

DATANG Telecom Technology Co., Ltd.
2014 Annual Report Summary

I. Important Notes

- 1.1 This annual report summary is extracted from the complete annual report. If any investor wants to know the details, please read through the whole text of the annual report published on the website (such as website of Shanghai Stock Exchange or Shenzhen Stock Exchange) designated by China Securities Regulatory Commission.

1.2 Company Profile

Stock Abbreviation	Stock Code	Stock exchange
Datang Telecom	600198	Shanghai Stock Exchange
Contact Information	Secretary of the board	Representative of securities affairs
Name	Qi Xiubin	Wang Shaomin
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II. Major financial data and information about shareholders**2.1 Major financial data of the company**

Unit: Yuan Currency: RMB

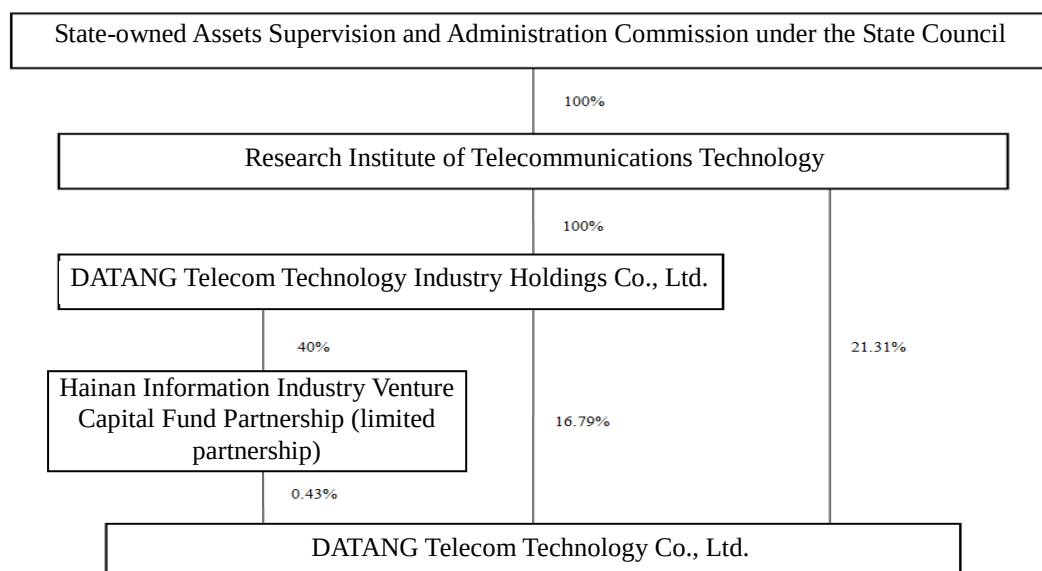
	End of 2014	End of 2013		Increase/Decrease (by%) at End of This Period over That of the Previous Year	End of 2012
		After adjustment	Before adjustment		
Total assets	13,964,610,141.06	11,149,449,980.05	11,149,449,980.05	25.25	846,718,931,992
Net assets belonging to shareholders of the public company	4,030,768,692.75	2,308,303,812.99	2,308,303,812.99	74.62	216,804,565,566
	2014	2013		Increase/decrease (%) in the current period, compared to the same period of previous year	In 2012
		After adjustment	Before adjustment		
Net cash flows from operating activities	-587,050,504.47	-152,053,763.43	-152,053,763.43		-11,652,263,680
Operating income	7,984,031,029.75	7,915,172,624.99	7,915,172,624.99	0.87	618,326,144,358
Net profit belonging to shareholders of the public company	217,042,207.05	155,615,858.74	155,615,858.74	39.47	16,889,655,009
Net profit belonging to shareholders of the public company after deduction of	-54,902,454.07	-29,756,335.22	-29,756,335.22		-5,420,669,758

non-recurring gains and losses					
Weighted average return on net assets (%)	6.1289	6.9992	6.9992	Decrease by 0.87 percentage points	13.1011
Basic EPS (yuan / share)		0.2098	0.2098	22.12	27.19
Diluted EPS (yuan / share)	0.2562	0.2098	0.2098	22.12	27.19

2.2 Table Indicating Total Number of of Shareholders, and Shareholding of Top 10 Shareholders and Top 10 Floating Shareholders (or Shareholders with No Limitations for Selling) as at End of Report Period

				Unit: Shares		
Total Number of Shareholders as at End of Report Period				40,294		
Shareholding of Top 10 Shareholders						
Shareholder name	Nature of Shareholders	Shareholding ratio (%)	Shareholding Quantity	Number of Shares with Limitaitons for Selling	Number of Pledged or Frozen Shares	
Research Institute of Telecommunications Technology	State-owned legal person	21.31	188,004,517	85,072,394	None	0
DATANG Telecom Technology Industry Holdings Co., Ltd.	State-owned legal person	16.79	148,118,845	148,118,845	None	0
Zhou Hao	Natural person in China	4.52	39,864,892	39,864,892	None	0
Chen Yong	Natural person in China	4.03	35,571,883	35,571,883	None	0
Qianhai Life Insurance Co. Ltd ----Huatai Incorporation with self-owned capital	Unknown	1.49	13,154,226	8,700,000	None	0
Xiong Bihui	Natural person in China	1.44	12,728,716	8,552,246	None	0
National social security funds---zero incorporation	Unknown	1.43	12,604,084	0	None	0
Taikang Life Insurance Co. Ltd---dividend--individual dividend —019L—FH002 Hu	Unknown	1.29	11,358,114	3,360,000	None	0
Ren Wenfeng	Natural person in China	1.24	10,955,369	0	None	0
Haitong Kaiyuan Investment Co., Ltd	Non-state-owed legal person in China	1.16	10,258,062	10,258,062	None	0
Notes for correlation or concerted action of the above shareholders		1. Research Institute of Telecommunications Technology holds 100% shares of DATANG Telecom Technology Industry Holdings Co., Ltd., so it is the majority shareholder of DATANG Telecom Technology Industry Holdings Co., Ltd. 2. The Company does not know correlation or concerted action of other shareholders.				

2.3 Block diagram of property right and control relationship between the company and the actual majority shareholders.



III. Discussion and analysis of the management

In 2014, the company continues to focus on four major areas, including the IC design, software and application, terminal design, and mobile internet. Base on the overall goal of "becoming solid and stronger", the starting point of "improvement of quality and efficiency", the overall work idea of "stabilizing growth, adjusting structure, gathering resources, improving efficiency, controlling risk", and the direction of "three-transformation" of development mode, the company makes great efforts to promote the company's transformation from scale-based growth to benefit -based growth, from quantity-based improvement to quality-based improvement, and from short-term performance to sustainable development. The company provides solutions and services for government, operators, enterprises and consumers through the industrial management and capital management.

In terms of steady growth, according to the principle of "maintaining & control", the company achieves a total operation revenue of 7984.03 million yuan in 2014, a slight increase over the previous year; it achieves gross profit increase of 152.84 million yuan over the same period of previous year, an increase of 10.61%; it achieves a total profit increase of 52.08 million yuan over the previous year. The overall profitability of the company continues to rise.

In the field of IC design, the company seizes high-speed development opportunities in the smart phone market for its mobile terminal chip business, and successfully launches a new generation of technology platform of SDR software radio, provides bulk supply of TD-LTE smart terminal chip and data terminal chip, and actively explores LTE trunking communication, satellite communication market. The company's financial security chip is on the shortlist for the bidding of financial chip of head office of China Construction Bank, and also on the shortlist for the pilot project of domestic financial chip of the Postal Savings Bank of China, and issues cards in small quantities. The layout of automotive electronic chip business is achieved in the key chip design field of new energy automobile, chip of the automobile light regulator is sold and operated stably

In the terminal design field, relying on the perfect terminal industry chain, and focusing on high-value markets and clients, the Company has not only established the dominant position of LTE data terminal, but also focused on enhancement of independent development and promotion efforts of the industrial platform and the supporting terminals, and has won the bidding of the POC communication platform project of China Mobile corporation, and has improved the competitiveness of the industrial terminal products in the industrial terminal field, PCBA/ODM business has accounted for a major share in LTE product.

In the field of software and application, the company consolidates the operation market and further improves city management and industry application software platform, and gradually forms a series of solutions, develops some important industries, including smart city, safe city, intelligent transportation, smart education, smart energy, smart nuclear power water, smart conservancy informatization.

In the field of mobile Internet, the company initially constructs the incubation mode of "one body with two wings" for mobile Internet project, further opens up the coordination mechanism that combines cloud platform technology incubation, investment/financing incubation and Park service incubation, initially forms the incubation pattern of resource-based mobile Internet innovation projects. In this year, the company successfully develops a variety of high-quality mobile games and webpage games, and establishes diversified game promotion channels through a long-term stable partnership with partners such as Baidu, Tencent, 360, etc, hence becomes a well-known developer and operation service supplier for network game.

In terms of structural adjustment, the company adjusts the industrial structure by enhancing sales efforts of its self-owned products; adjust the asset structure by focusing on the major businesses, acquisition and restructuring, by improving profitability and enhancing the intensity of the collection of payment; adjust the structure of liabilities by improving the long/short-term borrowings ratio and the structure of assess and debts; optimize the organizational structure by through establishing the management model of "headquarter strategic control + four industrial segment operation platform".

In terms of gathering the resources, the company successfully completes the restructuring and additional issuance, successfully acquisition of Guangzhou Yaowan Company, improves the company's industry layout in mobile Internet value-added services, greatly improves the company's assets structure and profitability. The company actively takes industrial advantage, strengthens integration of internal and external resources by various forms of resources, such as, striving for national special science and technology projects, IC industry funds, financial discount.

In terms of benefits, the company overcomes the macro environment difficulties and industry pressure, total profit and net profit grows to a certain extent, compared to the same period of previous year. At the same time, the company vigorously promotes cost-efficiency project, conducts an overall planning and implementation of special work for cost reduction and efficiency increase, implements the work for cost reduction in the whole industry chain of each industrial segment, reduces costs and improve management quality.

In the control of risk, the company continues to carry out a comprehensive risk management, and special researches and deployment, aiming at risks in five aspects, including receivables, inventory, intangible assets, goodwill and liabilities.

3.1 Analysis of main businesses

3.1.1 Table of analysis on variation in relevant items in the Profit Statement and Cash Flow Statement

Item	Unit: Yuan		Currency: RMB
	The number of the current period	The number of the same period of previous year	Changes in the proportion (%)
Operating income	7,984,031,029.75	7,915,172,624.99	0.87
Operating costs	6,384,289,162.66	6,500,578,405.45	-1.79
Sales expenses	313,689,957.63	327,039,540.29	-4.08
Administrative cost	760,817,477.98	662,358,679.26	14.86
Financial cost	339,052,910.89	259,830,824.56	30.49
Net cash flows from operating activities	-587,050,504.47	-152,053,763.43	Not applicable
Net cash flows from investing activities	-643,580,093.85	-858,488,847.05	Not applicable
Net cash flows from financing	1,592,409,852.36	1,116,797,392.56	42.59

Item	The number of the current period	The number of the same period of previous year	Changes in the proportion (%)
activities			
Spending on research and development	866,062,085.04	787,162,513.56	10.02

3.1.2 Income

(1) Analysis on factors driving the change of operating income

Changes of operating income of the company's main business segment

Unit: Yuan Currency: RMB

Industry Name	Income from main business		Growth rate (%)
	In 2014	In 2013	
IC design	2,854,077,074.03	2,200,264,886.50	29.72
Terminal design	2,193,220,165.68	1,603,676,913.31	36.76
Software and application	2,615,356,789.37	4,015,542,623.00	-34.87
Mobile Internet	314,820,672.31	84,516,517.84	272.50
Total	7,977,474,701.39	7,904,000,940.65	0.93

During the reporting period, the company achieves the income from main business of 7,977,474,701.39 yuan, an growth of 0.93% over the previous year. Among them, 29.72% is the growth in operating income of IC design field, the market share and industrial scale of superior product are further consolidated and expanded, in which, big breakthrough can be seen in module shipments of financial security chip and business-purpose utilization of pan financial products, compared to the previous year. The growth in operating income of terminal design is 36.76%. Good achievement can be seen in shipments of PCBA/ODM, industrial terminal and data terminal. A decrease by 34.87% can be seen in revenue of software and application field, the company mainly adjusts and optimize the revenue structure, increase the proportion of independent products, strictly control projects with big operating risks; revenue growth in the mobile Internet field is 272.50%, greater revenue growth is achieved through the breakthrough of game business and improvement of project incubation mode.

(2) Analysis on orders

During the reporting period, the company has stable order and reasonable industrial structure. Among them, the field of IC design accounts for 36%, the terminal design accounts for 27%, software and application field accounts for 33%, mobile internet field accounts for 4%.

(3) Situation of sales clients

The company's main clients are terminal equipment sales business, telecom operators, government agencies, banks and other financial institutions. In 2014, top five sales clients achieves the revenue of 2,117 million yuan, accounting for 26.53% of the company's total operating income

The operating income of the company's top five clients

Unit: Yuan Currency: RMB

client name	Total operating income	Proportion (%) in company's total operating income Percentage (%)
No. 1	621,561,129.28	7.79
No. 2	569,000,000.00	7.13
No. 3	492,253,574.88	6.17
No. 4	256,940,170.94	3.22
No. 5	176,746,480.77	2.22
Total	2,116,501,355.87	26.53

3.1.3 Cost

(1) Cost Analysis Table

Unit: Yuan

Currency: RMB

Situation of sub sectors						
Sub sectors	Cost composition	The amount of the current period	Proportion (%) in total cost of the current period	Amount in the same period of previous year	Proportion (%) of amount of the same period of previous year in total cost	Change proportion (%) of amount of the current period, compared to the same period of previous year
IC Design	Raw materials	1,451,153,089.30	78.53	1,391,143,841.79	93.85	4.31
	Labour cost	166,550,902.51	9.01	15,159,891.71	1.02	998.63
	Depreciation	152,821,016.90	8.27	8,783,155.69	0.59	1,639.93
	Other	77,407,882.28	4.19	67,218,749.37	4.53	15.16
	Subtotal	1,847,932,890.99	100.00	1,482,305,638.56	100.00	24.67
Terminal design	Raw materials	1,781,489,024.07	90.14	1,225,149,810.42	88.65	45.41
	Labour cost	32,991,821.02	1.67	10,735,974.11	0.78	207.30
	Depreciation	4,798,695.00	0.24	4,062,200.79	0.29	18.13
	Other	156,996,843.29	7.94	141,994,502.79	10.27	10.57
	Subtotal	1,976,276,383.38	100.00	1,381,942,488.11	100.00	43.01
Software and application	Raw materials	1,770,049,313.80	72.12	2,121,458,036.10	60.17	-16.56
	Labour cost	82,498,876.67	3.36	99,646,713.88	2.83	-17.21
	Depreciation	4,309,762.03	0.18	3,887,934.17	0.11	10.85
	Other	597,406,788.22	24.34	1,300,781,017.20	36.89	-54.07
	Subtotal	2,454,264,740.72	100.00	3,525,773,701.35	100.00	-30.39
Mobile Internet	Raw materials					
	Labour cost	75,260,960.74	74.59	50,892,501.47	69.53	47.88
	Depreciation					
	Other	25,636,154.66	25.41	22,301,566.29	30.47	14.95
	Subtotal	100,897,115.40	100.00	73,194,067.76	100.00	37.85
Total		6,379,371,130.49		6,463,215,895.78		-1.30

(2) Situation of main suppliers

Procurement from top five suppliers in 2014:

Unit: Yuan

Currency: RMB

Supplier name	The purchase amount (excluding tax)	Proportion (%) in total purchase amount
No. 1	513,352,600.00	8.45
No. 2	436,091,657.92	7.18
No. 3	281,497,269.43	4.63
No. 4	242,921,803.32	4.00
No. 5	162,228,580.00	2.67
Total	1,636,091,910.67	26.93

3.1.4 Expenses

Item	Unit: Yuan		Currency: RMB
	The amount of the current period	The amount of previous period	Changes proportion (%)
Sales expenses	313,689,957.63	327,039,540.29	-4.08
Administrative cost	760,817,477.98	662,358,679.26	14.86
Financial cost	339,052,910.89	259,830,824.56	30.49

- (1) Cost of sales this year is decreased by 13,349,582.66 yuan, compared to the previous year, the decreased proportion is 4.08%, mainly resulting from enhancement of management and control, reduction of costs and improvement of efficiency in the current period.
- (2) Administrative cost this year is increased by 98,458,798.72 yuan, compared to the previous year, the increased proportion is 14.86%, mainly resulting from combination of Guangzhou Yaowan Company and NXP Company.
- (3) Financial cost this year is increased by 79,222,086.33 yuan, compared to the previous year, the increased proportion is 30.49%, mainly because that the loan is increased during the reporting period, replacement from long-term borrowings to short-term borrowings causes a rise in interest rates.

3.1.5 R&D expenditures

(1) Table for R&D expenditure

Unit: Yuan		Currency: RMB
R&D expenditure listed as expenses in the current period	288,839,237.14	
R&D expenditure listed as capital in the current period	577,222,847.90	
Total R&D expenditure	866,062,085.04	
Proportion (%) of total R&D expenditure in net assets	20.28	
Proportion (%) of total R&D expenditure in the operating income	10.85	

(2) Notes

In 2014, the company's investment in R&D is **866.06** million yuan, an increase of 10.02% compared to the previous year. The company focuses on resources in four fields (chips, terminals, software and mobile Internet), increase the investment. Around TD-LTE/4G, mobile Internet, information security, logistical networking and smart city, etc. the company carries out R&D on new technologies and new products, and completes R&D and market promotion of products and solutions, including 28nm 4G multi-mode mobile terminal chip and solutions, the double-interface financial security chip, mobile payment security chip, 4G mobile data terminal, 4G multi-mode mobile terminal, confidentiality and special communication terminal, mobile Internet one-stop cloud services platform, intelligent vehicle networking gateway and intelligent transportation, smart education, smart energy system platform and information solutions. The company increases the investment in technological innovation resources, and improves innovation and ability of innovation industrialization, continues to create the company's core competitiveness.

3.1.6 Cash flow

		Unit: Yuan Currency:RMB	
Item	The number of the current period	The number of the same period of previous year	Changes proportion (%)
Net cash flows from operating activities	-587,050,504.47	-152,053,763.43	Not applicable
Net cash flows from investing activities	-643,580,093.85	-858,488,847.05	Not applicable
Net cash flows from financing	1,592,409,852.36	1,116,797,392.56	42.59

activities			
(1) Net cash flows from operating activities this year is decreased by -434,996,741.04 yuan than the previous year, mainly resulting from payment of the due bank acceptance bills.			
(2) Net cash flow from the investment activities this year is increased by 214,908,753.20 yuan than the previous year, mainly resulting from reduction of payment of investment and also resulting from an increase of the recovered cash from disposal of intangible assets compared to the same period of previous year.			
(3) Net cash flow from the financing activities this year is increased by 475,612,459.80 yuan than the previous year, the increased proportion is 42.59%, mainly resulting from an increase of financing during the reporting period.			

3.1.7 Others

- (1) Detailed notes for significant changes in the company's profit composition or profit sources

Item	The amount at the end of this year	The amount at the end of last year	Compared to the previous period The changed amount	Change, compared to the previous period Percentage (%)
Non-operating income	261,383,850.51	202,612,545.79	58,771,304.72	29.01

Non-operating income this year is increased by 58,771,304.72 yuan than the previous year. The increased proportion is 29.01%, mainly resulting from the increase of non-operating income from government grants and also resulting from an increase from disposal of intangible assets during the report period.

- (3) Notes for analysis on execution progress of all kinds of financing, major asset restructuring matters in the early stage of the Company.

During the reporting period, the company completes the issuance of shares and payment of cash for purchase of assets, and the company raises the supporting funds for major asset restructuring project. The restructuring involves issuance for two times: (1) Issuance of shares to buy assets: DATANG pays 65% equity price for non-public offering shares of 9 shareholders of Guangzhou Yaowan Company such as Mr. Zhou Hao and Mr. Chen Yong, namely 1,092,483,720 yuan; (2) Issuance of shares to raise the supporting funds: DATANG issues shares to other designated shareholders (not more than 10 shareholders) to raise the supporting funds, the total amount is not more than 420,186,075 yuan. On April 25, 2014, the restructuring transaction bid (equity of Guangzhou Yaowan Company) transfer procedures and related registration with the Administration for industrial and commercial has been completed. Newly-added shares in the company's non-public offering this time has been subject to registration on May 12, 2014 and June 6, 2014, China Securities Depository and Clearing Co. Ltd (Shanghai Branch) has issued the "securities change registration certificate". The number of shares issued by the company for purchasing the assets is 102,580,631 shares, and the number of shares issued by the company for raising the supporting funds is 37,820,528 shares. After this non-public offering, the total shares of the company is 882,108,472 shares.

3.2 Analysis of industry, product or regional operation

3.2.1 Main business (by industry or by product)

Unit: yuan Currency: RMB

Condition of major business by sectors						
Sub sectors	Operating income	Operating costs	Gross profit rate (%)	Increase/decrease of operating income compared to last year (%)	Increase/decrease of operating cost compared to last year (%)	Increase/decrease of gross profit rate compared to last year (%)
IC design	2,854,077,074.03	1,847,932,890.99	35.25	29.72	24.67	Up by 2.62 percentage points
Terminal design	2,193,220,165.68	1,976,276,383.38	9.89	36.76	43.01	Up by -3.94 percentage points
Software and application	2,615,356,789.37	2,454,264,740.72	6.16	-34.87	-30.39	Down by 6.04 percentage points
Mobile Internet	314,820,672.31	100,897,115.40	67.95	272.50	37.85	Up by 54.55 percentage points
Total	7,977,474,701.39	6,379,371,130.49	20.03	0.93	-1.30	Up by 1.80 percentage points

3.2.2 Main business (by region)

Unit: Yuan Currency: RMB

Region	Operating income	Increase/decrease of operating income compared to last year (%)
Northern region	3,830,933,757.72	-3.27
Southern region	3,039,715,365.69	-4.70
Other regions	1,106,825,577.98	46.82
Total	7,977,474,701.39	0.93

3.3 Analysis of assets and liabilities

3.3.1 Table of analysis of assets and liabilities

Unit: Yuan Currency: RMB

Project name	Amount at the end of the current period	Proportion of amount at the end of the current period in total asset (%)	Amount at the end of the last period	Proportion of amount at the end of the last period in total asset (%)	Variable proportion of amount at the end of the current period compared to the amount at the end of the last period (%)	Notes
Cash and cash equivalents	1,824,447,546.65	13.06	1,358,043,475.41	12.18	34.34	
Notes receivable	817,378,061.22	5.85	248,615,637.50	2.23	228.77	
Available-for-sale financial assets	53,143,748.75	0.38	18,053,400.00	0.16	194.37	
Long-term receivables	20,449,976.61	0.15	35,908,546.84	0.32	-43.05	
Construction in progress	109,228,076.81	0.78	18,512,160.48	0.17	490.03	
Goodwill	1,608,130,229.39	11.52	271,777,613.66	2.44	491.71	
Long-term deferred expenses	14,071,839.12	0.10	2,544,068.91	0.02	453.12	
Notes payable	421,911,787.84	3.02	933,797,849.27	8.38	-54.82	
Employee compensation payable	38,430,221.68	0.28	24,538,984.24	0.22	56.61	
Interests payable	19,005,182.20	0.14	1,440,765.56	0.01	1,219.10	

Project name	Amount at the end of the current period	Proportion of amount at the end of the current period in total asset (%)	Amount at the end of the last period	Proportion of amount at the end of the last period in total asset (%)	Variable proportion of amount at the end of the current period compared to the amount at the end of the last period (%)	Notes
Dividends payable	37,187,080.46	0.27	21,370,760.93	0.19	74.01	
Other payables	285,204,241.63	2.04	210,125,029.60	1.88	35.73	
Long-term borrowings	1,384,596,268.44	9.92	500,000,000.00	4.48	176.92	
Bonds payable	988,062,220.35	7.08				
Long-term payables	1,041,875,046.60	7.46				
Deferred income tax liabilities	12,658,769.15	0.09	1,665,264.43	0.01	660.17	
Capital reserve	3,682,967,691.52	26.37	2,313,965,000.50	20.75	59.16	
Other comprehensive income	1,650,181.12	0.01	-2,031,074.52	-0.02	-181.25	

- (1) The amount of cash and cash equivalents at the end of the year increases 466,404,071.24 yuan, compared to the amount at the beginning, up by 34.34%, which mainly is the result that the consolidation scope of the company expands within the report period and many payments are collected at the end of the year.
- (2) The amount of notes receivable at the end of the year increases 568,762,423.72 yuan compared to the amount at the beginning, up by 228.77%, which mainly is the result that the use of notes for settlement by the company increases.
- (3) The amount of available-for-sale financial assets at the end of the year increases 35,090,348.75 yuan compared to the amount at the beginning, up by 194.37%, which mainly is the result that the ratio of stock right of joint-stock company changes and new guidelines are implemented.
- (4) The amount of long-term receivables at the end of the year decreases 15,458,570.23 compared to the amount at the beginning, down by 43.05%, which mainly is the result of collection at the preset period.
- (5) The amount of construction in progress at the end of the year increases 90,715,916.33 yuan compared to the amount at the beginning, up by 490.03%, which mainly is the result of the construction of Yongfeng Project Phase III.
- (6) The amount of goodwill at the end of the year increases 1,336,352,615.73 yuan compared to the amount at the beginning, up by 491.71%, which mainly is the result of acquisition of Guangzhou Yaowan.
- (7) The amount of long-term deferred expenses at the end of the year increases 11,527,770.21 yuan compared to the amount at the beginning, up by 453.12%, which mainly is the result of acquisition of Guangzhou Yaowan.
- (8) The amount of notes payable at the end of the year decreases 511,886,061.43 yuan compared to the amount at the beginning, down by 54.82%, which mainly is the result that acceptance draft is due and paid.
- (9) The amount of employee compensation payable at the end of the year increases 13,891,237.44 yuan compared to the amount at the beginning, up by 56.61%, which mainly is the result that the consolidation scope of the company expands.

- (10) The amount of interests payable at the end of the year increases 17,564,416.64 yuan compared to the amount at the beginning, up by 1,219.10%, which mainly is the result that liabilities with interest increases.
- (11) The amount of dividends payable at the end of the year increase 15,816,319.53 yuan compared to the amount at the beginning, up by 74.01%, which mainly is the result that non-wholly-owned subsidiaries of the company made the distribution of profits in the year.
- (12) The amount of other payables at the end of the year increases 75,079,212.03 yuan compared to the amount at the beginning, up by 35.73%, which mainly is the result that the final payment for acquisition of stock right of Guangzhou Yaowan has not been paid.
- (13) The amount of long-term borrowings at the end of the year increases 884,596,268.44 yuan compared to the amount at the beginning, up by 176.92%, which mainly is the result of debt restructuring and replacement of long-term borrowings for short-term borrowings.
- (14) The amount of bonds payable at the end of the year increases 988,062,220.35 yuan compared to the amount at the beginning, which mainly is the result of issuance of RMB bonds abroad.
- (15) The amount of long-term payables at the end of the year increases 1,041,875,046.60 yuan compared to the amount at the beginning, which mainly is the result of debt restructuring and replacement of long-term borrowings for short-term borrowings.
- (16) The amount of deferred income tax liabilities increases 10,993,504.72 yuan compared to the amount at the beginning, up by 660.17%, which mainly is the result of added value and amortization evaluation in the acquisition of Guangzhou Yaowan.
- (17) The amount of capital reserve at the end of the year increases 1,369,002,691.02 yuan compared to the amount at the beginning, up by 59.16%, which mainly is the result of premium due to additional issue in the acquisition of Guangzhou Yaowan.
- (18) The amount of other comprehensive income at the end of the year increases 3,681,255.64 yuan compared to the amount at the beginning, up by 181.25%, which mainly is the result of the difference of the foreign currency statement translation.

3.4 Analysis of core competitiveness

The company strengthens the efforts in the research and development of financial payment, Internet of Things, mobile Internet and information security during the report period, which further improves the company's ability to work on integrated solution for integrated circuit design, terminal design, software and application, and mobile Internet services, and the competitiveness of core products. In the field of integrated circuit design, we make integrated innovation to maintain the leading position in mobile communication chip, ID identification chip and financial& social security chip, and continue to strengthen the efforts for R&D and promotion of low-cost intelligent card chip and biface CPU chip. We have managed to effectively improve the competitiveness of terminal chip. Financial IC card chip independently researched and developed by us was the in the finalists of project bidding of several banks, and successfully passed product testing. Such IC card was issued in small batch. DATANG NXP Semiconductors Co., Ltd. was put into operation. Our arrangement in the field of key chip design for new energy automobile was completed. Our operating capability improves effectively. In the field of terminal design, our ability for terminal design and services has constantly enhanced, and we have businesses such as data terminal, industry terminal and application platform, and PCBA/ODM service. Our business in international market grows rapidly. The industry chain

constantly improves. In the field of software and application, the application platform for urban service management and IOT and cloud computing platform continue to improve; several products and solutions with proprietary intellectual property rights were introduced and applied commercially, which satisfies the demand of entire industrial development for basic platform. In the field of mobile Internet, an incubation model of “One Body Two Wings” for mobile Internet project was constructed initially; a cooperation mechanism combining cloud platform technology incubation, investment and financing incubation and park service incubation was further opened up; an incubation pattern for resource-type mobile Internet innovation project was preliminarily formed. Guangzhou Yaowan successfully developed several high level games. The capability for online games development and operation service was improved.

3.5 Analysis of investment

3.5.1 General analysis of external equity investment

(1) About external equity investment by the company

	Unit: million	Currency: RMB
Amount invested in the report period		4,907.2933
Change in increase/decrease of amount invested		4,593.8707
Amount invested of the same period in last year		313.4226
Increase/decrease of amount invested (%)		1466

(2) Status of the invested company

Name of the invested company	Main business	Proportion in equities of the invested company (%)
DATANG NXP Semiconductors Co., Ltd.	Research, develop, design, produce and sell semiconductor integrated circuit and electron parts, and provide transfer of technology, technology consulting, technology service; import and export of relevant tech for integrated circuit; trade for whole sale, import/export of integrated circuit.	51.00
DATANG Terminal Technology Co., Ltd.	research, manufacture, and sale of tele-communication and electronic equipment, and relevant product, mobile phone set, device and meters, culture office equipment, computer hard/soft ware and peripheral equipment, system integration, optical wire, microelectronic device; technology exploitation, transfer of technology, technology consulting, tech service, business consulting for professional tech area like tele-communication, computer network project, and system integration; self-operate or act as agency for import/export of goods and tech; self-possessed mechanical equipment, leasing of specific equipments for electronic industry; R&D of bioidentification technology like fingerprint device etc.	100.00
DATANG Semiconductor Design Co., Ltd.	Engineering survey and design; Property management; Integrated circuit design; computer system	100.00

Name of the invested company	Main business	Proportion in equities of the invested company (%)
	integration; professional tech development, tech transfer, tech service, tech consulting in area of integrated circuit; Sales of electronic products, computer software /hardware and auxiliary equipment, communications equipment, instruments and meters; Import and export of goods/technology, agency for import and export of goods	
Beijing DATANG Zhicheng Software Technology Co., Ltd.	Exploitation, tech transfer, tech consulting, tech service for software technology; computer skill training; basic software service, utility software service; data processing; computer repairing; import/export of goods and tech, agency for import/export; computer system service; Sales of computers, software and auxiliary equipment, communication equipment, mechanical equipment, electronic product, device and elements; device and meters.	100.00
Shengyao Wireless Communication Technology (Beijing) Co., Ltd.	Tech exploitation, tech transfer, tech consulting, tech service; sales of communication equipment, electronic product, mechanical equipment; import/export of technology and goods, agency for import/export; manufacturing consignment for cell phone main-board or complete machine.	100.00
Nanjing Yunke Equity Investment Fund Management Co., Ltd.	Manage private equity investment fund on commission, operate on investment management and relevant consulting service business	40.00
Guangzhou Yaowan Entertainment Network Technology Co., Ltd.	design service of electronic goods; design service for communication engineering; design service for cartoon and derivatives; computer tech exploitation, tech service; computer network system engineering service; digital cartoon production; cartoon (animation) broker agency service; game design and making; advertisement; retail of communication equipment; R&D of electronic, communication and automation technology; software wholesale; software retail; software exploitation; software service; wholesale of electronic product; retail of electronic product; wholesale of computer, retail of	100.00

Name of the invested company	Main business	Proportion in equities of the invested company (%)
	computer; retail of medical supplies and devices (contains no medicine or medical equipment); online cartoon service; online game service	
Shanghai Yaowan Entertainment Network Technology Co., Ltd.	operate in area of network technique and computer technique, including relevant tech exploitation, tech consulting, tech transfer, tech service, computer system integration, network engineering, cartoon design, originality service, image-text design and making, sales of computer, software and auxiliary devices.	100.00
Wuxi Yaowan Entertainment Network Technology Co., Ltd.	computer network system engineering service; electronic product design service; communication engineering design service; design and making of cartoon and derivatives; computer tech exploitation, tech service; game software exploitation; retail of communication equipment; research and development of communication and automation technology; exploitation, sales, and tech service for software; sales of electronic product and computer.	100.00
DATANG Engage (Beijing) Mobile Technology Co., Ltd.	Tech exploitation, tech transfer, tech consulting, and tech service of computer software; sales of self-developed software.	10.00
365IME (Beijing) Network Technology Co., Ltd.	Tech exploitation, tech expansion, design, production, agency, advertising; import/export of technology	51.00
Xi'an DATANG Monitoring Technology Co., Ltd.	Exploitation, production and sales of communication equipment, computer hardware/software, monitoring product, electronic elements; design, construction and system integration of communication system, monitoring system, information system engineering; tech consulting for communication and monitoring technology, tech service.	49.00
DATANG Telecom (Hong Kong) Holding Co., Ltd.	Financing platform	100.00
Xinhua Haimeng (Tianjin) Technology Co., Ltd	Research, service, consulting for financial information tech; operation and management for uncommitted assets; tech exploitation and design for electronic commerce system and	19.00

Name of the invested company	Main business	Proportion in equities of the invested company (%)
	computer software/hardware; consulting service and project design for information-based system; company management consulting, economy information consulting (apart from consulting related with credit card, financial and capital loan); advertisement; sales, installation and repair for electronic product, communication product and accessories.	
DATANG Telecom (Tianjin) Communication Terminals Manufacturing Co., Ltd.	The tech exploitation, tech transfer, tech consulting, tech service, manufacturing, and sales of electronic and communication equipment, mobile Tel set, device and meters, culture office equipment, computer hard/soft ware and peripheral equipment, system integration, optical wire, microelectronic device; communication and information system engineering design; self-operate or act as agency for import/export of goods and tech; forbidden projects are not included, when engaging in restricted or specially defined project, shall handle certain procedures; leasing of self-possessed mechanical equipment; R&D of bioidentification technology like fingerprint device etc.	100.00

Note: 1. The company's subsidiary corporation is DATANG Software Technologies Co., Ltd., Beijing DATANG Smart Card Technology Co., Ltd. is holding 100% of equity right of Beijing DATANG Zhicheng Software Technology Co., Ltd.

2. The company's holding subsidiary corporation Xinhua Reader (Beijing) network Technology Co., Ltd possesses 10% equity of the DATANG Yingjia (Beijing) Mobile Technology Co., Ltd.

3. The company possesses 32% equity of 365IME (Beijing) network Technology Co., Ltd, and the company's holding subsidiary corporation Xinhua Reader (Beijing) network Technology Co., Ltd possesses 19% equity of 365IME (Beijing) network Technology Co., Ltd.

4. The company holds 16.8% equity of Xi'an DATANG Monitoring Technology Co., Ltd., and the company's holding subsidiary corporation Xi'an DATANG Telecom Technology Co., Ltd. holds 32.2% equity of Xi'an DATANG Monitoring Technology Co., Ltd.

5. The company's holding subsidiary corporation Xinhua Reader (Beijing) Network Technology Co., Ltd. possesses 19% equity of Xinhua Haimeng (Tianjin) Technology Co., Ltd.

3.5.2 Use of the fund raised

(1) General service condition of raised fund

√ Applicable □ Not applicable

Unit: yuan Currency: RMB

Year of raising	Raising method	Raised fund Total amount	Total amount of raised fund already used in this year	Total amount of raised fund already used in accumulation	Total amount of raised fund unused	Usage and direction of the unused raised-fund
November 1th,2012	Non-public offering	617,020,000.00	17,805,890.83	603,918,988.42	13,101,011.58	Go on to be used for raise-investment project, the raised fund shall go on to be deposited in raised-fund monitoring account.
May 23, 2014	Non-public offering	410,484,206.08	410,484,206.08	410,484,206.08		
Total	/	1,027,504,206.08	428,290,096.91	1,014,403,194.50	13,101,011.58	/
Total service condition illustration of raised fund			① Since raised fund entering account in November 1th,2012, up to December 31st 2014, for the company and subsidiaries corporations including Leadcore Technology Co., Ltd., DATANG Microelectronics Technology Co., Ltd., the used raised-fund in accumulation is 1,014,403,194.50 yuan; for the company and subsidiary corporations including Leadcore Technology Co., Ltd., DATANG Microelectronics Technology Co., Ltd., the total surplus amount in raised-fund monitoring account is 13,393,501.92 yuan (Interest is 292,490.34 yuan). ② Since raised fund entering account in May 23rd 2014, up to December 31st 2014, the company's total used raised-fund is 410,484,206.08 yuan.			

Detail of surplus raised fund deposit are as follows:

Name of account opener	Deposit bank	Account	Amount
Leadcore Technology Co., Ltd.	Shanghai Pudong Development Bank—Jinqiao Branch	98840155200002030	13,393,501.92
Total			13,393,501.92

Instruction: other raised fund monitoring accounts of the company and subsidiary corporations including Leadcore Technology Co., Ltd., DATANG Microelectronics Technology Co., Ltd., are already closed, relevant interests had roll out.

(2) Status of commitment project of raised fund

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB(The monetary unit is RMB unless otherwise specified)

Name of commitment project	Whether the project is about to change	Planned input amount from raised fund	Input amount of this year from raised fund	Accumulated actual input amount of raised fund	Does it comply with schedule?	Project schedule	anticipated income	Project earning status	Does it comply with expected earning?	Illustration for failing to reach planned schedule	Reasons for change and illustration for changing the process of raised fund
Research and development and industrialization project for high safety intelligent card chip platform which face financial area and industry application.	No	80,000,000.00		80,000,000.00	Yes	100%					
L1813&1812 smart phone chip solution project	No	90,000,000.00		90,000,000.00	Yes	100%					
Four in one wireless connecting chip Project of Leadcore Technology Co., Ltd.	Yes	30,000,000.00	16,898,988.42	16,898,988.42	No	56.33%					On December 7th, 2013, the 6 th session of the company's boarders on the 9 th meeting examined and approved on <i>Proposal of portions of raised capital for the capital increase of the Leadcore Technology Co., Ltd.</i> According to actual needs, the company plans to make use of the raised capital, RMB 30,000,000.00, which was originally planned to use for the development project of the embedded software platform operating system of the smart phone chips of the next generation, of DATANG Technology

[illegible]

(3) Introduction of the raised capital for the changed project

√ Applicable □ Not applicable

Unit: yuan Currency: RMB

The total investment amount of the changed project										
The name of the changed project	The correspondingly original investment project	The proposal investment amount of the changed project	Investment amount of the year	The cumulative amount of actual investment	Does it comply with schedule?	The expected income of the change project	Production and earning status	Project schedule	Does it comply with expected earning?	Illustration for failing to reach planned schedule
Four in one wireless connecting chip Project of Leadcore Technology Co., Ltd.	The development project of the embedded software platform operating system of the smart phone chips of the next generation	30,000,000.00	16,898,988.42	16,898,988.42	No					The project delayed due to the delaying schedule of the cooperation party.
Total	/	30,000,000.00	16,898,988.42	16,898,988.42	/		/	/	/	/
Introduction of the raised capital for the changed project			On December 7th, 2013, the 6 th session of the company's boarders on the 9 th meeting and the third extraordinary general meeting of Year 2013 examined and approved on <i>Proposal of portions of raised capital for the capital increase of the Leadcore Technology Co., Ltd.</i> The company plans to make use of the raised capital in 2012, RMB 30,000,000.00, which was originally planned to use for the development project of the embedded software platform operating system of the smart phone chips of the next generation, of DATANG Technology (Shanghai) Co., Ltd., to develop the project, <i>the Four in One Wireless Connecting Chip Project of Leadcore Technology Co., Ltd.</i> , with the help of increasing the registered capital of <i>Leadcore Technology Co, Ltd.</i>							

3.5.3 Analysis of main subsidiaries and joint-stock companies

Unit Name	Business Scope	Registered Capital	Total Asset	Shareholders Equity	Operating income	Net Profit
DATANG Microelectronics Technology Co., Ltd.	Integrated circuit products, and smart card system and software, and so on	204,210,526.32	1,423,712,165.97	635,229,801.65	887,699,823.31	147,128,146.85
DATANG Software Technology Co., Ltd.	computer software development, technology development, technology transfers, consulting, and training and so on.	109,720,080.00	2,201,676,006.86	331,926,135.46	1,666,772,625.24	26,162,224.73
Xi'an DATANG Telecom Technology Co., Ltd.	communication equipment, communication terminal, and development, production and sales of electronic components	492,398,051.52	1,346,111,807.70	22,235,842.36	139,576,361.06	-77,028,976.33
Shanghai Uniscope	communication equipment	6,000,000.00	881,952,685.93	306,242,631.67	1,364,365,712.49	84,944,277.68

Unit Name	Business Scope	Registered Capital	Total Asset	Shareholders Equity	Operating income	Net Profit
Communication Technology Co., Ltd.	and related products, development and sale of computer software and hardware,					
DATANG Telecom (Tianjin) Communication Terminals Manufacturing Co., Ltd.	communication equipment and related products, development and sale of computer software and hardware,	10,000,000.00	234,107,785.82	-88,882,558.35	403,043,625.38	-46,592,806.94
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	269,565,625.84	98,874,094.41	13,426,522.16	-11,153,152.43
Xinhua Reader (Beijing) Network Technology Co., Ltd.	Internet information service, electronic publication distribution	44,450,000.00	96,253,746.87	52,814,743.37	66,592,145.43	10,417,454.44

Unit Name	Business Scope	Registered Capital	Total Asset	Shareholders Equity	Operating income	Net Profit
	business, and electronic publications replication business, network communication of officially published books, newspapers and periodicals content, the use of information network to running animation products, produce animated films, feature films, television variety, no rights of producing the current politics news and the radio and television programs such as column and a similar project; technology development, production, advertising, technology import and export					
Leadcore Technology Co., Ltd.	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,	340,384,615.00	2,670,649,567.49	1,141,527,812.41	1,644,065,566.12	234,782,601.40

Unit Name	Business Scope	Registered Capital	Total Asset	Shareholders Equity	Operating income	Net Profit
	and integrated circuits; sales of electronics, communication equipment, and integrated circuits; import and export of goods and technology business					
Qidong Uniscope Electronics Co., Ltd.<	manufacturing and sales of industrial electronic module and communication equipment and components	10,000,000.00	68,723,735.52	47,931,905.13	48,431,473.51	10,970,288.89
Jiangsu I-front Science & Technology Co., Ltd.	road traffic monitoring, charging, communication system, intelligent urban road traffic and landscape lighting engineering, building intelligence engineering, design and construction of all kinds of electronics, information technology, and computer systems engineering; installation and sales of mechanical and electronic products.	100,000,000.00	720,804,197.82	197,239,079.17	361,632,603.64	41,884,281.23
DATANG Semiconductor Design Co., Ltd.	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,	777,990,000.00	4,643,685,705.69	1,991,193,035.48	2,817,332,690.25	370,745,202.63

Unit Name	Business Scope	Registered Capital	Total Asset	Shareholders Equity	Operating income	Net Profit
	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)					
	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)					
DATANG NXP Semiconductors Co., Ltd.		20,000,000.00 USD	144,911,387.02	56,192,788.68	51,298,421.97	1,563,169.39
Guangzhou Yaowan Entertainment Network Technology Co., Ltd.	research and development of animation technology, computer hardware and	10,763,441.00	425,249,020.48	395,375,512.45	248,449,690.99	129,301,783.18

Unit Name	Business Scope	Registered Capital	Total Asset	Shareholders Equity	Operating income	Net Profit
	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					
	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					
DATANG Terminal Technology Co., Ltd.	(excluding brokerage) in	663,017,700.00	1,208,218,739.80	623,894,274.69	1,507,149,008.63	90,519,570.05

Unit Name	Business Scope	Registered Capital	Total Asset	Shareholders Equity	Operating income	Net Profit
	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)					

3.5.4 Non-fundraising projects
☒ Applicable ☐ Not applicable

Unit: million Currency: RMB					
Project name	Project Amount	Project schedule	Investment amount of the year	The cumulative amount of actual investment	Project Earnings
Integrated Circuit Industry Consolidation Project	2,435.42	Completed Setup of the New Company and Equity Capital Increase	2,435.42	2,435.42	
Terminal Industry Consolidation Project	663.01	Completed Share Acquisition of Shengyao Wireless Co., Ltd., and Setup of the New Company	663.01	663.01	
Total	3,098.43	/	3,098.43	3,098.43	/
Non-funding-raising Project		In January 2014, approved by the company board of directors of the sixth session on the 11 th meeting, the company agrees to establish a wholly owned subsidiary in Beijing, and			

Project name	Project Amount	Project schedule	Investment amount of the year	The cumulative amount of actual investment	Project Earnings
		to take the company as a subsidiary to integrate Leadcore Technology Co., Ltd. with DATANG Microelectronics Technology Co., Ltd. to develop the platform of the integrated circuit(IC) design industry. The registered capital of the new company is 233,400,000.00yuan in cash with its business scope of related business in IC design field. On February 25th, 2014, DATANG Semiconductor Design Co., Ltd., the development platform of integrate circuit design industry, completes its establishment of industrial and commercial registration. In April 2014, on the 14th meeting of the sixth session of the boarders and with the approval of the 1st temporary shareholder's meeting in Year 2014, the boarders agreed to hold 95% shareholdings of the DATANG Microelectronics Technology Co., Ltd., and 100% shareholdings of Leadcore Technology Co., Ltd., to increase the capital of the wholly-owned subsidiary of DATANG Semiconductor Design Co., Ltd.. According to a reference to <i>Chinese Commentary Report [2014] No. 34 and 35 on the Result of Value Appraisal</i> issued by the Chinese Assets Appraisal Co., Ltd., take 95% shareholdings of DATANG Microelectronics Technology Co., Ltd. held by the company as RMB 598,410,000.00, and 100% shareholdings of Leadcore Technology Co., Ltd. as RMB 1,603,610,000.00. In the equity capital increase of RMB 2,202,020,000.00, RMB 544,590,000.00 to increase the registered capital of DATANG Semiconductor Design Co., Ltd., RMB 1,657,430,000.00 as capital reserves of DATANG Semiconductor Design Co., Ltd. After the completion of the capital increase, registered capital of the DATANG Semiconductor Design Co., Ltd. is RMB 777,990,000.00. The items of capital increase have been completed on the industrial and commercial alteration registration on April 24, 2014. In June 2014, approved by the company board of directors of the sixth session on the 17th meeting, the directors agreed that the company would accept to sell as the price of 1.00 yuan shareholdings of Shengyao Wireless Communication Technology (Beijing) Co., Ltd., 27.4% and 32.6% held by Wu Zunxiang and Shengyao Dingcheng Technology (Beijing) Co., Ltd. respectively. After the completion of the acquisition, the company will hold 100% shareholdings of Shengyao Wireless Communication Technology Co. Ltd. The company agreed to invest 100,000,000.00 yuan in cash, 100% shareholdings of Shanghai Uniscope Communication Technologies Co., Ltd, 100% shareholdings of Qidong Uniscope Electronics Co., Ltd., and 100% shareholdings of Shengyao Wireless Communication Technology Co., Ltd., to set up a new company, DATANG Terminal Technology Co., Ltd., in Tianjin Airport Logistics Processing Zone. According to the evaluation value, the total amount of equity investment above is 563,017,700.00 yuan, all of which was included into the paid-in capital of DATANG Terminal Technology Co., Ltd. DATANG Terminal Technology Co., LTD., registered with the capital of			

Project name	Project Amount	Project schedule	Investment amount of the year	The cumulative amount of actual investment	Project Earnings
		663,017,700.00 yuan, and business scope in the field of design, research and development, production and marketing of terminal industry. DATANG Terminal Technology Co., Ltd. has completed the establishment of industrial and commercial registration on June 25 th , 2014.			

3.6 Discussion and analysis of Board of Directors on future development of the company

3.6.1 Competition pattern and development trend of the industry

In 2015, Chinese economy under the "new normal" focuses more on the quality of the economic development, and the words "internet +", "Industry 4.0", "integrated circuit industry development" and others have already been the hot words in the development and industrial reform of the Chinese economy in Year 2015. 4G mobile communication will push the economic society into an era of high-speed internet and drive the development of the upstream and downstream industries. The information safety will be laid in a national strategic height and face its key stage of strategic development. The Internet of Things, smart city and industry information building will see great progress. The mobile internet will enhance its integration with traditional industry to achieve continuous innovation of business modes. In general, the electronic information industry, with wonderful basis and prospective, will become the main force to propel economic growth.

In IC design, IC industrial chain is still dominated by foreign enterprises and domestic chips are developed with low independence. With the speeding development of electronic information industry, China has increasing demand on IC and is facing fierce competition. The smart terminal chip market is becoming mature, and the markets related to Internet of Things, smart home and wearable computer are cultivated, which is expected to grow rapidly in the future 2-3 years. The state attaches great importance to the development of IC. It has released the industry promotion program, frequently put into "major funds", encouraged enterprises to make innovations on their own, enlarge their scales and integrate the industries, and actively promoted the leapfrog development of IC industry.

In terminal design, the mobile informatization of vertical industry is upgraded, showing favorable market expectation; the forms of terminal products are richer, and the segment markets of wearable equipment, smart television, household intelligent terminal and other smart hardware are going to bloom. Meanwhile, although in face of fiercer market competition, the domestic terminal products will seize larger market shares, the product profit will still be dominated by iPhone, Samsung and other large manufacturers. In such competition environment, domestic terminal manufacturers face serious challenges in terms of their technical capability, operation competency and financial strength.

In software and application, the informatization and intelligentization will continue. The state has issued information consumption policies, and launched benefit-the-people information projects. The smart city construction is promoted in order in all parts of the country, and the medical care and education closely related to people's living being are thriving. In the general environment of information safety, domestic manufacturers have run into the opportunities for development. At the same time, there are a great variety of information integration enterprises within China which are facing low concentration and fierce competition. As the cloud computation, big data and other technologies develop, the providing of consultancy and solutions, the development, implementation and maintenance of IT integrated solutions or the providing of "cloud service" based on the internet are the future direction.

Recently, the mobile internet is becoming prosperous vigorously. "Internet+", O2O and other concepts have generated integration and innovation of multiple aspects, and relevant applications and platforms are presented in large scale. The domestic market pattern led by such industrial giants as Ali, Tencent and Baidu will not usher in prominent change in the near term. In the mass application and service field, there is fierce competition, and the game, mobile payment and industrial application are developing in high speed. In the meantime, the concentrated burst of capital operation has begun, and frequent capital operation has become the new pattern for development of mobile internet business.

3.6.2 Development strategies of the company

In 2015, the company will extend the existing development strategies, namely to provide overall solutions and services for the government, the industry, the enterprises and the consumers with the domestic leading IC design, terminal design, software and application, and mobile internet business as the core, thus developing into the comprehensive leading solution and service provider within the segment market. Stick to the general idea of "stabilizing growth, adjusting structure, concentrating resources, improving benefits and controlling risks", go on optimizing the business layout, adjust the industrial structure, further enhance the layout and balanced development of the four industries including "chip, terminal and cloud" based IC design, terminal design, software and application, and mobile internet, sustain the growth of market operation competency, technical innovation capability, resource allocation ability and risk control ability, improve the operation competency and comprehensive competitive edge of the industry, and try to realize the new goal of "intensified development".

3.6.3 Operation plan

In 2015, guided by the national policy framework, the company will deepen the utilization of such opportunities as information safety and information consumption, and take advantage of industrial development opportunities such as mobile internet, Internet of Things and integration of three networks, accelerate the strategic transformation, enhance the upstream and downstream integration ability of the industrial chain, further exploit the enterprise market and the industrial market, form scale and influence, and gradually form the industrial pattern of "information consumption" market oriented to mobile internet and "information safety" market oriented to Internet of Things.

In 2015, the company will put into more resources to start new businesses, develop new products, continuously improve the chip design capability, actively seek for support from the national and local governments, and realize leapfrog development of IC design through capital operation. Display the integration advantages of the terminal design industry chain, and actively extend the high-value industry markets. Intensify the market competency of industry informatization, and strengthen the independent development of products. Go on completing the “One Body Two Wings” incubation model in the mobile internet industry, and strengthen the construction of cloud platform ability and financing ability.

3.6.4 The company’s fund requirement for maintenance of current business and completion of investment projects in progress

In 2015, the company will apply medium-and-long-term borrowings from commercial banks to provide required funds for infrastructure construction of Beijing Research & Development Center.

3.6.5 Risks that may be faced

(1) Strategic risks

In 2015, the domestic economy is developing in “new normal” In recent years, the state, propped up by technological innovation, has promoted strategic adjustment of economic structure and change of economic development modes. The strategic emerging industry is developing rapidly, accelerating the transformation and upgrading of economic structure in our country. The extension of informational and intelligent application in depth and width, and the deep integration and innovation of industrial intelligentization and internet with the industry have brought force the 4.0 industry revolution. Moreover, the stable implementation of the new industrialization, informatization, urbanization and agricultural modernization and the successive release of relevant policies have quickened the extensive application of information technology in all fields of the society.

With respect to the new changes in economic development, following the requirement to know the new normal, adapt to the new normal and lead the new normal proposed by the central government, the company will effectively assess, follow up and feed back relevant changes and dynamics in development to find out new opportunities and control risks. In the four industry sections of the company, the involved industrial aspects include the traditional and emerging industries of IC, software, terminal and mobile internet, which are influenced by the general economic condition and change of relevant national industrial policies. Therefore, any significant change of national policies in the future will bring out uncertainties for relevant businesses of the company.

(2) Financial Risk

With the new changes of domestic economic situation, and constant increase of the company’s scale of operation, gradual complexity during production and operation, and operation and financial risks remained. It mainly embodies in heavier historical burden, irrational asset structure, low asset quality, heavier debt burden, operation efficiency and profitability to be improved, and management of working capital to be improved. Existence of financial risk may have some impact on the company’s profitability, and its healthy and benign development.

For these problems, in 2015, the company will enhance recovery work of receivables and reinvigorating strength of inventory, implement returned money as quickly as possible, realize cash back, promote operation efficiency, improve management of working capital. Based on guaranteeing overall need of operating fund, actively expand financing channel, gradually adjust the proportion of short and long term borrowing for debt financing, regulate financing structure, reduce debt risk that may occur due to increase of the company’s overall financing scale of

short-term debt. And meanwhile, by promoting construction work of fund sharing, strengthen fund standardization and delicacy management, improve capital usage efficiency, control financing scale, reduce financial cost, and consolidate robustness of the company's capital chain.

3.7 Explanation of Board of Directors on “Non-standard Audit Report” of the accounting firm

3.7.1 Explanation of Board of Directors or Board of Supervisors on “Non-standard Audit Report” of the accounting firm

☐ Applicable ☒ Not applicable

3.7.2 Analysis and explanation of Board of Directors on reasons and effects of changes of accounting policies, accounting estimation and accounting methods

☒ Applicable ☐ Not applicable

According to the accounting principle enacted or modified by the Ministry of Finance in 2014, the company shall alter appropriate parts of accounting policy, and check related accounts and make retroactive adjustment, and the accounting policy altered shall conform to relevant provisions specified by the Ministry of Finance, CSRC (China Securities Regulatory Commission), SSE (Shanghai Stock Exchange), and etc, and enable to reflect then company's financial situation and operating performance objectively and fairly, without any circumstance that damages the company and its shareholders' benefits.

3.7.3 Analysis and explanation of Board of Directors on reasons and effects of modification of major errors identified in the early stage

☐ Applicable ☒ Not applicable

3.8 Plan for profit distribution or for turning capital reserve into equity

3.8.1 Formulation, implementation or adjustment of cash dividend policy

The company modified the provisions related to cash dividend policy in the Articles of Incorporation in September 11, 2012, and carry out explicit statement for specific condition and proportion of cash dividend, deliberation procedure of profit distribution profit distribution scheme, decision-making procedures to modify

The company made profit, but its parent company had negative retained earnings, and deliberated and passed the company's the sixth session of twenty-seventh board of directors, without any pre-arranged planning for profit distribution and share capital increase from accumulation fund during the reporting period.

3.8.2 The company's program or plan for profit distribution or for turning capital reserve into equity in recent three years (including report period)

Unit: Yuan Currency: RMB

Dividend Annual	Number of bonus shares per 10 ordinary shares (share)	Number of dividends (taxes included) per 10 ordinary shares (Yuan)	Number of shares converted by capital reserve per 10 ordinary shares (share)	Amount of cash dividend (Tax included)	Net profit attributed to shareholders of listed companies in consolidated statements of annual dividends	Proportion (%) of net profit attributed to shareholders of listed companies in consolidated statements
2014					217,042,207.05	
2013					155,615,858.74	
2012					168,896,550.09	

3.9 Active fulfillment of social responsibilities

For details see Year 2014 Social Responsibility Report of DATANG Technology Co., Ltd. published on SSE website on April 18, 2015

IV. Related matters involving the financial report

4.1 In case of any changes in accounting policies, accounting estimates and verification methods compared with those in the financial report of the previous year, the company should explain the situation, reasons and effects thereof.

According to the accounting principle enacted or modified by the Ministry of Finance in 2014, the company shall alter appropriate parts of accounting policy, and check related accounts and make retroactive adjustment, and the accounting policy altered shall conform to relevant provisions specified by the Ministry of Finance, CSRC (China Securities Regulatory Commission), SSE (Shanghai Stock Exchange), and etc, and enable to reflect then company's financial situation and operating performance objectively and fairly, without any circumstance that damages the company and its shareholders' benefits.

President: Cao bin

Date of submission approved by the Board of Directors: April 18, 2015