

# Zhejiang Dahua Technology Co., Ltd.

## 2019 Annual Report



**Stock code: 002236**

**Stock Abbreviation: Dahua**

**Date of Disclosure: April 2020**

This document is a translated version of the Chinese version 2019 Annual Report (“2019 年年度报告全文”), and the published annual report in the Chinese version shall prevail.

The complete published Chinese 2019 Annual Report may be obtained at <http://www.cninfo.com.cn>.

## Section I Important Notes, Contents and Definitions

The Board of Directors, Board of Supervisors, Directors, Supervisors and Senior Management of Zhejiang Dahua Technology Co., Ltd. (hereinafter referred to as the "Company") hereby guarantee that the information presented in this report shall be authentic, accurate and complete and free of any false records, misleading statements or material omissions, and they will bear joint and several liability for such information.

Fu Liquan, the Company's legal representative, Wei Meizhong, chief accountant, and Xu Qiaofen, person in charge of accounting institution (Accounting Officer) hereby declare and warrant that the financial statements in the annual report are authentic, accurate and complete.

All directors attended the meeting of the Board of Directors for deliberation of this annual report.

1. Risk of technology upgrading: the video IoT industry is a typical technology-intensive industry, which is changing extremely fast. If the Company is unable to keep up with development trends in the industry's technology, to pay full attention to customers' diversified individual needs, and to be followed by sufficient R&D investments, it will still face the risk of losing market competitiveness due to discontinuous innovation.

2. Risk of business model change: with the development of network communications, cloud computing, and big data, AI and other technologies, the business model in the IoT era may have an impact on the traditional industry development. If an enterprise cannot grasp opportunities brought about by the business model transformation in a timely manner, it may face the risk that the original market structure becomes broken.

3. Risk of product safety: the Company attaches great importance to and continuously strengthens resource investment to ensure safe and reliable operations of the security system so as to respond to the product security risks on the Internet. However, hackers' attacks, computer viruses, physical security vulnerabilities, natural disasters, accidents,

power interruptions, telecommunications failures, terrorism, and warfare events may still occur from time to time, resulting in security vulnerabilities, system failures, or service interruptions.

4. Intellectual property risk: the promotion of the company's globalization and self-owned brand strategy will likely bring about intellectual property risks and patent infringement, which may cause fluctuation in business relations and public opinions, increasing lawsuits and rising costs.

5. Risk of exchange rate: the company's export transactions are mostly settled in United States Dollars ("USD"), therefore, fluctuations in the exchange rate may affect the profits of the Company.

6. Risk of declined local fiscal capacity: affected by the COVID-19 outbreak, we see the rising uncertainty of macro-economic, more downward pressure in the global economy, decreased local fiscal revenues, and a high debt level. If the local fiscal paying capacity is reduced, it may lead to the slowdown in the growth of some industry demands, extensions of project time, longer periods for companies to withdraw capitals, and customers' payment delay.

7. Risk of international operation: at present, the international political and economic situation is complicated, and there are more uncertain and uncontrollable factors in the international market. The company's products and solutions cover 180 countries and regions, and international business may be exposed to the risks of trade protection in the countries and regions where it is located; In October 2019, the company was listed on the "entity list" by the US Department of Commerce. If the trade friction between China and US continues to escalate or US trade protection policy intensifies in the future, it would bring some uncertainty about the potential impact on the company's business; The COVID-19 epidemic is still spreading overseas, which may slow down market demands, or will have a negative impact on the company's local business.

8. Risk of global COVID-19 epidemic: As COVID-19 epidemic is still spreading around the world, many countries locks down cities and even borders. As a result, global demand

falls at the stage, customer demand is deferred or reduced, and export business will face the risk of decline; In the domestic market, affected by the epidemic situation and control measures since the Spring Festival, the staff has been delayed to return to work, which also affect the upstream material supply and logistics operation. Therefore, there are still some uncertainties in the supply chain. The business of government and corporate customers has been affected to different degrees, and the total demand is insufficient. As it takes time to resume normal social and economic activities after the epidemic, the Company may face declined domestic business.

The above points might not be all-inclusive of all other potential risks, please pay attention to the potential investment risk.

The profit distribution proposal approved by the board of directors is: Taking 2,994,599,750 as the basis, RMB 1.33 (tax included) of cash dividend and 0 bonus share (tax included) for every 10 shares will be distributed to all shareholders, instead of common reserve capitalizing.

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## Definitions

Item	Refers To	Definitions
Reporting Period	Refers To	From January 1, 2019 to December 31, 2019
Dahua, company, the company	Refers To	Zhejiang Dahua Technology Co., Ltd.
Dahua System Engineering, System Engineering Company	Refers To	Zhejiang Dahua System Engineering Co., Ltd.
Dahua Vision Technology	Refers To	Zhejiang Dahua Vision Technology Co., Ltd.
Dahua Security Network, Operation Company	Refers To	Zhejiang Dahua Security Network Operation Service Co., Ltd.
Dahua Ju'an	Refers To	Zhejiang Dahua Ju'an Technology Co., Ltd.
Guangxi Dahua Information	Refers To	Guangxi Dahua Information Technology Co., Ltd.
Dahua Security	Refers To	Zhejiang Dahua Security Service Co., Ltd.
Wuxi Ruide, Wuxi Dahua	Refers To	Wuxi Dahua Ruide Electronic Technology Co., Ltd.
Guangxi Security	Refers To	Guangxi Dahua Security Service Co., Ltd.
Huatu Microchip	Refers To	Zhejiang Huatu Microchip Technology Co., Ltd.
Dahua Zhongzhi	Refers To	Guangxi Dahua Zhongzhi Technology Co., Ltd.
Xiaohua Technology, Hangzhou Xiaohua	Refers To	Hangzhou Xiaohua Technology CO., LTD.
Dahua Zhilian	Refers To	Zhejiang Dahua Zhilian Co., Ltd.
Tecomore Technology	Refers To	Hangzhou Tecomore Technology Co., Ltd.
Dahua Investment, Dahua Investment Management	Refers To	Zhejiang Dahua Investment Management Co., Ltd.
South North United	Refers To	South North United Information Technology Co., Ltd.
Guangxi Zhicheng, Dahua Zhicheng	Refers To	Guangxi Dahua Zhicheng Co., Ltd.
Hangzhou Huacheng, Huacheng Network	Refers To	Hangzhou Huacheng Network Technology Co., Ltd.
Xinjiang Information	Refers To	Xinjiang Dahua Zhixin Information Technology Co., Ltd.
HuaRay Technology	Refers To	Zhejiang HuaRay Technology Co., Ltd.
Fuyang Hua'ao	Refers To	Hangzhou Fuyang Hua'ao Technology Co., Ltd.
Huafei Intelligent	Refers To	Zhejiang Huafei Intelligent Technology CO., LTD.
Huachuang Vision	Refers To	Zhejiang Huachuang Vision Technology Co., Ltd.
Guizhou Huayi	Refers To	Guizhou Huayi Shixin Technology Co., Ltd.
Hunan System Technology	Refers To	Hunan Dahua System Technology Co., Ltd.

Xinjiang Dahua Information	Refers To	Xinjiang Dahua Information Technology Co., Ltd.
Xinjiang Intelligence	Refers To	Xinjiang Dahua Intelligence Technology Co., Ltd.
Guizhou Intelligence	Refers To	Guizhou Dahua Intelligence Technology Co., Ltd.
Xinjiang Zhihe	Refers To	Xinjiang Dahua Zhihe Information Technology Co., Ltd.
China Standard Intelligent Security	Refers To	China Standard Intelligent Security Technology Co., Ltd.
Guangxi Huacheng	Refers To	Guangxi Huacheng Technology Co., Ltd.
Meitan Dahua Technology	Refers To	Guizhou Meitan Dahua Information Technology Co., Ltd.
Inner Mongolia Zhimeng	Refers To	Inner Mongolia Dahua Zhimeng Information Technology Co., Ltd.
Xinjiang Zhitian	Refers To	Xinjiang Dahua Zhitian Information Technology Co., Ltd.
Xinjiang Xinzhi	Refers To	Xinjiang Dahua Xinzhi Information Technology Co., Ltd.
Xinjiang Huayue	Refers To	Xinjiang Dahua Huayue Information Technology Co., Ltd.
Dahua Intelligence (IoT) Industrial Park	Refers To	Dahua Intelligent (IoT) Industrial Park Construction Project
Leapmotor Technology	Refers To	Zhejiang Leapmotor Technology Co., Ltd.
Leapmotor	Refers To	Leapmotor Automobile Co., Ltd.
Tianjin Dahua Information, Tianjin Dahua	Refers To	Tianjin Dahua Information Technology Co., Ltd.
Hunan Dahua Zhilong, Dahua Zhilong	Refers To	Hunan Dahua Zhilong Information Technology Co., Ltd.
Huaxiao Technology	Refers To	Zhejiang Huaxiao Technology Co., Ltd.
Vision Technology	Refers To	Zhejiang Fengshi Technology Co., Ltd.
Zhongcheng Technology	Refers To	Dahua Zhongcheng (Beijing) Technology Co., Ltd.
Xi'an Dahua Zhilian, Xi'an Dahua	Refers To	Xi'an Dahua Zhilian Technology Co., Ltd.
Wuxi Ruipin	Refers To	Wuxi Dahua Ruipin Technology Co., Ltd.
Dahua Robot	Refers To	Zhejiang Dahua Robot Technology Co., Ltd.
Beijing Huayue	Refers To	Beijing Huayue Shangcheng Information Technology Service Co., Ltd.
Shanghai Huashang	Refers To	Shanghai Huashang Chengyue Information Technology Service Co., Ltd.
Dahua Jinzhi	Refers To	Zhejiang Dahua Jinzhi Technology Co., Ltd.
Dahua Guangxun	Refers To	Sichuan Dahua Guangxun Photoelectric Technology Co., Ltd.
Huajuan Technology	Refers To	Hangzhou Huajuan Technology Co., Ltd.
Dahua Hong Kong, Dahua (HK) Limited	Refers To	Dahua Technology (HK) Limited
Zhoushan Operation	Refers To	Zhejiang Zhoushan Digital Development Operation Co., Ltd
Yunnan Zhili	Refers To	Yunnan Zhili Technology Co., Ltd
Guangxi Dahua Technology	Refers To	Guangxi Dahua Technology Co., Ltd.
Dahua USA	Refers To	Dahua Technology USA Inc.

Dahua Europe	Refers To	Dahua Europe B.V.
Dahua Middle East	Refers To	Dahua Technology Middle East FZE
Dahua Mexico	Refers To	Dahua Technology Mexico S.A. DE C.V
Dahua Chile	Refers To	Dahua Technology Chile SpA
Dahua Malaysia	Refers To	Dahua Security Malaysia SDN. BHD.
Dahua Korea	Refers To	Dahua Technology Korea Company Limited
Dahua Indonesia	Refers To	PT. Dahua Vision Technology Indonesia
Dahua Colombia	Refers To	Dahua Technology Colombia S.A.S
Dahua Australia	Refers To	Dahua Technology Australia PTY LTD
Dahua Singapore	Refers To	Dahua Technology Singapore Pte. Ltd.
Dahua South Africa	Refers To	Dahua Technology South Africa Proprietary Limited
Dahua Peru	Refers To	Dahua Technology Perú S.A.C
Dahua Russia	Refers To	Dahua Technology Rus Limited Liability Company
Dahua Brazil	Refers To	DAHUA TECHNOLOGY BRASIL COMÉRCIO E SERVIÇOS EM SEGURANÇA ELETRÔNICA LTDA
Dahua Canada	Refers To	Dahua Technology Canada INC.
Dahua Panama	Refers To	Dahua Technology Panama S.A.
Dahua Hungary	Refers To	Dahua Technology Hungary Kft
Dahua Poland	Refers To	Dahua Technology Poland Sp. z o.o.
Dahua Italy	Refers To	Dahua Italy S.R.L.
Dahua Tunisia	Refers To	Dahua Technology Tunisia
Dahua Kenya	Refers To	Dahua Technology Kenya Limited
Dahua UK	Refers To	Dahua Technology UK Limited
Dahua Bulgaria	Refers To	Dahua Technology Bulgaria EOOD
Dahua Germany	Refers To	Dahua Technology GmbH
Dahua Serbia	Refers To	Dahua Technology SRB d.o.o.
Dahua India	Refers To	Dahua Technology India Private Limited
Dahua Turkey	Refers To	Dahua Guvenlik Teknolojileri Sanayi ve Ticaret A.S.
Dahua Czech	Refers To	Dahua Technology Czech s.r.o.
Dahua Argentina	Refers To	Dahua Argentina S.A.
Dahua Spain	Refers To	Dahua Iberia, S.L.
Dahua Kazakhstan	Refers To	Dahua Technology Kazakhstan LLP
Dahua Denmark	Refers To	Dahua Technology Denmark Aps.
Dahua France	Refers To	Dahua Technology France



Dahua Lorex (US) Corporation	Refers To	Lorex Corporation
Dahua Technology Holdings	Refers To	Dahua Technology Holdings Limited
Dahua New Zealand	Refers To	Dahua Technology New Zealand Limited
Dahua Netherlands	Refers To	Dahua Technology Netherlands B.V.
Dahua Morocco	Refers To	Dahua Technology Morocco SARL
Dahua Romania	Refers To	Dahua Technology S.R.L
Dahua Uzbekistan	Refers To	DAHUA VISION LLC
Dahua Technology Italy	Refers To	Dahua Technology Italy S.R.L.
Dahua Lorex (Canada) Corporation	Refers To	Lorex Technology Inc.
Dahua Bulgaria	Refers To	Dahua Technology Bulgaria EOOD
Dahua Sri Lanka	Refers To	Dahua Technology China (Pvt) LTD
Dahua Pakistan	Refers To	Dahua Technology Pakistan (private) Limited
Dahua Thailand	Refers To	Dahua Technology(Thailand) Co.,LTD.

## Section II Company Profile and Key Financial Indicators

### I. Company Information

Stock Abbreviation	DAHUA	Stock Code	002236
Stock Exchange	Shenzhen Stock Exchange		
Company Name in Chinese	浙江大华技术股份有限公司		
Company Abbreviation in Chinese	大华股份		
Company Name in Foreign Language (If any)	ZHEJIANG DAHUA TECHNOLOGY CO., LTD.		
Legal Representative	Fu Liquan		
Registered Address	1187 Bin'an Road, Binjiang District, Hangzhou City, Zhejiang Province, China		
Post Code of Registered Address	310053		
Office Address	No. 1199 Binan Road, Binjiang District, Hangzhou City, Zhejiang Province		
Post Code of Office Address	310053		
Website	www.dahuatech.com		
E-mail	zqsw@dahuatech.com		

### II. Contact Person and Contact Information

	Secretary of the Board	Representative of Securities Affairs
Name	Wu Jian	Lou Qiongyu
Contact Address	No. 1199 Binan Road, Binjiang District, Hangzhou City, Zhejiang Province	No. 1199 Binan Road, Binjiang District, Hangzhou City, Zhejiang Province
Tel.	0571-28939522	0571-28939522
Fax	0571-28051737	0571-28051737
E-mail	zqsw@dahuatech.com	zqsw@dahuatech.com

### III. Information Disclosure and Location

The Media Selected by the Company for Disclosure	Securities Times
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Website Designated by CSRC for Publishing Annual Report	http://www.cninfo.com.cn
Location for Annual Report of the Company	Securities Investment Department

#### IV. Registration Change

Organization Code	91330000727215176K
Changes in Main Business Since Listing (If any)	No Change
Change of Controlling Shareholders (If any)	No Change

#### V. Other Related Information

Accounting Firm Hired by the Company

Name of the Accounting Firm	BDO China Shu Lun Pan CPAs (special general partnership)
Office Address of the Accounting Firm	4/F, New Huangpu Financial Plaza, No.61, Nanjing East Road, Shanghai
Name of Certified Public Accountant	Zhong Jiandong, Du Na

The sponsor institution hired by the company to perform the continuous supervision in the reporting period

Applicable  Not applicable

The financial adviser hired by the company to perform the continuous supervision in the reporting period

Applicable  Not applicable

#### VI. Key Accounting Data and Financial Indicators

Whether the Company needs performed retroactive adjustment or restatement of accounting data in prior years or not

Yes  No

	2019	2018	Increase/Decrease Compared with the Same Period of the Previous Year	2017
Operating income (RMB)	26,149,430,652.42	23,665,688,106.22	10.50%	18,844,458,053.78
Net profit attributable to shareholders of the listed Company (RMB)	3,188,144,692.55	2,529,426,468.61	26.04%	2,378,726,820.22
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses (RMB)	3,016,953,888.25	2,495,121,029.76	20.91%	2,340,407,357.44
Net cash flow generated by operational activities (RMB)	1,600,604,287.70	955,315,978.17	67.55%	914,231,360.01

Basic Earnings per Share (RMB/Share)	1.10	0.87	26.44%	0.82
Diluted Earnings per Share (RMB/Share)	1.10	0.87	26.44%	0.82
Weighted Average ROE	22.74%	22.16%	0.58%	25.47%
	End of 2019	End of 2018	Increase/Decrease at the End of the Current Year Compared with the End of the Previous Year	End of 2017
Total assets (RMB)	29,564,650,212.93	26,350,599,778.15	12.20%	21,333,478,563.97
Net assets attributable to shareholders of the listed company (RMB)	15,643,007,027.91	12,618,758,918.48	23.97%	10,466,434,375.19

## VII. Differences in Accounting Data under Domestic and Foreign Accounting Standards

### 1. Differences of net profits and net assets in the financial reports disclosed according to the international accounting standards and Chinese accounting standards

Applicable  Not applicable

During the reporting period of the company, there is no difference between the net profits and net assets in the financial reports disclosed according to international accounting standards and Chinese accounting standards.

### 2. Differences between the net profits and net assets in the financial reports disclosed according to the overseas accounting standards and Chinese accounting standards

Applicable  Not applicable

During the reporting period of the company, there is no difference between the net profits and net assets in the financial reports disclosed according to overseas accounting standards and Chinese accounting standards.

## VIII. Key Financial Indicators by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating income	4,347,918,104.26	6,458,648,266.63	5,621,668,726.34	9,721,195,555.19
Net profit attributable to shareholders of the listed company	316,343,906.02	922,537,042.72	638,471,475.06	1,310,792,268.75

Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	286,016,593.97	852,635,154.06	590,869,606.63	1,287,432,533.59
Net cash flow generated by operating activities	-1,728,487,212.91	858,020,120.03	332,230,140.64	2,138,841,239.94

Whether the above financial indicators or their totals are significantly different from the financial indicators disclosed in the Company's quarterly and semi-annual reports

Yes  No

## IX. Non-recurring Gains and Losses Items and Their Amounts

Applicable  Not applicable

Unit: RMB

Item Name	Amount in 2019	Amount in 2018	Amount in 2017	Note
Profits or losses from disposal of non-current assets (including the write-off for the accrued impairment of assets)	10,755,526.46	-257,185.57	-8,066,035.13	
The government subsidies included in the current profits and losses (excluding the government subsidies closely related to regular businesses of the Company and issued in the quota or quantity based on the national standards)	164,079,473.51	78,342,817.78	44,055,931.15	
Profits and losses resulting from the changes in fair value for holding trading financial assets, derivative financial assets and trading financial liabilities, derivative financial liabilities and investment income from disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities, and other obligatory right investment, excluding the effective hedging businesses related to the regular business operation of the Company	51,518,752.09	-83,285,344.55	6,841,311.77	
Reversal of the receivables and contract assets depreciation reserves for separate impairment test	3,383,257.76			
Non-Operating Revenue and expenses other than the above	-2,958,714.67	68,947,139.26	4,327,600.51	
Other gains and losses items that fit the definition of non-recurring gains and losses	308,838.52	733,001.58	725,549.00	
Less: Impact of income tax	35,447,376.02	13,376,532.24	7,282,387.96	

Impact of minority equity (after tax)	20,448,953.35	16,798,457.41	2,282,506.56	
Total	171,190,804.30	34,305,438.85	38,319,462.78	--

For items defined as non-recurring gains and losses according to the No. 1 Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to Public - Non-recurring Gains and Losses, or non-recurring gains and losses items listed in the said document defined as recurring ones, please specify the reasons .

Applicable  Not applicable

In the reporting period, the Company did not define any non-recurring gains and losses items defined and listed in the No. 1 Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to Public - Non-recurring Gains and Losses, as recurring gains and losses items.

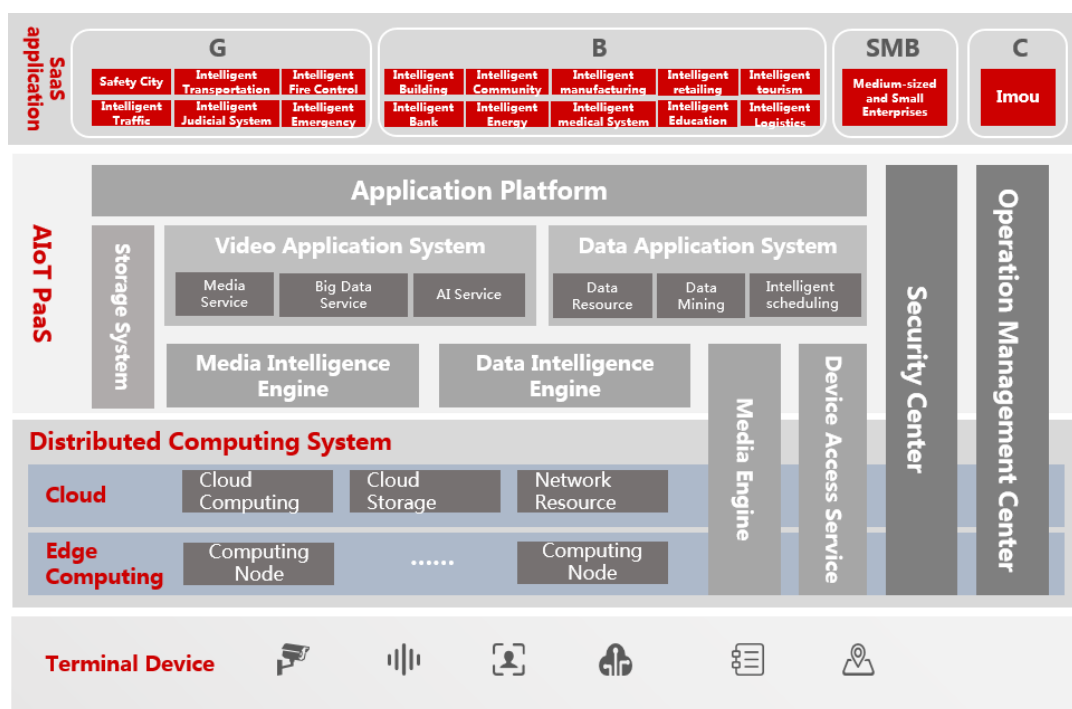
## Section III Corporate Business Overview

### I. The Main Businesses of the Company during the Reporting Period

#### (I) Main businesses and products

##### 1. Main businesses

The Company is a world-leading provider and operator of video-centric smart IoT solutions and services. In 2019, based on the in-depth insight of the development trend of digital economy and smart IoT industry, the Company accelerated the development and implementation of "Dahua HOC (Heart of the City)" strategy and further put forward the concept of smart twins. Dahua fully launched IoT system architecture with video as the core, provided innovative applications for the industry, established smart IoT PaaS (Platform-as-a-Service) platform, strengthened terminal-edge-cloud synchronization, and accelerated the upgrading to platform and ecological architecture, providing customers with solutions centering on application scenarios and the closed-loop of data value. The smart IoT PaaS platform is positioned as a big data platform, with the internal structure of "four" capabilities: namely, a data online network, to ensure that the managed data is always online and the efficient terminal-edge-cloud synchronization of computing; an intelligent view engine and an intelligent data engine that are based on artificial intelligence technology, to allow full play of the platform service capabilities of multi-algorithm, multi-intelligence scenarios, and data mining; a business application enabling platform that provides SaaS (software-as-a-service) services based on unified data capabilities for government, enterprises, and consumers.



Guided by the purpose of management efficiency improvement, overall cost reduction, and business processes reshaping, the Company focused on the smart IoT industry with video as the core. It continued to increase investment on

advanced technology, such as artificial intelligence, cloud computing and big data, 5G, and IoT, enhanced the ability of technology industrialization and commercialization, built the comprehensive system of ecological cooperation, and accelerated the implementation of artificial intelligence and big data in all sectors, helping the government, enterprises, and consumers realize digital transformation and intelligent upgrading.

## 2. Solutions

Dahua constantly creates business values centering on the demands and pain points of customers, on the basis of the "Dahua HOC" architecture with the support of the "full sensing, full intelligence, full computing, and full ecosystem (4 full) capabilities" and the guidance of customer demands.

For G (Government) and city-level markets, the Company establishes smart decision-making centers and operation management centers for cities, provides city-level business applications in five fields (governmental public services, economic regulation, market supervision, social governance, and ecological environmental protection), and sets up business scenarios for the smart twins of cities, helping cities realize good governance, prosperous business, and benefits to people.

For B (Business) markets, Dahua goes deeper into the fields such as smart finance, smart park, smart community, smart manufacturing, smart logistics, smart retail, smart energy, smart education, smart hospital, and smart cultural tourism. From visible security protection to business operation and operating management, Dahua constantly seek insights into customer demands, enriches and subdivides the scenario-based solutions, and leads industrial innovations.

For SMB (Small-Medium Business) markets, by relying on the Company's capability on technology and resource integration, and cooperating with channel partners, Dahua releases a series of one-stop intelligent micro solutions for various scenarios, such as perimeter, entrance and exit, park, parking lot, security check, safety fire control, construction site, retail, logistics, and transparent kitchen, and applies them onto channel markets, empowering development and growth of the industry and users.

For C (Consumer) markets, Dahua continues to improve the "three-in-one (intelligent hardware, intelligent technology, and intelligent cloud)" business ecosystem and provides consumers with smarter, safer and more convenient IoT services. Dahua joins hands with partners to develop more scenario-based applications and services, and builds the smart IoT ecosystem.

### 2.1 To G Solutions

#### 1) City-level business solutions

Government digital transformation is the process that the government takes the initiative to adapt to the digital era, give comprehensive, systematic and essential transformation to the governance concepts, methods, processes, measures, and tools, improve business collaboration through data sharing, and enhance the modernization of the government's governance system and capacity.

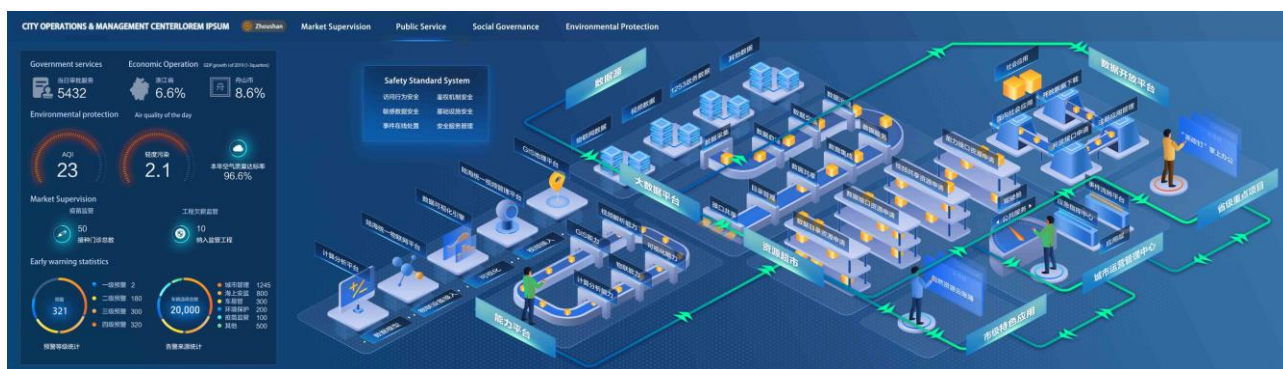
"Dahua HOC" emphasizes the focus on customer scenarios and the in-depth understanding of business scenarios and customer demands. Based on the Big Data Platform, it can conduct real-time analysis of massive data through view intelligence and data intelligence and build a smart decision-making center and an operation management center for a city. Through streamlining the core businesses of government sectors, centering on the targets of services and management,



Dahua breaks the barriers between different sectors and established city-level business applications covering 5 fields (governmental public services, economic regulation, market supervision, social governance, and ecological environmental protection). Through establishing the video-centric sensing and intelligent ability, based on the advantages of full-network computing and intelligent algorithm, Dahua comprehensively and truthfully structures the business scenarios of the smart twins of cities and realizes a closed loop of the data value chain.

In 2019, when building "Digital Zhoushan", Dahua combined the "1+2+N" smart city architecture of "Dahua HOC" with the local reality of Zhoushan and promoted the digital transformation of the government led by and centering on the "Zhoushan brain". "Digital Zhoushan" established "1117" Zhoushan brain systematic framework for digital transformation, which includes one city cockpit, one data resource supermarket, one set of safety standard system, and seven basic support platforms. Through data resource supermarket, 470 million pieces of government data and over 6,000 records of video data from 34 departments across the city were converged and integrated, as well as more than 1,300 provincial shared data service interfaces are connected, laying the foundation of big data capability for Zhoushan government's digital transformation. By sorting out the core business processes of various government departments, business collaboration is achieved by breaking barriers among different levels of departments and obtaining comprehensive access and sharing of data for services and managed targets. The first phase of the project covered more than ten typical application scenarios of city brain, including Internet+government services, economic operation monitoring and analysis, maritime safety supervision platform, and whole-process payment supervision in the engineering field. By achieving comprehensive access to city data and intelligent computing, efficiency of the Internet+government services is greatly improved, and capability of city emergency social management and service is boosted enormously, helping the government with the modernization of its governance system and governance capacity.

Meanwhile, as a member of the National Standardization General Working Group on Smart City, Dahua has participated in the formulation of 7 important standards of smart city and actively participated in the research and application of national projects. It has researched into three projects (high-quality development, digital economy, and community with the integration of production, life, and ecosystem) and won 14 important awards in the smart city field.



## 2) Smart neighborhood (township) solutions

Dahua smart neighborhood (township) solutions reinforce the responsibilities of unified command and coordination for neighborhood (township). Practical application system for integrated smart neighborhood (township) with comprehensive perception, intelligent warning, coordinated connection, and multidimensional visibility was established by the exploration of the new neighborhood (township) governance model with "perception" + "intelligence" and "service" + "governance", giving full play to the role of neighborhood (township) in primary-level governance including discovery,

processing, and circulation of the events, and empowering the primary-level governance capability of neighborhood (township).

The company collaborates with Ningwei street office of Xiaoshan District to build "Ningjulan" smart street governance platform, focusing on safe construction, urban operation, social affairs, livelihood services and other areas, in order to build the "1 + 7 + X" smart application mode, namely a street-level smart platform, consists of seven application modules "smart security, smart firefighting, smart city management, smart community, smart governance, emergency command, livelihood service ", together with X application scenarios; Based on the real-time perception to the whole street, provide visual application for daily governance, emergency command and supporting decisions of the street office, to build an operation management "operating system" for Ningwei. Among these, "X" application scenarios include 28 smart application scenarios such as safe village community, key site management, outside shop operation, fire alarm, waste sorting, and support information. Since the "Ning Ju Lan" smart neighborhood management platform was put into operation, the daily task processing time of primary-level management and service personnel has been reduced by more than 50%, the occurrence of fire disaster has dropped by 21%, the number of security incidents in the jurisdiction has been reduced by 18% month-on-month, and the number of conflicts and disputes has been reduced by 27%, thus greatly improving the neighborhood management efficiency and resident livelihood service standard.



### 3) Smart policing solutions

Centering on the business scenarios of policing, focusing on the pain points of users, Dahua explored more than 5000 scenarios of actual practices, summarized the key points of the features, goals, location, targets, and process of each scenario, and classified the business scenarios of policing into 6 big categories, 26 small categories, and 147 sub-categories. Every scenario is equipped with a multi-dimensional awareness device. Dahua also established a whole-region smart analysis center to realize the harmonious distribution and reasonable allocation of computing power and converted the business rules drawn from the police operation processes into data computing rules to get precise data and realize the actual closed loop of the data value chain. Remarkable results were achieved in the actual combat of public security. The police enthusiasm for the application was greatly mobilized, the numbers of major alerts were significantly reduced, and the efficiency of solving crimes increased substantially, resulting in continuous improvement in public sense of security and satisfaction.



Centering on the establishment of the prevention and control system for Ministry of Public Security, the Company made full use of its experience accumulated over the years in the smart policing field, comprehensively participated in and led the formulation of part of standards of the prevention and control system, the building of several ministry-level pilot projects, and the nationwide applications for city construction and review, which assisted the construction of data policing and smart public security, as well as promoted the reform on the quality, efficiency and power of public security work, by utilizing big data intelligence as the engine to promote innovation and development.

**4) Smart judicature solutions**

Dahua smart judicature solutions keep abreast of latest trends in judicial policy. Centering on the core application scenarios of departments and units at all levels in various sub-industries such as prison, supervision, procuratorate, and court, and relying on the Company's profound technical strength and complete product system in the field of IoT perception, the Company launched solutions focusing on the comprehensive coverage of series scenarios including law enforcement, case handling, and community correction by cooperating with a number of ecological partners in the industry. Under the premise of continuing to expand business coverage, Dahua focused on the deep integration of the Company's IoT perception technology in various sub-industry scenarios. In order to provide a strong guarantee for promoting the standardization, intelligence, and high efficiency of judicial core business, the Company promoted solution value and service efficiency through iterate improvement on fields such as customized service system, ecological cooperation system, and operation and maintenance support system.

**5) Smart traffic control solutions**

"The customer-oriented thought, the overall scheme thought, the intelligent thought, and the data thought" serve as the design idea for the top-level planning of the smart traffic control solutions. Focusing on customer core businesses and solutions, and centering on the overall goal of "safe, smooth, and convenient for people", Dahua proposed 5

sub-scenarios of traffic safety control in cities, in rural areas, on elevated freeways, and on high-speed roads, as well as traffic jam relief in cities, and 20 core business schemes by realizing effective coordination among people, vehicles, and roads with comprehensive study and utilization of online perception, cloud computing and other technologies. On the basis of the modern traffic management model and with the help of the multi-dimensional awareness of the IoT, big data, cloud computing, AI, and other technologies, the overall solution effectively integrated multiple business system capacities and the police forces of traffic control, energized traffic management capability, and promoted more accurate and efficient traffic control work. By establishing strategic partnerships with over 30 traffic control departments, Dahua jointly explored the research and practice of intelligent traffic management and completed major project deliveries for several traffic police battalions, promoting a new model of smart city traffic governance for the traffic control authorities.



6) Smart transportation solutions

Centering on the development goals of different fields of transportation (production safety guarantee, operation service efficiency enhancement and convenient transportation of the public), Dahua established a comprehensive traffic data sensing system, a precise security guarantee operation system, and a smart data analysis and decision-making system to comprehensively improve the security guarantee and the public service level of comprehensive transportation.

The smart expressway solutions are designed to "improve the informatization and intelligence of expressways, enhance the service guarantee for travels, and realize the operation of nationwide expressways like a 'nef' and the monitoring of the road network". Based on its advanced video cloud architecture and abundant sensory devices, the Company established a smartly linked expressway operation network and a smart monitoring system. Since China is canceling toll stations at provincial boundaries, Dahua tried to realize the high-speed and unblocked traffic. It provided the smart gate system solution, which can not only realize the license plate capturing of passing-by vehicles, but also realize HD video monitoring and detection of incidents on the expressways. With multiple functions in one machine, the solution can satisfy the demands for vehicle inspection, toll collection, and HD road network monitoring.



Starting from security and efficiency, the smart airport solutions include solutions for different scenarios from the landside, to the terminals and aircraft movement areas. Centering on the four core elements (passengers, vehicles, luggage, and aircraft), Dahua gave full play to its technical advantages in the field of video IoT and AI and dug the deep value of video data to solve the actual pain points of customers. The Company provided a big data platform for intelligent security protection of smart airports, which can provide effective technical support to the fast positioning of passengers and the prediction of security risks.

The smart rail traffic solution took advantage of the intensification of the security protection integration platform, enhanced the linked prevention and control formed by the smart identification and warning of prohibited goods and the smart recognition and warning of persons on the blacklist. It integrated the command and deployment system of the public security system and applied the business data to form a three-dimensional prevention and control system, improving the level of safety assurance for rail transit in many aspects, such as violation inspection and control, personnel control, command operations, and intelligence analysis. Taking the subway of a city as an example, personnel deployment and alert handling can be rapidly realized through smart security inspection, portrait surveillance, flat command, and other measures, and the real-time overall situation can be grasped through the data curtain wall.

The smart vehicle-mounting solution focused on the operation security and efficiency of commercial vehicles, such as urban buses, shuttle buses, tourist-chartered buses, vehicles for dangerous goods, school buses, taxis, and online-hailed cars. Taking the video and image processing technologies as the core, it integrated mobile communication, the IoT, face recognition, ADAS, and other technologies to comprehensively enhance the operational security and driving and riding experience of vehicles. Meanwhile, cluster analysis is conducted for the big data of various road transportations to fully dig the relations. The visibility of big data can be realized for different business demands so that the demands of road transportation enterprises for security production, cost reduction and efficiency enhancement and the regulation demands of the industry can be satisfied.

### 7) Smart emergency solutions

Dahua smart emergency comprehensive solution is based on the national guideline of "giving priority to prevention, combining prevention with rescue, and unifying the normal disaster reduction and extraordinary disaster relief". Backed by

core technologies such as IoT, big data, AI, unified communication, video conference, robots, and UAVs, the solution analyzes deeply the emergency command center, the mobile command center and the disaster site, including 21 sub-scenarios of urban firefighting, safe production, natural disasters, forests and grasslands. By considering potential risks, protection targets, shelter sites, emergency supplies, rescue teams, communication support, and video surveillance, a comprehensive emergency solution of "one map of resources, one map of detection, one map of decision-making, and one map of dispatch" was built to help emergency management departments to better discover and manage risks under normal conditions, to enhance their ability to deal with incidents, to better grasp the overall situation under abnormal conditions, to seize key points, to conduct and make decisions efficiently, and finally to achieve the comprehensive goal of "disaster prevention, mitigation and relief".

### **8) Smart fire control solutions**

Dahua smart fire control solution, guided by the national policy of "putting prevention first and combining prevention with fire control", applies to the scenarios such as firefighting combat command, fire safety responsibility supervision, and real-time convergence of fire safety status in key units. With the upgrading from traditional fire protection to intelligent fire protection, the firefighting focuses on urban comprehensive rescue in addition to fire rescue. Relying on core technologies such as video monitoring, IoT, big data, and AI, Dahua has launched multi-level and multi-dimensional fire protection IoT solution, fire protection big data supervision solution and fire protection combat command solution. Meanwhile, Dahua is the first to launch an integrated IoT solution for fire safety and elimination based on fire protection scenarios and security video AI technology. Video based detection of flame and smoke, temperature detection, blockage detection of fire corridor and channel, and violation detection of fire control room are introduced. The main responsibility of fire protection is supervised in long term, closed loop of fire safety responsibility is achieved, and the fire control status of units is reported in real time. And all these have been applied to universities, health facilities, cultural relics and ancient buildings, complexes, financial premises, energy and other places.

### **9) Smart environmental protection solutions**

Dahua smart environmental protection solution based on video IoT and AI aims to build a comprehensive ecological environment monitoring and sensing network by upgrading traditional monitoring equipment, and aggregate massive front-end sensing data to form an ecological environment big data platform. For the eight business categories of atmosphere, water, soil, pollution sources, nuclear radiation, ecological protection, monitoring and law enforcement, and comprehensive office, we put forward this solution for 11 types of business applications with the IoT and big data applications as the core, thus realizing flat, intelligent and fine management of environment monitoring. Finally, we realize accurate overall supervision, scientific comprehensive decision-making, and convenient public services.

## **2.2 To B Solutions**

### **1) Smart finance solutions**

Dahua smart finance solution aims to build a financial security center and a financial business capability center based on core technology capabilities of the Company. Centering on the typical business scenarios for banks, the solutions deeply integrate the technology implementation with the business requirements of the scenarios to construct an overall

solution capability set of smart finance, enabling financial security upgrading and promoting financial business transformation.

With the smart security management platform as the core, financial security integrates businesses including basic security networking, smart security, security management, and mobile security, and helps bank security to transform and upgrade from passive prevention and control to proactive prevention. It provides security managers with tools including decision analysis, and supervision and inspection, security operators with efficient, convenient, professional and compliant operation tools, and business departments with more convenient products and services.

In terms of financial technology business, Dahua has introduced innovative solutions such as intelligent banking, video compression, and video discussion. In the intelligent banking solution, multi-dimensional data of intelligent products such as face recognition and binocular behavior recognition are mined and analyzed to provide managers with data decision support. In the video compression solution, Dahua independently develops the new generation of intelligent coding algorithm and video compression equipment, which not only avoid the HD video lagging but also greatly save the cost. In the video conferencing solution, the security network is integrated with the professional video conferencing system to further improve the efficiency of daily office work and emergency command.

## **2) Smart park solutions**

Dahua smart park solutions focus on enterprise customers' core value demand of "cost reduction and efficiency enhancement" and set up a network of "smart twin" of operation management for enterprises and the park that sorts out core solutions for smart security, convenient access, and smart office from typical park scenarios including production, office, education, logistics, and tourism, helping enterprises to carry out fine management of security, property management, and enterprise operation, and promoting the realization of intelligent upgrading and digital transformation for the park.

## **3) Smart community solutions**

By constantly extending application scenarios in view of the actual demands from owners, property management, and property developers, and deeply integrating community management business and systems based on systems including video intercom, video surveillance, access control, parking lot, and smart home, Dahua smart community solutions established the multi-platform integrated ecology with support from AI capability and the ability to provide customers with integration of devices, community, and neighborhood at all levels through multiple IoT devices, local management platform, and community cloud, realizing multi-system business integration and data integration, and creating an integrated solutions for smart security, convenient access, and property management services. The solutions help to improve the life experience and quality for owners, increase the property management efficiency, create a safe, comfortable, and convenient community life for residents, and achieve greater value for developers and property management.

## **4) Smart manufacturing solutions**

By integrating and upgrading traditional security and manufacturing business of enterprise, and working on top-level design and layout implementation based on customer core value of "safety, efficient production and leading operation", Dahua smart manufacturing solutions promote the integration and upgrading of enterprise park infrastructure, automation

production lines, and industrial big data, and implement solutions such as intelligent warehouse logistics, production visualization and labor management, machine vision and various intelligent applications, creating value for manufacturing enterprise customers.

The smart warehousing and logistics solution integrates AGV, WMS informatization, industrial vision, RFID, and big data to realize intelligent warehousing operations, intelligent material management and control and intelligent decision-making. Thus, personnel costs and material overruns are reduced, and orders are increased. In addition, product management, assets management, resource coordination and decision-making management are enhanced.

The production visualization solution takes video monitoring, big data analysis and information interconnection as the core, realizes real-time coverage of enterprise production and data management, and greatly improves the scheduling efficiency and decision-making level of production management.

The machine vision solution mainly focuses on intelligent operations such as manufacturing detection, identification, positioning, measurement to ensure product quality and reduce work intensity of personnel.

### **5) Smart logistics solutions**

Centering on the three major businesses of safety, work and operation, Dahua smart logistics solutions effectively manage "people, vehicle, goods, and yard" for the four major links of transportation, storage, transit and distribution in the logistics industry by means of visualization, automation, and intelligence, helping logistics enterprises to improve security and operational efficiency, as well as effectively reducing costs.

In terms of logistics operations, a logistics operation and management center for logistics enterprises is built through advanced technologies such as video, big data and AI. Meanwhile, through self-developed AI algorithm that goes deep into logistics operations, flexible intelligent products and solutions are offered according to the business needs and construction conditions in different scenarios, helping logistics enterprises to realize precision management. Based on the accumulation of technology in machine vision, the Company introduced the goods sorting solution featuring "quick handling, piece-to-piece scanning, DWS, multi-sided code reading", which comprehensively improves the degree of automation and goods sorting efficiency for logistics enterprises. The video tracking solution enables quick query of the video of defective goods, which helps reduce the labor input of express delivery companies, improve the efficiency of damage liability determination, and promote customer satisfaction.

### **6) Smart retail solutions**

With the construction goal of "making operation more effective and management more efficient", Dahua smart retail solutions accurately start from offline perception, restore the precise relationship among "people, goods, and market" and integrate data from the offline physical scenarios for businesses including supermarket chain, automotive retail, specialty store, and department store, assisting customers in efficient operation, precision marketing, safety and loss prevention, and experience upgrading.

In 2019, based on the practical experience of retail digital transformation, the Company iterated and enriched its solution system. The Company optimized the solution of shop inspection and evaluation and set up the supervision and management tool with end-to-end logic closed loop to improve shop inspection efficiency and reduce personnel input; it provided the solution for regional passenger flow to visually display the regional passenger flow attraction rate and



business level, energize inactive area, optimize the layout, and improve area-effectiveness, as well as the intelligent replenishment solution to optimize replenishment business process, reduce customer waiting time, and accelerate commodity circulation; The company also offered the solution of flow funnel to obtain data of offline customers' complete shopping path of pass shop-enter shop-browse-order-repeat purchase, providing effective data guidance for conversion increase, event marketing, and new product arrival.

## 7) Smart Energy Solution

Dahua smart energy solution serves the energy enterprises of the industrial flow type in the electric power, petrochemical, mining, iron and steel. It focuses on production safety and operation efficiency, and business development. The Company utilizes technologies such as AI, robots, machine vision, 5G, big data to launch in-depth application solutions such as large-scale video networking, smart substations, and smart supervision for the power industry, which can reduce the work load and improve the informatization level of power grid, thus facilitating State Grid Corporation of China in its strategic goals to build the state grid with "three types and two networks" and China Southern Power Grid in its strategic positioning of being "five players" and its strategic direction of "three providers". In the petrochemical industry, the Company keeps working in such solutions as smart oil fields, smart pipelines, digital petrochemicals, and smart gas stations to improve the production safety management and reduce accident rates, thus promoting the development of "smart factory". In the steel and coal industries, the Company expands the video and intelligent applications into the underground of as deep as 1,000 meters. All of these efforts by the Company aims to provide continuous service to the industrial production field and help build the operation and security center for the energy industry.

## 8) Smart Education Solution

In the context of the full implementation of the "Education Informatization 2.0 Action Plan", Dahua Smart Education Solution is built upon the "Overall Smart Campus Framework", with the focus on the "teaching, learning, research" scenes. Through utilization of technologies such as multi-dimensional IoT sensing, whole network intelligent analysis, big data, and cloud computing, the solution provides smart assessment, classroom inspection and supervision, interactive classroom and other services with classroom teaching as the core, aiming to serve teachers, students and education managers and promote the teaching environment, management and quality. At the same time, the Company provides services such as campus entrance control, campus AR, campus kitchen, smart dormitory management based on the "people, vehicles, things, food, living, travel" aspects of the campus, which facilitates the all-round upgrading of smart campus construction from aspects of traffic, food, consumption, accommodation, etc. and enhances the sense of security and happiness for teachers and students.

## 9) Smart Hospital Solution

Following the development trend of the industry, Dahua has optimized its smart hospital solution on the basis of its original smart security, smart parking and other hospital security services, adding the 3D modeling-based "one map of hospital logistics management" model to create a new smart hospital solution for real-time online management and monitoring of security situation and logistics services. The solution uses mature AI intelligence, 3D visualization and Internet of Things technologies to connect multiple IoT sensing equipment and various system data in hospital logistic

services such as water, electricity, gas, firefighting, to achieve the standardized and intelligent hospital logistics workflow management and control the hospital operating costs by the hospital fixed assets, common consumables, energy consumption such as water and electricity, and expenditures by operation and maintenance personnel, thus ensuring the efficiency and quality of the daily hospital maintenance, security, transportation and other businesses, and offering an operation management model with high efficiency and low consumption.

### 10) Smart Cultural Tourism Solution

Dahua smart cultural tourism solution takes tourist attractions and "cultural relics and ancient buildings" as its core business scenarios. This solution combines passenger flow statistics, density detection of tourists, prevention of lost tourists, perimeter prevention, information release, smart fire protection and other systems, and utilizes AI technologies together with face capture cameras, passenger statistics cameras, panoramic watchers, acousto-optic warning cameras, alarm posts, advertising machines, integrated smart management platforms on cultural travels. It provides uniform management of security and fire protection in entrances and exits, popular scenic spots, squares, shops, catering places, dangerous areas and the like. Therefore, events in various systems and levels are timely and accurately scheduled and handled, to eliminate potential safety hazards, and improve the O&M benefits.

### 2.3 To SMB Solution

Built for small and medium-sized businesses, Dahua SMB solution is driven by technology, policy, and business transformation and upgrade and oriented around business scenarios. The Company taps into the customer's value demands and provides the standardized solution with simple scenarios, standard applications, rapid response, and simple delivery. The solution aims to work together with partners to deliver value to end users, reduce users' input into safety and security operations, improve their overall efficiency, and promote business sustainability. The Company has released solutions for small and medium scenes such as campus entrances and exits, park speed measurement, non-contact pass-through with health QR code, intelligent warnings for mask wearing in public places, denial of electric scooters' access to elevators, intelligent monitoring of community garbage classification, residential guard duty, unattended parking lots, and straw burning detection.

### 2.4 To C Solutions

As a consumer-based smart IoT brand owned by Dahua, Imou Lechange, with focus on the security needs of households and small and micro businesses, builds and improves the integrated business eco-system of smart hardware, smart technology and smart cloud to facilitate rapid business growth.

In 2019, Imou Lechange successively introduced a number of brand-new products such as "Smart Home Indoor Camera TC2/TP2/TP7S", "Smart Home Indoor Camera TP7i", "Smart Cat's Eye VD2" and "Visual Smart Cloud Lock V6/P6", covering core scenarios inside or outside the home, entrances and exits. With intelligent algorithms and technologies such as "intelligent humanoid recognition", "abnormal sound detection" and "intelligent linkage", and evolution of supporting APPs, the user experience is further optimized, and Lechange products are more applicable in intrusion prevention, infant care and other scenarios. With the addition of more categories such as video doorbells, smart

home gateways, smart controls, etc., Imou Lechange will continue to expand the smart whole household ecosystem centering around household security.

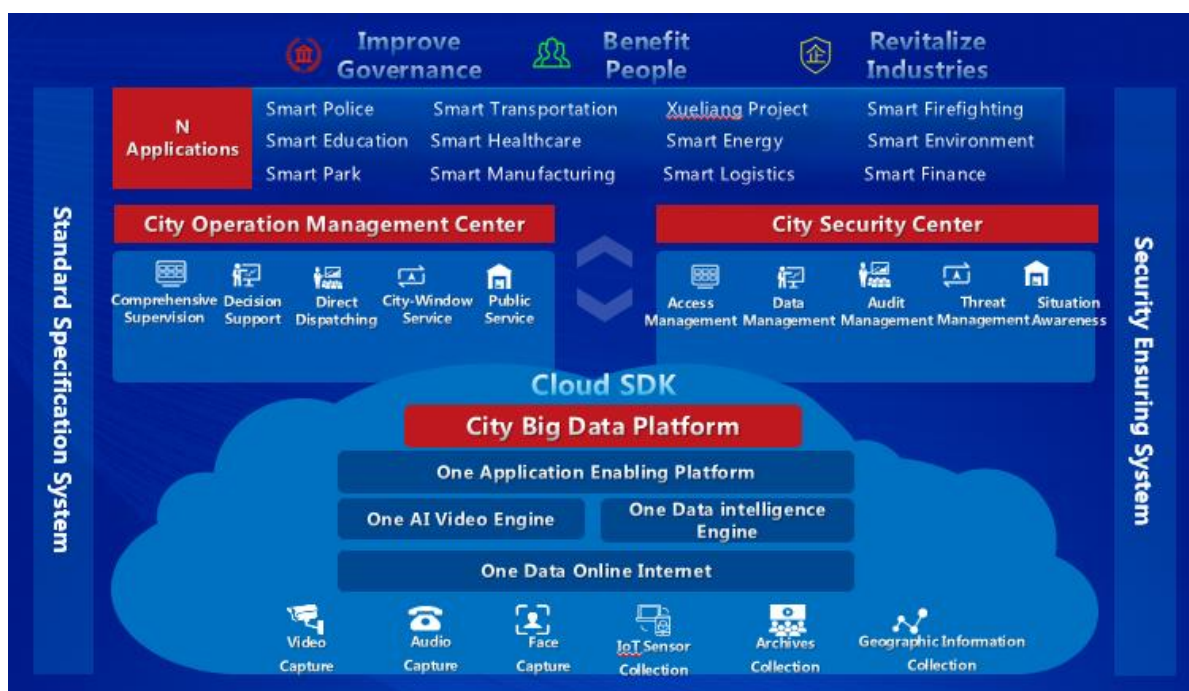
In small and micro business scenarios, new products are introduced, including "Smart Waterproof Camera TF1T", "Smart Acousto-optic Conch TE3" and "Wireless Network DVR S1E-W". With "wireless cascade" technology, the signal coverage of Lechange wireless store solution is greatly improved. Supported by IMOU Cloud, APP and PC, the wireless store solution is favored by users for its easy deployment and use. Based on the characteristics of small and micro businesses, Lechange will further launch light solutions that integrate hardware and platforms, and continue to expand the value of the small and micro business solutions through cloud components.

As the core of Imou Lechange business, IMOU Cloud was invested in network security, intelligence and third-party cooperation in 2019. In addition, GDPR compliance was optimized and cloud intelligence commercialized, thus ensuring that IMOU Cloud provides safe, stable and efficient services to more than 10 million users worldwide. Lechange will further open up its cloud capacity to facilitate third-party developers in their development of feature-rich scenario applications and provide easy-to-use, safe and customizable services to end users and partners for an intelligent IoT ecosystem.

### **3. Cloud computing and big data products and services**

Based on cloud computing and big data technology, the Company focuses on video IoT scenarios with business at the center to build up data storage, calculation, analysis, modeling, and sharing capabilities with the goal to achieve online data, value calculation, and business enabling. With the big data research institute as the carrier, the Company keeps up its investment into R&D of cloud computing and big data technology and product to drive the closed loop of data value chain.

The Company integrates the technical advantages of cloud computing and big data, componentized and flexible architecture and deep insight into video IoT business, and also takes into consideration the layered decoupling and vertical closed-loop capabilities of the software architecture. Centering around the three key processes for realizing the value of data, namely, online data, value calculation, and business application, the video-centric smart IoT big data platform is constructed.



The big data platform realizes the dual central platform for both data and business through an online data network, a smart view engine, a smart data engine, and a business enabling platform, and provides the basic framework and support for industry software.

An "online data network" builds a data network with a wide range of connections, high-reliable storage, and high-performance access through a unified and flexible architecture, which can enable efficient aggregation of IoT sensed data, improve network compatibility, and reduce management difficulty. Due to its different data attributes, the video IoT-based data needs two types of computing engines, namely smart view engine and smart data engine. With the large-scale application of artificial intelligence in the field of video surveillance, the accuracy of algorithms has been greatly improved.

A "smart view engine" realizes the algorithm capability more applicable for business scenarios through scenario-oriented algorithm iteration and smart scheduling; through uniform scheduling of smart algorithm capacity on the Cloud-Edge-Terminal, it achieves the networked and harmonious distribution of algorithm capacity; through algorithm warehouse software system, it realizes the complementary advantages of the multiple algorithm ecologies. The scenario-based, networked, and ecological smart view engine effectively improves the calculation efficiency, algorithm utility, and investment conversion rate, and further facilitates the intelligent development of the industry. The high-value data generated through the calculation by the smart view engine, together with massive IoT sensing data and business data generated by information construction, constitute the main data set of the video IoT scenarios. The calculation of data value requires three core capabilities to drive data intelligence, namely, insight into industry business scenarios, in-depth data details, and construction of data development platform, data governance system, and multi-dimensional algorithm system.

A "smart data engine", which is based on the spatio-temporal big data calculation engine and a one-stop data development and operation platform, optimizes the spatio-temporal big data calculation efficiency and improves the

efficiency of data governance; the data governance service provides global governance covering sensing networks and information networks; the multi-dimensional sensing algorithm system drives data integration and value mining to realize data calculation, analysis, modeling and sharing. Based on accumulated business practices in the video industry, deep understanding and experiences of Cloud native and full ecological concepts of openness and sharing, a "business enabling platform" is constructed to accumulate the general basic capabilities of the video IoT business, build the business central platform, and provide a basic micro-service framework for agile business iteration.

Based on the big data platform architecture, the Company has launched a series of products and services with significant technological competitiveness and product advantages, and achieved great success in the global market. They have empowered a variety of industry applications such as smart police, smart transportation, smart justice, emergency command, smart building, and facilitated implementation of the HOC strategy in various industries.

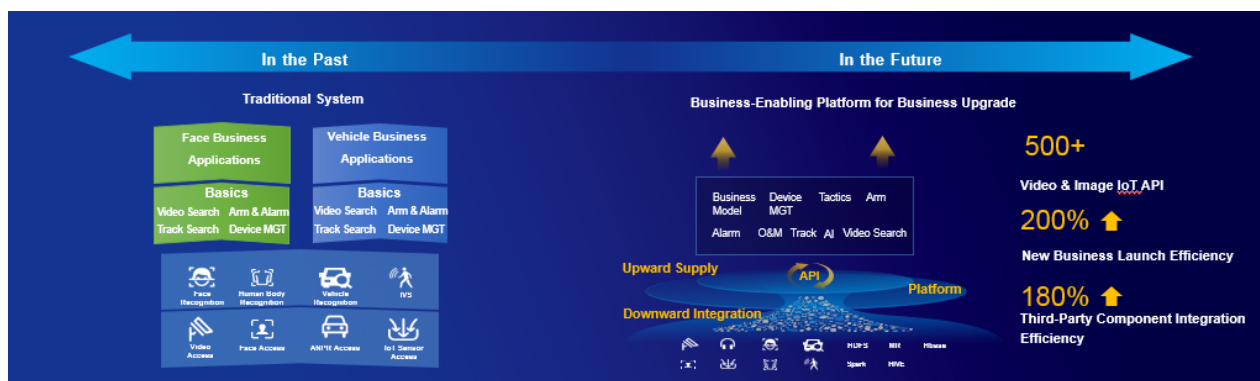
#### **4. Industry Software**

The Company's industry softwares are oriented towards three core businesses, namely, the city-level, industry-level and consumer-level scenarios. With solutions to gain deep insight into the industries, and big data platform as core technical support, the Company builds a business enabling platform to support the scenario-based industry business software modules and schedule customer-oriented ecosystems and service capabilities, forming the three series of industry software products and services, namely, To G, To B and To SMB / To C. The To G industry software undertakes the city-level and government-oriented (e.g., public security, transportation, emergency, etc.) industry software development and customized delivery, the To B industry software undertakes enterprise-oriented (e.g., enterprise, industrial park, building, etc.) industry-level softwares development and customized delivery, and the To SMB / To C industry software mainly provides software and customized delivery for small and micro businesses and consumer markets.

The Company, through its To G, To B, and To SMB / To C industry softwares, continues to open up its video, intelligence, and big data capabilities, and iteratively upgrades platform software products for industries toward public security, justice, traffic control, transportation, emergency management, fire control, industrial park, finance, buildings, energy, education and others to provide all-round protection for the closed loop of customer data value chain. Dahua has achieved a series of success through continuous practice and exploration in various fields to empower customers to transform and upgrade their business processes.

##### **➤ System Structure**

In the traditional horizontal layered decoupling architecture, the infrastructure links are usually interconnected, but the upper layer data and business systems are still independently constructed. For this model, basic services such as API access to various platforms should be obtained from different links, which poses a huge obstacle to the rapid realization of high-dimensional functions, resulting in low efficiency of online business application. The Company builds a business enabling platform which can achieve horizontal layered decoupling and also vertical closed business loop. The business enabling platform includes data services and intelligent services, and has combined years of Dahua's application experiences and models. It can integrate various capabilities from the top down and provide various scenarios-oriented interfaces from the bottom up to help efficiently build industry software applications.



The Company believes that opening-up and integration is the inevitable development trend of the industry and will be a new industrial state in the era with the internet of everything. With adherence to the concept of "full ecosystem" and flexible software architecture, the Company has established a complete open ecosystem, which can integrate partners' products and services at different levels such as basic platform, video capabilities, intelligence capabilities, data capabilities, public services, industry capabilities, etc. The ecosystem provides a set of standard API interfaces to help partners to quickly carry out the software research and development in the sub-industries based on the capabilities provided by the Company, helping improve the customer value.

#### ➤ Organizational Structure

In order to further improve the response speed to the frontline customer demands and subdivide industry business into close loops in provinces, the Company further delegates the industry software research and development capabilities into provinces and regions, and established software development centers in Zhejiang, Shandong, Jiangsu, Shanghai, Xi'an, Guangdong and Guangxi, and implement the "customer-centered" values to get closer to customers, strength service capabilities and improve customer satisfaction. It also speeds up the response to customer's individualized demands, and provide better technical services for partners in local provinces or regions.

With the rapid development of overseas business, in order to further speed up the global layout and improve the software competitiveness in the overseas markets, the Company established software R & D divisions in Europe and America respectively to recruit local outstanding software talents and set up international R & D teams. The overseas divisions stay closer to the first-line customers to carry out localization of the software platform, thus significantly improving customer demand response speed.

### 4.1 To G Industry Software

#### ➤ Public Security Industry Platform

Dahua public security software platform utilizes the IoT big data technology and smart view business capabilities. Through data mining and evolution of models in practice, Dahua has released a series of industry-leading platform products in the smart police solution such as smart patrol, public security communities, checkpoints, smart urban management, and joint police logistics service, AR three-dimensional prevention and control, etc., which have brought outstanding practical results for police users.

For the smart police patrol platform: As the standard protocol maker for the Ministry of Public Security, the Company takes the lead in creating a number of domestic trial points. For the public security community platform: With many years of practical experience, effective value is mined and refined out of the perceived data to help users carry out public

security management and control in a convenient and efficient manner. For the checkpoint platform: Through the means of intelligent early warning and big data analysis, it can allow every vehicle and person to pass through safely and quickly, and also make suspicious vehicles and persons visible. For the smart urban management platform: The Company has continued to innovate in public health governance and public order control, and made great success in applications nation-wide. For joint police logistics service platform: It is integrated with the public security police system to manage social security, handle emergencies, and make social security visible and manageable. For AR three-dimensional prevention and control platform: By means of video maps, various municipal governance methods can be loaded to proactively prevent and control various acts that endanger social security and disrupt social order. In terms of sharing basic capabilities, Dahua offers a high-performance engineering solution that provides the professional business model application capabilities for portrait, vehicle and IoT data integration for application partners in integrated social governance. This solution helps build the governance ecosystem and stimulate active roles in social governance.

Taking the Ningbo Public Security Bureau as an example, the Company developed a multi-dimensional integration platform which collected billions of perception data. The platform is built based on the big data platform and supported by the business enabling platform. It provides powerful support for fighting against crime, prediction and early warning.

#### ➤ **Justice Industry Platform**

Dahua judicial software products have covered a number of sub-industries such as supervision, prisons, drug treatment, procuratorates, and courts. The Company has participated in the formulation of multiple standards in the Justice Department, Public Security Department, and others. Through the construction of integrated software application platform with "high definition, intelligence, IoT", the Company provides "full link" top-level plan and deep design applications from the provincial departments of justice, prisons, commissions of discipline inspection, superior people's courts, to municipal branches and intermediate people's courts, to county- and district-level detention centers and police stations. The security business platform covers multiple business application scenarios, such as basic security of the institutions, intelligent face recognition applications, basic crime case interrogation, disciplinary supervision by the Commissions for Discipline Inspection and remote escalation, etc.

#### ➤ **Transportation Industry Platform**

Dahua smart transportation platform stays committed to the research and development concept of "stable foundation, strong platform and closing to business", keeps on improving the industry software technological capabilities and industry application exploration and implementation. All of these aim to enhance the overall software system and capacity building for the intelligent transportation industry.

For the transportation networking convergence: The platform converges massive front-end videos, bayonets, traffic guidance screens, traffic semaphores, RFID, MAC and other smart IoT sensing devices to provide steady access to "human, vehicle, non-vehicle" structured data, and with improved video AI capabilities, provide basic industry data services such as traffic vehicles, traffic flow, traffic incidents, and others to industry users.

Traffic big data center console: The platform integrates multi-source data from the industry, and by use of big data computing centers and industry algorithm centers, provides efficient and stable business data support services. It integrates data collection, integration, governance, and intelligent algorithm analysis, and provides data to industry

applications as services to improve business operation efficiency and promote continuous improvement of traffic management capabilities.

Transportation business application: Focusing on the four major scenarios of “urban, rural, overpass, and expressway”, we will deploy and build traffic management application modules such as key vehicle control, rapid response to overpass vehicles, and green parking to support scenario customization for different individualized customer requirements; Meanwhile, in the fields of airports, railways, transportation and other fields, with the goal of "safety, efficiency, and service", we continue to build and implement high-quality software and establish a smart transportation software brand.

In 2019, the Company led the construction of major traffic police detachment-level projects in the capitals and key cities of multiple provincial-level administrative regions, which have effectively improved the comprehensive transportation management capacity. It also deployed and built smart transportation software products in airport and subway products in multiple cities to support the transportation security and management.

➤ **Emergency Command Platform**

The smart emergency command platform covers emergency command business scenarios in over ten sub-sectors including government emergency command, safety production supervision, energy, airports, maritime, justice, and education, etc. It supports the five major applications, i.e. supervision and management, monitoring and early warning, command and rescue, decision support and government affairs management, to prevent and monitor emergencies beforehand, command and overall coordination during the event, and post-event analysis, summary and comparison, and provide individual charts for resource allocation, monitoring, dispatching and decision-making, thus achieving true synergy.

➤ **Fire Industry Platform**

The smart fire control platform covers most application scenarios in fire prevention, control and rescue, including fire control IoT monitoring and early warning, fire control safety supervision, fire combat command, and others. Currently, the Company has delivered multiple provincial and municipal application cases on smart fire control platform, and participated in the formulation of standards for Fire Control and Rescue Bureau under Emergency Management Department, big data interconnection in the Provincial Fire Corps, fire combat command in the Municipal Rescue Team, and the IoT interconnection of fire operation units. Dahua launched the "Weixiaofang" system in the industry, which provides a convenient and effective means for the autonomous management of fire safety in social units, and promotes the units' primary responsibility for fire protection. The Company also provides the street fire management platform and district/county fire supervision platform for street and district/county fire brigades, which facilitates comprehensive management and supervision of fire safety in the jurisdiction, real-time joint handling of fire alarms, fire prevention and early warnings to minimize the loss of people's lives and property; It has launched the city-level big data fire control platform and emergency rescue combat command platform, which has integrated the city's fire control business data for big data researches, thus facilitating the closed-loop management of early prediction, and judgment, fire control, and rescue.



## 4.2 To B Industry Software

### ➤ Enterprise Basic Platform

The enterprise industry software platform is based on the common technical framework of the software platform. With insight into the business needs in production and sales, etc., and aiming to build the enterprise business operation center and security management center, the Company launched industry applications for industrial parks and buildings, etc., helping enterprises to reduce costs and increase efficiency and digital upgrade.

The enterprise industry software platform series takes the enterprise basic platform as the baseline and supports the company's full range of equipment access and platform networking. In order to address the needs for people, vehicles, and property management in large, medium and small enterprise parks, the platform supports integrated management of employees' work attendance, convenient pass-through, parking management, security and fire control integration. It also provides a wealth of secondary development interfaces which can seamlessly connect with internal enterprise ERP, CRM and other information systems, which helps resolve problems of isolated information, and facilitates data integration. In order to meet the network management needs of corporate headquarters and branches, the platform supports large-scale video networking, multi-type data aggregation, multi-user decentralized management and other functions. For example, in the national platform networking project of a large state-owned bank, more than 300 platforms across the country have been connected, with access to more than 700,000 video channels and tens of thousands of various alarm, intercom, and access control devices.

### ➤ Integrated Business Platform

In order to meet the individualized business needs of multiple industries such as finance, energy, logistics, energy, retail, manufacturing, etc., the enterprise basic platform offers the capabilities to quickly connect with different sub-systems and integrate self-developed or third-party business sub-systems, thus building industry business platforms and meeting the specific needs of different industries. For example, in the energy and power industry, through the development and integration of the intelligent power equipment inspection sub-system and the production process decision support sub-system, the platform can help customers transform from visualized management to production, logistics, management, and decision digitalization.

## 4.3 To SMB / To C Cloud Service Software

To meet the needs of small and medium-sized enterprises and consumer markets, Imou Cloud has set up 19 data center nodes around the world, with access to around 30 million devices, providing secure, stable, and fast cloud services for more than 10 million users worldwide. As per different factors such as construction costs, construction cycle, and data security, Imou Cloud provides three deployment methods: public, hybrid, and proprietary deployment of AIoT platforms for customers of different levels.

As for the cloud ecosystem, a "three-in-one" business system, namely, intelligent hardware, intelligent technology, and video cloud, is built to provide third-party partners with video-centric VPaaS capabilities, and open up its cloud access, cloud storage, and cloud forwarding, cloud live streaming, cloud intercom, cloud sharing, cloud analysis and other core functions. In addition, in order to better meet the fragmented application needs of user scenarios such as homes, shops, small and micro enterprises, the Imou Cloud open platform further opens the cloud AI algorithm, providing AI algorithms for face detection, face comparison, face search, and human shape, human attributes, vehicle attributes, and traffic

attribute recognition.

The Company released multiple light Internet industry clouds based on Imou Cloud. Among them, retail cloud, construction site cloud, logistics cloud and other light cloud solutions have been implemented in the SMB industries, which have helped reduce users' investment in deployment and manual operating costs, and improve overall management efficiency and customer loyalty. Imou Cloud business ecosystem has more than 35,000 third-party partners worldwide and more than 1,100 active applications. By far, an open, sharing, and cooperative video network ecosystem has been basically set up.

In terms of cloud security, in 2019, Imou Cloud obtained the first Rheinland Protected Privacy IoT Service certificate in the security industry, and was recognized again by international authoritative certification institution. This represents that Imou Cloud is in compliance with international standards and stand ready to provide secure, stable and high-quality cloud services for global customers.

In terms of data operation, Le Orange further enriched and improved the five core functions in 2019, i.e. data statistics, growth model, layered operation, key business analysis and business operations of the OMS data operation platform to drive the reshaping of the sales pipeline in all directions, improve product competitiveness and optimize end product experience.

#### **4.4 Overseas Business Software**

With the rapid development of overseas business, the Company continued to increase investment in overseas software platforms, and launched a series of software platform products to meet the requirements of overseas markets. These products aim at the general security market and are built upon the underlying public capabilities of the software platform. They share access to the Company's entire series of hardware products, ranging from video monitoring, access control, to alarm management and other common security scenario requirements. The products boast of characteristics such as cross-platform application, highly reliability, modularization, open access, and easy to use, etc. For the industry market, we fully absorbed and referenced the technologies and experience of excellent domestic software platforms, launched a series of industrial software platforms for vertical industries such as safe city, smart traffic management, parking management and vehicle monitoring to support the implementation of overseas industrial solutions and achieved many successful cases.

### **5. Core Hardware Products**

Relying on the comprehensive insight into customer needs, the in-depth understanding of the subdivision of the industry and profound mining of industrial solutions, the Company comprehensively upgraded its products in perception, intelligence and computing capacity, deepened core technologies and product layout, and developed Ruijie series, Ruisi series, Ruimou series, Ruichang series and other product families with super competitiveness in 2019.

#### **1) Ruijie —— Smart Sensing Device**

In 2019, the Company launched a new generation of "Ruijie" series of intelligent front-end products, including "Scenario Definition Smart Camera", "HDCVI6.0", "Dual-PTZ", "Dahua Lingjing", "Wu" series free-flow cameras, AI Enforcement Camera, Thermal Network Camera, "Panoramic Mobile PTZ Camera" and other products. These

applications can meet the customer requirements for their different scenarios, improve the video sensing capabilities of front-end products and expand their sensing domains.

➤ **Video perception ability has been greatly improved**

The Company launched Hubble Panoramic PTZ Camera, Dahua Tianmu, 180°Multi-sensor Panoramic Camera, Dual Vari-Focal AI Camera, Dahua Tiantong, Dahua Aurora, Dahua Tianxian, Super DOF AI Camera and other "scenario-defining smart cameras". By relying on Dahua's leading technological breakthroughs in panoramic stitching, low-illuminance ISP algorithm, video codecs, and optical innovation, etc., we have solved industrial problems including large-scenario monitoring, object extraction under low illumination, large aperture scene depth, wide dynamic motion shadow dragging, incompatibility between night license plate and face effects, etc. Therefore, more complete and detailed data information can be collected for more accurate intelligent calculation and event reporting.

Dual-PTZ dome camera utilizes the dual-PTZ "ring motion system", which have significantly improved the deployment and application experience of intelligent linkage products. By adopting the large target surface dual-sensor fusion technology and multi-spectral photosensitive imaging technology, the Aurora dome camera series can improve the effect of intelligent detection and capture in extremely low illumination. We launched the industry's first 45x optical image stabilization dome camera that supports 4K high resolution, which can effectively improve the video effects of the telephoto camera in the environment jitter scene thus to improve the accuracy of intelligent applications. Meanwhile, the PFA+ 2.0 predictive focusing technology, which is the first in the dome industry, does not require human calibration and intervention, and can focus in one step.

Coaxial products are based on industry-leading HDCVI6.0 technology, which breaks through the transmission bottleneck of coaxial cables. The coaxial high-definition 4K real-time product solutions and two-way voice technology solutions are launched to provide customers with ultra-clear, smooth, low-latency video experience and audio interactive experience.

In the field of intelligent transportation, the Company launched the "Wu" series of high-speed free-flow cameras, the first of its kind in the industry to use a white-light-free flashing light solution, which not only effectively addresses the security risks caused by white-light flashing, but also meets the identification requirements of non-stop electronic toll collection in the highways. The Company also launched the Eco 2.0, which supports capturing of illegal behavior by "vehicles, non-vehicles, humans", collection of traffic flow statistics, and traffic incident detection. The new generation of intelligent semaphore has been launched as per the road signal control requirements, which, combined with the industry-leading flow camera features, further improves the traffic capacity.

➤ **Comprehensive expansion of perceived frequency domain**

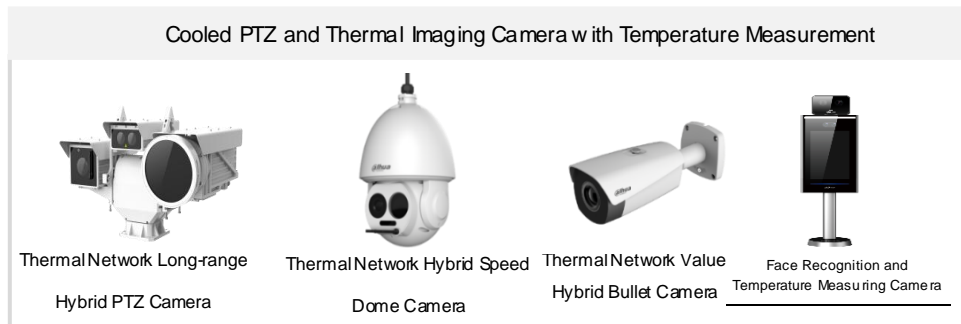
The Company has been accelerating the business layout of 5G technology applications, and have launched 5G ultra-high-definition intelligent network cameras, which effectively solved the major issues posed by the traditional cellular network cameras, such as poor transmission stability and high data streaming fees; meanwhile, they can be easily installed and networked and widely applied in city governance, social public order maintenance, traffic jam control, emergency command and dispatch, emergency rescue and disaster relief, governmental services, and other fields, which can facilitate more reliable decision-making, faster response, and more intelligent city development.

Industry leading thermal imaging series products have been launched in a comprehensive manner. The High-precision body temperature measurement product, thermal imaging body thermometer, boasts of a measurement

accuracy of  $\pm 0.3^{\circ}\text{C}$  for temperatures ranging  $30^{\circ}\text{C}$  to  $45^{\circ}\text{C}$ . This has contributed a lot to ensure resumption of production and living and safeguard the health of the people during the COVID-19 epidemic period. The thermal network long-range hybrid PTZ camera adopts an advanced cooling detector with a monitoring distance of up to 20KM and excellent image effect, which can be used in long-distance scenarios such as border defense and coastal defense. The thermal imaging series products boast of high cost performance, and can achieve functions such as temperature measurement, fire detection, intelligent behavior analysis, human and vehicle differentiation, smoking detection, and phone call detection. They are widely used in the perimeters of the parks, hospitals, schools, gas stations, ancient buildings, charging piles, stations, shopping malls, etc.

The Dual-PTZ Series Camera utilizes radar target detection and dome camera capturing to achieve all-weather and all-time three dimensional monitoring. The Panoramic Mobile PTZ Camera has built-in G-sensor, GPS/BeiDou, 4G/5G and WIFI, and supports "vehide, non-vehicle and human" detection, illegal parking capture, license plate/human face blacklisting, which all work to provide better mobile deployment and patrol services.





## 2) Ruisi — Agile Edge Intelligence

In 2019, the Company focused on the promotion of intelligent edge product in various industries, and newly launched the "Ruisi" series of IVSS, EVS, network video recorder, intelligent coaxial HD DVRs, intelligent security screening servers, face recognition swing turnstile and intelligent vehicle-mounted standard all-in-one products.

For the IVSS series products, the Company keeps on optimizing the self-developed deep learning algorithms, detection and recognition accuracy and analysis performance, to better achieve functions such as optimal multi-face capturing, facial attribute extraction, target classification, etc. Many other outstanding functions such as fast video target retrieval and secondary intelligent video analysis have been launched, which not only enhance intelligence and ease of use, but also form a supporting scheme together with video cloud, laying the foundation for the implementation of the overall solution.

The EVS series products integrate centralized storage data with intelligent analysis, and ensure the rapid retrieval and positioning of massive data through structured functions such as face, human body, vehicle, and behavior analysis. Through the extraction of effective data, the network bandwidth pressure during the "intermediate" and "central" data transfer and interworking is reduced.

The intelligent NVR, on the basis of the original structured data of human face and perimeter, integrates Dahua's exclusive SMD technology to accurately distinguish between people and vehicle alarm triggering, improving alarm accuracy.

The intelligent coaxial high-definition DVR, built upon the HDCVI6.0 technology, has achieved 4K real-time preview, intelligent encoding and intelligent enhancement on the analog monitoring products. With integration of human face, perimeter and SMD, it pioneers a new era for the coaxial HD products.

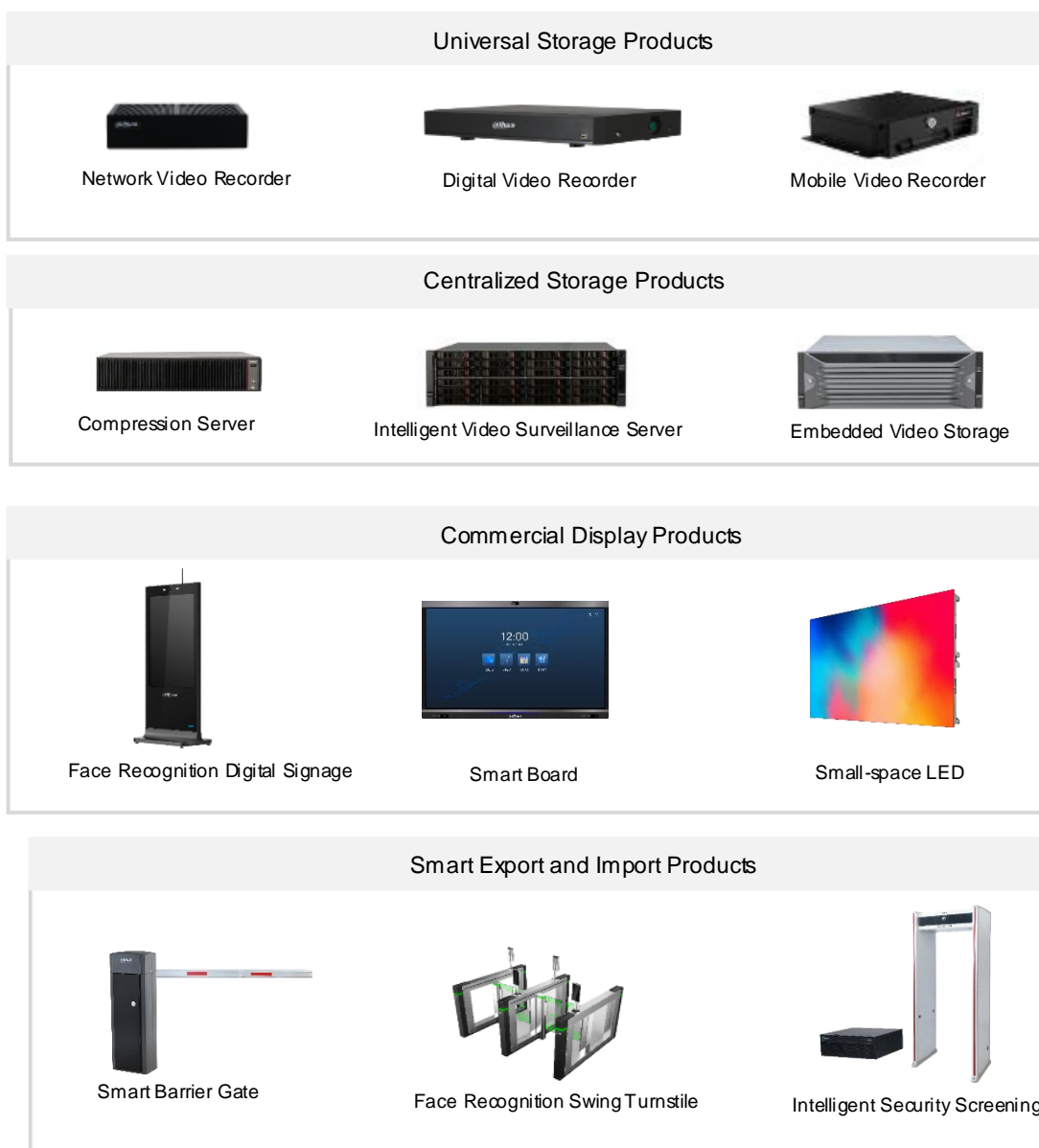
The Intelligent Security Screening server, built upon the leading deep learning technology, can automatically recognize the contraband by X-ray imaging and trigger sound and light alarms and at the same time report the results to the platform through the network for post-event analysis and statistical report. It is compatible with interfaces of all manufacturers' security inspection machines, and combined with its exclusive dual-view correlation technology, enhancing the level of intelligence in the security inspection industry.

The Face Recognition Swing Turnstile adopts image processing technologies, such as wide dynamics, intelligent exposure, and noise reduction, topping the industry in aspects of face recognition speed, biological anti-counterfeiting capabilities, and base warehouse storage capacity, greatly improving the pass-through efficiency and user experience. At the same time, it fully integrates multiple authentication methods such as fingerprints, passwords, QR codes, ID cards, IC cards, Bluetooth, and APP, and has a wide range of adaptability and ease of use.

The intelligent vehicle pass-through products, which integrate the license plate and vehicle structure based AI recognition technology, have made the entrance and exit license plate recognition rate among the industry best. The Company has taken the lead in using millimeter-wave radar technology to achieve "decoilization", which effectively reduces the products' construction cycle and difficulty. Meanwhile, the products adopt the information separation technology and fast turnstile swing transmission mechanism to realize fast vehicle passing-through.

Intelligent vehicle-mounted standard all-in-one products integrate driving behavior analysis and assisted driving analysis functions, automatically identify drivers' unsafe driving behaviors and send warnings so as to improve the safety technology support of vehicles and reduce road accidents caused by driver violations.

Smart clout information terminal products, relying on the new intelligent open platform and 4k resolution, and integrated multi-point intelligent touch, face collection, population statistics, face recognition, voice noise reduction, fingerprint unlocking and other core technologies, are widely used in scenarios such as smart attendance recording, precise advertising, and local/remote meetings.



### 3) Ruimou-A Powerful Computing Center

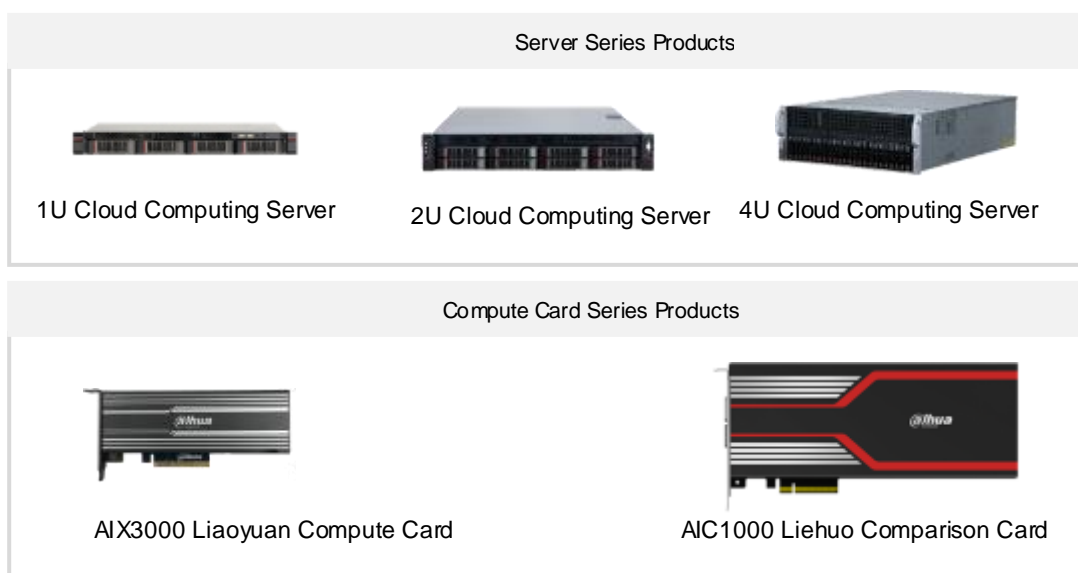
The computing center products are greatly enriched in 2019, forming a full range of product series including competitive general-purpose servers, NPU computing cards, cognitive intelligence software, cognitive intelligence software, labeling training software, etc.

Comprehensive series of GPU server hardware support GPU computing cards of different architectures and NPU standard PCIE computing cards to meet the needs of cloud computing infrastructure hardware construction for data centers at all levels, including ministry, provinces, cities, districts and counties.

Fully self-developed core technology NPU computing cards adopt standard PCIE plug-in cards, to achieve breakthrough in key technologies such as the single-card 64-channel video and picture stream AI parsing, single-card 2.5 billion times/second violence comparison and 20 billion times/second index comparison.

Perceptual intelligent software is fully serialized, supporting video cloud and cloud-based container deployment, and compatible with various GPUs and NPUs. The cluster mode supports the analysis of 10,000 video streams and picture streams, the retrieval of hundreds of billions of data in seconds, and the deepening of data by creating files for individual person and vehicle. Support lightweight micro cloud single-machine deployment; integrate with access services, AI computing, database and basic SAAS to meet the application of small solutions.












Cognitive intelligent software meets various industry scenarios, including public place event detection, control place event detection, traffic incident detection, video quality diagnosis, traffic violation pre-examination, urban management event inspection, and water-related incident inspection, leading the event-based algorithms with significant social values.



### 4) Ruichang—Smooth Basic Network

The company launched a new "Rui Chang" series of products to create a complete basic network and is committed to providing video-centric intelligent IoT professional network solutions. The basic network products accurately match customer needs, with a full range of end-to-end full-scenario coverage, meeting wired and wireless integration networks of

all sizes, and substantially lowering network investment, operation and maintenance costs by giving full play to the advantages of network-wide computing. Through full integration with the Company's industry solutions, our products can help customers build a complete set of safe, reliable, high-quality, sustainable-evolving smart IoT networks, and enable more companies to realize digital transformation and smart network operation.

Core Layer Series Products			
			
Core Sw itch			iLinksView Network Management Platform
Aggregation Layer Series Products			
			
Quasi-industrial-level aggregation sw itch			Corporate-level Aggregation Sw itch
Wired Access Series Products			
			
Industrial Access Sw itch	Corporate-level Access Sw itch	Access Sw itch for Civil Use	
Wireless Access Series Products			
			
Wireless Router	Outdoor Bridge	Indoor AP	IoT Gateway

## 5) Video IoT Innovative Businesses and Products

### ➤ Industrial Internet

1) Machine vision products: The machine vision field focuses on intelligent manufacturing, particularly on the development of machine vision algorithm platforms, software and hardware products, and vision solutions. In terms of hardware products, 65-megapixel and 150-megapixel industrial cameras have been released, 20-megapixel embedded



smart cameras have been rolled out, and OCR and other functions have been added to smart camera series. At the same time, with the algorithm platform software as the core, it provides customers with machine vision products and segmented industry vision solutions, which are widely used in industries such as panels, food packaging, 3C and logistics, to complete machine vision applications such as defect detection, positioning guidance, identification and measurement.



Industrial Vision Products

2) Robots: The company continuously invested in products such as mobile robot and industrial robots, core technologies and industrial application systems, developed technologies such as robot cluster scheduling (RCS) system, vision navigation, laser navigation, autonomous drive and motion control, and completed the development of more than 10 mobile robots and multiple industrial products which have been widely used in various industries such as intelligent manufacturing and intelligent routing inspection.

#### ➤ Vision Collaborative Products

In 2019, it optimized the existing integrated terminals, split terminals, digital omnidirectional microphones, multi-point control units and peripheral supporting equipment, and launched a new series of video conference interactive tablet products, complete cloud video solutions, and paperless office products, providing customers with complete video conferencing solutions to support scenarios and applications such as emergency command, telemedicine, remote education, and remote office collaboration. The core products and solutions for remote collaborative communication developed by Huachuang have been applied in various industries such as office, education, medical care, and operators, and have been widely recognized by customers for their advantages of stability, efficiency, and ease of use.

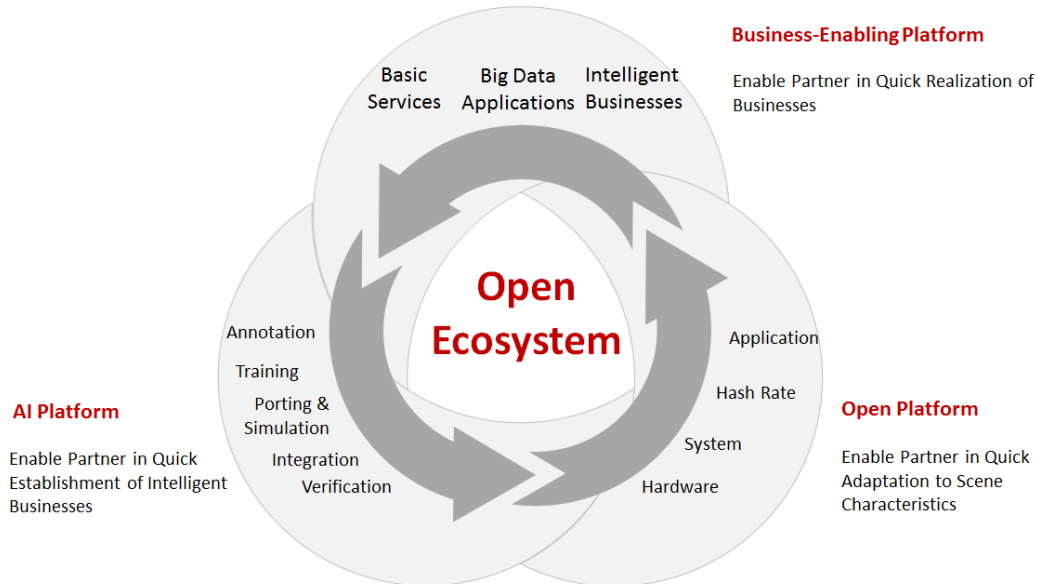
#### ➤ Drones

In 2019, the Company continuously invested in flight control algorithms, complete machine power system and industrial intelligent application technologies, delivering effective results. It provides customers with various applications in the aviation industry, including routing inspection of oil and gas fields, inspection tour of pipelines, police assistance, fire control, aerial photography, aerial monitoring, electric power line patrol, land mapping and surveying, security monitoring, forest fire control, maritime surveillance inspection, emergency relief, and geological survey.

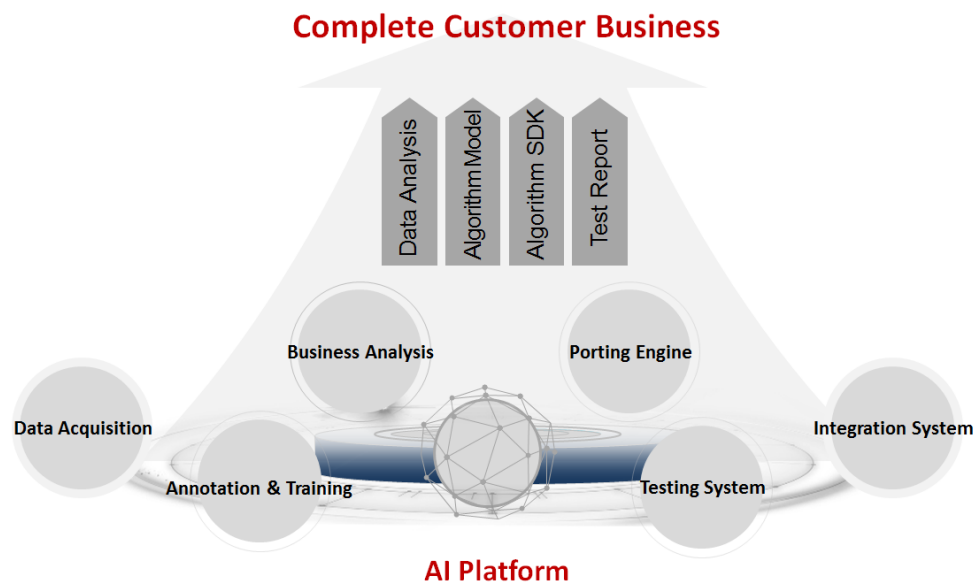
## 6) Open Ecology of Dahua

Adhering to the customer value-oriented philosophy, the Company invites partners to jointly build an open ecosystem, forming a closed ecological value chain that integrates smart platforms, business platforms, and open product platforms. The AI platform provides the full process capability from annotation to online testing, helping partners quickly build

intelligent business applications; the hardware product open platform provides application services, computing power, and hardware resource sharing capabilities, helping partners quickly adapt to different scenarios; the business enabling open platform provides basic services, intelligent services, and big data application capabilities, enabling partner businesses in a fast manner.

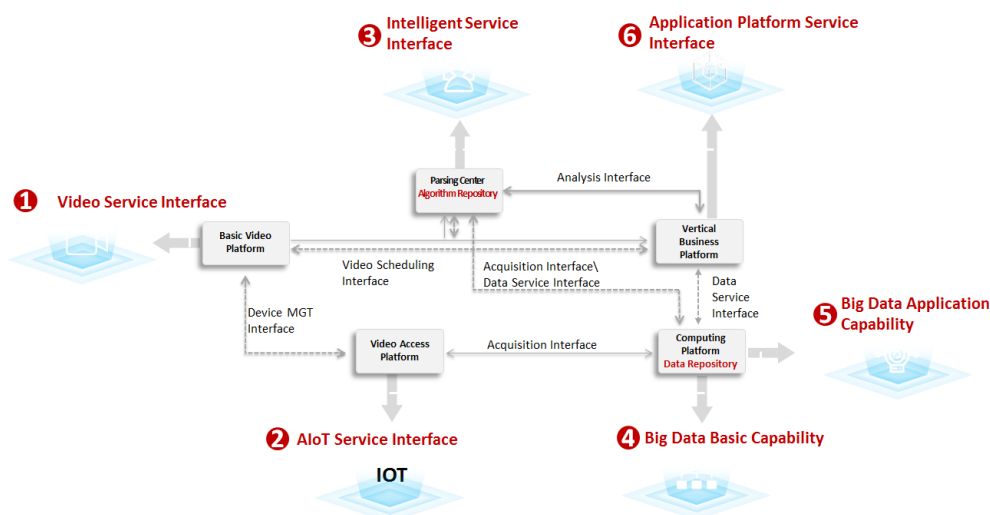


The AI platform covers the entire process of algorithm development, including automatic annotation, development training, transplantation simulation, algorithm integration, and online testing. Combined with scenarios of partners' demands, it provides the corresponding open subsystem capability, and independently delivers products of different stages, with flexible match and lowered threshold of open algorithm development. The platform is privately deployed, the process can be traced back, and the intermediate deliverables can be tracked, effectively ensuring the security and reliability of training data and products.



The business enabling platform provides solid basic service capabilities, over 1 million channels of video/IoT device access capabilities, EB-level storage, 100 billion-level file management, and Erasure Code technology, so as to guarantee

the data reliability of up to 99.9999%. It provides diversified intelligent service capabilities, algorithm warehouse centralized management, decoupling of algorithm and computing power, and the entire network collaboration for the unified elastic Cloud-Edge-Terminal scheduling, thereby forming a diversified intelligent service ecosystem. It also enables the orchestration of big data application service capabilities, keeps working in industry applications to produce 500+ business models and 500+ application interfaces based on enormous business scenarios supporting trillion-level data retrieval in seconds, fusion retrieval, and fresh data value.



The open product platform is equipped with comprehensive open business capability, open computing power capability and complete infrastructure. After dissociating and precipitating the business scenarios of the year-long fragmented security market, it is able to open the full-service link nodes to partners' applications on the complete security product matrix, allowing them to flexibly customize and insert unique services in each link. The open intelligent hardware computing power adopts normalized interfaces, shields platform differences, supports improving the efficiency of complex computing, and maximizes product performance. The open hardware resources such as DDR, Flash and peripherals can be flexibly scheduled to complete high-level additional value-addition.

The open product platform provides a complete tool chain to ensure that partners quickly concretize their business on products. The micro-container architecture is adopted so that data between applications running on device is independently isolated and resources are exclusively utilized, thus achieving security isolation. Core interests of customers' development outcomes are protected through the security framework, and in the meanwhile, Dahua's security technology achievements on security products are shared to ensure the safety protection of equipment in the actual use of end users. The reliable O&M framework lowers the failure rate of the equipment, and enables prompt trouble shooting and operation recovery when a failure occurs.



## 6. Artificial intelligence and other core technologies

### A. Artificial intelligence

Artificial intelligence, as one of the key core competitiveness of AIoT, has always been regarded as a core strategy of our Company. In 2019, we continuously increased investment in resources, expand the construction of super-scale computing centers and data centers for training artificial intelligence algorithms and put emphasis on the studies of core algorithms based on application scenarios to achieve industry-leading core competitiveness in multiple algorithm fields, realize commercial coverage of full series of intelligent products and solutions and accelerate the implementation of industrial application of artificial intelligence. At present, the company's artificial intelligence technology mainly focuses on technical fields such as face identification, intelligent transportation, behavior analysis, item analysis, navigation and positioning, multi-dimensional perception, intelligent codec, and intelligent audio, and has been extensively applied in providing industrial solutions for public security, transportation, finance, community, energy, education, etc.

As an engine for building data, artificial intelligence needs to realize the requirements of real mapping, scene construction and comprehensive expression. The company focused on algorithm upgrading and expansion to improve data accuracy and data diversity, and conducting studies and applications combining products with solutions in 2019.

Main achievements obtained in 2019 include:

1) Continuously strengthening basic capacity building of artificial intelligence and resource investment to improve the efficiency and quality of algorithm research and development.

In 2019, the Company launched a new generation of "Juling" artificial intelligence platform, a leading artificial intelligence development platform in the industry, which has integrated AI full link development elements including computing centers, data centers, training centers with functions such as data management, algorithm training, cross-hardware platform optimization, integrated deployment and automated testing. It can provide the basic supports for algorithm researches and applications improve the efficiency of artificial intelligence development and accelerate the industrialization of end-to-end artificial intelligence.

2) Continuous innovation in algorithms, breakthroughs in key technologies, comprehensive performance upgrades,

and building industry-leading core competitiveness in artificial intelligence

In the field of intelligent transportation algorithm, we continued to strengthen basic technology research in 2019 to ensure the sustained precedence of the algorithm in the industry and profoundly study customer needs and pain points to expand the application scenarios and functions of the algorithm. Among the national high-speed free-flow projects, we innovatively developed a high-frame-rate bayonet algorithm solution for high-speed scenes with a capture rate and recognition rate up to 99.9%, and industrial leading algorithm effects. Specific to the development trend of non-motor vehicle control and behavior analysis of violations, we developed recognition algorithms for illegal behaviors such as non-motor vehicle number plates, failure to drive at the specified lane, not wearing a helmet and overload to assist customers in management and control of non-motor vehicles; added management, control and analysis of muck trucks, hazardous goods transportation vehicles and so on, as well as the identification and analysis of driver behaviors. Oriented at overseas markets, we continuously developed general algorithms for license plate recognition, overseas vehicle color recognition, etc. The products have been applied in 48 countries and regions. In addition, we developed a general algorithm for Europe, South America, the Middle East, Asia, and Russian regions. The products have been applied at bayonets, parking lots, electric police and other scenarios. Based on years of technology accumulation in the transportation industry algorithm, we have rapidly realized breakthroughs in airport intelligence, high-altitude traffic flow, intelligent gas stations, overseas parking lots and other new fields.

We made key technological breakthroughs in the field of face algorithm in 2019. We have been at the industrial leading edge in face detection, recognition, attributes, living body, etc., and have developed competitive products and solutions. In terms of face detection, we have realized integration snapshot of face and body and 10 pixel stable detection of small objectives.

3) Accelerating the development of algorithms oriented at application scenarios, to assist the digital and intelligent transformation of the industry

In the field of behavior analysis algorithm, based on the research of artificial intelligence algorithms for behavior recognition and combined with the needs of industry solutions, we accelerated the development of industry event analysis business, such as launching smart logistics, high-rise littering, compliance behavior, wear analysis, perimeter management and other industrial intelligent solutions, and realized the implementation of urban management, education, finance, smart construction site and other solutions. In 2019, we continued to update Search by Image, video structured analysis and other technologies to keep the leading position in the industry, made major breakthroughs in researches on key technologies, including 3D behavior analysis, sequential behavior analysis and human key point technology and made breakthrough in embedded platform sequence behavior analysis technology for the first time; in terms of cross-camera tracking technology, it innovatively launched the real-time cross-camera pedestrian tracking technology and realized cross-viewing angle of pedestrian continuous tracking in the industry.

In the field of item analysis algorithm, it mainly focuses on the researches of intelligent algorithms for intelligent security inspection. By adopting the deep learning algorithm, the dangerous materials passing the X-ray security inspection machine can be identified, covering more than 10 common dangerous materials such as knives, guns, liquids, sprinklers and lighters. Due to its industrial precedence, it has been successfully applied to high-speed rails, subways and other places. In addition, artificial intelligence solutions have been applied in energy, environmental protection, retail and other fields. For example, they are used for identification of instruments and meters in the energy industry, intelligent

analysis of water level in water affairs industry and analysis of shelves and merchandises in retail industry.

#### 4) Diversified layout and research of algorithms to fully support the business development of artificial intelligence

In the field of multi-dimensional perception algorithms, multi-sensor integration applications have become the trend for product development. Dahua closely follows this trend to carry out algorithm layout and R&D. In terms of multi-view video fusion, the performance of the Panoramic mosaic algorithm has been comprehensively upgraded. The Hubble Watcher (PSDW series), global camera, Lingtong, Lingxi and other products launched in 2019 have significantly improved the performance and market competitiveness of the products. In terms of multi-type sensor intelligence, we successfully expanded the technical fields of 3D AR panorama, millimeter wave radar technology, intelligent audio processing technology, radar video fusion technology, real-time aerial stitching, intelligent analysis of remote sensing images, and intelligent smoke detection.

In the field of intelligent codecs, we continued to study the core technology of video codecs to achieve key performance improvements. In 2019, we launched the AI + H.265 intelligent ultra-low code rate algorithm based on artificial intelligence technology, which significantly reduced the bandwidth of the code stream and enhanced night vision effect. For researches of the next-generation coding technology, we participated in the formulation of H.266, AVS and other video standards and output technology patents.

In the field of navigation and positioning algorithms, we expanded the business scope to robots and industrial manufacturing, carried out researches and development of artificial intelligence technologies in laser navigation, binocular vision navigation, multi-mode fusion positioning, TOF target recognition, autonomous scheduling algorithm of large-scale robots, among others, and realized applications including low-speed automatic traveling, and intelligent control of robot arms.

### **B. 5G technology and applications**

The Company further strengthens its 5G strategic layout to realize the innovation of products and solution applications. In 2019, the Company launched an ultra-high-definition network camera with integrated 5G, and achieved several breakthroughs in key technologies, including:

- High-performance broadband antenna technology: 5G is an ultra-complex wireless system with multiple bands and multiple antennas. To achieve miniaturization integration in the monitoring equipment of all-metal housing, it is difficult or both heat dissipation design and antenna design. Dahua took innovative measures by adopting space isolation, asymmetric antenna and other technologies, providing effective solutions to these tricky problems.
- Adaptive transmission technology: In 8K video transmission, the peak value of the code stream fluctuates greatly, causing peak congestion and thus frame loss in the ordinary network transmission, which is more prominent on 5G networks. The Company guarantees 8K real-time video transmission without jamming through independent design of technologies such as smooth code stream, adaptive encoding, and super-buffering.

The Company has achieved pilot applications in a number of industries including finance, tourism and emergency response. We cooperated with China Mobile and CCTV in using drones + 5G network to make close and live high-definition video of Qiantang River Tide for the first time. During the live broadcast of the construction of Leishenshan Hospital in Wuhan, we adopted the "5G + HD Speed Dome" solution to enable the viewers across the country to witness

the construction progress through the live broadcast platform. At the "Second Bloom Cup 5G Application Solicitation Contest" held by the Ministry of Industry and Information Technology of the People's Republic of China, the "5G Smart Fire Control System" of the Company was awarded the only First Prize in Zhejiang and the national Third Prize in the security industry.

### C. Cyber security system

Data security is the foundation of the sustainable and healthy development of the Internet of Things. Cyber security and privacy protection is one of Dahua's highest guidelines. The Company continues to invest special funds to ensure the solid and steady advances of the security technology research, product security R&D and delivery, and the construction of the safety emergency response system. All the products of the Company should pass the strict tests at the Company's Offensive and Defensive Test Laboratory before launches. Based on the HOC "1 + 2 + N" architecture of Dahua, the overall architecture of the security center based on terminal security, network security, application security, data security, and security operation centers has been used in urban solutions and various industry solutions. At present, the Company has achieved substantial results in security technology areas such as trusted computing, data encryption, privacy protection, and offensive and defensive test, and has integrated applications in a full range of products.

Main achievements in the key security technology areas obtained in 2019 include:

- Trusted protection technology: We constructed a multi-dimensional trusted framework which has realized a full-process protection system for trusted upgrades, trusted startups, and trusted operations, and significantly improved the capability of equipment identification and active anti-malicious program. This technology has been extensively applied in IPC, NVR and other products.
- High-performance data encryption and decryption technology: While supporting the full-scale/lightweight encryption and decryption of code stream, the encryption and decryption cooperative processing mechanism of linkage hardware has significantly improved the encryption and decryption performance, and has been implemented in IPC, NVR and other products.
- Privacy protection technology: The whole series of products integrated data encryption, face shielding and other key privacy protection technologies, and studied homomorphic encryption, differential privacy and other cutting-edge privacy protection technologies to further enhance the leading-edge predominance of privacy protection in the industry.
- Security testing technology: We constructed a security testing platform integrated with "standardization + tooling + automation" to realize mutual reinforcing between security test automation and expert offensive and defensive test, ensure rapid security verification and default security before product launching.

With the rapid development of the Company's smart IoT solution, the Company will further increase the investment in research and development of security solutions and continue to provide customers with more secure and reliable products and solutions.

## 7. Key sales model and performance drivers

Relying on subsidiaries and offices for marketing in multiple countries and regions, Dahua offers products and solutions to different end users like governments, enterprises, and consumers.

Major performance driving factors include:

Guided by customer demands and industry trends, Dahua has transformed its business model from selling single products to providing comprehensive solutions, then to intelligent comprehensive urban services. In the process of transformation, we understand deeply the customer business, and respond quickly to customer needs by relying on our R&D, innovation ability and integration of supply chains. In the domestic market, the Company has been cultivating markets of different cities, industries and consumer groups for many years, and has established a good reputation and brand image. In addition, after years of development in overseas markets, and relying on the global marketing and service network, Dahua has been constantly improving its brand recognition and product reputation, achieving steady growth in both domestic and overseas markets.

In October 2019, Dahua was included in the Entity List by the U.S. Department of Commerce. For the products that may be affected by this List, Dahua timely introduced alternative solutions relying on its early technical reserves and R&D as well as the rapid integration of the supply chain. It further reviewed its products and solutions to ensure the safety of the supply chain. Under the complex and ever-changing macro environment such as macroeconomic downturn and frequent international trade frictions in 2019, the Company adhered to an open and transparent, friendly and cooperative attitude, actively communicated with the external parties, actively explored markets, embraced the global industrial chain, and stuck to the internationalization path. In the long run, the development of the Company still depends on its technological innovation and resource integration ability. As a leading platform R&D enterprise, the Company has been a reliable security upholder in various aspects such as market, R&D, and supply chain. It can achieve rapid response to customer needs and application scenarios based on its R&D innovative genes and supply chain integration capabilities, thereby creating new values.

## II. Material Changes to Major Assets

### 1. Major changes in main assets

Major Assets	Explanation Of Material Changes
Equity assets	164.02% higher than the beginning of the year, mainly due to the increase in equity acquisition.
Fixed Assets	No major changes.
Intangible Assets	No major changes.
Projects under Construction	92.65% higher than that at the beginning of the year, mainly due to the increase of investment in the Phase II construction of the smart manufacturing base in Hangzhou and the R&D and industrialization of the smart IoT solutions.
Receivables Financing	54.48% lower than that at the beginning of this year, mainly caused by the decrease of settlement of notes sold in the current reporting period.
Other Current Assets	38.30% higher than that at the beginning of the year, mainly due to the increase of input tax that is not deducted.
Long-term Receivables	37.98% higher than that at the beginning of this year, mainly due to the acceptance of goods with payment by installments.



Deferred Income Tax Assets	57.07% higher than that at the beginning of the year, mainly due to increase of deductible temporary difference.
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## 2. Major overseas assets

Applicable  Not applicable

## III. Core Competitiveness Analysis

### (I) Precision investment in R&D to build core technology competitiveness

Innovation is the important driving force and core competitiveness for Dahua's development. Dahua is always on the cutting edge of industrial technological development, to meet the changing demand of customers.

#### 1. Cloud Computing and Big Data Products and Services

Based on cloud computing and big data technology and combined with the industry characteristics, Dahua has built the big data platform architecture focusing on video, and introduced a board range of products and services such as video cloud storage, cloud database, vector database, container cloud, view cloud intelligence, big data platform, data computing platform, and data mining. In collaboration with the edge and front-end perception products of Dahua, Dahua has achieved the harmonious distribution of storage, computing, network and algorithm, which meets the customers' need for computing and storage of different scenarios across the network. It's widely used in urban, industrial and consumer markets such as smart policing, smart transportation, smart justice, emergency intelligence, smart buildings and smart homes.

#### 2. AI

Artificial intelligence is one of the company's core strategies. In 2019, Dahua increased its investment in expanding the ultra-large computing center and data center for AI algorithm training. We focused on the research of core algorithms based on application scenarios, thus to achieve industry-leading core competitiveness in many algorithm fields. In addition, smart products and solutions throughout the system are commercially launched to accelerate the industrialization of AI applications. At present, the company's artificial intelligence technology mainly focuses on face identification, intelligent transportation, behavior analysis, item analysis, navigation and positioning, multi-dimensional perception, intelligent codec, and intelligent audio, and has been extensively applied in industrial solutions for public security, transportation, finance, community, energy, education and other industries.

#### 3. Software Platform

The Company continues to increase its investment in software platforms, and expands into the software platforms of subdivided industry close to the industry business based on the integrated video IoT platform, and continues to upgrade the platform architecture based on a deep understanding of the business and the application of advanced technology. At the same time, the company continuously optimizes and enriches the software platforms and industrial public components and scenario kits, such as device management, rights management, user management, organization management, video management, data management, intelligent analysis, multi-algorithm warehouse, deployment control and early warning, fusion retrieval and so on. In addition, it has also realized free combination of various basic capabilities through the unified public technology framework and specifications, to meet the application of large, medium and small scenarios in various

industries, and make complex end-to-end software solutions easy to implement with efficient and flexible delivery.

## **(II) Optimizing the global marketing and service system to promote orderly the overseas business growth**

With a global marketing and service network, the Company provides customers with end-to-end efficient and fast services. With a global marketing and service network, Dahua has established more than 200 offices in 32 provinces and cities in China as well as 53 overseas branches in Asia Pacific, North America, Europe, Africa and other regions.

In the domestic market, the Company has established a customer management system for strategic sand table, and conduct hierarchical and classified management of customers based on the sand table, in order to provide better service. The company makes intensive efforts in city-level market, industry-level market and consumer market, increase the breadth and depth of customer coverage, and load resources for customers at frontlines with smooth process and rapid response.

In the overseas market, the company has further strengthened the coverage and construction of marketing service network, enhanced the ability of localized operation, refined the management and operation of distribution channels, and increased the expansion of industrial customers. Meanwhile, the company has also worked out a series of smart IoT solutions for the government, transportation, retail, energy and other industries, in order to keep the growth of overseas business.

## **(III) Strengthen Capacity of Global Supply**

Dahua will build a smart high-efficiency supply chain for cost-effective supply to the global markets. Based on the integration plan, the market clients are covered for better supply distribution and flexibility. By improving prediction accuracy, logistics timeliness, and inventory management capabilities, the links from finding business opportunities to delivery are well managed to improve customer satisfaction. In smart manufacturing, Dahua has improved its digital and information level of products and manufacturing on the strength of its smart manufacturing capability, ensuring better operation of supply chains. The interconnection of equipment systems and the capabilities of data collection and analysis are strengthened, and the standardization of product manufacturing improved for stable and controllable product quality.

In terms of supply safety, Dahua comprehensively sorts out all kinds of potential supply risks, strengthen the sustainable and safe supply of key materials, and enhance the safety of external and local supply, and base supply.

The Company continues to expand and upgrade Fuyang production base to ensure the stable development of the company's business. At present, Fuyang production base has comprehensively improved the automation and informatization level of the factory to realize flexible production and rapid delivery with its own smart manufacturing capabilities (including automatic production lines, robots, machine vision, industrial interconnection platform)

## **(IV) Strengthening Construction of Talent Team and Supporting Sustainable Development of the Company**

"Customer-centered and dedicated to success" is placed at the core of the corporate culture. The Company, through customer-oriented business processes and organization construction, regards creation of customer value as the work guidance and performance evaluation criteria for every employee. Meanwhile, the Company adheres to the value orientation of "dedicated to success" for continuous optimization of the performance evaluation and salary distribution

system and promotes diversified short-term and long-term incentive packages to award high-performance staff with sustainable salary and moral encouragement.

In addition, Dahua has closely combined talent and business development and focusing on shaping and improving core competitiveness of employees. It offers diversified training for new employees and on-the-job employees, and implements a training point's management system to create a good internal learning atmosphere, which help improve the comprehensive quality of employees and realize their personal value.

**(V) Continuously improving the level of compliance governance for better business continuity and steady development of business**

Dahua attaches great importance to business compliance operations, strengthens network security and data protection, optimizes the management of the product quality system. Therefore, it has established and improved a compliance system that complies with the export control regulations of major economies in the world. To ensure the healthy and sustainable business development, Dahua has always maintained a sound management strategy and managed the compliance risks according to the policies in each country.

## Section IV Discussion and Analysis on Business Circumstance

### I. Overview

In 2019, the economic growth of the world's major economies generally slowed down with frequent trade frictions. Against this background, the growth of the video IoT industry slowed down in the short term. However, with the development and application of AI, IoT, 5G, cloud computing, big data and other technologies, and the constant iteration and upgrading of video technologies, the value of smart products and solutions increased rapidly. Video capabilities penetrated into businesses of all industries. The market space of the video-centric smart IoT further expanded.

In the complex situation with substantially rising domestic and international risks and challenges, the Company maintained stable operations, strengthened refined management, optimized business structure, improved business quality, and further improved operating indicators such as profit margins and cash flow during the reporting period, with steady growth in performance. In 2019, the Company achieved RMB 26.149 billion in operating income, registering an increase of 10.50% year-on-year; the net profit attributable to shareholders was RMB 3.188 billion, registering an increase of 26.04% year-on-year. The profitability of the Company continued to rise. Main business strategies of the Company include:

#### **(1) Continuously enhance the targeted investments in R&D, constantly improve the capacity for technological innovations, and improve the core technical strength**

The Company insisted on taking technological innovation as the core and investing heavily in R&D. In 2019, the Company invested RMB 2.794 billion in R&D, registering an increase of 22.35% year-on-year, and accounting for 10.69% of the operating income. Apart from maintaining investment in traditional video technologies, the Company continued to enhance research, development and productization of technical fields such as AI, big data and cloud computing, 5G, cyber security, software platforms, machine vision and robots, and multi-dimensional perception, providing demand-oriented rapid response and iteration of technologies..

The company delved into the development trend of the industry and technologies, and continued to build a technical system supported by "full sensing, full intelligence, full computing, and full ecology", so as to enhance the ability to provide comprehensive end-to-end solutions for customers' pain points in business and application solutions for specific scenarios, and support the digital transformation and intelligence-based upgrades in various industries.

#### **(2) Enhance the building and sinking of the software R&D ability and accelerate responses to individualized customer needs**

The Company further enhanced its software architecture capabilities, and launched industry software platforms for multiple scenarios in public security, judicature, emergency-handling, transportation, smart building, finance, and energy. In order to strengthen the ability of business segments in the front-line closed loop, to accelerate responses to customization needs, and to provide better technical services for partners in segments of different provinces and regions, the Company established software competence centers in Shanghai, Zhejiang, Shandong, Shaanxi, Sichuan, Guangdong, Guangxi and other provinces and regions, thus delivering software development support covering its own province as well

as surrounding provinces. Meanwhile, the Company also set up software R&D branches in Europe and America respectively, attracting excellent local software talent to form international R&D teams and stay close to customers. Software platforms were developed in a localized way, which largely accelerated the responses to customer needs.

**(3) Get deep understanding of customer business, focus on the management of strategic opportunities, and enhance systematic marketing capabilities**

Guided by customer requirements, the Company deepened the understanding of customers' businesses, gradually established and completed the business and project operation ability based on the sand tables of customers, and provided multi-level solutions to different types of customers. In the domestic market, the Company constantly pushed the ability building for the marketing of technologies, established provincial and regional product and solution centers, and enhanced the go-to-market and management of products and solutions for customers and the front-line of businesses. In the overseas markets, the Company constantly implemented refined management, promoted channel sinking, enhanced industry expansion capabilities, built a cooperative ecosystem, and deployed business in an orderly manner.

The Company strengthened the management of strategic opportunities, identified and seized a series of new opportunities such as the high-speed free stream to rapidly develop and deliver targeted products and solutions, and achieved solid business value for customers. The company insisted that opening-up and integration is the inexorable development trend of the industry and will be a new industrial state in the era with the internet of everything. For the application in cross-industry scenarios, comprehensive solutions were found through ecological cooperation.

**(4) Promote the building of a globalized marketing network, establish R&D branch centers, and deepen the layout of global supplies**

The Company has a global business layout, and a wide marketing network and business coverage both in domestic and overseas markets.

In 2019, the sales network of the Company expanded to 51 countries, and 53 overseas branches in regions such as Asia Pacific, North America, Europe and Africa were established, with products covering nearly 180 countries and regions around the world. By fostering international marketing and management teams, and establishing localized marketing, R&D, supply, and service centers, the Company gradually improved the localized operation capabilities of overseas subsidiaries, continuously optimized the revenue structure, and further realized its expansion in the global market and the upgrading of businesses. Meanwhile, in the face of the complex internal and external environment, the Company continued to build its operation compliance system, safety system, and quality system, to ensure the standardized operation.

In 2019, the Company established the Southwest Smart Base in Chengdu and gathered talent proficient in AI, big data, cloud computing, and other core technologies to satisfy its increasing business requirements. The Company constantly enhanced the refined operation of the supply chain and promoted the building of a global supply network. Besides the headquarters in Hangzhou, the Company has established regional supply centers in Hungary, Mexico, and other countries. In the core logistics distribution centers like Holland and Dubai, the Company established regional hub warehouses. Dozens of new ecological RMA (Return Merchandise Authorization) stores were opened and dozens of technical service partners were authorized in the year to form a multi-level supply network and an ecological service system.

## (5) Constantly promote the development of innovative businesses and provide customers with more abundant and complete solutions

Based on the in-depth understanding of the diverse customer needs, the Company continued to develop emerging businesses including related businesses in the industrial Internet field, video collaboration, and professional drones.

- Industrial Internet business: 1) Machine vision business: Led by the wave of smart manufacturing and based on the Company's years of AI technology accumulation in the video field and the IoT ecosystem, the Company constantly carried out software and hardware technology development for products and the iteration of algorithm platform products, providing customers with end-to-end industrial vision product solutions and better applications with the algorithm platform software as the core, combining industrial cameras, smart cameras, line scan cameras, smart sensors, 3D cameras and lenses; 2) Robot business: The Company continued to develop products such as mobile robots and industrial robots, core technologies, and industry application systems, which have been applied in various industries such as intelligent manufacturing and intelligent routing inspection.
- Video collaboration businesses: Based on the in-depth understanding of the markets, the Company constantly optimized the products and further enriches the product lines to provide customers with complete video conference solutions and support emergency command, remote health-care, remote education, remote office collaboration, and other scenarios and applications.
- Professional drone business: The Company continued to develop flight control algorithms, machine power systems, and industry intelligent application technologies, achieving effective results. Currently, drones have been used in various fields such as oil and gas field inspections, petroleum pipeline inspections, police assistance, firefighting, aerial photography, aerial monitoring, power line inspections, land mapping, security monitoring, forest fire prevention, maritime patrol, emergency relief, and geological survey.

## II. Main Business Analysis

### 1. Overview

See "I. Overview" in "Discussion and Analysis on Business Circumstance".

### 2. Income and Costs

#### (1) Operating income structure

Unit: RMB

	2019		2018		Year-on-year Increase or Decrease
	Amount	Proportion in Operating Revenue	Amount	Proportion in Operating Revenue	
Total Revenue	26,149,430,652.42	100%	23,665,688,106.22	100%	10.50%

By Industry					
Security industry	26,149,430,652.42	100.00%	23,665,688,106.22	100.00%	10.50%
By Product					
Solutions	13,615,657,688.00	52.07%	12,214,951,613.16	51.62%	11.47%
Product	10,649,410,791.29	40.72%	9,762,853,684.85	41.25%	9.08%
Others	1,884,362,173.13	7.21%	1,687,882,808.21	7.13%	11.64%
By Region					
Domestic	16,473,728,183.00	63.00%	15,087,657,708.75	63.75%	9.19%
Overseas	9,675,702,469.42	37.00%	8,578,030,397.47	36.25%	12.80%

**(2) Industry, product, or region accounting for more than 10% of the company's operating revenue or profit**

Applicable  Not applicable

Unit: RMB

	Operating income	Operating Cost	Gross margin	Increase or Decrease of Operating Income Compared with the Same Period of Last Year	Increase and Decrease of Operating Cost over the Same Period of Last Year	Increase or Decrease of Gross Profit Compared with the Period of Last Year r
By Industry						
Security industry	26,149,430,652.42	15,396,193,940.44	41.12%	10.50%	3.53%	3.96%
By Product						
Solutions	13,615,657,688.00	7,514,681,636.66	44.81%	11.47%	4.34%	3.77%
Product	10,649,410,791.29	6,143,786,066.11	42.31%	9.08%	0.25%	5.09%
By Region						
Domestic	16,473,728,183.00	10,217,525,331.58	37.98%	9.19%	4.02%	3.09%
Overseas	9,675,702,469.42	5,178,668,608.86	46.48%	12.80%	2.58%	5.33%

When the statistical caliber of the company's main business data is adjusted in the reporting period, the company's main business data should be subject to the one after the statistical caliber at the end of the reporting period is adjusted in the most recent year.

Applicable  Not applicable

**(3) Is the company's physical sales income greater than the labor income?**

√ Yes □ No

Industry Classification	Item Name	Unit	2019	2018	Year-on-year Increase or Decrease
Security industry	Sales volume	Unit/set	55,096,437	54,750,353	0.63%
	Production output	Unit/set	56,227,073	57,109,913	-1.55%

Reasons for over 30% changes in related data on year-on-year basis

□ Applicable √ Not applicable

**(4) Performance of major sales contracts signed by the Company as of the reporting period**

□ Applicable √ Not applicable

**(5) Operating Cost Structure**

Industry and Product Classification

Unit: RMB

Industry Classification	Item Name	2019		2018		Year-on-year Increase or Decrease
		Amount	Proportion to Operating Cost	Amount	Proportion to Operating Cost	
Security industry	Operating Cost	15,396,193,940.44	100.00%	14,871,181,066.69	100.00%	3.53%

Unit: RMB

Product Classification	Item Name	2019		2018		Year-on-year Increase or Decrease
		Amount	Proportion to Operating Cost	Amount	Proportion to Operating Cost	
Solutions	Operating Cost	7,514,681,636.66	48.81%	7,201,889,474.98	48.43%	4.34%
Product	Operating Cost	6,143,786,066.11	39.90%	6,128,694,957.17	41.21%	0.25%
Others	Operating Cost	1,737,726,237.67	11.29%	1,540,596,634.54	10.36%	12.80%

**(6) Has the scope of consolidation changed during the reporting period?**

√ Yes □ No

1) In this period, the Company invested in and established three subsidiaries: Zhejiang Zhoushan Digital Development Operation Co., Ltd., Guangxi Dahua Technology Co., Ltd. and Yunnan Zhili Technology Co., Ltd., which have been incorporated into the scope of merger as of the date of establishment.



2) The subsidiaries such as Wuxi Dahua Ruide Electronic Technology Co., Ltd., Hunan Dahua System Technology Co., Ltd., Dahua Zhongcheng (Beijing) Technology Co., Ltd. and Dahua Italy S.R.L. were cancelled in this period and will no longer be incorporated in the scope of merger since the date of cancellation.

3) In this period, the company transferred 36% of the shares of China Standard Intelligent Security Technology Co., Ltd. After that, the company remains holding 15% and has no control right over the company anymore, therefore it will not be included in the scope of merger in this period.

### (7) Major changes or adjustments to the company's business, products, or services during the reporting period

Applicable  Not applicable

### (8) Major Clients and Suppliers

The Company's Major Clients

Total sales amount of the top five customers	2,128,422,264.59
Proportion of the total sales amount of the top five customers to the total annual sales	8.14%
Proportion of the total sales amount of the related parties in the top five customers to the total annual sales	0.00%

Profiles of the Company's top five customers

No.	Name of Customer	Sales Amount (RMB)	Proportion to the Annual Sales
1	Company 1	574,978,063.97	2.20%
2	Company 2	533,658,027.46	2.04%
3	Company 3	405,759,071.03	1.55%
4	Company 4	355,898,317.14	1.36%
5	Company 5	258,128,784.99	0.99%
Total	--	2,128,422,264.59	8.14%

Other Information Notes for Major Clients

Applicable  Not applicable

Major suppliers

Total Purchase Amount of Top Five Suppliers (RMB)	4,029,626,765.91
Proportion of the total purchase amount of top five suppliers to the total annual purchase amount	24.19%
Proportion of the total purchase amount of the related parties in top five suppliers to the total annual purchase amount	0.00%

Profiles of the Company's top five suppliers

No.	Supplier Name	Purchase amount (RMB)	Proportion to the total annual purchase amount
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1	Company 1	1,664,180,686.62	9.99%
2	Company 2	729,913,015.41	4.38%
3	Company 3	616,300,606.36	3.70%
4	Company 4	579,007,576.44	3.48%
5	Company 5	440,224,881.08	2.64%
Total	--	4,029,626,765.91	24.19%

Other Information Notes for Major Suppliers

Applicable  Not applicable

### 3. Expenses

Unit: RMB

	2019	2018	Year-on-year Increase or Decrease	Statement on Significant Changes
Sales Expenses	3,952,947,275.82	3,365,380,947.78	17.46%	
Administration expenses	740,880,944.67	632,968,594.64	17.05%	
Financial Expenses	-70,077,580.11	-123,167,962.74	43.10%	Mainly due to the decrease in exchange gains
Research and development expense	2,794,219,504.28	2,283,872,502.53	22.35%	

### 4. R&D Investment

Applicable  Not applicable

Company's R&D investment

	2019	2018	Change Ratio
Number of R&D personnel	7,161	6,880	4.08%
Percentage of R&D personnel	52.43%	50.56%	1.87%
R&D investment (RMB)	2,794,219,504.28	2,283,872,502.53	22.35%
The proportion of R&D investment to operating income	10.69%	9.65%	1.04%
Capitalized R&D investment	0.00	0.00	0.00%
Proportion of capitalized R&D investment to R&D investment	0.00%	0.00%	0.00%

The reason for the significant change in the proportion of the total amount of R&D investment to operating income compared with last year

Applicable  Not applicable

Reasons and rational explanations on the substantial change in capitalization rate of R&D investment

Applicable  Not applicable

## 5. Cash Flow

Unit: RMB

Item Name	2019	2018	Year-on-year Increase or Decrease
Subtotal of cash inflow from operational activities	27,289,772,534.99	23,648,130,137.58	15.40%
Subtotal of cash outflow from operational activities	25,689,168,247.29	22,692,814,159.41	13.20%
Net cash flow generated by operating activities	1,600,604,287.70	955,315,978.17	67.55%
Subtotal of cash inflow from investment activities	3,543,722,034.42	170,142,702.70	1,982.79%
Subtotal of cash outflow from investment activities	4,383,517,340.45	916,786,739.20	378.14%
Net amount of cash flow generated by investment activities	-839,795,306.03	-746,644,036.50	-12.48%
Subtotal of cash inflow from financing activities	6,449,889,488.41	8,800,798,371.20	-26.71%
Subtotal of cash outflow from financing activities	8,223,765,887.21	8,424,286,645.98	-2.38%
Net cash flow generated by financing activities	-1,773,876,398.80	376,511,725.22	-571.13%
Net additions to balance of equivalent	-968,097,827.13	639,604,809.66	-251.36%

Description of the main factors affecting the significant changes in related data over the same period of last year

Applicable  Not applicable

1. Cash inflow from investment activities increased 1982.79% year on year, which is mainly due to the increase in investment recovered from the reverse repurchase of treasury bonds in this period.

2. Cash outflow from investment activities saw year-on-year rise of 378.14%, which is mainly due to the increase in investment recovered from the reverse repurchase of treasury bonds and equity acquisition expenditure in this period.

Reasons for the significant difference between the net cash flow generated by the company's operating activities in the reporting period and the net profit in the current year

Applicable  Not applicable

### III. Non-main Business Analysis

Applicable  Not applicable

### IV. Analysis of Assets and Liabilities

#### 1. Significant changes in assets composition

The company implemented new financial instrument standards, new revenue standards or new leasing standards for the first time since 2019, and adjusted the items related to financial statements at the beginning of the year.

Applicable  Not applicable

Unit: RMB

	End of 2019		At the Beginning of 2019		Proportion Increase and Decrease	Statement on Significant Changes
	Amount	Proportion to Total Assets	Amount	Proportion to Total Assets		
Cash and Bank Balances	3,084,428,970.43	10.43%	4,160,153,847.06	15.79%	-5.36%	No Significant Change
Accounts receivable	13,241,196,380.65	44.79%	10,191,372,777.38	38.68%	6.11%	No Significant Change
Inventory	3,839,810,704.33	12.99%	3,035,579,709.14	11.52%	1.47%	No Significant Change
Investment Property	336,181,589.99	1.14%	346,831,376.55	1.32%	-0.18%	No Significant Change
Long-term Equity Investment	490,731,236.85	1.66%	185,872,021.58	0.71%	0.95%	Mainly due to the increase of equity acquisition
Fixed Assets	1,522,463,368.83	5.15%	1,407,471,330.83	5.34%	-0.19%	No Significant Change
Projects under Construction	435,757,406.90	1.47%	226,191,587.11	0.86%	0.61%	It's mainly caused by the increase of investment in the Phase II construction of Hangzhou smart manufacturing base and the R&D and industrialization of the smart IoT solutions
Short-term loan	400,323,888.90	1.35%	1,851,709,561.83	7.03%	-5.68%	Mainly due to repayment of loans
Long-term loan	153,500,000.00	0.52%	179,000,000.00	0.68%	-0.16%	No Significant Change

## 2. Assets and liabilities measured at fair value

√ Applicable □ Not applicable

Unit: RMB

Item Name	At the beginning of the reporting period	Changes in fair value gains and losses in the current period	Cumulative fair value changes in equity	Impairment loss of the reporting period	Purchase amount of the reporting period	Sales amount of the reporting period	Other variations	At the end of the reporting period
Financial Assets								
1. Other Illiquid Financial Assets	76,614,852.22	3,462,993.57			2,500,000.00		-15,364,356.36	67,213,489.43
2. Receivables Financing	2,385,693,417.06							1,086,017,357.90
Total	2,462,308,269.28	3,462,993.57			2,500,000.00		-15,364,356.36	1,153,230,847.33
Financial Liabilities	38,602,602.30	38,392,246.03					210,356.27	0.00

Are there any significant changes in the measurement attributes of the company's main assets during the reporting period?

□ Yes √ No

## 3. Restrictions on asset rights as of the end of the reporting period

As of December 31, 2019, restricted assets of the Company are as follows:

Item Name	Book Value at the End of the Period	Cause of Restrictions
Cash and Bank Balances	346,461,821.88	Deposit for Documentary Loan, Guarantee Deposit
Receivables Financing	875,655,976.33	Bill pledges are used to issue bank acceptance bills
Non-current Assets Due within 1 Year	28,911,178.34	Pledges to achieve long-term borrowings
Long-term Receivables	213,118,026.26	Pledges to achieve long-term borrowings
Total	1,464,147,002.81	

## V. Investment analysis

### 1. Overview

Applicable  Not applicable

Investment in the Reporting Period (RMB)	Investment over the Corresponding Period of Last Year	Rate of Change
1,384,120,881.15	573,964,874.71	141.15%

### 2. Significant equity investments acquired during the reporting period

Applicable  Not applicable

### 3. Major non-equity investments underway during the reporting period

Applicable  Not applicable

Unit: RMB

Item Name	Investment Mode	The Investment In The Fixed Assets Or Not	Involved industry in investment projects	Amount Invested In The Current Reporting Period	Cumulative Actual Investment As Of The End Of Reporting Period	Capital Source	Progress of Project	Anticipated Income	Cumulative Income As Of The End Of The Reporting Period	Reasons For Unreached Planned Progress And Anticipated Revenue	Disclosing Date (If Any)	Disclosing Index (If Any)
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Phase I Technical Transformation and Phase II Construction Project of Hangzhou Smart Manufacturing Base	Self- const ructio n	Yes	Video surveill ance industry	142,719,364.00	257,183,629.47	Self-r aised funds	15.23%			N/A	August 17, 2019	Juchao Informat ion Website <a href="http://cninfo.com.cn/">http://cn info.co m.cn/</a>
Constru tion Project of Xi'an R & D Center	Self- const ructio n	Yes	Video surveill ance industry	54,158,347.57	89,818,554.03	Self-r aised funds	7.68%			N/A	August 17, 2019	Juchao Informat ion Website <a href="http://cninfo.com.cn/">http://cn info.co m.cn/</a>
Project of Smart IoT Solution R & D and Industri alization	Self- const ructio n	Yes	Video surveill ance industry	84,835,937.57	195,019,175.01	Self-r aised funds	12.01%			N/A	August 17, 2019	Juchao Informat ion Website <a href="http://cninfo.com.cn/">http://cn info.co m.cn/</a>
Total	--	--	--	281,713,649.14	542,021,358.51	--	--	0.00	0.00	--	--	--

#### 4. Financial assets at fair value

√ Applicable □ Not applicable

Unit: RMB

Asset Class	Initial Investment Cost	Changes in fair value gains and losses in the current period	Cumulative fair value changes in equity	Amount purchased during the reporting period	Amount sold during the reporting period	Cumulative investment income	Other variations	Amount at the end of the period	Capital Source
Financial Derivatives		38,392,246.03				-7,508,380.12			Equity Fund
Other Non-current Financial Assets	76,614,852.22	3,462,993.57	3,462,993.57	2,500,000.00			-15,364,356.36	67,213,489.43	Equity Fund
Receivables Financing	2,385,693,417.06							1,086,017,357.90	Equity Fund
<b>Total</b>	<b>2,462,308,269.28</b>	<b>41,855,239.60</b>	<b>3,462,993.57</b>	<b>2,500,000.00</b>		<b>-7,508,380.12</b>	<b>-15,364,356.36</b>	<b>1,153,230,847.33</b>	<b>--</b>

## 5. Utilization of raised funds

Applicable  Not applicable

No use of funds in the reporting period of the Company

## VI. Major Assets and Equity Sales

### 1. Major assets sales

Applicable  Not applicable

No major assets sales in the reporting period of the Company

### 2. Major equity sales

Applicable  Not applicable

## VII. Analysis of Major Subsidiaries and Investees

Applicable  Not applicable

Major subsidiaries and joint-stock companies with a net profit impact of over 10%.

Unit: RMB



Company Name	Company Type	Main Business	Registered Capital	Total Assets	Net Assets	Operating Income	Operating Profit	Net Profit
Zhejiang Dahua System Engineering Co., Ltd.	Subsidiary Company	The development, production, installation and sales of electronic and communication products; the design, construction and installation of computer system integration and automated control engineering	500,000,000.00	4,497,816,474.26	1,284,863,064.09	1,725,903,257.75	35,040,431.57	37,457,300.09
Zhejiang Dahua Vision Technology Co., Ltd.	Subsidiary Company	The development, sales, and technical services related to computer software, as well as the design, development, production and sales of security equipment, electronic products and communications products	646,810,000.00	19,432,170,277.25	1,307,306,264.44	20,601,862,124.76	380,426,580.87	287,898,147.67

Zhejiang Dahua Zhilian Co., Ltd.	Subsidiary Company	Production and sales of electronic products and auxiliary equipment; technological development, technical consultation and services, achievement transference of computer software, electronic products, communications products, and digital security products; self-owned house lease; catering service; import and export of goods.	1,110,000,000.00	7,083,937,248.26	966,323,783.94	4,305,744,992.77	-58,049,323.08	-43,477,360.62
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Acquisition and disposal of subsidiaries during the reporting period

√ Applicable □ Not applicable

Company Name	Method of acquisition and disposal of subsidiaries during the reporting period	Impact on overall production management and performance
Wuxi Dahua Ruide Electronic Technology Co., Ltd.	Deregistration	No significant impact on overall production, operation and performance
Hunan Dahua System Technology Co., Ltd.	Deregistration	No significant impact on overall production, operation and performance
Dahua Zhongcheng (Beijing) Technology Co., Ltd.	Deregistration	No significant impact on overall production, operation and performance
Dahua Italy S.R.L.	Deregistration	No significant impact on overall production, operation and performance
Zhejiang Zhoushan Digital Development Operation Co., Ltd	Established with investment	No significant impact on overall production, operation and performance
Yunnan Zhili Technology Co., Ltd	Established with investment	No significant impact on overall production, operation and performance

Guangxi Dahua Technology Co., Ltd.	Established with investment	No significant impact on overall production, operation and performance
China Standard Intelligent Security Technology Co., Ltd.	Equity transfer	No significant impact on overall production, operation and performance

Major holding companies and joint stock companies

## VIII. The structured entity controlled by the Company

Applicable  Not applicable

## IX. Prospects for the Future Development of the Company

### (I) Industry Development Trend

In 2019, the world economy slowed down with declining industry growth in the short term. The outbreak of COVID-19 in early 2020 is expected to have a great impact on global economy. In the short term, the growth of government and enterprise investment may be restrained to some extent. Local governments have introduced a series of policies and measures to ensure the smooth operation of economy. In the long run, as the epidemic highlights the importance of public security and emergency management, both governments and enterprises will increase investment in public security. With the development and application of AI, cloud computing, big data, 5G, IoT and other new infrastructures, and continuous iteration and update of video technology, videos have been applied in business applications in all walks of life beyond monitoring and security. IoT industry focusing on video presents a broad prospect.

Following the outbreak of COVID 19 at the end of 2019, some projects initiated by governments and enterprises was affected. With the epidemic at home under control, domestic demand is expected to recover gradually. The country's stimulus measures to economy, such as AI, cloud computing, big data, 5G, IoT, rail transit and other new infrastructure construction, will bring new growth space for the Company. At the same time, the epidemic makes the society pay more attention to public safety and emergency management, and infrared thermometers and similar devices will also be more widely used.

Dahua has continuously clarified its business logic and boundaries in its development to focus on the fields with value. The company's rich customer resources accumulated in the professional video surveillance industry, deep understanding of subdivision industry, and the ability to rapidly develop and integrate the industrial chain, will also ensure that AI, big data, cloud computing and other advanced technologies can be effectively integrated into products and solutions, in support of the company's continuous promotion of its position in the smart IOT industry where video is most valued.

### (II) Development Strategy

The Company is the world's leading provider of video-centric smart IoT solutions and operation services. Based on technological innovations, with customer demands as orientation and customer success as the goal, the Company creates values in city operation, enterprise management, as well as consumer life. Based on the Company's leading position in technical innovation, industry experience, and customer base, we aim to create a video ecosystem centered on

smart IoT information services to make society safer and life smarter.

Faced with the rapid development of new technologies, and people's aspirations and demands for a better life, the Company will unswervingly increase investment in technological innovation to bring safe and intelligent digital experience to cities, enterprises and individuals around the world. In the future, the Company will rely on the video-oriented IoT architecture to meet the needs of innovative applications, and accelerate the upgrade to a platform and ecology-oriented company.

### **(III) Measures against COVID-19**

Since the epidemic outbreak in early 2020, consumption, services, transportation and other sectors have been greatly challenged, and domestic economic growth is under considerable downward pressure. The Chinese government has basically brought the epidemic under control with a series of strong measures to prevent and combat the epidemic and stabilize economic development. At present, the epidemic is still spreading in many regions around the world, causing a great impact on global economy.

In this situation, the Company responded quickly by donating cash and equipment to help fight against the epidemic; Set up emergency team at the same time, organize supply chain, R & D, and the market teams to work closely. Relying on our mature security control scheme and advanced thermal imaging technology, we have rapidly developed thermal imaging temperature screening system, which is able to precisely and accurately identify the personnel with abnormal body temperature without contact, providing strong support for identification and control of potential infected personnel; Huachuang video conference system, a subsidiary of Dahua, has helped the National Health Commission organize the video conference in multiple places with World Health Organization, and also played an important role in the global epidemic prevention and control system.

During the epidemic period, some projects were postponed in a short term, and affected by a series of problems such as shortage of upstream raw materials, rising price of electronic components, failure of rework in time, and logistics restrictions. In the face of challenges, the Company actively develops potential suppliers, expands upstream supply channels, and ensures the security of supply; Timely contact and open the special buses for sending workers back to the factory in order to ensure their safe arrival and rapid recovery of production capacity. In addition, the company has rapidly transformed and upgraded its overseas business model for some regions with severe epidemic situation, by adopting online office such as online promotion, sales, training and support in order to advance the sustainable and stable business. With the epidemic under control and the return to normal economic life, as well as follow-up stimulus policies for global economy, the big data platform, 5G-related products, robots, unmanned retail, drones, community control and other areas will become the subsequent opportunity for breakthroughs. In the future, the continuous growth of thermal imaging temperature measurement products can be maintained by excavating more opportunities such as forest fire prevention and electric temperature measurement.

The development of 5G will make IoT expand from consumer applications to industrial and industry-level applications, while sensors, cameras, network infrastructure, big data, cloud and AI technologies will be the key and core of IoT. The industry still maintains a good trend in the long run. After all, enterprises rely on their ability of technological innovation and resource integration for development. As the leading enterprise of R & D, Dahua has accumulated profound experience in marketing, R & D, supply chain and other aspects. The advantages of Dahua platform will continue to reveal in the rapidly

changing market in the future.

#### **(IV) Key Works in 2020**

1. Continuously increase the investment in R&D and facilitate technical innovation. The Company will further increase the investment in advanced technologies, such as AI, cloud computing and big data, 5G and other future core technologies to enhance R&D capabilities.

2. The Company will enhance the software architecture ability and establish the full-process operation ability (from the development to the sales and delivery of software), to enhance the competitiveness of software products and further enhance the ability of overall solutions in satisfying the demands of customers.

3. The Company will continue to promote innovative business, integrate resources such as AI, cloud computing and big data, IoT, and explore the application of those resources in the video IoT field.

4. The Company will adhere to the market orientation of "customer demands as orientation, customer success as the goal" to drive the marketing, R&D and delivery, and build the capabilities of differentiated solution for customer scenarios.

5. Strengthen regional and front-line business, technology and service capabilities, explore market segment, quickly respond to and serve for customers to drive high-quality business growth.

6. Optimize the organizations by centering on businesses and customers, in order to effectively improve customer experience, organizational efficiency, and per capita output.

#### **(V) Risks and Countermeasures**

During the reporting period, there was no significant change in the risks faced by the Company. The Company has been trying to identify all kinds of risks and actively take countermeasures to avoid and reduce the risks:

1. Risk of technology upgrading: the video IoT industry is a typical technology-intensive industry, which is changing extremely fast. If the Company is unable to keep up with development trends in the industry's technology, to pay full attention to customers' diversified individual needs, and to be followed by sufficient R&D investments, it will still face the risk of losing market competitiveness due to discontinuous innovation.

By increasing R & D investment, the Company continues to strengthen research on core technologies in AI, video cloud and other fields, and reserves product, technology, management and talent resources for a broader market in the future, so as to achieve sustainable and steady development of business.

2. Risk of business model change: with the development of network communications, cloud computing, and big data, AI and other technologies, the business model in the IoT era may have an impact on the traditional industry development. If an enterprise cannot grasp opportunities brought about by the business model transformation in a timely manner, it may face the risk that the original market structure becomes broken.

The Company continues to focus on and study the major changes in global economy, industry and technology, analyze the industry development logic, and predict the evolution of global security industry and IoT industry, the continuous integration of video, information communication and digital technologies, diversification and uncertainty of customer demands. While consolidating the advantageous market, The Company actively explores and pilots new businesses and new commercial mode, and carry out business and technical layout.

3. Risk of product safety: the Company attaches great importance to and continuously strengthens resource investment to ensure safe and reliable operations of the security system so as to respond to the product security risks on the Internet. However, hackers attacks, computer viruses, physical security vulnerabilities, natural disasters, accidents, power interruptions, telecommunications failures, terrorism, and warfare events may still occur from time to time, resulting in security vulnerabilities, system failures, or service interruptions.

The Company has founded a cyber-security committee, and set up a professional security team to develop company-level product safety plan, ensuring product safety in whole process from requirements to design, coding, and testing process. At the same time, the Company actively carry out technical exchanges and cooperation with mainstream safety enterprises, safety evaluation agencies and corresponding industry associations to provide customers with safe products and solutions.

4. Intellectual property risk: the promotion of the company's globalization and self-owned brand strategy will likely bring about intellectual property risks and patent infringement, which may cause fluctuation in business relations and public opinions, increasing lawsuits and rising costs.

The Company attaches great importance to technological innovation and has established protection and management mechanism for intangible assets such as innovation achievements, self-owned brands, trade secrets, and constantly gathers advantageous IP assets; With IP compliance risk control system, the Company continues to strengthen its ability to understand and grasp the IP laws and regulations, administrative and judicial environment of the region where the company's business is located in.

5. Risk of exchange rate: the company's export transactions are mostly settled in United States Dollars ("USD"), therefore, fluctuations in the exchange rate may affect the profits of the Company.

As US dollar is the settlement currency, the Company hedges and avoids the risk of exchange rates by centralized management of exchange capitals, purchase and payment hedging and other methods.

6. Risk of declined local fiscal capacity: affected by the COVID-19 outbreak, we see the rising uncertainty of macro-economic, more downward pressure in the global economy, decreased local fiscal revenues, and a high debt level. If the local fiscal paying capacity is reduced, it may lead to the slowdown in the growth of some industry demands, extensions of project time, longer periods for companies to withdraw capitals, and customers' payment delay.

With the epidemic under control in China, and work and production resumption on the "fast track", the company pays close attention to the relevant government policies and conducts market trend research; Meanwhile, we continues to improve our internal control system and optimize the project review methods, select local projects carefully and assess project risks systematically, prudently assess the market logic and cash flow balance logic, control the risks reasonably, make plans to deal with cash flow shortage, project delay and other risks, and reduce the risk of delayed payment.

7. Risk of international operation: at present, the international political and economic situation is complicated, and there are more uncertain and uncontrollable factors in the international market. The company's products and solutions cover 180 countries and regions, and international business may be exposed to the risks of trade protection in the countries and regions where it is located in; In October 2019, the Company was listed on the "entity list" by the US Department of Commerce. If the trade friction between China and US continues to escalate or US trade protection policy intensifies in the future, it would bring some uncertainty about the potential impact on the company's business; The COVID-19 epidemic is still spreading overseas, market demand growth may slow down, or will have a negative impact on

the company's local business.

The company actively prevents and responds to the risk of international operation by establishing an overseas compliance risk control system. There are several compliance groups under the company compliance committee to ensure the full and effective implementation of compliance policies and control procedure of the Company. In terms of export control, the Company implemented compliance control in accordance with the export control compliance guidelines issued by the US Department of Commerce and in combination with the company's situation; In the aspect of supply chain, the company adopts the strategy of standby suppliers. In addition to preparing strategic materials and key components, the Company also advances the preparation and revision of alternative solutions in an orderly manner. The Company continuously strengthens the understanding and adaptability of the laws and regulations as well as the political and economic environment of the regions where its business is involved, and formulates differentiated business strategies based on "one country, one policy" in accordance with the changes in politics and economy of different regions. By adjusting the product structure, refining the customer interface, and continuous self-evolution, the Company has built up the solution-oriented core ability; Meanwhile, it has invested resources to fully respond to the epidemic, communicate with upstream and downstream customers, and reduce the operational risks.

8. Risk of global COVID-19 epidemic: As COVID-19 epidemic is still spreading around the world, many countries locks down cities and even borders. As a result, global demand falls at the stage, customer demand is deferred or reduced, and export business will face the risk of decline; In the domestic market, affected by the epidemic situation and control measures since the Spring Festival, the staff has been delayed to return to work, which also affect the upstream material supply and logistics operation. Therefore, there are still some uncertainties in the supply chain. The business of government and corporate customers has been affected to different degrees, and the total demand is insufficient. As it takes time to resume normal social and economic activities after the epidemic, the Company may face declined domestic business.

Since the outbreak of COVID-19, the Company has donated materials, funds and equipment in the first time to help fight the epidemic, and has set up an emergency team to develop a thermal imaging temperature screening system with our ability in R & D, innovation and resource integration, in order to identify the potential infected persons and reduce the risks of epidemic spread; In addition, the technologies and innovative products such as video conference, drones, robots and 5G equipment have been put into use during the epidemic control. At the same time, the Company actively develops potential suppliers, expands upstream supply channels, guarantee the safety of supply, arrange the return line to ensure the safe arrival of personnel and recovery of production. For some overseas regions where the epidemic is severe, the company rapidly upgraded its business mode and adopted a variety of methods to promote the continuous and stable operation of its business. As countries attach great importance to the epidemic control, major countries and government organs are taking hedging measures and counter-cyclical adjustment policies to mitigate the impact of the epidemic on the economy in the short term. The Company will pay close attention to the epidemic, as well as the changes of macro operating environment and policies, and cope with the risks and challenges it brings.

## X. Reception of research, communication, interviews and other activities

### 1. Registration Form for reception of research, communication, interviews and other activities during the reporting period

√ Applicable □ Not applicable

Reception Time	Reception Method	Reception Target Type	Index of the Basic Information of Research
January 29, 2019	Field investigation, telephone communication	Institution	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
January 30, 2019	Field Investigation	Institution	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
April 9, 2019	Field Investigation	Institution, individual	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
May 08, 2019	Field investigation, telephone communication	Institution	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
May 09, 2019	Field Investigation	Institution	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
May 10, 2019	Field Investigation	Institution	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
May 14, 2019	Field investigation, telephone communication	Institution	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
June 11, 2019	Field Investigation	Institution	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>



June 12, 2019	Field Investigation	Institution	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
June 13, 2019	Telephone communication	Institution	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
June 17, 2019	Field Investigation	Institution	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
June 18, 2019	Field Investigation	Institution	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
June 19, 2019	Field Investigation	Institution	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
June 25, 2019	Field Investigation	Institution	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
June 26, 2019	Field Investigation	Institution	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
June 27, 2019	Field investigation, telephone communication	Institution	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
August 19, 2019	Field Investigation	Institution, individual	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
September 05, 2019	Field Investigation	Institution	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
September 10, 2019	Field Investigation	Institution	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
September 12, 2019	Field Investigation	Institution	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

September 25, 2019	Field Investigation	Institution	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
September 26, 2019	Field Investigation	Institution	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
September 27, 2019	Field Investigation	Institution	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
October 9, 2019	Telephone communication	Institution, individual	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
October 30, 2019	Field Investigation	Institution	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
October 31, 2019	Field Investigation	Institution	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
November 1, 2019	Field Investigation	Institution	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
November 29, 2019	Field Investigation	Institution	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
December 20, 2019	Field Investigation	Institution	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

## Section V Significant Events

### I. Distribution of Common Stock Profits of the Company and Capitalization of Capital Reserves

Distribution policies of the common stock profits during the reporting period, especially the formulation, implementation or adjustment of the cash dividend policies

Applicable  Not applicable

On June 5, 2019, the company's first provisional shareholders meeting in 2019 reviewed and approved the Shareholder Return Planning for the Next Three Years (2019-2021), which clearly stipulates the decision-making procedures for dividend standards, proportions and profit distribution policies that will be executed in strict rotation, guaranteeing the continuity and stability of the profit distribution policies and adequately protecting the legitimate rights and interests of small and medium investors.

Special Notes on Cash Dividend Policies	
Whether they comply with the requirements of the Company's articles of incorporation or the resolutions of the General Meeting of Shareholders:	Yes
Whether the dividend standards and proportions are distinct and clear:	Yes
Whether the relevant decision-making procedures and mechanisms are complete:	Yes
Whether the independent directors performed their duties and played their due role:	Yes
Whether the minority shareholders have the opportunity to fully express their opinions and appeals, and whether their legitimate rights and interests have been fully protected:	Yes
Whether relevant conditions and procedures are compliant and transparent when the cash dividend policies are being adjusted or changed:	No adjustments or changes on cash dividend policies

The Company's common stock dividends distribution plan (preplan) and capital reserve capitalization plan (preplan) in the past three years (including this reporting period)

1. The plan for profit distribution of the Company in 2017 is: Based on total share capital of 2,898,756,130 shares as of December 31, 2017, cash dividend of RMB 2.00 (tax included) for each 10 shares was distributed to all shareholders, with a total amount of RMB 579,751,226.00, and no bonus share sent and no capitalization of capital reserves.

2. The plan for profit distribution of the Company in 2018 is: Based on total share capital of 2,997,621,930 shares as of December 31, 2018, cash dividend of RMB 1.00 (tax included) for each 10 shares was distributed to all shareholders, with a total amount of RMB 299,762,193.00, and no bonus share sent and no capitalization of capital reserves.

3. The plan for profit distribution of the Company in 2019 is: Based on 2,994,599,750 shares (excluding 13,391,480 repurchased shares) of the Company's total share capital as of December 31, 2019, cash dividend of RMB 1.33 (tax included) for each 10 shares was distributed to all shareholders, with a total amount of RMB 398,281,766.75, and no bonus share will be given and no capitalization of capital reserves.

The Company's cash dividends for common stocks in the past three years (including this reporting period)

Unit: RMB

Bonus Year	Cash dividend amount (tax included)	Net profit attributable to common stock shareholders of listed companies in the consolidated financial statement of the year for dividend distribution	The ratio of cash dividends to the net profit attributable to ordinary shareholders of listed companies in the consolidated statements	The amount of cash dividends in other ways (such as share repurchase)	The proportion of cash dividends in other ways to the net profit attributable to ordinary shareholders of listed companies in the consolidated statements	Total amount of cash dividends (including other ways)	The ratio of total amount of cash dividends (including other ways) to the net profit attributable to ordinary shareholders of listed companies in the consolidated statements
2019	398,281,766.75	3,188,144,692.55	12.49%	203,499,400.44	6.38%	601,781,167.19	18.88%
2018	299,762,193.00	2,529,426,468.61	11.85%	0.00	0.00%	299,762,193.00	11.85%
2017	579,751,226.00	2,378,726,820.22	24.37%	0.00	0.00%	579,751,226.00	24.37%

The Company's profits during the reporting period and the parent company's distribution of common stock shareholders' profits are positive but a cash dividend distribution preplan for common stock is not proposed.

Applicable  Not applicable

## II. Profit Distribution and Capital Reserve Converted to Share Capital in the Reporting Period

Applicable  Not applicable

Number of bonus shares per 10 shares (shares)	0
Number of dividend payout per 10 shares (RMB) (tax included)	1.33
Number of capitalized shares per 10 shares (shares)	0
Equity base in the distribution preplan (shares)	2,994,599,750
The amount of cash dividends (RMB) (including tax)	398,281,766.75
The amount of cash dividends (RMB) in other ways (such as share repurchase)	203,499,400.44
The total amount of cash dividends (including in other ways) (RMB)	601,781,167.19

Distributable profits (RMB)	10,248,023,654.54
The ratio of the total amount of cash dividends (including in other ways) to the total amount of profit distribution	100%
Latest cash dividend	
If the Company's development stage is not easy to define but there are significant capital expenditure arrangements, when the profits are being distributed, the proportion of the cash dividends in this profit distribution should be at least 20%	
Details of the preplans on profit distribution or capitalization of capital reserves	

Audited and confirmed by BDO China Shu Lun Pan Certified Public Accountants LLP (special general partnership), the net profit attributable to shareholders of the parent company in 2019 was RMB 3,188,144,692.55. According to the Articles of Incorporation, the statutory surplus reserve transferred was RMB 307,861,781.87; As of December 31, 2019, the actual profit available for distribution to shareholders is RMB 10,248,023,654.54, and the actual profit available for distribution to shareholders from the parent company is RMB 10,397,488,836.58.

The company's profit distribution plan in 2019 is: Based on the total capital of 2,994,599,750 shares (excluding 13,391,480 repurchased shares) of the company as of December 31, 2019, the company will distribute RMB 1.33 (tax included) to all shareholders for every 10 shares, with a total cash dividend of RMB 398,281,766.75, and no bonus share will be given and no capitalization of capital reserves. The undistributed profits will be carried forward to the next year. If the capital stock changes before implementation of the distribution plan, the company will adjust the amount of distribution according to the principle of unchanged distribution proportion.

### III. Performance of Commitments

#### 1. Commitments made by the Company's controlling shareholders, shareholders, related parties, purchasers and purchasing companies and have been fulfilled during the reporting period and those that have not been fulfilled by the end of the reporting period

√ Applicable □ Not applicable

Commitments	Party making commitments	Commitment Type	Content	Time	Term	Performance
Commitments made during initial public offerings or refinancing	Fu Liquan, Zhu Jiangming, Chen Ailing, Wu Jun	Commitment on restricted shares	The number of shares transferred each year during his/her term of service shall not exceed 25 percent of the total number of shares he/she holds in the Company; he/she shall not transfer his/her shares in the Company within half a year after he/she leaves the Company; within the next twelve months, the number of shares sold through the stock exchange listing transactions shall not exceed 50% of the total shares he/she holds.	15 July 2007	Long-term	As of the disclosure date of this announcement, the aforementioned commitments are still in strict execution.

Other commitments to minority shareholders of the Company	Fu Liqun, Chen Ailing	Commitment on horizontal competition	(1) He/she will not directly engage in operational activities that constitute horizontal competition with the stock company's business; (2) for companies he/she held or indirectly held, he/she will fulfill the obligations under this commitment through agencies and personnel (including but not limited to directors and managers); (3) if the stock company further expands its range of products and business scope, he/she and the company held by him/her will not compete with the expanded range of products or businesses of the stock company.	30 June 2007	Long-term	As of the disclosure date of this announcement, the aforementioned commitments are still in strict execution.
Whether the commitment is fulfilled on time	Yes					

**2. If there is a profit forecast for the Company's assets or projects, and the reporting period is still within the profit forecast period, the Company shall make an explanation on the fulfillment and its reasons**

Applicable  Not applicable

#### **IV. Non-operational Capital Occupation over Listed Companies by Controlling Shareholders and Their Related Parties**

Applicable  Not applicable

During the reporting period, there is no non-operational capital occupation over listed companies by controlling shareholders and their related parties.

#### **V. Explanations Made by the Board of Directors, the Board of Supervisors and Independent Directors (If Any) on the "Non-standard Audit Report" from the Accounting Firm during the Reporting Period**

Applicable  Not applicable

## VI. Changes in Accounting Policies, Accounting Estimates and Accounting Methods Compared with the Previous Year's Financial Report

Applicable  Not applicable

Changes in significant accounting policies

(1) The Ministry of Finance issued the Notice on *The Revision and Issuance of the 2019 Financial Statements Format for General Enterprises* (Financial Accounting (2019) No. 6) on April 30, 2019, and the *Notice on the Revision and Issuance of the Consolidated Financial Statements Format (2019 edition)* (Financial Accounting (2019) No. 16) on September 19, 2019, to revise the formats of financial statements for general enterprises. The Company has adjusted the format of its financial statements and the presentation of some accounts in accordance with the requirements of the Ministry of Finance in 2019.

(2) Implementation of new financial instrument standards

Since January 1st, 2019, the Company has been implementing the *Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments*, the *Accounting Standards for Enterprises No. 23 - Transfer of Financial Assets*, the *Accounting Standards for Enterprises No. 24 - Hedging* and the *Accounting Standards for Enterprises No. 37 - Presentation of Financial Instruments* (hereinafter referred to as "New Financial Instruments Related Standards") revised in 2017. The revised standards stipulate that for financial instruments whose confirmation has not been terminated on the first implementation date, retrospective adjustments shall be made if the previous confirmation and measurement are inconsistent with the requirements of the revised standards. If the statistics related to the comparative financial statements in the previous period is inconsistent with the revised standards, no adjustment is required. The Company will adjust the retained earnings and other comprehensive income at the beginning of the year due to the cumulative impact of retrospective adjustments.

(3) Implementation of new debt restructuring and non-monetary asset exchange guidelines

The company will implement the revised *Accounting Standards for Enterprises No. 7 - Exchange of Non - Monetary Assets* from June 10, 2019, and the revised *Accounting Standards for Enterprises No. 12 - Debts Restructuring* from June 17, 2019. The accounting policy changes will be dealt with using the prospective application method, and the non-monetary asset exchange and debt restructuring that occurred between January 1, 2019 and the implementation date of the standards will be adjusted according to the standard provisions. The first implementation of the standards has no financial implications on the Company.

## VII. Explanations on the Retroactive Restatement of Any Significant Accounting Errors during the Reporting Period

Applicable  Not applicable

During the reporting period, there are no significant accounting error corrections that need to be retrospectively restated.

## VIII. Changes in the Scope of Consolidated Financial Statements Compared with the Previous Year's Financial Report

Applicable  Not applicable

(1) The Company has invested in and established three subsidiaries, namely, Zhejiang Zhoushan Digital Development Operation Co., Ltd, Guangxi Dahua Technology Co., Ltd., and Yunnan Zhili Technology Co., Ltd., during this reporting period, all of which have been included in the scope of consolidation since their establishment dates.

(2) The Company's subsidiaries Wuxi Dahua Ruide Electronic Technology Co., Ltd., Hunan Dahua System Technology

Co., Ltd., Dahua Zhongcheng (Beijing) Technology Co., Ltd., and Dahua Italy SRL were canceled in this period, and will not be included in the scope of consolidation since the date of cancellation.

(3) In this period, the Company transferred 36% of the equity of China Standard Intelligent Security Co., Ltd.. After the transfer, it held 15% of its equity and no longer served as its controlling shareholder, so China Standard Intelligent Security was not included in the scope of consolidation in this period any more.

## IX. Appointment and Dismissal of Accounting Firms

Currently appointed accounting firms

Names of domestic accounting firms	BDO China Shu Lun Pan CPAs (special general partnership)
Remuneration to domestic accounting firms (Unit: ten thousand RMB)	150
Years of continuous audit service of domestic accounting firms	16
Names of Certified Public Accountants from domestic accounting firms	Zhong Jiandong, Du Na
The continuous period of audit service for certified public accountants in domestic accounting firms	Zhong Jiandong has been in service for 2 consecutive years, and Duna has been in service for 5 consecutive years

Whether to reappoint accounting firms for current period

Yes  No

Appointment of accounting firms, financial advisers or sponsors for internal control auditing

Applicable  Not applicable

During the reporting period, the company hired BDO China Shu Lun Pan Certified Public Accountants LLP (special general partnership) as the internal control audit accounting firm, and the expenses were combined with the annual audit expenses.

## X. Suspension of Listing and Termination of Listing after Disclosure of the Annual Report

Applicable  Not applicable

## XI. Bankruptcy and restructuring

Applicable  Not applicable

No such case as bankruptcy and reorganization related event during the reporting period.

## XII. Significant Lawsuits and Arbitrations

Applicable  Not applicable

There is no major lawsuit or arbitration during this reporting period.



### XIII. Penalties and Rectification

Applicable  Not applicable

No such case as penalty and rectification during the reporting period.

### XIV. Integrity of the Company, Its Controlling Shareholder and Actual Controller

Applicable  Not applicable

### XV. Implementation of the Company's Equity Incentive Plan, Employee Stock Ownership Plan or Other Employee Incentive Measures

Applicable  Not applicable

1. On May 16, 2017, the Company's 2016 Annual General Meeting of Shareholders deliberated and approved the Zhejiang Dahua Technology Co., Ltd. Phase III Employee Stock Ownership Plan (Draft) and its summary, and decided to implement the Phase III Employee Stock Ownership Plan. On June 1, 2017, the Company's third employee stock ownership plan completed the stock purchase through the "DAHUANO. 3 Directional Asset Management Plan of Caitong Securities Asset Management", with an average purchase price of RMB 16.83 per share and total purchase amount of 47,000,000 shares.

On November 12, 2018, the Company's 18th meeting of the 6th Board of Directors deliberated and approved "Suggestive Proposal on Extension of the Impending Expiration of the Company's Third Employee Stock Ownership Plan Duration". The Board of Directors agreed to extend the Company's third employee stock ownership plan for one year according to the voting results of the shareholders' meeting. That is, the duration was extended for one additional year on the basis of the original termination date, until May 15, 2020.

As of January 21, 2020, the company's shares held by CAITONG Securities in accordance with Dahua No. 3 directional asset management plan have all been sold out, and the third phase of ESOP has been implemented and terminated.

2. On December 27, 2018, the Company's 5th interim shareholders' meeting in 2018 reviewed and approved the "Proposal on Buy-back and Cancellation of Some Granted but Unlocked Restricted Stocks" and agreed to buy back and cancel the 44,200 restricted shares held by the incentive targets who have left the Company and one deceased personnel. The buy-back price was RMB 8.17 per share, the same as the granting price, and the registered capital was reduced accordingly. The aforesaid repurchase cancellation had been accomplished on March 4, 2019 and change of industrial and commercial registration had been accomplished on April 15, 2019.

3. On September 6, 2019, the Company's 25th session of the 6th Board of Directors' meeting reviewed and approved the Proposal on Granting Reserved Restricted Stocks to Incentive Targets. It was agreed to grant 11,380,400 reserved restricted stocks to 789 eligible incentive targets at the price of RMB 8.75 per share.

On November 29, 2019, the Company disclosed "Announcement on Completion of Restricted Stocks Granting in 2018". In view that some of the original incentive targets no longer met the incentive conditions due to their departure, and some of them waived the restricted stocks that the company intended to grant for personal reasons, the Company adjusted the number of incentive targets and the quantity of stocks to be granted. The number of incentive targets was adjusted from 789 to 749, and the total number of restricted stocks was adjusted from 11,380,400 shares to 10,413,500 shares. On December 3, 2019, the reserved shares of the company's restricted stock incentive plan of 2018 have been listed on Shenzhen Stock Exchange.

4. On November 4, 2019, the Company held the 27th meeting of the 6th board of directors and the 17th meeting of

the 6th board of supervisors to deliberate and approve "2018 Restricted Stock Incentive Plan (Revised Draft) > and Its Abstract". On November 21, 2019, the Company held the second interim general meeting of shareholders in 2019 to deliberate and approve the "2018 Restricted Stock Incentive Plan (Revised Draft) > and Its Abstract".

5. On November 21, 2019 the Company's 2th interim shareholders meeting in 2019 reviewed and approved the "Proposal on Buy-back and Cancellation of Some Granted but Unlocked Restricted Stocks" and agreed to buy back and cancel 4,278,000 authorized but not unlocked restricted stocks held by the 191 incentive targets who have left the Company at the price of RMB 8.17 per share, the same as the granting price, and reduce the registered capital accordingly. The repurchase is still in process.

6. On January 16, 2020, the first interim general meeting of shareholders in 2020 deliberated and approved the "Proposal on Buy-back and Cancellation of Some Granted but Unlocked Restricted Stocks" and agreed to buy back and cancel 437,100 authorized but not unlocked restricted stocks held by 16 incentive targets who have left the Company (of which, 427,100 shares were first granted, with the repurchase price of RMB 8.17 per share; Reserved grant of 10,000 shares at a repurchase price of RMB 8.75 per share), and reduce the registered capital accordingly. The repurchase is still in process.

## **XVI. Significant Related-party Transactions**

### **1. Related transactions relevant to daily operations**

Applicable  Not applicable

No such case as significant related-party transactions connected with daily operations.

### **2. Related transactions in acquisition or sale of assets or equities**

Applicable  Not applicable

No such case as related-party transactions arising from the acquisition or sale of assets or equity.

### **3. Significant related-party transactions arising from joint investments on external parties**

Applicable  Not applicable

For details, see "5. Other Significant Related-party Transactions" in this section.

### **4. Related-party creditor's rights and debts**

Applicable  Not applicable

No such case as significant related credits and debts during the reporting period.

### **5. Other major related transactions**

Applicable  Not applicable

1. On July 29, 2019, the 23rd Meeting of the 6th board of directors of the Company deliberated and approved the Proposal on Giving up the Shareholding Company's Right to Increase Capital with the Same Percentage and Related-party Transactions. It is agreed to give up the right of Jinhua CRRC Smart IoT New Energy Industry Investment Center (limited partnership) to increase the capital of Zhejiang Leapmotor Technology Co., Ltd. with the same percentage.

The total amount of related-party transactions involved in giving up the right to increase the capital with the same percentage is RMB 58,752,000. The change of industrial and commercial registrations for the above matter was completed in August 2019.

2. On July 29, 2019, the 23rd Meeting of the 6th board of directors of the Company deliberated and passed the Proposal on Increasing Capital in Holding Subsidiaries and Related-party Transactions, in which the Company and the related party Zhejiang Huashi Investment Management Co., Ltd. agreed to increase capital in the holding subsidiary Zhejiang Dahua Robot Technology Co., Ltd. with the same percentage. The Company would complete a capital increase of RMB 40.8 million with its own funds and the related party Zhejiang Huashi Investment Management Co., Ltd. would complete a capital increase of RMB 39.2 million. After the capital increase, the registered capital of Zhejiang Dahua Robot Technology Co., Ltd. would increase from RMB 50 million to RMB 130 million. The change of industrial and commercial registrations for the above matter was completed in August 2019.

Website for disclosing the interim report on significant related-party transactions

Announcement name	Disclosure date	Website for the disclosure
The Announcement on Giving up the Shareholding Company's Right to Increase Capital with the Same Percentage and Related Transactions, and the Capital Increase in a Holding Subsidiary and the Related Transaction	July 30, 2019	Juchao Information Website <a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>

## XVII. Significant Contracts and Performance

### 1. Matters on trusteeship, contracting, and leasehold

#### (1) Matters on trusteeship

Applicable  Not applicable

No such case as custody during the reporting period.

#### (2) Contracting

Applicable  Not applicable

No such case as contracting during the reporting period.

#### (3) Leasing

Applicable  Not applicable

Explanations on leases

During the reporting period, some of the Company's own real estate properties were used for rental, and the leased real estate property was used for office, warehouse and production workshops. There were no other major real estate leasing.

Cases that brought the profit and loss accounted for more than 10% of the Company's total profit during the reporting period

Applicable  Not applicable

No such leases that brought the profit and loss accounted for more than 10% of the Company's total profit during the

reporting period.

**2. Significant guarantees**

√ Applicable □ Not applicable

**(1) Guarantees**

Unit: ten thousand RMB

External guarantees from the Company and its subsidiaries (excluding guarantees to the subsidiaries)								
Guaranteed party	Announcement date of disclosure of the guarantee cap	Guarantee amount	Actual occurrence date	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guaranteee for related parties or not
Total amount of guarantees approved during the reporting period (A1)				Total amount of guarantees actually occurred during the reporting period (A2)				
Total amount of guarantees approved by the end of the reporting period (A3)				Total balance of guarantees at the end of the reporting period (A4)				
Company's guarantees to subsidiaries								
Guaranteed party	Announcement date of disclosure of the guarantee cap	Guarantee amount	Actual occurrence date	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guaranteee for related parties or not
Zhejiang Dahua Vision Technology Co., Ltd.	November 05, 2019	900,000.00	January 15, 2018	11,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	Yes	Yes

May 04, 2018	30,000.00	Joint liability guarantee	May 04, 2018- April 16, 2019	Yes	Yes
August 02, 2018	2,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	Yes	Yes
July 25, 2018	10,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	Yes	Yes
August 01, 2018	20,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	Yes	Yes
August 21, 2018	10,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	Yes	Yes
September 03, 2018	10,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	Yes	Yes
November 26, 2018	22,000.00	Joint liability guarantee	November 26, 2018- November 26, 2020	Yes	Yes

March 20,2018	10,464.30 (15 million US dollars)	Joint liability guarantee	Two years after the maturity of the debts in the master contract	Yes	Yes
April 28,2018	10,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	Yes	Yes
June 06, 2016	29,000.00	Joint liability guarantee	June 06, 2016- January 15, 2020	No	Yes
August 01, 2017	60,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
October 13, 2017	22,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
March 20, 2018	50,000.00	Joint liability guarantee	March 20, 2018- March 19, 2021	No	Yes
April 13, 2018	24,000.00	Joint liability guarantee	April 13, 2018- April 12, 2020	No	Yes
September 21, 2018	27,904.80 (40 million US dollars)	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes

January 03, 2019	20,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
January 17, 2019	30,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
March 21, 2019	20,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
April 18, 2019	20,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
May 10, 2019	65,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
May 13, 2019	23,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
June 26, 2019	18,000.00	Joint liability guarantee	June 26, 2019- June 25, 2022	No	Yes

July 22, 2019	44,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
August 30, 2019	38,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
September 20, 2019	5,000.00	Joint liability guarantee	Three years since the date on which the debt period of master contract expires or the date on which the secured claim is determined, whichever is later	No	Yes
September 26, 2019	14,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
September 29, 2019	20,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes



				October 22, 2019	10,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
				December 10, 2019	50,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
Zhejiang Dahua Zhilian Co., Ltd.	November 05, 2019	600,000.00		April 25, 2019	10,000.00	Joint liability guarantee	One years upon expiration of debt period of master contract	Yes	Yes
				June 06, 2016	20,000.00	Joint liability guarantee	June 06, 2016- June 30, 2016	No	Yes
				September 01, 2018	50,000.00	Joint liability guarantee	September 01, 2018- September 01, 2020	No	Yes
				October 12, 2018	30,000.00	Joint liability guarantee	October 12, 2018- October 12, 2020	No	Yes
				April 09, 2019	10,000.00	Joint liability guarantee	One years upon expiration of debt period of master contract	No	Yes
				May 13, 2019	6,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes

			August 30, 2019	10,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
			November 01, 2019	40,000.00	Joint liability guarantee	One years upon expiration of debt period of master contract	No	Yes
			December 12, 2019	20,000.00	Joint liability guarantee	One years upon expiration of debt period of master contract	No	Yes
Zhejiang Dahua System Engineering Co., Ltd.	November 05, 2019	50,000.00	October 10, 2017	6,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	Yes	Yes
			June 06, 2016	10,000.00	Joint liability guarantee	June 06, 2016- June 06, 2020	No	Yes
			May 10, 2019	10,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
			May 13, 2019	4,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes

			August 30, 2019	1,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
			November 07, 2019	6,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
Dahua Technology (HK) Limited	November 05, 2019	205,000.00	April 09, 2019	20,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	Yes	Yes
			December 15, 2017	34,881.00 (50 million US dollars)	Joint liability guarantee	December 15, 2017-December 15, 2020	No	Yes
			November 25, 2019	4,883.34 (7 million US dollars)	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
Dahua Technology USA Inc.	November 05, 2019	3,500.00	March 09, 2019	209.29 (300 thousand US dollars)	Joint liability guarantee	March 09, 2019 March 09, 2020	Yes	Yes
DAHUA TECHNOLOGY MEXICO S.A. DE C.V	November 05, 2019	20,000.00	March 26, 2019	2,209.17 (59,973,100 MXN)	Joint liability guarantee	March 26, 2019-March 26, 2020	No	Yes
			April 09, 2019	6,627.51 (179,919,400 MXN)	Joint liability guarantee	April 09, 2019- April 09, 2020	No	Yes

Hangzhou Huacheng Network Technology Co., Ltd.	November 05, 2019	5,000.00	August 30, 2019	5,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
Guangxi Dahua Information Technology Co., Ltd.	November 05, 2019	10,000.00	No such case during the reporting period					
Zhejiang Dahua Jinzhi Technology Co., Ltd.	November 05, 2019	100,000.00	No such case during the reporting period					
Xi'an Dahua Zhilian Technology Co., Ltd.	November 05, 2019	100,000.00	No such case during the reporting period					
Zhejiang Huafei Intelligent Technology CO., LTD.	November 05, 2019	5,000.00	No such case during the reporting period					
Zhejiang Huachuang Vision Technology Co., Ltd.	November 05, 2019	5,000.00	No such case during the reporting period					
Zhejiang HuaRay Technology Co., Ltd.	November 05, 2019	5,000.00	No such case during the reporting period					
Zhejiang Dahua Security Network Operation Service Co., Ltd.	November 05, 2019	5,000.00	No such case during the reporting period					
Hangzhou Xiaohua Technology CO., LTD.	November 05, 2019	5,000.00	No such case during the reporting period					
Zhejiang Dahua Security Service Co., Ltd.	November 05, 2019	5,000.00	No such case during the reporting period					
Hangzhou Tecomore Technology Co., Ltd.	November 05, 2019	5,000.00	No such case during the reporting period					
Wuxi Dahua Ruipin Technology Co., Ltd.	November 05, 2019	5,000.00	No such case during the reporting period					

Zhejiang Huaxiao Technology Co., Ltd.	November 05, 2019	5,000.00	No such case during the reporting period
Zhejiang Dahua Investment Management Co., Ltd.	November 05, 2019	5,000.00	No such case during the reporting period
Zhejiang Dahua Robot Technology Co., Ltd.	November 05, 2019	5,000.00	No such case during the reporting period
DAHUA EUROPE B.V.	November 05, 2019	14,000.00	No such case during the reporting period
Dahua Technology Singapore Pte.Ltd.	November 05, 2019	500.00	No such case during the reporting period
Dahua Technology UK Limited	November 05, 2019	2,000.00	No such case during the reporting period
Dahua Technology Poland sp.zo.o.	November 05, 2019	1,600.00	No such case during the reporting period
Dahua Technology Hungary Kft	November 05, 2019	1,600.00	No such case during the reporting period
DAHUA TECHNOLOGY INDIA PRIVATE LIMITED	November 05, 2019	3,500.00	No such case during the reporting period
DAHUA TECHNOLOGY BRASIL COMERCIO SERV EM SEGURANCA ELETRONICALTDA	November 05, 2019	1,000.00	No such case during the reporting period
DAHUA TECHNOLOGY MIDDLE EAST FZE	November 05, 2019	350.00	No such case during the reporting period
DAHUA TECHNOLOGY PERÚ S.A.C	November 05, 2019	1,000.00	No such case during the reporting period
DAHUA TECHNOLOGY RUS LIMITED	November 05, 2019	3,000.00	No such case during the reporting period

DAHUA TECHNOLOGY AUSTRALIAPTY LTD	November 05, 2019	500.00	No such case during the reporting period
Dahua Technology South Africa Proprietary Limited	November 05, 2019	500.00	No such case during the reporting period
DAHUA TECHNOLOGY CANADA INC.	November 05, 2019	800.00	No such case during the reporting period
DAHUA GUVENLIK TEKNOLOJILERI SANAYI VE TICARET ANONIM SIRKETI	November 05, 2019	1,100.00	No such case during the reporting period
Dahua Technology SRB d.o.o.	November 05, 2019	300.00	No such case during the reporting period
Dahua Technology Bulgaria EOOD	November 05, 2019	100.00	No such case during the reporting period
DAHUA IBERIA, S.L.(U.)	November 05, 2019	200.00	No such case during the reporting period
DAHUA SECURITY MALAYSIA SDN. BHD.	November 05, 2019	200.00	No such case during the reporting period
Dahua Technology Kazakhstan LLP	November 05, 2019	200.00	No such case during the reporting period
PT DAHUA VISION TECHNOLOGY INDONESIA	November 05, 2019	300.00	No such case during the reporting period
Dahua Technology Korea Company Limited	November 05, 2019	100.00	No such case during the reporting period
Dahua Technology S.R.L.	November 05, 2019	200.00	No such case during the reporting period
Dahua technology France SAS	November 05, 2019	200.00	No such case during the reporting period
Dahua vision LLc	November 05, 2019	200.00	No such case during the reporting period

Dahua Technology New Zealand Limited	November 05, 2019	200.00	No such case during the reporting period
Dahua Technology GmbH	November 05, 2019	300.00	No such case during the reporting period
DAHUA TECHNOLOGY COLOMBIA S.A.S.	November 05, 2019	100.00	No such case during the reporting period
DAHUA TECHNOLOGY PANAMAS.A.	November 05, 2019	100.00	No such case during the reporting period
Dahua Technology Chile SpA	November 05, 2019	100.00	No such case during the reporting period
Dahua technology tunisia limited liability company	November 05, 2019	200.00	No such case during the reporting period
DAHUA TECHNOLOGY KENYALIMITED	November 05, 2019	100.00	No such case during the reporting period
DAHUA TECHNOLOGY CHINA(PVT) LTD	November 05, 2019	200.00	No such case during the reporting period
DAHUA TECHNOLOGY PAKISTAN (PRIVATE) LIMITED	November 05, 2019	200.00	No such case during the reporting period
DAHUA TECHNOLOGY MOROCCO SARL	November 05, 2019	100.00	No such case during the reporting period
DAHUA ARGENTINA S.A.	November 05, 2019	200.00	No such case during the reporting period
Dahua Technology Czech s.r.o.	November 05, 2019	200.00	No such case during the reporting period
Dahua Technology Denmark ApS	November 05, 2019	200.00	No such case during the reporting period
Dahua Technology Netherlands B.V.	November 05, 2019	300.00	No such case during the reporting period

DAHUA TECHNOLOGY (THAILAND) CO., LTD	November 05, 2019	100.00	No such case during the reporting period					
DAHUA TECHNOLOGY ITALY S.R.L.	November 05, 2019	600.00	No such case during the reporting period					
LOREX TECHNOLOGY INC	November 05, 2019	1,500.00	No such case during the reporting period					
LOREX CORPORATION	November 05, 2019	1,500.00	No such case during the reporting period					
Total amount of guarantees to subsidiaries approved during the reporting period (B1)		2,088,150.00	Total amount of guarantees to subsidiaries actually occurred during the reporting period (B2)				533,393.61	
Total amount of guarantees to subsidiaries approved by the end of the reporting period (B3)		2,088,150.00	Total balance of guarantees actually paid to subsidiaries at the end of the reporting period (B4)				860,505.82	
Subsidiaries' guarantees to subsidiaries								
Guaranteed party	Announcement date of disclosure of the guarantee cap	Guarantee amount	Actual occurrence date	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for related parties or not
Total amount of guarantees to subsidiaries approved during the reporting period (C1)			Total amount of guarantees to subsidiaries actually occurred during the reporting period (C2)					
Total amount of guarantees to subsidiaries approved at the end of the reporting period (C3)			Total of actual guarantee balance for subsidiaries at the end of the reporting period (C4)					
Total amount of company guarantees (namely sum of the previous three major items)								



Total amount of guarantees approved during the reporting period (A1+B1+C1)	2,088,150.00	Total amount of guarantees actually occurred during the reporting period (A2+B2+C2)	533,393.61
Total amount of guarantees approved by the end of the reporting period (A3+B3+C3)	2,088,150.00	Total balance of guarantees actually paid at the end of the reporting period (A4+B4+C4)	860,505.82
Total amount of actual guarantees (A4+B4+C4) as a percentage of the Company's net assets		55.01%	
Including:			
Balance of guarantees to the shareholders, actual controllers and their related parties (D)			
Balance of debt guarantees directly or indirectly offered to guaranteed objects with asset-liability ratio exceeding 70% (E)		851,669.14	
Amount of the guarantees with the total volume exceeding 50% of the net assets (F)		78,355.47	
Total amount of the above three guarantees (D+E+F)		851,669.14	
Notes on unexpired guarantees with guarantee responsibilities occurred or possible joint liabilities within the reporting period (if any)			
Notes on providing external guarantees in violation of specified procedures (if any)			

## (2) Illegal external guarantees

Applicable  Not applicable

No illegal external guarantees during the reporting period.

## 3. Entrusting Others to Manage Cash Assets

### (1) Entrusted Financing

Applicable  Not applicable

No such case as entrusted financing during the reporting period.

### (2) Entrusted Loans

Applicable  Not applicable

No such case as entrusted loan during the reporting period.

#### 4. Other Significant Contracts

Applicable  Not applicable

No such case as other significant contract during the reporting period.

### XVIII. Social Responsibilities

#### 1. Fulfillment of Social Responsibilities

In 2019, Dahua "Deepened reform and grew effectively" by constantly improving its corporate governance structure, promoting the level of corporate governance, caring for its employees, protecting the shareholders' rights and interests, and practicing social responsibility. In the new year, the Company will continue to adhere to the core concept of "Customer-centered and striving for the goal" and the values of "Integrity, dedication, responsibility, innovation, cooperation and openness" to pursue economic benefits and protect shareholders' interests; Meanwhile the Company will actively create value for its employees and get engaged in environmental public welfare endeavors to promote the harmonious integration of the Company, the society, interested parties and the environment. For details of the Company's social responsibility fulfillment during the reporting period, refer to the "2019 Social Responsibility Report" and "2019 Environmental, Social and Governance Report" published on [www.cninfo.com.cn](http://www.cninfo.com.cn) on the same day.

#### 2. Social responsibility fulfillment regarding targeted poverty alleviation

In the reporting year of the Company, there has been no targeted poverty alleviation activity, or follow-up targeted poverty alleviation plan.

#### 3. Environmental Protection-related Matters

Whether the listed company and its subsidiaries belong to the key pollutant discharging units announced by the environmental protection department

No

The Company does not belong to the key pollutant discharging units announced by the environmental protection department. For details, refer to Chapter 6 Green and Environmental Protection of "2019 Social Responsibility Report" published on [www.cninfo.com.cn](http://www.cninfo.com.cn) on the same day.

### XIX. Explanations on Other Significant Matters

Applicable  Not applicable

1. On April 25, 2019, the Company's 21st meeting of the 6th board of directors reviewed and approved the "Proposal on the Scheme for the Repurchase of Shares". The Company plans to buy back some shares with the funds raised by itself through centralized competitive bidding. The total amount of funds for the repurchase shall not be lower than RMB 200 million (inclusive) and higher than RMB 400 million (inclusive). The price of the repurchase shall not exceed RMB 25.37 per share (inclusive). Calculated according to the purchase price and the upper limit for the repurchase, it's estimated to buy back 15,766,653 shares. The repurchased shares will make up 0.53% of the current total share capital of

the Company. The specific amount of repurchased shares and the proportion in the total share capital of the Company shall be subject to the actually repurchased number of shares and the actual proportion when the period of repurchase expires. The period for the implementation of repurchase shall be 12 months from the day the board of directors reviews and approves the repurchase scheme.

As of March 31, 2020, the Company bought back 13,391,480 shares with its special securities account through centralized competitive bidding, accounting for 0.4452% of the company's total share capital of 3,007,991,230 shares. The highest transaction price was RMB 17.88 per share and the lowest transaction price was RMB 12.9 per share. The total amount of transactions was RMB 203,499,400.44 (excluding the transaction expenses). The "Announcement on the Scheme for the Repurchase of Shares" (Announcement No.: 2019-025) and the "Announcement on the Progress of the Repurchase of Shares" (Announcement No.: 2020-031) had been respectively published on Securities Times and www.cninfo.com.cn on April 26, 2019 and April 3, 2020.

2. On June 5, 2019, the Company's first interim shareholders' general meeting reviewed and approved the "Proposal on the Public Offering of Convertible Corporate Bonds" and the "Feasibility Study Report on the Employment of Funds Raised by the Publicly Offered Convertible Corporate Bonds". (For more details, see the announcements numbered 2019-030 and 2019-038 published on Securities Times and www.cninfo.com.cn)

3. On December 25, 2019, the Company's 28th meeting of the 6th board of directors reviewed and approved the "Proposal on the Construction of 'Dahua Southwestern Smart Base' in Chengdu" which agreed that the Company would invest about RMB 2 billion in the project for which a planned area is about 85 acres, mainly used for R & D, office space and supporting facilities. The investment will be made by stages according to the project implementation. "Announcement on the Construction of 'Dahua Southwestern Smart Base' in Chengdu" (Announcement No.: 2019-083) had been published on Securities Times and www.cninfo.com.cn on December 26, 2019.

## XX. Significant Events of the Company's Subsidiaries

Applicable  Not applicable

## Section VI Changes in Shares and Information about Shareholders

### I. Changes in Shares

#### 1. Changes in shares

Unit: share

	Before the change		Increase or decrease in the change (+, -)					After the change	
	Number	Percentage	Shares newly issued	Bonus shares	Shares converted from capital reserves	Others	Subtotal	Number	Percentage
I. Shares with limited sales condition	1,169,462,780	39.01%	10,413,500			14,474,431	24,887,931	1,194,350,711	39.71%
3. Other domestic shares	1,169,410,780	39.01%	10,410,500			14,474,431	24,884,931	1,194,295,711	39.71%
Shares held by domestic natural persons	1,169,410,780	39.01%	10,410,500			14,474,431	24,884,931	1,194,295,711	39.71%
4. Foreign shares	52,000	0.00%	3,000			0	3,000	55,000	0.00%
Shares held by foreign natural persons	52,000	0.00%	3,000			0	3,000	55,000	0.00%
II. Shares without restrictions	1,828,159,150	60.99%	0			-14,518,631	-14,518,631	1,813,640,519	60.29%
1. RMB ordinary shares	1,828,159,150	60.99%	0			-14,518,631	-14,518,631	1,813,640,519	60.29%
III. Total	2,997,621,930	100.00%	10,413,500			-44,200	10,369,300	3,007,991,230	100.00%

Reasons for changes in shares

√ Applicable □ Not applicable

1. At the beginning of each year, the number of shares locked by executives of the Company shall be reverified according to 75% of the total number of shares held by executives.

2. On December 3, 2019, 10,413,500 reserved shares of 2018 restricted stock incentive plan granted by the Company to 749 incentive targets in the form of private placements were listed on Shenzhen Stock Exchange.

3. In 2019, the Company bought back and canceled the granted but unlocked restricted shares held by the incentive targets who have left the Company.

Approval for changes in shares

Applicable  Not applicable

1. On December 27, 2018, the Company's 5th interim shareholders' general meeting in 2018 reviewed and approved the "Proposal on Buy-back and Cancellation of Some Granted but Unlocked Restricted Stocks" and agreed to buy back and cancel the 44,200 restricted shares held by the incentive targets who have left the Company and one deceased personnel. The buy-back price was RMB 8.17 per share, the same as the granting price, and the registered capital was reduced accordingly.

2. On September 6, 2019, the Company's 25th session of the 6th Board of Director reviewed and approved the "Proposal on Granting Reserved Restricted Stocks to Incentive Targets". It was agreed to grant 11,380,400 reserved restricted shares to 789 eligible incentive targets at the price of RMB 8.75 per share. The board of directors confirmed the granting conditions and concluded that the conditions had been reached and decided to grant reserved restricted stocks to the incentive targets. The granting date was September 6, 2019.

3. On November 29, 2019, the Company disclosed the "Announcement on the Completion of Granting of Reserved Shares of the Restricted Stock Incentive Plan in 2018". In view that some of the incentive targets no longer met the incentive conditions due to their demission, and some of them waived the restricted stocks that the company intended to grant for personal reasons, the Company adjusted the number of incentive targets and shares. The number of incentive targets to whom the reserved restricted stocks were granted was adjusted from 789 to 749, and the number of reserved restricted stocks to be granted was adjusted from 11,380,400 shares to 10,413,500 shares. On December 3, 2019, the reserved shares of the company's restricted stock incentive plan of 2018 have been listed on Shenzhen Stock Exchange.

1. On November 21, 2019, the Company's 2nd interim shareholders' general meeting in 2019 reviewed and approved the "Proposal on Buy-back and Cancellation of Some Granted but Unlocked Restricted Stocks" and agreed to buy back and cancel the 4,278,000 restricted shares held by the 191 incentive targets who have left the Company. The buy-back price was RMB 8.17 per share, the same as the granting price, and upon completion of the buy-back and cancellation, the total shares of the Company were reduced from 3,007,991,230 to 3,003,713,230. The repurchase is still in process.

1. On January 16, 2020, the Company's 1st interim shareholders' general meeting in 2020 reviewed and approved the "Proposal on Buy-back and Cancellation of Some Granted but Unlocked Restricted Stocks" and agreed to buy back and cancel the 437,100 restricted shares held by the 16 incentive targets who have left the Company, including 427,100 shares granted for the first time, which would be bought back the price of RMB 8.17 per share, and 10,000 reserved shares, which would be bought back at the price of RMB 8.75 per share. Upon completion of the buy-back and cancellation, the total shares of the Company were reduced from 3,003,713,230 to 3,003,276,130. The repurchase is still in process.

Transfer for changes in shares

Applicable  Not applicable

1. According to the resolution of the 5th interim shareholders' general meeting in 2018, the Company bought back and canceled the 44,200 restricted shares held by the incentive targets who have left the Company and one deceased personnel, and the procedure was completed on March 4, 2019.

2. On December 3, 2019, 10,413,500 reserved shares of 2018 restricted stock incentive plan granted by the Company to 749 incentive targets in the form of private placements were listed on Shenzhen Stock Exchange.

The progress on share buy-back

Applicable  Not applicable

On April 25, 2019, the Company's 21st meeting of the 6th board of directors reviewed and approved the "Proposal on the Scheme for the Repurchase of Shares". The Company plans to buy back some shares with the funds raised by itself through centralized competitive bidding. The total amount of funds for the repurchase shall not be lower than RMB 200 million (inclusive) and higher than RMB 400 million (inclusive). The price of the repurchase shall not exceed RMB 25.37 per share (inclusive). Calculated according to the purchase price and the upper limit for the repurchase, it's estimated to buy back 15,766,653 shares. The repurchased shares will make up 0.53% of the current total share capital of the Company. The specific amount of repurchased shares and the proportion in the total share capital of the Company shall be subject to the actually repurchased number of shares and the actual proportion when the period of repurchase expires. The period for the implementation of repurchase shall be 12 months from the day the board of directors reviews and approves the repurchase scheme.

As of March 31, 2020, the Company bought back 13,391,480 shares with its special securities account through centralized competitive bidding, accounting for 0.4452% of the company's total share capital of 3,007,991,230 shares. The highest transaction price was RMB 17.88 per share and the lowest transaction price was RMB 12.9 per share. The total amount of transactions was RMB 203,499,400.44 (excluding the transaction expenses). The "Announcement on the Scheme for the Repurchase of Shares" (Announcement No.: 2019-025) and the "Announcement on the Progress of the Repurchase of Shares" (Announcement No.: 2020-022) had been respectively published on Securities Times and www.cninfo.com.cn on April 26, 2019 and April 3, 2020.

The progress on reduction of re-purchase shares by means of centralized bidding

Applicable  Not applicable

Effects of changes in shares on the basic earnings per share ("EPS"), diluted EPS, net assets per share, attributable to common shareholders of the Company, and other financial indexes over the last year and last period

Applicable  Not applicable

Other contents that the Company considers necessary or are required by the securities regulatory authorities to disclose

Applicable  Not applicable

## 2. Changes in restricted stocks

Applicable  Not applicable

Unit: share

Name of Shareholder	Number Of Shares With Limited Sales Condition At The Beginning Of The Period	Number of increased shares with limited sales condition in current period	Number of unlocked shares with limited sales condition in current period	Number of shares with limited sales condition at the end of the period	Reasons for limited sales	Date of unlocking
Fu Liquan	841,961,985	0	7,225,575	834,736,410	According to the relevant provisions of executives shares management	According to the relevant provisions of executives shares management

Zhu Jiangming	116,671,117	23,175,000	0	139,846,117	According to the relevant provisions of executives shares management	According to the relevant provisions of executives shares management
Chen Ailing	53,447,110	0	0	53,447,110	According to the relevant provisions of executives shares management	According to the relevant provisions of executives shares management
Wu Jun	52,003,164	0	65,000	51,938,164	Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
Li Ke	2,015,000	0	200,000	1,815,000	According to relevant management regulations of equity incentives and left senior managers' shares	According to relevant management regulations of equity incentives and left senior managers' shares
Chen Yuqing	1,441,963	0	65,000	1,376,963	Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
Zhang Xingming	1,588,560	0	327,500	1,261,060	Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
Ying Yong	1,419,437	0	167,500	1,251,937	Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
Wu Jian	1,279,501	0	132,500	1,147,001	Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares

Wei Meizhong	1,235,000	0	102,500	1,132,500	Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
Other senior executives and incentive targets	96,115,566	10,282,883	0	106,398,449	According to relevant management regulations of equity incentives and senior managers' shares, and restricted shares to be bought back and canceled	According to relevant management regulations of equity incentives and senior managers' shares, and restricted shares to be bought back and canceled
Total	1,169,178,403	33,457,883	8,285,575	1,194,350,711	--	--

## II. Issuance and listing of securities

### 1. Securities (excluding preferred share) issued in reporting period

Applicable  Not applicable

Name of the stock and its derivative securities	Issue Date	Issuance price (or interest rate)	Quantity of issuance	Listing date	Number of approved listed transactions	Transaction termination date
Stocks						
DAHUA	September 6, 2019	8.75	10,413,500	December 3, 2019	10,413,500	

Description of the issuance of securities (not including preferred stocks) during the reporting period

### 2. Explanation on changes in total number of the Company's shares & the structure of shareholders and the structure of assets and liabilities

Applicable  Not applicable

1. According to the resolution of the 5th interim shareholders' general meeting in 2018, the Company bought back and canceled the 44,200 restricted shares held by the incentive targets who have left the Company and one deceased personnel, and the procedure was completed on March 4, 2019. The total shares of the Company were reduced from 2,997,621,930 to 2,997,577,730.

2. On December 3, 2019, 10,413,500 reserved shares of 2018 restricted stock incentive plan granted by the Company to 749 incentive targets in the form of private placements were listed on Shenzhen Stock Exchange. The total number of shares were reduced from 2,997,577,730 to 3,007,991,230.



### 3. Existing shares held by internal staff of the Company

Applicable  Not applicable

### III. Particulars about the shareholders and actual controller

#### 1. Total number of shareholders and their shareholdings

Unit: share

Total Number Of Common Shareholders At The End Of The Reporting Period	107,595	Total number of common shareholders at the end of previous month before the disclosure date of the annual report	159,822	Total Number of Preferred Shareholders (If Any) (Refer to Note 8) Whose Voting Rights have been Recovered at the End of the Reporting Period	0	Total number of preferred shareholders (if any) (refer to Note 8) with resumed voting rights at the end of previous month before the disclosure date of the annual report	0	
Shareholding list of shareholders with over 5% shares or top ten shareholders								
Name of Shareholder	Nature Of Shareholder	Shareholding Percentage	Number of shares held at the end of the reporting period	Changes in the reporting period	Number of shares held with limited sales conditions	Number of shares held without limited sales condition	Pledges or freezings	
							State Of Shares	Number
Fu Liqun	Domestic Natural Person	35.97%	1,082,081,880	-30,900,000	834,736,410	247,345,470	Pledge	210,242,000
Zhu Jiangming	Domestic Natural Person	6.20%	186,461,490	30,900,000	139,846,117	46,615,373	Pledge	36,504,000
Hong Kong Securities Clearing Co. Ltd.	Overseas Legal Person	5.23%	157,245,625	73,209,554	0	157,245,625		
Chen Ailing	Domestic Natural Person	2.37%	71,262,813	0	53,447,110	17,815,703	Pledge	21,100,000
Wu Jun	Domestic Natural Person	2.30%	69,250,886	0	51,938,164	17,312,722		

China Securities Finance Co., Ltd.	Domestic Non-state-owned Legal Person	1.32%	39,611,241	0	0	39,611,241		
Central Huijin Asset Management Co., Ltd.	State-owned Legal Person	1.05%	31,448,750	0	0	31,448,750		
Shanghai Greenwoods Asset Management Co., Ltd. - Greenwoods Global Fund	Others	0.96%	28,978,386	28,978,386	0	28,978,386		
Zhejiang Dahua Technology Co., Ltd. - Phase III Employee Stock Ownership Plan	Others	0.87%	26,247,928	0	0	26,247,928		
Fidelity Investments Management (Hong Kong) Limited - funds of customers	Overseas Legal Person	0.66%	19,946,493	3,911,200	0	19,946,493		
Description of the association relationship or concerted action of above-mentioned shareholders	Mr. Fu Liquan And Ms. Chen Ailing Are Husband And Wife. The Company Is Unaware Of Whether Other Shareholders Have Associated Relationship Or Are Persons Acting In Concert.							
Shareholding list of top ten shareholders without limited sales condition								
Name of Shareholder	Number of shares held without limited sales condition at the end of the reporting period		Type of shares					
			Type of shares	Number				
Fu Liquan	247,345,470		RMB common stock	247,345,470				
Hong Kong Securities Clearing Co. Ltd.	157,245,625		RMB common stock	157,245,625				
Zhu Jiangming	46,615,373		RMB common stock	46,615,373				

China Securities Finance Co., Ltd.	39,611,241	RMB common stock	39,611,241
Central Huijin Asset Management Co., Ltd.	31,448,750	RMB common stock	31,448,750
Shanghai Greenwoods Asset Management Co., Ltd. - Greenwoods Global Fund	28,978,386	RMB common stock	28,978,386
Zhejiang Dahua Technology Co., Ltd. - Phase III Employee Stock Ownership Plan	26,247,928	RMB common stock	26,247,928
Fidelity Investments Management (Hong Kong) Limited - funds of customers	19,946,493	RMB common stock	19,946,493
Chen Ailing	17,815,703	RMB common stock	17,815,703
Wu Jun	17,312,722	RMB common stock	17,312,722
Explanation on associated relationship or persons acting in concert among top ten shareholders without limited shares, and between top ten shareholders without limited shares and top ten shareholders	Mr. Fu Liqun And Ms. Chen Ailing Are Husband And Wife. The Company Is Unaware Of Whether Other Shareholders Have Associated Relationship Or Are Persons Acting In Concert.		

Whether the Company's top ten common shareholders or top ten common shareholders without limited shares agree on any repurchase transaction in the reporting period

Yes  No

None of the Company's top ten common shareholders or top ten common shareholders without limited shares agreed on repurchase in the reporting period.

## 2. Particulars about the controlling shareholder

Nature of the controlling shareholder: Natural person-owned

Type of the controlling shareholder: Natural person

Name of the controlling shareholder	Nationality	Whether he/she has obtained the right of residence in another country or region
Fu Liqun	China	Yes

Main occupation and title	Mr. Fu Liquan holds the position of the chairman and president of the Company.
Shares held in other listed companies by controlling or holding in the reporting period	N/A

Change of the controlling shareholders in the reporting period

Applicable  Not applicable

No change has happened to the controlling shareholder in the reporting period of the Company

### 3. The actual controller of the Company and persons acting in concert

Nature of the actual controller: Domestic natural person

Type of the actual controller: Natural person

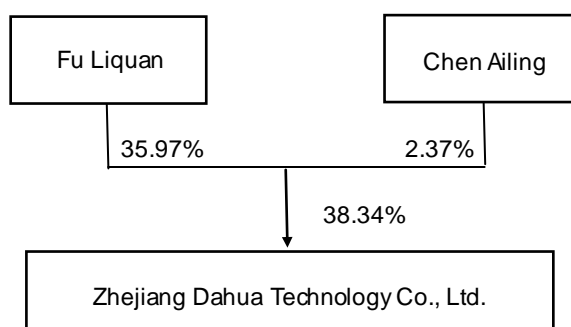
Name of the actual controller	Relationship with the actual controller	Nationality	Whether he/she has obtained the right of residence in another country or region
Fu Liquan	Himself	China	Yes
Chen Ailing	Acting in concert (including agreement, relatives, under same control)	China	Yes
Main occupation and title	Mr. Fu Liquan holds the position of the chairman and president of the Company; Ms. Chen Ailing holds the position of the director of the Company.		
Information about other listed companies at home and abroad controlled in the last ten years	N/A		

Change of the actual controller in the reporting period

Applicable  Not applicable

No change has happened to the actual controller in the reporting period

Block Diagram for Property Right and Control Relationship between the Company and Actual Controllers



The actual controller controls the Company via trust or other ways of asset management

Applicable  Not applicable

**4. Particulars about other corporate shareholders with shareholding proportion over 10%**

Applicable  Not applicable

**5. Particulars on share reduction restricted for controlling shareholders, actual controller, restructuring party or other commitment entities**

Applicable  Not applicable

## Section VII Information of Preferred Shares

Applicable  Not applicable

There are no preferred shares in the reporting period.

## Section VIII Convertible Corporate Bonds

Applicable  Not applicable

There are no convertible corporate bonds in the reporting period.

## Section IX Directors, Supervisors, Senior Managers and Employees

### I. Shareholding Changes of Directors, Supervisors and Senior Management

Name	Post	Position status	Gender	Age	Starting date of tenure	Termination Date of tenure	Number of shares held at the beginning of the period (share)	Number of shares increased in the period (share)	Number of shares decreased in the period (share)	Other changes (share)	Number of shares held at the end of the period
Fu Liquan	Chairman, President	Incumbent	Male	53	April 01, 2005	August 23, 2020	1,112,981,880		-30,900,000		1,082,081,880
Wu Jun	Vice Chairman, Vice President	Incumbent	Male	48	April 01, 2005	August 23, 2020	69,250,886				69,250,886
Zhu Jiangming	Director, Executive Vice President	Incumbent	Male	53	April 01, 2005	August 23, 2020	155,561,490	30,900,000			186,461,490
Chen Ailing	Director	Incumbent	Female	53	April 01, 2005	August 23, 2020	71,262,813				71,262,813
He Chao	Independent Director	Incumbent	Male	61	January 07, 2014	August 23, 2020	0				0
Wang Zexia	Independent Director	Incumbent	Female	55	January 07, 2014	August 23, 2020	0				0
Huang Siying	Independent Director	Incumbent	Female	42	May 22, 2017	August 23, 2020	0				0
Song Maoyuan	Supervisor	Incumbent	Female	38	April 03, 2008	August 23, 2020	0				0



Song Ke	Supervisor	Incumbent	Male	42	August 07, 2015	August 23, 2020	0				0
Zuo Pengfei	Supervisor	Incumbent	Female	42	April 03, 2008	August 23, 2020	0				0
Zhang Xingming	Executive President	Incumbent	Male	43	May 20, 2010	August 23, 2020	1,681,413				1,681,413
Wu Jian	Secretary of the Board, Vice President	Incumbent	Male	46	December 01, 2005	August 23, 2020	1,529,335				1,529,335
Wei Meizhong	CFO, Vice President	Incumbent	Male	49	November 01, 2007	August 23, 2020	1,510,000				1,510,000
Chen Yuqing	Vice President	Incumbent	Male	46	May 20, 2010	August 23, 2020	1,835,951				1,835,951
Jiang Xiaolai	Vice President	Incumbent	Male	40	February 27, 2020	August 23, 2020	214,000		316,000		530,000
Li Zhijie	Vice President	Incumbent	Male	45	February 27, 2020	August 23, 2020	670,000				670,000
Wu Yunlong	Vice President	Incumbent	Male	64	May 20, 2010	August 23, 2020	762,280				762,280
Xu Qiaofen	Vice President	Incumbent	Female	48	February 27, 2020	August 23, 2020	530,000				530,000
Xu Zhicheng	Vice President	Incumbent	Male	54	22 March 2018	August 23, 2020	530,000				530,000
Yan Gang	Vice President	Incumbent	Male	51	December 06, 2012	August 23, 2020	606,349				606,349

Ying Yong	Vice President	Incumbent	Male	51	May 20, 2010	August 23, 2020	1,669,250				1,669,250
Zhu Jiantang	Vice President	Incumbent	Male	38	March 22 2018	August 23, 2020	730,225				730,225
Zhang Wei	Vice President	Incumbent	Male	49	December 06, 2012	August 23, 2020	927,500				927,500
Zhao Yuning	Vice President	Incumbent	Male	43	March 22 2018	August 23, 2020	740,000				740,000
Li Ke	Director, President	Resigned	Male	48	May 03, 2017	February 27, 2020	2,420,000				2,420,000
Total	--	--	--	--	--	--	1,425,413,372	30,900,000	-30,900,000	316,000	1,425,729,372

## II. Changes of Directors, Supervisors and Senior Management

√ Applicable □ Not applicable

Name	Title	Type	Date	Causes
Zhang Xingming	Executive President	Appointment and dismissal	February 27, 2020	Appointed as Executive President and Resigned as Vice President
Jiang Xiaolai	Vice President	Appointment and dismissal	February 27, 2020	Appointed As Vice President
Li Zhijie	Vice President	Appointment and dismissal	February 27, 2020	Appointed As Vice President
Xu Qiaofen	Vice President	Appointment and dismissal	February 27, 2020	Appointed As Vice President
Li Ke	Director, President	Resigned	February 27, 2020	Left the Company Voluntarily

## III. Positions

Professional backgrounds, major work experiences and current main responsibilities in the Company for incumbent directors, supervisors and senior management of the Company

Mr. Fu Liqun, Chinese nationality, permanent residence in Cyprus, born in 1967, with master degree in EMBA of Zhejiang University. As one of the main founders of the Company, he now assumes the title of chairman and president of the Company. In 2018, his employment was renewed by China Security Association as an expert of the Expert Committee

of China Security & Protection Industry Association. He has won the honors of “Outstanding Figure Award of China Security - Tribute to the 40 Years Anniversary of Reform and Opening Up”, “Top Ten Influential Zhejiang Entrepreneurs”, “Model Worker of Zhejiang Province”, “One of the 40 Figures of Industry Innovative Development of Zhejiang for the 40 years Anniversary of Reform and Opening Up”, “Excellent Enterprise Operator with Outstanding Contributions to the Information Economy”, “Excellent Constructor of Socialism with Chinese Characteristics in the New Era of Non -Public Economy in Zhejiang Province”, “Outstanding Contributions Award in ‘Ingenuity for a Safe China’”, Global Security Contribution Award, Top Ten Figures in Security and Protection Industry, and the Best CEO of listed companies of Forbes.

Mr. Wu Jun, Chinese nationality, born in 1972, with a bachelor's degree, engineer, served as vice chairman and vice president of the Company and general manager of Zhejiang Dahua System Engineering Co., Ltd. in the recent five years. He now serves as vice chairman and vice president of the Company and executive director of Zhejiang Dahua System Engineering Co., Ltd.

Mr. Zhu Jiangming, Chinese nationality, born in 1967, has the right of permanent residence in Cyprus, holds bachelor degree and works as an engineer. As one of the main founders of the Company, he served as vice chairman of the Company and business operations director and general manager of Hangzhou Motorola Technologies Co., Ltd., and now serves as director and executive vice president of the Company, executive director of Zhejiang Huatu Microchip Technology Co., Ltd. and chairman of Zhejiang Leap Technology Co., Ltd. He was awarded the title of advanced technology worker in Hangzhou in 2003-2004, and employed as "Zhejiang Provincial Security Technology Protection Industry Expert" by Zhejiang Provincial Security Technology Protection Industry Association in 2006.

Ms. Chen Ailing, Chinese nationality, born in 1967, has the right of permanent residence in Cyprus, and holds bachelor degree. As one of the main founders of the Company, she served as director and CFO of the Company, and now serves as director of the Company. She is the spouse of Mr. Fu Liquan, the controlling shareholder and actual controller of the Company.

Mr. He Chao, Chinese nationality, born in 1959, holds postgraduate degree. He once served as president of Sir Run Run Shaw Hospital of School of Medicine in Zhejiang University, its Secretary of the Party Committee and Vice President and a doctoral supervisor of Zhejiang University. He now serves as director of Zhejiang Nuojiia Biotechnology Co., Ltd., independent director of Lionco Pharmaceutical Group and independent director of the Company. He was awarded "Outstanding Professor of American TCM Association" in 2010, was listed into "Young and Middle-Aged Outstanding Contribution Experts of Zhejiang Province" in 2011 by Zhejiang Provincial People's Government, and won special allowance of the State Council in 2015.

Ms. Wang Zexia, Chinese nationality, born in 1965, holds doctoral degree and now works as a professor. She once served as head of the accounting department of Hangzhou Dianzi University, vice-president and president of the School of Finance and Economics, president of the School of Accounting. She is currently part-time director of Accounting Society of China, vice director of the Auditing Professional Committee, president of the Higher Education Branch of Accounting Society of China, vice chairman of the Accounting Society of Zhejiang Province, Executive Director of the Zhejiang Auditing Society, Independent Director of Zhejiang Weiming Environmental Protection Co., Ltd, Zhejiang Kaier New Materials Co., Ltd, and Independent Director of the Company.

Ms. Wong Sze Wing, Hong Kong of China, born in 1978, obtained the degree of MBA from Hong Kong University and degree of EMBA (Executive Master of Business Administration) from China Europe International Business School. She is the certified public accountant and senior member of Hong Kong Institute of Certified Public Accountants. She has been

serving as the Chief Financial Officer of Yingde Gases Group Co., Ltd since July, 2010. She once served as vice Chief Financial Officer of Yingde Gases Group Co., Ltd and Secretary of Joint Company, Chief Financial Officer of Chengtian Entertainment Group (International) Holdings Limited and Aihui Music Video Production (China) Co., Ltd., Manager of PricewaterhouseCoopers Ltd; She Currently serves as independent director of Chengtian Jiahe Entertainment Group (International) Holdings Limited, Rich Healthcare Holdings Co., Ltd, Wangsu Science and Technology Co., Ltd and Jiangxi Ganfeng Lithium Industry Co., Ltd, and independent director of the Company.

Ms. Song Maoyuan, Chinese nationality, was born in 1982 and graduated from university. She has served as supervisor and secretary to president of the Company in the recent five years. She now serves as chairman of the Board of Supervisors and secretary to president of the Company.

Mr. Song Ke, Chinese nationality, born in 1978, holds a master degree, served as manager of IT Department of Hangzhou H3C Co., Ltd. He now serves as supervisor and general manager of Process IT Center of the Company.

Ms. Zuo Pengfei, Chinese nationality, born in 1978, holds a bachelor degree, has served as supervisor and chairman of the labor union of the Company in the recent five years. She is currently the supervisor of the Company, the chairman of the labor union, the director of human resources employee relations, and the supervisor of Hangzhou Xiaohua Technology Co., Ltd.

Mr. Zhang Xingming, Chinese nationality, born in 1977, holds master degree, has served as vice president and general manager of R&D Center of the Company in the recent five years. He is currently the executive president of the Company and the general manager of the R&D Center, the general manager of Zhejiang Huatu Microchip Technology Co., Ltd., and the general manager of Chengdu Dahua Information Technology Co., Ltd.

Mr. Wu Jian, Chinese nationality, born in 1974, holds master degree, served as secretary of the Board of Directors and vice president of the Company in the recent five years, and now serves as secretary of the Board of Directors and vice president of the Company, member of China Software Industry Association and vice chairman of Zhejiang Software Industry Association.

Mr. Wei Meizhong, Chinese nationality, born in 1971, holds MBA degree of Central South University, is an International Certified Internal Auditor, Certified Tax Agent, Certified Public Valuer and Certified Public Accountant. He has served as CFO and vice president of the Company in the recent five years and now serves as CFO and vice president of the Company.

Mr. Chen Yuqing, Chinese nationality, born in 1974, with MBA degree, engineer, served as vice president and general manager of Overseas Sales Center of the Company and general manager of Zhejiang Dahua Technology Co., Ltd. in the recent five years. He is currently the vice president of the Company and the general manager of Zhejiang Dahua Technology Co., Ltd.

Mr. Jiang Xiaolai, Chinese nationality, was born in 1980, holds a bachelor degree, served as regional general manager of Domestic Marketing Center of the Company from January 2015 to December 2018, has been serving as general manager of Domestic Marketing Center of the Company since January 2019, and now serves as vice president and general manager of the Domestic Marketing Center of the Company.

Mr. Li Zhijie, Chinese nationality, born in 1975, holds a master degree, served as technical engineer, director of the Delivery and Service Department of the Representative Office, national delivery representative, and president of Regional Delivery Department of Huawei Technologies Co., Ltd. from March 2005 to August 2017, has been serving as general manager of the Delivery and Service Center of the Company since September 2017, and now serves as vice president

and general manager of the Delivery and Service Center of the Company.

Mr. Wu Yunlong, Chinese nationality, born in 1956, has obtained bachelor degree from Xiamen University and EMBA degree from Zhongnan University of Economics and Law, and he is a professor-level senior engineer. He is appointed by China Security Association as an expert of the Expert Committee of China Security and Protection Industry Association; He serves as vice secretary-general of Zhejiang Security Technology Protection Industry Association and director of its Expert Committee, Executive Director of China Security Association, Vice President and Expert of Zhejiang Security Association, Director of the Security and Technical Defense Committee, Vice President of Hangzhou Security Association and Distinguished Professor of Zhejiang Police Officer Vocational College. He has served as vice president of the Company and general manager of Zhejiang Dahua Security Connected Operation Services Co., Ltd. in the recent five years. He now serves as vice president of the Company and general manager of Zhejiang Dahua Security Connected Operation Services Co., Ltd.

Ms. Zu Qiaofen, Chinese nationality, born in 1972, holds a college degree, Served as chief financial officer of the Company's Finance Center from January 2015 to January 2017; From January 2017 to December 2017, deputy general manager of the Company's Finance Center; The general manager of the Company's Finance Center since December 2017 and now serves as vice president and general manager of the Company's Finance Center.

Mr. Xu Zhicheng, Chinese nationality, was born in 1966. He successively served as deputy general manager of marketing, general manager and supervisor of the Company from September 2013 to June 2015, has been serving as general manager of the Internal Audit Department of the Company since June 2015, and now serves as vice president and general manager of the Internal Audit Department of the Company.

Mr. Yan Gang, Chinese nationality, born in 1969, with master degree, has served as vice president, general manager of Quality and Customer Service Department and general manager of Production Guarantee Department of the Company in the recent five years. He is currently the vice president of the Company and the general manager of the Quality Management Center.

Mr. Ying Yong, Chinese nationality, born in 1969, with MBA degree, has served as vice president, general manager of Domestic Marketing Center and general manager of Human Resources Department of the Company in the recent five years, and now serves as vice president and general manager of Human Resources Department of the Company.

Mr. Zhu Jiantang, Chinese nationality, was born in 1982 and graduated from college with the bachelor degree. From March 2012 to January 2015, he has successively served as Product Director of R&D and Deputy General Manager of R&D Center. Since January 2015, he has been the general manager of the Company's Supply Chain Management Center. He is currently the vice president of the Company and the general manager of the Supply Chain Management Center.

Mr. Zhang Wei, Chinese nationality, born in 1971, served as president of Monitoring Product Department of Wuhan Jinglun Electronics Co., Ltd., product and marketing director of BOCOM Security (China) Co., Ltd., product director of Vimicro, general manager of Internet of Things Application Business Unit of Vimicro, and supervisor of the Fourth Board of Supervisors of Zhejiang Dahua Technology Co., Ltd. He is currently the vice president of the Company.

Mr. Zhao Yuning, Chinese nationality, was born in 1977 and graduated from National University of Singapore with a master degree in science. From July 2000 to June 2017, he has successively served as technical engineer, regional sales manager, national general manager, vice president and president of regional sales department of Huawei Technologies Co., Ltd. He now serves as vice president of the Company and general manager of overseas marketing center

Position held in shareholders entities

Applicable  Not applicable

Position held in other entities

Applicable  Not applicable

Name	Name of other entity	Position held in other entities	Remuneration received from other entity or not
Fu Liqun	Zhejiang Dahua Security Network Operation Service Co., Ltd.	Chairman	No
Fu Liqun	Zhejiang Dahua Vision Technology Co., Ltd.	Executive Director	No
Fu Liqun	Guangxi Dahua Zhicheng Co., Ltd.	Chairman	No
Fu Liqun	Hangzhou Xiaohua Technology CO., LTD.	Executive Director	No
Fu Liqun	Zhejiang Dahua Zhilian Co., Ltd.	Executive Director and General Manager	No
Fu Liqun	Zhejiang Dahua Investment Management Co., Ltd.	Executive Director and General Manager	No
Fu Liqun	Zhejiang Leapmotor Technology Co., Ltd.	Director	No
Fu Liqun	Hangzhou Huacheng Network Technology Co., Ltd.	Chairman	No
Fu Liqun	Zhejiang Huashi Investment Management Co., Ltd.	Executive Director	No
Fu Liqun	Xinjiang Dahua Zhixin Information Technology Co., Ltd.	Chairman	No
Fu Liqun	Zhejiang Huafei Intelligent Technology CO., LTD.	Chairman	No
Fu Liqun	Guizhou Huayi Shixin Technology Co., Ltd.	Director	No
Fu Liqun	Zhejiang Dahua Security Service Co., Ltd.	Director	No
Fu Liqun	Zhejiang HuaRay Technology Co., Ltd.	Director	No
Fu Liqun	Leapmotor Automobile Co., Ltd.	Director	No
Fu Liqun	Xinjiang Dahua Zhihe Information Technology Co., Ltd.	Chairman	No
Fu Liqun	Guizhou Meitan Dahua Information Technology Co., Ltd.	Executive Director	No
Fu Liqun	Guangxi Huacheng Technology Co., Ltd.	Chairman	No
Fu Liqun	Xinjiang Dahua Information Technology Co., Ltd.	Executive Director	No
Fu Liqun	Inner Mongolia Dahua Zhimeng Information Technology Co., Ltd.	Chairman	No

Fu Liquan	Xinjiang Dahua Xinzhi Information Technology Co., Ltd.	Chairman	No
Fu Liquan	Xinjiang Dahua Intelligence Technology Co., Ltd.	Supervisor	No
Fu Liquan	Xinjiang Dahua Huayue Information Technology Co., Ltd.	Chairman	No
Fu Liquan	Zhejiang Fengshi Technology Co., Ltd.	Executive Director	No
Fu Liquan	Xi'an Dahua Zhilian Technology Co., Ltd.	Executive Director	No
Fu Liquan	Wuxi Dahua Ruipin Technology Co., Ltd.	Director	No
Fu Liquan	Beijing Huayue Shangcheng Information Technology Service Co., Ltd.	Executive Director	No
Fu Liquan	Zhejiang Dahua Robot Technology Co., Ltd.	Executive Director	No
Fu Liquan	Shanghai Huashang Chengyue Information Technology Service Co., Ltd.	Executive Director	No
Fu Liquan	Hangzhou Huajuan Technology Co., Ltd.	Executive Director and General Manager	No
Fu Liquan	Guangxi Dahua Technology Co., Ltd.	Executive Director	No
Fu Liquan	Chengdu Zhichuang Yunshu Technology Co., Ltd.	Executive Director	No
Fu Liquan	Chengdu Dahua Zhilian Information Technology Co., Ltd.	Executive Director	No
Fu Liquan	Chengdu Dahua Zhishu Information Technology Service Co., Ltd.	Executive Director	No
Fu Liquan	Chengdu Dahua Zhian Information Technology Service Co., Ltd.	Executive Director	No
Fu Liquan	Ningbo Huayang Investment Management Partnership Enterprise (Limited Partnership)	Executive Partner	No
Fu Liquan	Hangzhou Gulin Equity Investment Partnership (limited partnership)	Executive Partner	No
Fu Liquan	Ningbo Huaqi Investment Management Partnership (Limited Partnership)	Executive Partner	No
Fu Liquan	Zhejiang Dahua Storage Technology Co., Ltd.	Executive Director	No
Fu Liquan	Zhejiang Huaxiao Technology Co., Ltd.	Director	No
Wu Jun	Zhejiang Dahua System Engineering Co., Ltd.	Executive Director	No
Wu Jun	Zhejiang Dahua Security Service Co., Ltd.	Director	No
Wu Jun	Guangdong Dahua Zhishi Technology Co., Ltd.	Director	No

Wu Jun	Hangzhou Yuneng Technology Co., Ltd.	Executive Director	No
Wu Jun	Ningbo Huakun Investment Management Partnership (Limited Partnership)	Executive Partner	No
Zhu Jiangming	Zhejiang Leapmotor Automobile Marketing Service Co., Ltd.	Executive Director	No
Zhu Jiangming	Ningbo Jinghang Equity Investment Partnership (Limited Partnership)	Executive Partner	No
Zhu Jiangming	Hangzhou Xiaohi Technology Co., Ltd.	Supervisor	No
Zhu Jiangming	Leapmotor Automobile Co., Ltd.	Chairman	No
Zhu Jiangming	Zhejiang Leapmotor Technology Co., Ltd.	Chairman	No
Zhu Jiangming	Hangzhou Menghao Investment Management Partnership (Limited Partnership)	Executive Partner	No
Zhu Jiangming	Hangzhou Xunwei Robotics Technology Co., Ltd.	Director	No
Zhu Jiangming	Zhejiang Huatu Microchip Technology Co., Ltd.	Executive Director	No
Zhu Jiangming	South North United Information Technology Co., Ltd.	Director	No
Zhu Jiangming	Zhejiang Dahua Vision Technology Co., Ltd.	Supervisor	No
Zhu Jiangming	Zhejiang Dahua Security Service Co., Ltd.	Director	No
Zhu Jiangming	Hangzhou Xintu Technology Co., Ltd.	Executive Director and General Manager	No
Zhu Jiangming	Zhejiang Lancable Technology Co., Ltd.	Director	No
Chen Ailing	Zhejiang Lancable Technology Co., Ltd.	Director	No
Chen Ailing	Zhejiang Huashi Investment Management Co., Ltd.	General Manager	No
Chen Ailing	Zhejiang Huanuokang Technology Co., Ltd.	Executive Director	No
Chen Ailing	Ningbo Huaqi Enterprise Management Partnership (Limited Partnership)	Executive Partner	No
Chen Ailing	Ningbo Hualing Investment Management Partnership (Limited Partnership)	Executive Partner	No
Chen Ailing	Ningbo Huali Investment Management Partnership (Limited Partnership)	Executive Partner	No
Chen Ailing	Ningbo Huayan Investment Management Partnership (Limited Partnership)	Executive Partner	No
Chen Ailing	Ningbo Huadi Investment Management Partnership (Limited Partnership)	Executive Partner	No



Chen Ailing	Ningbo Huaqian Investment Management Partnership (Limited Partnership)	Executive Partner	No
Chen Ailing	Ningbo Huagu Enterprise Management Partnership (Limited Partnership)	Executive Partner	No
He Chao	Zhejiang Nuoja Biotechnology Co., Ltd.	Director	No
He Chao	Lingkang Pharmaceutical Group Co., Ltd.	Independent Director	No
Wang Zexia	Zhejiang Kaier New Materials Co., Ltd.	Independent Director	No
Wang Zexia	Hangzhou Mingze Cloud Software Co., Ltd.	Chairman and General Manager	No
Wang Zexia	Zhejiang Weiming Environment Co., Ltd.	Independent Director	No
Huang Siying	Wangsu Technology Co., Ltd.	Independent Director	No
Huang Siying	Yingde Gases Group Company Limited	CFO	No
Huang Siying	Orange Sky Golden Harvest Entertainment (Holdings) Limited	Independent Director	No
Huang Siying	Rich Healthcare Holdings Limited	Independent Director	No
Huang Siying	Jiangxi Ganfeng Lithium Co., Ltd.	Independent Director	No
Huang Siying	Yingde Investment (Shanghai) Co., Ltd.	Supervisor	No
Song Maoyuan	Zhejiang Dahua System Engineering Co., Ltd.	Supervisor	No
Song Maoyuan	Hangzhou Maycur Technology Co., Ltd.	Supervisor	No
Song Maoyuan	Zhejiang Dahua Investment Management Co., Ltd.	Supervisor	No
Song Maoyuan	Guizhou Huayi Shixin Technology Co., Ltd.	Supervisor	No
Song Maoyuan	China Standard Intelligent Security Technology Co., Ltd.	Chairman of the Board of Supervisors	No
Song Maoyuan	Guangdong Dahua Zhishi Technology Co., Ltd.	Supervisor	No
Song Maoyuan	Xi'an Dahua Zhilian Technology Co., Ltd.	Supervisor	No
Song Maoyuan	Hangzhou Huajuan Technology Co., Ltd.	Supervisor	No
Song Maoyuan	Chengdu Zhichuang Yunshu Technology Co., Ltd.	Supervisor	No
Song Maoyuan	Chengdu Dahua Zhilian Information Technology Co., Ltd.	Supervisor	No
Song Maoyuan	Chengdu Dahua Zhian Information Technology Service Co., Ltd.	Supervisor	No
Song Maoyuan	Zhejiang Huaxiao Technology Co., Ltd.	Supervisor	No
Zuo Pengfei	Hangzhou Xiaohua Technology CO., LTD.	Supervisor	No

Zhang Xingming	Zhejiang Huatu Microchip Technology Co., Ltd.	General Manager	No
Zhang Xingming	Chengdu Dahua Zhilian Information Technology Co., Ltd.	Manager	No
Zhang Xingming	Hangzhou Jingbo Equity Investment Partnership (Limited Partnership)	Executive Partner	No
Zhang Xingming	Zhejiang Huachuang Vision Technology Co., Ltd.	Director	No
Zhang Xingming	Zhejiang HuaRay Technology Co., Ltd.	Chairman	No
Zhang Xingming	Zhejiang Huaxiao Technology Co., Ltd.	Director	No
Wei Meizhong	Sunyard System Engineering Co., Ltd.	Director	No
Wei Meizhong	Cein Biotechnology (Beijing) Co., Ltd.	Director	No
Wei Meizhong	Zhejiang Dahua Ju'an Technology Co., Ltd.	Executive Director	No
Wei Meizhong	Hangzhou Maycur Technology Co., Ltd.	Chairman	No
Wei Meizhong	Hangzhou Tecomore Technology Co., Ltd.	Executive Director	No
Wei Meizhong	Hangzhou Wanpuhua Internet Financial Services Co., Ltd.	Director	No
Wei Meizhong	Shenzhen Conwin Security Electronics CO., Ltd.	Director	No
Wei Meizhong	Zhejiang Dahua Zhiwang Technology Co., Ltd.	Chairman	No
Wei Meizhong	South North United Information Technology Co., Ltd.	Chairman	No
Wei Meizhong	China Standard Intelligent Security Technology Co., Ltd.	Vice Chairman	No
Wei Meizhong	Hangzhou Weixing Enterprise Management and Consulting Co., Ltd.	Executive Director and General Manager	No
Wei Meizhong	Hangzhou Qianhudao Meixin Investment Management Co., Ltd.	Executive Director and General Manager	No
Wei Meizhong	Zhejiang Fenglinwan Cultural Technology Co., Ltd.	Supervisor	No
Wei Meizhong	Hangzhou Maycur Cloud Technology Co., Ltd.	Chairman	No
Wei Meizhong	Hangzhou Advance Gearbox Group Co., Ltd.	Independent Director	No
Wei Meizhong	Hangzhou Thermal Power Group Co., Ltd.	Director	No
Wei Meizhong	Hangzhou Hexing Electrical Co., Ltd.	Independent Director	No

Chen Yuqing	Zhejiang Dahua Vision Technology Co., Ltd.	General Manager	No
Jiang Xiaolai	Chengdu Dahua Zhishu Information Technology Service Co., Ltd.	Manager	No
Jiang Xiaolai	Hangzhou Juhuan Network Technology Co., Ltd.	Director	No
Jiang Xiaolai	Zhejiang Dahua Jinzhi Technology Co., Ltd.	Manager	No
Jiang Xiaolai	Zhejiang Huachuang Vision Technology Co., Ltd.	Director	No
Jiang Xiaolai	Zhejiang HuaRay Technology Co., Ltd.	Director	No
Jiang Xiaolai	Chengdu Huishan Smart Network Technology Co., Ltd.	Director	No
Jiang Xiaolai	Zhejiang Huaxiao Technology Co., Ltd.	Director	No
Li Zhijie	Zhejiang Dahua System Engineering Co., Ltd.	General Manager	No
Wu Yunlong	Zhejiang Dahua Security Network Operation Service Co., Ltd.	General Manager	No
Wu Yunlong	Zhoushan Dahua Technology Co., Ltd.	Director	No
Wu Yunlong	Lishui Dahua Intelligent Technology Co., Ltd.	Director	No
Wu Yunlong	Shaoxing Dahua Security Services Co., Ltd.	Director	No
Wu Yunlong	Taizhou Dahua Security Services Co., Ltd.	Director	No
Wu Yunlong	Ningbo Dahua Anbang Security Services Co., Ltd.	Director	No
Wu Yunlong	Zhejiang Dahua Security Service Co., Ltd.	Chairman	No
Wu Yunlong	Wenzhou Dahua Security Services Co., Ltd.	Director	No
Xu Zhicheng	Hangzhou Fuyang Hua'ao Technology Co., Ltd.	Chairman	No
Xu Zhicheng	Zhejiang Dahua Security Network Operation Service Co., Ltd.	Director	No
Xu Zhicheng	Zhejiang Huaxiao Technology Co., Ltd.	Director	No
Ying Yong	Zhejiang Dahua Security Network Operation Service Co., Ltd.	Director	No
Ying Yong	Hangzhou Huacheng Network Technology Co., Ltd.	Director	No
Ying Yong	Zhejiang Huachuang Vision Technology Co., Ltd.	Chairman	No
Ying Yong	Zhejiang HuaRay Technology Co., Ltd.	Director	No
Zhang Wei	Guizhou Huayi Shixin Technology Co., Ltd.	Director	No

Positions held in other companies	N/A
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Incumbent or outgoing directors, supervisors and senior management in the reporting period that have been imposed administrative penalties by CSRC in the last three years

Applicable  Not applicable

#### IV. Remuneration of Directors, Supervisors and Senior Management

The following describes the decision-making program, determination basis and actual payment of remuneration for directors, supervisors and senior management.

Top management of the Company shall be evaluated by the performance commitments of senior management and the department managers and those above shall be evaluated by their work report at the end of the year. The managers have made business goal responsibility system in their term of office, and set up the evaluation approach combining KPI index commitments at the level of the Company and individual performance commitments. They have achieved qualified evaluation indices, meaning that they can complete their respective tasks in the latest term of office. The Company will increase their remuneration or adopt other incentive measures, as appropriate, based on their completion of goals.

Remuneration of directors, supervisors and senior management in the reporting period of the Company

Unit: ten thousand RMB

Name	Post	Gender	Age	Position status	Total remuneration from the Company before tax	Whether to receive remuneration from related parties or not
Fu Liquan	Chairman, President	Male	53	Incumbent	88.66	No
Wu Jun	Vice Chairman, Vice President	Male	48	Incumbent	94.45	No
Zhu Jiangming	Director, Executive Vice President	Male	53	Incumbent	88.66	No
Chen Ailing	Director	Female	53	Incumbent	0	No
He Chao	Independent Director	Male	61	Incumbent	20	No
Wang Zexia	Independent Director	Female	55	Incumbent	20	No
Huang Siying	Independent Director	Female	42	Incumbent	20	No
Song Maoyuan	Supervisor	Female	38	Incumbent	47.38	No
Song Ke	Supervisor	Male	42	Incumbent	128.08	No
Zuo Pengfei	Supervisor	Female	42	Incumbent	63.71	No
Zhang Xingming	Executive President	Male	43	Incumbent	178.1	No
Wu Jian	Secretary of the Board, Vice President	Male	46	Incumbent	158.06	No

Wei Meizhong	CFO, Vice President	Male	49	Incumbent	108.34	No
Chen Yuqing	Vice President	Male	46	Incumbent	128.06	No
Wu Yunlong	Vice President	Male	64	Incumbent	90.08	No
Xu Zhicheng	Vice President	Male	54	Incumbent	158.06	No
Yan Gang	Vice President	Male	51	Incumbent	138.05	No
Ying Yong	Vice President	Male	51	Incumbent	158.06	No
Zhu Jiantang	Vice President	Male	38	Incumbent	158.05	No
Zhang Wei	Vice President	Male	49	Incumbent	130.14	No
Zhao Yuning	Vice President	Male	43	Incumbent	179.19	No
Li Ke	Director, President	Male	48	Resigned	209.19	No
Total	--	--	--	--	2,364.32	--

Share incentives for the Company's directors, supervisors and senior executives in the reporting period

Applicable  Not applicable

## V. Employees in the Company

### 1. Number, profession composition and educational background of the employees

Number of incumbent employees in the parent company (person)	10,197
Number of incumbent employees in major subsidiaries (person)	3,461
Total number of incumbent employees (person)	13,658
Number of employees receiving salaries in current period (person)	13,658
Number of retired employees requiring the parent company and major subsidiaries to bear their costs	8
Profession composition	
Type of profession composition	Number of employees for profession composition (person)
R&D staff	7,161
Sales	2,693
Supply chain	2,143
Administrative staff	315
Professional support staff	1,346
Total	13,658
Educational background	
Type of educational background	Number of employees (person)

Master and above	2,171
Bachelor	7,795
College, technical secondary school	2,147
Others	1,545
<b>Total</b>	<b>13,658</b>

## 2. Remuneration policies

The Company has established complete remuneration management systems and incentive mechanisms to provide the employees with competitive remunerations in strict accordance with Labor Law, Labor Contract Law and other relevant laws and regulations, departmental rules and normative documents. The Company links its remuneration system and performance appraisal system with the business performance of the Company, which fully arouses the enthusiasm of the employees and effectively improves the executive force and responsibility consciousness of employees, thus better attracting and retaining talents and providing guarantee for sustainable, stable development of the Company in respect of human resources.

## 3. Training plan

The Company has been dedicated to the building of employee education and training system, established the internal lecturer management measures including new employee training and in-service employee training, implemented training credits management system, improved the comprehensive quality of the Company's employees, created good learning atmosphere, established learning organization and comprehensively helped employees to improve their ability to meet challenges and reforms in the future, thus providing powerful talent guarantee and intellectual support for sustainable, fast growth of the Company and achieving joint development of employees and the Company.

## 4. Labor outsourcing

Applicable  Not applicable

## Section X Corporate Governance

### I. Basic Situation on Corporate Governance

During the reporting period, the Company constantly improved corporate governance structure, established and improved internal control system, constantly improved the Company's standardized operation level, strictly performed the information disclosure obligations, and focused on protection of the investors' interests by strictly following the provisions of "Company Law", "Securities Law", "Code of Corporate Governance for Listed Companies", "Rules Governing the Listing of Shares on Shenzhen Stock Exchange", "Guidelines of the Shenzhen Stock Exchange for the Standard Operation of Listed Companies on the Small and Medium-sized Enterprise Board" and other relevant laws and regulations and regulatory documents. During the reporting period, the actual situation of corporate governance is basically in line with the regulatory documents on the governance of listed companies issued by China Securities Regulatory Commission.

#### (I) Shareholders and General Meeting:

The Company standardizes the calling, convening, and voting procedures of the shareholders' general meetings in accordance with the regulations and requirements of the Company Law, the Articles of Association and the Rules of Procedures of the Shareholders' General Meeting, treats all shareholders equally, and ensures that shareholders, especially small and medium-sized shareholders, can fully exercise their rights by right of voting both on the site and online. The shareholders shall avoid from voting when deliberating related matters at the general meeting. The related transactions are fair and reasonable, without damages to the interests of the shareholders;; when voting on the proposals affecting the interests of small and medium investors, their votes shall be counted separately. The general meetings of shareholders have all been convened by the company's board of directors and witnessed by the lawyer.

II. The company and the controlling shareholders: The company is independent from the controlling shareholders in terms of business, personnel, assets, finance and organizations. The company's board of directors, board of supervisors and other internal agencies operate independently. The controlling shareholders of the Company were able to strictly regulate his own behaviors, and there was no behavior that directly or indirectly interfered with the Company's decision-making and business activities outside of the shareholders' general meeting, and there was no non-operational behavior of appropriation of the capital of listed companies.

(III) Directors and Board of Directors: The Company elects the directors and appoints the independent directors in strict accordance with the selection and employment procedure specified in the "Company Law" and the "Articles of Association". At present, the Company has seven directors, including three independent directors, all of whom are experts in corporate management and financial accounting and other fields. The number and composition of the board of directors meet the requirements of relevant laws and regulations and the "Articles of Association". There are four special committees under the board of directors, including Audit Committee, Strategy Committee, Nomination Committee and Remuneration and Appraisal Committee. With reasonable composition and structure of members, they have provided scientific and professional opinions and references for decision-making of the board of directors. The Board of Directors convened board meetings and implemented the resolutions of the shareholders' meeting in strict accordance with "Articles of Association" and "Rules of Procedure of the Board of Directors"; All the directors were able to perform their due duties and conscientiously attended the Board meetings and shareholders' meetings to safeguard the legitimate rights and interests of the Company and shareholders.

(IV) Supervisors and the Board of Supervisors: The Company strictly elects the supervisors by the election and

appointment procedures specified in the "Company Law" and the "Articles of Association". The Company currently has three supervisors, including one chairman of the board supervisors. The number and composition of the board of supervisors meet the requirements of relevant laws and regulations and the "Articles of Association". The Board of Supervisors convened supervisor meetings in strict accordance with the provisions of "Articles of Association" and "Rules of Procedure of the Board of Supervisors"; All the supervisors performed their duties conscientiously, and with integrity, diligence and conscientiousness, they effectively supervised and expressed independent opinions on company finance as well as the legitimacy and compliance of the performance of job duties for directors and senior managers to safeguard the legitimate rights and interests of the Company and shareholders.

V. Performance Appraisal and Incentive and Constraint Mechanisms: To further establish and improve the company's incentive mechanism and strengthen the company's philosophy of sustainable development of both management and core employees, the company implements a restricted stock incentive plan and employee stock ownership plan which reinforce the interest sharing and restraint mechanisms applied to shareholders and core business personnel. It has maintained the stability of management teams and business leaders, guaranteed the realization of the company's development strategy and business objectives, and ensured the company's sound long-term development. The appointment of company executives is open, transparent and complies with laws and regulations.

VI Stakeholders: The company fully respects and safeguards the legitimate rights and interests of relevant stakeholders. While striving to achieve a steady growth of the company's performance, the company also effectively treats and protects the legitimate rights and interests of all stakeholders and continuously improves product quality, protects the environment, implements energy-saving and emission-reduction programs, etc. The company actively participates in social charity and philanthropy to realize the balance of interests among shareholders, employees, society, etc., in order to promote sustainable, stable and healthy development of the company.

(VII) Information Disclosure and Transparency: The Company performs obligations for truthful, accurate, timely, and complete information disclosure in strict accordance with the relevant laws and regulations and the Company's "Information Disclosure Management System", and designates Securities Times and www.cninfo.com as the media channels for such disclosure; the Company strictly enforces the confidentiality of undisclosed information. According to the Company's "Inside Information Confidentiality System", registering and filing internal information insiders has been done properly. The internal information insider filing system has been established and submitted to the regulatory authorities for record in time as required, and the behavior of submitting company information to external information users has been strictly regulated. In the process of receiving specific visitors, the company has strictly followed the relevant requirements, and performed careful reception. It also asks visitors to sign the Commitment Letter and promptly uploads relevant research records to the Shenzhen Stock Exchange "Interaction Easy" for disclosure after the visits. During the reporting period, no incidence of stock trading based on insider information has occurred. At the same time, the company has opened an investor hotline and investor relations management column, and designated the person responsible for timely communication with investors. In addition, the company also maintains active and timely contact and communication with the regulatory authorities to report on the company's related issues, in order to accurately grasp the regulatory requirements of information disclosure, and further improve the company's transparency and quality of information disclosure. In strict accordance with the relevant requirements regarding content and format, the Company disclosed information in an authentic, accurate, complete and timely manner to ensure that all shareholders have equal access to information.

Whether the actual status of corporate governance significantly deviates from the regulatory documents issued by the China Securities Regulatory Commission regarding the governance of listed companies.

Yes  No

There is no significant difference between the actual situation of corporate governance and the regulatory documents on



the governance of listed companies issued by China Securities Regulatory Commission.

## **II. The company's independence from the controlling shareholders in business, personnel, assets, organization, finance, etc.**

The company and the controlling shareholders are completely separated in terms of business, personnel, assets, organization, and finance, and has independent and complete businesses and capabilities of independent operation.

### 1. Business independence

The company's business is independent of the controlling shareholders, actual controllers and other enterprises under their control, and has an independent and complete R&D, production, procurement, and sales system; the technology required for production and operation is legal, independently owned, or licensed for use by the company with no asset disputes. The company has signed all external contracts independently, and has the ability to independently make production and operation decisions and engage in production and business activities. The company has independent spaces for production and operation and offices.

### 2. Staff independence

The company's personnel are independent from the controlling shareholders, actual controllers and other companies controlled by them. The company has an independent human resources department responsible for labor, personnel and payroll management. The Company has established an independent labor, personnel, and salary management system. The production, operation, and administration are independent of the controlling shareholders, actual controllers, and other companies controlled by them; the recommendation, election, and appointment of directors, supervisors, and senior managers of the Company have all been conducted legally and independently; senior management personnel such as the president, executive president, vice president, board secretary, and finance director did not hold positions other than directors and supervisors for controlling shareholders, actual controllers, and other companies controlled by them or receive salaries from them; the Company's financial staff do not have a part-time job with the controlling shareholders, actual controllers, and other companies controlled by them.

### 3. Asset independence

The company's assets are independent from the controlling shareholders, actual controllers and other companies controlled by them. The company's main assets include the ownership and use rights of complete land, plants, machinery and equipment, trademarks, patents, non-patented technology required for the main business, and an independent raw material procurement and product sales system. The property rights of the above assets are clear and completely independent of the controlling shareholders and major shareholders. There was misappropriation of the company's assets by the controlling shareholders and major shareholders.

### 4. Institutional independence

The company's organizations are independent from the controlling shareholders, actual controllers and other companies controlled by them. The Company has established shareholders' general meeting, board of directors and board of supervisors, and other decision-making, implementation and supervision agencies. It has also appointed senior managers such as president, executive president, vice president, board secretary, and chief financial officer; the Company has set up specialized departments equipped with the necessary personnel independently responsible for domestic/overseas sales, R&D, supply chain, delivery and service, quality and service, finance, legal affairs, securities, internal audit, human resources, administration, IT, and other functions. The internal organizations perform their respective operational management responsibilities under the leadership of the board of directors and the president in accordance with the rules and regulations; there have been no cases in which the controlling shareholders, actual controllers, and other companies controlled by them are confused with their identities and duties; there has been no incidence of the controlling shareholders or actual controllers intervening in the establishment of the Company's

organizational setup.

#### 5. Financial independence

The company's finance is independent from the controlling shareholders, actual controllers and other companies controlled by them. The company has established an independent financial department with full-time financial accounting personnel, and has established an independent financial accounting system for independent financial decisions. It has a standardized financial accounting system and financial management system for subsidiaries; the company has independently opened a basic deposit account so that there is no sharing of bank accounts with actual controllers, controlling shareholders, and other companies controlled by it; the company handled tax registrations with the Zhejiang Provincial State Tax Bureau and the Zhejiang Provincial Local Tax Bureau and paid taxes independently as required by law.

### III Horizontal competition

Applicable  Not applicable

## IV. Relevant Situation of the Annual General Meeting of Shareholders and the Extraordinary General Meeting of Shareholders Held in the Reporting Period

### 1. The shareholders' meetings for this reporting period

Conference Session	Conference Type	Percentage of Investors Involved	Date of Conference	Date of Disclosure	Disclosure Index
Shareholders' General Meeting in 2018	Annual General Meeting	48.60%	April 9, 2019	April 10, 2019	CNINFO: <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
First Interim Shareholders' General Meeting in 2019	Extraordinary General Meeting	48.29%	June 5, 2019	June 6, 2019	CNINFO: <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Second Interim Shareholders' General Meeting in 2019	Annual General Meeting	59.61%	November 21, 2019	November 22, 2019	CNINFO: <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

### 2. Convening of the interim shareholders' general meetings upon request of the preferred stockholders whose voting rights are restored

Applicable  Not applicable

## V. The performance of the duties of independent directors during the reporting period

### 1. Attendance of independent directors in the board of directors and shareholders' meeting

Attendance of independent directors at the BOD meeting and shareholders' general meetings							
Name of independent director	Number of board meetings to attend during the reporting period	Number of on-site attendance of board meetings	Number of attendance of board meetings by means of telecommunications	Number of attendance of board meetings by entrustees	Number of absence at board meetings	Whether absent from board meetings in person for two consecutive times	Number of attendance of shareholders' general meetings
He Chao	10	3	7	0	0	No	1
Wang Zexia	10	3	7	0	0	No	2
Huang Siying	10	2	8	0	0	No	1

### 2. Objections of independent directors to related issues of the company

Whether the independent directors challenge the company's related issues?

Yes  No

During the reporting period, independent directors did not raise objections to the company's related matters.

### 3. Other information on independent directors' performance of duties

Whether independent director's proposals on the company issues are accepted

Yes  No

Note on the acceptance or rejection of independent director's proposals on company issues.

During the reporting period, the independent directors performed their duties with integrity, diligence, conscientiousness and loyalty according to the provisions of "Company Law", "Guiding Opinions on Establishing Independent Directors in Listed Companies", "Guidelines of the Shenzhen Stock Exchange for the Standard Operation of Listed Companies on the Small and Medium-sized Enterprise Board", "Articles of Association" and "Working Rules of Independent Directors" and relevant laws and regulations, made full use of their professional advantages, paid close attention to the Company's business condition, and took the opportunity of board meetings and other time to look into the Company's production, operation and management conditions and actively communicate with other directors, supervisors and administrative staff to timely grasp the Company's business trend, jointly analyze and study the problems confronted by the Company, and use their own expertise to advice and suggest for the company's development Independent directors offered reasonable ideas and suggestions for the Company's business development from their respective professional perspectives, and issued their independent and just opinions on matters such as related transactions, profit distribution, and foreign investment that require independent directors' opinions during the reporting period. They played a due role in safeguarding the interests of the Company and shareholders, especially the public shareholders. The company has adopted the opinions of independent directors.

## VI. Performance of duties of the special committee under the board of directors during the reporting period

### 1. Strategy Committee

During the reporting period, the Strategy Committee discussed the corporate strategy, long-term development plan, the deepening of innovation and transformation, and global layout in accordance with the company's strategic development requirements, timely analyzed the market conditions and made corresponding adjustments. They proposed constructive suggestions on the Company's business strategy and significant matters that may influence future development of the Company, ensured the scientific nature of the Company's development planning and strategic decision-making, and provided strategic support for the company's sustained and steady development.

### 2. Nomination Committee

During the reporting period, the Nomination Committee actively carried out its work in accordance with the "Working System of the Nomination Committee of the Board of Directors" and other relevant regulations and fulfilled its duties earnestly. The Nomination Committee gave prudent consideration to the qualifications and capabilities of the Company's directors and senior managers, and conducted evaluation over the work of the Company's directors and senior managers according to the performance indicators set by the Company at the beginning of the year.

### 3. Audit Committee

During the reporting period, the Audit Committee fully played its supervisory role and maintained the independence of auditing in accordance with the principle of due diligence. The Audit Committee held meetings as required and listened carefully to the management's report on operation condition, financial position and other significant matters of this year, and discuss and expressed opinions on the internal audit reports, self-evaluation on internal controls, and reappointment of auditing institutions, submitted by the internal audit department. Earnestly urged the Company to conduct the annual report audit, communicated with the accountants, summarized and evaluated the audit work of the audit institutions and reviewed the financial statements of the Company as required by the relevant laws and regulations and the internal control system of the Company.

### 4. Remuneration and Appraisal Committee

During the reporting period, the Remuneration and Appraisal Committee, based on the Company's performance and industry standards, carried out a review of the ranking of staff positions and assessment standards, and reviewed and confirmed the Company's remuneration for directors, supervisors and senior management and other issues.

## VII. Work of the Supervisory Committee

Has the supervisory board discovered any risk in the company during the supervision in the reporting period

Yes  No

The supervisory board had no objection to the supervisory matters in the report period.

## VIII. Evaluation and Incentive Mechanisms for Senior Management

The Company has established an assessment and incentive system for senior management personnel, formulated a senior management personnel selection, evaluation, incentive and restraint mechanism, and assessed fulfillment of their duties and annual performance. At present, the assessment of the company's senior staff mainly involves promised performance-based evaluation for senior executives and the year-end performance debriefing of staff higher than department managers. The managers have made business goal responsibility system in their term of office, and set up the evaluation approach combining KPI index commitments at the level of the Company and individual performance

commitments. They have achieved qualified evaluation indices, meaning that they can complete their respective tasks in the latest term of office. The Company will increase their remuneration or adopt other incentive measures, as appropriate, based on their completion of goals. In the future, the company will adopt a multi-level comprehensive incentive system to effectively mobilize the management personnel, attract, and stabilize outstanding management talents and the backbone of technology and business.

During the reporting period, the Company further improved the incentive and constraint mechanism for senior executives and other key employees of the Company, established and improved the middle and long term incentive and constraint mechanism, which fully mobilized and facilitated the enthusiasm and creativity of the incentive objects and effectively aligned the interests of shareholders and the Company with those of the employees to continuously promote the Company's performance, and bring the benefits of the Company's development to all employees for the shared development. In 2019, the remuneration plan for the senior managers of the Company was implemented according to the remuneration appraisal system of the Company and reasonable, and the remuneration payment procedure was consistent with the provisions in the relevant laws, regulations and systems of the Company.

## IX. Internal Control Assessment Report

### 1. Details of material weakness in internal control found during the reporting period

Yes  No

### 2. Internal control self-evaluation report

Date of full-text disclosure for internal control assessment report	April 3, 2020	
Full-text disclosure index for internal control assessment report	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>	
Percentage of total asset from units included in the assessment out of the total asset from the company's consolidated financial statements	100.00%	
The proportion of operating income of parties included in the assessment to the operating income from the Company's consolidated financial statements	100.00%	
Defect identification criteria		
Category	Financial Report	Non-financial reports

Qualitative standards	<p>Signs of material weakness in financial reporting include:</p> <p>(1) Corrupt practices of directors, supervisors and senior managers of the Company;</p> <p>(2) Material misstatements in the current Financial Report discovered by the Certified Public Accountants but not recognized by the internal control of the Company;</p> <p>(3) Invalid internal control and supervision of the External Financial Report and the Financial Report of the Company by the Audit Committee and the Audit Department.</p> <p>Signs of significant deficiencies in financial reporting include:</p> <p>(1) Failure to select and apply the accounting policies in accordance with the accepted accounting standards;</p> <p>(2) Failure to establish anti-fraud procedure and control measures;</p> <p>(3) No appropriate control mechanism established or appropriate compensating control implemented for accounting treatment of irregular or special transactions;</p> <p>(4) There are one or more defects in the control of final financial reporting process, and no reasonable guarantee that the financial statements can achieve the goal of being true and complete. General deficiencies refer to the control deficiencies other than the material deficiencies and important deficiencies described above.</p>	<p>The identification of non-financial report defects is mainly determined by the extent of their influence on validity of business process and the probability of occurrence.</p> <p>Deficiencies are defined as general deficiencies if they are less likely to happen, and will lower the work efficiency or effect, or increase the uncertainty of the effect or make it deviate from the expected goal.</p>
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Quantitative standards	<p>Losses which have been or may be incurred due to internal control deficiencies and are related to the profit statement should be measured by the operating income indicators. If the misreporting amount in the financial statement, which may be incurred by the deficiencies alone or together with other deficiencies, is less than 0.5% of the operating income, it is considered as a general deficiency; If it exceeds 0.5% of the operating income but is less than 1%, then it is an important deficiency; If it exceeds 1% of the operating income, then it is considered as a major deficiency. Losses which have been or may be incurred due to internal control deficiencies and are related to the asset management should be measured by the total asset indicators. If the misstated amount in the financial statement, which may be incurred by the deficiency alone or together with other deficiencies, is less than 0.5% of the total asset, it is considered as a general deficiency; If it exceeds 0.5% of the total asset but less than 1%, it is an important deficiency; If it exceeds 1% of the total asset, it is considered as a major deficiency.</p>	<p>The quantitative criteria is based on operating income and total assets. Losses which have been or may be incurred due to internal control deficiencies and are related to the profit statement should be measured by the operating income indicators. If the misreporting amount in the financial statement, which may be incurred by the deficiencies alone or together with other deficiencies, is less than 0.5% of the operating income, it is considered as a general deficiency; If it exceeds 0.5% of the operating income but is less than 1%, then it is an important deficiency; If it exceeds 1% of the operating income, then it is considered as a major deficiency. Losses which have been or may be incurred due to internal control deficiencies and are related to the asset management should be measured by the total asset indicators. If the misstated amount in the financial statement, which may be incurred by the deficiency alone or together with other deficiencies, is less than 0.5% of the total asset, it is considered as a general deficiency; If it exceeds 0.5% of the total asset but is less than 1%, then it is considered as an important deficiency; If it exceeds 1% of the total asset, it is considered as a major deficiency.</p>
Number of material weakness in financial reports		0
Number of material weakness in non-financial reports		0
Number of significant deficiency in financial reports		0
Number of significant deficiency in non-financial report		0

## X. Internal Control Audit Report or Assurance Report

### Internal Control Assurance Report

Deliberations Paragraph in the Internal Control Assurance Report	
In our opinion, Dahua has maintained effective internal control, in all material respects, with respect to the financial statements in accordance with the "Basic Norms of Enterprise Internal Control" and relevant regulations promulgated by the five ministries including the Ministry of Finance as at December 31, 2019.	
Disclosure in the Internal Control Assurance Report	Disclosure
Date of full-text disclosure for the internal control assurance report	April 3, 2020
Full-text disclosure index for the internal control assurance report	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Opinion type in the internal control assurance report	Standard unqualified opinion
Whether there are material deficiencies in the non-financial reports	No

Whether the accounting firm has issued an internal control assurance report with modified opinions

Yes  No

Whether the opinions in the internal control assurance report issued by the accounting firm are consistent with those in the self-evaluation report issued by the board of directors

Yes  No



## Section XI Corporate Bonds

Whether the Company has corporate bonds which have been publicly issued and listed on the stock exchange and have not matured or are not fully redeemed at the approval date of annual report

No

## Section XII Financial Report

### I. Audit Reports

Audit opinion type	Standard Unqualified Opinion
Signature Date of audit report	April 2, 2020
Name of audit institution	BDO China Shu Lun Pan CPAs (special general partnership)
Audit report ref.	Xin Kuai Shi Bao Zi [2020] No.ZF10121
Name of Certified Public Accountant	Zhong Jiandong, Du Na

### Audit Report Text

#### To the shareholders of Zhejiang Dahua Technology Co., Ltd.:

##### I. Opinion

We have audited the financial statements of Zhejiang Dahua Technology Co., Ltd. (hereinafter referred to as Dahua), including the parent company's and the consolidated balance sheet dated December 31, 2019, the parent company's and the consolidated income statement, the parent company's and the consolidated cash flow statement and the parent company's and the consolidated statement of changes in owners' equity in 2019, as well as the notes to relevant financial statements.

In our opinion, the attached financial statements are prepared, in all material respects, in accordance with "Accounting Standards for Business Enterprises", which fairly reflected the financial position of the merged companies and the parent company as at December 31, 2019 and the operating results and cash flows of the merger and the parent company in 2019.

##### II. Basis for Our Opinion

We conducted our audit in accordance with the Auditing Standards for Certified Public Accountants in China. Our responsibilities under those standards are further described in the CPA's Responsibilities for the Audit of the Financial Statements section of our report. According to the "Code of Ethics for Chinese Certified Public Accountants", we are independent of Dahua and have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

##### III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have confirmed that the following matters are the

key audit matters that need to be communicated in the audit report.

Key Audit Matters	How the matter was addressed in the audit
<b>A. Recognition of revenue</b>	
<p>The operating revenue of Dahua in 2019 is RMB 26,149,430,652.42, which is an important part of Hahua's profit statement. For this reason, we determine that the revenue is a key audit matter. Based on the accounting policy of Dahua, the Company's main products include security standard products, system integration and other labor services. Among them, the security standard products for domestic market were delivered to customers or picked up by customers based on the contractual terms in the sales contract. The revenue was recognized after customers received and accepted the goods and the Company obtained the evidence proving the customers' receipt of goods; for the security standard products exported by domestic companies, the revenue was recognized after the goods were declared and exported, and for the security standard products sold overseas by overseas subsidiaries, the revenue was recognized after the customer received and accepted the goods; the revenue from the system integration sales was recognized after the acceptance of goods by customers; the revenue from the labor services sales was recognized when relevant labor services were provided. See Notes III (23) for details.</p>	<p>The main audit procedure we implemented for the above key audit matter includes: ① Understand the internal control system in relation to revenue recognition ,the design and implementation of the financial accounting system, and test the effectiveness of its operation; ② Check the agreements of relevant contracts for different sales types in accordance with the actual situation of the specific businesses, and evaluate whether the revenue recognition meets the requirements of Accounting Standards for Business Enterprises; ③ Perform an analytical procedures to judge the reasonableness of the changes in sales revenue and gross profit margin; ④ Perform confirmation procedures: send confirmation to customers for the annual sales amount and the outstanding at the end of the year, and the export sales income shall be certified by the customs; ⑤ Different types of income samples shall be tested: For standard products for domestic market and overseas sales of overseas subsidiaries, sample the out-of-stock records, shipping orders, customer countersign records, received payment records and so on.; for standard products exported by domestic companies, check the out-of-stock records, customs declaration, bill of lading, and received payment records; For system integration sales, check the product delivery records, shipping list and contract list, unpacking acceptance report, acceptance report for the completion of installation and commissioning, received payment records and so on. ⑥ Sample the transactions made before or after the balance sheet date and check their out-of-stock records, customs declaration, and other relevant supportive documents to confirm whether the revenues have been recognized in an appropriate accounting period.</p>
<b>B. Recoverability of accounts receivable</b>	
<p>At the end of 2019, Dahua's original value of receivables was RMB 14,710,269,418.60. The balance of bad debt provision was RMB 1,469,073,037.95. The management needs to make significant judgments about the identification of accounts receivable impairment accounts, the likelihood of</p>	<p>We evaluated the recoverability of accounts receivable by the following procedure: ① Understand the management and the internal control of key financial reporting related to credit control, account recovery and assessment of impairment provision for receivables, and evaluate the effectiveness of the design and operation of the internal control; ② Understand the Company's management procedures for customers' credit and the collection measures for overdue debts; ③ Review the</p>

<p>inward cash flows of future customers and the realization of the amount guaranteed. The management's estimates and assumptions are uncertain. Since the amount of accounts receivable is significant to the financial statements as a whole and the recoverability involves the estimation and judgment of future cash flows, we recognize the recoverability of accounts receivable as a key audit matter.</p>	<p>division by the Management of the combination with respect to the accounts receivable for which the expected credit loss is calculated according to the combination of credit risk characteristics, and assess the reasonableness of the expected credit loss rate based on the estimates including historical credit loss rate, current circumstance and prediction of the future economic condition. We assessed the reasonableness of the accrued proportion with reference to the historical audit experience and prospective information, tested the accuracy of the portfolio classification and aging division of the accounts receivable, and recalculated the accuracy of the accrued amount of the expected credit loss; we sampled the accounts receivable subject to separate bad debt provision, and reviewed the basis for the Management's assessment of the expected credit loss based on the financial position and credit position of the customer, historical repayment records and prediction of the future economic condition. We validated the management's assessment against the evidence we have obtained during the audit process, including background information, past transaction history and payment status of the customer, and forward-looking considerations; ④ Test the payment received after the balance sheet date; ⑤ Perform the correspondence-based confirmation procedure and check whether the confirmation results are consistent; ⑥ Analyze whether there are amounts of accounts receivable that cannot be recovered and need to be written off.</p>
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#### IV. Other Information

The management of Dahua (hereinafter referred to as the Management) is responsible for the other information. The other information includes the information covered in Dahua's annual report in 2019, but excludes the financial statements and our audit report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In combination with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### V. Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Management is responsible for preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises to achieve a fair presentation, and for designing, implementing and maintaining necessary internal control to ensure that the financial statements are free from material misstatements, whether due to frauds or errors.

In preparing the financial statements, the Management is responsible for assessing Dahua's ability to continue operating, disclosing matters related to continuous operation (if applicable) and using the hypothesis of continuous operation unless there is a plan to liquidate, terminate operations or no other realistic options.

The management is responsible for supervising the financial reporting process of Dahua.

## **VI. CPA's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit in accordance with the audit standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) Understand the internal control related to the audit in order to design appropriate audit procedure.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

(4) Conclude on the appropriateness of using the going concern assumption by the Management. At the same time, draw a conclusion, based on the audit evidence obtained, on whether there is significant uncertainty in matters or situations that may cause major doubts about Dahua's ability in continuous operation. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the information available up to the date of our audit report. However, future events or conditions may result in Dahua's inability to continue operating.

(5) Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements fairly reflect the relevant transactions and

events.

(6) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within Dahua to express an opinion on the financial statements. We are responsible for guiding, supervising and implementing the group audit, and remain solely responsible for our audit opinion.

We have communicated with those charged with governance on such matters as the scope of audit as planned, the schedule and material audit findings, including the defects in the internal control that are worth paying attention to found in this audit.

We have also provided those charged with governance with a statement on observing the professional ethics related to independence, and communicated with those charged with governance on all the relationships and other matters that might be reasonably deemed to affect our independence, and relevant preventative measures.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**BDO China Shu Lun Pan Certified Public  
Accountants LLP  
(Special general partnership)**

**Chinese CPA: Zhong Jiandong  
(Project partner)**

**Shanghai, China**

**Chinese CPA: Du Na  
April 2, 2020**

## II. Financial Statements

Units of financial reports in the notes: RMB

### 1. Consolidated Balance Sheet

Prepared by: Zhejiang Dahua Technology Co., Ltd.

December 31, 2019

Unit: RMB

Item Name	December 31, 2019	December 31, 2018
Current Assets:		
Cash and Bank Balances	3,084,428,970.43	4,160,153,847.06
Deposit Reservation for Balance		
Loans to Banks and Other Financial Institutions		
Trading Financial Assets		
Financial liabilities at fair value through profit or loss		
Derivative Financial Assets		
Notes receivable		2,385,693,417.06
Accounts receivable	13,241,196,380.65	10,191,372,777.38
Receivables Financing	1,086,017,357.90	
Prepayments	128,182,099.47	126,891,259.00
Premium Receivable		
Reinsurance Accounts Receivable		
Reinsurance Contract Reserves Receivable		
Other Receivables	408,776,610.17	398,170,769.40
Including: interest receivable		6,754,941.00
Dividends Receivable		
Buying Back the Sale of Financial Assets		
Inventory	3,839,810,704.33	3,035,579,709.14
Contract Assets		
Holding for-sale assets		

Non-current Assets Due within 1 Year	630,717,329.58	578,733,057.27
Other Current Assets	556,311,770.08	402,255,078.05
Subtotal of Current Assets	22,975,441,222.61	21,278,849,914.36
Non-current Assets:		
Granting of loans and advances		
Investment in Creditor's Rights		
Financial Assets Available for Sale		82,970,227.00
Investment in Other Creditor's Rights		
Held-to-maturity Investments		
Long-term Receivables	2,568,442,030.19	1,861,485,568.28
Long-term Equity Investment	490,731,236.85	185,872,021.58
Investment in Other Equity Instruments		
Other Non-current Financial Assets	67,213,489.43	
Investment Property	336,181,589.99	346,831,376.55
Fixed Assets	1,522,463,368.83	1,407,471,330.83
Projects under Construction	435,757,406.90	226,191,587.11
Productive Biological Assets		
Oil and gas assets		
Right-of-use Assets		
Intangible Assets	411,758,785.31	372,467,409.09
Development Expenditure		
Goodwill	42,685,490.30	109,745,412.21
Long-term Prepaid Expenses	37,311,198.19	37,117,918.55
Deferred Income Tax Assets	668,058,558.83	425,319,406.98
Other Non-current Assets	8,605,835.50	16,277,605.61
Subtotal of Non-current Assets	6,589,208,990.32	5,071,749,863.79
Total Assets	29,564,650,212.93	26,350,599,778.15
Current Liabilities:		
Short-term loan	400,323,888.90	1,851,709,561.83
Borrowings from the Central Bank		



Borrowings from Banks and Other Financial Institutions		
Transactional financial liabilities		
Financial Liabilities Measured in Fair Value with Changes Recorded into Current Profit and Loss		38,602,602.30
Derivative Financial Liabilities		
Notes Payable	3,807,292,795.07	3,671,586,104.79
Accounts Payable	4,290,253,501.81	3,789,729,594.20
Received Prepayments	375,521,795.82	343,297,891.20
Contract liabilities		
Financial Assets Sold for Repurchase		
Deposit Taking and Interbank Deposit		
Receiving from Vicariously Traded Securities		
Receiving from Vicariously Sold Securities		
Payroll payable	1,582,368,359.30	1,124,358,611.94
Tax Payable	813,357,471.37	599,478,049.81
Other Payables	1,163,915,713.24	1,051,537,094.97
Including: interest payable		4,745,203.31
Dividends Payable	9,454,479.13	
Service Charge and Commission Payable		
Reinsurance Accounts Payable		
Holding for-sale liabilities		
Non-current Liabilities Due within 1 Year	26,993,755.57	25,500,000.00
Other Current Liabilities	71,233,107.93	70,845,639.51
Subtotal of Current Liabilities	12,531,260,389.01	12,566,645,150.55
Non-current Liabilities:		
Insurance Contract Reserves		
Long-term loan	153,500,000.00	179,000,000.00
Bonds Payable		

Including: Preferred Stocks		
Perpetual Bonds		
Lease Liabilities		
Long-term Payables		
Long-term payroll payable		
Expected Liabilities	303,670,887.50	193,761,170.12
Deferred Income	117,210,761.34	58,693,533.40
Deferred Income Tax Liabilities	50,565,095.68	50,137,969.76
Other Non-current Liabilities	432,275,367.74	399,096,280.89
Subtotal of Non-current Liabilities	1,057,222,112.26	880,688,954.17
Total Liabilities	13,588,482,501.27	13,447,334,104.72
Shareholders' Equity:		
Share Capital	3,003,713,230.00	2,997,621,930.00
Other Equity Instruments		
Including: Preferred Stocks		
Perpetual Bonds		
Capital Reserves	1,882,855,119.53	1,501,180,862.83
Less: Treasury Share	1,057,584,258.31	807,733,586.00
Other Comprehensive Incomes	12,308,276.23	10,337,164.41
Special Reserves		
Surplus Reserves	1,553,691,005.92	1,246,369,430.91
General Risk Reserves		
Undistributed Profits	10,248,023,654.54	7,670,983,116.33
Total Shareholders' Equity Attributable to the Parent Company	15,643,007,027.91	12,618,758,918.48
Minority Shareholders' Equity	333,160,683.75	284,506,754.95
Total Shareholders' Equity	15,976,167,711.66	12,903,265,673.43
Total Liabilities and Shareholders' Equity	29,564,650,212.93	26,350,599,778.15

Legal representative: Fu Liquan      Person in charge of accounting: Wei Meizhong      Person in charge of the  
accounting institution: Xu Qiaofen

## 2. Balance Sheet of the Parent Company

Unit: RMB

Item Name	December 31, 2019	December 31, 2018
Current Assets:		
Cash and Bank Balances	890,598,735.62	611,190,236.01
Trading Financial Assets		
Financial liabilities at fair value through profit or loss		
Derivative Financial Assets		
Notes receivable		952,572,702.92
Accounts receivable	8,450,364,515.05	4,598,575,923.04
Receivables Financing	841,427,888.19	
Prepayments	30,501,431.44	26,772,044.53
Other Receivables	5,138,830,912.64	6,954,655,863.03
Including: interest receivable		42,500.00
Dividends Receivable		
Inventory	124,904,729.01	120,181,267.85
Contract Assets		
Holding for-sale assets		
Non-current Assets Due within 1 Year	53,952,526.19	50,793,137.80
Other Current Assets	21,919,487.88	24,858,982.78
Subtotal of Current Assets	15,552,500,226.02	13,339,600,157.96
Non-current Assets:		
Investment in Creditor's Rights		
Financial Assets Available for Sale		80,496,000.00
Investment in Other Creditor's Rights		
Held-to-maturity Investments		
Long-term Receivables	137,284,594.67	160,299,143.83
Long-term Equity Investment	3,523,259,061.78	3,001,639,428.55
Investment in Other Equity Instruments		
Other Non-current Financial Assets	62,979,387.68	
Investment Property	187,756,594.11	183,321,198.72
Fixed Assets	536,909,246.66	496,363,638.38

Projects under Construction	203,836,998.96	151,072,585.67
Productive Biological Assets		
Oil and gas assets		
Right-of-use Assets		
Intangible Assets	168,215,377.39	170,879,747.04
Development Expenditure		
Goodwill		
Long-term Prepaid Expenses	26,687,122.32	28,927,258.54
Deferred Income Tax Assets	131,503,372.44	40,821,902.57
Other Non-current Assets	1,964,757.00	929,380.00
Subtotal of Non-current Assets	4,980,396,513.01	4,314,750,283.30
Total Assets	20,532,896,739.03	17,654,350,441.26
Current Liabilities:		
Short-term loan	400,323,888.90	1,380,000,000.00
Transactional financial liabilities		
Financial Liabilities Measured in Fair Value with Changes Recorded into Current Profit and Loss		
Derivative Financial Liabilities		
Notes Payable	302,168,249.70	175,647,414.85
Accounts Payable	948,348,622.52	889,881,485.16
Received Prepayments	181,462,746.37	80,361,211.04
Contract liabilities		
Payroll payable	1,078,396,381.39	817,723,936.19
Tax Payable	460,577,509.52	351,294,836.50
Other Payables	1,363,740,346.75	1,060,909,330.56
Including: interest payable		2,416,340.30
Dividends Payable	9,454,479.13	
Holding for-sale liabilities		
Non-current Liabilities Due within 1 Year		
Other Current Liabilities	5,892,364.82	6,464,333.12
Subtotal of Current Liabilities	4,740,910,109.97	4,762,282,547.42
Non-current Liabilities:		
Long-term loan		

Bonds Payable		
Including: Preferred Stocks		
Perpetual Bonds		
Lease Liabilities		
Long-term Payables		
Long-term payroll payable		
Expected Liabilities	9,735,157.34	3,396,100.00
Deferred Income		
Deferred Income Tax Liabilities	1,297,719.64	
Other Non-current Liabilities	16,155,036.85	23,684,423.74
Subtotal of Non-current Liabilities	27,187,913.83	27,080,523.74
Total Liabilities	4,768,098,023.80	4,789,363,071.16
Shareholders' Equity:		
Share Capital	3,003,713,230.00	2,997,621,930.00
Other Equity Instruments		
Including: Preferred Stocks		
Perpetual Bonds		
Capital Reserves	1,867,489,901.04	1,497,801,068.88
Less: Treasury Share	1,057,584,258.31	807,733,586.00
Other Comprehensive Incomes		
Special Reserves		
Surplus Reserves	1,553,691,005.92	1,246,369,430.91
Undistributed Profits	10,397,488,836.58	7,930,928,526.31
Total Shareholders' Equity	15,764,798,715.23	12,864,987,370.10
Total Liabilities and Shareholders' Equity	20,532,896,739.03	17,654,350,441.26

### 3. Consolidated Income Statement

Unit: RMB

Item Name	The Year Of 2019	The Year Of 2018
I. Total Operating Revenue	26,149,430,652.42	23,665,688,106.22
Including: Operating Revenue	26,149,430,652.42	23,665,688,106.22
Interest Income		
Earned Premiums		

Service Charge and Commission Income		
II. Total Operating Cost	22,996,746,203.46	21,222,616,479.48
Including: Operating Cost	15,396,193,940.44	14,871,181,066.69
Interest Expenditures		
Service Charge and Commission Expenses		
Surrender Value		
Net Claims Paid		
Net Amount of Withdrawn Reserve for Insurance Liability Contract		
Policyholder Dividend Expense		
Reinsurance Cost		
Taxes and Surcharges	182,582,118.36	192,381,330.58
Sales Expenses	3,952,947,275.82	3,365,380,947.78
Administration expenses	740,880,944.67	632,968,594.64
Research and development expense	2,794,219,504.28	2,283,872,502.53
Financial Expenses	-70,077,580.11	-123,167,962.74
Including: interest expenses	133,656,681.06	114,335,785.04
Interest Income	197,576,570.81	113,966,942.24
Add: Other income	927,125,385.10	733,874,699.13
Investment Income (Mark "-" for Loss)	-95,569,041.41	-79,293,077.01
Including: Investment Income from Affiliates and Joint Ventures	-115,707,007.32	-36,049,906.26
Profits from recognition Termination of Financial Assets at Amortized Cost		
Exchange Gains (Mark "-" for Losses)		
Profit of Net Exposure Hedging (Mark "-" for Loss)		

Incomes from changes in fair value (losses marked with "-")	41,855,239.60	-38,602,602.30
Credit Impairment Losses (Mark "-" for Loss)	-418,876,180.92	
Asset Impairment Losses (Mark "-" for Loss)	-111,174,681.00	-358,998,190.96
Asset Disposal Income (Mark "-" for Loss)	835,214.24	17,535.97
III. Operating Profit (Mark "-" for Loss)	3,496,880,384.57	2,700,069,991.57
Add: Non-operating Revenues	11,479,262.60	77,197,481.30
Less: Non-operating Expenses	9,796,489.66	4,112,201.74
IV. Total Profit (Mark "-" for Total Loss)	3,498,563,157.51	2,773,155,271.13
Less: Income Tax Expense	337,704,672.97	178,562,590.79
V. Net Profit (Mark "-" for Net Loss)	3,160,858,484.54	2,594,592,680.34
i. Classified by operation continuity		
1. Net Profit as a Going Concern (Mark "-" for Net Loss)	3,160,858,484.54	2,594,592,680.34
2. Net Profit of Discontinued Operation (Mark "-" for Net Loss)		
ii. Classified by the attribution of ownership		
1. Net Profit Attributable to the Parent Company's Owner	3,188,144,692.55	2,529,426,468.61
2. Minority Shareholders' Profit and Loss	-27,286,208.01	65,166,211.73
VI. Net Amount of Other Comprehensive Incomes after Tax	1,971,193.29	3,676,975.37
Net Amount of Other Comprehensive Incomes after Tax Attributable to the Parent Company's Owner	1,971,111.82	3,676,975.37
(1) Other comprehensive income that cannot be reclassified as P/L		
1. Re-measure the variation of the defined benefit plan		
2. Other comprehensive income that cannot be transferred to P/L under the equity method		

3. Changes in the fair value of investment in other equity instruments		
4. Changes in the fair value of the credit risk of the enterprise		
5. Others		
(2) Other comprehensive income that will be reclassified as P/L	1,971,111.82	3,676,975.37
1. Other comprehensive income that can be transferred to P/L under the equity method		
2. Changes in the fair value of investment in other creditor's rights		
3. Profit or Loss Arising from Changes in the Fair Value of Financial Assets Available for Sale		
4. Financial assets reclassified into other comprehensive income		
5. Profit or Loss Arising from Redesignating Investments Held to Maturity as Financial Assets Available for Sale		
6. Provisions for the credit impairment of investment in other creditor's rights		
7. Cash flow hedge reserves		
8. Currency Translation Difference	1,971,111.82	3,676,975.37
9. Others		
Net Amount of Other Comprehensive Incomes After Tax Attributable to Minority Shareholders	81.47	
VII. Total Comprehensive Income	3,162,829,677.83	2,598,269,655.71
Total Comprehensive Income Attributable to the Parent Company's Owner	3,190,115,804.37	2,533,103,443.98



Total Comprehensive Income Attributable to Minority Shareholders	-27,286,126.54	65,166,211.73
VIII. Earnings per Share:		
(I) Basic Earnings per Share	1.10	0.87
(II) Diluted Earnings per Share	1.10	0.87

In the case of enterprise consolidation under the same control during this period, the net profit realized by consolidated party before consolidation is: RMB. The net profit realized by the consolidated party during previous period is: RMB.

Legal representative: Fu Lique      Person in charge of accounting: Wei Meizhong      Person in charge of the accounting institution: Xu Qiaofen

#### 4. Income Statement of the Parent Company

Unit: RMB

Item Name	The Year Of 2019	The Year Of 2018
I. Operating Revenue	8,482,060,132.96	8,333,563,115.08
Less: Operating Cost	1,200,706,524.01	1,762,464,907.26
Taxes and Surcharges	121,881,528.62	114,691,360.49
Sales Expenses	1,826,394,447.02	1,826,106,099.37
Administration expenses	389,756,057.22	332,931,605.32
Research and development expense	2,306,679,313.62	2,000,658,797.75
Financial Expenses	24,933,907.79	29,935,660.08
Including: interest expenses	83,078,555.46	41,278,053.23
Interest Income	62,880,482.42	15,006,188.38
Add: Other income	799,333,571.65	676,054,269.34
Investment Income (Mark "-" for Loss)	-99,305,651.23	-35,043,814.25
Including: Investment Income from Affiliates and Joint Ventures	-115,786,382.36	-37,135,560.20
Profits from Derecognition of Financial Assets at Amortized Cost (Mark "-" for Loss)		
Profit of Net Exposure Hedging (Mark "-" for Loss)		
Incomes from changes in fair value (losses marked with "-")	1,703,118.82	

Credit Impairment Losses (Mark "-" for Loss)	-22,993,302.46	
Asset Impairment Losses (Mark "-" for Loss)	1,019,151.05	-16,183,524.43
Asset Disposal Income (Mark "-" for Loss)	647,551.91	8,194.76
II. Operating Profit (Mark "-" for Loss)	3,292,112,794.42	2,891,609,810.23
Add: Non-operating Revenues	4,342,038.03	7,089,018.48
Less: Non-operating Expenses	1,506,697.13	820,867.93
III. Total Profit (Mark "-" for Total Loss)	3,294,948,135.32	2,897,877,960.78
Less: Income Tax Expense	216,330,316.67	149,656,335.29
IV. Net Profit (Mark "-" for Net Loss)	3,078,617,818.65	2,748,221,625.49
(I) Net Profit as a Going Concern (Mark "-" for Net Loss)	3,078,617,818.65	2,748,221,625.49
(II) Net Profit of Discontinued Operation (Mark "-" for Net Loss)		
V. Net Amount of Other Comprehensive Incomes After Tax		
(1) Other comprehensive income that cannot be reclassified as P/L		
1. Re-measure the variation of the defined benefit plan		
2. Other comprehensive income that cannot be transferred to P/L under the equity method		
3. Changes in the fair value of investment in other equity instruments		
4. Changes in the fair value of the credit risk of the enterprise		
5. Others		
(2) Other comprehensive income that will be reclassified as P/L		

1. Other comprehensive income that can be transferred to P/L under the equity method		
2. Changes in the fair value of investment in other creditor's rights		
3. Profit or Loss Arising from Changes in the Fair Value of Financial Assets Available for Sale		
4. Financial assets reclassified into other comprehensive income		
5. Profit or Loss Arising from Redesignating Investments Held to Maturity as Financial Assets Available for Sale		
6. Provisions for the credit impairment of investment in other creditor's rights		
7. Cash flow hedge reserves		
8. Currency Translation Difference		
9. Others		
VI. Total Comprehensive Income	3,078,617,818.65	2,748,221,625.49
VII. Earnings per Share:		
(I) Basic Earnings per Share	1.06	0.95
(II) Diluted Earnings per Share	1.06	0.94

## 5. Consolidated Cash Flow Statement

Unit: RMB

Item Name	The Year Of 2019	The Year Of 2018
I. Cash Flow Generated by Operational Activities:		
Cash from Sales of Merchandise and Provision of Services	24,987,844,514.59	21,710,486,123.09
Net Increase in Customer's Bank Deposits and Interbank Deposits		

Net Increase in Borrowings from the Central Bank		
Net Increase in Borrowings from Other Financial Institutions		
Cash Arising from Receiving Premiums for the Original Insurance Contract		
Net Amount Arising from Reinsurance Business		
Net Increase in Deposits and Investments from Policyholders		
Cash Arising from Interests, Service Charges and Commissions		
Net Increase in Borrowings from Banks and Other Financial Institutions		
Net Increase in Repurchase Business Funds		
Net Amount of Cash Received from the Vicariously Traded Securities		
Tax Refund	1,765,101,617.55	1,613,409,298.19
Other Received Cashes Related to Operational Activities	536,826,402.85	324,234,716.30
Subtotal of cash inflow from operational activities	27,289,772,534.99	23,648,130,137.58
Cash Paid for Merchandise and Services	16,791,787,238.65	14,872,235,902.05
Net Increase in Loans and Advances to Customers		
Net Increase in Deposits with Central Bank and Other Financial Institutions		
Cash Paid for Original Insurance Contract Claims		
Net increase of funds lent		
Cash Paid for Interests, Service Charges and Commissions		
Cash Paid for Policy Dividends		
Cash Paid to and for Employees	4,669,876,392.04	4,224,457,856.42
Cash Paid for Taxes and Surcharges	1,724,636,831.64	1,631,045,797.74

Other Paid Cashes Related to Operational Activities	2,502,867,784.96	1,965,074,603.20
Subtotal of cash outflow from operational activities	25,689,168,247.29	22,692,814,159.41
Net cash flow generated by operating activities	1,600,604,287.70	955,315,978.17
II. Cash Flow from Investment Activities:		
Cash Arising from Disposal of Investments	3,500,251,299.97	154,883,001.58
Cash Arising from Investment Incomes	11,205,093.27	1,005,008.70
Net Cash Arising from Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets	5,958,809.09	6,708,368.55
Net Cash Arising from Disposal of Subsidiaries and Other Business Units		
Other Received Cashes Related to Investment Activities	26,306,832.09	7,546,323.87
Subtotal of cash inflow from investment activities	3,543,722,034.42	170,142,702.70
Cash Paid for Purchase and Construction of Fixed Assets, Intangible Assets and Other Long-term Assets	531,097,534.64	552,121,341.01
Cash Paid for Investments	3,825,759,977.62	144,300,000.00
Net Increase in Pledge Loans		
Net Cash Paid for Acquisition of Subsidiaries and Other Business Units		80,777,002.35
Other Paid Cashes Related to Investment Activities	26,659,828.19	139,588,395.84
Subtotal of cash outflow from investment activities	4,383,517,340.45	916,786,739.20
Net amount of cash flow generated by investment activities	-839,795,306.03	-746,644,036.50
III. Cash Flow from Financing Activities:		
Cash Arising from Absorbing Investments	165,554,375.00	902,573,370.84

Including: Cash Arising from Subsidiaries Absorbing Investments by Minority Shareholders	74,436,250.00	94,839,784.84
Cash Arising from Borrowings	5,043,403,113.41	6,623,290,520.36
Other Received Cashes Related to Financing Activities	1,240,932,000.00	1,274,934,480.00
Subtotal of cash inflow from financing activities	6,449,889,488.41	8,800,798,371.20
Cash Paid for Debts Repayment	6,505,580,678.17	6,579,048,362.00
Cash Paid for Distribution of Dividends and Profits or Payment of Interests	402,855,499.39	693,036,283.98
Including: Dividends and Profits Paid to Minority Shareholders by Subsidiaries		
Other Paid Cashes Related to Financing Activities	1,315,329,709.65	1,152,202,000.00
Subtotal of cash outflow from financing activities	8,223,765,887.21	8,424,286,645.98
Net cash flow generated by financing activities	-1,773,876,398.80	376,511,725.22
IV. Impact of Fluctuation in Exchange Rate on Cash and Cash Equivalents	44,969,590.00	54,421,142.77
V. Net Increase in Cash and Cash Equivalents	-968,097,827.13	639,604,809.66
Add: Cash and Cash Equivalents at the Commencement of the Period	3,702,283,803.54	3,062,678,993.88
VI. Cash and Cash Equivalents at the End of the Period	2,734,185,976.41	3,702,283,803.54

## 6. Cash Flow Statement of the Parent Company

Unit: RMB

Item Name	The Year Of 2019	The Year Of 2018
I. Cash Flow Generated by Operational Activities:		

Cash from Sales of Merchandise and Provision of Services	5,327,099,927.44	9,535,966,439.28
Tax Refund	722,774,549.21	625,791,603.06
Other Received Cashes Related to Operational Activities	151,622,737.84	80,259,840.35
Subtotal of cash inflow from operational activities	6,201,497,214.49	10,242,017,882.69
Cash Paid for Merchandise and Services	586,206,758.70	1,600,482,018.59
Cash Paid to and for Employees	2,827,880,887.48	2,621,021,358.25
Cash Paid for Taxes and Surcharges	1,203,721,482.08	1,136,429,938.25
Other Paid Cashes Related to Operational Activities	1,208,505,156.52	1,148,233,582.00
Subtotal of cash outflow from operational activities	5,826,314,284.78	6,506,166,897.09
Net cash flow generated by operating activities	375,182,929.71	3,735,850,985.60
II. Cash Flow from Investment Activities:		
Cash Arising from Disposal of Investments	3,500,300,000.00	108,330,167.33
Cash Arising from Investment Incomes	11,205,093.27	1,005,008.70
Net Cash Arising from Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets	17,794,823.64	66,931,904.09
Net Cash Arising from Disposal of Subsidiaries and Other Business Units		
Other Received Cashes Related to Investment Activities	7,155,384.02	3,559,123.87
Subtotal of cash inflow from investment activities	3,536,455,300.93	179,826,203.99

Cash Paid for Purchase and Construction of Fixed Assets, Intangible Assets and Other Long-term Assets	197,970,380.43	141,168,885.59
Cash Paid for Investments	4,031,514,450.00	484,916,250.00
Net Cash Paid for Acquisition of Subsidiaries and Other Business Units		
Other Paid Cashes Related to Investment Activities		
Subtotal of cash outflow from investment activities	4,229,484,830.43	626,085,135.59
Net amount of cash flow generated by investment activities	-693,029,529.50	-446,258,931.60
III. Cash Flow from Financing Activities:		
Cash Arising from Absorbing Investments	91,118,125.00	807,733,586.00
Cash Arising from Borrowings	1,963,462,853.53	2,958,285,400.61
Other Received Cashes Related to Financing Activities	4,583,054,336.88	238,356,205.21
Subtotal of cash inflow from financing activities	6,637,635,315.41	4,004,375,191.82
Cash Paid for Debts Repayment	2,943,462,853.53	2,278,285,400.61
Cash Paid for Distribution of Dividends and Profits or Payment of Interests	375,050,392.54	619,291,774.55
Other Paid Cashes Related to Financing Activities	2,742,610,010.63	4,317,544,339.28
Subtotal of cash outflow from financing activities	6,061,123,256.70	7,215,121,514.44
Net cash flow generated by financing activities	576,512,058.71	-3,210,746,322.62
IV. Impact of Fluctuation in Exchange Rate on Cash and Cash Equivalents	-1,354,369.20	-86,334.64
V. Net Increase in Cash and Cash Equivalents	257,311,089.72	78,759,396.74



Add: Cash and Cash Equivalents at the Commencement of the Period	603,430,209.42	524,670,812.68
VI. Cash and Cash Equivalents at the End of the Period	860,741,299.14	603,430,209.42

## 7. Consolidated Statement of Changes in Owners' Equity

Amount of this period

Unit: RMB

Item Name	The Year Of 2019														
	Shareholders' Equity Attributable to the Parent Company's Owner													Minority Shareholders' Equity	Total Shareholders' Equity
	Share Capital	Other Equity Instruments			Capital Reserves	Less: Treasury Shares	Other Comprehensive Incomes	Special Reserves	Surplus Reserves	General Risk Reserves	Undistributed Profits	Others	Subtotal		
	Preferred Stocks	Perpetual Bonds	Others												
I. Balance at the End of Last Year	2,997,621,930.00				1,501,180,862.83	807,733,586.00	10,337,164.41		1,246,369,430.91		7,670,983,116.33		12,618,758,918.48	284,506,754.95	12,903,265,673.43
Add: Changes in Accounting Policies									-540,206.86		-4,861,861.70		-5,402,068.56		-5,402,068.56
Correction of Errors in the Previous Period															

Consolidated under the Same Control															
Others															
II. Balance at the Start of This Year	2,997,621,930.00				1,501,180,862.83	807,733,586.00	10,337,164.41		1,245,829,224.05		7,666,121,254.63		12,613,356,849.92	284,506,754.95	12,897,863,604.87
III. Increases or Decreases in This Period (Mark "-" for Decreases)	6,091,300.00				381,674,256.70	249,850,672.31	1,971,111.82		307,861,781.87		2,581,902,399.91		3,029,650,177.99	48,653,928.80	3,078,304,106.79
(I) Total Comprehensive Income							1,971,111.82				3,188,144,692.55		3,190,115,804.37	-27,286,126.54	3,162,829,677.83
(II) Shareholders' Contribution and Reduction in Capital	6,091,300.00				311,103,528.74	249,850,672.31							67,344,156.43	74,436,250.00	141,780,406.43
1. Common stock invested by the owner	6,091,300.00				49,690,015.79	249,850,672.31							-194,069,356.52	74,436,250.00	-119,633,106.52

2. Capital Invested by Holders of Other Equity Instruments														
3. Amount of Share-based Payments Recorded into Shareholders' Equity					261,413,512.95							261,413,512.95		261,413,512.95
4. Others														
(III) Profit Distribution								307,861,781.87		-607,195,646.68		-299,333,864.81		-299,333,864.81
1. Appropriation of Surplus Reserves								307,861,781.87		-307,861,781.87				
2. Appropriation of General Risk Reserves														
3. Distribution to Owners (or Shareholders)										-299,333,864.81		-299,333,864.81		-299,333,864.81
4. Others														

(IV) Internal Carry-forward of Shareholders' Equity														
1. Capital Reserves Transferred into Capital (or Share Capital)														
2. Surplus Reserves Transferred into Capital (or Share Capital)														
3. Surplus Reserves Covering Losses														
4. Carry-forward retained earnings of the variation of the defined benefit plan														

5. Other Carry-forward Retained Earnings of the Comprehensive Income														
6. Others														
(V) Special Reserves														
1. Withdrawal in this period														
2. Used in This Period														
(VI) Others				70,570,727.96					953,354.04		71,524,082.00	1,503,805.34		73,027,887.34
IV. Balance at the End of This Period	3,003,713,230.00			1,882,855,119.53	1,057,584,258.31	12,308,276.23	1,553,691,005.92		10,248,023,654.54		15,643,007,027.91	333,160,683.75		15,976,167,711.66

Amount of Previous Period

Unit: RMB

Item Name	The Year of 2018
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	Shareholders' Equity Attributable to the Parent Company's Owner												Minority Shareholders' Equity	Total Shareholders' Equity	
	Share Capital	Other Equity Instruments			Capital Reserves	Less: Treasury Shares	Other Comprehensive Incomes	Special Reserves	Surplus Reserves	General Risk Reserves	Undistributed Profits	Others			Subtotal
		Preferred Stocks	Perpetual Bonds	Others											
I. Balance at the End of Last Year	2,898,756,130.00				593,340,751.52		6,660,189.04		971,547,268.36		5,996,130,036.27		10,466,434,375.19	126,795,637.30	10,593,230,012.49
Add: Changes in Accounting Policies															
Correction of Errors in the Previous Period															
Consolidated under the Same Control															
Others															
II. Balance at the Start of This Year	2,898,756,130.00				593,340,751.52		6,660,189.04		971,547,268.36		5,996,130,036.27		10,466,434,375.19	126,795,637.30	10,593,230,012.49

III. Increases or Decreases in This Period (Mark "-" for Decreases)	98,865,800.00				907,840,111.31	807,733,586.00	3,676,975.37		274,822,162.55		1,674,853,080.06		2,152,324,543.29	157,711,117.65	2,310,035,660.94
(I) Total Comprehensive Income							3,676,975.37				2,529,426,468.61		2,533,103,443.98	65,166,211.73	2,598,269,655.71
(II) Shareholders' Contribution and Reduction in Capital	98,865,800.00				740,312,759.88	807,733,586.00							31,444,973.88	92,479,784.84	123,924,758.72
1. Common stock invested by the owner	98,865,800.00				708,867,786.00	807,733,586.00								92,479,784.84	92,479,784.84
2. Capital Invested by Holders of Other Equity Instruments															
3. Amount of Share-based Payments Recorded into Shareholders' Equity					31,444,973.88								31,444,973.88		31,444,973.88
4. Others															
(III) Profit Distribution									274,822,162.55		-854,573,388.55		-579,751,226.00		-579,751,226.00



1. Appropriation of Surplus Reserves									274,822,162.55										-274,822,162.55					
2. Appropriation of General Risk Reserves																								
3. Distribution to Owners (or Shareholders)																				-579,751,226.00				-579,751,226.00
4. Others																								
(IV) Internal Carry-forward of Shareholders' Equity																								
1. Capital Reserves Transferred into Capital (or Share Capital)																								
2. Surplus Reserves Transferred into Capital (or Share Capital)																								
3. Surplus Reserves Covering Losses																								

4. Carry-forward retained earnings of the variation of the defined benefit plan																	
5. Other Carry-forward Retained Earnings of the Comprehensive Income																	
6. Others																	
(V) Special Reserves																	
1. Withdrawal in this period																	
2. Used in This Period																	
(VI) Others					167,527,351.43								167,527,351.43	65,121.08		167,592,472.51	
IV. Balance at the End of This Period	2,997,621,930.00				1,501,180,862.83	807,733,586.00	10,337,164.41		1,246,369,430.91		7,670,983,116.33		12,618,758,918.48	284,506,754.95		12,903,265,673.43	

## 8. Statement of Changes in Owners' Equity of the Parent Company

Amount of this period

Unit: RMB

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Item Name	The Year Of 2019											
	Share Capital	Other Equity Instruments			Capital Reserves	Less: Treasury Share	Other Comprehensive Incomes	Special Reserves	Surplus Reserves	Undistributed Profits	Others	Total Shareholders' Equity
		Preferred Stocks	Perpetual Bonds	Others								
I. Balance at the End of Last Year	2,997,621,930.00				1,497,801,068.88	807,733,586.00			1,246,369,430.91	7,930,928,526.31		12,864,987,370.10
Add: Changes in Accounting Policies									-540,206.86	-4,861,861.70		-5,402,068.56
Correction of Errors in the Previous Period												
Others												
II. Balance at the Start of This Year	2,997,621,930.00				1,497,801,068.88	807,733,586.00			1,245,829,224.05	7,926,066,664.61		12,859,585,301.54
III. Increases or Decreases in This Period (Mark "-" for Decreases)	6,091,300.00				369,688,832.16	249,850,672.31			307,861,781.87	2,471,422,171.97		2,905,213,413.69
(I) Total Comprehensive Income										3,078,617,818.65		3,078,617,818.65
(II) Shareholders' Contribution and Reduction in Capital	6,091,300.00				299,118,104.20	249,850,672.31						55,358,731.89

1. Common stock invested by the owner	6,091,300.00				49,690,015.79	249,850,672.31						-194,069,356.52
2. Capital Invested by Holders of Other Equity Instruments												
3. Amount of Share-based Payments Recorded into Shareholders' Equity					249,428,088.41							249,428,088.41
4. Others												
(III) Profit Distribution									307,861,781.87	-607,195,646.68		-299,333,864.81
1. Appropriation of Surplus Reserves									307,861,781.87	-307,861,781.87		
2. Distribution to Owners (or Shareholders)										-299,333,864.81		-299,333,864.81
3. Others												
(IV) Internal Carry-forward of Shareholders' Equity												

1. Capital Reserves Transferred into Capital (or Share Capital)												
2. Surplus Reserves Transferred into Capital (or Share Capital)												
3. Surplus Reserves Covering Losses												
4. Carry-forward retained earnings of the variation of the defined benefit plan												
5. Other Carry-forward Retained Earnings of the Comprehensive Income												
6. Others												
(V) Special Reserves												
1. Withdrawal in this period												

2. Used in This Period												
(VI) Others					70,570,727.96							70,570,727.96
IV. Balance at the End of This Period	3,003,713,230.00				1,867,489,901.04	1,057,584,258.31			1,553,691,005.92	10,397,488,836.58		15,764,798,715.23

Amount of Previous Period

Unit: RMB

Item Name	The Year of 2018											
	Share Capital	Other Equity Instruments			Capital Reserves	Less: Treasury Shares	Other Comprehensive Income	Special Reserves	Surplus Reserves	Undistributed Profits	Others	Total Shareholders' Equity
		Preferred Stocks	Perpetual Bonds	Others								
I. Balance at the End of Last Year	2,898,756,130.00				589,895,836.49				971,547,268.36	6,037,280,289.37		10,497,479,524.22
Add: Changes in Accounting Policies												
Correction of Errors in the Previous Period												

Others											
II. Balance at the Start of This Year	2,898,756,130.00				589,895,836.49				971,547,268.36	6,037,280,289.37	10,497,479,524.22
III. Increases or Decreases in This Period (Mark "-" for Decreases)	98,865,800.00				907,905,232.39	807,733,586.00			274,822,162.55	1,893,648,236.94	2,367,507,845.88
(I) Total Comprehensive Income										2,748,221,625.49	2,748,221,625.49
(II) Shareholders' Contribution and Reduction in Capital	98,865,800.00				740,312,759.88	807,733,586.00					31,444,973.88
1. Common stock invested by the owner	98,865,800.00				708,867,786.00	807,733,586.00					
2. Capital Invested by Holders of Other Equity Instruments											

3. Amount of Share-based Payments Recorded into Shareholders' Equity					31,444,973.88							31,444,973.88
4. Others												
(III) Profit Distribution									274,822,162.55	-854,573,388.55		-579,751,226.00
1. Appropriation of Surplus Reserves									274,822,162.55	-274,822,162.55		
2. Distribution to Owners (or Shareholders)										-579,751,226.00		-579,751,226.00
3. Others												
(IV) Internal Carry-forward of Shareholders' Equity												
1. Capital Reserves Transferred into Capital (or Share Capital)												



2. Surplus Reserves Transferred into Capital (or Share Capital)												
3. Surplus Reserves Covering Losses												
4. Carry-forward retained earnings of the variation of the defined benefit plan												
5. Other Carry-forward Retained Earnings of the Comprehensive Income												
6. Others												
(V) Special Reserves												
1. Withdrawal in this period												

2. Used in This Period												
(VI) Others					167,592,472.51							167,592,472.51
IV. Balance at the End of This Period	2,997,621,930.00				1,497,801,068.88	807,733,586.00			1,246,369,430.91	7,930,928,526.31		12,864,987,370.10

### III. Basic Information about the Company

Zhejiang Dahua Technology Co., Ltd. (hereinafter referred to as "Company" or "the Company") was incorporated under the official approval document No. 18 [2002] issued by Zhejiang Provincial People's Government Work Leading Group for Enterprise Listing in June 2002, a company established on the basis of overall change of the former Hangzhou Dahua Information Technology Co., Ltd. co-founded by five natural persons, Fu Liquan, Chen Ailing, Zhu Jiangming, Liu Yunzhen and Chen Jianfeng.

On April 22, 2008, the Company issued 16.8 million shares of common stock in RMB to the general public for the first time under the approval document No. 573 [2008] Securities Regulatory Issuance, issued by China Securities Regulatory Commission ("CSRC"). It was listed on Shenzhen Stock Exchange on May 20, 2008 with a registered capital of RMB 66.8 million and the change registration filed with Administration for Industry and Commerce was completed on May 23, 2008. The Company's unified social credit code is 91330000727215176K. The Company falls within the security video surveillance industry.

As of December 31, 2019, the Company has issued a total of 3,003,713,230 shares, with a registered capital of RMB 3,003,713,230.00. The registered address is No.1187, Bin'an Road, Binjiang District, Hangzhou, and the headquarters address is No.1199, Bin'an Road, Binjiang District, Hangzhou. The Company's main operation activities include the development, services & sales of computer software, the design, development, production, installation & sales of electronic products and communication products, the development, system integration & sales of network products, the design & installation of electronic engineering products, information technology consulting service, import & export businesses. (refer to the "Importer and Exporter Qualification" for the details of the scope). (For items subject to approval according to law, business activities can only be carried out after approval by relevant departments)

The actual controllers of the Company are Fu Liquan and Chen Ailing.

This financial statement has been approved by Board of Directors on April 2, 2020.

For details of the scope of the consolidated financial statement for the current period, refer to Notes IX "Equity in Other Entities", and for details of the changes in the scope of the consolidated financial statement for the current period, refer to Notes VIII "Changes in the Scope of Consolidation".

### IV. Basis for Preparing the Financial Statement

#### 1. Basis for the preparation

The Company prepares the financial statement, as a going concern, based on transactions and matters that have actually occurred, in accordance with Accounting Standards for Business Enterprises - Basic Standards issued by the Ministry of Finance and all specific accounting standards, application guidelines for accounting standards for business enterprises, explanations on the accounting standards for business enterprises and other related regulations (hereinafter referred to as "Accounting Standards for Business Enterprises" collectively), and the disclosure provisions in the Preparation Rules for Information Disclosures by Companies Offering Securities to the Public No. 15 - General Provisions on Financial Reports issued by CSRC.

#### 2. Going concern

The Company has the capability to continue as a going concern for at least 12 months as of the end of current reporting period, without any significant item affecting the capability for continuing as a going concern.

## V. Significant Accounting Policies and Accounting Estimates

Notes to specific accounting policies and accounting estimates:

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

### 1. Statement on compliance with Accounting Standards for Business Enterprises

This financial statement is in compliance with the requirements in the Accounting Standards for Business Enterprises promulgated by the Ministry of Finance and presents truly and completely the financial position of the merged companies and the parent company as at December 31, 2019 and the operating results and cash flows of the merger and the parent company in 2019.

### 2. Accounting period

The accounting period of the Company is from 1 January to 31 December of each calendar year.

### 3. Operating cycle

The Company's operating cycle is 12 months.

### 4. Functional currency

For the domestic operating entities of the Company and its overseas operating entity Dahua Technology (HK) Limited, the reporting currency is Renminbi ("RMB"). The remaining offshore operating entities use the local currency as the reporting currency.

### 5. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control

**Business combination under common control:** The assets and liabilities acquired by the merging party in business combination shall be measured at the book value of the assets, liabilities of the merged party (including goodwill incurred in the acquisition of the merged party by ultimate controlling party) in the consolidated financial statements of the ultimate controlling party on the date of combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or total nominal value of the issued shares) is adjusted to capital premium in capital reserve. Adjustments shall be made to retained earnings in the event that the share premiums in the capital reserves are not sufficient for write-down.

**Business combinations involving entities not under common control:** The assets paid and liabilities incurred or committed as a consideration of business combination by the merging party were measured at fair value on the date of acquisition and the difference between the fair value and its book value shall be charged to the profit or loss for the period. Where the cost of combination is higher than the fair value of the identifiable net assets acquired from the merging party in business combination, such difference shall be recognized as goodwill; where the cost of combination is less than the fair value of the identifiable net assets acquired from the merging party in business combination, such difference shall be charged to the profit or loss for the period.

The fees which are directly related to the business combination shall be recognized as the profit or loss in the period

when the costs are incurred; the transaction expenses of issuing equity securities or debt securities for business merger shall be initially capitalized for equity securities or debt securities.

## 6. Preparation method of consolidated financial statements

### (1) Scope of Consolidation

The scope of consolidation of the consolidated financial statements is based on controlling interests and includes the Company and all the subsidiaries.

### (2) Procedures of Consolidation

The consolidated financial statements are prepared by the Company based on the financial statements of the Company and its subsidiaries and in accordance with the other relevant information. In preparation of the Company's consolidated financial statements, the Company will treat the enterprise group as a single accounting entity. The Group's overall financial position, operating results and cash flow are reflected based on the relevant accounting standards, measurement and presentation requirements and in accordance with the unified accounting policy.

The subsidiaries that are within the scope of the consolidation shall have the same accounting policies and the accounting periods with those of the Company. In preparing the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Company and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company. For subsidiaries acquired from a business combination involving entities not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets on the date of acquisition. For subsidiaries acquired from a business combination involving entities under common control, the individual financial statements of the subsidiaries are adjusted based on the carrying value of the assets, liabilities of the acquiree (including goodwill incurred in the acquisition of the acquiree by ultimate controlling party) in the financial statements of the ultimate controlling party.

The owner's equity, the net profit or loss and the comprehensive income attributable to minority shareholders of a subsidiary of the current period are presented separately under the owners' equity in the consolidated balance sheet, the net profit and the total comprehensive income in the consolidated income statement respectively. Where losses attributable to the minority shareholders of a subsidiary of the current period exceed the minority shareholders' interest entitled in the shareholders' equity of the subsidiary at the beginning of the period, the excess is allocated against the minority shareholders interest.

#### ① Acquisition of Subsidiaries or Business

For acquisition of subsidiaries or business due to business combination involving entities under common control during the reporting period, the opening balance of the consolidated balance sheet shall be adjusted; the revenue, expense and profit of such subsidiaries or business from the beginning to the end of the reporting period when the merger occurs are included in the consolidated income statement; the cash flows of such subsidiaries or business from the beginning to the end of the reporting period when the merger occurs are included in the consolidated cash flow statement, and the comparative figures of the financial statements should be adjusted simultaneously as if the consolidated reporting entity has been in existence since the beginning of the control by the ultimate controlling party.

An investor that may impose control over the investee under joint control due to additional investment shall be deemed a party participating in the combination, and shall be adjusted at current status when the ultimate controlling party begins the control. The equity investment held before gaining the control of the combined party is recognized as relevant profit or loss, other comprehensive income and changes in other net assets at the later of the date of acquisition of the original equity and the date when the combining and the combined parties are under joint control, and shall be written down to the opening balance retained earnings or current profit or loss in the comparative reporting period.

For acquisition of subsidiaries due to business combination involving entities not under common control during the reporting period, the opening balance of consolidated balance sheet needs not be adjusted; the revenue, expense and profit of such subsidiaries or business from the date of acquisition to the end of the reporting period are included in the consolidated income statement; the cash flows of such subsidiaries or business from the date of acquisition to the end of the reporting period are included in the consolidated cash flow statement.

In connection with imposing control over the investee not under joint control due to additional investment and other reasons, the equity of acquiree held before acquisition date shall be remeasured by the Company at the fair value of such equity on the acquisition date and the difference between fair value and carrying amount shall be recognized as investment income in current period. If the acquiree's equity held before the acquiring date contains other comprehensive income and the other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions under the equity method, the related other comprehensive income and changes in other owner's equity shall be transferred to investment gains or losses on the date of acquisition, excluding the other comprehensive income derived from changes of net liabilities or net assets due to re-measurement on defined benefit plan by the investee.

## ② Disposal of Subsidiaries or Business

### a. General Treatment

For disposal of subsidiaries or business during the reporting period, the revenue, expense and profit of such subsidiaries or business from the beginning of the period to the date of disposal are included in the consolidated income statement; the cash flows of such subsidiaries or business from the beginning of the period to the date of disposal are included in the consolidated cash flow statement.

When losing control of the investee due to partial disposal of the equity investment, or any other reasons, the remaining equity investment is remeasured at fair value at the date in which control is lost. The sum of consideration received from disposal of equity investment and the fair value of the remaining equity investment, net of the difference between the sum of the Company's previous share of the subsidiary's net assets recorded from the acquisition date or combination date and the sum of goodwill, is recognized in investment income in the period in which control is lost. Other comprehensive income or net profit and loss related to the previous equity investment in the subsidiary, changes in equity except the other comprehensive income and profit distribution, are transferred to investment income of the current period when losing control, except the other comprehensive income as a result of the changes arising from the remeasurement of the net assets and net liabilities of the investee's defined benefit plan.

In the event of losing control due to a decrease in the proportion of shares held by the Company as the capital increase in subsidiaries by other investors, the accounting treatment shall be conducted in accordance with the above principles.

### b. Disposal of Subsidiary Achieved by Stages

When disposal of equity interests of subsidiaries through multiple transaction until the control is lost, generally transactions in stages are treatment as a package deal in accounting if the transaction terms, conditions, and economic impact of disposal of the subsidiary's equity interests comply with one or more of the following:

- i. These transactions are achieved at the same time or the mutual effects on each other are considered;
- ii. A complete set of commercial results can be achieved with reference to the series of transactions as a whole;
- iii. Achieving a transaction depends on at least achieving of one of the other transaction;
- iv. One transaction recognized separately is not economical, but it is economical when considered together with other transactions.

When losing control of a subsidiary in disposal of equity interests through multiple transactions is recognized as a package deals, these transactions shall be in accounting treated as loss control of a subsidiary in disposal of equity interests achieved. However, the differences between price on each disposal and disposal of investment on the subsidiary's net assets shall be recognized in other comprehensive income in the consolidated financial statements, and

included in profit or loss for the period when the control is lost.

If all transactions in disposal of equity interests of subsidiaries until losing control are not a package deals, accounting treatment for partial disposal of equity investments of subsidiary without losing control shall be applied before control is lost. When the control is lost, general accounting treatment for disposal of a subsidiary shall be used.

### ③ Acquisition of Minority Interest of Subsidiaries

The Company shall adjust the share premium in the capital reserve of the consolidated balance sheet with respect to any difference between the long-term equity investment arising from the purchase of minority interest and the net assets attributing to the parent company continuously calculated on the basis of the newly increased share proportion as of the acquisition date (or date of combination) or, adjust the retained earnings if the share premium in the capital reserve is insufficient for write-down.

### ④ Partial Disposal of Equity Investment in Subsidiaries without Losing Control

The difference between disposal consideration of long-term equity investment in subsidiaries partially disposed without losing control and the share of net assets calculated from the date of acquisition or combination date shall be adjusted to share premium in the capital reserve in the consolidated balance sheet. Adjustments shall be made to retained earnings in the event that the share premiums in the capital reserves are not sufficient for write-down.

## 7. Recognition criteria of cash and cash equivalents

In preparing the cash flow statement, the cash on hand and deposits that are available for payment at any time of the Company are recognized as cash. The short-term (due within 3 months of the date of purchase) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of value change are recognized as cash equivalents.

## 8. Conversion of transactions and financial statements denominated in foreign currencies

### (1) Foreign currency transactions

Foreign currency transactions shall be translated into RMB at the spot exchange rate on the day when the transactions occurred.

Balance sheet date foreign currency monetary items shall be translated using the spot exchange rate at the balance sheet date. The resulting exchange differences are recognized in profit or loss for the current period, except for those differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency for acquisitions, construction or production of the qualified assets, which should be capitalized as cost of the assets.

### 2. Translation of foreign currency financial statements

All assets and liabilities items in balance sheet are translated based on spot exchange rate on the balance sheet date; owners' equity items other than "undistributed profit" are translated at a spot exchange rate when accrued. Revenue and expense items in the income statement are translated at a spot exchange rate at the transaction occurrence date.

## 9. Financial instruments

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

### (1) Classification of the financial instruments

According to the Company's business model for management of the financial assets and the contractual cash flow features of the financial assets, the financial assets, when initially recognized, are classified as: financial assets at amortized cost, financial assets at fair value through other comprehensive income (debt instruments) and financial assets at fair value through profit or loss.

The business model is designed to collect the contractual cash flow which is only used to pay the principal and the interests based on the outstanding principal amount, and classified as financial assets at amortized cost; the business model is designed to both collect the contractual cash flow and sell the financial assets, and the contractual cash flow is only used to pay the principal and the interests based on the outstanding principal amount, and classified as financial assets at fair value through other comprehensive income (debt instruments); in addition, other financial assets are classified as financial assets at fair value through profit or loss.

For non-trading investments in equity instruments, the Company will determine, at the time of initial recognition, whether to designate them as financial assets at fair value through other comprehensive income (equity instruments). At the time of initial recognition, the financial assets can be designated as financial assets at fair value through profit or loss in order to eliminate or significantly reduce the accounting mismatch.

The financial liabilities, when initially recognized, are classified as: financial liabilities at fair value through profit or loss and financial liabilities at amortized cost.

Financial liabilities which meet one of the following conditions will be, when initially measured, designated as financial liabilities at fair value through profit or loss:

- ① Such designation may be able to eliminate or significantly reduce the accounting mismatch.
- ② The portfolio of financial liabilities or the portfolio of financial assets and financial liabilities shall be subject to management and performance evaluation on the basis of fair value according to the enterprise risk management or investment strategy contained in the formal documentations, and a report shall be made to the key management personnel within the enterprise on this basis.
- ③ Such financial liabilities shall contain embedded derivatives to be split separately.

Subject to the conditions above, the Company has no such designated financial liabilities.

## (2) Recognition and measurement of financial instruments

### ① Financial assets at amortized cost

Financial assets at amortized cost include notes receivable, accounts receivable, other receivables, long-term receivables and creditors investment, which shall be initially measured at fair value, and the relevant transaction expenses should be initially capitalized; The accounts receivable that do not contain material financing compositions and those for which the Company decides to not take into account the financing compositions of no more than one year shall be initially measured at the contract transaction price.

The interest calculated by effective interest method during the holding period is recorded into the current profit and loss. At the time of recovery or disposal, the difference between the price obtained and the book value shall be included in the current profit or loss.

### ② Financial assets measured at fair value and its changes are included in other comprehensive income (debt instruments)

Financial assets measured at fair value and its changes are included in other comprehensive income (debt instruments) include receivables financing and investments in other creditor's rights. They are initially measured at fair value, and the relevant transaction expenses should be initially capitalized. These financial assets are subsequently measured at fair value, and the change in fair value, other than the interest, the impairment loss or profit and the profit or loss on foreign exchange, shall be included in other comprehensive income.

Upon derecognition, the cumulative profits or losses previously included in other comprehensive income shall be removed from other comprehensive income and included in the profit or loss for the period.

### ③ Financial assets at fair value through other comprehensive income (equity instruments)

Financial assets at fair value through other comprehensive income (equity instruments) include investment in other equity instruments. They are initially measured at fair value, and the transaction expenses shall be initially capitalized. These financial assets are subsequently measured at fair value, and the change in fair value shall be included in other



comprehensive income. The dividends obtained shall be included in the profit or loss for the period.

Upon derecognition, the cumulative profits or losses previously included in other comprehensive income shall be removed from other comprehensive income and included in the carry-forward retained earnings.

④ Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include trading financial assets, derivative financial assets and other non-current financial assets. They are initially measured at fair value, and the transaction expenses related to them are included in the profit or loss for the period. These financial assets are subsequently measured at fair value, and the change in fair value shall be included in the profit or loss for the period.

⑤ Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include trading financial liabilities and derivative financial liabilities. They are initially measured at fair value, and the transaction expenses related to them are included in the profit or loss for the period. These financial liabilities are subsequently measured at fair value, and the change in fair value shall be included in the profit or loss for the period.

Upon derecognition, the difference between their book value and the consideration paid is included in the profit or loss for the period.

⑥ Financial liabilities at amortized cost

Financial liabilities at amortized cost include short-term loans, notes payable, accounts payable, other payables, long-term loans, bonds payable, and long-term payables. They are initially measured at fair value, and the transaction expenses shall be initially capitalized.

The interest calculated by effective interest method during the holding period is recorded into the current profit and loss.

Upon derecognition the difference between the consideration paid and the book value of these financial liabilities is included in the current profit or loss.

(3) Recognition basis and measurement of transfer of financial assets

A financial asset recognition shall be terminated while the Company has transferred nearly all the risks and rewards related to the ownership of the financial asset to the transferee, and it shall not be terminated if the Company has retained nearly all the risks and rewards related to the ownerships of the financial asset.

The substance-over-form principle shall be adopted while making judgment on whether the transfer of financial assets satisfies the above conditions for termination of recognition.

The transfer of financial assets can be classified into entire transfer and partial transfer. If the transfer of an entire financial asset satisfies the conditions for termination of recognition, the difference between the two amounts below shall be recorded into profit or loss for the period:

① The carrying amount of the financial asset transferred;

② The consideration received as a result of the transfer, plus the accumulative amount of the change in fair value previously recorded into the owners' equities (in cases where the transferred financial assets are financial assets at fair value through other comprehensive income (debt instruments) or available-for-sale financial assets).

If the partial transfer of financial assets satisfies the conditions for termination of recognition, the overall carrying amount of the transferred financial asset shall be apportioned according to their respective relative fair value between the recognition terminated part and the remaining part, and the difference between the two amounts below shall be recorded into profit or loss for the current period:

① The carrying amount of the recognition terminated portion;

② The sum of consideration of the recognition terminated portion and the corresponding portion of accumulated change in fair value previously recorded into owners' equity (in cases where the transferred financial assets are financial assets at fair value through other comprehensive income (debt instruments) or situation in which financial assets are available for sale).

Financial assets will still be recognized if they fail to satisfy the conditions for termination of recognition, with the consideration received recognized as a financial liability.

#### (4) Recognition conditions for termination of financial liabilities

When the current obligation under a financial liability is completely or partially discharged, the recognition of the whole or relevant portion of the liability is terminated; an agreement is entered between the Company and a creditor to replace the original financial liabilities with new financial liabilities with substantially different terms, terminate the recognition of the original financial liabilities as well as recognize the new financial liabilities.

If all or part of the contract terms of the original financial liabilities are substantially amended, the recognition of the original financial liabilities will be terminated in full or in part, and the financial liabilities whose terms have been amended shall be recognized as a new financial liability.

When recognition of financial liabilities is terminated in full or in part, the difference between the carrying amount of the financial liabilities terminated and the consideration paid (including transferred non-cash assets or new financial liability) is recognized in profit or loss for the current period.

Where the Company repurchases part of its financial liabilities, the carrying amount of such financial liabilities will be allocated according to the relative fair value between the continued recognized part and terminated part on the repurchase date. The difference between the carrying amount of the financial liabilities terminated and the consideration paid (including transferred non-cash assets or new financial liability) is recognized in profit or loss for the current period.

#### (5) Method of determining the fair values of financial assets and liabilities

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. The Company uses the valuation technique when it is applicable under current conditions and there are enough available data and other information to support and the technique should maximize the use of relevant observable. It chooses the inputs which are consistent with the asset or liability's characteristics considered by market participants in the transaction of the relevant asset or liability and makes the maximum use of relevant observable inputs. Unobservable inputs are used under the circumstance that the relevant observable inputs cannot be obtained or not feasible.

#### (6) Test method and accounting treatment for impairment of financial assets

The Company estimates the expected credit loss on the financial assets at amortized cost and the financial assets at fair value through other comprehensive income (debt instruments), either alone or in combination, by taking into account all the reasonable and well-founded information, including forward-looking information. Measurement of expected credit loss depends on whether there is a significant increase in credit risk of financial assets since the initial recognition.

If the credit risk of this financial instrument has been significantly increased upon initial recognition, the Company measures its loss provision in accordance with the amount equivalent to the expected credit loss of the financial instrument throughout the duration; if the credit risk of this financial instrument is not significantly increased upon initial recognition, the Company will measure the loss provision of this financial instrument by the amount of its expected credit loss in the 12 months to come. The increased or reversed amount of the loss provision resulting therefrom is included in the current profit or loss as the impairment loss or profit.

If the financial instrument becomes overdue for more than 30 days, the Company believes that the credit risk of this financial instrument has been significantly increased, unless there are concrete evidences that the credit risk of this financial instrument has not been significantly increased upon initial recognition.

If the financial instrument carries low credit risk at the balance sheet date, the Company believes that the credit risk of this financial instrument is not significantly increased upon initial recognition.

If there are objective evidences showing that a certain financial asset has been subject to credit impairment, the Company will accrue impairment provision for this financial asset on the individual asset basis.

The Company will always measure the loss provision for the accounts receivable, whether they contain material financing

compositions or not, by the amount of the expected credit loss throughout the duration.

a. Accounts receivable which are individually significant but subject to separate bad debt provision

Bases for making judgment and standard for calculation of the amount for the accounts receivable that are individually significant: Within top five accounts receivable balances

b. Accounts receivable for which provision of bad debts made by portfolio of credit risk characteristics

Portfolio Name	Basis to Determine the Portfolio
Portfolio 1: Related Parties Portfolio	Receivables of related parties within the scope of the portfolio have similar credit risk characteristics
Portfolio 2: Aging Analysis Portfolio	Except for Portfolio 1, the receivables for which provision for impairment has been made separately and other receivables, the receivables of the same aging have similar credit risk characteristics

c. The receivables with insignificant single amount and separate provision for bad debts

Reason for making bad debt provision individually: Long aging, with objective evidence of impairment

The Company will always measure the loss provision for the rents receivable and the long-term receivables formed in the Company's sale of goods or rendering of services by the amount of the expected credit loss throughout the duration.

## 10. Notes Receivable

Refer to Section XII Financial Report - V. Significant Accounting Policies and Accounting Estimates - 10. Financial Instruments

## 11. Accounts Receivable

Refer to Section XII Financial Report - V. Significant Accounting Policies and Accounting Estimates - 10. Financial Instruments

## 12. Receivables Financing

Refer to Section XII Financial Report - V. Significant Accounting Policies and Accounting Estimates - 10. Financial Instruments

## 13. Other Receivables

Determination method and accounting treatment for the expected credit loss of other receivables

Refer to Section XII Financial Report - V. Significant Accounting Policies and Accounting Estimates - 10. Financial Instruments

## 14. Inventories

(1) Category of inventory

Inventories are classified as raw materials, turnover materials, commodity stocks, products in progress and materials commissioned for processing.

(2) Determination of cost

Cost of inventories is determined using the weighted average method.

### (3) Basis for the determination of net realizable value and different type of inventories

Net realizable value of held-for-sale commodity stocks, such as finished goods, goods-in-stock, and held-for-sale raw materials, during the normal course of production and operation, shall be determined by their estimated sales less the related selling expenses and taxes; the net realizable value of material inventories, which need to be processed, during the normal course of production and operation, shall be determined by the amount after deducting the estimated cost of completion, estimated selling expenses and relevant taxes from the estimated selling price of finished goods; the net realizable value of inventories held for execution of sales contracts or labor contracts shall be calculated on the ground of the contracted price. If an enterprise holds more inventories than the quantity stipulated in the sales contract, the net realizable value of the exceeding part shall be calculated on the ground of general selling price.

Decline in value of inventories is made on an item-by-item basis at the end of the period. For large quantity and low value items of inventories, provision may be made based on categories of inventories; for items of inventories relating to a product line that is produced and marketed in the same geographical area and with the same or similar end uses or purposes, which cannot be practicably evaluated separately from other items in that product line, provision for decline in value of inventories may be determined on an aggregate basis.

Unless the evidence clearly shows that abnormality in market price exists as of the balance sheet date, the net realizable value of inventories is determined based on the market price as of the balance sheet date.

The net realizable value of inventories at the end of current period is determined based on the market price of the balance sheet date.

### (4) Inventory system

The perpetual inventory system is adopted.

### (5) Amortization of low-value consumables and packaging materials

- ① Low-value consumables are amortized using the immediate write-off method;
- ② Packaging materials are amortized using the immediate write-off method.

## 15. Holding Assets for Sale

A non-current asset or disposed group is classified by the Company as holding for sale if it meets the following criteria at the same time:

- (1) Immediate sale could be made under the current circumstances in accordance with the convention of selling such kind of assets or disposal groups in similar transactions;
- (2) Selling is extremely likely to occur, i.e. the Company has made a resolution on a selling plan and obtained confirmed purchase commitments, and the selling is predicted to be completed within 1 year. If required by relevant provisions that selling shall only be made after approved by the relevant competent authority or supervision department of the Company, such approval should have been obtained.

## 16. Long-term Equity Investment

### (1) Joint control or significant influence criterion

Joint control is the contractually agreed sharing of control of an arrangement, and exists only when requiring the unanimous consent of the parties sharing control before making decisions about the relevant activities of the arrangement. The Company together with the other joint venture parties can jointly control over the investee and are entitled to the right of the net assets of the investee, as the investee is joint venture of the Company.

Significant influence refers to the power to participate in making decisions on the financial and operating policies of an enterprise, but not the power to control, or jointly control, the formulation of such policies with other parties. Where the

Company can exercise significant influence over the investee, the investee is an associate of the Company.

## (2) Determination of initial investment cost

### ① Long-term equity investments formed through business combination of entities

For business combinations involving entities under common control: where the Company pays cash, transfers non-cash assets, bears debts or issues equity securities as consideration of combinations, the initial investment cost of long-term equity investments are the share with reference to the book value of the shareholders' equity of the combined party in the consolidated financial statements of the ultimate controlling party on the date of combinations. In connection with imposing control over the investee under joint control as a result of additional investment and other reasons, on the combination date, the initial cost of long-term equity investments shall be determined based on share of carrying amounts in the consolidated financial statement of the ultimate controlling party by net assets of the combined party after the combination. The difference between initial investment cost and the carrying value of long term equity investment before combination and the sum of carrying value of newly paid consideration for additional shares acquired on the date of combination is to adjust share premium. If the balance of share premium is insufficient, any excess is adjusted to retained earnings.

Business combinations involving entities not under common control: the cost of the combination ascertained on the date of acquisition shall be taken as the initial investment cost of the long-term equity investments. In connection with imposing control over the investee not under joint control as a result of additional investment and other reasons, the initial investment cost when changing to the cost method shall be the sum of the carrying value of the equity investment originally held and the newly increased initial investment cost.

### ② Long-term equity investments acquired by other means

The initial cost of a long-term equity investment obtained by cash payment shall be the purchase costs actually paid.

The initial cost of investment of a long-term equity investment obtained by means of issuance of equity securities shall be the fair value of the equity securities issued.

When the non-monetary assets transaction is commercial in nature and the fair value of the assets received or surrendered can be reliably measured, measurement shall be carried out on the basis of the fair value. If the fair value of the assets received and surrendered can be reliably measured, the initial cost of a long-term equity investment received shall be determined on the basis of the fair value of the assets surrendered and the related taxes payable, unless there are concrete evidences that the fair value of the assets received is more reliable. If the non-monetary assets transaction is not commercial in nature and the fair value of the assets received and surrendered cannot be reliably measured, the initial cost of a long-term equity investment received shall be the book value of the assets surrendered and the relevant taxes payable.

The entry value of a long-term equity investment through debt restructuring shall be determined on the basis of the fair value of the creditor's rights abandoned, the tax directly attributable to this asset and other costs, and the difference between the fair value and book value of the creditor's rights abandoned shall be included in the profit or loss for the period.

## (3) Subsequent measurement and recognition of profit or loss

### ① Long-term equity investment calculated by cost method

Long-term equity investment in subsidiaries of the Company is calculated by cost method, except for the actual consideration paid for the acquisition of investment or the declared but not yet distributed cash dividends or profits which are included in the consideration, investment gains are recognized as the Company's shares of the cash dividends or profits declared by the investee.

### ② Long-term equity investment accounted for by equity method

Long-term equity investments of associates and jointly controlled entities are calculated using equity method. Where the initial investment cost of a long-term equity investment exceeds the investor's interest in the fair value of the investee's

identifiable net assets at the acquisition date, no adjustment shall be made to the initial investment cost; where the initial investment cost is less than the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, the difference shall be charged to profit or loss for the current period.

The Company recognizes the investment income and other comprehensive income according to the shares of net profit or loss and other comprehensive income realized by the investee which it shall be entitled or shared respectively, and simultaneously makes adjustment to the carrying value of long-term equity investments; The carrying value of long-term equity investment shall be reduced by attributable share of the profit or cash dividends for distribution declared by the investee. In relation to other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions of the investee, the carrying value of long-term equity investments shall be adjusted and included in owner's equity.

When determining the amount of proportion of net profit or loss in the investee which it entitles, fair value of each identifiable assets of the investee at the time when the investment is obtained shall be used as basis, and according to the accounting policies and accounting period of the Company, adjustments shall be made to the net profit of the investee. During the period of holding investments, when preparing consolidated financial statements by the investee, the accounting shall be based on the amounts attributable to the investee in the net profit, other comprehensive income and other changes of the owner's equity in the consolidated financial statements.

The unrealized profit or loss resulting from transactions between the Company and its associates or joint venture shall be eliminated in portion to the investor's equity interest of investee, based on which investment income or loss shall be recognized. Any losses resulting from transactions, which are attributable to impairment of assets, shall be fully recognized. Where the transactions involving investment or sales of assets between the Company and the associated enterprises or joint ventures and that the assets constitute a business, account treatment shall be conducted in accordance with the relevant policies disclosed in "The accounting treatment of business combinations involving enterprises under common control and business combinations involving enterprises under common control" and "Method of preparation of consolidated financial statements".

In recognition of share of losses in the investee, the Company treats it in the following order: Firstly, the Company will write off the carrying value of long-term equity investments. Secondly, in the event the aforesaid carrying value is insufficient for offset, the investment losses shall continue to be confirmed with the limit of the carrying amount of long-term equity which substantially constitutes the net investment in the investee, to offset the carrying amount of long-term receivable. Finally, after the above treatment, for the additional obligations which shall be still assumed by entities according to investment contract or agreement, the estimated liabilities shall be recognized based on the obligations which are expected to assume and included in the investment loss for the current period.

### ③ Disposal of long-term equity investments

For disposal of long-term equity investment, the difference between the book value and the consideration actually received shall be included in the current profit or loss.

For the long-term equity investment under the equity method, when disposing of such investment, part of amounts that shall be originally included in other comprehensive income shall be accounted for in proportion by using the same basis as the investee used for direct disposal of relevant assets or liabilities. The owner's equity which is recognized due to other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions shall be transferred in proportion into the current profit or loss, excluding the other comprehensive income derived from changes of net liabilities or net assets due to re-measurement on defined benefit plan by the investee.

When losing the controls or material influence over the investee due to partially disposal of equity investment and other reasons, the remaining equities shall be accounted for in accordance with the standards on recognition and measurement of financial instruments, and the difference between the fair value and the carrying value at the date of losing control or material influence shall be included in current profit or loss. For other comprehensive income recognized in the original

equity investment due to the equity method is adopted, it shall be treated using the same accounting basis as the investee used for direct disposal of relevant assets or liabilities when ceasing to use the equity method. All owner's equities which are recognized due to other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions shall be transferred into the current profit or loss when ceasing to use the equity method.

When losing the controls over the investee due to partially disposal of equity investment and other reasons, the remaining equities after disposal shall be accounted for under equity method in preparation of individual financial statements provided that common control or material influence over the investee can be imposed, and shall be adjusted as if such remaining equities has been accounted for under the equity method since they are obtained. Where the remaining equities after disposal cannot impose common control or material influence over the investee, it shall be accounted for according to relevant provisions of the standards on recognition and measurement of financial instruments, and the difference between fair value and the carrying value on the date of losing control shall be included in the current profit or loss.

The disposed equity interest was acquired in a business combination as resulted from such as making additional investment, the remaining equity interest after disposal will be accounted for using cost method or equity method when preparing the separate financial statements. Other comprehensive income and other owners' equity recognized when the equity interests held on the acquisition date is accounted for using equity method and shall be transferred proportionally; For the remaining equity interest after disposal accounted for using the recognition and measurement standard of financial instruments, other comprehensive income and other owners' equity shall be fully transferred.

## 17. Investment Properties

Measurement Mode of Investment Property

Measured by cost method

Depreciation or amortization methods

Investment property refers to the real estate held to generate rental income or capital appreciation, or both, including leased land use rights, land use rights held for transfer after appreciation, and leased buildings (including buildings that are leased after completion of self-construction or development activities and buildings in construction or development that are used for rental in the future).

The Company adopts the cost mode to measure the existing investment property. Investment property measured at cost - buildings held for leasing shall adopt the same depreciation policy for fixed assets of the company, land use rights held for leasing shall adopt the same amortization policy for the intangible assets.

## 18. Fixed Assets

### (1) Conditions for recognition of fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and have a service life of more than one accounting year. Fixed asset is recognized when it meets the following conditions: ① It is probable that the economic benefits associated with the fixed asset will flow to the enterprise; ② Its cost can be reliably measured.

**(2) Methods for depreciation**

Category	Depreciation method	Useful lives of depreciation	Residual Ratio	Annual depreciation rate
Housing and building	Straight-line method	20	5%	4.75%
Machinery and equipment	Straight-line method	5-10	5%	19.00%-9.50%
Means of transport	Straight-line method	4-8	5%	23.75%-11.88%
Electronic and other equipment	Straight-line method	3-5	5%	31.67%-19.00%

Fixed assets are depreciated by categories using the straight-line method, and the annual depreciation rates are determined by categories based upon their estimated useful lives and their estimated residual values. Where the parts of a fixed asset have different useful lives or cause economic benefits for the enterprise in different ways, different depreciation rates or depreciation methods shall apply, and each part is depreciated separately.

For fixed assets leased under finance lease, if it can be reasonably determined that the ownership of the leased asset can be acquired upon the expiry of the lease term, depreciation policies in line with the fixed assets will be adopted for depreciation during the remaining service life of the leased asset. If it cannot be reasonably determined that the ownership of the leased asset can be acquired upon the expiry of the lease term, depreciation policies in line with the fixed assets will be adopted for depreciation during the shorter of the lease term and the remaining service life of the leased asset.

**(3) Recognition bases and measurement methods of fixed assets under finance lease**

Where any one of the following conditions is provided in the lease agreement between the Company and the lessee, the leased assets can be recognized as fixed assets acquired under finance leases: ① The ownership of the leased assets, upon the expiry of lease term, belongs to the Company; ② The Company has the option to purchase the leased assets, the price is much lower than the fair value of the assets at the time of exercising the option; ③ The lease term accounts for the majority of the service life of the leased asset; ④ There is no great difference between the minimum present lease value on the lease commencement date and the fair value of the assets. On the commencement of the lease, the leased asset shall be recorded at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments, and the minimum lease payments shall be recorded as the carrying amount of long-term payables. The difference between the recorded amount of the leased asset and the minimum lease payments shall be accounted for as unrecognized finance charge.

**19. Construction in Progress**

Criteria and time point for construction in progress being transferred to the fixed asset Construction in progress is measured at all the expenditures incurred to bring the fixed assets ready for their intended use. If the construction in progress of fixed assets constructed are ready for their intended use but the final account of completed project has not been issued, it should be transferred to fixed assets at an estimated cost according to the construction budget, construction price or actual cost, and depreciation should be provided according to depreciation policy for fixed assets from the date when the assets are ready for their intended use. When the final account of completed project is issued, the estimated cost will be adjusted according to the actual cost, while the original depreciation charge will not be adjusted.



## 20. Borrowing Costs

### (1) Criteria for recognition of capitalized borrowing costs

Borrowing costs refers to the borrowing interests, amortization of discounts or premiums, ancillary costs and exchange differences arising from foreign currency borrowings, etc.

For borrowing costs incurred by the Company that are directly attributable to the acquisition, construction or production of assets qualified for capitalization, the costs will be capitalized and included in the costs of the related assets. Other borrowing costs shall be recognized as expense in the period in which they are incurred and included in profit or loss for the current period.

Assets qualified for capitalization are assets (fixed assets, investment property, inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

Capitalization of borrowing costs begins when the following three conditions are fully satisfied:

- ① expenditures for the assets (including cash paid, transferred non-currency assets or expenditure for holding debt liability for the acquisition, construction or production of assets qualified for capitalization) have been incurred;
- ② borrowing costs have been incurred;
- ③ acquisition, construction or production that are necessary to enable the asset reach its intended usable or salable condition have commenced.

### (2) Capitalization period of borrowing costs

The capitalization period shall refer to the period between the commencement and the cessation of capitalization of borrowing costs, excluding the period in which capitalization of borrowing costs is temporarily suspended.

Capitalization of borrowing costs shall be suspended during periods in which the qualifying asset under acquisition and construction or production ready for the intended use or sale.

If part of an asset being acquired, constructed or produced has been completed respectively and put into use individually, capitalization of borrowing costs should be suspended.

If different parts of the assets acquired, constructed or produced are completed separately, but such asset will not be ready for the intended use or sale until all parts have been completed, then the borrowing costs will be capitalized until the completion of all parts of the said asset.

### (3) Suspension of capitalization period

Capitalization of borrowing costs shall be suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally, when the interruption is for a continuous period of more than 3 months; if the interruption is a necessary step for making the qualifying asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs shall continue. The borrowing costs incurred during such period shall be recognized as profits and losses of the current period. When the acquisition and construction or production of the asset resumes, the capitalization of borrowing costs commences.

### (4) Calculation of capitalization rate and amount of borrowing costs

Specific borrowings for the acquisition, construction or production of assets qualified for capitalization, borrowing costs of the specific borrowings actually incurred in the current period minus the interest income earned on the unused borrowing loans as a deposit in the bank or as investment income earned from temporary investment will be used to determine the amount of borrowing costs for capitalization.

General borrowings for the acquisition, construction or production of assets qualified for capitalization, the to-be-capitalized amount of interests on the general borrowing shall be calculated and determined by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the specifically borrowed loans by the capitalization rate of the general borrowing used. The capitalization rate shall be calculated and determined according to the weighted average interest rate of the general borrowing.

## 21. Intangible Assets

### (1) Valuation method, service life, impairment test

#### A. Valuation Method of Intangible Assets

##### ① Intangible assets are initially measured at cost upon acquisition

The costs of an externally purchased intangible asset include the purchase price, relevant taxes and expenses paid, and other expenditures directly attributable to putting the asset into condition for its intended use. If the payment for an intangible asset is delayed beyond the normal credit conditions and it is of financing nature in effect, the cost of the intangible assets shall be ascertained based on the present value of the purchase price.

The amount of intangible assets acquired from debt restructuring should be recorded at the fair value of such intangible assets, and the difference between the carrying amount of the restructured debt and the fair value of the intangible assets acquired from debt restructuring should be included in the profit or loss for the current period.

If the non-monetary assets transaction is commercial in nature and the fair value of the assets received or surrendered can be reliably measured, the intangible assets received in the non-monetary assets transaction, shall be measured on the basis of the fair value of the assets surrendered, unless there are concrete evidence that the fair value of the assets received is more reliable; For non-monetary assets transaction which does not meet the above conditions, the cost of intangible assets received shall be the book value of the assets surrendered and the relevant taxes and expenses payable, and the profit or loss will not be recognized.

##### ② Subsequent measurement

The service life of intangible assets shall be analyzed and judged upon acquisition.

As for intangible assets with a finite service life, they are amortized using the straight-line method over the term in which economic benefits are brought to the firm; If the term in which economic benefits are brought to the firm by an intangible asset cannot be estimated, the intangible asset shall be taken as an intangible asset with indefinite service life, and shall not be amortized.

#### B. Estimation of Service Life of the Intangible Assets with Limited Service Life:

Item Name	Estimated useful lives	Basis
Land use rights	50 years	Land use certificate
Non-patented technology	5-10 years	Expected benefited period
Softwares	2-5 years	Expected benefited period
Trademark rights	6 years	Expected benefited period
Software copyright	10 years	Expected benefited period

For an intangible asset with a finite service life, review on its service life and amortization method is performed at the end of each end.

Upon review, service life and amortization method for the intangible assets are the same with the previous estimate at the end of this period.

#### C. The basis for the judgment of intangible assets with uncertain service life and the procedure for reviewing their service life

As at the balance sheet date, the Company has no intangible assets with uncertain service life.

## (2) Accounting policy for internal R&D expenditure

The expenses for internal research and development projects of the Company are divided into expenses in the research phase and expenses in the development phase.

Research phase: Scheduled innovative investigations and research activities to obtain and understand scientific or technological knowledge.

Development phase: Apply the research outcomes or other knowledge to a plan or design prior to a commercial production or use in order to produce new or essentially-improved materials, devices, products, etc.

### B. Specific condition for capitalizing expenditure during the development phase

The expenses in the development phase for internal R&D are recognized as intangible assets if the following conditions are fulfilled:

- ① It is technically feasible to complete such intangible asset so that it will be available for use or for sale;
- ② There is intention to complete the intangible asset for use or sale;
- ③ The intangible asset can produce economic benefits, including there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market; if the intangible asset is for internal use, there is evidence that there exists usage for the intangible asset;
- ④ There is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;
- ⑤ The expenses attributable to the development stage of the intangible asset can be measured reliably.

If the expenses in the development phase does not meet the above conditions, it shall be included in the profits and losses for the current period at the time of occurrence. Expenses in the research phase are recorded into the profits and losses for the current period when they occur.

## 22. Impairment of long-term assets

Long-term assets, such as long-term equity investment, investment properties, fixed assets, construction in progress, intangible assets that measured at cost are tested for impairment if there is any indication that an asset may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognized on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs to is determined. A group of assets is the smallest group of assets that is able to generate cash inflows independently.

Impairment test to goodwill and the intangible assets whose using life is not certain shall be carried out at least at the end of each year.

When the Company carry out impairment test to goodwill, the Company shall, as of the purchasing day, allocate on a reasonable basis the carrying value of the goodwill formed by merger of enterprises to the relevant asset groups, or if there is a difficulty in allocation, to allocate it to the sets of asset groups. When the carrying value of goodwill is allocated to the related asset group or sets of asset group, the allocation shall be made based on the proportion of the fair value of each asset groups or sets of asset groups to the total fair value of the relevant assets groups or sets of asset group. If there is difficulty for the fair value to be reliably measured, the allocation shall be made based on the proportion of the carrying value of each asset groups or sets of asset groups to the total carrying value of the relevant assets groups or sets of asset groups.

For the purpose of impairment test on the relevant asset groups or the sets of asset groups containing goodwill, if any

evidence shows that the impairment of asset groups or sets of asset groups related to goodwill is possible, an impairment test will be made first on the asset groups or sets of asset groups not containing goodwill, thus calculating the recoverable amount and comparing it with the relevant carrying value so as to recognize the corresponding impairment loss. Then an impairment test will be made on the asset groups or sets of asset groups containing goodwill, and compare the carrying value of these asset groups or sets of asset groups (including the carrying value of the goodwill allocated thereto) with the recoverable amount. Where the recoverable amount of the relevant assets or sets of the asset groups is lower than the carrying value thereof, it shall recognize the impairment loss of the goodwill.

Once the above asset impairment loss is recognized, it will not be reversed in the subsequent accounting periods.

### **23. Long-term prepaid expenses**

Long-term prepaid expenses are expenses which have occurred but will benefit over 1 year and shall be amortized over the current period and subsequent periods. The long-term prepaid expenses of the Company include expenditures paid for improvement of fixed assets under operating lease.

#### **(1) Amortization method**

Long-term prepaid expenses are amortized evenly over the estimated benefit period

#### **(2) Amortization period**

Expenditures paid for improvement of fixed assets under operating lease, amortized evenly over the lease term or remaining service life of the asset, whichever is shorter.

### **24. Employee remuneration**

#### **(1) Accountant arrangement method of short-term remuneration**

During the accounting period when the staff provides service, the Company will recognize the short-term remuneration actually incurred as liabilities, and the liabilities would be charged into current profits and loss or costs of assets.

The Company will pay social insurance and housing funds, and will make provision of trade union funds and staff education costs in accordance with the requirements. During the accounting period when the staff provides service, the Company will determine the relevant amount of employee benefits in accordance with the required provision basis and provision ratios.

Non-currency employee benefits will be accounted for in accordance with their fair value if they can be measured reliably.

#### **(2) Accountant arrangement method of retirement benefit plan**

##### **① Defined contribution scheme**

The Company will pay basic pension insurance and unemployment insurance in accordance with the relevant provisions of the local government for the staff. During the accounting period when the staff provides service, the Company will calculate the amount payable in accordance with the local stipulated basis and proportions which will be recognized as liabilities, and the liabilities would be charged into current profits and loss or costs of assets.

In addition to the basic pension insurance, the Company has also established an enterprise annuity payment system (supplementary pension insurance)/enterprise annuity plan based on the relevant policies of the national enterprise annuity system. The Company conducts payment/payment of annuity plan to local social insurance institutions according to certain proportion of employees' wages and corresponding expenditures are included in profit or loss for the period or relevant asset costs.

##### **② Defined benefit scheme**

The welfare responsibilities generated from defined benefit scheme based on the formula determined by projected unit credit method would be vested to the service period of the staff and charged into current profits and loss or costs of assets.

### **(3) Accountant arrangement method of termination benefits**

The Company will pay termination benefits when the group can no longer withdraw the offer of termination plan or layoff proposal or when the Group recognizes costs for restructuring which involving the payment of termination benefits (whichever the earliest). The remuneration incurred by the termination benefits will be recognized as liabilities which would be charged into current profits and loss.

## **25. Estimated liabilities**

Where the Company is involved in litigations, guarantees provided to debts, loss-making contracts, restructuring and after-sale maintenance cost, and if such matters are likely to require future assets delivery or the provision of labor services, the amount of which can be reliably measured, such items shall be recognized as estimated liabilities.

### **(1) Recognition criteria for estimated liabilities**

The Company shall recognize the obligations related to contingencies involving litigations, guarantees provided to debts, loss-making contracts, and restructuring as estimated liabilities, when all of the following conditions are satisfied:

- ① the obligation is a present obligation of the group;
- ② it is probable that an outflow of economic benefits will be required to settle the obligation;
- ③ the amount of the obligation can be measured reliably.

### **(2) Method of measuring the various estimated liabilities**

Estimated liabilities shall be initially measured at the best estimate of the expenditure required to settle the related present obligation.

Factors pertaining to a contingency such as risk, uncertainties, and time value of money shall be taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, the best estimate shall be determined by discounting the related future cash outflow.

The best estimate will be dealt with separately in the following circumstances:

The expenses required have a successive range (or band), in which the possibilities of occurrence of each result are the same, and the best estimate should be determined as the middle value for the range, i.e. the average of the upper and lower limit.

The expenses required does not have a successive range (or band), or although there is a successive range (or band), the possibilities of occurrence of each result are different, if the contingency is related to individual item, the best estimate should be determined as the most likely amount; where the contingency is related to a number of items, the best estimate should be calculated and determined according to the possible results and the relevant possibilities.

Where some or all of the expenditure required to settle an estimated liability is expected to be reimbursed by a third party, the reimbursement is separately recognized as an asset when it is virtually certain that the reimbursement will be received. The amount recognized for the reimbursement is limited to the carrying amount of the estimated liability.

## **26. Share-based payment**

The Company's share-based payment refers to a transaction in which an enterprise determines the liabilities on the basis of equity instruments granting or bearing for the acquisition of service from its employees or other parties. The Company's share-based payment is equity-settled.

Equity-settled share-based payment and equity instrument:

As to an equity-settled share-based payment in return for services of employees, calculation will be based on the fair value of the equity instrument granted to the employees. If the Company make the share-based payment by restricted shares, employees will subscribe the share but those shares shall not be listed on the market or transferred before it fulfill the unlocking condition and unlocked. If the unlocking conditions stipulated in the equity incentive scheme cannot be fulfilled eventually, the Company will repurchase those shares based on the predetermined price. Upon obtaining the payment for subscribing restricted shares made by the employees, the Company will recognized the share capital and capital reserve (share capital premium) according to the payment it received, while fully recognize a liability for its repurchasing obligation as well as its treasury shares. On each balance sheet date within the vesting period, the Company will make the best estimation of the number of vested equity instruments based on the subsequent information such as the updated changes in the number of executives and the achievement of performance standard. Based on the above results, the services received in the current period will be included in the relevant cost or expense based on the fair value on the date of grant, and the capital reserve will be increased accordingly. The recognized cost or expense and owners' interest will not be adjusted after the vesting date. However, equity instruments vested immediately after the date of grant will be included in the relevant cost or expense based on its fair value on the date of grant, and the capital reserve will be increased accordingly.

For the share-based payments that are not vested eventually, no cost or expense will be recognized, except the vesting condition is market condition or non-exercisable condition. Under such circumstances, no matter whether the market condition or non-exercisable condition can be fulfilled, the share-based payment will be deemed as vested as long as all the non-market conditions in the vesting condition are fulfilled.

If the terms of the equity-settled share-based payment are amended, the Company shall recognize the services received at least based on the situation before the amendment was made. In addition, any amendment resulting in the increase of the fair value of the equity instrument granted or changes that are beneficial to the staff on the amendment date, will be recognized as an increase in the service received.

If the equity-settled share-based payment is canceled, it will be accounted for as accelerated exercise on the cancellation date and the unrecognized amount will be recognized immediately. Employees and other parties are able to satisfy the non-vesting conditions. If the conditions are not fulfilled during the vesting period, the equity settled share-based payment will be deemed as canceled. However, if new equity instruments are vested and they are verified at the vesting date of new equity instrument as alternatives vested to cancel equity instruments, the treatment on the new equity instrument is in conformity with the modified treatment on disposal of equity instrument.

## 27. Revenue

Has the new income standard been implemented?

Yes  No

Accounting policies for revenue recognition and measurement

(1) General principles for the recognition of revenue from commodity sales

- ① Revenue from the sale of goods is recognized when all the significant risks and rewards of ownership of the goods have been transferred to the buyer;
- ② The Company does not retain either continuing managerial involvement to the degree usually associated with ownership or effective control over the sold goods;
- ③ The amount of revenue can be reliably measured;
- ④ It is probable that the economic benefits associated will flow to the Company;
- ⑤ The relevant amount of costs incurred or to be incurred can be measured reliably.

## (2) Specific principles

- ① Principle for recognizing revenue from the domestic sales of standard products: The Company's security standard products are sold, through both direct sale and distribution, to the project clients, dealers and other customers. The Company and customers sign sales contracts and send the goods to customers according to the contractual terms of delivery, or the customers pick up goods. The revenue is recognized after the customer receives and accepts the goods and the Company obtains the evidence proving the client's receipt of goods.
- ② Principle for recognizing revenue from the overseas sales of standard products: If the domestic company makes direct export, the FOB and CIF terms are generally adopted and the Company recognizes the sale income after the product is declared and exported. If a foreign subsidiary sells the goods abroad, the goods will be sent to the customer or the customer will collect the goods according to the delivery method agreed with the customer, and the income will be recognized when the customer receives and accepts the goods.
- ③ Principle for recognizing system-integrated sales revenue: The sales of the system-integrated products of the Company include providing the supporting services such as plan design, supporting products, installation, debugging and system trial operation. The sales income will be recognized upon acceptance.
- ④ Principle for recognizing the income from labor services: The income is recognized when the labor service is provided.

## 28. Government grants

### (1) Type

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

Government grants related to assets refer to government grants acquired by the Company for the purpose of purchasing or constructing or otherwise forming long-term assets. Government grants related to revenue refer to the government grants other than those related to assets.

### (2) Confirmation of time point

Government grants related to assets will be measured at the actual amount of money received at the time of receipt. The assets (bank deposits) and deferred income shall be period by period included in the profits and losses of the current period in a reasonable and systematic manner from the time the assets are available for use (those related to the Company's daily activities shall be included in other income; those unrelated to the Company's daily activities shall be recognized as non-operating income). When the relevant assets are disposed of (sold, transferred, scrapped, etc.) at or before the end of their service life, the balance of the deferred income that has not yet been apportioned will be transferred to the current-period income from the disposal of the assets on an one-time manner, and will not be deferred. For government grants related to revenue, they will be recognized as profit and loss of the current period according to the amount receivable for government grants obtained under fixed quota standards, otherwise, they will be recognized as profit and loss of the current period when it is actually received.

### (3) Accounting treatment

Government grants related to assets shall write off the book value of relevant assets or be recognized as deferred income. When recognized as deferred income, the government grant related to assets will be period by period credited to the profits and losses of the current period in a reasonable and systematic manner within the service life of relevant assets (those related to the Company's daily activities shall be recognized as other income; those unrelated to the Company's daily activities shall be recognized as non-operating income).

The revenue-related government grants shall be recognized as deferred income if they are used to compensate relevant expenses or losses in subsequent periods, and they shall be included in profit and loss of the current period (those related

to Company's routine activities shall be included in other income; those unrelated to the Company's routine activities shall be included in non-operating income) or used to offset relevant expenses or losses during the recognition of related expenses or losses; the grants used to compensate related expenses or losses incurred shall be included in profit and loss of the current period (those related to Company's routine activities shall be included in other income; those unrelated to the Company's routine activities shall be included in non-operating income) or used to offset relevant expenses or losses.

## 29. Deferred income tax assets/liabilities

Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized. For deductible losses and tax credits that can be reversed in the future period, deferred tax assets shall be recognized to the extent that it is probable that taxable profit will be available in the future to offset the deductible losses and tax credits.

Save as the exceptions, deferred income tax liabilities shall be recognized for the taxable temporary difference.

The exceptions for not recognition of deferred income tax assets and liabilities include: the initial recognition of the goodwill; other transactions or matters other than business combinations in which neither profit nor taxable income (or deductible loss) will be affected when transactions occur.

After granted the legal rights of net settlement and with the intention to use net settlement or obtain assets and repay debt at the same time, the net amount after offsetting its current income tax assets and current income tax liabilities shall be recorded.

When the Company was granted the legal rights of net settlement of current income tax assets and current income tax liabilities, and deferred income tax assets and deferred income tax liabilities are related to income tax to be paid by the same entity liable to pay tax to the same tax collection and management authority or related to different entities liable to pay tax, but the relevant entity liable to pay tax is intended to apply net settlement of current income tax assets and liabilities or, at the same time, obtain assets, repay debt whenever every deferred income tax assets and liabilities with importance would be reversed in the future, the Company records the net amount after offsetting its current income tax assets and current income tax liabilities.

## 30. Lease

### (1) Accounting of operating lease

① As the lessee of operating leases, rental payments under operating leases are recognized as costs or expenses on a straight line basis over the lease term (including rent free periods). Initial direct costs that are attributable to an operating lease incurred by the Company are charged to current profit and loss.

When the lesser bears the lease related expenses which should be undertaken by the Company, the Company shall deduct this part of expense from the rent and amortize the net amount over the lease term.

② Leasing charges received by the Company for the assets leased out shall be amortized in a straight-line basis over the lease term without deducting the rent-free periods, and recognized as leasing income. The initial direct fee related to the leasing transactions paid by the Company shall be charged to current expenses; if the amount is significant, it shall be capitalized and charged to current income evenly on the same basis as the leasing income is recognized over the lease term.

When the Company bears the lease related expenses which should be undertaken by the lessee, the Company shall deduct this part of expense from the rent income, and amortize the net amount over the lease term.



## (2) Accounting of finance lease

① Assets acquired under finance leases: At the initiation date of the lessee, the leased asset is recorded at the amounts equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments. The balance is accounted for as unrecognized finance charge and is amortized using the effective interest method over the period of the lease. The Company, by means of the real interest method, amortizes the unacknowledged financial charges during the lease term of the assets and includes them into financing expenses. Initial direct cost incurred by the Company will be included in the assets acquired under finance leases.

② Assets acquired under finance rents: At the initiation date of the lessee, the difference between the recorded amount of the leased asset and the minimum lease receivables is accounted for as unrecognized finance income and is recognized as rental income over the period of the lease. Initial direct costs shall be included in the initial accounting of the lease payment receivables and deduct by the revenue recognized over the lease term.

## 31. Other significant accounting policies and accounting estimates

### (1) Termination of operation

Termination of business is a separately distinguishable constituent part that satisfies one of the following conditions and that has been disposed of or classified by the Company as held for sale:

- ① This constituent part represents an independent primary business or a separate principal operating area;
- ② This constituent part is part of an associated plan to dispose of for an independent primary business or a separate principal operating area;
- ③ This constituent part is a subsidiary acquired for resale.

### (2) Repurchase of the Company's shares

The Company's shares repurchased by the Company for reducing the registered capital or rewarding employees shall be treated as the treasury shares based on the actual amount paid, and shall be checked and registered at the same time. If the repurchased shares are canceled, the difference between the actual amount paid for the repurchase and the total par value of shares calculated by the par value of the canceled shares and the number of canceled shares will write off the capital reserve. If the capital reserve is insufficient, the retained income will be written off; if the repurchased shares are awarded to the employees of the Company, it shall be categorized as equity-settled share-based payment. When the Company receives the payment made by employees who exercise their rights to purchase such shares, the amount shall be used to write off the cost of treasury shares delivered to employees and the capital reserve in the waiting period and meanwhile, the capital reserve (stock premium) shall be adjusted according to the difference.

## 32. Changes in significant accounting policies and accounting estimates

### (1) Changes in significant accounting policies

Applicable  Not applicable

① Implementation: The Notice of the Ministry of Finance on Revising the Format of 2019 General Enterprise Financial Statements, and The Notice on Revising the Format of Consolidated Financial Statements (2019)

The Ministry of Finance issued The Notice of the Ministry of Finance on Revising the Format of 2019 General Enterprise Financial Statements (Finance (2019) No.6) on April 30, 2019, and The Notice on Revising the Format of Consolidated Financial Statements (2019) (Finance (2019) No.16) on September 19, 2019. The documents revised the format of the financial statements for general enterprises. The above provisions have the following major effects on the Company:

Content and Reasons for Change in Accounting Policies	Approval process	Note - Consolidated Subsidiaries	Note - Parent Company
<p>(1) The "Notes receivable and accounts receivable" in the balance sheet is listed as "Notes receivable" and "Accounts receivable" in separate columns; The "Notes payable and accounts payable" is listed as "Notes payable" and "Accounts payable" in separate columns. Comparison data should be adjusted accordingly.</p>	<p>Approved by the Board of Directors</p>	<p>The "Notes receivable and accounts receivable" is listed as "Notes receivable" and "Accounts receivable" in separate columns. The balance of "Notes receivable" at the end of last year is RMB 2,385,693,417.06. The balance of "Accounts receivable" at the end of last year is RMB 10,191,372,777.38; The "Notes payable and accounts payable" is listed as "Notes payable" and "Accounts payable" in separate columns. The balance of "Notes payable" at the end of last year is RMB 175,647,414.85. The balance of "Accounts payable" at the end of last year is RMB 3,789,729,594.20.</p>	<p>The "Notes receivable and accounts receivable" is listed as "Notes receivable" and "Accounts receivable" in separate columns. The balance of "Notes receivable" at the end of last year is RMB 952,572,702.92. The balance of "Notes receivable" at the end of last year is RMB 4,598,575,923.04; The "Notes payable and accounts payable" is listed as "Notes payable" and "Accounts payable" in separate columns. The balance of "Notes payable" at the end of last year is RMB 175,647,414.85. The balance of "Accounts payable" at the end of last year is RMB 889,881,485.16.</p>
<p>(2) "Credit impairment losses" is added to the income statement. The "Bad debt losses" originally under "Asset impairment losses" is reclassified to be under "Credit impairment losses" and listed separately.</p>	<p>Approved by the Board of Directors</p>	<p>The "Bad debt losses" originally under the "Asset impairment losses" is reclassified to be under "Credit impairment losses". The annual amount of 2019 is RMB -418,876,180.92.</p>	<p>The "Bad debt losses" originally under the "Asset impairment losses" is reclassified to be under "Credit impairment losses": The annual amount of 2019 is RMB -22,993,302.46.</p>
<p>(3) A new item "Capital invested by holders of other equity instruments" is added to the Statement of Changes in Owners' Equity; a new item "Retained earnings carried forward from other comprehensive income" is</p>	<p>Approved by the Board of Directors</p>	<p>No effect.</p>	<p>No effect.</p>

also added.			
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Note: Indicate the item names of the statements and the amounts that are significantly affected.

② Implementation: Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No.23 - Transfer of Financial Assets, Accounting Standards for Business Enterprises No.24 - Hedging Accounting, Accounting Standards for Business Enterprises No.37 - Presentation of Financial Instruments (2017 Edition)

The Ministry of Finance revised the following documents in 2017: Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No.23 - Transfer of Financial Assets, Accounting Standards for Business Enterprises No.24 - Hedging Accounting, and Accounting Standards for Business Enterprises No.37 - Presentation of Financial Instruments. The revised standards stipulate that for financial instruments whose confirmation has not been terminated on the first implementation date, retrospective adjustments shall be made if the previous confirmation and measurement are inconsistent with the requirements of the revised standards. If the statistics related to the comparative financial statements in the previous period is inconsistent with the revised standards, no adjustment is required. The Company will adjust the retained earnings and other comprehensive income at the beginning of the year due to the cumulative impact of retrospective adjustments.

Based on the balance at the end of last year adjusted per CaiKuai [2019] No.6 and CaiKuai [2019] No.16, the above new financial instrument standards have the following main effects on the Company:

Content and Reasons for Change in Accounting Policies	Approval process	Note - Consolidated Subsidiaries	Note - Parent Company
(1) Due to the changes in the item name of statements, "Financial Liabilities Measured in Fair Value with Changes Recorded into Current Profit and Loss" is reclassified to be under "Transaction financial liabilities".	Approved by the Board of Directors	Financial Liabilities Measured in Fair Value with Changes Recorded into Current Profit and Loss: Decrease by RMB 38,602,602.30. Transaction financial liabilities: Increase by RMB 38,602,602.30.	N/A
(2) Investment of available-for-sale equity instruments is reclassified to be under "Financial assets at fair value through profit or loss in this period".	Approved by the Board of Directors	Available-for-sale financial assets: Decrease by RMB 82,970,227.00; other non-current financial assets: Increase by RMB 76,614,852.22; deferred income tax assets: Increase by RMB 953,306.22 Retained earnings: Decrease by RMB 5,402,068.56.	Available-for-sale financial assets: Decrease by RMB 80,496,000.00; other non-current financial assets: Increase by RMB 74,140,625.22; deferred income tax assets: Increase by RMB 953,306.22, retained earnings: Decrease by RMB 5,402,068.56.

Based on the balance at the end of last year adjusted per CaiKuai [2019] No.6 and CaiKuai [2019] No.16, the following is a comparison of the classification and measurement results of various financial assets and financial liabilities in the case of the previous and new standards for financial instrument recognition and measurement:

Consolidated Subsidiaries

Previous Standards for Financial Instruments			New Standards for Financial Instruments		
Items reported	Measurement Category	Book value	Items reported	Measurement Category	Book value
Cash and Bank Balances	Amortized cost	4,160,153,847.06	Cash and Bank Balances	Amortized cost	4,160,153,847.06
Notes receivable	Amortized cost	2,385,693,417.06	Notes receivable	Amortized cost	
			Receivables Financing	Measured at fair value through other comprehensive income	2,385,693,417.06
Accounts receivable	Amortized cost	10,191,372,777.38	Accounts receivable	Amortized cost	10,191,372,777.38
			Receivables Financing	Measured at fair value through other comprehensive income	
Other Receivables	Amortized cost	398,170,769.40	Other Receivables	Amortized cost	398,170,769.40
Financial Assets Available for Sale (Including other current assets)	Measured at cost (equity instruments)	82,970,227.00	Trading Financial Assets	Measured at fair value through profit and loss	
			Other Non-current Financial Assets		76,614,852.22
			Investment in Other Equity Instruments	Measured at fair value through other comprehensive income	
Long-term receivables (including non-current assets due within 1 year)	Amortized cost	2,440,218,625.55	Long-term Receivables	Amortized cost	2,440,218,625.55
Financial Liabilities Measured in Fair Value with Changes Recorded into Current Profit and Loss	Measured at fair value through profit and loss	38,602,602.30	Transactional financial liabilities	Measured at fair value through profit and loss	38,602,602.30

## Parent company

Previous Standards for Financial Instruments			New Standards for Financial Instruments		
Items reported	Measurement Category	Book value	Items reported	Measurement Category	Book value
Cash and Bank Balances	Amortized cost	611,190,236.01	Cash and Bank Balances	Amortized cost	611,190,236.01
Notes receivable	Amortized cost	952,572,702.92	Notes receivable	Amortized cost	

			Receivables Financing	Measured at fair value through other comprehensive income	952,572,702.92
Accounts receivable	Amortized cost	4,598,575,923.04	Accounts receivable	Amortized cost	4,598,575,923.04
			Receivables Financing	Measured at fair value through other comprehensive income	
Other Receivables	Amortized cost	6,954,655,863.03	Other Receivables	Amortized cost	6,954,655,863.03
Financial Assets Available for Sale (Including other current assets)	Measured at cost (equity instruments)	80,496,000.00	Trading Financial Assets	Measured at fair value through profit and loss	
			Other Non-current Financial Assets		74,140,625.22
			Investment in Other Equity Instruments	Measured at fair value through other comprehensive income	
Long-term receivables (including non-current assets due within 1 year)	Amortized cost	211,092,281.63	Long-term Receivables	Amortized cost	211,092,281.63
Financial Liabilities Measured in Fair Value with Changes Recorded into Current Profit and Loss	Measured at fair value through profit and loss		Transactional financial liabilities	Measured at fair value through profit and loss	

③ Implementation: Accounting Standards for Business Enterprises No.7 - Exchange of Non-Monetary Assets (2019 Edition)

The Ministry of Finance issued Accounting Standards for Business Enterprises No.7 - Exchange of Non-Monetary Assets (2019 Edition) (CaiKuai [2019] No.8) on May 9, 2019. The revised standard will come into effect on June 10, 2019. Non-monetary asset exchanges that occur between January 1, 2019 and the effective date of this standard shall be adjusted per this standard. For non-monetary asset exchanges that occurred before January 1, 2019, retrospective adjustments per the provisions of this standard are not required. The above standards have no significant effects on the Company during the reporting period.

④ Implementation: Accounting Standards for Business Enterprises No.12 - Debt Restructuring (2019 Edition)

The Ministry of Finance issued Accounting Standards for Business Enterprises No.12 - Debt Restructuring (2019 Edition) (CaiKuai (2019) No.9) on May 16, 2019. The revised standard will come into effect on June 17, 2019. Debt restructuring that occurs between January 1, 2019 and the effective date of this standard shall be adjusted per this standard. For debt

reconstructing that occurred before January 1, 2019, retrospective adjustments per the provisions of this standard are not required. The above standards have no significant effects on the Company during the reporting period.

## (2) Changes in significant accounting estimates

Applicable  Not applicable

## (3) Adjustments to items in the financial statements of the beginning of the year according to the new standards for financial instruments, revenue or lease implemented from 2019

Applicable  Not applicable

Consolidated Balance Sheet

Unit: RMB

Item Name	December 31, 2018	January 01, 2019	Adjusted amount
Current Assets:			
Cash and Bank Balances	4,160,153,847.06	4,160,153,847.06	
Deposit Reservation for Balance			
Loans to Banks and Other Financial Institutions			
Trading Financial Assets			
Financial liabilities at fair value through profit or loss			
Derivative Financial Assets			
Notes receivable	2,385,693,417.06		-2,385,693,417.06
Accounts receivable	10,191,372,777.38	10,191,372,777.38	
Receivables Financing		2,385,693,417.06	2,385,693,417.06
Prepayments	126,891,259.00	126,891,259.00	
Premium Receivable			
Reinsurance Accounts Receivable			
Reinsurance Contract Reserves Receivable			
Other Receivables	398,170,769.40	398,170,769.40	

Including: interest receivable	6,754,941.00	6,754,941.00	
Dividends Receivable			
Buying Back the Sale of Financial Assets			
Inventory	3,035,579,709.14	3,035,579,709.14	
Contract Assets			
Holding for-sale assets			
Non-current Assets Due within 1 Year	578,733,057.27	578,733,057.27	
Other Current Assets	402,255,078.05	402,255,078.05	
Subtotal of Current Assets	21,278,849,914.36	21,278,849,914.36	
Non-current Assets:			
Granting of loans and advances			
Investment in Creditor's Rights			
Financial Assets Available for Sale	82,970,227.00		-82,970,227.00
Investment in Other Creditor's Rights			
Held-to-maturity Investments			
Long-term Receivables	1,861,485,568.28	1,861,485,568.28	
Long-term Equity Investment	185,872,021.58	185,872,021.58	
Investment in Other Equity Instruments			
Other Non-current Financial Assets		76,614,852.22	76,614,852.22
Investment Property	346,831,376.55	346,831,376.55	
Fixed Assets	1,407,471,330.83	1,407,471,330.83	
Projects under Construction	226,191,587.11	226,191,587.11	

Productive Biological Assets			
Oil and gas assets			
Right-of-use Assets			
Intangible Assets	372,467,409.09	372,467,409.09	
Development Expenditure			
Goodwill	109,745,412.21	109,745,412.21	
Long-term Prepaid Expenses	37,117,918.55	37,117,918.55	
Deferred Income Tax Assets	425,319,406.98	426,272,713.20	953,306.22
Other Non-current Assets	16,277,605.61	16,277,605.61	
Subtotal of Non-current Assets	5,071,749,863.79	5,066,347,795.23	-5,402,068.56
Total Assets	26,350,599,778.15	26,345,197,709.59	-5,402,068.56
Current Liabilities:			
Short-term loan	1,851,709,561.83	1,851,709,561.83	
Borrowings from the Central Bank			
Borrowings from Banks and Other Financial Institutions			
Transactional financial liabilities		38,602,602.30	38,602,602.30
Financial Liabilities Measured in Fair Value with Changes Recorded into Current Profit and Loss	38,602,602.30		-38,602,602.30
Derivative Financial Liabilities			
Notes Payable	3,671,586,104.79	3,671,586,104.79	
Accounts Payable	3,789,729,594.20	3,789,729,594.20	
Received Prepayments	343,297,891.20	343,297,891.20	
Contract liabilities			



Financial Assets Sold for Repurchase			
Deposit Taking and Interbank Deposit			
Receiving from Vicariously Traded Securities			
Receiving from Vicariously Sold Securities			
Payroll payable	1,124,358,611.94	1,124,358,611.94	
Tax Payable	599,478,049.81	599,478,049.81	
Other Payables	1,051,537,094.97	1,051,537,094.97	
Including: interest payable	4,745,203.31	4,745,203.31	
Dividends Payable			
Service Charge and Commission Payable			
Reinsurance Accounts Payable			
Holding for-sale liabilities			
Non-current Liabilities Due within 1 Year	25,500,000.00	25,500,000.00	
Other Current Liabilities	70,845,639.51	70,845,639.51	
Subtotal of Current Liabilities	12,566,645,150.55	12,566,645,150.55	
Non-current Liabilities:			
Insurance Contract Reserves			
Long-term loan	179,000,000.00	179,000,000.00	
Bonds Payable			
Including: Preferred Stocks			
Perpetual Bonds			
Lease Liabilities			

Long-term Payables			
Long-term payroll payable			
Expected Liabilities	193,761,170.12	193,761,170.12	
Deferred Income	58,693,533.40	58,693,533.40	
Deferred Income Tax Liabilities	50,137,969.76	50,137,969.76	
Other Non-current Liabilities	399,096,280.89	399,096,280.89	
Subtotal of Non-current Liabilities	880,688,954.17	880,688,954.17	
Total Liabilities	13,447,334,104.72	13,447,334,104.72	
Shareholders' Equity:			
Share Capital	2,997,621,930.00	2,997,621,930.00	
Other Equity Instruments			
Including: Preferred Stocks			
Perpetual Bonds			
Capital Reserves	1,501,180,862.83	1,501,180,862.83	
Less: Treasury Share	807,733,586.00	807,733,586.00	
Other Comprehensive Incomes	10,337,164.41	10,337,164.41	
Special Reserves			
Surplus Reserves	1,246,369,430.91	1,245,829,224.05	-540,206.86
General Risk Reserves			
Undistributed Profits	7,670,983,116.33	7,666,121,254.63	-4,861,861.70
Total Shareholders' Equity Attributable to the Parent Company	12,618,758,918.48	12,613,356,849.92	-5,402,068.56
Minority Shareholders' Equity	284,506,754.95	284,506,754.95	
Total Shareholders' Equity	12,903,265,673.43	12,897,863,604.87	-5,402,068.56
Total Liabilities and Shareholders' Equity	26,350,599,778.15	26,345,197,709.59	-5,402,068.56

## Balance Sheet of the Parent Company

Unit: RMB

Item Name	December 31, 2018	January 01, 2019	Adjusted amount
Current Assets:			
Cash and Bank Balances	611,190,236.01	611,190,236.01	
Trading Financial Assets			
Financial liabilities at fair value through profit or loss			
Derivative Financial Assets			
Notes receivable	952,572,702.92		-952,572,702.92
Accounts receivable	4,598,575,923.04	4,598,575,923.04	
Receivables Financing		952,572,702.92	952,572,702.92
Prepayments	26,772,044.53	26,772,044.53	
Other Receivables	6,954,655,863.03	6,954,655,863.03	
Including: interest receivable	42,500.00	42,500.00	
Dividends Receivable			
Inventory	120,181,267.85	120,181,267.85	
Contract Assets			
Holding for-sale assets			
Non-current Assets Due within 1 Year	50,793,137.80	50,793,137.80	
Other Current Assets	24,858,982.78	24,858,982.78	
Subtotal of Current Assets	13,339,600,157.96	13,339,600,157.96	
Non-current Assets:			
Investment in Creditor's Rights			
Financial Assets Available for Sale	80,496,000.00		-80,496,000.00

Investment in Other Creditor's Rights			
Held-to-maturity Investments			
Long-term Receivables	160,299,143.83	160,299,143.83	
Long-term Equity Investment	3,001,639,428.55	3,001,639,428.55	
Investment in Other Equity Instruments			
Other Non-current Financial Assets		74,140,625.22	74,140,625.22
Investment Property	183,321,198.72	183,321,198.72	
Fixed Assets	496,363,638.38	496,363,638.38	
Projects under Construction	151,072,585.67	151,072,585.67	
Productive Biological Assets			
Oil and gas assets			
Right-of-use Assets			
Intangible Assets	170,879,747.04	170,879,747.04	
Development Expenditure			
Goodwill			
Long-term Prepaid Expenses	28,927,258.54	28,927,258.54	
Deferred Income Tax Assets	40,821,902.57	41,775,208.79	953,306.22
Other Non-current Assets	929,380.00	929,380.00	
Subtotal of Non-current Assets	4,314,750,283.30	4,309,348,214.74	-5,402,068.56
Total Assets	17,654,350,441.26	17,648,948,372.70	-5,402,068.56
Current Liabilities:			
Short-term loan	1,380,000,000.00	1,380,000,000.00	
Transactional financial liabilities			

Financial Liabilities Measured in Fair Value with Changes Recorded into Current Profit and Loss			
Derivative Financial Liabilities			
Notes Payable	175,647,414.85	175,647,414.85	
Accounts Payable	889,881,485.16	889,881,485.16	
Received Prepayments	80,361,211.04	80,361,211.04	
Contract liabilities			
Payroll payable	817,723,936.19	817,723,936.19	
Tax Payable	351,294,836.50	351,294,836.50	
Other Payables	1,060,909,330.56	1,060,909,330.56	
Including: interest payable	2,416,340.30	2,416,340.30	
Dividends Payable			
Holding for-sale liabilities			
Non-current Liabilities Due within 1 Year			
Other Current Liabilities	6,464,333.12	6,464,333.12	
Subtotal of Current Liabilities	4,762,282,547.42	4,762,282,547.42	
Non-current Liabilities:			
Long-term loan			
Bonds Payable			
Including: Preferred Stocks			
Perpetual Bonds			
Lease Liabilities			
Long-term Payables			
Long-term payroll payable			

Expected Liabilities	3,396,100.00	3,396,100.00	
Deferred Income			
Deferred Income Tax Liabilities			
Other Non-current Liabilities	23,684,423.74	23,684,423.74	
Subtotal of Non-current Liabilities	27,080,523.74	27,080,523.74	
Total Liabilities	4,789,363,071.16	4,789,363,071.16	
Shareholders' Equity:			
Share Capital	2,997,621,930.00	2,997,621,930.00	
Other Equity Instruments			
Including: Preferred Stocks			
Perpetual Bonds			
Capital Reserves	1,497,801,068.88	1,497,801,068.88	
Less: Treasury Share	807,733,586.00	807,733,586.00	
Other Comprehensive Incomes			
Special Reserves			
Surplus Reserves	1,246,369,430.91	1,245,829,224.05	-540,206.86
Undistributed Profits	7,930,928,526.31	7,926,066,664.61	-4,861,861.70
Total Shareholders' Equity	12,864,987,370.10	12,859,585,301.54	-5,402,068.56
Total Liabilities and Shareholders' Equity	17,654,350,441.26	17,648,948,372.70	-5,402,068.56

Adjustment explanation

**(4) Explanation of compared data before the retroactive adjustments according to the new standards for financial instruments or lease implemented from 2019**

Applicable  Not applicable

## VI. Taxes

### 1. Major categories of taxes and tax rates

Tax Type	Taxation basis	Tax rate
VAT	According to the provisions of the tax law, the sales tax shall be calculated on the basis of the income by selling goods and taxable services. After deducting the input tax that is allowed to be deducted from the sales tax in the current period, the difference shall be the value added tax	17%, 16%, 13%, 11%, 10%, 9%, 6%, simple collection rate of 5%, and simple collection rate of 3%
Urban Maintenance and Construction Tax	Calculated based on the deduction free amount, actual business tax, VAT, and consumption tax	7%, 5%
Enterprise Income Tax	Calculated based on the taxable income	12.5%、15%、16.5%、20%、25%
Education Surcharges	Calculated based on the deduction free amount, actual business tax, VAT, and consumption tax	3%
Local Education Surcharges	Calculated based on the deduction free amount, actual business tax, VAT, and consumption tax	2%

If there are multiple taxpayers with different enterprise income tax rates, specify the situation

Name of taxpayer	Income tax rate
Zhejiang Dahua Technology Co., Ltd.	15%
Zhejiang Dahua System Engineering Co., Ltd.	15%
Zhejiang Dahua Security Network Operation Service Co., Ltd.	15%
South North United Information Technology Co., Ltd.	15%
Zhejiang Huatu Microchip Technology Co., Ltd.	15%
Hangzhou Tecomore Technology Co., Ltd.	15%
Zhejiang HuaRay Technology Co., Ltd.	15%
Hangzhou Huacheng Network Technology Co., Ltd.	15%
Xinjiang Dahua Zhixin Information Technology Co., Ltd.	15%
Xinjiang Dahua Zhihe Information Technology Co., Ltd.	15%
Xinjiang Dahua Zhitian Information Technology Co., Ltd.	15%
Xinjiang Dahua Huayue Information Technology Co., Ltd.	15%
Xinjiang Dahua Xinzhi Information Technology Co., Ltd.	15%
Inner Mongolia Dahua Zhimeng Information Technology Co., Ltd.	15%
Zhejiang Dahua Ju'an Technology Co., Ltd.	20%

Hangzhou Fuyang Hua'ao Technology Co., Ltd.	20%
Guizhou Huayi Shixin Technology Co., Ltd.	20%
Zhejiang Fengshi Technology Co., Ltd.	20%
Zhejiang Huaxiao Technology Co., Ltd.	20%
Zhejiang Dahua Robot Technology Co., Ltd.	20%
Sichuan Dahua Guangxun Photoelectric Technology Co., Ltd.	20%
Zhejiang Zhoushan Digital Development Operation Co., Ltd.	20%
Guangxi Dahua Technology Co., Ltd.	20%
Hangzhou Huajuan Technology Co., Ltd.	20%
Zhejiang Huachuang Vision Technology Co., Ltd.	12.50%
Dahua Technology (HK) Limited	16.50%
Other domestic companies	25%
Other overseas companies	Applicable to local tax rate

## 2. Preferential tax rate

(1) According to CaiShui [2011] No.100 jointly issued by the Ministry of Finance and State Administration of Taxation, for the sales revenue of software products, the actual tax burden of more than 3% is subject to the policy of immediate refund right after collection after being reviewed and approved by the competent tax authorities; the policy of "tax exemption, offset, and refund" is valid for the value-added tax (VAT) on our export goods, with the tax refund rate of 16% and 13%. According to No.39 document of 2019 by the Ministry of Finance, State Administration of Taxation, and the General Administration of Customs, the tax rates for VAT taxable sales or imported goods by the taxpayer was adjusted from 16%, 10%, and 6% to 13%, 9%, and 6% respectively from April 1, 2019.

(2) According to the "Reply on the Filing of the First Batch of High-tech Enterprises in Zhejiang Province in 2017" (Guo Ke Huo Zi [2017] No. 201) issued by the Office for the Administration of the Certification of National High-tech Enterprises on December 15, 2017, the Company was certified as a high-tech enterprise, valid for 3 years. The corporate income tax for this year was reduced at a rate of 15%.

(3) According to the "Reply on the Filing of the First Batch of High-tech Enterprises in Zhejiang Province in 2019" (Guo Ke Huo Zi [2020] No.32) issued by the Office for the Administration of the Certification of National High-tech Enterprises on January 20, 2020, our subsidiary Zhejiang Dahua System Engineering Co., Ltd. was certified as a high-tech enterprise, valid for 3 years. The corporate income tax for this year was reduced at a rate of 15%.

(4) According to the "Reply on the Filing of the First Batch of High-tech Enterprises in Zhejiang Province in 2017" (Guo Ke Huo Zi [2017] No. 201) issued by the Office for the Administration of the Certification of National High-tech Enterprises on December 15, 2017, our subsidiary Zhejiang Dahua Security Network Operations Services Co., Ltd. was certified as a high-tech enterprise with the validation for 3 years. The corporate income tax for this year was reduced at a rate of 15%.

(5) According to the "Reply on the Filing of the First Batch of High-tech Enterprises in Zhejiang Province in 2017" (Guo Ke Huo Zi [2017] No. 201) issued by the Office for the Administration of the Certification of National High-tech Enterprises on December 15, 2017, our subsidiary South-North United Information Technology Co., Ltd. was certified as a high-tech enterprise, valid for 3 years. The corporate income tax for this year was reduced at a rate of 15%.



(6) According to the "Notice on Publicizing Zhejiang Province's List of Proposed High-tech Enterprises in 2018" issued by the Office for the Administration of the Certification of National High-tech Enterprises on November 30, 2018, our subsidiary Zhejiang Huatu Microchip Technology Co., Ltd. was preliminarily certified as a high-tech enterprise with the validation for 3 years. The corporate income tax for this year was reduced at a rate of 15%.

(7) According to the "Notice on Publicizing Zhejiang Province's List of Proposed High-tech Enterprises in 2018" issued by the Office for the Administration of the Certification of National High-tech Enterprises on November 30, 2018, our subsidiary Hangzhou Tecnomore Technology Co., Ltd. was preliminarily certified as a high-tech enterprise with the validation for 3 years. The corporate income tax for this year was reduced at a rate of 15%.

(8) According to the "Notice on Publicizing Zhejiang Province's List of Proposed High-tech Enterprises in 2018" issued by the Office for the Administration of the Certification of National High-tech Enterprises on November 30, 2018, our subsidiary Zhejiang HuaRay Technology Co., Ltd. was preliminarily certified as a high-tech enterprise with the validation for 3 years. The corporate income tax for this year was reduced at a rate of 15%.

(9) According to the "Notice on Publicizing Zhejiang Province's List of Proposed High-tech Enterprises in 2018" issued by the Office for the Administration of the Certification of National High-tech Enterprises on November 30, 2018, our subsidiary Zhejiang Dahua Vision Technology Co., Ltd. was preliminarily certified as a high-tech enterprise with the validation for 3 years. The corporate income tax for this year was reduced at a rate of 15%.

(10) According to the "Reply on the Filing of the First Batch of High-tech Enterprises in Zhejiang Province in 2019" (Guo Ke Huo Zi [2020] No.32) issued by the Office for the Administration of the Certification of National High-tech Enterprises on January 20, 2020, our subsidiary Hangzhou Huacheng Network Technology Co., Ltd. was certified as a high-tech enterprise, valid for 3 years. The corporate income tax for this year was reduced to a rate of 15%.

(11) According to The Notice on the Implementation of Inclusive Tax Reduction and Exemption Policies for Small and Micro-Enterprises (CaiShui [2019] No.13), the following subsidiaries should pay the enterprise income tax at a rate of 20% of their taxable income: Zhejiang Dahua Ju'an Technology Co., Ltd., Hangzhou Fuyang Hua'ao Technology Co., Ltd., Guizhou Huayi Shixin Technology Co., Ltd., Zhejiang Vision Technology Co., Ltd., Zhejiang Huaxiao Technology Co., Ltd., Zhejiang Dahua Robot Technology Co., Ltd., Sichuan Dahua Guangxun Photoelectric Technology Co., Ltd., Zhejiang Zhoushan Digital Development Operation Co., Ltd, Guangxi Dahua Technology Co. Ltd., Hangzhou Huajuan Technology Co., Ltd.

(12) According to the document CaiShui [2011] No.58 by the Ministry of Finance, the State Administration of Taxation, and the General Administration of Customs, the following subsidiaries can enjoy preferential tax policies related to the Development of the West Regions Program from 2011 to 2020: Xinjiang Dahua Zhixin Information Technology Co., Ltd., Xinjiang Dahua Zhihe Information Technology Co., Ltd., Xinjiang Dahua Zhitian Information Technology Co., Ltd., Xinjiang Dahua Huayue Information Technology Co., Ltd., Xinjiang Dahua Xinzhi Information Technology Co., Ltd., Inner Mongolia Dahua Zhimeng Information Technology Co., Ltd. The corporate income tax for this year was reduced to a rate of 15%.

(13) According to the Announcement on the 2019 Evaluation of the Eighth Batch of Software Enterprises and Software Products issued by the Zhejiang Software Industry Association (September 10, 2019), our subsidiary Zhejiang Huachuang Vision Technology Co., Ltd. has been recognized as a software enterprise and obtained a software enterprise certificate (Certificate No. Zhe RQ-2019-0217). According to the Notice on Corporate Income Tax Policy for Further Encouraging the Development of Software Industry and Integrated Circuit Industry" (CaiShui [2012] No.27), the preferential period starts from the profitable year of software enterprises (2017). The enterprises are exempt from corporate income tax from the first year to the second year. From the third to fifth years, the corporate income tax is reduced by half from the statutory tax rate of 25%. The corporate income tax rate for our subsidiary Zhejiang Huachuang Vision Technology Co., Ltd. was thus reduced by half from the statutory tax rate in 2019.

(14) According to the Announcement on the 2019 Evaluation of the Fifth Batch of Software Enterprises and Software Products issued by the Zhejiang Software Industry Association (June 4, 2019), our subsidiary Zhejiang Huarui Technology

Co., Ltd. has been recognized as a software enterprise and obtained a software enterprise certificate (Certificate No. Zhe RQ-2019-0093). According to The Notice on Corporate Income Tax Policy for Further Encouraging the Development of Software Industry and Integrated Circuit Industry" (CaiShui [2012] No.27), the preferential period starts from the profitable year of software enterprises. The enterprises are exempt from corporate income tax from the first year to the second year. From the third to fifth years, the corporate income tax is reduced by half from the statutory tax rate of 25%.

## VII. Notes to the Items in the Consolidated Financial Statement

### 1. Cash and bank balances

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Cash on Hand	117,289.25	3,981.79
Bank Balance	2,590,777,015.41	3,547,354,923.39
Other Cash and Bank Balances	493,534,665.77	612,794,941.88
Total	3,084,428,970.43	4,160,153,847.06
Including: Total Amount Deposited in Overseas Banks	875,156,010.72	838,640,436.81
The total amount restricted for use due to mortgage, pledge or freeze	346,461,821.88	469,159,816.01

The amount restricted for use due to mortgage, pledge or freeze:

Item Name	Balance at the End of the Period	Balance at the beginning of the year
Documentary Credit Deposit	244,167,000.00	308,844,000.00
Commercial acceptance bill discount deposit		100,000,000.00
Bid/performance bond	102,294,821.88	60,315,816.01
Total	346,461,821.88	469,159,816.01

### 2. Accounts receivable

#### (1) Categorical disclosure of accounts receivable

Unit: RMB

Category	Balance at the End of the Period					Balance at the Start of the Period				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Accrued proportion		Amount	Percentage	Amount	Accrued proportion	

Accounts receivables with the bad debt provision accrued based on single item	64,978,308.37	0.44%	64,978,308.37	100.00%		77,967,205.50	0.69%	67,967,205.50	87.17%	10,000,000.00
Including:										
Accounts receivable with insignificant single amount but accrued for separate provision of bad debt	64,978,308.37	0.44%	64,978,308.37	100.00%		77,967,205.50	0.69%	67,967,205.50	87.17%	10,000,000.00
Accounts receivables with the bad debt provision accrued based on combinations	14,645,291,110.23	99.56%	1,404,094,729.58	9.59%	13,241,196,380.65	11,197,400,451.31	99.31%	1,016,027,673.93	9.07%	10,181,372,777.38
Including:										
Portfolio 2: Aging Analysis Portfolio	14,645,291,110.23	99.56%	1,404,094,729.58	9.59%	13,241,196,380.65	11,197,400,451.31	99.31%	1,016,027,673.93	9.07%	10,181,372,777.38
Total	14,710,269,418.60	100.00%	1,469,073,037.95		13,241,196,380.65	11,275,367,656.81	100.00%	1,083,994,879.43		10,191,372,777.38

Bad debt provision based on single item

Unit: RMB

Name	Balance at the End of the Period			
	Book balance	Bad debt provision	Accrued proportion	Reason for making bad debt provision
Customer 1	53,537,386.62	53,537,386.62	100.00%	Expected to be unable to recover
Customer 2	11,440,921.75	11,440,921.75	100.00%	Expected to be unable to recover
Total	64,978,308.37	64,978,308.37	--	--

Bad debt provision based on combinations

Unit: RMB

Name	Balance at the End of the Period		
	Book balance	Bad debt provision	Accrued proportion
Within 1 year	11,466,659,430.14	573,332,971.51	5.00%
1 to 2 years	2,022,862,603.43	202,286,260.34	10.00%
2 to 3 years	492,028,606.68	147,608,582.01	30.00%
3 to 4 years	254,321,585.50	127,160,792.75	50.00%
4 to 5 years	278,563,807.56	222,851,046.05	80.00%
5 years or above	130,855,076.92	130,855,076.92	100.00%
Total	14,645,291,110.23	1,404,094,729.58	--

Notes on the basis to determine the combination:

Please refer to the disclosing methods of other receivables for the information disclosure of bad debts provisions, if the bad debt provisions of accounts receivable are made according to the general model of expected credit losses:

Applicable  Not applicable

Disclosure by age

Unit: RMB

Aging	Book balance
Within 1 year (including 1 year)	11,466,659,430.14
1 to 2 years	2,022,862,603.43
2 to 3 years	545,565,993.30
3 years or above	675,181,391.73
3 to 4 years	254,321,585.50
4 to 5 years	278,563,807.56
5 years or above	142,295,998.67
Total	14,710,269,418.60

## (2) Provision for bad debts accrued, recovered or reversed in this period

Provision for bad debts in the current period:

Unit: RMB

Category	Balance at the Start of the Period	Amount of Changes in the Current Period				Balance at the End of the Period
		Accrued	Recovered or Reversed	Written Off	Others	
Bad debt provision	1,083,994,879.43	403,542,653.67	3,383,257.76	15,434,407.25	353,169.86	1,469,073,037.95
Total	1,083,994,879.43	403,542,653.67	3,383,257.76	15,434,407.25	353,169.86	1,469,073,037.95

**(3) Accounts receivable actually written off in this period**

Unit: RMB

Item Name	Write-off amount
Accounts receivable actually written off	15,434,407.25

**(4) Accounts receivable of the top five closing balances collected by debtors**

The accounts receivable of the top five closing balances collected by the arrears was summed up to RMB 1,314,705,080.22, accounting for 8.94% of the total closing balance of accounts receivable. and the ending balance of the provision for bad debts accrued was RMB 208,285,190.53.

**(5) Accounts receivable derecognized due to the transfer of financial assets**

There is no accounts receivable derecognized due to the transfer of financial assets in this period.

**(6) Assets and liabilities generated due to transferred receivables that the Company still keeps recourse or retains part of corresponding rights or interests**

There are no assets or liabilities generated due to transferred receivables that the Company still keeps recourse or retains part of corresponding rights or interests.

**3. Receivables financing**

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Notes receivable	1,086,017,357.90	2,385,693,417.06
Total	1,086,017,357.90	2,385,693,417.06

The increase and decrease of accounts receivable financing in the current period and the changes in the fair value.

Applicable  Not applicable

The closing balances are all bank acceptance bills with short remaining maturity and whose book values are close to fair values.

Please refer to the disclosing methods of other receivables for the information disclosure of depreciation provisions, if the depreciation provisions of accounts receivable financing are made according to the general model of expected credit losses:

Applicable  Not applicable

**(1) Notes receivable pledged by the Company at the end of the period**

Unit: RMB

Item Name	Pledged amount by the end of period
Bank Acceptance Notes	875,655,976.33
Total	875,655,976.33

**(2) Notes receivable that the Company has endorsed or discounted at the end of the period and that have not yet expired on the balance sheet date**

Unit: RMB

Item Name	Derecognised amount at the end of period	Not derecognised amount at the end of period
Bank Acceptance Notes	489,774,811.52	
Total	489,774,811.52	

**4. Prepayments****(1) Aging analysis of prepayments is as follows**

Unit: RMB

Aging	Balance at the End of the Period		Balance at the Start of the Period	
	Amount	Percentage	Amount	Percentage
Within 1 year	124,497,411.77	97.13%	121,980,125.12	96.13%
1 to 2 years	1,674,410.31	1.31%	2,958,954.04	2.33%
2 to 3 years	762,597.42	0.59%	1,465,346.63	1.16%
3 years or above	1,247,679.97	0.97%	486,833.21	0.38%
Total	128,182,099.47	--	126,891,259.00	--

**(2) Advance payment of the top five closing balances by prepayment parties**

The advance payment of the top five closing balances by the concentration of prepayment parties was summed up to RMB 43,160,931.30, accounting for 33.67% of the total closing balance of the advance payment.

**5. Other receivables**

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Interest Receivable		6,754,941.00
Other Receivables	408,776,610.17	391,415,828.40
Total	408,776,610.17	398,170,769.40

**(1) Interests receivable****1) Category of interests receivable**

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Fixed term deposit		6,754,941.00
Total		6,754,941.00

## 2) Bad debt provision

Applicable  Not applicable

### (2) Other receivables

#### 1) Other receivables categorized by the nature of the funds

Unit: RMB

Nature of the funds	Closing balance	Opening balance
Deposits	186,488,490.93	133,533,949.06
Prepaid or advance expense	105,487,796.31	114,908,097.29
Export refunds	40,988,648.13	36,092,616.35
Employee home loan	130,509,023.60	130,870,460.98
Alipay and e-wallet		11,289,772.49
Others	6,367,769.53	7,255,950.15
Total	469,841,728.50	433,950,846.32

## 2) Bad debt provision

Unit: RMB

Bad debt provision	Phase One	Phase Two	Phase Three	Total
	Expected credit losses in the next 12 months	Expected credit losses for the entire extension (without credit impairment)	Expected credit losses for the entire extension (with credit impairment)	
Balance on January 1, 2019	36,481,554.61	5,278,676.24	774,787.07	42,535,017.92
Balance of the current period on January 1, 2019	—	—	—	—
--Transfer to phase two	-1,572,775.73	1,572,775.73		
--Transfer to phase three	-262,847.03	-112,709.18	375,556.21	

Provisions of this period	9,728,488.85	8,939,541.23	48,754.93	18,716,785.01
Other variations	-186,684.60			-186,684.60
Balance on December 31, 2019	44,187,736.10	15,678,284.02	1,199,098.21	61,065,118.33

Book balance changes with significant changes in loss provision in the current period

Applicable  Not applicable

Disclosure by age

Unit: RMB

Aging	Book balance
Within 1 year (including 1 year)	290,495,618.18
1 to 2 years	85,439,230.30
2 to 3 years	65,856,385.43
3 years or above	28,050,494.59
3 to 4 years	14,938,203.33
4 to 5 years	11,709,470.85
5 years or above	1,402,820.41
Total	469,841,728.50

### 3) Provision for bad debts accrued, recovered or reversed in this period

Provision for bad debts in the current period:

Unit: RMB

Category	Balance at the Start of the Period	Amount of Changes in the Current Period				Balance at the End of the Period
		Accrued	Recovered or Reversed	Written Off	Others	
Portfolio 2: Aging Analysis Portfolio	42,535,017.92	18,716,785.01			-186,684.60	61,065,118.33
Total	42,535,017.92	18,716,785.01			-186,684.60	61,065,118.33

### 4) Accounts receivable actually written off in this period

There's no actual written-off accounts receivable in this period.

### 5) Other receivables of the top five closing balances collected by debtors

Unit: RMB



Name of Unit	Nature of the funds	Balance at the End of the Period	Aging	As a percentage of total other receivables at the end of the period	Bad debt provision at the end of the period
Company 1	Export refunds	40,988,648.13	Within 1 year	8.72%	2,049,432.41
Company 2	Deposits	24,410,000.00	Within 1 year	5.20%	1,220,500.00
Company 3	Prepaid or advance expense	18,536,030.44	Within 1 year	3.95%	926,801.52
Company 4	Deposits	12,000,000.00	2-3 years	2.55%	3,600,000.00
Company 5	Deposits	10,711,000.00	Within 1 year	2.28%	535,550.00
Total	--	106,645,678.57	--	22.70%	8,332,283.93

## 6) Accounts receivable not related to government subsidies

There are no other accounts receivable related to government subsidies.

## 7) Other accounts receivable derecognised due to transfer of financial assets

There are no other accounts receivable derecognized due to the transfer of financial assets.

## 8) Assets and liabilities generated due to other transferred receivables that the Company still keeps recourse or retains part of corresponding rights or interests

There are no assets and liabilities generated due to other transferred receivables that the Company still keeps recourse or retains part of corresponding rights or interests.

## 6. Inventory

Has the new income standard been implemented?

Yes  No

### (1) Categories of inventories

Unit: RMB

Item Name	Balance at the End of the Period			Balance at the Start of the Period		
	Book balance	Provision for decline in price	Book value	Book balance	Provision for decline in price	Book value
Raw materials	1,322,280,135.63	9,174,244.38	1,313,105,891.25	641,393,743.67		641,393,743.67
Work-in-progresses	907,039,528.28	11,835,784.37	895,203,743.91	1,068,330,542.75	4,168,637.69	1,064,161,905.06

Finished goods	1,549,317,679.30	59,728,540.61	1,489,589,138.69	1,347,394,898.29	72,990,967.51	1,274,403,930.78
Outsourced work-in-progresses	141,911,930.48		141,911,930.48	55,620,129.63		55,620,129.63
Total	3,920,549,273.69	80,738,569.36	3,839,810,704.33	3,112,739,314.34	77,159,605.20	3,035,579,709.14

## (2) Provision for decline in value of inventories

Unit: RMB

Item Name	Balance at the Start of the Period	Increased in the current period		Decreased in the current period		Balance at the End of the Period
		Accrued	Others	Reversals or write-offs	Others	
Raw materials		9,174,244.38				9,174,244.38
Work-in-progresses	4,168,637.69	8,758,744.12		1,153,626.72	-62,029.28	11,835,784.37
Finished goods	72,990,967.51	22,158,411.41		36,368,783.15	-947,944.84	59,728,540.61
Total	77,159,605.20	40,091,399.91		37,522,409.87	-1,009,974.12	80,738,569.36

The basis for determining the net realizable value:

Subtracting the estimated completion costs, estimated selling expenses, and related taxes from the selling price.

The reason for the write-off of inventory depreciation reserve in this period is: inventory use or sales.

## 7. Non-current assets due within 1 year

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Long-term accounts receivables due within 1 year	630,717,329.58	578,733,057.27
Total	630,717,329.58	578,733,057.27

Note: The amount of long-term receivables due within 1 year pledged by the Company at the end of the period is RMB 28,911,178.34. See Note 58 for details.

## 8. Other current assets

Has the new income standard been implemented?

Yes  No

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
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Not deducted input tax	538,283,444.00	367,528,033.48
Prepaid enterprise income tax	18,028,326.08	34,727,044.57
<b>Total</b>	<b>556,311,770.08</b>	<b>402,255,078.05</b>

Other notes:

## 9. Long-term receivables

### (1) Long-term receivables

Unit: RMB

Item Name	Balance at the End of the Period			Balance at the Start of the Period			Range of discount rate
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value	
Installment Payment for Selling Products	2,568,442,030.19		2,568,442,030.19	1,861,485,568.28		1,861,485,568.28	
Including: Unrealized Financing Income	413,390,725.32		413,390,725.32	364,590,421.98		364,590,421.98	3.03%-7.62%
<b>Total</b>	<b>2,568,442,030.19</b>		<b>2,568,442,030.19</b>	<b>1,861,485,568.28</b>		<b>1,861,485,568.28</b>	<b>--</b>

Book balance changes with significant changes in loss provision in the current period

Applicable  Not applicable

### (2) Long-term receivables derecognised due to transfer of financial assets

There are no long-term receivables derecognised due to transfer of financial assets.

### (3) Assets/liabilities generated due to transferred long-term receivables that the Company still keeps recourse or retains part of corresponding rights or interests

There are no assets/liabilities generated due to transferred long-term receivables that the Company still keeps recourse or retains part of corresponding rights or interests.

Other notes

Note: The amount of long-term receivables due within 1 year pledged by the Company at the end of the period is RMB 213,118,026.26. See Note 58 for details.

## 10. Long-term equity investment

Unit: RMB

The invested entity	Balance at the Start of the Period (book value)	Decrease/Increase in the current period							Balance at the End of the Period (book value)	Closing balance of provision for decline in value	
		Investments increased	Investment decreased	Investment profit and loss recognized under the equity method	Adjustment on other comprehensive income	Other changes in equity	Cash dividends or profit declared to distribute	Provision for impairment accrued			Others
I . Joint ventures											
II . Affiliates											
Zhejiang Leapmotor Technology Co., Ltd.	168,229,977.61			-115,735,671.92					70,570,727.96	123,065,033.65	
Guangdong Dahua Zhishi Technology Co., Ltd.	-394,187.10			138,092.47					256,094.63		
Hangzhou Juhuan Information Technology Co., Ltd.		1,000,000.00		-188,802.91						811,197.09	
Wenzhou Dahua Security Services Co., Ltd.	734,265.47			71,908.38						806,173.85	

Taizhou Dahua Security Services Co., Ltd.	345,823.21			18,415.92						364,239.13
Ningbo Dahua Anbang Security Services Co., Ltd.	1,157,423.01			-55,050.65						1,102,372.36
Lishui Dahua Intelligent Technology Co., Ltd.	76,822.87			-71,273.06						5,549.81
Zhoushan Dahua Technology Co., Ltd.	705,482.95			-12,917.12						692,565.83
Shaoxing Dahua Security Services Co., Ltd.	547,439.30			22,819.46						570,258.76
Zhejiang Dahua Zhian Internet of Things Technology Co., Ltd.	2,700,777.50			1,253,907.62						3,954,685.12
Shenzhen Conwin Security Electronics CO., Ltd.	11,768,196.76			-342,160.36						11,426,036.40

China Standard Intelligent Security Technology Co., Ltd.		12,200,000.00	-1,632,690.34						10,567,309.66
Intelbras S.A.		336,539,400.00	826,415.19						337,365,815.19
Subtotal	185,872,021.58	349,739,400.00	-115,707,007.32					70,826,822.59	490,731,236.85
Total	185,872,021.58	349,739,400.00	-115,707,007.32					70,826,822.59	490,731,236.85

## 11. Other non-current financial assets

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Financial liabilities at fair value through profit or loss	67,213,489.43	76,614,852.22
Among which: Investment in equity instrument	67,213,489.43	76,614,852.22
Total	67,213,489.43	76,614,852.22

## 12. Investment properties

### (1) Investment properties measured by cost method

√ Applicable □ Not applicable

Unit: RMB

Item Name	Buildings and constructions	Land use rights	Projects under Construction	Total
I. Original book value				
1. Opening Balance	358,765,339.78	8,879,294.95		367,644,634.73
2. Increased in the Current Period	7,491,078.91	542,823.38		8,033,902.29
(1) Purchase				

(2) Transfer of fixed assets\intangible assets	7,491,078.91	542,823.38		8,033,902.29
(3) Acquisition				
3. Decreased in the Current Period				
(1) Disposal				
(2) Other Transfer-out				
4. Closing Balance	366,256,418.69	9,422,118.33	0.00	375,678,537.02
II. Accumulated Depreciation and Amortization				
1. Opening Balance	19,658,323.89	1,154,934.29		20,813,258.18
2. Increased in the Current Period	18,505,609.10	178,079.75		18,683,688.85
(1) Accrual or Amortization	17,383,794.38	139,177.41		17,522,971.79
(2) Transfer of fixed assets\intangible assets	1,121,814.72	38,902.34		1,160,717.06
3. Decreased in the Current Period				
(1) Disposal				
(2) Other Transfer-out				
4. Closing Balance	38,163,932.99	1,333,014.04	0.00	39,496,947.03
III. Provision for Impairment				
1. Opening Balance				
2. Increased in the Current Period				
(1) Accrual				

3. Decreased in the Current Period				
(1) Disposal				
(2) Other Transfer-out				
4. Closing Balance				
IV. Book value				
1. Closing Balance on Book Value	328,092,485.70	8,089,104.29		336,181,589.99
2. Opening Balance on Book Value	339,107,015.89	7,724,360.66		346,831,376.55

**(2) Investment properties measured at fair value**

Applicable  Not applicable

**(3) Investment properties with certificates of title not granted**

Unit: RMB

Item Name	Book value	Reasons for Certificates of Title not Granted
Nanning marketable housing	155,241,891.04	The certificate of title has been granted on January 7, 2020.

**13. Fixed assets**

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Fixed Assets	1,522,463,368.83	1,407,471,330.83
Total	1,522,463,368.83	1,407,471,330.83

**(1) Fixed assets**

Unit: RMB

Item Name	Housing and building	Machinery and equipment	Means of transport	Electronic and other equipment	Total



I . Original book value:					
1. Opening Balance	1,085,347,467.39	234,823,941.62	41,360,429.33	671,546,377.96	2,033,078,216.30
2. Increased in the Current Period	151,364,357.70	58,566,535.18	1,428,452.22	139,115,659.89	350,475,004.99
(1) Purchase	4,838,017.50	56,790,539.06	1,428,452.22	110,430,437.53	173,487,446.31
(2) Transferred From Construction in Progress	146,526,340.20	1,775,996.12		28,685,222.36	176,987,558.68
(3) Acquisition					
3. Decreased in the Current Period	7,491,078.91	374,816.08	7,110,193.07	20,721,869.61	35,697,957.67
(1) Disposal or Scrapping		374,816.08	7,110,193.07	19,808,431.09	27,293,440.24
(2) Transfer to investment real estate	7,491,078.91				7,491,078.91
(3) Disposal of subsidiaries				913,438.52	913,438.52
4. Currency Translation Difference	-9,200.70	35,089.41	19,235.13	-261,618.18	-216,494.34
5. Closing Balance	1,229,211,545.48	293,050,750.13	35,697,923.61	789,678,550.06	2,347,638,769.28
II. Accumulated depreciation					
1. Opening Balance	171,317,090.95	46,671,558.15	30,433,971.72	377,184,264.65	625,606,885.47
2. Increased in the Current Period	53,085,437.68	25,305,055.30	4,159,693.07	138,634,939.52	221,185,125.57
(1) Accrual	53,085,437.68	25,305,055.30	4,159,693.07	138,634,939.52	221,185,125.57
3. Decreased in the Current Period	1,121,814.72	240,769.90	5,996,545.91	14,308,854.00	21,667,984.53
(1) Disposal or Scrapping		240,769.90	5,996,545.91	14,132,127.58	20,369,443.39
(2) Transfer to investment real estate	1,121,814.72				1,121,814.72
(3) Disposal of subsidiaries				176,726.42	176,726.42

4. Currency Translation Difference	3,188.14	17,926.22	1,094.65	29,164.93	51,373.94
5. Closing Balance	223,283,902.05	71,753,769.77	28,598,213.53	501,539,515.10	825,175,400.45
III. Provision for Impairment					
1. Opening Balance					
2. Increased in the Current Period					
(1) Accrual					
3. Decreased in the Current Period					
(1) Disposal or Scrapping					
4. Closing Balance					
IV. Book value					
1. Closing Balance on Book Value	1,005,927,643.43	221,296,980.36	7,099,710.08	288,139,034.96	1,522,463,368.83
2. Opening Balance on Book Value	914,030,376.44	188,152,383.47	10,926,457.61	294,362,113.31	1,407,471,330.83

**(2) Fixed assets with certificates of title not granted**

Unit: RMB

Item Name	Book value	Reasons for certificates of title not granted
Nanning marketable housing	60,491,251.80	The certificate of title has been granted on January 7, 2020.

**14. Construction in progress**

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Projects under Construction	435,757,406.90	226,191,587.11
Total	435,757,406.90	226,191,587.11

**(1) Details of construction in progress**

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
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	Book balance	Provision for decline in value	Book value	Book balance	Provision for decline in value	Book value
Phase I, Urban Intelligent Information Industry Construction Project	25,497,962.29		25,497,962.29	9,090,975.91		9,090,975.91
Dahua Auxiliary and R&D Experimental Building Renovation Project				33,893,914.76		33,893,914.76
The phase II construction project of the smart manufacturing base in Hangzhou	122,432,129.02		122,432,129.02	7,313,380.68		7,313,380.68
Construction Project of Xi'an R & D Center	55,188,924.03		55,188,924.03	1,030,576.46		1,030,576.46
The construction project of the marketing center in Xi'an	25,256,304.13		25,256,304.13	441,675.63		441,675.63
Commercial building under decoration				55,859,895.45		55,859,895.45
Project of Smart IoT Solution R & D and Industrialization	195,019,175.01		195,019,175.01	110,183,237.44		110,183,237.44
Others	12,362,912.42		12,362,912.42	8,377,930.78		8,377,930.78
<b>Total</b>	<b>435,757,406.90</b>		<b>435,757,406.90</b>	<b>226,191,587.11</b>		<b>226,191,587.11</b>

**(2) Changes in significant construction in progress**

Unit: RMB

Item Name	Budget	Balance at the Start of the Period	Increased in the current period	Transfer amounts in this period	Other amounts decreased in current period	Balance at the End of the Period	Project cumulative investment as a percentage of the budget	Project Progress	Accumulated capitalized interest amount	Including: capitalized interest amount in the current period	Capitalization rate of the interest in the current period	Capital Source
Project of Smart IoT Solution R & D and Industrialization	911,964,400.00	110,183,237.44	84,835,937.57			195,019,175.01	21.38%	21.38%				Equity Fund
The phase II construction project of the smart manufacturing base in Hangzhou	827,063,700.00	7,313,380.68	115,118,748.34			122,432,129.02	14.80%	14.8%				Equity Fund
Construction Project of Xi'an R & D Center	733,621,400.00	1,030,576.66	54,158,347.57			55,188,924.03	7.52%	7.52%				Equity Fund
The construction project of the marketing center in Xi'an	300,000,000.00	441,675.63	24,814,628.50			25,256,304.13	8.42%	8.42%				Equity Fund

Phase I, Urban Intelligent Information Industry Constructio n Project	50,000,000.0 0	9,090,975.9 1	16,406,986.3 8		25,497,962.2 9	51.00%	51%				Equit y Fund
Commercia l building under decoration		55,859,895. 45	4,631,356.35	60,491,251.8 0		100.00%	Compl eted				Equit y Fund
Dahua Auxiliary and R&D Experiment al Building Renovation Project		33,893,914. 76	51,345,081.3 1	85,238,996.0 7		100.00%	Compl eted				Equit y Fund
Total	2,822,649,50 0.00	217,813,656 .33	351,311,086. 02	145,730,247. 87	423,394,494. 48	--	--				--

## 15. Intangible assets

### (1) Details of intangible assets

Unit: RMB

Item Name	Land use rights	Patent right	Non-patented technology	Softwares	Trademark rights	Software copyright	Total
I. Original book value							
1. Opening Balance	306,095,351. 00		62,876,510.5 9	105,683,361. 47	2,700,670.40	6,381,122.62	483,737,016. 08
2. Increased in the Current Period	53,689,050.0 0			26,533,688.5 7			80,222,738.5 7
(1) Purchase	53,689,050.0 0			21,461,832.2 1			75,150,882.2 1
(2) Internal research and development							
(3) Acquisition							

(4) Transfer of construction in progress				5,071,856.36			5,071,856.36
3. Decreased in the Current Period	542,823.38			1,083,380.85			1,626,204.23
(1) Disposal				224,879.48			224,879.48
(2) Transfer to investment real estate	542,823.38						542,823.38
(3) Disposal of subsidiaries				858,501.37			858,501.37
4. Currency Translation Difference	-1,590.00			-1,897.81	-1,526.40		-5,014.21
5. Closing Balance	359,239,987.62		62,876,510.59	131,131,771.38	2,699,144.00	6,381,122.62	562,328,536.21
II. Accumulated amortization							
1. Opening Balance	13,958,051.21		35,139,620.64	54,292,191.10	2,451,070.42	5,428,673.62	111,269,606.99
2. Increased in the Current Period	7,341,408.93		6,147,460.40	25,918,698.70	124,800.01	476,224.55	40,008,592.59
(1) Accrual	7,341,408.93		6,147,460.40	25,918,698.70	124,800.01	476,224.55	40,008,592.59
3. Decreased in the Current Period	38,902.34			670,583.35			709,485.69
(1) Disposal				207,179.02			207,179.02
(2) Transfer to investment real estate	38,902.34						38,902.34
(3) Disposal of subsidiaries				463,404.33			463,404.33

4. Currency Translation Difference				2,563.41	-1,526.40		1,037.01
5. Closing Balance	21,260,557.80		41,287,081.04	79,542,869.86	2,574,344.03	5,904,898.17	150,569,750.90
III. Provision for Impairment							
1. Opening Balance							
2. Increased in the Current Period							
(1) Accrual							
3. Decreased in the Current Period							
(1) Disposal							
4. Closing Balance							
IV. Book value							
1. Closing Balance on Book Value	337,979,429.82		21,589,429.55	51,588,901.52	124,799.97	476,224.45	411,758,785.31
2. Opening Balance on Book Value	292,137,299.79		27,736,889.95	51,391,170.37	249,599.98	952,449.00	372,467,409.09

## 16. Goodwill

### (1) Original book value of goodwill

Unit: RMB

The invested entity or matters which formed goodwill	Balance at the Start of the Period	Increased in the current period		Decreased in the current period		Balance at the End of the Period
		Generated from business combination		Disposal		

South North United Information Technology Co., Ltd.	71,083,281.09					71,083,281.09
Dahua Technology Italy S.R.L.	2,591,935.00	4,023,359.18				6,615,294.18
LorexTechnology Inc.	36,070,196.12					36,070,196.12
Total	109,745,412.21	4,023,359.18				113,768,771.39

**(2) Provision of impairment in goodwill**

Unit: RMB

The invested entity or matters which formed goodwill	Balance at the Start of the Period	Increased in the current period		Decreased in the current period		Balance at the End of the Period
		Accrued		Disposal		
South North United Information Technology Co., Ltd.		71,083,281.09				71,083,281.09
Total		71,083,281.09				71,083,281.09

Information about the asset group or asset group combination where the goodwill is located

The invested entity name or matters which formed goodwill	Amount of goodwill	Information about the asset group or asset group combination where it is located
South-North United Information Technology Co., Ltd.	71,083,281.09	The asset group relating to the goodwill generated for the acquisition of the South-North United Information Technology Co., Ltd., that is, the long-term asset group, including fixed assets and intangible assets, formed for South-North United Information Technology Co., Ltd. on December 31, 2019.
Dahua Technology Italy S.R.L.	6,615,294.18	The asset group relating to the goodwill generated for the acquisition of the Dahua Technology Italy S.R.L., that is, the long-term asset group, including fixed assets and intangible assets, formed for Dahua Technology Italy S.R.L. on December 31, 2019.
Lorex Technology Inc.	36,070,196.12	The asset group relating to the goodwill generated for the acquisition of Lorex Technology Inc., that is, the long-term asset group, including fixed assets and intangible assets, formed for Lorex Technology Inc. on December 31, 2019.

Explain the goodwill impairment test process, key parameters (e.g. growth rate at forecast period, growth rate at steady period, profit rate, discount rate, forecast period, etc. when the present value of future cash flow is estimated) and the confirmation method of goodwill impairment loss:



The recoverable amount is determined according to the present value of the expected future cash flow of the relevant asset group. Its future cash flow is determined based on the 5-year financial budget approved by management from 2020 to 2024, with a discount rate of 15% to 18%. Cash flows over 5 years are calculated on the basis of zero growth rate. The growth rate is determined based on the growth forecast of the relevant industry and does not exceed the long-term average growth rate of the industry. Future cash flow estimates are based on management's estimated sales amount, cost of sales, and operating expenses during the forecast period based on past performance and expectations of market development.

#### Result of goodwill impairment test

The Company assessed the recoverable amount of goodwill. Among them, the recoverable amount of the asset group of Dahua Technology Italy S.R.L. and Lorex Technology Inc. was higher than the book value. There was no sign of impairment of the goodwill of the asset group. The goodwill related to South-North United Information Technology Co., Ltd. has been impaired, so the impairment provision is fully provided for the goodwill of the relevant asset group, and the amount is RMB 71,083,281.09.

## 17. Long-term deferred expenses

Unit: RMB

Item Name	Balance at the Start of the Period	Increased in the current period	Prepaid Expenses in This Period	Other Amounts Decreased	Balance at the End of the Period
Housing rent	107,037.29	591,670.75	43,805.23		654,902.81
Improvement expenditure of fixed assets leased by operating lease	37,010,881.26	18,317,774.30	18,204,864.92	467,495.26	36,656,295.38
Total	37,117,918.55	18,909,445.05	18,248,670.15	467,495.26	37,311,198.19

## 18. Deferred income tax assets/deferred income tax liabilities

### (1) Deferred income tax assets not written off

Unit: RMB

Item Name	Balance at the End of the Period		Balance at the Start of the Period	
	Deductible temporary difference	Deferred Income Tax Assets	Deductible temporary difference	Deferred Income Tax Assets
Provision for Impairment of Assets	1,372,773,968.68	280,528,766.00	982,203,827.26	193,996,211.23
Unrealized Profit from Internal Transactions	547,077,611.01	104,177,416.44	716,955,234.71	148,900,021.90
Deductible Losses	112,428,262.35	22,790,464.62	92,044,909.04	16,363,887.53
Expected Liabilities	294,259,856.02	48,245,412.84	172,287,233.54	28,619,808.17

Payroll payable	186,486,020.88	30,804,008.79	138,626,628.92	22,872,593.43
Equity incentive expense	645,397,447.32	100,199,757.74	27,235,019.84	4,337,560.56
Costs from Tax Increase Due to Absence of Invoice	332,596,395.85	79,563,686.57	41,376,609.34	9,172,826.12
Changes in fair value gains and losses	4,652,255.96	697,838.39	9,995,544.23	1,863,348.58
Others	4,204,829.75	1,051,207.44	976,371.23	146,455.68
<b>Total</b>	<b>3,499,876,647.82</b>	<b>668,058,558.83</b>	<b>2,181,701,378.11</b>	<b>426,272,713.20</b>

**(2) Deferred income tax liabilities not written off**

Unit: RMB

Item Name	Balance at the End of the Period		Balance at the Start of the Period	
	Taxable temporary difference	Deferred Income Tax Liabilities	Taxable temporary difference	Deferred Income Tax Liabilities
The gross profit of sales by installments	274,935,901.68	50,565,095.68	256,706,108.82	50,137,969.76
<b>Total</b>	<b>274,935,901.68</b>	<b>50,565,095.68</b>	<b>256,706,108.82</b>	<b>50,137,969.76</b>

**(3) Deferred Income Tax Assets or Liabilities Listed by Net Amount after Offset**

Unit: RMB

Item Name	Amount of Deferred Income Tax Assets Offset against Liabilities at the End of the Period	Balance of Deferred Income Tax Assets or Liabilities after Offset at the End of the Period	Amount of Deferred Income Tax Assets Offset against Liabilities at the Start of the Period	Balance of Deferred Income Tax Assets or Liabilities after Offset at the Start of the Period
Deferred Income Tax Assets		668,058,558.83		426,272,713.20
Deferred Income Tax Liabilities		50,565,095.68		50,137,969.76

**(4) Deferred income tax assets or liabilities listed by net amount after offset**

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Deductible temporary difference	288,540,182.92	247,169,565.91

Deductible Losses	426,612,969.56	172,253,137.74
Total	715,153,152.48	419,422,703.65

**(5) Details of unrecognized deferred income tax assets**

Unit: RMB

Year	Amount at the end of the period	Opening balance	Notes
2019		3,970,432.34	Losses in 2014 and due in 2019
2020	11,057,227.29	11,057,227.29	Losses in 2015 and due in 2020
2021	39,382,442.56	18,784,799.88	Losses in 2016 and due in 2021
2022	48,794,703.23	40,598,242.37	Losses in 2017 and due in 2022
2023	87,817,547.48	97,842,435.86	Losses in 2018 and due in 2023
2024	239,561,049.00		Losses in 2019 and due in 2024
Total	426,612,969.56	172,253,137.74	--

**19. Other non-current assets**

Has the new income standard been implemented?

 Yes  No

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Prepayments for purchase of engineering equipments	8,605,835.50	5,627,812.52
Prepayments for acquisition of real estate		10,649,793.09
Total	8,605,835.50	16,277,605.61

**20. Short-term loans****(1) Categories of short-term loan**

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Guaranteed loans		400,000,000.00
Fiduciary loans	400,000,000.00	1,380,000,000.00
Interest payable for short-term loan	323,888.90	
Pledged, guaranteed loans		71,709,561.83
Total	400,323,888.90	1,851,709,561.83

## 21. Transactional financial liabilities

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Transactional financial liabilities		38,602,602.30
Including:		
Derivative Financial Liabilities		38,602,602.30
Including:		
Total		38,602,602.30

Other notes:

## 22. Notes payable

Unit: RMB

Types	Balance at the End of the Period	Balance at the Start of the Period
Commercial acceptance bill	1,875,977,697.88	1,405,577,927.60
Bank acceptance bill	1,931,315,097.19	2,266,008,177.19
Total	3,807,292,795.07	3,671,586,104.79

## 23. Accounts payable

### (1) Details of accounts payable

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Payment for purchase of materials	4,140,093,134.61	3,586,524,616.43
Payment for engineering equipments	150,160,367.20	203,204,977.77
Total	4,290,253,501.81	3,789,729,594.20

**(2) Important accounts payable aged over 1 year**

There is no significant accounts payable aged over 1 year.

**24. Advance receipts**

Has the new income standard been implemented?

Yes  No

**(1) Details of received pre-payments**

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Payments for sales of goods	207,337,743.83	200,172,889.06
Pre-payments from construction projects	168,184,051.99	143,125,002.14
Total	375,521,795.82	343,297,891.20

**(2) Important advance receipts aged over 1 year**

There is no significant advance receipts aged over 1 year.

**25. Payroll payable****(1) Details of payroll payable**

Unit: RMB

Item Name	Balance at the Start of the Period	Increased in the current period	Decreased in the current period	Balance at the End of the Period
I. Short-term remuneration	1,102,043,457.78	4,926,144,161.95	4,452,451,024.11	1,575,736,595.62
II. Dimission benefits - defined contribution scheme	22,315,154.16	185,323,588.78	201,006,979.26	6,631,763.68
III. Dismissal welfare		16,418,388.67	16,418,388.67	
Total	1,124,358,611.94	5,127,886,139.40	4,669,876,392.04	1,582,368,359.30

**(2) List of short-term remuneration**

Unit: RMB

Item Name	Balance at the Start of the Period	Increased in the current period	Decreased in the current period	Balance at the End of the Period
1. Wages or salaries, bonuses, allowances and subsidies	921,728,024.05	4,330,780,797.92	3,890,739,205.45	1,361,769,616.52
2. Staff welfare		121,582,527.25	121,582,527.25	
3. Social insurance contributions	18,100,292.05	126,564,192.63	138,767,779.77	5,896,704.91
Including: medical insurance	15,802,475.59	109,730,568.81	120,435,029.28	5,098,015.12
Work injury insurance premium	676,267.78	4,651,672.37	4,975,923.16	352,016.99
Maternity insurance premium	1,621,548.68	12,181,951.45	13,356,827.33	446,672.80
4. Housing funds	212,046.97	217,431,757.08	217,354,159.91	289,644.14
5. Labor union and education funds	162,003,094.71	129,784,887.07	84,007,351.73	207,780,630.05
Total	1,102,043,457.78	4,926,144,161.95	4,452,451,024.11	1,575,736,595.62

**(3) Defined contribution scheme (Note)**

Unit: RMB

Item Name	Balance at the Start of the Period	Increased in the current period	Decreased in the current period	Balance at the End of the Period
1. Basic pension insurance	21,283,607.42	178,071,528.56	193,326,166.14	6,028,969.84
2. Unemployment insurance	1,031,546.74	7,252,060.22	7,680,813.12	602,793.84
Total	22,315,154.16	185,323,588.78	201,006,979.26	6,631,763.68

**26. Taxes payable**

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
VAT	321,925,577.86	280,098,796.36
Enterprise Income Tax	419,841,639.86	258,232,990.39
Individual income tax	18,196,436.48	12,298,554.78
Urban Maintenance and Construction Tax	20,932,919.75	18,878,589.21

House property tax	10,840,683.16	5,757,911.72
Education surcharges (including local education surcharges)	14,952,034.15	13,462,512.05
Stamp duty	2,048,405.64	1,939,872.86
Land usage tax		2,099,648.89
Disabled security fund	1,020,725.47	661,501.37
Sales tax	3,356,926.93	5,114,791.97
Others	242,122.07	932,880.21
<b>Total</b>	<b>813,357,471.37</b>	<b>599,478,049.81</b>

## 27. Other payables

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Interest Payable		4,745,203.31
Dividends Payable	9,454,479.13	
Other Payables	1,154,461,234.11	1,046,791,891.66
<b>Total</b>	<b>1,163,915,713.24</b>	<b>1,051,537,094.97</b>

### (1) Interests payable

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Interest payable for short-term loan		3,046,260.22
Long-term loan interest		991,276.43
Interest payable for national development fund		707,666.66
<b>Total</b>		<b>4,745,203.31</b>

### (2) Dividends payable

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Equity Incentive Restricted Stock Dividend	9,454,479.13	
<b>Total</b>	<b>9,454,479.13</b>	

**(3) Other payables****1) Other payables listed by nature of funds**

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Deposits	51,615,269.84	34,384,749.18
Temporarily borrowed and advance payments	202,871,784.05	164,250,303.45
Special fund for talent incentive	58,413.00	30,097,503.00
Restricted share repurchase obligations	854,084,857.87	807,733,586.00
Others	45,830,909.35	10,325,750.03
<b>Total</b>	<b>1,154,461,234.11</b>	<b>1,046,791,891.66</b>

**2) Significant other payables aged over 1 year**

There are no significant other payables aged over 1 year

**28. Non-current liabilities due within 1 year**

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Long-term debt due within one year	25,500,000.00	25,500,000.00
Interest payable due within 1 year	1,493,755.57	
<b>Total</b>	<b>26,993,755.57</b>	<b>25,500,000.00</b>

**29. Other current liabilities**

Has the new income standard been implemented?

 Yes  No

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
To-be-transferred sales taxes in installments	71,233,107.93	70,845,639.51
<b>Total</b>	<b>71,233,107.93</b>	<b>70,845,639.51</b>



### 30. Long-term loans

#### (1) Categories of long-term loans

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Pledged loans	153,500,000.00	179,000,000.00
Total	153,500,000.00	179,000,000.00

### 31. Estimated liabilities

Has the new income standard been implemented?

 Yes  No

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period	Causes
Others	256,094.63		Loss-making contract
Expected after-sales maintenance cost	300,715,511.10	193,761,170.12	After-sales maintenance
Expected return amount after the period	2,699,281.77		Expected sales return
Total	303,670,887.50	193,761,170.12	--

### 32. Deferred income

Unit: RMB

Item Name	Balance at the Start of the Period	Increased in the current period	Decreased in the current period	Balance at the End of the Period	Causes
Government subsidies	58,693,533.40	36,652,700.00	4,088,859.51	91,257,373.89	Received government subsidies related to assets
Member points		25,953,387.45		25,953,387.45	Sales of merchandise
Total	58,693,533.40	62,606,087.45	4,088,859.51	117,210,761.34	--

Projects related to government subsidies:

Unit: RMB

Liabilities	Balance at the Start of the Period	The amount of new subsidies in this period	Amount recorded as non-operating revenue in this period	The Amount Recorded as Other Income in This Period	The Amount Written off Costs in This Period	Other variations	Balance at the End of the Period	Related to assets/related to income
Special award for industrial park projects	58,693,533.40			3,172,623.48			55,520,909.92	Related to assets
Phase I investment financial incentive fund for security video surveillance product production base project		27,455,000.00					27,455,000.00	Related to assets
Funding for manufacturing enterprise technological transformation projects		9,197,700.00		916,236.03			8,281,463.97	Related to assets
Total	58,693,533.40	36,652,700.00		4,088,859.51			91,257,373.89	

Other notes:

(1) According to the FuJingGuan [2017] No.35 document and the FuCaiQi [2017] No.506 document issued by Economic Development Zone Management Committee and the Finance Bureau of Fuyang District, Hangzhou, the Company received the special subsidies for the Fuyang Dahua Intelligent (IoT) Industrial Park in 2015 and 2017, respectively, RMB 31.66 million each time, totaling RMB 63.32 million. As the government grant related to assets, it is recognized as deferred income and will be recognized as other income in installments based on the estimated service life of the asset (20 years).

(2) According to the FuJingGuan [2019] No.18 document and the FuCaiQi [2019] No.286 document issued by Fuyang Economic Development Zone Management Committee and the Finance Bureau of Fuyang District, Hangzhou, in 2019, the Company received a financial incentive fund of RMB 27.455 million for the phase I investment of the production base of security video surveillance products, which was recognized as deferred income as a government subsidy related to

assets.

(3) According to the FuJingXinCai [2019] No.49 document and the FuCaiQi [2019] No.804 document issued by Economic and Information Bureau of Fuyang District, Hangzhou and the Finance Bureau of Fuyang District, Hangzhou, In 2019, the Company received a total of RMB 9.1977 million in 2019 from the first batch of funds for technical renovation projects of municipal manufacturing enterprises as government subsidies related to assets, which were recognized as deferred income, and recognized as other income in installments based on the estimated service life of the assets (15–111 months).

### 33. Other non-current liabilities

Has the new income standard been implemented?

Yes  No

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
To-be-transferred sales taxes in installments	322,275,367.74	289,096,280.89
Other loans	110,000,000.00	110,000,000.00
Total	432,275,367.74	399,096,280.89

Other notes:

The Company and CDB Development Fund reached a cooperation intention to increase the capital of the Company's subsidiary Dahua Zhilian Co., Ltd. The capital increase agreement stipulates that CDB Development Fund will not send senior management personnel such as directors and supervisors to Dahua Zhilian; the Company shall pay an annual investment profit of 1.2% to CDB Development Fund through dividends and repurchase premium. The Company shall redeem the equity of CDB Development Fund in Dahua Zhilian from 2022 to 2024 as other non-current liabilities.

### 34. Share capital

Unit: RMB

	Balance at the Start of the Period	Increased or decreased amount in this period (+/-)					Balance at the End of the Period
		Shares newly issued	Bonus shares	Shares converted from capital reserves	Others	Subtotal	
Total shares	2,997,621,930.00	10,413,500.00			-4,322,200.00	6,091,300.00	3,003,713,230.00

Other notes:

(1) According to the resolution of the 19th session of the 6th Board of Directors' meeting held by the Company on December 10, 2018 and the revised company Articles of Association and the resolution of the Company's 5th Extraordinary Shareholders' Meeting in 2018, the Company repurchased and canceled 44,200 shares of the granted but locked restricted stock held by the resigned equity incentive targets, reducing the registered capital by RMB 44,200.00. After the repurchase cancellation, the Company's registered capital was reduced to RMB 2,997,577,730.00. The above

capital reduction has been verified through Xin Kuai Shi Bao Zi [2019] No.ZF10047 Verification Report issued by BDO China Shu Lun Pan CPAs (special general partnership).

(2) According to the 2018 Restricted Stock Incentive Plan (Draft) reviewed and approved at the 4th Extraordinary General Meeting of Shareholders held by the Company on September 14, 2018, and the decisions at the 25th session of the 6th Board of Directors' meeting held by the Company on September 6, 2019, the restricted stocks were subscribed by 749 restricted stock incentive targets, with the registered capital increased by RMB 10,413,500.00, and up to RMB 3,007,991,230.00. The above capital contribution has been verified through Xin Kuai Shi Bao Zi [2019] No.ZF10785 Verification Report issued by BDO China Shu Lun Pan CPAs (special general partnership).

(3) According to the resolution of the 27th session of the 6th Board of Directors' meeting held by the Company on November 4, 2019 and the revised company Articles of Association and the resolution of the Company's 2nd Extraordinary Shareholders' Meeting in 2019, the Company repurchased and canceled 4,278,000 shares of the granted but locked restricted stock held by the resigned equity incentive targets, reducing the registered capital by RMB 4,278,000.00. After the repurchase cancellation, the Company's registered capital was reduced to RMB 3,003,713,230.00. The change registration of the above capital reduction matters is still in process.

### 35. Capital reserve

Unit: RMB

Item Name	Balance at the Start of the Period	Increased in the current period	Decreased in the current period	Balance at the End of the Period
Capital premium (capital share premium)	1,301,563,581.94	80,704,625.00	31,014,609.21	1,351,253,597.73
Other capital reserves	199,617,280.89	337,703,279.48	5,719,038.57	531,601,521.80
Total	1,501,180,862.83	418,407,904.48	36,733,647.78	1,882,855,119.53

Other notes, including increases or decreases in this period and their reasons:

1. According to the 2019 Restricted Stock Incentive Plan (Draft) reviewed and approved at the 2nd Extraordinary General Meeting of Shareholders held by the Company on November 21, 2019, and the decisions at the 25th session of the 6th Board of Directors' meeting held by the Company on September 6, 2019, 10,413,500 restricted stocks were subscribed by 749 restricted stock incentive targets. The actual subscription amount paid by the restricted stock incentive targets was RMB 91,118,125.00, which was recorded in the capital reserve (share premium) as RMB 80,704,625.00.

2. The amount of employee service exchanged by the share-based payment for this period was RMB 199,923,044.23 and due to repurchase and cancellation, the granted but locked restricted shares from equity incentive targets reimbursed employee service remuneration of RMB 5,719,038.57. The impact amount of the income tax on the part that the amount deductible before tax exceeded the share-based payment related cost which the accounting standards allows to recognize, is RMB 67,209,507.29, increasing other capital reserves by RMB 267,132,551.52 in total, and reducing other capital reserves by RMB 5,719,038.57;

3. In this period, the Company repurchased and canceled the granted but locked restricted shares from equity incentive targets, amounting to 4,322,200 shares, reducing the capital shares by RMB 4,322,200.00, and reducing the capital reserves (capital share premium) by RMB 30,990,174.00;

4. In this period, the impact of changes in other owners' equity of Zhejiang Leapmotor Technology Co., Ltd. that the Company should enjoy under the Equity Method was recognized as the Capital Reserves - Other Capital Reserves RMB

70,570,727.96.

5. According to the resolution of the 21st session of the 6th Board of Directors' meeting on April 25, 2019, the Company repurchased its shares in a centralized competitive bidding with a total amount for repurchase of not less than RMB 200 million (inclusive) and not more than RMB 400 million (inclusive), which will be used to implement equity incentives or employee stock ownership plans later. In the current period, the Company repurchased 13,391,480 shares. The total repurchase cost was RMB 203,523,835.65 (including transaction costs of RMB 24,435.21), and the capital reserve (share premium) was reduced by RMB 24,435.21.

### 36. Treasury Share

Unit: RMB

Item Name	Balance at the Start of the Period	Increased in the current period	Decreased in the current period	Balance at the End of the Period
Restricted shares	807,733,586.00	91,118,125.00	44,766,853.13	854,084,857.87
Share repurchase		203,499,400.44		203,499,400.44
<b>Total</b>	<b>807,733,586.00</b>	<b>294,617,525.44</b>	<b>44,766,853.13</b>	<b>1,057,584,258.31</b>

Other notes, including increases or decreases in this period and their reasons:

1. The Company pays shares with restricted stocks. In the current period, 10,413,500 shares were granted to employees, with a grant price of RMB 8.75 per share. The subsidy actually received by the restricted stock incentive targets was RMB 91,118,125.00. The amount of full recognition of liabilities and treasury shares in respect of repurchase was RMB 91,118,125.00;
2. The Company repurchased restricted stocks of former employees in this period, and a total of 4,322,200 shares of restricted stocks were repurchased, which correspondingly reduced the share capital by RMB 4,322,200.00, reduced the capital reserve capital premium by RMB 30,990,174.00, and at the same time reduced the corresponding treasury stocks amounting RMB 35,312,374.00.
3. The cash dividends allocated to restricted stock holders reduced treasury stocks and related liabilities by RMB 9,882,284.31. Due to the departure of some employees, the cash dividends allocated to related former employees were recovered by RMB 427,805.18, and treasury stocks and related liabilities were increased by RMB 427,805.18.
4. In the current period, the Company repurchased 13,391,480 shares. The total repurchase cost was RMB 203,523,835.65 (including transaction costs of RMB 24,435.21), and treasury stocks increased by RMB 203,499,400.44.

### 37. Other comprehensive incomes

Unit: RMB

Item Name	Balance at	This Period's Amount of Occurrence	Balance at
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	the Start of the Period	Before tax balance in this period	Less: recorded into other comprehens ive incomes in previous period and transferred to P/L in current period	Less: Recorded into other compreh ensive incomes in previous period and transfere d to retained income in current period	Less: Income Tax Expense	Attributab le to the Company after tax	Attribu table to the minority shareh olders after tax	the End of the Period
II. Other comprehensive income that will be reclassified into P/L	10,337,164.4 1	1,971,193.2 9				1,971,111.8 2	81.47	12,308,276.2 3
Currency conversion difference	10,337,164.4 1	1,971,193.2 9				1,971,111.8 2	81.47	12,308,276.2 3
Other comprehensive incomes in total	10,337,164.4 1	1,971,193.2 9				1,971,111.8 2	81.47	12,308,276.2 3

### 38. Surplus reserve

Unit: RMB

Item Name	Balance at the Start of the Period	Increased in the current period	Decreased in the current period	Balance at the End of the Period
Statutory surplus reserve	1,245,829,224.05	307,861,781.87		1,553,691,005.92
Total	1,245,829,224.05	307,861,781.87		1,553,691,005.92

According to the regulations of the Company Law and the Articles of Association of the Company, the Company took the statutory surplus reserve at 10% of the net profit of the parent company.

### 39. Undistributed profits

Unit: RMB

Item Name	Current Period	Previous Period
Undistributed Profit before Adjustment at the End of Previous Period	7,670,983,116.33	5,996,130,036.27

Adjust the total undistributed profits at the start of the period (increase +, decrease -)	-4,861,861.70	
Undistributed Profit after Adjustment at the Start of the Period	7,666,121,254.63	5,996,130,036.27
Add: net profit attributable to parent company's owner in current period	3,188,144,692.55	2,529,426,468.61
Less: withdrawal for statutory surplus reserve	307,861,781.87	274,822,162.55
Payable dividends on ordinary shares	299,761,669.99	579,751,226.00
Less: Other	-953,354.04	
Add: Common stock dividends corresponding to repurchase and cancellation of restricted stocks	427,805.18	
Undistributed Profit at the End of the Period	10,248,023,654.54	7,670,983,116.33

Undistributed profit after adjustment at the start of the period:

Note 1: Due to changes in accounting policies, the undistributed profit at the start of the period was affected by RMB -4,861,861.70.

Note 2: In accordance with relevant Company Law, the Company is required to transfer 10% of its net profit reported in its financial statements to statutory surplus reserve.

Note 3: According to the resolution of the 2018 Annual General Meeting of Stockholders on April 9, 2019, based on the total share capital of the Company on December 31, 2018, a total of RMB 299,761,669.99 cash dividend was distributed to all shareholders, with RMB 1.000014 (including tax) for every 10 shares.

#### 40. Operating income and operating costs

Unit: RMB

Item Name	This Period's Amount of Occurrence		Previous Period's Amount of Occurrence	
	Income	Cost	Income	Cost
Main Business	25,603,307,543.53	14,980,864,723.86	23,191,615,559.35	14,470,491,985.75
Other businesses	546,123,108.89	415,329,216.58	474,072,546.87	400,689,080.94
Total	26,149,430,652.42	15,396,193,940.44	23,665,688,106.22	14,871,181,066.69

Has the new income standard been implemented?

Yes  No

#### 41. Taxes and surcharges

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence

Urban Maintenance and Construction Tax	87,805,350.08	97,207,644.92
Education Surcharges	62,728,151.41	69,434,971.62
House property tax	14,052,113.20	11,836,830.04
Land usage tax	641,390.70	3,188,528.47
Vehicle and vessel use tax	85,627.14	89,710.39
Stamp duty	10,908,342.47	10,206,314.47
Others	6,361,143.36	417,330.67
Total	182,582,118.36	192,381,330.58

#### 42. Selling expenses

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Labor cost	1,944,828,646.06	1,629,543,927.81
Transportation and vehicle expenses	346,725,573.69	304,231,861.10
After-sales service expense	430,530,438.74	224,209,671.79
Marketing expense	276,868,290.02	334,418,534.17
Administrative expenses	208,180,587.84	183,389,478.35
Traveling expense	193,657,631.39	284,309,308.39
Business entertainment	206,996,321.43	209,983,842.65
Taxation and insurance expense	184,911,624.99	29,709,202.53
Communication expense	51,182,330.83	38,273,229.13
Knowledge resource fee	40,321,555.97	16,884,932.08
Depreciation cost and asset amortization	24,458,378.82	18,452,085.97
Others	44,285,896.04	91,974,873.81
Total	3,952,947,275.82	3,365,380,947.78

#### 43. Administration expenses

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Labor cost	494,253,814.89	363,927,940.64
Administrative expenses	71,895,061.09	92,425,584.47



Depreciation cost and asset amortization	68,436,576.06	66,357,497.12
Consumables and service fees	11,998,192.10	10,367,343.40
Knowledge resource fee	39,236,082.34	34,427,472.19
Transportation and vehicle expenses	12,545,706.61	10,071,892.58
Business entertainment	16,918,500.92	14,950,790.29
Traveling expense	13,182,818.36	10,790,701.94
Others	12,414,192.30	29,649,372.01
<b>Total</b>	<b>740,880,944.67</b>	<b>632,968,594.64</b>

#### 44. R&D expenses

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Labor cost	2,459,488,778.94	1,934,011,719.44
Research consumables and service fees	152,977,333.53	192,582,688.73
Depreciation cost and asset amortization	46,419,091.31	39,157,143.81
Traveling expense	58,693,915.07	68,476,970.51
Administrative expenses	25,172,723.64	14,771,393.78
Communication expense	15,732,289.08	13,622,482.14
Others	35,735,372.71	21,250,104.12
<b>Total</b>	<b>2,794,219,504.28</b>	<b>2,283,872,502.53</b>

#### 45. Financial expenses

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Interest expense	133,656,681.06	114,335,785.04
Less: interest income	197,576,570.81	113,966,942.24
P/L on foreign exchange	-37,198,071.97	-152,398,515.34
Others	31,040,381.61	28,861,709.80
<b>Total</b>	<b>-70,077,580.11</b>	<b>-123,167,962.74</b>

**46. Other incomes**

Unit: RMB

Sources of other incomes	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Government subsidies	927,125,385.10	733,874,699.13
Total	927,125,385.10	733,874,699.13

**47. Investment income**

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Long-term equity investment income measured by equity method	-115,707,007.32	-36,049,906.26
Investment income from disposal of long-term equity investment	9,152,198.76	706,569.92
Investment income from possession of available-for-sale financial assets	17,171,892.61	1,005,008.70
After losing control, the remaining equity is re-measured at fair value	1,013,416.14	
Investment income from disposal of financial assets measured in fair value with its changes recorded into current profit or loss	-7,508,380.12	-45,687,750.95
Investment income from treasury bond reverse repurchase	308,838.52	380,167.33
Investment income from financial products		352,834.25
Total	-95,569,041.41	-79,293,077.01

**48. Income from changes at fair value**

Unit: RMB

Source of the income from changes in fair value	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Trading Financial Assets	38,392,246.03	
Including: gains from changes at fair value of derivative financial instruments	38,392,246.03	

Transactional financial liabilities		-38,602,602.30
Other Non-current Financial Assets	3,462,993.57	
Total	41,855,239.60	-38,602,602.30

#### 49. Credit impairment losses

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Bad debt losses of other receivables	-18,716,785.01	
Bad debt losses of accounts receivable	-400,159,395.91	
Total	-418,876,180.92	

#### 50. Asset impairment losses

Has the new income standard been implemented?

 Yes  No

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
I . Losses on bad debts		-335,412,897.12
II . Losses on decline in price of inventories	-40,091,399.91	-23,585,293.84
XIII. Goodwill impairment losses	-71,083,281.09	
Total	-111,174,681.00	-358,998,190.96

#### 51. Asset disposal income

Unit: RMB

Sources of the asset disposal income	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Income from disposal of fixed assets	835,214.24	17,535.97

#### 52. Non-operating revenue

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence	Amount recorded into non-recurring profit and loss in current period
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Government subsidies	4,901,161.00	5,145,046.05	4,901,161.00
Gains and losses of non-current asset retirement	701,905.83	563,588.96	701,905.83
No payment required		62,450,000.00	
Others	5,876,195.77	9,038,846.29	5,876,195.77
Total	11,479,262.60	77,197,481.30	11,479,262.60

Government subsidies recorded into current period P/L:

Unit: RMB

Subsidy items	Distributing Entity	Distributing Reason	Types of Nature	Subsidies Influence Profit and Loss in the Current Year or not	Special Subsidy or not	This period's amount of occurrence	Previous period's amount of occurrence	Related to assets/related to income
Baise City's contribution award for encouraging the economic development of headquarters	Baise Municipal Investment Promotion Bureau	Reward	Subsidies obtained due to local support policies such as investment promotion by local governments	Yes	No	1,910,000.00	2,890,000.00	Related to income
2016 (3rd batch) National Intellectual Property Demonstration Enterprise and Advantageous Enterprise	Finance Bureau of Binjiang District, Hangzhou	Subsidy	Subsidies obtained for research and development, technological update and transformation	Yes	No	100,000.00		Related to income

Backbone enterprises in Hangzhou drive the development of the industrial chain	Finance Bureau of Binjiang District, Hangzhou	Subsidy	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and regulations)	Yes	No	1,747,200.00	Related to income
2018 Top Ten Merit Enterprise (Excellent Entrepreneur) Award	Economic and Information Bureau of Fuyang District, Hangzhou	Reward	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and regulations)	Yes	No	200,000.00	Related to income

The 2nd batch of cross-border E-commerce support funds in 2018	Finance Bureau of Binjiang District, Hangzhou	Subsidy	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and regulations)	Yes	No	150,000.00	Related to income
Employment and entrepreneurship subsidies	Hangzhou Employment Management Service Bureau	Subsidy	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and regulations)	Yes	No	6,600.00	Related to income
Subsidy for the elimination of old vehicles in Hangzhou	Hangzhou Finance Bureau	Subsidy	Subsidies obtained due to local support policies such as investment promotion by local governments	Yes	No	14,500.00	Related to income

Other special subsidies	Finance Bureau of Binjiang District, Hangzhou	Subsidy	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and regulations)	Yes	No	133,861.00	157,313.92	Related to income
Patent grant subsidies	Finance Bureau of Binjiang District, Hangzhou	Subsidy	Subsidies obtained for research and development, technological update and transformation	Yes	No	99,000.00		Related to income
Enterprise Award for Outstanding Contribution to Employment Promotion	Finance Bureau of Binjiang District, Hangzhou	Reward	Subsidies obtained due to local support policies such as investment promotion by local governments	Yes	No	100,000.00		Related to income

Other special subsidies	Finance Bureau of Binjiang District, Hangzhou	Reward	Subsidies obtained due to local support policies such as investment promotion by local governments	Yes	No	340,000.00		Related to income
Other special subsidies	Hangzhou Finance Bureau	Reward	Subsidies obtained due to local support policies such as investment promotion by local governments	Yes	No	100,000.00		Related to income
Talent contribution award	Baise Municipal Investment Promotion Bureau	Subsidy	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and regulations)	Yes	No		101,706.00	Related to income



Major science and technology innovation funding	Finance Bureau of Binjiang District, Hangzhou	Subsidy	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and regulations)	Yes	No		1,000,000.00	Related to income
Policy support award funding for Intelligent Transportation Industry Park	Wuxi Taihu Town Management Committee	Subsidy	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and regulations)	Yes	No		640,000.00	Related to income

Funding for central service trade innovation development pilot	Finance Bureau of Binjiang District, Hangzhou	Subsidy	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and regulations)	Yes	No		264,526.13	Related to income
Other special subsidies	Hangzhou Vocational Skills Training and Guidance Center	Subsidy	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and regulations)	Yes	No		18,000.00	Related to income

Other special subsidies	Hangzhou Finance Bureau	Subsidy	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and regulations)	Yes	No	73,500.00	Related to income
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### 53. Non-operating expenses

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence	Amount recorded into non-recurring profit and loss in current period
Donations	6,642,338.61	630,000.00	6,642,338.61
Gains and losses of non-current asset retirement	947,208.51	1,544,880.42	947,208.51
Water conservancy fund	14,370.71	25,614.29	
Others	2,192,571.83	1,911,707.03	2,192,571.83
Total	9,796,489.66	4,112,201.74	9,782,118.95

### 54. Income tax expense

#### (1) Income tax expenses table

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Current income tax expense	511,416,549.86	345,147,511.10
Deferred income tax expense	-173,711,876.89	-166,584,920.31
Total	337,704,672.97	178,562,590.79

**(2) Reconciliation of accounting profits and income tax expenses**

Unit: RMB

Item Name	This Period's Amount of Occurrence
Total Profit	3,498,563,157.51
Income tax expense calculated at statutory/applicable tax rate	510,880,419.94
Impact by applying different tax rates to subsidiaries	-19,332,358.22
Impact of income tax before adjustment in this period	-98,424,403.62
Impact of the non-deductible costs, expenses and losses	27,026,219.95
Impact of additional deduction of the research and development expenses	-264,338,243.36
Others	181,893,038.28
Income tax expense	337,704,672.97

**55. Other comprehensive incomes**

See the notes in this section for details.

**56. Items of Cash Flow Statement****(1) Other cash receipts relating to operating activities**

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Interest Income	82,401,795.69	43,728,828.20
Government subsidies	196,643,314.00	75,170,194.30
Tender and performance guarantee deposit	94,700,565.19	68,951,758.33
Incomings and outgoings and advanced payments	146,971,378.81	96,065,091.17
Others	16,109,349.16	40,318,844.30
Total	536,826,402.85	324,234,716.30

**(2) Other cash payments relating to operating activities**

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Administrative expenses	306,574,162.66	280,484,946.63
Communication expense	71,681,329.78	55,457,740.91
Business entertainment	228,286,088.74	228,985,751.81
Traveling expense	265,534,364.82	308,771,285.09
Marketing expense	299,582,510.08	339,880,920.34
Transportation and vehicle expenses	362,488,189.68	292,384,473.18
Knowledge resource fee	84,036,298.54	88,659,768.32
Research and development consumption and external inspection fee	95,825,936.28	94,636,031.85
Taxation and insurance expense	186,262,881.16	30,257,054.94
Tender and performance guarantee deposit	172,403,592.27	50,577,789.33
Incomings and outgoings and advanced payments	150,234,904.04	114,257,759.78
Consumables and service fees	157,930,154.05	28,705,289.89
Others	122,027,372.86	52,015,791.13
Total	2,502,867,784.96	1,965,074,603.20

### (3) Other cash receipts relating to investing activities

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Receipts of cash from forward exchange contracts	19,151,448.07	3,987,200.00
Receipts of loans from non-financial institutions	7,155,384.02	3,559,123.87
Total	26,306,832.09	7,546,323.87

### (4) Other cash payments related to investing activities

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
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Cash paid for forward exchange contracts	26,659,828.19	49,674,950.95
Cash paid for asset restructuring and acquisition		89,913,444.89
Total	26,659,828.19	139,588,395.84

**(5) Other cash receipts related to financing activities**

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Withdrawn documentary credit deposit	1,240,932,000.00	1,274,934,480.00
Total	1,240,932,000.00	1,274,934,480.00

**(6) Other cash payments related to financing activities**

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Paid documentary credit deposit	1,076,493,500.00	1,149,842,000.00
Cash paid for share repurchases	238,836,209.65	
Cashes for purchasing minority equity		2,360,000.00
Total	1,315,329,709.65	1,152,202,000.00

**57. Supplementary information about the Cash Flow Statement****(1) Supplementary information about the Cash Flow Statement**

Unit: RMB

Supplementary information	Amount of this period	Amount of Previous Period
1. Reconciliation of net profit to cash flows from operational activities:	--	--
Net Profit	3,160,858,484.54	2,594,592,680.34
Add: provision for impairment of assets	530,050,861.92	358,998,190.96
Depreciation of fixed assets, oil and gas assets, productive biological assets	238,708,097.36	197,491,957.49

Amortization of Intangible Assets	40,008,592.59	32,347,000.12
Amortization of long-term prepaid expenses	18,248,670.15	8,865,941.15
Losses on disposal of fixed assets, intangible assets and other long-term assets (mark "-" for incomes)	-835,214.24	-17,535.97
Losses on scrapping of fixed assets (mark "-" for incomes)	245,302.68	981,291.46
Losses on fair value changes (mark "-" for incomes)	-41,855,239.60	38,602,602.30
Financial expenses (mark "-" for incomes)	96,458,609.09	-38,062,730.30
Losses on investment (mark "-" for incomes)	95,569,041.41	79,293,077.01
Decrease on deferred income tax assets (mark "-" for increases)	-174,576,338.34	-171,253,943.30
Increase on deferred income tax liabilities (mark "-" for decreases)	427,125.92	4,669,022.99
Decrease on inventories (mark "-" for increases)	-839,739,327.83	-29,181,801.03
Decrease on operational receivables (mark "-" for increases)	-3,107,660,022.13	-3,523,904,205.02
Increase on operational payables (mark "-" for decreases)	1,390,491,638.52	1,436,072,079.57
Others	194,204,005.66	-34,177,649.60
Net cash flow generated by operating activities	1,600,604,287.70	955,315,978.17
2. Major investing and financing activities not involving cash receipts and payment:	--	--
3. Net changes in cash and cash equivalents:	--	--
Closing balance of cash	2,734,185,976.41	3,690,994,031.05
Less: opening balance of cash	3,690,994,031.05	3,061,375,534.06
Add: closing balance of cash equivalents		11,289,772.49

Less: opening balance of cash equivalents	11,289,772.49	1,303,459.82
Net additions to balance of equivalents	-968,097,827.13	639,604,809.66

## (2) Composition of cash and cash equivalents

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
I . Cash	2,734,185,976.41	3,690,994,031.05
Including: cash on hand	117,289.25	3,981.79
Bank deposit for payment at any time	2,586,995,843.27	3,547,354,923.39
Other monetary capital for payment at any time	147,072,843.89	143,635,125.87
II . Cash equivalents		11,289,772.49
III. Closing balance of cash and cash equivalents	2,734,185,976.41	3,702,283,803.54

## 58. Assets with restricted ownership rights or right to use

Unit: RMB

Item Name	Book Value at the End of the Period	Cause of Restrictions
Cash and Bank Balances	346,461,821.88	Deposit for Documentary Loan, Guarantee Deposit
Long-term Receivables	213,118,026.26	Pledges to achieve long-term borrowings
Non-current Assets Due within 1 Year	28,911,178.34	Pledges to achieve long-term borrowings
Receivables Financing	875,655,976.33	Bill pledges are used to issue bank acceptance bills
Total	1,464,147,002.81	--

## 59. Monetary items in foreign currencies

### (1) Monetary items in foreign currencies

Unit: RMB



Item Name	Closing balance in foreign currencies	Exchange rate for conversion	Closing Balance Converted into RMB
Cash and Bank Balances	--	--	
Including: USD	103,025,784.85	6.9762	718,728,480.27
EUR	32,339,507.76	7.8155	252,749,422.90
HKD	16,348,974.32	0.8958	14,645,025.59
AED	21,070,477.50	1.8992	40,016,840.16
MXN	87,340,456.20	0.3684	32,173,152.17
ZAR	58,416,223.50	0.4943	28,877,464.78
Total amount of other currencies			126,823,087.76
Accounts receivable	--	--	
Including: USD	479,424,455.59	6.9762	3,344,560,887.12
EUR	48,715,582.45	7.8155	380,736,634.64
HKD	3,878.00	0.8958	3,473.82
MXN	377,369,543.96	0.3684	139,009,667.35
PLN	63,415,275.85	1.8368	116,482,446.99
AED	46,658,371.16	1.8992	88,613,111.92
Total amount of other currencies			145,018,070.43
Long-term loan	--	--	
Including: USD			
EUR			
HKD			
Accounts Payable			
USD	148,659,877.69	6.9762	1,037,081,038.74
EUR	914,112.61	7.8155	7,144,247.10
MXN	33,483,440.61	0.3684	12,334,121.86
BRL	780,864.03	1.7356	1,355,259.80
AED	414,081.07	1.8992	786,418.63
Total amount of other currencies			4,623,845.02

Other notes:

**(2) Notes on overseas business entities, including that for the important overseas business entities, the overseas main premises, functional currency and selection basis shall be disclosed. If there are changes on its functional currency, the causes for the changes shall be disclosed as well.**

√ Applicable □ Not applicable

Since the overseas business entity of the Company, Dahua Technology (HK) Limited, does not have autonomy over its business activities, which are the extension of the business activities of the Company, constituting the business activities of the Company, RMB shall be used as its functional currency, and for the rest of the overseas entities, local currencies shall be used as its functional currency.

## 60. Government subsidies

### (1) Basic information about government subsidies

Unit: RMB

Types	Amount	Items reported	Amount taken to current P&L
VAT refund	767,947,072.59	Other Incomes	767,947,072.59
Financial subsidy for science and technology R&D plan projects	18,915,800.00	Other Incomes	18,915,800.00
Core Electronics, High-End General-Purpose Chips and Basic Software Products special fund	10,670,900.00	Other Incomes	10,670,900.00
Special funds for foreign trade and economic development	2,296,526.17	Other Incomes	2,296,526.17
Rent subsidy	1,535,300.00	Other Incomes	1,535,300.00
Project subsidies	1,299,000.00	Other Incomes	1,299,000.00
Patent subsidies	1,217,580.00	Other Incomes	1,217,580.00
Subsidies for stable positions	573,158.64	Other Incomes	573,158.64
Subsidies for enterprise practical training	240,107.00	Other Incomes	240,107.00
Science and technology innovation award funding	1,000,000.00	Other Incomes	1,000,000.00
Export credit insurance premium subsidies	1,250,000.00	Other Incomes	1,250,000.00
Return from social security	54,681,846.35	Other Incomes	54,681,846.35

Special financial award funds	28,110,000.00	Other Incomes	28,110,000.00
District-level funding for the creation of an international software city	20,000,000.00	Other Incomes	20,000,000.00
Gazelle corporate funding	2,523,600.00	Other Incomes	2,523,600.00
Special subsidy for development of integrated circuit industry in Hangzhou	4,140,000.00	Other Incomes	4,140,000.00
High-tech enterprise subsidies	2,400,000.00	Other Incomes	2,400,000.00
Financial support funds for the pilot demonstration projects of the Factory Internet of Things and Industrial Internet	1,300,000.00	Other Incomes	1,300,000.00
Service outsourcing development fund reward	1,244,400.00	Other Incomes	1,244,400.00
Tertiary industry development subsidies	500,000.00	Other Incomes	500,000.00
Special funds for provincial market supervision and management	400,000.00	Other Incomes	400,000.00
Subsidy funds for safety production standardization construction	100,000.00	Other Incomes	100,000.00
VAT refund	207,674.46	Other Incomes	207,674.46
Science and Technology Progress Award	200,000.00	Other Incomes	200,000.00
Tax refund	283,560.38	Other Incomes	283,560.38
Baise City's contribution award for encouraging the economic development of headquarters	1,910,000.00	Non-operating Revenue	1,910,000.00
2016 (3rd batch) National Intellectual Property Demonstration Enterprise and Advantageous Enterprise	100,000.00	Non-operating Revenue	100,000.00

Backbone enterprises in Hangzhou drive the development of the industrial chain	1,747,200.00	Non-operating Revenue	1,747,200.00
2018 Top Ten Merit Enterprise (Excellent Entrepreneur) Award	200,000.00	Non-operating Revenue	200,000.00
The 2nd batch of cross-border E-commerce support funds in 2018	150,000.00	Non-operating Revenue	150,000.00
Employment and entrepreneurship subsidies	6,600.00	Non-operating Revenue	6,600.00
Subsidy for the elimination of old vehicles in Hangzhou	14,500.00	Non-operating Revenue	14,500.00
Other special subsidies	573,861.00	Non-operating Revenue	573,861.00
Patent grant subsidies	99,000.00	Non-operating Revenue	99,000.00
Enterprise Award for Outstanding Contribution to Employment Promotion	100,000.00	Non-operating Revenue	100,000.00
Phase I investment financial incentive fund for security video surveillance product production base project	27,455,000.00	Deferred Income	
Funding for manufacturing enterprise technological transformation projects	9,197,700.00	Deferred Income	

## (2) Repayment of government subsidies

Applicable  Not applicable

## VIII. Changes in the Scope of Consolidation

### 1. Disposal of subsidiaries

Is there any situation where disposal of investment in subsidiaries in a single transaction causes loss of control

Yes  No

Unit: RMB

Name of Subsidiaries	Equity disposal price	Equity disposal ratio	Methods of equity disposal	Time-point of loss of control	Basis for determining the time-point of loss of control	At the level of consolidated financial statement corresponding to the disposal price and the disposal of investment, the difference in the net asset share of the subsidiary shall be gained	Percentage of remaining equity on the date of loss of control	Book value of remaining equity on the date of loss of control	Fair value of remaining equity on the date of loss of control	Gains or losses from re-measurement of remaining equity at fair value	The determination method and main assumptions of the fair value of remaining equity on the date of loss of control	The amount of other comprehensive incomes related to the equity investment of the original subsidiary transferred into investment profits and losses
China Standard Intelligent Security Technology Co., Ltd.	7,200,000.00	36.00%	Equity transfer	January 2019	Signed Equity Transfer Agreement and completed the delivery of property rights	9,152,198.76	15.00%	-1,013,416.14	0.00	1,013,416.14	Reference book net assets	0.00

Is there any situation where disposal of investment in subsidiaries is achieved through multiple transactions in various stages, causing loss of control in this period

Yes  No

## 2. Changes in the scope of combination for other reasons

Explanations on the changes in the scope of consolidation caused by other reasons (for example, newly established

subsidiaries, subsidiaries clearing, etc.) and relevant information:

(1) The Company has invested in and established three subsidiaries, namely, Zhejiang Zhoushan Digital Development Operation Co., Ltd, Guangxi Dahua Technology Co., Ltd., and Yunnan Zhili Technology Co., Ltd., during this reporting period, all of which have been included in the scope of consolidation since their establishment dates.

(2) The Company's subsidiaries Wuxi Dahua Ruide Electronic Technology Co., Ltd., Hunan Dahua System Technology Co., Ltd., Dahua Zhongcheng (Beijing) Technology Co., Ltd., and Dahua Italy SRL were canceled in this period, and will not be included in the scope of consolidation since the date of cancellation.

## IX. Equity in Other Entities

### 1. Equity in Subsidiaries

#### (1) Composition of the enterprise group

Name of Subsidiaries	Main Place of Business	Registered Address	Business Nature	Shareholding Percentage		Acquisition Method
				Direct	Indirect	
Dahua System Engineering	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	100.00%		Establishment
Dahua Vision Technology	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	100.00%		Establishment
Dahua Security Network	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	51.00%		Establishment
Dahua Ju'an	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	51.00%		Establishment
Guangxi Dahua Information	Qingxiu District, Nanning	Qingxiu District, Nanning	Electronics and information	100.00%		Establishment
Dahua Security	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Service		100.00%	Establishment
Guangxi Security	Qingxiu District, Nanning	Qingxiu District, Nanning	Service	100.00%		Establishment
Huatu Microchip	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	100.00%		Establishment
Hangzhou Xiaohua	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	45% (Note 1)		Establishment
Dahua Zhilian	Fuyang District, Hangzhou	Fuyang District, Hangzhou	Electronics and information	90.09% (Note 2)		Establishment
Tecomore Technology	West Lake District, Hangzhou	West Lake District, Hangzhou	Electronics and information	51.00%		Business combination not under common control

Dahua investment management	Fuyang District, Hangzhou	Fuyang District, Hangzhou	Investment & investment management	75.00%		Establishment
South North United	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information		51.00%	Business combination not under common control
Guangxi Zhicheng	Youjiang District, Baise	Youjiang District, Baise	Electronics and information	65.00%		Establishment
Hangzhou Huacheng	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	51.00%		Establishment
Xinjiang Information	High-tech Zone, Shihezi	High-tech Zone, Shihezi	Electronics and information		92.00%	Establishment
HuaRay Technology	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Sci-tech popularization and application services industry	51.00%		Establishment
Fuyang Hua'ao	Fuyang District, Hangzhou	Fuyang District, Hangzhou	Electronics and information	51.00%		Establishment
Huafei Intelligent	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	45.50% (Note 3)		Establishment
Huachuang Vision	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	51.00%		Establishment
Guizhou Huayi	Guanshanhu District, Guiyang	Guanshanhu District, Guiyang	Electronics and information	45.00% (Note 4)		Establishment
Xinjiang Dahua Information	Shihezi, Xinjiang	Shihezi, Xinjiang	Electronics and information	100.00%		Establishment
Xinjiang Intelligence	Changji, Changji Prefecture, Xinjiang	Changji, Changji Prefecture, Xinjiang	Electronics and information	100.00%		Establishment
Guizhou Intelligence	Guiyang, Guizhou	Guiyang, Guizhou	Electronics and information	100.00%		Establishment
Xinjiang Zhihe	Hetian County, Hetian, Xinjiang	Hetian County, Hetian, Xinjiang	Electronics and information		97.00%	Establishment
Guangxi Huacheng	Wuzhou, Guangxi	Wuzhou, Guangxi	Electronics and information		90.00%	Establishment

Meitan Dahua Technology	Zunyi, Guizhou	Zunyi, Guizhou	Electronics and information		100.00%	Establishment
Inner Mongolia Zhimeng	New District, Bai County, Chahar Right Wing Back Banner	New District, Bai County, Chahar Right Wing Back Banner	Electronics and information		95.00%	Establishment
Xinjiang Zhitian	Hetian County, Hetian, Xinjiang	Hetian County, Hetian, Xinjiang	Electronics and information		97.00%	Establishment
Xinjiang Xinzhi	Shache County, Kashgar District, Xinjiang	Shache County, Kashgar District, Xinjiang	Electronics and information		100.00%	Establishment
Xinjiang Huayue	Kashgar, Xinjiang	Kashgar, Xinjiang	Electronics and information		100.00%	Establishment
Tianjin Dahua	Tianjin Binhai New Area	Tianjin Binhai New Area	Electronics and information		65.00%	Establishment
Dahua Zhilong	Shuangpai County, Yongzhou City	Shuangpai County, Yongzhou City	Electronics and information		90.00%	Establishment
Vision Technology	Fuyang District, Hangzhou City, Zhejiang Province	Fuyang District, Hangzhou City, Zhejiang Province	Electronics and information	100.00%		Establishment
Huaxiao Technology	Fuyang District, Hangzhou City, Zhejiang Province	Fuyang District, Hangzhou City, Zhejiang Province	Electronics and information	51.00%		Establishment
Xi'an Dahua	Xi'an City, Shaanxi Province	Xi'an City, Shaanxi Province	Electronics and information	100.00%		Establishment
Wuxi Ruipin	Wuxi City	Wuxi City	Electronics and information	51.00%		Establishment
Dahua Robot	Xiaoshan District, Hangzhou City, Zhejiang Province	Xiaoshan District, Hangzhou City, Zhejiang Province	Electronics and information	51.00%		Establishment
Beijing Huayue	Xicheng District, Beijing	Xicheng District, Beijing	Electronics and information	100.00%		Establishment
Shanghai Huashang	Putuo District, Shanghai	Putuo District, Shanghai	Electronics and information	100.00%		Establishment



Dahua Jinzhi	Wucheng District, Jinhua City, Zhejiang Province	Wucheng District, Jinhua City, Zhejiang Province	Electronics and information	100.00%		Establishment
Dahua Guangxun	Chengdu High-tech Zone	Chengdu High-tech Zone	Electronics and information	100.00%		Business combination not under common control
Huajuan Technology	Binjiang District, Hangzhou City, Zhejiang Province	Binjiang District, Hangzhou City, Zhejiang Province	Electronics and information		100.00%	Establishment
Zhoushan Operation	Zhoushan City, Zhejiang Province	Zhoushan City, Zhejiang Province	Electronics and information	59.00%		Establishment
Yunnan Zhili	Lijiang City, Yunnan Province	Lijiang City, Yunnan Province	Electronics and information	90.00%		Establishment
Guangxi Dahua Technology	Liuzhou City, Guangxi Zhuang Autonomous Region	Liuzhou City, Guangxi Zhuang Autonomous Region	Electronics and information	100.00%		Establishment
Dahua Hong Kong	Hong Kong	Hong Kong	Electronics and information	100.00%		Establishment
Dahua USA	USA	USA	Electronics and information		100.00%	Establishment
Dahua Europe	Netherlands	Netherlands	Electronics and information		100.00%	Establishment
Dahua Middle East	United Arab Emirates	United Arab Emirates	Electronics and information		100.00%	Establishment
Dahua Mexico	Mexico	Mexico	Electronics and information		100.00%	Establishment
Dahua Chile	Chile	Chile	Electronics and information		100.00%	Establishment
Dahua Colombia	Columbia	Columbia	Electronics and information		100.00%	Establishment
Dahua Australia	Australia	Australia	Electronics and information		100.00%	Establishment

Dahua Singapore	Singapore	Singapore	Electronics and information		100.00%	Establishment
Dahua South Africa	South Africa	South Africa	Electronics and information		100.00%	Establishment
Dahua Peru	Peru	Peru	Electronics and information		100.00%	Establishment
Dahua Brazil	Brazil	Brazil	Electronics and information		100.00%	Establishment
Dahua Russia	Russia	Russia	Electronics and information		100.00%	Establishment
Dahua Canada	Canada	Canada	Electronics and information		100.00%	Establishment
Dahua Panama	Panama	Panama	Electronics and information		100.00%	Establishment
Dahua Hungary	Hungary	Hungary	Electronics and information		100.00%	Establishment
Dahua Poland	Poland	Poland	Electronics and information		100.00%	Establishment
Dahua Tunisia	Tunisia	Tunisia	Electronics and information		100.00%	Establishment
Dahua Kenya	Kenya	Kenya	Electronics and information		100.00%	Establishment
Dahua UK	UK	UK	Electronics and information		100.00%	Establishment
Dahua Bulgaria	Bulgaria	Bulgaria	Electronics and information		100.00%	Establishment
Dahua Serbia	Serbia	Serbia	Electronics and information		100.00%	Establishment
Dahua Germany	Germany	Germany	Electronics and information		100.00%	Establishment
Dahua Malaysia	Malaysia	Malaysia	Electronics and information		100.00%	Establishment
Dahua Korea	South Korea	South Korea	Electronics and information		100.00%	Establishment
Dahua Indonesia	Indonesia	Indonesia	Electronics and information		100.00%	Establishment
Dahua India	India	India	Electronics and information		100.00%	Establishment

Dahua Turkey	Turkey	Turkey	Electronics and information		100.00%	Establishment
Dahua Czech	Czech Republic	Czech Republic	Electronics and information		100.00%	Establishment
Dahua Argentina	Argentina	Argentina	Electronics and information		100.00%	Establishment
Dahua Spain	Spain	Spain	Electronics and information		100.00%	Establishment
Dahua Kazakhstan	Kazakhstan	Kazakhstan	Electronics and information		100.00%	Establishment
Dahua Denmark	Denmark	Denmark	Electronics and information		100.00%	Establishment
Dahua France	France	France	Electronics and information		100.00%	Establishment
Dahua Lorex (US) Corporation	USA	USA	Electronics and information		100.00%	Establishment
Dahua Technology Holdings	Hong Kong	Hong Kong	Electronics and information	100.00%		Establishment
Dahua Morocco	Morocco	Morocco	Electronics and information		100.00%	Establishment
Dahua Technology Italy	Italy	Italy	Electronics and information		100.00%	Business combination not under common control
Dahua Uzbekistan	Uzbekistan	Uzbekistan	Electronics and information		100.00%	Establishment
Dahua Netherlands	Netherlands	Netherlands	Electronics and information		100.00%	Establishment
Dahua Sri Lanka	Sri Lanka	Sri Lanka	Electronics and information		100.00%	Establishment
Dahua Lorex (Canada) Corporation	Canada	Canada	Electronics and information		100.00%	Business combination not under common control
Dahua Pakistan	Pakistan	Pakistan	Electronics and information		100.00%	Establishment

Dahua New Zealand	New Zealand	New Zealand	Electronics and information		100.00%	Establishment
Dahua Thailand	Thailand	Thailand	Electronics and information		100.00%	Establishment
Dahua Romania	Romania	Romania	Electronics and information		100.00%	Establishment

Explanations on the fact that the proportion of the shares held by a subsidiary differs from that of voting rights:

(1) The Company directly holds 45% equity in Hangzhou Xiaohua Technology Co., Ltd., and as agreed upon, Zhejiang Huashi Investment Management Co., Ltd. grants its voting rights of 12% to the Company. The Company effectively holds 57% of the voting rights in Hangzhou Xiaohua Technology Co., Ltd., which constitutes working control so as to incorporate it into the scope of consolidation.

(2) Based on the industrial and commercial registration data, the CDB Development Fund holds equity in the Company. According to the cooperation agreement between the Company and CDB Development Fund, CDB Development Fund shall not appoint senior management personnel, such as directors and supervisors, to Dahua Zhilian; regarding its investment, the Company shall pay an annual investment profit of 1.2% to CDB Development Fund through dividends, repurchase premiums, etc. In addition, the Company shall redeem the CDB Development Fund's equity in Dahua Zhilian period by period from 2022 to 2024, using its amount of investment as other non-current liabilities. The Company effectively holds 100% voting rights and equity in Dahua Zhilian.

(3) The Company directly holds 45.5% equity in Zhejiang Huafei Intelligence Technology Co., Ltd., and as agreed upon, Zhejiang Huashi Investment Management Co., Ltd. grants its voting rights of 16% to the Company. The Company effectively holds 61.50% of the voting rights in Zhejiang Huafei Intelligence Technology Co., Ltd., which constitutes working control so as to incorporate it into the scope of consolidation.

(4) The Company directly holds 45% equity in Guizhou Huayi Vision Technology Co., Ltd., and as agreed upon, Guizhou Yiyun Investment Management Co., Ltd. grants its voting rights of 6% to the Company. The Company effectively holds 51% of the voting rights in Guizhou Huayi Vision Technology Co., Ltd., which constitutes working control so as to incorporate it into the scope of consolidation.

## 2. Equity in joint venture arrangements or affiliates

### (1) Financial summary of non-essential joint ventures and affiliates

Unit: RMB

	Closing balance / accrual of current period	Opening balance / accrual of previous period
Joint ventures:	--	--
The total count of the following items based on the shareholding ratios	--	--
Affiliates:	--	--
Total book value of investments	490,731,236.85	185,872,021.58
The total count of the following items based on the shareholding ratios	--	--

--Net profit	-115,707,007.32	-36,049,906.26
--Other comprehensive income	70,570,727.96	168,229,977.61
--Total comprehensive income	-45,136,279.36	132,180,071.35

## X. Risks Relating to Financial Instruments

In the business operation, the Company is facing with various financial risks: credit risk, market risk and liquidity risk.

The overall objective of the Company's risk management is to formulate risk management policies that can minimize risks without affecting the Company's competitiveness and adaptability to changes too much.

### (I) Credit risk

The credit risk refers to the risk of one party of a financial instrument suffering financial losses due to that the other party fails to perform its obligations.. The Company is mainly facing with the customer credit risk arising from sales on account. Before signing a new contract, the Company will assess the new customer's credit risk, including external credit rating and the credibility letter from a bank under some circumstances (if such information is available). The Company has set a credit limit for sales on account for each customer. Such limit shall be the maximum amount with no additional approval needed.

The Company ensures that the overall credit risk is within the controllable range through quarterly monitoring of credit ratings of existing customers, and monthly review of aging analysis on accounts receivable. When monitoring customers' credit risk, the Company groups them according to their credit characteristics. Customers rated as "high risk" will be placed on the restricted customer list. The Company can provide them with O/A in the future period only when additional approval is obtained. Otherwise they must make relevant payment in advance.

For overseas customers, the Company mainly uses wire transfer as a payment method. According to the credit evaluation of each customer, the Company gives different credit lines and credit account periods, and agrees on the payment method and account period in the commodity procurement contract between the two parties. After the sales of products, the Company has a dedicated person responsible for tracking, reconciliation, and payment reminding. In addition, the Company introduced export credit insurance to ensure that the return risk from overseas customers is within controllable range.

### (II) Market risk

The market risk of financial instruments refers to the risk of fluctuation at fair value of financial instruments or future cash flows with the change of market prices, including exchange rate risks and interest rate risks.

#### 1. Interest rate risk

The interest rate risk refers to the risk in which the fair value or future cash flow of financial instruments changes due to the change of market interest rate. The interest rate risk faced with by the Company is mainly from bank loans. The Company's assets and liabilities relating to interest rate are respectively bank deposits and short-term loans, whose interest rate risk is low.

#### 2. Exchange rate risk

The exchange rate risk refers to the risk in which the fair value or future cash flow of financial instruments changes due to the change of foreign exchange rate. The Company will try its best to match the revenues with the expenses in foreign currency, to lower the exchange rate risk. In addition, the Company may also sign forward foreign exchange contracts or currency swap contracts to avoid exchange rate risks.

The exchange rate risk faced with by the Company is mainly from financial assets and liabilities in USD. The amounts of assets and liabilities in foreign currencies and converted into RMB are listed as below:

Item Name	Balance at the End of the Period			Balance at the end of the previous year		
	USD	Other foreign currencies	Total	USD	Other foreign currencies	Total
Accounts receivable	3,344,560,887.12	869,863,405.15	4,214,424,292.27	2,737,552,570.28	418,253,386.17	3,155,805,956.45
Accounts Payable	1,037,081,038.74	26,243,892.41	1,063,324,931.15	761,747,601.87	11,375,001.16	773,122,603.03
Total	4,381,641,925.86	896,107,297.56	5,277,749,223.42	3,499,300,172.15	429,628,387.33	3,928,928,559.48

### (III) Liquidity risk

Liquidity risk refers to the risk of a shortage of funds when an enterprise fulfills its obligation of settlement by cash or other financial assets. The Company's policy is to ensure that there is sufficient cash to repay the liabilities due. The liquidity risk is under the concentrated control of the Company's Financial Department. Through monitoring the balance of cash and securities cashable at any time and rolling forecasting the cash flow in the next 12 months, the Financial Department ensures that the Company has sufficient funds to repay its debts under all reasonable predictions.

The financial liabilities of the Company are listed as follows based on the undiscounted contractual cash flow:

Item Name	Balance at the end of the year		
	Within 1 year	1 years or above	Total
Short-term loan	400,323,888.90		400,323,888.90
Notes Payable	3,807,292,795.07		3,807,292,795.07
Accounts Payable	4,290,253,501.81		4,290,253,501.81
Other Payables	1,163,915,713.24		1,163,915,713.24
Non-current Liabilities Due within 1 Year	26,993,755.57		26,993,755.57
Long-term loan		153,500,000.00	153,500,000.00
Total	9,688,779,654.59	153,500,000.00	9,842,279,654.59

Item Name	Balance at the end of the previous year		
	Within 1 year	1 years or above	Total
Short-term loan	1,851,709,561.83		1,851,709,561.83
Notes Payable	3,671,586,104.79		3,671,586,104.79
Accounts Payable	3,789,729,594.20		3,789,729,594.20
Other Payables	1,051,537,094.97		1,051,537,094.97
Non-current Liabilities Due within 1 Year	25,500,000.00		25,500,000.00
Long-term loan		179,000,000.00	179,000,000.00
Total	10,390,062,355.79	179,000,000.00	10,569,062,355.79

## XI. Disclosure of Fair Values

### 1. Fair values of the assets and liabilities at the end of the period

Unit: RMB

Item Name	Fair values at period-end			
	First level measurement at fair value	Second level measurement at fair value	Third level measurement at fair value	Total
I. Constant measurement at fair value	--	--	--	--
(I) Receivables financing		1,086,017,357.90		1,086,017,357.90
(II) Other non-current financial assets			67,213,489.43	67,213,489.43
Total assets constantly measured at fair value		1,086,017,357.90	67,213,489.43	1,153,230,847.33
II. Non-constant measurement at fair values	--	--	--	--

### 2. For the continuous and non-continuous second-level fair value measurement items, the valuation techniques adopted and the qualitative and quantitative information of important parameters

Due to the short remaining term of the receivables financing, the book value is close to the fair value, and the nominal amount is used as the fair value.

### 3. For the continuous and non-continuous third-level fair value measurement items, the valuation techniques adopted and the qualitative and quantitative information of important parameters

Evaluate the value and net book assets based on the income method and asset-based method.

### 4. The fair value of financial assets and financial liabilities not measured at fair value

The fair value of financial assets and financial liabilities measured by the Company at amortized cost is equivalent to the book value.

## XII. Related Parties and Related-party Transactions

### 1. The Company's Parent Company

Name of parent company	Registered Address	Business Nature	Registered Capital	Relation with related party	Shareholding ratio of the parent company	Proportion of voting rights of the parent company
Fu Liquan				The controlling shareholder and actual controller	35.97%	35.97%
Chen Ailing				The actual controller	2.37%	2.37%

The final controllers of the Company are Mr. Fu Liquan and Ms. Chen Ailing.

### 2. Information about the Company's subsidiaries

For details of subsidiaries of the Company, see Note "IX. Equities in other entities".

### 3. Information about the Company's joint ventures and affiliates

For details of significant joint ventures and associates of the Company, see Note "IX. Equities in other entities".

Here are the information about other joint ventures and affiliates that have related-party transactions with the Company in the current period or have balance from related-party transactions with the Company in the previous period:

Names of joint ventures and affiliates	Relationship with the Company
Taizhou Dahua Security Services Co., Ltd.	Affiliate
Ningbo Dahua Anbang Security Services Co., Ltd.	Affiliate
Lishui Dahua Intelligent Technology Co., Ltd.	Affiliate
Zhoushan Dahua Technology Co., Ltd.	Affiliate
Zhejiang Leapmotor Technology Co., Ltd.	Affiliate, and enterprise controlled by the Company's actual controller
Leapmotor Automobile Co., Ltd.	Associates, and subsidiaries controlled by actual controllers
Shenzhen Conwin Security Electronics CO., Ltd.	Affiliate
Zhejiang Dahua Zhian Internet of Things Technology Co., Ltd.	Affiliate
Guangdong Dahua Zhishi Technology Co., Ltd.	Affiliate
Ningbo Dahua-ZhiAn IOT Technology Co., Ltd.	Subsidiary of the affiliate
Wenzhou Dahua Security Services Co., Ltd.	Affiliate
China Standard Intelligent Security Technology Co., Ltd.	Affiliate
Shaoxing Dahua Security Services Co., Ltd.	Affiliate
Intelbras S.A.	Affiliate
Zhejiang Youchong Amperex Technology Co., Ltd	Associates, and subsidiaries controlled by actual controllers



Zhejiang Leapmotor Automobile Marketing Service Co., Ltd.	Associates, and subsidiaries controlled by actual controllers
Quzhou Dahua Zhian IOT Technology Co., Ltd.	Subsidiary of the affiliate

#### 4. Information about other related parties

Names of other related parties	Relationship between the Company and other related parties
Zhejiang Lancable Technology Co., Ltd.	Enterprise controlled by the senior manager of the Company
Hangzhou Xintu Technology Co., Ltd.	Enterprise controlled by the senior manager of the Company
Ningxia Shendun Security Services Co., Ltd.	Subsidiary of a company with shares held by the Company
Hangzhou Xunwei Robotics Technology Co., Ltd.	Enterprise significantly influenced by the senior manager of the Company
Hangzhou Huayun Technology Co., Ltd. (Note 1)	Enterprise which has been significantly influenced by the senior manager of the Company
Wangsu Technology Co., Ltd (Note 2)	Enterprise with any independent director of the Company being the independent director
Gansu Aode Electronic Technology Co., Ltd.	Subsidiary of a company with shares held by the Company
Hangzhou Xiaoshan Weiyi Outpatient Co., Ltd. (Note 3)	Enterprise with any independent director of the Company being the director
Hangzhou Nuoja Technology Co., Ltd.	Enterprise controlled by the senior manager of the Company
Shanghai Yanhua Intelligent Technology (Group) Co., Ltd. (Note 4)	Enterprise with any senior manager of the Company being the independent director
Zhejiang Huanuokang Technology Co., Ltd.	Company controlled by the Company's actual controller
Zhejiang Huashi Investment Management Co., Ltd.	Company controlled by the Company's actual controller

##### Other notes

Note 1: Hangzhou Huayun Technology Co., Ltd. was an enterprise significantly influenced by the senior manager of the company. The senior manager of the company had transferred the equity of the company in March 2019. The company and Hangzhou Huayun Technology Co., Ltd. ended their relationship in March 2019;

Note 2: Wangsu Technology Co., Ltd. was an enterprise with the independent director of the company that used to be an independent director. The independent director of the company resigned as the independent director of the company in April 2019. The company and Wangsu Technology Co., Ltd. ended their relationship in April 2019;

Note 3: Hangzhou Xiaoshan Weiyi Outpatient Co., Ltd. was an enterprise with the independent director of the company that used to be an independent director. The independent director of the company resigned as independent director in September 2019. The company and Hangzhou Xiaoshan Weiyi Outpatient Co, Ltd ended the relationship in September 2019;

Note 4: Shanghai Yanhua Intelligent Technology (Group) Co., Ltd. was an enterprise with the senior manager of the company used to be the independent director. The senior manager of the company resigned as the independent director in December 2019. The company and Shanghai Yanhua Intelligent Technology ended the relationship in December 2019.

## 5. Information about related-party transactions

### (1) Related-party transactions involving purchase and selling of merchandise and provision and acceptance of labor services

Merchandise purchase and acceptance of labor services

Unit: RMB

Related parties	Content of the related - party transaction	This Period's Amount of Occurrence	Approved transaction limit	Over the transaction limit or not	Previous Period's Amount of Occurrence
Zhejiang Lancable Technology Co., Ltd.	Purchase of materials				2,254,717.95
Hangzhou Huayun Technology Co., Ltd.	Purchase of materials	6,939.66		No	86,594.83
Zhejiang Leapmotor Technology Co., Ltd.	Purchase of materials	1,315,899.80		No	23,965.51
Wangsu Technology Co., Ltd.	Acceptance of services				462,869.81
Hangzhou Xiaoshan Weiyi Outpatient Co., Ltd.	Acceptance of services	95,331.90		No	1,568.58
Zhoushan Dahua Technology Co., Ltd.	Acceptance of services				3,090.91
Wenzhou Dahua Security Services Co., Ltd.	Acceptance of services	2,460,733.11		No	25,182.90
Hangzhou Nuoja Technology Co., Ltd.	Acceptance of services	1,698,113.21		No	33,468.20
Zhejiang Huanuokang Technology Co., Ltd.	Purchase of materials	955,752.22		No	
Leapmotor Automobile Co., Ltd.	Purchase of materials	1,473,403.32		No	

Sales of merchandise and provision of services

Unit: RMB

Related parties	Content of the related - party transaction	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
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Ningbo Dahua Anbang Security Services Co., Ltd.	Sales of merchandise	161,522.62	424,949.12
Lishui Dahua Intelligent Technology Co., Ltd.	Sales of merchandise and provision of services	188,679.25	32,812.06
Zhoushan Dahua Technology Co., Ltd.	Sales of merchandise	326,391.14	81.89
Wenzhou Dahua Security Services Co., Ltd.	Sales of merchandise		70,338.15
Zhejiang Leapmotor Technology Co., Ltd.	Sales of merchandise	773,488.67	1,000,350.67
Hangzhou Xintu Technology Co., Ltd.	Sales of merchandise and provision of services	632,251.60	569,735.39
Taizhou Dahua Security Services Co., Ltd.	Sales of merchandise	56,206.89	158,907.33
Shenzhen Conwin Security Electronics CO., Ltd.	Sales of merchandise	1,579,928.49	1,598,876.61
Guangdong Dahua Zhishi Technology Co., Ltd.	Sales of merchandise	11,442,110.68	3,364,854.53
Zhejiang Dahua Zhian Internet of Things Technology Co., Ltd.	Sales of merchandise and provision of services	943,396.23	
Ningbo Dahua-ZhiAn IOT Technology Co., Ltd.	Sales of merchandise		28,879.30
Hangzhou Xunwei Robotics Technology Co., Ltd.	Sales of merchandise	48,849.56	21,556.45
Hangzhou Huayun Technology Co., Ltd.	Sales of merchandise	595,835.37	3,633,397.66
Zhejiang Lancable Technology Co., Ltd.	Sales of merchandise	1,082,238.04	843,783.23
Quzhou Dahua Zhian IOT Technology Co., Ltd.	Sales of merchandise		86,206.90
Hangzhou Nuoja Technology Co., Ltd.	Sales of merchandise	673,544.27	4,574,431.42
Leapmotor Automobile Co., Ltd.	Sales of merchandise and provision of services	6,839,109.07	1,905,827.85

China Standard Intelligent Security Technology Co., Ltd.	Sales of merchandise	2,047,376.15	
Zhejiang Huanuokang Technology Co., Ltd.	Sales of merchandise	316,796.38	
Shanghai Yanhua Intelligent Technology (Group) Co., Ltd	Sales of merchandise	6,752,608.19	
Intelbras S.A.	Sales of merchandise	108,640,714.53	
Shaoxing Dahua Security Services Co., Ltd.	Sales of merchandise and provision of services	47,169.81	
Zhejiang Youchong Ampere Technology Co., Ltd	Sales of merchandise	6,743.36	
Zhejiang Leapmotor Automobile Marketing Service Co., Ltd.	Sales of merchandise	940.18	

## (2) Related leasing

The Company being the lessor:

Unit: RMB

Name of the lessee	Type of the leased assets	Rental income confirmed in this period	Rental income confirmed in the previous period
Zhejiang Leapmotor Technology Co., Ltd.	Buildings and constructions	688,311.51	
China Standard Intelligent Security Technology Co., Ltd.	Buildings and constructions	209,258.66	

## (3) Related guarantee

The Company being the guarantor:

Unit: RMB

Secured parties	Guarantee Amount	Starting date	Maturity date	Guarantee fulfilled completely or not
Zhejiang Dahua Vision Technology Co., Ltd.	110,000,000.00	January 15, 2018	Two years after the maturity of the debts in the master contract	Yes
Zhejiang Dahua Vision Technology Co., Ltd.	300,000,000.00	May 04, 2018	April 16, 2019	Yes
Zhejiang Dahua Vision Technology Co., Ltd.	20,000,000.00	August 02, 2018	Three years after the maturity of the debts in the master contract	Yes

Zhejiang Dahua Vision Technology Co., Ltd.	100,000,000.00	July 25, 2018	Three years after the maturity of the debts in the master contract	Yes
Zhejiang Dahua Vision Technology Co., Ltd.	200,000,000.00	August 01, 2018	Three years after the maturity of the debts in the master contract	Yes
Zhejiang Dahua Vision Technology Co., Ltd.	100,000,000.00	August 21, 2018	Three years after the maturity of the debts in the master contract	Yes
Zhejiang Dahua Vision Technology Co., Ltd.	100,000,000.00	September 03, 2018	Three years after the maturity of the debts in the master contract	Yes
Zhejiang Dahua Vision Technology Co., Ltd.	220,000,000.00	November 26, 2018	November 26, 2020	Yes
Zhejiang Dahua Vision Technology Co., Ltd. (guarantee currency is US dollar)	15,000,000.00	March 20, 2019	Two years after the maturity of the debts in the master contract	Yes
Zhejiang Dahua Vision Technology Co., Ltd.	100,000,000.00	April 28, 2019	Three years after the maturity of the debts in the master contract	Yes
Zhejiang Dahua Vision Technology Co., Ltd.	290,000,000.00	June 06, 2016	January 15, 2020	No
Zhejiang Dahua Vision Technology Co., Ltd.	600,000,000.00	August 10, 2017	Two years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	220,000,000.00	October 13, 2017	Two years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	500,000,000.00	March 27, 2018	March 19, 2021	No
Zhejiang Dahua Vision Technology Co., Ltd.	240,000,000.00	April 13, 2018	April 12, 2020	No
Zhejiang Dahua Vision Technology Co., Ltd. (guarantee currency is US dollar)	40,000,000.00	September 21, 2018	Two years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	200,000,000.00	January 03, 2019	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	300,000,000.00	January 17, 2019	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	200,000,000.00	March 21, 2019	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	200,000,000.00	April 18, 2019	Three years after the maturity of the debts in the master contract	No

Zhejiang Dahua Vision Technology Co., Ltd.	650,000,000.00	May 10, 2019	Two years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	230,000,000.00	May 13, 2019	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	180,000,000.00	June 26, 2019	June 25, 2022	No
Zhejiang Dahua Vision Technology Co., Ltd.	440,000,000.00	July 22, 2019	Two years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	380,000,000.00	August 30, 2019	Two years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	50,000,000.00	September 20, 2019	Three years since the date on which the debt period of master contract expires or the date on which the secured claim is determined, whichever is later	No
Zhejiang Dahua Vision Technology Co., Ltd.	140,000,000.00	September 26, 2019	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	200,000,000.00	September 29, 2019	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	100,000,000.00	October 22, 2019	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	500,000,000.00	December 10, 2019	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua Zhilian Co., Ltd.	100,000,000.00	April 25, 2019	One years upon expiration of debt period of master contract	Yes
Zhejiang Dahua Zhilian Co., Ltd.	200,000,000.00	June 06, 2016	June 30, 2020	No
Zhejiang Dahua Zhilian Co., Ltd.	500,000,000.00	September 01, 2018	September 01, 2020	No
Zhejiang Dahua Zhilian Co., Ltd.	300,000,000.00	October 12, 2018	October 12, 2021	No
Zhejiang Dahua Zhilian Co., Ltd.	100,000,000.00	April 9, 2019	One years upon expiration of debt period of master contract	No
Zhejiang Dahua Zhilian Co., Ltd.	60,000,000.00	May 13, 2019	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua Zhilian Co., Ltd.	100,000,000.00	August 30, 2019	Two years after the maturity of the debts in the master contract	No
Zhejiang Dahua Zhilian Co., Ltd.	400,000,000.00	November 1, 2019	One years upon expiration of debt period of master contract	No

Zhejiang Dahua Zhilian Co., Ltd.	200,000,000.00	December 12, 2019	One years upon expiration of debt period of master contract	No
Zhejiang Dahua System Engineering Co., Ltd.	60,000,000.00	October 10, 2017	Two years after the maturity of the debts in the master contract	Yes
Zhejiang Dahua System Engineering Co., Ltd.	100,000,000.00	June 06, 2016	March 30, 2020	No
Zhejiang Dahua System Engineering Co., Ltd.	100,000,000.00	May 10, 2019	Two years after the maturity of the debts in the master contract	No
Zhejiang Dahua System Engineering Co., Ltd.	40,000,000.00	May 13, 2019	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua System Engineering Co., Ltd.	10,000,000.00	August 30, 2019	Two years after the maturity of the debts in the master contract	No
Zhejiang Dahua System Engineering Co., Ltd.	60,000,000.00	November 07, 2019	Two years after the maturity of the debts in the master contract	No
Dahua Technology (HK) Limited	200,000,000.00	April 09, 2018	Two years after the maturity of the debts in the master contract	Yes
Dahua Technology (HK) Limited (guarantee currency is US dollar)	50,000,000.00	December 15, 2017	December 15, 2020	No
Dahua Technology (HK) Limited (guarantee currency is US dollar)	7,000,000.00	November 25, 2019	Two years after the maturity of the debts in the master contract	No
Dahua Technology USA Inc. (guaranteed currency is US dollar)	300,000.00	March 04, 2019	March 09, 2020	Yes
DAHUA TECHNOLOGY MEXICO S.A. DE C.V (guaranteed currency is Mexican Peso)	59,973,141.38	March 26, 2019	March 26, 2020	No
DAHUA TECHNOLOGY MEXICO S.A. DE C.V (guaranteed currency is Mexican Peso)	179,919,424.15	April 9, 2019	April 09, 2020	No
Hangzhou Huacheng Network Technology Co., Ltd.	50,000,000.00	August 30, 2019	Two years after the maturity of the debts in the master contract	No

#### (4) Asset transfer and debt restructuring of related parties

Unit: RMB

Related parties	Content of the related - party transaction	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Zhejiang Huashi Investment Management Co., Ltd.	Equity transfer		1,360,000.00
China Standard Intelligent Security Technology Co., Ltd.	Selling of fixed assets	1,659.82	

### (5) Remuneration to key management personnel

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Salary of key management personnel	23,643,285.50	22,692,922.08

### (6) Other related-party transactions

(1) On July 29, 2019, the Company's 23rd session of the 6th Board of Directors' meeting reviewed and approved the Proposal on Increasing Capital in Holding Subsidiaries and Related-party Transactions. The Company and the related party Zhejiang Huashi Investment Management Co., Ltd. (hereinafter referred to as "Huashi Investment") increased capital in the holding subsidiary Zhejiang Dahua Robot Technology Co., Ltd. (hereinafter referred to as "Robot Technology") with the same percentage. The Company would complete a capital increase of RMB 40.8 million with its own funds and the related party Huashi Investment would complete a capital increase of RMB 39.2 million. After the capital increase, the registered capital of Robot Technology would increase from RMB 50 million to RMB 130 million. The shareholding ratio remains unchanged. The change of industrial and commercial registrations for the above matter was completed in August 2019.

(2) On July 29, 2019, the Company's 23rd session of the 6th Board of Directors' meeting reviewed and approved the Proposal on Relinquishment of Equity Capital Increase Rights and Related Transactions of Participating Companies. The Company holds 16.32% of the equity of Zhejiang Leapmotor Technology Co., Ltd (hereinafter referred to as "Leapmotor Technology" or "the subject company"), and the Company's controlling shareholder Fu Liquan holds 16.54% of the equity. Jinhua CRRC Smart IOT New Energy Industry Investment Center (Limited Partnership) (hereinafter referred to as "Jinhua CRRC Fund") intends to make A-2 round of capital increase for Leapmotor Technology, with a total capital increase of RMB 360 million. The newly increased registered capital of Leapmotor Technology is RMB 29,357,798 and the newly increased capital reserve of Leapmotor Technology is RMB 330,642,202. In this capital increase, the Company gives up the right to increase the capital in the same proportion. Upon completion of the capital increase, the registered capital of Leapmotor Technology will increase from RMB 551,355,760 to RMB 580,713,558. The proportion of Leapmotor Technology's equity held by the Company will decrease from 16.32% to 15.50%. The change of industrial and commercial registrations for the above matter was completed in August 2019.



## 6. Receivables and payables of the related parties

### (1) Receivables

Unit: RMB

Item Name	Related parties	Balance at the End of the Period		Balance at the Start of the Period	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	Zhejiang Dahua Zhian Internet of Things Technology Co., Ltd.	100,000.00	5,000.00	100,000.00	10,000.00
Accounts receivable	Guangdong Dahua Zhishi Technology Co., Ltd.	12,553,692.95	627,684.65	3,227,876.00	161,393.80
Accounts receivable	Ningbo Dahua Anbang Security Services Co., Ltd.			310,420.00	15,521.00
Accounts receivable	Taizhou Dahua Security Services Co., Ltd.			133,200.00	6,660.00
Accounts receivable	Zhejiang Leapmotor Technology Co., Ltd.	674,210.13	33,710.51	445,003.41	22,250.17
Accounts receivable	Hangzhou Xintu Technology Co., Ltd.	3,379.63	168.98	47,676.81	2,383.84
Accounts receivable	Zhejiang Lancable Technology Co., Ltd.	676,259.00	33,812.95	916,688.50	45,834.43
Accounts receivable	Shenzhen Conwin Security Electronics CO., Ltd.	207,500.00	10,375.00	710,640.00	35,532.00
Accounts receivable	Hangzhou Huayun Technology Co., Ltd.			2,998,896.00	149,944.80
Accounts receivable	Hangzhou Xunwei Robotics Technology Co., Ltd.			9,400.00	470.00

Accounts receivable	Hangzhou Nuoja Technology Co., Ltd.	2,902,026.06	1,421,211.26	9,031,072.05	4,805,130.40
Accounts receivable	Leapmotor Automobile Co., Ltd.	9,340,735.86	574,240.05	2,198,155.00	109,907.75
Accounts receivable	Zhoushan Dahua Technology Co., Ltd.	217,168.00	10,858.40		
Accounts receivable	China Standard Intelligent Security Technology Co., Ltd.	1,025,951.05	51,297.55		
Accounts receivable	Zhejiang Huanuokang Technology Co., Ltd.	357,980.05	17,899.00		
Accounts receivable	Intelbras S.A.	123,762,782.51	6,188,139.13		
Accounts receivable	Shaoxing Dahua Security Services Co., Ltd.	50,000.00	2,500.00		
Accounts receivable	Zhejiang Leapmotor Automobile Marketing Service Co., Ltd.	1,062.40	53.12		

**(2) Payables**

Unit: RMB

Item Name	Related parties	Closing balance	Opening balance
Accounts Payable	Ningxia Shendun Security Services Co., Ltd.	350,375.00	350,375.00
Accounts Payable	Gansu Aode Electronic Technology Co., Ltd.		365,420.00
Accounts Payable	Zhejiang Leapmotor Technology Co., Ltd.	706,019.53	27,800.00
Accounts Payable	Zhoushan Dahua Technology Co., Ltd.		3,400.00
Accounts Payable	Hangzhou Huayun Technology Co., Ltd.		100,450.00
Accounts Payable	Wenzhou Dahua Security Services Co., Ltd.		25,182.90

Accounts Payable	Hangzhou Nuoja Technology Co., Ltd.	2,019,656.96	384,222.99
Accounts Payable	Zhejiang Huanuokang Technology Co., Ltd.	1,079,999.99	
Accounts Payable	Leapmotor Automobile Co., Ltd.	1,521,631.91	
Other Payables	Zhejiang Leapmotor Technology Co., Ltd.	173,520.00	

### XIII. Share-based payment

#### 1. Overview of share-based payment

Applicable  Not applicable

Unit: RMB

Total amount of equity instruments granted by the Company in current period	10,413,500 shares of restricted stock
Total amount of equity instruments exercised by the Company in current period	0
Total amount of equity instruments of the Company invalidated in current period	4,322,200 shares of restricted stock
The range of the exercise prices of other outstanding equity instruments issued by Company at the end of the period and the remaining contractual term	The grant price of the restricted stock for the first time is RMB 8.17/share, and the remaining period of the contract is 38 months; the reserved price of the granted restricted stock is RMB 8.75/share, and the remaining period of the contract is 38 months.

#### 2. Situation of equity-settled share-based payment

Applicable  Not applicable

Unit: RMB

The method for determining the fair value of equity instruments on the day of granting	Determined based on the stock price at the grant date and the grant cost of the restricted stocks
The basis for determining the amount of exercisable equity instruments	Estimated according to equity instruments held by the employees
Reason for the significant difference between the estimation of current period and the previous period	N/A
The accumulated amount of equity-settled share-based payment counted into the capital reserve	225,648,979.54
Amount of equity-settled share-based payment confirmed in current period	194,204,005.66

### 3. Situation of cash-settled share-based payment

Applicable  Not applicable

### 4. Modification and termination of share-based payment

According to the resolution of the 27th session of the 6th Board of Directors' meeting of the Company held on November 4, 2019, the Company reviewed and approved the 2018 Restricted Stock Incentive Plan (Draft Revision) and its summary, and adjusted the performance conditions that the Company had to meet to unlock the incentive objects of the granted restricted stock. The adjusted performance conditions are as follows:

(1) Restricted stocks granted for the first time are unlocked three times when meeting the following performance conditions:

Unlocking time	Performance conditions
Unlocking condition for the first time	Indicator 1: The compound annual revenue growth rate of the previous year before the unlocking time is not less than 23% compared to the previous year of the granting time, and the weighted average ROE attributable to the Company's common stock shareholders as of December 31, 2019 is not less than 17%. Indicator 2: The growth rate of the net profit attributable to the parent company at the time before the unlocking time is not less than 32% compared to the year before the granting time, and the weighted average ROE attributable to the Company's common stock shareholders as of December 31, 2019 is not less than 19%;
Unlocking condition for the second time	Indicator 1: The compound annual revenue growth rate of the previous year before the unlocking time is not less than 23% compared to the previous year of the granting time, and the weighted average ROE attributable to the Company's common stock shareholders as of December 31, 2020 is not less than 18%. Indicator 2: The growth rate of the net profit attributable to the parent company at the time before the unlocking time is not less than 60% compared to the year before the granting time, and the weighted average ROE attributable to the Company's common stock shareholders as of December 31, 2020 is not less than 19%;
Unlocking condition for the third time	Indicator 1: The compound annual revenue growth rate of the year before the unlocking time is not less than 23% compared with the year before the granting time, and the weighted average ROE attributable to the Company's common stock shareholders as of December 31, 2021 is not less than 19%. Indicator 2: The growth rate of the net profit attributable to the parent company at the time before the unlocking time is not less than 90% compared to the year before the granting time, and the weighted average ROE attributable to the Company's common stock shareholders as of December 31, 2021 is not less than 19%;

(2) The reserved restricted stocks are unlocked in twice when meeting the following performance conditions:

Unlocking time	Performance conditions
Unlocking condition for the first time	Indicator 1: The compound annual revenue growth rate of the previous year before the unlocking time is not less than 23% compared to the previous year of the granting time, and the weighted average ROE attributable to the Company's common stock shareholders as of December 31, 2020 is not less than 18%. Indicator 2: The growth rate of the net profit attributable to the parent company at the time before the unlocking time is not less than 60% compared to the year before the granting time, and the weighted average ROE attributable to the Company's common stock shareholders as of December 31, 2020 is not less than 19%;

Unlocking condition for the second time	Indicator 1: The compound annual revenue growth rate of the previous year before the unlocking time is not less than 23% compared to the previous year of the granting time, and the weighted average ROE attributable to the Company's common stock shareholders as of December 31, 2021 is not less than 19%. Indicator 2: The growth rate of the net profit attributable to the parent company at the time before the unlocking time is not less than 90% compared to the year before the granting time, and the weighted average ROE attributable to the Company's common stock shareholders as of December 31, 2021 is not less than 19%;
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## XIV. Commitments and contingencies

### 1. Significant commitments

Important commitments on the balance sheet day

As of December 31, 2019, the pledge information of the Company was as follows:

(1) On August 19, 2016, the subsidiary Xinjiang Dahua Zhixin Information Technology LLC pledged its future accounts receivable amounting to RMB 351,064,980.00 incurred from the available service fee under the Franchise Agreement for the Shihezi "Safe Shicheng" PPP Project, and signed the Fixed Assets Loan Contract (total contract amount: RMB 230,000,000.00, contract No.: 2016-01) with Shihezi Sub-Branch of the Construction Bank of China, to provide guarantee for the Company's loan (loan contract No.: 2016-01) amounting to RMB 230,000,000.00 (Term of borrowing: from August, 2016 to August, 2027). As of December 31, 2019, the pledge receivables amounted to RMB 242,029,204.60 (including the long-term receivable balance RMB 213,118,026.26, and the balance of the non-current assets mature within one year RMB 28,911,178.34). The loan balance under the guarantee contract was RMB 179,000,000.00 (where the long-term loan balance RMB 153,500,000.00, and the balance of non-current liabilities mature within one year RMB 25,500,000.00).

(2) On October 23, 2018, Zhejiang Dahua Technology Co., Ltd. and Hangzhou Branch of Zheshang Bank Co., Ltd. entered into the ZSZCCZ (2018) No. 22518 Asset Pool Pledge and Guarantee Contract (ID No. 33100000), to provide a guarantee for the Notes Pool Business Cooperation Agreement signed by the Company together with the subsidiary Zhejiang Dahua Technology Co., Ltd., the subsidiary Zhejiang Dahua System Engineering Co., Ltd., this subsidiary Guangxi Dahua Information Technology Co., Ltd., Zhejiang Dahua Zhilian Co., Ltd., and Zheshang Bank Co., Ltd. The financing amount for the fund pledge pool cannot be more than RMB 2.5 billion.

Under this notes pool business, as of December 31, 2019, RMB 692,260,000.00 undue notes receivable (wherein RMB 675,000,000.00 was related party notes receivable that should be included in the scope of the consolidated financial statements) of Zhejiang Dahua Technology Co., Ltd., RMB 885,388,425.60 undue notes receivable (wherein RMB 150,559,660.48 was related party bills that should be included in the scope of the consolidated financial statements) of the subsidiary Zhejiang Dahua Vision Co., Ltd., RMB 2,245,121.04 undue notes of the subsidiary Zhejiang Dahua System Engineering Co., Ltd. was used to issue acceptance bills. Under this pledge, the bank acceptance bill issued by Zhejiang Dahua Technology Co., Ltd. was RMB 16,544,083.64, the bank acceptance bill issued by the subsidiary Zhejiang Dahua Vision Co., Ltd. was RMB 1,540,931,553.99, and the bank acceptance bill issued by Zhejiang Dahua System Engineering Co., Ltd. was RMB 212,024.16.

(3) Zhejiang Dahua Technology Co., Ltd. and Hangzhou Branch of China Merchants Bank Co., Ltd. signed the Special Credit Agreement for Notes Pool Business, which promised a special credit limit of RMB 2.5 billion for the notes pool, and allocated the same limit to the subsidiary Zhejiang Dahua Vision Co., Ltd., the subsidiary Zhejiang Dahua

System Engineering Co., Ltd., the subsidiary Zhejiang Dahua Zhilian Co., Ltd., and the subsidiary Hangzhou Huacheng Network Technology Co., Ltd. As of December 31, 2019, Zhejiang Dahua Technology Co., Ltd. had pledged RMB 144,672,194.20 undue notes receivable (of which RMB 140,000,000.00 was related party notes that should be included in the scope of the consolidated financial statements), the subsidiary Zhejiang Dahua Vision Co., Ltd. had RMB 194,660,137.78 undue notes receivable (of which RMB 110,000,000.00 was related party bills that should be included in the scope of the consolidated financial statements), the subsidiary Zhejiang Dahua System Engineering Co., Ltd. had RMB 396,701.61 undue notes receivable, the subsidiary Zhejiang Dahua Zhilian Co., Ltd. had RMB 28,154,865.32 undue notes receivable, and the subsidiary Hangzhou Huacheng Network Technology Co., Ltd. had RMB 3,438,191.26 undue notes receivable for issuing bank acceptance bills. Under the pledge, Zhejiang Dahua Technology Co., Ltd. issued RMB 13,384,947.47 bank acceptance bill; the subsidiary Zhejiang Dahua Vision Co., Ltd. issued RMB 285,758,633.83 bank acceptance bill; the subsidiary Zhejiang Dahua System Engineering Co., Ltd. issued RMB 979,643.16 bank acceptance bill; the subsidiary Zhejiang Dahua Zhilian Co., Ltd. issued RMB 36,859,352.03 bank acceptance bill; and the subsidiary Hangzhou Huacheng Network Technology Co., Ltd. issued RMB 33,888,639.18 bank acceptance bill.

(4) The subsidiary Zhejiang Dahua Vision Co., Ltd. pledged a deposit certificate of US\$35 million and signed an Import and Export Documentary Bill Contract with Hangzhou Branch of Ningbo Bank Co., Ltd.. As of December 31, 2019, there is no corresponding loan for the time being under the pledge contract

## 2. Contingencies

### (1) If no important contingent matter to be disclosed by the Company, it should also be noted accordingly

No important contingent matter needs to be disclosed by the Company.

## XV. Events after the Balance Sheet Date

### 1. Important non-adjustment issue

Since January 2020, COVID-19 broke out in China and the world, which has had an adverse impact on the entire macro economy. The Company actively responds to and strictly implements the regulations and requirements for epidemic prevention and control of the local government. The Company anticipates that the COVID-19 epidemic and prevention and control measures will cause a certain degree of temporary impact on the Company's production and operations. The degree of impact depends on the progress and duration of global epidemic prevention and control, and the implementation of prevention and control policies in various regions. The Company will pay close attention to the development of the global epidemic and constantly evaluate the impact on the performance of the Company.

### 2. Profit distribution

According to the Company's resolution on the 33rd session of the 6th Board of Directors' meeting on April 2, 2020, the Company's profit distribution preplan for the year of 2018 was: On the basis of the Company's 2,994,599,750 shares (excluding 13,391,480 repurchased shares) in total capital by December 31, 2019, all shareholders will be distributed RMB 1.33 in cash (including tax) for each 10 shares, and the total amount of cash dividends is RMB 398,281,766.75, with no bonus shares and no capitalization of capital reserves. The remaining undistributed profit after the distribution of dividends will be carried forward to the next year. The matter shall be implemented after being approved by the general meeting of shareholders.

### 3. Other events after the balance sheet date

(1) On February 25, 2020, the 31st session of the 6th Board of Directors' meeting held by the Company reviewed and approved the "Proposal on Joint Investment with Related Parties to Establish a Holding Subsidiary and Related Party Transactions", the Company and its related legal person Zhejiang Leapmotor Technology Co., Ltd, Ningbo Hualing Investment Management Partnership (Limited Partnership), and Ningbo Huaqi Enterprise Management Partnership (Limited Partnership) jointly invested RMB 150 million to establish Zhejiang Dahua Automotive Technology Co., Ltd. Among them, Dahua invested RMB 76.5 million with its own funds, accounting for 51% of the registered capital. The Company is a holding subsidiary of a listed company.

(2) On February 25, 2020, the 31st session of the 6th Board of Directors' meeting held by the Company reviewed and approved the "Proposal on Investment in Establishing a Joint Venture Company". The Company and Tianjin Rongyu Enterprise Management Partnership (Limited Partnership), Tianjin Qushi Management Consulting Partnership (Limited Partnership), and Huzhou Xubo Smart City Technology Partnership (Limited Partnership) signed a "Joint Venture Agreement" to jointly invest in the establishment of Zhongruixin Digital Technology Co., Ltd.. With a registered capital of RMB 800 million, the Company's shareholding accounted for 20%.

(3) On February 4, 2020, the 30th session of the 6th Board of Directors' meeting held by the Company reviewed and approved the "Proposal on Joint Investment and Related Party Transactions with Related Persons". the Company and its related legal person Ningbo Huagu Enterprise Management Partnership (Limited Partnership) and Ningbo Hualing Investment Management Partnership (Limited Partnership) jointly invested RMB 50 million to establish Zhejiang Dahua Storage Technology Co., Ltd. Among them, Dahua invested RMB 25.5 million with its own funds, accounting for 51% of the registered capital. The Company is a holding subsidiary of a listed company.

## XVI. Other Significant Events

### 1. Subsection information

#### (1) Basis for determining the reporting subsection and the accounting policy

The Company determines the operation subsection based on internal organization structure, management requirements, internal reporting system, etc. The Company has only one operation subsection, namely the R&D, production and sales of security products. The accounting policy of the reporting subsection is consistent with that of the Company.

#### (2) Financial information of the reporting subsection

Regional subsection

Unit: RMB

Item Name	Operating income	Operating Cost
Domestic	16,473,728,183.00	10,217,525,331.58
Overseas	9,675,702,469.42	5,178,668,608.86
Total	26,149,430,652.42	15,396,193,940.44

Product subsection

Unit: RMB

Item Name	Operating income	Operating Cost
Solutions	13,615,657,688.00	7,514,681,636.66
Product	10,649,410,791.29	6,143,786,066.11
Others	1,884,362,173.13	1,737,726,237.67
Total	26,149,430,652.42	15,396,193,940.44

## XVII. Notes to Main Items in the Financial Statements of the Parent Company

### 1. Accounts receivable

#### (1) Categorical disclosure of accounts receivable

Unit: RMB

Category	Balance at the End of the Period					Balance at the Start of the Period				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Accrued proportion		Amount	Percentage	Amount	Accrued proportion	
Accounts receivables with the bad debt provision accrued based on combinations	8,553,841,772.05	100.00%	103,477,257.00	1.21%	8,450,364,515.05	4,689,003,520.41	100.00%	90,427,597.37	1.93%	4,598,575,923.04
Including:										
Portfolio 1: Related Parties Portfolio	7,626,134,745.39	89.15%			7,626,134,745.39	4,111,213,084.49	87.68%			4,111,213,084.49
Portfolio 2: Aging Analysis Portfolio	927,707,026.66	10.85%	103,477,257.00	11.15%	824,229,769.66	577,790,435.92	12.32%	90,427,597.37	15.65%	487,362,838.55
Total	8,553,841,772.05	100.00%	103,477,257.00		8,450,364,515.05	4,689,003,520.41	100.00%	90,427,597.37		4,598,575,923.04

Bad debt provision based on combinations



Unit: RMB

Name	Balance at the End of the Period		
	Book balance	Bad debt provision	Accrued proportion
Within 1 year	748,093,619.86	37,404,680.98	5.00%
1 to 2 years	96,343,651.28	9,634,365.13	10.00%
2 to 3 years	28,155,781.89	8,446,734.57	30.00%
3 to 4 years	7,960,613.64	3,980,306.82	50.00%
4 to 5 years	15,710,952.47	12,568,761.98	80.00%
5 years or above	31,442,407.52	31,442,407.52	100.00%
Total	927,707,026.66	103,477,257.00	--

Please refer to the disclosing methods of other receivables for the information disclosure of bad debts provisions, if the bad debt provisions of accounts receivable are made according to the general model of expected credit losses:

Applicable  Not applicable

Disclosure by age

Unit: RMB

Aging	Book balance
Within 1 year (including 1 year)	8,327,140,531.04
1 to 2 years	105,324,126.66
2 to 3 years	38,830,163.25
3 years or above	82,546,951.10
3 to 4 years	7,960,613.64
4 to 5 years	17,286,952.47
5 years or above	57,299,384.99
Total	8,553,841,772.05

## (2) Provision for bad debts accrued, recovered or reversed in this period

Provision for bad debts in the current period:

Unit: RMB

Category	Balance at the Start of the Period	Amount of Changes in the Current Period				Balance at the End of the Period
		Accrued	Recovered or Reversed	Written Off	Others	
Accrued by aging analysis	90,427,597.37	13,049,659.63				103,477,257.00
Total	90,427,597.37	13,049,659.63				103,477,257.00

**(3) Accounts receivable of the top five balances at the end of the period collected by the arrears**

The accounts receivable of the top five balances at the end of the period collected by the arrears was summed up to RMB 7,700,844,305.16, accounting for 90.03% of the total balance at the end of the period of accounts receivable. The balance at the end of the period for bad debt provision accrued was RMB 6,034,794.03 accordingly.

**(4) Accounts receivable derecognized due to the transfer of financial assets**

There are no accounts receivable derecognized due to the transfer of financial assets in this period.

**(5) The amount of assets and liabilities generated due to transferred receivables that the Company still keeps recourse or retains part of corresponding rights or interests**

In this period, there is no assets and liabilities generated due to transferred receivables that the Company still keeps recourse or retains part of corresponding rights or interests

**2. Other receivables**

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Interest Receivable		42,500.00
Other Receivables	5,138,830,912.64	6,954,613,363.03
Total	5,138,830,912.64	6,954,655,863.03

**(1) Interests receivable****1) Category of interests receivable**

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Fixed term deposit		42,500.00
Total		42,500.00

**2) Bad debt provision**

Applicable  Not applicable

**(2) Other receivables****1) Other receivables categorized by the nature of the funds**

Unit: RMB

Nature of the funds	Closing balance	Opening balance
Deposits	34,668,226.17	40,101,577.35
Prepaid or advance expense	60,885,579.94	37,600,678.55
Employee home loan	104,094,000.60	107,390,998.98
Incomings and outgoings	4,966,265,220.25	6,789,622,721.45
Others	239,332.03	21,879.23
Total	5,166,152,358.99	6,974,737,855.56

## 2) Bad debt provision

Unit: RMB

Bad debt provision	Phase One	Phase Two	Phase Three	Total
	Expected credit losses in the next 12 months	Expected credit losses for the entire extension (without credit impairment)	Expected credit losses for the entire extension (with credit impairment)	
Balance on January 1, 2019	16,811,336.70	2,663,676.59	649,479.24	20,124,492.53
Balance of the current period on January 1, 2019	—	—	—	—
--Transfer to phase two	-529,345.05	529,345.05		
--Transfer to phase three	-2,826,597.45	-10,000.00	2,836,597.45	
Provisions of this period	9,483,383.76	458,748.66	1,510.41	9,943,642.83
Write off in this period			2,746,689.01	2,746,689.01
Balance on December 31, 2019	22,938,777.96	3,641,770.30	740,898.09	27,321,446.35

Book balance changes with significant changes in loss provision in the current period

 Applicable  Not applicable

Disclosure by age

Unit: RMB

Aging	Book balance
Within 1 year (including 1 year)	4,563,520,940.63
1 to 2 years	542,935,178.44
2 to 3 years	46,328,875.39

3 years or above	13,367,364.53
3 to 4 years	9,748,103.16
4 to 5 years	2,502,107.84
5 years or above	1,117,153.53
Total	5,166,152,358.99

### 3) Provision for bad debts accrued, recovered or reversed in this period

Provision for bad debts in the current period:

Unit: RMB

Category	Balance at the Start of the Period	Amount of Changes in the Current Period				Balance at the End of the Period
		Accrued	Recovered or Reversed	Written Off	Others	
Portfolio 2: Aging Analysis Portfolio	20,124,492.53	9,943,642.83		2,746,689.01		27,321,446.35
Total	20,124,492.53	9,943,642.83		2,746,689.01		27,321,446.35

### 4) Accounts receivable actually written off in this period

Unit: RMB

Item Name	Write-off amount
Other accounts receivable actually written off	2,746,689.01

### 5) Other receivables of the top five closing balances collected by debtors

Unit: RMB

Name of Unit	Nature of the funds	Balance at the End of the Period	Aging	As a percentage of total other receivables at the end of the period	Bad debt provision at the end of the period
Company 1	Incomings and outgoings	2,209,112,698.78	Within 1 year	42.76%	
Company 2	Incomings and outgoings	1,170,288,886.84	Within 1 year	22.66%	
Company 3	Incomings and outgoings	776,098,658.59	The amount within 1 year is RMB 526,857,735.15 and the amount in 1-2 years is RMB 249,240,923.44.	15.02%	

Company 4	Incomings and outgoings	437,191,320.50	Within 1 year	8.46%	
Company 5	Incomings and outgoings	168,477,788.59	The amount within 1 year is RMB 9,052,406.35 and the amount in 1–2 years is RMB 159,425,382.24.	3.26%	
Total	--	4,761,169,353.30	--	92.16%	

### 3. Long-term equity investment

Unit: RMB

Item Name	Balance at the End of the Period			Balance at the Start of the Period		
	Book balance	Provision for decline in value	Book value	Book balance	Provision for decline in value	Book value
Investment in subsidiaries	3,399,382,831.0 4		3,399,382,831.0 4	2,833,803,638.0 4		2,833,803,638.0 4
Investment in affiliates and joint ventures	123,876,230.74		123,876,230.74	167,835,790.51		167,835,790.51
Total	3,523,259,061.7 8		3,523,259,061.7 8	3,001,639,428.5 5		3,001,639,428.5 5

#### (1) Investment in Subsidiaries

Unit: RMB

The invested entity	Balance at the Start of the Period (book value)	Decrease/Increase in the current period				Balance at the End of the Period (book value)	Closing balance of provision for decline in value
		Investments increased	Investment decreased	Provision for impairment accrued	Others		
Zhejiang Dahua System Engineering Co., Ltd.	509,413,298.82	12,069,740.11				521,483,038.93	
Zhejiang Dahua Security Network Operation Service Co., Ltd.	26,244,774.40	647,938.36				26,892,712.76	

Zhejiang Dahua Ju'an Technology Co., Ltd.	5,100,000.00					5,100,000.00	
Guangxi Dahua Information Technology Co., Ltd.	5,399,419.60	922,668.28				6,322,087.88	
Zhejiang Dahua Security Service Co., Ltd.	46,179.54	72,628.64				118,808.18	
Dahua Technology (HK) Limited	262,000,000.00	346,628,700.00				608,628,700.00	
Zhejiang Dahua Vision Technology Co., Ltd.	649,784,323.16	9,430,626.82				659,214,949.98	
Wuxi Dahua Ruide Electronic Technology Co., Ltd.	1,000,000.00		1,000,000.00				
Guangxi Dahua Security Service Co., Ltd.	20,002,580.76					20,002,580.76	
Zhejiang Huatu Microchip Technology Co., Ltd.	10,034,350.20	206,101.20				10,240,451.40	
Hangzhou Xiaohua Technology CO., LTD.	4,698,841.50	756,657.93				5,455,499.43	

Zhejiang Dahua Zhilian Co., Ltd.	1,000,011,450.06	90,903.04				1,000,102,353.10	
Hangzhou Tecomore Technology Co., Ltd.	5,210,047.78	400,752.00				5,610,799.78	
Guangxi Dahua Zhicheng Co., Ltd.	71,206,080.58	7,951.45				71,214,032.03	
Hangzhou Huacheng Network Technology Co., Ltd.	25,715,324.72	2,062,097.11				27,777,421.83	
Xinjiang Dahua Zhixin Information Technology Co., Ltd.	2,055.08	13,675.56				15,730.64	
Zhejiang Dahua Investment Management Co., Ltd.	62,175,000.00					62,175,000.00	
Zhejiang Huachuang Vision Technology Co., Ltd.	25,900,043.59	2,524,266.68				28,424,310.27	
Zhejiang HuaRay Technology Co., Ltd.	25,783,331.48	3,735,441.12				29,518,772.60	
Xinjiang Dahua Intelligence Technology Co., Ltd.	10,000,000.00					10,000,000.00	

Hangzhou Fuyang Hua'ao Technology Co., Ltd.	5,100,000.00					5,100,000.00	
Zhejiang Huafei Intelligent Technology CO., LTD.	21,850,966.90	1,567,357.76				23,418,324.66	
Zhejiang Huaxiao Technology Co., Ltd.	8,050,311.05	19,288,749.75				27,339,060.80	
Xi'an Dahua Zhilian Technology Co., Ltd.	56,000,000.00	85,489.52				56,085,489.52	
Wuxi Dahua Ruipin Technology Co., Ltd.	3,134,743.40	6,528,460.40				9,663,203.80	
Zhejiang Dahua Robot Technology Co., Ltd.	6,908,515.42	41,200,661.38				48,109,176.80	
Beijing Huayue Shangcheng Information Technology Service Co., Ltd.	400,000.00	3,874,772.43				4,274,772.43	
Sichuan Dahua Guangxun Photoelectric Technology Co., Ltd.	4,530,000.00	1,000,000.00				5,530,000.00	
Dahua Technology Holdings Limited	8,102,000.00					8,102,000.00	



Shanghai Huashang Chengyue Information Technology Service Co., Ltd.		1,276,408.38				1,276,408.38	
Zhejiang Dahua Jinzhi Technology Co., Ltd.		60,000,000.00				60,000,000.00	
Guangxi Huacheng Technology Co., Ltd.		33,786.68				33,786.68	
Dahua Technology Canada Inc.		13,358.40				13,358.40	
Zhejiang Zhoushan Digital Development Operation Co., Ltd		17,640,000.00				17,640,000.00	
Guangxi Dahua Technology Co., Ltd.		30,000,000.00				30,000,000.00	
Yunnan Zhili Technology Co., Ltd		4,500,000.00				4,500,000.00	
Total	2,833,803,638.04	566,579,193.00	1,000,000.00			3,399,382,831.04	

## (2) Investment in affiliates and joint ventures

Unit: RMB

Name of	Balance at	Decrease/Increase in the current period	Balance at	Closi
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Investees	the Start of the Period (book value)	Investments increased	Investment decreased	Investment profit and loss recognized under the equity method	Adjustment on other comprehensive income	Other changes in equity	Cash dividends or profit declared to distribute	Provision for impairment accrued	Others	the End of the Period (book value)	ending balance of provision for decline in value
I . Joint ventures											
II . Affiliates											
Zhejiang Leapmotor Technology Co., Ltd.	168,229,977.61			-115,735,671.92					70,570,727.96	123,065,033.65	
Guangdong Dahua Zhishi Technology Co., Ltd.	-394,187.10			138,092.47					256,094.63		
Hangzhou Juhuan Information Technology Co., Ltd.		1,000,000.00		-188,802.91						811,197.09	
Subtotal	167,835,790.51	1,000,000.00		-115,786,382.36					70,826,822.59	123,876,230.74	
Total	167,835,790.51	1,000,000.00		-115,786,382.36					70,826,822.59	123,876,230.74	

#### 4. Operating income and operating costs

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
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	Income	Cost	Income	Cost
Main Business	8,439,490,160.11	1,168,930,845.23	8,306,049,467.16	1,743,136,622.36
Other businesses	42,569,972.85	31,775,678.78	27,513,647.92	19,328,284.90
Total	8,482,060,132.96	1,200,706,524.01	8,333,563,115.08	1,762,464,907.26

Has the new income standard been implemented?

Yes  No

## 5. Investment income

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Long-term equity investment income measured by equity method	-115,786,382.36	-37,135,560.20
Investment income from disposal of long-term equity investment	-1,000,000.00	706,569.92
Investment income from possession of available-for-sale financial assets	17,171,892.61	1,005,008.70
Investment income from treasury bond reverse repurchase	308,838.52	380,167.33
Total	-99,305,651.23	-35,043,814.25

## XVIII. Supplementary Information

### 1. Breakdown of non-recurring gains and losses for this period

Applicable  Not applicable

Unit: RMB

Item Name	Amount	Note
Gains and losses from disposal of non-current assets	10,755,526.46	
The government subsidies included in the current profits and losses (excluding the government subsidies closely related to regular businesses of the Company and issued in the quota or quantity based on the national standards)	164,079,473.51	

Profits and losses resulting from the changes in fair value for holding trading financial assets, derivative financial assets and trading financial liabilities, derivative financial liabilities and investment income from disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities, and other obligatory right investment, excluding the effective hedging businesses related to the regular business operation of the Company	51,518,752.09	
Reversal of the receivables and contract assets depreciation reserves for separate impairment test	3,383,257.76	
Non-Operating Revenue and expenses other than the above	-2,958,714.67	
Other gains and losses items that fit the definition of non-recurring gains and losses	308,838.52	
Less: Impact of income tax	35,447,376.02	
Impact of minority equity	20,448,953.35	
Total	171,190,804.30	--

For items defined as non-recurring gains and losses according to the No. 1 Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to Public - Non-recurring Gains and Losses, or non-recurring gains and losses items listed in the said document defined as recurring ones, please specify the reasons.

Applicable  Not applicable

## 2. Return on net assets and earnings per share

Profit for the reporting period	Weighted Average ROE	Earnings per share	
		Basic Earnings per Share (RMB/Share)	Diluted Earnings per Share (RMB/Share)
Net profit attributable to common shareholders of the Company	22.74%	1.10	1.10
Net profit attributable to common shareholders of the Company after deducting non-recurring gains and losses	21.52%	1.04	1.04

## 3. Differences in accounting data between domestic and overseas accounting standards

### (1) Differences of net profits and net assets in the financial reports disclosed according to the international accounting standards and Chinese accounting standards

Applicable  Not applicable

**(2) Differences of net profits and net assets in the financial reports disclosed according to the overseas accounting standards and Chinese accounting standards**

Applicable  Not applicable

## Section XIII Documents Available for Reference

I. The financial statements signed and sealed by Fu Liquan, the Company's legal representative, Wei Meizhong, chief accountant, and Xu Qiaofen, person in charge of accounting institution.

II. The original copy of the Audit Report with the seal of the Accounting Firm and signed and stamped by Certified Public Accountants;

III. Original copies of all the Company's documents and announcements published on media designated by China Securities Regulatory Commission within the reporting period.

IV. Other related materials.

The said documents are prepared and placed at the Company's Securities Investment Department

Zhejiang Dahua Technology Co., Ltd.

Legal representative: Fu Liquan

April 3, 2020