

Datang Telecom Technology Co., Ltd.
Summary of Annual report for 2016

I. Important Notes

- 1 The summary of annual report is abstract from the full text of the annual report; to fully understand the Company's operating results, financial situation and future development plans, investors are advised to carefully read the full text of the annual report published on Shanghai Stock Exchange and other media designated by the China Securities Regulatory Commission.**
- 2 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.**
- 3 All directors of the Company have attended the board meeting.**
- 4 BDO CHINA Shu Lun Pan Certified Public Accountants LLP has issued a standard unqualified auditors' report.**
- 5 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.

II. Company Profile**1 Company profile**

Type	Stock Exchange	Stock Abbreviation	Stock Code
A-share	Shanghai Stock Exchange	DATANG Telecom	600198

Contact and contact information	Secretary of the Board	Securities Representative
Name	Jiang Kun	Zhang Jin
Office address	No.6 Yongjia North Road, Haidian District, Beijing	No.6 Yongjia North Road, Haidian District, Beijing
Tel.	0086-10-58919172	0086-10-58919172
E-mail	dt600198@datang.com	dt600198@datang.com

2 Main businesses 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 Webgame 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.

3 Major accounting data and financial indicators of the Company

3.1 Major accounting data and financial indicators in the latest three years

Unit: Yuan Currency: RMB

	Year 2016	Year 2015	Change ratio (%)	Year 2014
Total assets	11,993,854,518.71	13,794,580,777.44	-13.05	13,964,610,141.06
Operating revenue	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 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
Net cash flows from operating activities	738,600,651.94	903,569,574.56	-18.26	-587,050,504.47
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
Weighted average return on net assets (%)	-55.8108	0.7034	Down by 56.51 percentage points	6.1289

3.2 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 revenue	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

4

Shareholders and information thereof

4.1 Number of common shareholders and preferred shareholders with resumed voting rights as well as shareholdings by top ten shareholders

Unit: share

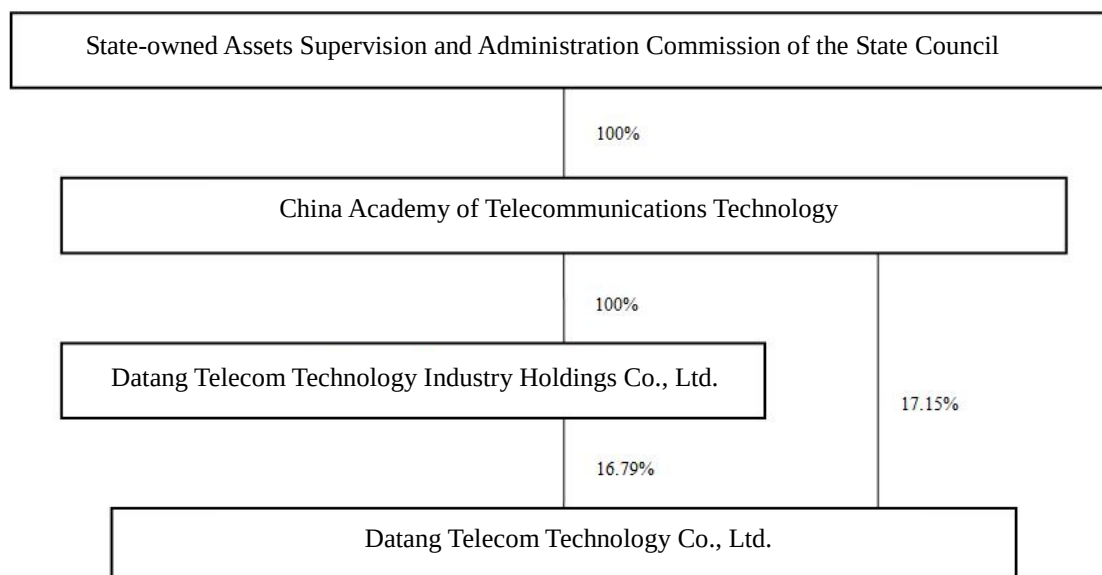
Total number of ordinary shareholders (households) at the end of the reporting period							83,382
Total number of ordinary shareholders at the end of the latest month before the date of disclosure of annual report (households)							75,867
Shareholdings by top ten shareholders							
Name of shareholder (full name)	Increase / Decrease in the reporting period	Number of shares held at the end of the period	Ratio (%)	Number of restrictive shares	Pledge or freezing condition		Nature of shareholders
					Status of shares	Number of shares	
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
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					

4.2 Chart for the property and controlling relationships between the Company and the controlling shareholder
☒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.

4.3 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.

5 Corporation bonds

5.1 Basic information on corporate bonds

Not applicable.

5.2 Major accounting data and financial indicators in the latest two years

☐ Applicable ☒ Not applicable

III. Discussion and analysis on operation

1 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:

1.1 Major business analysis

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

		Unit: Yuan	Currency: RMB
Item	Year 2016	Year 2015	Change ratio (%)
Operating revenue	7,229,672,814.11	8,602,588,791.38	-15.96
Operating costs	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 expenses	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 flows 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

1.1.1 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 revenue	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 (%)
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 revenue	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 (%)
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

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%

Main products	Production	Sales	Inventory	Increase or decrease in production YoY (%)	Increase or decrease in sales YoY (%)	Increase or decrease in inventory YoY (%)
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 can not be unified due to the Company's multiple business directions and various forms of products.

(3) Cost analysis statement

Unit: Yuan

By industry							
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 (%)	Situation Remark
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	
	Other adjustments	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	
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	
	Other adjustments	11,796,163.67	0.44	9,198,030.93	0.28	28.25	
	Sub-total	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						
	Other adjustments	3,904,773.65	0.21	8,210,164.63	0.45	-52.44	
	Sub-total	1,832,998,206.14	100.00	1,836,667,035.79	100	-0.20	

By industry							
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 (%)	Situation Remark
Mobile internet	Raw materials						
	Labor	44,361,996.69	47.56	35,271,285.37	41.25	25.77	
	Depreciation						
	Other adjustments	48,905,689.51	52.44	50,231,175.62	58.75	-2.64	
	Sub-total	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 38.53% of annual purchase, including the purchase from the related parties of RMB 0, accounting for 0% of annual purchase.

1.1.2 Expenses

√Applicable □Not applicable

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.

1.1.3 R & D investment

R & D investment statement

√Applicable □Not applicable

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

Description:

√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 in 2016.

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.

1.1.4 Cash flows

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Year 2016	Year 2015	Change ratio (%)
Net cash flows 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

Description:

- (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 75.57 million 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 1,091.39 million over the last year, mainly due to that the amount of interest-bearing debt financing is greater than the repayment amount.

1.2 Description of significant changes in profits arising from non-primary business

√Applicable □Not applicable

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 from asset 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.

1.3 Assets and liabilities analysis

√Applicable □Not applicable

1.3.1 Assets and liabilities

Unit: Yuan

Project	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 receivables	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	
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 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;

1.3.2 Restricted main assets as at the end of the reporting period

☐ Applicable ☒ Not applicable

1.3.3. Other notes

☐ Applicable ☒ Not applicable

1.4 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.

1.5 Investment analysis

1.5.1 Overall analysis of external equity investment

☒ Applicable ☐ Not applicable

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

1.6 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.

1.7

Analysis of main controlling shareholders and participating shareholders

√Applicable □Not applicable

Unit: Yuan

Name	Business scope	Registered capital	Total assets	Shareholders' equity	Operating revenue	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 involvement of quota license management goods that shall be applied in accordance with the relevant state regulations)	125,091,843.75	220,876,230.51	133,456,863.25	77,395,460.70	3,389,064.70
DATANG Terminal Technology Co., Ltd. (merger)	Research and development, manufacturing and sales of communication and electronic equipment and related products,	663,017,700.00	1,041,513,236.87	252,792,097.12	1,701,539,321.82	-393,384,891.89

Name	Business scope	Registered capital	Total assets	Shareholders' equity	Operating revenue	Net profits
	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)					
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
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

Name	Business scope	Registered capital	Total assets	Shareholders' equity	Operating revenue	Net profits
Jiangsu I-front Science & Technology Co., Ltd.(merger)	Road traffic monitoring, charging, communication system, security facilities engineering, 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

1.8 Structured body by controlled by the Company

☐ Applicable ☒ Not applicable

2 Reasons for suspension

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

4 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 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.

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.

5 Notes of the Company to the analysis on the reasons for and effects of corrections of significant accounting errors

☐ Applicable ☒ Not applicable

6 The Company shall make a detailed explanation of the changes in the scope of consolidation of the financial statements in comparison with the financial statements of the previous year.

√Applicable □Not applicable

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

Subsidiary name
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.

Chairman: Huang Zhiqin

Date for submission as approved by the board of directors: April 22, 2017