

Zhejiang Dahua Technology Co., Ltd.

2020 Semi-annual Report



This document is a translated version of the Chinese version 2020 Semi-annual Report (“2020 年半年度报告”), and the published 2020 Semi-annual Report in the Chinese version shall prevail.
The complete published Chinese 2020 Semi-annual Report may be obtained at <http://www.cninfo.com.cn>.

August 2020

Section I Important Notes, Contents and Definitions

The Board of Directors, Board of Supervisors, Directors, Supervisors and Senior Management of 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 liabilities for such information.

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

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

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 surveillance 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, big data, AI and other technologies, and the upgrade of the application of smart phones, the business model in the IoT era may have an impact on the development of traditional industry. If an enterprise fails to timely grasp opportunities brought about by business model transformation, it will be exposed to the risk of losing its market share.

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. Risk of Intellectual property: 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 foreign exchange: the Company's export sales are mainly settled in United States Dollars ("USD"), and overseas transactions are still increasing. Therefore, fluctuations in the foreign exchange rate may affect the profitability of the Company.

6. Risk of decrease of local fiscal paying capacity: At present, some local fiscal debts are relatively high. If local paying capacity is reduced, a series of risks may occur: industry demand growth may slow down, project duration may be extended, companies may need longer time to withdraw its capital, and customers may delay their payment.

7. Risk of internationalized operation: the Company's products and solutions are provided to over 100 overseas countries and regions. The operation of international business may be subject to national or regional trade protection. What's more, the global spread of COVID-19 has produced uncertainties in overseas economic environment, which may bring negative impacts on the Company's local business development.

8. Risk of supply chain security: In terms of supply security, the Company has comprehensively reviewed various potential supply risks through dedicated projects, and strengthened its capacity for continuous and safe supply of key materials by researching and developing backup plans and diversifying supply sources, in order to ensure the security of the supply chain.

The Company proposed not to distribute cash dividends, not send bonus shares, and not convert the capital reserve into share capital in the first half of the year.

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Definitions

Item	Refers To	Definitions
Reporting Period	Refers To	January 1, 2020 to June 30, 2020
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.
Guangxi Security	Refers To	Guangxi Dahua Security Service Co., Ltd.
Huatu Microchip	Refers To	Zhejiang Huatu Microchip 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.
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.
Xinjiang Dahua Information	Refers To	Xinjiang Dahua Information Technology Co., Ltd.
Xinjiang Intelligence	Refers To	Xinjiang Dahua Intelligence Technology Co., Ltd.
Xinjiang Zhihe	Refers To	Xinjiang Dahua Zhihe Information 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.
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 Storage	Refers To	Zhejiang Dahua Storage Technology Co., Ltd.
Dahua Automobile	Refers To	Zhejiang Dahua Automobile Technology Co., Ltd.
Chengdu Zhilian	Refers To	Chengdu Dahua Zhilian Information Technology Co., Ltd.

Dahua Zhian	Refers To	Chengdu Dahua Zhian Information Technology Service Co., Ltd.
Chengdu Zhishu	Refers To	Chengdu Dahua Zhishu Information Technology Service Co., Ltd.
Chengdu Zhichuang	Refers To	Chengdu Zhichuang Yunshu Technology Co., Ltd.
Chengdu Smart	Refers To	Chengdu Huishan Smart Network Technology Co., Ltd.
Huakong Software	Refers To	Zhejiang Huakong Software Co., Ltd.
Xinsheng Electronic	Refers To	Zhejiang Xinsheng Electronic Technology Co., Ltd.
Huacheng Software	Refers To	Hangzhou Huacheng Software Technology Co., Ltd.
Guizhou Dahua	Refers To	Guizhou Dahua Information 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 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.
Dahua Nigeria	Refers To	Dahua Technology Nigeria Representative Ltd
Dahua Israel	Refers To	Dahua Technology Israel Ltd.

Section II Company Profile and Key Financial Indicators

1. Company Profile

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		
Abbreviation of Chinese Name	DAHUA		
Company Name in Foreign Language (If any)	ZHEJIANG DAHUA TECHNOLOGY CO., LTD.		
Legal Representative	Fu Liquan		

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. Other Matters

1. Company Contact Information

The Company's registered address, office address, postal codes, website, and/or e-mail address have changed during the reporting period

Applicable Not applicable

The Company's registered address, office address and postal codes, website, and e-mail address remained unchanged during the reporting period. Please refer to the 2019 Annual Report for details.

2. Information Disclosure and Storage Location

The information disclosure and storage location have changed during the reporting period

Applicable Not applicable

The name of the newspaper selected by the Company for information disclosure, the website designated by the China

Securities Regulatory Commission for publishing semi-annual reports, and the storage location of the Company's semi-annual reports has not changed during the reporting period. For details, please refer to the 2019 annual report.

IV. 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

	The Current Reporting Period	The Same Period of Last Year	Increase/Decrease of the Current Reporting Period Compared with the Same Period of the Previous Year
Operating income (RMB)	9,838,328,853.62	10,806,566,370.89	-8.96%
Net profit attributable to shareholders of the listed Company (RMB)	1,368,974,364.44	1,238,880,948.74	10.50%
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses (RMB)	1,290,258,785.10	1,138,651,748.03	13.31%
Net cash flow generated by operational activities (RMB)	-106,927,963.95	-870,467,092.88	87.72%
Basic Earnings per Share (RMB/Share)	0.47	0.42	11.90%
Diluted Earnings per Share (RMB/Share)	0.47	0.42	11.90%
Weighted Average ROE	8.35%	9.40%	-1.05%
	At the End of the Current Reporting Period	At the End of the Previous Year	Increase/Decrease at the End of the Current Reporting Period Compared with the End of the Previous Year
Total assets (RMB)	29,550,280,033.16	29,564,650,212.93	-0.05%
Net assets attributable to shareholders of the listed company (RMB)	16,994,161,396.52	15,643,007,027.91	8.64%

V. 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.

VI. Non-recurring Profit and Loss Items and Their Amounts

Applicable Not applicable

Unit: RMB

Item	Amount	Note
Profits or losses from disposal of non-current assets (including the write-off for the accrued impairment of assets)	5,844,316.80	
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)	85,572,330.79	
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	22,700,204.34	
Reversal of the receivables and contract assets depreciation reserves for separate impairment test	1,920,625.00	
Non-Operating Revenue and expenses other than the above	-6,359,772.83	
Other gains and losses items that fit the definition of non-recurring gains and losses	210,491.25	
Less: Impact of income tax	15,263,612.09	
Impact of minority equity (after tax)	15,909,003.92	
Total	78,715,579.34	--

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 Principal Business of the Company during the Reporting Period

During the reporting period, there were no major changes in the Company's principal business. For details, please refer to the 2019 Annual Report.

II. Material Changes to Major Assets

1. Major changes in main assets

Major Assets	Explanation of Material Changes
Equity assets	No major changes.
Fixed Assets	No major changes.
Intangible Assets	No major changes.
Projects under Construction	62.53% 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 smart IoT solutions R&D and industrialization project.
Trading Financial Assets	RMB 902 million increased compared with that at the beginning of the year, mainly due to the purchase of structured deposits of RMB 900 million in this period.
Receivables Financing	38.25% lower than that at the beginning of this year, mainly caused by the decrease of settlement of notes receivable in the current reporting period.
Non-current Assets Due within 1 Year	37.64% higher than that at the beginning of the year, mainly due to increase of long-term receivables due within one year.

2. Major overseas assets

Applicable Not applicable

III. Core Competitiveness Analysis

During the reporting period, there was no major change in the Company's core competitiveness. For details, please refer to the 2019 Annual Report.

Section IV Discussion and Analysis on Business Circumstance

I. Overview

In the first half of 2020, the global outbreak of the novel coronavirus and the further escalation of Sino-US trade friction have inflicted impacts of varying degrees on economic activities. Facing these unfavorable factors in the external environment, the Company has worked hard together to proactively promote the marketing of strategic products, key products and software products, optimize product structure, implement strategic sinking, strengthen refined management of business processes, enhance operation quality, with an aim to achieve a sustainable and steady development of the Company's business. Meanwhile, to combat COVID-19, the Company has utilized its long-term technological accumulation to quickly respond to market needs and provide customers with scientific solutions for pandemic prevention and control and humanitarian assistance within its capacity. These efforts have provided strong guarantee for global pandemic prevention and control and resumption of work and production, improved the Company's image and sense of social responsibility, and enhanced mutual trust with customers.

During the reporting period, the Company has realized RMB 9.838 billion of operating revenue, 8.96% lower on a year-on-year basis, and RMB 1.369 billion net profits attributable to shareholders of listed company, a year-on-year increase of 10.50%.

Main business strategies of the Company include:

1. Continuously increase targeted R&D investments, improve technology innovation ability and core technical strength

The Company continued to increase its investment in AI, cloud computing and big data, 5G, computer vision, and other future-oriented core technologies. The Company continued to strengthen software capabilities, gain insights into industry and technology development trends, and cooperate with ecological partners to develop more customer demand-oriented products and solutions.

2. Deepen its understanding of customer business, focus on the management of strategic opportunities, and enhance systematic marketing capabilities

The Company enhanced its penetration into industry segmentation and customers' businesses, and improved its ability to incubate and implement businesses from market insights. The Company constantly advanced the management of strategic opportunities, rapidly researched and delivered targeted products and solutions, realized business value for customers, and contributed to the success of customers. As to the applications in cross-industry scenarios, the Company provided comprehensive solutions through ecological cooperation.

3. Promote the construction of a global marketing system and strengthen global delivery and service capabilities

In the domestic market, the Company continued to promote the construction of marketing channel systems, refine operating channels, and improve project operation capabilities; in overseas markets, the Company overcame adverse effects of the pandemic and adopted various methods, such as online and localized marketing, to advance channel expansion and sinking and improve overseas market coverage and brand awareness. The Company continuously strengthened its end-to-end supply chain forecasting ability and inventory management capability, improved cost-effective supply capabilities in global markets, and enhanced its compliance operating system, in order to support the steady business development.

4. Continue to promote systematic management changes and improve organizational capabilities and operational efficiency

The Company continued to promote refined management, insist on the development path with high quality and stable

growth, deepen business transformation and management optimization aimed at creating value for customers, and smooth the LTC, IPD, ITR, ISC, ISD processes, to realize the efficient operation of the end-to-end process system.

II. Main Business Analysis

Overview

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

Year-on-year changes in major financial data

Unit: RMB

	The Current Reporting Period	The Same Period of Last Year	Year-on-year Increase or Decrease	Reasons for Changes
Operating Income	9,838,328,853.62	10,806,566,370.89	-8.96%	No Significant Change
Operating Cost	5,099,250,150.57	6,443,429,151.03	-20.86%	No Significant Change
Sales Expenses	1,805,227,134.27	1,539,714,255.33	17.24%	No Significant Change
Administration Expenses	355,781,491.22	346,919,167.36	2.55%	No Significant Change
Financial Expenses	-24,567,529.26	11,045,548.40	-322.42%	Mainly due to the decrease in interest expenses in the current period
Income Tax Expense	169,559,416.73	163,173,365.97	3.91%	No Significant Change
R&D Investment	1,314,612,940.95	1,245,261,201.77	5.57%	No Significant Change
Net Cash Flow Generated by Operating Activities	-106,927,963.95	-870,467,092.88	87.72%	Mainly due to the increase in sales payment collection in the current period
Net Cash Flow Generated by Investment Activities	-1,247,540,391.99	-282,555,064.78	-341.52%	Mainly due to the purchase of structured deposits in the current period
Net Cash Flow Generated by Financing Activities	1,401,333,857.62	988,389,356.92	41.78%	Mainly due to the decrease in debt repayment in the current period
Net Additions to Balance of Equivalents	46,435,465.25	-157,333,633.07	129.51%	Mainly due to the increase in sales payment collection and the decrease in debt repayment in the current period

The Company's profit composition or source has changed significantly during the reporting period

Applicable Not applicable

There was no major change in the Company's profit composition or source during the reporting period.

Operating income composition

Unit: RMB

	The Current Reporting Period		The Same Period of Last Year		Year-on-year Increase or Decrease
	Amount	Proportion in Operating Revenue	Amount	Proportion in Operating Revenue	
Total Revenue	9,838,328,853.62	100%	10,806,566,370.89	100%	-8.96%
By Industry					
Security industry	9,838,328,853.62	100.00%	10,806,566,370.89	100.00%	-8.96%
By Product					
Solutions	5,200,876,438.66	52.86%	5,626,141,239.99	52.06%	-7.56%
Product	4,069,496,985.96	41.37%	4,537,889,480.14	41.99%	-10.32%
Others	567,955,429.00	5.77%	642,535,650.76	5.95%	-11.61%
By Region					
Domestic	5,789,716,423.38	58.85%	7,087,773,045.42	65.59%	-18.31%
Overseas	4,048,612,430.24	41.15%	3,718,793,325.47	34.41%	8.87%

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 or Decrease of Operating Cost over the Same Period of Last year	Increase or Decrease of Gross Profit Compared with the Same Period of Last year
By Industry						
Security Industry	9,838,328,853.62	5,099,250,150.57	48.17%	-8.96%	-20.86%	7.80%
By Product						
Solutions	5,200,876,438.66	2,706,121,225.19	47.97%	-7.56%	-13.94%	3.86%
Product	4,069,496,985.96	1,874,094,337.42	53.95%	-10.32%	-30.94%	13.75%
By Region						
Domestic	5,789,716,423.38	3,354,083,609.38	42.07%	-18.31%	-24.32%	4.60%
Overseas	4,048,612,430.24	1,745,166,541.19	56.89%	8.87%	-13.23%	10.97%

Where the statistical caliber of main business data was adjusted in the reporting period, the main business data of latest period were adjusted according to the period-end caliber

Applicable Not applicable

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

Applicable Not applicable

	Increase or Decrease of Operating Income Compared with the Same Period of Last Year	Increase or Decrease of Operating Cost over the Same Period of Last year	Reasons for Changes
Product	-10.32%	-30.94%	Mainly due to the decrease in operating income compared with the same period last year, and the increase in the proportion of high-margin products compared with the same period last year

III. Non-main Business Analysis

Applicable Not applicable

IV. Analysis of Assets and Liabilities

1. Significant changes in assets composition

Unit: RMB

	At the End of the Current Reporting Period		Balance at the End of the Previous Year		Proportion increase and decrease	Statement on Significant Changes
	Amount	Proportion To Total Assets	Amount	Proportion To Total Assets		
Cash and Bank Balances	3,130,271,241.04	10.59%	3,084,428,970.43	10.43%	0.16%	No Significant Change
Accounts Receivable	11,916,984,059.27	40.33%	13,241,196,380.65	44.79%	-4.46%	Mainly due to the increase in sales payment collection
Inventory	4,491,116,344.16	15.20%	3,839,810,704.33	12.99%	2.21%	Mainly due to the increase of stock
Investment Property	334,097,817.92	1.13%	336,181,589.99	1.14%	-0.01%	No Significant Change
Long-term Equity Investment	499,277,297.72	1.69%	490,731,236.85	1.66%	0.03%	No Significant Change
Fixed Assets	1,510,795,215.4	5.11%	1,522,463,368.8	5.15%	-0.04%	No Significant Change

	7		3			
Projects under Construction	708,252,710.11	2.40%	435,757,406.90	1.47%	0.93%	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	1,540,344,169.29	5.21%	400,323,888.90	1.35%	3.86%	Mainly due to the increase in demand for short-term capital turnover
Long-term Loan	528,500,000.00	1.79%	153,500,000.00	0.52%	1.27%	Mainly due to the increase in bank loans

2. Assets and liabilities measured at fair value

√ Applicable □ Not applicable

Unit: RMB

Item	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								
Derivative Financial Assets		2,431,780.82			1,819,459.92	919,459,912.88		902,431,780.82
Financial Assets Subtotal		2,431,780.82			1,819,459.92	919,459,912.88		902,431,780.82
Other Non-current Financial Assets	67,213,489.43	14,577,362.35			108,147,000.00			189,937,851.78
Receivables Financing	1,086,017,357.90						-415,349,993.99	670,667,363.91
Total	1,153,230,847.33	17,009,143.17			1,927,606,912.88	919,459,912.88	-415,349,993.99	1,763,036,996.51
Financial liabilities								

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 June 30, 2020, restricted assets are as follows:

Item	End Balance (RMB)	Cause of Restrictions
Cash and Bank Balances	345,896,141.39	Deposit for Documentary Loan, Guarantee Deposit
Receivables Financing	608,093,569.33	Pledges used to issue bank acceptance bills
Long-term Receivables	216,551,165.91	Pledges used for bank loans
Non-current Assets Due within 1 Year	29,381,785.35	Pledges used for bank loans
Trading Financial Assets	100,000,000.00	Pledges used to issue domestic LoCs
Total	1,299,922,661.98	

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
447,786,608.55	168,115,641.06	166.36%

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	Capital Source	Progress of Project	Anticipated Income	Cumulative Income As Of The End Of The Reporting	Reasons For Unreached Planned Progress And Anticipated	Disclosing Date (If Any)	Disclosing Index (If Any)
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					Period				Period	Revenue		
Phase I Technical Transformation and Phase II Construction Project of Hangzhou Smart Manufacturing Base	Self-construction	Yes	Video surveillance industry	126,452,692.93	383,636,322.40	Self-raised funds	22.72%			N/A	August 17, 2019	Juchao Information Website http://cninfo.com.cn/
Construction Project of Xi'an R & D Center	Self-construction	Yes	Video surveillance industry	28,318,944.40	118,137,498.43	Self-raised funds	10.10%			N/A	August 17, 2019	Juchao Information Website http://cninfo.com.cn/
Project of Smart IoT Solution R & D and Industrialization	Self-construction	Yes	Video surveillance industry	240,229,439.69	435,248,614.70	Self-raised funds	26.80%			N/A	August 17, 2019	Juchao Information Website http://cninfo.com.cn/
Total	--	--	--	395,001,077.02	937,022,435.53	--	--			--	--	--

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	Cumulative fair value changes in equity	Amount purchased during the reporting	Amount sold during the reporting	Cumulative investment	Amount at the end of the period	Capital Source

		current period		period	period	nt income		
Financial Derivatives	900,000,000.00	2,431,780.82		1,819,459,912.88	919,459,912.88	-1,616,153.94	902,431,780.82	Equity Fund
Other Non-current Financial Assets	67,213,489.43	14,577,362.35		108,147,000.00			189,937,851.78	Equity Fund
Receivables Financing	1,086,017,357.90						670,667,363.91	Equity Fund
Total	2,053,230,847.33	17,009,143.17		1,927,606,912.88	919,459,912.88	-1,616,153.94	1,763,036,996.51	--

5. Financial Asset Investment

(1) Securities investment

Applicable Not applicable

No securities investment during the reporting period.

(2) Derivatives investment

Applicable Not applicable

Unit: ten thousand RMB

Name of derivatives investment operator	Relation with related party	Related-party transaction or not	Types of derivatives investment	Initial amount of derivatives investment	Starting date	Termination date	Investment amount at the beginning of the period	Amount purchased during the reporting period	Amount sold during the reporting period	Provision for impairment accrued (if any)	Investment amount at the end of the period	Proportion of the period-end investment amount to the company's net assets at the end of the reporting period	Actual profit and loss amount during the reporting period
Agricult	Not	No	Structur	10,000.	May	Decem		10,000.			10,000.	0.59%	

ural Bank of China	related		ed deposits	00	20, 2020	ber 29, 2020		00			00		
China Constr uction Bank	Not related	No	Structur ed deposits	80,000. 00	June 5, 2020	Septem ber 3, 2020		80,000. 00			80,000. 00	4.71%	
Bank	Not related	No	Foreign exchan ge contract		Februa ry 28, 2020	June 30, 2020		91,945. 99	91,945. 99				-161.6 2
Total				90,000. 00	--	--		181,94 5.99	91,945. 99		90,000. 00	5.30%	-161.6 2
Sources of funds for derivatives investment				Equity Fund									
Litigation involved (if applicable)				N/A									
Disclosure date of the announcement of the board of directors for the approval of derivatives investment (if any)				April 3, 2020									
Disclosure date of the announcement of the general meeting of shareholders for the approval of derivatives investment (if any)				May 13, 2020									
Risk analysis and control measures for derivatives positions during the reporting period (including but not limited to the market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)				For detailed information on structured deposits risk analysis and control measures, please refer to the "Announcement on the Use of Self-owned Funds to Purchase Bank Wealth Management Products" (Announcement No. 2020-025) disclosed on April 3, 2020 by the Company, and the "Announcement on Carrying out Foreign Exchange Hedging Transactions" (Announcement No. 2020-022) disclosed on April 3, 2020.									
Changes in market prices or product fair value of invested derivatives during the reporting period, the analysis of the fair value of derivatives should disclose the specific methods used and related assumptions and parameters				Undue structured deposits signed by the Company and banks during the reporting period, the gains and losses from changes in fair value shall be determined by linking the interest rate with foreign exchange options; the trading financial assets or liabilities shall be determined according to the differences between the quotation of forward foreign exchange settlement & sales contract and the forward foreign exchange price.									
Explanation for significant				N/A									

changes in the company's derivatives accounting policies and specific accounting principles during the reporting period compared with the previous reporting period	
Special opinions from independent directors about the Company's derivatives investment and risk control	N/A

6. Use of raised funds

Applicable Not applicable

No use of funds in the reporting period of the Company

7. Major projects invested with non-raised funds

Applicable Not applicable

During the reporting period, the company had no major projects invested with non-raised funds.

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 businesses	Registered Capital	Total Assets	Net Assets	Operating income	Operating Profit	Net Profit
Zhejiang Dahua System	Subsidiary Company	The development, production, installation and	500,000,000.00	4,515,270,687.50	1,272,570,053.77	544,876,923.38	-29,229,774.81	-16,970,904.88

Engineering Co., Ltd.	ny	sales of electronic and communication products; the design, construction and installation of computer system integration and automated control engineering						
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	17,804,434,277.55	1,546,139,662.47	8,190,745,327.33	314,570,695.88	236,045,368.81
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	1,110,000,000.00	4,370,702,038.44	947,262,905.41	1,855,734,942.27	-26,503,796.27	-19,889,347.58

		products; self-owned house lease; catering service; import and export of goods.						
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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
Guizhou Dahua Intelligence Technology Co., Ltd.	Cancellation	No significant impact on overall production, operation and performance
Zhejiang Dahua Storage Technology Co., Ltd.	Established with investment	No significant impact on overall production, operation and performance
Zhejiang Dahua Automobile Technology Co., Ltd.	Established with investment	No significant impact on overall production, operation and performance
Chengdu Dahua Zhilian Information Technology Co., Ltd.	Established with investment	No significant impact on overall production, operation and performance
Chengdu Dahua Zhian Information Technology Service Co., Ltd.	Established with investment	No significant impact on overall production, operation and performance
Chengdu Dahua Zhishu Information Technology Service Co., Ltd.	Established with investment	No significant impact on overall production, operation and performance
Chengdu Zhichuang Yunshu Technology Co., Ltd.	Established with investment	No significant impact on overall production, operation and performance
Chengdu Huishan Smart Network Technology Co., Ltd.	Established with investment	No significant impact on overall production, operation and performance
Zhejiang Huakong Software Co., Ltd.	Established with investment	No significant impact on overall production, operation and performance
Zhejiang Xinsheng Electronic Technology Co., Ltd.	Established with investment	No significant impact on overall production, operation and performance
Hangzhou Huacheng Software Technology Co., Ltd.	Established with investment	No significant impact on overall production, operation and performance
Guizhou Dahua Information Technology Co., Ltd.	Established with investment	No significant impact on overall production, operation and performance
Dahua Technology Nigeria Representative Ltd	Established with investment	No significant impact on overall production, operation and performance
Dahua Technology Israel Ltd.	Established with investment	No significant impact on overall production, operation and performance
South-North United Information Technology	Equity transfer	No significant impact on overall

Co., Ltd.		production, operation and performance
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VIII. The structured entity controlled by the Company

Applicable Not applicable

IX. Estimation of Business Performance from January to September 2020

Warning and explanation of the forecast that the cumulative net profit from the beginning of the year to the end of the next reporting period may be negative or a significant change compared with the same period of the previous year

Applicable Not applicable

X. Risks Faced by the Company 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 surveillance 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 continued to strengthen research on core technologies, such as AI, video cloud, computer vision, and reserved products, 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, big data, AI and other technologies, and the upgrade of the application of smart phones, the business model in the IoT era may have an impact on the development of traditional industry. If an enterprise fails to timely grasp opportunities brought about by business model transformation, it will be exposed to the risk of losing its market share. 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 carries 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. Risk of Intellectual property: 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 foreign exchange: the Company's export sales are mainly settled in United States Dollars ("USD"), and overseas transactions are still increasing. Therefore, fluctuations in the foreign exchange rate may affect the profitability 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 decrease of local fiscal paying capacity: At present, some local fiscal debts are relatively high. If local paying capacity is reduced, a series of risks may occur: industry demand growth may slow down, project duration may be extended, companies may need longer time to withdraw its capital, and customers may delay their payment. The Company continued to improve the internal control system and optimize project review methods, select local projects carefully and assess project risks systematically, prudently assess the market logic and cash flow balance logic, control 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 internationalized operation: the Company's products and solutions are provided to over 100 overseas countries and regions. The operation of international business may be subject to national or regional trade protection. What's more, the global spread of COVID-19 has produced uncertainties in overseas economic environment, which may bring negative impacts on the Company's local business development. The Company proactively prepared for and responded to international business risks, established an overseas compliance and risk control system, continuously strengthened its understanding of and adaptability to the laws and regulations as well as the political and economic environment of the regions of business operation, and formulated differentiated business strategies based on "one country, one policy" in accordance with the changes in politics and economy of different regions, in order to reduce operational risks.

8. Risk of supply chain security: In terms of supply security, the Company has comprehensively reviewed various potential supply risks through dedicated projects, and strengthened its capacity for continuous and safe supply of key materials by researching and developing backup plans and diversifying supply sources, in order to ensure the security of the supply chain.

Section V Significant Events

I. Annual General Meeting and the Extraordinary General Meeting of Shareholders 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
First Extraordinary General Meeting of Shareholders in 2020	Extraordinary General Meeting of Shareholders	41.69%	January 16, 2020	January 17, 2020	Juchao Information Website http://www.cninfo.com.cn /
2019 Annual General Meeting of Shareholders	Annual General Meeting	51.25%	May 12, 2020	May 13, 2020	Juchao Information Website http://www.cninfo.com.cn /
2nd Extraordinary General Meeting of Shareholders in 2020	Extraordinary General Meeting of Shareholders	54.39%	July 24, 2020	July 25, 2020	Juchao Information Website http://www.cninfo.com.cn /

2. Convening of the Extraordinary General Meeting of Shareholders upon request of the preferred stockholders whose voting rights are restored

Applicable Not applicable

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

Applicable Not applicable

The Company proposed not to distribute cash dividends, not send bonus shares, and not convert the capital reserve into share capital in the first half of the year.

III. Commitments Made by the Company's Actual Controller, Shareholders, Related Parties, Purchasers and the Company that Have Been Fulfilled during the Reporting Period and Those Have Not 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.	July 15, 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 Liquan, 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.	June 30, 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					

IV. Appointment and Dismissal of Accounting Firms

Whether the semi-annual financial report has been audited

Yes No

The semi-annual report of the Company has not been audited yet.

V. Explanations of the Board of Directors and the Board of Supervisors for the "Non-standard Audit Report" of this Reporting Period made by the Accounting Firm

Applicable Not applicable

VI. Explanations of the Board of Directors for the "Non-Standard Audit Report" of the Previous Year

Applicable Not applicable

VII. Bankruptcy and Restructuring

Applicable Not applicable

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

VIII. Litigation Matters

Major lawsuits and arbitrations

Applicable Not applicable

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

Other litigation matters

Applicable Not applicable

IX. Questions from Media

Applicable Not applicable

During the reporting period, the company had no questions raised by the general media.

X. Penalties and Rectification

Applicable Not applicable

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

XI. Integrity of the Company, its Controlling Shareholder and Actual Controller

Applicable Not applicable

XII. 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 "DAHUA No. 3 Directional Asset Management Plan of Caitong Securities Asset Management", with an average purchase price of 16.83 yuan 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 January 16, 2020, the 1st Extraordinary General Meeting of Shareholders in 2020 deliberated and approved the "Proposal on Buy-back and Cancellation of Some Granted but Not Unlocked Restricted Stocks" and agreed to buy back and cancel 437,100 granted but not unlocked restricted shares 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 with a repurchase price of RMB 8.75 per share), and reduce the registered capital accordingly. The above buy-back and cancellation procedures were completed on April 27, 2020.

3. On April 2, 2020, the company's 33rd meeting of the 6th Board of Directors and the 19th meeting of the 6th board of supervisors reviewed and approved the "Proposal on the First Grant of Satisfying Unlocking Conditions for the First Unlocking Period of 2018 Restricted Stock Incentive Plan". The board of directors agreed to unlock 36,931,560 restricted shares held by 2901 incentive targets that meet the unlocking conditions. The matter was completed on April 16, 2020.

4. On May 12, 2020, the Company's 2019 annual general meeting of shareholders deliberated and approved the "Proposal on Buy-back and Cancellation of Some Granted but not Unlocked Restricted Stocks" and agreed to buy back and cancel 1,810,600 authorized but not unlocked restricted shares held by 36 incentive targets who have left the Company (of which, 1,787,600 shares were first granted, with the repurchase price of RMB 8.17 per share; reserved grant of 23,000 shares at a repurchase price of RMB 8.75 per share). The repurchase is still in process.

5. On May 12, 2020, the Company's 2019 annual general meeting of shareholders reviewed and approved "2020 Restricted Stocks Incentive Plan of Zhejiang Dahua Technology Co., Ltd (Draft)" and its summary, and authorized the Board of Directors to handle relevant matters.

6. On June 4, 2020, the 35th meeting of the 6th board of directors reviewed and approved the "Proposal on Granting Restricted Stocks to Incentive Targets" and "Proposal on Adjusting the Grant Price of 2020 Restricted Stocks Incentive Plans". As during the period from the announcement date of the "2020 Restricted Stocks Incentive Plan of Zhejiang Dahua Technology Co., Ltd (Draft)" to when the incentive targets complete the registration of restricted shares, the Company has implemented the 2019 equity distribution, the grant price of restricted shares was adjusted from RMB 7.60 per share to RMB 7.467. Meanwhile, the Board of Directors confirmed the granting conditions and concluded that the conditions had been satisfied and decided to grant restricted shares to the incentive targets. The granting date was June 4, 2020.

7. On June 29, 2020, the Company disclosed the "Announcement on Completion of Registration of 2020 Restricted Share Incentive Plan". The plan granted 13,391,480 shares to 10 incentive targets, which were listed on the Shenzhen Stock Exchange on June 24, 2020.

8. On August 12, 2020, the Company's 3rd Extraordinary General Meeting of Shareholders in 2020 reviewed and approved the "Proposal on Buy-back and Cancellation of Some Granted but not Unlocked Restricted Stocks". The meeting agreed to buy back and cancel 4,822,680 restricted shares that have been granted but not unlocked held by 183 incentive targets who are no longer eligible (of which, 4,337,880 shares are first granted with a repurchase price of RMB

8.17 per share; reserved grant of 484,800 shares with a repurchase price of RMB 8.75 per share). The repurchase is still in process.

XIII. 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 major 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 Credit and Debt

Applicable Not applicable

Whether there are non-operating credit and debt with related parties

Yes No

Debts payable to related parties:

Related parties	Relation with related party	Causes	Open Balance (RMB 10,000)	New amount in the current period (RMB 10,000)	Amount returned in this period (RMB 10,000)	Interest rate	Current interest (RMB 10,000)	End Balance (RMB 10,000)
Zhoushan Weixin Equity Investment Partnership (Limited Partnership)	Enterprise over which the actual controller has significant influence	Equity transfer intention payment		640.00				640.00
Zhoushan Zhixin Equity Investment Partnership (Limited Partnership)	Enterprise controlled by the senior manager of the	Equity transfer intention payment		660.00				660.00

Partnership)	Company							
Ningbo Hualing Investment Management Partnership (Limited Partnership)	Enterprise controlled by the actual controller	Equity transfer intention payment		1,100.00				1,100.00
Influence of related-party debts on the Company's operating results and financial position		No significant influence						

5. Other major related transactions

√ Applicable □ Not applicable

1. On February 3, 2020, the 30th session of the 6th Board of Directors' meeting reviewed and approved the "Proposal on Joint Investment with Related Party i.e. Related-party Transactions". The meeting agreed that the Company and its related parties, 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. In February 2020, the company was established.

2. On February 24, 2020, the 31st session of the 6th Board of Directors' meeting reviewed and approved the "Proposal on Joint Investment with Related Parties to Establish a Holding Subsidiary i.e. Related-party Transactions". The meeting agreed that the Company and its related parties, 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. In March 2020, the company was established.

3. On July 8, 2020, the 36th meeting of the 6th Board of Directors deliberated and approved the "Proposal on Accepting Subsidiary's Equity i.e. Related-party Transactions" according to which the Company accepted 49% of the equity of Zhejiang Dahua Robot Technology Co., Ltd. held by the related party Zhejiang Huashi Investment Management Co., Ltd. The amount involved in this related-party transaction was RMB 7,004,918. The changes of industrial and commercial registrations for the above matter were completed in August 2020.

4. On July 24, 2020, the Company's 2nd Extraordinary General Meeting of Shareholders of 2020 considered and passed the "Proposal on Entering into Wholly-owned Subsidiary Equity Transfer Agreement, i.e. Related-party Transactions", and agreed that the Company would transfer 100% equity of its subsidiary Zhejiang Huatu Microchip Technology Co., Ltd. to Hangzhou Gancheng Equity Investment Partnership (Limited Partnership), Shaoxing Gansheng Equity Investment Partnership (Limited Partnership), Zhejiang Free Trade Zone Fenghang Investment Partnership (Limited Partnership), Yuyao Yangming Zhixing Investment Center (Limited Partnership), Ganzhou Daewoo Capital Management Partnership (Limited Partnership), Chen Heyu, Ningbo Hualing Investment Management Partnership (Limited Partnership), Zhoushan Zhixin Equity Investment Partnership (Limited Partnership), and Zhoushan Weixin Equity Investment Partnership (Limited Partnership). The transfer price is RMB 1,200 million. The changes of industrial and commercial registrations for the above matter were completed in August 2020.

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

Announcement name	Disclosure date	Website for the disclosure
Announcement on Joint Investment with Related Party i.e. Related-party Transactions	February 4, 2020	http://www.cninfo.com.cn
Announcement on Joint Investment with Related Parties to Establish a Holding Subsidiary i.e. Related-party Transactions	February 25, 2020	http://www.cninfo.com.cn
Announcement on Entering into Wholly-owned Subsidiary Equity Transfer Framework Agreement, i.e. Related-party Transactions", Announcement on Accepting Subsidiary's Equity i.e. Related-party Transactions	July 9, 2020	http://www.cninfo.com.cn
Announcement of Resolutions at the 2nd Extraordinary General Meeting of Shareholders in 2020	July 25, 2020	http://www.cninfo.com.cn

XIV. 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.

XV. 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	Guarantee 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	Guarantee for related parties or not
Zhejiang Dahua Vision Technology Co., Ltd.	November 05, 2019	900,000.00	June 6, 2016	29,000.00	Joint liability guarantee	June 6, 2016 -January 15, 2020	Yes	Yes
			April 13, 2018	24,000.00	Joint liability guarantee	April 13, 2018 -April 12, 2020	Yes	Yes
			January 3, 2019	20,000.00	Joint	Three years	Yes	Yes

		liability guarantee	after the maturity of the debts in the master contract		
January 17, 2019	30,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	Yes	Yes
March 21, 2019	20,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	Yes	Yes
April 18, 2019	20,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	Yes	Yes
May 13, 2019	23,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	Yes	Yes
September 26, 2019	14,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	Yes	Yes
August 30, 2019	38,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	Yes	Yes
August 10, 2017	60,000.00	Joint	Two years	No	Yes

		liability guarantee	after the maturity of the debts in the master contract		
October 13, 2017	22,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
March 27, 2018	50,000.00	Joint liability guarantee	March 20, 2018 -March 19, 2021	No	Yes
September 21, 2018	28,318.00 (40 million USD)	Joint liability guarantee	Two 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
June 26, 2019	18,000.00	Joint liability guarantee	June 26, 2019 -June 26, 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
September 20, 2019	5,000.00	Joint liability guarantee	Three years since the date on which the debt period of master contract	No	Yes

			expires or the date on which the secured claim is determined, whichever is later		
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
January 15, 2020	30,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
February 17, 2020	25,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
February 25, 2020	30,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master	No	Yes

						contract		
			April 7, 2020	53,000.00	Joint liability guarantee	April 7, 2020 -March 31, 2024	No	Yes
			April 13, 2020	24,000.00	Joint liability guarantee	Two 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 9, 2019	10,000.00	Joint liability guarantee	One years upon expiration of debt period of master contract	Yes	Yes
			May 13, 2019	6,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	Yes	Yes
			December 12, 2019	20,000.00	Joint liability guarantee	One years upon expiration of debt period of master contract	Yes	Yes
			June 6, 2016	20,000.00	Joint liability guarantee	June 6, 2016 -June 30, 2020	Yes	Yes
			September 1, 2018	50,000.00	Joint liability guarantee	September 1, 2018 -September 1, 2020	No	Yes
			October 12, 2018	30,000.00	Joint liability guarantee	October 12, 2018 -October 12, 2021	No	Yes
			August 30, 2019	10,000.00	Joint liability	Two years after the	No	Yes

					guarantee	maturity of the debts in the master contract		
			November 1, 2019	40,000.00	Joint liability guarantee	One years upon expiration of debt period of master contract	No	Yes
			February 25, 2020	6,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
			April 9, 2020	10,000.00	Joint liability guarantee	One years upon expiration of debt period of master contract	No	Yes
			May 1, 2020	42,477.00 (60 million USD)	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	June 6, 2016	10,000.00	Joint liability guarantee	June 6, 2016 -March 30, 2020	Yes	Yes
			May 13, 2019	4,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	Yes	Yes
			May 10, 2019	10,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master	No	Yes

						contract		
			August 30, 2019	1,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
			November 7, 2019	6,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
			February 25, 2020	4,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
Dahua Technology (HK) Limited	November 05, 2019	205,000.00	December 15, 2017	35,397.50 (50 million US dollars)	Joint liability guarantee	December 15, 2017-December 15, 2020	No	Yes
			December 25, 2019	4,955.65 (7 million USD)	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
DAHUA TECHNOLOGY MEXICO S.A. DE C.V	November 05, 2019	20,000.00	March 26, 2019	1,841.48 (59,973,100 MXN)	Joint liability guarantee	March 26, 2019-March 26, 2020	Yes	Yes
			April 9, 2019	5,524.43 (179,919,400 MXN)	Joint liability guarantee	April 9, 2019-April 9, 2020	Yes	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.,	November 05, 2019	5,000.00	No such case during the reporting period

Ltd.			
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 USA Inc.	November 05, 2019	3,500.00	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 ELETRONICA LTDA	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 AUSTRALIA PTY 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	November	1,100.00	No such case during the reporting period

GUVENLIK TEKNOLOJI LERI SANAYI VE TICARET ANONIM SIRKETI	05, 2019		
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 TEKNOLO GY 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	November	200.00	No such case during the reporting period

LLc	05, 2019		
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 PANAMA S.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 KENYA LIMITED	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	November	100.00	No such case during the reporting period

TECHNOLOGY MOROCCO SARL	05, 2019		
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)			Total amount of guarantees to subsidiaries actually occurred during the reporting period (B2) 224,477.00
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) 789,148.15

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)				Total amount of guarantees actually occurred during the reporting period (A2+B2+C2)		224,477.00		
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)		789,148.15		
Total amount of actual guarantees (A4+B4+C4) as a percentage of the Company's net assets				46.44%				
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)				789,148.15				
Amount of the guarantees with the total volume exceeding 50% of the net assets (F)								
Total amount of the above three guarantees (D+E+F)				789,148.15				
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)	
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(2) Illegal external guarantees

Applicable Not applicable

No illegal external guarantees during the reporting period.

3. Entrusted Financing

Applicable Not applicable

Unit: ten thousand RMB

Specific type	Funding source	Entrusted amount	Unexpired balance	Overdue outstanding amount
Structured deposits	Equity Fund	90,000.00	90,000.00	
Total		90,000.00	90,000.00	

Note: 1. Undue balance refers to the total undue balance of this type of entrusted financing at the end of the reporting period.

Details of entrusted financing with significant single amount

Applicable Not applicable

Unit: ten thousand RMB

Name of trustee institution (or trustee)	Type of trustee institution (or trustee)	Product type	Amount	Capital Source	Starting date	Termination date	Investment direction	Remuneration determination method	Reference annualized rate of return	Expected benefits (if any)	Actual profit and loss during the reporting period	Actual recovery of profits and losses during the reporting period	Provision for impairment accrued (if any)	Whether it has undergone legal procedures	Whether there will be entrusted financing plan	Summary of matters and related query index (if any)
Agricultural Bank of China	Bank	Structured deposits	10,000.00	Equity Fund	May 20, 2020	December 29, 2020	-	As agreed by the	3.60%		Undue			Yes	Yes	The "Announcement on the Use of Self-owned

China							contra								Funds to Purchase Bank Wealth Management Products" (Announcement No.: 2020-025) published on www.cninfo.com.cn on April 3, 2020
China Construction Bank	Bank	Structured deposits	80,000.00	Equity Fund	June 5, 2020	September 3, 2020	-	As agreed by the contract	3.70%		Undue		Yes	Yes	
Total			90,000.00	--		--	--	--	-	-	--		--	--	--

Cases of entrusted financing expected to be unable to recover the principal or cases that may result in impairment

Applicable Not applicable

4. Other Significant Contracts

Applicable Not applicable

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

XVI. Social Responsibilities

1. Major environmental issues

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

No

2. Social responsibility fulfillment regarding targeted poverty alleviation

During the first half of the year, there was no targeted poverty alleviation activity or follow-up targeted poverty alleviation plan in the Company.

XVII. Explanations for 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 200 million yuan (inclusive) and higher than 400 million yuan (inclusive). The price of the repurchase shall not exceed 25.37 yuan 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 April 24, 2020, the Company bought back 13,391,480 shares with its share repurchases special securities account through centralized competitive bidding, accounting for 0.45% of the Company's current total share capital. The highest transaction price was RMB 17.88 per share and the lowest was RMB 12.90 per share. The total amount of transactions was RMB 203,499,400.44 (excluding transaction fees). This share repurchase plan has been completed.

2. On February 24, 2020, the 31st session of the 6th Board of Directors' meeting reviewed and approved the "Proposal on Investment in Establishing a Joint Venture Company", and agreed that 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) enter into a "Joint Venture Agreement" to jointly invest in the establishment of Zhongruixin Digital Technology Co., Ltd.. with a registered capital of RMB 800 million, and the Company's shareholding accounted for 20%. In March 2020, this new company was established and the name approved by the Bureau of Industry and Commerce was 中睿信数字技术有限公司 (Zhongruixin Digital Technology Co., Ltd).

3. On June 5, 2019, the Company's 1st Extraordinary General Meeting of Shareholders in 2019 reviewed and approved the "Proposal on the Public Offering of Convertible Corporate Bonds" and other relevant matters.

On June 4, 2020, the 35th meeting of the 6th Board of Directors and the 21st meeting of the 6th Board of Supervisors reviewed and approved the "Proposal on Terminating the Public Offering of Convertible Corporate Bonds" and agreed the Company to terminate the public offering of convertible corporate bonds.

For details of other major matters of the Company during the above reporting period, please refer to relevant announcements disclosed by the Company on the "Securities Times" and www.cninfo.com.cn:

Announcement No.	Announcement Title	Date of Disclosure
2019-025	Announcement on the Scheme for the Repurchase of Shares	April 26, 2019
2020-036	Announcement on the Implementation Results of Share Repurchase i.e. Share Changes	April 25, 2020
2020-011	Announcement on Investment in Establishing a Joint Venture Company	February 25, 2020
2019-030	Proposal on the Public Offering of Convertible Corporate Bonds	May 18, 2019
2020-057	Announcement on Terminating the Public Offering of Convertible Corporate Bonds	June 5, 2020

XVIII. Significant Matters 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	Percent age	Share s newly issued	Bon us sha res	Shares convert ed from capital reserve s	Others	Subtotal	Number	Percent age
I. Shares with limited sales condition	1,194,350,711	39.71%				-48,011,643	-48,011,643	1,146,339,068	38.17%
3. Other domestic shares	1,194,295,711	39.71%				-47,981,843	-47,981,843	1,146,313,868	38.17%
Shares held by domestic natural persons	1,194,295,711	39.71%				-47,981,843	-47,981,843	1,146,313,868	38.17%
4. Foreign shares	55,000	0.00%				-29,800	-29,800	25,200	0.00%
Shares held by foreign natural persons	55,000	0.00%				-29,800	-29,800	25,200	0.00%
II. Shares without restrictions	1,813,640,519	60.29%				43,296,543	43,296,543	1,856,937,062	61.83%
1. RMB ordinary shares	1,813,640,519	60.29%				43,296,543	43,296,543	1,856,937,062	61.83%
III. Total	3,007,991,230	100.00%				-4,715,100	-4,715,100	3,003,276,130	100.00%

Reasons for changes in shares

√ Applicable □ Not applicable

1. In 2020, the Company bought back and canceled the granted but not unlocked restricted shares held by the incentive targets who have left the Company.

2. In April 2020, the Company granted the first satisfaction of unlocking conditions for the first unlocking period of 2018 restricted share incentive plan.

3. On June 24, 2020, the 13,391,480 restricted shares of 2020 granted by the company to 10 incentive targets were listed on the Shenzhen Stock Exchange. These shares were from the Company's repurchase in secondary markets through centralized bidding transactions.

Approval for changes in shares

Applicable Not applicable

1. On January 16, 2020, the 1st Extraordinary General Meeting of Shareholders in 2020 deliberated and approved the "Proposal on Buy-back and Cancellation of Some Granted but Not Unlocked Restricted Stocks" and agreed to buy back and cancel 437,100 granted but not unlocked restricted shares 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 with a repurchase price of RMB 8.75 per share), and reduce the registered capital accordingly.

2. On April 2, 2020, the 33rd meeting of the 6th board of directors of the Company reviewed and approved the "Proposal on the First Grant of Satisfying Unlocking Conditions for the First Unlocking Period of 2018 Restricted Stock Incentive Plan". The board of directors agreed to unlock 36,931,560 restricted shares held by 2901 incentive targets that meet the unlocking conditions.

3. On May 12, 2020, the Company's 2019 annual general meeting of shareholders reviewed and approved "2020 Restricted Stocks Incentive Plan of Zhejiang Dahua Technology Co., Ltd (Draft)" and its summary, and authorized the Board of Directors to handle relevant matters.

4. On June 4, 2020, the 35th meeting of the 6th Board of Directors of the Company reviewed and approved the "Proposal on Granting Restricted Stocks to Incentive Targets" and "Proposal on Adjusting the Grant Price of 2020 Restricted Stock Incentive Plans". As during the period from the announcement date of the "2020 Restricted Stock Incentive Plan of Zhejiang Dahua Technology Co., Ltd (Draft)" to when the incentive targets complete the registration of restricted shares, the Company has implemented the 2019 equity distribution, the grant price of restricted shares was adjusted from RMB 7.60 per share to RMB 7.467. Meanwhile, the Board of Directors confirmed the granting conditions and concluded that the conditions had been satisfied and decided to grant restricted shares to the incentive targets. The granting date was June 4, 2020.

5. On June 29, 2020, the Company disclosed the "Announcement on Completion of Registration of 2020 Restricted Stock Incentive Plan". The plan granted 10 incentive targets 13,391,480 shares, which were listed on the Shenzhen Stock Exchange on June 24, 2020.

Transfer for changes in shares

Applicable Not applicable

1. According to the 33rd meeting of the 6th Board of Directors of the Company, the Company completed the first grant of first phase unlocking of 2018 restricted stocks. The unlocking date is April 16, 2020, i.e. the listing day.

2. According to the resolution of the 1st Extraordinary General Meeting of Shareholders in 2020, the Company bought back and canceled 437,100 restricted shares which were granted to 16 incentive targets who have left the Company but not unlocked, and the procedure was completed on April 27, 2020.

3. On June 24, 2020, the shares granted under 2020 restricted stocks incentive plan were listed on Shenzhen Stock Exchange.

The progress on share repurchase

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 self-raised funds through centralized competitive bidding. The total funds for the repurchase shall be not lower than RMB 200 million (inclusive) and not higher than RMB 400 million (inclusive). The price of the repurchase shall not exceed 25.37 yuan 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 April 24, 2020, the Company bought back 13,391,480 shares with its share repurchase special securities account through centralized competitive bidding, accounting for 0.45% of the Company's current total share capital. The highest transaction price was RMB 17.88 per share and the lowest was RMB 12.90 per share. The total amount of transactions was RMB 203,499,400.44 (excluding transaction fees). This share repurchase plan has been completed.

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 unlocked shares with limited sales condition in current period	Number of increased 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	834,736,410	23,175,000	0	811,561,410	According to the relevant provisions of executives shares management	According to the relevant provisions of executives shares management
Zhu Jiangming	139,846,117	0	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	51,938,164	0	0	51,938,164	According to the relevant	According to relevant

					provisions of executives shares management	provisions of executives shares management and unlocking of restricted shares
Zhang Xingming	1,261,060	0	2,361,480	3,622,540	Per relevant management regulations of equity incentives and senior managers' shares	According to relevant provisions of equity incentives and executives shares management, and unlocking of restricted shares
Zhao Yuning	740,000	0	1,775,000	2,515,000	Per relevant management regulations of equity incentives and senior managers' shares	According to relevant provisions of equity incentives and executives shares management, and unlocking of restricted shares
Ying Yong	1,251,937	0	1,020,000	2,271,937	Per relevant management regulations of equity incentives and senior managers' shares	According to relevant provisions of equity incentives and executives shares management, and unlocking of restricted shares
Wu Jian	1,147,001	0	1,020,000	2,167,001	Per relevant management regulations of equity incentives and senior managers' shares	According to relevant provisions of equity incentives and executives shares management, and unlocking of restricted shares
Zhu Jiantang	670,000	0	1,267,669	1,937,669	Per relevant management regulations of equity incentives and senior managers' shares	According to relevant provisions of equity incentives and executives shares management, and unlocking of restricted shares
Other senior executives and incentive targets	107,497,912	32,885,792	0	74,612,120	According to relevant provisions of equity incentives and executives shares management, and restricted shares to be bought back and canceled, and unlocking of restricted shares	According to relevant provisions of equity incentives and executives shares management, and restricted shares to be bought back and canceled, and unlocking of restricted shares

Li Ke	1,815,000	0	605,000	2,420,000	According to relevant management regulations of equity incentives and left senior managers' shares	According to relevant provisions of former executives shares management, and restricted shares to be bought back and canceled
Total	1,194,350,711	56,060,792	8,049,149	1,146,339,068	--	--

II. Issuance and listing of securities

Applicable Not applicable

III. Number of Shareholders and Shareholdings

Unit: share

Total Number Of Common Shareholders At The End Of The Reporting Period	142,107				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		
Shareholding of shareholders with more than 5% common shares or top ten common shareholders								
Name of Shareholder	Nature Of Shareholder	Shareholding Percentage	Number of common shares held at the end of the reporting period	Changes in the reporting period	Number of common shares held with limited sales conditions	Number of common shares held without limited sales conditions	Pledges or freezings	
							State Of Shares	Number
Fu Liquan	Domestic Natural Person	34.09%	1,023,868,980	-5821290	811,561,410	212,307,570	Pledge	197,992,000
Zhu Jiangming	Domestic Natural Person	5.35%	160,577,490	-2588400	139,846,117	20,731,373	Pledge	50,754,000
Hong Kong Securities Clearing Co. Ltd.	Overseas Legal Person	5.20%	156,235,924	-1009701	0	156,235,924		
Shanghai Gaoyi Asset Management Partnership (Limited Partnership) - Gaoyi	Others	2.83%	85,000,085	85000085	0	85,000,085		

Linshan No. 1 Yuanwang Fund								
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	2.31%	69,250,886	0	51,938,164	17,312,722		
China Galaxy Securities Co., Ltd.	State-owned Legal Person	2.08%	62,450,100	62445400	0	62,450,100		
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	1.03%	30,811,881	1833495	0	30,811,881		
Description of the association relationship or concerted action of above-mentioned 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.							
Shareholding of top ten common shareholders without limited sales condition								
Name of Shareholder	Number of common shares held without limited sales condition at the end of the reporting period		Type of shares					
			Type of shares	Number				
Fu Liqun	212,307,570		RMB common stock	212,307,570				
Hong Kong Securities Clearing Co. Ltd.	156,235,924		RMB common stock	156,235,924				
Shanghai Gaoyi Asset Management Partnership (Limited Partnership) - Gaoyi Linshan No. 1 Yuanwang Fund	85,000,085		RMB common stock	85,000,085				
China Galaxy Securities Co., Ltd.	62,450,100		RMB common stock	62,450,100				

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	30,811,881	RMB common stock	30,811,881
Zhu Jiangming	20,731,373	RMB common stock	20,731,373
Haitong Securities Co., Ltd.	18,001,334	Domestically listed foreign shares	18,001,334
Chen Ailing	17,815,703	RMB common stock	17,815,703
Explanation for associated relationship or acting in concert among top ten common shareholders without limited sales conditions, and between top ten common shareholders without limited sales conditions and top ten common 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.		

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.

IV. Changes of the Controlling Shareholders or Actual Controller

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

Change of the actual controller in the reporting period

Applicable Not applicable

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

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, and Senior Managers

I. Shareholding Changes of Directors, Supervisors and Senior Management

√ Applicable □ Not applicable

Name	Post	Position status	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)	Number of shares held at the end of the period	Number of restricted shares granted at the beginning of the period (shares)	Number of restricted shares granted during the period (shares)	Number of restricted shares granted at the end of the period (shares)
Fu Liquan	Chairman, President	Incumbent	1,082,081,880	0	58,212,900	1,023,868,980	0	0	0
Wu Jun	Vice Chairman	Incumbent	69,250,886	0	0	69,250,886	260,000	0	156,000
Zhang Xingming	Director, CEO	Incumbent	1,681,413	2,361,480	0	4,042,893	740,000	2,361,480	2,805,480
Zhu Jiangming	Director	Incumbent	186,461,490	0	25,884,000	160,577,490		0	0
Chen Ailing	Director	Incumbent	71,262,813	0	0	71,262,813		0	0
Yang Huayong	Independent Director	Incumbent	0	0	0	0		0	0
Liu Hanlin	Independent Director	Incumbent	0	0	0	0		0	0
Zhang Yuli	Independent Director	Incumbent	0	0	0	0		0	0
Song Maoyuan	Supervisor	Incumbent	0	0	0	0		0	0
Zheng Jieping	Supervisor	Incumbent	124,500	0	8,300	116,200	110,000	0	66,000

Zuo Pengfei	Supervisor	Incumbent	0	0	0	0		0	0
Chen Yuqing	Vice President	Incumbent	1,835,951	0	0	1,835,951	260,000	0	156,000
Jiang Xiaolai	Vice President	Incumbent	530,000	1,560,000	0	2,090,000	530,000	1,560,000	2,004,400
Li Zhijie	Vice President	Incumbent	670,000	1,020,000	0	1,690,000	670,000	1,020,000	1,422,000
Wu Jian	Secretary of the Board, Vice President	Incumbent	1,529,335	1,020,000	0	2,549,335	530,000	1,020,000	1,338,000
Wu Yunlong	Vice President	Incumbent	762,280	0	0	762,280	260,000	0	156,000
Xu Qiaofen	CFO, Vice President	Incumbent	530,000	1,020,000	0	1,550,000	530,000	1,020,000	1,338,000
Xu Zhicheng	Vice President	Incumbent	530,000	1,020,000	0	1,550,000	530,000	1,020,000	1,338,000
Ying Yong	Vice President	Incumbent	1,669,250	1,020,000	0	2,689,250	670,000	1,020,000	1,422,000
Zhu Jiantang	Vice President	Incumbent	730,225	1,390,000	0	2,120,225	670,000	1,390,000	1,792,000
Zhao Yuning	Vice President	Incumbent	740,000	1,960,000	0	2,700,000	740,000	1,960,000	2,404,000
He Chao	Independent Director	Resigned	0	0	0	0	0	0	
Wang Zexia	Independent Director	Resigned	0	0	0	0	0	0	
Huang Siying	Independent Director	Resigned	0	0	0	0	0	0	
Song Ke	Supervisor	Resigned	0	0	0	0	0	0	
Yan Gang	Vice President	Resigned	606,349	0	0	606,349	330,000	0	198,000
Wei Meizhong	CFO, Vice President	Resigned	1,510,000	0	0	1,510,000	260,000	0	156,000
Zhang	Vice President	Resig	927,500	0	0	927,500	740,000	0	483,500

Wei		ned							
Li Ke	Director, President	Resig ned	2,420,000	0	0	2,420,000	800,000	0	800,000
Total	--	--	1,425,853,87 2	12,371,480	84,105,200	1,354,120,15 2	8,630,00 0	12,371,480	18,035,38 0

II. Changes of Directors, Supervisors and Senior Management

√ Applicable □ Not applicable

Name	Title	Type	Date	Causes
Fu Liquan	Chairman, President	Elected	August 12, 2020	the election at expiration of office terms of Board of Directors
Wu Jun	Vice Chairman	Elected	August 12, 2020	the election at expiration of office terms of Board of Directors
Zhang Xingming	Executive President	Appointment and dismissal	February 27, 2020	Appointed as Executive President and Resigned as Vice President
		Appointment	August 12, 2020	Appointed by the 7th Board of Directors
	Director	Elected	August 12, 2020	the election at expiration of office terms of Board of Directors
Zhu Jiangming	Director	Elected	August 12, 2020	the election at expiration of office terms of Board of Directors
Chen Ailing	Director	Elected	August 12, 2020	the election at expiration of office terms of Board of Directors
Yang Huayong	Independent Director	Elected	August 12, 2020	the election at expiration of office terms of Board of Directors
Liu Hanlin	Independent Director	Elected	August 12, 2020	the election at expiration of office terms of Board of Directors
Zhang Yuli	Independent Director	Elected	August 12, 2020	the election at expiration of office terms of Board of Directors
Song Maoyuan	Supervisor	Elected	August 12, 2020	the election at expiration of office terms of Board of Supervisors
Zheng Jieping	Supervisor	Elected	August 12, 2020	the election at expiration of office terms of Board of Supervisors
Zuo Pengfei	Supervisor	Elected	August 12, 2020	the election at expiration of office terms of Board of Supervisors
Chen Yuqing	Vice President	Appointment	August 12, 2020	Appointed by the 7th Board of Directors
Jiang Xiaolai	Vice President	Appointment	August 12, 2020	Appointed by the 7th Board of Directors

Li Zhijie	Vice President	Appointment	August 12, 2020	Appointed by the 7th Board of Directors
Wu Jian	Secretary of the Board, Vice President	Appointment	August 12, 2020	Appointed by the 7th Board of Directors
Wu Yunlong	Vice President	Appointment	August 12, 2020	Appointed by the 7th Board of Directors
Xu Qiaofen	Vice President	Appointment	February 27, 2020	Appointed As Vice President
	CFO	Appointment	April 27, 2020	Appointed as Chief Financial Officer
	CFO, Vice President	Appointment	August 12, 2020	Appointed by the 7th Board of Directors
Xu Zhicheng	Vice President	Appointment	August 12, 2020	Appointed by the 7th Board of Directors
Ying Yong	Vice President	Appointment	August 12, 2020	Appointed by the 7th Board of Directors
Zhu Jiantang	Vice President	Appointment	August 12, 2020	Appointed by the 7th Board of Directors
Zhao Yuning	Vice President	Appointment	August 12, 2020	Appointed by the 7th Board of Directors
Jiang Xiaolai	Vice President	Appointment	February 27, 2020	Appointed As Vice President
	Vice President	Appointment	August 12, 2020	Appointed by the 7th Board of Directors
Li Zhijie	Vice President	Appointment	February 27, 2020	Appointed As Vice President
	Vice President	Appointment	August 12, 2020	Appointed by the 7th Board of Directors
He Chao	Independent Director	Resigned after the expiration of term of office	August 12, 2020	Resigned after the expiration of term of office
Wang Zexia	Independent Director	Resigned after the expiration of term of office	August 12, 2020	Resigned after the expiration of term of office
Huang Siying	Independent Director	Resigned after the expiration of term of office	August 12, 2020	Resigned after the expiration of term of office
Song Ke	Supervisor	Resigned after the expiration of term of office	August 12, 2020	Resigned after the expiration of term of office
Li Ke	Director, President	Resigned	February 27, 2020	Left the Company Voluntarily
Yan Gang	Vice President	Dismissal	April 27, 2020	Resigned voluntarily as vice president but still in office in the Company
Wei Meizhong	CFO, Vice President	Dismissal	April 27, 2020	Left the Company Voluntarily
Zhang Wei	Vice President	Dismissal	April 27, 2020	Left the Company Voluntarily

Section X Matters on Corporate Bonds

Whether the Company has corporate bonds which have been publicly issued and listed on the stock exchange and are undue or not fully honored by the approved published date of the semi-annual report

No

Section XI Financial Reports

I. Audit Reports

Whether the semi-annual report has been audited.

Yes No

The semi-annual report of the Company has not been audited yet.

II. Financial Statements

Units of financial reports in the notes: yuan

1. Consolidated Balance Sheet

Prepared by: Zhejiang Dahua Technology Co., Ltd.

June 30, 2020

Unit: RMB

Item	June 30, 2020	December 31, 2019
Current Assets:		
Cash and Bank Balances	3,130,271,241.04	3,084,428,970.43
Deposit Reservation for Balance		
Loans to Banks and Other Financial Institutions		
Trading Financial Assets	902,431,780.82	
Derivative Financial Assets		
Notes receivable		
Accounts receivable	11,916,984,059.27	13,241,196,380.65
Receivables Financing	670,667,363.91	1,086,017,357.90
Prepayments	118,410,346.36	128,182,099.47
Premium Receivable		
Reinsurance Accounts Receivable		
Reinsurance Contract Reserves Receivable		
Other Receivables	326,474,815.43	408,776,610.17
Including: interest receivable		
Dividends Receivable		
Buying Back the Sale of Financial Assets		
Inventory	4,491,116,344.16	3,839,810,704.33

Contract Assets	56,834,587.73	
Holding for-sale assets		
Non-current Assets Due within 1 Year	868,113,666.02	630,717,329.58
Other Current Assets	417,461,368.28	556,311,770.08
Subtotal of Current Assets	22,898,765,573.02	22,975,441,222.61
Non-current Assets:		
Granting of loans and advances		
Investment in Creditor's Rights		
Investment in Other Creditor's Rights		
Long-term Receivables	2,262,478,707.29	2,568,442,030.19
Long-term Equity Investment	499,277,297.72	490,731,236.85
Investment in Other Equity Instruments		
Other Non-current Financial Assets	189,937,851.78	67,213,489.43
Investment Property	334,097,817.92	336,181,589.99
Fixed Assets	1,510,795,215.47	1,522,463,368.83
Projects under Construction	708,252,710.11	435,757,406.90
Productive Biological Assets		
Oil and gas assets		
Right-of-use Assets		
Intangible Assets	412,722,605.77	411,758,785.31
Development Expenditure		
Goodwill	42,685,490.30	42,685,490.30
Long-term Prepaid Expenses	50,722,916.18	37,311,198.19
Deferred Income Tax Assets	634,361,732.39	668,058,558.83
Other Non-current Assets	6,182,115.21	8,605,835.50
Subtotal of Non-current Assets	6,651,514,460.14	6,589,208,990.32
Total Assets	29,550,280,033.16	29,564,650,212.93
Current Liabilities:		
Short-term loan	1,540,344,169.29	400,323,888.90
Borrowings from the Central Bank		
Borrowings from Banks and Other Financial Institutions		
Transactional financial liabilities		
Derivative Financial Liabilities		

Notes Payable	2,158,234,712.01	3,807,292,795.07
Accounts Payable	3,854,639,329.00	4,290,253,501.81
Received Prepayments		375,521,795.82
Contract liabilities	548,034,908.61	
Financial Assets Sold for Repurchase		
Deposit Taking and Interbank Deposit		
Receiving from Vicariously Traded Securities		
Receiving from Vicariously Sold Securities		
Payroll payable	978,146,424.59	1,582,368,359.30
Tax Payable	534,038,767.85	813,357,471.37
Other Payables	1,045,327,489.78	1,163,915,713.24
Including: interest payable		
Dividends Payable	14,288,249.35	9,454,479.13
Service Charge and Commission Payable		
Reinsurance Accounts Payable		
Holding for-sale liabilities		
Non-current Liabilities Due within 1 Year	26,381,963.91	26,993,755.57
Other Current Liabilities	96,409,504.55	71,233,107.93
Subtotal of Current Liabilities	10,781,557,269.59	12,531,260,389.01
Non-current Liabilities:		
Insurance Contract Reserves		
Long-term loan	528,500,000.00	153,500,000.00
Bonds Payable		
Including: Preferred Stocks		
Perpetual Bonds		
Lease Liabilities		
Long-term Payables		
Long-term payroll payable		
Expected Liabilities	318,154,671.10	303,670,887.50
Deferred Income	87,838,590.09	117,210,761.34
Deferred Income Tax Liabilities	52,503,211.19	50,565,095.68
Other Non-current Liabilities	394,149,821.16	432,275,367.74
Subtotal of Non-current Liabilities	1,381,146,293.54	1,057,222,112.26
Total Liabilities	12,162,703,563.13	13,588,482,501.27

Shareholders' Equity:		
Share Capital	3,001,465,530.00	3,003,713,230.00
Other Equity Instruments		
Including: Preferred Stocks		
Perpetual Bonds		
Capital Reserves	1,834,183,770.35	1,882,855,119.53
Less: Treasury Share	629,131,574.61	1,057,584,258.31
Other Comprehensive Incomes	14,147,021.66	12,308,276.23
Special Reserves		
Surplus Reserves	1,553,691,005.92	1,553,691,005.92
General Risk Reserves		
Undistributed Profits	11,219,805,643.20	10,248,023,654.54
Total Shareholders' Equity Attributable to the Parent Company	16,994,161,396.52	15,643,007,027.91
Minority Shareholders' Equity	393,415,073.51	333,160,683.75
Total Shareholders' Equity	17,387,576,470.03	15,976,167,711.66
Total Liabilities and Shareholders' Equity	29,550,280,033.16	29,564,650,212.93

Legal representative: Fu Liquan Person in charge of accounting: Xu Qiaofen Person in charge of the accounting institution: Zhu Zhuling

2. Balance Sheet of the Parent Company

Unit: RMB

Item	June 30, 2020	December 31, 2019
Current Assets:		
Cash and Bank Balances	482,787,245.80	890,598,735.62
Trading Financial Assets	802,027,397.26	
Derivative Financial Assets		
Notes receivable		
Accounts receivable	5,743,320,432.22	8,450,364,515.05
Receivables Financing	216,863,939.83	841,427,888.19
Prepayments	31,996,818.19	30,501,431.44
Other Receivables	9,573,681,872.01	5,138,830,912.64
Including: interest receivable		
Dividends Receivable		
Inventory	157,074,903.08	124,904,729.01

Contract Assets		
Holding for-sale assets		
Non-current Assets Due within 1 Year	54,206,272.29	53,952,526.19
Other Current Assets	192,864.70	21,919,487.88
Subtotal of Current Assets	17,062,151,745.38	15,552,500,226.02
Non-current Assets:		
Investment in Creditor's Rights		
Investment in Other Creditor's Rights		
Long-term Receivables	128,685,529.71	137,284,594.67
Long-term Equity Investment	3,695,090,178.38	3,523,259,061.78
Investment in Other Equity Instruments		
Other Non-current Financial Assets	185,703,750.03	62,979,387.68
Investment Property	177,260,428.90	187,756,594.11
Fixed Assets	563,916,932.57	536,909,246.66
Projects under Construction	318,286,472.02	203,836,998.96
Productive Biological Assets		
Oil and gas assets		
Right-of-use Assets		
Intangible Assets	162,160,978.21	168,215,377.39
Development Expenditure		
Goodwill		
Long-term Prepaid Expenses	23,779,058.89	26,687,122.32
Deferred Income Tax Assets	104,244,152.63	131,503,372.44
Other Non-current Assets	3,571,654.77	1,964,757.00
Subtotal of Non-current Assets	5,362,699,136.11	4,980,396,513.01
Total Assets	22,424,850,881.49	20,532,896,739.03
Current Liabilities:		
Short-term loan	1,293,986,500.00	400,323,888.90
Transactional financial liabilities		
Derivative Financial Liabilities		
Notes Payable	504,836,599.69	302,168,249.70
Accounts Payable	749,417,763.56	948,348,622.52
Received Prepayments		181,462,746.37
Contract liabilities	69,361,206.15	

Payroll payable	681,094,314.36	1,078,396,381.39
Tax Payable	271,554,671.05	460,577,509.52
Other Payables	1,338,029,254.84	1,363,740,346.75
Including: interest payable		
Dividends Payable	14,288,249.35	9,454,479.13
Holding for-sale liabilities		
Non-current Liabilities Due within 1 Year	265,000.00	
Other Current Liabilities	5,290,905.01	5,892,364.82
Subtotal of Current Liabilities	4,913,836,214.66	4,740,910,109.97
Non-current Liabilities:		
Long-term loan	400,000,000.00	
Bonds Payable		
Including: Preferred Stocks		
Perpetual Bonds		
Lease Liabilities		
Long-term Payables		
Long-term payroll payable		
Expected Liabilities	9,441,652.33	9,735,157.34
Deferred Income		
Deferred Income Tax Liabilities	2,982,370.12	1,297,719.64
Other Non-current Liabilities	13,422,253.24	16,155,036.85
Subtotal of Non-current Liabilities	425,846,275.69	27,187,913.83
Total Liabilities	5,339,682,490.35	4,768,098,023.80
Shareholders' Equity:		
Share Capital	3,001,465,530.00	3,003,713,230.00
Other Equity Instruments		
Including: Preferred Stocks		
Perpetual Bonds		
Capital Reserves	1,818,239,212.32	1,867,489,901.04
Less: Treasury Share	629,131,574.61	1,057,584,258.31
Other Comprehensive Incomes		
Special Reserves		
Surplus Reserves	1,553,691,005.92	1,553,691,005.92
Undistributed Profits	11,340,904,217.51	10,397,488,836.58

Total Shareholders' Equity	17,085,168,391.14	15,764,798,715.23
Total Liabilities and Shareholders' Equity	22,424,850,881.49	20,532,896,739.03

3. Consolidated Income Statement

Unit: RMB

Item	Semi-annual 2020	Semi-annual 2019
I. Total Operating Revenue	9,838,328,853.62	10,806,566,370.89
Including: Operating Revenue	9,838,328,853.62	10,806,566,370.89
Interest Income		
Earned Premiums		
Service Charge and Commission Income		
II. Total Operating Cost	8,605,447,370.85	9,650,560,173.11
Including: Operating Cost	5,099,250,150.57	6,443,429,151.03
Interest Expenditures		
Service Charge and Commission Expenses		
Surrender Value		
Net Claims Paid		
The Net Amount Withdrawn for Insurance Liability Reserves		
Policyholder Dividend Expense		
Reinsurance Cost		
Taxes and Surcharges	55,143,183.10	64,190,849.22
Sales Expenses	1,805,227,134.27	1,539,714,255.33
Administration expenses	355,781,491.22	346,919,167.36
Research and development expense	1,314,612,940.95	1,245,261,201.77
Financial Expenses	-24,567,529.26	11,045,548.40
Including: interest expenses	36,633,828.03	76,337,321.42
Interest Income	82,236,920.48	81,150,189.81
Add: Other income	458,546,321.24	426,921,517.08
Investment Income (Mark "-" for Loss)	-32,178,746.19	-5,691,002.29
Including: Investment Income from Affiliates and Joint Ventures	-44,335,467.10	-548,623.93
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 "-")	17,009,143.17	45,449,188.16
Credit Impairment Losses (Mark "-" for Loss)	-87,762,680.91	-163,681,506.49
Asset Impairment Losses (Mark "-" for Loss)	-42,303,107.35	-98,774,186.62
Asset Disposal Income (Mark "-" for Loss)	10,307.31	448,615.83
III. Operating Profit (Mark "-" for Loss)	1,546,202,720.04	1,360,678,823.45
Add: Non-operating Revenues	6,124,434.50	8,513,835.06
Less: Non-operating Expenses	12,034,840.16	1,357,098.55
IV. Total Profit (Mark "-" for Total Loss)	1,540,292,314.38	1,367,835,559.96
Less: Income Tax Expense	169,559,416.73	163,173,365.97
V. Net Profit (Mark "-" for Net Loss)	1,370,732,897.65	1,204,662,193.99
i. Classified by operation continuity		
1. Net Profit as a Going Concern (Mark "-" for Net Loss)	1,370,732,897.65	1,204,662,193.99
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	1,368,974,364.44	1,238,880,948.74
2. Minority Shareholders' Profit and Loss	1,758,533.21	-34,218,754.75
VI. Net Amount of Other Comprehensive Incomes after Tax	1,838,733.32	-718,205.48
Net Amount of Other Comprehensive Incomes after Tax Attributable to the Parent Company's Owner	1,838,745.43	-718,255.60
(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	1,838,745.43	-718,255.60
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. Financial assets reclassified into other comprehensive income		
4. Provisions for the credit impairment of other creditors' investment		
5. Reserves for cash flow hedges		
6. Difference from translating foreign currency financial statements	1,838,745.43	-718,255.60
7. Others		
Net Amount of Other Comprehensive Incomes After Tax Attributable to Minority Shareholders	-12.11	50.12
VII. Total Comprehensive Income	1,372,571,630.97	1,203,943,988.51
Total Comprehensive Income Attributable to the Parent Company's Owner	1,370,813,109.87	1,238,162,693.14
Total Comprehensive Income Attributable to Minority Shareholders	1,758,521.10	-34,218,704.63
VIII. Earnings per Share:		
(I) Basic Earnings per Share	0.47	0.42
(II) Diluted Earnings per Share	0.47	0.42

Legal representative: Fu Liquan

Person in charge of accounting: Xu Qiaofen

Person in charge of the accounting institution: Zhu Zhuling

4. Income Statement of the Parent Company

Unit: RMB

Item	Semi-annual 2020	Semi-annual 2019
I. Operating Revenue	3,624,985,329.95	3,281,203,959.86
Less: Operating Cost	464,299,570.21	369,348,403.98
Taxes and Surcharges	37,785,882.54	43,805,303.56
Sales Expenses	763,855,586.98	774,697,601.25
Administration expenses	209,844,615.20	194,508,500.94
Research and development expense	1,047,270,644.13	1,047,272,163.00
Financial Expenses	5,634,218.96	32,399,789.08

Including: interest expenses	32,511,309.24	51,929,211.84
Interest Income	29,029,575.89	21,971,107.71
Add: Other income	384,657,520.57	388,225,543.16
Investment Income (Mark "-" for Loss)	-37,634,661.64	9,740,090.32
Including: Investment Income from Affiliates and Joint Ventures	-45,152,368.00	-7,096.54
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 "-")	16,604,759.61	
Credit Impairment Losses (Mark "-" for Loss)	-5,673,952.18	-10,600,820.35
Asset Impairment Losses (Mark "-" for Loss)	-4,696,447.86	
Asset Disposal Income (Mark "-" for Loss)	10,000.01	230,024.34
II. Operating Profit (Mark "-" for Loss)	1,449,562,030.44	1,206,767,035.52
Add: Non-operating Revenues	2,972,951.40	2,476,092.90
Less: Non-operating Expenses	6,055,686.02	700,678.88
III. Total Profit (Mark "-" for Total Loss)	1,446,479,295.82	1,208,542,449.54
Less: Income Tax Expense	105,871,539.11	81,947,097.24
IV. Net Profit (Mark "-" for Net Loss)	1,340,607,756.71	1,126,595,352.30
(I) Net Profit as a Going Concern (Mark "-" for Net Loss)	1,340,607,756.71	1,126,595,352.30
(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. Financial assets reclassified into other comprehensive income		
4. Provisions for the credit impairment of other creditors' investment		
5. Reserves for cash flow hedges		
6. Difference from translating foreign currency financial statements		
7. Others		
VI. Total Comprehensive Income	1,340,607,756.71	1,126,595,352.30
VII. Earnings per Share:		
(I) Basic Earnings per Share	0.46	0.39
(II) Diluted Earnings per Share	0.46	0.39

5. Consolidated Cash Flow Statement

Unit: RMB

Item	Semi-annual 2020	Semi-annual 2019
I. Cash Flow Generated by Operational Activities:		
Cash from Sales of Merchandise and Provision of Services	12,453,860,700.45	10,826,094,759.86
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	1,193,492,111.32	824,424,362.86
Other Received Cashes Related to Operational Activities	139,593,191.08	182,265,336.17
Subtotal of cash inflow from operational activities	13,786,946,002.85	11,832,784,458.89
Cash Paid for Merchandise and Services	8,806,532,224.04	8,183,055,955.85
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	3,126,225,617.57	2,506,637,462.82
Cash Paid for Taxes and Surcharges	1,114,316,698.90	851,257,957.46
Other Paid Cashes Related to Operational Activities	846,799,426.29	1,162,300,175.64
Subtotal of cash outflow from operational activities	13,893,873,966.80	12,703,251,551.77
Net cash flow generated by operating activities	-106,927,963.95	-870,467,092.88
II. Cash Flow from Investment Activities:		
Cash Arising from Disposal of Investments	212,000,000.00	
Cash Arising from Investment Incomes	7,031,342.00	9,387,186.86
Net Cash Arising from Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets	851,832.61	4,361,781.86
Net Cash Arising from Disposal of Subsidiaries and Other Business Units		
Other Received Cashes Related to Investment Activities	135,010,923.00	4,052,392.39
Subtotal of cash inflow from investment activities	354,894,097.61	17,801,361.11
Cash Paid for Purchase and Construction of Fixed	250,327,215.67	260,697,897.67

Assets, Intangible Assets and Other Long-term Assets		
Cash Paid for Investments	1,272,547,000.00	13,200,000.00
Net Increase in Pledge Loans		
Net Cash Paid for Acquisition of Subsidiaries and Other Business Units		
Other Paid Cashes Related to Investment Activities	79,560,273.93	26,458,528.22
Subtotal of cash outflow from investment activities	1,602,434,489.60	300,356,425.89
Net amount of cash flow generated by investment activities	-1,247,540,391.99	-282,555,064.78
III. Cash Flow from Financing Activities:		
Cash Arising from Absorbing Investments	59,440,000.00	43,114,250.00
Including: Cash Arising from Subsidiaries Absorbing Investments by Minority Shareholders	59,440,000.00	43,114,250.00
Cash Arising from Borrowings	3,324,530,906.01	3,995,334,621.50
Other Received Cashes Related to Financing Activities	867,776,937.16	805,382,000.00
Subtotal of cash inflow from financing activities	4,251,747,843.17	4,843,830,871.50
Cash Paid for Debts Repayment	1,663,711,726.38	2,690,153,276.12
Cash Paid for Distribution of Dividends and Profits or Payment of Interests	418,919,503.17	348,633,662.77
Including: Dividends and Profits Paid to Minority Shareholders by Subsidiaries		
Other Paid Cashes Related to Financing Activities	767,782,756.00	816,654,575.69
Subtotal of cash outflow from financing activities	2,850,413,985.55	3,855,441,514.58
Net cash flow generated by financing activities	1,401,333,857.62	988,389,356.92
IV. Impact of Fluctuation in Exchange Rate on Cash and Cash Equivalents	-430,036.43	7,299,167.67
V. Net Increase in Cash and Cash Equivalents	46,435,465.25	-157,333,633.07
Add: Cash and Cash Equivalents at the Commencement of the Period	2,734,185,976.41	3,702,283,803.54
VI. Cash and Cash Equivalents at the End of the Period	2,780,621,441.66	3,544,950,170.47

6. Cash Flow Statement of the Parent Company

Unit: RMB

Item	Semi-annual 2020	Semi-annual 2019
I. Cash Flow Generated by Operational Activities:		

Cash from Sales of Merchandise and Provision of Services	7,212,656,097.72	1,594,454,492.04
Tax Refund	395,396,831.40	327,192,023.88
Other Received Cashes Related to Operational Activities	68,383,248.19	98,858,726.98
Subtotal of cash inflow from operational activities	7,676,436,177.31	2,020,505,242.90
Cash Paid for Merchandise and Services	507,090,103.14	391,253,745.70
Cash Paid to and for Employees	1,905,848,316.86	1,597,070,311.21
Cash Paid for Taxes and Surcharges	670,752,521.48	534,095,073.85
Other Paid Cashes Related to Operational Activities	452,566,064.54	550,587,545.42
Subtotal of cash outflow from operational activities	3,536,257,006.02	3,073,006,676.18
Net cash flow generated by operating activities	4,140,179,171.29	-1,052,501,433.28
II. Cash Flow from Investment Activities:		
Cash Arising from Disposal of Investments	199,900,000.00	
Cash Arising from Investment Incomes	7,031,342.00	9,387,186.86
Net Cash Arising from Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets	7,862,105.25	12,303,962.73
Net Cash Arising from Disposal of Subsidiaries and Other Business Units		
Other Received Cashes Related to Investment Activities	63,493,496.46	9,227,698.52
Subtotal of cash inflow from investment activities	278,286,943.71	30,918,848.11
Cash Paid for Purchase and Construction of Fixed Assets, Intangible Assets and Other Long-term Assets	137,011,698.40	102,347,243.84
Cash Paid for Investments	1,309,807,000.00	111,885,750.00
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	1,446,818,698.40	214,232,993.84
Net amount of cash flow generated by investment activities	-1,168,531,754.69	-183,314,145.73
III. Cash Flow from Financing Activities:		
Cash Arising from Absorbing Investments		
Cash Arising from Borrowings	1,889,800,000.00	1,963,462,853.53
Other Received Cashes Related to Financing Activities	1,487,145,393.24	2,541,785,779.17

Subtotal of cash inflow from financing activities	3,376,945,393.24	4,505,248,632.70
Cash Paid for Debts Repayment	599,800,000.00	1,066,444,497.42
Cash Paid for Distribution of Dividends and Profits or Payment of Interests	410,133,298.68	329,177,945.46
Other Paid Cashes Related to Financing Activities	5,735,303,661.46	2,258,109,917.86
Subtotal of cash outflow from financing activities	6,745,236,960.14	3,653,732,360.74
Net cash flow generated by financing activities	-3,368,291,566.90	851,516,271.96
IV. Impact of Fluctuation in Exchange Rate on Cash and Cash Equivalents	-73,606.83	-251,558.05
V. Net Increase in Cash and Cash Equivalents	-396,717,757.13	-384,550,865.10
Add: Cash and Cash Equivalents at the Commencement of the Period	860,741,299.14	603,430,209.42
VI. Cash and Cash Equivalents at the End of the Period	464,023,542.01	218,879,344.32

7. Consolidated Statement of Changes in Owners' Equity

Amount of this period

Unit: RMB

Item	Semi-annual 2020														Minority Shareholders' Equity	Total Shareholders' Equity
	Shareholders' Equity Attributable to the Parent Company's Owner															
	Share Capital	Other Equity Instruments			Capital Reserves	Less: Treasury Shares	Other Comprehensive Incomes	Special Reserves	Surplus Reserves	General Risk Reserves	Undistributed Profits	Others	Subtotal			
I. Balance at the End of Last Year	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	
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	3,00 3,71 3,23 0.00				1,882, 855,1 19.53	1,057, 584,2 58.31	12,30 8,276. 23		1,553, 691,0 05.92		10,24 8,023, 654.5 4		15,64 3,007, 027.9 1	333,1 60,68 3.75	15,97 6,167, 711.6 6
III. Increases or Decreases in This Period (Mark "-" for Decreases)	-2,24 7,70 0.00				-48,67 1,349. 18	-428,4 52,68 3.70	1,838, 745.4 3				971,7 81,98 8.66		1,351, 154,3 68.61	60,25 4,389. 76	1,411, 408,7 58.37
(I) Total Comprehensive Income							1,838, 745.4 3				1,368, 974,3 64.44		1,370, 813,1 09.87	1,758, 521.1 0	1,372, 571,6 30.97
(II) Shareholders' Contribution and Reduction in Capital	-2,24 7,70 0.00				-49,97 2,123. 11	-428,4 52,68 3.70							376,2 32,86 0.59	59,44 0,000. 00	435,6 72,86 0.59
1. Common stock invested by the owner	-2,24 7,70 0.00				-119,6 40,36 8.28	-428,4 52,68 3.70							306,5 64,61 5.42	59,44 0,000. 00	366,0 04,61 5.42
2. Capital Invested by Holders of Other Equity Instruments															
3. Amount of Share-based Payments Recorded into Shareholders' Equity					69,66 8,245. 17								69,66 8,245. 17		69,66 8,245. 17
4. Others															
(III) Profit Distribution											-397,1 92,37		-397,1 92,37		-397,1 92,37

											5.78		5.78		5.78
1. Appropriation of Surplus Reserves															
2. Appropriation of General Risk Reserves															
3. Distribution to Owners (or Shareholders)											-397,192,375.78		-397,192,375.78		-397,192,375.78
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															

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		1,246,369.430.91		7,670,983.116.33		12,618,758,918.48	284,506,754.95	12,903,265.673.43
III. Increases or Decreases in This Period (Mark "-" for Decreases)	-44,200.00				71,017,514.99	70,490,360.13	-718,255.60				939,119,278.75		938,883,978.01	11,352,704.76	950,236,682.77
(I) Total Comprehensive Income							-718,255.60				1,238,880.948.74		1,238,162.693.14	-34,218,704.63	1,203,943.988.51
(II) Shareholders' Contribution and Reduction in Capital	-44,200.00				103,583,714.04	80,372,644.44							23,166,869.60	43,114,250.00	66,281,119.60
1. Common stock invested by the owner	-44,200.00				-326,617.25	80,372,644.44							-80,743,461.69	43,114,250.00	-37,629,211.69
2. Capital Invested by Holders of Other Equity Instruments															
3. Amount of Share-based Payments Recorded into Shareholders' Equity					103,910,331.29								103,910,331.29		103,910,331.29
4. Others															
(III) Profit Distribution						-9,882,284.31					-299,761.669.99		-289,879,385.68		-289,879,385.68

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					-32,566,199.05							-32,566,199.05	2,457,159.39	-30,109,039.66	
IV. Balance at the End of This Period	2,997,577,730.00				1,572,198,377.82	878,223,946.13	9,618,908.81		1,246,369,430.91		8,610,102,395.08		13,557,642,896.49	295,859,459.71	13,853,502,356.20

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

Amount of this period

Unit: RMB

Item	Semi-annual 2020											
	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	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
Add: Changes in Accounting Policies												

Correction of Errors in the Previous Period												
Others												
II. Balance at the Start of This Year	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
III. Increases or Decreases in This Period (Mark "-" for Decreases)	-2,247,700.00				-49,250,688.72	-428,452,683.70				943,415,380.93		1,320,369,675.91
(I) Total Comprehensive Income										1,340,607,756.71		1,340,607,756.71
(II) Shareholders' Contribution and Reduction in Capital	-2,247,700.00				-49,250,688.72	-428,452,683.70						376,954,294.98
1. Common stock invested by the owner	-2,247,700.00				-119,640,368.28	-428,452,683.70						306,564,615.42
2. Capital Invested by Holders of Other Equity Instruments												
3. Amount of Share-based Payments Recorded into Shareholders' Equity					70,389,679.56							70,389,679.56
4. Others												
(III) Profit Distribution										-397,192,375.78		-397,192,375.78

1. Appropriation of Surplus Reserves												
2. Distribution to Owners (or Shareholders)										-397,192,375.78		-397,192,375.78
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												
IV. Balance at the End of This Period	3,001,465.53 0.00				1,818,239.212 32	629,131,574.61			1,553,691,005.92	11,340,904.217.51		17,085,168,391.14

Amount of Previous Period

Unit: RMB

Item	Semi-annual 2019											
	Share Capital	Other Equity Instruments			Capital Reserves	Less: Treasury Shares	Other Comprehensive Incomes	Special Reserves	Surpluses 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												
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			1,246,369,430.91	7,930,928,526.31		12,864,987,370.10
III. Increases or Decreases in This Period (Mark "-" for Decreases)	-44,200.00				68,460,768.79	70,490,360.13				826,833,682.31		824,759,890.97
(I) Total									1,126,59			1,126,595,

Comprehensive Income									5,352.30		352.30
(II) Shareholders' Contribution and Reduction in Capital	-44,200.00				101,026,967.84	80,372,644.44					20,610,123.40
1. Common stock invested by the owner	-44,200.00				-326,617.25	80,372,644.44					-80,743,461.69
2. Capital Invested by Holders of Other Equity Instruments											
3. Amount of Share-based Payments Recorded into Shareholders' Equity					101,353,585.09						101,353,585.09
4. Others											
(III) Profit Distribution						-9,882,284.31			-299,761,669.99		-289,879,385.68
1. Appropriation of Surplus Reserves											
2. Distribution to Owners (or Shareholders)									-299,761,669.99		-299,761,669.99
3. Others						-9,882,284.31					9,882,284.31
(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					-32,566,199.05							-32,566,199.05
IV. Balance at the End of This Period	2,997,577.730.00				1,566,261,837.67	878,223,946.13			1,246,369,430.91	8,757,762,208.62		13,689,747,261.07

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] Zhejiang Enterprise Listing by Zhejiang Provincial People's Government

Work Leading Group for Enterprise Listing in June 2002, and on the basis of overall change of the previous Hangzhou Dahua Information Technology Co., Ltd. It was an incorporated company initiated and established jointly by five natural persons, Fu Liquan, Chen Ailing, Zhu Jiangming, Liu Yunzhen and Chen Jianfeng as initiators.

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 June 30, 2020, the Company has issued a total of 3,001,465,530 shares of capital, with a registered capital of RMB 3,001,465,530. The registered address is No.1187, Binan Road, Binjiang District, Hangzhou, and the headquarters address is No.1199, Binan Road, Binjiang District, Hangzhou.

The Company's main operational 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 services; import & export businesses, etc. The actual controllers of the Company are Fu Liquan and Chen Ailing.

This financial statement has been approved by Board of Directors on August 20, 2020.

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 complies with the requirements in the Accounting Standards for Business Enterprises

promulgated by the Ministry of Finance, and serves as a true and complete reflection of the financial positions of the merged companies and the parent company at the end of the reporting period and their operating results and cash flows during the reporting period.

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 book value of the net assets obtained and the book value 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 book 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 Addition 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 book value 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 investments of subsidiaries through multiple transactions 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 investments 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 investments 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 Disposal of Some 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 eliminate or significantly reduce accounting mismatch.
- ② The portfolio of financial liabilities or the portfolio of financial assets and 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 written documentations, and an internal report shall be made to key management personnel on this basis.
- ③ Such financial liabilities shall contain embedded derivatives which need a separate spin-off.

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 at fair value through 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 book value of the financial asset transferred;

② The sum of consideration received as a result of the transfer, and the accumulative amount of the changes in fair value previously recorded into the owners' equities (related to the situations where the financial assets transferred are measured at fair value through other comprehensive income (debt instruments), or financial assets available for sale).

If the partial transfer of financial assets satisfies the conditions for termination of recognition, the overall book value 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 book value of derecognized portion;

② The sum of consideration of the derecognized portion, and the accumulated amount, corresponding to de-recognized portion, of changes in fair value previously recorded into owners' equity (related to the situations where the financial assets transferred are measured at fair value through other comprehensive income (debt instruments), or financial assets 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 book value 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 book value 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 book value 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

Judgment bases or amount standard for significant single amount: top 5 account receivables

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

Portfolio Name	Basis to Determine the Portfolio
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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 this Section Financial Report - V. Significant Accounting Policies and Accounting Estimates - 9. Financial Instruments

11. Accounts Receivable

Refer to this Section Financial Report - V. Significant Accounting Policies and Accounting Estimates - 9. Financial Instruments

12. Receivables Financing

Refer to this Section Financial Report - V. Significant Accounting Policies and Accounting Estimates - 9. Financial Instruments

13. Other Receivables

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

Refer to this Section Financial Report - V. Significant Accounting Policies and Accounting Estimates - 9. 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 with the one-off amortization method;
- ② Packaging materials are amortized with the one-off amortization method.

15. Contract Assets

Confirmation methods and standards of contract assets:

Contract assets refer to the right to collect consideration after the Company has transferred goods or services to customers, and this right depends on other factors excluding time. The Company's unconditional (that is, only depending on the lapse of time) right to collect consideration from customers shall be separately listed as receivables.

The recognition and accounting method of the expected credit loss of contract assets: please refer to this section Financial Report - (V) Important Accounting Policies and Accounting Estimates - 9. Financial Instruments.

16. Assets Held 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.

17. 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 from business combination

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 book values 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 book 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 accounted 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' shares of the cash dividends or

profits declared by the investee.

② Long-term equity investment accounted 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 book value of long-term equity investments; The book 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 book 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, adjustment 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 book value of long-term equity investments. Secondly, in the event the aforesaid book value is insufficient for offset, the investment losses shall continue to be confirmed with the limit of the book value of long-term equity which substantially constitutes the net investment in the investee, to offset the book value 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 book 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 book 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.

18. 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.

19. 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. A Fixed asset is recognized when all the following conditions are met: ① the economic benefits associated with it will probably flow into 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 stipulated in the lease agreement signed by and between the Company and the lessee, the leased assets can be recognized as the 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 at a price far lower than the fair value of the assets when the option is exercised; ③ The lease term accounts for the majority of the service life of the leased assets; ④ There is no significant difference between the present value of minimum lease payment on the commencement date of lease term 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.

20. Construction in Process

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.

21. 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 Asset expenditures have been incurred, which include the expenditures incurred in the form of cash paid, transferring non-cash assets or undertaking interest-bearing debt for acquisition, construction or production of the assets qualified for capitalization);
- ② Borrowing costs have been incurred;
- ③ The acquisition, construction or production necessary to make the assets ready for use or sale have begun.

(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.

22. Intangible Assets

(1) Valuation method, service life, impairment test

A. Valuation Method of Intangible Assets

① The company shall make an initial measurement by cost upon obtaining the intangible assets

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 book value 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	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

A. Specific criteria for division of research and development phases

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 make such intangible asset ready for use or sale by completing it;
- ② There is intention to complete the intangible asset for use or sale;
- ③ The means by which the intangible asset generates economic benefits, includes the evidence showing that there is a market for the products made with such intangible asset or that there is a market for the intangible asset itself. For the intangible asset being used internally, the evidence to prove its usefulness is required;
- ④ There is sufficient support in terms of technology, financial resources and other resources 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.

23. 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 book value, a provision for impairment and an impairment loss are recognized for the amount by which the asset's book value 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 book 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 book 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 book value of each asset groups or sets of asset groups to the total book 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 book 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 book value of these asset groups or sets of asset groups (including the book 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 book 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.

24. 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.

25. Contract liabilities

Contract liabilities refer to the Company's obligation to transfer goods or services to customers for the consideration received or receivable from the customers. Contract assets and contract liabilities under the same contract are presented in net amount.

26. 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 plan

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 plan

The welfare responsibilities generated from defined benefit plan 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.

27. 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 the current obligation of the Company;
- ② Performance of this obligation is likely to result in the outflow of economic benefits from the Company;
- 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 book value of the estimated liability.

28 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.

29. Revenue

Accounting policies for revenue recognition and measurement

For the contract containing two or more performance obligations, the Company shall allocate the transaction price to each individual performance obligation in accordance with the relative proportion of the stand-alone selling price of the goods or services committed in accordance with individual performance obligation on the date of the contract. However, if there is

conclusive evidence showing that the contract discount or variable consideration is only related to one or more (but not all) performance obligations in the contract, the Company shall allocate the contract discount or variable consideration to the relevant one or more performance obligations. Stand-alone selling price refers to the price at which the Company sells goods or services separately to customers. For the stand-alone selling price that cannot be directly observed, the Company shall comprehensively consider all the relevant information that can be reasonably obtained, and maximum the use of observable inputs to estimate the stand-alone selling price.

Where there is a variable consideration in the contract, the Company shall determine the best estimate of the variable consideration based on the expected value or the most likely amount. The transaction price with the variable consideration shall not exceed the amount at which the accumulated confirmed revenue will most likely not undergo a significant reversal when the relevant uncertainty is eliminated. On each balance sheet date, the Company shall re-estimate the amount of variable consideration that should be included in the transaction price.

For the customer with non-cash consideration payment, the Company shall determine the transaction price based on the fair value of the non-cash consideration. Where the fair value of non-cash consideration that cannot be reasonably estimated, the Company shall indirectly determine the transaction price by referring to the stand-alone selling price of the goods or services promised to transfer to the customer.

Where there is the consideration payable to the customer in the contract, the Company will offset the consideration payable against the transaction price, and offsets the current income at the time of confirming the relevant revenue or paying (or promise to pay) the customer consideration, whichever is later, unless the consideration is to obtain other clearly distinguishable goods or services from the customer.

Where there is a significant financing component in the contract, the Company shall determine the transaction price based on the amount payable in cash when the customer assumes control of the goods or services. The difference between the transaction price and the contract consideration shall be amortized by the effective interest method during the contract period. Where the Company, on the commencement date, expects that the interval between the customer's acquisition of control of the goods or services and the customer's payment will not exceed one year, the significant financing components in the contract shall be considered.

For the sales with sales return clauses, when the customer obtains control of the relevant goods, the Company shall recognize the revenue based on the amount of consideration that is expected to be charged due to the transfer of the goods to the customer (that is, the amount expected to be refunded due to a sales return is not included), and recognize the liabilities according to the expected amount to be refunded due to sales returns; At the same time, recognize an asset according to the expected book value of the returned goods at the time of transfer, the balance after deducting the estimated cost of recovering the goods (including the value impairment of the returned goods). Deduct the net carry-over cost of the aforementioned asset cost according to the book value of the transferred commodity at the time of transfer.

For the sales with quality assurance clauses, if the quality assurance provides a separate service in addition to ensuring that the goods or services sold meet the established standards, the quality assurance constitutes an individual performance obligation. Otherwise, the Company will conduct accounting for quality assurance responsibilities in accordance with the "Accounting Standards for Business Enterprises No. 13 - Contingencies".

The Company judges whether its identity is the main responsible person or an agent when the transaction is conducted based on whether it has control over the product or service before the transfer of the product or service to the customer. Where the Company is able to control the goods or services before transferring them to the customer, the Company shall be the principal person in charge, and the income shall be confirmed based on the total consideration received or receivable; otherwise, the Company is the agent and the income is recognized based on the commission or handling fees expected to collect. The amount is determined based on the net amount of the total consideration received or receivable minus the price payable to other related parties, or the established commission amount or ratio.

30. Government subsidies

(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.

31. Deferred income tax assets/deferred income tax 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 income 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.

32. Lease

(1) Accounting of operating lease

① The lease fee paid by the Company for rented assets shall be apportioned on a straight-line basis over the lease term without deducting the rent-free periods and included in the current expenses. 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 on 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 The company shall take the lower of the two, namely the fair value of leased asset and the present value of the minimum lease payment, as the book value of the leased asset, and take the minimum lease payment as the book value of long-term payables on the commencement date of lease, the difference shall be taken as unconfirmed financing expense. The Company, by means of the effective 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 commencement date of the lessee, the finance lease receivables and the difference between the non-guarantee remaining sum and the present value shall be accounted as the unrecognized finance income and recognized as the rental income over the period of the lease when the rent is received. 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.

33. 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 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.

34. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

Applicable Not applicable

Content and Reasons for Change in Accounting Policies	Approval process	Notes
From January 1, 2020, implement the "Notice on Revision and Issuance of the "Accounting Standards for Business Enterprises No. 14 - Revenue" issued by the Ministry of Finance in July 2017 (Cai Kuai (2017) No. 22)	Approved by the Board of Directors	See other notes

Other notes:

According to the "Accounting Standards for Business Enterprises No. 14 - Revenue" revised by the Ministry of Finance, the current revenue and construction contract standards are incorporated into an unified revenue recognition model; the transfer of control rights, to replace risk return shifting, is used as the criterion for determining the timing of revenue recognition; The individual performance obligations contained in the contract are recognized as revenues when they are performed; Clearer guidance shall be provided for the accounting of contracts involving multiple transaction arrangements; Clear regulations are provided for the revenue recognition and measurement of some specific transactions (or events). This accounting policy is a change based on the latest accounting standards revised and promulgated by the Ministry of Finance, and will not have a significant impact on the Company's financial status and operating results.

(2) Changes in significant accounting estimates

Applicable Not applicable

(3) Related items in the financial statements at the beginning of the year after implementation of new revenue standard and adjustment of new lease standard in 2020.

Applicable

Whether to adjust the balance sheet accounts at the beginning of the year

√ Yes □ No

Consolidated Balance Sheet

Unit: RMB

Item	December 31, 2019	January 1, 2020	Adjusted amount
Current Assets:			
Cash and Bank Balances	3,084,428,970.43	3,084,428,970.43	
Deposit Reservation for Balance			
Loans to Banks and Other Financial Institutions			
Trading Financial Assets			
Derivative Financial Assets			
Notes receivable			
Accounts receivable	13,241,196,380.65	13,240,269,418.22	-926,962.43
Receivables Financing	1,086,017,357.90	1,086,017,357.90	
Prepayments	128,182,099.47	143,212,500.49	15,030,401.02
Premium Receivable			
Reinsurance Accounts Receivable			
Reinsurance Contract Reserves Receivable			
Other Receivables	408,776,610.17	408,776,610.17	
Including: interest receivable			
Dividends Receivable			
Buying Back the Sale of Financial Assets			
Inventory	3,839,810,704.33	3,839,810,704.33	
Contract Assets		926,962.43	926,962.43
Holding for-sale assets			
Non-current Assets Due within 1 Year	630,717,329.58	630,717,329.58	
Other Current Assets	556,311,770.08	569,164,987.09	12,853,217.01
Subtotal of Current Assets	22,975,441,222.61	23,003,324,840.64	27,883,618.03
Non-current Assets:			

Granting of loans and advances			
Investment in Creditor's Rights			
Investment in Other Creditor's Rights			
Long-term Receivables	2,568,442,030.19	2,568,442,030.19	
Long-term Equity Investment	490,731,236.85	490,731,236.85	
Investment in Other Equity Instruments			
Other Non-current Financial Assets	67,213,489.43	67,213,489.43	
Investment Property	336,181,589.99	336,181,589.99	
Fixed Assets	1,522,463,368.83	1,522,463,368.83	
Projects under Construction	435,757,406.90	435,757,406.90	
Productive Biological Assets			
Oil and gas assets			
Right-of-use Assets			
Intangible Assets	411,758,785.31	411,758,785.31	
Development Expenditure			
Goodwill	42,685,490.30	42,685,490.30	
Long-term Prepaid Expenses	37,311,198.19	37,311,198.19	
Deferred Income Tax Assets	668,058,558.83	668,058,558.83	
Other Non-current Assets	8,605,835.50	8,605,835.50	
Subtotal of Non-current Assets	6,589,208,990.32	6,589,208,990.32	
Total Assets	29,564,650,212.93	29,592,533,830.96	27,883,618.03
Current Liabilities:			
Short-term loan	400,323,888.90	400,323,888.90	
Borrowings from the Central Bank			
Borrowings from Banks and Other Financial Institutions			
Transactional financial liabilities			
Derivative Financial Liabilities			
Notes Payable	3,807,292,795.07	3,807,292,795.07	
Accounts Payable	4,290,253,501.81	4,290,253,501.81	
Received Prepayments	375,521,795.82		-375,521,795.82
Contract liabilities		334,045,746.26	334,045,746.26
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	1,582,368,359.30	
Tax Payable	813,357,471.37	869,863,921.95	56,506,450.58
Other Payables	1,163,915,713.24	1,163,915,713.24	
Including: interest payable			
Dividends Payable	9,454,479.13	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	26,993,755.57	
Other Current Liabilities	71,233,107.93	71,233,107.93	
Subtotal of Current Liabilities	12,531,260,389.01	12,546,290,790.03	15,030,401.02
Non-current Liabilities:			
Insurance Contract Reserves			
Long-term loan	153,500,000.00	153,500,000.00	
Bonds Payable			
Including: Preferred Stocks			
Perpetual Bonds			
Lease Liabilities			
Long-term Payables			
Long-term payroll payable			
Expected Liabilities	303,670,887.50	316,524,104.51	12,853,217.01
Deferred Income	117,210,761.34	117,210,761.34	
Deferred Income Tax Liabilities	50,565,095.68	50,565,095.68	
Other Non-current Liabilities	432,275,367.74	432,275,367.74	
Subtotal of Non-current Liabilities	1,057,222,112.26	1,070,075,329.27	12,853,217.01
Total Liabilities	13,588,482,501.27	13,616,366,119.30	27,883,618.03
Shareholders' Equity:			
Share Capital	3,003,713,230.00	3,003,713,230.00	
Other Equity Instruments			

Including: Preferred Stocks			
Perpetual Bonds			
Capital Reserves	1,882,855,119.53	1,882,855,119.53	
Less: Treasury Share	1,057,584,258.31	1,057,584,258.31	
Other Comprehensive Incomes	12,308,276.23	12,308,276.23	
Special Reserves			
Surplus Reserves	1,553,691,005.92	1,553,691,005.92	
General Risk Reserves			
Undistributed Profits	10,248,023,654.54	10,248,023,654.54	
Total Shareholders' Equity Attributable to the Parent Company	15,643,007,027.91	15,643,007,027.91	
Minority Shareholders' Equity	333,160,683.75	333,160,683.75	
Total Shareholders' Equity	15,976,167,711.66	15,976,167,711.66	
Total Liabilities and Shareholders' Equity	29,564,650,212.93	29,592,533,830.96	27,883,618.03

Adjustment explanation

Balance Sheet of the Parent Company

Unit: RMB

Item	December 31, 2019	January 1, 2020	Adjusted amount
Current Assets:			
Cash and Bank Balances	890,598,735.62	890,598,735.62	
Trading Financial Assets			
Derivative Financial Assets			
Notes receivable			
Accounts receivable	8,450,364,515.05	8,450,364,515.05	
Receivables Financing	841,427,888.19	841,427,888.19	
Prepayments	30,501,431.44	30,501,431.44	
Other Receivables	5,138,830,912.64	5,138,830,912.64	
Including: interest receivable			
Dividends Receivable			
Inventory	124,904,729.01	124,904,729.01	
Contract Assets			
Holding for-sale assets			
Non-current Assets Due within 1 Year	53,952,526.19	53,952,526.19	
Other Current Assets	21,919,487.88	21,919,487.88	
Subtotal of Current Assets	15,552,500,226.02	15,552,500,226.02	

Non-current Assets:			
Investment in Creditor's Rights			
Investment in Other Creditor's Rights			
Long-term Receivables	137,284,594.67	137,284,594.67	
Long-term Equity Investment	3,523,259,061.78	3,523,259,061.78	
Investment in Other Equity Instruments			
Other Non-current Financial Assets	62,979,387.68	62,979,387.68	
Investment Property	187,756,594.11	187,756,594.11	
Fixed Assets	536,909,246.66	536,909,246.66	
Projects under Construction	203,836,998.96	203,836,998.96	
Productive Biological Assets			
Oil and gas assets			
Right-of-use Assets			
Intangible Assets	168,215,377.39	168,215,377.39	
Development Expenditure			
Goodwill			
Long-term Prepaid Expenses	26,687,122.32	26,687,122.32	
Deferred Income Tax Assets	131,503,372.44	131,503,372.44	
Other Non-current Assets	1,964,757.00	1,964,757.00	
Subtotal of Non-current Assets	4,980,396,513.01	4,980,396,513.01	
Total Assets	20,532,896,739.03	20,532,896,739.03	
Current Liabilities:			
Short-term loan	400,323,888.90	400,323,888.90	
Transactional financial liabilities			
Derivative Financial Liabilities			
Notes Payable	302,168,249.70	302,168,249.70	
Accounts Payable	948,348,622.52	948,348,622.52	
Received Prepayments	181,462,746.37		-181,462,746.37
Contract liabilities		160,586,501.21	160,586,501.21
Payroll payable	1,078,396,381.39	1,078,396,381.39	
Tax Payable	460,577,509.52	481,453,754.68	20,876,245.16
Other Payables	1,363,740,346.75	1,363,740,346.75	
Including: interest payable			

Dividends Payable	9,454,479.13	9,454,479.13	
Holding for-sale liabilities			
Non-current Liabilities Due within 1 Year			
Other Current Liabilities	5,892,364.82	5,892,364.82	
Subtotal of Current Liabilities	4,740,910,109.97	4,740,910,109.97	
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	9,735,157.34	
Deferred Income			
Deferred Income Tax Liabilities	1,297,719.64	1,297,719.64	
Other Non-current Liabilities	16,155,036.85	16,155,036.85	
Subtotal of Non-current Liabilities	27,187,913.83	27,187,913.83	
Total Liabilities	4,768,098,023.80	4,768,098,023.80	
Shareholders' Equity:			
Share Capital	3,003,713,230.00	3,003,713,230.00	
Other Equity Instruments			
Including: Preferred Stocks			
Perpetual Bonds			
Capital Reserves	1,867,489,901.04	1,867,489,901.04	
Less: Treasury Share	1,057,584,258.31	1,057,584,258.31	
Other Comprehensive Incomes			
Special Reserves			
Surplus Reserves	1,553,691,005.92	1,553,691,005.92	
Undistributed Profits	10,397,488,836.58	10,397,488,836.58	
Total Shareholders' Equity	15,764,798,715.23	15,764,798,715.23	
Total Liabilities and Shareholders' Equity	20,532,896,739.03	20,532,896,739.03	

(4) Explanation of early compared data after first implementation of new revenue standard and retroactive adjustment of new lease standard in 2020

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 and actual paid turnover 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 and actual paid turnover tax	3%
Local Education Surcharges	Calculated based on the deduction-free amount and actual paid turnover 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%
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%
Guangxi Dahua Zhicheng 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%
Beijing Huayue Shangcheng Information Technology Service Co., Ltd.	20%
Shanghai Huashang Chengyue Information Technology Service Co., Ltd.	20%
Hangzhou Huacheng Software Technology Co., Ltd.	20%
Zhejiang Dahua Storage Technology Co., Ltd.	20%
Zhejiang Huakong Software 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, with a validity period of 3 years from 2017 to 2019. Currently, it's still under the application for reexamination of the qualification of high and new technology enterprises. Pursuant to the "Announcement of State Administration of Taxation on Issues Concerning Implementation of Preferential Income Tax Policies for High-tech Enterprises", the corporate income tax may be temporarily prepaid at the rate of 15% before re-application within the year of expiration of high-tech qualification. Therefore, the Company's current corporate income tax is reduced and paid at the 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 (2017-2019). Currently, it's still under the application for reexamination of the qualification of high and new technology enterprises. Pursuant to the "Announcement of State Administration of Taxation on Issues Concerning Implementation of Preferential Income Tax Policies for High-tech Enterprises", the corporate income tax may be temporarily prepaid at the rate of 15% before re-application within the year of expiration of high-tech qualification. Therefore, the Company's current corporate income tax is reduced and paid at the rate of 15%.

(5) 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 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%.

(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 Hangzhou Teconmore Technology 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%.

(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 Zhejiang HuaRay Technology 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%.

(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 Huachuang Vision Technology Co., Ltd. was preliminarily certified as a high-tech enterprise with the validity period of 3 years. The corporate income tax for this year was calculated and paid at a rate of 15%.

(9) 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, with a validity period of 3 years. The corporate income tax for this year was calculated and paid at the tax rate of 15%.

(10) According to The Notice on 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 Fengshi 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., Beijing Huayue Shangcheng Information Technology Co., Ltd., Shanghai Huashang Chengye Information Technology Co., Ltd., Hangzhou Huacheng Network Technology Co., Ltd., Zhejiang Dahua Storage Technology Co., Ltd., and Zhejiang Huakong Software Co., Ltd.

(11) According to the document CaiShui [2011] No.58 issued by the Ministry of Finance, the State Administration of Taxation, and the General Administration of Customs, the following subsidiaries may enjoy preferential tax policies for 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. Therefore, the corporate income tax for this year was reduced and paid at the rate of 15%.

(12) 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 reduced by half in 2020.

VII. Notes to the Items in the Consolidated Financial Statement

1. Cash and bank balances

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Cash on Hand	25,886.50	117,289.25
Bank Balance	2,748,146,637.43	2,590,777,015.41
Other Cash and Bank Balances	382,098,717.11	493,534,665.77
Total	3,130,271,241.04	3,084,428,970.43
Including: Total Amount Deposited in Overseas Banks	1,063,661,549.17	875,156,010.72
The total amount restricted for use due to mortgage, pledge or freeze	345,896,141.39	346,461,821.88

The amount restricted in use due to mortgage, pledge or freeze are as follows:

Item	Balance at the End of the Period	Balance at the Start of the Period
Documentary Credit Deposit	247,782,500.00	244,167,000.00
Bid/performance bond	98,113,641.39	102,294,821.88

Total	345,896,141.39	346,461,821.88
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2. Trading financial assets

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Financial assets at fair value through profit or loss in this period	902,431,780.82	
Of which: Derivative Financial Assets	902,431,780.82	
Total	902,431,780.82	

Other notes:

The amount of trading financial assets pledged by the company at the end of the period was 100,000,000.00 yuan, see Note 60 for details.

3. 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	63,011,465.15	0.47%	63,011,465.15	100.00%		64,978,308.37	0.44%	64,978,308.37	100.00%	
Including:										
Accounts receivable with insignificant single amount but accrued for separate provision of bad debt	63,011,465.15	0.47%	63,011,465.15	100.00%		64,978,308.37	0.44%	64,978,308.37	100.00%	

Accounts receivables with the bad debt provision accrued based on combinations	13,403,301,352.34	99.53%	1,486,317,293.07	11.09%	11,916,984,059.27	14,644,273,870.19	99.56%	1,404,004,451.97	9.59%	13,240,269,418.22
Including:										
Portfolio 2: Aging Analysis Portfolio	13,403,301,352.34	99.53%	1,486,317,293.07	11.09%	11,916,984,059.27	14,644,273,870.19	99.56%	1,404,004,451.97	9.59%	13,240,269,418.22
Total	13,466,312,817.49	100.00%	1,549,328,758.22		11,916,984,059.27	14,709,252,178.56	100.00%	1,468,982,760.34		13,240,269,418.22

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	51,616,761.62	51,616,761.62	100.00%	Expected to be unable to recover
Customer 2	11,394,703.53	11,394,703.53	100.00%	Expected to be unable to recover
Total	63,011,465.15	63,011,465.15	--	--

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 (including 1 year)	9,732,341,242.42	486,617,062.12	5.00%
1 to 2 years	2,218,293,540.52	221,829,354.05	10.00%
2 to 3 years	655,394,461.95	196,618,338.58	30.00%
3 to 4 years	277,095,011.09	138,547,505.55	50.00%
4 to 5 years	387,360,317.99	309,888,254.40	80.00%
5 years or above	132,816,778.37	132,816,778.37	100.00%
Total	13,403,301,352.34	1,486,317,293.07	--

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	Balance at the End of the Period
Within 1 year (including 1 year)	9,732,341,242.42
1 to 2 years	2,218,293,540.52
2 to 3 years	666,789,165.48
3 years or above	848,888,869.07
3 to 4 years	328,711,772.71
4 to 5 years	387,360,317.99
5 years or above	132,816,778.37
Total	13,466,312,817.49

(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	1,468,982,760.34	82,365,867.05	1,920,625.00		-99,244.17	1,549,328,758.22
Total	1,468,982,760.34	82,365,867.05	1,920,625.00		-99,244.17	1,549,328,758.22

(3) Accounts receivable of the top five balances at the end of the period collected by the arrears

According to the balance collected by the debtor at the end of the period, the total amount of the top five accounts receivable is RMB 1,281,315,750.11, accounting for 9.51% 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 244,712,379.18 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

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.

4. Receivables financing

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Notes receivable	670,667,363.91	1,086,017,357.90
Total	670,667,363.91	1,086,017,357.90

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

Other notes:

(1) Notes receivable pledged by the Company at the end of the period

Unit: RMB

Item	Pledged amount by the end of period
Bank Acceptance Notes	608,093,569.33
Total	608,093,569.33

(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	Derecognised amount at the end of period	Not derecognised amount at the end of period
Bank Acceptance Notes	484,012,688.06	
Total	484,012,688.06	

5. Advance payment

(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	108,453,563.29	91.59%	139,527,812.79	97.43%
1 to 2 years	7,698,609.47	6.50%	1,674,410.31	1.17%
2 to 3 years	1,135,823.08	0.96%	762,597.42	0.53%

3 years or above	1,122,350.52	0.95%	1,247,679.97	0.87%
Total	118,410,346.36	--	143,212,500.49	--

(2) Advance payment of the top five closing balances by prepayment parties

According to the advance payment objects, the total amount of the top five at the end of period is RMB 32,609,671.58, accounting for 27.54% of the total closing balance of the advance payment.

6. Other receivables

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Other Receivables	326,474,815.43	408,776,610.17
Total	326,474,815.43	408,776,610.17

(1) Other receivables

1) Other receivables categorized by the nature of the funds

Unit: RMB

Nature of the funds	Closing balance	Opening balance
Deposits	166,251,332.97	186,488,490.93
Prepaid or advance expense	87,702,819.28	105,487,796.31
Export refunds		40,988,648.13
Employee home loan	110,265,165.46	130,509,023.60
Others	22,831,054.15	6,367,769.53
Total	387,050,371.86	469,841,728.50

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, 2020	44,187,736.10	15,678,284.02	1,199,098.21	61,065,118.33
Balance of the current period on January 1,	—	—	—	—

2020				
--Transfer to phase two	-5,894,374.55	5,894,374.55		
--Transfer to phase three	-49,468.73	-13,403.03	62,871.76	
Provisions of this period	3,260,909.12	1,476,569.46	10,299.32	4,747,777.90
Reversal of the current period			372,845.64	372,845.64
Other variations	-4,179,747.03	-684,747.13		-4,864,494.16
Balance on June 30, 2020	37,325,054.91	22,351,077.87	899,423.65	60,575,556.43

Book balance changes with significant changes in loss provision in the current period

Applicable Not applicable

Disclosure by age

Unit: RMB

Aging	Balance at the End of the Period
Within 1 year (including 1 year)	224,404,880.67
1 to 2 years	62,155,737.52
2 to 3 years	55,525,585.27
3 years or above	44,964,168.40
3 to 4 years	34,533,546.35
4 to 5 years	6,076,294.81
5 years or above	4,354,327.24
Total	387,050,371.86

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	61,065,118.33	4,747,777.90	372,845.64		-4,864,494.16	60,575,556.43
Total	61,065,118.33	4,747,777.90	372,845.64		-4,864,494.16	60,575,556.43

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	Deposits	24,410,000.00	RMB 24,400,000.00 within 1 year, RMB 10,000.00 for 1 to 2 years	6.31%	1,221,000.00
Company 2	Prepaid or advance expense	15,349,084.51	Within 1 year	3.97%	767,454.23
Company 3	Deposits	12,000,000.00	3 to 4 years	3.10%	6,000,000.00
Company 4	Prepaid or advance expense	8,870,200.04	RMB 134,183.84 within 1 year, RMB 93,396.00 for 1 to 2 years, RMB 8,642,620.20 for 2 to 3 years	2.29%	2,608,834.85
Company 5	Deposits	7,912,207.01	RMB 2,000,000.00 within 1 year, RMB 5,912,207.01 for 1 to 2 years	2.04%	691,220.70
Total	--	68,541,491.56	--	17.71%	11,288,509.78

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.

7. Inventory

(1) Categories of inventories

Unit: RMB

Item	Balance at the End of the Period			Balance at the Start of the Period		
	Book balance	Provision for inventory write down or contract performance cost impairment	Book value	Book balance	Provision for inventory write down or contract performance cost impairment	Book value
Raw materials	1,562,567,062.45	14,739,209.10	1,547,827,853.35	1,322,280,135.63	9,174,244.38	1,313,105,891.25
Work-in-progresses	1,191,134,997.24	25,244,199.15	1,165,890,798.09	907,039,528.28	11,835,784.37	895,203,743.91
Finished goods	1,662,117,074.88	65,211,111.60	1,596,905,963.28	1,549,317,679.30	59,728,540.61	1,489,589,138.69
Outsourced work-in-progresses	180,491,729.44		180,491,729.44	141,911,930.48		141,911,930.48
Total	4,596,310,864.01	105,194,519.85	4,491,116,344.16	3,920,549,273.69	80,738,569.36	3,839,810,704.33

(2) Provision for inventory write down and for contract performance cost impairment

Unit: RMB

Item	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	11,424,739.53		5,859,774.81		14,739,209.10
Work-in-progresses	11,835,784.37	16,391,701.49		2,983,286.71		25,244,199.15
Finished goods	59,728,540.61	14,486,666.33		9,576,053.79	-571,958.45	65,211,111.60
Total	80,738,569.36	42,303,107.35		18,419,115.31	-571,958.45	105,194,519.85

8. Contract assets

Unit: RMB

Item	Balance at the End of the Period			Balance at the Start of the Period		
	Book balance	Provision for	Book value	Book balance	Provision for	Book value

		decline in value			decline in value	
Completed but unsettled assets formed under construction contracts	1,017,240.04	90,277.61	926,962.43	1,017,240.04	90,277.61	926,962.43
Operation and maintenance service	58,850,131.90	2,942,506.60	55,907,625.30			
Total	59,867,371.94	3,032,784.21	56,834,587.73	1,017,240.04	90,277.61	926,962.43

Please refer to the disclosing methods of other receivables for the information disclosure of bad debts provisions, if the bad debt provisions of contract assets are made according to the general model of expected credit losses:

Applicable Not applicable

Provision for impairment accrued for contract assets of this period

Unit: RMB

Item	Provisions of this period	Reversal of the current period	Write-offs of this period	Causes
Operation and maintenance service	2,942,506.60			
Total	2,942,506.60			--

9. Non-current assets due within 1 year

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Long-term accounts receivables due within 1 year	868,113,666.02	630,717,329.58
Total	868,113,666.02	630,717,329.58

Other notes:

The amount of long-term receivables due within 1 year pledged by the Company at the end of the period is RMB 29,381,785.35. See Note 60 for details.

10. Other current assets

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Receivable return cost	16,598,569.57	12,853,217.01
Not deducted input tax	386,743,022.27	538,283,444.00
Prepaid enterprise income tax	14,119,776.44	18,028,326.08
Total	417,461,368.28	569,164,987.09

11. Long-term receivables

(1) Long-term receivables

Unit: RMB

Item	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	2,262,478,707.29		2,262,478,707.29	2,568,442,030.19		2,568,442,030.19	
Including: Unrealized Financing Income	355,899,512.25		355,899,512.25	413,390,725.32		413,390,725.32	3.03%-7.62%
Total	2,262,478,707.29		2,262,478,707.29	2,568,442,030.19		2,568,442,030.19	--

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

The amount of long-term receivables pledged by the Company at the end of the period is RMB 216,551,165.91. See Note 60 for details.

12. Long-term equity investment

Unit: RMB

The invested entity	Balance at the Start of the Period (book)	Decrease/Increase in the current period								Balance at the End of the Period (book)	Closing balance of provision for decline
		Investments increased	Investment decreased	Investment profit and loss recognized under	Adjustment on other comprehensive	Other changes in equity	Cash dividends or profit declared to	Provision for impairment accrued	Others		

	value)			the equity method	income		distribute			value)	in value
I . Joint ventures											
II . Affiliates											
Zhejiang Leapmotor Technology Co., Ltd.	123,065,033.65			-42,984,111.81						80,080,921.84	
Hangzhou Juhuan Information Technology Co., Ltd.	811,197.09	500,000.00		37,312.48						1,348,509.57	
Wenzhou Dahua Security Services Co., Ltd.	806,173.85			-42,462.85						763,711.00	
Taizhou Dahua Security Services Co., Ltd.	364,239.13			36,716.50						400,955.63	
Ningbo Dahua Anbang Security Services Co., Ltd.	1,102,372.36			62,590.26						1,164,962.62	
Lishui Dahua Intelligent Technology Co.,	5,549.81			62,929.88						68,479.69	

Ltd.										
Zhoushan Dahua Technology Co., Ltd.	692,565.83			15,277.10					707,842.93	
Shaoxing Dahua Security Services Co., Ltd.	570,258.76			-66,384.57					503,874.19	
Zhejiang Dahua Zhian Internet of Things Technology Co., Ltd.	3,954,685.12			12,277.02					3,966,962.14	
Shenzhen Conwin Security Electronics CO., Ltd.	11,426,036.40		11,313,591.67	-112,444.73						
China Standard Intelligent Security Technology Co., Ltd.	10,567,309.66			-364,953.51					10,202,356.15	
Intelbras S.A.	337,365,815.19			1,213,355.80				-63,899.99	338,515,271.00	
Ruicity Digital Technology Co., Ltd.		64,000,000.00		-2,446,549.04					61,553,450.96	
Subtotal	490,731,	64,500,0	11,313,5	-44,576,				-63,899.	499,277,	

	236.85	00.00	91.67	447.47					99	297.72	
Total	490,731,236.85	64,500,000.00	11,313,591.67	-44,576,447.47					-63,899.99	499,277,297.72	

13. Other non-current financial assets

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Financial assets at fair value through profit or loss in this period	189,937,851.78	67,213,489.43
Among which: Investment in equity instrument	189,937,851.78	67,213,489.43
Total	189,937,851.78	67,213,489.43

14. Investment property

(1) Investment properties measured by cost method

√ Applicable □ Not applicable

Unit: RMB

Item	Buildings and constructions	Land use rights	Projects under Construction	Total
I . Original book value				
1. Opening Balance	366,256,418.69	9,422,118.33		375,678,537.02
2. Increased in the Current Period	7,728,000.16	421,414.92		8,149,415.08
(1) Purchase				
(2) Transfer of fixed assets\intangible assets	7,728,000.16	421,414.92		8,149,415.08
(3) Acquisition				
3. Decreased in the Current Period				
(1) Disposal				
(2) Other Transfer-out				
4. Closing Balance	373,984,418.85	9,843,533.25		383,827,952.10
II . Accumulated Depreciation and				

Amortization				
1. Opening Balance	38,163,932.99	1,333,014.04		39,496,947.03
2. Increased in the Current Period	10,589,046.25	-355,859.10		10,233,187.15
(1) Accrual or Amortization	8,801,979.46	96,045.72		8,898,025.18
(2) Transfer of fixed assets\intangible assets	1,787,066.79	-451,904.82		1,335,161.97
3. Decreased in the Current Period				
(1) Disposal				
(2) Other Transfer-out				
4. Closing Balance	48,752,979.24	977,154.94		49,730,134.18
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	325,231,439.61	8,866,378.31		334,097,817.92
2. Opening Balance on Book Value	328,092,485.70	8,089,104.29		336,181,589.99

(2) Investment properties measured at fair value

Applicable Not applicable

(3) Investment properties with certificates of title not granted

N/A

15. Fixed assets

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Fixed Assets	1,510,795,215.47	1,522,463,368.83
Total	1,510,795,215.47	1,522,463,368.83

(1) Fixed assets

Unit: RMB

Item	Housing and building	Machinery and equipment	Means of transport	Electronic and other equipment	Total
I . Original book value:					
1. Opening Balance	1,229,211,545.48	293,050,750.13	35,697,923.61	789,678,550.06	2,347,638,769.28
2. Increased in the Current Period	2,286,532.67	2,696,041.81	1,866,572.25	114,344,989.65	121,194,136.38
(1) Purchase		2,696,041.81	1,866,572.25	114,344,989.65	118,907,603.71
(2) Transferred From Construction in Progress	2,286,532.67				2,286,532.67
(3) Acquisition					
3. Decreased in the Current Period	7,728,000.16	140,656.86	152,295.68	15,606,751.35	23,627,704.05
(1) Disposal or Scrapping		140,656.86	152,295.68	14,758,981.00	15,051,933.54
(2) Transfer to investment real estate	7,728,000.16				7,728,000.16
(3) Disposal of subsidiaries				847,770.35	847,770.35
4. Currency Translation	57,763.50	35,497.71	-138,763.10	-2,290,515.82	-2,336,017.71

Difference					
5. Closing Balance	1,223,827,841.49	295,641,632.79	37,273,437.08	886,126,272.54	2,442,869,183.90
II. Accumulated depreciation					
1. Opening Balance	223,283,902.05	71,753,769.77	28,598,213.53	501,539,515.10	825,175,400.45
2. Increased in the Current Period	26,584,629.85	12,924,805.90	1,391,120.17	81,439,003.80	122,339,559.72
(1) Accrual	26,584,629.85	12,924,805.90	1,391,120.17	81,439,003.80	122,339,559.72
3. Decreased in the Current Period	1,787,066.79	92,448.06	144,680.89	12,633,663.74	14,657,859.48
(1) Disposal or Scrapping		92,448.06	144,680.89	11,972,823.37	12,209,952.32
(2) Transfer to investment real estate	1,787,066.79				1,787,066.79
(3) Disposal of subsidiaries				660,840.37	660,840.37
4. Currency Translation Difference	7,798.07	29,843.22	-87,511.46	-733,262.09	-783,132.26
5. Closing Balance	248,089,263.18	84,615,970.83	29,757,141.35	569,611,593.07	932,073,968.43
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	975,738,578.31	211,025,661.96	7,516,295.73	316,514,679.47	1,510,795,215.47

Value					
2. Opening 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) Fixed assets with certificates of title not granted

N/A

16. Construction in progress

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Projects under Construction	708,252,710.11	435,757,406.90
Total	708,252,710.11	435,757,406.90

(1) Details of construction in progress

Unit: RMB

Item	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
Phase I, Urban Intelligent Information Industry Construction Project	33,087,597.41		33,087,597.41	25,497,962.29		25,497,962.29
The phase II construction project of the smart manufacturing base in Hangzhou	209,276,362.03		209,276,362.03	122,432,129.02		122,432,129.02
Construction Project of Xi'an R & D Center	83,507,868.43		83,507,868.43	55,188,924.03		55,188,924.03
The construction project of the marketing center in Xi'an	33,751,027.72		33,751,027.72	25,256,304.13		25,256,304.13

Project of Smart IoT Solution R & D and Industrialization	313,423,723.52		313,423,723.52	195,019,175.01		195,019,175.01
Others	35,206,131.00		35,206,131.00	12,362,912.42		12,362,912.42
Total	708,252,710.11		708,252,710.11	435,757,406.90		435,757,406.90

(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 accumulative 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	195,019,175.01	118,404,548.51			313,423,723.52	34.37%	34.37%				Equity Fund
The phase II construction project of the smart manufacturing base in Hangzhou	827,063,700.00	122,432,129.02	86,844,233.01			209,276,362.03	25.30%	25.30%				Equity Fund
Construction Project	733,621,400.00	55,188,924.03	28,318,944.40			83,507,868.43	11.38%	11.38%				Equity Fund

of Xi'an R & D Center												
The construction project of the marketing center in Xi'an	300,000,000.00	25,256,304.13	8,494,723.59			33,751,027.72	11.25%	11.25%				Equity Fund
Phase I, Urban Intelligent Information Industry Construction Project	39,333,858.52	25,497,962.29	7,589,635.12			33,087,597.41	84.12%	84.12%				Equity Fund
Total	2,811,983,358.52	423,394,494.48	249,652,084.63			673,046,579.11	--	--				--

17. Intangible assets

(1) Details of intangible assets

Unit: RMB

Item	Land use rights	Patent right	Non-patented technology	Softwares	Trademark rights	Software copyright	Total
I . Original book value							
1. Opening 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
2. Increased in the Current Period	15,131,620.75			11,482,140.39			26,613,761.14
(1) Purchase	15,131,620.75			1,985,424.65			17,117,045.40

(2) Internal research and development							
(3) Acquisition							
(4) Transfer of construction in progress				9,496,715.74			9,496,715.74
3. Decreased in the Current Period	421,414.92			1,549,817.59			1,971,232.51
(1) Disposal				728,663.74			728,663.74
(2) Transfer to investment real estate	421,414.92						421,414.92
(3) Disposal of subsidiaries				821,153.85			821,153.85
4. Currency Translation Difference	7,275.00			400,513.85	6,984.00		414,772.85
5. Closing Balance	373,957,468.45		62,876,510.59	141,464,608.03	2,706,128.00	6,381,122.62	587,385,837.69
II. Accumulated amortization							
1. Opening 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
2. Increased in the Current Period	4,027,290.44		3,073,730.22	17,270,049.18	62,399.97	238,112.29	24,671,582.10
(1) Accrual	4,027,290.44		3,073,730.22	17,270,049.18	62,399.97	238,112.29	24,671,582.10
3. Decreased in the Current Period	-451,904.82			1,129,288.24			677,383.42
(1) Disposal				728,134.45			728,134.45
(2) Transfer to investment	-451,904.82						-451,904.82

real estate							
(3) Disposal of subsidiaries				401,153.79			401,153.79
4. Currency Translation Difference				92,298.34	6,984.00		99,282.34
5. Closing Balance	25,739,753.06		44,360,811.26	95,775,929.14	2,643,728.00	6,143,010.46	174,663,231.92
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	348,217,715.39		18,515,699.33	45,688,678.89	62,400.00	238,112.16	412,722,605.77
2. Opening 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) Land use right without property ownership certificate

Unit: RMB

Item	Book value	Reasons for certificates of title not
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		granted
Liuzhou office land	14,997,569.95	In the process of obtaining the real estate certificates

18. 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.	6,615,294.18					6,615,294.18
Lorex Technology Inc.	36,070,196.12					36,070,196.12
Total	113,768,771.39			71,083,281.09		42,685,490.30

(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 or matters which formed goodwill	Amount of goodwill	Information about the asset group or asset group combination where it is located
Dahua Technology Italy S.R.L.	6,615,294.18	The asset group relating to the goodwill generated from 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 June 30, 2020.
Lorex Technology Inc.	36,070,196.12	The asset group relating to the goodwill generated from acquisition of Lorex Technology Inc., that is, the long-term asset group, including fixed assets and intangible assets, formed for Lorex Technology Inc. on June 30, 2020.

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

After assessing the recoverable amount of goodwill, the Company did not find that the recoverable amount of goodwill of the underlying asset group was lower than its book value, nor that there was any indication of impairment, therefore the Company concluded that there was no need to accrue an impairment loss.

During the period, the Company transferred its entire 51% equity in North-South United Information Technology Co., Ltd. after which the company was no longer included in the scope of consolidation, and the goodwill previously formed from the acquisition of North-South United Information Technology Co., Ltd. under non-homogeneous control was no longer recognized.

19. Long-term deferred expenses

Unit: RMB

Item	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	654,902.81		53,106.75		601,796.06
Improvement expenditure of fixed assets leased by operating lease	36,656,295.38	8,849,689.36	10,245,765.81	370,654.78	34,889,564.15
Others		17,385,627.80	2,154,071.83		15,231,555.97
Total	37,311,198.19	26,235,317.16	12,452,944.39	370,654.78	50,722,916.18

20. Deferred income tax assets/deferred income tax liabilities**(1) Deferred income tax assets not written off**

Unit: RMB

Item	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	75,042,053.44	17,122,398.04	1,372,773,968.68	280,528,766.00
Unrealized Profit from Internal Transactions	546,606,346.69	102,435,745.09	547,077,611.01	104,177,416.44
Deductible Losses	421,383,456.45	89,540,580.48	112,428,262.35	22,790,464.62
Provision for Credit Loss	1,370,948,276.69	264,116,414.57		
Expected Liabilities	273,494,254.24	41,605,440.33	294,259,856.02	48,245,412.84
Payroll payable	210,843,754.32	34,942,955.08	186,486,020.88	30,804,008.79
Equity incentive expense	381,041,112.07	59,125,494.02	645,397,447.32	100,199,757.74
Costs from Tax Increase Due to Absence of Invoice	126,126,096.80	25,023,838.03	332,596,395.85	79,563,686.57
Changes in fair value of financial instruments	0.00	0.00	4,652,255.96	697,838.39
Others	1,795,359.86	448,866.75	4,204,829.75	1,051,207.44
Total	3,407,280,710.56	634,361,732.39	3,499,876,647.82	668,058,558.83

(2) Deferred income tax liabilities not written off

Unit: RMB

Item	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	290,441,168.98	50,609,239.75	274,935,901.68	50,565,095.68
Changes in fair value of financial instruments	12,356,861.89	1,893,971.44		
Total	302,798,030.87	52,503,211.19	274,935,901.68	50,565,095.68

(3) Deferred Income Tax Assets or Liabilities Listed by Net Amount after Offset

Unit: RMB

Item	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		634,361,732.39		668,058,558.83
Deferred Income Tax Liabilities		52,503,211.19		50,565,095.68

(4) Deferred income tax assets or liabilities listed by net amount after offset

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Deductible temporary difference	341,100,125.87	288,540,182.92
Deductible Losses	566,087,882.20	426,612,969.56
Total	907,188,008.07	715,153,152.48

(5) Details of unrecognized deferred income tax assets

Unit: RMB

Year	Amount at the end of the period	Opening balance	Notes
2020	11,057,227.29	11,057,227.29	Losses in 2015 and due in 2020
2021	31,829,325.69	39,382,442.56	Losses in 2016 and due in 2021
2022	46,869,736.69	48,794,703.23	Losses in 2017 and due in 2022
2023	86,746,791.78	87,817,547.48	Losses in 2018 and due in 2023
2024	231,564,150.96	239,561,049.00	Losses in 2019 and due in 2024
2025	158,020,649.79		Losses in 2020 and due in 2025
Total	566,087,882.20	426,612,969.56	--

21. Other non-current assets

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Prepayments for purchase of engineering equipments	6,182,115.21	8,605,835.50
Total	6,182,115.21	8,605,835.50

22. Short-term loans**(1) Categories of short-term loan**

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Pledged loans	166,357,669.29	
Fiduciary loans	1,370,000,000.00	400,000,000.00
Interest payable for short-term loan	3,986,500.00	323,888.90
Total	1,540,344,169.29	400,323,888.90

23. Notes payable

Unit: RMB

Types	Balance at the End of the Period	Balance at the Start of the Period
Commercial acceptance bill	1,268,899,541.24	1,875,977,697.88
Bank acceptance bill	889,335,170.77	1,931,315,097.19
Total	2,158,234,712.01	3,807,292,795.07

24. Accounts payable**(1) Details of accounts payable**

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Payment for purchase of materials	3,704,566,380.68	4,140,093,134.61
Payment for engineering equipments	150,072,948.32	150,160,367.20
Total	3,854,639,329.00	4,290,253,501.81

(2) Important accounts payable aged over 1 year

There is no significant accounts payable aged over 1 year.

25. Contract liabilities

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Payments for sales of goods	212,902,049.29	185,485,784.16
Pre-payments from construction projects	315,721,286.36	148,559,962.10
Member points	19,411,572.96	
Total	548,034,908.61	334,045,746.26

26. Payroll payable**(1) Details of payroll payable**

Unit: RMB

Item	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	1,575,736,595.62	2,448,411,579.29	3,053,485,345.97	970,662,828.94
II . Dimission benefits - defined contribution plan	6,631,763.68	61,301,659.97	60,490,351.56	7,443,072.09
III. Dismissal welfare		17,458,349.16	17,417,825.60	40,523.56
Total	1,582,368,359.30	2,527,171,588.42	3,131,393,523.13	978,146,424.59

(2) List of short-term remuneration

Unit: RMB

Item	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	1,361,769,616.52	2,184,355,401.29	2,838,302,719.09	707,822,298.72
2. Staff welfare		42,879,845.98	42,879,845.98	
3. Social insurance contributions	5,896,704.91	50,603,764.47	49,827,669.45	6,672,799.93
Including: medical insurance	5,098,015.12	47,004,531.06	47,288,267.81	4,814,278.37
Work injury	352,016.99	1,315,539.16	1,245,195.56	422,360.59

insurance premium				
Maternity insurance premium	446,672.80	2,283,694.25	1,294,206.08	1,436,160.97
4. Housing funds	289,644.14	112,097,763.18	112,329,729.41	57,677.91
5. Labor union and education funds	207,780,630.05	58,474,804.37	10,145,382.04	256,110,052.38
Total	1,575,736,595.62	2,448,411,579.29	3,053,485,345.97	970,662,828.94

(3) Defined contribution plan (Note)

Unit: RMB

Item	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	6,028,969.84	58,801,223.38	57,928,191.00	6,902,002.22
2. Unemployment insurance	602,793.84	2,500,436.59	2,562,160.56	541,069.87
Total	6,631,763.68	61,301,659.97	60,490,351.56	7,443,072.09

27. Taxes and dues payable

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
VAT	242,656,048.73	378,432,028.44
Enterprise Income Tax	253,833,866.92	419,841,639.86
Individual income tax	13,977,438.40	18,196,436.48
Urban Maintenance and Construction Tax	6,294,021.36	20,932,919.75
House property tax	224,337.86	10,840,683.16
Education surcharges (including local education surcharges)	4,495,338.22	14,952,034.15
Stamp duty	1,046,519.98	2,048,405.64
Land usage tax	315,265.61	
Disabled security fund	7,170,681.70	1,020,725.47
Sales tax	3,920,998.14	3,356,926.93
Others	104,250.93	242,122.07
Total	534,038,767.85	869,863,921.95

28. Other payables

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Dividends Payable	14,288,249.35	9,454,479.13
Other Payables	1,031,039,240.43	1,154,461,234.11
Total	1,045,327,489.78	1,163,915,713.24

(1) Dividends payable

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Equity Incentive Restricted Stock Dividend	14,288,249.35	9,454,479.13
Total	14,288,249.35	9,454,479.13

(2) Other payables**1) Other payables listed by nature of funds**

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Deposits	129,491,183.72	51,615,269.84
Temporarily borrowed and advance payments	229,731,718.43	202,871,784.05
Special fund for talent incentive	10,966,002.00	58,413.00
Restricted share repurchase obligations	629,131,574.61	854,084,857.87
Others	31,718,761.67	45,830,909.35
Total	1,031,039,240.43	1,154,461,234.11

2) Significant other payables aged over 1 year

There are no significant other payables aged over 1 year

29. Non-current liabilities due within 1 year

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
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Long-term debt due within one year	25,500,000.00	25,500,000.00
Interest payable due within 1 year	881,963.91	1,493,755.57
Total	26,381,963.91	26,993,755.57

30. Other current liabilities

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
To-be-transferred sales taxes in installments	96,409,504.55	71,233,107.93
Total	96,409,504.55	71,233,107.93

31. Long-term loans

(1) Categories of long-term loans

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Pledged loans	128,500,000.00	153,500,000.00
Fiduciary loans	400,000,000.00	
Total	528,500,000.00	153,500,000.00

32. Estimated liabilities

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period	Causes
Expected after-sales maintenance cost	293,967,773.40	300,715,511.10	After-sales maintenance
Expected return amount after the period	24,171,783.44	15,552,498.78	Expected sales return
Others	15,114.26	256,094.63	Loss-making contract
Total	318,154,671.10	316,524,104.51	--

33. Deferred income

Unit: RMB

Item	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
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Government subsidies	91,257,373.89		3,418,783.80	87,838,590.09	Received government subsidies related to assets
Member points	25,953,387.45		25,953,387.45		Sales of merchandise
Total	117,210,761.34		29,372,171.25	87,838,590.09	--

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	55,520,909.92			1,586,311.74			53,934,598.18	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	8,281,463.97			1,832,472.06			6,448,991.91	Related to assets
Total	91,257,373.89			3,418,783.80			87,838,590.09	

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).

34. Other non-current liabilities

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
To-be-transferred sales taxes in installments	284,149,821.16	322,275,367.74
Other loans	110,000,000.00	110,000,000.00
Total	394,149,821.16	432,275,367.74

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.

35. 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	3,003,713,230.00				-2,247,700.00	-2,247,700.00	3,001,465,530.00

Other notes:

1. In accordance with the resolution of the 29th meeting of the 6th Board of Directors on December 30, 2019 and the revised Articles of Association of the Company, as well as and the resolution of the Company's 1st Extraordinary General Meeting of Shareholders in 2020, the Company repurchased and canceled 437,100 shares of the granted but locked restricted stock held by the resigned equity incentive targets, reducing the registered capital of RMB 437,100.00. The Company's registered capital was reduced to RMB 3,003,276,130.00. The above capital reduction has been verified through Xin Kuai Shi Bao Zi [2020] No.ZF10124 Verification Report issued by BDO China Shu Lun Pan CPAs (special general partnership).
2. According to the resolution of the 33rd session of the 6th Board of Directors' meeting held by the Company on April 2, 2020 and the revised company Articles of Association and the resolution of the Company's Annual Shareholders' Meeting in 2019, the Company repurchased and canceled 1,810,600 shares of the granted but locked restricted stock held by the resigned equity incentive objects, reducing the registered capital by RMB 1,810,600.00. The Company's registered capital was reduced to RMB 3,001,465,530.00. The change registration of the above capital reduction matters is still in process.

36. Capital reserves

Unit: RMB

Item	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)	1,351,253,597.73	164,023,202.10	119,640,368.28	1,395,636,431.55
Other capital reserves	531,601,521.80	86,184,488.08	179,238,671.08	438,547,338.80
Total	1,882,855,119.53	250,207,690.18	298,879,039.36	1,834,183,770.35

Other notes, including increases or decreases in this period and their reasons:

1. According to the 2020 Restricted Stock Incentive Plan of Zhejiang Dahua Technology Co. Ltd. (Draft) approved by the Company at its Annual Shareholders' Meeting in 2019, 10 restricted stock incentive objects purchased 13,391,480 shares of the Company's shares that were repurchased by the Company through centralized bidding, with a repurchase amount of RMB 203,499,400.44, and the actually received amount from the restricted stock incentive objects was RMB 99,994,181.16. The difference between the repurchase amount and the actual payment of RMB 103,505,219.28 was used to offset the capital surplus (share premium).
2. The amount of employee service exchanged by the share-based payment for this period was RMB 86,184,488.08 and due to repurchase and cancellation, the granted but locked restricted shares from equity incentive targets reimbursed employee service remuneration of RMB 11,138,896.13. 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 -5,377,346.78, increasing other capital reserves by RMB 86,184,488.08 in total, and reducing other capital reserves by RMB 16,516,242.91.
3. In this period, the Company repurchased and canceled the granted but locked restricted shares from equity incentive targets, amounting to 2,247,700 shares, reducing the capital shares by RMB 2,247,700.00, and reducing the capital reserves (capital share premium) by RMB 16,135,149.00.
4. As the performance conditions of 2019 have qualified to unlock the first unlocking period set by the Incentive Plan,

the restricted shares held by the incentive objects for the first unlocking period were unlocked, except for those who have departed. In other capital reserves, the amount of expenses recognized related to the unlocked restricted shares during the period was RMB 135,908,140.80, and the income tax impact of the amount deductible on a pre-tax basis in excess of the portion of costs and expenses recognized under accounting standards related to share-based payments was RMB 26,814,287.37, totaling RMB 162,722,428.17 transferred to capital reserve (share premium).

- The total increase in capital reserve (share premium) due to the purchase and disposal of minority interests in subsidiaries was RMB 1,300,773.93 in this period.

37. Treasury share

Unit: RMB

Item	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	854,084,857.87	99,994,181.16	324,947,464.42	629,131,574.61
Share repurchase	203,499,400.44		203,499,400.44	
Total	1,057,584,258.31	99,994,181.16	528,446,864.86	629,131,574.61

Other notes, including increases or decreases in this period and their reasons:

- The Company repurchased restricted stocks from former employees in this period, and a total of 2,247,700 shares of restricted stocks were repurchased, which correspondingly reduced the share capital by RMB 2,247,700.00, and reduced the corresponding treasury shares amounting RMB 18,382,849.00.
- As the Phase I of 2018 Restricted Stock Incentive Plan met the unlocking conditions, an aggregate of 36,931,560 restricted shares were unlocked, with a corresponding reduction in treasury share and related liabilities of RMB 298,037,635.57.
- The cash dividends allocated to restricted stock holders reduced treasury shares and related liabilities by RMB 8,989,262.52. Due to the departure of some employees, the cash dividends allocated to related former employees were recovered, and treasury shares and related liabilities were increased by RMB 462,282.67.
- According to the 2020 Restricted Stock Incentive Plan of Zhejiang Dahua Technology Co. Ltd. (Draft) approved by the Company at its Annual Shareholders' Meeting in 2019, 10 restricted stock incentive objects purchased 13,391,480 shares repurchased by the Company through centralized bidding, correspondingly reducing the inventory shares by RMB 203,499,400.00. The grant price of this incentive plan was 7.467, with a corresponding recognition of an increase in the repurchase obligation for treasury shares of RMB 99,994,181.16.

38. Other comprehensive incomes

Unit: RMB

Item	Balance at the Start of the Period	This Period's Amount of Occurrence						Balance at the End of the Period
		Before tax balance in this period	Less: recorded into other comprehensive incomes	Less: Recorded into other comprehensive incomes	Less: Income Tax Exp	Attributable to the Company after tax	Attributable to the minority shareholders	

			in previous period and transfere d to P/L in current period	in previous period and transfere d to retained income in current period	ens e		after tax	
II. Other comprehensive income that will be reclassified into P/L	12,308,276.23	1,838,733.32				1,838,745.43	-12.11	14,147,021.66
Including: converted difference in foreign currency statements	12,308,276.23	1,838,733.32				1,838,745.43	-12.11	14,147,021.66
Other comprehensive incomes in total	12,308,276.23	1,838,733.32				1,838,745.43	-12.11	14,147,021.66

39. Surplus reserve

Unit: RMB

Item	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	1,553,691,005.92			1,553,691,005.92
Total	1,553,691,005.92			1,553,691,005.92

40. Undistributed profits

Unit: RMB

Item	Current Period	Previous Period
Undistributed Profit before Adjustment at the End of Previous Period	10,248,023,654.54	7,670,983,116.33
Undistributed Profit after Adjustment at the Start of the Period	10,248,023,654.54	7,670,983,116.33
Add: net profit attributable to parent company's owner in current period	1,368,974,364.44	1,238,880,948.74
Less: ordinary share dividends payable	397,654,658.45	299,761,669.99
Add: Common stock dividends corresponding to repurchase and cancellation of restricted	462,282.67	

stocks		
Undistributed Profit at the End of the Period	11,219,805,643.20	8,610,102,395.08

41. Operating income and operating costs

Unit: RMB

Item	This Period's Amount of Occurrence		Previous Period's Amount of Occurrence	
	Income	Cost	Income	Cost
Main Business	9,602,675,069.68	4,920,046,273.00	10,586,100,409.57	6,258,976,217.79
Other businesses	235,653,783.94	179,203,877.57	220,465,961.32	184,452,933.24
Total	9,838,328,853.62	5,099,250,150.57	10,806,566,370.89	6,443,429,151.03

42. Taxes and surcharges

Unit: RMB

Item	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Urban Maintenance and Construction Tax	23,318,746.92	33,452,748.45
Education Surcharges	16,649,481.08	23,819,218.33
House property tax	2,429,673.54	2,649,929.92
Land usage tax	939,532.57	323,227.12
Vehicle and vessel use tax	34,922.82	
Stamp duty	4,827,847.03	3,763,949.94
Others	6,942,979.14	181,775.46
Total	55,143,183.10	64,190,849.22

43. Cost of sales

Unit: RMB

Item	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Labor cost	883,747,948.12	765,103,249.42
After-sales service expense	188,026,183.46	140,370,118.61
Transportation and vehicle expenses	162,242,677.25	155,268,937.92
Marketing expense	125,951,940.36	111,187,209.88
Taxation and insurance expense	117,797,928.06	28,293,533.06
Administrative expenses	106,886,558.37	99,350,035.03
Business entertainment	68,957,545.58	70,914,579.08

Traveling expense	62,166,335.57	73,216,422.53
Communication expense	26,252,604.63	25,917,363.58
Knowledge resource fee	21,141,479.54	12,443,137.92
Depreciation cost and asset amortization	15,640,480.09	10,375,898.37
Others	26,415,453.24	47,273,769.93
Total	1,805,227,134.27	1,539,714,255.33

44. Administration expenses

Unit: RMB

Item	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Labor cost	258,180,429.50	224,951,022.47
Depreciation cost and asset amortization	36,171,195.90	34,319,636.29
Administrative expenses	26,698,756.21	41,428,195.75
Knowledge resource fee	17,269,047.77	14,562,057.39
Consumables and service fees	8,690,430.41	7,304,727.49
Business entertainment	3,527,325.45	5,786,555.52
Transportation and vehicle expenses	2,405,347.17	7,313,060.87
Traveling expense	1,599,133.76	3,615,217.28
Others	1,239,825.05	7,638,694.30
Total	355,781,491.22	346,919,167.36

45. R&D expenses

Unit: RMB

Item	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Labor cost	1,142,032,536.26	1,087,040,550.89
Research consumables and service fees	105,243,650.19	87,539,009.16
Depreciation cost and asset amortization	27,160,042.95	23,016,431.23
Traveling expense	17,825,255.20	21,821,910.39
Administrative expenses	13,410,737.82	10,606,482.20
Communication expense	6,041,044.08	8,105,366.86

Others	2,899,674.45	7,131,451.04
Total	1,314,612,940.95	1,245,261,201.77

46. Financial expenses

Unit: RMB

Item	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Interest expense	36,633,828.03	76,337,321.42
Less: interest income	82,236,920.48	81,150,189.81
P/L on foreign exchange	5,140,375.51	1,303,546.52
Others	15,895,187.68	14,554,870.27
Total	-24,567,529.26	11,045,548.40

47. Other incomes

Unit: RMB

Sources of other incomes	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Refund of VAT excess tax	373,851,655.76	352,500,448.39
Special subsidies	84,531,537.83	74,387,384.26
Value-added tax deduction	163,127.65	33,684.43
Total	458,546,321.24	426,921,517.08

48. Investment income

Unit: RMB

Item	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Long-term equity investment income measured by equity method	-44,335,467.10	-548,623.93
Investment income from disposal of long-term equity investment	6,255,168.49	9,152,198.76
Investment income from disposal of trading financial assets	-1,616,153.94	-26,055,180.12
After losing control, the remaining equity is re-measured at fair value		1,013,416.14
Investment income of other non-current financial assets	7,307,215.11	10,747,186.86

during the holding period		
Investment income from treasury bond reverse repurchase	210,491.25	
Total	-32,178,746.19	-5,691,002.29

49. Income from changes in 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	2,431,780.82	7,056,942.13
Including: gains from changes at fair value of derivative financial instruments	2,431,780.82	7,056,942.13
Transactional financial liabilities		38,392,246.03
Other Non-current Financial Assets	14,577,362.35	
Total	17,009,143.17	45,449,188.16

50. Credit impairment loss

Unit: RMB

Item	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Bad debt losses of other receivables	-4,374,932.26	-7,517,011.67
Loss on contract asset impairment	-2,942,506.60	
Bad debt losses of accounts receivable	-80,445,242.05	-156,164,494.82
Total	-87,762,680.91	-163,681,506.49

51. Asset impairment loss

Unit: RMB

Item	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
II . Loss of inventory falling price and loss of contract performance cost impairment	-42,303,107.35	-27,690,905.53
XI. Goodwill impairment loss		-71,083,281.09
Total	-42,303,107.35	-98,774,186.62

52. 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	10,307.31	448,615.83

53. Non-operating revenue

Unit: RMB

Item	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence	Amount recorded into non-recurring profit and loss in current period
Government subsidies	877,665.31	5,018,245.00	877,665.31
Gains and losses of non-current asset retirement	398,527.61	245,869.56	398,527.61
Others	4,848,241.58	3,249,720.50	4,848,241.58
Total	6,124,434.50	8,513,835.06	6,124,434.50

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
Wuzhou City allocates special funds to actively support and cultivate eligible enterprises	Development and Reform Bureau of Changzhou District, Wuzhou City	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	50,000.00		Related to income
2019 Top Ten Meritorious Enterprise (Excellent Entrepreneur) Award	Economic and Information Bureau of Fuyang District,	Reward	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national	Yes	No	300,000.00		Related to income

	Hangzhou		policies and regulations)					
Employee retention subsidies during the pandemic	Government of other countries overseas	Subsidy	A subsidy received for assuming the functions of the state for guaranteeing certain public utilities or supplying socially necessary products or price control	Yes	No	511,665.31		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	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	Yes	No		150,000.00	Related to income

			(obtained by national policies and regulations)					
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	16,000.00	14,500.00	Related to income
High-tech enterprise 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		800,000.00	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		89,945.00	Related to income
Total						877,665.31	5,018,245.00	

54. Non-operating expenses

Unit: RMB

Item	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence	Amount recorded into non-recurring profit and loss in current period
Donations	9,139,267.32	42,664.36	9,139,267.32
Gains and losses of non-current asset retirement	819,686.61	356,248.11	819,686.61
Including: Losses from disposal of fixed assets	819,686.61	356,248.11	819,686.61

Water conservancy fund	7,139.14		
Others	2,068,747.09	958,186.08	2,068,747.09
Total	12,034,840.16	1,357,098.55	12,027,701.02

55. Income tax expenses

(1) Income tax expenses table

Unit: RMB

Item	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Current income tax expense	140,980,035.67	175,953,366.51
Deferred income tax expense	28,579,381.06	-12,780,000.54
Total	169,559,416.73	163,173,365.97

(2) Reconciliation of accounting profits and income tax expenses

Unit: RMB

Item	This Period's Amount of Occurrence
Total Profit	1,540,292,314.38
Income tax expense calculated at statutory/applicable tax rate	231,043,847.16
Impact by applying different tax rates to subsidiaries	24,153,934.18
Impact of the non-deductible costs, expenses and losses	8,239,763.49
Impact of additional deduction of the research and development expenses	-149,798,564.53
Others	55,920,436.43
Income tax expense	169,559,416.73

56. Other comprehensive incomes

For details, please see Note 38 of this section, Other Comprehensive Income.

57. Items of cash flow statement

(1) Other cash receipts relating to operating activities

Unit: RMB

Item	This Period's Amount of Occurrence	Previous Period's Amount of
------	------------------------------------	-----------------------------

		Occurrence
Interest Income	17,443,454.89	30,396,327.98
Government subsidies	78,834,593.67	105,134,372.52
Tender and performance guarantee deposit	28,166,941.19	43,658,924.94
Others	15,148,201.33	3,075,710.73
Total	139,593,191.08	182,265,336.17

(2) Other cash payments relating to operating activities

Unit: RMB

Item	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Administrative expenses	140,230,672.86	128,926,539.93
Communication expense	15,732,684.76	19,528,790.65
Business entertainment	71,195,825.63	79,513,825.83
Traveling expense	82,296,281.44	103,427,522.52
Marketing expense	77,354,370.79	65,465,197.54
Transportation and vehicle expenses	163,643,754.38	105,553,831.63
Knowledge resource fee	34,596,983.79	27,255,766.77
Research and development consumption and external inspection fee	20,323,161.02	22,909,208.47
Taxation and insurance expense	24,354,809.36	12,067,545.99
Tender and performance guarantee deposit	13,108,747.03	308,548,820.57
Incomings and outgoings and advanced payments	34,877,860.45	120,052,101.89
Consumables and service fees	152,728,533.48	157,130,890.63
Others	16,355,741.30	11,920,133.22
Total	846,799,426.29	1,162,300,175.64

(3) Other cash receipts relating to investing activities

Unit: RMB

Item	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Cash received from investment in	71,517,426.54	354,648.07

financial derivatives		
Receipt of loans from non-financial institutions	3,493,496.46	3,697,744.32
Receipt of earnest money for equity transfer	60,000,000.00	
Total	135,010,923.00	4,052,392.39

(4) Other cash payments related to investing activities

Unit: RMB

Item	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Cash paid for investment in financial derivatives	72,348,580.48	26,458,528.22
Disposal of the net cash from subsidiaries	7,211,693.45	
Total	79,560,273.93	26,458,528.22

(5) Other cash receipts related to financing activities

Unit: RMB

Item	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Security deposits recovered	767,782,756.00	805,382,000.00
Equity incentive subscription	99,994,181.16	
Total	867,776,937.16	805,382,000.00

(6) Other cash payments related to financing activities

Unit: RMB

Item	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Paid security deposits	767,782,756.00	735,550,000.00
Share repurchase expenses		81,104,575.69
Total	767,782,756.00	816,654,575.69

58. 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	1,370,732,897.65	1,204,662,193.99
Add: provision for impairment of assets	130,065,788.26	262,455,693.11
Depreciation of fixed assets, oil and gas assets, productive biological assets	131,141,539.18	117,068,423.66
Amortization of Intangible Assets	24,767,627.82	18,067,531.25
Amortization of long-term prepaid expenses	12,452,944.39	13,898,229.61
Losses on disposal of fixed assets, intangible assets and other long-term assets (mark "-" for incomes)	-10,307.31	-448,615.83
Losses on scrapping of fixed assets (mark "-" for incomes)	421,159.00	110,378.55
Losses on fair value changes (mark "-" for incomes)	-17,009,143.17	-45,449,188.16
Financial expenses (mark "-" for incomes)	15,327,107.25	79,518,151.71
Losses on investment (mark "-" for incomes)	32,178,746.19	5,691,002.29
Decrease on deferred income tax assets (mark "-" for increases)	1,505,192.29	-17,043,861.48
Increase on deferred income tax liabilities (mark "-" for decreases)	1,938,115.51	4,084,960.87
Decrease on inventories (mark "-" for increases)	-675,761,590.32	-324,164,744.44
Decrease on operational receivables (mark "-" for increases)	1,756,139,392.57	-1,132,688,857.07
Increase on operational payables (mark "-" for decreases)	-2,965,863,025.21	-1,146,875,248.26

Others	75,045,591.95	90,646,857.32
Net cash flow generated by operating activities	-106,927,963.95	-870,467,092.88
2. Major investing and financing activities not involving cash receipts and payment:	--	--
3. Net changes in cash and cash equivalents:	--	--
Closing balance of cash	2,780,621,441.66	3,540,965,671.43
Less: opening balance of cash	2,734,185,976.41	3,690,994,031.05
Add: closing balance of cash equivalents		3,984,499.04
Less: opening balance of cash equivalents		11,289,772.49
Net additions to balance of equivalents	46,435,465.25	-157,333,633.07

(2) Net cash received from disposal of subsidiaries in this period

Unit: RMB

	Amount
Cash or cash equivalents received from disposal of subsidiaries in this period	5,100,000.00
Including:	--
South-North United Information Technology Co., Ltd.	5,100,000.00
Less: cash and cash equivalents held by the subsidiary on the day when it loses control	12,311,693.45
Including:	--
South-North United Information Technology Co., Ltd.	12,311,693.45
Including:	--
Net cash from disposal of subsidiaries	-7,211,693.45

(3) Composition of cash and cash equivalents

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
I. Cash	2,780,621,441.66	2,734,185,976.41
Including: cash on hand	25,886.50	117,289.25

Bank deposit for payment at any time	2,744,392,979.44	2,586,995,843.27
Other monetary capital for payment at any time	36,202,575.72	147,072,843.89
III. Closing balance of cash and cash equivalents	2,780,621,441.66	2,734,185,976.41

59. Notes to items in the statement of stockholders equity

60. Assets with restricted ownership or use rights

Unit: RMB

Item	Book value at the end of the period	Cause of restrictions
Cash and Bank Balances	345,896,141.39	Deposit for Documentary Loan, Guarantee Deposit
Receivables Financing	608,093,569.33	Pledges used to issue bank acceptance bills
Long-term Receivables	216,551,165.91	Pledges used for bank loans
Non-current Assets Due within 1 Year	29,381,785.35	Pledges used for bank loans
Trading Financial Assets	100,000,000.00	Pledges used to issue domestic LoCs
Total	1,299,922,661.98	--

61. Monetary items in foreign currencies

(1) Monetary items in foreign currencies

Unit: RMB

Item	Closing balance in foreign currencies	Exchange rate for conversion	Closing Balance Converted into RMB
Cash and Bank Balances	--	--	
Including: USD	135,136,231.64	7.0795	956,696,951.90
EUR	23,053,265.44	7.9610	183,527,046.17
HKD	19,734,915.71	0.9134	18,026,661.41
ZAR	147,621,266.50	0.4101	60,545,183.54
MXN	161,604,708.47	0.3070	49,620,703.90
GBP	5,047,648.72	8.7144	43,987,230.01
Total amount of other currencies			172,432,042.89

Accounts receivable	--	--	
Including: USD	353,349,597.11	7.0795	2,501,538,472.77
EUR	47,986,878.02	7.9610	382,023,535.92
HKD		0.9134	
PLN	43,602,266.67	1.7877	77,948,882.98
AED	34,975,877.93	1.9275	67,414,282.28
MXN	205,550,622.53	0.3070	63,114,290.88
Total amount of other currencies			184,169,769.95
Long-term loan	--	--	
Including: USD			
EUR			
HKD			
Short-term loan		--	
Including: USD	9,373,214.11	7.0795	66,357,669.29
Accounts Payable			
Including: USD	91,715,567.99	7.0795	649,300,363.59
MXN	28,295,728.52	0.3070	8,688,199.62
EUR	684,707.72	7.9610	5,450,958.16
INR	15,097,168.72	0.0938	1,415,540.77
BRL	780,864.03	1.3101	1,023,026.24
GBP	108,635.94	8.7144	946,697.04
Total amount of other currencies			2,022,749.36

(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.

62. Government subsidies

(1) Basic information about government subsidies

Unit: RMB

Types	Amount	Items reported	Amount taken to current P&L
Refund of VAT excess tax	373,851,655.76	Other Incomes	373,851,655.76
Core Electronics, High-End General-Purpose Chips and Basic Software Products special fund	19,708,200.00	Other Incomes	19,708,200.00
Financial subsidy for science and technology R&D plan projects	11,546,479.00	Other Incomes	11,546,479.00
2018 "Kunpeng Plan" Award	8,000,000.00	Other Incomes	8,000,000.00
Refunds of employment promotion social security	7,629,087.00	Other Incomes	7,629,087.00
Special funds for service development	6,513,200.00	Other Incomes	6,513,200.00
International software city construction project in 2019	5,000,000.00	Other Incomes	5,000,000.00
Special subsidy for development of integrated circuit industry	4,089,100.00	Other Incomes	4,089,100.00
Patent subsidies	3,258,818.00	Other Incomes	3,258,818.00
Return of personal income tax commission	3,190,927.48	Other Incomes	3,190,927.48
Subsidies for incremental export of foreign trade	2,787,600.00	Other Incomes	2,787,600.00
Award to Individual Champion Demonstration Enterprise in Manufacturing Industry	2,000,000.00	Other Incomes	2,000,000.00
Other special subsidies	1,090,100.00	Other Incomes	1,090,100.00
Rent subsidy	1,692,404.00	Other Incomes	1,692,404.00
Intellectual property incentive fund	1,053,000.00	Other Incomes	1,053,000.00
Award to National high-tech enterprise	700,000.00	Other Incomes	700,000.00
Government subsidies during the pandemic	614,510.30	Other Incomes	614,510.30
National Technological Invention Award	500,000.00	Other Incomes	500,000.00
Hangzhou Service Trade Demonstration Enterprise and Demonstration Park	500,000.00	Other Incomes	500,000.00
Export credit insurance premium subsidies	500,000.00	Other Incomes	500,000.00
Incentive Fund for Quality Brand Standard	300,000.00	Other Incomes	300,000.00
Stable post subsidy	277,936.69	Other Incomes	277,936.69
Value-added tax deduction	163,127.65	Other Incomes	163,127.65
R&D subsidies for small and micro enterprises	145,000.00	Other Incomes	145,000.00
Subsidies for enterprise practical training	16,391.56	Other Incomes	16,391.56

Special award for industrial park projects	55,520,909.92	Deferred Income	1,586,311.74
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	8,281,463.97	Deferred Income	1,832,472.06
Subsidies for overseas employee retention during the pandemic	511,665.31	Non-operating Revenue	511,665.31
2019 Top Ten Meritorious Enterprise (Excellent Entrepreneur) Award	300,000.00	Non-operating Revenue	300,000.00
Wuzhou City allocates special funds to actively support and cultivate eligible enterprises	50,000.00	Non-operating Revenue	50,000.00
Subsidy for the elimination of old vehicles in Hangzhou	16,000.00	Non-operating Revenue	16,000.00

(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	Percent age 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 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
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						differen ce in the net asset share of the subsida ry shall be gained						investm ent profits and losses
South-N orth United Informat ion Technol ogy Co., Ltd.	5,100,0 00.00	51.00%	Equity transfer	April 1, 2020	Signed Equity Transfer Agreem ent and complet ed the delivery of property rights	4,114,8 93.43	0.00%	0.00	0.00	0.00	0.00	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) In the period, the Company invested to establish 11 Chinese subsidiaries, namely, Zhejiang Dahua Storage Technology Co. Ltd., Zhejiang Dahua Automobile Technology Co., Ltd., Chengdu Dahua Zhilian Information Technology Co., Ltd., Chengdu Dahua Zhi'an Information Technology Co., Ltd., Chengdu Dahua Zhishu Information Technology Co., Ltd., Chengdu Zhichuang Clouds Technology Co., Ltd., Chengdu Huishan Intelligent Network Co., Ltd., Zhejiang Huakong Software Co., Ltd., Hangzhou Huacheng Software Co., Ltd., and Guizhou Dahua Information Technology Co., Ltd., and 2 overseas subsidiaries, namely, Dahua Technology Israel Representative Ltd and Dahua Technology Israel Ltd, all of which are incorporated into the scope of consolidation from the date of establishment.

(2) The subsidiary Guizhou Dahua Intelligent Technology Co., Ltd. was cancelled in the current period and will no longer 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	45.00% (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
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	Electronics and information	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
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	Binjiang District, Hangzhou	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 Storage	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	51.00%		Establishment
Dahua Automobile	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	51.00%		Establishment
Chengdu Zhilian	Longquanyi District, Chengdu	Longquanyi District, Chengdu	Electronics and information	100.00%		Establishment

Dahua Zhian	Longquanyi District, Chengdu	Longquanyi District, Chengdu	Electronics and information	100.00%		Establishment
Chengdu Zhishu	Longquanyi District, Chengdu	Longquanyi District, Chengdu	Electronics and information	100.00%		Establishment
Chengdu Zhichuang	Longquanyi District, Chengdu	Longquanyi District, Chengdu	Electronics and information	100.00%		Establishment
Chengdu Smart	Dayi County, Chengdu City	Dayi County, Chengdu City	Electronics and information	90.00%		Establishment
Huakong Software	Wucheng District, Jinhua City	Wucheng District, Jinhua City	Electronics and information	100.00%		Establishment
Xinsheng Electronic	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information		100.00%	Establishment
Huacheng Software	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information		100.00%	Establishment
Guizhou Dahua	Nanming District, Guiyang City	Nanming District, Guiyang City	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		99.98%	Establishment
Dahua Romania	Romania	Romania	Electronics and information		100.00%	Establishment
Dahua Nigeria	Nigeria	Nigeria	Electronics and information		100.00%	Establishment
Dahua Israel	Israel	Israel	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	499,277,297.72	490,731,236.85
The total count of the following items based on the shareholding ratios	--	--
--Net profit	-44,335,467.10	-548,623.93
--Other comprehensive income	-63,899.99	-32,566,199.05
--Total comprehensive income	-44,399,367.09	-33,114,822.98

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	Balance at the End of the Period			Balance at the Start of the Period		
	USD	Other foreign currencies	Total	USD	Other foreign currencies	Total
Accounts receivable	2,501,538,472.77	774,670,762.01	3,276,209,234.78	3,344,560,887.12	869,863,405.15	4,214,424,292.27
Accounts Payable	649,300,363.59	19,547,171.19	668,847,534.78	1,037,081,038.74	26,243,892.41	1,063,324,931.15
Total	3,150,838,836.36	794,217,933.20	3,945,056,769.56	4,381,641,925.86	896,107,297.56	5,277,749,223.42

(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	Balance at the End of the Period		
	Within 1 year	1 years or above	Total
Short-term loan	1,540,344,169.29		1,540,344,169.29
Notes Payable	2,158,234,712.01		2,158,234,712.01
Accounts Payable	3,854,639,329.00		3,854,639,329.00
Other Payables	1,045,327,489.78		1,045,327,489.78
Non-current Liabilities Due within 1 Year	26,381,963.91		26,381,963.91
Long-term loan		528,500,000.00	528,500,000.00
Total	8,624,927,663.99	528,500,000.00	9,153,427,663.99

Item	Balance at the Start of the Period		
	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

XI. Disclosure of Fair Values

1. Fair values of the assets and liabilities at the end of the period

Unit: RMB

Item	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	--	--	--	--
(1) Trading financial assets		902,431,780.82		902,431,780.82
1. The financial assets measured at fair value and whose changes are included in current profit and loss		902,431,780.82		902,431,780.82
(1) Derivative financial assets		902,431,780.82		902,431,780.82
(2) Receivables financing		670,667,363.91		670,667,363.91
(3) Other non-current financial assets			189,937,851.78	189,937,851.78
Total assets constantly measured at fair value		1,573,099,144.73	189,937,851.78	1,763,036,996.51
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

For structured deposits, the profit and loss from changes in fair value are determined by pegging interest rates to foreign exchange options;

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	Shareholding ratio of the parent company	Proportion of voting rights of the parent company
Fu Liquan				34.09%	34.09%
Chen Ailing				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
Intelbras S.A.	Affiliate
Guangdong Dahua Zhishi Technology Co., Ltd.	Affiliate
Lishui Dahua Intelligent Technology Co., Ltd.	Affiliate
Leapmotor Automobile Co., Ltd.	Associates, and subsidiaries controlled by actual controllers
Ningbo Dahua Anbang Security Services Co., Ltd.	Affiliate
Ningbo Dahua-ZhiAn IOT Technology Co., Ltd.	Subsidiary of the affiliate
Shaoxing Dahua Security Services Co., Ltd.	Affiliate
Shenzhen Conwin Security Electronics Co., Ltd. (Note 1)	Affiliate
Taizhou Dahua Security Services Co., Ltd.	Affiliate

Wenzhou Dahua Security Services Co., Ltd.	Affiliate
Zhejiang Dahua Zhian Internet of Things Technology Co., Ltd.	Affiliate
Zhejiang Leapmotor Technology Co., Ltd.	Affiliate, and enterprise controlled by the Company's actual controller
Zhejiang Leapmotor Automobile Marketing Service Co., Ltd.	Associates, and subsidiaries controlled by actual controllers
China Standard Intelligent Security Technology Co., Ltd.	Affiliate
Ruicity Digital Technology Co., Ltd.	Affiliate
Zhoushan Dahua Security Service Co., Ltd.	Subsidiary of the affiliate
Zhoushan Dahua Technology Co., Ltd.	Affiliate

Other notes:

Note 1: Shenzhen Conwin Security Electronics Co., Ltd. is a jointly operated enterprise of the Company, In June 2020, the Company has transferred the equity, and ended the relationship with Shenzhen Conwin Security Electronics Co., Ltd.

4. Information about other related parties

Names of other related parties	Relationship between the Company and other related parties
Hangzhou Nuoqia Technology Co., Ltd.	Enterprise controlled by the senior manager of the Company
Hangzhou Xunwei Robotics Technology Co., Ltd.	Enterprise significantly influenced by the senior manager of the Company
Hangzhou Xintu Technology Co., Ltd.	Enterprise controlled by the senior manager of the Company
Ningbo Hualing Investment Management Partnership (Limited Partnership)	Enterprise controlled by the actual controller
Ningxia Shendun Security Services Co., Ltd.	Subsidiary of a company with shares held by the Company
Zhejiang Huanuokang Technology Co., Ltd.	Company controlled by the Company's actual controller
Zhejiang Lancable Technology Co., Ltd.	Enterprise controlled by the senior manager of the Company
Zhoushan Weixin Equity Investment Partnership (Limited Partnership)	Enterprise over which the actual controller has significant influence
Zhoushan Zhixin Equity Investment Partnership (Limited Partnership)	Enterprise controlled by the senior manager of the Company

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 Leapmotor Technology Co., Ltd.	Purchase of materials	258.26		No	375,334.00
Wenzhou Dahua Security Services Co., Ltd.	Acceptance of services				2,031,266.17
Leapmotor Automobile Co., Ltd.	Purchase of materials	1,362,318.79		No	
Hangzhou Xunwei Robotics Technology Co., Ltd.	Purchase of materials	3,271,015.27		No	
Hangzhou Nuojia Technology Co., Ltd.	Acceptance of services	206,422.02		No	
Zhejiang Huanuokang Technology Co., Ltd.	Purchase of materials	145,132.74		No	
Zhoushan Dahua Security Service Co., Ltd.	Acceptance of services	1,020,944.24		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
Ningbo Dahua Anbang Security Services Co., Ltd.	Sales of merchandise	74,075.23	73,619.96
Lishui Dahua Intelligent Technology Co., Ltd.	Sales of merchandise		188,679.25
Zhoushan Dahua Technology Co., Ltd.	Sales of merchandise	12,183.18	13,747.79
Wenzhou Dahua Security Services Co., Ltd.	Provision of services	23,584.91	
Zhejiang Leapmotor Technology Co., Ltd.	Sales of merchandise	86,574.19	618,128.82

Hangzhou Xintu Technology Co., Ltd.	Sell goods and provide services	236,913.67	240,037.81
Taizhou Dahua Security Services Co., Ltd.	Sales of merchandise		56,206.89
Shenzhen Conwin Security Electronics CO., Ltd.	Sales of merchandise	378,258.42	338,007.21
Guangdong Dahua Zhishi Technology Co., Ltd.	Sales of merchandise	4,684,747.26	3,806,217.57
Zhejiang Dahua Zhian Internet of Things Technology Co., Ltd.	Sales of merchandise		943,396.23
Intelbras S.A.	Sales of merchandise	126,462,175.51	
Hangzhou Xunwei Robotics Technology Co., Ltd.	Sales of merchandise	14,159.28	
Zhejiang Lancable Technology Co., Ltd.	Sales of merchandise	-56,034.48	1,024,715.92
Hangzhou Nuoqia Technology Co., Ltd.	Sell goods and provide services	104,055.89	314,418.61
Leapmotor Automobile Co., Ltd.	Sell goods and provide services	1,514,174.51	1,859,072.29
China Standard Intelligent Security Technology Co., Ltd.	Sales of merchandise	62,220.38	1,790,782.38
Zhejiang Huanuokang Technology Co., Ltd.	Sales of merchandise	292,228.09	171,686.14
Ruicity Digital Technology Co., Ltd.	Sell goods and provide services	3,913,235.39	

(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	344,155.74	330,514.26
China Standard Intelligent Security Technology Co., Ltd.	Buildings and constructions	74,697.48	94,999.87

(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.	290,000,000.00	June 6, 2016	January 15, 2020	Yes
Zhejiang Dahua Vision Technology Co., Ltd.	240,000,000.00	April 13, 2018	April 12, 2020	Yes
Zhejiang Dahua Vision Technology Co., Ltd.	200,000,000.00	January 3, 2019	Three years after the maturity of the debts in the master contract	Yes
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	Yes
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	Yes
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	Yes
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	Yes
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	Yes
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	Yes
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. (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.	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.	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.	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.	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 Vision Technology Co., Ltd.	300,000,000.00	January 15, 2020	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	250,000,000.00	February 17, 2020	Two years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	300,000,000.00	February 25, 2020	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	530,000,000.00	April 7, 2020	March 31, 2024	No
Zhejiang Dahua Vision Technology Co., Ltd.	240,000,000.00	April 13, 2020	Two years after the maturity of the debts in the master contract	No
Zhejiang Dahua Zhilian Co., Ltd.	100,000,000.00	April 9, 2019	One years upon expiration of debt period of master contract	Yes

Zhejiang Dahua Zhilian Co., Ltd.	60,000,000.00	May 13, 2019	Three years after the maturity of the debts in the master contract	Yes
Zhejiang Dahua Zhilian Co., Ltd.	200,000,000.00	December 12, 2019	One years upon expiration of debt period of master contract	Yes
Zhejiang Dahua Zhilian Co., Ltd.	200,000,000.00	June 6, 2016	June 30, 2020	Yes
Zhejiang Dahua Zhilian Co., Ltd.	500,000,000.00	September 1, 2018	September 1, 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	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.	60,000,000.00	February 25, 2020	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua Zhilian Co., Ltd.	100,000,000.00	April 9, 2020	One years upon expiration of debt period of master contract	No
Zhejiang Dahua Zhilian Co., Ltd. (the security deposit is made in US dollar)	60,000,000.00	May 1, 2020	One years upon expiration of debt period of master contract	No
Zhejiang Dahua System Engineering Co., Ltd.	100,000,000.00	June 6, 2016	March 30, 2020	Yes
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	Yes
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.	10,000,000.00	August 30, 2019	Two years after the maturity of the debts in the master contract	No
Zhejiang Dahua System	60,000,000.00	November 7, 2019	Two years after the maturity	No

Engineering Co., Ltd.			of the debts in the master contract	
Zhejiang Dahua System Engineering Co., Ltd.	40,000,000.00	February 25, 2020	Three years after the maturity of the debts in the master contract	No
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	December 25, 2019	Two years after the maturity of the debts in the master contract	No
DAHUA TECHNOLOGY MEXICO S.A. DE C.V (guaranteed currency is Mexican Peso)	59,973,141.38	March 26, 2019	March 26, 2020	Yes
DAHUA TECHNOLOGY MEXICO S.A. DE C.V (guaranteed currency is Mexican Peso)	179,919,424.15	April 9, 2019	April 9, 2020	Yes
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
China Standard Intelligent Security Technology Co., Ltd.	Selling of fixed assets		1,659.82
Zhejiang Huanuokang Technology Co., Ltd.	Selling of fixed assets	64,475.38	
Ruicity Digital Technology Co., Ltd.	Selling of fixed assets	142,819.61	
Zhejiang Leapmotor Technology Co., Ltd.	Procurement of fixed assets	196,477.09	

(5) Remuneration to key management personnel

Unit: RMB

Item	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Salary of key management personnel	6,528,420.50	6,091,781.84

(6) Other related-party transactions

For details of other connected transactions of the Company, please refer to "Section V. Significant Matters, XIII. Material Connected Transactions, 5. Other Material Connected Transactions" of this report.

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	10,000.00	100,000.00	5,000.00
Accounts receivable	Guangdong Dahua Zhishi Technology Co., Ltd.	15,722,580.79	875,414.33	12,553,692.95	627,684.65
Accounts receivable	Ningbo Dahua Anbang Security Services Co., Ltd.	60,520.00	3,026.00		
Accounts receivable	Zhejiang Leapmotor Technology Co., Ltd.	429,259.03	22,462.15	674,210.13	33,710.51
Accounts receivable	Hangzhou Xintu Technology Co., Ltd.	47,250.00	2,362.50	3,379.63	168.98
Accounts receivable	Zhejiang Lancable Technology Co., Ltd.	171,259.00	13,875.90	676,259.00	33,812.95
Accounts receivable	Shenzhen Conwin Security Electronics CO., Ltd.	68,500.00	3,425.00	207,500.00	10,375.00
Accounts receivable	Hangzhou Xunwei Robotics Technology Co., Ltd.	4,000.00	200.00		
Accounts receivable	Hangzhou Nuoqia Technology Co., Ltd.	348,362.00	17,418.10	2,902,026.06	1,421,211.26
Accounts receivable	Leapmotor Automobile Co., Ltd.	7,250,256.33	398,737.39	9,340,735.86	574,240.05
Accounts receivable	Zhoushan Dahua Technology Co., Ltd.	13,375.00	668.75	217,168.00	10,858.40

Accounts receivable	China Standard Intelligent Security Technology Co., Ltd.	1,017,723.17	100,915.15	1,025,951.05	51,297.55
Accounts receivable	Zhejiang Huanuokang Technology Co., Ltd.	688,197.78	44,110.16	357,980.05	17,899.00
Accounts receivable	Intelbras S.A.	114,208,124.55	5,710,406.23	123,762,782.51	6,188,139.13
Accounts receivable	Shaoxing Dahua Security Services Co., Ltd.	50,000.00	2,500.00	50,000.00	2,500.00
Accounts receivable	Zhejiang Leapmotor Automobile Marketing Service Co., Ltd.	1,062.40	53.12	1,062.40	53.12
Accounts receivable	Ruicity Digital Technology Co., Ltd.	351,206.03	17,560.30		
Other Receivables	Leapmotor Automobile Co., Ltd.	30,000.00	1,500.00		
Advance payment	Hangzhou Xunwei Robotics Technology Co., Ltd.	184,140.77			

(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	Zhejiang Leapmotor Technology Co., Ltd.	562,275.88	706,019.53
Accounts Payable	Hangzhou Nuoja Technology Co., Ltd.	1,797,622.66	2,019,656.96
Accounts Payable	Zhejiang Huanuokang Technology Co., Ltd.	521,980.05	1,079,999.99
Accounts Payable	Leapmotor Automobile Co., Ltd.	3,121,932.67	1,521,631.91
Contract liabilities	Guangdong Dahua Zhishi Technology Co., Ltd.	137,687.61	
Contract liabilities	Hangzhou Nuoja Technology Co., Ltd.	353.98	
Contract liabilities	Ningbo Dahua-ZhiAn IOT Technology Co., Ltd.	23,584.91	
Contract	Wenzhou Dahua Security Services Co.,	70,754.71	

liabilities	Ltd.		
Contract liabilities	Zhejiang Leapmotor Technology Co., Ltd.	26,455.93	
Contract liabilities	Ruicity Digital Technology Co., Ltd.	173,435.74	
Other Payables	Zhejiang Leapmotor Technology Co., Ltd.	173,520.00	173,520.00
Other Payables	Zhoushan Weixin Equity Investment Partnership (Limited Partnership)	6,400,000.00	
Other Payables	Zhoushan Zhixin Equity Investment Partnership (Limited Partnership)	6,600,000.00	
Other Payables	Ningbo Hualing Investment Management Partnership (Limited Partnership)	11,000,000.00	

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	Restricted stock 13,391,480 shares
Total amount of equity instruments exercised by the Company in current period	Restricted stock 36,931,560 shares
Total amount of equity instruments of the Company invalidated in current period	Restricted stock 2,247,700 shares
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 granted price of the restricted stock incentive plan for the first time in 2018 was RMB 8.17 per share, and the remaining term of the contract was 32 months; the reserved price of the granted restricted stock was RMB 8.75 per share, and the remaining term of the contract was 32 months. The granted price of the restricted stock incentive plan in 2020 is RMB 7.467 per share, and the remaining term of the contract is 35 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	Estimated according to equity instruments held by the

instruments	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	300,694,571.49
Amount of equity-settled share-based payment confirmed in current period	75,045,591.95

3. Situation of cash-settled share-based payment

Applicable Not applicable

XIV. Commitments and contingencies

1. Significant commitments

Important commitments on the balance sheet date

As of June 30, 2020, the pledge matters of the Company are 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 June 30, 2020, the pledged receivables was RMB 245,932,951.26 (including the long-term receivable balance of RMB 216,551,165.91, and the balance of non-current assets due within one year RMB 29,381,785.35). The loan balance under the guarantee contract was RMB 154,000,000.00 (including the long-term loan balance of RMB 128,500,000.00, and the balance of non-current liabilities due within one year of 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., these 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.

As of June 30, 2020, Zhejiang Dahua Technology Co., Ltd. had outstanding receivable of RMB 114,689,499.83 under the bill pool (among them, RMB 110,000,000.00 is the notes of related parties within the scope of consolidation), RMB 610,548,684.18 outstanding bills receivable (wherein RMB 100,000,000.00 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 4,245,913.20 outstanding bills of the subsidiary Zhejiang Dahua System Engineering Co., Ltd. are used to issue acceptance bills. Under this pledge, the bank acceptance bill issued by Zhejiang Dahua Technology Co., Ltd. was RMB 13,022,843.50, the bank acceptance bill issued by the subsidiary Zhejiang Dahua Vision Co., Ltd. was RMB 609,847,104.17, the bank acceptance bill issued by the subsidiary Zhejiang Dahua System Engineering Co., Ltd. was RMB 8,384,814.49, and the bank acceptance bill issued by the subsidiary Zhejiang Guangxi Dahua Information

Technology Co., Ltd. was RMB 145,354.69.

(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 June 30, 2020, Zhejiang Dahua Technology Co., Ltd. had pledged RMB 2,174,440.00 outstanding notes receivable, the subsidiary Zhejiang Dahua Vision Co., Ltd. had RMB 129,559,641.04 of outstanding notes receivable (of which RMB 60,000,000.00 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 2,000,000.00 outstanding notes receivable, the subsidiary Zhejiang Dahua Zhilian Co., Ltd. had RMB 12,504,110.00 of outstanding notes receivable, and the subsidiary Hangzhou Huacheng Network Technology Co., Ltd. had RMB 2,364,281.08 of outstanding notes receivable for issuing bank acceptance bills. Under the pledge, Zhejiang Dahua Technology Co., Ltd. issued RMB 9,569,824.85 of bank acceptance bill; the subsidiary Zhejiang Dahua Vision Co., Ltd. issued RMB 25,219,494.65 of bank acceptance bill; the subsidiary Zhejiang Dahua System Engineering Co., Ltd. issued RMB 440,000.00 bank acceptance bill; the subsidiary Zhejiang Dahua Zhilian Co., Ltd. issued RMB 27,261,423.21 of bank acceptance bill; and the subsidiary Hangzhou Huacheng Network Technology Co., Ltd. issued RMB 43,059,075.87 of bank acceptance bill.

(4) Zhejiang Dahua Vision Co., Ltd., subsidiary of the Company, 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 June 30, 2020, the loan balance under the pledge contract is US\$9, 373,214.11.

(5) On May 20, 2020, Zhejiang Dahua Vision Co. Ltd., subsidiary of the Company, took RMB 100,000,000.00 of structured deposits as a pledge and entered into a Right Pledge Contract with Hangzhou Binjiang Branch of Agricultural Bank of China Limited; as of June 30, 2020, a domestic letter of credit amounting to RMB 100,000,000.00 was issued under this pledge (Ref. 2019DLID00001296).

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 issues

Since January 2020, COVID-19 broke out in China and around 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. As of the date of approval of the financial statements, the pandemic in China has been basically under control and the order of production and life has been basically restored, but the pandemic situation in some overseas regions is still severe. The Company will pay close attention to the development of global pandemic and continue to assess the impact on the Company's performance.

2. Distribution of profits

N/A

3. Notes to other events after the balance sheet date

(1) On July 24, 2020, the "Proposal on Entering into Equity Transfer Agreement and Related Transactions of Wholly-owned Subsidiaries" was deliberated and passed at the Company's 2nd Extraordinary General Meeting of Shareholders in 2020, which agreed that the Company may transfer 100% of the equity of its subsidiary Zhejiang Huatu Microchip Technology Co., Ltd. to Hangzhou Gancheng Equity Investment Partnership (Limited Partnership), Shaoxing Gansheng Equity Investment Partnership (Limited Partnership), Zhejiang Free Trade Zone Fenghang Investment Partnership (Limited Partnership), Yuyao Yangming Zhixing Investment Center (Limited Partnership), Ganzhou Daewoo Capital Management Partnership (Limited Partnership), Chen Heyu, Ningbo Hualing Investment Management Partnership (Limited Partnership), Zhoushan Zhixin Equity Investment Partnership (Limited Partnership), and Zhoushan Weixin Equity Investment Partnership (Limited Partnership). The transfer price of 100% equity of Zhejiang Huatu Microchip Technology Co., Ltd. is RMB 1,200,000,000. The changes of industrial and commercial registrations for the above matter were completed in August 2020.

(2) At the 36th Session of the 6th Board of Directors held on July 8, 2020 and the 2nd Extraordinary General Meeting of Shareholders of 2020 held on July 24, 2020, the Company deliberated and approved the Proposal for Providing Guarantees to Wholly-owned Subsidiaries and the Proposal for Providing Guarantees to Controlling Subsidiaries. According to its actual business development needs, the Company plans to provide joint and several liability guarantees for its wholly-owned subsidiaries in 2020, with the total amount of guarantee not exceeding RMB 13,427,500,000. The Company plans to provide joint and several liability guarantees for its controlling subsidiaries in 2020, with the total amount of guarantee not exceeding RMB 5,781 million.

(3) On July 8, 2020, the Proposal on Transferring Equity Interests of Subsidiaries and Related-party Transactions was reviewed and approved at the Company's 36th session of the 6th Board of Directors' meeting, which agreed to transfer 49% of the equity interests of Zhejiang Dahua Robot Technology Company Co., Ltd. (hereinafter referred to as the "Robot Technology") held by Zhejiang Huashi Investment Management Co., Ltd. The company's transfer of 49% of the equity of Robot Technology involves a total of RMB 7,004,918 in related transactions. After completion of the transfer, the Company will hold 100% of the equity in the Robot Technology. This transaction was completed in August.

(4). On July 27, 2020, the Company's 37th session of the 6th Board of Directors' meeting deliberated and approved the "Proposal on Buy-back and Cancellation of Some Granted but Unlocked Restricted Stocks" and agreed to buy back and cancel 4,822,680 authorized but not unlocked restricted stocks held by 183 incentive targets who are no longer eligible for the incentive (of which, 4,337,880 shares were first granted, with the repurchase price of 8.17 yuan per share; reserved grant of 484,800 shares at a repurchase price of 8.75 yuan per share).

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	Operating income	Operating Cost
Domestic	5,789,716,423.38	3,354,083,609.38
Overseas	4,048,612,430.24	1,745,166,541.19
Total	9,838,328,853.62	5,099,250,150.57

Product subsection

Unit: RMB

Item	Operating income	Operating Cost
Solutions	5,200,876,438.66	2,706,121,225.19
Product	4,069,496,985.96	1,874,094,337.42
Others	567,955,429.00	519,034,587.96
Total	9,838,328,853.62	5,099,250,150.57

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	5,852,295,206.29	100.00%	108,974,774.07	1.86%	5,743,320,432.22	8,553,841,772.05	100.00%	103,477,257.00	1.21%	8,450,364,515.05
Including:										
Portfolio 1: Related Parties Portfolio	4,900,323,274.44	83.73%			4,900,323,274.44	7,626,134,745.39	89.15%			7,626,134,745.39

Portfolio 2: Aging Analysis Portfolio	951,971,931.85	16.27%	108,974,774.07	11.45%	842,997,157.78	927,707,026.66	10.85%	103,477,257.00	11.15%	824,229,769.66
Total	5,852,295,206.29	100.00%	108,974,774.07		5,743,320,432.22	8,553,841,772.05	100.00%	103,477,257.00		8,450,364,515.05

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	715,279,653.31	35,763,982.67	5.00%
1 to 2 years	146,925,778.64	14,692,577.86	10.00%
2 to 3 years	33,046,897.75	9,914,069.32	30.00%
3 to 4 years	10,539,754.80	5,269,877.40	50.00%
4 to 5 years	14,227,902.67	11,382,322.14	80.00%
5 years or above	31,951,944.68	31,951,944.68	100.00%
Total	951,971,931.85	108,974,774.07	--

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	Balance at the End of the Period
Within 1 year (including 1 year)	5,568,246,949.73
1 to 2 years	156,085,969.66
2 to 3 years	44,881,795.26
3 years or above	83,080,491.64
3 to 4 years	11,339,164.15
4 to 5 years	14,227,902.67
5 years or above	57,513,424.82
Total	5,852,295,206.29

(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	103,477,257.00	5,497,517.07				108,974,774.07
Total	103,477,257.00	5,497,517.07				108,974,774.07

(3) Accounts receivable of the top five balances at the end of the period collected by the arrears

According to the balance collected by the debtor at the end of the period, the total amount of the top five receivables is 4,952,931,982.29, accounting for 84.63% of the total closing balance of accounts receivable. The balance of the provision for bad debts accrued at the end of this period is RMB 7,598,195.78.

(4) Accounts receivable derecognized due to the transfer of financial assets

There are no accounts receivables 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 are 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	Balance at the End of the Period	Balance at the Start of the Period
Other Receivables	9,573,681,872.01	5,138,830,912.64
Total	9,573,681,872.01	5,138,830,912.64

(1) Other receivables

1) Other receivables categorized by the nature of the funds

Unit: RMB

Nature of the funds	Closing balance	Opening balance
Deposits	35,925,229.19	34,668,226.17
Prepaid or advance expense	45,332,004.52	60,885,579.94
Employee home loan	86,543,444.46	104,094,000.60
Incomings and outgoings	9,410,998,774.22	4,966,265,220.25
Others	22,380,301.08	239,332.03
Total	9,601,179,753.47	5,166,152,358.99

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, 2020	22,938,777.96	3,641,770.30	740,898.09	27,321,446.35
Balance of the current period on January 1, 2020	—	—	—	—
--Transfer to phase two	-107,272.74	107,272.74		
--Transfer to phase three	-48,563.70	-7,748.50	56,312.20	
Provisions of this period	406,075.81			406,075.81
Reversal of the current period			229,640.70	229,640.70
Balance on June 30, 2020	23,189,017.33	3,741,294.54	567,569.59	27,497,881.46

Book balance changes with significant changes in loss provision in the current period

 Applicable Not applicable

Disclosure by age

Unit: RMB

Aging	Balance at the End of the Period
Within 1 year (including 1 year)	8,764,525,478.36
1 to 2 years	788,131,303.13
2 to 3 years	31,960,544.73
3 years or above	16,562,427.25
3 to 4 years	12,507,443.82
4 to 5 years	2,787,207.19
5 years or above	1,267,776.24
Total	9,601,179,753.47

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	27,321,446.35	406,075.81	229,640.70			27,497,881.46
Total	27,321,446.35	406,075.81	229,640.70			27,497,881.46

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	Incomings and outgoings	6,108,253,928.28	Within 1 year	63.62%	
Company 2	Incomings and outgoings	1,212,455,150.99	Within 1 year	12.63%	
Company 3	Incomings and outgoings	1,112,566,245.62	Within 1 year	11.59%	
Company 4	Incomings and outgoings	560,543,529.29	30,056,859.69 yuan within 1 year, 530,486,669.60 yuan for 1 to 2 years	5.84%	
Company 5	Incomings and outgoings	172,886,223.52	8,918,883.13 yuan within 1 year, 163,967,340.39 yuan for 1 to 2 years	1.80%	
Total	--	9,166,705,077.70	--	95.48%	

3. Long-term equity investment

Unit: RMB

Item	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	3,552,107,296.0 1		3,552,107,296.0 1	3,399,382,831.0 4		3,399,382,831.0 4
Investment in affiliates and joint ventures	142,982,882.37		142,982,882.37	123,876,230.74		123,876,230.74
Total	3,695,090,178.3 8		3,695,090,178.3 8	3,523,259,061.7 8		3,523,259,061.7 8

(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.	521,483,038.93	4,865,116.96				526,348,155.89	
Zhejiang Dahua Security Network Operation Service Co., Ltd.	26,892,712.76	204,779.86				27,097,492.62	
Zhejiang Dahua Ju'an Technology Co., Ltd.	5,100,000.00					5,100,000.00	
Guangxi Dahua Information Technology	6,322,087.88	256,903.02				6,578,990.90	

Co., Ltd.							
Zhejiang Dahua Security Service Co., Ltd.	118,808.18	33,823.68				152,631.86	
Dahua Technology (HK) Limited	608,628,700.00					608,628,700.00	
Zhejiang Dahua Vision Technology Co., Ltd.	659,214,949.98	3,448,163.44				662,663,113.42	
Guangxi Dahua Security Service Co., Ltd.	20,002,580.76					20,002,580.76	
Zhejiang Huatu Microchip Technology Co., Ltd.	10,240,451.40	65,050,101.94				75,290,553.34	
Hangzhou Xiaohua Technology CO., LTD.	5,455,499.43	212,194.04				5,667,693.47	
Zhejiang Dahua Zhilian Co., Ltd.	1,000,102,353.10	617,432.93				1,000,719,786.03	
Hangzhou Tecomore Technology Co., Ltd.	5,610,799.78	-96,747.26				5,514,052.52	
Guangxi Dahua Zhicheng Co., Ltd.	71,214,032.03	-2,279.00				71,211,753.03	
Hangzhou Huacheng Network	27,777,421.83	1,233,284.36				29,010,706.19	

Technology Co., Ltd.							
Xinjiang Dahua Zhixin Information Technology Co., Ltd.	15,730.64	20,513.34				36,243.98	
Zhejiang Dahua Investment Management Co., Ltd.	62,175,000.00					62,175,000.00	
Zhejiang Huachuang Vision Technology Co., Ltd.	28,424,310.27	995,081.09				29,419,391.36	
Zhejiang HuaRay Technology Co., Ltd.	29,518,772.60	1,523,759.50				31,042,532.10	
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.	23,418,324.66	1,772,904.82				25,191,229.48	
Zhejiang Huaxiao Technology Co., Ltd.	27,339,060.80	445,593.78				27,784,654.58	
Xi'an Dahua Zhilian Technology	56,085,489.52	49,793.04				56,135,282.56	

Co., Ltd.							
Wuxi Dahua Ruipin Technology Co., Ltd.	9,663,203.80	1,175,814.50				10,839,018.30	
Zhejiang Dahua Robot Technology Co., Ltd.	48,109,176.80	92,520.63				48,201,697.43	
Beijing Huayue Shangcheng Information Technology Service Co., Ltd.	4,274,772.43	1,892,028.94				6,166,801.37	
Sichuan Dahua Guangxun Photoelectric Technology Co., Ltd.	5,530,000.00					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	220,463.72				1,496,872.10	
Zhejiang Dahua Jinzhi Technology Co., Ltd.	60,000,000.00					60,000,000.00	
Guangxi Huacheng Technology Co., Ltd.	33,786.68	50,680.02				84,466.70	
Dahua Technology	13,358.40	49,238.40				62,596.80	

Canada Inc.							
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	
Zhejiang Fengshi Technology Co., Ltd.		9,000,000.00				9,000,000.00	
Zhejiang Dahua Storage Technology Co., Ltd.		8,164,692.00				8,164,692.00	
Zhejiang Dahua Automobile Technology Co., Ltd.		51,081,376.46				51,081,376.46	
Chengdu Dahua Zhilian Information Technology Co., Ltd.		11,462.90				11,462.90	
Zhejiang Xinsheng Electronic Technology Co., Ltd.		291,458.20				291,458.20	
Hangzhou Huacheng Software Technology		64,309.66				64,309.66	

Co., Ltd.							
Total	3,399,382,831.04	152,724,464.97				3,552,107,296.01	

(2) Investment in affiliates and joint ventures

Unit: RMB

Name of Investees	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.	123,065,033.65			-42,984,111.81						80,080,921.84	
Hangzhou Juhuan Information Technology Co., Ltd.	811,197.09	500,000.00		37,312.48						1,348,509.57	
Ruicity Digital Technology Co., Ltd.		64,000,000.00		-2,446,549.04						61,553,450.96	
Subtotal	123,876,230.74	64,500,000.00		-45,393,348.37						142,982,882.37	
Total	123,876,230.74	64,500,000.00		-45,393,348.37						142,982,882.37	

	230.74	00.00		348.37					882.37	
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4. Operating income and operating costs

Unit: RMB

Item	This Period's Amount of Occurrence		Previous Period's Amount of Occurrence	
	Income	Cost	Income	Cost
Main Business	3,604,445,938.19	448,774,239.46	3,262,438,993.53	356,954,385.57
Other businesses	20,539,391.76	15,525,330.75	18,764,966.33	12,394,018.41
Total	3,624,985,329.95	464,299,570.21	3,281,203,959.86	369,348,403.98

5. Investment income

Unit: RMB

Item	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Long-term equity investment income measured by equity method	-45,152,368.00	-7,096.54
Investment income from disposal of long-term equity investment		-1,000,000.00
Investment income of other non-current financial assets during the holding period	7,307,215.11	10,747,186.86
Investment income from treasury bond reverse repurchase	210,491.25	
Total	-37,634,661.64	9,740,090.32

XVIII. Supplementary Information

1. Breakdown of non-recurring gains and losses for this period

√ Applicable □ Not applicable

Unit: RMB

Item	Amount	Note
Gains and losses from disposal of non-current assets	5,844,316.80	
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	85,572,330.79	

on the national standards)		
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	22,700,204.34	
Reversal of the receivables and contract assets depreciation reserves for separate impairment test	1,920,625.00	
Non-Operating Revenue and expenses other than the above	-6,359,772.83	
Other gains and losses items that fit the definition of non-recurring gains and losses	210,491.25	
Less: Impact of income tax	15,263,612.09	
Impact of minority equity	15,909,003.92	
Total	78,715,579.34	--

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	8.35%	0.47	0.47
Net profit attributable to common shareholders of the Company after deducting non-recurring gains and losses	7.87%	0.44	0.45

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 XII Documents Available for Reference

1. The financial statements signed and sealed by Fu Liquan, the Company's legal representative, Xu Qiaofen, chief accountant, and Ms. Zhu Zhuling, head of accounting institution.

2. Original of all the Company's documents and announcements published on media designated by China Securities Regulatory Commission during the reporting period.

3. 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

August 21, 2020