

Datang Telecom Technology Co., Ltd.
Summary of 2015 Annual Report

1 Important Note

- 1.1 To fully understand the Company's operating results, financial position and development plans, the investors should carefully read through the annual report on the website of Shanghai Stock Exchange and other websites designated by the China Securities Regulatory Commission.**
- 1.2 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.**
- 1.3 All directors have attended the board meeting.**
- 1.4 BDO Shu Lun Pan Certified Public Accountants LLP has issued a standard unqualified auditors' report.**

1.5 Company profile

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

Contact information	Secretary of the Board	Securities Representative
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- 1.6 No profit distribution plan or conversion of capital reserves into share capital plans during the report period.**

2 Main business or product description during the reporting period

In 2015, the company focused 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 2015, the company ranked the first tier of China's Top Ten IC Design Enterprises in IC design industry. In mobile communication chips business, the self-developed LC 1860 chip was put into mass production and came into the market. In security chips, "Chips Swap Project" was steadily advanced, and shortlisted in many commercial banks, OSCCA's pilots and local commercial banks. In auto electron centers, the company achieved mass production of lighting controller chips. Steady progress were made on the research on driver chips and battery management chips. In converged communication chips, the company secured contracts from many customers with respect to the license of SDR platform technical solutions. In terminal design, the company put emphasis on the industry segmentation and operators' market, introduced more competitive products, and steadily developed the businesses. The company saw a significant increase in the common data terminal shipments YoY, successfully launched a variety of Mobile and China Unicom version MIFI, and maintained a competitive edge of China Mobile MIFI data terminals in the market. It had a variety of products go commercially in the

industrial terminal area, and played a dominant role in the China Mobile government-enterprise market by virtue of the POC business platform solutions. With the steady development of ODM businesses, the company established a cooperative relationship with a number of renowned domestic and foreign manufacturers. Due to the continuous shipment of PCBA products, the company made a breakthrough in the international market expansion. In the software and application aspect, the company won the title of "2015 National Electronic Information Industry Leader", which is recognition of the leading role of the company in the electronic information industry. In the operator software businesses, actively promoted product innovation, and achieved multi-provincial application of CPN network management, customer service and other new products; completed the private brand hardware systematic construction of the video surveillance businesses, and made breakthroughs in its own products in Inner Mongolia, Guizhou, Anhui, Guangxi and other places upon certification of the Ministry of Public Security; the information security project was recognized in the national key construction projects of the operator and the Ministry of Industry and Information Technology; Vigorously developed the industry application market, actively explore WIFI commercial market, centered on "LTE-FI products+Smart-DTFI platform" , considered the transportation, schools, government, the public and commercial WIFI and other mobile hotspot construction as key direction of the transformation, all of which lead to generate income.

In the mobile application development platform construction of the mobile internet aspect, devoted to building "369CLOUD cloud service platform" of mobile Internet research and development ecosystem, brought together a large number of "software blocks" service components, had the rapid development ability of the industrial mobile Internet platform, and provided the integrating solution for mobile application developers. In the national incubation base construction aspect, Xi'an, Dalian, Shenzhen and Tianjin has set up incubators respectively, while the Xi'an and Dalian Regional R & D Centers have been established. Many projects were incubated. In the game business, a variety of mobile games has begun to generate more income, and the company has carried out deep cooperation with Tencent and 360 in many web games respectively, which boosts a broad prospect.

3 Summary of accounting data and financial indicators

Unit: Yuan Currency: RMB

	2015	2014	Increase or decrease on a year-to-year basis (%)	2013
Total assets	13,794,580,777.44	13,964,610,141.06	-1.22	11,149,449,980.05
OPERATING INCOME	8,602,588,791.38	7,984,031,029.75	7.75	7,915,172,624.99
Net profit attributable to shareholders of the listed company	28,443,877.59	217,042,207.05	-86.89	155,615,858.74
Net profit attributable to shareholders of listed companies, net of non-recurring gains and losses	-706,122,920.38	-54,902,454.07		-29,756,335.22
Net assets attributable to the shareholders of listed companies	4,071,255,425.22	4,030,768,692.75	1.00	2,308,303,812.99
NET CASH FLOWS FROM OPERATING ACTIVITIES	903,569,574.56	-587,050,504.47		-152,053,763.43
Total share capital	882,108,472.00	882,108,472.00		741,707,313.00

	2015	2014	Increase or decrease on a year-to-year basis (%)	2013
as at the end of period				
Basic earnings per share (RMB per share)	0.0322	0.2562	-87.43	0.2098
Diluted earnings per share (RMB per share)	0.0322	0.2562	-87.43	0.2098
Weighted average return on net assets (%)	0.7034	6.1289	down by 5.43 percentage points	6.9992

4 Major financial indicators by quarter in 2015

Unit: Yuan Currency: RMB

	First quarter (January-March)	Second quarter (April - June)	Third quarter (July - September)	Fourth quarter (October - December)
OPERATING INCOME	873,950,576.35	1,783,498,817.55	2,104,721,792.99	3,840,417,604.49
Net profit attributable to shareholders of the listed company	-151,629,340.26	-141,749,522.37	-122,943,948.21	444,766,688.43
Net profit attributable to shareholders of listed companies after deducting non-recurring gains and losses	-162,009,391.48	-168,268,733.57	-213,330,191.96	-162,514,603.37
NET CASH FLOWS FROM OPERATING ACTIVITIES	-254,472,767.58	367,619,693.24	-35,709,691.63	826,132,340.53

5 Share capital and shareholders

5.1 Number of ordinary shareholders and preferred shareholders with voting rights restored and shareholdings of top 10 shareholders

Unit: Share

Total number of ordinary shareholders (households) at the end of the reporting period		66,457					
Total number of ordinary shareholders at the end of the latest month before the date of disclosure of annual report (households)		78,141					
Shareholdings of top ten shareholders							
Name of shareholder (Full name)	Increase or decrease during the reporting period	Number of shares as at the end of the period	Proportion (%)	Number of shares with restricted selling	Pledged or frozen		Nature of shareholders
					Status of shares	Quantity	
Research Institute of Telecommunications Technology	-36,752,339	151,252,178	17.15	0	None	0	State-owned legal person

DATANG Telecom Technology Industry Holdings Co., Ltd.	0	148,118,845	16.79	0	None	0	State-owned legal person
Zhou Hao	-11,959,468	27,905,424	3.16	27,905,424	Pledge	23,910,000	Domestic natural person
Chen Yong	-10,671,500	24,900,383	2.82	24,900,318	Pledge	21,340,000	Domestic natural person
Central Huijin Asset Management Co., Ltd.	24,115,000	24,115,000	2.73	0	None	0	State-owned legal person
National Social Security Fund 118 Division	10,311,864	10,311,864	1.17	0	None	0	Unknown
Ren Wenfeng	-3,527,135	7,428,234	0.84	0	None	0	Unknown
Haitong Kaiyuan Investment Limited	-3,077,419	7,180,643	0.81	7,180,643	None	0	Domestic non state-owned legal person
Harvest Fund - Agricultural Bank of China - Harvest CSI Asset Management Plan	6,882,150	6,882,150	0.78	0	None	0	Unknown
Xiong Bihui	-6,176,470	6,552,246	0.74	0	None	0	Domestic natural person
Notes for relations among the above-mentioned shareholders or acting in concert	1. The Research Institute 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.						

5.2 Chart for the property and controlling relationships between the company and the controlling shareholders

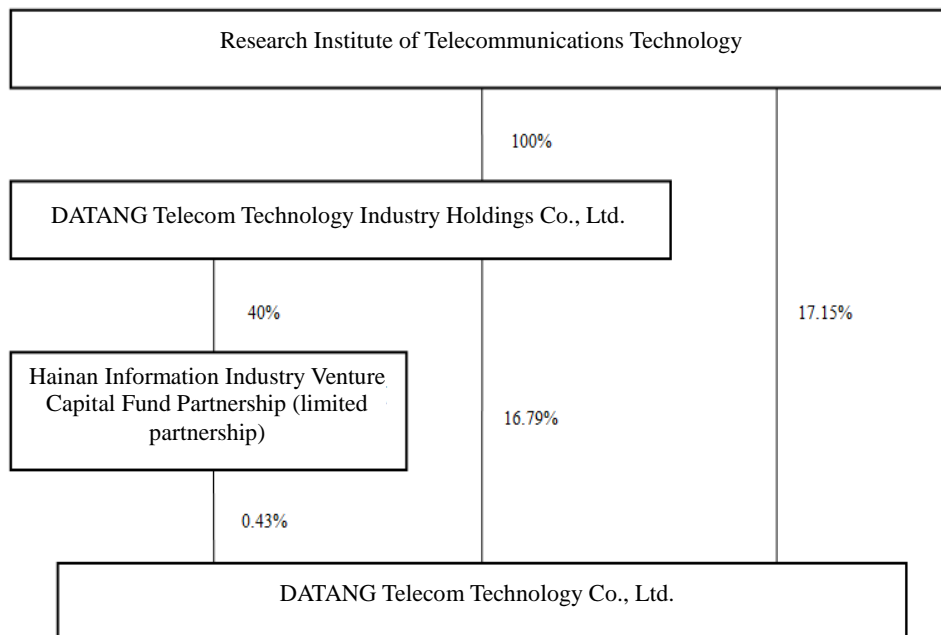
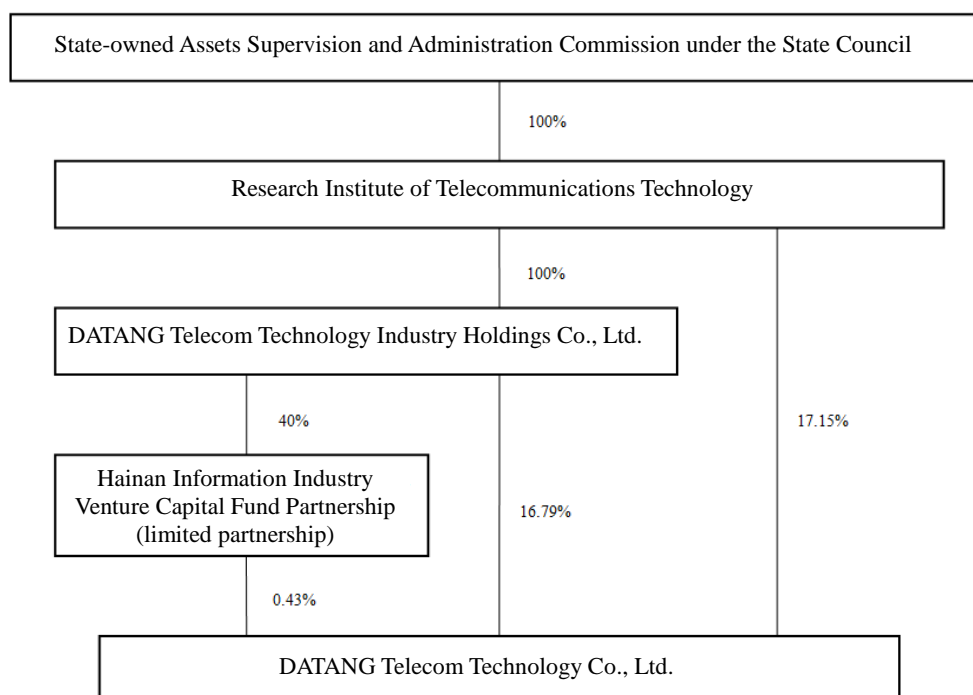


Chart for the property and controlling relationships between the company and the actual controllers



6 Management's discussion and analysis

6.1 Management's discussion and analysis

In 2015, the Company withstood the test of more pressure from international and domestic economic downward, violent competition in mobile communication market, transformation of internal operation and influence of structure adjustment and other tests, and maintained the good momentum of overall operation. For 2015, the Company recognized the operating revenue of RMB 8.6 billion, which has increased by 7.75% YoY; the net operating cash flows of RMB 904 million, which have increased by RMB 1.491 billion YoY and achieved the best historical level; the net accounts receivable has decreased by 17.10% YoY; the scale of liabilities has been effectively controlled and the asset-liability ratio has decreased by 1.25% YoY with a good momentum. Influenced by the mobile terminal industry, along with financial expenses, discount and impairment and other factors, the Company's businesses of terminal design and terminal chips have been greatly shocked with the decrease of gross profit and the Company realized the total profit of RMB 84.89 million.

In the field of integrated circuit design, the LC1860 of the business of mobile communication chips has successfully come into the market in quantities, and more than 1000 pieces of chips were shipped. The company also made breakthrough in unmanned aerial vehicles and satellite communication services. For the security chip business, the work of "chip exchange" has been carried out continuously to achieve the breakthrough of scale; the company has, in the social insurance industry, completed the formulation of the rules and pilot application program of the new social insurance card chips, achieved the card issuance by including ten or more provinces and cities or in scale in the health industry, participated in the formulation of the standard one-card rules of the Ministry of Transport and realized the product filing and pilot program for commercial use in the transport industry, participated in the formulation of the standard one-card rules of education and passed the filing test in the education industry and realized the commercial use and supply in multiple regions in respect of the citizen card and electronic card. The automobile electronic business has realized the domestic independent sales with the sustaining increase of domestic market shares. The car equipment project entered the market under the module and chips plans. In the converged communication business, the Company has acquired contracts from various customers in respect of the authorization of SDR platform technology program.

In the field of terminal design, the Company enhances the investment to focus on the development of the product lines of industrial terminal and application platform, the solution of based POC business platform has acquired the dominant position in the market with the successful R&D gateway products on digital cluster intercommunication. The industrial line of data terminal continues to develop and maintains a higher share in the markets of China Mobile and China Unicom. The product line of PCBA/ODM develops stably with the shipment of scale in India, Vietnam, the Philippines, Russia, Japan, South America and other international markets.

In the fields of software and application, the Company consolidates the operator's software business, the IT service and other traditional advantageous markets, completes the R&D of FAE3 cloud application engine of the operator's software business, network management of Customer Premises Network (CPN), corporate service and other business to achieve the application in multiple provinces, along with the deep cooperation on the operator's IT business with the strategic partners. Meanwhile, the Company expands the intelligent city application and the integrated application of the system in information security industry, researches and develops the software platform of city application and Internet of things, improve the comprehensive management of Smart Community and capacity of service products and completes the systematization construction of self-brand hardware on the video monitoring business line.

In the field of mobile Internet, the Company, devoting to the construction of the mobile application development platforms, successfully creates the "369 cloud service platform" of the R&D ecosphere of mobile Internet to provide the integral solution for the developers of mobile application. The Company successfully develops various boutique cellphone games and web-games and, via the long-term stable cooperation relationship with domestic and foreign partners, sets up diversified game promotion channels. The simulation game Business Life 2, the multiplayer car-racing web-game Need for Draft and other games have acquired good results.

The Company headquarters continues improving the capacity of "value creation, resource control, performance management, risk control and service supporting" to effectively raise the management efficiency.

In addition, the Company actively practices the "Mass Entrepreneurship and Innovation" and explores the innovation of systems and mechanisms audaciously. Depending on the technique advantages, the Company establishes the 369 cloud technology platform, forms the project hatch mode of "one body, two wings" and hatches dozens of projects in succession. The Company encourages the internal innovation by "makers" and promotes the independent entrepreneurship, cooperative entrepreneurship and other mechanism innovation. Meanwhile, the Company explores the reform of mixed ownership by testing systematic innovation in the pilot program of Xinhua Ruide and Datang Smart Card.

6.2 Main businesses during the reporting period

6.2.1 Primary business (by industry)

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

Unit: Yuan Currency: RMB			
Item	2015	2014	Change ratio (%)
operating income	8,602,588,791.38	7,984,031,029.75	7.75
Operating costs	7,494,012,338.05	6,384,289,162.66	17.38
Selling and distribution expenses	338,621,515.24	313,689,957.63	7.95
General and administrative expenses	757,913,442.81	760,817,477.98	-0.38

Item	2015	2014	Change ratio (%)
Financial expenses	368,295,785.02	339,052,910.89	8.62
net cash flows from operating activities	903,569,574.56	-587,050,504.47	Not Applicable
net cash flows from investing activities	-510,053,843.24	-643,580,093.85	Not Applicable
net cash flows from financing activities	-893,993,857.71	1,592,409,852.36	-156.14
Research and development expenditure	972,606,722.69	866,062,085.04	12.30

6.2.1.1 Income and costs analysis

(1) Primary businesses by industry, product and regions

Unit: Yuan Currency: RMB

Primary business (by industry)						
Industry	Operating income	Operating costs	Gross margin (%)	Increase or decrease in operating income YoY (%)	Increase or decrease in operating costs YoY (%)	Increase or decrease in gross margin YoY (%)
IC design	2,616,073,732.73	2,321,950,571.48	11.24	-8.34	25.65	down by 24.01 percentage points
Terminal design	3,395,311,719.44	3,246,261,641.23	4.39	54.81	64.26	down by 5.50 percentage points
Software & application	2,148,235,098.96	1,836,667,035.79	14.50	-17.86	-25.16	Up by 8.34 percentage points
Mobile internet	438,508,728.91	85,502,460.99	80.50	39.29	-15.26	Up by 12.55 percentage points
Total	8,598,129,280.04	7,490,381,709.49	12.88	7.78	17.42	down by 7.15 percentage points
Primary Business by region						
Region	Operating income	Operating costs	Gross margin (%)	Increase or decrease in operating income YoY (%)	Increase or decrease in operating costs YoY (%)	Increase or decrease in gross margin YoY (%)
North	3,753,450,541.70	3,303,674,182.24	11.98	-2.02	0.40	down by 2.13 percentage points
South	2,683,411,121.72	1,912,699,854.98	28.72	-11.72	-7.61	down by 3.17 percentage points
Others	2,161,267,616.62	2,274,007,672.27	-5.22	95.27	123.21	down by 13.17 percentage points
Total	8,598,129,280.04	7,490,381,709.49	12.88	7.78	17.42	down by 7.15 percentage points

(2) Production and sales analysis statement

Unit: 0,000 Yuan

Main products	Production	Sales	Inventory	Increase or decrease in production YoY (%)	Increase or decrease in sales YoY (%)	Increase or decrease in inventory YoY (%)
Security chips and solutions	28,937	49,841	6,070	-19%	-22%	8%
Mobile communication chips and	121,199	104,771	11,079	64%	38%	-14%

Main products	Production	Sales	Inventory	Increase or decrease in production YoY (%)	Increase or decrease in sales YoY (%)	Increase or decrease in inventory YoY (%)
solutions						
Auto electronics and industrial chips	3,987	6,602	160	23%	32%	-15%
Data terminal and industry terminal	13,212	12,602	8,498	16%	35%	-25%
ODM andPCBA services	136,651	136,651	58,000	4%	-2%	5%
Smart City products and solutions	11,047	26,894	13,165	-69%	-43%	62%
Operator products and solutions	1,931	11,854	13,941	-82%	-2%	7%
Information-based industries and solutions	974	16,232	5,407	-36%	-8%	-1%
IT channels and services	91,013	121,094	17,905	33%	20%	5%
Game	308,157	37,645	0	-41%	10%	0%

(3) Cost analysis statement

Unit: Yuan

Industry	Cost breakdown	By industry				
		2015	Proportion of 2015 costs in the total cost (%)	2014	Proportion of 2014 costs in total costs (%)	Proportion of 2015 costs in 2014 costs (%)
IC design	Raw materials	2,144,891,287.27	92.37	1,451,153,089.30	78.53	47.81
	Labor	56,536,779.53	2.43	166,550,902.51	9.01	-66.05
	Depreciation	85,485,076.99	3.68	152,821,016.90	8.27	-44.06
	Others	35,037,427.69	1.52	77,407,882.28	4.19	-54.74
	Subtotal	2,321,950,571.48	100.00	1,847,932,890.99	100.00	25.65
Terminal design	Raw materials	3,200,344,818.39	98.59	1,781,489,024.07	90.14	79.64
	Labor	30,836,927.03	0.95	32,991,821.02	1.67	-6.53
	Depreciation	5,881,864.88	0.18	4,798,695.00	0.24	22.57
	Others	9,198,030.93	0.28	156,996,843.29	7.94	-94.14
	Subtotal	3,246,261,641.23	100.00	1,976,276,383.38	100.00	64.26
Software & application	Raw materials	1,590,714,564.82	86.61	1,770,049,313.80	72.12	-10.13
	Labor	237,742,306.34	12.94	82,498,876.67	3.36	188.18
	Depreciation		0.00	4,309,762.03	0.18	0
	Others	8,210,164.63	0.45	597,406,788.22	24.34	-98.63

By industry						
Industry	Cost breakdown	2015	Proportion of 2015 costs in the total cost (%)	2014	Proportion of 2014 costs in total costs (%)	Proportion of 2015 costs in 2014 costs (%)
	Subtotal	1,836,667,035.79	100.00	2,454,264,740.72	100.00	-25.16
	Raw materials					
	Labor	35,271,285.37	41.25	75,260,960.74	74.59	-53.13
	Depreciation					
Mobile internet	Others	50,231,175.62	58.75	25,636,154.66	25.41	95.94
	Sub-total	85,502,460.99	100.00	100,897,115.40	100.00	-15.26
Total	Total	7,490,381,709.49		6,379,371,130.49		17.42

6.2.1.2 Expenses

Item	2015	2014	Change ratio (%)
Selling and distribution expenses	338,621,515.24	313,689,957.63	7.95
General and administrative expenses	757,913,442.81	760,817,477.98	-0.38
Financial expenses	368,295,785.02	339,052,910.89	8.62

- (1) In 2015, the selling expenses increased by 7.95% over the previous year, mainly due to that Guangzhou Yaowan, the subsidiaries of the company, adjusted its business model and increased investment in advertisement and promotion;
- (2) In 2015, the general and administrative expenses post a slight decline by 0.38% YoY;
- (3) In 2015, the financial expenses increased by 8.62% over the previous year, mainly due to the increase in foreign exchange gains and losses and higher average loan size;

6.2.1.3 R & D investment

R & D investment statement

	Unit: Yuan
R & D investment expenditure in 2015	249,575,984.75
R & D investment capitalization in 2015	723,030,737.94
Total R & D investment	972,606,722.69
Proportion of total R & D investment in operating income (%)	11.31
Number of R & D personnel	1,869
Proportion of number of R & D personnel in total number of employees (%)	35.94
Ratio of R & D investment capitalization (%)	74.34

Notes

This year, the company continued to increase investment in research and development, and the total amount of R & D investment grew by 12.30 % over the previous year, mainly due to that the company precisely positioned the R & D investment, improve efficiency and pursuit the rational R & D output-input ratio. In 2015, the company concentrated on developing the mobile communication baseband chips, security chips, financial chips, auto electronic chip and smart city, industrial applications, Internet +, etc., put more effort in personnel and invest more funds to effectively enhance the company's innovation level and establish a famous R & D platform.

6.2.1.4 Cash flow

Item	2015	2014	Change ratio (%)
Net cash flows from operating activities	903,569,574.56	-587,050,504.47	Not Applicable
Net cash flows from investing activities	-510,053,843.24	-643,580,093.85	Not Applicable
net cash flows from financing activities	-893,993,857.71	1,592,409,852.36	-156.14

- (1) The net cash flows from operating activities increased by RMB 1,490,620,079.03 over the last year, mainly due to that the company put more efforts in payback;
- (2) The net cash flows from investing activities increased by RMB 133,526,250.61 over the last year, mainly due to that the company collected more cash than last year after disposing of the equities of the subsidiaries such as Xinhua Ruide and Datang Smart Card;
- (3) The net cash flows from financing activities decreased by RMB 2,486,403,710.07 over the last year, mainly due to that the company downsized the loan, and focused on paying debts;

6.2.2 Description of significant changes in profits arising from non-primary businesses

√ applicable □ not applicable

Item	Ending balance of 2015	Ending balance of 2014	Amount of changes over the last year	Change ratio over the last year (%)
Losses from asset impairment	295,474,982.67	119,265,256.72	176,209,725.95	147.75
Investment income	465,748,701.22	27,420,591.07	438,328,110.15	1,598.54

- (1) The losses from asset impairment in 2015 rose by 147.75% compared with that in 2014, mainly due to the provision of bad debts, inventory depreciation reserves and impairment of goodwill.
- (2) The investment income in 2015 rose by 1,598.54% compared with that in 2014, mainly due to that the company obtained the benefits and the accretion in the remaining equities by transferring the equities of IME, Xinhua Ruide and Datang Smart Card, and the associates calculated at the equity method increased profits.

6.2.3 Assets and liabilities analysis

Assets and liabilities

Unit: Yuan

Item	Ending balance of 2015	Proportion of ending balance of 2015 in total assets (%)	Ending balance of 2014	Proportion of ending balance of 2014 in total assets (%)	Proportion of 2015 ending balance in 2014 ending balance (%)
Notes receivable	535,145,456.40	3.88	817,378,061.22	5.85	-34.53
Other current assets	202,148,916.10	1.47	50,000,000.00	0.36	304.30
Long-term equity investments	559,635,819.75	4.06	217,833,379.04	1.56	156.91
Construction in progress	192,589,738.24	1.40	109,228,076.81	0.78	76.32
Long-term deferred expenses	7,505,842.01	0.05	14,071,839.12	0.10	-46.66
Deferred income tax assets	57,887,783.89	0.42	34,096,965.86	0.24	69.77
Short-term borrowings	2,351,396,739.98	17.05	3,433,917,237.58	24.59	-31.52
Notes payable	823,517,143.66	5.97	421,911,787.84	3.02	95.19
Taxes and surcharges payable	89,787,451.25	0.65	62,259,744.92	0.45	44.21
Dividends payable	17,446,367.21	0.13	37,187,080.46	0.27	-53.08

Item	Ending balance of 2015	Proportion of ending balance of 2015 in total assets (%)	Ending balance of 2014	Proportion of ending balance of 2014 in total assets (%)	Proportion of 2015 ending balance in 2014 ending balance (%)
Long-term borrowings	657,503,175.48	4.77	1,384,596,268.44	9.92	-52.51
Long-term payables	1,580,111,488.00	11.45	1,041,875,046.60	7.46	51.66

- (1) The ending balance of notes receivable reduced by 34.53% compared with the beginning balance, mainly due to a decline in the notes holdings at the end of the year as the notes held by the company are expired;
- (2) The ending balance of other current assets rose by 304.30% compared with the beginning balance mainly due to the reclassification of taxes to be deducted;
- (3) The ending balance of long-term equity investment rose by 156.91% compared with the beginning balance, mainly due to that the equity investment calculation method is changed from the cost method to the equity method as the company disposed of its subsidiaries;
- (4) The ending balance of construction in progress rose by 76.32% compared with the beginning balance, mainly due to the effect of the investment in the company's Yongfeng Phase III Project;
- (5) The ending balance of long-term prepaid expense reduced by 46.66% compared with the beginning balance, mainly due to the decrease in the balance after the amortization;
- (6) The ending balance of deferred income tax assets rose by 69.77% compared with the beginning balance, mainly due to the changes on the deferred income tax assets arising from provision for bad debts, inventory depreciation reserves and goodwill impairment at the same time;
- (7) The ending balance of short-term borrowings reduced by 31.52% compared with the beginning balance, mainly for the company's debt restructuring for repayment of short-term borrowings due;
- (8) The ending balance of notes payable rose by 95.19% compared with the beginning balance, mainly due to the increase in notes issued as the company makes payment for purchase;
- (9) The ending balance of taxes and surcharges payable rose by 44.21% compared with the beginning balance, mainly due to the reclassification of taxes to be deducted;
- (10) The ending balance of dividends payable reduced by 53.08% compared with the beginning balance, mainly due to the actual payment of the dividends payable of the company's non-wholly-owned subsidiaries.
- (11) The ending balance of long-term borrowings reduced by 52.51% compared with the beginning balance, mainly due to the adjustment of debts structure and the exchange of internal borrowings of the group for external borrowings.
- (12) The ending balance of long-term payables rose by 51.66% compared with the beginning balance, mainly due to the adjustment of debts structure and the exchange of internal borrowings of the group for external borrowings.

6.2.4 Analysis on industrial operating information

In 2015, the economic development in China enters the new normal, which transforms from rapid growth to medium and high-speed growth, the method of economic development is transforming from the scale and speed-based extensive mode of growth to a quality and efficiency-based intensive mode of growth, the economic structure is transforming from quantity increase and energy to the deep adjustment of inventory adjustment and optimization of increased quantity, and the economic development power is transforming from the traditional increase point to the new.

A great-leap-forward development is desiderated by the integrated circuit industry. A new round of scientific revolution with the core of information technology is breeding and arising and the network has been a guiding power for innovating and driving development. The ICT industry, represented by the mobile Internet, Internet of things and other industries will powerfully carry forward the comprehensive development of economic society, while the integrated circuit industry is the core of IT industry, the strategic, basic and guiding industry to support the development of economic society and safeguard the national security. As a country of great production of cellphones, computers and color TV, however, China has been focusing on the manufacturing of complete machines. With the lack of core value chain links of integrated circuit and software, it is necessary to achieve the great-leap-forward development of integrated circuit industry.

The "Internet+" will change people's work and life. The integration of mobile Internet, cloud computing, big data, Internet of things and modern manufacturing industry, along with the characteristics of trans-boundary, integration and pan-ecologicalization, will become the core element for future enterprise development and competition. The mobile shopping, mobile media, smart household appliances, position services, telemedicine, mobile commerce and wearable smart devices shall be the key direction to be focused on; with the improvement of automobile volume and the permeability of car networking in China, the market scale of car-networking will expand stably with the entry of Internet companies, automobile manufacturers, component manufacturers, hardware chip manufacturers and other market participants; in addition, the "smart manufacturing" will push forward the achievement of industrialization, informatization, urbanization and agricultural modernization ("new four modernizations") with great opportunity in the business market of chips, terminal, and solution; The Internet of things, at present, is still under the stage of investment and layout. With the issuance of numbers of programs and documents by the State and local governments and improving policy environment of domestic industry development, the Internet of Everything, in the next ICT industrial development, will become a main trend and the intellectualization and Internet-based development will create a new industrial form and a new market.

6.2.5 Investment analysis

Overall analysis of external equity investment

Unit: 0,000 Yuan Currency: RMB

Amount invested in the reporting period	25,321.92
Change in increase/decrease of amount invested	-465,407.41
Amount invested of the same period in previous year	490,729.33
Increase/decrease of amount invested (%)	-94.83

(1) Significant equity investment

- ① On March 2015, upon approval of the 26th board meeting of the sixth session, it is agreed that its subsidiary Xinhua Ruide (Beijing) Network Technology Co., Ltd., and Jingu Investment Management (Dalian) Co., Ltd. and Yulian (Beijing) Enterprise Management Co., Ltd. to jointly invest in and incorporate a joint venture company to engage in lawyer service businesses on the internet. The registered capital of the joint venture company is RMB 10 million including RMB 1.9 million contributed by Xinhua Ruide (Beijing) Network Technology Co., Ltd. in intangible assets with the shareholding proportion of 19%; RMB 7.1 million contributed by Jingu Investment Management (Dalian) Co., Ltd. in cash with the shareholding proportion of 71%; and RMB 1 million contributed by Yulian (Beijing) Enterprise Management Co., Ltd. in cash with the shareholding proportion of 10%. The above-mentioned joint venture company- Tangxin Internet Technology (Dalian) Co., Ltd. went through the registration formalities for establishment with the administrative department of industry and commerce in 2015.
- ② On July 2015, upon approval of the 30th board meeting of the sixth session, it is agreed that its subsidiary Xinhua Ruide (Beijing) Network Technology Co., Ltd. and Beijing Shenhuawei Technology Co., Ltd. jointly invested in and set up a joint venture company to engage in Antu Project. The registered company of the joint venture company is RMB 5 million including RMB 2.4 million contributed by Xinhua Ruide (Beijing) Network Technology Co., Ltd. in intangible assets with the shareholding proportion of 48%, and RMB 2.6 million contributed by Beijing Shenhuawei Technology Co., Ltd. in cash with the shareholding proportion of 52%. The above-mentioned joint venture company- 365ANTU(BEIJING) Information Technology (Dalian) Co., Ltd. went through the registration formalities for establishment with the administrative department of industry and commerce in 2015.
- ③ On July 2015, upon approval of the 30th board meeting of the sixth session, it was agreed that its subsidiary Xinhua Ruide (Beijing) Network Technology Co., Ltd. and Beijing Fusheng Weishi Technology Co., Ltd., Shenzhen Hailianxun Investment Management Co., Ltd., Beijing Jiayue Liping Software Co., Ltd. and Shenzhen Biyasheng Investment Co., Ltd. jointly invested in and set up a joint venture company to engage in Mibaowang Project. The registered company of the joint venture company is RMB 10 million including RMB 1.9 million contributed by Xinhua Ruide (Beijing) Network Technology Co., Ltd. in

intangible assets with the shareholding proportion of 19%, RMB 4.5 million contributed by Beijing Fusheng Weishi Technology Co., Ltd. in cash with the shareholding proportion of 45%, RMB 1.5 million contributed by Shenzhen Hailianxun Investment Management Co., Ltd. in cash with the shareholding proportion of 15%, RMB 1.1 million contributed by Beijing Jiayue Liping Software Co., Ltd. in cash with the shareholding proportion of 11%, and RMB 1 million contributed by Shenzhen Biyasheng Investment Co., Ltd. in cash with the shareholding proportion of 10%. The above-mentioned joint venture company- Xi'an Yunlu Internet Technology Co., Ltd. went through the registration formalities for establishment with the administrative department of industry and commerce in 2015.

- ④ On July 2015, upon approval of the 30th board meeting of the sixth session, the company reached an agreement on the terminal production businesses integration plan, including: The company's wholly-owned subsidiary-Datang Terminal Technology Co., Ltd. accepted all the equities of Shenzhen Yousi Weiye Communication Technology Co., Ltd. (the wholly-owned subsidiary of Shanghai Uniscope Communication Technologies Co., Ltd.- the wholly-owned subsidiary of DATANG Terminal Technology Co., Ltd.) , and the transaction price is determined based on the audited net assets of the transaction subject matter for the year 2014 amounting to RMB 11,001,100; Shenzhen Yousi Weiye Communication Technology Co., Ltd. accepted all the equities of Qidong Uniscope Electronics Co., Ltd. (the wholly-owned subsidiary of Datang Terminal Technology Co., Ltd.) at the transaction price based on the audited net assets of the transaction subject matter for the year 2014 amounting to RMB 47,931,900. The changes of the above-mentioned matters were registered with the administrative department of industry and commerce in 2015.
- ⑤ On August 2015, upon approval of the 31st board meeting of the six session, the company agreed to increase the capital of its subsidiary Xinhua Ruide (Beijing) Network Technology Co., Ltd. with its equities in 360IME (Beijing) Network Technology Co., Ltd. The registered capital of Xinhua Ruide (Beijing) Network Technology Co., Ltd. was changed to RMB 42,724,990; the company held 97.89% equities of Xinhua Ruide (Beijing) Network Technology Co., Ltd.; Weiba (Beijing) Internet Technology Co., Ltd. held 2.11% equities in Xinhua Ruide (Beijing) Network Technology Co., Ltd. The registered capital of 365IME (Beijing) Network Technology Co., Ltd. is changed to RMB 42,372,900; Xinhua Ruide (Beijing) Network Technology Co., Ltd. hold 30.09% shares; Beijing Information Smart Co., Ltd. holds 28.91% shares; Lianchuang Xingsheng (Beijing) Investment Co., Ltd. holds 25% shares; and Beijing Zhongchuang Risheng Investment Management Center (limited partnership) holds 16% shares. The changes of the above-mentioned matters were registered with the administrative department of industry and commerce in 2015.

(2) **Significant non-equity investment**
None

(3) Financial assets measured at fair value

None

6.2.6 Significant assets and equity sales

On June 2015, upon approval of the 29th board meeting of the sixth session of the company, it is agreed that 365IME (Beijing) Network Technology Co., Ltd., the subsidiary of the company, introduces the external strategic investors - Lianchuang Xingsheng (Beijing) Investment Co., Ltd. and Beijing Zhongchuang Risheng Investment Management Center (limited partnership) to increase capital. Lianchuang Xingsheng (Beijing) Investment Co., Ltd. invested RMB 27.54 million including RMB 10,593,200 included in the registered capital and RMB 16,946,800 included in capital reserves; Beijing Zhongchuang Risheng Investment Management Center (limited partnership) invested RMB 17.63 million including RMB 6,779,700 included in the registered capital and RMB 10,850,300 included in the capital reserves. After this increase, the registered capital of 365IME (Beijing) Network Technology Co., Ltd. is changed to RMB 42,372,900; the company and its subsidiary Xinhua Ruide (Beijing) Network Technology Co., Ltd. hold 30.09% shares in total; Beijing Information Smart Co., Ltd. holds 28.91% shares; Lianchuang Xingsheng (Beijing) Investment Co., Ltd. holds 25% shares; and Beijing Zhongchuang Risheng Investment Management Center (limited partnership) holds 16% shares. After this increase, 365IME (Beijing) Network Technology Co., Ltd. is no longer included in the scope of the consolidated statement. The changes of the above-mentioned matters were registered with the administrative department of industry and commerce in 2015.

- (2) On August 2015, upon approval of the 31st board meeting of the six session of the company, it agreed to transfer its 60% shares in Beijing Datang Smart Card Technology Co., Ltd. through the listing system in the equity exchange. 60% equities held by the company in Beijing Datang Smart Card Technology Co., Ltd. were transferred to Shenzhen Einolda Financial Information Co., Ltd. at RMB 96 million. Beijing Datang Smart Card Technology Co., Ltd. is no longer included in the scope of the consolidated statements of the company. The changes of the above-mentioned matters were registered with the administrative department of industry and commerce in 2015.
- (3) On September 2015, upon approval of the 32nd board meeting of the sixth session and the second extraordinary general meeting of 2015, it is agreed that the company transfers its 44% equities in Xinhua Ruide (Beijing) Network Technology Co., Ltd. through the listing system in the equity exchange, and Xinhua Ruide (Beijing) Network Technology Co., Ltd. increases the capital of RMB 223,670,000 by introducing external shareholders through the listing system in the equity exchange. On December 2015, the company transferred its 44% equities in Xinhua Ruide (Beijing) Network Technology Co., Ltd. to Jiaxing Guantang Wanliu Investment Partnership Enterprise (limited partnership), Qianhe Investment Co., Ltd., Datang Zhongke Innovation Investment Partnership (limited partnership), Zhongqiyun (Beijing) Investment Co., Ltd. and Junhe Hengsheng Xinrui (Shenzhen) Investment Enterprise (limited partnership) at RMB 220 million. Jiaxing Guantang Wanliu Investment Partnership Enterprise (limited partnership), Qianhe Investment Co., Ltd., Datang Zhongke Innovation Investment Partnership (limited partnership), Zhongqiyun (Beijing) Investment Co., Ltd. and Junhe Hengsheng Xinrui (Shenzhen) Investment Enterprise (limited partnership) increased the capital of Xinhua Ruide (Beijing) Network Technology Co., Ltd. at RMB 223,670,000, and subscribed the registered capital of RMB 19,112,600 increased by Xinhua Ruide (Beijing) Network Technology Co., Ltd. After this increase, the registered capital of Xinhua Ruide (Beijing) Network Technology Co., Ltd. was increased to RMB 61,837,590 from RMB 42,724,990. After the plan was implemented, the company held 37.24% equities of Xinhua Ruide (Beijing) Network Technology Co., Ltd.; Weiba (Beijing) Internet Technology Co., Ltd held 1.46% equities of Xinhua Ruide; Jiaxing Guantang Wanliu Investment Partnership Enterprise (limited partnership), Qianhe Investment Co., Ltd., Datang Zhongke Innovation Investment Partnership (limited

partnership), Zhongqiyun (Beijing) Investment Co., Ltd. and Junhe Hengsheng Xinrui (Shenzhen) Investment Enterprise (limited partnership) held about 61.3% equities of Xinhua Ruide (Beijing) Network Technology Co., Ltd. in total. Xinhua Ruide (Beijing) Network Technology Co., Ltd. is no longer included in the scope of the consolidated statement of the company. The changes of the above-mentioned matters were registered with the administrative department of industry and commerce in 2015.

6.2.7 Analysis of main controlling shareholders and participating shareholders

Company name	Business Scope	Registered Capital	Total assets	Shareholders' equity	Operating income	Net profit
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, 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	4,857,490,403.12	2,000,351,004.52	2,553,695,946.61	9,157,969.04
DATANG NXP Semiconductor 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	US\$ 20,000,000.00	197,309,341.40	105,728,423.55	66,023,598.49	2,524,798.12

Company name	Business Scope	Registered Capital	Total assets	Shareholders' equity	Operating income	Net profit
	be applied in accordance with the relevant state regulations)					
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	169,963,769.72	62,248,404.54	365,403,316.70	-32,869,037.11
Xi'an DATANG Telecom Technology Co., Ltd.	Communication equipment, communication terminal, and development, production and sales of electronic components	492,398,051.52	945,846,862.70	-220,091,113.42	59,306,897.23	-242,326,955.78
DATANG Software Technology Co., Ltd.	Computer software development, technology development, technology transfers, consulting, and training and so on.	109,720,080.00	2,098,144,168.53	343,207,697.93	1,385,032,771.71	11,281,562.47
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	751,669,035.62	233,011,949.42	485,161,943.03	35,772,870.25
Guangzhou Yaowan Entertainment Network Technology Co. Ltd.	Research and development of animation technology, computer hardware and software products and network technology, communication equipment and electronic products; sales of animation	10,763,441.00	542,872,179.47	496,906,967.62	377,153,730.59	203,439,921.14

Company name	Business Scope	Registered Capital	Total assets	Shareholders' equity	Operating income	Net profit
	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					
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	148,335,771.94	60,225,613.85	13,088,732.62	-38,648,480.56
DATANG Terminal Technology Co., Ltd.	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,	663,017,700.00	1,407,204,227.52	646,176,989.01	2,053,855,643.14	-1,117,285.68

Company name	Business Scope	Registered Capital	Total assets	Shareholders' equity	Operating income	Net profit
	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 Microelectronics Technology Co., Ltd.	IC products, smart card system and software etc.	204,210,526.32	1,665,704,882.08	696,960,629.08	912,705,982.92	61,730,827.43
Leadcore Technology Co., Ltd.	Technology development, technology transfer, technical advice, technical services, technical training, technical contracting, technology investment, technology	340,384,615.00	2,691,869,454.90	1,135,176,050.16	1,457,258,263.09	-6,351,762.25

Company name	Business Scope	Registered Capital	Total assets	Shareholders' equity	Operating income	Net profit
	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					
Shanghai Uniscope Communication Technologies Co., Ltd.	Communication equipment and related products, development and sale of computer software and hardware	6,000,000.00	979,796,870.84	322,642,072.48	1,293,835,491.25	7,999,440.81
Qidong Uniscope Electronics Co., Ltd.	Manufacturing and sales of industrial electronic module and communication equipment and components	10,000,000.00	67,961,752.39	58,008,166.10	39,217,034.49	5,076,260.97

6.2.8 Structured by controlled by the company

None

6.3 Discussion and Analysis on the Future Development of the Company

6.3.1 Industry competition pattern and development trend

In 2016, the Chinese economy under the new normal will pay more attention to quality. "Supply-side Structural Reform", "New Economy", "Internet +", "Made in China 2025", "Internet of Things" and so on have become hot words in the Chinese economy development and industry reform. The society will enter into an age of high-speed mobile Internet with the economy boosted by the 4G mobile communication. It will drive the development of upstream and downstream industries. Information security, which has been lifted to the national strategic level, is now expecting an important strategic development period. Internet of things, smart city and industry information construction has made significant progress. Convergence of mobile internet and traditional industry is growing vigorously. Moreover, there is more and more innovation among the business modes. In general, the electronic information industry with its promising development foundation and prospect will become a major driving force for economic growth.

In the respect of Integrated Circuit (IC) design, the domestic demand for IC is increasing massively with the rapid development of electronic information industry. Intelligent terminal chip market is getting saturated. The gradually growing markets of Internet of Things, Smart Home, and wearable devices are expecting a rapid growth in the coming years. Meanwhile, IC industry chain is still dominated by large foreign enterprises. However, fierce competition can be seen in the domestic chip, which has a low rate of autonomy. China attaches a great importance to the development of IC. Industry advancing outline was issued to encourage enterprise independent innovation, scale expanding and industrial integration for the leaping development of IC industry.

In the respect of terminal design, the domestic market of smart phone is being saturated gradually. The market is now experiencing the replacement demand where market competition is more intense. The overseas market has become the common choice of domestic smart phone manufacturers. The market share of domestic smart phone is increasing steadily, but the product profit is still dominated by the minority major manufacturers. In this competitive environment, it poses a great challenge to the domestic terminal manufacturers in terms of technical capability, operational capability and financial strength. Terminal products have richer forms, among which the market segments of wearable devices, unmanned aerial vehicles, smart home and other intelligent hard wares are expecting an outbreak period. At the same time, vertical industries have a promising prospect after the upgrading of mobile informationization.

In the respect of software and applications, application and construction of information and intelligence are developing sustainably. The state has issued information consumption policies and carried out people-benefit projects. The construction of smart city in all regions has advanced in an orderly way. Health care and education, which are closely related to the people's life, are developing rapidly. Under the background of information security, domestic manufacturers are expecting a development opportunity period. Meanwhile, there are still many problems existed in the related domestic information integration enterprises, such as its large number, low concentration and intense competition. With the development of cloud computing, big data and other technologies, consulting service, solution developing, implementing and maintenance, IT total solution or "cloud services" based on the Internet have become the directions of future development.

The mobile Internet is developing rapidly in recent years. "Internet +", O2O and other concepts has promoted multiparty integration and innovation. In addition, scale development can be seen in the related applications and platforms. There will be no big changes in the domestic market pattern in the short run. Fierce competition can be seen in the public applications and service areas. Game, mobile payments and industrial applications are developing rapidly. At the same time, capital operation is now

experiencing a concentrated outbreak period when frequent capital operation has become a "new normal" of business development of mobile internet.

6.3.2 Company Development Strategy

Based on the analysis of the external environment, the company has confirmed its "13th Five-year strategic plan" after sufficient research. In the next five years, with IC design as its core competitiveness, the company will focus on the mobile Internet, car networking, intelligent manufacturing, internet of things. It will provide intelligent and credible connections and autonomously controlled, safe and reliable IC, applications and solutions for individuals, vehicles, machines and even all the living things. As to the development patterns, we will make solid efforts in the industry through "increasing quality and effects" and make our main business stronger through "vacating cage to change bird". The strategic objective of "being solid and strong" will be realized. In this way, we will become a global leading supplier of IC, application and solutions to build the industry ecological group of trusted connection.

As to the industrial distribution, we will shift it from "chip-terminal-cloud" to an industry chain layout centered on "IC +", namely, the "IC + Application + Solution", which is the key measure to achieve the company's overall objective of "13th five-year plan", bring focus to the main business, and increase the core competitiveness. As the state is giving great impetus to the IC industry, the company will seize this historic opportunity to seek the support of national industry funds and external cooperation. Through the "Two-wheel drive" of industrial management and capital management, the company will accelerate to develop and grow the IC design industry with the combination of endogenous growth and extensional merger. In this way, the company's ratio of IC industry and the leader ranking in the IC industry will be further increased. We are striving to be the leader in the field of IC design in China.

6.3.3 Operating Plan

In 2016, the company will accelerate its industrial layout of "IC + " through the "Two Wheel Drive" of industrial management and capital management, with the combination of endogenous growth and extension merger. With DATANG Semiconductor as the platform, we will focus on the car networking, intelligent manufacturing, Internet of Things and other emerging fields; with DATANG Leadcore as the platform we will focus on the field of personal application oriented mobile Internet; with DATANG Microelectronics as the platform, we will focus on the field of Internet of Things industry application that with the core of credible identification; with DATANG NXP as the platform, we will focus on the field of automotive electronics. According to the connection closeness degree with the main business, we will analyze and integrate our internal industrial resources in the sector of terminal design, software and applications, and mobile Internet. Solid and strong efforts will be made in "Application" and "Solution" to form the core competitiveness. Customer resources in mobile Internet, car networking, intelligent manufacturing and Internet of Things will be gathered. Cooperation and interaction with units related to the IC industry will be enhanced to drive the development of IC industry. And we will build an industry ecological group of intelligent and trusted connection, so as to put the industrial layout strategy in to practice.

6.3.4 Possible Risks

6.3.4.1 Strategic Risk

The domestic economy has entered into a development period of "New Normal" in 2015. In recent years, the state, with technology and innovation as an important support, advanced the strategic adjustment of economic structure and the transformation of economic development mode and promoted the motive force of development shifting from the factor-driven and investment-driven mode to the innovation-driven mode. In this context, the industrial revolution of industry 4.0 turned to real with the rapid development of strategic emerging industries, unceasingly deepening of informatization and intelligence in breadth

and depth, and deeply integration of Internet and industry. At the same time, the "New Four Modernizations" is developed steadily. Favorable policies related to new industrialization, informatization, urbanization, agricultural modernization, etc. have been issued in succession to accelerate the application of information technology in all areas of society as a whole.

The existing business of the company now takes IC Design Industry as the core, covering a wide range in fields like Mobile Internet, Car Networking, intelligence manufacturing and Internet of Things. It will be greatly affected by the change of economy trend and relevant national industry policies. Therefore, if there are any significant changes in the relevant national policies in the future, uncertainty will be brought to the company's related business.

According to the new changes in the economic development, the company, in order to meet the requirements of understanding, adapting to and leading the new normal proposed by the central authorities, will actively and effectively evaluate and track the related changes and trends, so as to seek opportunities and control risks.

6.3.4.2 Financial Risks

Due to the changes of domestic economy situation, constant growth of management scale, and increasingly complicated financial activities in the production and management, there will be still operating and financial risks. The company's capital quality, capital structure, and operational efficiency and profitability still need to be improved, and its debt burden needs to be released. There is still room for the improvement of its operating capital management. The possible financial risks may have a negative effect on the company's profit, as well as its benign and healthy development.

To solve these problems, the company will further strengthen the recycling efforts of accounts receivable and revitalizing efforts of the stock in 2016, so as to realize cash flow-back, increase operational efficiency, and improve operating capital management. Based on ensuring the overall operation fund needs, the company should actively expand financing channels and gradually adjust the ratio of debt financing between the medium and long-term loans and short-term loans. We should also adjust the financing structure to reduce the risk of paying the debts, which may be caused by the increase of short-term debt financing. Meanwhile, the company will, through capital sharing, strengthen financial standardization and delicacy management to improve the capital usage efficiency, control the financing scale, reduce financial costs, and consolidate the robustness of capital chain.

6.4 Notes to the failure of disclosure in compliance with the standards due to the inapplicability of the standards to the company or special reasons and reasons.

applicable not applicable

7 Matters related to the financial reports

7.1 Compared with the financial statements of the previous year, If there are any changes in the accounting policies, accounting estimates and accounting methods, the company shall state the situation, reasons and effects.

None

7.2 If there is any correction in significant accounting errors required to be retroactively restated, the company shall state the situation, corrected amount, reasons and effects.

None

7.3 Compared with the financial reports of the previous year, if there is any change in the scope of consolidation of the financial statements, the company shall make detailed explanations.

As of December 31, 2015, there were following subsidiaries within the scope of combined financial statement of the Company:

Subsidiary name
Xi'an DATANG Telecom Technology Co., Ltd.
Datang Microelectronics Technology Co., Ltd.
DATANG Software Technology Co., Ltd.
Datang Telecom (H.K.) Limited
Datang Telecom (Tianjin) Technical Service Co., Ltd.
DATANG Terminal Equipment Co., Ltd.
Datang Telecom (Chengdu) Information Technology Co., Ltd.
Datang Telecom (Nanjing) Energy-saving & Information Technology Co., Ltd.
Datang InnohubInvestment (Beijing) Co., Ltd.
Beijing Datang Zhicheng Software Technology Co., Ltd.
Datang Semiconductor Design Co., Ltd.
Datang NXP Semiconductors Co., Ltd.
DATANG Terminal Technology Co., Ltd.
Wuxi Yaowan Entertainment Network Technology Co., Ltd.
Shanghai YaoYu Entertainment Network Technology Co., Ltd.
Leadcore Technology Co., Ltd.
Leadcore Technology (Hong Kong) Co., Ltd.
Qidong Uniscope Electronics Co., Ltd.
Jiangsu I-front Science & Technology Co., Ltd.
Jiangsu Datang Smart Pipe network Technology Co., Ltd.
Shanghai Uniscope Communication Technologies Co., Ltd.
Shanghai Puge Electronics Co., Ltd.
Shanghai Jingyou Communication Technology Co., Ltd.
Shenzhen UniscopeWeiye Communication Technology Co., Ltd.
Shengyao Wireless Communication Technology (Beijing) Co., Ltd.
Guangzhou Yaowan Entertainment Network Technology Co., Ltd.
Shanghai Yaowan Network Technology Co., Ltd.
Zhuhai Yaowan Recreation Network Technology Co., Ltd.
Hongkong Yaowan Recreation Network Technology Co., Ltd.
Datang Telecom (Hong Kong) Holding Co., Ltd.

See detailed scope of current combined financial statement and change thereof in annotations “6 Change of consolidated scope” and “7 Equities in other main bodies”.

7.4 If the accounting firm issues a non-standard audit opinion on the annual financial report, the board of directors and the board of supervisors should make explanations to the relevant matters.

Not applicable.

Chairman: Cao Bin

Date for submission as approved by the board of directors: April 23, 2016