	108,042,916.27	1.68	125,084,114.93	1.67
Datang Telecom International Technology (Hong Kong) Company Limited	Purchase of goods	Negotiated price	184,557,912.25	2.88	273,637,129.65	3.65
Telecom Technology Instrument Research Institute	Purchase of goods	Negotiated price			531,037.53	0.01
Datang Telecom International Technology Co., Ltd.	Purchase of goods	Negotiated price	2,786,619.83	0.04		
The First China Academy of Telecommunications Technology	Purchase of goods	Negotiated price			394,895.28	0.01
Datang LinkTester Technology Co., Ltd.	Purchase of goods	Negotiated price	105,154.75	0.002	2,362,495.69	0.03
Datang Linktech Infosystem Co., Ltd.	Purchase of goods	Negotiated price	8,613,207.55	0.13	1,367,521.37	0.02
China Academy of Telecommunications Technology	Purchase of goods	Negotiated price	68,400,000.00	1.07	26,051,154.00	0.35
Data Communication Science and Technology Research Institute	Purchase of goods	Negotiated price			5,938,169.78	0.08
Shanghai Yuandongli Communication Technology Co., Ltd.	Purchase of goods	Negotiated price	1,047,738.91	0.02		
Beijing Datang Property Management Co., Ltd.	Receipt of services	Negotiated price	12,241.29	0.0002		
Research Institute of Data Communication Technologies	Receipt of services	Negotiated price	715,033.82	0.01	578,503.11	0.01

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Related party	Related party transactions	Pricing mode and decision-making procedures of related party transactions	Year 2016		Year 2015	
			Amount	Proportion in the similar transactions (%)	Amount	Proportion in the similar transactions (%)
China Academy of Telecommunications Technology	Receipt of services	Negotiated price			12,972,000.00	0.17
Datang Mobile Communications Equipment Co., Ltd.	Receipt of services	Negotiated price			1,698,113.21	0.02
Datang Telecom Technology Industry Holdings Co., Ltd.	Receipt of services	Negotiated price	2,120,075.49	0.03	750,000.00	0.01
Chengdu Tairui Communications Equipment Test Co., Ltd.	Receipt of services	Negotiated price	82,754.72	0.00	10,490.57	0.0001
Gohigh Data Network Technology Co., Ltd.	Receipt of services	Negotiated price			92,036.58	0.001
The First China Academy of Telecommunications Technology	Receipt of services	Negotiated price	188,122.64	0.003	1,267,600.00	0.02
Telecom Technology Instrument Research Institute	Receipt of services	Negotiated price			2,760.68	0.00004
Semiconductor Manufacturing International Corporation	Receipt of services	Negotiated price	10,814,067.11	0.17	11,207,153.30	0.15
Datang Telecom Technology International Co., Ltd.	Receipt of services	Negotiated price			27,000.00	0.0004
Total			400,797,660.99	6.24	467,852,514.92	6.26

(2) Sales of goods/rendering of services

Unit: Yuan Currency: RMB

Related party	Related party transactions	Pricing mode and decision-making procedures of related party transactions	Year 2016		Year 2015	
			Amount	Proportion in the similar transactions (%)	Amount	Proportion in the similar transactions (%)
Datang Telecom Technology Industry Holdings Co., Ltd.	Sales of goods	Negotiated price			4,800,000.00	0.06
Datang Mobile Communications Equipment Co., Ltd.	Sales of goods	Negotiated price	806,435.92	0.01	2,070,319.63	0.02
Gohigh Data Network Technology Co., Ltd.	Sales of goods	Negotiated price	2,861,429.20	0.04	8,490,566.07	0.10
Datang Telecom Technology International Co., Ltd.	Sales of goods	Negotiated price	348,665,411.37	4.82	595,324,123.14	6.92

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Related party	Related party transactions	Pricing mode and decision-making procedures of related party transactions	Year 2016		Year 2015	
			Amount	Proportion in the similar transactions (%)	Amount	Proportion in the similar transactions (%)
Datang Telecom Technology International (Hong Kong) Company Limited	Sales of goods	Negotiated price	183,152,479.18	2.53	250,301,863.84	2.91
Research Institute of Data Communication Technologies	Sales of goods	Negotiated price	181,552,000.00	2.51	109,343,269.18	1.27
Datang Liancheng Information System Technology Co., Ltd.	Sales of goods	Negotiated price	97,585,555.85	1.35	3,216,274.02	0.04
The Tenth China Academy of Telecommunications Technology	Sales of goods	Negotiated price	804,857.26	0.01	3,634,794.78	0.04
The Fourth China Academy of Telecommunications Technology	Sales of goods	Negotiated price	4,555.56	0.0001		-
The First China Academy of Telecommunications Technology	Sales of goods	Negotiated price	2,932,059.83	0.04		-
China Academy of Telecommunications Technology	Sales of goods	Negotiated price		-	360,000.00	0.004
Shanghai DS Communication Equipment Co., Ltd.	Rendering of services	Negotiated price		-	19,995.00	0.0002
The First China Academy of Telecommunications Technology	Rendering of services	Negotiated price	239,669.81	0.003	6,356,000.00	0.07
China Academy of Telecommunications Technology	Rendering of services	Negotiated price	2,333,311.33	0.03	308,079.24	0.0003
Datang Liancheng Information System Technology Co., Ltd.	Rendering of services	Negotiated price	969,464.74	0.01		-
Datang Telecom Technology Industry Holdings Co., Ltd.	Rendering of services	Negotiated price	35,377.36	0.0005	84,905.66	0.001
Total			821,942,607.41	11.35	984,310,190.56	11.43

(3) Other related transactions

Unit: Yuan Currency: RMB

Related party	Related party transactions	Type of transaction	Pricing principles of related party transactions	Year 2016	Year 2015
China Academy of Telecommunications Technology	Rentals, utilities, property fees and so on	Others	Negotiated price	27,350.00	932,313.00
Beijing Datang Carera Investment Co.	Rentals, utilities, property fees and so on	Others	Negotiated price	383,124.00	605,906.18
Beijing Datang Property Management Co., Ltd.	Rentals, utilities, property fees and so on	Others	Negotiated price	2,043,857.06	
Datang Telecom Technology Industry Holdings Co., Ltd.	Rentals, utilities, property fees and so on	Others	Negotiated price		1,125.00
The Fifth China Academy of Telecommunications Technology	Rentals, utilities, property fees and so on	Others	Negotiated price		234,684.00
The First China Academy of Telecommunications Technology	Rentals, utilities, property fees and so on	Others	Negotiated price		389,144.34
Total				2,454,331.06	2,163,172.52

3. Matters undisclosed in the provisional announcement

☐Applicable ☒Not applicable

(II) Related party transactions arising from the acquisition or sale of assets or equities

1. Matters which have been disclosed in the provisional announcement and have no subsequent progresses or changes

☐Applicable ☒Not applicable

2. Matters which have been disclosed in the provisional announcement but have subsequent progresses or changes

☐Applicable ☒Not applicable

3. Matters undisclosed in the provisional announcement

☐Applicable ☒Not applicable

4. Performance accomplishment involving performance arrangement which should be disclosed during the reporting period

☐Applicable ☒Not applicable

(III) Significant related party transactions involving joint external investment

1. Matters which have been disclosed in the provisional announcement and have no subsequent progresses or changes

☐Applicable ☒Not applicable

2. Matters which have been disclosed in the provisional announcement but have subsequent progresses or changes

☐Applicable ☒Not applicable

3. Matters undisclosed in the provisional announcement

☐Applicable ☒Not applicable

(IV) Related claims and debts**1. Matters which have been disclosed in the provisional announcement and have no subsequent progresses or changes**

□Applicable √Not applicable

2. Matters which have been disclosed in the provisional announcement but have subsequent progresses or changes

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Related party	Relationship	Provision of funds to related parties			Provision of funds to listed companies by related parties		
		Beginning balance	Amount occurred	Ending balance	Beginning balance	Amount occurred	Ending balance
China Academy of Telecommunications Technology	Parent company				1,429,000,000.00		1,429,000,000.00
Datang Telecom Technology Industry Holdings Co., Ltd.	Participating shareholder				88,000,000.00		88,000,000.00
Datang Telecom Group Finance Co., Ltd.	Wholly-owned subsidiary of the parent company				240,000,000.00	115,612,054.88	355,612,054.88
Total					1,757,000,000.00	115,612,054.88	1,872,612,054.88
The amount of funds (RMB) provided by the company to the controlling shareholder and its subsidiaries during the reporting period							
The balance (RMB) provided by the company to the controlling shareholder and its subsidiaries during the reporting period							
Causes of formation of related credits and debts		The relationship between the Company and China Academy of Telecommunications Technology, Datang Telecom Technology Industry Holdings Co., Ltd. and Datang Telecom Group Finance Co., Ltd. is mainly borrowings-related relationship, and the contracts have not yet expired thus the loans have not yet been repaid.					
Settlement of related credits and debts		The Company increased the loan by RMB 116 million from Datang Telecom Group Finance Co., Ltd.					
Commitments on related credits and debts		None.					
Impacts of related credits and debts on the Company's operating results and financial condition		The related credits and debts have relatively small impacts on the Company's operating results and financial condition.					

3. Matters undisclosed in the provisional announcement

□Applicable √Not applicable

(V) Others

□Applicable √Not applicable

XV. Major contracts and performance thereof**(I) Matters relating to trusteeship, contracting and leasing****1. Trusteeship**

□Applicable √Not applicable

2. Contracting

□Applicable √Not applicable

3. Leasing

□Applicable √Not applicable

(II) Guarantee

√Applicable □Not applicable

Unit: Yuan Currency: RMB

External guarantees of the Company (excluding guarantees to subsidiaries)													
Guarantor	Relationship between the guarantor and the listed company	Secured party	Guaranteed amount	Date of guarantee (agreement date)	Starting date of guarantee	Maturity date of guarantee	Type of guarantee	Whether the guarantee has been fulfilled or not	Guarantee overdue or not	Guarantee overdue amount	Whether a counter-guarantee exists	Whether the related party is guaranteed	Relationship
Total amount of guarantees during the reporting period (excluding guarantees to subsidiaries)													
Total guarantee balance as at the end of the reporting period (A) (excluding guarantees to subsidiaries)													
The Company's and its subsidiaries' guarantees to subsidiaries													
Total amount of guarantees during the reporting period for subsidiaries								1,618,085,307.06					
Total guarantee balance as at the end of the reporting period for subsidiaries (B)								2,104,098,359.87					
The Company's total guarantees (including guarantees to subsidiaries)													
Total amount of guarantees (A+B)								2,104,098,359.87					
Proportion of the total amount of guarantees in the Company's total net assets (%)								83.05					
Including:													
Amount of guarantees provided for shareholders, actual controllers and related parties (C)													
Amount of debt guarantees provided directly or indirectly to the asset-liability ratio exceeded 70% of the secured object (D)								1,839,540,618.88					
The amount which guarantees total is over 50% of net assets (E)								837,288,938.18					
Total amount of the above three guarantees (C+D+E)								2,676,829,557.06					
Unexpired guarantee may bear joint liability													
Guarantee description													

(III) Circumstances under which others are entrusted to manage spot assets**1. Entrusted assets management**

□Applicable √Not applicable

2. Entrusted loans

□Applicable √Not applicable

3. Other investment finance and derivatives investment

□Applicable √Not applicable

(IV) Other major contracts

□Applicable √Not applicable

XVI. Notes to other significant matters

□Applicable √Not applicable

XVII. Work status of active performance of social responsibilities**(I) Poverty alleviation of the listed company**

√Applicable □Not applicable

1. Targeted poverty alleviation program

Datang Telecom has implemented the targeted poverty alleviation policies of the central government, innovated and applied informationalized technologies as well as a new system of social governance, through the construction of "big data for poverty alleviation" - the grid management platform for targeted poverty alleviation, carried out specific practice for the "six items of the principle of accuracy" of targeted poverty alleviation, effectively implemented the principle of "the last kilometer" for the service for the people in difficulties, improved the multi-dimensional poverty monitoring and dynamic management mechanism, and achieved such working effectiveness as accurate help to, targeted policies for and two-way communication with the poor villages and poor households.

2. Annual summary for targeted poverty alleviation

Shenqiu, Henan, as an area of poverty alleviation specially designated by Datang Telecom, the Company participates in fixed-point poverty alleviation each year with other related entities under the Group. The Company does not only provide fund support for poverty alleviation and provide support for the reconstruction of local rural roads as well as special support for people in emergency and difficulties each year, but also actively carries out the "Intelligent Shenqiu" - a top-level design for information-based poverty alleviation and development, to promote local development. In 2016, Datang Telecom also actively participated in the information-based and targeted poverty alleviation in Tongzi, Guizhou.

3. Statistical table of targeted poverty alleviation of the listed company in 2016

Unit: RMB'0,000 Currency: RMB

Indicator	Quantity and development
I. General situation	
Including: 1. funds	15
II. Investment in sub-items	
1. Getting rid of poverty by industrial development	
	☐ Agriculture and forestry ☐ Tourism ☐ E-commerce ☐ Assets income ☒ Technologies ☐ Others
Including: 1.1 Project type	
1.2 Number of projects	2

4. Subsequent targeted poverty alleviation program

Shenqiu, Henan, as a key area of the Company's poverty alleviation, the Company plans to continue to participate in the fixed-point targeted poverty alleviation of this area, promotes the top-level design of local poverty alleviation, and provides accurate recommendations for the local poverty alleviation with the use of big data platform. The Company also has its own information-based products relating to poverty alleviation, which is very helpful to enhance the information management of poverty alleviation in domestic poor areas; the Company also plans to provide free or preferential measures for the relevant projects at the poor areas, and takes practical action to fulfill its social responsibility as a central enterprise.

(II) Work status of the performance of social responsibilities

☒ Applicable ☐ Not applicable

See the Report of Datang Telecom Technology Co., Ltd. on Social Responsibilities on April 22, 2017 on SSE website for details.

(III) Notes to environmental conditions of the companies and their subsidiaries belong to the heavy pollution industry specified by the environmental protection authorities

☐ Applicable ☒ Not applicable

(IV) Notes to other matters

☐ Applicable ☒ Not applicable

XVIII Convertible corporation bonds**(I) Issue of convertible corporation bonds**

☐ Applicable ☒ Not applicable

(II) Holder and guarantor of convertible corporation bonds during the reporting period

☐ Applicable ☒ Not applicable

(III) Changes in convertible corporation bonds during the reporting period

☐ Applicable ☒ Not applicable

(IV) Accumulated conversion of convertible corporation bonds during the reporting period

☐ Applicable ☒ Not applicable

(IV) Adjustments to conversion price

☐ Applicable ☒ Not applicable

(V) Liabilities, changes in credit and cash arrangements for repayment in the future years of the Company

☐ Applicable ☒ Not applicable

(VI) Notes to other circumstances of conversion

☐ Applicable ☒ Not applicable

Section 6 Changes of Ordinary Shares and Shareholders

I. Changes of ordinary shares

(I) Table of changes of ordinary shares

1. Table of changes of ordinary shares

Unit: share

	Before the change		Increase/decrease (+, -)					After the change	
	Quantity	Proportion (%)	New issue of shares	Share donation	Public reserve transferred to shares	Others	Subtotal	Quantity	Proportion (%)
I. Restricted shares	73,460,175	8.33				-30,774,191	-30,774,191	42,685,984	4.84
1. State shareholding									
2. State-owned legal person shareholding	1,653,737	0.19				0	0	1,653,737	0.19
3 Other domestic shareholding	71,806,438	8.14				-30,774,191	-30,774,191	41,032,247	4.65
Including:									
Domestic non state-owned legal-person shareholding	11,358,401	1.29				-4,867,887	-4,867,887	6,490,514	0.74
Domestic natural-person shareholding	60,448,037	6.85				-25,906,304	-25,906,304	34,541,733	3.92
4. Foreign shareholding									
Including: Foreign legal-person shareholding									
Foreign natural-person shareholding									
II. Unrestricted liquid share	808,648,297	91.67				+30,774,191	+30,774,191	839,422,488	95.16
1. RMB ordinary shares	808,648,297	91.67				+30,774,191	+30,774,191	839,422,488	95.16
2. Domestically -listed shares for the purchase of overseas investors									
3. Overseas -listed shares for the purchase of overseas investors									
4. Others									
III. Total ordinary shares	882,108,472	100				0	0	882,108,472	100

2. Notes to changes of ordinary shares

√ Applicable □ Not applicable

See the Notice of Datang Telecom Technology Co., Ltd. on the Non-public Offering of Restricted Shares for Circulation on May 5, 2016 on SSE website for details.

3. Impact (if any) of changes of ordinary shares on financial indexes of last year and previous period such as EPS, net asset per share, etc.

☐ Applicable ☒ Not applicable

4. Other contents which the company thinks it is necessary to disclose or which the security regulators require the company to disclose

☐ Applicable ☒ Not applicable

(II) Changes in restricted shares

☒ Applicable ☐ Not applicable

Unit: share

Name of shareholder	Quantity of restricted shares as at January 1, 2016	Quantity of restricted shares circulated in 2016	Quantity of restricted shares increased in 2016	Quantity of restricted shares as at December 31, 2016	Reason for restriction	Date of restricted share circulation
Zhou Hao	27,905,424	11,959,468	0	15,945,956	Restricted commitment	May 12, 2015 May 12, 2016 May 12, 2017 May 12, 2018 May 12, 2019
Chen Yong	24,900,318	10,671,565	0	14,228,753	Restricted commitment	May 12, 2015 May 12, 2016 May 12, 2017 May 12, 2018 May 12, 2019
Ye Yubin	1,965,999	842,571	0	1,123,428	Restricted commitment	May 12, 2015 May 12, 2016 May 12, 2017 May 12, 2018 May 12, 2019
Chen Ling	1,001,699	429,300	0	572,399	Restricted commitment	May 12, 2015 May 12, 2016 May 12, 2017 May 12, 2018 May 12, 2019
Kang Yanzun	868,139	372,060	0	496,079	Restricted commitment	May 12, 2015 May 12, 2016 May 12, 2017 May 12, 2018 May 12, 2019
Huang Yong	801,359	343,440	0	457,919	Restricted commitment	May 12, 2015 May 12, 2016 May 12, 2017 May 12, 2018 May 12, 2019
Zhejiang Hongfan Venture Capital Co., Ltd.	4,177,758	1,790,468	0	2,387,290	Restricted commitment	May 12, 2015 May 12, 2016 May 12, 2017 May 12, 2018 May 12, 2019
Guangzhou Shibao Investment Partnership (limited partnership)	3,005,099	1,287,900	0	1,717,199	Restricted commitment	May 12, 2015 May 12, 2016 May 12, 2017 May 12, 2018 May 12, 2019
Haitong Innovation Securities Investment Co., Ltd.	7,180,643	3,077,419	0	4,103,224	Restricted commitment	May 12, 2015 May 12, 2016 May 12, 2017 May 12, 2018 May 12, 2019
Total	71,806,438	30,774,191	0	41,032,247	/	/

II. Securities issue and listing**(I) Details of securities issue as at the end of the reporting period**

☐ Applicable ☒ Not applicable

Notes to the securities issue as at the end of the reporting period (In case of bonds with different interest rate during the duration, please make descriptions respectively):

☐ Applicable ☒ Not applicable

(II) Total quantity of ordinary shares, changes in shareholder structure and changes in the structure of the Company's assets and liabilities

☐ Applicable ☒ Not applicable

(III) Existing shares of the employees

☐ Applicable ☒ Not applicable

III. Shareholders and actual controller**(I) Total number of shareholders**

Total number of ordinary shareholders (households) at the end of the reporting period	83,382
Total number of ordinary shareholders at the end of the latest month before the date of disclosure of annual report (households)	75,867

(II) Shareholdings of Top ten shareholders and top ten floating shareholders (or shareholders without trading limited conditions) as at the end of the reporting period

Unit: share

Shareholding of the top 10 Shareholders							
Name of shareholder (full name)	Increase/Decrease in the reporting period	Number of shares held at the end of the period	Proportion (%)	Number of shares with traded limited conditions	Pledge or freezing condition		Nature of shareholders
					Status of shares	Quantity	
China Academy of Telecommunications Technology	0	151,252,178	17.15	0	NA	0	State-owned legal person
Datang Telecom Technology Industry Holdings Co., Ltd.	0	148,118,845	16.79	0	NA	0	State-owned legal person
Central Huijin Asset Management Co., Ltd.	0	24,115,000	2.73	0	NA	0	Unknown
Chen Yong	-1,980,940	22,919,443	2.6	14,228,753	Pledged	10,670,000	Domestic natural person
Zhou Hao	-11,959,468	15,945,956	1.81	15,945,956	Pledged	11,950,532	Domestic natural person
National Social Security Fund 103 Division	+11,999,719	11,999,719	1.36	0	NA	0	Unknown
National Social Security Fund 404 Division	+9,430,239	9,430,239	1.07	0	NA	0	Unknown
Ren Wenfeng	-124,700	7,303,534	0.83	0	NA	0	Domestic natural person
Harvest Fund - Agricultural Bank of China - Harvest CSI Asset Management Plan	0	6,882,150	0.78	0	NA	0	Unknown
Peng Tao	+6,736,796	6,736,796	0.76	0	NA	0	Domestic natural person

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Shareholding of top ten shareholders without sales restriction			
Name of shareholder	Quantity of the outstanding shares without trading limited conditions	Type and number of stocks	
		Type	Quantity
China Academy of Telecommunications Technology	151,252,178	RMB Ordinary shares	151,252,178
Datang Telecom Technology Industry Holdings Co., Ltd.	148,118,845	RMB Ordinary shares	148,118,845
Central Huijin Asset Management Co., Ltd.	24,115,000	RMB Ordinary shares	24,115,000
National Social Security Fund 103 Division	11,999,719	RMB Ordinary shares	11,999,719
National Social Security Fund 404 Division	9,430,239	RMB Ordinary shares	9,430,239
Chen Yong	8,690,690	RMB Ordinary shares	8,690,690
Ren Wenfeng	7,303,534	RMB Ordinary shares	7,303,534
Harvest Fund - Agricultural Bank of China - Harvest CSI Asset Management Plan	6,882,150	RMB Ordinary shares	6,882,150
Peng Tao	6,736,796	RMB Ordinary shares	6,736,796
Xiong Bihui	6,552,246	RMB Ordinary shares	6,552,246
Notes for relations among the above-mentioned shareholders or acting in concert	1. China Academy of Telecommunications Technology holds 100% shares of Datang Telecom Technology Industry Holdings Co., Ltd., so it is the controlling shareholder of Datang Telecom Technology Industry Holdings Co., Ltd. 2. The Company does not know the relationship or concerted action of other shareholders.		
Explanation on preferred stock holders with recovered voting rights and number of stocks held by them	NA		

Shareholding quantity of top ten shareholders with sales restriction and the sales restriction

√ Applicable □ Not applicable

Unit: share

S/N	Name of shareholder with sales restriction	Number of shares with restricted selling	Trade of restricted shares on a stock exchange		Restriction condition
			Tradable time	Number of tradeable shares newly issued	
1	Zhou Hao	15,945,956	May 12, 2017	11,959,467	Subject to the relevant provisions of the China Securities Regulatory Commission and the Shanghai Stock Exchange
			May 12, 2018	1,993,245	
			May 12, 2019	1,993,244	
2	Chen Yong	14,228,753	May 12, 2017	10,671,565	Subject to the relevant provisions of the China Securities Regulatory Commission and the Shanghai Stock Exchange
			May 12, 2018	1,778,594	
			May 12, 2019	1,778,594	
3	Haitong Kaiyuan Investment Limited	4,103,224	May 12, 2017	3,077,418	Subject to the relevant provisions of the China Securities Regulatory Commission and the Shanghai Stock Exchange
			May 12, 2018	512,903	
			May 12, 2019	512,903	
4	Zhejiang Hongfan Venture Capital Co., Ltd.	2,387,290	May 12, 2017	1,790,468	Subject to the relevant provisions of the China
			May 12, 2018	298,411	

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S/N	Name of shareholder with sales restriction	Number of shares with restricted selling	Trade of restricted shares on a stock exchange		Restriction condition
			Tradable time	Number of tradeable shares newly issued	
			May 12, 2019	298,411	Securities Regulatory Commission and the Shanghai Stock Exchange
			May 12, 2017	1,287,900	Subject to the relevant provisions of the China Securities Regulatory Commission and the Shanghai Stock Exchange
			May 12, 2018	214,650	
5	Guangzhou Shibao Investment Partnership (limited partnership)	1,717,199	May 12, 2019	214,649	Exchange
6	Shanxi Hongfei Communication Industrial Corporation	1,653,737	May 30, 2007	1,313,896	Not listed for trade or transferred within 12 months as of the date of acquisition of circulation right, and need to repay the shares advanced by China Academy of Telecommunications Technology or obtain the approval of China Academy of Telecommunications Technology.
			May 12, 2017	842,571	Subject to the relevant provisions of the China Securities Regulatory Commission and the Shanghai Stock Exchange
			May 12, 2018	140,429	
7	Ye Yubin	1,123,428	May 12, 2019	140,428	Exchange
			May 12, 2017	429,300	Subject to the relevant provisions of the China Securities Regulatory Commission and the Shanghai Stock Exchange
			May 12, 2018	71,550	
8	Chen Ling	572,399	May 12, 2019	71,549	Exchange
			May 12, 2017	372,060	Subject to the relevant provisions of the China Securities Regulatory Commission and the Shanghai Stock Exchange
			May 12, 2018	62,010	
9	Kang Yanzun	496,079	May 12, 2019	62,009	Exchange
			May 12, 2017	343,440	Subject to the relevant provisions of the China Securities Regulatory Commission and the Shanghai Stock Exchange
			May 12, 2018	57,240	
10	Huang Yong	457,919	May 12, 2019	57,239	Exchange
Notes for relations among the above-mentioned shareholders or acting in concert					

(III) Strategic investors or legal persons becoming the top ten shareholders due to placement of new shares

☐ Applicable ☒ Not applicable

IV. Controlling shareholders and actual controller**(I) Controlling shareholder****1. Legal person**

☒ Applicable ☐ Not applicable

Name:	China Academy of Telecommunications Technology
Person in charge or legal representative	Tong Guohua
Date of Establishment	January 20, 2001
Main operating business	Development, production and sales of communication device, electronic computer and peripherals, electronic software, radio and television device, optical fiber and optical cable, electronic parts and component, other electronic devices, instruments; technology development and technology services of system integration (excluding those with special regulations by the state), communication, network, E-commerce, information security, radio and TV.
Equities of other domestic and overseas public companies during the reporting period	As at December 31, 2016, the China Academy of Telecommunications Technology held 13.13% equities of Gohigh (000851) listed in the Shenzhen Stock Exchange.
Notes to other circumstances	

2. Natural person

☐ Applicable ☒ Not applicable

3. Notes to the circumstances that the Company has no controlling shareholders

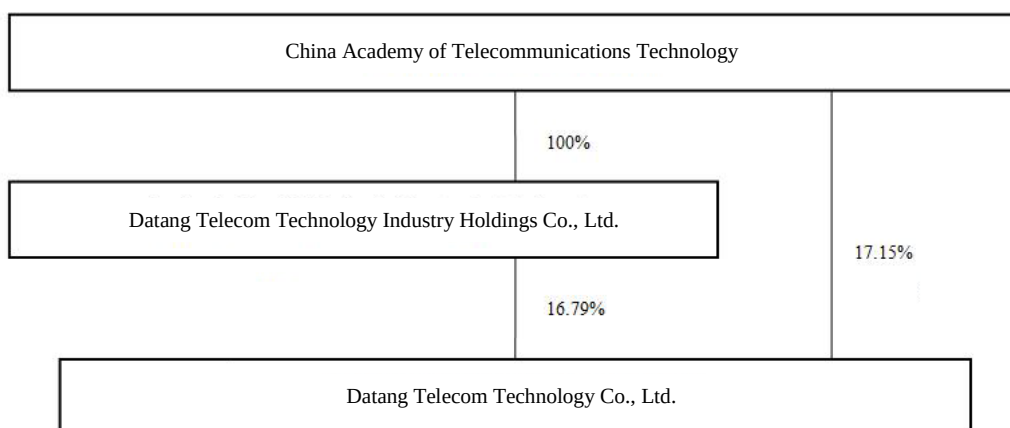
☐ Applicable ☒ Not applicable

4. Index and date of changes in controlling shareholders within the reporting period

☐ Applicable ☒ Not applicable

5. Chart for the property and controlling relationships between the Company and controlling shareholders

☒ Applicable ☐ Not applicable



Notes: The relationship of a person acting in concert between Hainan Information Industry Venture Capital Fund (Limited Partnership) and the controlling shareholder of Datang Telecom Technology Co., Ltd. - China Academy of Telecommunications Technology is terminated. See the Announcement of the Termination of the Relationship of a Person Acting in Concert between Datang Telecom Technology Co., Ltd. and Its Shareholder for details.

(II) Actual controller

1. Legal person

☐ Applicable ☒ Not applicable

2. Natural person

☐ Applicable ☒ Not applicable

3. Notes to the circumstances that the Company has no actual controller

☐ Applicable ☒ Not applicable

4. Index and date of the changes in the actual controller during the reporting period

☐ Applicable ☒ Not applicable

5. Chart for the property and controlling relationships between the company and the actual controllers

☒ Applicable ☐ Not applicable



Notes: The relationship of a person acting in concert between Hainan Information Industry Venture Capital Fund (Limited Partnership) and the controlling shareholder of Datang Telecom Technology Co., Ltd. - China Academy of Telecommunications Technology is terminated. See the Announcement of the Termination of the Relationship of a Person Acting in Concert between Datang Telecom Technology Co., Ltd. and Its Shareholder for details.6.Actual controller controls the Company through trust or other asset management mode

☐ Applicable ☒ Not applicable

(III) Other information on the controlling shareholders and actual controller

☐ Applicable ☒ Not applicable

V. Other institutional shareholder holding more than 10%

☒ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Name of institutional shareholder	Person in charge or legal representative	Date of Establishment	Organization code	Registered Capital	Main operating business or management activities
Datang Telecom Technology Industry Holdings Co., Ltd.	Tong Guohua	March 12, 2007	91110000710934625Y (Unified Social Credit Code)	5,700,000,000	Industrial investment; investment management and consulting; development, production, sales and services of IT, software, chips and equipment; technology development, technology transfer, technology consulting, and technical services; import and export business.
Notes	According to the document [2012] No.1293 of the China Securities Regulatory Commission the Official Reply to Approval of Issuance of Shares for Purchase of Assets and Raising of Supporting Funds by the Datang Telecom Technology Co., Ltd. to China Academy of Telecommunications Technology and other Companies, the Company issued 148,118,845 shares to the DATANG Telecom Technology Industry Holdings Co., Ltd. to purchase 75.88% shares of its Leadcore Technology Co. Ltd. on November 1, 2012.				

VI. Notes to limitations on reducing shares

☐ Applicable ☒ Not applicable

Section 7 **Preferred stock**
☐ Applicable ☒ Not applicable

Section 8 Directors, Supervisors, Executives and Staff

I. Shareholding variation and remuneration

(I) Shareholding variation and remuneration of current directors, supervisors and executives as well as those left the post within the reporting period

√ Applicable □ Not applicable

Unit: share

Name	Post (Notes)	Gender	Age	Beginning date of term	Ending date of term	Quantity of shares held as at January 1, 2016	Quantity of shares held as at December 31, 2016	Variation (increase/decrease) of shares in 2016	Reason for variation	Total remuneration received from the Company within the reporting period (RMB '0,000) before tax	Whether get paid from related parties of the Company
Huang Zhiqin	Chairman	Male	55	October 10, 2016	October 10, 2019					0.00	Yes
Lu Yang	Independent director	Male	61	October 10, 2016	October 10, 2019					1.78	No
Zong Wenlong	Independent director	Male	43	February 1, 2016	October 10, 2019					8.40	No
Li Kejie	Independent director	Male	47	October 10, 2016	October 10, 2019					1.78	No
Li Yonghua	Director	Male	41	August 16, 2010	October 10, 2019					6.00	Yes
	General Manager			January 24, 2017	January 24, 2020						
Duan Chenhui	Director	Male	37	August 15, 2013	October 10, 2019					6.00	Yes
Wang Pengfei	Director	Male	45	February 1, 2016	October 10, 2019					85.36	No
	General Manager			January 1, 2014	January 24, 2017						
Duan Maozhong	Chairman of Supervisors	Male	52	February 28, 2012	October 10, 2019					6.00	Yes
Li Qian	Supervisor	Female	39	August 15, 2013	October 10, 2019					6.00	Yes
Rong Yu	Employee supervisor	Female	40	October 10, 2016	October 10, 2019					5.40	No
Li Zhuyuan	Deputy General Manager	Male	56	January 24, 2017	January 24, 2020					0.00	Yes

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Name	Post (Notes)	Gender	Age	Beginning date of term	Ending date of term	Quantity of shares held as at January 1, 2016	Quantity of shares held as at December 31, 2016	Variation (increase/decrease) of shares in 2016	Reason for variation	Total remuneration received from the Company within the reporting period (RMB '0,000) before tax	Whether get paid from related parties of the Company
Jiang Kun	Deputy General Manager	Male	48	September 20, 2010	January 24, 2020					70.27	No
	Secretary of the Board			May 31, 2016	October 10, 2019						
Qian Guoliang	Deputy General Manager	Male	45	January 1, 2014	January 24, 2020					65.94	No
Sun Jiaxing	Deputy General Manager	Male	40	January 21, 2016	January 24, 2020					28.79	Yes
Liu Jin	Deputy General Manager	Male	43	January 1, 2014	January 24, 2020					78.22	No
Liu Xin	Deputy General Manager	Male	49	January 10, 2003	January 24, 2020					50.91	No
Ouyang Guoyu	Financial Director	Male	40	February 13, 2017	January 24, 2020					0.00	No
Cao Bin (has left his or her post)	Chairman	Male	60	August 15, 2007	October 10, 2016					66.38	No
Wang Keqi (has left his or her post)	Independent director	Male	63	March 8, 2009	October 10, 2016					7.83	No
Zhang Yinghai (has left his or her post)	Independent director	Male	66	August 15, 2013	October 10, 2016					8.63	No
Wang Ruihua (has left his or her post)	Independent director	Male	54	August 15, 2013	February 1, 2016					1.20	No
Qin Xi (has left his or her post)	Director	Male	46	August 15, 2013	February 1, 2016					0.75	No
Li Xueyuan (has left his or her post)	Employee supervisor	Female	45	August 4, 2014	October 10, 2016					8.16	No
Feng Yi (has left his or her post)	Executive deputy general manager	Male	46	January 1, 2014	January 24, 2017					43.35	No

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Name	Post (Notes)	Gender	Age	Beginning date of term	Ending date of term	Quantity of shares held as at January 1, 2016	Quantity of shares held as at December 31, 2016	Variation (increase/decrease) of shares in 2016	Reason for variation	Total remuneration received from the Company within the reporting period (RMB '0,000) before tax	Whether get paid from related parties of the Company
Wang Hongyan (has left his or her post)	Executive deputy general manager	Male	45	September 20, 2010	January 24, 2017					63.38	No
Xue Gui (has left his or her post)	Financial Director	Male	48	May 24, 2013	February 13, 2017					60.94	No
Wang Yanbin (has left his or her post)	Deputy General Manager	Male	46	February 28, 2012	January 24, 2017					57.76	No
Qi Xiubin (has left his or her post)	Secretary of the Board	Female	39	November 28, 2015	April 20, 2016					45.95	No
Total	/	/	/	/	/				/	785.18	/

Notes:

- Li Zhuyuan, deputy general manager of the Company, got paid from the related party of the Company (Datang Mobile Communications Equipment Co., Ltd.) during the reporting period, because the distribution of historical annual awards for the period when he ever worked in Datang Mobile Communications Equipment Co., Ltd. were delayed to 2016.
- Sun Jiaxing, deputy general manager, got paid from the related party (China Academy of Telecommunications Technology) during the reporting period, because the distribution of historical annual awards for the period when he ever worked in China Academy of Telecommunications Technology were delayed to 2016.

Name	Main working experience
Huang Zhiqin	Since taking jobs, served as the Assistant Engineer in Beijing Telecommunications Equipment Plant under the Ministry of Posts and Telecommunications; director of Chief Engineer Office, deputy chief engineer and chief engineer in China Potevio Co., Ltd., Beijing Telecommunications Planning and Design Institute; concurrent post of general manager assistant and director of research and development center in Potevio Company Limited; deputy manager and Party member in Potevio Company Limited; deputy director-general (temporary post) and other posts in the Information Industry Department of Liaoning Province. Now serves as the vice director and Party member in China Academy Of Telecommunications Technology, vice president of Datang Telecom Technology & Industry Group, and Senior Vice President and other posts of Datang Telecom Technology Industry Holdings Co., Ltd. Ever served as the Chairman of PUTIAN EASTCOM COMMUNICATIONS GROUP CO., LTD., Chairman of Nanjing Putian Communications Equipment Co., Ltd., Chairman of Leadcore Technology Co., Ltd., Chairman and other posts of Datang Mobile Communications Equipment Co., Ltd. Now concurrently serves as the Chairman of Datang Telecom Technology Co., Ltd.
Lu Yang	Ever served as the chief engineer and director of Institute of Standardization for Telecommunications Industry under the Ministry of Posts and Telecommunications, deputy director of CATR, deputy director of the Telecommunication Management Bureau of the Ministry of Information Industry, deputy director of the Telecommunication Administration of the Ministry of Industry and Information Technology, Party Secretary of China Academy of Telecommunication Research of MIIT and Party Secretary and other posts of CAICT; now concurrently serves as the vice chairman of China Post and Telecommunication Enterprise Association and the independent director of Datang Telecom Technology Co., Ltd.
Zong Wenlong	Served as the independent director of Ningbo Ligong Online Monitoring Technology Co., Ltd.; now serves as the professor of the School of Accountancy, the Central University of Finance and Economics, the independent director of Beijing TRANSTRUE Technology Inc., the independent director of BONC, the independent director of Huadian Power International Corporation Limited, the independent director of Aerospace Changfeng Technology Co., Ltd., and the independent director of Datang Telecom Technology Co., Ltd.
Li Kejie	Worked in SINOSTEEL for a long time, ever served as the deputy director and director of the office of SINOSTEEL, member of the Commission for Discipline Inspection and press spokesman of SINOSTEEL, Party Secretary of the headquarter of SINOSTEEL, and director of the Office of Board of Directors, Secretary to the Board of Directors and other posts of SINOSTEEL. Now serves as the senior consultant of Beijing Huisi Chuangjie Management Consulting Co., Ltd., off-campus supervisor of the Law School of Capital University of Economics and Business and the independent director of Datang Telecom Technology Co., Ltd.
Li Yonghua	Ever served as the civil servant of the People's Procuratorate of Dongming County in Shandong Province, legal director of the Legal Department of Hanwang Technology Co., Ltd., deputy general manager of the Legal Department of Datang Telecom Technology Industry Holdings Co., Ltd., chief legal adviser of China Academy Of Telecommunications Technology, vice-president, chief legal advisor and concurrently served as the general manager of the Operations Management Department of Datang Telecom Technology Industry Holdings Co., Ltd., chairman of Directors of Datang

Name	Main working experience
	Mobile Communications Equipment Co., Ltd., executive director of DATANG Linktech Co., Ltd., and acting director of Board of Semiconductor Manufacturing International Corporation. Now concurrently serves as the director, Party Secretary and general manager of Datang Telecom Technology Co., Ltd.
Duan Chenhui	Successively served as the Manager of the General Office and the Manager of the Strategy Department of China Academy of Telecommunications Technology, the Assistance General Manager of the Strategic Development Department, the General Manager Assistant and the Deputy General Manager of the General Management Department and the Deputy General Manager (in charge of work) and General Manager of the Strategic Development Department of Datang Telecom Technology Industry Holdings Co., Ltd., and the director and the supervisor of of Datang Telecom Technology Industry Holdings Co., Ltd. Now serves as the Staff Supervisor of China Academy of Telecommunications Technology, the President of Datang Venture Investment (Hainan) Co., Ltd., Member of the working committee of communication entrepreneurs under China Association of Communication Enterprises, as well as a Director of Datang Telecom Technology Co., Ltd.
Wang Pengfei	Successively served as the Deputy Director of the General Office of China Posts And Telecommunications Industry Corporation, the Director of the General Office of Potevio Company Limited., and the Assistant President of Potevio Company Limited.; the Deputy Plant Manager of Beijing Posts and Communication Equipment Plant, the Deputy Director of the Research & Development Center of Potevio Company Limited, the Vice President of Nanjing Putian Telecommunications Co., Ltd., the Senior Vice President of Beijing Capitel Co. Ltd., the President of Potevio Capitek Group, the Deputy General Manager and Manager of Datang Telecom Technology Co., Ltd. Now serves as the Director of Datang Telecom Technology Co., Ltd.
Duan Maozhong	Successively served as an assistant researcher of the Philosophy Research Institute of Tianjin Academy of Social Sciences, a department manager of Tianjin Tianhua Limited Liability Accounting Firm, a department manager of Beijing Company of BDO China Shu Lun Pan Certified Public Accountant LLP, the Manager of Audit Department of Huatian Investment Co., Ltd., the Deputy General Manager of the Audit Business Unit of Datang Telecom Technology Industry Holdings Co., Ltd., the Deputy General Manager of the Operation Management Department and General Manager of the Audit Business Department of Datang Telecom Technology Industry Holdings Co., Ltd., and the Supervisor of Datang Telecom Group Finance Co., Ltd., Now serves as the Deputy Director of Discipline Inspection, Audit and Supervision Office of China Academy Of Telecommunications Technology and the director of the office of auditing, the Supervisor of Beijing Xinwei Telecom Technology Group Co., Ltd. and the Chairman of the board of supervisors of Datang Telecom Technology Co., Ltd.
Li Qian	Successively served as the Deputy Manager of the Operation & Financial Department of Beijing Datang Carera Investment Co., the Assistant General Manager and Deputy General Manager of the Financial & Asset Department of Datang Telecom Technology Industry Holdings Co., Ltd. Now serves as the General Manager of the Financial & Asset Department of China Academy of Telecommunications Technology, the Supervisor of Datang Capital (Beijing) Co., Ltd. the Supervisor of Datang Telecom Technology International Co., Ltd., , the Director (Vice President) of GOHIGH Data Networks Technology Co., Ltd. and the Supervisor of Datang Telecom Technology Co., Ltd.
Rong Yu	Ever served as the financial manager of the Financing and Assets Department of Datang Telecom Technology Co., Ltd.,

Name	Main working experience
	manager of the Asset and Operation Department of Datang Telecom Technology Co., Ltd., the financial manager of Datang Telecom (H.K.) Limited., general manager assistant of the Financing and Assets Department, deputy manager (presiding over works) of the Internal Control Department and other posts of Datang Telecom Technology Co., Ltd. Now serves as the supervisor of Datang Microelectronics Technology Co., Ltd., supervisor of Shanghai Uniscope Communication Technologies Co., Ltd., supervisor of Shenzhen Yousi Weiye Communication Technology Co., Ltd., supervisor of Xi'an Datang Telecom Technology Co., Ltd., supervisor of Datang Telecom (Chengdu) Information Technology Co., Ltd., chairman of the Board of supervisors of Jiangsu I-front Science & Technology Co., Ltd., supervisor of Datang Innohub Investment (Beijing) Co., Ltd. supervisor of Guangzhou Yaowan Entertainment Network Technology Co., Ltd., supervisor of Beijing Datang SmartCard Technology Co., Ltd. and acts the relevant duties of the person in charge of the auditing department of Datang Telecom Technology Co., Ltd.
Li Zhuyuan	Ever worked in Potevio Capitek Communication Equipment Plant (Group) and Beijing Capitel Co. Ltd., ever served as the assistant to plant manager and deputy plant manager of Potevio Capitek Communication Equipment Plant (Group), concurrently served as the director and executive vice president of Beijing Capitel Co. Ltd., deputy manager, director, deputy Party Secretary, Secretary of Committee for Discipline Inspection, chief legal adviser, group lead of the leading group of change of party leadership of Datang Telecom Technology Co., Ltd., and general manager, Party Secretary and vice Chairman of Datang Mobile Communications Equipment Co., Ltd. Now serves as the deputy Party Secretary and deputy general manager of Datang Telecom Technology Co., Ltd.
Jiang Kun	Ever served as the project manager of the Asset Operation Department, deputy director, deputy general manager of Potevio Company Limited, the Deputy General Manager of Chongqing Potevio Communication Equipment Co.. Ltd. (former 515 Works), concurrently served as the assistant president of Datang Telecom Technology Co., Ltd., the general manager and the general manager of Investment Department of Datang Telecom (Tianjin) Science and Technology Industrial Park Co., Ltd., deputy general manager and executive deputy general manager of Datang Telecom Technology Co., Ltd. Now serves as the deputy general manager and Secretary to the Board of Directors of Datang Telecom Technology Co., Ltd., Chairman of Datang Telecom Investment Co., Ltd. and vice chairman of Nanjing Yunke Equity Investment Fund Management Co., Ltd.
Qian Guoliang	Ever worked in the Technology Center of Nanjing Toptry Information Industry Group Co., Ltd., as the General Manager of the Data Communication Project Department of Eastcom Inc. (China Potevio Co., Ltd.), the Technical Director of Potevio Information Technology Research Institute (China Potevio Co., Ltd.), the Deputy General Manager of LG Electronics China R&D Center, the Vice President (Executive) of SK Telecom R&D Center (China), the Assistant President of Datang Telecom Technology Co., Ltd., and the executive vice president of Datang Technology Co., Ltd, Now serves as the deputy general manager of Datang Technology Co., Ltd, the executive director and General Manager of the Leadcore Technology Co., Ltd.
Sun Jiaying	Ever served as the deputy general manager of the Business Department of Integrated Circuit of the Software and Integrated Circuit Promotion Center of the Ministry of Information Industry, assistant director of the Integrated Circuit Office of the Management Division of Electronic Information Products of the Ministry of Information Industry, director of the Integrated Circuit Office of the Software and Integrated Circuit Promotion Center of the Ministry of Industry and

Name	Main working experience
	Information Technology, assistant president of Datang Telecom Technology Industry Holdings Co., Ltd. and deputy general manager of the Integrated Circuit Innovation Center of China Academy Of Telecommunications Technology. Now concurrently serves as the deputy general manager and the general manager of the Strategic Technology Department of Datang Telecom Technology Co., Ltd.
Liu Jin	Ever worked in the Industry Department of China Academy Of Telecommunications Technology and the Market Department and Strategic Development Department of Datang Telecom Technology Co., Ltd., and ever served as the deputy director of the Technology Center of Datang Telecom Technology Co., Ltd., general manager of the Market Department, general manager assistant and employee supervisor. Now serves as the deputy general manager of Datang Telecom Technology Co., Ltd., and concurrently serves as the general manager of Datang Semiconductor Design Co., Ltd. and the general manager of Datang Microelectronics Technology Co., Ltd.
Liu Xin	Ever worked in the 213rd Research Institution of the Ministry of Ordnance Industry, and served as the Deputy General Manager, the Executive Deputy General Manager, the Executive General Manager and the General Manager of Xi'an Datang Telecom Technology Co., Ltd. Now concurrently serves as the deputy general manager of Datang Telecom Technology Co., Ltd., and the General Manager of Datang Terminal Technology Co., Ltd.
Ouyang Guoyu	Ever worked in the Investment Department and Financial Department of Datang Telecom Technology Co., Ltd., ever served as the investment manager of Datang Telecom Technology Co., Ltd., manager and chief financial officer of the Financial Department of Datang Microelectronics Technology Co., Ltd., concurrently served as the assistant president and the general manager of the Procurement Department of Datang Telecom Technology Co., Ltd., and served as the deputy director of finance of Datang Telecom Technology Co., Ltd. Now concurrently serves as the chief financial officer and the general manager of the Financing and Assets Department of Datang Telecom Technology Co., Ltd.

Notes to other information

√ Applicable □ Not applicable

1. In 2016, upon the deliberation of the 36th meeting of the 6th Board of Directors and the first extraordinary general meeting in 2016, Wang Pengfei was added as the director of the 6th Board of Directors and Zong Wenlong was added as the independent director of the 6th Board of Directors. See the Announcement of Datang Telecom Technology Co., Ltd. on the Resolution of the 1st Extraordinary General Meeting in 2016 on the website of Shanghai Stock Exchange issued on February 2, 2016 for details.
2. In 2016, Ji Xiubin resigned the post of secretary to the Board of Directors due to personal reasons. See the Announcement of Datang Telecom Technology Co., Ltd. on the Resignation of the Secretary to the Board of Directors issued on April 21, 2016 on the website of Shanghai Stock Exchange for details.
3. In 2016, upon the deliberation of the 41th meeting of the 6th Board of Directors and the 1st meeting of the 7th Board of Directors, Jiang Kun was employed as the Secretary to the Board of Directors of the Company. See the Announcement of Datang Telecom Technology Co., Ltd. on the Resolution of the 41th Meeting of the 6th Board of Directors and the Announcement of Datang Telecom Technology Co., Ltd. on the Resolution of the 1st Meeting of the 7th Board of Directors issued on May 31, 2016 and October 10, 2016 on the website of Shanghai Stock Exchange for details.

4. In 2016, upon the deliberation of the 44th meeting of the 6th Board of Directors, 16th meeting of the 6th Board of Supervisions and the 2nd extraordinary general meeting in 2016, Huang Zhiqin, Li Yonghua, Duan Chenhui, Wang Pengfei, Lu Yang, Zong Wenlong and Li Kejie were elected as the directors of the 7th Board of Directors, and Duan Maozhong and Li Qian were elected as the supervisors of the 7th Board of Supervisors. See the Announcement of Datang Telecom Technology Co., Ltd. on the Resolution of the 2nd Extraordinary General Meeting in 2016 issued on October 11, 2016 on the website of Shanghai Stock Exchange for details.
5. In 2017, upon the deliberation of the 7th meeting of the 7th Board of Directors, Li Yonghua was employed as the general manager of the Company, and Li Zhuyuan, Jiang Kun and Qian Guoliang were employed as the deputy general manager of the Company. See the Announcement of Datang Telecom Technology Co., Ltd. on the Resolution of the 7th Meeting of the 7th Board of Directors issued on January 25, 2017 on the website of Shanghai Stock Exchange for details.
6. In 2017, upon the deliberation of the 8th meeting of the 7th Board of Directors, Sun Jiaying, Liu Jin and Liu Xin were employed as the deputy general manager of the Company and Ouyang Guoyu was employed as the Chief Financial Officer of the Company. See the Announcement of Datang Telecom Technology Co., Ltd. on the Resolution of the 8th Meeting of the 7th Board of Directors issued on February 14, 2017 on the website of Shanghai Stock Exchange for details.

(II) Equity incentives granted to directors, supervisors and executives within the reporting period.

☐ Applicable ☒ Not applicable

II Service status of current directors, supervisors and executives and those left the office within the reporting period

(I) Service status in shareholder companies

☒ Applicable ☐ Not applicable

Name of employee	Name of shareholder company	Position held in the shareholder company	Beginning date of term	Ending date of term
Huang Zhiqin	China Academy of Telecommunications Technology	Deputy Director, Member of the Party Leadership Group	December 2007	
Huang Zhiqin	Datang Telecom Technology Industry Holdings Co., Ltd.	Senior Vice President	March 2008	
Li Yonghua	China Academy of Telecommunications Technology	General Counsel	June 2011	February 2017
Li Yonghua	Datang Telecom Technology Industry Holdings Co., Ltd.	Vice President and General Manager of Operation Management Department	December 2011	February 2017
Li Yonghua	Datang Telecom Technology Industry Holdings Co., Ltd.	General Counsel	June 2011	February 2017
Duan Chenhui	China Academy of	Employee supervisor	May 2008	

2016 ANNUAL REPORT

Name of employee	Name of shareholder company	Position held in the shareholder company	Beginning date of term	Ending date of term
	Telecommunications Technology			
Duan Chenhui	Datang Telecom Technology Industry Holdings Co., Ltd.	Employee supervisor	June 2014	February 2017
Duan Chenhui	Datang Telecom Technology Industry Holdings Co., Ltd.	General Manager of Strategic Development Department	January 2014	January 2017
Duan Maozhong	Datang Telecom Technology Industry Holdings Co., Ltd.	Deputy General Manager of Operation Management Department	December 2011	February 2017
Duan Maozhong	China Academy of Telecommunications Technology	Deputy Director of Discipline Inspection, Audit and Supervision Office and Director of Audit Office	February 2017	
Li Qian	Datang Telecom Technology Industry Holdings Co., Ltd.	Deputy General Manager of Financial Asset Department	August 2012	March 2017
Li Qian	China Academy of Telecommunications Technology	General Manager of Financial Asset Department	March 2017	
Description of service status in shareholder company				

(II) Service status in other companies

√ Applicable □ Not applicable

Name of employee	Name of other companies	Position held in other companies	Beginning date of term	Ending date of term
Zong Wenlong	Central University of Finance and Economics	Teacher	2005	
Zong Wenlong	Beijing TRANSTRUE Technology Inc.	Independent director	2011	
Zong Wenlong	BONC	Independent director	2015	
Zong Wenlong	Huadian Power International Corporation Limited	Independent director	2015	
Zong Wenlong	Aerospace Changfeng Science and Technology Co., Ltd.	Independent director	2016	
Li Kejie	Beijing Huisichuangjie Management Consulting Co., Ltd.	Senior Consultant	December 2015	
Li Yonghua	Semiconductor Manufacturing	Alternate director	October 2013	February 2017

2016 ANNUAL REPORT

Name of employee	Name of other companies	Position held in other companies	Beginning date of term	Ending date of term
	International Corporation			
Li Yonghua	Datang Mobile Communications Equipment Co., Ltd.	Chairman	September 2014	April 2017
Li Yonghua	Datang Liancheng Information System Technology Co., Ltd.	Executive director	September 2014	February 2017
Duan Chenhui	Datang Venture Capital Investment (Hainan) Co., Ltd.	Chairman	January 2014	
Duan Maozhong	Datang Telecom Group Finance Co., Ltd.	Supervisor	June 2011	January 2017
Duan Maozhong	Beijing Xinwei Telecom Technology Group Co., Ltd.	Supervisor	September 2014	
Li Qian	Datang Capital (Beijing) Co., Ltd.	Supervisor	April 2013	
Li Qian	Datang Telecom Technology International Co., Ltd.	Supervisor	May 2013	
Li Qian	Gohigh Data Network Technology Co., Ltd.	Director	December 2015	
Description of service status in other companies				

III Remuneration of directors, supervisors and executives

√ Applicable □ Not applicable

Decision-making procedure for remuneration of directors, supervisors and executives	The remuneration of directors and supervisors shall be determined by the General Meeting of Shareholders, and that of executives shall be determined by the Board of Directors.
Basis for determining remuneration of directors, supervisors and executives	The remuneration of directors and supervisors shall be paid according to the allowance criteria determined per the Proposal on Granting Employee compensation or Subsidy to Directors and Supervisors of the Company approved in the First Extraordinary General Meeting of Shareholders in 2000 and the Proposal on Remuneration Criteria for Directors and Supervisors Not Working in the Company approved in the General Meeting of Shareholders of 2007, the remuneration of independent directors shall be paid according to the independent director allowance criteria determined in the Fourth Extraordinary General Meeting of Shareholders of 2007, and the remuneration of executives shall be paid according to the 2016 Executives Appraisal and Incentive Proposal reviewed and approved in the 39 th Meeting of the 6 th Board of Directors of the Company and the Proposal on Adjusting the 2016 Executives Appraisal and Incentive Measures reviewed and approved in the 4 th Meeting of the 7 th Board of Directors of the Company.
Remuneration payable to directors, supervisors and	See the Shareholding variation and remuneration of current directors, supervisors and executives as

executives	well as those left the post within the reporting period in this section for details.
Total remuneration actually paid to all directors, supervisors and executives at the end of the reporting period	RMB 7,851,800

IV. Variation of directors, supervisors and executives of the Company

√ Applicable □ Not applicable

Name	Position held	Variation	Reason for changes
Huang Zhiqin	Chairman	Election	Job changes
Lu Yang	Independent director	Election	Job changes
Zong Wenlong	Independent director	Election	Job changes
Li Kejie	Independent director	Election	Job changes
Wang Pengfei	Director	Election	Job changes
Wang Pengfei	General Manager	Outgoing	Job changes
Rong Yu	Employee supervisor	Election	Job changes
Li Yonghua	General Manager	Existing employment	Job changes
Li Zhuyuan	Deputy General Manager	Existing employment	Job changes
Sun Jiaxing	Deputy General Manager	Existing employment	Job changes
Ouyang Guoyu	Financial Director	Existing employment	Job changes
Jiang Kun	Secretary of the Board	Existing employment	Job changes
Cao Bin	Chairman	Outgoing	Job changes
Wang Keji	Independent director	Outgoing	Job changes
Zhang Yinghai	Independent director	Outgoing	Job changes
Wang Ruihua	Independent director	Outgoing	Job changes
Qin Xi	Director	Outgoing	Job changes
Li Xueyuan	Employee supervisor	Outgoing	Job changes
Feng Yi	Executive deputy general manager	Outgoing	Job changes
Wang Hongyan	Executive deputy general manager	Outgoing	Job changes
Xue Gui	Financial Director	Outgoing	Job changes
Wang Yanbin	Deputy General Manager	Outgoing	Job changes
Qi Xiubin	Secretary of the Board	Outgoing	Job changes

V Notes to the circumstances under which the company were punished by the security regulators in the latest three years

□ Applicable √ Not applicable

VI Employees of parent company and main subsidiaries**(I)**

Number of current employees of parent company	130
Number of current employees of main subsidiaries	4,102
Total number of current employees	4,232
Number of retired employees that the parent company and the main subsidiaries shall bear the cost	367
Disciplines	
Discipline type	Number of people
Production personnel	454
Sales personnel	503
Technical personnel	487
Financial personnel	143
Administration personnel	441
R & D personnel	1,784
Engineering personnel	177
Other personnel	243
Total	4,232
Education	
Education category	Number (person)
Doctor	22
Master	831
Undergraduate	2,014
Junior college	845
Technical secondary school and below	520
Total	4,232

(II) Remuneration policy

√ Applicable □ Not applicable

The remuneration policy of the Company is based on the Method for the Management of Remuneration and Benefits.

(III) Training plan

√ Applicable □ Not applicable

The Company always adheres to the framework of "special training in the form of training camp + universal training in the form of Datang public class + skill training of each entity", focuses closely on its strategies and needs of the leaders and employees, continues to build the quality training brand of "TOP Camp, JUMP Camp, new employees training camp and Datang public class", continuously creates new talent training mode, enrich curriculum framework, strengthens the development of learning contents, reasonably arranges flexible approach to learn, sets up a "leveled, categorized, systematic and comprehensive" talent training system and enhances the professional technical ability and general management skills of the leaders and employees. In this year, the Company has organized more than six hundred training programs with the involvement of nearly 4,000 participants, and these training programs effectively met the various needs of the leaders and employees at all levels.

(IV) Labour outsourcing

√ Applicable □ Not applicable

Total man-hour of labour outsourcing	857,143 hours
Total remuneration paid for labour outsourcing	RMB 16,290,900

VII Others

□ Applicable √ Not applicable

Section 9 Company governance

I Description of company governance

√ Applicable □ Not applicable

The Company strictly follows the requirements of the Company Law, the Securities Law, the Code of Corporate Governance for Public companies in China and relevant laws and regulations, continuously improves the legal-person governance structure, improves various management systems and promote the standardized operation level.

There is no discrepancy between the governance structure of the Company and the requirements of relevant documents of CSRC.

- (1) Shareholders and general meeting of shareholders: The Company has treated all shareholders equally, and ensured all shareholders to adequately implement their rights. The convening procedure of the General Meeting of Shareholders meets the provisions of relevant laws and regulations, such as the Company Law, the Code of Corporate Governance for Public companies, etc. In the reporting period, the Company held one Annual General Meeting of Shareholders and three Extraordinary General Meetings of Shareholders under the witness of lawyer, for which, the lawyer issued the Legal Opinion.
- (2) Controlling shareholder and public company: The controlling shareholder of the Company has performed the rights of contributor in accordance with law, and has not surpassed the General Meeting of Shareholders to intervene the operation decision-making of the Company. The Company is independent of the controlling shareholder in respect of personnel, assets, organization, business, finance, etc., has a complete business system and the capacity of independent operation in the market, and all major decisions of the Company have been made by the General Meeting of Shareholders and the Board of Directors in accordance with the Articles of Association and the provisions of relevant laws and regulations. In the reporting period, the Company has disclosed the controlling shareholder connected transactions in a timely and sufficiently manner, and the controlling shareholder hasn't committed any acts to encroach or hurt the interests of public companies and other shareholders.
- (3) Directors and Board of Directors: The Company elected directors in strict accordance with the provisions of the Company Law and the Articles of Association, the number and composition of directors meet the requirements of laws and regulations, and members of the Board of Directors can diligently and carefully implement the responsibilities and obligations stipulated by laws and regulations. In the reporting period, the Company held 15 meetings of the Board of Directors.
- (4) Supervisors and the Board of Supervisors: The number and personnel of the Board of Supervisors meet the requirements of laws and regulations, and members of the Board of Supervisors can carefully implement the responsibilities and obligations stipulated by laws and regulations, positively participate in the discussion of major decision-making of the Company, review the periodic reports of the Company, and present the General Meeting of Shareholders and the meetings of the Board of Directors to supervise the directors and the executives in fulfilling their duties and safeguard the legal interests of the Company and shareholders. In the reporting period, the Company held six meetings of the Board of Supervisors.
- (5) Interested parties: The Company fully respects and safeguards the legal interests of interested parties, and makes great efforts to achieve coordinated and balanced interests among shareholders, employees, the society, etc., to commonly promote the sustainable and healthy development of the Company.
- (6) Information disclosure and transparency: The Company has truthfully, accurately, completely and timely disclosed information in strict accordance with the provisions of laws, regulations and the Articles of Association.

In the reporting period, the Company registered the insiders in strict accordance with relevant provisions of the insider registration system, and reported the insider information in a timely manner according to the requirements of the supervisory authority, to effectively prevent the inside information from leaking and ensure the fairness of information disclosure.

Whether there are significant differences between the corporate governance and the relevant provisions of the China Securities Regulatory Commission; if any, the reasons should be explained.

☐ Applicable ☒ Not applicable

II. Brief introduction of General Meeting of Shareholders

Number of meeting	Time	Search index on designated website published the resolution	Date the resolution was published for disclosure
First interim meeting of shareholders of DATANG Telecom Technology Co., Ltd. in 2016	February 1, 2016	http://www.sse.com.cn	February 2, 2016
2015 Annual General Meeting of DATANG Telecom Technology Co., Ltd.	May 13, 2016	http://www.sse.com.cn	May 14, 2016
Second interim meeting of shareholders of DATANG Telecom Technology Co., Ltd. in 2016	October 10, 2016	http://www.sse.com.cn	October 11, 2016
Third interim meeting of shareholders of DATANG Telecom Technology Co., Ltd. in 2016	December 26, 2016	http://www.sse.com.cn	December 27, 2016

Notes to General Meeting of Shareholders

☐ Applicable ☒ Not applicable

III. Execution of duty by directors

(I) Participation of meeting of Board of Directors and General Meeting of Shareholders by directors

Name	Independent director (Y/N)	Participation of meeting of Board of Directors						Participation of General Meeting of Shareholders
		Number of meetings that should attend	Number of meetings attended in person	Number of meetings attended via communication means	Number of meetings attended via delegation	Number of absent meetings	Failed to attend meetings for two consecutive times (Y/N)	Number of meetings attended
Huang Zhiqin	No	5	5	1	0	0	No	1
Lu Yang	Yes	5	5	2	0	0	No	1
Zong Wenlong	Yes	13	13	6	0	0	No	3
Li Kejie	Yes	5	5	1	0	0	No	1
Li Yonghua	No	15	14	9	1	0	No	3
Duan Chenhui	No	15	14	8	0	1	No	2
Wang Pengfei	No	13	13	8	0	0	No	3
Cao Bin	No	10	10	7	0	0	No	3
Wang Keji	Yes	10	10	7	0	0	No	2
Zhang Yinghai	Yes	10	10	7	0	0	No	3
Wang Ruihua	Yes	2	2	2	0	0	No	1
Qin Xi	No	2	2	2	0	0	No	1

Notes to the failure of attending two consecutive meetings of the Board personally

☐ Applicable ☒ Not applicable

Number of meetings of the Board of Directors held in the year	15
Including: number of on-site meetings	5
Number of meetings held via communication means	8
Number of meetings held in combination with on-site and communication means	2

(II) Objections proposed by independent directors on related matters

☐ Applicable ☒ Not applicable

(III) Others

☐ Applicable ☒ Not applicable

IV. Important opinions and suggestions of special committees under the Board of Directors proposed in execution of duty in the report period, and any disputed matters should be disclosed in details

☐ Applicable ☒ Not applicable

V. Risks of the Company identified by the Board of Supervisors

☐ Applicable ☒ Not applicable

VI. Notes to the circumstances that the company and its controlling shareholders cannot maintain independence or independent operating ability in the aspects such as businesses, personnel, assets, organization and finance

☐ Applicable ☒ Not applicable

Solutions, job schedule and follow-up program in case of horizontal competition

☐ Applicable ☒ Not applicable

VII. Appraisal mechanism for executives and establishment and implementation of incentive mechanism in the reporting period

☒ Applicable ☐ Not applicable

The Company appraised the executives per the 2016 Executives Appraisal and Incentive Proposal approved in the 39th meeting of the Sixth Board of Directors. The General Manager of the Company was appraised per the 2016 Business Performance Appraisal Proposal. The Deputy General Manager, the Financial Controller and the Secretary of the Board of Directors were appraised per the appraisal KPIs set for the businesses in charge, and were paid with the annual performance bonus based on “annual performance bonus = annual basic salary × fulfillment factor × adjustment factor × position factor × service time factor”.

On December 9, 2016, the Company has, according to the Proposal on Adjusting the 2016 Executives Appraisal and Incentive Measures approved in the 4th meeting of the Seventh Board of Directors, approved the adjustment of the 2016 Executives Appraisal and Incentive Proposal approved in the 39th meeting of the Sixth Board of Directors on April 21, 2016.

As of the disclosure date of the Report, the Company didn't implement the equity based long-term incentive mechanism for the executives.

VIII. Whether disclose self-assessment report on internal control or not

☒ Applicable ☐ Not applicable

See the website of Shanghai Stock Exchange on April 22, 2017 for the details of the assessment report on internal control of the Company.

Notes to significant defects in the internal control during the reporting period

☐ Applicable ☒ Not applicable

IX. Notes to the auditors' report on internal control

☒ Applicable ☐ Not applicable

The company hired the BDO Shu Lun Pan Certified Public Accountants LLP to audit the internal control of 2016. The accounting firm issued a standard unqualified auditors' report on internal control consistent with the opinion of the internal control assessment report of the Company.

See the website of Shanghai Stock Exchange on April 22, 2017 for the details of the auditors' report on internal control of the Company.

Whether disclose auditors' report on internal control or not: Yes

X. Other

☐ Applicable ☒ Not applicable

Section 10 Corporate Bonds

☐ Applicable ☒ Not applicable

Section 11 Financial Report**I. Auditors' Report**

√Applicable □Not applicable

Auditors' Report

PCPAR [2017] No. ZG11648

To all shareholders of Datang Telecom Technology Co., Ltd.,

We have audited the attached financial statements of Datang Telecom Technology Co., Ltd. (hereinafter referred to as "the Company"), which comprise the consolidated balance sheet and the Company's balance sheet as at December 31, 2016, the consolidated income statement and the Company's income statement, the consolidated statement of cash flows and the Company's statement of cash flows, the consolidated statement of changes in owners' equity and the Company's statement of changes in owners' equity and notes to the financial statements for the year then ended.

I. Management's Responsibilities for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements. These responsibilities include: (1) preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises to achieve a fair presentation; (2) designing, implementing and maintaining internal control that is necessary to ensure that the financial statements are free from material misstatements, whether due to frauds or errors.

II. Auditors' Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Auditing Standards for Certified Public Accountants in China. Those standards require that we comply with professional and ethical requirements of Chinese certified public accountants, and plan and perform the audit to obtain reasonable assurance whether the business combinations and 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 auditor's judgments, including the assessment of the risks of material misstatements of the financial statements, whether due to frauds or errors. In making those risk assessments, we consider the internal control relevant to the 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 management, 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.

III. Opinion

In our opinion, the financial statements of the Company are prepared, in all material respects, in accordance with the Accounting Standards for Business Enterprises, and present fairly the consolidated financial positions and the Company's financial positions as at December 31, 2016 and the consolidated operating results and cash flows and the Company's operating results and cash flows for the year then ended.

**BDO CHINA Shu Lun Pan Certified Public
Accountants LLP**

Certified Public Accountant of China:

Certified Public Accountant of China:

Shanghai, China

April 20, 2017

This auditors' report and the accompanying financial statements are English translations of the Chinese auditors' report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. In case the English version does not conform to the Chinese version, the Chinese version shall prevail.

II. Financial Statements

CONSOLIDATED BALANCE SHEET

December 31, 2016

Prepared by: Datang Telecom Technology Co., Ltd.

Unit: Yuan Currency: RMB

Item	Note 5	Balance as at December 31, 2016	Balance as at January 1, 2016
CURRENT ASSETS:			
Cash and cash equivalents	1	1,722,012,696.06	1,310,206,685.49
Balances with clearing companies			
Loans to banks and other financial institutions			
Financial assets at fair value through profit and loss			
Derivative financial assets			
Notes receivable	2	479,289,579.40	535,145,456.40
Accounts receivable	3	2,174,153,110.26	3,184,452,323.65
Advances to suppliers	4	466,374,092.10	713,856,820.84
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Interests receivable			
Dividends receivable	5	173,766.32	2,812,051.53
Other receivables	6	135,131,446.91	246,427,297.98
Financial assets purchased under resale agreements			
Inventories	7	1,511,386,605.19	2,060,449,789.49
Assets held for sale			
Non-current assets maturing within one year			
Other current assets	8	152,689,667.52	202,148,916.10
TOTAL CURRENT ASSETS		6,641,210,963.76	8,255,499,341.48
NON-CURRENT ASSETS:			
Disbursement of loans and advances			
Available-for-sale financial assets	9	53,143,748.75	53,143,748.75
Held-to-maturity investments			
Long-term receivables	10		14,751,100.00
Long-term equity investments	11	595,405,698.38	559,635,819.75
Investment properties			
Fixed assets	12	796,852,530.30	833,746,355.02
Construction in progress	13	285,881,602.60	192,589,738.24
Project materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets	14	1,637,937,739.42	1,636,994,991.96
Development expenditures	15	419,230,236.61	591,067,871.95
Goodwill	16	1,460,312,513.02	1,591,758,184.39
Long-term deferred expenses	17	26,883,729.25	7,505,842.01
Deferred income tax assets	18	76,995,756.62	57,887,783.89
Other non-current assets			
TOTAL NON-CURRENT ASSETS		5,352,643,554.95	5,539,081,435.96
TOTAL ASSETS		11,993,854,518.71	13,794,580,777.44

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Item	Note 5	Balance as at December 31, 2016	Balance as at January 1, 2016
CURRENT LIABILITIES:			
Short-term borrowings	19	3,070,376,865.89	2,351,396,739.98
Borrowings from central bank			
Absorption of deposits and interbank deposit			
Loans from banks and other financial institutions			
Financial liabilities measured at fair value through current profit or loss			
Derivative financial liabilities			
Notes payable	20	628,853,422.17	823,517,143.66
Accounts payable	21	1,392,622,593.96	1,449,936,891.42
Advances from customers	22	240,948,489.65	344,065,155.81
Financial assets sold under repurchase agreements			
Handling charges and commissions payable			
Employee compensation payable	23	55,066,945.52	34,600,319.72
Taxes and surcharges payable	24	45,599,751.97	89,787,451.25
Interest payables	25	20,638,597.05	20,903,485.55
Dividends payable	26	10,395,716.90	17,446,367.21
Other payables	27	121,497,961.43	241,946,135.93
Reinsurance accounts payable			
Reserves for insurance contracts			
Receivings from vicariously traded securities			
Receivings from vicariously sold securities			
Liabilities held for sale			
Non-current liabilities maturing within one year	28	1,097,443,064.35	570,000,000.00
Other current liabilities			
TOTAL CURRENT LIABILITIES		6,683,443,408.89	5,943,599,690.53
NON-CURRENT LIABILITIES:			
Long-term borrowings	29	935,973,175.48	657,503,175.48
Bonds payable	30		994,883,934.85
Including: preferred stock			
Perpetual capital securities			
Long-term payables	31	1,565,878,568.90	1,580,111,488.00
Long-term employee compensation payable			
Special payables	32	63,090,000.00	63,090,000.00
Estimated liabilities			
Deferred income	33	200,899,352.62	205,023,077.75
Deferred income tax liabilities	18	10,951,169.44	11,736,553.38
Other non-current liabilities			
TOTAL NON-CURRENT LIABILITIES		2,776,792,266.44	3,512,348,229.46
Total liabilities		9,460,235,675.33	9,455,947,919.99
OWNERS' EQUITY			
Share capital	34	882,108,472.00	882,108,472.00
Other equity instruments			
Including: preferred stock			

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Item	Note 5	Balance as at December 31, 2016	Balance as at January 1, 2016
Perpetual capital securities			
Capital reserve		3,693,897,995.09	3,693,897,995.09
Less: treasury stock			
Other comprehensive income	36	-7,527,672.92	-3,646,538.83
Special reserves			
Surplus reserves	37	60,500,071.92	60,500,071.92
General risk reserve			
Retained earnings	38	-2,337,228,042.59	-561,604,574.96
Total equity attributable to owners of the parent company		2,291,750,823.50	4,071,255,425.22
Minority equity		241,868,019.88	267,377,432.23
TOTAL OWNERS' EQUITY		2,533,618,843.38	4,338,632,857.45
TOTAL LIABILITIES AND OWNERS' EQUITY		11,993,854,518.71	13,794,580,777.44

Legal Representative: Huang Zhiqin

Accounting Principal: Ouyang Guoyu

Head of the Accounting Department: Ouyang Guoyu

BALANCE SHEET OF THE PARENT COMPANY

December 31, 2016

Prepared by: Datang Telecom Technology Co., Ltd.

Unit: Yuan Currency: RMB

Item	Note 14	Balance as at December 31, 2016	Balance as at January 1, 2016
CURRENT ASSETS:			
Cash and cash equivalents		288,858,027.70	159,174,165.67
Financial assets measured at fair value through current profit or loss			
Derivative financial assets			
Notes receivable		2,200,000.00	500,000.00
Accounts receivable	1	281,408,190.26	465,466,611.88
Advances to suppliers		152,658,876.14	161,303,003.19
Interests receivable			
Dividends receivable		231,285,731.45	133,924,016.66
Other receivables	2	2,165,689,808.54	2,272,052,905.53
Inventories		14,898,925.71	106,802,727.26
Assets held for sale			
Non-current assets maturing within one year			
Other current assets		7,896,281.18	57,823,380.71
TOTAL CURRENT ASSETS		3,144,895,840.98	3,357,046,810.90
NON-CURRENT ASSETS:			
Available-for-sale financial assets		30,114,476.21	30,114,476.21
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	3	4,774,662,125.39	4,817,005,652.61
Investment properties			
Fixed assets		142,963,069.69	150,092,888.25
Construction in progress		285,881,602.60	192,589,738.24
Project materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets		159,490,253.54	187,320,347.24
Development expenditures			31,082,861.55
Goodwill			
Long-term deferred expenses			192,241.00
Deferred income tax assets			
Other non-current assets			
TOTAL NON-CURRENT ASSETS		5,393,111,527.43	5,408,398,205.10
TOTAL ASSETS		8,538,007,368.41	8,765,445,016.00
CURRENT LIABILITIES:			
Short-term borrowings		935,000,000.00	714,000,000.00
Financial liabilities measured at fair value through current profit or loss			
Derivative financial liabilities			
Notes payable		2,037,229.74	
Accounts payable		154,891,624.72	210,176,554.07
Advances from customers		6,946,655.83	13,809,949.43
Employee compensation payable		224,436.70	277,922.52
Taxes and surcharges payable		721,320.28	3,194,698.54
Interest payables		3,295,399.41	1,907,111.11
Dividends payable			

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Item	Note 14	Balance as at December 31, 2016	Balance as at January 1, 2016
Other payables		665,820,915.16	964,819,626.32
Liabilities held for sale			
Non-current liabilities maturing within one year		100,000,000.00	500,000,000.00
Other current liabilities			
TOTAL CURRENT LIABILITIES		1,868,937,581.84	2,408,185,861.99
NON-CURRENT LIABILITIES:			
Long-term borrowings		935,973,175.48	657,503,175.48
Bonds payable			
Including: preferred stock			
Perpetual capital securities			
Long-term payables		1,627,000,000.00	1,627,000,000.00
Long-term employee compensation payable			
Special payables			
Estimated liabilities			
Deferred income		10,827,465.31	11,083,275.00
Deferred income tax liabilities			
Other non-current liabilities			
TOTAL NON-CURRENT LIABILITIES		2,573,800,640.79	2,295,586,450.48
TOTAL LIABILITIES		4,442,738,222.63	4,703,772,312.47
OWNERS' EQUITY:			
Share capital		882,108,472.00	882,108,472.00
Other equity instruments			
Including: preferred stock			
Perpetual capital securities			
Capital reserves		4,019,059,747.45	4,019,059,747.45
Less: treasury stock			
Other comprehensive income			
Special reserves			
Surplus reserves		60,500,071.92	60,500,071.92
Retained earnings		-866,399,145.59	-899,995,587.84
TOTAL OWNERS' EQUITY		4,095,269,145.78	4,061,672,703.53
TOTAL LIABILITIES AND OWNERS' EQUITY		8,538,007,368.41	8,765,445,016.00

Legal Representative: Huang Zhiqin
Accounting Principal: Ouyang Guoyu
Head of the Accounting Department: Ouyang Guoyu

CONSOLIDATED INCOME STATEMENT

January - December 2016

Unit: Yuan Currency: RMB

Item	Note 5	Year 2016	Year 2015
I. TOTAL OPERATING INCOME		7,229,672,814.11	8,602,588,791.38
Including: operating income	39	7,229,672,814.11	8,602,588,791.38
Interest income			
Premiums earned			
Income from handling charges and commissions			
II. TOTAL OPERATING COSTS		9,184,964,023.66	9,278,882,724.14
Including: operating costs	39	6,417,340,170.06	7,494,012,338.05
Including: interest expenses			
Handling charges and commissions expenses			
Surrender value			
Net amount of compensation payout			
Net amount withdrawn for insurance contract reserves			
Policy dividend payment			
Reinsurance costs			
Taxes and surcharges	40	20,894,210.41	24,564,660.35
Selling expenses	41	293,815,818.51	338,621,515.24
General and administrative expenses	42	1,189,538,143.51	757,913,442.81
Financial expenses	43	299,704,185.98	368,295,785.02
Losses from asset impairment	44	963,671,495.19	295,474,982.67
Plus: gains from changes in fair value ("-" for losses)			
Investment income ("-" for losses)	45	36,239,468.63	465,748,701.22
Including: income from investment in associates and joint ventures		30,765,912.78	2,436,491.72
Foreign exchange gains ("-" for losses)			
III. OPERATING PROFITS ("-" For Losses)		-1,919,051,740.92	-210,545,231.54
Plus: non-operating income	46	121,695,879.56	298,604,959.89
Including: Gains from disposal of non-current assets		453,898.07	25,946,288.77
Less: Non-operating expenses	47	3,648,927.83	3,165,085.49
Including: losses from disposal of non-current assets		3,033,712.53	2,085,038.17
IV. TOTAL PROFITS BEFORE TAX ("-" For Total Losses)		-1,801,004,789.19	84,894,642.86
Less: Income tax expenses	48	6,554,384.54	39,916,037.65
V. NET PROFIT ("-" For Net Loss)		-1,807,559,173.73	44,978,605.21
Net profit attributable to owners of the parent company		-1,775,623,467.63	28,443,877.59
Minority interest income		-31,935,706.10	16,534,727.62
VI. NET AMOUNT OF OTHER AFTER-TAX COMPREHENSIVE INCOME		-3,881,134.09	-5,296,719.95
Net amount of other after-tax comprehensive income attributable to owners of the parent company		-3,881,134.09	-5,296,719.95
(I) Other comprehensive income that cannot be reclassified into profits or losses later			

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Item	Note 5	Year 2016	Year 2015
1. Changes arising from re-measurement of net liabilities or net assets of defined benefit plan			
2. Share in other comprehensive income of the investee that cannot be reclassified into profits or losses under the equity method			
(II) Other comprehensive income that will be reclassified into profits or losses later		-3,881,134.09	-5,296,719.95
1. Share in other comprehensive income of investee that will be reclassified into profits or loss under equity method later			
2. Gains or losses on changes in fair value of financial assets available for sale			
3. Profits or losses arising from reclassification of held-to-maturity investments as financial assets available for sale			
4. Effective portion of cash flow hedging gains and losses			
5. Translation differences of financial statements dominated in foreign currency		-3,881,134.09	-5,296,719.95
6. Others			
Other after-tax comprehensive income attributable to minority shareholders			
VII. TOTAL COMPREHENSIVE INCOME		-1,811,440,307.82	39,681,885.26
Total comprehensive income attributable to owners of the parent company		-1,779,504,601.72	23,147,157.64
Total comprehensive income attributable to minority shareholders		-31,935,706.10	16,534,727.62
VIII. EARNINGS PER SHARE:			
(I) Basic earnings per share (RMB per share)		-2.0129	0.0322
(II) Diluted earnings per share (RMB per share)		-2.0129	0.0322

Legal Representative: Huang Zhiqin

Accounting Principal: Ouyang Guoyu

Head of the Accounting Department: Ouyang Guoyu

INCOME STATEMENT OF THE PARENT COMPANY
January - December 2016

		Unit: Yuan	Currency: RMB
Item	Note 14	Year 2016	Year 2015
I. OPERATING INCOME	4	97,591,559.49	204,304,035.80
Less: Operating costs	4	69,065,682.53	175,339,281.90
Taxes and surcharges		442,328.46	2,088,491.36
Selling expenses		3,492,866.14	5,551,053.08
General and administrative expenses		138,628,507.30	147,515,264.81
Financial expenses		94,324,583.53	157,895,624.96
Losses from asset impairment		109,112,034.26	60,886,603.61
Plus: gains from changes in fair value ("-" for losses)			
Investment income ("-" for losses)	5	350,655,515.68	431,354,144.19
Including: income from investment in associates and joint ventures		29,758,584.16	3,907,380.48
II. OPERATING PROFITS ("-" For Losses)		33,181,072.95	86,381,860.27
Plus: non-operating income		1,665,154.14	48,907,983.44
Including: Gains from disposal of non-current assets			25,932,910.56
Less: Non-operating expenses		168,678.02	24,859,996.27
Including: losses from disposal of non-current assets		16,678.02	1,299,118.93
III. TOTAL PROFITS BEFORE TAX ("-" For Total Losses)		34,677,549.07	110,429,847.44
Less: Income tax expenses			
IV. NET PROFITS ("-" For Net Losses)		34,677,549.07	110,429,847.44
V. NET AMOUNT OF OTHER AFTER-TAX COMPREHENSIVE INCOME			
(I) Other comprehensive income that cannot be reclassified into profits or losses later			
1. Changes arising from re-measurement of net liabilities or net assets of defined benefit plan			
2. Share in other comprehensive income of the investee that cannot be reclassified into profits or losses under the equity method			
(II) Other comprehensive income that will be reclassified into profits or losses later			
1. Share in other comprehensive income of investee that will be reclassified into profits or loss under equity method later			
2. Gains or losses on changes in fair value of financial assets available for sale			
3. Profits or losses arising from reclassification of held-to-maturity investments as financial assets available for sale			
4. Effective portion of cash flow hedging gains and losses			
5. Translation differences of financial statements dominated in foreign currency			
6. Others			
VI. TOTAL COMPREHENSIVE INCOME		34,677,549.07	110,429,847.44
VII EARNINGS PER SHARE:			
(I) Basic earnings per share (RMB per share)			
(II) Diluted earnings per share (RMB per share)			

Legal Representative: Huang Zhiqin
Accounting Principal: Ouyang Guoyu
Head of the Accounting Department: Ouyang Guoyu

CONSOLIDATED STATEMENT OF CASH FLOWS

January - December 2016

Unit: Yuan

Currency: RMB

Item	Note 5	Year 2016	Year 2015
I. CASH FLOW FROM OPERATING ACTIVITIES:			
Cash received from sales of goods and rendering of services		8,154,618,790.64	9,993,717,741.26
Net increase in customer bank deposits and placement from banks and other financial institutions			
Net increase in borrowings from central bank			
Net increase in loans from other financial institutions			
Premiums received from original insurance contracts			
Net cash received from reinsurance business			
Net increase in deposits and investments from policyholders			
Net increase received from disposal of financial assets measured at fair value through current profit or loss			
Cash received from interest, handling charges and commissions			
Net increase in loans from banks and other financial institutions			
Net capital increase in repurchase business			
Refunds of taxes and surcharges		16,909,734.47	31,364,165.55
Cash received from other operating activities	49	374,313,773.91	610,519,300.87
SUB-TOTAL OF CASH INFLOWS FROM OPERATING ACTIVITIES		8,545,842,299.02	10,635,601,207.68
Cash paid for goods purchased and services received		6,498,730,044.52	8,204,691,200.37
Net increase in loans and advances to customers			
Net increase in deposits in central bank and other banks and financial institutions			
Cash paid for original insurance contract claims			
Cash paid for interests, handling charges and commissions			
Cash paid for policy dividends			
Cash paid to and on behalf of employees		647,882,593.68	628,063,924.14
Cash paid for taxes and surcharges		191,719,670.81	262,123,624.14
Cash paid for other operating activities	49	468,909,338.07	637,152,884.47
SUB-TOTAL OF CASH OUTFLOWS FROM OPERATING ACTIVITIES		7,807,241,647.08	9,732,031,633.12
NET CASH FLOWS FROM OPERATING ACTIVITIES		738,600,651.94	903,569,574.56
II. CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash received from sale of investments		65,925,000.00	325,000,000.00
Cash received from returns on investments		4,331,638.98	4,556,743.57
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		25,026,571.74	91,964,292.14
Net cash received from disposal of subsidiaries and other business units		17,762,358.96	276,281,276.07
Cash received from other investing activities	49		7,235,738.72
SUB-TOTAL OF CASH INFLOWS FROM INVESTING ACTIVITIES		113,045,569.68	705,038,050.50
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		439,290,953.83	741,279,449.99

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Item	Note 5	Year 2016	Year 2015
Cash paid for investments		108,239,086.97	450,399,086.97
Net increase in pledge loans			
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities	49		23,413,356.78
SUB-TOTAL OF CASH OUTFLOWS FROM INVESTING ACTIVITIES		547,530,040.80	1,215,091,893.74
NET CASH FLOWS FROM INVESTING ACTIVITIES		-434,484,471.12	-510,053,843.24
III. CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash received from investors		11,926,293.75	69,937,751.75
Including: Cash received by subsidiaries from investments by minority shareholders		11,926,293.75	69,937,751.75
Cash received from borrowings		4,379,308,404.01	4,555,032,707.97
Cash received from bonds issue			
Cash received from other financing activities	49	105,965,954.27	56,533,984.34
SUB-TOTAL OF CASH INFLOWS FROM FINANCING ACTIVITIES		4,497,200,652.03	4,681,504,444.06
Cash paid for debt repayments		3,887,469,919.51	5,181,857,645.45
Cash paid for distribution of dividends and profits or payment of interest		306,362,110.72	393,473,593.07
Including: dividends and profits paid to minority shareholders by subsidiaries		12,550,650.31	
Cash paid for other financing activities	49	105,968,878.70	167,063.25
SUB-TOTAL OF CASH OUTFLOWS FROM FINANCING ACTIVITIES		4,299,800,908.93	5,575,498,301.77
NET CASH FLOWS FROM FINANCING ACTIVITIES		197,399,743.10	-893,993,857.71
IV. EFFECT OF FLUCTUATION IN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS		12,056,427.06	8,503,335.45
V. NET INCREASE IN CASH AND CASH EQUIVALENTS		513,572,350.98	-491,974,790.94
Plus: balance of cash and cash equivalents at the beginning of the period		1,096,879,048.58	1,588,853,839.52
VI. BALANCE OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		1,610,451,399.56	1,096,879,048.58

Legal Representative: Huang Zhiqin
Accounting Principal: Ouyang Guoyu
Head of the Accounting Department: Ouyang Guoyu

STATEMENT OF CASH FLOWS OF THE PARENT COMPANY

January - December 2016

Unit: Yuan Currency: RMB

Item	Note	Year 2016	Year 2015
I. CASH FLOW FROM OPERATING ACTIVITIES:			
Cash received from sales of goods and rendering of services		224,603,612.40	464,101,995.76
Refunds of taxes and surcharges		1,152,933.58	6,229,881.99
Cash received from other operating activities		128,854,694.51	512,285,769.04
SUB-TOTAL OF CASH INFLOWS FROM OPERATING ACTIVITIES		354,611,240.49	982,617,646.79
Cash paid for goods purchased and services received		59,257,235.44	209,589,205.77
Cash paid to and on behalf of employees		34,459,210.84	38,784,998.95
Cash paid for taxes and surcharges		8,201,064.03	11,944,878.75
Cash paid for other operating activities		143,192,922.51	472,168,548.37
SUB-TOTAL OF CASH OUTFLOWS FROM OPERATING ACTIVITIES		245,110,432.82	732,487,631.84
NET CASH FLOWS FROM OPERATING ACTIVITIES		109,500,807.67	250,130,014.95
II. CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash received from sale of investments		55,925,000.00	316,000,000.00
Cash received from returns on investments		225,673,651.03	101,908,465.97
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		8,950,001.00	26,444,341.34
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		290,548,652.03	444,352,807.31
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		89,881,601.54	117,108,541.40
Cash paid for investments		103,352,168.22	321,222,410.72
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities			
SUB-TOTAL OF CASH OUTFLOWS FROM INVESTING ACTIVITIES		193,233,769.76	438,330,952.12
NET CASH FLOWS FROM INVESTING ACTIVITIES		97,314,882.27	6,021,855.19
III. CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash received from investors			
Cash received from borrowings		1,370,291,611.63	2,268,856,907.04
Cash received from bonds issue			
Cash received from other financing activities		633,597,247.98	1,132,264,151.17
SUB-TOTAL OF CASH INFLOWS FROM FINANCING ACTIVITIES		2,003,888,859.61	3,401,121,058.21

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Item	Note	Year 2016	Year 2015
Cash paid for debt repayments		1,298,400,000.00	2,781,285,270.83
Cash paid for distribution of dividends and profits or payment of interest		157,459,853.42	221,285,786.64
Cash paid for other financing activities		621,620,612.85	790,125,540.05
SUB-TOTAL OF CASH OUTFLOWS FROM FINANCING ACTIVITIES		2,077,480,466.27	3,792,696,597.52
NET CASH FLOWS FROM FINANCING ACTIVITIES		-73,591,606.66	-391,575,539.31
IV. EFFECT OF FLUCTUATION IN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS		3,605.91	3,486.15
V. NET INCREASE IN CASH AND CASH EQUIVALENTS		133,227,689.19	-135,420,183.02
Plus: balance of cash and cash equivalents at the beginning of the period		155,510,433.79	290,930,616.81
VI. BALANCE OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		288,738,122.98	155,510,433.79

Legal Representative: Huang Zhiqin

Accounting Principal: Ouyang Guoyu

Head of the Accounting Department: Ouyang Guoyu

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

January - December 2016

Unit: Yuan Currency: RMB

Item	Year 2016												
	Equities attributable to the owners of the parent company											Minority equity	TOTAL OWNERS' EQUITY
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings		
		Preferred stock	Perpetual bonds	Others									
I. BALANCE AS AT DECEMBER 31, 2015	882,108,472.00				3,693,897,995.09		-3,646,538.83		60,500,071.92		-561,604,574.96	267,377,432.23	4,338,632,857.45
Plus: adjustments for changes in accounting policies													
Adjustments for correction of accounting errors in prior year													
Business combination under common control:													
Others													
II. BALANCE AS AT JANUARY 1, 2016	882,108,472.00				3,693,897,995.09		-3,646,538.83		60,500,071.92		-561,604,574.96	267,377,432.23	4,338,632,857.45
III. INCREASES/DECREASES IN 2016 (“-” For Decreases)							-3,881,134.09				-1,775,623,467.63	-25,509,412.35	-1,805,014,014.07
(I) Total comprehensive income							-3,881,134.09				-1,775,623,467.63	-31,935,706.10	-1,811,440,307.82
(II) Capital contributed or reduced by owners												11,926,293.75	11,926,293.75
1. Ordinary shareholders invested												11,926,293.75	11,926,293.75
2. Capital contributed by holders of other equity instrument													
3. Amounts of share-based payments recognized in owners' equity													
4. Others													
(III) Profit distribution												-5,500,000.00	-5,500,000.00
1. Withdrawal of surplus reserves													
2. Withdrawal of general risk reserves													
3. Profit distributed to owners												-5,500,000.00	-5,500,000.00
4. Others													
(IV) Internal carry-forward of owners' equity													

2016 ANNUAL REPORT

Item	Year 2016												
	Equities attributable to the owners of the parent company											Minority equity	TOTAL OWNERS' EQUITY
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings		
		Preferred stock	Perpetual bonds	Others									
1.Conversion of capital reserves into paid-in capital													
2. Conversion of surplus reserves into paid-in capital													
3. Surplus reserves offsetting losses													
4. Others													
(V) Special reserve													
1. Amount withdrawn in 2016													
2. Usage in 2016													
(VI) Other													
IV. BALANCE AS AT DECEMBER													
31, 2016	882,108,472.00				3,693,897,995.09		-7,527,672.92		60,500,071.92		-2,337,228,042.59	241,868,019.88	2,533,618,843.38

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Item	Year 2015												
	Equities attributable to the owners of the parent company											Minority equity	TOTAL OWNERS' EQUITY
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings		
		Preferred stock	Perpetual bonds	Others									
I. BALANCE AS AT DECEMBER 31, 2014	882,108,472.00				3,682,967,691.52		1,650,181.12		59,839,287.96		-595,796,939.85	240,184,973.24	4,270,953,665.99
Plus: adjustments for changes in accounting policies													
Adjustments for correction of accounting errors in prior year													
Business combination under common control:													
Others													
II. BALANCE AS AT JANUARY 1, 2015	882,108,472.00				3,682,967,691.52		1,650,181.12		59,839,287.96		-595,796,939.85	240,184,973.24	4,270,953,665.99
III. INCREASES/DECREASES IN 2015 (“-” For Decreases)					10,930,303.57		-5,296,719.95		660,783.96		34,192,364.89	27,192,458.99	67,679,191.46
(I) Total comprehensive income							-5,296,719.95				28,443,877.59	16,534,727.62	39,681,885.26
(II) Capital contributed or reduced by owners												23,027,513.00	23,027,513.00
1. Ordinary shareholders invested												23,027,513.00	23,027,513.00
2. Capital contributed by holders of other equity instrument													
3. Amounts of share-based payments recognized in owners' equity													
4. Others													
(III) Profit distribution													
1. Withdrawal of surplus reserves													
2. Withdrawal of general risk reserves													
3. Profit distributed to owners													
4. Others													
(IV) Internal carry-forward of owners' equity													
1.Conversion of capital reserves into paid-in capital													
2. Conversion of surplus reserves into													

2016 ANNUAL REPORT

Item	Year 2015												
	Equities attributable to the owners of the parent company											Minority equity	TOTAL OWNERS' EQUITY
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings		
		Preferred stock	Perpetual bonds	Others									
paid-in capital													
3. Surplus reserves offsetting losses													
4. Others													
(V) Special reserve													
1. Amount withdrawn in 2015													
2. Usage in 2015													
(VI) Other					10,930,303.57				660,783.96		5,748,487.30	-12,369,781.63	4,969,793.20
IV. BALANCE AS AT DECEMBER													
31, 2015	882,108,472.00				3,693,897,995.09		-3,646,538.83		60,500,071.92		-561,604,574.96	267,377,432.23	4,338,632,857.45

Legal Representative: Huang Zhiqin

Accounting Principal: Ouyang Guoyu

Head of the Accounting Department: Ouyang Guoyu

2016 ANNUAL REPORT

STATEMENT OF CHANGES IN OWNERS' EQUITY OF THE PARENT COMPANY
January - December 2016

Unit: Yuan Currency: RMB

Item	Year 2016										TOTAL OWNERS' EQUITY
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	
		Preferred stock	Perpetual bonds	Others							
I. BALANCE AS AT DECEMBER 31, 2015	882,108,472.00				4,019,059,747.45				60,500,071.92	-899,995,587.84	4,061,672,703.53
Plus: adjustments for changes in accounting policies											
Adjustments for correction of accounting errors in prior year											
Others											
II. BALANCE AS AT JANUARY 1, 2016	882,108,472.00				4,019,059,747.45				60,500,071.92	-899,995,587.84	4,061,672,703.53
III. INCREASES/DECREASES IN 2016 ("-" For Decreases)											
(I) Total comprehensive income										33,596,442.25	33,596,442.25
(II) Capital contributed or reduced by owners										34,677,549.07	34,677,549.07
1. Ordinary shareholders invested											
2. Capital contributed by holders of other equity instrument											
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											
3. Others											
(IV) Internal carry-forward of owners' equity											
1. Conversion of capital reserves into paid-in capital											
2. Conversion of surplus reserves into paid-in capital											
3. Surplus reserves offsetting losses											

2016 ANNUAL REPORT

Item	Year 2016										
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	TOTAL OWNERS' EQUITY
		Preferred stock	Perpetual bonds	Others							
4. Others											
(V) Special reserve											
1. Amount withdrawn in 2016											
2. Usage in 2016											
(VI) Other										-1,081,106.82	-1,081,106.82
IV. BALANCE AS AT DECEMBER 31, 2016	882,108,472.00				4,019,059,747.45				60,500,071.92	-866,399,145.59	4,095,269,145.78

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Item	Year 2015										
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	TOTAL OWNERS' EQUITY
		Preferred stock	Perpetual bonds	Others							
I. BALANCE AS AT DECEMBER 31, 2014	882,108,472.00				4,008,177,287.51				59,839,287.96	-1,016,173,922.58	3,933,951,124.89
Plus: adjustments for changes in accounting policies											
Adjustments for correction of accounting errors in prior year											
Others											
II. BALANCE AS AT JANUARY 1, 2015	882,108,472.00				4,008,177,287.51				59,839,287.96	-1,016,173,922.58	3,933,951,124.89
III. INCREASES/DECREASES IN 2015 (“-” For Decreases)					10,882,459.94				660,783.96	116,178,334.74	127,721,578.64
(I) Total comprehensive income										110,429,847.44	110,429,847.44
(II) Capital contributed or reduced by owners											
1. Ordinary shareholders invested											
2. Capital contributed by holders of other equity instrument											
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											
3. Others											
(IV) Internal carry-forward of owners' equity											
1. Conversion of capital reserves into paid-in capital											
2. Conversion of surplus reserves into paid-in capital											
3. Surplus reserves offsetting losses											
4. Others											
(V) Special reserve											

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Item	Year 2015										
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	TOTAL OWNERS' EQUITY
		Preferred stock	Perpetual bonds	Others							
1. Amount withdrawn in 2015											
2. Usage in 2015											
(VI) Other					10,882,459.94				660,783.96	5,748,487.30	17,291,731.20
IV. BALANCE AS AT DECEMBER 31, 2015	882,108,472.00				4,019,059,747.45				60,500,071.92	-899,995,587.84	4,061,672,703.53

Legal Representative: Huang Zhiqin

Accounting Principal: Ouyang Guoyu

Head of the Accounting Department: Ouyang Guoyu

I. Basic company information**(I) Company profile**

√Applicable □ Not applicable

Datang Telecom Technology Co., Ltd. (hereinafter referred to as “Company” or “the Company”) was incorporated, according to the original [1998] No. 326 document of Ministry of Posts and Telecommunications - *Official Reply to Approving the Establishment, A Shares Issue and Listing of Datang Telecom Technology Co., Ltd.*, as a joint stock company by stock floatation from 13 sponsors, i.e. the main sponsor - China Academy of Telecommunications Technology (CATT), the Tenth China Academy of Telecommunications Technology, International Telephone and Teledata, Inc., Xi'an Gaoke (Group) Corporation, Beijing Kaitengfei Information Technology Co., Ltd., Shaanxi International Trust Co., Ltd., Hunan Nantian Group Co., Ltd., Guangdong Yiyuan Communication Technology Co., Ltd., Shaanxi Shunda Communication Company, Shandong Post and Telecommunications Industrial Corporation, Shanxi Hongfei Communication Industrial Corporation, Hebei Communication Development Limited Company and Beijing Design Institute of Ministry of Information Industry (also called “Beijing Consulting and Design Institute of P&T”), upon the approval of State Economic and Trade Commission in the form of GJMQG (1998) No. 543 document - *Official Reply to Approving the Establishment of Datang Telecom Technology Co., Ltd.*. The Company was registered on September 21, 1998 with the unified social credit code of the business license for enterprise legal person: 91110000633709976B. Its stock was listed and traded in Shanghai Stock Exchange since October 21, 1998. It belongs to communication equipment manufacturing industry.

Up to December 31, 2016, the Company totally issued 882,108,472.00 shares with the registered capital of RMB 882,108,472.00.

Registered address: No. 6, Yongjia North Road, Haidian District, Beijing.

Legal representative of the Company: Huang Zhiqin.

Business scope of the Company:

Manufacturing of electronic & communication equipment, mobile phone, instrument and cultural & official goods; production and sales of security & protection products, and design construction of security & protection works (managed only by Chengdu branch); category- III, II sales: medical electronic apparatus (except 6821-1 and 6821-3); medical optical equipment (except 6822-1), instrument and endoscope facility; medical ultrasonic device and related equipment; medical magnetic resonance equipment; medical X-ray equipment; medical high-energy ray equipment; medical nuclide equipment; clinical analytical instrument; category II: software (expiry date of medical device license: September 10, 2018); network hosting business in category-II basic telecom service (according to value-added telecom service management), information service in category-II value-added telecom service (excluding fixed-network phone information service and internet information service) (expiry date of value-added telecom service: January 17, 2017), and estate management. Manufacturing of electronic computer software & hardware and external equipment; technology development; technology transfer; technology consulting; technology service; computer system integration; sales of electronics & communication equipment, mobile phone, instrument, cultural & official goods, computer software & hardware and external equipment, optical cable, microelectronic device, mechanical equipment, electrical equipment, air conditioning equipment, energy saving equipment of communication base machine room, and special operation vehicle; engineering design of communication & information system; information service; technology import & export; goods import & export; import & export agency.

CATT is the parent company and actual controller of the Company.

The financial statements were reported upon the approval of the board of directors of the Company on April 20, 2017.

(II) Scope of consolidated financial statements

√Applicable □ Not applicable

As at December 31, 2016, subsidiaries within the scope of the consolidated financial statements of the Company are as follows:

Name of subsidiaries
Xi'an Datang Telecom Technology Co., Ltd.
Datang Telecom (Tianjin) Technical Service Co., Ltd.
Datang Terminal Equipment Co., Ltd.
Datang Telecom (Chengdu) Information Technology Co., Ltd.
Datang Innohub Investment (Beijing) Co., Ltd.
Datang NXP Semiconductors Co., Ltd.
Datang Semiconductor Design Co., Ltd.
Datang Microelectronics Technology Co., Ltd.
Leadcore Technology Co., Ltd.
Leadcore Technology (Hong Kong) Co., Ltd.
Datang Software Technologies Co., Ltd.
Beijing Datang Zhicheng Software Technology Co., Ltd.
Datang Telecom (H.K.) Limited
Datang Telecom (Hong Kong) Holding Co., Ltd.
Datang Terminal Technology Co., Ltd.
Shengyao Wireless Communication Technology (Beijing) Co., Ltd.
Shanghai Uniscope Communication Technologies Co., Ltd.
Shanghai Puge Electronics Co., Ltd.
Shanghai Jingyou Communication Technology Co., Ltd.
Shenzhen Uniscope Weiye Communication Technology Co., Ltd.
Qidong Uniscope Electronics Co., Ltd.
Jiangsu I-front Science & Technology Co., Ltd.
Jiangsu Datang Smart Pipe Network Technology Co., Ltd.
Guangzhou Yaowan Entertainment Network Technology Co., Ltd.
Shanghai Yaowan Network Technology Co., Ltd.
Zhuhai Yaowan Entertainment Network Technology Co., Ltd.
Hong Kong Yaowan Entertainment Network Technology Co., Ltd.
Shanghai Yaowan Entertainment Network Technology Co., Ltd.
Wuxi Yaowan Entertainment Network Technology Co., Ltd.
Shanghai Yaowan Network Technology Co., Ltd.
Guangzhou Kuaiyu Network Technology Co., Ltd.

See "Note VI Changes in the scope of consolidation" and "Note VII Equity in other subjects" for details of the scope of consolidated financial statements in the current year and the changes thereof.

II. Preparation basis for financial statements**(I) Basis for preparation**

Based on going concern and according to actually occurred transactions and events, the Company prepared financial statements in accordance with the *Accounting Standards for Business Enterprises — Basic Standards* and all the specific accounting standards, Application Guidance to the Accounting Standards for Business Enterprises, the interpretation of the Accounting Standards for Business Enterprises and other relevant provisions (hereinafter referred to as the "Accounting Standards for Business Enterprises"), as well as the disclosure provisions of the *Rules for the Compilation and Submission of Information Disclosure by Companies Offering Securities to the Public No.15 - General Requirements for Financial Reports*.

(II) Going concern

√Applicable ☐ Not applicable

The Company has the ability of going concern at least 12 months since the end of report period, without major events to impact going concern.

III. Principal accounting policies and accounting estimates

Tips for specific accounting policies and accounting estimates:

√Applicable ☐ Not applicable

The following disclosures have covered the specific accounting policies and accounting estimates formulated by the Company according to the characteristics of its actual production and operation.

(I) Statement on compliance with Accounting Standards for Business Enterprises

The financial statements prepared by the Company comply with the requirements of accounting standards for business enterprises, and truly and completely present the financial position, operating results and cash flows of the Company and other related information.

(II) Accounting period

The accounting year is from January 1 to December 31 in calendar year.

(III) Operating cycle

√Applicable ☐ Not applicable

The Company's operating cycle is 12 months.

(IV) Functional currency

The Company's functional currency is RMB.

(V) Accounting treatment methods for business combinations under common control and not under common control

√Applicable ☐ Not applicable

Business combination under common control: For the assets and liabilities obtained by the Company in business combination, they are measured at the book value of the consolidated financial statements of the final controller on the combination date (including the goodwill formed by the acquisition by the final controller of the combinee). The stock premium in the capital reserve is adjusted according to the difference between the book value of the net assets obtained from the combination and that of the consideration for the combination paid (or total par value of outstanding shares); if there is no sufficient premium in the capital reserve for write-downs, the retained earnings are adjusted.

Business combination not under common control: The Company shall, on the acquisition date, measure the assets surrendered and liabilities incurred or assumed by the Company for a business combination at their fair values. The difference between the fair value and their book value will be included into current profit or loss. The Company shall recognize the difference of the combination costs in excess of the fair value of the identifiable net assets acquired from the acquiree as goodwill. The Company shall recognize the difference of the combination costs in short of the fair value of the identifiable net assets acquired from the acquiree in the current profit or loss after review.

The auditing, legal services, consulting and other intermediary fees and other related administrative expenses for business combination will be included into current profit or loss upon occurrence; the transaction costs for the issuance of equity securities shall offset equities.

(VI) Preparation methods of the consolidated financial statements

☒ Applicable ☐ Not applicable

1. Consolidation scope

The consolidation scope of consolidated financial statements of the Company is determined on the basis of control, and all its subsidiaries (including the investee's partible part that is under control of the Company) are included in the consolidated financial statements.

2. Procedures of consolidation

The Company prepares the consolidated financial statements based on its own financial statements and those of its subsidiaries, and other relevant information. When preparing the consolidated financial statements, the Company treats the enterprise group as a whole accounting entity, to reflect the overall financial position, operating results and cash flows in accordance with relevant recognition, measurement and presentation requirements of Accounting Standards for Business Enterprises and the uniform accounting policies.

The accounting policies and accounting period adopted by subsidiaries included in the consolidation scope of the consolidated financial statements shall be the same as those of the Company; if inconsistent, necessary adjustments shall be made according to the Company's accounting policies and accounting period in the preparation of the consolidated financial statements. For subsidiaries acquired from business combination not under common control, adjustments will be made to their financial statements based on the fair value of the identifiable net assets on the acquisition date. For subsidiaries acquired through business combination under common control, adjustments will be made to their financial statements based on the book value of their assets and liabilities (including the goodwill formed from the ultimate controller's acquisition of the subsidiaries) in the financial statements of the ultimate controller.

Subsidiary's owners' equity, net profit or loss and the share of comprehensive income in the current year attributable to minority shareholders will be separately listed under the owners' equity in the consolidated balance sheet, net profit in the consolidated income statement and total comprehensive income. If the current losses of minority shareholders of a subsidiary exceed the share attributable to the minority shareholders at the beginning of the owner's equity in the subsidiary, the balance is allocated against the minority equity.

1) Increase of subsidiaries or business

During the reporting period, if the Company acquired subsidiaries or business from the business combination under common control, the beginning balance in the consolidated balance sheet shall be adjusted. The incomes, expenses and profits of the newly acquired subsidiaries or business from the beginning to the end of the reporting period shall be included in the consolidated income statement. The cash flows of the newly acquired subsidiaries or business from the beginning to the end

of the reporting period shall be included in the consolidated statement of cash flows. Relevant items in the comparative financial statements of the subsidiaries shall be adjusted accordingly, as if the reporting entity after the business combination exists at the time when the final controller has the control power.

Where control can be exercised on the investee under the common control for additional investment or other reasons, adjustment will be made as if all parties involved in the combination exist at the beginning of the control by the ultimate controller. Equity investments held before the control over the combinee is obtained, the related profit and loss, other comprehensive income as well as other changes in net assets recognized from the later of the date when the original equity is obtained or the date when the acquirer and the acquiree are under the same control, to the combination date will respectively write down the retained earnings or current profit or loss in the comparative statements.

During the reporting period, if the Group acquired subsidiaries or business from the business combination not under common control, the beginning balance in the consolidated balance sheet will not be adjusted. The incomes, expenses and profits of the newly acquired subsidiaries or business from the acquisition date to the end of the reporting period shall be included in the consolidated income statement. The cash flows of the newly acquired subsidiaries or business from the acquisition date to the end of the reporting period shall be included in the consolidated statement of cash flows.

Where the Company can implement control over an investee not under common control due to additional investment or other reasons, the equity held by the combinee before the purchase date is remeasured at the fair value on the purchase date of the equity, and the difference between the fair value and the book value shall be included in the current investment income. In the event that the equity of the acquiree held prior to the acquisition date involves changes to other comprehensive income under the equity method and other changes to owners' equity except for net profit and loss, other comprehensive income and profit distribution, other comprehensive income and other changes in the owner's equity associated therewith are transferred to investment income of the period to which the acquisition date belong, except for other comprehensive income arising from changes in net liabilities or net assets due to the re-measurement of defined benefits plan by the investee.

2) Disposal of subsidiaries or business

① General method of disposal

During the reporting period, where the Company disposes a subsidiary or business, the revenues, expenses and profits of the subsidiary or business from the beginning period to the disposal date should be included in the consolidated cash flow statement; the subsidiary's or the business's cash flows from the beginning period to the disposal date should be included in the consolidated cash flow statement.

When the Company losses the control over the investee due to disposal of partial equity investment or other reasons, the remaining equity investment after the disposal will be re-measured by the Company at its fair value on the date of loss of the control. The difference of total amount of the consideration from disposal of equities plus the fair value of the remaining equities less the shares calculated at the original shareholding ratio in net assets and goodwill of the original subsidiary which are continuously calculated as of the acquisition date or combination date is included in the investment income of the period at the loss of control. Other comprehensive incomes associated with the equity investments of the original subsidiary, or the changes in owners' equity other

than net profit or loss, other comprehensive income and profit distribution, are transferred into investment income of the period when control is lost, except for other comprehensive income from the change in net liability or net asset due to the investor's re-measurement of designated benefit plan.

For the circumstance that the shareholding ratio of the Company declines and thus the control power of the Company losses because other investors increase investment in its subsidiaries, it shall be subject to the above principles for accounting treatment.

② Disposal of subsidiary by stages

If the control right losses due to disposal of the equities in subsidiaries through multiple transactions, and the terms, conditions and economic impact of the transactions related to the enterprise's disposal of its investment in the subsidiary meet one or more of the following circumstances, it should be deemed that multiple transaction events are included into a package of transactions and subject to accounting processing as such:

- i. such transactions are concluded at the same time or with their impact on each other taking into consideration;
- ii. these transaction must be taken as one to form a complete commercial event;
- iii. one transaction occurs on the precondition of the occurrence of one or more transactions; and/or
- iv. the transactions are deemed as non-economically feasible individually while economically feasible when they are viewed together.

When these transactions of disposing equity investment in subsidiary cause loss of control and be deemed as a package deal, they are accounted for by the Group as a transaction of disposing subsidiary and losing control; however, the difference between the accumulated disposal considerations before loss of control and the Group's share of the net assets of the subsidiary is recognized as other comprehensive income in the consolidated financial statements, and is transferred into current profit or loss upon loss of control.

If the disposal of equity investment in subsidiaries and other transactions until the control loses are not package transactions, before the control loses, related policies governing the partial disposal of equity investments in subsidiaries without losing control will apply; when the control loses, general accounting method for the disposal of subsidiaries will govern.

3) Purchase of minority equity of subsidiary

The share premium in the capital reserves under the consolidated balance sheet will be adjusted at the difference between the long-term equity investment acquired by the Company for the purchase of minority equities and the share of net assets calculated constantly from the acquisition date (or combination date) according to the newly increased shareholding ratio. Where the share premium is insufficient, retained earnings will be adjusted.

4) Partial disposal of long-term equity investments in subsidiaries without losing control

The difference between the proceeds from partial disposal of equity investments in the subsidiary and the share of net assets of subsidiaries attributable to the Company (calculated from the acquisition date to the combination date) corresponding to the disposal of long-term equity investments without losing control, shall be charged

against stock premium within capital reserves in the consolidated balance sheet; when stock premium within capital reserves is insufficient to offset, the retained earnings shall be adjusted.

(VII) Classification of joint venture arrangement and accounting treatment method

√Applicable ☐ Not applicable

Joint venture arrangements are classified into joint operation and joint venture.

Joint operation refers to those joint venture arrangements, relevant assets and liabilities of which are enjoyed and assumed by the joint ventures, when the Company is part of it.

The Company shall recognize the following items related to its share of benefits in the joint operation and conduct accounting treatment in accordance with relevant accounting standards for business enterprises:

- (1) assets it solely holds and its share of jointly-held assets based on its percentage;
- (2) liabilities it solely assumes and its share of jointly-assumed liabilities based on its percentage;
- (3) incomes from sale of output enjoyed by it from the joint operation;
- (4) incomes from sale of output from the joint operation based on its percentage; and
- (5) separate costs and costs for the joint operation based on its percentage.

(VIII) Recognition criteria for cash and cash equivalents

For the purpose of preparing the statement of cash flows, the term “cash” refers to the cash on hand and the unrestricted deposit of the Company. The term “cash equivalents” refers to short-term (maturing within three months from acquisition) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(IX) Foreign currency transactions and translation of foreign currency statements

√Applicable ☐ Not applicable

1. Foreign currency transactions

Foreign currency transactions will be translated at the spot exchange rate on the transaction date as the exchange rate of conversion, and be accounted for at RMB converted from foreign currency amount.

The balance of foreign currency monetary items as at the balance sheet date are translated at the spot exchange rate on the balance sheet date and the exchange differences arising therefrom shall be included in the current profit or loss, except those exchange differences arising from the special borrowings of foreign currency related to the acquired and constructed assets qualified for capitalization that will be capitalized at the borrowing expenses.

2. Translation of foreign currency financial statements

The assets and liability items in the balance sheet shall be converted at the spot exchange rates on the balance sheet date. For owners' equity items, except for the item of “retained earnings”, other items are translated at the spot exchange rates when the transactions occur. The income and expenses items in income statements are converted at the spot exchange rates prevailing on the date when transactions occur.

When the Company disposes of an overseas business, it shall transfer the exchange difference relating to the business disposed of, which is presented under the item of the owners' equity, to the profit and loss on disposal for the current year.

(X) Financial instruments√Applicable ☐ Not applicable

Financial instruments include financial assets, financial liabilities and equity instruments.

1. Classification of financial instruments

Upon initial recognition, financial assets and financial liabilities are classified into: financial assets or financial liabilities measured at fair value through current profit and loss, including trading financial assets or liabilities and the financial assets or financial liabilities designated to be measured by fair value and changes are included in current profit and loss; held-to-maturity investments; receivables; available-for-sale financial assets; and other financial liabilities, etc.

2. Recognition basis and measurement methods of financial instruments

- (1) Financial assets (financial liabilities) measured at fair value through current profit and loss

Financial assets (financial liabilities) are initially recorded at fair values when acquired (deducting cash dividends that have been declared but not distributed and bond interests that have matured but not been drawn). Relevant transaction expenses are included in the current profit and loss.

The interest or cash dividend to be received during the holding period is or are recognized as investment income. Change in fair values is included in the current profit and loss at the end of the period.

Upon disposal, the difference between the fair value and initial entry value is recognized as investment income, while the gains or losses from changes in fair value will be adjusted.

- (2) Held-to-maturity investments

Held-to-maturity investment amount is initially recorded at the sum of fair values (deducting the bond interest that has matured but not been drawn) and relevant transaction expenses when acquired.

During the holding period, the interest income is calculated and recognized according to the amortized costs and effective interest rate, and included in the investment income. The effective interest rate is determined upon acquisition and will remain unchanged during the expected renewal period, or a shorter period if applicable.

Upon disposal, the difference between the purchase price obtained and the book value of the investment is recognized in investment income.

- (3) Accounts receivable

For creditor's rights receivable arising from external sales of goods or rendering of service by the Company and other creditor's rights of other enterprises (excluding liability instruments quoted in an active market) held by the Company, including accounts receivable, other receivables and others, the initial recognition amount shall be the contract price or agreement price receivable from purchasing party; for those with financing nature, they are initially recognized at their present values.

The difference between the purchase price obtained and the book value of the receivables is included in the current profit and loss upon recovery or disposal.

(4) Available-for-sale financial assets

Available-for-sale financial assets are initially recognized at the fair value (deducting net of cash dividends declared but not yet paid or bond interest due but not yet received) and related transaction expenses upon acquisition.

The interest or cash dividend to be received during the holding period is or are recognized as investment income. The interest or cash dividends should be measured at fair value and their changes in fair value should be included in other comprehensive income. However, for an equity instrument investment that has no quoted price in an active market and whose fair value cannot be reliably measured, and for derivative financial asset linked to the said equity instrument and settled by delivery of the same equity instrument, they are measured at cost.

Difference between the proceeds and the book value of the financial assets is recognized as investment profit or loss upon disposal; meanwhile, amount of disposal corresponding to the accumulated change in fair value which was originally and directly included in other comprehensive income shall be transferred out and included in current profit or loss as investment income.

(5) Other financial liabilities

Other financial liabilities are initially recognized at the sum of fair value and transaction expenses, and the subsequent measurement is conducted by adopting the amortized cost.

3. Recognition basis and measurement method of transfer of financial assets

Upon occurrence of transfer of a financial asset, the Company shall derecognize the financial asset if nearly all the risks and rewards associated with the ownership of the financial asset have been transferred to the transferee; and shall not derecognize the financial asset if nearly all the risks and rewards associated with the ownership of the financial asset are retained.

The principle of substance over form is adopted to determine whether a financial asset meets the above de-recognition conditions for the financial asset. The Company classifies the transfer of a financial asset into the entire transfer and the partial transfer of financial assets. If the entire transfer satisfies the criteria for derecognition of the financial asset, the difference between the amounts of the following two items is recorded into current profit and loss:

- (1) the book value of the transferred financial assets;
- (2) the sum of the consideration received from the transfer and the accumulated amount of the changes in fair value originally and directly included in owners' equity (the situation where the financial asset transferred is an available-for-sale financial asset is involved).

If the partial transfer of financial asset satisfies the criteria for derecognition, the entire book value of the transferred financial asset is split into the derecognized and recognized part according to their respective fair value, and the difference between amount of the following items shall be included in the current profit and loss:

- (1) the book value of the derecognized part;
- (2) the sum of the consideration for the derecognized part and the portion of de-recognition corresponding to the accumulated amount of the changes in fair value originally and directly included in owners' equity (the situation where the financial asset transferred is an available-for-sale financial asset is involved).

If the transfer of financial assets does not meet the de-recognition criteria, the financial assets shall continue to be recognized, and the consideration received will be recognized as a financial liability.

4. De-recognition criteria of financial liabilities

A financial liability shall be wholly or partly derecognized if its present obligations are wholly or partly dissolved. Where the Company enters an agreement with a creditor so as to substitute the existing financial liabilities with any new financial liability, and the new financial liability is substantially different from the contractual stipulations regarding the existing financial liability, it shall derecognize the existing financial liability, and recognize a new one at the same time.

Where substantive changes are made to the contract terms of existing financial liability in whole or in part, the existing financial liabilities or part thereof will be derecognized, and at the same time the financial liability with the revised contractual terms will be recognized as a new financial liability.

Upon whole or partial derecognition of financial liabilities, the difference between the book value of the financial liabilities derecognized and the consideration paid (including non-cash assets transferred out or new financial liabilities assumed) is included in the current profit and loss.

When the Company buys back part of financial liabilities, it will allocate the entire book value of the said financial liabilities on the repurchase date according to the relative fair value of the part that continues to be recognized and the derecognized part. The difference between the book value of the derecognized part and the consideration paid (including non-cash assets surrendered or new financial liabilities assumed) shall be included in the current profit and loss.

5. Determination method for the fair value of financial assets and financial liabilities

The fair value of a financial instrument having an active market is determined on the basis of quoted prices in the active market. The fair value of a financial instrument, for which there is no active market, is determined by using valuation techniques. At the time of valuation, the Company adopts the techniques that are applicable in the current situation and supported by enough available data and other information, selects the input values that are consistent with the features of assets or liabilities as considered by market participants in relevant asset or liability transactions, and gives priority to use relevant observable inputs. Unobservable inputs are used only under the circumstance when it is impossible or unobservable inputs to obtain relevant observable inputs.

6. Test method and accounting treatment for impairment of financial assets (excluding accounts receivable)

Except for the financial assets measured at fair values through current profit and loss, the book value of financial assets on the balance sheet date should be checked. If there is objective evidence that a financial asset is impaired, provision for impairment shall be made.

(1) Provision for impairment of available-for-sale financial assets

If the fair value of available-for-sale financial assets has significantly declined at the end of the period, or it is expected that the trend of decrease in value is non-temporary after considering of various relevant factors, the impairment shall be recognized, and accumulated losses from decreases in fair value originally and directly included in owners' equity shall be all transferred out and recognized as impairment loss.

For available-for-sale debt instruments whose impairment losses have been recognized, if their fair values rise in the subsequent accounting period and such rise is objectively related to the events occurring after the recognition of impairment loss, the previously recognized impairment loss shall be reversed and recorded into the current profit or loss.

Impairment losses on available-for-sale equity instruments should not be reversed through profit and loss.

(2) Provision for impairment of held-to-maturity investments

Measurement of provision for impairment losses on held-to-maturity investments is treated in accordance with the measurement method of impairment loss on accounts receivable.

(XI) Allowance for bad debts of receivables

1. Receivables that are individually significant but with provision for bad debts made on an individual basis

☒ Applicable ☐ Not applicable

Judgment basis or amount standards for individually significant amount	The top five of the balance of receivables or individual funds accounting for more than 10% of the balance of accounts receivable
Provision methods of allowance for bad debts of accounts receivable with individually significant amount	For receivables with individual significant amount, separate impairment test shall be made. If there is objective evidence that impairment of those receivables has occurred, provision for bad debts shall be made at the difference of present value of their future cash flows in short of their book value.

2. Receivables subject to allowance for bad debts on credit risk characteristics basis

☒ Applicable ☐ Not applicable

Basis for determination of the portfolio	
Portfolio 1	Receivables with individually significant amount but small portfolio risk
Portfolio 2	Receivables with individually insignificant amount but small portfolio risk
Portfolio 3	Receivables with great portfolio risk
Method of making provision for bad debts on portfolio basis	
Portfolio 1	Aging analysis method
Portfolio 2	Aging analysis method
Portfolio 3	Aging analysis method

In the portfolio, receivables with bad debt reserves accrued under aging analysis method:

☒ Applicable ☐ Not applicable

Aging	Proportion of provision for receivables (%)	Proportion of provision for other receivables (%)
Within 1 year (inclusive)	0.50	0.50
1 to 2 years (including 2 years)	2.00	2.00
2 to 3 years (including 3 years)	5.00	5.00
3 to 4 years (including 4 years)	30.00	30.00
4-5 years (including 5 years)	50.00	50.00
Above 5 years	100.00	100.00

3. Receivables that are individually insignificant but with provision for bad debts made on an individual basis

√Applicable □ Not applicable

Reasons for individual provision for bad debts	There is objective evidence showing that there may be impairment; creditor suffers revocation, bankruptcy or death; it cannot be withdrawn after paying off by the bankrupted property or heritage; cash flow is seriously insufficient.
Method of allowance for bad debts	If there is an objective evidence that the impairment on receivables has occurred, such receivables shall be separated from relevant portfolio to conduct impairment test separately, based on which the impairment losses are recognized.

(XII) Inventories

√Applicable □ Not applicable

1. Classification

Inventories are classified into: materials in transit, raw materials, revolving materials, consigned processing materials, goods in process, self-manufactured semi-finished products, finished products (stock commodities), packing materials, low-cost consumables, engineering construction, etc.

2. Measurement method of inventories dispatched

The accounting of raw materials and finished products of Xi'an Datang Telecom Technology Co., Ltd., Datang Microelectronics Technology Co., Ltd, Datang Semiconductor Design Co., Ltd, Datang NXP Semiconductor Co., Ltd and Leadcore Technology Co., Ltd, holding subsidiaries of the Company, adopts "planned cost method". The accounting of finished products of Shanghai Puge Electronics Co., Ltd. adopts the "planned cost method". The difference between actual cost and planned cost shall be accounted for in the "material cost difference" account. The accounting of raw materials of the Company and other subsidiaries adopts the "actual cost method"; when dispatched, the finished products are accounted for at the weighted average method.

3. Recognition basis for net realizable values of inventories in different categories

In normal operation process, for merchandise inventories held directly for sale, including finished goods, stock commodities and materials for sale, their net realizable values are determined at the estimated selling prices minus the estimated selling expenses and relevant taxes and surcharges; in normal operation process, for material inventories that need further processing, their net realizable values are determined at the estimated selling prices of finished goods minus estimated costs to completion, estimated selling expenses and relevant taxes and surcharges; for inventories held to execute sales contract or service contract, their net realizable values are calculated on the basis of contract price. If the quantities of inventories specified in sales contracts are less than the quantities held by the Company, the net realizable value of the excess portion of inventories shall be based on general selling prices.

The provisions for inventory depreciation reserve are made on an individual basis at the end of the period, for inventories with large quantities and relatively low unit prices, the provisions for inventory depreciation reserve are made on a category basis. For inventories related to the product portfolios manufactured and sold in the same area, and of which the final usage or purpose is identical or similar thereto, and which is difficult to be separated from other items for measurement purposes, the provisions for inventory depreciation reserve are made on a portfolio basis.

The net realizable values of inventory items are determined based on the market price on the balance sheet date, except that there is obvious evidence showing the market price on the balance sheet date is abnormal.

Net realizable value of inventory items at the end of the year is recognized at the market price on the balance sheet date.

4. Inventory system

Perpetual inventory system is adopted.

5. Amortization method of low-cost consumables and packaging materials

Packing materials and low-cost consumables adopt fifty percent amortization method, among which low-cost consumables of Leadcore Technology Co., Ltd adopts one-time writing-off process to make amortization.

(XIII) Assets classified as held for sale

☒ Applicable ☐ Not applicable

The Company recognizes the part (or non-current assets) that meet all the following conditions as assets held for sale:

- (1) the part must be immediately available to be sold under the current conditions and according to the usual terms on the sale of such part;
- (2) the Company has made resolutions on disposing of the part (or non-current assets) and has been approved by the general meeting or relevant organs of power if the approval of shareholders is required;
- (3) the Company has signed an irrevocable transfer agreement with the assignee;
- (4) the transfer will be completed within a year.

(XIV) Long-term equity investments

☒ Applicable ☐ Not applicable

1. Judgment criteria for joint control and significant influence

The term 'common control' refers to the joint control, according to the relevant provisions, over an arrangement, of which the relevant activities should be agreed and decided by the participants that share the control. Where the Company exercises joint control over the investee together with other parties to the joint venture and enjoys the right on the investee's net assets, the investee is a joint venture of the Company.

Significant influence refers to the power of participating in decision-making of a company's financial and operational policies, to the extent that the preparation of the said policies cannot be controlled or under the common control with other parties. Where the Company is able to exert significant influence over the investee, the investee is its associate.

2. Determination of initial investment cost

- (1) Long-term equity investments acquired from business combination

Business combination under common control: if the Company makes payment in cash, transfers non-cash assets or bears debts and issues equity securities as the consideration for the business combination, the book value of the owner's equity of the acquiree in the consolidated financial statements of the ultimate controller is recognized as the initial cost of the long-term equity investment on the combination date. Where additional investment or other reasons make the control over the investee under the same control possible, the initial cost of the long-term equity investments is measured at the share of net assets of the combinee on the combination date in the book value of the ultimate controller's consolidated financial statements. The stock premium should be adjusted at the difference

between the initial investment cost of long-term equity investments on the combination date and the book value of long-term equity investments before the combination plus the book value of consideration paid for additional shares; if there is no sufficient stock premium for write-downs, the retained earnings are adjusted.

Business combination not under common control: The Company recognizes the combination cost determined on the combination date as the initial cost of long-term equity investments. Where the Company can control the investee not under common control from additional investments, the initial investment cost should be changed to be accounted for under the cost method and recognized at the sum of the book value of equity investments originally held and newly increased investment cost.

(2) Long-term equity investments acquired by other means

For a long-term equity investment acquired through making payments in cash, its investment initial cost is the actually paid purchase cost.

For the long-term equity investment acquired by issuing equity securities, the initial investment cost is the fair value of the issued equity securities.

If the exchange of non-monetary assets has commercial substance, and the fair values of these assets traded in and traded out can be measured reliably, the book-entry values of intangible assets traded in are based on the fair values of the intangible assets traded out and the relevant taxes and surcharges payable unless there is any conclusive evidence that the fair values of the assets traded in are more reliable. If the exchange of non-monetary assets does not meet the above criteria, the initial investment cost of long-term equity investments traded out should be the book value of the assets traded out and the relevant taxes and surcharges payable.

For a long-term equity investment acquired from debt restructuring, its initial cost is determined based on the fair value.

3. Subsequent measurements and recognition of profit or loss

(1) Long-term equity investments accounted for under the Cost method

Long-term equity investments in subsidiaries are accounted for under the cost method. Except for the actual price paid for acquisition of investment or the cash dividends or profits contained in the consideration which have been declared but not yet distributed, the Company recognizes the investment income in the current year at the cash dividends or profits declared by the investee.

(2) Long-term equity investments accounted for under the Equity method

The Company's long-term equity investments in associates and joint ventures are accounted for using the equity method. If the cost of initial investment is in excess of the proportion of the fair value of the net identifiable assets in the investee when the investment is made, the difference will not be adjusted to the initial cost of the long-term equity investments; if the cost of initial investment is in short of the proportion of the fair value of the net identifiable assets in the investee when the investment is made, the difference will be included in the current profit and loss.

The Company shall recognize respectively the investment income and other comprehensive income and adjust the book value of the long-term equity investments accordingly as per its share of the net profit or loss and other comprehensive income of the investee. The book value of long-term equity investments shall be deducted as per the Company's share of the profits or cash dividends declared by the investee. Changes in owners' equity other than the net profit or loss, other comprehensive income and profit distribution of the investee are adjusted to the book value of the long-term equity investments, and included in the owners' equity.

The share of the investee's net profit or loss should be recognized after adjustments are made to net profit of the investee based on the fair value of identifiable net assets of the investee upon acquisition of investments and according to accounting policies and accounting period of the Company. During the holding of investment, if the investee prepares consolidated financial statements, the accounting should be conducted on the basis of the net profit, other comprehensive income and the amount in the change of other owners' equities that belongs to the investee as presented in consolidated financial statements.

The Company shall write off the part of incomes from internal unrealized transactions between the Company and associates and joint ventures which are attributable to the Company according to the corresponding ratio and recognize the investment income on such basis. Where the losses from internal transactions between the Company and the investee fall into the scope of assets impairment loss, the full amount of such losses should be recognized. For transactions on investments or sales of assets between the Company and associates and joint ventures, where such assets constitute business, they should be accounted for according to the relevant policies disclosed in Note "3.5 Accounting treatment of business combinations under common control and not under common control" and Note "3.6 Preparation of consolidated financial statements".

When the Company confirms that it should share losses of the investee, treatment should be done in following sequence: firstly, the book value of the long-term equity investment shall be reduced. Secondly, where the book value thereof is insufficient to cover the share of losses, investment losses are recognized to the extent of book value of other long-term equities which form net investment in the investee in substance and the book value of long term receivables shall be reduced. Finally, after all the above treatments, if the Company is still responsible for any additional liability in accordance with the provisions stipulated in the investment contracts or agreements, provisions are recognized and included into current investment loss according to the obligations estimated to undertake.

(3) Disposal of long-term equity investments

For disposal of long-term equity investments, the difference between the book value and the actual price shall be included in the current profit and loss.

When the Company disposes of the long-term equity investment measured by employing the equity method, accounting treatment of the portion previously included in other comprehensive income shall be made on the same basis as would be required if the investee had directly disposed of the assets or liabilities related thereto according to the corresponding proportion. Owners' equity recognized for the changes in other owners' equity than net profit and loss, other comprehensive income and profit distribution of the investee shall be carried over in the current loss and profit pro rata, except for other comprehensive income arising from changes in net liabilities or net assets due to the investee's re-measurement of defined benefits plan.

In case the joint control or significant influence over the investee is lost for disposing part of equity investments or other reasons, the remaining equity will be changed to be accounted for according to the recognition and measurement principles of financial instruments. The difference between the fair value and the book value on the date of the loss of joint control or significant influence should be included in the current profit and loss. For other comprehensive income recognized from accounting of the original equity investments under the equity method, accounting treatment should be made by using the same basis for the investee to directly dispose the relevant assets or liabilities when the equity method is no

longer adopted. Owner's equity recognized from the investee's changes in other owner's equity other than net profit or loss, other comprehensive income and profit distribution should all transferred to the current profit and loss when the equity method confirmed is no longer adopted.

Where the Company loses the control over the investee due to disposal of partial equity investments or capital increase on the subsidiaries by other investors, when it prepares individual financial statements, if the remaining equity after disposal can exercise joint control or significant influence on the investee, such investments should be changed to be accounted for under the equity method and the remaining equity should be deemed to have be adjusted on acquisition, namely when the equity method is adopted for accounting; if the remaining equity after disposal can not exercise joint control or significant influence on the investee, such equity will be changed to be accounted for according to recognition and measurement standards of financial instruments and the difference between fair value and book value on the date of loss of the control or significant influence should be included in the current profit and loss.

Where the equity disposed of are acquired through business combination as a result of additional investment and other reasons, if the remaining equities after disposal are accounted by using the cost method or equity method upon preparation of separate financial statements, other comprehensive income and other owners' equities recognized in equity investments held before the acquisition date as a result of employment of equity method for accounting shall be carried forward pro rata; if the remaining equities after disposal are accounted for according to the provisions on Recognition and Measurement of Financial Instruments, other comprehensive income and other owners' equities will all be carried forward.

(XV) Investment properties

Investment property is the property to earn rentals or for capital appreciation or both. Examples include land leased out under operating leases, land held for long-term capital appreciation, buildings leased out under operating leases (including buildings that have been constructed or developed for future lease out under operating leases, and buildings that are being constructed or developed for future lease out under operating leases).

The Company measures its existing investment property by using the cost model. For investment properties measured by using the cost method-a building used for rental is subject to Company's depreciation policy for fixed assets, and the land use right used for rental is subject to the amortization policy for intangible assets.

(XVI) Fixed assets

1. Recognition criteria of fixed assets

☒ Applicable ☐ Not applicable

Fixed assets refer to the tangible assets held for the purpose of producing commodities, rendering services, renting or business management with useful lives exceeding one accounting year. Fixed assets are recognized when they simultaneously meet the following conditions:

(1) It is probable that the economic benefits relating to the fixed assets will flow into the Company; and

(2) the costs of the fixed assets can be measured reliably.

2. Depreciation method

☒ Applicable ☐ Not applicable

Depreciation of the fixed assets is made on a category basis using the straight-line method. The depreciation rates are determined according to the categories, estimated useful lives and estimated net residual rates of fixed assets. Where various components

of fixed assets are different in useful lives or bring economic benefits for the enterprise in different ways, then the Company should choose different depreciation rates or methods to separately provide for depreciation.

For fixed assets acquired under financing leases, if there is reasonable assurance that the Company will obtain the ownership of the leased assets when the lease term expires, the leased assets should be depreciated over its useful life; if there is no reasonable assurance that the Company will obtain the ownership of the leased assets when the lease term expires, the leased assets should be depreciated over the shorter of the lease term and useful life of the leased assets.

The depreciation method, depreciation life, residual value rate and annual depreciation rates of fixed assets are as follows:

Type	Depreciation method	Depreciation life (year)	Residual rate (%)	Annual depreciation rate (%)
Houses and buildings	Straight-line depreciation	20.00-45.00	4.00, 5.00, 10.00	2.11-4.80
General equipment	Straight-line method	5.00-20.00	4.00, 10.00	4.50-19.20
Transportation equipment	Straight-line method	8.00-10.00	4.00	9.60-12.00
Special equipment	Straight-line method	5.00-10.00	4.00	9.60-19.20
Instrument and apparatus	Straight-line method	8.00	4.00	12.00
Other equipment	Straight-line method	5.00-10.00	4.00, 10.00	9.00-19.20

3. Determination basis and measurement method of fixed assets acquired under financing leases

☒ Applicable ☐ Not applicable

Assets acquired under finance leases are recognized where the lease agreement signed by the Company with the lessee specifies one of the following conditions:

- (1) the ownership of the leased asset belongs to the Company at the expiration of lease term;
- (2) the Company has the option to buy the asset at a price which is far lower than the fair value of the leased asset at the date when the option becomes exercisable;
- (3) the lease term covers the major part of the useful life of the leased asset;
- (4) there is no large difference between the present value of the minimum lease payments on the lease commencement date and fair value of the assets.

On the lease commencement date, the leased assets are stated at the lower of the fair value and the present value of the minimum lease payments. Minimum lease payments are stated at long-term payables and the difference is recognized as unrecognized financing costs.

(XVII) Construction in progress

☒ Applicable ☐ Not applicable

The initial book values of the fixed assets are stated at necessary expenditures incurred before construction in progress reaching the working condition for its intended use. For construction in progress that has reached working condition for intended use but for which the completion of settlement has not been handled, it shall be transferred into fixed assets at the estimated value according to the project budget, construction price or actual cost, etc. from the date when it reaches the working condition for intended use and the fixed assets shall be

depreciated in accordance with the Company's policy for fixed asset depreciation; adjustment shall be made to the estimated value based on the actual cost after the completion of settlement is handled, but depreciation already provided for will not be adjusted.

(XVIII) Borrowing costs

√Applicable ☐ Not applicable

1. Recognition principles of capitalization of borrowing costs

Borrowing costs include interest thereon, amortization of discounts or premiums, ancillary expenses and exchange differences incurred by foreign currency borrowings, etc.

The borrowing costs incurred to the Company and directly attributable to the acquisition and construction or production of assets eligible for capitalization should be capitalized and recorded into relevant asset costs; other borrowing costs should be recognized as costs according to the amount incurred and be included into the current profit and loss.

Assets meeting the capitalization requirements refer to fixed assets, investment properties and inventories, etc. that need to be purchased, constructed or produced for a long time to be available for intended use or sale.

Capitalization should commence when all the following three conditions are satisfied:

- (1) Asset disbursements, which include those incurred by cash payment, the transfer of non-cash assets or the undertaking of interest-bearing debts for acquiring and constructing or producing assets eligible for capitalization, have already been incurred;
- (2) Borrowing costs have already been incurred;
- (3) purchase, construction or manufacturing activities that are necessary to prepare the assets for their intended use are in progress.

2. Capitalization period for borrowing costs

Capitalization period refers to the period from the commencement of capitalization of borrowing costs to its cessation, excluding the period of capitalization suspension of borrowing costs.

Capitalization of borrowing costs should be ceased when the acquired and constructed or produced assets eligible for capitalization have reached their intended use or sale condition.

Where part of the purchase, construction or manufacturing projects of assets are completed and can be used separately, capitalization of the related borrowing costs should be ceased.

If all parts of the acquired and constructed or produced assets are completed separately but the assets cannot be used or sold externally until overall completion, the capitalization of borrowing costs should be ceased at the time of overall completion of the said assets.

3. Period of suspension for capitalization

If the acquisition and construction or production activities of assets eligible for capitalization are abnormally interrupted and such condition lasts for more than three months, the capitalization of borrowing costs should be suspended; if the interruption is necessary procedures for the acquired, constructed or produced assets eligible for capitalization to reach their intended use or sale status, the borrowing costs continue to be capitalized. Borrowing costs incurred during the interruption are recognized as the current profit and loss and continue to be capitalized until the acquisition, construction or production of the asset restarts.

4. Measurement of capitalization rate and capitalized amounts of borrowing costs

As for special borrowings borrowed for acquiring and constructing or producing assets eligible for capitalization, borrowing costs of special borrowing actually incurred in the current period less the interest income of the borrowings unused and deposited in bank or return on temporary investment shall be recognized as the capitalization amount of borrowing costs.

For general borrowings for the acquisition, construction or production of a qualifying asset conditions and occupancy, according to the weighted average asset disbursement of accumulated assets exceed the special loans with the general borrowing by multiplying the capitalization rate, calculate and determine the general loan should be capitalized. The capitalization rate is determined via the calculation at the weighted average interest rate of general borrowings.

(XIX) Intangible assets

☒ Applicable ☐ Not applicable

1. Measurement method of intangible assets

- (1) When the Company is acquiring intangible assets, the initial measurement will be done by cost;

The costs of externally purchased intangible assets include purchase prices, relevant taxes and surcharges and other directly attributable expenditures incurred to prepare the assets for their intended use. If the payment for purchase of an intangible asset is delayed beyond the normal credit conditions and it is of the financing nature, the cost of the intangible asset shall be determined on the basis of the current value of the purchase price.

The intangible assets acquired and used by the debtor to repay debt in debt restructuring should be recorded at the fair value of the intangible assets. The difference between the book value of restructured debts and the fair value of intangible assets used to repay debt should be included in the current profit and loss.

If the exchange of non-monetary assets has commercial substance, and the fair values of these assets can be measured reliably, the book-entry values of intangible assets traded in are based on the fair values of the intangible assets traded out unless there is any conclusive evidence that the fair values of the assets traded in are more reliable. If the exchange of non-monetary assets does not meet the above criteria, the costs of the intangible assets traded in should be the book values of the assets traded out and relevant taxes and surcharges paid, and no profit or loss shall be recognized.

- (2) Subsequent measurement

The useful lives of intangible assets are analyzed and determined on acquisition.

For intangible assets with definite useful lives, the Company shall adopt the straight-line method for amortization within the period during which they can bring economic benefits to the Company; where the period during which they can bring economic benefits to the Company cannot be forecast, those intangible assets shall be deemed as assets with indefinite lives and no amortization will be made.

2. Estimates of useful lives of intangible assets with limited useful lives

Item	Estimated useful life (year)	Basis
Land use right	50.00-70.00	Contract of land transfer
Software, system and license fee	3.00-10.00	Estimated useful lives in purchase contract or agreement
Proprietary technology	3.00-10.00	Estimated useful life

At the end of each year, the Company will review the useful lives and amortization method of intangible assets with definite useful lives.

After the review, it is found that the useful life and amortization method of intangible assets as at the end of the year are same with previous estimates.

3. Determination basis and procedure for review of useful life for intangible assets with indefinite useful life

The Company recognizes an asset for which the period it can bring economic benefits to the Company cannot be predicted or the useful life cannot be ascertained as an intangible asset with indefinite useful life.

Bases for judgment of uncertain service life:

- (1) They are sourced from contractual rights or other legal rights, but the service term is not specified in the contract or legal regulations;
- (2) It is still unable to judge the term for intangible assets to bring economic benefits for the company even with information of the same industry or relevant expert argumentation.

At the end of each year, the Company reviews the useful lives of those intangible assets with indefinite useful lives by using the top-down testing method, which means the fundamental reviews are made by relevant departments using the intangible assets, and assesses whether there is any change in the determination basis of indefinite useful life.

4. Specific criteria of classification into the research and the development phase

Expenditure on an internal research and development project shall be classified into expenditure on the research phase and expenditure on development phase.

Research phase: research is original and planned investigation, undertaken with the prospect of gaining and understanding new scientific or technical knowledge.

Development phase: the phase for the application of research achievements and other knowledge to a certain plan or design, prior to the commercial production or use, so as to produce any new material, device or product, or substantially improved material, device and product.

5. Criteria for capitalization of qualifying expenditures during the development phase

Expenditures arising from development phase on internal research and development projects must be recognized as intangible assets if the Company can satisfy all of the following criteria simultaneously:

- (1) In respect of the technology, it is feasible to finish the intangible asset for use or sale;
- (2) It is intended to finish and use or sell the intangible asset;
- (3) the method that the intangible assets generate economic benefits, including existence of a market for products produced by the intangible assets or for the intangible assets themselves, shall be proved. Or, if to be used internally, the usefulness of the assets shall be proved;
- (4) it is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources; and
- (5) the expenditures attributable to the intangible assets during their development phase can be reliably measured.

If the above conditions are not satisfied, expenditure on the development phase shall be included in current profit and loss when it occurs. Expenditure on the research phase shall be included in current profit and loss when it occurs.

(XX) Long-term assets impairment

√Applicable ☐ Not applicable

For the long-term equity investments, investment property, fixed assets, construction in progress, intangible assets with definite useful life, and other long-term assets measured at cost model, if there are signs of impairment, an impairment test will be conducted on the balance sheet date. Where the result of the impairment test shows that the recoverable amount of the asset is lower than book value, the provision for impairment shall be made and included in impairment loss. The recoverable amounts of intangible assets are the higher of their fair values less disposal costs and the present values of the future cash flows expected to be derived from the assets. Provision for assets impairment is made on individual asset basis. If it is difficult to estimate the recoverable amount of the individual asset, the Company shall estimate the recoverable amount of the asset group that the individual asset belongs to. The asset portfolio is the minimum asset group that can independently generate the cash inflow.

The Company conducts an impairment test for the goodwill at least once at the end of each year.

The Company conducts an impairment test for the goodwill. The book value of goodwill arising from business combinations is amortized to relevant asset groups with a reasonable method from the date of acquisition; or amortized to relevant combination of asset groups if it is difficult to be amortized to relevant asset groups. When the book value of goodwill is allocated to the relevant assets group or combination of assets groups, it shall be evenly allocated according to the proportion of the fair value of each assets group or combination of assets groups in the total fair value of the relevant assets groups or combinations of assets groups. Where the fair value cannot be reliably measured, it should be amortized according to proportion of the book value of each asset group or combination of asset group in the total book value of relevant asset groups or combinations of asset groups.

When making an impairment test on the relevant asset groups or combination of asset groups containing goodwill, if any indication shows that the asset groups or combinations of asset groups related to the goodwill may be impaired, the Company shall first conduct an impairment test on the asset groups or combinations of asset groups not containing goodwill, calculate the recoverable amount and compare it with the relevant book value to recognize the corresponding impairment loss. Then the Company shall conduct an impairment test on the assets groups or combinations of assets groups containing goodwill, and compare the book value of these assets groups or combinations of assets groups (including the book value of the goodwill apportioned thereto) with the recoverable amount. Where the recoverable amount of the relevant assets groups or combinations of assets groups is lower than the book value thereof, the Company shall recognize the impairment loss of the goodwill.

The above losses from asset impairment can't be reversed in subsequent accounting periods once recognized.

(XXI) Long-term deferred expenses

√Applicable ☐ Not applicable

Long-term deferred expenses are various expenses already incurred, which shall be amortized over current and subsequent accounting periods with the amortization period more than one year, and mainly include the royalty, renovation costs, etc. Long-term deferred expenses are amortized by stages over the period of benefit. For long-term deferred expenses are not beneficiary to the subsequent accounting periods, the amortized value of the projects that are not amortized yet is all included in the current profit and loss.

(XXII) Employee compensation**1. Accounting treatment of short-term compensation**√Applicable ☐ Not applicable

During the accounting period when employees serve the Company, the actual short-term compensation is recognized as liabilities and included in current profit or loss or related asset costs.

The cost of social insurance and housing fund paid by Company for employees and the labor union cost and employee education costs provided by the Company in accordance with provisions shall, in the accounting period, during which the service is provided by employees for enterprises, be used to calculate corresponding amount of employee compensation according to the stipulated provision basis and proportion.

Employee welfare refers to non-monetary warfare. If the employee warfare can be reliably measured, it shall be measured at its fair value.

2. Accounting treatment of post-employment benefits√Applicable ☐ Not applicable**(1) Defined contribution plan**

The basic endowment insurance premium and unemployment insurance premium paid by the Company for its employees in accordance with relevant provisions of the local government are recognized as liabilities and included to the current profit or loss or the relevant assets cost, with the payable amount calculated based on the local prescribed payment base and percentage, during the accounting period in which the employees provide services to the Company.

In addition to the basic old-age insurance, the Company also sets up enterprise annuity system (supplementary pension insurance) / corporate annuity plans in accordance with relevant national policies on enterprise annuity system. The Company makes payments to the local social insurance institutions/annuity plan in a certain proportion to the total employee wage, with corresponding expense included in the current profit or loss or related asset cost.

(2) Defined benefit plan

The Company attributes the benefit obligation under the defined benefit plan to the period during which employees provide service to the Company, based on the formula determined based on the estimated accumulated benefit unit method, and charges the same to the current profit or relevant cost of assets

A net liability or net asset in connection with the defined benefit plan is recognized at the present value of the obligation under the defined benefit plan less the deficit or surplus arising from the fair value of the assets under the defined benefit plan. For a surplus of defined benefit plans, the Company should measure the net asset of such defined benefit plans at the lower of the surplus of such defined benefit plans and the asset thereof.

All obligations of the defined benefit plan, including the payments expected to be paid within 12 months after the end of the annual reporting period when the employees provide services, will be discounted at the market yield rate of national debt corresponding to the period and currencies of the obligations of the defined benefit plan and that of high-quality corporate bonds active on the market on the balance sheet date.

Service costs arising from defined benefit plan and net interest of net liabilities or assets of defined benefit plan are included in current profit or loss or relevant asset costs; changes arising from re-measurement of net liabilities or assets of defined benefit plan are included in other comprehensive income, and will not be transferred to profit or loss in the subsequent accounting period. When the original defined benefit plan terminates, the portion originally included in other comprehensive income will all be transferred to undistributed profit.

When the defined benefit plan is settled, the settlement gain or loss will be measured at the balance between the present value of the obligations of the defined benefit plan and the settlement price determined on the settlement date.

3. Accounting treatment of dismissal benefits

☒ Applicable ☐ Not applicable

The Company recognizes the employee compensation arising from dismissal benefits as liabilities and include it in the current profit and loss when the Company cannot unilaterally withdraw dismissal benefits which are provided for termination of labor relation plan or layoff proposal, or when the Company recognizes costs or expenses (which is earlier) associated with restructuring of payment of dismissal benefits.

(XXIII) Estimated liabilities

☒ Applicable ☐ Not applicable

1. Recognition criteria of estimated liabilities

Litigation, debt guarantees, loss of contract, and reorganization items or obligations relevant with these items shall fulfill the following conditions, and the Company shall confirm liabilities as:

- (1) The obligation is current obligation shall be fulfilled by the Company;
- (2) Fulfilling the obligation may lead to economic interest flow out of the Company;
- (3) Amount of the obligation can be measured reliably.

2. Measurement method of estimated liabilities

The Company's estimated liabilities shall be initially measured in accordance with best estimate required by fulfilling relevant current obligations.

The Company shall consider risks, uncertainty, the time value of money and other factors comprehensively when determining best estimate. For the time value of money affected significantly, best estimate shall be determined by discounting relevant future cash outflows.

The best estimate shall be respectively handles according to the following conditions:

Expenses required have a continuous range (or interval), and within the range, the possibility of all consequences occurred is exactly same, so the best estimate shall be determined by the median of the range, i.e. the average number of upper and lower amount.

Expenses required don't have a continuous range (or interval), or they have a continuous range, but within the range, the possibility of all outcomes occurred isn't same, if some matters involve single item, then the best estimate probably shall be determined by amount incurred; or if some matters involve multiple items, then the best estimate shall be calculated and determined by all possible outcomes and correlative probability.

The Company shall pay off the expenses required for estimated liabilities which are wholly or partially compensated by third party, amount of compensation shall be confirmed as the assets when basically determining the amount can be received, and the amount of compensation confirmed shall not exceed book value of estimated liabilities.

(XXIV) Share-based payment

√Applicable ☐Not applicable

The share-based payment of the Company 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 shall consist of equity-settled share-based payments and cash-settled share-based payments.

1. Equity-settled share-based payment and equity instruments

The 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. Where the Company's shares were paid in restricted stock, the employees shall make contribution for subscribing shares, and the shares shall not be listed for circulation or transferred before reaching unlocking conditions and being unlocked; if the unlocking conditions specified by the equity incentive plan ultimately failed to be met, then the Company will repurchase the shares according to the price as prescribed by the prior agreement. Where the Company obtains payments paid by employees for the subscription of restricted stocks, the share capital and capital reserves (share premium) of such payments shall be confirmed according to the subscription payment obtained, and in concert with a liability fully confirmed by repurchase obligation, be confirmed as treasury stocks. 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 according to such subsequent information as [changes in number of vesting employees] and [whether reaching prescribed performance conditions], be included in the relevant costs or expenses and the capital reserves at the fair value of the equities instruments on the date of the grant. The Company shall, after the vesting date, make no adjustment to the relevant costs or expenses as well as the total amount of the owner's equities which have been confirmed. 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 date of the grant, be included in the relevant cost or expense and the capital reserves shall be increased accordingly.

For share-based payments ultimately failed to be exercised, their costs or expenses shall not be recognized, unless the vesting conditions are market conditions or non-vesting conditions, then regardless of whether market conditions or non-vesting conditions are satisfied, as long as all non-market conditions among vesting conditions are satisfied, it shall be deemed as vesting.

If the terms of equity-settled share-based payments are modified, at least the services obtained shall be confirmed in accordance with the unmodified provisions. In addition, any modification increasing the fair value of equity instruments granted, or favorable changes to the employees on modification date are all confirmed to increase services.

If equity-settled share-based payments are cancelled, then they shall be handled on cancellation date as accelerated vesting, and the unconfirmed amount shall be confirmed immediately. Where employees or other parties may choose to meet non-vesting conditions but are not met in the waiting period, such payments shall be handled as cancelling equity-settled share-based payments. However, if a new equity instrument is granted, and it is confirmed to replace the equity instrument which is cancelled on the grant date, then the handling of such equity instrument shall be subject to the same way modifying the terms and conditions of the original equity instrument.

2. Cash-settled share-based payment and equity instruments

A 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 a 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 date of the grant, be included in the relevant costs or expenses, and the liabilities shall be increased accordingly. As to a 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, 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 enterprise. The Company shall, on each balance sheet date and on each account date prior to the settlement of the relevant liabilities, re-measure the fair values of the liabilities and include the changes in the current profit and loss.

(XXV) Revenues

☒Applicable ☐Not applicable

1. Recognition and measurement principles of revenues from sales of goods

The Company already has transferred the main risks and return of ownership of goods to the purchaser, and no longer retain continuous management rights connected to ownership, and implement effective control, and the relevant costs incurred or will be incurred shall be reliably measured, and confirmed as revenue realization. Amount received of commodities sold determined in accordance with the contract or agreement price received or to be received by receiving party, except under circumstances of unfair price; the contract or agreement price shall be charged in deferred mode with the actual nature of financing, the fair value of the price shall be used for determining the amount received.

Specific methods for confirming main revenues of the Company:

- (1) IC design (integrated circuit design): the design includes development and research, design, production, selling and installation of commodities purchased or software products. Income for general system integration project can be confirmed once, i.e. the services have already provided and checked and accepted by service provider, and after receiving payments or evidences of payment received, the income realization shall be confirmed as per the contract amount; relevant costs with complex system integration project can be measured reliably according to the contract agreed, and income realization can be confirmed as per completion percentage.
- (2) Software and applications: in the software and applied items, in order to make equipment reach at predetermined serviceable condition required by customers, the Company is required to provide commissioning, installation, extension and development and other services of equipment, and according to the conditions and terms of the contract, main risks and revenue of software purchased, hardware products and the Company's software products in the software and applications have already transferred to the purchaser, the continuous management right and control rights related to them shall no longer be retained, and software systems already have been installed and commissioned in accordance with conditions agreed in the contract, accepted and confirmed by the purchaser. When the acceptance can be divided into software on-line, initial test and final test, income realization can be confirmed by periods when obtaining online, initial and final tests; and when initial test and final test cannot be separated, the income realization can be confirmed once when obtaining the acceptance report.
- (3) Terminal design: Terminal products or design shall be delivered to the purchaser according to the contract, main risks and revenue of ownership on products shall be

transferred to the purchaser, the continuous management right and actual control rights shall no longer be implemented, after receiving the acceptance certificate signed by the other party, and when relevant income or evidence of payment collection already obtained, and relevant costs with selling these commodities can be measured reliably, income realization for selling commodities shall be confirmed.

(4) Mobile internet:

- ① According to the contract agreed by two parties, information publish, online advertising and other online services shall be provided for its customers on the website to be authorized during a period, and corresponding income after commissioning online shall be confirmed by the other party.
- ② The Company shall provide the game loading platform for game providers via Internet platform, providing game services for game players, which obtains operating income of the platform. Game players consume on the company's game platform by buying platform currency for top-up or directly buying game currency (including buying virtual equipment, function modules of special games or online games), when the players have top-up for their game platforms, the company can confirm deferred income as advances received, and only can confirm operating income if the players actually use the platform currency or game currency and other virtual currency to buy game props.

Amount of operating income for platform can be measured reliably; relevant economic interest can be flown in the Company; and when costs incurred or to be incurred can be measured reliably, the realization of its operating income is confirmed.

- ③ Mobile games obtained with independent research and development or with externally purchasing copyrights, the Company shall complete docking works for games and game players with cooperative operation agreement signed by the Company and providers for mobile game platforms, and the providers shall allocate the income obtained from cooperative operating games to the Company against the proportion agreed on the agreement, and after checking the data without any error by both parties, the Company shall confirm the operating income.

2. Rendering of services

On the balance sheet date, under the circumstance of outcomes of providing labor services can be reliably estimated, the income of providing labor service as per percentage-of-completion; otherwise the income shall be determined in accordance with amount of labor costs incurred and predicted to obtain compensation. The outcome of providing service transaction to be estimated reliably means the following conditions fulfilled: amount of income can be measured reliably, relevant economic interest can be flown in the Company, completion progress of transactions can be determined reliably, and the costs incurred and will be incurred in the transactions also can be measured reliably. The Company shall determine the completion progress of providing labor service as per the percentage of costs incurred against the estimated total costs. Total income of providing labor service shall be determined in accordance with the contract or agreement price received or to be received by receiving party, except under circumstances of unfair price.

3. Transferring use right of assets

The Company shall confirm the right to use assets transferred when the economic interest related to the right may be flown in it, and the amount of revenue can be measured reliably.

(XXVI) Government subsidies**1. Category**

Government subsidies are monetary assets and non-monetary assets acquired free of charge by the Company from the government. Government subsidies are classified into government subsidies related to assets and government subsidies related to income.

Government subsidies related to assets refer to government subsidies which are acquired by the Company for construction or form long-term assets in other ways, including the financial allocation purchasing fixed assets or intangible assets, the financial discount for special loan of fixed assets and others. Government subsidies related to income refer to government subsidies other than government subsidies related to assets.

The specific criterion for the Company to divide government subsidies into those related to assets is: allocation by government assignments, with the nature of assets.

The specific criterion for the Company to divide government subsidies into those related to income is: other government allocations apart from the government subsidies related to assets.

Where government documents fail to clearly define subsidy objects, the judgment basis for the Company to divide government subsidies into those related to assets or those related to income are as follows: Whether they are used for the acquisition and construction or formation of long-term assets by other means.

2. Accounting treatment

Government subsidies related to assets are recognized as deferred income, and included in non-operating income by stages within the useful life of the assets acquired and constructed;

If government subsidies related to income are used to compensate the enterprise's relevant expenses or losses in future periods, such government subsidies should be recognized as deferred income on acquisition and be included into the current non-operating revenue in the period of recognizing relevant expenses; if government subsidies related to income are used to compensate the enterprise's relevant expenses or losses incurred, such government subsidies are directly included into the current non-operating revenue on acquisition.

(XXVII) Deferred income tax assets and deferred income tax liabilities

☒Applicable ☐Not applicable

Deferred income tax assets are recognized for deductible temporary differences to the extent that it shall not exceed the taxable income probably obtained in future period to be against the deductible temporary difference. For deductible losses and tax credits that can be carried forward to subsequent periods, deferred tax assets arising therefrom are recognized to the extent that future taxable income will be probable to be available against deductible losses and tax credits.

Taxable temporary differences are recognized as deferred income tax liabilities except in special circumstances.

Special circumstances in which deferred income tax assets or deferred income tax liabilities shall not be recognized include: the initial recognition of goodwill; other transactions or events excluding business combinations, which affect neither accounting profits nor the taxable income (or deductible losses) when occurred.

If the Company has the legal right of netting and intends to settle in net amount or to obtain assets and discharge liabilities simultaneously, the income tax assets and income tax liabilities of the Company for the current period shall be presented based on the net amount after offset.

When the Company has the legal rights to balance income tax assets and income tax liabilities for the current period with net settlement, and deferred income tax assets and deferred income tax liabilities are related to the income tax which are imposed on the same taxpaying subject by the same tax collection authority or on different tax paying subjects, but, in each important future period in connection with the reverse of deferred income tax assets and liabilities, the involved tax paying subject intends to balance income tax assets and liabilities for the current period with net settlement at the time of obtaining assets and discharging liabilities, deferred income tax assets and deferred income tax liabilities shall be presented based on the net amount after offset.

(XXVIII)Lease

1. Accounting treatment method of operating lease

☒Applicable ☐Not applicable

- (1) Rental fees charged from rented assets of the Company, and during the entire rental period without deduction of rent-free period, shall be shared on a straight-line basis, and shall be include in current expenses. Initial direct costs paid by the Company related to rental transactions shall be included in current expenses.

The lessor of assets undertook the expenses related to leasing that shall be undertaken by the lessee, and the Company deducted the expenses from total amount of rental income, and allocated rental expenses deducted for being included in the current expenses during the rental period.

- (2) Rental fees charged from leasing assets of the Company, and during the entire rental period without deduction of rent-free period, shall be shared on a straight-line basis, and confirmed as rental income. Initial direct costs paid by the Company related to rental transactions shall be included in current expenses; if it is a bigger amount, the costs shall be capitalized, and during the entire leasing period, shall be included in current income by periods on same basis confirmed by rental income.

The Company undertook the expenses related to leasing that shall be undertaken by the lessee, and deducted the expenses from total amount of rental income, and allocated rental expenses deducted during the rental period.

2. Accounting treatment method of finance lease

☒Applicable ☐Not applicable

- (1) Assets acquired under financing lease: at the inception of the leases, the Company shall recognize the book-entry value of leased assets at the lower of their fair values or their present values of the minimum lease payments, and shall recognize the book-entry value of long-term payables at the amounts of the minimum lease payments, and shall recognize the differences between the above two book-entry values as unrecognized financing charges. Under the effective interest method, the Company amortizes the unrecognized financing charges over the lease term and includes them in the financial expenses. The Company records the initial direct expenses in the values of leased assets.
- (2) Assets rented out under financing lease: on the commencement date of lease, the Company recognizes the difference between the sum of financing lease payment receivable and unguaranteed residual value and the present value of the assets as unrealized financing income and as financing income in each period of future lease. The initial direct expenses of the Company related to lease are included

into the initial measurement of financing lease payment receivable, and the income recognized in lease period is decreased accordingly.

(XXIX) Changes in principal accounting policies and accounting estimates

1. Changes in principal accounting policies

√Applicable □Not applicable

(1) Nature and contents of and reasons for changes in accounting policies

On December 3, 2016, the Ministry of Finance issued the Provisions on the Accounting Treatment for Value-added Tax (Cai Kuai [2016] No.22), which is applicable to relevant transactions occurring as of May 1, 2016. According to the Provisions, the main effect on the Company is set out as follows:

- ① the item "business taxes and surcharges" in the income statement was adjusted to the item "taxes and surcharges" therein.
- ② such sub-items as the property tax, land use tax, vehicle and vessel use tax and stamp duty levied from enterprise operating activities as of May 1, 2016 under the item "general and administrative expenses" was reclassified into the item "taxes and surcharges", taxes incurred prior to May 1, 2016 shall be not adjusted. Compared data shall not be adjusted as well.
- ③ the sub-item "VAT amount where income (or profit) has been recognized but the VAT has not been paid and which shall be recognized as the output tax amount" under the item "taxes and surcharges payable" was reclassified into the item "other current liabilities" (or "other non-current liabilities"). Compared data shall not be adjusted.
- ④ such sub-items of debit balance in relation to "VAT payable", "Unpaid VAT", "Input tax to be deducted", "Input tax to be certificated" and "Excess VAT paid for future offsetting" under the item "taxes and surcharges payable" was reclassified into the item "other current assets" (or "other non-current assets"). Compared data shall not be adjusted.

(2) Name of affected items and adjusted amounts in the financial statements in the current and previous periods

Contents of and reasons for changes in accounting policies	Name of the affected items in the financial statements	Amount of the affected items
1. The item "business taxes and surcharges" in the income statement was adjusted to the item "taxes and surcharges" therein.	"Taxes and surcharges"	Not applicable
2. Such sub-items as the property tax, land use tax, vehicle and vessel use tax and stamp duty levied from enterprise operating activities as of May 1, 2016 under the item "general and administrative expenses" was reclassified into the item "taxes and surcharges", taxes incurred prior to May 1, 2016 shall be not adjusted. Compared data shall not be adjusted as well.	"Taxes and surcharges" and "General and administrative expenses"	The increased taxes and surcharges for the current period amounted to RMB 5,714,398.67 and the decreased general and administrative expenses for the current period amounted to RMB 5,714,398.67.
3. The sub-item "VAT amount where	"Taxes and	Not applicable

Contents of and reasons for changes in accounting policies	Name of the affected items in the financial statements	Amount of the affected items
income (or profit) has been recognized but the VAT has not been paid and which shall be recognized as the output tax amount" under the item "taxes and surcharges payable" was reclassified into the item "other current liabilities" (or "other non-current liabilities"). Compared data shall not be adjusted.	surcharges payable", "Other current liabilities" and "Other non-current liabilities"	
4. Such sub-items of debit balance in relation to "VAT payable", "Unpaid VAT", "Input tax to be deducted", "Input tax to be certificated" and "Excess VAT paid for future offsetting" under the item "taxes and surcharges payable" was reclassified into the item "other current assets" (or "other non-current assets"). Compared data shall not be adjusted.	"Taxes and surcharges payable" and "Other current assets"	Increased ending balance of other current assets amounted to RMB 152,689,667.52, and increased ending balance of taxes and surcharges payable amounted to RMB 152,689,667.52.

2. Changes in principal accounting estimates

☐Applicable ☒Not applicable

There were no changes in principal accounting estimates of the Company during the reporting period.

IV. Tax

(I) Major tax categories and tax rates

Major tax categories and tax rates

☒Applicable ☐Not applicable

Tax category	Tax basis	Tax rate (%)
Value-added tax (VAT)	Tax amount on sales for value added tax is calculated for goods sold and taxable service according to tax law, then the input amount of value added tax is deducted, and the difference is the payable VAT	6.00 , 17.00
Business tax	Levied based on the taxable business revenue (as of May 2016, the business tax was changed as VAT)	3.00 , 5.00
Urban maintenance and construction tax	Levied on actually paid business tax, value added tax and consumer tax	1.00, 5.00 , 7.00
Educational surtax	Levied on actually paid business tax, value added tax and consumer tax	5.00
Enterprise income tax	Levied based on the taxable income	10.00, 12.50, 15.00, 16.50 , 25.00

Note 1: Urban maintenance and construction taxes: Datang Innohub Investment (Beijing) Co., Ltd., Shanghai Jingyou Communication Technology Co., Ltd. and Datang Telecom Technology Co., Ltd. Optical Communication Branch applicable tax rate of 5%; Jiangsu I-front Science & Technology Co., Ltd. due to construction different location, apply 1%, 5%, 7% rate of third gear; others applicable tax rate of 7%.

Note 2: Datang Telecom (H.K.) Limited, Datang Telecom (Hong Kong) Holding Co., Ltd., Leadcore Technology (Hong Kong) Co., Ltd. and Hong Kong Yaowan Entertainment Network Technology Co., Ltd. pay income tax according to the taxation policies of Hong Kong and 16.5% of profits tax is applicable.

(II)**Tax preference**

☒Applicable ☐Not applicable

1. Datang Telecom Technology Co., Ltd.

According to Administrative Methods for the Confirmation of New and High Technology Enterprises and Administrative Guides for the Confirmation of New and High Technology Enterprises jointly issued by Ministry of Science and Technology, Ministry of Finance, and State Administration of Taxation, the Company obtained a certificate of high and new technology enterprise jointly issued by Beijing Municipal Science & Technology Commission Beijing Finance Bureau, Beijing Municipal Office, SAT and Beijing Local Tax Bureau on November 24, 2015 with No.GR201511002569, enjoying preferential policies for enterprise income tax of high and new technology enterprise for 3 years from 2015, with preferential tax rate of corporate income tax at 15%.

2. Xi'an Datang Telecom Technology Co., Ltd.

According to Administrative Methods for the Confirmation of New and High Technology Enterprises and Administrative Guides for the Confirmation of New and High Technology Enterprises jointly issued by Ministry of Science and Technology, Ministry of Finance, and State Administration of Taxation, Xi'an Datang Telecom Technology Co., Ltd. passed the re-supervision and obtained a certificate of high and new technology enterprise jointly issued by Shanxi Provincial Science and Technology Committee, Financial Department of Shanxi Province Shanxi Province Office, SAT and Shanxi Provincial Local Tax Bureau on August 31, 2015 with No.GR201561000250, enjoying preferential policies for enterprise income tax of high and new technology enterprise for 3 years from 2015, with preferential tax rate of corporate income tax at 15%.

3. Datang Microelectronics Technology Co., Ltd.

According to the Circular on Issues concerning Preferential Enterprise Income Tax Policies for Software and Integrated Circuit Industries (Cai Shui [2016] No.49) jointly issued by the Ministry of Finance, the State Administration of Taxation, the National Development and Reform Commission and the Ministry of Industry and Information Technology, Datang Microelectronics Technology Co., Ltd., as one of the key software enterprises and integrated circuit designers included in the national planning, shall, at the time of final settlement each year, file with tax authorities for record in accordance with the Announcement of the State Administration of Taxation on Promulgating the Measures for Handling Enterprise Income Tax Preferences (Announcement of the State Administration of Taxation [2015] No.76), and enjoy the corporate income tax preference at 10% as an enterprise of integrated circuit design within the state plan in 2016.

4. Leadcore Technology Co., Ltd.

According to Administrative Methods for the Confirmation of New and High Technology Enterprises and Administrative Guides for the Confirmation of New and High Technology Enterprises jointly issued by Ministry of Science and Technology, Ministry of Finance, and State Administration of Taxation, Leadcore Technology Co., Ltd. obtained a certificate of high and new technology enterprise issued by Shanghai Municipal Science & Technology Commission, Shanghai Finance Bureau, Shanghai Municipal Office, SAT and Shanghai Municipal Bureau of Local Taxation jointly, in 2015 with No.GR201531000088, enjoying preferential policies for enterprise income tax of high and new technology enterprise for 3 years from 2015, with preferential tax rate of corporate income tax at 15%.

5. Datang Software Technology Co., Ltd.

According to Administrative Methods for the Confirmation of New and High Technology Enterprises and Administrative Guides for the Confirmation of New and High Technology Enterprises jointly issued by Ministry of Science and Technology, Ministry of Finance, and State Administration of Taxation, Datang Software Technologies Co., Ltd. passed the re-supervision and obtained a certificate of high and new technology enterprise jointly issued by Beijing Science and Technology Committee, Beijing Finance Bureau, Beijing National Tax Bureau and Beijing Local Tax Bureau on October 30, 2014 with No.GR201411001126, enjoying preferential policies for enterprise income tax of high and new technology enterprise for 3 years from 2014, with preferential tax rate of corporate income tax at 15%.

6. Beijing Datang Zhicheng Software Technology Co., Ltd.

According to Administrative Methods for the Confirmation of New and High Technology Enterprises and Administrative Guides for the Confirmation of New and High Technology Enterprises jointly issued by Ministry of Science and Technology, Ministry of Finance, and State Administration of Taxation, Beijing Datang Zhicheng Software Technology Co., Ltd. passed the re-supervision and obtained a certificate of high and new technology enterprise jointly issued by Beijing Science and Technology Committee, Beijing Finance Bureau, Beijing National Tax Bureau and Beijing Local Tax Bureau on October 30, 2014 with No.GR201411001468, enjoying preferential policies for enterprise income tax of high and new technology enterprise for 3 years from 2014, with preferential tax rate of corporate income tax at 15%.

7. Shanghai Uniscope Communication Technologies Co., Ltd.

According to Administrative Methods for the Confirmation of New and High Technology Enterprises and Administrative Guides for the Confirmation of New and High Technology Enterprises jointly issued by Ministry of Science and Technology, Ministry of Finance, and State Administration of Taxation, Shanghai Uniscope Communication Technologies Co., Ltd. obtained a certificate of high and new technology enterprise jointly issued by Shanghai Science and Technology Committee, Shanghai Finance Bureau, Shanghai Municipal Office, SAT and Shanghai Municipal Bureau of Local Taxation on September 4, 2014 with No.GR201431000413, enjoying preferential policies for enterprise income tax of high and new technology enterprise for 3 years from 2014, with preferential tax rate of corporate income tax at 15%.

8. Shanghai Jingyou Communication Technology Co., Ltd.

According to Administrative Methods for the Confirmation of New and High Technology Enterprises and Administrative Guides for the Confirmation of New and High Technology Enterprises jointly issued by Ministry of Science and Technology, Ministry of Finance, and State Administration of Taxation, Shanghai Jingyou Communication Technology Co., Ltd. obtained a certificate of high and new technology enterprise jointly issued by Shanghai Science and Technology Committee, Shanghai Finance Bureau, Shanghai National Tax Bureau and Shanghai Local Tax Bureau on September 4, 2014 with No.GR201431000364, and enjoyed the income tax preference for high-tech enterprises subject to a reduced tax rate of 15% from the tax year 2014 for 3 years.

9. Datang Telecom (Tianjin) Technical Service Co., Ltd.

According to Administrative Methods for the Confirmation of New and High Technology Enterprises and Administrative Guides for the Confirmation of New and High Technology Enterprises jointly issued by Ministry of Science and Technology, Ministry of Finance, and State Administration of Taxation, Datang Telecom (Tianjin) Technical Service Co., Ltd. obtained a certificate of high and new technology enterprise jointly issued by Tianjin Science and Technology Committee, Tianjin Finance Bureau, Tianjin Municipal Office, SAT and Tianjin Local Tax Bureau on December 9, 2016 with No.GR201612000889, enjoying preferential policies for

enterprise income tax of high and new technology enterprise for 3 years from 2016, with preferential tax rate of corporate income tax at 15%.

10. Datang Terminal Technology Co., Ltd.

According to Administrative Methods for the Confirmation of New and High Technology Enterprises and Administrative Guides for the Confirmation of New and High Technology Enterprises jointly issued by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation, Datang Terminal Technology Co., Ltd. obtained a certificate of high and new technology enterprise jointly issued by Tianjin Municipal Science and Technology Commission, Tianjin Finance Bureau, Tianjin Municipal Office, SAT and Tianjin Local Taxation Bureau on December 8, 2015 with No.GR201512000280, enjoying preferential policies for enterprise income tax of high and new technology enterprise for 3 years from 2015, with preferential tax rate of corporate income tax at 15%.

11. Jiangsu I-front Science & Technology Co., Ltd.

According to Administrative Methods for the Confirmation of New and High Technology Enterprises and Administrative Guides for the Confirmation of New and High Technology Enterprises jointly issued by Ministry of Science and Technology, Ministry of Finance, and State Administration of Taxation, Jiangsu I-front Science & Technology Co., Ltd. obtained a certificate of high and new technology enterprise jointly issued by Jiangsu Provincial Department of Science and Technology, Department of Finance of Jiangsu Province, Jiangsu Provincial Office, SAT and Jiangsu Local Tax Bureau on November 30, 2016, with No.GR201632001067, enjoys preferential policies for enterprise income tax of high and new technology enterprise for 3 years from 2016, with preferential tax rate of corporate income tax at 15%.

12. Shengyao Wireless Communication Technology (Beijing) Co., Ltd.

According to Administrative Methods for the Confirmation of New and High Technology Enterprises and Administrative Guides for the Confirmation of New and High Technology Enterprises jointly issued by Ministry of Science and Technology, Ministry of Finance, and State Administration of Taxation, Shengyao Wireless Communication Technology (Beijing) Co., Ltd. obtained a certificate of high and new technology enterprise jointly issued by Beijing Municipal Science and Technology Commission, Beijing Finance Bureau, Beijing Municipal Office, SAT and Beijing Local Tax Bureau on October 22, 2014 with No.GF201411000848, enjoying preferential policies for enterprise income tax of high and new technology enterprise for 3 years from 2014, with preferential tax rate of corporate income tax at 15%.

13. Guangzhou Yaowan Entertainment Network Technology Co., Ltd.

According to the Administrative Methods for the Confirmation of New and High Technology Enterprises and the Administrative Guides for the Confirmation of New and High Technology Enterprises jointly issued by Ministry of Science and Technology, Ministry of Finance, and the State Administration of Taxation, Guangzhou Yaowan Entertainment Network Technology Co. Ltd. obtained a certificate of high and new technology enterprise jointly issued by Guangdong Provincial Department of Science and Technology, Department of Finance of Guangdong Province, Guangdong Provincial Office, SAT and Guangdong Local Taxation Bureau on October 10, 2015, with No. GF201544000250, enjoying preferential policies for enterprise income tax of high and new technology enterprise for 3 years from 2015, with preferential tax rate of corporate income tax at 15%.

14. Shanghai Yaowan Network Technology Co., Ltd.

Identified as software enterprise and awarded Identification Certificate of Software Enterprise: HCR-2013-0917 by Shanghai Economic and Information Commission in 2013, Shanghai Yaowan Network Technology Co., Ltd. has enjoyed the preferential policy of “two-year exemption and three-year halves” of income tax since 2013; as

one of the key software enterprises and integrated circuit designers included in the national planning, it shall, at the time of final settlement each year, file with tax authorities for record in accordance with the Announcement of the State Administration of Taxation on Promulgating the Measures for Handling Enterprise Income Tax Preferences (Announcement of the State Administration of Taxation [2015] No.76), and the preferential income tax for the enterprise is 12.5%.

15. Wuxi Yaowan Entertainment Network Technology Co., Ltd.

Approved by Jiangsu Economic and Information Technology Commission on December 26, 2014, Wuxi Yaowan Entertainment Network Technology Co., Ltd. was identified as software enterprise (No. of certificate: SR--2014-B0098). According to the regulations in Law of the PRC on Enterprise Income Tax, the software enterprise will be exempted from income tax in the first and second year from profit-making year and halved the income tax from the third and fifth year; as one of the key software enterprises and integrated circuit designers included in the national planning, it shall, at the time of final settlement each year, file with tax authorities for record in accordance with the Announcement of the State Administration of Taxation on Promulgating the Measures for Handling Enterprise Income Tax Preferences (Announcement of the State Administration of Taxation [2015] No.76), and the company is exempted from income tax in 2016.

16. Shanghai Yaoyu Entertainment Network Technology Co., Ltd.

Identified as software enterprise and awarded Identification Certificate of Software Enterprise: HR-2015-0026 by Shanghai Economic and Information Commission in 2015, Shanghai Yaowan Network Technology Co., Ltd. has enjoyed the preferential policy of “two-year exemption and three-year halves” of income tax since 2015; as one of the key software enterprises and integrated circuit designers included in the national planning, it shall, at the time of final settlement each year, file with tax authorities for record in accordance with the Announcement of the State Administration of Taxation on Promulgating the Measures for Handling Enterprise Income Tax Preferences (Announcement of the State Administration of Taxation [2015] No.76), and the company is exempted from income tax in 2016.

17. Datang Telecom (Chengdu) Information Technology Co., Ltd.

According to Administrative Methods for the Confirmation of New and High Technology Enterprises and Administrative Guides for the Confirmation of New and High Technology Enterprises jointly issued by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation, Datang Telecom (Chengdu) Information Technology Co., Ltd. obtained a certificate of high and new technology enterprise jointly issued by Science & Technology Department of Sichuan Province, Department of Finance of Sichuan Province, Sichuan Provincial Office, SAT and Sichuan Local Taxation Bureau on October 11, 2014 with No.GR201451000400, enjoying preferential policies for enterprise income tax of high and new technology enterprise for 3 years from 2014, with preferential tax rate of corporate income tax at 15%.

V. Notes to the items of the consolidated financial statements

(I) Cash and cash equivalents

√ Applicable □ Not applicable

Item	Unit: Yuan Currency: RMB	
	Balance as at December 31, 2016	Balance as at January 1, 2016
Cash on hand	153,979.84	224,377.31
Bank deposit	1,605,909,674.94	1,105,022,447.63
Other cash and cash equivalents	115,949,041.28	204,959,860.55
Total	1,722,012,696.06	1,310,206,685.49

In which, the details of restricted cash and cash equivalents are as follows:

Item	Balance as at December 31, 2016	Balance as at January 1, 2016
Bank acceptance bills margin	65,193,241.05	134,582,807.05
Fixed term deposit or call deposit used for guarantee	17,000,000.00	27,336,402.47
L/G deposit	29,368,055.45	51,408,427.39
Total	111,561,296.50	213,327,636.91

(II)

Notes receivable**1. Classification of notes receivable**

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Balance as at December 31, 2016	Balance as at January 1, 2016
Bank acceptance bills	24,232,175.40	31,716,171.40
Commercial acceptance bills	455,057,404.00	503,429,285.00
Total	479,289,579.40	535,145,456.40

2. Notes receivable endorsed by the Company as at December 31, 2016 or has been discounted and has not become due yet as at the balance sheet date:

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Amount derecognized as at December 31, 2016	Amount not derecognized as at December 31, 2016
Bank acceptance bills	4,793,760.40	
Commercial acceptance bills	3,346,469.60	10,796,495.00
Total	8,140,230.00	10,796,495.00

(III) Accounts receivable

1. Disclosure of accounts receivable by category

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Category	Balance as at December 31, 2016					Balance as at January 1, 2016				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Withdrawing proportion (%)		Amount	Proportion (%)	Amount	Withdrawing proportion (%)	
1. Accounts receivable with significant single amount and individual withdrawal of provision for bad debts	444,070,687.78	14.52	300,437,825.61	67.65	143,632,862.17	127,800,000.00	3.41	25,560,000.00	20.00	102,240,000.00
2. Accounts receivable with withdrawal of provision for bad debts according to portfolio of credit risk characteristics	2,543,541,416.35	83.16	516,408,135.12		2,027,133,281.23	3,453,859,217.50	92.16	484,742,762.85		2,969,116,454.65
Portfolio 1: with significant single amount and low portfolio risk	53,896,329.40	1.76	16,168,898.82	30.00	37,727,430.58	621,989,108.15	16.60	58,725,556.78	9.44	563,263,551.37
Portfolio 2: with non-significant single amount and low portfolio risk										
Portfolio 3: with high portfolio risk	2,489,645,086.95	81.40	500,239,236.30	20.09	1,989,405,850.65	2,831,870,109.35	75.56	426,017,206.07	15.04	2,405,852,903.28
3. Accounts receivable with non-significant single amount and individual withdrawal of provision for bad debts	70,923,597.83	2.32	67,536,630.97	95.22	3,386,966.86	165,992,821.34	4.43	52,896,952.34	31.87	113,095,869.00
Total	3,058,535,701.96	100.00	884,382,591.70		2,174,153,110.26	3,747,652,038.84	100.00	563,199,715.19		3,184,452,323.65

Accounts receivable with significant single amount and individual withdrawal of provision for bad debts as at December 31, 2016

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Accounts receivable (based on entity)	Balance as at December 31, 2016			
	Accounts receivable	Provision for bad debts	Withdrawing proportion (%)	Withdrawing reason
The Management Committee of Qinhan New City, Xixian New District, Shanxi Province	138,827,649.96	138,827,649.96	100.00	It is expected to be difficult to recover
Hunan Broad Link High-tech Co., Ltd.	126,300,000.00	56,835,000.00	45.00	A recovery risk existing in part of the repayment
Shenzhen Haifa Import and Export Trade Co., Ltd.	105,954,088.82	31,786,226.65	30.00	A recovery risk existing in part of the repayment
Jiulong County Jili Hydropower Development Co., Ltd.	72,988,949.00	72,988,949.00	100.00	It is expected to be difficult to recover due to litigations
Total	444,070,687.78	300,437,825.61		

In the portfolio, accounts receivable with withdrawal of provision for bad debts according to aging analysis method:

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Aging	Balance as at December 31, 2016		
	Accounts receivable	Provision for bad debts	Withdrawing proportion (%)
Within 1 year	1,293,203,786.20	6,466,018.93	0.50
1-2 years	213,971,072.25	4,279,421.45	2.00
2-3 years	322,272,978.11	16,113,648.91	5.00
3-4 years	222,440,704.98	66,732,211.49	30.00
4-5 years	137,672,080.94	68,836,040.47	50.00
Over 5 years	353,980,793.87	353,980,793.87	100.00
Total	2,543,541,416.35	516,408,135.12	

Accounts receivable with non-significant single amount and individual withdrawal of provision for bad debts as at December 31, 2016

Accounts receivable (based on entity)	Balance as at December 31, 2016			
	Accounts receivable	Provision for bad debts	Withdrawing proportion (%)	Withdrawing reason
Payments existing over 5 years	8,792,525.67	8,792,525.67	100.00	It is expected to be difficult to recover due to the existing time of over 5 years
Beijing Yizi Investment Guarantee Co., Ltd.	42,748,335.00	42,748,335.00	100.00	It is expected to be difficult to recover due to litigations
ANACHIP (Shanxi) Co., Ltd.	920,000.00	920,000.00	100.00	It is expected to be difficult to recover
Kemita (Beijing) Electronics Co., Ltd.	2,276,400.00	2,276,400.00	100.00	It is expected to be difficult to recover due to litigations
Beijing Century Yuanyang Technology Co., Ltd.	6,061,392.40	6,061,392.40	100.00	It is expected to be difficult to recover due to litigations
Jinan Municipal Postal Administration	4,480,000.00	4,480,000.00	100.00	It is expected to be difficult to recover
Beijing Jia Lian Zhong Hui Technology Co., Ltd.	5,644,944.76	2,257,977.90	40.00	It is expected to be difficult to recover part of the payments due to litigations
Total	70,923,597.83	67,536,630.97		

2. Provisions for bad debts of withdrawal, recovery or reversal during 2016:

During 2016, the amount of provision for bad debts was RMB 321,183,197.26; the amount of provision for bad debts reduced RMB 320.75 due to the change of consolidation scope.

3. Details of accounts receivable of the top five of the balance as at December 31, 2016 collected according to the borrowers:

√ Applicable □ Not applicable

Entity name	Balance as at December 31, 2016		
	Accounts receivable	Proportion in the total accounts receivable (%)	Provision for bad debts
No.1	138,827,649.96	4.54	138,827,649.96
No.2	126,300,000.00	4.13	56,835,000.00
No.3	105,954,088.82	3.46	31,786,226.65
No.4	72,988,949.00	2.39	72,988,949.00
No.5	53,896,329.40	1.76	16,168,898.82
Total	497,967,017.18	16.28	316,606,724.43

(IV) Advances to suppliers**1. Disclosure of advances to suppliers by aging**

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Aging	Balance as at December 31, 2016			Balance as at January 1, 2016		
	Book balance		Provision for bad debts	Book balance		Provision for bad debts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	158,788,947.53	27.98	793,944.74	455,964,946.36	59.90	2,149,841.42
1-2 years	136,551,434.87	24.06	2,271,028.70	56,039,184.42	7.36	1,120,783.69
2-3 years	31,032,956.19	5.47	1,551,647.81	29,101,506.23	3.82	1,455,075.31
Over 3 years	241,153,112.72	42.49	96,535,737.96	220,127,328.81	28.92	42,650,444.56
Total	567,526,451.31	100.00	101,152,359.21	761,232,965.82	100.00	47,376,144.98

Details for failure to timely settle the advances to suppliers with significant amount over 1 year:

Advances to suppliers to	Balance as at December 31, 2016	Nature of fund	Reason for unsettlement
Datang Telecom (Tianjin) Science and Technology Industrial Park Co., Ltd.	146,616,640.00	Fund for purchasing house	Contracts not completed
Shanxi Province Xixian New District Qinhan New City Development and Construction Group, Co., Ltd.	60,724,000.00	Fund for purchasing goods	Contracts not completed
Total	207,340,640.00		

2. Provisions for bad debts of withdrawal, recovery or reversal during 2016:

During 2016, the amount of provision for bad debts was RMB 53,776,214.23.

3. Advances to suppliers of top five of the balance as at December 31, 2016 according to the advance pay object:

√ Applicable □ Not applicable

Advances to suppliers to	Balance as at December 31, 2016	Proportion in total amount of advances to suppliers (%)
No.1	146,616,640.00	25.83
No.2	60,724,000.00	10.70
No.3	31,802,000.00	5.60
No.4	23,211,214.14	4.09
No.5	18,924,418.77	3.33
Total	281,278,272.91	49.55

(V)

Dividends receivable√ Applicable ☐ Not applicable

Item (or invested company)	Unit: Yuan	Currency: RMB
	Balance as at December 31, 2016	Balance as at January 1, 2016
Chengdu Datang Communication Cable, Co. Ltd.		2,612,662.58
Datang Network Co., Ltd.	173,766.32	173,766.32
Datang Tech Venture Capital Co., Ltd.		25,622.63
Total	173,766.32	2,812,051.53

(VI) Other receivables

1. Disclosure of other receivables by category

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Category	Balance as at December 31, 2016					Balance as at January 1, 2016				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Withdrawing proportion (%)		Amount	Proportion (%)	Amount	Withdrawing proportion (%)	
Other receivables with significant single amount and individual provision for bad debts										
Other receivables with withdrawal of provision for bad debts according to portfolio of credit risk characteristics	177,192,156.15	68.37	42,060,709.24		135,131,446.91	281,084,805.21	81.80	34,657,507.23		246,427,297.98
Portfolio 1: with significant single amount and low portfolio risk	55,501,876.89	21.42	18,776,919.21	33.83	36,724,957.68	97,354,992.63	28.33	2,763,399.96	2.84	94,591,592.67
Portfolio 2: with non-significant single amount and low portfolio risk										
Portfolio 3: with high portfolio risk	121,690,279.26	46.96	23,283,790.03	19.13	98,406,489.23	183,729,812.58	53.47	31,894,107.27	17.36	151,835,705.31
Other receivables with non-significant single amount and individual withdrawal of provision for bad debts	81,956,598.36	31.63	81,956,598.36	100.00		62,528,929.38	18.20	62,528,929.38	100.00	
Total	259,148,754.51	100.00	124,017,307.60		135,131,446.91	343,613,734.59	100.00	97,186,436.61		246,427,297.98

In the portfolio, other receivables with withdrawal of provision for bad debts according to aging analysis method:

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Aging	Balance as at December 31, 2016		
	Other receivables	Provision for bad debts	Withdrawing proportion (%)
Within 1 year	74,673,540.98	373,367.71	0.50
1-2 years	23,459,625.56	469,192.52	2.00
2-3 years	10,630,160.57	531,508.04	5.00
3-4 years	35,518,890.10	10,655,667.04	30.00
4-5 years	5,757,930.03	2,878,965.02	50.00
Over 5 years	27,152,008.91	27,152,008.91	100.00
Total	177,192,156.15	42,060,709.24	

Other receivables with significant single amount and individual withdrawal of provision for bad debts as at December 31, 2016

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Other receivables (based on entity)	Balance as at December 31, 2016			
	Other receivables	Provision for bad debts	Withdrawing proportion (%)	Withdrawing reason
Payments existing over 5 years	63,315,042.34	63,315,042.34	100.00	It is expected to be difficult to recover
National Engineering Research Center for Systems of Telecommunications Exchange and Software Support	18,641,556.02	18,641,556.02	100.00	It is expected to be difficult to recover
Total	81,956,598.36	81,956,598.36	/	/

2. Provisions for bad debts of withdrawal, recovery or reversal during 2016:

During 2016, the amount of provision for bad debts was RMB 26,855,018.76; the amount of provision for bad debts reduced RMB 24,147.77 due to the change of consolidation scope.

3. Categories of other receivables by nature

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Nature of fund	Book balance as at December 31, 2016	Book balance as at January 1, 2016
Cash deposit	126,314,286.22	179,035,526.28
Current account	109,626,276.78	139,633,335.38
Withholding funds	2,437,963.81	2,958,200.30
Suspense payment	10,187,281.25	9,752,200.63
Guarantee deposit	1,911,911.33	2,060,314.00
Others	8,671,035.12	10,174,158.00
Total	259,148,754.51	343,613,734.59

4. Details of other receivables of the top five of the balance as at December 31, 2016 collected according to the borrowers:

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Entity name	Nature of fund	Balance as at December 31, 2016	Aging	Proportion in total amount of ending balance of other receivables (%)	Balance of provision for bad debts as at December 31, 2016
No.1	Cash deposit	28,000,000.00	3-4 years	10.80	8,400,000.00
No.2	Cash deposit	10,000,000.00	Within 1 year	3.86	50,000.00
No.3	Current account	8,596,069.12	Within 2 years	3.32	74,378.61
No.4	Cash deposit	5,280,000.00	Over 5 years	2.04	5,280,000.00
No.5	Cash deposit	5,000,000.00	Over 5 years	1.93	5,000,000.00
Total	/	56,876,069.12		21.95	18,804,378.61

(VII) Inventories

1. Classification of inventories

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Balance as at December 31, 2016			Balance as at January 1, 2016		
	Book balance	Provision for depreciation	Book value	Book balance	Provision for depreciation	Book value
Raw materials	906,015,506.12	242,419,248.50	663,596,257.62	1,001,484,261.20	117,395,258.25	884,089,002.95
Goods in transit	812,591.33		812,591.33	10,915,603.62		10,915,603.62
Revolving materials	2,854,236.60	606,679.57	2,247,557.03	4,699,970.48	540,422.12	4,159,548.36
Consigned processing materials	511,279.64		511,279.64	218,266.65		218,266.65
Goods in progress	185,450,846.34	13,098,266.62	172,352,579.72	207,701,605.91	20,927,400.34	186,774,205.57
Stock commodities	829,932,774.58	229,134,863.57	600,797,911.01	1,019,277,746.55	106,948,725.23	912,329,021.32
Others	71,068,428.84		71,068,428.84	69,255,111.02	7,290,970.00	61,964,141.02
Total	1,996,645,663.45	485,259,058.26	1,511,386,605.19	2,313,552,565.43	253,102,775.94	2,060,449,789.49

2. Provision for inventory depreciation

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Balance as at January 1, 2016	Increase in 2016		Decrease in 2016		Balance as at December 31, 2016
		Provision	Others	Reversal or write-off	Others	
Raw materials	117,395,258.25	136,921,718.36		11,897,728.11		242,419,248.50
Revolving materials	540,422.12	66,257.45				606,679.57
Goods in progress	20,927,400.34	6,553,084.73		14,382,218.45		13,098,266.62
Stock commodities	106,948,725.23	145,055,001.61		22,868,863.27		229,134,863.57
Others	7,290,970.00			7,290,970.00		
Total	253,102,775.94	288,596,062.15		56,439,779.83		485,259,058.26

(VIII) Other current assets

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Balance as at December 31, 2016	Balance as at January 1, 2016
Taxes to be deducted	152,689,667.52	172,148,916.10
Bank financial products		30,000,000.00
Total	152,689,667.52	202,148,916.10

(IX)

Available-for-sale-financial assets**1. Details of available-for-sale financial assets**√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Item	Balance as at December 31, 2016			Balance as at January 1, 2016		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Available-for-sale debt instruments:						
Available-for-sale equity instruments:	53,143,748.75		53,143,748.75	53,143,748.75		53,143,748.75
Including: measured at fair value						
Measured at cost	53,143,748.75		53,143,748.75	53,143,748.75		53,143,748.75
Total	53,143,748.75		53,143,748.75	53,143,748.75		53,143,748.75

2. Available-for-sale financial assets measured at cost at December 31, 2016

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Investee	Book balance				Provision for impairment				Shareholding ratio in the investee (%)	Cash dividend in 2016
	As at January 1, 2016	Increase in 2016	Decrease in 2016	As at December 31, 2016	As at January 1, 2016	Increase in 2016	Decrease in 2016	As at December 31, 2016		
Beijing Datang Yongsheng Technology Development Co., Ltd.	5,000,000.00			5,000,000.00					16.70	
ACP ADVANCED CIRCUIT PURSUIT AG	13,053,400.00			13,053,400.00					6.897	
Guangzhou Rising Micro Electronics Co., Ltd.	9,975,872.54			9,975,872.54					13.45	
Datang Hi-tech Venture Capital Co., Ltd.	25,114,476.21			25,114,476.21					15.17	758,500.00
Total	53,143,748.75			53,143,748.75						758,500.00

(X)

Long-term receivables

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Balance as at December 31, 2016			Balance as at January 1, 2016			Range of discount rate
	Book balance	Allowance for bad debts	Book value	Book balance	Allowance for bad debts	Book value	
Installment proceeds from sale of goods	22,694,000.00	22,694,000.00		22,694,000.00	7,942,900.00	14,751,100.00	
Total	22,694,000.00	22,694,000.00		22,694,000.00	7,942,900.00	14,751,100.00	/

(XI) Long-term equity investments

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Investee	Balance as at January 1, 2016	Increase/decrease in 2016								Balance as at December 31, 2016	Balance of provision for impairment as at December 31, 2016
		Additional investment	Reduced investment	Profit or loss on investments recognized under the equity method	Adjustments to other comprehensive income	Other changes in equities	Cash dividends or profits declared to be distributed	Provision for impairment	Others		
I. Joint ventures											
II. Associates											
Datang Telecom (Tianjin) Science and Technology Industrial Park Co., Ltd.	27,337,576.91			-3,223,745.81						24,113,831.10	
Chengdu Datang Communication Cable, Co. Ltd.	84,717,277.32			17,057,341.36			4,709,585.81			97,065,032.87	
Beijing Datang Technology Development Co., Ltd.	7,692,442.42			-433,336.44						7,259,105.98	
Datang Telecom Investment Co., Ltd.	45,526,407.42			95,476.31						45,621,883.73	
Xi'an Datang Surveillance Technology Co., Ltd.	29,004,860.18			-1,178,573.65						27,826,286.53	
Nanjing Yunke Equity Investment Fund Management Co., Ltd.	4,062,067.83			-467,877.20						3,594,190.63	
Datang Zhongke Innovation Investment Partnership (Limited Partnership)	25,004,279.43			-10,765.87						24,993,513.56	
Datang Network Co., Ltd. (former Xinhua Ruide (Beijing) Network Technology Co., Ltd.)	275,029,065.62			16,135,156.67						291,164,222.29	
Beijing Datang Smart Card Technology Co., Ltd.	61,261,842.62			2,530,051.02						63,791,893.64	
Datang Telecom (Nanjing) Energy-saving & Information Technology Co., Ltd.		8,759,158.25		262,186.39					954,393.41	9,975,738.05	
Sub-total	559,635,819.75	8,759,158.25		30,765,912.78			4,709,585.81		954,393.41	595,405,698.38	
Total	559,635,819.75	8,759,158.25		30,765,912.78			4,709,585.81		954,393.41	595,405,698.38	

Notes: On March 5, 2016, the 6th Board of Directors of the Company adopted the Resolution on Transferring Partial Equity of Datang Telecom (Nanjing) Energy-saving & Information Technology Co., Ltd. approving the external transfer of 80% of the equity of Datang Telecom (Nanjing) Energy-saving & Information Technology Co., Ltd. through public listing at the equity exchange. After the implementation of the plan, the Company changed the accounting method for Datang Telecom (Nanjing) Energy-saving & Information Technology Co., Ltd. from cost method to equity method, and the book value of the remaining equity on the day when the control is lost was RMB 8,759,158.25.

(XII) Fixed assets

√ Applicable □ Not applicable

Unit: Yuan							Currency: RMB
Item	Buildings and constructions	Transportation facilities	General equipment	Special equipment	Instrument and apparatus	Other equipment	Total
I. Original book value:							
1. Balance as at January 1, 2016	561,807,394.81	17,251,254.07	408,443,973.54	201,743,135.34	178,136,392.15	111,800,196.63	1,479,182,346.54
2. Increase in 2016	114,920.96	712,293.16	11,519,135.51	6,073,512.73	3,161,381.90	67,994,375.09	89,575,619.35
(1) Purchase	114,920.96	712,293.16	11,519,135.51	6,073,512.73	3,161,381.90	67,994,375.09	89,575,619.35
3. Decrease in 2016		2,227,110.74	10,372,068.68	52,236,939.03	11,473,486.97	23,827,277.19	100,136,882.61
(1) Disposal or scrapping		2,227,110.74	10,372,068.68	52,236,939.03	11,473,486.97	23,827,277.19	100,136,882.61
4. Balance as at December 31, 2016	561,922,315.77	15,736,436.49	409,591,040.37	155,579,709.04	169,824,287.08	155,967,294.53	1,468,621,083.28
II. Accumulated depreciation							
1. Balance as at January 1, 2016	85,406,791.71	14,376,470.25	229,986,488.28	129,801,403.91	108,620,279.54	55,805,693.70	623,997,127.39
2. Increase in 2016	15,722,648.90	1,077,977.38	44,157,111.14	6,835,399.46	8,317,642.17	19,879,317.98	95,990,097.03
(1) Provision	15,722,648.90	1,077,977.38	44,157,111.14	6,835,399.46	8,317,642.17	19,879,317.98	95,990,097.03
3. Decrease in 2016		2,091,592.15	9,464,768.92	48,052,767.88	7,147,430.96	3,785,185.18	70,541,745.09
(1) Disposal or scrapping		2,091,592.15	9,464,768.92	48,052,767.88	7,147,430.96	3,785,185.18	70,541,745.09
4. Balance as at December 31, 2016	101,129,440.61	13,362,855.48	264,678,830.50	88,584,035.49	109,790,490.75	71,899,826.50	649,445,479.33
III. Provision for impairment							
1. Balance as at January 1, 2016			14,441.20	52,113.71	747,122.61	20,625,186.61	21,438,864.13
2. Increase in 2016		56,865.56	1,083,514.51	1,334,138.91	349,657.69	8,551.85	2,832,728.52
(1) Provision		56,865.56	1,083,514.51	1,334,138.91	349,657.69	8,551.85	2,832,728.52
3. Decrease in 2016					56,100.54	1,892,418.46	1,948,519.00
(1) Disposal or scrapping					56,100.54	1,892,418.46	1,948,519.00
4. Balance as at December 31, 2016		56,865.56	1,097,955.71	1,386,252.62	1,040,679.76	18,741,320.00	22,323,073.65
IV. Book value							
1. Book value as at December 31, 2016	460,792,875.16	2,316,715.45	143,814,254.16	65,609,420.93	58,993,116.57	65,326,148.03	796,852,530.30
2. Book value as at January 1, 2016	476,400,603.10	2,874,783.82	178,443,044.06	71,889,617.72	68,768,990.00	35,369,316.32	833,746,355.02

(XIII) Construction in progress**1. Situation of construction in progress**

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Balance as at December 31, 2016			Balance as at January 1, 2016		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Phase III of Yongfeng Project	281,436,798.68		281,436,798.68	188,283,753.24		188,283,753.24
ERP Project	4,444,803.92		4,444,803.92	4,305,985.00		4,305,985.00
Total	285,881,602.60		285,881,602.60	192,589,738.24		192,589,738.24

2. Changes of significant construction in progress in 2016

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Project Name	Budget	Balance as at January 1, 2016	Increase in 2016	Transfer into fixed assets in 2016	Other decreases in 2016	Balance as at December 31, 2016	Proportion of total project investments in budget (%)	Project progress	Accumulated capitalization amount of interest	Including: capitalization amount of the interest of 2016	Capitalization rate of the interest of 2016 (%)	Sources of funds
Phase III of Yongfeng Project	444,386,300.00	188,283,753.24	93,153,045.44			281,436,798.68	63.33	96	18,200,883.34	9,583,790.34	4.75	Loans and self-financing
ERP Project	6,000,000.00	4,305,985.00	1,981,043.45	1,842,224.53		4,444,803.92	74.08	70				Self-financed funds
Total	450,386,300.00	192,589,738.24	95,134,088.89	1,842,224.53		285,881,602.60			18,200,883.34	9,583,790.34		/

Notes:

The total budget for Phase III of Yongfeng Project including engineering construction land was RMB 564,552,100.00.

(XIV) **Intangible assets**
☒ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Item	Land use right	Software, system, license fee	Proprietary technology	Total
I. Original book value				
1. Balance as at January 1, 2016	126,519,726.17	1,160,691,609.56	1,791,721,059.90	3,078,932,395.63
2. Increase in 2016		154,161,466.68	503,050,551.72	657,212,018.40
(1) Purchase		101,095,855.38	71,419,932.98	172,515,788.36
(2) Internal research and development		51,223,386.77	431,630,618.74	482,854,005.51
(3) Transfer of construction in progress		1,842,224.53		1,842,224.53
3. Decrease in 2016		35,473,976.32	15,128,295.95	50,602,272.27
(1) Disposal		35,473,976.32	15,128,295.95	50,602,272.27
4. Balance as at December 31, 2016	126,519,726.17	1,279,379,099.92	2,279,643,315.67	3,685,542,141.76
II. Accumulated amortization				
1. Balance as at January 1, 2016	8,934,989.13	667,725,815.57	765,276,598.97	1,441,937,403.67
2. Increase in 2016	3,696,028.49	214,160,083.53	304,182,954.85	522,039,066.87
(1) Provision	3,696,028.49	214,160,083.53	304,182,954.85	522,039,066.87
3. Decrease in 2016		35,308,608.52	5,294,962.58	40,603,571.10
(1) Disposal		35,308,608.52	5,294,962.58	40,603,571.10
4. Balance as at December 31, 2016	12,631,017.62	846,577,290.58	1,064,164,591.24	1,923,372,899.44
III. Provision for impairment				
1. Balance as at January 1, 2016				
2. Increase in 2016		31,095,898.69	93,135,604.21	124,231,502.90
(1) Provision		31,095,898.69	93,135,604.21	124,231,502.90
3. Decrease in 2016				
(1) Disposal				
4. Balance as at December 31, 2016		31,095,898.69	93,135,604.21	124,231,502.90
IV. Book value				
1. Book value as at December 31, 2016	113,888,708.55	401,705,910.65	1,122,343,120.22	1,637,937,739.42
2. Book value as at January 1, 2016	117,584,737.04	492,965,793.99	1,026,444,460.93	1,636,994,991.96

(XV)

Development expenditures

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Balance as at January 1, 2016	Increase in 2016		Decrease in 2016			Balance as at December 31, 2016
		Internal development expenditures	Others	Recognized as intangible assets	Included in current profit or loss	Others	
Game software development	14,437,528.08	62,452,159.82		22,825,533.91	26,813,142.09		27,251,011.90
City Service Management & IOT Network Support Software Platform	12,148,313.00	25,535,172.50		12,862,015.83	17,318,083.85		7,503,385.82
Operator business management and supporting system development based on cloud-computing	4,167,744.17	11,880,980.04		4,979,036.49	7,214,799.52		3,854,888.20
Development services of terminal software	4,361,075.23	3,725,878.20		4,356,169.57	3,725,878.20		4,905.66
Special phone for industrial terminals	2,890,612.53	8,418,251.95		2,890,612.53	8,418,251.95		
Chips & solutions	375,111,289.40	446,919,885.14		364,409,957.50	203,153,464.78	49,370,450.51	205,097,301.75
IVS project	2,611,836.97	2,493,064.36		5,104,901.33			
IVS key algorithm research and industrial verification project	1,439,481.48	10,787,142.25		12,226,623.73			
Industrial terminals-LTE industry phone	13,685,359.36			13,685,359.36			
Windows10 operating system mobile intelligent terminal phones	6,506,567.55			6,506,567.55			
Payment Chips Development	69,876,996.64	78,169,275.80		33,007,227.71	57,184,515.04		57,854,529.69
General products development	11,092,250.24	28,989,290.43			15,798,017.69		24,283,522.98
Chip safety technology platform	47,213,885.76	45,583,842.25			19,981,797.37	24,562,247.31	48,253,683.33
Gate Drive Chip Development	11,369,374.05	1,677,455.34					13,046,829.39
Battery Management System		27,143,948.67			17,634,297.58		9,509,651.09
Car Smart Things terminals and RFID terminal-product development		1,712,390.00			1,712,390.00		
Distributed PV power plant management monitoring system		1,665,753.46			1,665,753.46		
Industry WiFi System Development Project		1,530,102.78			1,530,102.78		
Universal industry phone		18,271,457.97			18,271,457.97		
New WLAN network and industrialization based on SDN		5,781,156.89			5,781,156.89		
Fingerprint financial IC card R&D and industrialization based on domestic chips and encryption algorithm		6,050,129.37			6,050,129.37		
Building-type time synchronization series equipment development		1,225,911.13			1,225,911.13		

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Item	Balance as at January 1, 2016	Increase in 2016		Decrease in 2016			Balance as at December 31, 2016
		Internal development expenditures	Others	Recognized as intangible assets	Included in current profit or loss	Others	
Gateway product development project for traffic industry		1,857,792.65			1,857,792.65		
R&D and demonstration application of Beijing Xiaobangshou Beidou electronic server for caring for the elderly		2,182,623.42			2,182,623.42		
Maintenance and upgrading of Information Products in Energy Industry		1,896,973.64			1,896,973.64		
Communication Terminal and Platform	14,155,557.49	30,601,974.39			22,187,005.08		22,570,526.80
Advanced Information Network Beijing Lab		3,874,419.40			3,874,419.40		
Mobile internet Zhongfu cloud platform R&D ecosystem		1,717,906.79			1,717,906.79		
Smart phone		51,619,071.70			51,619,071.70		
Integrated DTFi Intelligent Platform		1,711,704.55			1,711,704.55		
Fusion Dispatching Command System		2,410,929.24			2,410,929.24		
NVS3000 Comprehensive Video Monitoring Platform V2.5 (Public Security Combat Platform V1.0 Software Development)		2,041,449.21			2,041,449.21		
Other research and development projects		4,055,414.03			4,055,414.03		
Total	591,067,871.95	893,983,507.37		482,854,005.51	509,034,439.38	73,932,697.82	419,230,236.61

(XVI) Goodwill**1. Original book value of goodwill**

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Name of the investee or matters forming goodwill	Balance as at January 1, 2016	Increase in 2016		Decrease in 2016		Balance as at December 31, 2016
		Amount formed through business combination	Others	Disposal	Others	
Datang Microelectronics Technology Co., Ltd.	1,542,633.71					1,542,633.71
Shanghai Uniscope Communication Technologies Co., Ltd.	130,558,011.23					130,558,011.23
Shengyao Wireless Communication Technology (Beijing) Co., Ltd.	12,943,971.37					12,943,971.37
Jiangsu I-front Science & Technology Co., Ltd.	110,169,042.36					110,169,042.36
Qidong Uniscope Electronics Co., Ltd.	45,619,509.99					45,619,509.99
Guangzhou Yaowan Entertainment Network Technology Co., Ltd.	1,337,352,615.73					1,337,352,615.73
Total	1,638,185,784.39					1,638,185,784.39

2. Provision for impairment of goodwill

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Name of the investee or matter forming goodwill	Balance as at January 1, 2016	Increase in 2016		Decrease in 2016		Balance as at December 31, 2016
		Provision		Disposal		
Shanghai Uniscope Communication Technologies Co., Ltd.	35,394,200.00	72,701,400.00				108,095,600.00
Qidong Uniscope Electronics Co., Ltd.	5,733,400.00	12,375,800.00				18,109,200.00
Shengyao Wireless Communication Technology (Beijing) Co., Ltd.	5,300,000.00	7,643,971.37				12,943,971.37
Jiangsu I-front Science & Technology Co., Ltd.		38,724,500.00				38,724,500.00
Total	46,427,600.00	131,445,671.37				177,873,271.37

Notes: 1. At the end of 2016, according to the Asset Appraisal Report (Guo Rong Xing Hua Zi Bao Zi [2017] No. 030002) issued by Beijing Guorongxinghua Assets Appraisal Co., Ltd., RMB 72,701,400.00 of additional provision for impairment of goodwill was made over Shanghai Uniscope Communication Technologies Co., Ltd.

2. At the end of 2016, according to the Asset Appraisal Report (Guo Rong Xing Hua Zi Bao Zi [2017] No. 030001) issued by Beijing Guorongxinghua Assets Appraisal Co., Ltd., RMB 12,375,800.00 of additional provision for impairment of goodwill was made over Qidong Uniscope Electronics Co., Ltd.

3. At the end of 2016, according to the Asset Appraisal Report (Tian Xing Ping Bao Zi [2017] No. 0202) issued by Pan-China Assets Appraisal Co., Ltd., RMB 7,643,971.37 of additional provision for impairment of goodwill was made over Shengyao Wireless Communication Technology (Beijing) Co., Ltd.

4. At the end of 2016, according to the Asset Appraisal Report (Tian Xing Ping Bao Zi [2017] No. 0077) issued by Pan-China Assets Appraisal Co., Ltd., RMB 38,724,500.00 of additional provision for impairment of goodwill was made over Jiangsu I-front Science & Technology Co., Ltd.

(XVII) Long-term deferred expenses

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Balance as at January 1, 2016	Increase in 2016	Amount amortized in 2016	Other decreases	Balance as at December 31, 2016
Games copyright royalty	4,538,450.95	24,000,000.00	7,278,617.11		21,259,833.84
Decoration fee, etc.	2,967,391.06	5,543,504.13	2,886,999.78		5,623,895.41
Total	7,505,842.01	29,543,504.13	10,165,616.89		26,883,729.25

(XVIII) Deferred income tax assets/ deferred income tax liabilities

1. Deferred income tax assets before offset

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Balance as at December 31, 2016		Balance as at January 1, 2016	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for impairment of assets	323,950,664.31	44,773,689.81	198,549,760.65	30,953,918.16
Amortization of intangible assets	243,303,669.02	32,222,066.81	179,559,104.85	26,933,865.73
Total	567,254,333.33	76,995,756.62	378,108,865.50	57,887,783.89

2. Deferred income tax liabilities without the offset

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Balance as at December 31, 2016		Balance as at January 1, 2016	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Asset evaluation increment from business combination not under the same control	61,796,245.67	9,269,436.85	72,865,536.72	10,896,785.94
Depreciation of fixed assets	11,211,550.60	1,681,732.59	5,598,449.59	839,767.44
Total	73,007,796.27	10,951,169.44	78,463,986.31	11,736,553.38

(XIX) Short-term borrowings

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Balance as at December 31, 2016	Balance as at January 1, 2016
Guaranteed borrowings	988,662,098.54	409,000,000.00
Credit borrowings	2,071,102,712.47	1,876,880,586.12
Other borrowings	10,612,054.88	65,516,153.86
Total	3,070,376,865.89	2,351,396,739.98

Notes: Other borrowings are defined as the discount of bill of right of resource.

(XX) Notes payable

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Type	Balance as at December 31, 2016	Balance as at January 1, 2016
Bank acceptance bills	352,309,458.99	624,965,596.15
Commercial acceptance bills	276,543,963.18	198,551,547.51
Total	628,853,422.17	823,517,143.66

(XXI) Accounts payable**1. Presentation of accounts payable**

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Balance as at December 31, 2016	Balance as at January 1, 2016
Within 1 year (including 1 year)	1,189,115,324.66	1,278,491,687.01
1-2 years (including 2 years)	98,299,359.60	75,321,668.44
2-3 years (including 3 years)	30,424,294.71	52,743,396.48
Over 3 years	74,783,614.99	43,380,139.49
Total	1,392,622,593.96	1,449,936,891.42

2. Significant accounts payable with aging of more than 1 year

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Balance as at December 31, 2016	Reasons for failure of repayment or carry-forward
China Academy of Telecommunications Technology	26,000,000.00	Unsettled
Beijing Datang Smart Card Technology Co., Ltd.	20,746,223.87	Unsettled
KQ GEO TECHNOLOGIES CO., LTD.	5,172,285.71	Unsettled
Chengdu Fujie Labor Services Co., Ltd.	5,104,310.70	Unsettled
TsinghuaTongfang Co., Ltd.	3,809,345.30	Unsettled
Total	60,832,165.58	

(XXII) Advances from customers**1. Presentation of advances from customers:**

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Balance as at December 31, 2016	Balance as at January 1, 2016
Within 1 year (including 1 year)	166,243,464.67	301,653,881.07
1-2 years (including 2 years)	38,309,506.34	17,663,142.03
2-3 years (including 3 years)	11,873,767.44	17,462,950.05
Over 3 years	24,521,751.20	7,285,182.66
Total	240,948,489.65	344,065,155.81

2. Significant advances from customers with aging of more than 1 year

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Balance as at December 31, 2016	Reasons for failure of repayment or carry-forward
Chongqing Xinwei Telecom Technology Co., Ltd.	7,830,528.48	Business unfinished
Shanghai Yuzhou International Trading Co., Ltd.	7,753,479.18	Business unfinished
Dongfang Qichen Information & Technology (Shenzhen) Co., Ltd.	3,901,580.00	Business unfinished
Total	19,485,587.66	

(XXIII) Employee compensation payable**1. Presentation of employee compensation payable**

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Balance as at January 1, 2016	Increase in 2016	Decrease in 2016	Balance as at December 31, 2016
I. Short-term compensation	27,643,360.76	788,801,576.23	768,334,716.85	48,110,220.14
II. Post-employment benefits-defined contribution plan	6,735,725.03	90,035,979.35	90,073,715.86	6,697,988.52
III. Dismissal welfare	221,233.93	6,758,469.85	6,720,966.92	258,736.86
IV. Other benefits due within one year				
Total	34,600,319.72	885,596,025.43	865,129,399.63	55,066,945.52

2. Presentation of short-term compensation:

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Balance as at January 1, 2016	Increase in 2016	Decrease in 2016	Balance as at December 31, 2016
I. Wages, bonus, allowances and subsidies	8,066,325.08	648,042,185.26	632,029,206.22	24,079,304.12
II. Employee welfare	13,312.00	20,699,288.80	20,385,763.40	326,837.40
III. Social insurance premiums	3,634,849.11	48,069,457.56	46,738,534.90	4,965,771.77
Including: medical insurance premiums	3,436,960.87	41,522,737.97	40,196,266.24	4,763,432.60
Work-related injury insurance premiums	109,445.17	1,744,663.45	1,822,105.30	32,003.32
Maternity insurance premiums	86,279.29	4,153,632.98	4,071,740.20	168,172.07
Others	2,163.78	648,423.16	648,423.16	2,163.78
IV. Housing funds	2,082,027.26	51,481,884.53	50,685,810.74	2,878,101.05
V. Labor union expenditures and employee education expenses	13,846,847.31	12,151,069.38	10,866,700.42	15,131,216.27
VI. Short-term compensated absences				
VII. Short-term profit-sharing plan				
VIII. Other short-term compensations		8,357,690.70	7,628,701.17	728,989.53
Total	27,643,360.76	788,801,576.23	768,334,716.85	48,110,220.14

3. Presentation of defined contribution plan

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Balance as at January 1, 2016	Increase in 2016	Decrease in 2016	Balance as at December 31, 2016
1. Basic endowment insurance premiums	5,946,722.40	82,495,924.76	82,680,340.37	5,762,306.79
2. Unemployment insurance premiums	483,273.53	4,462,610.25	4,681,557.35	264,326.43
3. Enterprise annuity payment	305,729.10	3,077,444.34	2,711,818.14	671,355.30
Total	6,735,725.03	90,035,979.35	90,073,715.86	6,697,988.52

(XXIV) Taxes and surcharges payable

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Balance as at December 31, 2016	Balance as at January 1, 2016
Value-added tax (VAT)	26,156,780.28	22,333,387.77
Business tax		14,099,639.22
Enterprise income tax	8,892,499.73	37,634,144.23
Individual income tax	5,653,576.98	7,946,827.71
Urban maintenance and construction tax	1,789,789.33	2,270,887.37
Property taxes	1,531,701.49	2,975,105.03
Land value-added tax		461,969.59
Educational surtax	1,394,249.11	1,911,859.94
Others	181,155.05	153,630.39
Total	45,599,751.97	89,787,451.25

(XXV) Interest payable

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Balance as at December 31, 2016	Balance as at January 1, 2016
Interest on long-term borrowings with interest paid by installments and principal paid on maturity date	3,295,399.41	2,106,557.48
Interest on corporate bonds	13,599,000.00	13,750,000.00
Interest payable on short-term borrowings	3,744,197.64	5,046,928.07
Total	20,638,597.05	20,903,485.55

(XXVI) Dividends payable

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Balance as at December 31, 2016	Balance as at January 1, 2016
Ordinary share dividends	10,395,716.90	17,446,367.21
Dividend of preferred shares/perpetual capital securities classified into equity instrument		
Total	10,395,716.90	17,446,367.21

(XXVII) Other payables

√ Applicable □ Not applicable

Item	Unit: Yuan	Currency: RMB
	Balance as at December 31, 2016	Balance as at January 1, 2016
Unit Payables	78,471,766.98	107,544,679.18
Personal Payables	5,338,262.90	6,447,299.96
Stock Right Acquisition Payables	3,480,000.00	88,239,086.97
Others	34,207,931.55	39,715,069.82
Total	121,497,961.43	241,946,135.93

(XXVIII) Non-current liabilities maturing within one year**1. Details of non-current liabilities maturing within one year**

√ Applicable □ Not applicable

Item	Unit: Yuan	Currency: RMB
	Balance as at December 31, 2016	Balance as at January 1, 2016
Long-term borrowings maturing within one year	100,000,000.00	570,000,000.00
Bonds payable maturing within one year	997,443,064.35	
Long-term payables maturing within one year		
Total	1,097,443,064.35	570,000,000.00

2. Changes in bonds payable

Name of bond	Par value	Date of issuance	Term of bonds	Amount issued	Balance as at January 1, 2016	Issuing in 2016	Interest withdrawn by par value	Interest adjustment	Foreign currency rate translation differences	Repayment in 2016	Balance as at December 31, 2016
Guaranteed bonds	1,000,000,000.00	September 29, 2014	3 years	1,000,000,000.00	994,883,934.85		55,000,000.00	2,559,129.50	4,403,249.52	55,000,000.00	997,443,064.35
Total				1,000,000,000.00	994,883,934.85		55,000,000.00	2,559,129.50	4,403,249.52	55,000,000.00	997,443,064.35

(XXIX) Long-term borrowings

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Balance as at December 31, 2016	Balance as at January 1, 2016
Credit borrowings	935,973,175.48	657,503,175.48
Total	935,973,175.48	657,503,175.48

(XXX) Bonds payable

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Balance as at December 31, 2016	Balance as at January 1, 2016
Guaranteed bonds		994,883,934.85
Total		994,883,934.85

(XXXI) Long-term payables

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Balance as at January 1, 2016	Balance as at December 31, 2016
China Academy of Telecommunications Technology	1,429,000,000.00	1,429,000,000.00
NXP B.V.	48,878,568.90	63,111,488.00
Datang Telecom Technology Industry Holdings Co., Ltd.	88,000,000.00	88,000,000.00
Total	1,565,878,568.90	1,580,111,488.00

(XXXII) Specific payables

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Balance as at January 1, 2016	Increase in 2016	Decrease in 2016	Balance as at December 31, 2016	Reasons
State-owned Capital Funds Project	63,090,000.00			63,090,000.00	
Total	63,090,000.00			63,090,000.00	/

Notes: The special payables are special funds for capitalization finance allocated by the China Academy of Telecommunications Technology for the 2013 state capital operation budget information security-related capacity building projects of the Ministry of Finance.

(XXXIII) Deferred income

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Balance as at January 1, 2016	Increase in 2016	Decrease in 2016	Balance as at December 31, 2016	Reasons
Government subsidies	205,023,077.75	106,082,716.82	110,206,441.95	200,899,352.62	
Total	205,023,077.75	106,082,716.82	110,206,441.95	200,899,352.62	/

Items involving government subsidies:

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Liabilities	Balance as at January 1, 2016	New subsidy in 2016	Amount included in non-operating income in 2016	Other changes	Balance as at December 31, 2016	Related to assets/income
Demonstration of development and application of smart healthy production and cloud service system for greenhouse agricultural products	996,875.00		255,809.69		741,065.31	Related to assets
Web-based wireless ubiquitous business	1,026,400.00				1,026,400.00	Related to assets
Beijing Xiaobangshou Beidou electronic server for caring for the elderly	9,060,000.00				9,060,000.00	Related to assets and income
2016 post-subsidy projects of Beijing Municipal Science & Technology Commission in the science and technology service industry		500,000.00	500,000.00			Related to income
Development and industrialization of core chip for standard terminal reception of terrestrial digital television	33,000,000.00				33,000,000.00	Related to assets
Core chip and solution development for Mobile TV -08IC	2,473,895.62				2,473,895.62	Related to assets
High-performance biface financial IC card	215,487.16				215,487.16	Related to assets
High-security and multi-application core payment chip R&D	2,172,576.19				2,172,576.19	Related to assets and income
High-performance biface financial IC card chip	789,733.21		122,009.13		667,724.08	Related to assets and income
Research and development of multi-application security chip for livelihood projects	8,041,002.37		126,241.36		7,914,761.01	Related to assets and income
Construction of new capacity for integration of informatization and industrialization of enterprises	100,000.00	300,000.00	100,000.00		300,000.00	Related to assets
Development and industrialization of biface financial IC Card SoC chips in the project of Haidian District of the industrialization of major scientific and technological achievements in 2014	624,669.65		624,669.65			Related to assets and income
Development and industrialization of special high-performance security chip based on independent password technology	326,250.00				326,250.00	Related to assets
Manufacturing of chips or mask plate for the batch verification of new products		2,000,000.00	2,000,000.00			Related to income
R&D and demonstration application of high real-time WIA-PA network SoC (Project III)		1,691,500.00			1,691,500.00	Related to assets
General Armament Department - Civil RNSS RF baseband integrated chip integration	812,500.00				812,500.00	Related to assets
Positioning of Beidou Navigation Satellite System and R&D and industrialization of chip platform for internet of things		10,000,000.00			10,000,000.00	Related to assets
Support integrated circuit design enterprises in Zhongguancun to manufacture chips or		837,000.00	837,000.00			Related to income

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Liabilities	Balance as at January 1, 2016	New subsidy in 2016	Amount included in non-operating income in 2016	Other changes	Balance as at December 31, 2016	Related to assets/income
mask plate for the batch verification of new products						
Support the integrated circuit design enterprises in Zhongguancun to continuously strengthen the investment in research and development		500,000.00	500,000.00			Related to income
Supporting funds from Haidian for the development funds of integrated circuit design industry in 2015		1,337,000.00	1,337,000.00			Related to income
R&D and industrialization of TD-SCDMA/DPA/HSUPA multi-mode terminal baseband chip	1,260,023.47		380,693.47		879,330.00	Related to assets and income
Development and industrialization of TD-SCDMA/GSM dual-mode terminal product supporting HSUPA	86,495.17		58,584.59		27,910.58	Related to assets
Core chip optimization and data card development of TD-SCDMA strengthened technology terminal	332,718.95		130,998.92		201,720.03	Related to assets and income
Development and industrialization of TD-SCDMA strengthened data terminal products	2,059,650.69		483,621.46		1,576,029.23	Related to assets and income
TD-SCDMA terminal solution development and industrialization	1,413,895.87		1,165,860.47		248,035.40	Related to assets and income
TD-SCDMA Multimedia Broadcast Multicast Service (MBMS) terminal solution and design development	573,832.46		573,832.46			Related to assets and income
TD-SCDMA Multimedia Broadcast Multicast Service (MBMS) terminal solution development	42,121.47		42,121.47			Related to assets and income
Application prototype development of communications + broadcasting radio chip	250,168.67		93,892.10		156,276.57	Related to assets
Research and development of TD-LTE/TD-SCDMA dual-mode accelerate core	172,781.26		61,303.78		111,477.48	Related to assets
Dual mode mobile terminal solution	86,272.80		53,024.31		33,248.49	Related to assets
Development and industrialization of TD-SCDMA strengthened technology terminal core chip and solution	693,669.20		333,314.38		360,354.82	Related to assets and income
R&D and industrialization of TD-SCDMA strengthened technology road tester	616,035.27		174,470.02		441,565.25	Related to assets and income
R&D and industrialization of TD-SCDMA module embedded in portable notebook	2,317,168.51		708,649.26		1,608,519.25	Related to assets and income
R&D of TD-LTE terminal baseband chip	17,462,630.30		3,066,480.20		14,396,150.10	Related to assets and income
TD-LTE data card terminal research and development	667,036.54		394,299.12		272,737.42	Related to assets and income
Research and development of radio frequency chip, device and module for IMT-Advanced and other broadband wireless communication systems	20,493.44		20,493.44			Related to assets

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Liabilities	Balance as at January 1, 2016	New subsidy in 2016	Amount included in non-operating income in 2016	Other changes	Balance as at December 31, 2016	Related to assets/income
TD-SCDMA-based business application and development	45,942.23		18,070.37		27,871.86	Related to assets
Development and industrialization of SOC baseband chip and intelligent terminal solution for supporting OMS platform	102,409.10		26,454.68		75,954.42	Related to assets
2010 Shanghai Xiaojuren	119,708.42		42,192.33		77,516.09	Related to assets
TD-SCDMA HSPA + terminal baseband chip research and development	2,349,991.42		666,671.01		1,683,320.41	Related to assets and income
Consistency testing system required for compatibility with TD-SCDMA high-performance chip and mobile phone	8,004,468.51		167,968.93		7,836,499.58	Related to assets and income
Conformance test system for TD-LTE radio frequency	139,290.81		25,305.42		113,985.39	Related to assets and income
R&D of TD-LTE/TD-SCDMA dual mode terminal baseband chip for business purpose	4,030,292.01	293,000.00	4,323,292.01			Related to assets and income
Validation of TD-LTE terminal GCF test collection	193,029.31		40,598.29		152,431.02	Related to assets
R&D and industrialization of mobile IPv6 multimedia terminal solution based on TD-SCDMA	90,250.53		45,799.91		44,450.62	Related to assets
Program development in respect of high-speed, low-power consumption intelligent terminal machine in support of TD-LTE standards	113,957.60		56,021.95		57,935.65	Related to assets and income
Design of chip dedicated to power management	116,586.54		27,403.85		89,182.69	Related to assets and income
Key IP development applied to TD-SCDMA baseband chip	1,191,466.50				1,191,466.50	Related to assets and income
National Engineering Laboratory	296,297.45		218,955.41		77,342.04	Related to assets and income
Capacity building of mobile broadband router research and development platform	71,762.06		9,875.54		61,886.52	Related to assets
Research and development of multi-antenna radio channel simulator	553,078.84		66,784.19		486,294.65	Related to assets
Design and industrialization of mobile terminal chip based on domestic advanced technology platform	20,746,122.16		5,096,913.83		15,649,208.33	Related to assets and income
Special key technology research and equipment development for basic mobile communication network service	1,776,456.68		214,238.35		1,562,218.33	Related to assets
Development of solution for intelligent terminal supporting FDD-LTE/TDD-LTE	609,644.61		276,532.13		333,112.48	Related to assets
TD-LTE/TD-SCDMA/GSM multi-mode and multi-frequency intelligent terminal single chip research and development	5,316,425.65		3,863,178.92		1,453,246.73	Related to assets and income
Development and industrialization of intelligent terminal chip and key IP based on the domestic advanced technology	10,643,510.24	4,788,000.00	10,838,445.60		4,593,064.64	Related to assets and income
Application and industrialization of	5,268,666.21	3,320,300.00	3,211,494.59		5,377,471.62	Related to

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Liabilities	Balance as at January 1, 2016	New subsidy in 2016	Amount included in non-operating income in 2016	Other changes	Balance as at December 31, 2016	Related to assets/income
multidimensional advanced high-density packaging technology in mobile terminals core chips and ancillary chips						assets and income
Security terminal solutions based on the Trusted Execution Environment (TEE) Technology	473,003.00		302,674.40		170,328.60	Related to assets
TD-LTE/LTE FDD/TD-SCDMA/WCDMA/GSM multi-mode and multi-frequency intelligent terminal research and development	203,580.00		203,580.00			Related to assets and income
Solution for LTE-A intelligent terminal chip integrating of key domestic peripheral devices	3,838,801.26		756,106.54		3,082,694.72	Related to assets and income
R&D and industrialization of mobile smart POS machine smart chip and system	4,410,000.00		2,441,757.17		1,968,242.83	Related to assets and income
TD-LTE-Advanced 16nm baseband terminal chip research and development	20,294,800.00	10,147,400.00	3,221,190.20		27,221,009.80	Related to assets and income
Internet of things-dedicated LTE chip and machinery SIM authentication system and product research and development	7,597,700.00	231,300.00	2,163,265.14		5,665,734.86	Related to assets and income
Research and development and industrialization of 4G multimode smartphone safety chip and solution	13,008,581.69		4,638,185.39		8,370,396.30	Related to assets
R&D of LTE-HI multimode terminal baseband and RF chip		12,301,500.00	7,673,815.47		4,627,684.53	Related to assets
Development and industrialization of potential products of 4G multi-module intelligent terminal chip based on the domestic advanced technology of 20-14nm and IP database		14,780,400.00			14,780,400.00	Related to assets
Subsidies for ZTE projects		1,200,000.00	1,200,000.00			Related to income
Municipal special financial subsidies for patents		693,720.00	693,720.00			Related to income
Special funds for interest subsidies for the development of foreign trade and economies		2,727,000.00	2,727,000.00			Related to income
Development and industrialization of TD-SCDMA data fused products	2,848,212.50		637,575.00		2,210,637.50	Related to assets and income
R&D of M2M module and application of internet of things based on 4G mobile broadband technology	295,833.33		87,500.14		208,333.19	Related to assets and income
Special funds for industry support		24,261,150.80	24,261,150.80			Related to income
Comprehensive video monitoring platform and its quality evaluation system for "Safe City"		1,000,000.00	1,000,000.00			Related to income
Special subsidies from the support plan of the Ministry of Science and Technology		1,000,600.00	1,000,600.00			Related to income
Special funds for industrial development from the district received		300,000.00	300,000.00			Related to income
Subsidies for the R&D and industrialization of fingerprint financial IC card and the plan	1,616,752.26		1,616,752.26			Related to assets and

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Liabilities	Balance as at January 1, 2016	New subsidy in 2016	Amount included in non-operating income in 2016	Other changes	Balance as at December 31, 2016	Related to assets/income
in support of industrialization of science and technology based on domestic chips and encryption algorithm						income
Government subsidies for research and development expenditures		1,476,584.00	1,476,584.00			Related to income
Gaoxin review subsidies		1,200,000.00	1,200,000.00			Related to income
Broadband digital subsidies		250,000.00	18,229.17		231,770.83	Related to assets
2013 subsidies for technical innovation	198,886.92		25,556.54		173,330.38	Related to assets
2012 subsidies for technical innovation	307,186.64		50,371.12		256,815.52	Related to assets
Received financial support	150,000.00	645,000.00	795,000.00			Related to income
Development-support funds received		840,000.00	840,000.00			Related to income
Supporting funds for the projects of major industry in Shanghai received		900,000.00	900,000.00			Related to income
2014 subsidies for technical innovation	306,000.00		34,000.00		272,000.00	Related to assets
Other subsidies, awards, etc.		6,561,262.02	6,561,262.02			Related to income
Total	205,023,077.75	106,082,716.82	110,206,441.95		200,899,352.62	/

(XXXIV) Share capital

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Balance as at January 1, 2016	Changes in 2016 ("+" for increase and "-" for decrease)					Balance as at December 31, 2016
		Issue of new shares	Gift shares	Conversion of provident funds into shares	Others	Sub-total	
Total shares	882,108,472.00						882,108,472.00

(XXXV) Capital reserves

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Balance as at January 1, 2016	Increase in 2016	Decrease in 2016	Balance as at December 31, 2016
Capital premium (share premium)	3,544,028,895.80			3,544,028,895.80
Other capital reserves	149,869,099.29			149,869,099.29
Total	3,693,897,995.09			3,693,897,995.09

(XXXVI) Other comprehensive income

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Balance as at January 1, 2016	Year 2016					Balance as at December 31, 2016
		Pre-tax amount in 2016	Less: Net amount included in other comprehensive income in prior period and transferred to current profits or losses	Less: Income tax expenses	Income after tax attributable to parent company	Income after tax attributable to minority shareholders	
I. Other comprehensive income that can not be reclassified into the profit or loss later							
Including: Changes arising from the re-measurement of net liabilities and net assets of defined benefit plan							
Share in other comprehensive income of the investee that cannot be reclassified into profits or losses under the equity method							
II. Other comprehensive income that will be reclassified into the profit or loss later	-3,646,538.83	-3,881,134.09			-3,881,134.09		-7,527,672.92
Including: Share in other comprehensive income of the investee that will be reclassified into profit or loss under the equity method subsequently							
Profits or losses from change in fair value of available-for-sale financial assets							
Profits or losses arising from reclassification of held-to-maturity investments as available-for-sale financial assets							
Effective portion of profits or losses from cash flow hedging							
Translation differences of foreign currency financial statements	-3,646,538.83	-3,881,134.09			-3,881,134.09		-7,527,672.92
Total other comprehensive income	-3,646,538.83	-3,881,134.09			-3,881,134.09		-7,527,672.92

(XXXVII) Surplus reserves

√ Applicable □ Not applicable

Item	Unit: Yuan			Currency: RMB
	Balance as at January 1, 2016	Increase in 2016	Decrease in 2016	Balance as at December 31, 2016
Statutory surplus reserves	60,500,071.92			60,500,071.92
Discretionary surplus reserves				
Reserve funds				
Enterprise development funds				
Others				
Total	60,500,071.92			60,500,071.92

(XXXVIII) Undistributed profit

√ Applicable □ Not applicable

Item	Unit: Yuan		Currency: RMB
	Year 2016	Year 2015	
Undistributed profit at the end of the last period before adjustment	-561,604,574.96	-595,796,939.85	
Adjustment to total undistributed profit as at the beginning of the period (+ for increase and - for decrease)			
Undistributed profits as at the beginning of the period after adjustment	-561,604,574.96	-595,796,939.85	
Plus: Net profit attributable to owners of the parent company in the current period	-1,775,623,467.63	28,443,877.59	
Less: Withdrawal of statutory surplus reserves			
Withdrawal of discretionary surplus reserves			
Withdrawal of general risk reserves			
Ordinary share dividends payable			
Ordinary share dividends transferred to share capital			
Others		-5,748,487.30	
Undistributed profit as at the end of the period	-2,337,228,042.59	-561,604,574.96	

(XXXIX) Operating income and operating cost

√ Applicable □ Not applicable

Item	Unit: Yuan				Currency: RMB
	Year 2016		Year 2015		
	Income	Cost	Income	Cost	
Primary business	7,225,761,840.88	6,414,173,739.17	8,598,129,280.04	7,490,381,709.49	
Other business	3,910,973.23	3,166,430.89	4,459,511.34	3,630,628.56	
Total	7,229,672,814.11	6,417,340,170.06	8,602,588,791.38	7,494,012,338.05	

(XXXX) Taxes and surcharges

√ Applicable □ Not applicable

Item	Unit: Yuan		Currency: RMB
	Year 2016	Year 2015	
Business tax	2,620,857.17	12,493,711.08	
Urban maintenance and construction tax	6,939,774.12	7,069,430.52	
Educational surtax	5,391,978.27	4,869,281.81	
River management fees	38,329.42	59,041.25	
Price adjustment funds	802.51	9,164.39	
Property taxes	4,452,358.96		
Land use tax	215,328.43		
Vehicle and vessel use tax	17,430.00		

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Item	Year 2016	Year 2015
Stamp tax	1,029,281.28	
Others	188,070.25	64,031.30
Total	20,894,210.41	24,564,660.35

(XXXXI) Selling expenses

√ Applicable □ Not applicable

Item	Unit: Yuan	Currency: RMB
	Year 2016	Year 2015
Employee compensation	110,601,656.51	112,119,439.42
Consulting and service charges	71,394,605.77	83,083,500.42
Advertising expenses	31,886,380.30	64,646,644.84
Sample and product depletion	20,211,574.39	9,005,253.71
Exhibition fees	2,166,626.92	2,251,328.59
Packing expenses	2,854,032.57	4,447,835.29
Transportation cost	1,173,051.27	4,717,900.77
Depreciation costs	1,388,751.20	6,979,027.22
Repair charges	187,996.68	117,208.29
Insurance premiums	495,975.35	399,907.37
Others	51,455,167.55	50,853,469.32
Total	293,815,818.51	338,621,515.24

(XXXXII) General and administrative expenses

√ Applicable □ Not applicable

Item	Unit: Yuan	Currency: RMB
	Year 2016	Year 2015
Research and development expenditures	509,034,439.38	249,575,984.75
Employee compensation	207,020,903.15	203,402,692.22
Assets amortization	314,594,166.44	165,123,433.68
Depreciation costs	23,503,609.90	25,647,942.41
Rental fees	12,398,274.55	12,772,179.63
Consulting fees	15,216,131.37	11,556,227.98
Travel expenses	14,243,688.96	14,652,650.87
Entertainment expenses	4,252,529.46	6,823,139.90
Office costs	8,754,348.41	9,990,136.50
Taxes	3,808,029.08	7,797,588.01
Utility bills	4,436,119.86	3,376,126.37
Repair charges	1,854,586.19	1,885,693.81
Insurance premiums	1,905,691.82	2,208,157.22
Low-cost consumables	1,978,711.15	416,173.28
Others	66,536,913.79	42,685,316.18
Total	1,189,538,143.51	757,913,442.81

(XXXXIII) Financial expenses

√ Applicable □ Not applicable

Item	Unit: Yuan	Currency: RMB
	Year 2016	Year 2015
Interest expenses	297,189,990.31	391,209,965.45
Less: Interest income	10,001,074.62	50,173,692.58
Foreign exchange losses and gains	612,719.37	16,090,700.31
Others	11,902,550.92	11,168,811.84
Total	299,704,185.98	368,295,785.02

(XXXXIV) Losses from asset impairment

√ Applicable □ Not applicable

Item	Unit: Yuan	Currency: RMB
	Year 2016	Year 2015
I. Losses on bad debt	416,565,530.25	211,484,935.74
II. Losses on inventory depreciation	288,596,062.15	67,618,001.93
III. Losses from impairment of available-for-sale financial assets		
IV. Losses from impairment of held-to-maturity investments		
V. Losses from impairment of long-term equity investments		
VI. Losses from impairment of investment property		
VII. Losses from impairment of fixed assets	2,832,728.52	
VIII. Losses from impairment of project materials		
IX. Losses from impairment of construction in progress		
X. Losses from impairment of productive biological assets		
XI. Losses from impairment of oil and gas assets		
XII. Losses from impairment of intangible assets	124,231,502.90	
XIII. Losses from impairment of goodwill	131,445,671.37	16,372,045.00
XIV. Others		
Total	963,671,495.19	295,474,982.67

(XXXXV) Investment income

√ Applicable □ Not applicable

Item	Unit: Yuan	Currency: RMB
	Year 2016	Year 2015
Long-term equity investment income calculated under equity method	30,765,912.78	2,436,491.72
Investment income from disposal of long-term equity investments	4,963,366.98	302,556,875.57
Investment income acquired during the period when the available-for-sale financial assets are held	758,500.00	25,622.63
After the loss of control, the gains from the remaining equities shall be remeasured at the fair value	954,393.41	150,511,430.44
Others	-1,202,704.54	10,218,280.86
Total	36,239,468.63	465,748,701.22

(XXXXVI) Non-operating income

√ Applicable □ Not applicable

Item	Unit: Yuan		Currency: RMB
	Year 2016	Year 2015	Amount included in non-recurring gains and losses in 2016
Total gains from disposal of non-current assets	453,898.07	25,946,288.77	453,898.07
Including: gains from disposal of fixed assets	108,569.86	25,946,288.77	108,569.86
Gains from disposal of intangible assets	345,328.21		345,328.21
Gains from debt restructuring			

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Item	Year 2016	Year 2015	Amount included in non-recurring gains and losses in 2016
Gains from exchange of non-monetary assets			
Donations received			
Government subsidies	117,502,474.80	267,497,215.61	110,206,441.95
Others	3,739,506.69	5,161,455.51	3,739,506.69
Total	121,695,879.56	298,604,959.89	114,399,846.71

Government subsidies included in the current profit or loss

√ Applicable □ Not applicable

Subsidy project	Unit: Yuan		Currency: RMB
	Year 2016	Year 2015	Related to assets/income
Special funds for industry support	24,261,150.80	22,755,102.80	Related to income
Development and industrialization of intelligent terminal chip and key IP based on the domestic advanced technology	10,838,445.60	2,639,251.73	Related to assets and income
R&D of LTE-HI multimode terminal baseband and RF chip	7,673,815.47		Related to assets
Refunds of Value-added Tax	7,296,032.85	5,513,611.34	Related to income
Design and industrialization of mobile terminal chip based on domestic advanced technology platform	5,096,913.83	17,647,871.33	Related to assets and income
Research and development and industrialization of 4G multimode smart phone safety chip and solution	4,638,185.39	2,991,418.31	Related to assets
R&D of TD-LTE/TD-SCDMA dual mode terminal baseband chip for business purpose	4,323,292.01	47,489,707.99	Related to assets and income
TD-LTE/TD-SCDMA/GSM multi-mode and multi-frequency intelligent terminal single chip research and development	3,863,178.92	6,531,858.70	Related to assets and income
TD-LTE-Advanced 16nm baseband terminal chip research and development	3,221,190.20	2,532,345.75	Related to assets and income
Application and industrialization of multidimensional advanced high-density packaging technology in mobile terminals core chips and ancillary chips	3,211,494.59	4,305,194.62	Related to assets and income
R&D of TD-LTE terminal baseband chip	3,066,480.20	8,792,178.57	Related to assets and income
Special funds for interest subsidies for the development of foreign trade and economies	2,727,000.00		Related to income
R&D and industrialization of mobile smart POS machine smart chip and system	2,441,757.17		Related to assets and income
Internet of things-dedicated LTE chip and machinery SIM authentication system and product research and development	2,163,265.14		Related to assets and income
Manufacturing of chips or mask plate for the batch verification of new products	2,000,000.00		Related to income
Subsidies for the R&D and industrialization of fingerprint financial IC card and the plan in support of industrialization of science and technology based on domestic chips and encryption algorithm	1,616,752.26		Related to assets and income
Supporting funds from Haidian for the development funds of integrated circuit design industry in 2015	1,337,000.00		Related to income
TD-SCDMA terminal solution development	1,165,860.47	1,152,481.98	Related to assets and

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Subsidy project	Year 2016	Year 2015	Related to assets/income
and industrialization			income
Special subsidies from the support plan of the Ministry of Science and Technology	1,000,600.00		Related to income
Comprehensive video monitoring platform and its quality evaluation system for "Safe City"	1,000,000.00		Related to income
Supporting funds for the projects of major industry in Shanghai received	900,000.00		Related to income
Support integrated circuit design enterprises in Zhongguancun to manufacture chips or mask plate for the batch verification of new products	837,000.00		Related to income
Solution for LTE-A intelligent terminal chip integrating of key domestic peripheral devices	756,106.54		Related to assets and income
R&D and industrialization of TD-SCDMA module embedded in portable notebook	708,649.26	796,425.78	Related to assets and income
Municipal special financial subsidies for patents	693,720.00	516,514.30	Related to income
TD-SCDMA HSPA + terminal baseband chip research and development	666,671.01		Related to assets and income
Development and industrialization of TD-SCDMA data fused products	637,575.00		Related to assets and income
Development and industrialization of biface financial IC Card SoC chips in the project of Haidian District of the industrialization of major scientific and technological achievements in 2014	624,669.65		Related to assets and income
TD-SCDMA Multimedia Broadcast Multicast Service (MBMS) terminal solution and design development	573,832.46		Related to assets and income
Development and industrialization of TD-SCDMA strengthened data terminal products	483,621.46		Related to assets and income
TD-LTE data card terminal research and development	394,299.12	1,040,783.61	Related to assets and income
Received financial support	795,000.00	510,000.00	Related to income
Demonstration of development and application of smart healthy production and cloud service system for greenhouse agricultural products	255,809.69	1,003,125.00	Related to assets
National Engineering Laboratory	218,955.41	746,105.40	Related to assets and income
Consistency testing system required for compatibility with TD-SCDMA high-performance chip and mobile phone	167,968.93	22,251,964.93	Related to assets and income
Program development in respect of high-speed, low-power consumption intelligent terminal machine in support of TD-LTE standards	56,021.95	256,792.03	Related to assets and income
Design of chip dedicated to power management	27,403.85	55,972.53	Related to assets and income
Conformance test system for TD-LTE radio frequency	25,305.42	25,305.42	Related to assets and income
Integrated circuit design enterprise R&D ability special implementation plan		25,000,000.00	Related to income
Integrated circuit design enterprise R&D ability implementation plan		15,000,000.00	Related to income
High-performance biface financial IC card chip	122,009.13	14,441,036.02	Related to assets and income
New media interactive service platform		9,000,000.00	Related to income
Industrialization of wearable health terminal and services based on TD-LTE		8,000,000.00	Related to income

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Subsidy project	Year 2016	Year 2015	Related to assets/income
Beijing Xiaobangshou Beidou electronic server for caring for the elderly		6,040,000.00	Related to assets and income
Initial round of chips from integrated circuit enterprises in Shanghai in 2013		5,000,000.00	Related to income
Key IP development applied to TD-SCDMA baseband chip		2,990,226.20	Related to assets and income
Research and development of multi-application security chip for livelihood projects	126,241.36	2,730,535.94	Related to assets and income
TD-SCDMAHSPA+ terminal baseband chip research and development		1,431,430.94	Related to assets and income
Enterprise supporting funds from the Administration Committee of the Southwest Airport Economic and Technological Development Zone from 2012 to 2013		1,335,800.00	Related to income
Special funds for industrial development		1,260,000.00	Related to income
High-security and multi-application core payment chip R&D		1,152,149.50	Related to assets and income
Special funds for industrial development from the district received	300,000.00	1,150,000.00	Related to income
Project of Beijing Municipal Science & Technology Commission-research and development of the industry use terminal by the fusion of Beidou and TD-LTE		1,123,315.20	Related to income
TD-LTE/LTE			
FDD/TD-SCDMA/WCDMA/GSM multi-mode and multi-frequency intelligent terminal research and development	203,580.00	1,000,000.00	Related to assets and income
Special fund for development of integrated circuit received		900,000.00	Related to income
Special key technology research and equipment development for professional mobile communication network		859,925.72	Related to assets and income
Government subsidies of Beijing for State-owned culture		850,000.00	Related to income
R&D and industrialization of TD-SCDMA/DPA/HSUPA multi-mode terminal baseband chip	380,693.47	724,266.37	Related to assets and income
Development and industrialization of TD-SCDMA strengthened technology terminal core chip and solution	333,314.38	722,181.15	Related to assets and income
Ubiquitous network multi-terminal collaboration network control platform and key technology		700,136.00	Related to income
Funds for resource allocation and management by the department of science and technology		700,000.00	Related to income
Interest subsidy from China Academy of Telecommunications Technology		600,000.00	Related to income
Industrialization of the integrated equipment of time and frequency synchronization based on Beidou 2 nd generation satellite		597,500.00	Related to income
TD-SCDMA Multimedia Broadcast Multicast Service (MBMS) terminal solution development	42,121.47	591,111.47	Related to assets and income
Financial interest discount from the Finance Bureau of Xuhui District		500,000.00	Related to income
Special fund for brand		500,000.00	Related to income
Core chip optimization and data card	130,998.92	475,187.58	Related to assets and

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Subsidy project	Year 2016	Year 2015	Related to assets/income
development of TD-SCDMA strengthened technology terminal			income
Construction of Zhongguancun virtual technology park and creative economy incubation platform		450,000.00	Related to income
Special funds for carriers of innovation and entrepreneurship services from the Service System Construction Office of Zhongguancun Science and Technology Park		450,000.00	Related to income
R&D and industrialization of TD-SCDMA strengthened technology road tester	174,470.02	233,864.46	Related to assets and income
R&D of M2M module and application of internet of things based on 4Gmobile broadband technology	87,500.14	76,041.52	Related to assets and income
Others	13,836,521.26	11,358,495.42	
Total	117,502,474.80	267,497,215.61	/

(XXXXVII)Non-operating expenses

√ Applicable □ Not applicable

Item	Year 2016	Year 2015	Unit: Yuan Currency: RMB
			Amount included in non-recurring gains and losses in 2016
Total loss from the disposal of non-current assets	3,033,712.53	2,085,038.17	3,033,712.53
Including: losses from disposal of fixed assets	3,033,712.53	2,085,038.17	3,033,712.53
Losses from disposal of intangible assets			
Losses from debt restructuring			
Losses from the exchange of non-monetary assets			
External donations	150,000.00	150,000.00	150,000.00
Others	465,215.30	930,047.32	465,215.30
Total	3,648,927.83	3,165,085.49	3,648,927.83

(XXXXVIII)Income tax expenses

√ Applicable □ Not applicable

Item	Year 2016	Year 2015	Unit: Yuan Currency: RMB
Income tax expenses in the current period	26,447,741.21	64,995,210.86	
Deferred income tax expenses	-19,893,356.67	-25,079,173.21	
Total	6,554,384.54	39,916,037.65	

(XXXXIX)Items in the statement of cash flows**1. Cash received from other operating activities**

√ Applicable □ Not applicable

Item	Year 2016	Year 2015	Unit: Yuan Currency: RMB
Government subsidies	113,378,749.67	260,548,716.95	
Interest income	10,001,074.62	21,746,068.89	
Net amount of performance bond and L/G deposit recovered	16,646,789.18		
Others	234,287,160.44	328,224,515.03	
Total	374,313,773.91	610,519,300.87	

2. Cash paid for other operating activities

√ Applicable □ Not applicable

Item	Unit: Yuan	Currency: RMB
	Year 2016	Year 2015
Payment of net performance guarantee and L/G deposit	3,389,643.20	39,195,868.94
Selling expenses	84,864,679.95	211,400,031.88
General and administrative expenses	161,183,015.59	266,197,611.52
Current accounts	184,304,523.10	105,745,939.84
Others	35,167,476.23	14,613,432.29
Total	468,909,338.07	637,152,884.47

3. Cash received from other investment activities

√ Applicable □ Not applicable

Item	Unit: Yuan	Currency: RMB
	Year 2016	Year 2015
Fund occupancy expenses for the properties with delayed delivery		7,235,738.72
Total		7,235,738.72

Cash paid for other investing activities

√ Applicable □ Not applicable

Item	Unit: Yuan	Currency: RMB
	Year 2016	Year 2015
Net cash for disposal of subsidiaries		23,413,356.78
Total		23,413,356.78

Cash received from other financing activities

√ Applicable □ Not applicable

Item	Monetary Unit: Yuan	Currency: RMB
	Year 2016	Year 2015
Borrowings received from non-financial institutions	45,000,000.00	
Net amount of deposit recovered	60,965,954.27	36,533,984.34
Borrowings received from finance lease		20,000,000.00
Total	105,965,954.27	56,533,984.34

Cash received for other financing activities

√ Applicable □ Not applicable

Item	Unit: Yuan	Currency: RMB
	Year 2016	Year 2015
Restricted monetary funds lifted	19,654,143.20	
Borrowings from financial lease	20,000,000.00	
Discount of handling charges	1,314,735.50	167,063.25
Borrowings from non-financial institutions	65,000,000.00	
Total	105,968,878.70	167,063.25

(XXXXX)Supplementary information to the statements of cash flows**1. Supplementary information to the statements of cash flows**

√ Applicable □ Not applicable

Supplementary information	Unit: Yuan	Currency: RMB
	Year 2016	Year 2015
1. Net profit adjusted to cash flows from operating activities		
Net profits	-1,807,559,173.73	44,978,605.21
Plus: Provision for asset impairment	963,671,495.19	295,474,982.67

Supplementary information	Year 2016	Year 2015
Depreciation of fixed assets, depreciation and depletion of oil and gas assets and depreciation of productive biological assets	95,990,097.03	85,521,452.73
Amortization of intangible assets	522,039,066.87	389,023,450.88
Amortization of long-term deferred expenses	10,165,616.89	11,316,866.65
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	2,579,814.46	-23,861,250.60
Losses on write-off of fixed assets ("-" for gains)		
Losses from changes in fair value ("-" for gains)		
Financial expenses ("-" for gains)	297,189,990.31	362,782,341.76
Investment losses ("-" for gains)	-36,239,468.63	-465,748,701.22
Decreases in deferred income tax assets ("-" for increases)	-19,107,972.73	-24,156,957.44
Increases in the deferred income tax liabilities ("-" for decreases)	-785,383.94	-922,215.77
Decreases in inventories ("-" for increases)	316,906,901.98	-202,073,951.77
Decreases in operating receivables ("-" for increases)	781,912,359.08	644,978,733.16
Increases in operating payables ("-" for decreases)	-388,162,690.84	-213,743,781.70
Others		
Net cash flows from operating activities	738,600,651.94	903,569,574.56
2. Significant investing and financing activities not involving cash inflow and outflow:		
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Fixed assets acquired under financial lease		
3. Net change in cash and cash equivalents:		
Ending balance of cash	1,610,451,399.56	1,096,879,048.58
Less: Beginning balance of cash	1,096,879,048.58	1,588,853,839.52
Plus: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	513,572,350.98	-491,974,790.94

Net cash received from disposal of subsidiaries in 2016

√ Applicable □ Not applicable

	Unit: Yuan	Currency: RMB
	Amount	
Cash or cash equivalents received in 2016 from disposal of subsidiaries in 2016		40,000,000.00
Datang Telecom (Nanjing) Energy-saving & Information Technology Co., Ltd.		40,000,000.00
Less: Cash and cash equivalents held by subsidiaries on the date losing the right of control		22,237,641.04
Including: Datang Telecom (Nanjing)		22,237,641.04

	Amount
Energy-saving & Information Technology Co., Ltd.	
Plus: Cash or cash equivalents from disposal of subsidiaries in prior years but received in 2016	
Net cash received from disposal of subsidiaries	17,762,358.96

Breakdown of cash and cash equivalents

√ Applicable □ Not applicable

	Unit: Yuan	Currency: RMB
Item	Balance as at December 31, 2016	Balance as at January 1, 2016
I. Cash	1,610,451,399.56	1,096,879,048.58
Including: Cash on hand	153,979.84	224,377.31
Unrestricted bank deposits	1,588,909,674.94	1,077,686,045.16
Unrestricted other cash and cash equivalents	21,387,744.78	18,968,626.11
Unrestricted deposits with central bank		
Deposits with banks and other financial institutions		
Loans to or from banks and other financial institutions		
II. Cash equivalents		
Including: Bond investments maturing within three months		
III. Ending balance of cash and cash equivalents	1,610,451,399.56	1,096,879,048.58
Including: Cash and cash restricted for use by the parent company or subsidiaries within the group		

(XXXXXI) Assets with restrictions on the ownership or right of use

√ Applicable □ Not applicable

	Unit: Yuan	Currency: RMB
Item	Book value as at December 31, 2016	Book value as at January 1, 2016
Cash and cash equivalents	111,561,296.50	213,327,636.91
Notes receivable	10,796,495.00	66,676,285.00
Total	122,357,791.50	280,003,921.91

(XXXXXII) Monetary items in foreign currency**1. Monetary items in foreign currency:**

√ Applicable □ Not applicable

	Unit: Yuan		
Item	Balance in foreign currency as at December 31, 2016	Exchange rate of conversion	RMB amount translated as at December 31, 2016
Cash and cash equivalents			225,183,874.14
Including: USD	32,320,849.81	6.9370	224,209,735.14
EUR			
HKD	1,012,275.79	0.8945	905,480.70
TWD	318,017.84	0.2143	68,151.22
Australian Dollar	101.10	5.0157	507.09

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Item	Balance in foreign currency as at December 31, 2016	Exchange rate of conversion	RMB amount translated as at December 31, 2016
Accounts receivable			313,847,536.40
Including: USD	45,154,633.52	6.9370	313,237,692.76
EUR	7,950.83	7.3068	58,095.12
HKD	201,939.53	0.8945	180,634.91
TWD	1,610,474.00	0.2100	338,199.54
RUB	328,156.28	0.1003	32,914.07
Accounts payable			269,101,076.49
Including: USD	38,685,337.87	6.9370	268,360,188.89
EUR	101,397.00	7.3068	740,887.60
Other receivables			30,477,343.01
Including: USD	4,385,732.39	6.9370	30,423,825.56
EUR	4,355.18	7.3068	31,822.43
HKD	24,093.45	0.8945	21,551.59
TWD	683.00	0.2100	143.43
Other payables			32,201,436.24
Including: USD	4,641,983.02	6.9370	32,201,436.24
Advances to suppliers			50,857,460.41
Including: USD	7,331,333.49	6.9370	50,857,460.41
Advances from customers			3,824,420.96
Including: USD	551,307.62	6.9370	3,824,420.96
Short-term borrowings			488,262,098.54
Including: USD	70,385,195.12	6.9370	488,262,098.54

2. **As for the offshore business entity including important overseas business entities, the overseas principal place of business, recording currency, basis for selection, and the reason for change of the recording currency, if any, shall be disclosed.**

√ Applicable □ Not applicable

Important overseas operating entity	Offshore principal place of business	Functional currency	Basis for selection
Datang Telecom (H.K.) Limited.	Hong Kong	USD	Main transaction currency
Leadcore Technology (Hong Kong) Co., Ltd.	Hong Kong	RMB	Main transaction currency
Hong Kong Yaowan Entertainment Network Technology Co., Ltd.	Hong Kong	RMB	Main transaction currency

VI. Changes in the scope of business combinations**1. Disposal of subsidiaries**

Disposal of investment in subsidiary with loss of control on a lump-sum basis

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Subsidiary name	Equity disposal consideration	Proportion of equities disposed (%)	Equity disposal method	Time point for loss of control	Basis for determination of time point for loss of control	Difference between the disposal consideration and the net assets of the subsidiary corresponding to the disposal of investment at the consolidated financial statement level	Proportion of remaining equity on the date of loss of control (%)	Book value of remaining equity on the date of loss of control	Fair value of remaining equity on the date of loss of control	Gains or losses arising from the re-measurement of remaining equity at fair value	Determination of and major assumption for the fair value of the remaining equity on the date of loss of control	Amount of other comprehensive income transferred to the gain or loss on investment, related to the investment in equity of the original subsidiary
Datang Telecom (Nanjing) Energy-saving & Information Technology Co., Ltd.	40,000,000.00	80.00	Transfer	June 30, 2016	Receipt of equity consideration and change in the registration with administration for industry and commerce	4,963,366.98	20.00	8,759,158.25	9,713,551.66	954,393.41	Evaluation price	

On March 5, 2016, the Resolution on Transfer of Some Equities of Nanjing Energy-saving was adopted at the 38th meeting of the sixth board of directors of the Company, to approve the transfer 80% equities of Datang Telecom (Nanjing) Energy-saving & Information Technology Co., Ltd. held by the Company through public listing at the property rights exchange. After the implementation, the Company is no longer included in the scope of consolidated statements.

2. Changes in scope of combination for other reasons

√ Applicable □ Not applicable

There were two newly added units by a merger compared with the previous period. The reasons were:

On June 29, 2016, upon the approval at the 42th meeting of the 6th board of directors of the Company, adopted the Resolution on the Establishment of Wholly-owned Subsidiaries in Shanghai and Guangzhou by Guangzhou Yaowan and agreed that the wholly-owned subsidiary Guangzhou Yaowan would contribute RMB 10,000,000 in cash to establish a wholly-owned subsidiary Shanghai Yaowan Network Technology Co., Ltd. (originally named as Shanghai Yaoyu Network Technology Co., Ltd.) in Shanghai for operation and promotion of game products; and that the wholly-owned subsidiary Guangzhou Yaowan Entertainment Network Technology Co., Ltd. would contribute RMB 10,000,000 in cash to establish a wholly-owned subsidiary Guangzhou Kuaiyu Network Technology Co., Ltd. (originally named as Guangzhou Yaoyu Network Technology Co., Ltd.) in Guangzhou for R&D of game products. As at December 31, 2016, Shanghai Yaowan Network Technology Co., Ltd. has run into operation, and Guangzhou Kuaiyu Network Technology Co., Ltd. only completed the registration of industrial and commercial establishment for the above matters.

VII. Interests in other entities**(I) Interest in the subsidiaries****1. Group constitution**

√ Applicable □ Not applicable

Subsidiary name	Principal place of business	Registration place	Business nature	Shareholding ratio (%)		Acquisition Mode
				Direct	Indirect	
Xi'an Datang Telecom Technology Co., Ltd.	Xi'an	Xi'an	Communications	99.20	0.34	Establishment or investment
Datang Telecom (Tianjin) Technical Service Co., Ltd.	Xi'an	Tianjin	Exchanger	100.00		Establishment or investment
DATANG Terminal Equipment Co., Ltd.	Beijing	Tianjin	Electronic and communication equipment	100.00		Establishment or investment
Datang Telecom (Chengdu) Information Technology Co., Ltd.	Chengdu	Chengdu	Electronics	80.00		Establishment or investment
Datang Innohub Investment (Beijing) Co., Ltd.	Beijing	Beijing	Information	100.00		Establishment or investment
Datang NXP Semiconductors Co., Ltd.	Nantong	Nantong	Communication equipment	51.00		Establishment or investment
Datang Semiconductor Design Co., Ltd.	Beijing	Beijing	Electronic parts and components	100.00		Establishment or investment
Datang Microelectronics Technology Co., Ltd.	Beijing	Beijing	IC products, smart card system and software ,etc.		95.00	Establishment or investment
Leadcore Technology Co., Ltd.	Shanghai	Shanghai	Electronic parts and components		100.00	Business combinations under common control
Leadcore Technology (Hong Kong) Co., Ltd.	Hong Kong	Hong Kong	Manufacture and sales of chips		100.00	Business combinations under common control

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Subsidiary name	Principal place of business	Registration place	Business nature	Shareholding ratio (%)		Acquisition Mode
				Direct	Indirect	
Datang Software Technologies Co., Ltd.	Beijing	Beijing	Software	92.16		Establishment or investment
Beijing Datang Zhicheng Software Technology Co., Ltd.	Beijing	Beijing	Software		99.00	Establishment or investment
Datang Telecom (H.K.) Limited.	Hong Kong	Hong Kong	Research, development, production, and sales of e-commerce platform	100.00		Establishment or investment
Datang Telecom (Hong Kong) Holding Co., Ltd.	Hong Kong	British Virgin Islands	Research, development, production, and sales of e-commerce platform		100.00	Establishment or investment
Datang Terminal Technology Co., Ltd.	Beijing	Tianjin	Electronics and communications equipment, integrated circuits, chip, etc.		100.00	Establishment or investment
Shengyao Wireless Communication Technology (Beijing) Co., Ltd.	Beijing	Beijing	Mobile terminal		100.00	Combination of enterprises not under common control
Shanghai Uniscope Communication Technologies Co., Ltd.	Shanghai	Shanghai	Communication equipment		100.00	Combination of enterprises not under common control
Shanghai Puge Electronics Co., Ltd.	Shanghai	Shanghai	Electronics		100.00	Combination of enterprises not under common control
Shanghai Jingyou Communication Technology Co., Ltd.	Shanghai	Shanghai	Communication technology		100.00	Combination of enterprises not under common control
Shenzhen Uniscope Weiye Communication Technology Co., Ltd.	Shenzhen	Shenzhen	Electronics		100.00	Combination of enterprises not under common control
Qidong Uniscope Electronics Co., Ltd.	Qidong	Qidong	Electronic communications		100.00	Combination of enterprises not under common control
Jiangsu I-front Science & Technology Co., Ltd.	Nanjing	Nanjing	Electronic communications	41.00		Combination of enterprises not under common control
Jiangsu Datang Smart Pipe Network Technology Co., Ltd.	Nanjing	Nanjing	Electronic communications		100.00	Combination of enterprises not under common control
Guangzhou Yaowan	Guangzhou	Guangzhou	Information and	100.00		Combination of

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Subsidiary name	Principal place of business	Registration place	Business nature	Shareholding ratio (%)		Acquisition Mode
				Direct	Indirect	
Entertainment Network Technology Co., Ltd.			network technology			enterprises not under common control
Shanghai Yaowan Network Technology Co., Ltd.	Shanghai	Shanghai	Software		100.00	Combination of enterprises not under common control
Zhuhai Yaowan Entertainment Network Technology Co., Ltd.	Zhuhai	Zhuhai	Software		100.00	Combination of enterprises not under common control
Hong Kong Yaowan Entertainment Network Technology Co., Ltd.	Hong Kong	Hong Kong	Software		100.00	Combination of enterprises not under common control
Shanghai Yaowan Entertainment Network Technology Co., Ltd.	Shanghai	Shanghai	Software		100.00	Establishment or investment
Wuxi Yaowan Entertainment Network Technology Co., Ltd.	Wuxi	Wuxi	Software		100.00	Establishment or investment
Shanghai Yaowan Network Technology Co., Ltd.	Shanghai	Shanghai	Software		100.00	Establishment or investment
Guangzhou Kuaiyu Network Technology Co., Ltd.	Guangzhou	Guangzhou	Software		100.00	Establishment or investment

Basis for half or less than half of voting rights with control over the investee:

The Company is the biggest shareholder of Jiangsu I-front Science & Technology Co., Ltd. with 41% equities therein and more than half of voting right in the board of directors. Both of Jiangsu I-front Science & Technology Co., Ltd. and its wholly-owned subsidiary Jiangsu Datang Smart Pipe Network Technology Co., Ltd. are included in the scope of consolidated financial statements in the current year.

2. Significant non-wholly-owned subsidiary

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Subsidiary name	Shareholding ratio of minority shareholder (%) Proportion (%)	Current profit or loss attributable to minority shareholders	Dividends declared to minority shareholders in the current period	Minority equity at the end of period
Xi'an Datang Telecom Technology Co., Ltd.	0.46	-1,735,239.04		-2,747,658.16
Datang Microelectronics Technology Co., Ltd.	5.00	1,202,758.70	5,500,000.00	30,550,790.15
Datang Software Technologies Co., Ltd.	7.8374	-30,971,337.08		-3,143,489.81
Jiangsu I-front Science & Technology Co., Ltd.	59.00	6,298,393.52		146,566,085.15
Datang NXP Semiconductors Co., Ltd.	49.00	1,660,641.70		65,393,862.99

3. Key financial information of significant non-wholly-owned subsidiary

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Subsidiary name	Balance as at December 31, 2016						Balance as at January 1, 2016					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities:	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Xi'an Datang Telecom Technology Co., Ltd.	254,679,147.59	70,783,238.47	325,462,386.06	238,125,702.28	684,653,675.40	922,779,377.68	890,092,606.73	55,754,255.97	945,846,862.70	488,284,300.72	677,653,675.40	1,165,937,976.12
Datang Microelectronics Technology Co., Ltd.	1,290,299,539.79	211,236,116.69	1,501,535,656.48	821,667,659.32	68,852,194.06	890,519,853.38	1,426,163,890.90	239,540,991.18	1,665,704,882.08	900,910,638.80	67,833,614.20	968,744,253.00
Datang Software Technologies Co., Ltd.	1,528,968,157.43	142,776,504.54	1,671,744,661.97	1,113,267,651.57	605,940,511.91	1,719,208,163.48	1,941,612,541.96	156,531,626.57	2,098,144,168.53	1,318,417,458.69	436,519,011.91	1,754,936,470.60
Jiangsu I-front Science & Technology Co., Ltd.	594,362,207.55	59,569,528.51	653,931,736.06	404,574,856.16	939,786.42	405,514,642.58	694,859,073.36	62,719,649.48	757,578,722.84	518,657,086.20	1,179,786.42	519,836,872.62
Datang NXP Semiconductors Co., Ltd.	132,626,093.32	88,250,137.19	220,876,230.51	38,540,798.36	48,878,568.90	87,419,367.26	114,536,737.75	84,862,828.91	199,399,566.66	30,559,655.11	63,111,488.00	93,671,143.11

Subsidiary name	Year 2016				Year 2015			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Xi'an Datang Telecom Technology Co., Ltd.	30,032,893.94	-377,225,878.20	-377,225,878.20	162,864,066.19	59,306,897.23	-242,326,955.78	-242,326,955.78	-32,274,318.93
Datang Microelectronics Technology Co., Ltd.	823,424,184.58	24,055,174.02	24,055,174.02	156,472,086.63	912,705,982.92	61,730,827.43	61,730,827.43	118,810,066.84
Datang Software Technologies Co., Ltd.	1,411,723,704.15	-390,671,199.44	-390,671,199.44	7,766,155.54	1,385,032,771.71	11,281,562.47	11,281,562.47	-5,430,123.16
Jiangsu I-front Science & Technology Co., Ltd.	372,601,061.18	10,675,243.26	10,675,243.26	37,578,582.37	485,161,943.03	34,412,870.25	34,412,870.25	30,385,393.56
Datang NXP Semiconductors Co., Ltd.	77,395,460.70	3,389,064.70	3,389,064.70	22,541,947.43	66,023,598.49	2,524,798.12	2,524,798.12	27,190,954.38

(II) Transaction leading to control over subsidiary with change in the share of equity of owner of subsidiary

There was no transaction leading to control over subsidiary with change in the share of equity of owner of subsidiary.

(III) Equities in the joint ventures or associates

√ Applicable □ Not applicable

1. Significant associates

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Name of joint ventures or associates	Principal place of business	Registration place	Business nature	Shareholding ratio (%)		Accounting treatment of investment in joint ventures and associates
				Direct	Indirect	
Datang Telecom (Tianjin) Science and Technology Industrial Park Co., Ltd.	Tianjin	Tianjin	Real estate development and operation	49.90		Equity method
Chengdu Datang Communication Cable, Co. Ltd.	Chengdu	Chengdu	Communication	46.4785		Equity method
Datang Network Co., Ltd.	Beijing	Beijing	Internet service	37.23		Equity method
Beijing Datang Smart Card Technology Co., Ltd.	Beijing	Beijing	Communication	40.00		Equity method

2. Key financial information of significant associates

√ Applicable □ Not applicable

	Unit: Yuan	Currency: RMB
Datang Telecom (Tianjin) Science and Technology Industrial Park Co., Ltd.	Balance as at December 31, 2016/Year 2016	Balance as at January 1, 2016/Year 2015
Current assets	512,344,415.01	481,654,016.28
Non-current assets	309,511,814.66	287,709,754.03
Total assets	821,856,229.67	769,363,770.31
Current liabilities	655,043,191.01	596,090,319.21
Non-current liabilities	100,000,000.00	100,000,000.00
Total liabilities	755,043,191.01	696,090,319.21
Equities attributable to minority shareholders		
Equity attributable to shareholders of the parent company	66,813,038.66	73,273,451.10
Net assets calculated based on shareholding proportion	33,339,706.29	36,563,452.10
Adjustment	-9,225,875.19	-9,225,875.19
--Goodwill		
- Unrealized profits from internal transactions	-9,225,875.19	-9,225,875.19
- Others		
Book value of equity investments in associates	24,113,831.10	27,337,576.91
Fair value of equity investments in associates with public quotation		
Operating income		
Net profit	-6,460,412.44	-9,529,971.18
Net profit on discontinued operation		
Other comprehensive income		
Total comprehensive income	-6,460,412.44	-9,529,971.18
Dividends received from associates in the current year		

Chengdu Datang Communication Cable, Co. Ltd.	Balance as at December 31, 2016/Year 2016	Balance as at January 1, 2016/Year 2015
Current assets	402,470,668.46	354,197,277.98
Non-current assets	93,642,940.05	86,499,558.54
Total assets	496,113,608.51	440,696,836.52
Current liabilities	249,889,921.96	227,275,685.67
Non-current liabilities	37,199,309.65	30,963,261.43
Total liabilities	287,089,231.61	258,238,947.10
Equities attributable to minority shareholders		
Equity attributable to shareholders of the parent company	209,024,376.90	182,457,889.42
Net assets calculated based on shareholding proportion	97,151,445.68	84,803,690.13
Adjustment	-86,412.81	-86,412.81
--Goodwill		
- Unrealized profits from internal		

Chengdu Datang Communication Cable, Co. Ltd.	Balance as at December 31, 2016/Year 2016	Balance as at January 1, 2016/Year 2015
transactions		
- Others	-86,412.81	-86,412.81
Book value of equity investments in associates	97,065,032.87	84,717,277.32
Fair value of equity investments in associates with public quotation		
Operating income	731,207,955.12	657,158,463.56
Net profit	36,699,423.08	18,497,167.07
Net profit on discontinued operation		
Other comprehensive income		
Total comprehensive income	36,699,423.08	18,497,167.07
Dividends received from associates in the current year	4,709,585.81	

Datang Network Co., Ltd.	Balance as at December 31, 2016/Year 2016	Balance as at January 1, 2016/Year 2015
Current assets	125,113,725.33	164,758,032.67
Non-current asset	300,063,447.92	181,011,661.26
Total assets	425,177,173.25	345,769,693.93
Current liabilities	15,857,273.89	18,900,612.66
Non-current liabilities	39,111,691.92	
Total liabilities	54,968,965.81	18,900,612.66
Equities attributable to minority shareholders		
Equity attributable to shareholders of the parent company	370,208,207.44	326,869,081.27
Net assets calculated based on shareholding proportion	137,828,515.63	121,693,358.96
Adjustment	153,335,706.66	153,335,706.66
--Goodwill		
- Unrealized profits from internal transactions		
- Others	153,335,706.66	153,335,706.66
Book value of equity investments in associates	291,164,222.29	275,029,065.62
Fair value of equity investments in associates with public quotation		
Operating income	179,170,786.45	57,753,856.14
Net profit	43,339,126.17	8,619,393.71
Net profit on discontinued operation		
Other comprehensive income		
Total comprehensive income	43,339,126.17	8,619,393.71
Dividends received from associates in the current year		

Beijing Datang Smart Card Technology Co., Ltd.	Balance as at December 31, 2016/Year 2016	Balance as at January 1, 2016/Year 2015
Current assets	160,816,115.52	168,912,194.66
Non-current assets	55,443,449.81	55,009,009.58
Total assets	216,259,565.33	223,921,204.24
Current liabilities	95,412,618.68	109,399,385.13
Non-current liabilities	5,210,000.00	5,210,000.00
Total liabilities	100,622,618.68	114,609,385.13
Equities attributable to minority shareholders		
Equity attributable to shareholders of the parent company	115,636,946.65	109,311,819.11
Net assets calculated based on shareholding proportion	46,254,778.66	43,724,727.64
Adjustment	17,537,114.98	17,537,114.98
--Goodwill		
- Unrealized profits from internal transactions		
- Others	17,537,114.98	17,537,114.98
Book value of equity investments in associates	63,791,893.64	61,261,842.62
Fair value of equity investments in associates with public quotation		
Operating income	176,077,432.87	
Net profit	6,325,127.54	
Net profit on discontinued operation		
Other comprehensive income		
Total comprehensive income	6,325,127.54	
Dividends received from associates in the current year		

3. Summarized financial information of insignificant associates

√ Applicable □ Not applicable

	Unit: Yuan	Currency: RMB
	Balance as at December 31, 2016/Year 2016	Balance as at January 1, 2016/Year 2015
Associates:		
Total book value of investment	119,270,718.48	111,290,057.28
Items aggregated on the basis of shareholding proportion		
--Net profit	-1,732,890.45	-2,590,937.69
- Other comprehensive income		
- Total comprehensive income	-1,732,890.45	-2,590,937.69

VIII. Risks associated with financial instruments

√ Applicable □ Not applicable

In the business process, the Company is exposed to credit risk, market risk and liquidity risk. The management of the Company is entirely responsible for the determination of risk management objectives and policies, and is ultimately responsible for the same. The operation management checks the effectiveness of procedures implemented and the reasonableness of risk management objective and policies through the monthly work report submitted by the functional department. The internal auditor of the Company also designs risk management policies and procedures, and submit the findings to the audit committee.

The overall objectives of the Company's risk management are to formulate the risk management policy to reduce risks as much as possible without excessive influence on the competitiveness and resilience of the Company.

(I) Credit risk

Credit risks refer to the risks of financial losses of one party incurred by the failure of the other party to fulfill obligations. The Company is mainly exposed to the customer credit risk caused by sale on credit. Before the conclusion of a new contract, the Company will assess the credit risks of new customer, including external credit rating and, in some cases, bank reference (when this information is available). The Company sets up a credit limit for each customer, which is the biggest limit requiring no additional approval.

The Company makes quarterly monitoring over the existing customer credit rating and the monthly examination of aging analysis of accounts receivable, to ensure that the overall credit risk falls in the controllable range. The customer credit risks are put into groups based on the credit features of customers when such risks are monitored. Upon the additional approval, the Company may sale on credit to those customers rated as "risky" ones and put into the list of restricted customers or otherwise ask the same for the corresponding payment in advance.

(II) Market risk

Financial instruments market risk, is the risk that the fair value of financial instruments or future cash flows due to fluctuations in the market price changes occur, including the exchange rate risk, interest rate risk and other price risk.

1. Interest rate risk

Interest rate risk refers to the risk of variations in the fair values or future cash follows of financial instruments due to variations in market rate. The interest rate risk the Company is exposed to mainly comes from bank short-term borrowings, long-term borrowings and bonds payable. The Company builds good relations with banks and designs reasonable credit line, credit species and credit period to guarantee the sufficient credit line and meet the demand of the Company for short-term finance. The time limit for single borrowing is shortened and the term on advanced repayment is agreed upon for reasonable reduction of risk of interest rate fluctuations.

2. Foreign exchange risk

Foreign exchange rate risk refers to the risk of variations in the fair values or future cash follows of financial instruments due to variations in foreign exchange rate. The Company matches foreign currency income and foreign spending as much as possible to reduce foreign exchange risk. In addition, the Company may also sign forward foreign exchange contracts or currency swap contracts to avoid foreign exchange risk.

The foreign exchange risk to which the Company is exposed to mainly comes from the financial assets and financial liabilities denominated in USD, Euro, Ruble, AUD, HKD and TWD, and the amount of financial assets and financial liabilities denominated in foreign currency after conversion into RMB is presented as below:

Items	Balance as at December 31, 2016			Balance as at January 1, 2016		
	USD	Other foreign currency (currencies)	Total	USD	Other foreign currency (currencies)	Total
Cash and cash equivalents	32,320,849.81		224,209,735.14	11,822,593.00		76,771,182.07
Accounts receivable	45,154,633.52		313,237,692.76	44,100,385.13		286,370,260.89
Advances to suppliers	7,331,333.49		50,857,460.41	15,449,354.89		100,321,930.93
Accounts payable	38,685,337.87		268,360,188.89	39,564,596.95		256,916,666.73
Advances from customers	551,307.62		3,824,420.96	5,418,319.74		35,184,401.05
Other receivables	4,385,732.39		30,423,825.56	11,420,831.62		74,162,312.21
Other payables	4,641,983.02		32,201,436.24	29,338.41		190,511.93
Short-term borrowings	70,385,195.12		488,262,098.54	74,377,939.22		482,980,586.12
Cash and cash equivalents		1,330,394.73	974,139.01		5,762,516.63	4,608,179.15
Accounts receivable		2,148,520.64	609,843.64		613,032.64	269,378.92
Accounts payable		101,397.00	740,887.60		65,000.00	461,188.00
Other receivable		29,131.63	53,517.45		30,178.88	52,098.30

On December 31, 2016, with all other variables remain unchanged, if the RMB rises or falls 5% against USD, the net profit will reduce or increase by RMB 8,695,971.53. The management believes that 5% reflects the reasonable range of change in respect of RMB against USD in the next year.

(III) Liquidity risk

Liquidity risk is the risk of a shortage of funds occurs when companies fulfill their obligations in a manner to deliver cash or another financial asset settlement. The policy of the Company is to ensure that the cash is sufficient to pay the debts coming due. Liquidity risk is under the centralized control of the Company's financial department. The financial department monitors the cash balance, the securities that can be converted into cash at any time and forecasts the cash flow for the next 12 months on a rolling basis, to ensure that the Company has sufficient funds to repay the debt in all the reasonably forecasted cases.

The presentation of financial liabilities at the undiscounted contract cash flow by the maturity date is as follows:

Unit: Yuan Currency: RMB

Item	Balance as at December 31, 2016					
	Within 1 year	1-2 years	2-3 years	3 – 5 years	Over 5 years	Total
Short-term borrowings	3,070,376,865.89					3,070,376,865.89
Notes payable	628,853,422.17					628,853,422.17
Accounts payable	1,392,622,593.96					1,392,622,593.96
Other payables	121,497,961.43					121,497,961.43
Total	5,213,350,843.45					5,213,350,843.45

Unit: Yuan Currency: RMB

Item	Balance as at January 1, 2016					Total
	Within 1 year	1-2 years	2-3 years	3 – 5 years	Over 5 years	
Short-term borrowings	2,351,396,739.98					2,351,396,739.98
Notes payable	823,517,143.66					823,517,143.66
Accounts payable	1,449,936,891.42					1,449,936,891.42
Other payables	241,946,135.93					241,946,135.93
Total	4,866,796,910.99					4,866,796,910.99

IX. Related parties and related party transactions**(I) Parent company of the Company**

√ Applicable □ Not applicable

Unit: RMB'0,000 Currency: RMB

Name of Parent Company	Registration place	Business nature	Registered Capital	Shareholding ratio of the parent company (%)	Voting ratio of the parent company (%)
China Academy of Telecommunications Technology	Beijing Municipality	Development, production, sales and system integration of communication equipment, electronic computer and peripheral equipment, electric software, radio and television equipment, optical fiber and optical cable, electronic components and other electronic equipment, instruments and meters, etc. (other than those subject to the national provisions on special operation); technological development and technical service in relation to communication, network, e-commerce, information security and radio and television; industrial investment, investment management and consulting.	771,882.04	17.15	33.94

Note: The ultimate controller is China Academy of Telecommunications Technology.

(II) Subsidiaries of the Company:

The details of the subsidiaries are set out in the "Note VII Interests in other entities".

(III) Joint ventures and associates of the Company

The details of the subsidiaries are set out in the "Note VII. Interests in other entities".

(IV) Other related parties

√ Applicable □ Not applicable

Name of other related parties	Relationship with the Company
Datang Telecom Technology International Co., Ltd.	Subsidiary held by the parent company
Xi'an Cuihua Communication Technology Co., Ltd.	Subsidiary held by the parent company
Shanghai DS Communication Equipment Co., Ltd.	Subsidiary held by the parent company
Datang Mobile Communications Equipment Co., Ltd.	Subsidiary held by the parent company
Datang Lianyi Science and Technology Co., Ltd.	Subsidiary held by the parent company

Name of other related parties	Relationship with the Company
	company
Datang Telecom Technology International (Hong Kong) Company Limited	Subsidiary held by the parent company
Chengdu Tairui Communications Equipment Test Co., Ltd.	Subsidiary held by the parent company
China National Radio Spectrum Management Institute	Wholly-owned subsidiary of the parent company
Telecom Technology Instrument Research Institute	Wholly-owned subsidiary of the parent company
The Fifth China Academy of Telecommunications Technology	Wholly-owned subsidiary of the parent company
The Fourth China Academy of Telecommunications Technology	Wholly-owned subsidiary of the parent company
The First China Academy of Telecommunications Technology	Wholly-owned subsidiary of the parent company
Datang Liancheng Information System Technology Co., Ltd.	Subsidiary held by the parent company
Gohigh Data Network Technology Co., Ltd.	Subsidiary held by the parent company
Datang Telecom Group Finance Co., Ltd.	Wholly-owned subsidiary of the parent company
The Tenth China Academy of Telecommunications Technology	Wholly-owned subsidiary of the parent company
Beijing Datang Carera Investment Co.	Wholly-owned subsidiary of the parent company
Research Institute of Data Communication Technologies	Wholly-owned subsidiary of the parent company
Beijing Datang Property Management Co., Ltd.	Subsidiary held by the parent company
Shanghai Yuandongli Communication Technology Co., Ltd.	Subsidiary held by the parent company
Semiconductor Manufacturing International Corporation	Other
Guangzhou Rising Micro Electronics Co., Ltd.	Other
Beijing Datang Yongsheng Technology Development Co., Ltd.	Other
Datang Hi-tech Venture Capital Co., Ltd.	Subsidiary held by the parent company
Datang Telecom Technology Industry Holdings Co., Ltd.	Participation in the Company, wholly-owned subsidiary of the parent company
Zhou Hao and Chen Yong	Participating shareholder and persons acting in concert

(V)

Related party transactions**1. Purchase of goods, rendering and receipt of labor services**

Purchase of goods/receipt of labor services

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Related party	Content of related party transaction	Year 2016	Year 2015
Datang Mobile Communications Equipment Co., Ltd.	Purchase of goods	11,189,872.51	1,248,396.88
Gohigh Data Network Technology Co., Ltd.	Purchase of goods	2,040,923.05	2,623,536.45
Shanghai DS Communication Equipment Co., Ltd.	Purchase of goods	81,020.80	8,405.91
Semiconductor Manufacturing International Corporation	Purchase of goods	108,042,916.27	125,084,114.93
Datang Telecom Technology International (Hong Kong) Company Limited	Purchase of goods	184,557,912.25	273,637,129.65
Telecom Technology Instrument Research Institute	Purchase of goods		531,037.53
Datang Telecom Technology International Co., Ltd.	Purchase of goods	2,786,619.83	
The First China Academy of Telecommunications Technology	Purchase of goods		394,895.28
Datang Lianyi Science and Technology Co., Ltd.	Purchase of goods	105,154.75	2,362,495.69
Datang Liancheng Information System Technology Co., Ltd.	Purchase of goods	8,613,207.55	1,367,521.37
China Academy of Telecommunications Technology	Purchase of goods		51,154.00
Research Institute of Data Communication Technologies	Purchase of goods		5,938,169.78
Shanghai Yuandongli Communication Technology Co., Ltd.	Purchase of goods	1,047,738.91	
Guangzhou Rising Micro Electronics Co., Ltd.	Purchase of goods	1,661,022.43	
Beijing Datang Smart Card Technology Co., Ltd.	Purchase of goods	25,057,993.37	
Beijing Datang Property Management Co., Ltd.	Receipt of services	12,241.29	
Research Institute of Data Communication Technologies	Receipt of services	715,033.82	578,503.11
China Academy of Telecommunications Technology	Receipt of services		12,972,000.00
Datang Mobile Communications Equipment Co., Ltd.	Receipt of services		1,698,113.21
Datang Telecom Technology Industry Holdings Co., Ltd.	Receipt of services	2,120,075.49	750,000.00
Chengdu Tairui Communications Equipment Test Co., Ltd.	Receipt of services	82,754.72	10,490.57
Gohigh Data Network Technology Co., Ltd.	Receipt of services		92,036.58
The First China Academy of Telecommunications Technology	Receipt of services	188,122.64	1,267,600.00
Telecom Technology Instrument Research Institute	Receipt of services		2,760.68
Semiconductor Manufacturing International Corporation	Receipt of services	10,814,067.11	11,207,153.30
Datang Telecom Technology International Co., Ltd.	Receipt of services		27,000.00

Sales of goods/rendering of services

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Related party	Content of related party transaction	Year 2016	Year 2015
Datang Telecom Technology Industry Holdings Co., Ltd.	Sales of goods		4,800,000.00
Datang Mobile Communications Equipment Co., Ltd.	Sales of goods	806,435.92	2,070,319.63
Gohigh Data Network Technology Co., Ltd.	Sales of goods	2,861,429.20	8,490,566.07
Datang Telecom Technology International Co., Ltd.	Sales of goods	348,665,411.37	595,324,123.14
Datang Telecom Technology International (Hong Kong) Company Limited	Sales of goods	183,152,479.18	250,301,863.84
Research Institute of Data Communication Technologies	Sales of goods	181,552,000.00	109,343,269.18
Datang Liancheng Information System Technology Co., Ltd.	Sales of goods	348,688.59	3,216,274.02
The Tenth China Academy of Telecommunications Technology	Sales of goods	804,857.26	3,634,794.78
The Fourth China Academy of Telecommunications Technology	Sales of goods	4,555.56	
The First China Academy of Telecommunications Technology	Sales of goods	2,932,059.83	
Beijing Datang Smart Card Technology Co., Ltd.	Sales of goods	8,846,622.00	
China Academy of Telecommunications Technology	Sales of goods		360,000.00
Guangzhou Rising Micro Electronics Co., Ltd.	Sales of goods	502,627.29	4,935,981.50
Shanghai DS Communication Equipment Co., Ltd.	Rendering of services		19,995.00
The First China Academy of Telecommunications Technology	Rendering of services	239,669.81	6,356,000.00
China Academy of Telecommunications Technology	Rendering of services	2,333,311.33	308,079.24
Datang Liancheng Information System Technology Co., Ltd.	Rendering of services	969,464.74	
Beijing Datang Smart Card Technology Co., Ltd.	Rendering of services	4,763,441.72	
Datang Network Co., Ltd.	Rendering of services	4,527,315.65	
Datang Telecom Technology Industry Holdings Co., Ltd.	Rendering of services	35,377.36	84,905.66

2. Related party assets transfer and purchase

Related party	Content of related party transaction	Year 2016	Year 2015
China Academy of Telecommunications Technology	Purchase of intangible assets	68,400,000.00	26,000,000.00
Datang Liancheng Information System Technology Co., Ltd.	Sales of technology	91,517,543.39	
Datang Liancheng Information System Technology Co., Ltd.	Sales of fixed assets	5,719,323.87	

3. Borrowings to and from related parties

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Related party	Borrowing amount	Starting date	Maturity	Explaining
Datang Telecom Group Finance Co., Ltd.	50,000,000.00	2016/1/19	2017/1/6	
Datang Telecom Group Finance Co., Ltd.	30,000,000.00	2016/7/5	2016/12/8	
Datang Telecom Group Finance Co., Ltd.	45,000,000.00	2016/7/12	2016/10/21	
Datang Telecom Group Finance Co., Ltd.	20,000,000.00	2015/7/15	2016/1/14	
Datang Telecom Group Finance Co., Ltd.	44,000,000.00	2015/6/12	2016/5/31	
Datang Telecom Group Finance Co., Ltd.	20,000,000.00	2015/6/15	2016/5/20	
Datang Telecom Group Finance Co., Ltd.	50,000,000.00	2016/3/28	2017/3/27	
Datang Telecom Group Finance Co., Ltd.	70,000,000.00	2016/5/24	2017/5/23	
Datang Telecom Group Finance Co., Ltd.	55,000,000.00	2016/5/24	2017/5/23	
Datang Telecom Group Finance Co., Ltd.	70,000,000.00	2016/12/1	2017/11/30	
Datang Telecom Group Finance Co., Ltd.	30,000,000.00	2016/6/15	2016/9/9	
Datang Telecom Group Finance Co., Ltd.	40,000,000.00	2016/3/1	2016/10/24	
Datang Telecom Group Finance Co., Ltd.	40,000,000.00	2015/5/19	2016/5/5	
Datang Telecom Group Finance Co., Ltd.	20,000,000.00	2015/6/12	2016/6/7	
Datang Telecom Group Finance Co., Ltd.	10,000,000.00	2015/6/26	2016/6/25	
Datang Telecom Group Finance Co., Ltd.	30,000,000.00	2016/3/17	2016/12/2	
Datang Telecom Group Finance Co., Ltd.	USD4,700,000.00	2016/3/23	2016/9/21	
Datang Telecom Group Finance Co., Ltd.	40,000,000.00	2016/5/9	2017/5/8	
Datang Telecom Group Finance Co., Ltd.	USD4,750,000.00	2016/5/23	2016/11/22	
Datang Telecom Group Finance Co., Ltd.	10,000,000.00	2016/6/7	2017/6/6	
Datang Telecom Group Finance Co., Ltd.	15,000,000.00	2016/4/22	2016/12/21	
Datang Telecom Group Finance Co., Ltd.	5,000,000.00	2016/5/26	2016/12/25	
Datang Telecom Group Finance Co., Ltd.	33,601,163.47	2015/7/16	2016/1/16	Bills discount
Datang Telecom Group Finance Co., Ltd.	22,214,115.32	2016/5/20	2016/9/22	Bills discount
Datang Telecom Group Finance Co., Ltd.	29,901,537.69	2016/3/18	2016/8/25	Bills discount
Datang Telecom Group Finance Co., Ltd.	10,612,054.88	2016/9/13	2017/2/6	Bills discount
Datang Telecom Technology Industry Holdings Co., Ltd.	88,000,000.00	2014/7/29	2018/7/28	

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Related party	Borrowing amount	Starting date	Maturity	Explaining
Datang Telecom Investment Co., Ltd.	20,000,000.00	2015/12/23	2016/2/26	
Datang Telecom Investment Co., Ltd.	20,000,000.00	2016/3/11	2016/4/29	
Datang Telecom Investment Co., Ltd.	15,000,000.00	2016/5/31	2016/6/29	
Datang Telecom Investment Co., Ltd.	10,000,000.00	2016/11/1	2016/12/23	
China Academy of Telecommunications Technology	300,000,000.00	2014/6/12	2018/6/11	
China Academy of Telecommunications Technology	177,000,000.00	2014/7/31	2018/7/30	
China Academy of Telecommunications Technology	50,000,000.00	2014/7/31	2018/7/30	
China Academy of Telecommunications Technology	195,000,000.00	2014/8/4	2018/8/3	
China Academy of Telecommunications Technology	82,000,000.00	2014/9/2	2018/9/1	
China Academy of Telecommunications Technology	45,000,000.00	2014/9/9	2018/9/8	
China Academy of Telecommunications Technology	30,000,000.00	2014/11/2	2018/11/1	
China Academy of Telecommunications Technology	150,000,000.00	2015/8/4	2018/8/3	
China Academy of Telecommunications Technology	70,000,000.00	2015/8/26	2018/8/25	
China Academy of Telecommunications Technology	200,000,000.00	2015/9/10	2018/9/7	
China Academy of Telecommunications Technology	130,000,000.00	2015/9/16	2018/9/15	

Interest paid to related parties

Related party	Unit: Yuan	Currency: RMB
	Year 2016	Year 2015
Datang Telecom Technology Industry Holdings Co., Ltd.	4,249,666.66	4,962,222.22
Datang Telecom Group Finance Co., Ltd.	24,082,142.09	12,232,100.25
China Academy of Telecommunications Technology	69,008,791.66	58,215,833.34
Datang Telecom Investment Co., Ltd.	249,145.31	
Total	97,589,745.72	75,410,155.81

Deposit with related parties and income from interest thereon

Related party	Unit: Yuan		Currency: RMB	
	Year 2016		Year 2015	
	Balance	Interest income	Balance	Interest income
Datang Telecom Group Finance Co., Ltd.	483,165,753.83	2,343,577.57	224,521,153.59	2,097,896.18
Total	483,165,753.83	2,343,577.57	224,521,153.59	2,097,896.18

4. Remuneration for key management

√ Applicable □ Not applicable

Item	Unit: RMB'0,000	Currency: RMB
	Year 2016	Year 2015
Remuneration for key management	785.18	684.37

5. Other related transactions

√ Applicable □ Not applicable

Related party	Content of related party transaction	Year 2016	Year 2015
China Academy of Telecommunications Technology	House rents, utility bill, property fees	27,350.00	932,313.00
Beijing Datang Carera Investment Co.	House rents, utility bill, property fees	383,124.00	605,906.18
Beijing Datang Property Management Co., Ltd.	House rents, utility bill, property fees	2,043,857.06	
Datang Telecom Technology Industry Holdings Co., Ltd.	House rents, utility bill, property fees		1,125.00
The Fifth China Academy of Telecommunications Technology	House rents, utility bill, property fees		234,684.00
The First China Academy of Telecommunications Technology	House rents, utility bill, property fees		389,144.34
Total		2,454,331.06	2,163,172.52

(VI) Receivables and payables of related parties**1. Receivables**

√ Applicable □ Not applicable

Item	Related party	Unit: Yuan		Currency: RMB	
		Balance as at December 31, 2016		Balance as at January 1, 2016	
		Book balance	Allowance for bad debts	Book balance	Allowance for bad debts
Accounts receivable					
	Datang Telecom Technology International Co., Ltd.	443,554.27	2,217.77	36,736,838.86	183,684.19
	Datang Telecom Technology International (Hong Kong) Company Limited	2,055,847.03	10,279.24		
	Datang Mobile Communications Equipment Co., Ltd.	17,227,496.66	6,007,175.13	18,528,576.66	1,688,870.17
	Datang Liancheng Information System Technology Co., Ltd.	13,943,577.28	5,090,858.78	19,639,881.00	3,383,278.05
	Gohigh Data Network Technology Co., Ltd.	7,525,402.87	1,765,619.39	15,098,969.73	1,109,566.29
	The Tenth China Academy of Telecommunications Technology	12,481,619.30	11,899,941.42	15,440,058.30	8,250,662.10
	The Fourth China Academy of Telecommunications Technology	443,367.00	443,367.00	443,367.00	443,367.00
	Guangzhou Rising Micro Electronics Co., Ltd.			565,021.41	130,662.10
	The Fifth China Academy of Telecommunications Technology	432,446.00	113,553.80	432,446.00	19,680.70
	China National Radio Spectrum	167,486.51	167,486.51	167,486.51	167,486.51

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Item	Related party	Balance as at December 31, 2016		Balance as at January 1, 2016	
		Book balance	Allowance for bad debts	Book balance	Allowance for bad debts
	Management Institute				
	Beijing Datang Carera Investment Co.	35,000.00	35,000.00	35,000.00	35,000.00
	Xi'an Cuihua Communication Technology Co., Ltd.	10,810.00	10,810.00	10,810.00	10,810.00
	Research Institute of Data Communication Technologies	52,500,440.00	262,502.20	58,974,500.00	295,352.50
	China Academy of Telecommunications Technology			39,660.00	198.30
	Datang Telecom Technology Industry Holdings Co., Ltd.			90,000.00	450.00
	Xi'an Datang Surveillance Technology Co., Ltd.	5,159.04	1,547.71	5,159.04	257.95
	The First China Academy of Telecommunications Technology	2,944,000.00	14,720.00	3,632,000.00	18,160.00
	Datang Network Co., Ltd.	92,352.20	461.76	2,391,000.00	119,550.00
	Beijing Datang Smart Card Technology Co., Ltd.	11,237,016.29	180,882.79	2,827,940.47	55,279.00
Notes receivable					
	Research Institute of Data Communication Technologies			23,625,000.00	
Advances to suppliers					
	Datang Telecom (Tianjin) Science and Technology Industrial Park Co., Ltd.	146,616,640.00		146,616,640.00	
	Gohigh Data Network Technology Co., Ltd.			40,000.00	20,000.00
	Beijing Datang Yongsheng Technology Development Co., Ltd.	28,794.09	28,794.09	28,794.09	28,794.09
	Guangzhou Rising Micro Electronics Co., Ltd.			631,399.99	31,570.00
	Semiconductor Manufacturing International Corporation			10,608,639.98	53,043.20
	Datang Lianyi Science and Technology Co., Ltd.			64,800.00	324.00
	Datang Telecom Technology International Co., Ltd.	2,637,848.10	13,189.24	853,543.24	4,267.72
Other receivables					
	Gohigh Data Network Technology Co., Ltd.	10,000.00	3,000.00		
	Semiconductor Manufacturing International Corporation			14,344.18	717.21
	Datang Liancheng Information System Technology Co., Ltd.	5,017.38	25.09		
	Datang Telecom Investment Co., Ltd.	4,566.69	76.34	3,566.85	17.83
	Beijing Datang Technology Development Co., Ltd.			142,865.37	31,976.94
	Xi'an Datang Surveillance Technology Co., Ltd.	5,406,595.96	886,640.89	5,336,548.90	393,491.61
	Beijing Datang Smart Card Technology Co., Ltd.	8,596,069.12	74,378.61	25,993,217.63	129,966.09
	Datang Network Co., Ltd.	1,437,238.97	581,260.92	2,787,324.92	346,786.35
Dividends receivable					
	Datang Network Co., Ltd.	173,766.32		173,766.32	

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Item	Related party	Balance as at December 31, 2016		Balance as at January 1, 2016	
		Book balance	Allowance for bad debts	Book balance	Allowance for bad debts
	Chengdu Datang Communication Cable, Co. Ltd.			2,612,662.58	
	Datang Hi-tech Venture Capital Co., Ltd.			25,622.63	

2. Payables

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Related party	Book balance as at December 31, 2016	Book balance as at January 1, 2016
Accounts payable			
	Datang Mobile Communications Equipment Co., Ltd.	11,037,378.36	2,231,447.74
	Chengdu Datang Communication Cable, Co. Ltd.	3,384,350.16	6,629,036.84
	Shanghai DS Communication Equipment Co., Ltd.	178,783.00	1,674,875.00
	Semiconductor Manufacturing International Corporation	3,989,627.07	3,579,762.90
	The Fifth China Academy of Telecommunications Technology	188,989.90	188,989.90
	Research Institute of Data Communication Technologies	380,300.00	380,300.00
	Gohigh Data Network Technology Co., Ltd.	686,385.99	2,414,161.00
	Xi'an Cuihua Communication Technology Co., Ltd.	2,252,721.95	2,252,721.95
	The Fourth China Academy of Telecommunications Technology	151,480.00	151,480.00
	The Tenth China Academy of Telecommunications Technology	7,501.05	7,501.05
	Datang Telecom Technology International (Hong Kong) Company Limited	30,552,218.80	29,294,444.39
	Datang Telecom Technology International Co., Ltd.	1,820,687.83	
	Datang Lianyi Science and Technology Co., Ltd.		216,000.00
	Datang Liancheng Information System Technology Co., Ltd.	9,130,000.00	
	Xi'an Datang Surveillance Technology Co., Ltd.	241,490.67	241,490.67
	China Academy of Telecommunications Technology	94,400,000.00	26,000,000.00
	Beijing Datang Smart Card Technology Co., Ltd.	30,580,470.07	20,746,221.87
Notes payable			
	Semiconductor Manufacturing International Corporation	36,284,752.42	28,055,096.55
Other payables			
	Datang Telecom Investment Co., Ltd.		19,897,492.88
	Beijing Datang Technology Development Co., Ltd.		2,619,817.07
	Chengdu Datang Communication Cable, Co. Ltd.	1,768,856.67	1,871,656.67
	Research Institute of Data Communication Technologies	713,161.09	1,356,634.43
	China Academy of Telecommunications Technology	602,681.99	585,970.20
	Datang Mobile Communications Equipment Co., Ltd.	567,118.00	567,118.00
	The Tenth China Academy of Telecommunications Technology	3,529.67	3,529.67
	The Fifth China Academy of Telecommunications Technology	136,899.00	
	Datang Telecom (Nanjing) Energy-saving &	1,946,052.93	

Item	Related party	Book balance as at December 31, 2016	Book balance as at January 1, 2016
	Information Technology Co., Ltd.		
	Gohigh Data Network Technology Co., Ltd.	100,000.00	
	Datang Network Co., Ltd.	140,000.00	
	Beijing Datang Smart Card Technology Co., Ltd.	2,532.00	18,259,196.49
	Zhou Hao	1,740,000.00	34,291,475.59
	Chen Yong	1,740,000.00	30,598,661.84
Advances from customers			
	Datang Mobile Communications Equipment Co., Ltd.	1,314.16	1,314.16
	Research Institute of Data Communication Technologies	50.00	50.00
	Datang Liancheng Information System Technology Co., Ltd.	4,231,719.50	
	Datang Telecom Technology International Co., Ltd.		2,181,160.49
	Datang Network Co., Ltd.	57,983.30	
	Beijing Datang Smart Card Technology Co., Ltd.	518,482.80	
Long-term payables			
	China Academy of Telecommunications Technology	1,429,000,000.00	1,429,000,000.00
	Datang Telecom Technology Industry Holdings Co., Ltd.	88,000,000.00	88,000,000.00

X. Share-based payment

As at December 31, 2016, there were no share-based payments that should be disclosed but are not disclosed yet.

XI. Commitment and contingencies**(I) Significant commitments**

√ Applicable □ Not applicable

- On February 17, 2011, the Resolution on Purchase of Tianjin Industrial Park Office Building was adopted at the meeting of extraordinary shareholders, to approve the purchase of an office covering an area of about 32,000 square meters building of Datang Telecom (Tianjin) Science and Technology Industrial Park Co., Ltd. in airport harbor logistics processing zone in Tianjin bonded area at a price of RMB 176,600,000.00. As at December 31, 2016, the consideration of RMB 146,616,640.00 has been paid, the decoration of the outer eave has been completed and it is expected to be delivered for acceptance in 2017. After acceptance, the Company will pay the rest of the subscription consideration totaling RMB 29,983,360.00.
- On March 27, 2014, the Resolution on Purchase of Auto Electronic Product Intellectual Property and Related Interests by Datang NXP was adopted at the 14th meeting of the sixth board of directors, to approve the execution of the transfer agreement by and between the subsidiary Datang NXP Semiconductors Co. Ltd. and NXP B.V. and its affiliates, under which Datang NXP purchases auto electronic product intellectual property and relevant interests from NXP B.V. and its affiliates, for subsequent research, development and industrialization, at a transaction price of not more than USD 66 million. As at December 31, 2016, the transfer of automobile electronic products and related intellectual property rights and relevant interests totaling USD 13,500,000 is completed, and the remaining is expected to be recognized and paid from the year of the realization of income based on the subsequent research and development

(II)

Contingencies

√ Applicable □ Not applicable

1. Guarantee provided by the Company to its subsidiaries or by subsidiary to other subsidiary

Secured party	Guaranteed amount (RMB)	Starting date of guarantee	Maturity date of guarantee	Whether the guarantee has been fulfilled or not
Datang Software Technologies Co., Ltd.	358,637.50	2016/7/19	2017/1/19	No
Datang Software Technologies Co., Ltd.	1,094,128.75	2016/9/26	2017/3/26	No
Datang Software Technologies Co., Ltd.	393,750.00	2012/8/23	2017/10/19	No
Datang Software Technologies Co., Ltd.	218,750.00	2012/8/23	2017/10/19	No
Datang Software Technologies Co., Ltd.	116,296.25	2015/1/15	2017/12/22	No
Datang Software Technologies Co., Ltd.	250,425.00	2015/5/13	2018/6/30	No
Datang Software Technologies Co., Ltd.	85,000.00	2013/6/8	2017/2/28	No
Datang Software Technologies Co., Ltd.	1,211,987.40	2014/1/26	2017/3/23	No
Datang Software Technologies Co., Ltd.	1,211,987.40	2014/1/26	2018/3/23	No
Datang Software Technologies Co., Ltd.	1,211,987.40	2014/1/26	2019/3/23	No
Datang Software Technologies Co., Ltd.	582,649.00	2014/10/17	2017/7/8	No
Datang Software Technologies Co., Ltd.	14,400.00	2014/6/24	2017/1/31	No
Datang Software Technologies Co., Ltd.	123,070.50	2015/10/30	2018/7/1	No
Datang Software Technologies Co., Ltd.	44,153.20	2015/11/6	2017/11/4	No
Datang Software Technologies Co., Ltd.	205,500.00	2015/12/8	2018/8/7	No
Datang Software Technologies Co., Ltd.	140,000.00	2016/2/19	2017/2/19	No
Datang Software Technologies Co., Ltd.	233,751.00	2016/3/25	2017/12/31	No
Datang Software Technologies Co., Ltd.	90,476.50	2016/3/24	2017/12/31	No
Datang Software Technologies Co., Ltd.	220,173.30	2016/4/20	2017/12/31	No
Datang Software Technologies Co., Ltd.	1,591,854.70	2016/5/26	2018/3/31	No
Datang Software Technologies Co., Ltd.	93,779.20	2016/5/26	2018/3/31	No
Datang Software Technologies Co., Ltd.	449,000.00	2016/5/26	2019/5/1	No
Datang Software Technologies Co., Ltd.	6,000,000.00	2016/7/5	2017/4/3	No
Datang Software Technologies Co., Ltd.	265,145.00	2016/8/4	2018/6/20	No
Datang Software Technologies Co., Ltd.	69,960.00	2016/8/23	2018/1/26	No

Secured party	Guaranteed amount (RMB)	Starting date of guarantee	Maturity date of guarantee	Whether the guarantee has been fulfilled or not
Datang Software Technologies Co., Ltd.	70,000.00	2016/8/24	2017/1/3	No
Datang Software Technologies Co., Ltd.	81,438.64	2016/9/13	2018/2/26	No
Datang Software Technologies Co., Ltd.	99,660.00	2016/10/24	2017/6/30	No
Datang Software Technologies Co., Ltd.	156,228.00	2016/11/25	2018/10/31	No
Datang Software Technologies Co., Ltd.	200,000.00	2016/12/5	2017/6/20	No
Datang Software Technologies Co., Ltd.	135,470.00	2016/12/13	2017/10/27	No
Datang Software Technologies Co., Ltd.	40,000,000.00	2016/5/19	2017/5/18	No
Datang Software Technologies Co., Ltd.	30,000,000.00	2016/5/27	2017/5/26	No
Datang Software Technologies Co., Ltd.	57,000,000.00	2016/6/13	2017/6/12	No
Datang Software Technologies Co., Ltd.	8,500,000.00	2016/8/11	2017/8/11	No
Datang Software Technologies Co., Ltd.	11,500,000.00	2016/8/16	2017/8/16	No
Datang Software Technologies Co., Ltd.	50,000,000.00	2016/11/10	2017/11/10	No
Datang Software Technologies Co., Ltd.	40,000,000.00	2016/11/22	2017/11/21	No
Datang Software Technologies Co., Ltd.	50,000,000.00	2016/11/29	2017/11/28	No
Datang Software Technologies Co., Ltd.	46,000,000.00	2016/12/16	2017/12/16	No
Jiangsu I-front Science & Technology Co., Ltd.	20,000,000.00	2016/12/12	2017/12/11	No
Jiangsu I-front Science & Technology Co., Ltd.	10,000,000.00	2016/12/8	2017/12/7	No
Jiangsu I-front Science & Technology Co., Ltd.	10,000,000.00	2016/7/28	2017/7/27	No
Jiangsu I-front Science & Technology Co., Ltd.	10,000,000.00	2016/6/20	2017/6/17	No
Jiangsu I-front Science & Technology Co., Ltd.	10,000,000.00	2016/6/24	2017/6/23	No
Jiangsu I-front Science & Technology Co., Ltd.	20,000,000.00	2016/7/22	2017/7/22	No
Jiangsu I-front Science & Technology Co., Ltd.	268,805.85	2016/9/13	2017/3/13	No
Jiangsu I-front Science & Technology Co., Ltd.	100,000.00	2016/12/8	2017/3/6	No
Jiangsu I-front Science & Technology Co., Ltd.	91,000.00	2016/12/8	2017/3/6	No
Jiangsu I-front Science & Technology Co., Ltd.	127,592.50	2016/12/8	2017/3/6	No
Jiangsu I-front Science & Technology Co., Ltd.	67,025.00	2016/12/8	2017/3/6	No
Jiangsu I-front Science & Technology Co., Ltd.	5,967.00	2016/12/8	2017/3/6	No

Secured party	Guaranteed amount (RMB)	Starting date of guarantee	Maturity date of guarantee	Whether the guarantee has been fulfilled or not
Jiangsu I-front Science & Technology Co., Ltd.	43,887.50	2016/12/8	2017/3/6	No
Jiangsu I-front Science & Technology Co., Ltd.	37,530.00	2016/12/8	2017/3/6	No
Jiangsu I-front Science & Technology Co., Ltd.	109,150.00	2016/12/8	2017/3/6	No
Jiangsu I-front Science & Technology Co., Ltd.	29,100.00	2016/12/8	2017/3/6	No
Jiangsu I-front Science & Technology Co., Ltd.	100,000.00	2016/12/8	2017/3/6	No
Jiangsu I-front Science & Technology Co., Ltd.	100,000.00	2016/12/8	2017/3/6	No
Jiangsu I-front Science & Technology Co., Ltd.	100,000.00	2016/12/8	2017/3/6	No
Jiangsu I-front Science & Technology Co., Ltd.	50,000.00	2016/12/8	2017/3/6	No
Jiangsu I-front Science & Technology Co., Ltd.	50,000.00	2016/12/8	2017/3/6	No
Jiangsu I-front Science & Technology Co., Ltd.	50,000.00	2016/12/8	2017/3/6	No
Jiangsu I-front Science & Technology Co., Ltd.	59,673.01	2016/12/8	2017/3/6	No
Jiangsu I-front Science & Technology Co., Ltd.	73,512.20	2016/12/8	2017/3/6	No
Jiangsu I-front Science & Technology Co., Ltd.	48,750.00	2016/12/8	2017/3/6	No
Jiangsu I-front Science & Technology Co., Ltd.	42,672.00	2016/12/8	2017/3/6	No
Jiangsu I-front Science & Technology Co., Ltd.	100,000.00	2016/12/8	2017/3/6	No
Jiangsu I-front Science & Technology Co., Ltd.	100,000.00	2016/12/8	2017/3/6	No
Jiangsu I-front Science & Technology Co., Ltd.	132,500.00	2016/12/8	2017/3/6	No
Jiangsu I-front Science & Technology Co., Ltd.	43,750.00	2016/12/8	2017/3/6	No
Jiangsu I-front Science & Technology Co., Ltd.	147,875.00	2016/12/8	2017/3/6	No
Jiangsu I-front Science & Technology Co., Ltd.	154,081.00	2016/12/8	2017/3/6	No
Jiangsu I-front Science & Technology Co., Ltd.	105,374.78	2016/12/8	2017/3/6	No
Jiangsu I-front Science & Technology Co., Ltd.	139,297.90	2016/12/8	2017/3/6	No
Jiangsu I-front Science & Technology Co., Ltd.	50,000.00	2016/12/8	2017/3/6	No
Jiangsu I-front Science & Technology Co., Ltd.	50,000.00	2016/12/8	2017/3/6	No
Jiangsu I-front Science & Technology Co., Ltd.	50,000.00	2016/12/8	2017/3/6	No
Jiangsu I-front Science & Technology Co., Ltd.	88,900.00	2016/12/8	2017/3/6	No
Jiangsu I-front Science & Technology Co., Ltd.	136,400.00	2016/7/4	2017/1/4	No

Secured party	Guaranteed amount (RMB)	Starting date of guarantee	Maturity date of guarantee	Whether the guarantee has been fulfilled or not
Jiangsu I-front Science & Technology Co., Ltd.	344,570.00	2016/7/4	2017/1/4	No
Jiangsu I-front Science & Technology Co., Ltd.	131,750.00	2016/7/4	2017/1/4	No
Jiangsu I-front Science & Technology Co., Ltd.	100,000.00	2016/7/4	2017/1/4	No
Jiangsu I-front Science & Technology Co., Ltd.	100,000.00	2016/7/4	2017/1/4	No
Jiangsu I-front Science & Technology Co., Ltd.	100,000.00	2016/7/4	2017/1/4	No
Jiangsu I-front Science & Technology Co., Ltd.	100,000.00	2016/7/4	2017/1/4	No
Jiangsu I-front Science & Technology Co., Ltd.	100,000.00	2016/7/4	2017/1/4	No
Jiangsu I-front Science & Technology Co., Ltd.	100,000.00	2016/7/4	2017/1/4	No
Jiangsu I-front Science & Technology Co., Ltd.	100,000.00	2016/7/4	2017/1/4	No
Jiangsu I-front Science & Technology Co., Ltd.	100,000.00	2016/7/4	2017/1/4	No
Jiangsu I-front Science & Technology Co., Ltd.	100,000.00	2016/7/4	2017/1/4	No
Jiangsu I-front Science & Technology Co., Ltd.	384,833.75	2016/7/4	2017/1/4	No
Jiangsu I-front Science & Technology Co., Ltd.	2,351,359.30	2014/7/18	2017/7/18	No
Jiangsu I-front Science & Technology Co., Ltd.	1,659,383.20	2015/10/13	2017/2/15	No
Jiangsu I-front Science & Technology Co., Ltd.	4,753,634.80	2016/2/4	2017/5/4	No
Jiangsu I-front Science & Technology Co., Ltd.	1,848,385.44	2016/4/8	2019/4/8	No
Jiangsu I-front Science & Technology Co., Ltd.	123,893.28	2016/4/8	2017/4/8	No
Jiangsu I-front Science & Technology Co., Ltd.	2,900,000.00	2016/3/2	2017/2/11	No
Jiangsu I-front Science & Technology Co., Ltd.	3,100,000.00	2016/4/5	2017/2/11	No
Jiangsu I-front Science & Technology Co., Ltd.	4,500,000.00	2016/7/12	2017/2/4	No
Jiangsu I-front Science & Technology Co., Ltd.	6,900,000.00	2016/7/29	2017/2/4	No
Jiangsu I-front Science & Technology Co., Ltd.	50,000.00	2016/7/7	2017/1/7	No
Jiangsu I-front Science & Technology Co., Ltd.	50,000.00	2016/7/7	2017/1/7	No
Jiangsu I-front Science & Technology Co., Ltd.	50,000.00	2016/7/7	2017/1/7	No
Jiangsu I-front Science & Technology Co., Ltd.	50,000.00	2016/7/7	2017/1/7	No
Jiangsu I-front Science & Technology Co., Ltd.	50,000.00	2016/7/7	2017/1/7	No
Jiangsu I-front Science & Technology Co., Ltd.	30,000,000.00	2016/1/29	2017/1/25	No
Datang Terminal Technology Co., Ltd.	30,000,000.00	2016/6/13	2017/6/13	No

Secured party	Guaranteed amount (RMB)	Starting date of guarantee	Maturity date of guarantee	Whether the guarantee has been fulfilled or not
Datang Terminal Technology Co., Ltd.	10,000,000.00	2016/8/19	2017/6/13	No
Datang Terminal Technology Co., Ltd.	10,000,000.00	2016/12/14	2017/6/14	No
Datang Terminal Technology Co., Ltd.	40,000,000.00	2016/12/23	2017/6/20	No
Shanghai Puge Electronics Co., Ltd.	41,342,161.42	2016/11/23	2017/5/16	No
Shanghai Puge Electronics Co., Ltd.	34,469,982.83	2016/11/23	2017/5/16	No
Shanghai Puge Electronics Co., Ltd.	55,493,914.25	2016/8/31	2017/2/13	No
Shanghai Puge Electronics Co., Ltd.	7,433,314.46	2016/8/31	2017/2/13	No
Shanghai Puge Electronics Co., Ltd.	20,797,907.45	2016/9/19	2017/3/17	No
Shanghai Puge Electronics Co., Ltd.	13,865,819.89	2016/11/4	2017/4/28	No
Shanghai Puge Electronics Co., Ltd.	30,473,417.30	2016/11/9	2017/5/5	No
Datang Telecom (Hong Kong) Holding Co., Ltd.	1,000,000,000.00	2014/9/29	2017/9/29	No
Datang Telecom (H.K.) Limited.	24,993,808.44	2016/12/12	2017/5/11	No
Leadcore Technology (Hong Kong) Co., Ltd.	55,496,000.00	2015/6/25	2017/6/2	No
Leadcore Technology (Hong Kong) Co., Ltd.	34,685,000.00	2015/9/22	2017/8/31	No
Leadcore Technology (Hong Kong) Co., Ltd.	32,257,050.00	2016/1/21	2017/12/28	No
Leadcore Technology (Hong Kong) Co., Ltd.	13,984,992.00	2016/12/15	2017/5/14	No
Leadcore Technology (Hong Kong) Co., Ltd.	16,903,734.75	2016/12/16	2017/5/15	No
Leadcore Technology (Hong Kong) Co., Ltd.	28,524,944.00	2016/12/22	2017/5/21	No
Leadcore Technology (Hong Kong) Co., Ltd.	14,102,921.00	2016/10/18	2017/3/17	No
Leadcore Technology (Hong Kong) Co., Ltd.	13,228,859.00	2016/10/24	2017/3/23	No
Leadcore Technology (Hong Kong) Co., Ltd.	13,832,378.00	2016/11/7	2017/4/6	No
Leadcore Technology (Hong Kong) Co., Ltd.	20,247,368.75	2016/11/9	2017/4/8	No
Leadcore Technology (Hong Kong) Co., Ltd.	16,128,525.00	2016/11/24	2017/4/23	No

Note: In addition to the above, the Company have provided guarantees with a total amount of RMB 32,915,949.08 for its subsidiaries in applying for letter of guarantee, the letter of guarantee has expired but the project is still in progress, therefore, the Company's liability to guarantee has not been completed.

2. Guarantee provided by bank for the Company or any of its subsidiaries

Secured party	Guaranteed amount	Starting date of guarantee	Maturity date of guarantee	Whether the guarantee has been fulfilled or not
Datang Software Technologies Co., Ltd.	562,500.00	2012/8/23	2017/10/19	No
Datang Software Technologies Co., Ltd.	312,500.00	2012/8/23	2017/10/19	No
Datang Software Technologies Co., Ltd.	752,748.00	2013/12/26	2017/12/16	No
Datang Software Technologies Co., Ltd.	63,076.00	2015/11/6	2017/11/4	No
Datang Software Technologies Co., Ltd.	100,000.00	2016/8/24	2017/1/3	No
Datang Software Technologies Co., Ltd.	85,000.00	2013/6/8	2017/2/28	No
Datang Software Technologies Co., Ltd.	1,211,987.40	2014/1/26	2017/3/23	No
Datang Software Technologies Co., Ltd.	1,211,987.40	2014/1/26	2018/3/23	No
Datang Software Technologies Co., Ltd.	1,211,987.40	2014/1/26	2019/3/23	No
Datang Software Technologies Co., Ltd.	582,649.00	2014/10/17	2017/7/8	No
Datang Software Technologies Co., Ltd.	14,400.00	2014/6/24	2017/1/31	No
Datang Software Technologies Co., Ltd.	166,137.50	2015/1/15	2017/12/22	No
Datang Software Technologies Co., Ltd.	357,750.00	2015/5/13	2018/6/30	No
Datang Software Technologies Co., Ltd.	200,000.00	2016/2/19	2017/2/19	No
Datang Software Technologies Co., Ltd.	123,070.50	2015/10/30	2018/7/1	No
Datang Software Technologies Co., Ltd.	205,500.00	2015/12/8	2018/8/7	No
Datang Software Technologies Co., Ltd.	233,751.00	2016/3/25	2017/12/31	No
Datang Software Technologies Co., Ltd.	90,476.50	2016/3/24	2017/12/31	No
Datang Software Technologies Co., Ltd.	220,173.30	2016/4/20	2017/12/31	No
Datang Software Technologies Co., Ltd.	1,591,854.70	2016/5/26	2018/3/31	No
Datang Software Technologies Co., Ltd.	93,779.20	2016/5/26	2018/3/31	No
Datang Software Technologies Co., Ltd.	449,000.00	2016/5/26	2019/5/1	No
Datang Software Technologies Co., Ltd.	6,000,000.00	2016/7/5	2017/4/3	No
Datang Software Technologies Co., Ltd.	265,145.00	2016/8/4	2018/6/20	No
Datang Software Technologies Co., Ltd.	69,960.00	2016/8/23	2018/1/26	No
Datang Software Technologies Co., Ltd.	81,438.64	2016/9/13	2018/2/26	No
Datang Software Technologies Co., Ltd.	99,660.00	2016/10/24	2017/6/30	No

Secured party	Guaranteed amount	Starting date of guarantee	Maturity date of guarantee	Whether the guarantee has been fulfilled or not
Ltd.				
Datang Software Technologies Co., Ltd.	156,228.00	2016/11/25	2018/10/31	No
Datang Software Technologies Co., Ltd.	200,000.00	2016/12/5	2017/6/20	No
Datang Software Technologies Co., Ltd.	135,470.00	2016/12/13	2017/10/27	No
Datang Software Technologies Co., Ltd.	667,800.00	2013/11/25	2017/10/31	No
Datang Telecom Technology Co., Ltd.	105,072.30	2015/12/14	2017/12/2	No
Datang Telecom Technology Co., Ltd.	320,995.00	2015/12/14	2017/12/2	No
Datang Telecom Technology Co., Ltd.	265,716.70	2016/9/21	2017/8/3	No
Datang Telecom Technology Co., Ltd.	58,774.50	2016/9/21	2017/8/3	No
Datang Telecom Technology Co., Ltd.	1,053,765.50	2016/9/21	2017/8/3	No
Datang Telecom Technology Co., Ltd.	280,068.95	2016/9/21	2017/8/3	No
Jiangsu I-front Science & Technology Co., Ltd.	2,939,199.12	2014/7/18	2017/7/18	No
Jiangsu I-front Science & Technology Co., Ltd.	2,074,229.00	2015/10/13	2017/2/15	No
Jiangsu I-front Science & Technology Co., Ltd.	180,000.00	2016/1/8	2019/1/8	No
Jiangsu I-front Science & Technology Co., Ltd.	235,756.92	2016/1/8	2017/1/8	No
Jiangsu I-front Science & Technology Co., Ltd.	5,942,043.50	2016/2/4	2017/5/4	No
Jiangsu I-front Science & Technology Co., Ltd.	2,310,481.80	2016/4/8	2019/4/8	No
Jiangsu I-front Science & Technology Co., Ltd.	154,866.60	2016/4/8	2017/4/8	No
Jiangsu I-front Science & Technology Co., Ltd.	6,327,750.00	2016/12/12	2017/10/11	No
Datang Terminal Technology Co., Ltd.	326,040.00	2016/11/9	2017/3/8	No
Datang Terminal Technology Co., Ltd.	326,041.00	2016/11/9	2017/11/8	No

Note: In addition to the above, the bank has provided guarantees with a total amount of RMB 42,699,902,45 for the Company's subsidiaries in applying for letter of guarantee, the letter of guarantee has expired but the project is still in progress, therefore, the bank's liability to guarantee has not been completed.

3. Litigation

- (1) The subsidiary Datang Software Technology Co., Ltd. v. Tianjin Lantian Power Source Co., Ltd. (default payment for goods totaling RMB 30,832,822.28) was accepted on September 13, 2013 by the People's Court of Haidian District, Beijing under the Civil Procedure Law of the People's Republic of China. HMCZ No.24614 (2013) civil judgment of the People's Court of Haidian District ordered the defendant Tianjin Lantian Power Source Co., Ltd. to pay the

payment for goods and the interest thereon within 10 days after the judgment comes into force. After the first instance judgment, Tianjin Lantian Power Source Co., Ltd lodges an appeal. On October 20, 2015, the First Intermediate People's Court of Beijing upholds the first instance judgment, hence Tianjin Lantian Power Source Co., Ltd was ordered to pay the payment for goods totaling RMB 29,837,012 and interest thereon (involving the interest of RMB 995,810.28 plus the interest based on the default of RMB 29,837,012 at the bank loan benchmark interest rate from August 26, 2013 to the date of actual performance) within ten days after the judgment comes into force. As Tianjin Lantian Power Source Co., Ltd. fails to perform the payment obligation within the prescribed time limit, Datang Software Technologies Co., Ltd. filed an application to the court for enforcement on November 12, 2015. According to the (2016) JMS No. 2166 civil ruling paper issued by Beijing High People's Court on December 6, 2016, this case will be brought to trial and the original judgment will be suspended during retrial period. As at financial report date, Tianjin Lantian Power Source Co., Ltd. was enforced to pay RMB 20,652,571.00 in cash.

- (2) The subsidiary Datang Software Technology Co., Ltd. V. Beijing Yizi Investment Guarantee Co., Ltd. (default payment for goods totaling RMB 55,225,897.00) was accepted by the First Intermediate People's Court of Beijing on June 18, 2015 under the Civil Procedure Law of the People's Republic of China. On March 17, 2016, (2015) YZM (Shang) CZ No. 5781 civil judgment of the First Intermediate People's Court of Beijing ruled the "suspension" of this case. As at the financial report date, the case is still in the "suspension of action".
- (3) The Company's subsidiary Datang Software Technology Co., Ltd. v. Jiulong County Jili Hydropower Development Co., Ltd. (default payment for goods totaling RMB 78,188,749.00) was accepted by the First Intermediate People's Court of Beijing under the Civil Procedure Law of the People's Republic of China on October 14, 2015. On June 30, 2016, the First Intermediate People's Court of Beijing made the judgment by default (2015)-YZM (Shang) CZ No. 8517 with the judgment results as follows: the defendant Jiulong County Jili Hydropower Development Co., Ltd. was ordered to pay the payments for goods and the interests thereon within 10 days after the judgment comes into force. As the defendant failed to perform the payment obligation within the prescribed time limit, Datang Software Technologies Co., Ltd. filed an application to the court for enforcement on November 28, 2016, and the First Intermediate People's Court of Beijing issued a notice on acceptance of the enforcement case on February 6, 2017. As at financial report date, this case is still in enforcement and no payment has been made.
- (4) The subsidiary Xi 'an Datang Telecom Co., Ltd. V. Xixian New District Qinhan New City Management Committee, Shaanxi Province (default payment for goods totaling RMB 70,115,122.84) was accepted by the Intermediate People's Court of Xianyang City, Shaanxi Province on December 4, 2015 under the Civil Procedure Law of the People's Republic of China. On March 16, 2016, the Intermediate People's Court of Xianyang City heard this case. On October 18, 2016, (2016) Shan 04 MC No. 15 civil judgment ruled the "suspension" of this case. As at financial report date, Xi 'an Datang Telecom Co., Ltd. has been notified by the Intermediate People's Court of Xianyang City that a second hearing will be held on April 26, 2017.
- (5) The subsidiary Datang Telecom (Chengdu) Information Technology Co., Ltd. V. Yangling Agricultural University biorational pesticide research service center (default payment for goods totaling RMB 33,024,470.00) was accepted by the Intermediate People's Court of Chengdu, Sichuan under the Civil Procedure Law of the People's Republic of China on December 24, 2015. On August 4, 2016, the

Intermediate People's Court of Chengdu held the pretrial conference. As at the financial report date, this case is under the first instance trial, and the Intermediate People's Court of Chengdu plans to hold the second pretrial conference on April 26, 2017.

- (6) The Company's subsidiary Jiangsu I-front Science & Technology Co., Ltd. v. Yunnan Highway & Bridge Co., Ltd. (default payment for goods totaling RMB 50,706,204.14) was accepted by the High People's Court of Yunnan on June 8, 2016. According to the civil judgment (2016) YMC No. 35 made by the High People's Court of Yunnan on March 3, 2017, Yunnan Highway & Bridge Co., Ltd. was ordered to pay Jiangsu I-front Science & Technology Co., Ltd. the project funds of RMB 35,009,484.98, the interest on the project funds of RMB 30,503,678.68 (at the rate issued by the People's Bank of China for the similar loan during the same period, from March 21, 2013 to the date when the payment is paid in full) and the interest on the quality assurance deposit of RMB 4,505,806.29 (at the rate issued by the People's Bank of China for the similar loan during the same period, from April 26, 2013 to the date when the payment is paid in full), and to return the bid security of RMB 2,000,000.00. Yunnan Highway & Bridge Co., Ltd. arrested the judgment made by the High People's Court of Yunnan and instituted an appeal with the Supreme People's Court. Approved by financial report quoted day trial of the case has not yet been hearing. As at the financial report date, the trial of second instance of this case has not been made.
- (7) The Company's subsidiary Beijing Datang Zhicheng Software Technology Co., Ltd. v. Beijing Jia Lian Zhong Hui Technology Co., Ltd. (default payment for goods totaling RMB 9,203,901.60) was accepted by the People's Court of Haidian District, Beijing under the Civil Procedure Law of the People's Republic of China on October 8, 2015. On January 14, 2016, the People's Court of Haidian District, Beijing ruled (2015) HM (Shang) CZ No. 36747 civil mediation. After the mediation by the court, the both parties reached an agreement on the settlement. As Beijing Jia Lian Zhong Hui Technology Co., Ltd. failed to perform the civil mediation, Beijing Datang Zhicheng Software Technology Co., Ltd. has filed an application to the People's Court of Haidian District, Beijing for enforcement. As at financial report date, Beijing Jia Lian Zhong Hui Technology Co., Ltd. was enforced to pay RMB 1,200,055.24 in cash.
- (8) As at financial report date, in addition to the aforementioned 7 lawsuits, the Company is involved in 53 pending lawsuits and arbitration cases totaling RMB 42,646,942.02, comprising 30 lawsuits totaling RMB 36,683,739.60 lodged by the Company and 23 lawsuits totaling RMB 5,963,202.42 lodged against the Company; and the total amount of the 21 lawsuits involved with sales contract disputes is RMB 27,793,389.87; the total amount of the 23 lawsuits involved with labor disputes is RMB 3,489,772.75, and the total amount of the 9 lawsuits of other types is RMB 11,363,779.40. The Company's 53 lawsuits and arbitration cases are to be heard, to be ruled or executed.

4. Other contingencies

As at financial report date, the amount of RMB 138,827,649.96 payable to the Company's subsidiary Xi'an Datang Telecom Co., Ltd. has not been paid by Xixian New District Qinhan New City Management Committee, Shaanxi Province; considering that the personnel relating to the project is involved with other cases, it is estimated that this accounts receivable is difficult to be recovered.

XII Post balance sheet events

1. According to the Proposal for Capital Increase in Datang Telecom (H.K.) Limited adopted at the sixth meeting of the seventh board of directors of the Company on January 14, 2017, it is agreed that the Company increases capital of RMB 310 million to its wholly-owned subsidiary Datang Telecom (H.K.) Limited, which will be used to develop overseas business and return overseas bonds. And Datang Telecom (H.K.) Limited. has received the said capital on March 24, 2017.
2. According to the announcement issued by the Company on March 2, 2017, the relationship of a person acting in concert between the Company's shareholder Hainan Information Industry Venture Capital Fund (Limited Partnership) and the Company's controlling shareholder China Academy of Telecommunications Technology is terminated due to the change of the actual controller, however, the termination will not result in the change of the Company's controlling shareholder actual controller.
3. According to the Proposal on the Establishment of Wholly-owned Subsidiaries by Leadcore Technology Co., Ltd. adopted by the 9th of the 7th Board of Directors of the Company on March 21, 2017, it is agreed that the Company's wholly-owned subsidiary Leadcore Technology Co., Ltd. may establish with its partial equipment and other intangible assets Shanghai Likexin Semiconductor Technology Co., Ltd. at Shanghai to build a chip design company targeting to consumption mobile terminal market.
4. According to the Proposal on the Transfer of Some Equities of Guangzhou Yaowan Entertainment Network Technology Co., Ltd. adopted at the 5th meeting of the 7th Board of Directors of the Company, it is agreed to transfer externally 21.2% of Guangzhou Yaowan Entertainment Network Technology Co., Ltd. held by the Company by public listing in property exchange. After going through the formalities with the China Beijing Equity Exchange in April 2017, the Company signed the Property Transaction Contract with Zhou Hao, Chen Yong, Datang Telecom Investment Co., Ltd. and Beijing Hongtian Growth Asset Management Co., Ltd. According to the contract, the Company transferred 21.2% equity of Guangzhou Yaowan Entertainment Network Technology Co., Ltd. held by it to Zhou Hao, Chen Yong, Datang Telecom Investment Co., Ltd. and Beijing Hongtian Growth Asset Management Co., Ltd. at the price of RMB 368,880,000, and thereafter, the Company will hold 78.8% equity of Guangzhou Yaowan Entertainment Network Technology Co., Ltd.

XIII Other significant events

1. According to the Proposal on the Provision of Guarantee by the Company for the Purchase Payment Agreement between Leadcore Technology Co., Ltd. and Qualcomm Company adopted upon deliberation at the second meeting of the seventh board of directors of the Company on October 28, 2016, it is agreed that the Company may provide guarantee for the purchase payment agreement between its wholly-owned subsidiary Leadcore Technology Co., Ltd. and Qualcomm CDMA Technology (Asia-Pacific) Co., Ltd., with the guaranteed sum of not greater than USD 18 million.
2. According to the Proposal for the Purchase of 100% Equities of Datang Terminal Technology Co., Ltd. by the Company adopted upon deliberation at the third meeting of the seventh board of directors of the Company on November 26, 2016, it is agreed that the Company purchases 100% equities of Datang Terminal Technology Co., Ltd. held by Datang Telecom (H.K.) Limited at the price of RMB 600 million.

XIV Notes to the main items of the financial statements of the parent company

(I) Accounts receivable

1. Disclosure of accounts receivable by type:

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Category	Balance as at December 31, 2016					Balance as at January 1, 2016				
	Book balance		Allowance for bad debts		Book value	Book balance		Allowance for bad debts		Book value
	Amount	Ratio (%)	Amount	Withdrawing proportion (%)		Amount	Ratio (%)	Amount	Withdrawing proportion (%)	
1. Accounts receivable with significant single amount and individual withdrawal of allowance for bad debts	126,300,000.00	28.93	56,835,000.00	45.00	69,465,000.00	127,800,000.00	21.57	25,560,000.00	20.00	102,240,000.00
2. Accounts receivable with withdrawal of allowance for bad debts according to portfolio of credit risk characteristics	310,301,633.98	71.07	98,358,443.72		211,943,190.26	464,821,246.26	78.43	101,594,634.38		363,226,611.88
Portfolio 1: Receivables with individually significant amount but small portfolio risk	153,902,834.97	35.25	1,017,500.00	0.66	152,885,334.97	202,534,488.73	34.17	1,846,000.00	0.91	200,688,488.73
Portfolio 2: Receivables with individually insignificant amount but small portfolio risk										
Portfolio 3: Receivables with great portfolio risk	156,398,799.01	35.82	97,340,943.72	62.24	59,057,855.29	262,286,757.53	44.26	99,748,634.38	38.03	162,538,123.15
3. Accounts receivable with insignificant single amount but accrued for provision for bad debts on a single basis										
Total	436,601,633.98	100.00	155,193,443.72		281,408,190.26	592,621,246.26	100.00	127,154,634.38		465,466,611.88

Accounts receivable with significant single amount and with the provision for bad debts made on a single basis as at December 31, 2016

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Accounts receivable (based on unit)	Balance as at December 31, 2016			
	Book balance	Allowance for bad debts	Provision ratio (%)	Reason for provision
Hunan Broad Link High-tech Co., Ltd.	126,300,000.00	56,835,000.00	45.00	The recovery of certain accounts is at higher risk
Total	126,300,000.00	56,835,000.00	45.00	/

In the portfolio, accounts receivables with bad debt reserves accrued under aging analysis method:

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Aging	Balance as at December 31, 2016		
	Book balance	Allowance for bad debts	Provision ratio (%)
Within 1 year	21,874,756.67	41,409.03	0.50
1-2 years	16,982,589.29	201,453.39	2.00
2-3 years	65,972,582.02	1,563,616.00	5.00
3 - 4 years	73,531,429.48	4,275,855.88	30.00
4 - 5 years	5,737,128.06	681,780.53	50.00
Over 5 years	126,203,148.46	91,594,328.89	100.00
Total	310,301,633.98	98,358,443.72	

2. Allowance for bad debts of withdrawal, recovery or reserving in the current period:

The amount of allowance for bad debts in the current period is RMB 28,038,809.34.

3. Details of accounts receivable of the top five of the Balance as at December 31, 2016 collected according to the borrowers:

Unit: Yuan Currency: RMB

Name	Balance as at December 31, 2016		
	Book balance	Proportion in total accounts receivable (%)	Allowance for bad debts
No.1	126,300,000.00	28.93	56,835,000.00
No.2	58,372,004.47	13.37	
No.3	31,799,772.86	7.28	
No.4	31,381,057.64	7.19	
No.5	20,350,000.00	4.66	1,017,500.00
Total	268,202,834.97	61.43	57,852,500.00

(II) Other receivables

1. Disclosure of other receivable by type

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Category	Balance as at December 31, 2016					Balance as at January 1, 2016				
	Book balance		Allowance for bad debts		Book value	Book balance		Allowance for bad debts		Book value
	Amount	Ratio (%)	Amount	Withdrawing proportion (%)		Amount	Ratio (%)	Amount	Withdrawing proportion (%)	
Other receivables with significant single amount and accrued for provision for bad debts on a single basis										
Other receivables accrued for provision for bad debts on the basis of credit features portfolio	2,194,875,626.43	99.73	29,185,817.89		2,165,689,808.54	2,301,049,579.27	99.74	28,996,673.74		2,272,052,905.53
Portfolio 1: Receivables with individually significant amount but small portfolio risk	2,039,245,659.71	92.66			2,039,245,659.71	2,050,146,676.06	88.86			2,050,146,676.06
Portfolio 2: Receivables with individually insignificant amount but small portfolio risk										
Portfolio 3: Receivables with great portfolio risk	155,629,966.72	7.07	29,185,817.89	18.75	126,444,148.83	250,902,903.21	10.88	28,996,673.74	11.56	221,906,229.47
Other receivables with insignificant single amount but accrued for provision for bad debts on a single basis	5,938,848.75	0.27	5,938,848.75	100.00		5,938,848.75	0.26	5,938,848.75	100.00	
Total	2,200,814,475.18	100.00	35,124,666.64		2,165,689,808.54	2,306,988,428.02	100.00	34,935,522.49		2,272,052,905.53

Other receivables with significant single amount and with provision for bad debts made on a single basis as at December 31, 2016

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Other receivables (based on unit)	Balance as at December 31, 2016			
	Book balance	Allowance for bad debts	Provision ratio (%)	Reason for provision
Accounts receivable with aging of over 5 years	5,938,848.75	5,938,848.75	100.00	Expected to be irrecoverable
Total	5,938,848.75	5,938,848.75	100.00	/

In the portfolio, other receivables with allowance for bad debts accrued under aging analysis method:

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Aging	Balance as at December 31, 2016		
	Book balance	Allowance for bad debts	Provision ratio (%)
Within 1 year	1,641,873,461.67	41,355.67	0.50
1-2 years	34,192,780.93	35,042.04	2.00
2-3 years	126,428,695.30	205,033.23	5.00
3 - 4 years	34,562,181.73	419,478.59	30.00
4 - 5 years	319,805,244.74	1,045,964.04	50.00
Over 5 years	38,013,262.06	27,438,944.32	100.00
Total	2,194,875,626.43	29,185,817.89	

2. Allowance for bad debts of withdrawal, recovery or reserving in the current period:

The amount of allowance for bad debts in the current period is RMB 189,144.15.

3. Categories of other receivables by nature

Unit: Yuan Currency: RMB

Nature of fund	Book balance as at December 31, 2016	Book balance as at January 1, 2016
Current accounts	2,193,128,049.94	2,296,858,614.12
Guarantee	5,395,719.00	6,667,453.55
Withheld amount	12,500.00	504,105.74
Suspense payment	2,114,167.92	2,588,034.46
Others	164,038.32	370,220.15
Total	2,200,814,475.18	2,306,988,428.02

4. Details of other receivable of the top five of the Balance as at December 31, 2016 collected according to the borrowers:

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Name	Nature of fund	Balance as at December 31, 2016	Aging	Proportion of total amount of ending balance of other receivables (%)	Allowance for bad debts Balance as at December 31, 2016
No.1	Current accounts	956,413,075.30	Within 5 years	43.46	
No.2	Current accounts	102,412,194.35	Within 5 years	4.65	
No.3	Current accounts	817,949,891.59	Within 5 years	37.17	
No.4	Current accounts	99,232,136.78	Within 5 years	4.51	
No.5	Current accounts	63,238,361.69	Within 5 years	2.87	
Total		2,039,245,659.71		92.66	

(III) Long-term equity investments

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Balance as at December 31, 2016			Balance as at January 1, 2016		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	4,422,268,282.74	38,724,500.00	4,383,543,782.74	4,459,855,201.49		4,459,855,201.49
Investments in joint ventures and associates	391,118,342.65		391,118,342.65	357,150,451.12		357,150,451.12
Total	4,813,386,625.39	38,724,500.00	4,774,662,125.39	4,817,005,652.61		4,817,005,652.61

1. Investment in subsidiaries

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Investee	Balance as at January 1, 2016	Increase in 2016	Decrease in 2016	Balance as at December 31, 2016	Provision for impairment in the current period	Balance of provision for impairment as at December 31, 2016
Datang Software Technologies Co., Ltd.	101,665,313.48			101,665,313.48		
Xi'an Datang Telecom Technology Co., Ltd.	708,220,762.60			708,220,762.60		
Datang Telecom (Tianjin) Technical Service Co., Ltd.	24,656,356.09			24,656,356.09		
DATANG Terminal Equipment Co., Ltd.	194,000,000.00			194,000,000.00		
Datang Telecom (H.K.) Limited.	106,421.70			106,421.70		
Datang Telecom (Chengdu) Information Technology Co., Ltd.	80,000,000.00			80,000,000.00		
Datang Telecom (Nanjing) Energy-saving & Information Technology Co., Ltd.	50,000,000.00		50,000,000.00			
Jiangsu I-front Science & Technology Co., Ltd.	147,374,500.00			147,374,500.00	38,724,500.00	38,724,500.00
Datang Innohub (Beijing) Co., Ltd.	10,000,000.00			10,000,000.00		
Datang Semiconductor Design Co., Ltd.	1,411,687,388.87			1,411,687,388.87		
Datang NXP Semiconductors Co., Ltd.	51,400,158.75	12,413,081.25		63,813,240.00		
Guangzhou Yaowan Entertainment Network Technology Co., Ltd.	1,680,744,300.00			1,680,744,300.00		
Total	4,459,855,201.49	12,413,081.25	50,000,000.00	4,422,268,282.74	38,724,500.00	38,724,500.00

2. Investments in joint ventures and associates

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Investee	Balance as at January 1, 2016	Increase/decrease in 2016								Balance as at December 31, 2016	Balance of provision for impairment as at December 31, 2016
		Additional investment	Reduced investment	Profit or loss on investments recognized under the equity method	Adjustments to other comprehensive income	Other changes in equity	Cash dividends or profits declared to be distributed	Provision for impairment	Others		
I. Joint ventures											
II. Associates											
Datang Telecom (Tianjin) Science and Technology Industrial Park Co., Ltd.	27,337,576.91			-3,223,745.81						24,113,831.10	
Chengdu Datang Communication Cable, Co. Ltd.	84,717,277.32			17,057,341.36			4,709,585.81			97,065,032.87	
Beijing Datang Technology Development Co., Ltd.	7,692,442.42			-433,336.44						7,259,105.98	
Datang Telecom Investment Co., Ltd.	45,000,836.63			94,521.55						45,095,358.18	
Xi'an Datang Surveillance Technology Co., Ltd.	12,873,891.78			-404,082.39						12,469,809.39	
Nanjing Yunke Equity Investment Fund Management Co., Ltd.	4,062,067.83			-467,877.20						3,594,190.63	
Datang Network Co., Ltd.	136,105,459.50			16,135,156.67						152,240,616.17	
Beijing Datang Smart Card Technology Co., Ltd.	14,356,619.30			908,920.83						15,265,540.13	
Datang Zhongke Innovation Investment Partnership (Limited Partnership)	25,004,279.43			-10,765.87						24,993,513.56	
Datang Telecom (Nanjing) Energy-saving & Information Technology Co., Ltd.		8,918,893.18		102,451.46						9,021,344.64	
Sub-total	357,150,451.12	8,918,893.18		29,758,584.16			4,709,585.81			391,118,342.65	
Total	357,150,451.12	8,918,893.18		29,758,584.16			4,709,585.81			391,118,342.65	

(IV) Operating income and operating cost

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Year 2016		Year 2015	
	Income	Cost	Income	Cost
Principal activity	79,983,894.43	65,899,251.64	176,880,139.62	171,708,653.34
Other business	17,607,665.06	3,166,430.89	27,423,896.18	3,630,628.56
Total	97,591,559.49	69,065,682.53	204,304,035.80	175,339,281.90

(V) Investment income

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Year 2016	Year 2015
Income from long-term equity investments accounted for under cost method	322,063,952.68	101,908,465.97
Long-term equity investment income calculated under equity method	29,758,584.16	3,907,380.48
Investment income from disposal of long-term equity investments		325,512,675.11
Investment income from financial assets measured at fair value through current profit or loss incurred during the holding period		
Investment income from disposal of financial assets measured at fair value through current profit or loss		
Investment income from holding the held-to-maturity investments		
Investment income acquired during the period when the available-for-sale financial assets are held	758,500.00	25,622.63
Investment income acquired from disposal of the available-for-sale financial assets		
Others	-1,925,521.16	
Total	350,655,515.68	431,354,144.19

XV Supplementary information**(I) Detailed statement of current non-recurring profit and loss**

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Amount	Explaining
Profits or losses from disposal of non-current assets	2,383,552.52	
Tax returns, deduction and exemption approved beyond the authority or without official approval documents		
Government grants included in current profits and losses (except for government grants closely related to the enterprise business, obtained by quota or quantity at unified state standards)	110,206,441.95	
Payment for use of state funds received from non-financial institutions recorded in current profits and losses		
Gains from the difference between the investment costs of acquisition of subsidiaries, associates and joint ventures and share in the net fair value of the identifiable assets of the investee when investing		

Item	Amount	Explaining
Gains or losses from non-monetary asset exchange		
Gains or losses from entrusting the investments or management of asset	721,940.63	
Impairment provision for force majeure such as natural calamities		
Gains or losses from debt restructuring		
Restructure expenses, such as the compensation for employee relocation and integration costs		
Gains or losses from transactions with obvious unfair transaction price		
Net profits or losses of subsidiaries arising from business combination under common control from January 1, 2016 to the combination date		
Profits or losses arising from contingencies not related to the company's normal business		
Except for effective hedging business related to the normal business of the company, profits or losses from fair value changes in held-for-trading financial assets and held-for-trading financial liabilities, and investment income from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets		
Reversal of the impairment provision for receivables subject to separate impairment test		
Profits or losses from entrusted loans		
Profits or losses from fair value changes in investment property subsequently calculated with the fair value mode		
Impacts of one-time adjusting the current profits or losses in accordance with requirements of tax and accounting laws and regulations on the current profits and losses		
Custodian income from entrusted management		
Other non-operating income and expenditure except for the above items	3,124,291.39	
Other profits or losses which can be deemed as non-recurring profits or losses	-970,251.76	
Income tax effects	-7,418,036.01	
Minority interest effects	-10,353,432.02	
Total	97,694,506.70	

(II) Rate of return on net assets and earnings per share

√ Applicable □ Not applicable

Profit during the reporting period	Weighted average return on net assets (%)	Earnings per share (Yuan)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	-55.8108	-2.0129	-2.0129
Net profit attributable to ordinary shareholders of the Company after deducting the non-recurring profit and loss	-58.8815	-2.1237	-2.1237

Section 12 Directory of Reference Files

Directory of reference files	Financial statements bearing the signature of and seal by the responsible person of the Company, the person in charge of accounting affairs, the head of the accounting department (accounting director).
Directory of reference files	Original copy of the Auditors' Report bearing the seal of the accounting firm and the name and seal of certified public accounts.
Directory of reference files	Original copy of all corporate files and script of the announcement disclosed during the reporting period on the website designated by the CSRC

Chairman: Huang Zhiqin

Date for submission as approved by the board of directors: April 22, 2017