

Hangzhou Hikvision Digital Technology Co., Ltd.

2020 Annual Report

HIKVISION

April 17th 2021

To Shareholders

In the past three years, we have met some challenges in development, and our management has been dedicated to their duties with diligence to ensure the Company's stable operation with a view to long-term development. The Company's revenue has increased from RMB 41.91 billion in 2017 to RMB 63.50 billion in 2020, with a three-year compound growth rate of 14.86%; and the Company's net profit has risen 12.46% from RMB 9.41 billion in 2017 to RMB 13.39 billion in 2020 by the three-year compound growth rate.

For us, technological innovation is the key to sustainable development. To respond to various challenges and to embrace new opportunities, our R&D expense ratio grew from 7.62% in 2017 to 8.99% in 2018, 9.51% in 2019, and 10.04% in 2020. In addition, we have accelerated our steps to deploy big data businesses and develop innovative businesses. And in order to meet the challenges, the spin-off and public listing of EZVIZ Network has also been initiated.

The application of artificial intelligence (AI) technology has been speeded up both domestically and globally. And we have sniffed the chances brought by the rise of big data technology applications, by the fusion of multi-detector technology, and by the end users' improved awareness of smart city, enterprise digital transformation and the Internet of Things (IoT). In the three years to come, we will invest more in Research and Development (R&D) and further improve operational efficiency to reward shareholders. And we believe that this will be an opportunity for us to grow.

This year marks the 20th anniversary of Hikvision since its establishment. We have grown from 28 to more than 40,000 in staff number, and every setback and test have toughened us, bringing us the new starts for growth and development. And all should be attributed to this great era.

Being open, transparent, and honest as always, we will pace ourselves to encounter challenges. And we will also pay attention to all kinds of new opportunities.

Finally, we'd like to extend our sincere thanks to all shareholders for your trust and support to the Company's management team!

See far, go further!

Hangzhou Hikvision Digital Technology Co., Ltd.

Board of Directors

2021.04

Section I Important Notes, Contents and Definitions

The Board of Directors, Board of Supervisors, directors, supervisors and senior management of Hangzhou Hikvision Digital Technology Co., Ltd. (hereinafter referred to as the “Company”) hereby guarantee that the information presented in this report shall be together be wholly liable for the truthfulness, accuracy and completeness of its contents and free of any false records, misleading statements or material omissions, and will undertake individual and joint legal liabilities.

Chen Zongnian, the Company's legal representative, Jin Yan, the person in charge of the accounting work, and Zhan Junhua, the person in charge of accounting department (accounting supervisor) hereby declare and warrant that the financial statements in this annual report are authentic, accurate and complete.

All directors of the Company have attended the board meeting to review this report.

The profit distribution proposal passed upon deliberation at the meeting of the Board of Directors is set out as follows: based on the Company’s current total share capital of 9,343,417,190 shares, the Company proposed to distribute cash dividend of RMB 8 (tax inclusive) per each 10 shares to all shareholders, bonus share and share distribution from capital reserve is nil.

Note:

This document is a translated version of the Chinese version 2020 Annual Report (“2020 年年度报告”), and the published announcements in the Chinese version shall prevail. The complete published Chinese 2020 Annual Report may be obtained at www.cninfo.com.cn.

Please read the full annual report and pay particular attention to the following risk factors:

- 1) **Global COVID-19 epidemic risk:** The global threat of COVID-19 epidemic has not yet been eliminated, and the potential threats brought about by the aggressive monetary policies of various countries during the epidemic have not yet fully manifested. The Company will maintain its business strategy focusing on stable and healthy development and closely monitor the impact of the epidemic, to ensure the normal operation of the Company's businesses. If the epidemic leads to the deterioration of the global economy, the adverse influences on the Company's businesses will escalate accordingly.
- 2) **Risk of technology upgrade:** Technologies such as artificial intelligence (AI), big data, cloud computing, and edge computing are developing rapidly. The speed of technology diffusion is accelerating. If the Company is unable to closely track and adapt to the changes in cutting-edge technologies, or fails to quickly realize business innovation, the risk of uncertainty in the company's future development will increase.
- 3) **Risk of internal management:** The continual expansion of business scale, the continuous increase of new products and new businesses, the continuous growth in total number of employees, which led to a significant rise of internal management complexity and higher requirements on the Company's management system. The Company's sustainable development will face certain risks if the management level fails to proportionally address the Company's business expansion.
- 4) **Supply chain risks:** COVID-19 epidemic and political conflicts have brought adverse impact on the global raw material supply system. The Company has been making efforts to enhance management for our supply chain and optimize inventory adjustments and controls. However, if systemic risks arise in the global supply chain, the Company's operating capabilities may be affected.
- 5) **Global business risks:** The Company operates in more than 150 countries and regions around the world. As the potential risks of epidemic, debt issues, political conflicts, and exchange rate fluctuations in various countries around the world are difficult to eliminate, the Company's overseas business operations may be adversely affected.
- 6) **Legal and compliance risk:** The world's multilateral trading system is facing adverse impacts. The laws and regulations of various regions that need to be complied with for business activities are very complicated. China and overseas countries have stricter data supervision and business compliance requirements. If the Company's legal compliance capabilities cannot keep up with the situation, it will bring

adverse impacts on the Company's operations.

- 7) **Risk of exchange rate fluctuation:** The Company carries out operations in various countries and regions with different currencies, mainly settled in non-RMB currency (mainly in USD). Exchange rate fluctuations could have impact on foreign exchange exposures arising out of sales, procurement and financing, which could likely affect the profitability level of the Company.
- 8) **Risk of cybersecurity:** The Company has always attached great importance and taken active measures to enhance cybersecurity performance of our products and systems. However, in the context of Internet applications, there is still a possibility of deliberate attempts, including computer viruses, malicious software, hacker and others to intentionally attack our systems or products, causing cybersecurity issues.
- 9) **Risk of intellectual property (IP) rights:** The Company continues to maintain a relatively large scale of R&D investment, and produces considerable technical milestones. At the same time, the Company implements well-organized intellectual property right (IPR) protection measures. However, the risk of intellectual property disputes and the risk of intellectual property rights violations still exist.

The above notices might not be all-inclusive of all other potential risks. Please pay attention to potential investment risks.

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Definitions

Term	Definition
Reporting Period	From January 1 st 2020 to December 31 th 2020
Articles of Associations	<i>Articles of Associations for Hangzhou Hikvision Digital Technology Co., Ltd</i>
Hikvision, our Company, the Company	Hangzhou Hikvision Digital Technology Co., Ltd
CETC	China Electronics Technology Group Ltd., the actual controller of the Company
CETHIK	CETHIK Group Co., Ltd. Controlling Shareholder of the Company
Qianmo Jiaying	Hangzhou Qianmo Jiaying Equity Investment Partnership (Limited Partnership) (formerly Hangzhou Hikvision Equity Investment Partnership (Limited Partnership))
EZVIZ, EZVIZ Network	Hangzhou Ezviz Network Co., Ltd. (According to the context, also refers to the corresponding business)
HikRobot	Hangzhou Hikrobot Technology Co., Ltd. (According to the context, also refers to the corresponding business)
HikAuto	Hangzhou HikAuto Technology Co., Ltd. (According to the context, also refers to the corresponding business)
HikMicro	Hangzhou Hikmicro Sensing Technology Co., Ltd. (According to the context, also refers to the corresponding business)
HikSemi, Hikstorage	Wuhan Hikstorage Technology Co., Ltd. (According to the context, also refers to the corresponding business)
HikImaging	Hangzhou Hikmed Imaging Technology Co., Ltd. (According to the context, also refers to the corresponding business)
HikFire	Hangzhou Hikfire Technology Co., Ltd. (According to the context, also refers to the corresponding business)
HikSecurityCheck, HikRayin	Hangzhou Rayin Technology Co., Ltd. (According to the context, also refers to the corresponding business)
Hangzhou Innovation Industry Park	Located in Binjiang District, Hangzhou, Zhejiang Province, the planned use is for R&D, office space and supporting facilities.
Chengdu Science and Technology Park	Located in Chengdu, Sichuan Province, the planned use is for R&D, office space and supporting facilities.
Chongqing Science and Technology Park	Located in Chongqing, the planned use is for production plants, warehouses and supporting facilities.
Xi'an Science and Technology Park	Located in Xi'an, Shaanxi Province, the planned use is for R&D, office space and supporting facilities.
Wuhan Science and Technology	Located in Wuhan, Hubei Province, the planned use is for R&D, office

Term	Definition
Park	space and supporting facilities.
Wuhan Intelligence Industry Park	Located in Wuhan, Hubei Province, the planned use is for production plants, warehouses and supporting facilities.
Zhengzhou Science and Technology Park	Located in Zhengzhou, Henan Province, the planned use is R&D, office space and supporting facilities, etc.
EZVIZ Industry Park	EZVIZ smart home product industry park, located in Hangzhou, Zhejiang Province, is planned to be used for R&D, office space and supporting facilities of Hangzhou EZVIZ Network Co., Ltd.
Innovative Business	<p>A long investment cycle, business prospects uncertain, has the high risk and uncertainty, in need for direct or indirect investment in exploration, in order for the Company to timely enter into new areas of business. Initially disclosed in <i>Announcement about Management Measures for Core Staff Investment in Innovative Business</i> (《核心员工跟投创新业务管理办法》) (www.cninfo.com.cn).</p> <p>In this report, innovative business also refers to EZVIZ, HikRobot, HikAuto, HikMicro, HikStorage, HikImaging, HikFire, HikRayin and their related business or products.</p>

Section II Corporate Profile & Key Financial Data

I. Corporate Information

Stock abbreviation	HIKVISION	Stock code	002415
Stock exchange where the shares of the Company are listed	Shenzhen Stock Exchange		
Name of the Company in Chinese	杭州海康威视数字技术股份有限公司		
Abbr. of the Company name in Chinese	海康威视		
Name of the Company in English (if any)	HANGZHOU HIKVISION DIGITAL TECHNOLOGY CO., LTD		
Abbr. of the Company name in English (if any)	HIKVISION		
Legal representative	Chen Zongnian		
Registered address	No. 555 Qianmo Road, Binjiang District, Hangzhou		
Postal code of Registered address	310051		
Business address	No. 518 WuLianWang Street, Binjiang District, Hangzhou		
Postal code of Business address	310051		
Company website	www.hikvision.com		
E-mail	market@hikvision.com; ir@hikvision.com		

II. Contacts and contact information

	Board Secretary	Securities Affairs Representative
Name	Huang Fanghong	Zhou Xinyi
Address	No. 518 WuLianWang Street, Binjiang District, Hangzhou	No. 518 WuLianWang Street, Binjiang District, Hangzhou
Tel.	0571-88075998; 0571-89710492	0571-89710492
Fax	0571-89986895	0571-89986895
E-mail	hikvision@hikvision.com	hikvision@hikvision.com

III. Information disclosure and place of the report

Newspaper designated by the Company for information disclosure	<i>Securities Times, Shanghai Securities Journal</i>
Website specified by CSRC for release of the Annual Report	www.cninfo.com.cn
Place where the Annual Report is available for inspection	Office of the Board of Directors of the Company

IV. Company Registration and Alteration

Organization code	91330000733796106P
Changes in principle business activities since the Company was listed (if any)	During the reporting period, there is no change in the Company's business scope. The Company's business scope is: research and development (R&D) and production of electronic products (including explosion-proof electrical products, communication equipment and related ancillary equipment, multimedia equipment, transmission and display equipment), fire protection and control products, big data and Internet of Things hardware and software products aircrafts, robots, intelligent equipment and intelligent systems, real-time communication systems, auto parts and accessories, automotive electrical signal equipment, servers and supporting hardware and software products; Sales of self-produced products; provide technical services, electronic technology consulting service, training service (excluding the organizational training), electronic equipment installation; electrical engineering, design, construction and maintenance of intelligent system projects. (except country prohibited and restricted items, relating to the specific mandatory license certificate) (subject to ratification in accordance with the project, approved by the relevant departments to operate)
Changes of controlling shareholders of the Company (if any)	No change during the reporting period

V. Other Relevant Information

Accounting firm engaged by the Company

Name of the accounting firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Business address of the accounting firm	30F Bund Center 222 Yan An Road East Shanghai
Name of accountants for writing signature	Tang Lianjiong, Zhang Shushu

Sponsor institution engaged by the Company to continuously perform its supervisory function during the Reporting Period

Applicable Inapplicable

Financial advisor engaged by the Company to perform the duties of continuous supervision during the reporting period

Applicable Inapplicable

VI. Key accounting data and Financial Indicators

Whether the Company performed a retrospective adjustment or restatement of previous accounting data

Yes No

Unit: RMB

	2020	2019	YoY Change (%)	2018
Operating income (RMB)	63,503,450,891.78	57,658,110,065.22	10.14%	49,837,132,481.61
Net profit attributable to shareholders of the Company	13,385,526,714.15	12,414,587,690.45	7.82%	11,352,132,255.21
Net profit attributable to shareholders of the Company excluding non-recurring gains and losses (RMB)	12,805,839,276.44	12,037,518,321.42	6.38%	10,983,228,170.60
Net cash flows from operating activities (RMB)	16,088,156,566.67	7,767,720,171.14	107.12%	9,113,286,027.76
Basic earnings per share (RMB/share)	1.445	1.343	7.59%	1.240
Diluted earnings per share (RMB/share)	1.444	1.343	7.52%	1.234
Weighted average ROE	27.72%	30.53%	-2.81%	33.99%
	At December 31 st 2020	At December 31 st 2019	YoY Change (%)	At December 31 st 2018
Total assets (RMB)	88,701,682,384.20	75,358,000,240.29	17.71%	63,491,508,747.79
Net assets attributable to shareholders of the Company (RMB)	53,794,311,162.05	44,904,033,876.83	19.80%	37,589,417,652.35

The total share capital of the Company as of the previous trading day of the annual report disclosure:

The total share capital of the Company as of the previous trading day of the annual report disclosure (share)	9,343,417,190
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Fully diluted earnings per share calculated with the latest share capital

Fully diluted earnings per share (RMB/share) calculated with the latest share capital	1.433
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VII. Differences in Accounting Data between Domestic and Overseas Accounting Standards

1. Difference in the financial report of net profits and net assets according to the disclosure of International Financial Reporting Standards and China Accounting Standards

Applicable Inapplicable

There is no difference in the financial report of net profits and net assets according to the disclosure of International Financial Reporting Standards (IFRS) and China Accounting Standards in the reporting period.

2. Difference in the financial report of net profits and net assets according to the disclosure of Overseas Accounting Standards and China Accounting Standards

Applicable Inapplicable

There is no difference in the financial report of net profits and net assets according to the disclosure of Overseas Accounting Standards and China Accounting Standards in the reporting period.

3. Explanation of the differences in accounting data under domestic and overseas accounting standards

Applicable Inapplicable

VIII. Key Quarterly Financial Indicators

Unit: RMB

	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
Operating income	9,428,902,974.38	14,842,256,269.38	17,750,035,645.90	21,482,256,002.12
Net profit attributable to shareholders of the Company	1,496,269,608.01	3,127,703,222.86	3,814,978,645.77	4,946,575,237.51
Net profit attributable to shareholders of the Company excluding non-recurring gains and losses	1,469,074,026.95	2,994,424,350.73	3,576,189,605.69	4,766,151,293.07
Net cash flows from operating activities	-3,982,048,164.94	4,052,014,505.51	5,464,651,652.26	10,553,538,573.84

Whether there is significant difference between the above individual or aggregate financial indicators and that of what disclosed in the quarterly report, half-year report

Yes No

V. Differences in Accounting Data between Domestic and Overseas Accounting Standards

1. Difference in the financial report of net profits and net assets according to the disclosure of International Financial Reporting Standards and China Accounting Standards

Applicable Inapplicable

There is no difference in the financial report of net profits and net assets according to the disclosure of International Financial Reporting Standards (IFRS) and China Accounting Standards in the reporting period.

2. Difference in the financial report of net profits and net assets according to the disclosure of Overseas Accounting Standards and China Accounting Standards

Applicable Inapplicable

There is no difference in the financial report of net profits and net assets according to the disclosure of Overseas Accounting Standards and China Accounting Standards in the reporting period.

3. Explanation of the differences in accounting data under domestic and overseas accounting standards

Applicable Inapplicable

IV. Items and Amounts of Non-recurring Gains and Losses

Applicable Inapplicable

Unit: RMB

Item	2020	2019	2018
Profit or loss from disposal of non-current assets (including the write-off for the impairment provision of assets)	-5,836,675.36	-2,053,875.22	4,975,825.83
The government subsidies included in the current profits and losses (excluding the government subsidy closely related to regular course of business of the Company and government subsidy based on standard quota or quantitative continuous application according to the state industrial policy.)	571,403,657.30	413,790,429.84	319,304,315.50
The investment cost of the company to obtain subsidiaries, associates and joint ventures is less than the income generated by the fair value of the investee's identifiable net assets when the investment is obtained	281,193.50		
Net gains and losses from beginning of the reporting period to the merge date for the subsidiary merged involving enterprises under common control		-885,138.65	-736,986.11
Profits and losses attributed to change in fair value for held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, and derivative financial liabilities; and investment income from disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investments, excluding the effective hedging business related to the regular business operation of the Company.	98,373,869.75	26,872,639.66	62,153,461.82
Other non-operating income and expenditures except the items mentioned above	74,007,631.14	52,155,026.79	94,651,413.78
Less: Impact of income tax	109,931,807.07	86,193,406.35	84,510,487.85
Impact of the minority interests (after tax)	48,610,431.55	26,616,307.04	26,933,458.36
Total	579,687,437.71	377,069,369.03	368,904,084.61

Explain the reasons if the Company classifies an item as a non-recurring gain/loss according to the definition in the <Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Non-recurring Gains and Losses>, or classifies any non-recurring gain/loss item mentioned in the aforementioned note as a recurrent gain/loss item

Applicable Inapplicable

In the reporting period, the Company did not classify an item as a non-recurring gain/loss according to the definition in the <Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Non-recurring Gains and Losses> into a recurrent gain/loss item

Section III Corporate Business Summary

I. The principal business of the Company during the reporting period

1. Business Scope

Vision, hearing, smell, taste and touch together constitute the five senses of human beings. As for information perception, vision may be deemed as the most vital means, as more than 80% information obtained by human beings comes from sight. Deeply engaged in video technology development for the past two decades, Hikvision has been upgrading machine's video perception ability from capturing the target and capturing clearly all the way to understanding the target. And based on the video technology, we have built a complete value chain spanning from R&D, manufacturing to marketing.

For human beings, what you see is what you get, as human vision can only perceive the visible light, which is only a small segment of 390-700 nanometers in the electromagnetic spectrum. Varying in wavelength and frequency, electromagnetic waves can extend from visible light to both ends. One end is a frequency band with longer wavelengths: infrared rays, microwave, and radio waves, etc., and the other end is a frequency band with shorter wavelengths: ultraviolet rays, X-rays, and gamma rays, etc. In light of the strategic positioning of the perception business of the Internet of Things (IoT), Hikvision has expanded and deployed new business in a planned manner, and built the main technology architecture for multi-dimensional perception by establishing five main technical lines in visible light, millimeter wave, far-infrared rays, X-rays and sound wave. On this basis, we've managed to offer a richer and broader technical product portfolio.

Hikvision, focusing on the intelligent IoT, big data services and intelligent business, offers intelligent IoT products and services integrating software and hardware, cloud and edges, as well as big data platform products and services combining IoT and information network, big data and intelligence, and develops innovative businesses in smart home, mobile robots and machine vision, auto electronics, intelligent storage, infrared thermal imaging, intelligent fire protection and control, intelligent security check, intelligent medical services, etc. Experience gathered bit by bit in perception platforms, data platforms and application platforms naturally drive the R&D of more perception means, the acquisition of more perception data, and the development of more perception applications. Perception technologies such as millimeter wave, far-infrared rays, X-rays and sound wave together empower Hikvision to enlarge its business scope and build an open and cooperative ecosystem to serve users in the

public service sector, big enterprises and small and medium-sized enterprises, and contribute to the construction and service of intelligent business such as smart cities and digital enterprises.

2. Core Capabilities

2.1 Integration of Software and Hardware: Mutual Promotion between Software and Hardware Product Systems

In recent years, Hikvision has unified the software development system, standardized the hardware development process, provided a unified embedded software platform for various equipment, and unified interface specifications for networking accessing and operation and maintenance management of various equipment, ushering the development of software and hardware products into a benign iterative cycle.

2.1.1 Unified Equipment Software Platform

Various hardware product types, diversified product operating environments, and different product operation and maintenance management ways have posed major challenges to the development of the IoT business. In this context, Hikvision has launched HEOP (Hikvision Embedded Open Platform) to support containerized independent deployment and flexible scheduling of algorithms or components for the sustainable development of intelligent IoT.

Hikvision is currently migrating its original hardware products to HEOP step by step, with all new products developed based on this platform. On this unified embedded software platform, all intelligent IoT equipment of Hikvision will feature the same software foundation to avoid the differences between various hardware development and operating environments, and support function changes of hardware products through software upgrades to improve development efficiency significantly.

In addition, partners can realize iterative development of intelligent application functions of intelligent IoT equipment based on HEOP efficiently, and work with Hikvision to create value for customers.

2.1.2 Unified Software Support for Equipment

Hikvision provides various intelligent IoT equipment with unified access, networking, operation and maintenance support capabilities through a unified intelligent perception networking platform, making the large-scale intelligent IoT a reality.

The unified device access framework supports the connection of various video equipment, multi-dimensional

sensing equipment, and intelligent equipment. With open interfaces and protocols, various intelligent IoT equipment can access Hikvision's software platforms. And the development of equipment network access drivers is relatively separated from application software, that is, we can set up the platform first and then develop device drivers.

Networking is possible in a large scale to support a variety of IoT perception equipment in line with national standards and multi-industry standard specifications. And the integrated operation and maintenance service platform is applicable to a variety of IoT devices and IT equipment.

Moreover, partners, through the interface provided by the intelligent perception networking platform, can connect other manufacturers' IoT equipment to the same software platform.

2.1.3 R&D Synergy Between Software and Hardware

At Hikvision, the R&D of software or hardware meeting customer requirements, application scenarios, industry characteristics and other demands is not carried out separately in most cases. Offering the best solutions to meet users' demands is our top priority. So, you will find that the hardware development demands may be completed by the software R&D team, while the software development demands may be undertaken by the hardware R&D team. We have formed a synergy between these two R&D types with the two teams supporting each other. When communicating with users on business needs, software personnel will advise them on the hardware equipment they need; and for the newly developed intelligent equipment, the software team will develop application software that maximizes their value.

Software Demand Drives Hardware R&D

When understanding the demands of relevant industries and designing software functions, the business team will analyze the demands for hardware products at the same time, and timely feedback to the hardware products and AI algorithm team. Take hyperspectral water quality monitor and gas-cloud imaging gas detection explosion-proof camera as examples:

Hyperspectral water quality monitor: To meet the needs of water resources protection, river and lake shoreline management and protection, water pollution prevention, water environment governance, water ecological restoration, law enforcement supervision and other demands, Hikvision's hardware products and AI algorithm team has developed a hyperspectral water quality monitor, breaking through the limitations of traditional water quality monitoring methods. This device retrieves the water quality information with the hyperspectral technology, including chlorophyll a, total nitrogen, total phosphorus, transparency, COD, turbidity, suspended solids, ammonia

nitrogen, etc. To adapt to various application scenarios, the team has created an array of product forms including single-point hyperspectral water quality monitor (for water quality detection in urban/rural rivers, water conservancy rivers, and natural lakes), and airborne hyperspectral water quality monitor (for urban/rural river basins, lakes, pollutant discharge monitoring, agriculture and forestry, plant protection, etc.).

Gas-cloud imaging gas detection explosion-proof camera: To meet the gas detection demands of oil and gas field exploration, petroleum refining, natural gas pipeline transportation, environmental law enforcement and other scenarios where hazardous gas leakage may occur, Hikvision’s hardware product and AI algorithm team, going beyond the restrictions of traditional gas monitoring methods, gives play to the unique spectral imaging technology and detection algorithms to monitor, identify and quantitatively analyze leaking gas in real time, realizing real-time detection and early warning of dozens of flammable and explosive hydrocarbons such as methane and ethylene in a highly efficient, long-distance, wide-range, dynamic and intuitive manner.



Water Quality Retrieval Result of Airborne Hyperspectral Water Quality Monitor



Gas Leak Detection (50 meters away, butane) Result

Hardware Capabilities Drives Software Development

Leveraging Hikvision’s strong hardware research and development capabilities, the hardware team is committed to introduce new hardware devices. The software team, through in-depth communication with the hardware team, keeps abreast of the latest developments in hardware products, and rolls out new application software R&D in a timely manner to maximize the functions of hardware equipment and reflect the application value of the equipment. Take specific route video relay software, traffic projection and intelligent analysis software as examples:

Specific route video relay software: The intelligent tracking PTZ dome camera designed by Hikvision supports functions of automatic target recognition and target positioning of vehicles. To fully give play to the

functions of this equipment, Hikvision’s software team has created a specific route video relay software, which uses multiple intelligent tracking PTZ dome cameras to track cross-border vehicle targets, and is applied in the full seamless video relay of hazardous chemical vehicles and other scenarios.

Traffic projection and intelligent analysis software: The Radar-Assisted Camera developed by Hikvision combines the strengths of video and radar in perception methods and information perception in a profound way; the high-precision monitoring capabilities of millimeter-wave radar makes harsh environment no more a trouble, and the full-structured analysis capabilities unique to video, covering license plates, models, and car logos, body color recognition, etc., realizes functions such as accurate movement description and behavior analysis of motor vehicles and non-motor vehicles on the road. To double the might of the equipment, the Hikvision industrial team has developed the traffic projection and intelligent analysis software. Working together the comprehensive intelligent collection capabilities of the radar-assisted camera, it can reproduce the real-time road traffic movement, and accurately depicts the entry and exit of a single vehicle at the intersection, collect precise traffic parameters and timely detect traffic incidents such as intersection and road section congestion, continuous lane changes to assist in the diagnosis of intersection traffic operation, and support traffic signal control, comprehensive evaluation of road safety, and optimization of traffic scheduling.



**Interface of specific route video relay software:
full tracking of hazardous chemical vehicles in the tunnel**



**Interface of traffic projection software: distribution of
vehicles at intersections (with vehicle speed information)**

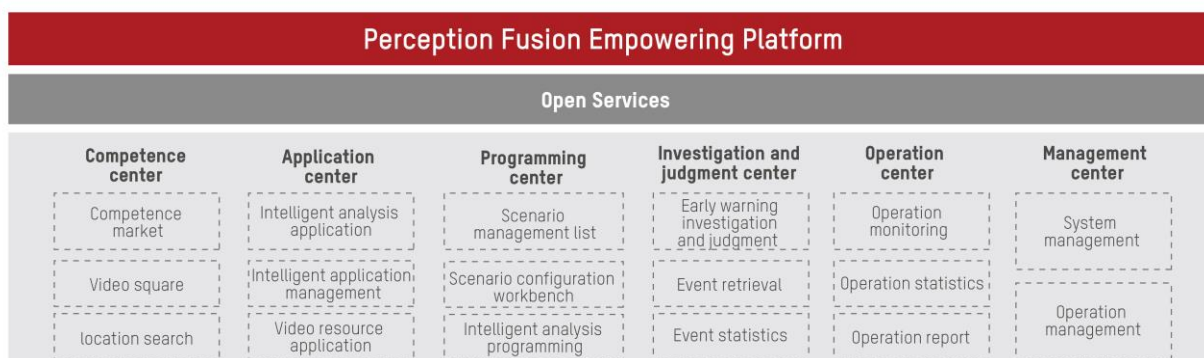
2.2 Cloud-Edge Fusion: Perception Fusion Empowering Platform

2.2.1 Perception Fusion Empowering Platform: Realizes Intelligent Fusion and Utilization of Front and Back Ends

Aiming at “co-construction of locations, resource sharing, algorithm co-management, computing power integration, and service sharing”, Hikvision’s perception fusion empowering platform is geared towards the fusion

and utilization of industrial or urban IoT perception resources. As for perception resource construction, it supports access networking, lean management and planning and deployment of front-end devices to realize “co-construction of locations”. For perception resource utilization, the label association, fast retrieval, and on-demand access of perception data are readily available for “resource sharing”. In terms of algorithm management, the open training, unified management, and flexible programming of intelligent algorithms together make “algorithm co-management” possible. In the aspect of intelligent computing power integration, the platform supports the unified management, load monitoring and reasonable scheduling of computing power resources to achieve “computing power integration”. Lastly, in terms of intelligent analysis service, there are directory publishing, business application and service configuration of intelligent services for “service sharing”.

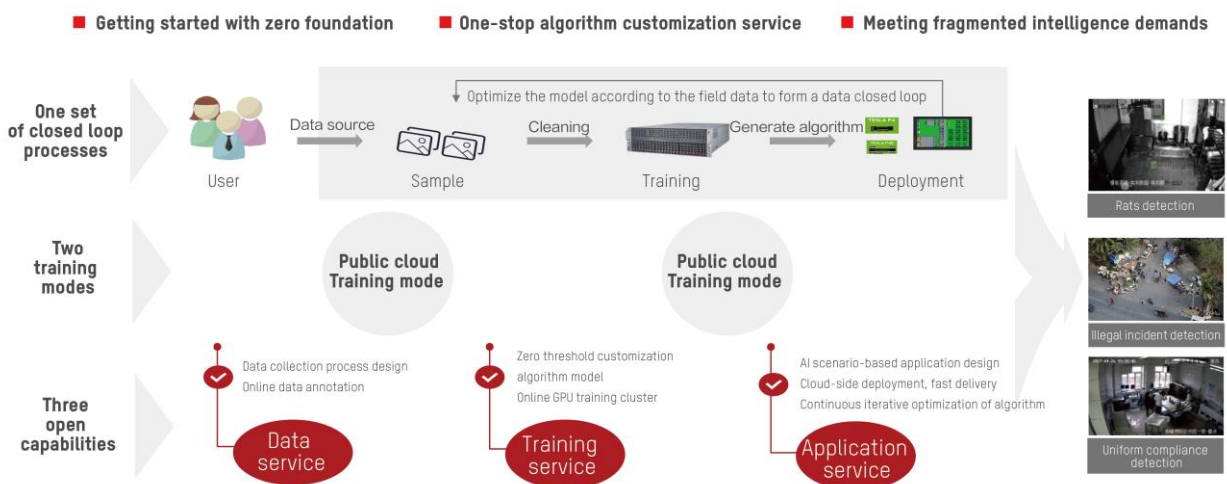
Hikvision’s perception fusion empowering platform provides competence center, application center, programming center, investigation and judgment center, operation center, and management center. The competence center provides the classification and search services of perception resources, and releases intelligent service capabilities; the application center serves for the application and review management of perception resources and intelligent analysis services; the programming center is for scene tag management, scene configuration, and intelligent analysis algorithm programming for the perception resources of the IoT; the investigation and judgment center features functions such as automatic push of intelligent analysis events, manual investigation and judgment, event statistics and retrieval; the operation center offers intelligent service applications, intelligent service task monitoring, execution statistics, regular operation reports and other functions to business managing personnel; the management center is characterized by management functions covering background resource management scheduling platform, IoT resources and algorithm resources for technical operation and maintenance personnel.



2.2.2 AI Open Platform: Makes Front-End Intelligent and Definable

Intelligent industry algorithms available in large number is the premise for the perception fusion empowering platform to function. Based on existing mature algorithms, it is necessary to provide more algorithm customization services matching with users’ actual application scenarios. Hikvision’s AI open platform, as a one-stop algorithm training platform for fragmented industry application scenarios, is capable of training perception algorithms based on small sample data.

Easy to operate, the AI open platform can generate intelligent algorithms through sample data collection, online data labeling, and online algorithm training, and deploy the algorithms to front-end and back-end equipment. Supporting two training modes: public cloud and private cloud, this platform currently has more than 2,000 registered users with over 15,000 intelligent algorithms trained for users in 2020 alone in addition to algorithm training services offered by Hikvision to its own users.



2.2.3 Algorithm Database: Provides a Basis for Algorithm Reuse

Hikvision’s algorithm database manages algorithms of different vendors, different functions, and different forms in a unified way, providing a basis for the reuse of intelligent algorithms.

Formulating a complete algorithm description specification, Hikvision’s algorithm database can describe and manage the name, type, function, technical parameters, application scenarios, operating environment and other characteristics of the algorithm, so as to provide the appropriate technical environment or scheduling parameters to deploy, arrange, and manage algorithms, and work together with the resource management scheduling platform to

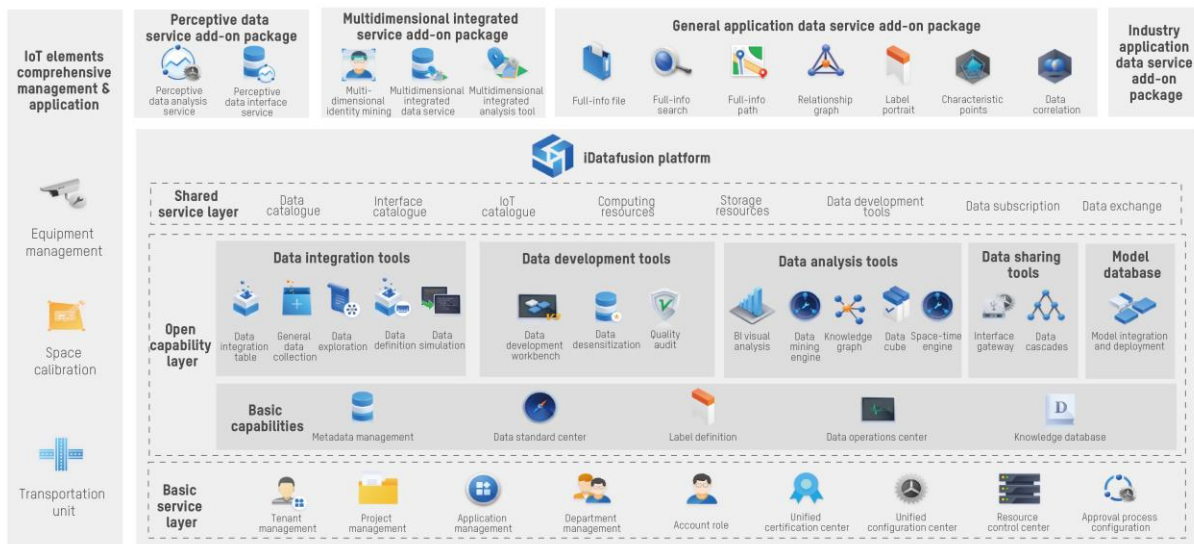
realize the unified management of intelligent algorithms and on-demand scheduling.

2.3 Fusion of IoT and Information Network: Data Resource Platform Comes into Play in Multiple Industries

Hikvision’s iDatafusion platform has been applied and promoted in various fields such as public safety, traffic management, bus scheduling, water conservancy and water affairs, natural resources, financial anti-fraud, and campus management. Through the fusion, management, mining and service of perception data and business data, it provides users with data models and applications, and meets users’ business application needs.

2.3.1 iDatafusion Platform: Brings Out a Complete Product System

Hikvision’s iDatafusion platform provides users with data integration, data processing, data analysis, data sharing, data services, and model repository capabilities.



The data resource platform provides data integration tools such as data integration workbench, general data collector, data exploration, data definition and data simulation, etc., data processing tools such as data development workbench, data desensitization and quality inspection, etc., data analysis tools such as BI (Business Intelligence) visual analysis, data mining engines, knowledge graphs, data cubes, and space-time engines, etc., data sharing tools such as API (Application Programming Interface) gateways, data cascades, etc., and data service capabilities such as data catalogs, IoT catalogs, API catalogs, data subscriptions, data exchanges, etc. Among them, data mining engines and knowledge graphs together constitute the intelligent cognitive open capabilities based on the AI open platform, and the data analysis operators and data models formed thereby can be further utilized by other analysis

tools such as the data cubes.

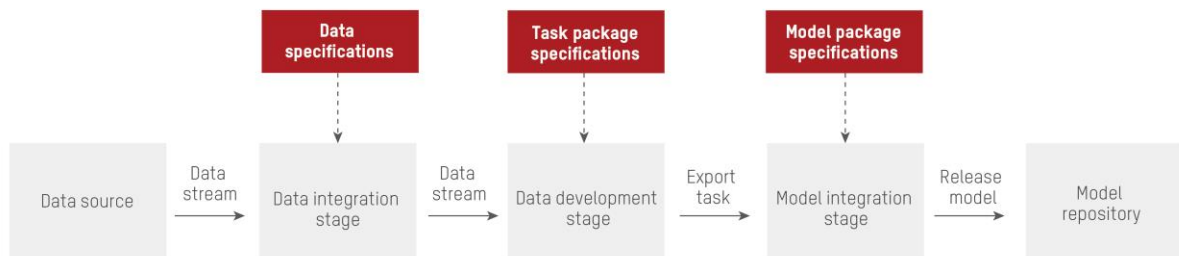
To effectively improve the quality of IoT data, Hikvision advocates IoT data management from the source, and provides comprehensive management applications for IoT elements, offering a series of management tools such as equipment management, space calibration, and transportation unit management; to better serve industries, we also provide a series of optional data service product add-ons packages such as perception data service, multi-dimensional data fusion service, general application data service, industry application data service, etc., to elevate the efficiency of application development based on the data resource platform.

2.3.2 Model Repository: Provides a Basis for Model Reuse

With models as the granularity, Hikvision’s model repository provides unified data model deliverables description specifications to manage the process or task of data tools such as data integration workbench, data development workbench, data mining engines, data cubes, BI visualization analysis, and API gateways associated with models. Possessing such capabilities as model release, version management, information inquiry, statistical analysis, and integrated deployment to serve all 3rd parties developing models based on tools of the iDatafsion platform, this repository can facilitate model reuse between various projects.

The final deliverable of the data model can be the dataset, API service, or BI visualization chart that supports the application. A data model can be used for multiple applications, and an application can rely on the support of multiple data models.

The model repository functions as a foundation for the reuse of data models in multiple application sites.

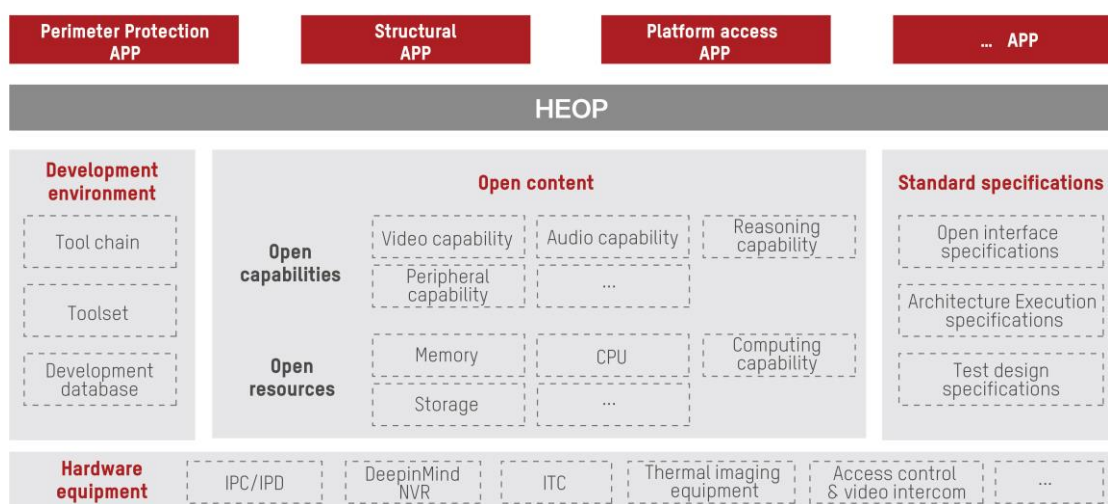


2.4 Big Data-intelligence Fusion: Intelligent Application Open Platform Empowers Industries

2.4.1 Intelligent Application Open Platform: Support Universal Intelligent Application Scenarios

Hikvision has set up the intelligent application open platform for edge node applications, edge domain applications, cloud center applications, and Internet operation applications respectively, to support universal intelligent application scenarios.

Edge node Hikvision Embedded Open Platform (HEOP): Consists of three parts: development environment, open content, and standard specifications. Therein, the development environment, with standardized tool chains and development tools (model toolsets, packaging tools), as well as containerized deployment methods, makes one-click deployment of development environments possible for cooperating vendors. The open content, through the abstraction of software functions, provides a unified external capability interface to avoid differences between products; and through the abstraction of hardware, realizes on-demand use of hardware resources to prevent resource preemption between different apps. Standard specifications, with a series of related standard specifications such as open interface specifications, architecture execution specifications, test design specifications, etc., to ensure the consistency of cross-device and cross-platform implementation.



HEOP features a device-level open platform that supports application decoupling development. Developers can develop apps independent of intelligent devices to achieve two-way decoupling of product hardware development and software feature development, thus promoting product development flexibility, shortening product

development cycles, and improving product development efficiency. For the time being, it has gathered multiple apps that have been applied to corresponding products; based on its basic capabilities, including audio and video processing capabilities, deep learning reasoning, etc., partners can develop their own apps leveraging device resources and open capability interfaces to meet the demands of different scenarios, such as dangerous goods identification, electric bicycle identification, etc. Partners can also publish their apps on the Hikvision App Store for promotion and sales; flexible deployment between devices is easy to achieve. No matter whether they are developed by Hikvision or by a partner manufacturer, they can be directly used across products through a simple secondary compilation and packaging, to achieve one-time development, multi-machine sharing, and high R&D efficiency.

Edge domain intelligent application platform (Hikvision iSee): Provides a development framework for edge domain intelligent applications, and general service capabilities that can be integrated into this framework, including video live view and playback, access control, video intercom, elevator control and other connected perception capabilities and video intelligent analysis functions, in addition to a number of optional common functional components. Developers can further develop dedicated components that meet specific application requirements on this basis.

Cloud center intelligent application platform (Hikvision iFar): Provides a development framework for cloud center intelligent applications, and general service capabilities that can be integrated into this framework, including comprehensive data intelligence application support capabilities such as IoT perception, intelligent analysis, and big data analysis. Developers can further develop dedicated components that meet specific application requirements on this basis.

Internet operation application open platform (Hikvision Infocloud): Based on EZVIZ cloud, provides business operation service support capabilities for cities and industries, and a public Internet underlying platform (supporting the access and management of hundreds of millions of devices) and Internet-based high-concurrency business services for industry users. The tenant platform integrates shared service units such as resource services and user services for the rapid up integration by business platform; the operating platform mainly delivers product services, project services, etc., for operators to manage products and projects; intelligent services support people-vehicle identification, OCR text recognition, intelligent voice recognition, AI training service, data annotation, intelligent application engine, etc. At present, it has achieved online business operations of 14 public service areas, including community operation service cloud platform, rental house management cloud platform, environmental, food and drug enterprise information collection cloud platform, small and micro enterprise safety production

supervision platform, and waste classification intelligent management cloud platform, municipal IoT platform, temperature measurement data cloud platform, video integrated operation platform, intelligent voice cloud platform, fire protection operation cloud platform, vehicle security management cloud platform, Internet cloud court trial platform, smart parking operation cloud platform, etc.

2.4.2 Component Database: Provides a Basis for Software Reuse

Hikvision's unified software technology system supports the "architecture + component" development model. And our component database has gathered over 2,300 components of various types for four development architectures.

Hikvision's component database manages the component development of internal software development teams around the world in a unified manner to avoid repeated component development plans, and combine and divide components with repeated functions, thereby reducing development and maintenance costs.

The Hikvision component database, as an alternative source for software function reuse, offers a large number of common functional components which support multiple development frameworks at the same time. Developers can further develop dedicated components that meet specific application requirements on this basis, and use the tools provided by Hikvision's unified technology system to package, deploy and manage components. The software development process based on Hikvision's unified software technology system can be boiled down to "selecting architecture + selecting components + configuring components + developing new components + integration", thereby improving the consistency and compatibility of the software released by us while ensuring high software quality.

2.5 Ecological Empowerment: Forms an All-round Open Ecological Empowerment System

2.5.1 Open System: Open Equipment + Open Platform + Open Data + Open Application

Hikvision offers comprehensive open capabilities spanning equipment, platforms, data, and applications to industry application developers in all aspects.

Hikvision intelligent application open platform provides four development frameworks, more than 1,000 open interfaces, more than 730 common components, and nearly 200 software platform products including basic software, general software, and industry software.

Our integrated operation and maintenance service platform offers equipment probes for the access of third-

party sensing devices, operation and maintenance data interfaces for data output and report output of operation and maintenance data; and the partner operation and maintenance team management and cascading assessment function for various teams to deliver operation and maintenance services based on the same platform.

Hikvision’s IoT-information integrated data resource platform supports the access of third-party data storage management systems or data formats in addition to mainstream data access; the IoT data management tools provided is capable of managing elements of various types of IoT devices from multiple vendors while evaluating location deployment; and data service interfaces support the development of business applications.

Hikvision provides more than 80 related standards and specifications including overall technical specifications, general technical specifications, software interface specifications, IoT perception technical specifications, intelligent algorithm technical specifications, big data management and service specifications, technical management specifications, etc., to ensure the seamless integration between ecological partners’ technical achievements and Hikvision’s software and hardware products.

2.5.2 Empowerment System: System Operation and Maintenance +Algorithm Training + Data Engineering + Application Development

To support more partners to deliver application values for users based on Hikvision’s open system, Hikvision, based in Hangzhou has established a training and certification system, three software R&D centers in the northeast, northwest and southwest, the offline training empowerment mechanism of 19 provincial-level software R&D departments, as well as an online training mechanism offering over 280 courses.

The training empowerment system, oriented to system operation and maintenance, algorithm training, data engineering and application development, issues certifications of associates, professionals and experts based on the Hikvision training and certification system and the training content and evaluation system.



3. Software and Hardware Products

3.1 Hardware Product Family: Edge Node Comprehensive Perception + Edge Domain Scenario Intelligence + Central Intelligent Storage and Computing

Hikvision, centering on intelligent perception, has further integrated its technological expertise accumulated over the years and reinforced its basic technical capabilities, developing an open platform for embedded devices, and creating an efficient and steady product development system that is safe and reliable. While enhancing its overall competitiveness, Hikvision has created a series of star intelligent products such as “DarkFighter X” and “ColorVu” camera series, “DeepinMind” NVR, and “MinMoe” smart access control products, which are applied widely by government agencies, enterprises, and the consumer market.

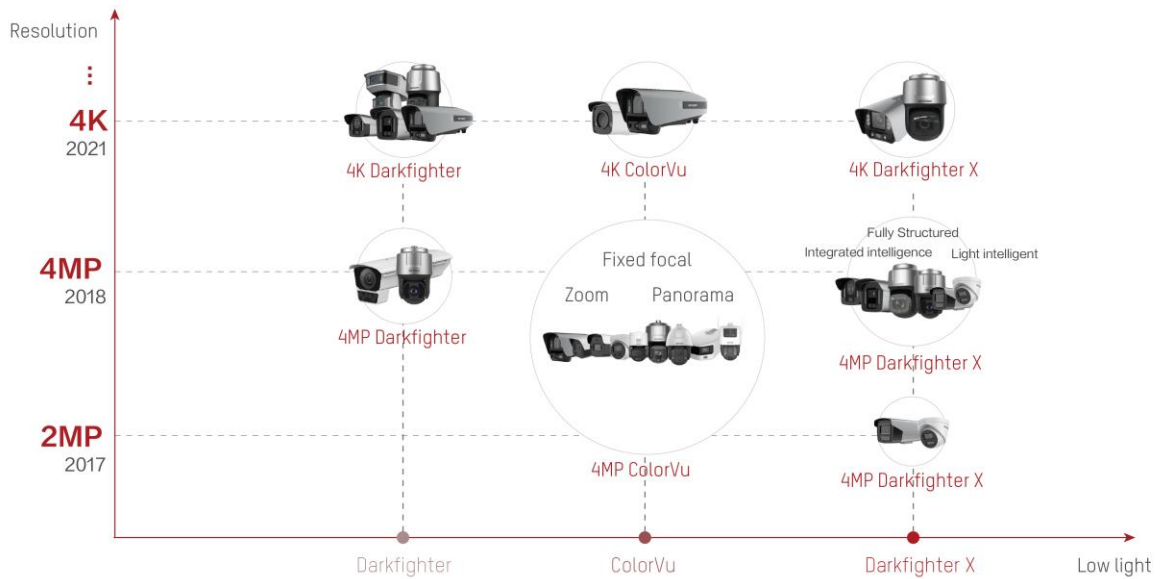
In Hikvision’s hardware product family, edge node products focus on comprehensive intelligent perception, edge domain products on realizing scenario-based intelligence, and cloud center products on intelligent computing and streaming storage.

3.1.1 Edge Node Products: Comprehensive Intelligent Perception

1) Front-End Products

With continuous investment into video images, intelligent algorithms, optical lenses, hardware structures, software architectures, cyber security, and other technologies, Hikvision has put forward the philosophy of ultra-clarity and full-color, panoramic details, multi-dimensional perception, scenario definition, and universal intelligence to further improve cameras’ all-weather all-scenario perception, all-element extraction, and all-data association capabilities.

Ultra-clarity and full-color: With in-depth research of Darkfighter, ColorVu technologies and adaptation of large aperture, ultra-depth-of-field lens, super photosensitive sensor, multi-spectral fusion architecture, 3D Color augmented engine and AI image augmented technology, Hikvision has managed to achieve accurate color reproduction, high dynamic and clear imaging and adaptation to complicated scenes, and developed a ultra-clear full-color product matrix featuring 4K ColorVu and Darkfighter series, to improve data quality from the image source, obtain richer detailed features, and present more true color night vision.



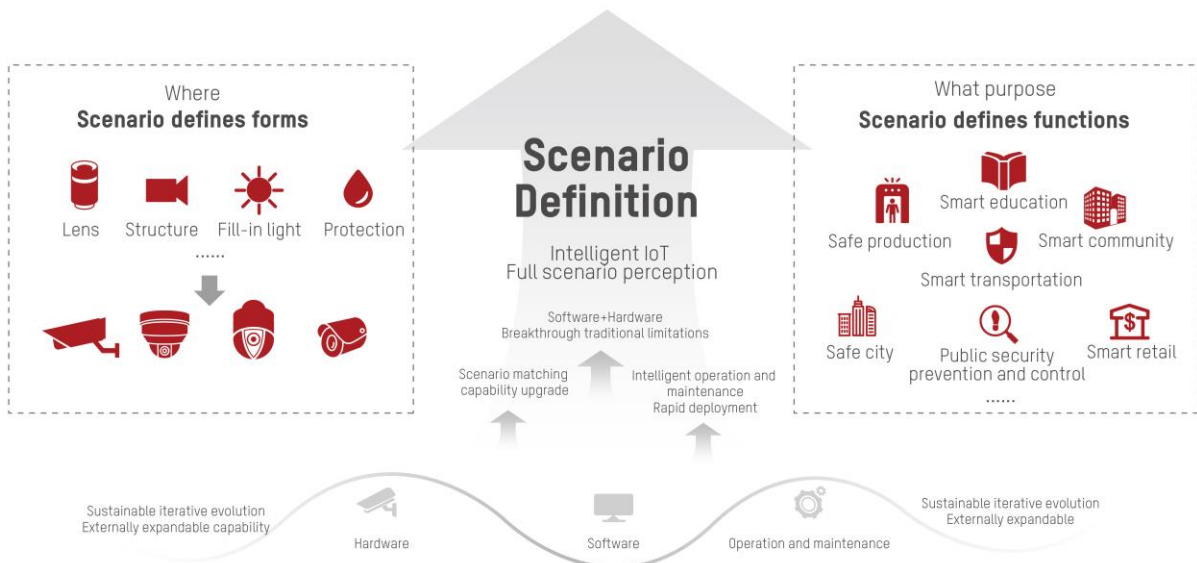
Panoramic details: We've comprehensively expanded the PanoVu product series. With multi-camera videoing, dynamic and static details, the long and short views, and panoramic details, we can meet the needs of capturing multiple targets and elements, and conducting multi-business analysis under the same scenario, while presenting both the overall vision and the details and rendering the view broad and clear.



Multi-dimensional perception: Based on video perception, combined with multi-dimensional sensing technology, we've gained the multi-dimensional data perception, accurate target capturing capabilities with time-space correlation, IoT sensing, and information fusion, thus being able to build a bridge between the physical world and the digital world, and create a more accurate, more comprehensive, and richer IoT sensing system.



Scenario definition: The scenario defining cameras, with scenario-based hardware structure, intelligent definition of software, and intelligent operation and maintenance, can meet the business needs under various environments and conditions, with the strengths of professional adaptation, rapid deployment, and easy maintenance.

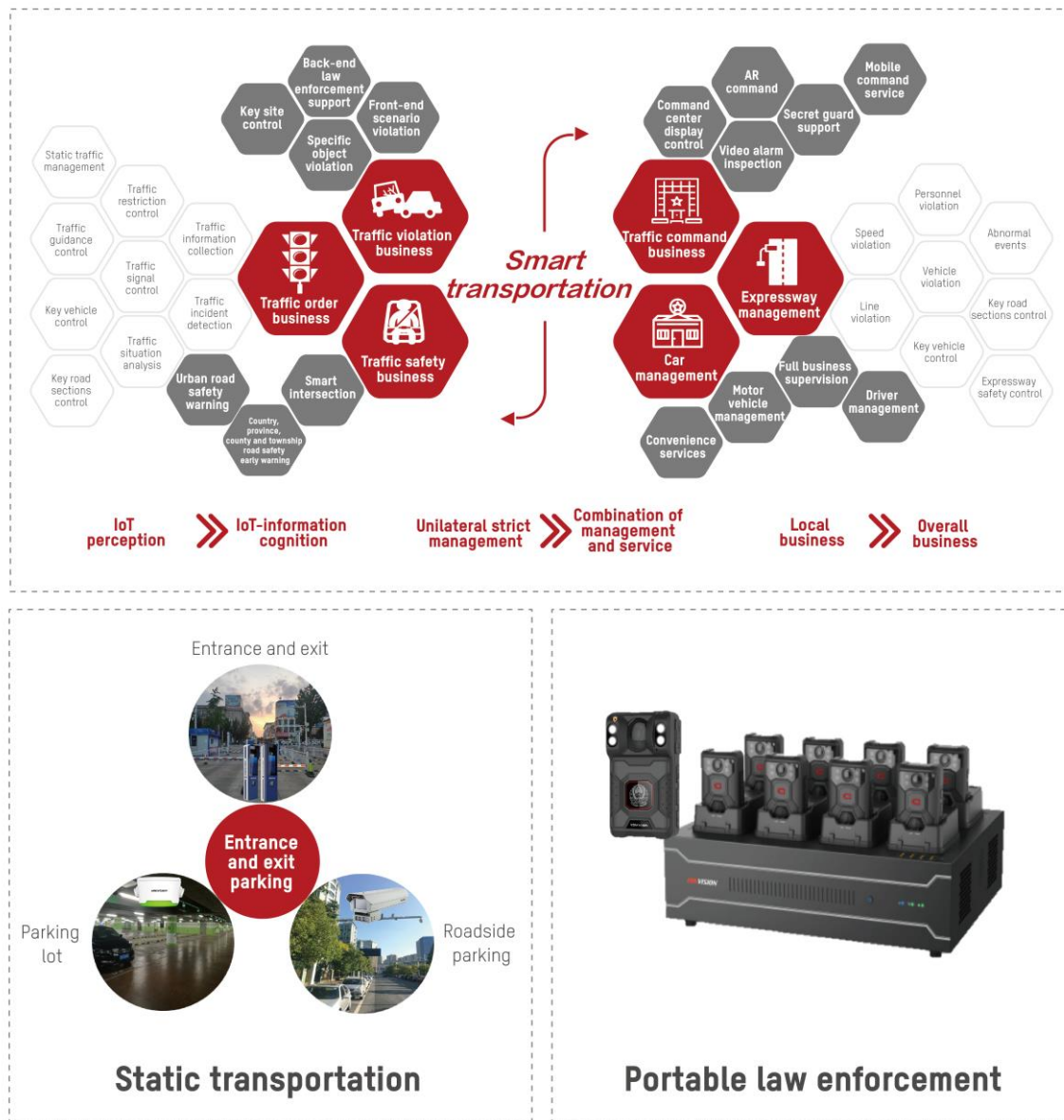


Universal intelligence: Based on scenario-based application demands and driven by business, we've created an intelligent product system oriented to all fields with product tiers and intelligent grading, to provide intelligent services in all walks of life including public safety, emergency command, people's livelihood, urban operation, traffic management, cultural tourism, education, and medical care and enable industry digital transformation and intelligent applications.



2) Intelligent Transportation and Portable Law Enforcement Products

Intelligent transportation products: Centering on the concept of “improving traffic order, alleviating traffic congestion, preventing traffic accidents, improving traffic safety, and facilitating transportation and travel”, we’ve put emphasis on scenario-based business adaptation, and innovated technologies to support new business models. The environmental protection series products are fully upgraded to continuously tackle the problem of light pollution; the radar-assisted series cameras with deep integration of multi-dimensional perception have realized all-weather, multi-scenario, high-precision information detection, and innovatively introduced a complete closed-loop system for the management of traffic congestion in urban cities, which covers diagnosis, simulation, operation, evaluation, and adjustment, breaking through the technical limitations of single-dimensional perception, and with supporting intelligent management and control system, and “weight balanced” adaptive control algorithm. At the same time, perception products born in technological wave of video-radar multi-dimensional integration have achieved business upgrades in urban roads, level crossings, curves, highways, ports and airports, industrial parks and other scenarios, while integrating multi-dimensional perception data, and expanding to new business fields, to create a benign ecology with the concept of “visible, knowable, intelligent and open”.



Static transportation products: For business involving entrances and exits, parking lots and roadside parking, we've launched a new generation of parking products represented by the "Guardian" series through the intensification, intelligence and informationization of the parking system, to optimize product portfolio and improve parking operation and management level and efficiency; combining videoing and multi-dimensional perception technologies, we've offered application for the sub-scenarios of parking management, and further researched the urban roadside parking management business, to help solve the parking problem in urban areas, and facilitate smooth transportation.

Portable law enforcement products: With technological innovation, gyroscope motion sensing and PTZ correction algorithm, we've introduced a mechanical anti-vibration law enforcement recorder, to effectively solve

the industry pain point of law enforcement officers brought by motion blurring. In 2020, Hikvision was selected by the police equipment procurement center of the Ministry of Public Security. With the integrated portable law enforcement platform, we've realized the front-end and back-end integration, and the fusion of the business side, to provide more complete portable law enforcement programs for public security, traffic police, urban management, taxation, food and drug supervision, fire protection and other sectors.

3) Access Control and Intercom Products

Hikvision has been investing in audio and video interaction, intelligent applications, multi-dimensional perception, electromechanical control, and other technologies to improve user experience unremittingly. Based on "MinMoe", we've enhanced the competitiveness of access control products, realized the integration of multi-modal detection and recognition technologies, built an open hardware ecosystem with intelligent hardware and HEOP architecture as the core to provide customers with convenient and fast customized solutions. Further optimizing the audio effects of video intercom products, we've delivered full-color visualization in low light, avoided light pollution, enhanced users' real-time interactive audio-visual experience, strengthened our competitiveness of building intercom, and opened up prisons, medical intercoms, and other business fields to develop a unified video intercom program. Comprehensively upgrading the control technology and manufacturing process of turnstile, we've launched the new generation of intelligent, safe and stable products, covering buildings, transportation, scenic spots, campuses and other scenarios. Access control, intercom and turnstile products, combined with industry applications, have formed a comprehensive solution to access control and attendance, visitor elevator control, building intercom, medical intercom, public address (PA), turnstile, smart storage and other application scenarios, with rapid development in the domestic and foreign markets.



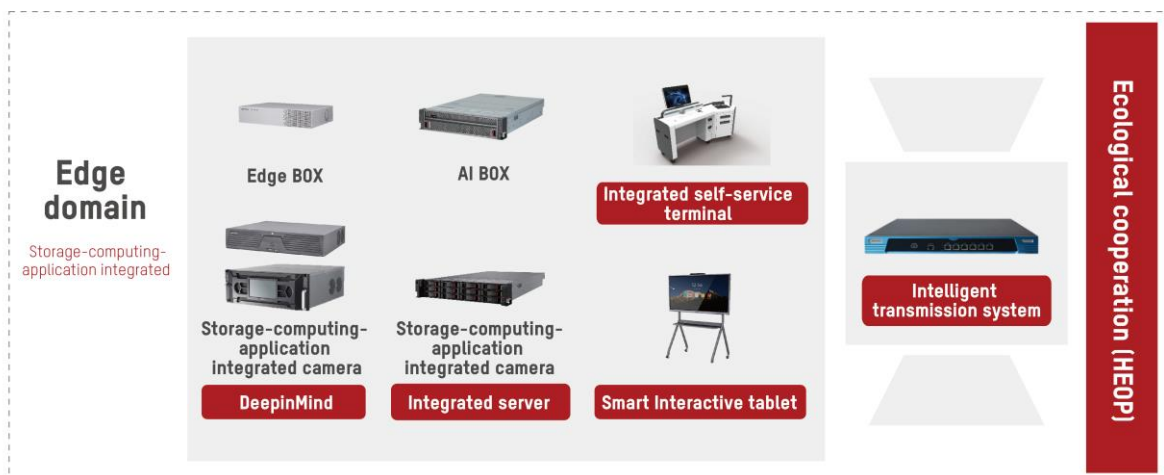
4) Alarm Products

Hikvision has been increasing investment in core technologies such as radio frequency, detection optics, multi-dimensional perception, situational perception, and intelligent analysis to improve the comprehensive technical competitiveness of products, aggressively drive cloud alarm/cloud operation business models based on Hik-Pro Connect/ Hik-Connect, and create value for customers as always. Deeply engaged in the field of intrusion alarm products with continued innovation, Hikvision has brought forth the second generation of wireless intrusion alarm products, and made significant progress in overseas distribution markets and major customer markets. Iterating and extending the perimeter alarm field, and paying close attention to the actual needs of projects and customers, we've introduced the new generation of vibrating optical fibers and other product series to facilitate industry breakthroughs. As for public alarm, we have worked closely with the industry to accurately understand customer needs and launched a series of situational perceptual radar products, which have been widely adopted in key projects such as border control and the Yangtze River fishing ban.



3.1.2 Edge Domain Products: Fragmented Scenario Intelligence

As for intelligent storage and computing application equipment in the edge domain, Hikvision has strengthened the diversification of hardware platforms, further deepened AI application, improved product capabilities, enhanced system opening to serve the intelligent and digital transformation of industries and meet fragmented AI demands.



1) Multifunctional Integrated Intelligent Equipment

Intelligent storage and computing equipment for fragmented scenarios-Hikvision DeepinMind NVR:

With the digital development trend, edge storage and computing application equipment plays a key role in the circulation of digital information, realizing the aggregation, storage, analysis or secondary analysis, localized application of various perception data at the node end and uploading key data to centers. Hikvision’s DeepinMind NVR series products have won honors such as “Top 10 Innovative Security Products” and “Special Award for Innovative Products at CPSE”, etc. With years of development, the products have achieved more excellences. While vigorously developing general intelligent applications, Hikvision has also been working with ecological partners to

deeply explore industry business applications, launching the AI open platform DeepinMind and HEOP open DeepinMind, etc., and has completed more than 100 industry-specific algorithm model trainings and applications. Serving industries such as smart education, smart communities, smart buildings, smart enterprises, smart agriculture, smart energy, smart logistics, etc., we've been dedicated to promoting efficiency with intelligence, driving industrial upgrading and transformation, and maximizing social benefits

Intelligent system application equipment for small and medium-sized edge scenarios-Intelligent Fusion

Server: For small centralized intelligent application scenarios such as streets, communities, police stations, enterprises, schools, etc., we provide Intelligent Fusion Servers that integrate a variety of intelligent video analysis algorithms, such as the Intelligent Fusion Server with dozens of city management algorithms, the AI toolbox to improve business efficiency, the AI container that brings together intelligence, big data, and application platforms, etc. Drawing on our AI intelligence and big data analysis capabilities, and IoT perception and various scenario data, we've been trying to improve the ability and efficiency of fragmented scenario management to facilitate the elastic expansion of the platform in business.

Integrated Self-service Terminal: Featuring “government service, convenience service, and information disclosure”, this machine offers such functions as information inquiry, self-service certificate application, certificate printing, etc. It has access to various data in the Internet and business information networks to meet actual needs, and is equipped with a variety of software functions, to support various self-service processing of public security, social security, taxation, industry and commerce, real-name authentication with intelligent analysis, quick inquiry, OCR data input, and multiple interactive methods such as touch-screen, voice intercom, etc., to facilitate handling and improve user experience and efficiency. The integrated self-service terminal, interconnected online and offline, can be widely deployed in communities, enterprises and other places to reduce urban operating costs and contribute to the building of smart cities.

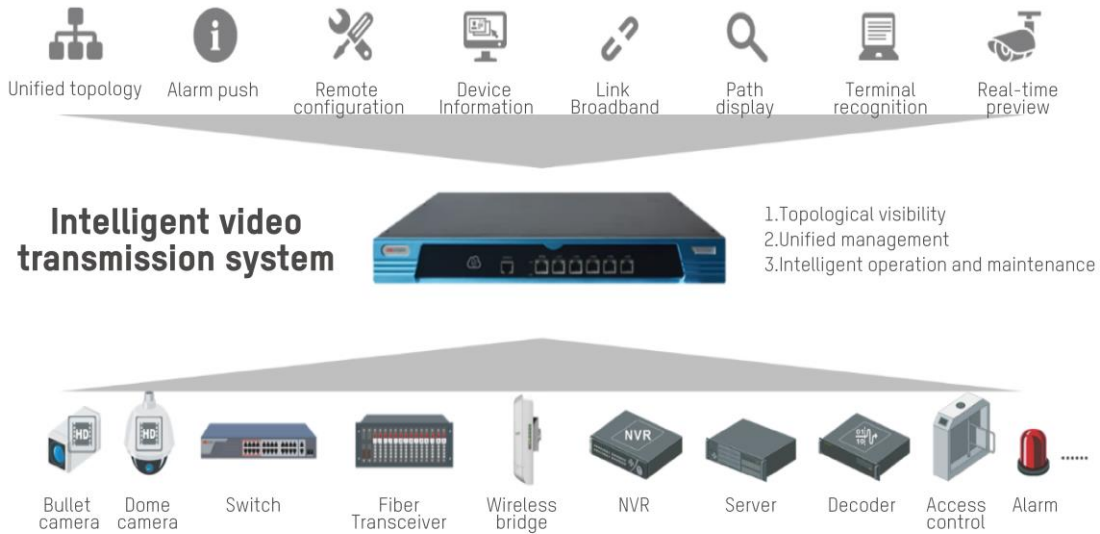


Interactive Tablets: We have developed a full-process solution incorporating conference tablets, conference room door tablet, video conferences, and conference management systems. The pre-conference online reservations, material sharing, meeting notifications, self-service sign-in, conference room door tablet information synchronization, in-conference wireless projection, whiteboard writing, interaction and collaboration, and generation of voice minutes, the post-conference centralized management and control of equipment, statistical analysis of data, and sharing of meeting minutes provide users with a safe, intelligent and efficient meeting experience. As for conference tablet hardware, Hikvision has developed new series of products with ingenuity and persistency. The product adopts a unique penetrating arc pen slot for its look to bring out the sense of business, which is matched with the high-quality anodized surface inferior by no means to notebook computer in touch. The zero-fit technology makes handwriting no more necessary and display ghosting no more the case. The newly upgraded writing pen now is characterized by the pen-lifting sensor function, bringing users more conveniences. The fresh new Vision OS 2.0 interactive system, adopted for interaction, redefines the interactive information architecture and functional layout of the conference tablet, and the system UI is fully upgraded to deliver the ultimate tablet interactive experience.



2) Intelligent Video Transmission

In 2020, Hikvision had focused on the operation and maintenance of the IoT system and network system, and released the intelligent video transmission system V1.0. This system combines the operation and maintenance of the IoT system and the network system into one through “topological visibility, unified management, and intelligent operation and maintenance”, thus reducing the requirements for the ability of operation and maintenance personnel, and improving the efficiency to discover, analyze, and pinpoint hardware problems, with the scale of the unified management capability reaching 5000 video channels.



3.1.3 Cloud Center Products: General and Intelligent Storage and Computing

Hikvision provides general computing, intelligent computing, general storage, streaming storage, and large-screen display products to empower the building of data center.



1) General Computing

Hikvision’s general server is a high-performance, high-reliable, and high-expandable general-purpose computing product built by Hikvision drawing on 20 years of technological expertise and over 10 years of server research and development experience and taking fully into consideration of the core demands of users in various industries. Supporting X86 and ARM architectures and compatible with domestic CPUs, it is highly reliable, safe, and ecologically versatile, and can provide a sturdy and reliable infrastructure for the construction of data center computing resources.

Hikvision's general server product series can meet the demands of large and medium-sized enterprises in informationization, virtualization, industry data analysis and high-load applications. They are also the ideal choice for the industry data centers of government, Internet, energy, operators, finance and other sectors with demanding requirements on server performance, scalability and reliability as well as remote enterprise information environments.

2) Intelligent Computing

Embracing the video big data era, we need a solution to decouple video intelligent analysis and business. The lower layer will undertake the intelligent analysis of massive videos, and the upper layer the analysis and processing of big data and user business applications. Hikvision's intelligent server, equipped with a general GPU hardware platform which can meet various business needs, can also incorporate rapidly the cost-effective domestic GPU hardware platform, which is of stronger market competitiveness and is suitable for various visual in-depth analysis applications. Integrating server resources and intelligent analysis algorithms, and adopting cutting-edge technologies such as multiple video intelligent analysis algorithms, clusters, and big data retrieval, it serves as a strong foundation for video big data processing in smart cities.

Hikvision's intelligent analysis server has realized full analysis of multi-dimensional data such as audiovisual data and IoT for city-level and various industry big data applications and governance business; intelligent analysis products, acquiring gradually the independent learning ability, will improve the adaptability to scenarios remarkably to meet user business needs; we've released a new AI engine, which is compatible with mainstream computing platforms, and with further improved standardization and openness; with the commercialization of hundreds of algorithms, we can facilitate intelligent applications in more business scenarios, and contribute to urban digital construction and governance continuously.

3) General Storage

Hikvision's general storage equipment is a professional system-level storage product designed for IT data centers and IoT applications. It boasts networking modes such as SAN, NAS, and object storage to offer block storage, file storage, and object storage capabilities. Supporting core data protection functions such as RAID, snapshot, WORM, data synchronization, mirror backup, etc., it is widely used in database system DB, office system OA, enterprise information system ERP and production system's disaster recovery backup system.

4) Streaming Storage

The streaming storage is embedded with the advanced streaming file system HVFS (Hikvision Video File System). In addition to VRAID (Video RAID-Redundant Arrays Of Independent Disks) data protection technology, it also incorporates intelligent algorithms for business data load to ensure that the system is of higher intelligence, flexibility and data security. This product series adopts the mode combining streaming data structure and object technology to offer more convenient and efficient data reading and writing services.

Hikvision, enhancing its streaming storage technology and brand building in professional video storage, has maintained its leading position in the video storage sector, toughened its multi-dimensional intelligence, data, application and storage integration capabilities, accelerated the steps of industry digitalization and application of industry innovations, and achieved groundbreaking technological progresses and mass production of products in public security, transportation, finance, education, real estate, petroleum, power and other industries. Relying on the technological strengths gained over the years in direct storage and intelligent integration, we've enriched the IT information product family and related solutions in return.

5) Large-screen Display

Hikvision's display products, with video processing technology, image restoration technology, and image augmentation technology as the core, are widely applied in monitoring centers and command centers. At cloud centers, Hikvision's high-resolution visualization solution has been widely adopted. This solution is based on ultra-high-resolution display technology and intelligent interactive technology, and provides a display carrier for cloud center big data applications. Valuing quality and display effect, Hikvision makes efforts to offer better color consistency and higher definition resolution, releasing Mini LED, mirror series LCD products and other display products. In the fields of special display and commercial display, we have further expanded application scenarios and offered quality and cost-effectiveness display products and display solutions.

3.2 Software Product Family: Software Platform + Intelligent Algorithm + Data Model + Business Service

Hikvision's software product family is composed of software platform, intelligent algorithm, data model and business service.

3.2.1 Software Platform: Basic Platform + General Platform + Industry Platform

Basic software platform: Represented by “two pools, three databases, one screen, seven platforms and one environment”. “Two pools” refer to computing storage resource pool and data resource pool for edge cloud and central cloud computing platform, cloud storage platform, and big data fundamental platform; “three databases” refer to component database, algorithm database, and model repository, respectively supporting management and reuse of components, algorithms and models; “one screen” refers to large-screen visual application development tools, which support the configuration of visual applications and the association with data without coding; “seven platforms” refer to resource management scheduling platform, intelligent perception networking platform, AI open platform, perception fusion empowering platform, iDatafusion platform, intelligent application open platform, integrated operation and maintenance service platform, providing intelligent application scenarios with storage and computing resource scheduling and equipment network access, intelligent algorithm training, intelligent service publishing, data aggregation management, intelligent application development, integrated operation and maintenance service capabilities; “one environment” refers to the four-dimensional space operation environment, that is, the virtual space-time operation environment instead of the physical world, supporting the storage, correlation and analysis of perception resources and data resources in the same space-time environment.

General software platform: Provides general software functions across industries, including general security and protection, visual command, alarm management, inspection supervision, conference interaction, content release, etc. The general software platform of visual command, as an example, includes AR scene tag platform, AR virtualization platform, AR command platform, VR panoramic application platform, integrated communication application platform, portable law enforcement integrated management platform, etc.

Industry software platform: Hikvision, serving over 70 sub-industries, has gradually built more than 100 application software platforms for various industries. Taking the traffic police industry as an example, we provide the traffic violation management platform, the comprehensive traffic management and control platform, the urban traffic situation analysis and judgment platform, the traffic accident investigation and judgment platform, the law enforcement comprehensive management platform, and the highway traffic safety monitoring and management platform, the smart check station application platform, the intelligent driving management video inspection platform, etc.

3.2.2 Intelligent Algorithms: General Algorithms + Industry-specific Algorithms

Offering services to all walks of life, Hikvision has accumulated a large number of video artificial intelligence analysis algorithms which can be divided into general algorithms and industry-specific algorithms.

General algorithms: algorithms that can be used for the development of intelligent applications in multiple industries. For example, the algorithms to detect and classify transportation equipment, motor vehicles and non-motor vehicles, and the algorithm to detect traffic flow of people and vehicles, etc.

Industry-specific algorithms: algorithms developed for industry application demands. For example, algorithms for the detection of exposed garbage, packaged garbage, misplacement of kitchen trash bins, road uncleanness, road ponding, road damages, road leftovers, abnormal sidewalk piles, anti-collision bucket damages, transformer box abnormalities, non-decorative tree hangings, billboard damages, tree protection facility damages, incineration of garbage leaves, illegal parking of non-motor vehicles, messy materials on construction sites, etc.

3.2.3 Data Model: Industry Business Data Model

Hikvision provides big data application services for all walks of life based on the big data collection, management, analysis and service capabilities provided by the iDatafusion platform. In this process, we have accumulated a batch of industry business data models, which can be managed by the model repository, and can be replicated and optimized in other similar application scenarios.

Taking transportation as an example, we provide illegal parking remediation model, urban road traffic operation evaluation and diagnosis model, urban road traffic tracing analysis model, urban road traffic short-term prediction model, high-precision real-time online traffic flow simulation model, and changeable lane feature research and judgment and control model, tidal lane feature research and judgment and control model, time-space analysis and judgment model for fake-licensed vehicles, racketeering car analysis model, traffic accident address analysis model based on standard semantic analysis, public transportation OD¹ passenger flow analysis model, highway truck detour analysis model, driving behavior habit label and comprehensive scoring model, driving behavior safety risk management and control model, and risky section mining model based on active safety data.

¹ OD: O means Origin, which refers to the departure location, and D means Destination, which refers to the end of the journey.

3.2.4 Business Service: System Operation and Maintenance + Data Engineering + Business Operation

Hikvision, concerned with users' application demands, explores the transformation from being a product and system supplier to being a service provider for some business.

System operation and maintenance services: Hikvision provides system operation and maintenance services to some industry users. For systems and equipment out of warranty, the operation and maintenance team will offer professional system operation and maintenance services.

Data engineering services: Hikvision delivers data engineering services for IoT resource management, and integration of data collection, management and services.

Business operation services: Hikvision offers over 10 business operation services based on the Internet operation platform and its private deployment methods. Among them, urban parking operation services have been adopted in more than forty cities, and its business scope is expanding rapidly; business operation platforms for fire protection operation, security check operation, community operation services, and waste classification intelligent management cloud have also been put into use.

4. Business Organization

With the evolution of core capabilities and business scope, the business organization model of Hikvision is being constantly upgraded. In the era of HD and networked videos, Hikvision has identified the business scenarios in over 40 sub-industries of the seven major industries, i.e., public security, transportation judicature, finance, culture/education/health, energy and building. In recent years, Hikvision has been sharpening its video-centric intelligent IoT solutions and big data service capabilities, pushing the industrial applications further forward. Hikvision initiated business structure reforming in 2018, which divided the domestic business into three business groups: public business group (PBG), enterprise business group (EBG) and SME business group (SMBG). In the new business structure, we dig deep into the market demands, coordinate corporate resources and intensify capacity building in the context of the three business models, and make great efforts in facilitating public service optimization, driving users' digital transformation and creating a pan-security industrial Internet, thus injecting vigor and vim into the business organization.

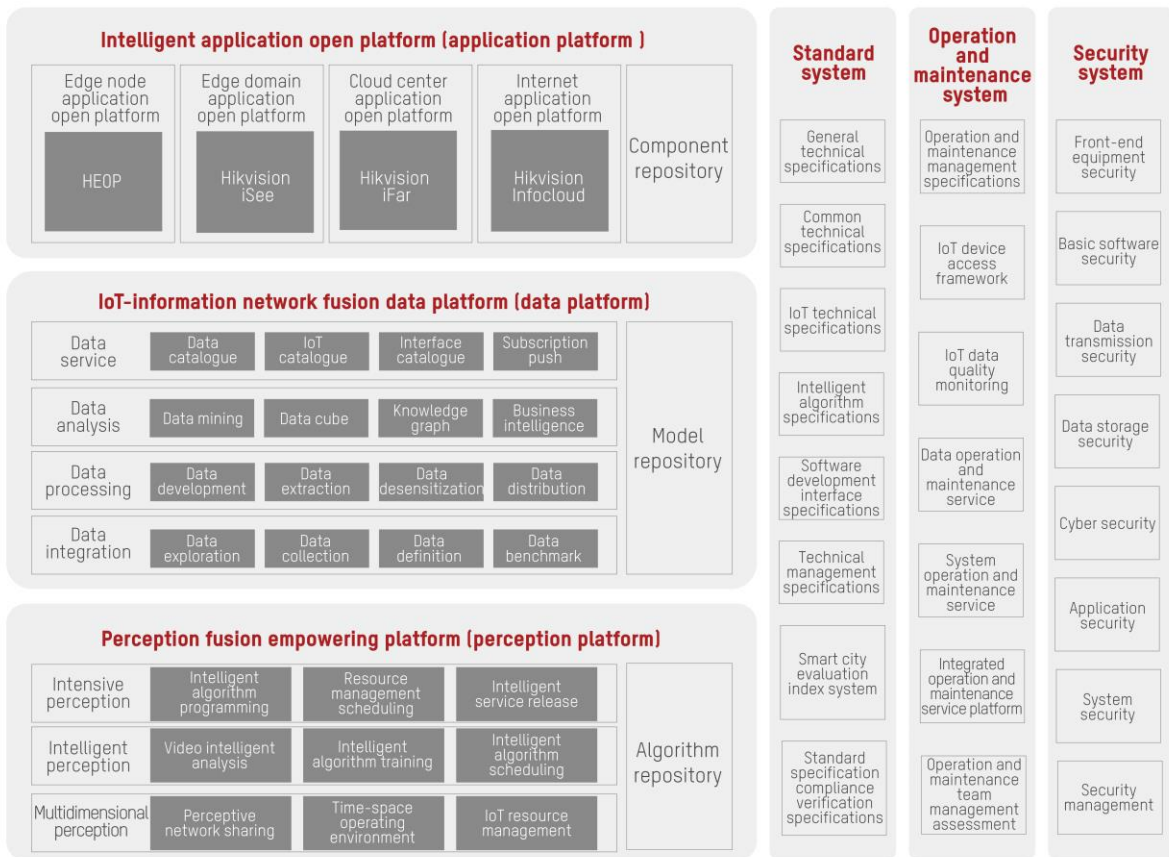
4.1 Public Business Group (PBG): Facilitates Public Service Upgradation

4.1.1 Overview

As smart cities, smart police, smart transportation, smart urban management and other industries and cities-oriented smart business develop further, the public service sector has entered the stage of “AI universal empowerment and deepening of data value”. Hikvision, take advantage of the IoT, artificial intelligence, big data and other technologies, has been endeavored to upgrade its “cloud-edge fusion, IoT-information network fusion, big data-intelligence fusion” capabilities and expand the product portfolio in terms of “hardware, platforms, algorithms, models, and services”. With precise marketing moves, we’ve covered the public service sector in operation and further mined its value, to drive digital transformation for cities and industries, support smart city operation and management, as well as intelligent business in public safety, urban governance, transportation, natural resources, ecological and environmental protection, etc.

4.1.2 Core Technologies: Build a Big Data-AI Fusion Base for Smart Cities to Support Industry and City Intelligence

Based on the perception platform, data platform and application platform, Hikvision has built a Big Data-AI Fusion Base for smart cities to provide basic support for the development of various smart city services.



Perception platform: Integrates and utilizes various perception resources in industries or cities, fully releases the value of perception resources, and empowers industries to quickly form visual and intelligent perception application capabilities. Leverages the existing urban perception resources to expand the application scope of perception resources horizontally, and vertically enhance the capability of perception resources to support the business segments, and ultimately boost the integration of perception applications with the functions of commissions, offices, and bureaus, and establish automated and intelligent early warning and prevention mechanism to provide intelligent support for government decision-making and command, and render social governance more intelligently.

Data platform: Provides full life cycle support for the aggregation, management, mining and service of perception data and government data for industries or cities. Distributes data to users in various sectors through data catalogs, IoT catalogs, interface catalogs, etc., and realizes data distribution and sharing through subscription push, sharing and exchange, etc.

Application platform: For various intelligent application scenarios such as edge node applications, edge domain applications, cloud center applications, and Internet operation applications ranging from the IoT to business information networks, provides intelligent application open platforms and common application components for

various industries to develop intelligent applications.

Guarantee system: Provides standard specifications, operation and maintenance guarantee and safety guarantee system to support the operation of intelligent businesses in industries and cities.

4.1.3 Value Fulfillment

While deepening its understanding of business in public safety, urban governance, transportation, natural resources, ecological and environmental protection and other fields, Hikvision is committed to design solutions for various industry scenarios in the public service sector, and offer fundamental big data and artificial intelligence supports to the construction of smart cities, striving to make cities smarter, the environment safer, services more targeted, travel more convenient, and the ecology more livable.

1) Smarter Cities

Hikvision has been researching in depth the evaluation indicator system for smart city construction, and optimizing the system in light of specific situations of different cities to guide the construction of smart cities. Adding efficiency indicator to constructive indicators, we've committed to making the construction of smart cities further meet the actual urban management demands and the management goals of governors, and improve citizen experience and satisfaction.

Hikvision, relying on the Big Data-AI Fusion Base, has organically combined the capabilities of integrating city intelligent IoT perception network, perception data and government data, and developing intelligent applications rapidly, to endow cities with peripheral perception, nerve center and brain decision-making capabilities, enable precise urban governance and the improvement and optimization of urban governance systems and governance models fundamentally.

Hikvision provides integrated communication support capabilities to connect the command links of various government agencies in peacetime and emergency, and realize coordinated handling of incidents based on synchronization of situation and analysis.

2) Safer Environment

Hikvision provides security event monitoring, early warning and security protection capabilities for public safety, traffic safety, production safety, natural disaster emergency management, etc. to build a safer environment.

We have worked out industry solutions for public security. The comprehensive application capabilities for

public security video images, and the three-dimensional prevention and control system for typical application scenarios such as street patrol, community security, public security check station control, entertainment venues and special industry public security control, etc., can enhance users' security risks early warning, prediction, and prevention capabilities to effectively carry out operations such as zone-level inspection and control, unit prevention and control, and element control, and help build a safe and harmonious social environment.

Our industry solutions for traffic safety provides intelligent detection capability for road traffic violations such as red-light running, wrong road side, overrun, overspeed, improper hanging of the number plate, deliberate shielding and defacement of the number plate, inconsistent driving model, disqualified driving, non-motor vehicle violation, pedestrian violation, dangerous driving habits, etc., and for illegal transportation operations such as unlawful operation, pick-up outside passenger station, illegal taxi refusal, etc., as well as data applications for real-time traffic conflict warning, traffic accident root cause analysis, road structural hidden danger analysis, and investigation and judgment on vehicles with hidden dangers and overloaded vehicles bypassing, to help ensure a safe transportation environment.

Hikvision has designed industry solutions for production safety, which is marked by the safety production monitoring and early warning function for hazardous chemical companies, small and micro enterprises, coal mines, non-coal mines, tailings ponds, fireworks and firecrackers businesses, etc. and functions for smoke detection, fire detection, indoor and outdoor recognition of fire protection passage occupancy, tooling compliance detection, personnel on-the-job and off-job detection, etc. to build a safe and efficient production environment.

Hikvision's industry solutions for natural disasters feature functions such as comprehensive monitoring of all elements of natural disasters, disaster early warning, comprehensive disaster risk assessment, intelligent analysis, consultation, investigation, and judgment of disaster evolution situation, to build an emergency safety environment that reduces disaster risks.

3) More Targeted Services

Hikvision provides capabilities such as intelligent event analysis, IoT status detection, and lean management applications for city management and comprehensive governance in urban appearance, sanitation, municipal facilities, environmental hygiene, etc., to render more targeted services.

The industry solution for city appearance and environmental sanitation management by Hikvision offers intelligent analysis services for street order, city appearance and environment, publicity and advertising, construction management, emergencies, etc., and application systems for city appearance management, supervision,

command and scheduling, administrative comprehensive law enforcement, and dregs removal supervision, etc. to promote scientific decision-making in urban management.

Hikvision's industry solutions for municipal facility management serves to monitor the state of public facilities such as manhole covers and trash bins through IoT, and the state of landscaping such as tilting and falling of ancient trees, and supplies a closed-loop process covering problem collection, dispatching and handling, and feedback evaluation to form targeted municipal management service capabilities.

Hikvision delivers the industry solutions for environmental sanitation management, including management applications for sorted drop, sorted collection, sorted transportation, sorted disposal, to assist the environmental sanitation department to optimize garbage sorting operation mode, improve garbage sorting operation, and enhance the lean disposal capacity for city appearance and environmental sanitation.

4) More Convenient Travel

Hikvision provides support capabilities for smart road network, smart traffic management, smart bus, smart parking and other urban transportation services to make travel more convenient.

The industry solution for traffic road networks from Hikvision is appreciated with capabilities of highway network monitoring, traffic situation analysis, intelligent monitoring of traffic incidents, emergency handling, integrated overrun and overload punishment, image-based toll inspection, key vehicle control, tunnel safety control, intelligent maintenance, perimeter prevention along the railways for expressways, national and provincial trunk lines, railway networks, etc., and of hub security control, hub passenger flow monitoring and channeling, and external services for railway stations, airports, ports, passenger and freight stations, and comprehensive transportation hubs, to create "smart road network".

As for traffic management, Hikvision provides the industry solution with intelligent signal control capabilities such as single-location adaptive control based on real-time traffic parameter perception, dynamic/static trunk green wave control, and regional coordinated control, and professional smart travel service capabilities such as city-level traffic situation investigation and judgment, intersection problem diagnosis, traffic flow traceability, traffic simulation, intelligent guidance, vehicle traffic management, real-scene command, key vehicle traffic protection, green parking, etc., for "smart traffic management".

The industry solution provided by Hikvision for urban public transportation is capable of intelligent bus scheduling, bus capacity monitoring, bus passenger flow analysis, bus stop sign service, taxi emergency scheduling, subway passenger flow monitoring, subway fast pass, etc. in urban ground public transportation, rail transit, and

online ride-hailing, etc., for “smart public transportation”.

And for urban parking, Hikvision, through its industry solution, aims to create “smart parking”, with convenient parking fee payment channels for unattended parking lots, automatic detection and recording of the parking process, integrated urban parking networks, unified management and comprehensive operations, aggregated parking space data, the urban parking data center that sorts out and integrates data, and the convenient and diverse services for car owners, such as parking space inquiry, reservation, route navigation, electronic payment, monthly parking package, and bill inquiry etc.

5) More Livable Ecology

Hikvision strives to create a more livable ecology by offering intelligent monitoring management and service capabilities for natural resource monitoring and management, water conservancy and water affairs monitoring and management, and ecological environment monitoring and management.

Hikvision provides the industry solution for natural resource monitoring and management. The forest and grass fire protection intelligent monitoring and management capabilities such as fire risk monitoring, early warning and positioning, fire alarm investigation and judgment, spread analysis, fire protection command, fire protection resource management, fire protection supervision, fire file management, etc., the intelligent land supervision capabilities including land spot management, panoramic inspections, video-based land search, intelligent analysis and alarm of unlawful buildings, collection of event clues, alarm investigation and judgment, land law enforcement, etc., the nature reserve monitoring and management capabilities such as animal monitoring, pest control, patrol management, biodiversity monitoring, etc., and the national park big data service capabilities, for example, monitoring evaluation, regulatory decision-making analysis, geological disaster monitoring, emergency command, forest and grass industry services, publicity and education training, together help realize intelligent supervision of natural resources.

In terms of monitoring and management of water conservancy and water affairs, Hikvision’s industry solution features intelligent monitoring capabilities for rivers and lakes such as intelligent analysis of “four dislocations” of rivers and lakes, river and lake cleaning management, sand mining management, intelligent management of water shorelines, intelligent supervision of water conservancy projects such as safety supervision of water projects under construction and intelligent supervision of water engineering safe operation, flood prevention and supervision capabilities such as water and rain monitoring and early warning, flood scheduling visualization, etc., online visual management of water plant security management and urban and rural water supply and drainage, and intelligent

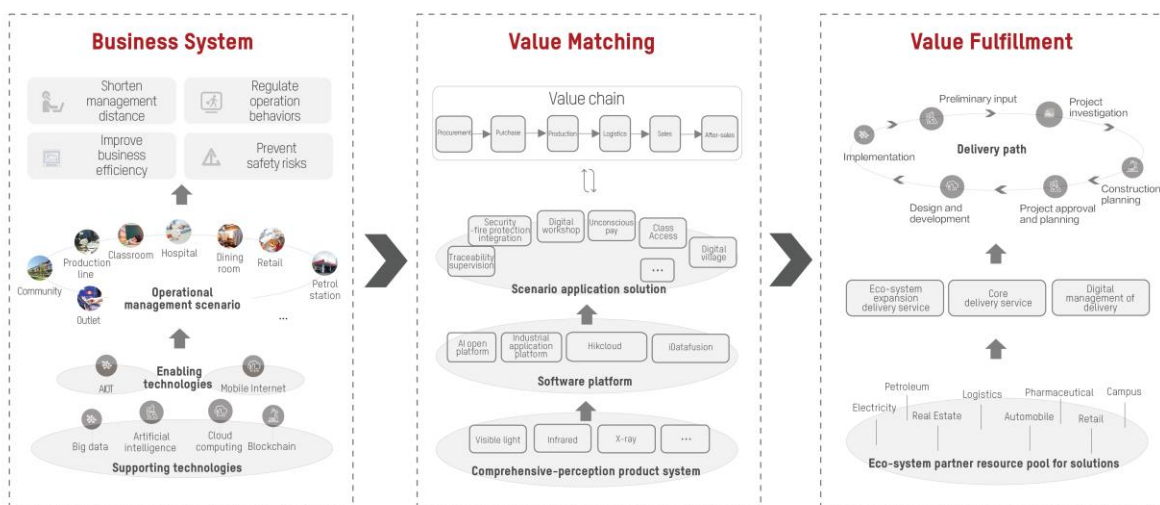
visualization of water administration law enforcement and water conservancy supervision to make possible intelligent supervision of water conservancy and water affairs.

The industry solutions for ecological environment monitoring and management from Hikvision provides intelligent monitoring capabilities for air pollution such as road smoky vehicle control, open burning supervision, heavily polluted weather vehicle control, construction site dust control, catering lampblack monitoring, moving pollution sources on the road, VOCs emissions, etc., enterprise pollution management capabilities for secret sewage discharge monitoring, secret waste gas discharge monitoring, and pollution source station/building management, water ecological environment hyperspectral monitoring, solid waste full-process intelligent supervision, and ecological environment big data analysis capabilities for water environment analysis, atmospheric environment analysis, pollution source general investigation to realize intelligent ecological environment supervision.

4.2 Enterprise Business Group (EBG): Facilitate Users’ Digital Transformation

4.2.1 Overview

The digital economy is thriving, and driven by digital and intelligent technologies, industrial reforms are accelerating. Embracing the wave of digitalization, Hikvision, with business, product and technological innovations, has been working with partners to create products, solutions and service systems to drive digital transformation, and is committed to making itself the preferred partner of user scenarios, the major supplier of IoT equipment and facilities, and an innovative partner for building the digital twin through the integration of IoT and information network.



Utilizing the AI Cloud architecture and its technological capability in intelligent IoT and IoT-information network fusion, Hikvision continues doubling down on the digital enterprise solutions that combine traditional informatization, equipment and facilities IoT and intelligent scenarios IoT. Hikvision has created the comprehensive-perception product system, where it uses the AI open platform to consolidate its AI engineering innovation and delivery capability, creates low-code software engines, builds the digital world UI (User Interface) and intensifies enterprise-level SaaS services. Hikvision focuses on user value and releases the value delivery methodologies, which have been implemented for the users in numerous industries including coal mining, metallurgy, commercial real estate, manufacturing, tobacco and liquor, salt, logistics, retail chain and education, etc.

4.2.2 Core Technologies: Drive Enterprises' Digitalization by Building a Digital Product System for the Intelligent IoT Industry

Hikvision focuses on user value, perseveres in innovation of the core technology and provides the users with the digital enterprise solutions for comprehensive perception, intelligent IoT and IoT-information network fusion.

Create the Digital Product System for the Intelligent IoT Industry

Hikvision is dedicated to helping enterprises build their infrastructures for comprehensive perception and intelligent IoT and realizing acute perception of the whole value chain of enterprises covering the supply chain, production, market and services; through the IoT-information network fusion platform, we gain insights into the operation and management problems and make improvements, thereby creating a complete digital twin.

Hikvision has integrated the multi-dimensional sensing technologies that include microwave, infrared rays, near infrared rays, visible light, X-rays etc. to develop the product series for over 10 industries, such as electric power, petroleum, petrochemistry, coal mining, metallurgy, tobacco and liquor, salt, logistics and retail, etc. In the realm of scenario IoT, Hikvision has rendered over 100 types of perception products represented by “AR PanoVu”, solar-powered cameras, thermal imaging for hot work monitoring, and intelligent door tablet, to facilitate digitalization based on the scenario elements including environment, personnel and behaviors; In the realm of equipment and facilities IoT, the innovative products including micro-distance meter-reading camera, high-temperature highlighting camera, serial number identification system, thermographic temperature measurement camera, and intelligent IoT server have been introduced into the Industrial Internet, pushing forward digitalization of production and service processes.

Hikvision uses the industrial application platforms to enable large-scale equipment access, intelligent IoT and

data aggregation and to bolster IoT-information network fusion business applications. We continue products iteration within the unified software technology architecture, offer software products and business application components oriented for specific industries and scenarios and have rendered multiple innovative business applications such as digital platform, financial cash box handover and teaching assistant in instructional interaction.

Intelligent Application Implementation Accelerated by AI Engineering

Dedicated to exploring and innovating AI technology, Hikvision transforms AI technology from a specialized privilege to popularized offering and gradually to engineering application, seamlessly integrates AI visual technology with multidimensional perception, software engine, data intelligence and mechanical automation technologies and vigorously explores and builds AI engineering capacity, to facilitate rapid adoption of applications that involves IoT perception and closed loop of corporate business process, mechanical automatic control and autonomous decision-making, and in-depth data insight and predictive analysis.

To assist in temperature screening and social distancing, Hikvision has brought together visible light and thermal imaging temperature-measuring technologies and applied the “MinMoe” temperature screening equipment extensively in hospitals, parks, factories and other scenarios and adequately meets safety control requirements through personnel access control and temperature monitoring; in the coal mining industry, Hikvision has offered the coal mining enterprises the innovative gangue separation system to efficiently identify and accurately sort out gangue; in the financial industry, Hikvision has created the digital and intelligent risk control solution that is capable of compliance inspection, credit risk assessment and liquidity risk scrutiny, to help financial institutions improve their risk perception methods and identify risks efficiently, with accuracy rate increased tens of times compared with traditional means.

Efficient Delivery of Corporate Digital Application by Low-Code Engine

Hikvision, leveraging the low-code develop technology, has released the software engine products represented by inspection engine and attendance engine, which use abstract business models and diverse configuration templates and visualization templates to reduce the barrier of corporate application development, enable the business departments of users to participate in application development and enhance corporate application development efficiency. Drawing on its unified software technology architecture, Hikvision has realized AI collaboration,

integrated IoT sensing equipment and IoT data, and provided highly expandable business interfaces to integrate the corporate information system and introduce the corporate scenario digitalization into the core business process.

Hikvision has offered the inspection engine intended for the inspection application in various industrial scenarios. This product supports intensive integration with traditional IoT technologies and AI intelligent perception technologies, quickly generates customized inspection application and is extensively applied in multiple industrial scenarios including community property inspection, corporate safety production management and general education and supervision safety, etc.; Hikvision offers the attendance engine intended for labor-intensive and office-centric scenarios, which is capable of attendance data collection, attendance management and working hours counting suitable for all scenarios and renders diverse easy-to-use report forms and boards.

Create UI for the Digital World

Based on video and AI technology and fusion of multiple types of data from the IoT and information network, Hikvision has created a new digital world UI and a new interactive experience between the physical world and the digital world.

Hikvision provides manufacturing enterprises with AR digital workshop solution, which is based on AR live video and panoramic image stitching, interlinked with multidimensional perception information and business system information such as production data, equipment operation data, blanking condition and relevant fault early warnings, to realize information aggregation and tagged display, help managers detect problems in time, and improve operation and management efficiency.

Hikvision provides chemical industry parks with AR safety-environment map solution, which is supported by the panoramic AR scene tag video and the safety and environment related data of the chemical industry park, to centrally display the real-time status and changes of the hazard sources, pollution sources, fire-fighting equipment and key public areas in the field of view; the system is interlinked with the emergency response plan and emergency resources to realize safety-environment integration, thereby enhancing the overall capability of risk prevention and control and emergency disposal of the park.

Hikvision provides tourist attractions with AR scene guide solution, which integrates AR technology and tourist interaction guide screen and uses multiple AR screens and the tags for tourist flow, buildings and scenic spots to offer tourists real-time preview of the scenic spots in the scenic area, to improve tourist interaction experience and enjoyment, and facilitate intelligent marketing of tourist attractions.

Hikcloud: Enterprise-Level SaaS Service

The Hikcloud, expanding from retailing to other sectors such as community, education and logistics, provides chain-type users with digital transformation solutions covering connection, management, intelligence and insight.

Hikcloud focuses on online IoT equipment, AI engineering and application service configurability, and maintains sustainable fast growth of user base and connected equipment magnitude. Up to end of 2020, Hikcloud had provided services to accumulatively over 150,000 retail outlets, 1,600,000 community property owners, 1,300,000 parents of students, 10,000 offices, 450,000 logistics nodes and 2000 developers, and had been connected to nearly 1,600,000 terminal devices altogether.

The Hikcloud is constantly improving the developer service platform, where there are now over 2000 developers that use its developer services to provide SaaS applications for specific scenario in their specialized areas and the average daily interface invocation frequency exceeds 30 million times per day.

4.2.3 Value Fullfilment

In the digital era, any enterprise would put more emphasis on value-creating business input, in hopes that the digital technology will increase both quality and efficiency and create greater commercial value. Hikvision continues its intensive exploration in the industries such as petroleum, petrochemistry, coal mining, metallurgy, electric power, logistics, retail chain, intelligent manufacturing, education, health care and intelligent finance. Thanks to its rich experience in successful delivery of digital transformation projects, it has refined its value delivery methodology, which will accelerate digital transformation of enterprises and help users fulfill their value.

Value Delivery Methodology

Hikvision puts forward the value delivery methodology, helps users shape their vision of digital transformation, discerns the value chain of users, integrates digital solutions into the business process and boosts end-to-end implementation of value-creating business.

Vision setting: oriented by user value, Hikvision has refined a complete business framework and a solution capability set and the value system centered on "shortening management distance, improving business efficiency, regulating operation behaviors and preventing safety risks", to help users set the vision of digital transformation

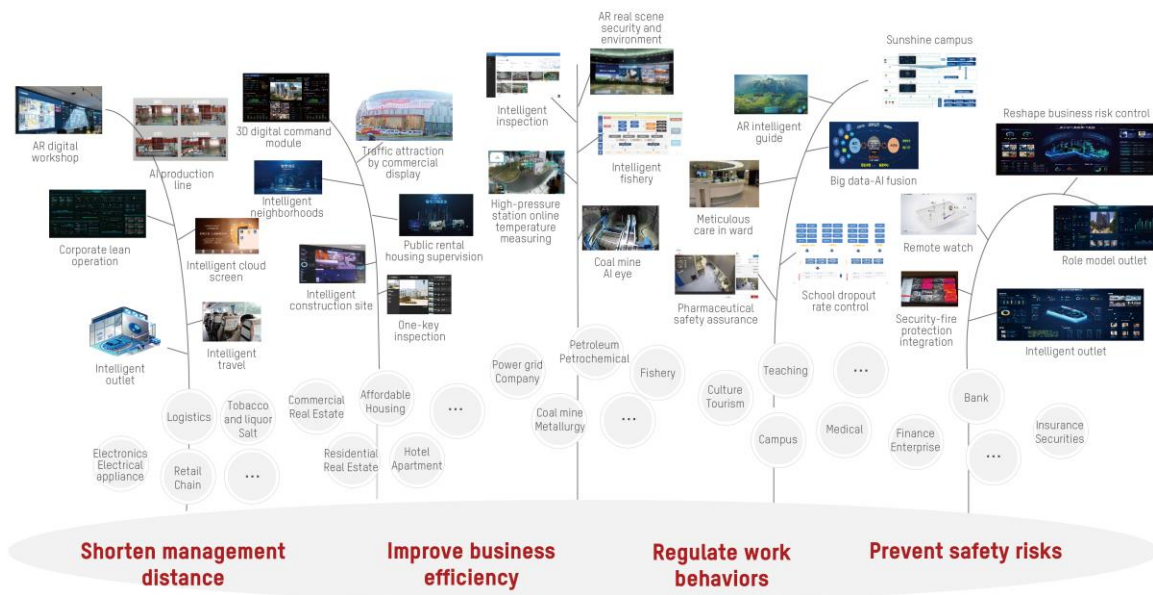
defined by ubiquitous perception and intelligent IoT.

Value matching: based on its investigation and understanding of the industry and the analysis on key activities of typical user base, we have been deeply engaged in the business scenarios of users, to help users discern their value chain and clarify their value propositions and enable value matching and value extraction with the solution capability set.

Value fulfillment: we implement professional work procedure to facilitate delivery digitalization projects, fulfill double objectives of implementing value-creating business and gaining user approval and trust, work with users and help users fulfill their blueprint of digital development.

Build Industry Best Practices Unremittingly

Underlain by the value delivery methodology and guided by the value principle of “shortening management distance, improving business efficiency, regulating work behaviors and preventing safety risks”, Hikvision has been working with the eco-system partners to build industry best practices for digital transformation, and has achieved remarkable results.



1) Help Enterprises Shorten Management Distance

Hikvision adequately utilizes its video-centric IoT perception and connection capability to help enterprise users and governmental regulatory entities evolve from “on-spot management and decentralized management” to “unified management and centralized management”, shortening the distance between the managers at all levels and the

production scenario, and alleviating management anxiety.

Integrating IoT and digital technology, Hikvision provides the industrial park 3D digital command module solution characterized by data-driven design and intelligent service, to help build digital intelligent management platforms and realize the three-dimensional industrial park protection system that features “networked general layout, closed partial areas, full monitoring over key entry points and full coverage on key locations”.

Hikvision uses the “inspection engine” software to realize whole-process digital oilfield inspection and makes efficient analysis on inspection data and image data to help safety personnel and managers maintain real-time insight into potential hazard of operating equipment, reduce safety risks and ensure safety of workers.

Using thermal imaging and multidimensional perception solutions, Hikvision builds the intelligent fishery supervision system for the fishery administration, to realize full coverage of monitoring over water areas, intelligent warning for vessels, remote inspection and other intelligent supervision approaches, and to implement the strategic decision of “ten-year fishing ban on the Changjiang River”.

Leveraging video AI and IoT sensing technology, Hikvision builds treasury management platforms for banking institutions, to impose visualized operational management over treasury vehicles, personnel, articles, environment and compliance and to lay the foundation for capability building for the purpose of comprehensively improving business management, risk control and appraisal system.

2) Help Enterprises Improve Business Efficiency

Bring together AI and intelligent IoT technologies, Hikvision helps enterprises with their automated online process-based operation and improves business efficiency in sectors such as production, logistics and education.

Hikvision has intensively applied the intelligent IoT technology in production management of steelmakers, which has realized asset number automatic identification, automatic counting, automatic inspection on equipment and remote control over operation, increased the efficiency of steel pipe weighing line by over 10%, improved operation efficiency and inspection efficiency and improved employee office environment.

In collaboration with tourist attractions, Hikvision has founded the Intelligent Tourism Institute, which conducts joint research into AI and big data, facilitates creation of IoT integrated platforms and focuses its efforts on scenic area safety and tourist service experience. It has rendered a range of innovative solutions including AR real scene guide, which significantly enhances the service capacity of scenic areas and improves tourist service quality.

Hikvision uses AI open platform to provide commodity identification service to empower intelligent container retailers and combines visual technology with intelligent hardware to offer the innovative unmanned retailing solution that integrates intelligent container terminal and operation, which has significantly reduced retailer operation cost and improved consumer shopping experience.

Hikvision works with banking institutions to serve new scenarios and new business types and combines cloud service, AI and remote video technologies to create remote financial modules, extend the service radius, provide 24h financial service and public service, create the bank that is always at the service of people and help banks transform their customer service models.

Combining the technologies and products such as audio/video processing, AI, remote visitation equipment and intelligent interactive screen, Hikvision provides hospitals with intelligent ward solutions, to help hospitals optimize medical care process and ward order management and improve medical service quality and patient experience.

3) Help Enterprises Regulate Work Behaviors

Drawing on AI scenario perception technology and corporate information-based management and employing the traditional management methods such as human supervision and training, Hikvision efficiently helps establish standardized management of process-based operation and scenario-based work behaviors.

Hikvision has built the visualized safety control platform for the State Grid, to enable whole-process standardized, traceable and intelligent management of operation plan, operation process, safety inspection and safety information and to strengthen penetration and execution of safety supervision.

Working with automakers, Hikvision uses intelligent on-board equipment and IoT sensing technology to create the shuttle bus safety supervision platform, which realizes the intelligent applications such as bus positioning, bus staff attendance and temperature measuring, to ensure safe travel of buses, help bus management decision analysis and help creation of Internet of Vehicles.

Joining hands with cigarette manufacturers, Hikvision vigorously explores industrial tobacco intelligent manufacture management applications. By using the inspection engine to combine offline inspection of fire-fighting equipment, online inspection of material assets and AI scenario-based intelligent inspection, Hikvision has reformed the inspection method and realized complete closed loop covering inspection plan, execution, rectification and analysis, to offer strong support for regulating work behaviors.

Hikvision provides intelligent work site solution that uses digital and intelligent technologies in safety,

environment and quality management of work sites. We have created the work site full view center that enables the intelligent applications covering waste truck washing in key areas of work site, hoisting machinery testing and air environment quality monitoring and enhances construction management efficiency.

4) Help Enterprises Prevent Safety Risks

Hikvision strives to create the corporate safety protection system that combines four elements--intelligent management of personnel safety, intelligent monitoring of equipment and facilities, intelligent perception of environmental safety and intelligent perception of bio-safety.

Hikvision has provided the power generation safety solution for the China Southern Power Grid, to help the grid protect work safety and improve quality and efficiency in the new context of grid development. Supported by video-centric AIoT technology, this solution enables ubiquitous perception of personnel behaviors, equipment temperature and operating condition and environmental state and provides the intelligent applications such as AR panoramic view, intelligent patrol and remotely assisted switching operation, to help electric power system evolve from traditional operation and maintenance to intelligent operation and maintenance.

Hikvision provides universities, with data governance and application solutions and, centered around business scenario abstract routine security business process and incident response process, has created a range of business scenario based template applications and practice-oriented control cabin applications, which has significantly enhanced the unified coordination and interoperation capability of campus security systems.

Using innovative video-radar integration technology, Hikvision helps industrial parks realize precise monitoring over risks in transportation of hazardous chemicals. Focused on monitoring over illegal travel of hazardous chemicals transportation vehicles, this solution uses radar-assisted monitoring equipment to provide the industrial park security supervision authorities with warnings on illegal travel of hazardous chemicals transportation vehicles and facilitate compliance management over such vehicles.

Offering the security-fire integrated innovative solution, Hikvision works with manufacturing enterprises to deploy the digital corporate operation and command center and the seamlessly interoperating subsystems covering three-dimensional control, fire safety network, hot work monitoring, warehouse temperature, electrical fire warning and plant area inspection and to effectively enhance the ability to perceive and handle safety risks, so as to accomplish the “security-fire integration” strategy and protect the core assets of manufacturing bases.

As the preferred strategy of any enterprise, digital transformation will usher the digital economy into the new stage of fast growth and accelerate reformation of industrial value chain and generation of new business models and new business types. Hikvision will always adhere to the concepts of all-round opening, division of work, integration and win-win cooperation, and actively work with eco-system partners of solutions to push towards flourishing digital transformation in the areas of products, solutions and service systems.

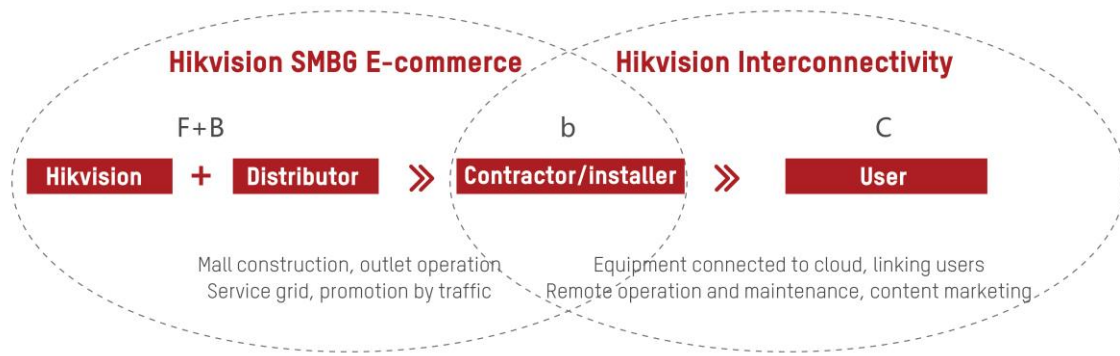
4.3 SME Business Group (SMBG): Create a Pan-security Industrial Internet

4.3.1 Overview

Driven by the emerging technologies such as AI and IoT, the customer demands of SME market have expanded from the traditional security protection to all aspects of livelihood and production, forming the pan-security industrial Internet defined by more expansive market, more abundant terminal products and more diverse application scenarios.

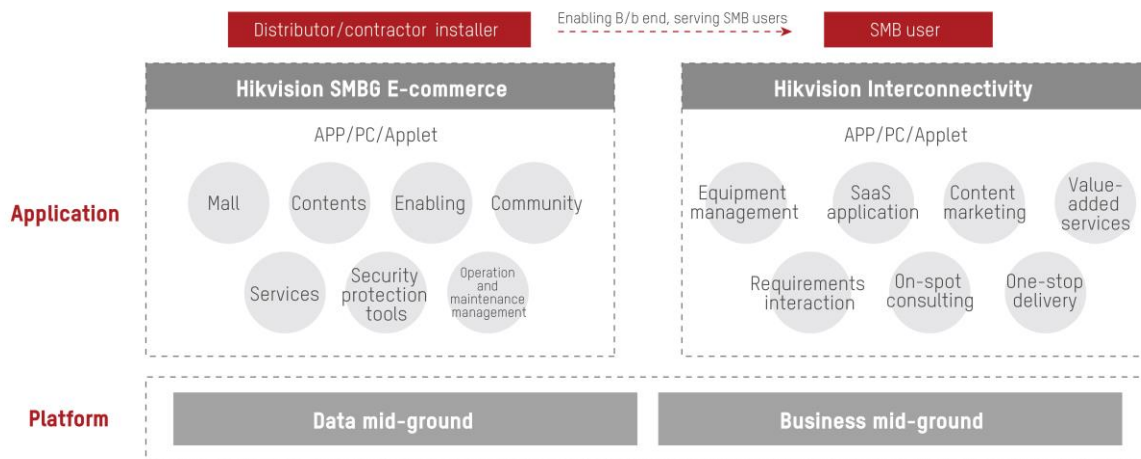
The SME market encompasses large number of specialized scenarios such as small and micro businesses, small and micro industrial parks, shops, factories, residential areas, scenic areas and livestock farms, but due to small project granularity and high degree of dispersion of users, it is difficult to achieve efficient coverage over the market. Contractors, service providers and individual business owners are capable of fragmented coverage, but their solution capability has yet to be enhanced and updated, they have problem conducting standardized business and their survival and development space is constrained. Distribution partners are faced with complex and constantly iterating product solutions, great pressure in business learning and high difficulty in operational management, and their potential in large-scale business expansion has yet to be tapped.

Working with general practitioners and drawing on the technological elements such as big data and Internet, Hikvision optimizes the composite channel system, scenario solutions and service capability, integrates industrial chain resources, helps distributors quick update their understanding, improve management process and expand business scope, and helps business owners provide efficient services to users, streamline implementation process and enhance interaction efficiency. Hikvision works hard to create one-stop preferred products and services defined by omni-channel, whole-process and omni-scenario offering, to meet the demands of all parts of the industrial chain and to create a pan-security industrial Internet.



4.3.2 Core Technology: Build Industrial Internet Products Matrix and Help Improve Efficiency and Experience

The product matrix of the pan-security industrial Internet created by Hikvision is comprised of two mainline platforms: Hikvision Interconnectivity and Hikvision SMBG E-commerce. Based on the infrastructure capacity of Hikvision and the marketing network of partners, an enabling platform is built to adapt to the traditional industrial structure.



1) Hikvision Interconnectivity

Oriented for b2C process, this platform helps partners such as contractors and installers operate with high efficiency and provides users with convenience in equipment usage, contents browsing and demand response. Hikvision Interconnectivity integrates the capabilities in equipment management, application configuration, solutions, value-added services and contents purchase guide, to provide SME users with one-stop scenario-specific

solutions, online interaction, contents marketing and services.

2) Hikvision SMBG E-commerce

Hikvision SMBG E-commerce: oriented for (F+B)2b process, this platform helps distribution partners link to practitioners, integrates malls, communities, solutions, contents, services and tools, serves and also enables Tier 1 and 2 distributors, and provides many capabilities such as linking to contents, linking to customers, linking to employees and operation analysis.

The two platforms are mutually supportive and spirally driven, to improve omni-channel traffic integration and eco-system marketing, promote whole-process marketing, increase channel attraction and create the secondary growth curve.

4.3.3 Value Fullfillment

Hikvision constantly examines the business demands at all levels of the industrial chain and strives to improve the professional proficiency over the entire industrial value chain. The whole-chain digitalization of production terminal, circulation terminal, marketing terminal and usage terminal will immensely enhance the operational efficiency of the entire industrial chain, empower numerous partners and help meet the pan-security fragmented demands.

1) Empowers Customers

Expand mall categories to support digitalization and intelligentization of pan-security and weak current projects; improve supply chain delivery efficiency, link and enable more channels/installers, and promote whole-chain digitalization and online equipment installation in the channels; diversify channel customers eco-system, promote integration of professional abilities, build directly supervised core stores, and enable comprehensive coverage over market in lower-tier cities; use informatization to provide the contractors and installers with more contents, tools and marketing support and help them provide better services to users and perform promotion more efficiently.

2) Serves Users

Provide more tools and contact points to link users, combine online access points with offline outlets, and

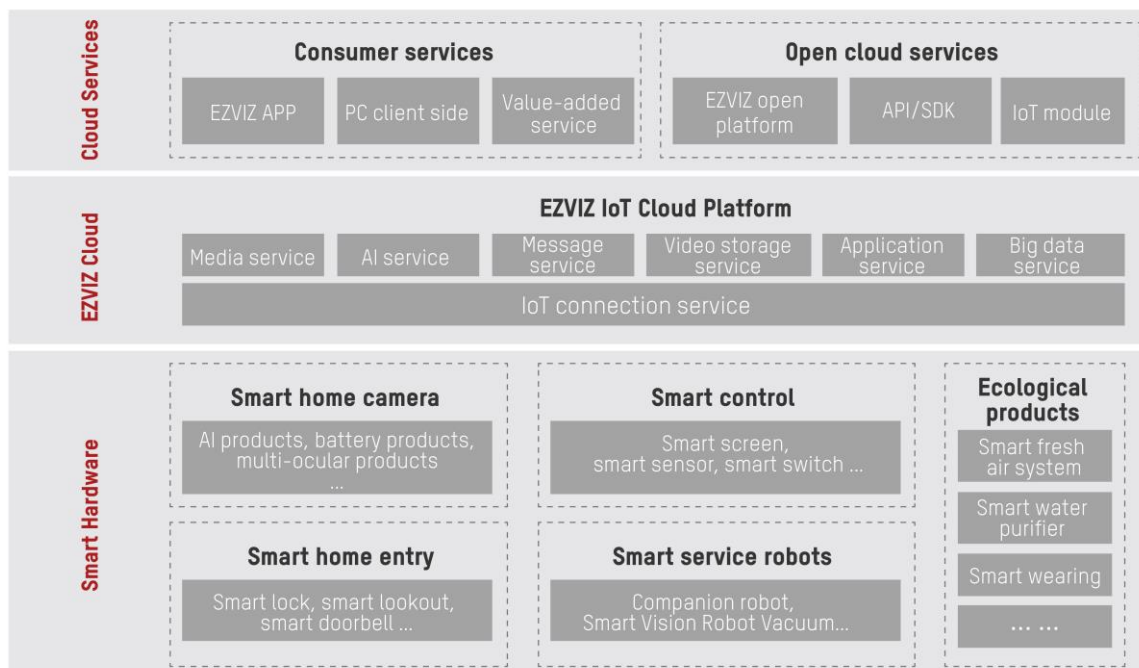
provide the integrated whole-process service experience that covers requirements submission, solutions consulting, survey and design, commodity sale and delivery, after-sale service, operation and maintenance, to enhance user purchase efficiency; realize the value-added applications such as online operation and maintenance of products, timely response to after-sale requirements and publicization of latest solutions and functions, to enhance the user-brand interaction experience; make use of the advantages of intelligent IoT to provide SMB users with the core solutions such as integrated security protection, intelligent office and store management, enable coverage over all scenarios in AIoT digitalization and intelligentization, and help SMB users realize online digital operation of various commercial elements and improve management efficiency.

5. Innovative Businesses

Hikvision's continuous efforts in technical reserves and expanding business scope provide a good basis for innovative business development. Currently, the innovative business camp includes eight sub-businesses including EZVIZ Network, HikRobot, HikAuto, HikMicro, HikSemi, HikFire, Rayin and HikImaging, which may have a consistent technical foundation with Hikvision, or provide more abundant products and services to customers, or form effective synergy between upstream and downstream. The development and growth of innovative business has continuously injected new impetus into the long-term stability and sustainable development of the Company.

5.1 Innovative business-EZVIZ Network

The rapid development of the IoT and AI technologies has promoted the intelligence, convenience and comfort of home life. The core of EZVIZ's businesses is based on visual technologies. It uses Internet cloud computing, AI, multi-dimensional perception, IoT communication and motion control technologies to create a reliable IoT cloud platform, as well as safe and intelligent household products, so as to provide households and home-like users with intelligent products and services and maintain a rapid business development.



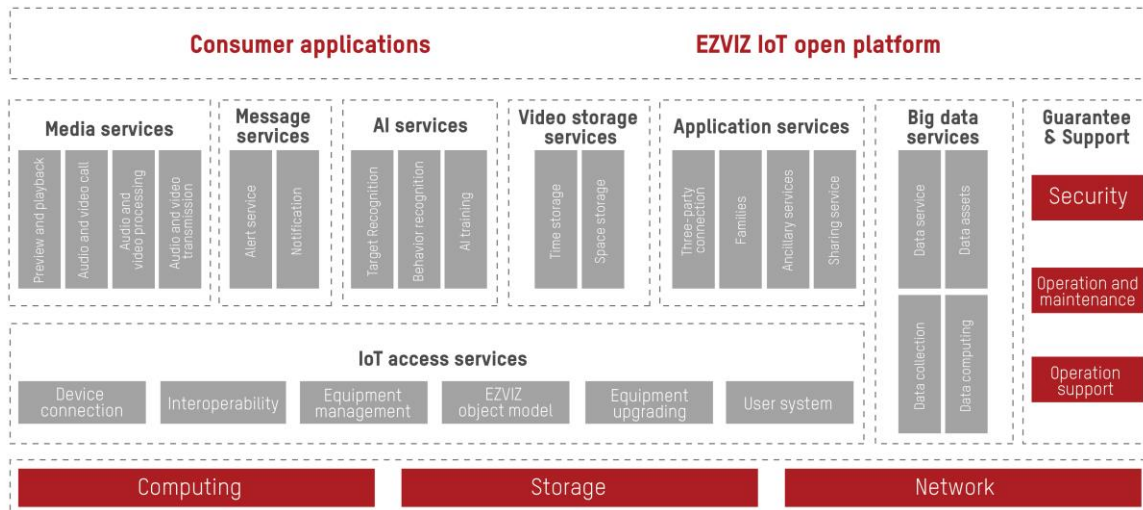
After years of cultivation, EZVIZ has formed a “1+4+N cloud platform - independently developed products-ecological products” business system. Centered on cloud platform services and by virtue of smart home cameras, smart home entry, smart control and smart service robots and other independently developed products, it has driven the side-by-side development of other smart home products such as smart fresh air system, smart water purifier, smart bracelet, and kid’s smart watch, to create an intelligent home ecosystem.

5.1.1 EZVIZ IoT Cloud platform

Based on a globally distributed “self-developed architecture + three-party cooperation” hybrid cloud architecture, EZVIZ Cloud provides Cloud service capabilities with computing, storage and network support which supports multiple types of device access. Centered on media services, it provides such services as video storage, messaging services, AI services, application services and other rich and complete service options, which offer big data service capabilities, and provide security, operation, operation and maintenance guarantees and support for top-level consumer applications and derivative applications at EZVIZ IoT open platform. As of the end of 2020, EZVIZ IoT Cloud Platform has nearly 100 million global access devices, more than 70 million registered users on the platform, more than 25 million monthly active users, and more than 10 million daily active users.

Aiming at ordinary consumer users, EZVIZ Cloud provides cloud storage, smart reminders, personnel identification, screen detection, phone reminders, family-friendly text messages and other paid value-added

services applicable to home scenarios, and further enriched the services including cloud disks, elderly care, and other diversified value-added services in 2020 and expanded value-added services overseas to major countries in Europe, America, Asia, Oceania and other regions.



Aiming at the application demands of enterprise-level customers in complex scenarios, EZVIZ Cloud supports developers and strategic partners to provide customers with the development of various complex applications. On the device access side, through compatible standard protocols, open modules, SDKs, etc., it is convenient for customers’ multi-brand devices to access EZVIZ Cloud; on the users side, through EZVIZ object model and EZVIZ interface definition tool, it helps customers build App with zero/low code; on the application side, EZVIZ opens PaaS service and outputs through EZVIZ open platform and EZVIZ IoT open platform.

5.1.2 Smart home products

By virtue of vision technology and AI, multi-dimensional perception, IoT communication, motion control and other technologies, EZVIZ maintains its continuous leading position in hardware products.

Smart Home Cameras (SHC) includes a variety of product options with different outlooks and performances, providing security services for users in personal, family, and home-like scenarios, facilitating communication, encouraging sharing, and conveying care & love. EZVIZ SHC has maintained the leading global sales for many years. In 2020, EZVIZ released new products such as courtyard waterproof PTZ cameras and cameras that support mobile network access, which further enriches the access methods and usage scenarios of cameras. Meanwhile, it is supported by solar power supply system, which realizes scenario coverage in areas without electricity and broadband. In terms of intelligence, a number of intelligent featured

detection and recognition algorithms have been released to adapt to different scenarios, such as personnel identification, fall detection, pet detection, etc.

Smart home entry products mainly include smart door locks, smart visualized lookout and smart visualized doorbells. With its core video technology capabilities, EZVIZ intelligently upgraded home entry products which support direct access to the EZVIZ IoT Cloud platform and perform intelligent applications in home scenarios such as personnel identification based on cloud resources. Through continuous technological innovation and marketing, EZVIZ's smart home entry business has achieved considerable development. In 2020, the product matrix of EZVIZ smart locks has been further enriched. In response to the requirements of personnel access management for public rental housing and dormitory, centralized smart lock products were launched; pre-engineering products for the hardcover business of housing development have been promoted and applied to the fingerprint lock pre-installation business of Ronshine, Binjiang, Huafa, Jingrui and other leading property developers.

Smart control products mainly include smart sensors, smart screens, smart switches, and smart sockets. After the devices are connected to EZVIZ IoT Cloud platform, users can monitor in real time and remote control the indoor environment, lighting systems, home appliances, energy consumption, etc. In 2020, EZVIZ released a 4-inch smart screen. Through intelligent voice and touch technology, it will bring users a new interactive experience of smart home, and the EZVIZ smart control product matrix was further enriched. At present, EZVIZ smart control products have been promoted and applied to the smart home pre-installation business of many leading real estate developers such as Longfor, Lvdu, and Ruchen, etc.

Smart service robots mainly include companion robots and robot vacuum. In 2020, EZVIZ devoted itself to the development of companion robots based on vision, hearing and environmental perception. Through connecting to EZVIZ IoT Cloud platform, it will provide personalized education and safe companionship for children. In terms of Robot Vacuum, EZVIZ built a new generation of Smart Vision Robot Vacuum based on independently developed ToF, structured light technology and AI algorithm capabilities.



EZVIZ has gradually formed a dual-main business pattern of “cloud platform services + smart home”, and is further building a smart home ecosystem, expanding other smart home product categories in addition to the four major self-developed products, and incorporating more devices into EZVIZ’s IoT ecosystem to enhance the richness of users’ home-scenario equipment and provide users with more comprehensive smart home solutions. With the increase in the number and activity of platform users, EZVIZ also provides users with more practical and considerate value-added services through in-depth exploration of user needs.

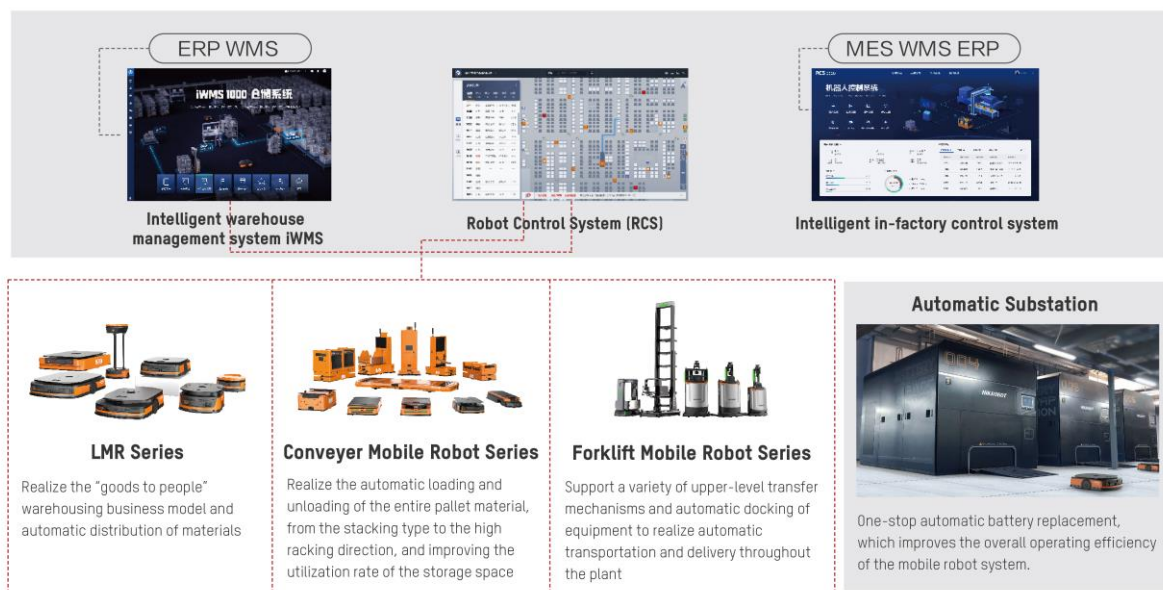
EZVIZ will insist on exploring in-depth application scenarios, optimize product performance, and continue to explore new breakthroughs to provide rich and high-quality security protection and smart life experience for the broad EZVIZ users and smart home enthusiasts.

5.2 Innovative business- HikRobot

Focusing on technologies such as visual perception, AI and navigation control, relying on its solid algorithm accumulation, strong software and hardware development capabilities, and a complete marketing system, HikRobot focuses on intelligent manufacturing, and continuously invests in the fields of mobile robots and machine vision to promote the digitization and intelligence of production and logistics.

5.2.1 Mobile robots: focusing on intralogistics and promote intelligent logistics of factories

The mobile robot business relies on the three major hardware product lines of Latent Mobile Robot (LMR), Conveyor Mobile Robot and Forklift Mobile Robot, and the two software platforms of robot control system (RCS) and intelligent warehouse management system (iWMS). It focuses on the intralogistics in the warehouse or factory, and provides professional intelligent logistics solutions targeting automobiles, 3C electronics, new energy, supermarkets, various vertical e-commerce and other sub-sectors, to further reduce operating costs for users, and improve production efficiency and management quality.



LMR series: In 2020, focusing on the improvement of intelligence and safety, HikRobot completed the iterative upgrade of Simultaneous Localization and Mapping (SLAM) technology, which greatly improves product performance and environmental adaptability, and achieves large-scale applications in the automotive, new energy, household appliances and other industries. HikRobot is the leader in the industry in releasing the self-developed “high-precision multi-vehicle collaborative operation control system”, which greatly expands the application range of robots. The safety level of the safety controller independently developed by HikRobot reaches SIL3 (Safety Integrity Level 3) level, making a major breakthrough in the industry.

Conveyer Mobile Robot series: Fragmentation of demands have brought a lot of customization work, which has gradually become a pain point in the industry. In 2020, HikRobot introduced the design concepts and methods of parametric design, improved the online design platform, and accumulated a large number of common components. The modularized development method has greatly improved the efficiency of customized development and facilitated the rapid implementation of projects in various industries such as display panels, auto accessories, heavy

industry, and etc.

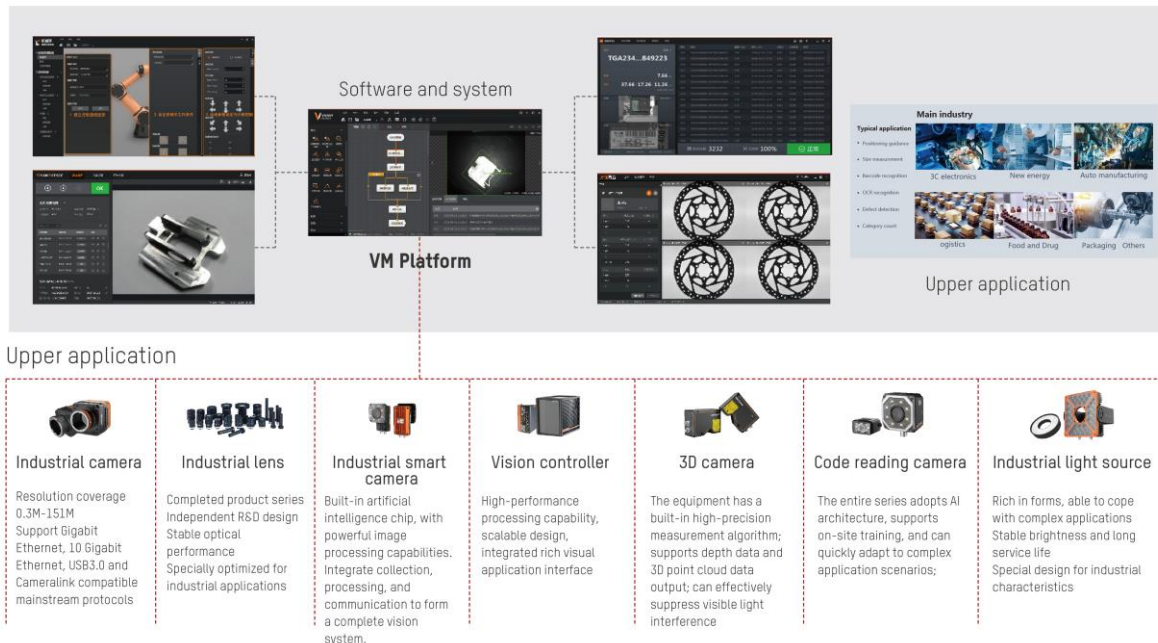
Forklift Mobile Robot series: In 2020, HikRobot increased investment in independent research and development, strengthened collaboration with partners, and further improved and enriched its product portfolio. The third generation omni-directional forklift F1-1000 has completed iterative upgrades and has been widely used in communications companies. The second-generation Carton Transport Unit (CTU) F0-50 was released. Its performance and stability have been greatly improved. The highest single stage stacking height can reach 5.2 meters, which is at the leading level in the industry. The forklift F4-1000 and the forklift F3-2000 have also been continuously upgraded and become the main products.

Intelligent support system: The intelligent support system represented by automatic power change substation, which could complete the battery replacement within 90 seconds, while the conventional charging method requires at least one hour to fully charge the battery, which can greatly improve the actual operating hours of the robot. For the latest generation of automatic power change substation, the number of robots that can be supported by a single substation has increased from 60 to 240.

The demand for transformation and upgrading of the traditional manufacturing industry continues, the epidemic has continuous impact on traditional labor utilization methods, and the demand for automated logistics continues to be strong. It is predicted that China's mobile robot market will continue to maintain a growth of more than 40% in the next five years. The mobile robot business will continue to improve the intelligence of the robot and optimize the delivery process of solutions and projects. Based on robot-based intelligent logistics applications, HikRobot devotes itself to creating end-to-end full-process intelligent logistics solutions.

5.2.2 Machine Vision: Focused on industrial sensing to promote production digitalization and intelligentization

As the core of industrial sensing, machine vision is the eyes of robots and automation equipment. It is a key technology for building the industrial Internet and the perception network for digital factory. It is also an important part of realizing flexible and intelligent production. In 2020, HikRobot further enriched and optimized machine vision products, and tried to cultivate a vision application ecology centered on the Visual Master Platform (VM Platform), to work with partners to meet the application needs of fragmented industrial scenarios.



Industrial camera products: HikRobot released the second-generation of industrial camera series. It uses a brand-new FPGA platform, and has comprehensively improved the power consumption control, image quality and transmission stability; HikRobot optimized and diversified high-speed and high-resolution cameras by using modular design of software and hardware, unified platform architecture, and achieved the combination expansion of different interfaces and resolutions. It focused on breakthroughs in low-power control technology of 10 Gigabit Ethernet, giving its products obvious power consumption advantages compared with competing cameras in the industry, HikRobot has greatly improved image quality and product usability through comprehensively upgrading ISP technology, adding pixel-by-pixel correction, and optimizing color restoration, image noise reduction and other algorithms,

In terms of ID products, the entire series of products adopt the AI architecture, including the use of AI code reading algorithms and AI heterogeneous processing platforms, supporting on-site training and learning, and quickly adapting to various complex scenarios. Among them, for logistics code reading applications, 12 megapixel high-speed code readers were released; at the same time, a number of economic logistics code readers were released to meet the code reading needs of various logistics links. For industrial code reading applications, the ultra-small ID2000 series, the miniaturized ID3000Pro series and the large-field ID5000 code reading series have been introduced, which greatly enhance the competitiveness of industrial code readers.

AI technology application: The application of deep learning technology in machine vision was further

promoted. The company continuously optimizes AI algorithm tools, explores the integration of AI algorithms and traditional pattern recognition algorithms to complement each other. HikRobot actively promoted the hardware productization of AI technology, and released smart camera open platform that supports deep learning, to provide hardware support for partners with AI algorithm development capabilities. In terms of algorithm platform, in addition to continuously optimizing software performance and usability, HikRobot focuses on opening up its software architecture, providing a software framework and development interface for industrial partners in machine vision algorithm development and application development, and creating a simple, easy-to-use, open and compatible machine vision operating system to make the development of fragmented vision applications more convenient and efficient.

In terms of solutions: For the logistics industry, HikRobot continuously optimized the multi-sided code reading system and DWS (Dimension Weight Scanning)² system, while introducing the single-piece separation system and the automatic parcel feeding system for carbel sorting, which greatly improves the efficiency of code reading, parcel feeding and sorting. They are widely used at major domestic express logistics and transshipment centers and promoting the construction of smart logistics; for 3C, new energy and other industries, HikRobot has launched a number of visual alignment assembly and defect detection solutions with its partners to greatly improve production line flexibility and defect detection rate, helping industry customers to improve quality and production capacity, reduce costs and increase efficiency.

In 2021, the Company will continue to make key investments in AI, 3D, and multispectral technologies, launch more competitive technologies and products, while investing more resources in ecological construction, and gradually shift from a product layout centered on image capture and imaging towards the ecological construction centered on the VM Platform. HikRobot looks forward to working with industrial partners to co-develop and create value together.

In the future, HikRobot will continue to focus on intelligent manufacturing. It will increase investments in the two business areas of mobile robots and machine vision, and improve efficiency and reduce costs for users through technological innovation of software and hardware products and platforms and continuous improvement of delivery processes. HikRobot will facilitate the development of global intelligent manufacturing.

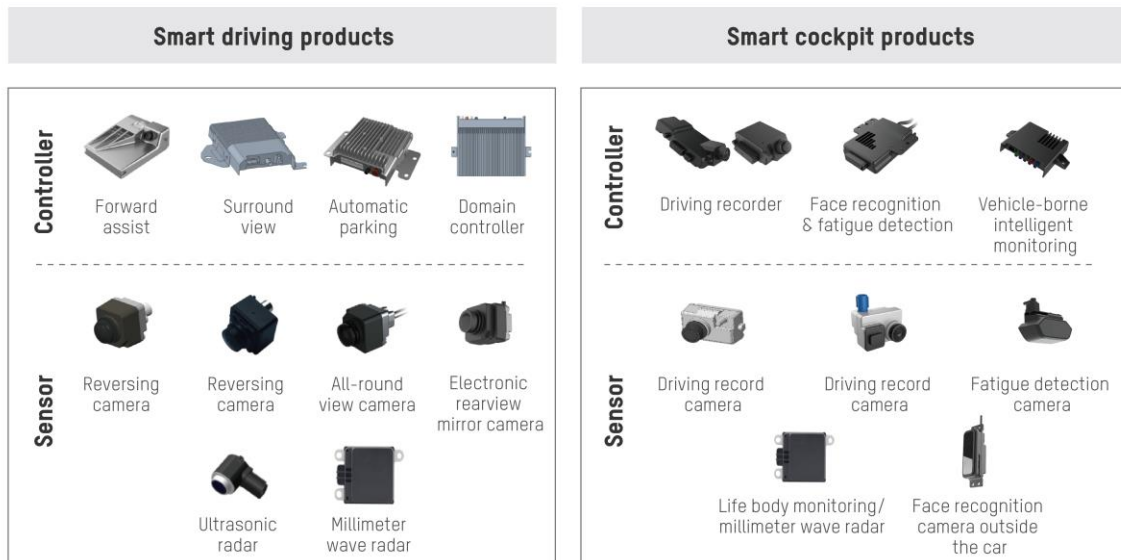
² Dimension Weight Scanning, integrated system for automatic volume measurement, weighing and multi- ID authorization/recognition code reading.

5.3 Innovative business - HikAuto

HikAuto focuses on the field of intelligent driving. Centered on video sensors, HikAuto combines various technologies such as radar, AI, and perceptual data analysis and processing. The company is committed to becoming the industry’s leading supplier of vehicle safety and intelligent products empowered by video technology, with the capability of providing a wide range of services to passenger vehicle users, commercial vehicle users, and other types of consumption as well as industry users globally.

5.3.1 Passenger vehicle before-market

In 2020, HikAuto further deepened the business cooperation with top domestic brands such as SAIC Motor Passenger Vehicle, Geely Automobile, Chang’an Automobile, Great Wall Automobile, etc. In this year, HikAuto won over 50 new mass production projects (more than 60 new projects and more than 40 vehicle models in total). Besides, HikAuto further expanded the market of joint ventures and international brands. This year, it officially passed the supplier reviews of PSA, Mazda, Volvo, Jaguar Land Rover, etc., and has obtained several designated projects including Dongfeng Honda, Shanghai General Motors and Renault Nissan. It has helped in increasing the order numbers, the product penetration rate, and the coverage of mainstream hot-selling models. It has also achieved some advantages in terms of platform and scale.



With widespread use of intelligent driving technology, HikAuto's technological investments in early years have entered the payback period. This year, it officially mass-produced fully automatic parking products based on the fusion of video and ultrasonic radar, and the performance of this product has been recognized by customers and

won a number of new orders designations from multiple car factories. At the same time, HikAuto has further increased investments in developing the intelligent cockpit, and taken the lead in mass production of systems including ID authorization/recognition unlocking keyless entry, fatigue driving monitoring and gesture recognition, which fully takes the advantages of HikAuto in the field of vision technology to bring about a more intelligent cockpit experience.

HikAuto will continue to increase its investments in intelligent driving sensors, algorithms and system products, fully leverage its technological advantages based on the fusion of video, ultrasonic and millimeter wave radars, and launch more competitive solutions for around intelligent driving and intelligent cockpits.

In 2020, the business growth of the passenger vehicle pre-installation products doubled. Besides, the accumulation of technical solutions, customers, and projects has laid a good foundation for the continuous and rapid growth of HikAuto in the coming years.

5.3.2 Passenger vehicle aftermarket

Passenger vehicle owners' demand for Dashcam and and Around View Monitor continues to increase, and driving video recording, rear-end collision evidence, injured feigning prevention, and parking view assist have gradually become rigid demands.

In the dashcam product line, HikAuto has enriched its product line based on its differentiated technical capabilities such as night vision, AI, and networking, and formed a comprehensive product layout, which has achieved omni-channel sales through mainstream online e-commerce platforms and offline auto accessory sales channel. Among them, the F6/C6 series dashcam has become the leading product of the 5 million pixel high-definition intelligent networked recorder in the market.

In the Around View Monitor system, HikAuto has expanded to five major vehicle lines and 31 vehicle models on the basis of three major car lines and 23 vehicle models in 2019. The key indicators, including image sharpness, night visibility, seamless interfacing, ultra-low delay and reliability etc., have reached the industry-leading level, and advanced driving assistance functions such as BSD (Blind Spot Detection) and LDW (Lane Departure Warning) have been integrated into the Around View Monitor system to enhance the value and competitiveness of the system.

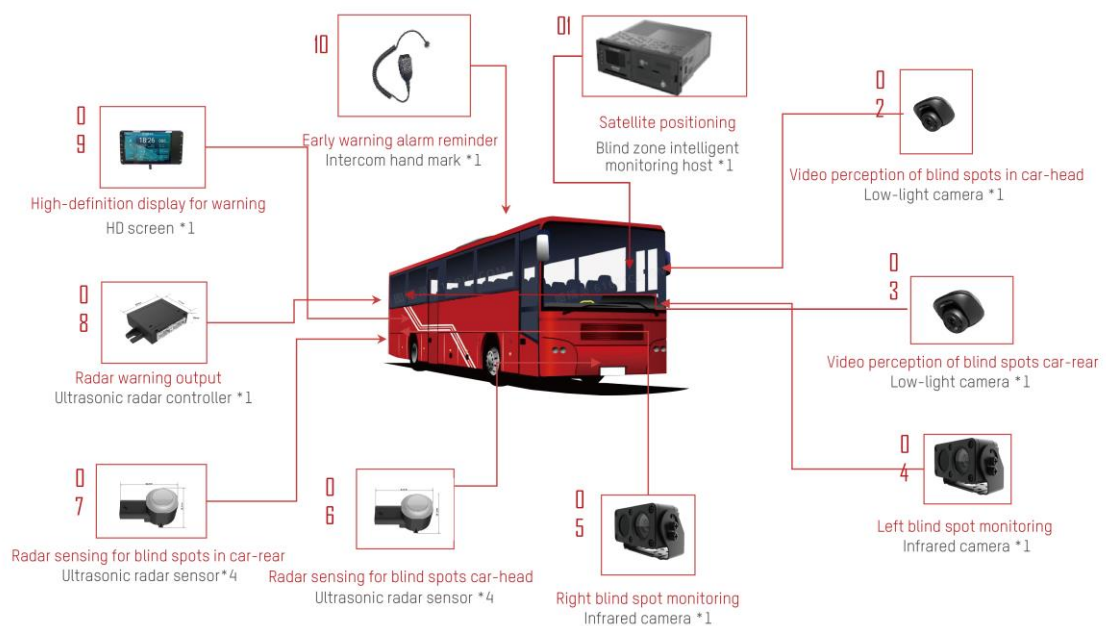


In 2020, HikAuto almost doubled the growth of its Dashcam products and Around View Monitor products in the automotive aftermarket, which has created considerable brand value and earned more trust from customers.

5.3.3 Commercial vehicle market

Commercial vehicles have achieved world-renowned vigorous development during the *13th Five-Year Plan*. The rapid development of e-commerce has promoted the rapid rise of express delivery. Heavy trucks for trunk logistics, medium and light trucks for branch transportation, and micro-trucks for urban distribution in the “last mile” have all continued to grow, with sales exceeding 5 million units in 2020; the continuous integration of traditional cruise-style taxis with online booking-type taxis has rapidly grown to more than 3 million units. At present, China’s commercial vehicle inventory exceeds 20 million units. A huge number of commercial vehicle resources carries a large number of passenger and freight transportation in addition to aviation, railway and water transportation, which is closely related to the production and life of the people. However, safety issues such as traffic accidents, casualties, and damage to goods have become increasingly prominent. Major traffic accidents are frequently reported, traffic accidents caused by blind areas of vision have significantly increased after speeding and fatigue driving,.

In 2020, forward collision warning, lane departure warning, fatigue driving warning, driving behavior analysis, etc. have gradually become the standard configuration of active and safe advanced assisted driving construction projects for commercial vehicles in various regions. HikAuto has deeply explored the effects and efficiency of algorithms to improve the cost-effectiveness of the product system. It has won unanimously praise from users in more than 100 projects such as dangerous goods transport vehicles in Hunan Province, construction vehicles in Zhejiang Province, and heavy truck logistics vehicles in Guangdong Province. Besides, because of the rising trend of injuries and fatalities caused by the blind area of the driver’s vision, HikAuto has further studied vehicle operating scenarios in depth to explore blind area collision risk factors in combination with the actual operating environment of the vehicle. Through the integration of video and radar, it independently developed a 360° blind zone collision warning system for the entire vehicle body. This system will be widely used in buses, engineering vehicles, heavy trucks and other vehicles in the future to reduce traffic accidents and casualties caused by blind spots in the field of vision.



Intelligent Monitoring and Early Warning System for Bus Blind Spots

In November 2020, the *Intelligent Connected Vehicle Technology Roadmap 2.0* was released by National Innovation Center of Intelligent and Connected Vehicles. Pursuant to the Roadmap, by 2025, the new car installation rate for partial autonomous driving (L2) and conditional autonomous driving (L3) will exceed 50%. According to Yole’s data, in 2018, the average number of cameras installed in vehicles worldwide was 1.7

units. It is expected that this number will reach 2.5 in 2021 and 3 in 2023. In 2020, the average number of cameras per vehicle in China is only 1.3 units, and there is large room for market development. HikAuto will continue to increase its R&D investments in sensors, algorithms, and intelligent systems to help passenger vehicle and commercial vehicle customers to make progress in the direction of intelligence and connectivity.

5.4 Innovative business - HikMicro

Centered on infrared thermal imaging technology and with MEMS-based technology, HikMicro provides core devices, detectors, modules, infrared thermal imaging products and overall solutions to the world. The infrared thermal imaging industry has always been restricted by the high price of core components, which limits the scale of application. HikMicro is committed to coping with this challenge and promoting infrared thermal imaging products from a niche to the general public.

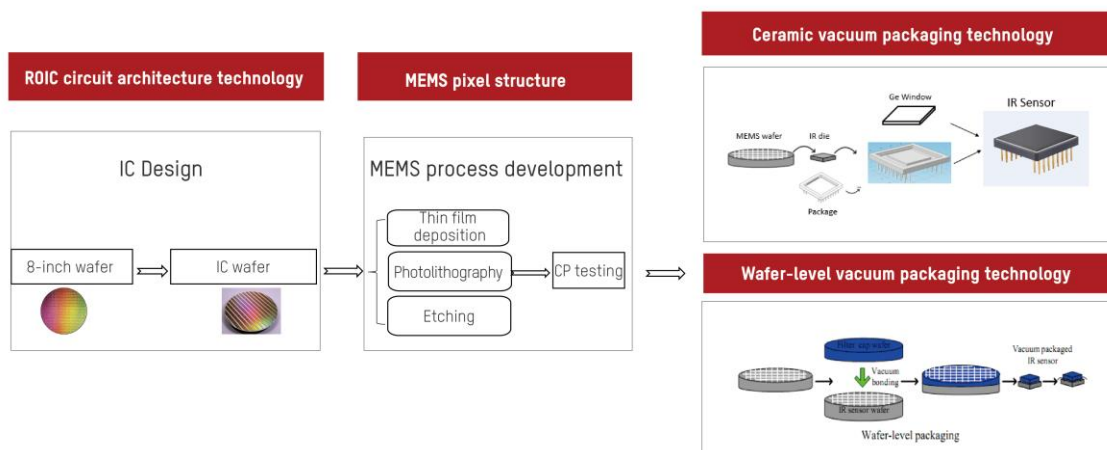
5.4.1 Core sensor technology advantages

Uncooled infrared thermal imaging sensor technology involves multiple disciplines and multiple fields. At present, only a few countries in the world have mastered this technology. After 4 years of development and accumulation, HikMicro has created advantages in the following five aspects:

Advanced integrated circuit (IC) design: The ultra-low noise readout circuit design in the detector can realize the collection of extremely weak infrared signals and stable output of signals in ultra-harsh environments. In the signal output channel, advanced low-noise processing technology is used to reduce the influence of external interference during the transmission process and ensure the clarity of the image; through the use of a hierarchical buffer output structure, the chip area is reduced, the power consumption is reduced, and the stability is improved. A readout circuit structure that suppresses external bias noise and suppresses environmental temperature changes is adopted, so that the chip can be used in a low-power, low-cost TEC (Thermal Electric Cooler)-free detector, while achieving excellent and stable imaging quality. On-chip non-uniform correction technology is adopted to improve the dynamic range of the chip. High-precision digital output and simple customer design may improve anti-interference ability; and standard universal input and output digital interface provide customers with convenience for system integration.

MEMS (Micro Electro Mechanical Systems) micro-bridge structure design: The pixel structure, packaging structure and layout design in the detector are important factors that affect the performance of the detector.

In order to obtain better performance, HikMicro optimizes the MEMS structural parameters of the detector. The selected thermal material has the characteristics of high temperature coefficient of resistance (TCR) and low 1/f noise factor. The small pixel adopts a double-layer structure design to maximize the infrared absorption area; the design of the resonant cavity and the infrared enhanced absorption structure realizes the maximum infrared absorption rate of the detector in the 8-14um band.



MEMS and packaging process development: in accordance with the requirements of MEMS design and packaging design, through craft menu development, stable batch output can be achieved. HikMicro’s process capabilities are complete, with various metal film and dielectric film growth processes, dry and wet etching processes, and organic cleaning processes. The minimum line width of the photolithography process can reach 0.35um. It has a number of self-developed core film growth processes and packaging processes in the infrared field.

High vacuum packaging technology: Whether the chip can be electrically connected to external devices in a vacuum environment and work stably and reliably under mechanical or environmental protection is an important factor affecting product size and cost. HikMicro adopts advanced TEC (Thermo Electric Cooler)-free ceramic package packaging and wafer-level packaging processes. Compared with the traditional metal packaging process, the ceramic package packaging process has obvious advantages of low power consumption, small size and low cost. The wafer-level packaging process adopts wafer processing throughout the whole process, which has higher integration and yield, and has the advantage of lower cost.

Industrialization capability: The Company has self-built an independent and controllable 8-inch MEMS production line and packaging line with an annual production capacity of 10,000 wafers and a million detectors, which can continue to supply products to the market on a large scale.

5.4.2 Product core technical advantages

With regard to the finished product, after years of development and accumulation, thermal imaging products have accumulated five major advantages: clearer images, smarter algorithms, more efficient temperature measurement, more stable applications, and more reliable manufacturing.

Clearer image: Focusing on image optimization, the self-developed adaptive AGC³4.0 can better adapt to the environment and enrich the image level; DDE⁴ technology makes the image more delicate and richer in details; 3D DNR⁵ technology can effectively remove the noise in the image and improve the picture quality.

Smarter algorithms: The deep learning algorithm and scenario optimization improves the alarm accuracy of behavior analysis, firework recognition, and target detection algorithms such as ships and vehicles.

More efficient temperature measurement: through accurate and reasonable temperature measurement model, strict calibration, and standardized inspection process, the accuracy of temperature measurement is effectively improved, the temperature difference of temperature measurement is small, and the stability is strong. The dual-light fusion technology superimposes visible light details in the thermal image, which is convenient for users to judge, supports multiple rules and flexible control of points, lines, and frames to meet the temperature measurement requirements of key areas and special points.

More stable applications: PTZ's intelligent temperature control system and intelligent air duct defogging design ensure that the equipment can withstand the test of the severe cold in the northeast and the scorching heat of Sanya, and can operate stably at -45°C~70°C. The self-developed optical axis adjustment technology allows the visible light channel to be positioned without deviation, making it easy to find the details of the problem.

More reliable manufacturing: manufacturing and testing strictly in accordance with high quality production requirements, multiple standard screening of raw materials, fully automated production, and dust-free clean room packaging; multiple rigorous tests such as aging and air tightness before leaving the factory ensure that the product is stable and reliable.

5.4.3 Three major thermal imaging product lines

Centered on its own sensors and relying on the advantages of sensors and product design technology, HikMicro

³ AGC: Automatic Gain Control, the gain mode is automatically adjusted to adapt to different scenes, so as to obtain a clearer image.

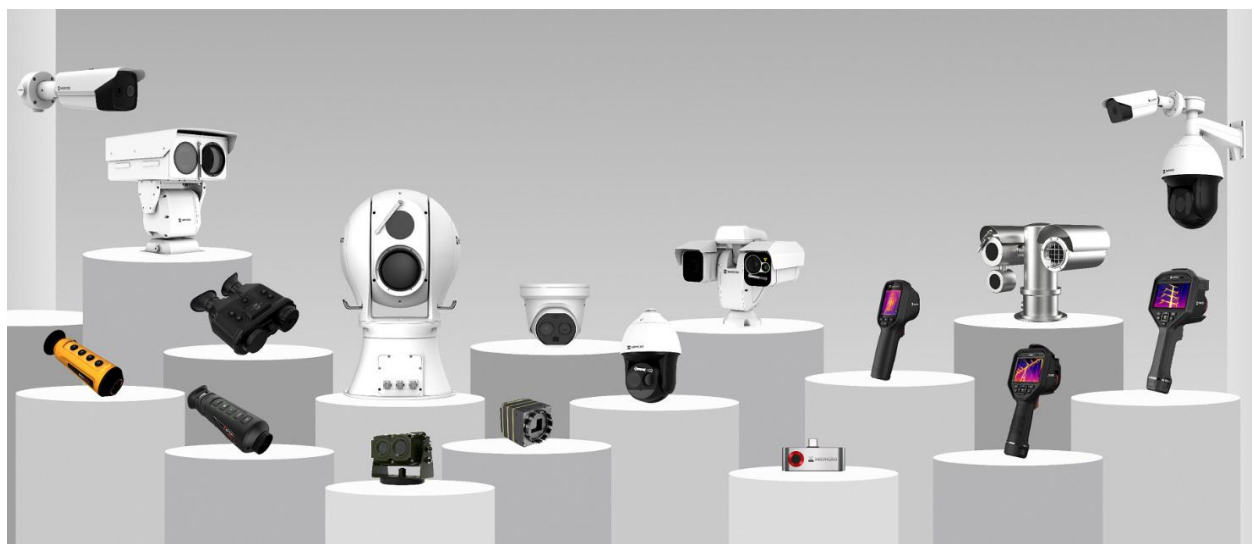
⁴ DDE: Dige Details Enhance, by sharpening the edges of objects in the image, the recognizability of the image is improved.

⁵ 3D-DNR: 3D Digital Noise Reduction, the use of three-dimensional filtering technology effectively eliminates the noise in the video image and obtains a smooth and clear image.

divides its business into three product lines: online, handheld temperature measurement, and commercial vision.

Online products are mainly divided into two categories: security products and online temperature measurement products. On the security product side, HikMicro combines thermal imaging, artificial intelligence, and image recognition technology with the strong temperature perception of thermal imaging as a powerful supplement to visible light to meet the needs of users for fire prevention and anti-theft. On the online temperature measurement product side, based on video, HikMicro performs intelligent recognition of target characteristics and behavior analysis and diagnosis optimized for temperature measurement application scenarios with leading intelligent analysis algorithms, to create an efficient temperature measurement product suitable for the general public, satisfying requirements of users to improve safety and efficiency.

In outdoor fire prevention scenes, the firework recognition algorithm based on thermal imaging and deep learning deeply integrates thermal imaging and AI technology to comprehensively improve stability and accuracy. One machine has multiple functions to protect forestry safety and contribute to environmental protection. In perimeter prevention scenarios, behavior analysis based on deep learning can effectively classify humans, animals, vehicles and other targets, to filter false alarms, and provide reliable and accurate security guards. In the field of temperature measurement, the dual-light fusion technology of visible light and thermal imaging is used to accurately locate abnormal areas and assist the daily maintenance of industrial equipment. In fields such as breeding temperature measurement, inspection and quarantine, high-precision blackbody⁶-free equipment greatly reduces user costs.



Hand-held temperature measurement products mainly focus on temperature measurement applications of

⁶ Blackbody: a device with constant radiant energy, which corrects the deviation of the radiation thermometer with the indication of the blackbody temperature, thereby improving the accuracy of the radiation thermometer.

industrial equipment such as electric power inspections. HikMicro provides mobile temperature measurement modules, as well as a series of economical, professional, master and other handheld temperature measurement products, which constitute a complete mobile temperature measurement solution covering various applications, assists users to accurately measure temperature and diagnose defects with the advantages of temperature measurement and image technology.

Commercial vision products are mainly divided into two areas: outdoor and assisted driving. In the outdoor field, with its own sensor advantages and excellent image processing capabilities, HikMicro has released a series of observation products ranging from consumer to professional, which are widely used in hiking, outdoor exploration, search and rescue, and other scenarios; for assisted driving, HikMicro released thermal imaging single/binocular car assisted driver products, which are used to assist driving under severe conditions such as closed light driving at night and heavy fog or smoke.

In addition, HikMicro has created a full range of integrated products from the detectors, cores, to the integration of the whole machine, providing one-stop product integration services, allowing more partners to quickly integrate and use thermal imaging products to help create an infrared ecosystem circle.

5.4.4 Thermal imaging applications go to the masses

HikMicro launched its 160*120 resolution star product in 2019. The product is equipped with the most advanced wafer-level packaging technology, which greatly reduces packaging materials, sensor costs, and promotes thermal imaging products entering into the ““thousand-RMB era””. Such products have met market demand due to their good performance and affordable prices, which have also brought out more fragmented application potential. In 2020, HikMicro completed upgrading of economic products, which support algorithm customization and switching, and load specified scenario algorithms trained and customized by the AI open platform to meet the fragmented and personalized needs of customers and benefit thousands of industries.

During the Spring Festival of 2020, in response to the COVID-19, HikMicro quickly launched thermal imaging temperature screening products and a “fast and economical” temperature screening solution. Relying on self-developed sensors, by shortening the temperature measurement range, in combination with a large amount of temperature measurement data analysis, HikMicro improved the environment self-adaptive ability of the equipment through intelligent algorithm, and adopted advanced constant temperature and dust-free automatic manufacturing technology, so that the stability and consistency of the product have been greatly improved, and the product accuracy

can reach $\leq 0.5^{\circ}\text{C}$ (no blackbody) and $\leq 0.3^{\circ}\text{C}$ (With blackbody).



With independent supply capability of core components, HikMicro will continue to consolidate its product-side technical advantages, open up more application scenarios, and continue to lead thermal imaging from a niche to the general public.

5.5 Innovative Business- HikSemi

HikSemi is committed to providing high-quality products and comprehensive storage solutions for users around the world. It provides a variety of storage products including solid-state hard disk SSD, memory card, cloud storage, mobile solid-state hard disk PSSD, solid-state U disk, etc., and its business covers consumer level, enterprise level, industrial control level, video surveillance level and data center level and other scenarios that meet the needs of multiple users.

Relying on a strong R&D team, deep technical precipitation, advanced management system and strict product standards, HikSemi provides strong support for product development and production, which have reached the advanced level of the industry in terms of safety, stability, durability, compatibility, reliability, etc.






5.5.1 Products of HikSemi

HikSemi makes continuous technological innovations based on user needs and develops corresponding products. For SSD products, it increases investment in research and development of industry/enterprise and data center products, actively innovates, pioneers the Zoned algorithm cluster, and has realized intelligent reconstruction


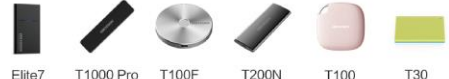


of data channels and cooperated with MagicBox management software to increase product life, and further consolidated and expanded its video application advantages in the server field. In terms of dedicated SSDs for video surveillance, the capacity has been further expanded, with a maximum capacity of a single disk reaching 8TB, providing a better choice for high-performance, large-capacity, and high-density applications. In addition, based on data and technology accumulation, HikSemi has developed service items such as life warning, fault diagnosis, data migration of out-of-guarantee bad disks, product life extension, etc., effectively improving user service experience. For the more consumer-oriented flash memory application products, HikSemi integrated resources to create the HikSemi App, where users may access private storage products anytime and anyplace and browse and share data in various formats such as pictures and videos. The H200 cloudstorage product launched in 2020, with a brand-new hardware architecture, provides users with more ideal task processing efficiency. It is the first time in the industry to realize remote switch on and off, which greatly solves the pain points of users' instant switch on and off. It was strongly concerned and favored by consumers at its launch. In terms of PSSD, as PCIE gradually becomes the mainstream of SSD, HikSemi is also gradually applying new technologies. Following the launch of the fingerprint-encrypted PSSD-T100F in 2019, HikSemi launched a new Elite series of products in 2020. This series of products takes high-speed, safety, waterproof, and appearance as the main entry points, in consideration of Hikvision's self-developed firmware algorithm and extreme heat dissipation design, which greatly meets the needs of users in high-speed application scenarios. In terms of memory card products, relying on its position in the high-end video surveillance industry and the accumulation of video storage technology, HikSemi, on the one hand, has successively launched cost-effective video monitoring cards suitable for continuous data writing scenarios. On the other hand, HikSemi has continued to expand the memory card market segment and continuously launched cost-efficient and high compatible consumer cards that can be widely used in civil security, mobile phones, cameras, speakers and other products, as well as driving record cards used in driving recorders, and handheld game cards favored by gamers.

HikSemi product profolio





SSD product line

<p>Consumption level</p>  <p>C260 C260M C260N</p>	<p>Industrial control level</p>  <p>S210N S210M S210M Pro S220</p>
<p>High-end consumption level</p>  <p>Q2000 C3000 C2000 Pro E2000 Lite E3000 Pro</p>	<p>Video surveillance level</p>  <p>V100 V100M V100N V210 V210 Pro V220</p>
<p>Data center level</p>  <p>D200 D200 Pro D1000</p>	

Flash memory application product product line

<p>Enterprise cloud storage</p>  <p>H304 H202</p>	<p>Mobile hard disk</p>  <p>Elite7 T1000 Pro T100F T200N T100 T30</p>
<p>Personal cloud storage</p>  <p>MAGE10 H101 H100 H200 H99</p>	<p>U disk</p>  <p>M200 M200G M200S M200F Engine Spider Man</p>

Front-end memory product line

<p>Consumption card</p>  <p>E1 D1</p>	<p>Driving record card</p>  <p>M1</p>
<p>Video monitoring card</p>  <p>P10 L10 P1 L2</p>	<p>Driving record card</p>  <p>G2</p>

5.5.2 Channel construction and user services

HikSemi has been developing in the industry market and channel markets and has initially completed the major layout of domestic and foreign marketing networks, with nearly 2,000 customers, injecting strong new momentum into sales growth. HikSemi has always paid attention to customer service. Adhering to the concept of “dedicated to customers’ continual success, adding value to companies and communities”, HikSemi provides fast-responsive, efficient and convenient one-stop user services before, during and after product sales, so as to gain customer praise.

5.5.3 Supply chain management and quality management

HikSemi focuses on developing production control software, optimizing the supply chain management system, expanding production capacity and implementing comprehensive quality management measures, improving the supply chain management system and quality management, and further improving delivery capabilities and product

quality.

With the accelerated advancement of technological innovations such as artificial intelligence, blockchain, cloud computing and the Internet of Things in the digital information age, data has also shown explosive growth, and the demand for storage in the memory market has continued to expand. Adhering to the original aspiration of "Storing every beautiful moment and using intelligence to change lives" and the user-oriented concept, HikSemi will continue to provide enterprises and consumers with the latest safe and reliable storage devices, systems and storage solutions through product innovation, technological innovation, marketing innovation and brand building, and strive to become a leading provider of storage products and data storage solutions in China.

5.6 Innovative business- HikFire

Hikfire is committed to the research and development, production, sales and service of integrated fire protection solutions, continues to develop security-fire integrated products and technologies, serves industry management and applications, and is committed to building one-stop fire safety system solutions and one-stop fire operations service solutions.

5.6.1 One-stop fire safety system solution

The gradual transformation of the fire protection industry to marketization and digitalization is an inevitable trend, and the integrated application of fire-fighting materialization, platformization, and security-fire integration has gradually become a consensus of the industry. From the pre-installation market to the after-installation market, HikFire has built a one-stop fire safety system solution framework from detection and early warning, fire alarm, emergency evacuation to fire fighting and rescue, which can be divided into traditional fire fighting and smart fire fighting business from the product dimension.

In the traditional fire protection field, products cover automatic fire detection and alarm systems and linkage subsystems, including power supply monitoring of fire equipment, electrical fire monitoring, combustible gas detection and alarm, fire emergency broadcast and telephone, fire door monitoring, emergency lighting and evacuation, residual pressure monitoring, gas fire extinguishing controller, etc. HikFire advocates the digitization of installation and commissioning of traditional fire protection projects, to realize remote commissioning and online

management by using system-integrated commissioning tools, and provides convenient commissioning solutions for partners, which greatly improve delivery efficiency.



In the field of smart fire protection, by using multi-spectral fire detection and recognition technology, HikFire improves wireless fire alarm solutions, optimizes fire graphic display devices and deepens the application of security fusion products. The design of fire alarm and video linkage with traditional fire protection and smart security realizes the integrated management of safety and fire protection, providing customers with full-cycle integrated solutions, which are widely used in the fire protection after-installation market.

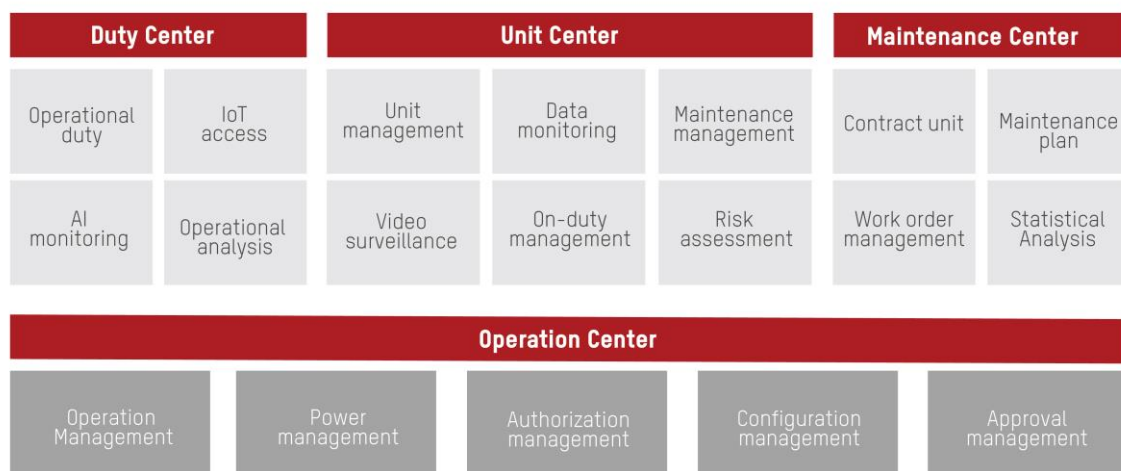


HikFire provides industry solutions, and builds a scenario-based, systematic and visualized fire protection system based on industry scenarios and actual business characteristics to help the industry improve the level of fire safety management. At present, two basic solutions and eight industry solutions have been released.

HikFire is committed to building a three-dimensional fire protection system with global coverage, full-time availability, and global visibility. Based on security-fire integration and intelligent management platform, through data sharing, analysis, prediction, and research and judgment, it improves the ability of fire safety trend early warning and forecast, which realizes differentiated and precise supervision, reduces fire safety risks, and improves fire management efficiency.

5.6.2 One-stop fire protection operation service solution

In the field of fire protection operation services, HikFire builds a cloud service center based on cloud technology, and continues to provide operational service for key fire protection units, general social units, community streets, maintenance organizations, operating organizations, etc., to further open up upstream and downstream businesses, and achieve business intensification and intelligence by integrating fire protection offline service and through “online operation + offline service”, so as to improve operating efficiency, reduce operating costs, provide value-added services, and build an industry and service ecosystem.



According to forecasts from the Prospective Industrial Research Institute, the scale of the smart fire protection market in 2020 was approximately RMB 4 billion, representing a growth rate of about 15% over the previous year, in line with market expectations. The scale of the smart fire protection market in 2025 will be nearly RMB 8 billion. According to the calculations of Huicong Fire protection Website, the domestic fire alarm product market is expected to exceed RMB 20 billion, and the overall market of the fire-fighting equipment market will exceed RMB 70 billion.

HikFire continues to create the one-stop fire safety system solution and the one-stop fire protection operation service solution, and commits itself to the digital transformation of fire protection. Through continuous integration of new technologies and innovative management methods, it reduces fire safety risks and improves fire management efficiency, so as to provide a safer environment for the whole society and make life better!

5.7 Innovative business - Rayin

Rayin is a complete solution provider focusing on X-ray detection business, dedicated to the technology research and development, manufacturing, equipment sales and leasing services of non-visible light detection equipment. Relying on the long-term accumulation in the fields of multi-dimensional sensing technology, invisible light imaging technology, artificial intelligence technology, equipment IoT technology, etc., technology empowerment and value creation are carried out in the fields of smart security inspection and industrial "intelligent" manufacturing.

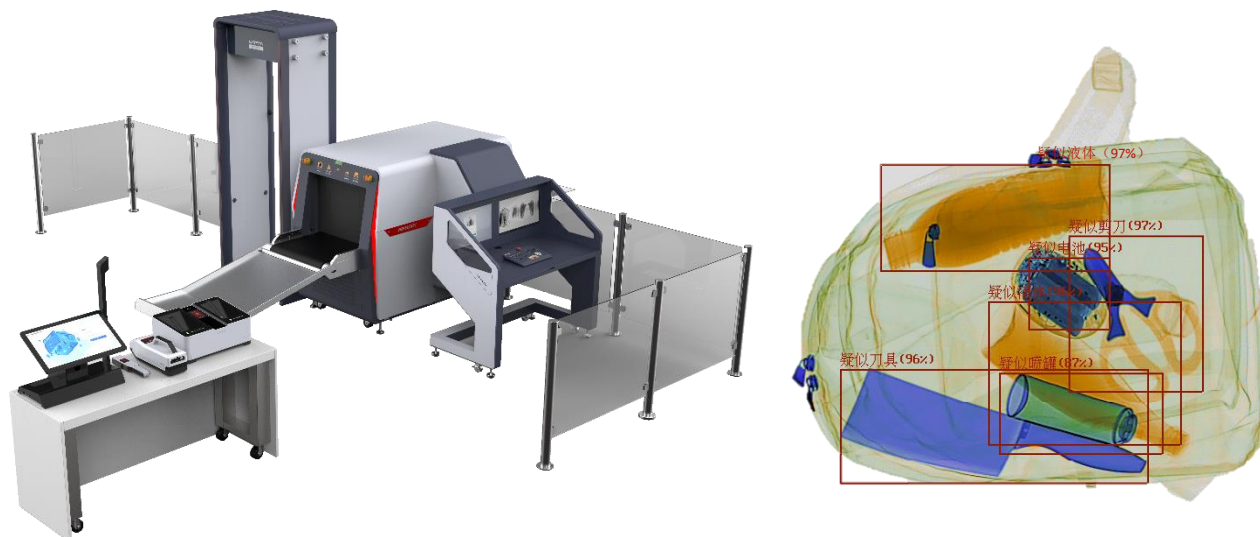


Rayin applies the intelligent algorithm innovation of contraband intelligent identification algorithm, on-the-job identification, equipment status monitoring and other intelligent algorithm to the field of security inspection. It provides multiple series of products such as physical inspection products, human security inspection products and industrial detection products. Based on data networking supported by intelligent algorithms, it empowers users to achieve business closed-loop management, personnel on-the-job management, equipment operation and maintenance management, and successfully implements system applications in core security business scenarios such as public security, transportation, government, hospitals, cultural museums, enterprises, and large-scale event venues.

5.7.1 Luggage security inspection field

Based on X-ray imaging technology, Rayin focuses on the application of intelligent algorithms and the

improvement of recognition efficiency. It provides multiple series of security inspection machines. Rayin continuously optimizes and enhances the effect of intelligent recognition algorithms, improves the types and accuracy of contraband identification, and helps security inspectors to improve the quality and efficiency of security inspection work. The products are widely adapted to security inspection business scenarios such as transportation hubs, judicature cultural and tourism, etc. Rayin also released a series of intelligent analysis products, which fully integrates the business needs of the security inspection machine for the detection of contraband, continuously optimizes and improves the effect of the intelligent identification algorithm, improves the recognition type and accuracy of contraband, and assists security inspectors to improve the quality and effect of security inspection.



5.7.2 Human security inspection field

Rayin innovatively integrates and expands a variety of detection methods based on traditional metal detection technology, enriches data collection types, and better responds to the needs of different users for human detection in different scenarios. With the sudden outbreak of the COVID-19 pandemic at the beginning of 2020, Rayin actively responded to the need for rapid screening of sudden epidemics. Starting from the Spring Festival, it has successively released a number of walk through metal detector with temperature screening, which can quickly complete body temperature measurement without contact, providing portable metal detection for traffic operation, resumption of work and school opening, while adding the first line of defense for body temperature screening.

5.7.3 Industrial detection field

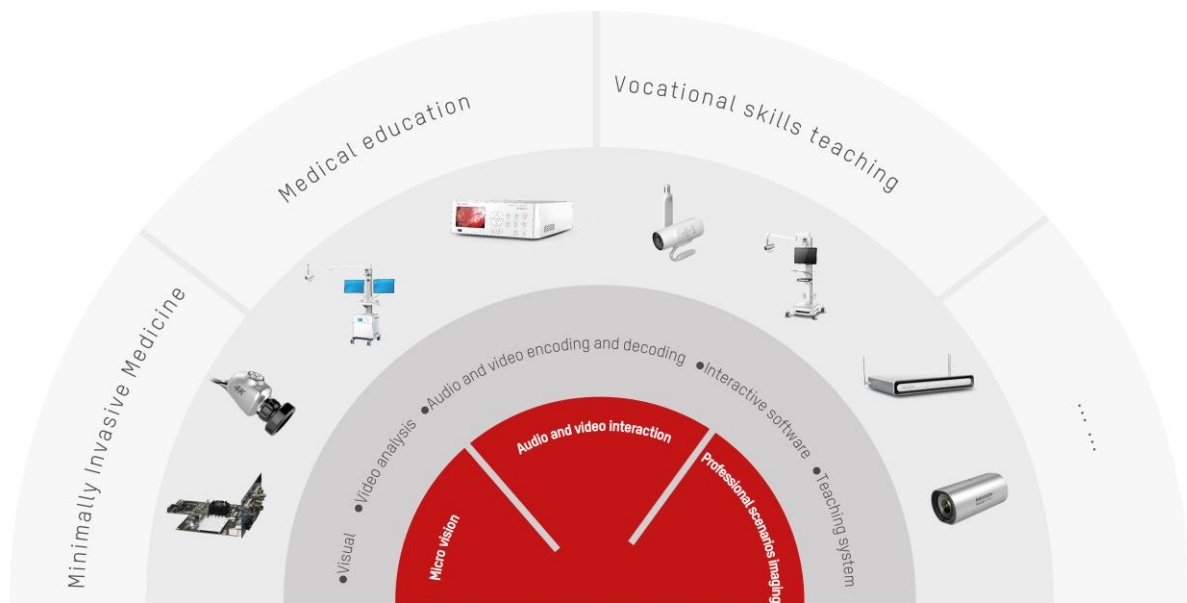
With the capability of X-ray penetration imaging X-ray detection technology has a very wide range of application scenarios in industrial production. Rayin provides X-ray-based non-visible light detection products. In combination with artificial intelligence technology, it actively explores the implementation of non-visible light imaging technology in the industrial manufacturing field, hammers out overall industrial detection solutions, and empowers business partners to jointly create new applications in industrial intelligent manufacturing.

Based on its understanding of multiple business scenarios, Rayin will implement the full-spectrum IoT strategy, continue to increase R&D investment in non-visible light imaging technology, improve product performance, expand market coverage, tap application potential, and contribute to the creation of a safer, more convenient and better society.

5.8 Innovative business- HikImaging

HikImaging is committed to the research and development of micro-vision and audio-video interaction technology. Based on related technologies such as visual imaging, video analysis, audio and video encoding and decoding and transmission in professional scenarios, it provides professional hardware and software systems for many industries such as medical treatment and education.

There are many video application scenarios in medical, education and other industries, which have professional requirements for specific imaging effects. Real-time recording and transmission of high-quality audio and video data are required. At the same time, the application in such industries possesses the characteristics of limited number of single scenes, high degree of personalization and long productization cycle. Based on the technical accumulation in the video image field and the continuous R&D of the professional technical team, HikImaging has broken through the key technologies of micro-vision, close-range imaging, and audio and video interaction, deeply understood the needs of user scenarios, and has launched a series of professional technical solutions and product options such as micro-camera system, remote surgery demonstration , and professional practical training.



5.8.1 Facilitating the upgrade of the minimally invasive medical industry

Based on the foothold of serving minimally invasive medical product manufacturers, HikImaging provides customers with technical solutions that have independent technical advantages and meet the video image requirements of specific scenarios in different departments. It continues to invest in basic video image technology to promote the effective transformation of advanced video image technology in the minimally invasive medical industry and promote industrial upgrading. In 2019, HikImaging provided micro-camera system components to help minimally invasive medical product manufacturers and obtained the first 4K endoscopic camera system registration certificate in Zhejiang Province. In 2020, HikImaging further enriched its basic technologies, optimized technical solutions, and assisted many minimally invasive medical product manufacturers to upgrade ultra-high-definition video image technology.

5.8.2 Facilitating the improvement of medical education informatization

The training of clinicians and medical students focuses on practical teaching, academic and scientific research activities. Aiming at medical practice scenarios, HikImaging provides surgical teaching systems including ultra-high-definition surgical vision cameras, video recording hosts, teaching software and other products, which support mobile or fixed installation and deployment, and support local area network and public network applications. For medical teaching scenarios, HikImaging provides video product solutions for specific teaching scenarios in medical

schools and training bases (nursing, clinical, traditional Chinese medicine, etc.), which can achieve dual-teacher application between medical schools and affiliated hospitals through the cloud interactive software platform, and accelerates the spread and inheriting of superb medical skills.

5.8.3 Facilitating the improvement of vocational skills teaching quality

Vocational education mainly cultivates technical skills talents, and the Ministry of Education requires practical teaching hours in vocational colleges to account for more than 50% of the total hours in principle. Based on audio and video interaction, recording and rebroadcasting, and close-range imaging technology, HikImaging provides a training video teaching system for close-range/panoramic cameras, video terminals, training teaching software and other products. In response to the teaching requirements of segmented scenes, HikImaging has launched professional video teaching product solutions for auto repair, cooking, electromechanical and other training scenes, which can realize cross-internet school-enterprise interactive teaching through the cloud interactive software platform.

HikImaging will continue to invest in the research and development capabilities of imaging detection, micro vision, audio and video interaction and intelligent analysis in professional scenarios, satisfy the users and market demands, accelerate technology application and product transformation, and provide more professional product technical solutions for industry users and customers.

II. Significant changes in main assets

1. Major Changes in Main Assets

Major assets	Explanation on Major Changes
Equity Assets	The increase of 140.18% was mainly due to increased investments in Hangzhou Haikang Intelligent Industrial Equity Investment Fund Partnership (L.P.) and China Electronic Technology Finance Co., Ltd.
Fixed Assets	No significant change
Intangible Assets	An increase of 19.61% was mainly due to the addition of land use rights to Nanchang Science and Technology Park and other multi-site science and technology parks.
Construction in Progress	Increased by 125.67%, mainly due to increased investment in the construction of Chengdu Science and Technology Park, Hangzhou Innovation Industry Park, and Chongqing Science and Technology Park Phase II Project

2. Major Overseas Assets

Applicable Inapplicable

III. Analysis of core competitiveness

Hikvision sticks to the principle of taking its technology products as the root and empowering its customers as the orientation, empowering application scenarios with AI and empowering enterprises in digital transformation and smart city construction with big data-AI fusion, and to become a pragmatic practitioner of the real economy under the intelligent era.

1) Continuous efforts in R&D inputs and technology innovation to drive the Company's development

The intelligent IoT industry that Hikvision is engaged in features fragmented demands and product application scenarios. The essence of business expansion depends on the establishment of products and technology systems applicable to the industry's demands. The Company insists on the industry demands as its starting point to drive the upgrade and iteration of products and solutions, maintain increasing efforts in R&D inputs and construct profound technology capabilities of the Company.

Hikvision has been developed from video collection, following the business expansion to continuously explore the full spectral perception capability, extends information perception manners from visible light to far infrared, X-ray, millimeter wave and other fields, and continues to explore perception methods such as sound, temperature, humidity, pressure, magnetism, etc., polishes and iterates series of hardware equipment for signal processing, transmission display and etc., and expands the product application scenarios from security and intelligent IoT to industrial automation, ADAS, fire protection and control, security check and many other scenarios. The annual sales of hardware equipment has reached 27,000 different models.

Starting with customers' needs, Hikvision has drawn a layout of industrial solutions since 2009 to gradually cover public services and over various 10 large-scale and 70 small-scale industrial applications which are enterprise-business-related, and has formulated the unified software technology architecture since 2016 to safeguard the consistency of software R&D in a normalized manner and exploit the reuse value of software resources, and promotes the AI open platform by focusing on the practice needs of fragmented-scenario AI algorithm trainings and reduces marginal costs incurred by business expansion through reusability of technology instruments.

Hikvision has invested over RMB 20 billion in aggregate in R&D over the last 5 years, among which R&D

inputs in 2020 represented over 10% of total sales, with more than 20,000 R&D technical staff representing nearly 50% of the Company's staff in total. The long-term high-intensity technology investments centering on business scenarios has provided strong support for the Company's solid business development. The Company will continue to maintain its efforts in R&D inputs and closely focus on industrial demands to develop a strong technology system of the Company.

2) Continuous optimization of domestic and overseas sales service system to jointly create value with partners

Hikvision has established 32 provincial business centers nationwide to advance business-decision making and software customization development capability at local level, with over 300 city branches covering a majority of cities over China to ensure the effective implementation of businesses. Hikvision has established 19 regional function centers overseas, with 66 branches under it, building marketing, service and R&D capabilities on a national basis, and providing services to 155 countries and regions.

Hikvision has multiple-layer channel partners spreading broadly across markets of various types, and has established close cooperations with over 6,000 distributors, 10,000 integrators, 300,000 project contractors, 400,000 installers and over 1,000 service providers all over the world to jointly offer products and services to terminal users. The Company has carried out cooperations with over 30 universities and scientific research institutes and established joint innovative laboratories with over 100 user units which are fully open to partners for mutual benefits, to jointly create an industrial innovation union.

3) Adhering to the core business philosophy to continuously enhance the management system

Since its inception, Hikvision has always been adhering to the business philosophy of "professionalism, honesty, and integrity", which is always considered by the Company as the standard for guiding its business development and has already become the faith of all staff in the Company to abide by, regardless of the changes in internal and external environment and the circumstances of the times.

Confronted with increasingly business development and changes, the Company also updates its resource organization and management methods accordingly. Regarding the business direction formulation, the Company has formed a comprehensive strategic planning method which is regularly refreshed and updated on a rolling basis, unified awareness. Each business and functional department communicate effectively and align on work assignment to ensure clear goals and decompose in place. Regarding the process management, the Company conducts the

process management by centering on its customers and promotes over 100 reform projects of process management each year, to keep optimizing resource layout and smoothing coordination methods. The Company has expanded IT system to every aspects of business operation to effectively provide services and improve operating efficiency. Through big-data measures, the Company carries out identification, management and control of financial risks, constructs the digital and full-coordinated quality management system, improves the internal operation risk control system, increases efforts in internal anti-corruption and integrity establishment, and respects and protects intellectual property.

Hikvision expands its businesses with its unchanged original aspiration, adapts to the increasing evolving business environment through iterative organizations, and adapts into changes in development.

4) Guiding the supply chain system to adapt to changes and flexibly distributing production resources

Stable and reliable raw material supplies are the important foundation of the Company to provide the industry with diversified products, while flexible and high-efficient production layout is the important ensurance for the steady growth of the Company's businesses.

Hikvision establishes solid and mutually beneficial cooperative relationship with suppliers and joins hands with over 1,000 suppliers around the world to jointly develop and improve the hardware underlying technology platform. In light of uncertainties on supply chains brought by politics and epidemic in recent two years, the Company still maintains a high level of raw materials and adapts to changes and uncertainties in the external environment through redundant inventories.

Hikvision has domestic manufacturing bases in Hangzhou Tonglu, Hangzhou Binjiang and Chongqing, has proceeded with the manufacturing base in Wuhan and the expansion plans in Tonglu and Chongqing, while establishing local factories in India, Brazil and the United Kingdom, to support global product supply. Leveraging on over 180 SMT production lines and over 40 automatic assembly lines, the Company has built leading automatic production capabilities in the industry, and establishes a prompt, flexible and coordinative manufacturing system to achieve the production model of multiple varieties, small batches and large-scale mass customization.

5) Adhering to the long-term philosophy of “talent-focused, growing together” and gathering talents from all over the world

Hikvision considers talents as the most important source of enterprise competitiveness and gathers talents from

all over the world, while adhering to the employment concept of “talent-focused, growing together”.

To discover and cultivate talents and have a reasonable evaluation on them, the Company has formulated a dual career development path consisting of management sequence and professional sequence, established a professional qualification evaluation system and a talent assessment system, and implemented a multi-level training mechanism, while making constant investments for the consolidation and upgrade of backbone talents as well as the reservation and development of backup talents of the Company. The Company constantly improves the performance evaluation mechanism, integrating talents recruitment, promotion and downgrading, training and development as well as salaries and benefits, to boost the morale and creativity of employees. The comprehensive return system for staff has been established which consists of remuneration benefits, share incentives and innovative business co-investments. On one hand, share incentives and innovative business co-investment system, which are designed for and applicable to all consistent strivers drive the rapid development of businesses; on the other hand, long-term returns are also created for all staff who participate in co-investments, coordinating the long-term development of business with continuous growth of talents at the same pace.

The Company encourages its staff to organize hobby clubs freely, regularly holds diversified cultural and sport activities to create an equal, open-minded and positive organizational atmosphere. Through theme events such as “Face-to-Face with Executives”, “Dialogue with Managers”, “Humanities Lecture Hall”, “Reading Club”, etc., it has assisted the staff with comprehensive growth.

6) Continuously developing the global compliance system and safeguard the business’s development

Hikvision spreads its businesses all over the world and is required to put its efforts on the establishment of the global compliance system to carry out businesses in every region pursuant to local laws and regulations in order to ensure the long-term sustainable development of the Company.

Hikvision has established the independent global compliance department in 2019, putting its efforts on achievement of the internationalized corporate governance system and risk management and control capability, willing to accept supervision from all parties. The Company’s compliance department cooperates with business teams in each region to meticulously study the laws and regulations environment of each country and region, conducts a full-process compliance guidance during business operation, and regularly carries out internal compliance education to enhance compliance awareness of each organizational department in the Company, facilitating the smooth implementation of the Company’s business operation.

Section IV Discussion and Analysis on Business Operation

I. Overview

In 2020, COVID-19 epidemic spread across the world, resulting in the lockdown of many nations and regions and the occurrence of suspension and concession of their economy. The U.S. continued to stress on Chinese technology enterprises which led to the further intensive impact on the global supply chains. Facing various uncertainties in the external environment, the Company continued to increase its efforts in R&D inputs, continuously promoted the Company's steady and healthy operation through technology innovation, which is the most important means of the Company's sustainable development. During the reporting period, the Company achieved a total operating income of RMB 63.50 billion, with year-over-year growth of 10.14%; the net profits attributable to shareholders of the Company was RMB 13.39 billion, with year-over-year growth of 7.82%. The Company's overall gross profit margin in 2020 was 46.53%, an increase of 0.54 percentage points compared with the same period of the prior year.

II. Core business analysis

1. Overview

1) Increasing input in R&D, and coping with challenges and embracing opportunities through technology innovation

In 2020, the Company's R&D input was RMB 6.38 billion, which was equivalent to 10.04% of the Company's total operating income; the R&D expenses ratio of the Company has further increased; the Company had over 20,000 R&D and technical service personnel.

During the reporting period, the Company continued to cope with challenges brought by uncertainties of global supply chains, and built up cooperations with more abundant alternative suppliers through adjustment, replacement and supplement of product design plans to further ensure the continuous stable supply of the Company's products.

During the reporting period, the Company upgraded its software and hardware products, enhanced its advantageous position of video products and actively conducted intelligent upgrade on non-video products, to gradually build a comprehensive perception product system. Algorithm, components and module resources have been continuously accumulated. Edge node, edge domain, cloud center and Internet-application open platform were

optimized and iterated. The technology system of Hikvision, based on IoT perception, AI, and big data as its core, has been improved constantly.

2) Solidifying multi-dimensional perception technology basis and expanding business areas

In 2020, the Company continued to advance technology accumulation in fields such as visible light, far infrared, millimeter wave, X-ray, sound wave, etc., to accelerate the integration and application of various detector technology. At the beginning of 2020, HikRayin with X-ray detection business as its core was established. Taking into account the business development and market integration, the Company adjusted the business of HikMicro. During the COVID-19 epidemic, leveraging on the advantages of self-developed thermal imaging chip of HikMicro, Hikvision quickly launched body temperature measurement products, while HikRayin quickly launched temperature-measurement human-body security check machines through the fusion application of thermal imaging and X-ray, to facilitate the control and prevention of the epidemic through technological measures.

Based on the strategic position of IoT perception business, Hikvision expands and covers a number of new business fields as planned. The new perceptive measures will bring more abundant and flexible perceptive channels for the Company's products. Long-term accumulation of technology reserves and product experience has helped the Company respond to emergency, react quickly and timely and effectively in developing new technology and novel products to seize potential opportunities under urgent cases.

3) Continuously advancing the construction of domestic and overseas sales and service system and promoting digital marketing

In 2020, the Company continued to propel the construction of sales service system. Currently, Hikvision has established 32 provincial marketing centers nationwide with over 300 city branches and offices. The Company has established 66 branches overseas to provide products and services to 155 countries and regions all over the world, with Marketing and service network presence in every corner of the market. Due to the impact of the epidemic, the Company accelerated the pace of marketing in digitalization, upgraded fully digitalized sales management process, improved full-process management and control system on products and services, and enhanced comprehensive management capabilities of R&D, manufacturing, sales and services.

4) Attaching high importance to the construction and maintenance of the supply system to Ensure the continuous stability of supply

In 2020, confronted with uncertainties brought by overseas politics and epidemic, the Company continued the high-level inventory strategy for raw materials, realized stable progress of necessary material replacement, and coordinated with all suppliers to ensure the stability of the supply chain. In addition, the supply chain continued to propel lean production, improve the level of intelligent manufacturing, optimize delivery efficiency, and ensure a solid business development.

5) Continuously promoting operation optimization and improving the level of internal management

The Company’s performance results were significantly influenced by the COVID-19 epidemic at the first half of 2020. To cope with external stress, the Company adjusted its expenditure strategy in a timely manner, enhanced management, control and optimization for expenditure, and advanced the improvement of internal operation. Under unfavorable external environment, the Company concentrated on the optimization of internal management work, paid attention to details and improved operational efficiency.

2. Operating incomes and operating costs

1) Operating income structure

Unit: RMB

	2020		2019		YoY Change (%)
	Amount	Proportion to operating income	Amount	Proportion to operating income	
Total operating income	63,503,450,891.78	100%	57,658,110,065.22	100%	10.14%
Classified by industry					
Video products and video services	63,503,450,891.78	100.00%	57,658,110,065.22	100.00%	10.14%
Classified by product					
Front-end equipment	28,841,213,141.09	45.42%	27,175,127,832.29	47.13%	6.13%
Back-end equipment	6,867,289,356.22	10.81%	7,519,825,167.90	13.04%	-8.68%
Central control equipment	10,146,396,260.19	15.98%	8,822,675,802.63	15.30%	15.00%
Constructions	1,614,246,940.42	2.54%	1,091,421,819.86	1.89%	47.90%
Others	9,865,958,856.89	15.54%	8,612,324,560.21	14.94%	14.56%

	2020		2019		YoY Change (%)
	Amount	Proportion to operating income	Amount	Proportion to operating income	
Subtotal	57,335,104,554.81	90.29%	53,221,375,182.89	92.30%	7.73%
Smart home business	2,918,904,302.62	4.60%	2,592,271,750.14	4.50%	12.60%
Robotic business	1,358,653,520.55	2.14%	813,993,602.43	1.41%	66.91%
Other innovative businesses ¹	1,890,788,513.80	2.97%	1,030,469,529.76	1.79%	83.49%
Subtotal	6,168,346,336.97	9.71%	4,436,734,882.33	7.70%	39.03%
Classified by region					
Domestic	45,806,567,913.73	72.13%	41,419,508,094.09	71.84%	10.59%
Overseas	17,696,882,978.05	27.87%	16,238,601,971.13	28.16%	8.98%

Composition of operating income of the three major business groups in China²

Unit: 100mn

	2020	2019	YoY Change (%)
PBG	163.04	155.86	4.61%
EBG	151.80	125.91	20.56%
SMBG	96.83	93.56	3.50%
Total	411.67	375.33	9.68%

2) Industries, products or regions accounting for more than 10% of the Company's operating income or operating profit

√ Applicable □ Inapplicable

Unit: RMB

	Operating income	Operating cost	Gross margin	YoY Change (%) of operating income	YoY Change (%) of operating cost	YoY Change (%) of gross margin
Classified by industry						
Video products and video services	63,503,450,891.78	33,957,697,857.73	46.53%	10.14%	9.05%	0.54%
Classified by product						
Front-end equipment	28,841,213,141.09	12,797,470,301.71	55.63%	6.13%	-1.69%	3.53%

¹ Other innovative businesses include products of the corresponding businesses of the innovative business subsidiary HikAuto, HikMicro, HikSemi, HikImaging, HikFire, Rayin and others. Same below.

² Some innovative business products rely on the sales of the three major business groups. The sales statistics of the business groups are divided by the sales responsible unit, but the sales statistics of the product / innovation business are divided by product forms.

	Operating income	Operating cost	Gross margin	YoY Change (%) of operating income	YoY Change (%) of operating cost	YoY Change (%) of gross margin
Back-end equipment	6,867,289,356.22	3,463,814,165.41	49.56%	-8.68%	-6.38%	-1.24%
Central control equipment	10,146,396,260.19	5,587,909,127.42	44.93%	15.00%	30.28%	-6.45%
Constructions	1,614,246,940.42	1,353,524,939.67	16.15%	47.90%	60.36%	-6.51%
Others	9,865,958,856.89	6,887,430,103.27	30.19%	14.56%	6.29%	5.43%
Subtotal	57,335,104,554.81	30,090,148,637.48	47.52%	7.73%	6.21%	0.75%
Smart home business	2,918,904,302.62	1,772,362,386.38	39.28%	12.60%	12.54%	0.03%
Robotic business	1,358,653,520.55	703,671,619.41	48.21%	66.91%	85.10%	-5.09%
Other innovative businesses	1,890,788,513.80	1,391,515,214.46	26.41%	83.49%	62.92%	9.30%
Subtotal	6,168,346,336.97	3,867,549,220.25	37.30%	39.03%	37.68%	0.62%
Classified by region						
Domestic	45,806,567,913.73	25,226,610,746.84	44.93%	10.59%	12.87%	-1.11%
Overseas	17,696,882,978.05	8,731,087,110.89	50.66%	8.98%	-0.66%	4.78%

Adjusted statistics of principal business are based on the caliber at the end of the reporting period of last year, if the statistics caliber of principal business has been changed during the reporting period

Applicable Inapplicable

3) If revenue from physical products sales greater than revenue from providing services

Yes No

Industry	Item	Unit	2020	2019	YoY Change (%)
Video products and video services	Sales volume	Per unit	139,309,170	141,859,538	-1.80%
	Output volume	Per unit	138,254,927	148,141,909	-6.67%

Explanation on why the related data varied by more than 30% on a YOY basis

Applicable Inapplicable

4) Fulfillment of signed significant sales contracts by the reporting period

Applicable Inapplicable

5) Operating cost structure

Classified by industry

Unit: RMB

Industry	Item	2020		2019		Increase/ decrease over previous year
		Amount	Proportion to operating cost	Amount	Proportion to operating cost	
Video products and video services	Operating cost	33,957,697,857.73	100%	31,140,176,777.12	100%	9.05%

Classified by products

Unit: RMB

Product	Item	2020		2019		Increase/ decrease over previous year
		Amount	Proportion to operating cost	Amount	Proportion to operating cost	
Front-end equipment	Operating cost	12,797,470,301.71	37.69%	13,018,006,201.14	41.80%	-1.69%
Back-end equipment	Operating cost	3,463,814,165.41	10.20%	3,700,043,734.49	11.88%	-6.38%
Central control equipment	Operating cost	5,587,909,127.42	16.46%	4,289,265,345.53	13.78%	30.28%
Constructions	Operating cost	1,353,524,939.67	3.99%	844,074,602.62	2.71%	60.36%
Others	Operating cost	6,887,430,103.27	20.27%	6,479,665,731.95	20.81%	6.29%
Subtotal	Operating cost	30,090,148,637.48	88.61%	28,331,055,615.73	90.98%	6.21%
Smart home business	Operating cost	1,772,362,386.38	5.22%	1,574,835,597.99	5.06%	12.54%
Robotic business	Operating cost	703,671,619.41	2.07%	380,163,028.57	1.22%	85.10%
Other innovative businesses	Operating cost	1,391,515,214.46	4.10%	854,122,534.83	2.74%	62.92%
Subtotal	Operating cost	3,867,549,220.25	11.39%	2,809,121,161.39	9.02%	37.68%

6) Any change in consolidation scope during the reporting period

Yes No

During the reporting period, the Company has newly set up three wholly-owned subsidiaries and four holding subsidiaries, acquired three subsidiaries, and cancelled two subsidiaries, which have caused the changes in consolidation scope. For more details, please refer to Financial Report Note (VI) “Changes in consolidation scope” of the financial statement.

7) Significant change or adjustment of the Company’s business, products or services during the reporting period:

Applicable Inapplicable

8) Major customers and suppliers:

Sales to major customers of the Company

Sales to top five customers (RMB)	1,962,348,321.68
Total sales to top five customers as a percentage of the total sales for the year (%)	3.09%
Total sales to the related parties in top five customers as a percentage of the total sales of the year (%)	0.00%

Information on top five customers

No.	Name of Customer	Sales Amount (RMB)	Percentage of total sales for the year
1	First	823,238,525.43	1.30%
2	Second	396,030,353.38	0.62%
3	Third	257,714,277.63	0.40%
4	Fourth	251,783,014.66	0.40%
5	Fifth	233,582,150.58	0.37%
Total	--	1,962,348,321.68	3.09%

Other information of major customers

Applicable Inapplicable

Major suppliers of the Company

Total purchases from top five suppliers (RMB)	8,411,002,227.23
Total purchases from top five suppliers as a percentage of the total purchases for the year	23.64%
Total purchases from the related parties in the top five suppliers as a percentage of the total purchases for the year	0.00%

Information on top five suppliers of the Company

No.	Supplier Name	Purchase Amount (RMB)	Percentage of total purchase for the year
1	First	4,488,262,380.13	12.62%
2	Second	1,751,616,676.30	4.92%
3	Third	807,975,634.31	2.27%
4	Fourth	702,217,512.81	1.97%
5	Fifth	660,930,023.68	1.86%
Total	--	8,411,002,227.23	23.64%

Other information on major suppliers

Applicable Inapplicable

3. Expenses

Unit: RMB

	2020	2019	Increase/decrease over previous year	Note of significant change
Sales expenses	7,377,790,744.58	7,256,781,486.68	1.67%	No significant changes
Administrative expenses	1,790,013,088.76	1,822,464,442.07	-1.78%	No significant changes
Financial expenses	396,254,772.56	-640,068,177.19	161.91%	Affected by foreign exchange rate fluctuations, foreign exchange losses increased
R&D expenses	6,378,651,762.42	5,483,811,698.36	16.32%	Continue to increase R&D investments

4. R&D Investment

Applicable Inapplicable

In 2020, the Company has newly added 1,270 authorized patents (including 568 patents for invention, 198 utility models and 504 product design patents), and newly added 202 software copyrights. As of the end of 2020, the Company had accumulatively owned 4,941 authorized patents (including 1,307 invention patents, 1,246 utility models and 2,388 product design patents), and accumulatively owned 1,240 software copyrights.

R&D investment of the Company

	2020	2019	Change Percentage
Number of Engineers (ppl)	20,597	19,065	8.04%
Engineers as percentage of Total headcount	48.25%	47.19%	1.06%
Amount of R&D expenses (RMB)	6,378,651,762.42	5,483,811,698.36	16.32%
R&D investment as a percentage of operating income	10.04%	9.51%	0.53%
Capitalized R&D expenses (RMB)	0.00	0.00	0.00%
Capitalized R&D expenses as a percentage of R&D expenses	0.00%	0.00%	0.00%

Reason of significant change of total R&D expenses as a percentage of operating income as compared to last year

Applicable Inapplicable

Reason and explanation of its reasonableness of significant change of the capitalized R&D expenses

Applicable Inapplicable

5. Cash flow

Unit: RMB

Item	2020	2019	Increase/decrease over previous year
Subtotal of cash inflows from operating activities	72,871,160,858.85	64,478,744,263.94	13.02%
Subtotal of cash outflows from operating activities	56,783,004,292.18	56,711,024,092.80	0.13%
Net cash flows from operating activities	16,088,156,566.67	7,767,720,171.14	107.12%
Subtotal of cash inflows from investing activities	1,904,368,743.55	668,070,675.20	185.05%
Subtotal of cash outflows from investing activities	4,459,002,700.82	2,591,059,148.00	72.09%
Net cash flows from investing activities	-2,554,633,957.27	-1,922,988,472.80	-32.85%
Subtotal of cash inflows from financing activities	7,057,371,569.92	9,615,811,861.82	-26.61%
Subtotal of cash outflows from financing activities	11,617,474,855.16	15,087,164,151.74	-23.00%
Net cash flows from financing activities	-4,560,103,285.24	-5,471,352,289.92	16.65%
Net increase in cash and cash equivalents	8,509,169,869.91	484,656,274.51	1,655.71%

Explanation of why the related data varied significantly on a YoY basis

Applicable Inapplicable

The main reason for the change in net cash flow from operating activities was the increase in sales receipts this year; the main reason for the change in net cash flow from investment activities was the purchase of foreign exchange forward financial products and the increase in external equity investment in the current period; the main reason for the change in net cash flow from financing activities was the decrease in the net outflow of borrowings this year.

Explanation of reasons leading to the material difference between cash flow from operating activities during the reporting period and net profit for the year

Applicable Inapplicable

III. Non-Core Business Analysis

Applicable Inapplicable

IV. Analysis of assets and liabilities

1. Material changes of asset items

Unit: RMB

	December 31 st 2020		January 1 st 2020		YoY Change (%)	Note of significant change
	Amount	Percentage of total assets	Amount	Percentage of total assets		
Cash and bank balances	35,459,729,108.27	39.98%	27,071,948,919.78	35.92%	4.06%	Increase in sales collection
Accounts receivable	21,979,380,716.86	24.78%	21,307,927,200.28	28.28%	-3.50%	Increase as sales revenue grows
Inventories	11,477,906,040.70	12.94%	10,756,027,592.41	14.27%	-1.33%	No significant change
Long-term equity investment	864,026,710.23	0.97%	252,165,321.49	0.33%	0.64%	Increased investment in associates and joint ventures
Fixed assets	5,876,007,536.60	6.62%	5,791,218,720.87	7.68%	-1.06%	No significant change
Construction in process	1,425,235,193.72	1.61%	631,555,479.06	0.84%	0.77%	Increase in construction investment on Chengdu Science and Technology Park, Hangzhou Innovation Industry Park and Chongqing Science and Technology Park Phase 2
Short-term loans	3,999,246,634.59	4.51%	2,640,082,485.15	3.50%	1.01%	Increase in demands for temporary capital turnover
Long-term loans	1,961,167,761.30	2.21%	4,604,168,571.43	6.11%	-3.90%	Increase in project borrowings
Non-current liabilities due within one year	3,507,680,339.78	3.95%	86,123,154.06	0.11%	3.84%	

2. Assets and liabilities measured at fair value

√ Applicable □ Inapplicable

Unit: RMB

Item	Opening balance	Profit or loss from change in fair value during the period	Difference on translation of financial statements dominated in foreign currency	Provision for decline in value during the current period	Purchased amount during the period	Sales during the period	Other changes	Closing balance
Financial assets								
1. Derivative financial assets	181.76	22,814,664.19	-134,999.18					22,679,846.77
2. Other non-current financial assets	312,398,267.44	69,478,784.83			112,872,015.00		-2,810,000.00	491,939,067.27

Item	Opening balance	Profit or loss from change in fair value during the period	Difference on translation of financial statements dominated in foreign currency	Provision for decline in value during the current period	Purchased amount during the period	Sales during the period	Other changes	Closing balance
3. Receivables for financing	1,257,385,053.02						702,216,142.23	1,959,601,195.25
Subtotal of financial assets	1,569,783,502.22	92,293,449.02	-134,999.18		112,872,015.00		699,406,142.23	2,474,220,109.29
Financial Liabilities	652,428.18	-6,835,239.48	-81,896.51					7,405,771.15

Whether there were any material changes on the measurement attributes of major assets of the Company during the reporting period:

Yes No

3. Assets right restrictions as of the end of reporting period

Unit: RMB

Item	Closing Book Value (RMB)	Reasons for being restricted
Monetary fund	434,891,229.96	Various cash deposits and other restricted funds
Notes receivable	482,454,604.99	Endorsed to suppliers
Notes receivable	7,981,224.88	Pledge for issuance of bank acceptance
Receivables for financing	106,117,987.87	Pledge for issuance of bank acceptance
Fixed assets	45,330,337.75	Fixed assets leased through financial lease
Long-term receivables	1,770,160,748.25	Pledge for long-term debts
Total	2,846,936,133.70	

V. Analysis of Investments

1. Overview

Applicable Inapplicable

Investment during 2020 (RMB)	Investment during 2019 (RMB)	Fluctuation (%)
2,666,845,621.23	2,214,804,834.61	20.41%

2. Significant equity investment during the reporting period

Applicable Inapplicable

3. Significant non-equity investment during the reporting period

√ Applicable □ Inapplicable

Unit: RMB

Project name	Invest method	Fixed assets investment or not	Project industry	Investment during the current reporting period	Cumulative amount of investment by the end of reporting period	Source of funds	Project schedule	Reasons for not reaching planned progress and expected benefits	Disclosure Date (if applicable)	Disclosure Index (if applicable)
Chengdu Science and Technology Park Project	Self-built	YES	Video product and video service	278,695,245.67	521,626,793.33	Self-fund	26.49%	None	September 23 rd 2017	<i>Announcement on Investment and Construction of Chengdu Science and Technology Park Project in Chengdu (No. 2017-033)</i>
Hangzhou Innovation Industry Park	Self-built	YES	Video product and video service	224,283,067.91	337,821,702.49	Specific Loan	32.93%	None	September 23 rd 2017	<i>Announcement on Investment and Construction of Hangzhou Innovation Industry Park Project in Hangzhou (No. 2017-034)</i>
Chongqing Science and Technology Park Project-phase 2	Self-built	YES	Video product and video service	138,743,811.81	249,810,250.79	Self-fund	32.78%	None	September 23 rd 2017	<i>Announcement on Investment and Construction of Chongqing Science and Technology Park in Chongqing (No. 2017-035)</i>
Zhengzhou Science and Technology Park Project	Self-built	YES	Video product and video service	13,435,069.91	13,529,409.53	Self-fund	2.79%	None	-	-

Project name	Invest method	Fixed assets investment or not	Project industry	Investment during the current reporting period	Cumulative amount of investment by the end of reporting period	Source of funds	Project schedule	Reasons for not reaching planned progress and expected benefits	Disclosure Date (if applicable)	Disclosure Index (if applicable)
Xi'an Science and Technology Park Project	Self-built	YES	Video product and video service	6,507,603.03	12,679,174.93	Self-fund	0.56%	None	September 23rd 2017	<i>Announcement on Investment and Construction of Xi'an Science and Technology Park in Xi'an (2017-031)</i>
EZVIZ Industry Park	Self-built	YES	Video product and video service	2,332,067.08	2,332,067.08	Self-fund	0.29%	None	-	-
Total	--	--	--	663,996,865.41	1,137,799,398.15	--	--			

Note: In accordance with the Company's *Authorization Management System*, Zhengzhou Science and Technology Park project and EZVIZ Industry Park were approved by the chairman of the board of directors.

4. Financial asset investment

(1) Securities Investments

Applicable Inapplicable

There no such case in the reporting period.

(2) Derivatives Investments

√ Applicable □ Inapplicable

Unit: 0,000 RMB

Operation party of derivatives investment	Whether Related party	Whether related transaction	Type of derivatives investment	Initial investment amount of derivatives investment	Initial date	Termination date	Opening investment amount	Purchased amount during the reporting period	Sold amount during the reporting period	Impairment provisions (if any)	Closing investment amount	Proportion of closing investment amount to the Company's net assets at the end of the reporting period	Actual gain or loss during the reporting period
Commercial bank	No	No	foreign exchange contract	98,489.32	December 5 th 2019	June 18 th 2021	98,489.32	717,885.03			351,670.38	6.46%	1,291.57
Total				98,489.32	--	--	98,489.32	717,885.03			351,670.38	6.46%	1,291.57
Capital source of derivatives investment				Company's own fund									
Prosecution (if applicable)				Nil									
Announcement date for approvals of derivatives investment from the board of directors (if any)				April 20 th 2019/December 25 th 2019									
Announcement date for approvals of derivatives investment from the general meeting (if any)				May 16 th 2020									
Risk analysis and control measures (including				For details of the risk analysis and control measures, please refer to the <i>Announcement on Conducting Foreign Exchange Hedging Transactions</i>									

but not limited to, market risk, liquidity risk, credit risk, operational risk, legal risk, etc.) of holding derivatives during the reporting period	<i>in 2019</i> (NO. 2019-021) dated April 20 th 2019 and the <i>Announcement on Conducting Foreign Exchange Hedging Transactions in 2020</i> (NO. 2019-065) dated December 25 th 2019 of the Company
Change of market price or fair value of invested derivatives during the reporting period; specific methods, related assumptions and parameter setting of the derivatives' fair value analysis should be disclosed	The Company's accounting of derivatives' fair value was mainly about the outstanding contracts signed with banks for forward exchange settlement during the reporting period. Held-for-trading financial assets/liabilities were determined with difference between the quoted price and forward exchange price in outstanding forward exchange contracts at the end of the period.
During the current reporting period, whether there was significant changes of accounting policies and accounting principles of the Company's derivatives comparing to the prior reporting period	Nil
Specific opinions on the Company's derivatives investments and risk control from independent directors	Nil

5. Use of raised funds

Applicable Inapplicable

During the reporting period, there was no use of raised fund

VI. Disposal of significant assets and equity

1. Disposal of significant assets:

Applicable Inapplicable

2. Sale of significant equity:

Applicable Inapplicable

VII. Analysis of major subsidiaries and investees

Information about obtaining and disposal of subsidiaries during the reporting period

Applicable Inapplicable

Company name	Equity acquisition and disposal method during the reporting period	Impact on overall production results
Hangzhou Rayin Technology Co., Ltd.	Cash contribution	Business development
Hikvision Morocco LLC	Cash contribution	Expand overseas sales channels
Kunming Hikvision Digital Technology Co., Ltd.	Cash contribution	Business development
Hangzhou Microimage Software Co., Ltd.	Cash contribution	Business development
Hangzhou Microimage Intelligent Technology Co., Ltd.	Cash contribution	Business development
Jinan Hikvision Digital Technology Co., Ltd.	Cash contribution	Business development
EZVIZ Europe B.V.	Cash contribution	Expand overseas sales channels
BK Grupè UAB	Transfer of equity in cash	Expand overseas sales channels
BK EESTI AKTSIASELTS	Transfer of equity in cash	Expand overseas sales channels
SIA “BK Latvia”	Transfer of equity in cash	Expand overseas sales channels
Hainan Hikvision System Technology Co., Ltd.	Liquidation & cancellation	Reorganization
Hangzhou Hikvision Investment Management Co., Ltd.	Liquidation & cancellation	Reorganization

VIII. Structural entities controlled by the Company

Applicable Inapplicable

IX. Outlook for the Future Development of the Company

1. Industry developing trends

(1) Pursuant to the observation on the following aspects: 1) the development of multi-dimensional perception technology and market demands brought by the fusion of various detector technology; 2) rapid implementation of AI technology and market demands brought by the emerging of big-data technology applications; 3) market demands brought by improved awareness and understanding of users towards smart cities and digitalization transformation of enterprises; we believe that the industry remains a large development potential.

(2) As business models of perception, data and application are not limited by specific industry features, the Company current businesses has covered over 70 industries. With the further division and maturity of industrial solutions, the Company has opportunities to provide products, solutions and services to more industries.

(3) With the accumulation and development in the past 20 years, the Company is able to lay a solid foundation on software-hardware fusion, cloud-edge fusion, IoT-information network fusion and big data-AI fusion, which facilitates the Company meeting users' needs by ample software and hardware products, solutions and applications, further drives the development of the Company through technology innovation, and strengthens and enlarges the competitive advantages.

2. The Company's development strategy

Hikvision is committed to become a provider of Intelligent IoT solutions and big data services with video as its core competence. The Company adheres to the business philosophy of "professionalism, honesty, and integrity" and the core corporate values of "dedicated to customers' continual success, adding value to companies and communities, acting with honesty and integrity, pursuing excellence in every endeavor". Through continuous innovation, it provides global customers with high-quality products and services and creates value for customers.

With the corporate mission "to explore innovative ways to better perceive and understand the world, to empower vision for decision-makers and practitioners, and work together to enhance safety and advance sustainable development around the world", the Company is committed to empower vision for the security and development of the world.

3. Key Operation Priorities in 2021

(1) Continue to consolidate R&D work on technologies, products and solutions based on technology innovation.

(2) Continue to promote the construction of sales and services network centering on cities domestically and centering on nations overseas, empower local business teams, and drive the new growth of the Company.

(3) Maintain a solid and practical inventory management strategy, to maintain a diversified supply structure and ensure the safety of supply chains.

(4) Continue to propel the process reform and management reform, improve the cooperative ability between the Company's organizations and business strategies, and enhance operational efficiency.

(5) Comply with laws and regulations, strengthen internal education and propaganda on compliance, and continue to advance the construction of global compliance system.

X. Reception of activities including research, communication and interviews during the report period

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

Applicable Inapplicable

Time of reception	Location of reception	Method of reception	Type of reception object	Reception object	The main content of the discussion and the information provided	Index of basic situation of the research
From December 23 rd 2019 to January 3 rd 2020	Headquarters meeting room of the Company	Site Research and telephone communication	Institutional investors	14 investors including Citic Construction Securities-Shi Zeyu, etc.	The Company's operating conditions and future prospects	CNINF, <i>Investor Relations Activity Record: From December 23rd 2019 to January 3rd 2020</i>
From January 6 th 2020 to January 17 th 2020	Headquarters meeting room of the Company	Site Research and telephone communication	Institutional investors	44 investors including Naito Securities- Seijiro Naito, etc.	The Company's operating conditions and future prospects	CNINF, <i>Investor Relations Activity Record: From January 6th 2020 to January 17th 2020</i>
From February 10 th 2020 to February 21 st 2020	Headquarters meeting room of the Company	Telephone communication	Institutional investors	421 investors including Efund-Feng Bo, etc.	The Company's operating conditions and future prospects	CNINF, <i>Investor Relations Activity Record: From February 10th 2020 to February 21st 2020</i>
From February 24 th 2020 to March 6 th 2020	Headquarters meeting room of the Company	Telephone communication	Institutional investors	214 investors including Hongcheng Investment - Zhang Tao, etc	The Company's operating conditions and future prospects	CNINF, <i>Investor Relations Activity Record: From February 24th 2020 to March 6th 2020</i>
From March 9 th 2020 to March 25 th 2020	Headquarters meeting room of the Company	Telephone communication	Institutional investors	24 investors including Everbright Asset Management-Xu Deren, etc.	The Company's operating conditions and future prospects	CNINF, <i>Investor Relations Activity Record: From March 9th 2020 to March 25th 2020</i>
April 25 th 2020	Headquarters meeting room of the Company	Performance result conference call	Institutional investors; individuals	1,097 investors including CICC-Feng Da, etc.	The Company's operations in 2019 and the first quarter of 2020	CNINF, <i>Investor Relations Activity Record: April 25th 2020</i>
From April 27 th 2020 to May 9 th 2020	Headquarters meeting room	Telephone communication	Institutional investors	96 investos including APS-Zhang Qing,etc.	The Company's operating conditions	CNINF, <i>Investor Relations Activity Record: From April 27th 2020 to May 9th 2020</i>

Time of reception	Location of reception	Method of reception	Type of reception object	Reception object	The main content of the discussion and the information provided	Index of basic situation of the research
	of the Company				and future prospects	
From May 11 th 2020 to May 22 nd 2020	Headquarters meeting room of the Company	Site Research and telephone communication	Institutional investors	81 investors including East Securities Asset Management-Wang Yanfei, etc.	The Company's operating conditions and future prospects	CNINF, <i>Investor Relations Activity Record: From May 11th 2020 to May 22nd 2020</i>
From May 23 rd 2020 to June 5 th 2020	Headquarters meeting room of the Company	Site Research and telephone communication	Institutional investors	144 investors including CITIC Securities HuYe Qianwen, etc.	The Company's operating conditions and future prospects	CNINF, <i>Investor Relations Activity Record: From May 23rd 2020 to June 5th 2020</i>
From June 8 th 2020 to June 24 th 2020	Headquarters meeting room of the Company	Site Research and telephone communication	Institutional investors	61 investors including Founder Securities-Luo Yiyang, etc.	The Company's operating conditions and future prospects	CNINF, <i>Investor Relations Activity Record: From June 8th 2020 to June 24th 2020</i>
July 25 th 2020	Headquarters meeting room of the Company	Performance result conference call	Institutional investors; individuals	559 investors including GF Fund-Tian Wenzhou, etc.	The Company's operations in the first half of 2020	CNINF, <i>Investor Relations Activity Record: July 25th 2020</i>
From July 27 th 2020 to August 10 th 2020	Headquarters meeting room of the Company	Site Research and telephone communication	Institutional investors	190 investors including IDG Capital-Yun Nan, etc.	The Company's operating conditions and future prospects	CNINF, <i>Investor Relations Activity Record: From July 27th 2020 to August 10th 2020</i>
From August 11 th 2020 to August 21 st 2020	Headquarters meeting room of the Company	Site Research and telephone communication	Institutional investors	80 investors including China Huitianfu Yuan Jianjun, etc.	The Company's operating conditions and future prospects	CNINF, <i>Investor Relations Activity Record: From August 11th 2020 to August 21st 2020</i>

Time of reception	Location of reception	Method of reception	Type of reception object	Reception object	The main content of the discussion and the information provided	Index of basic situation of the research
From August 24 th 2020 to September 4 th 2020	Headquarters meeting room of the Company	Site Research and telephone communication	Institutional investors	15 investors including ABC Life Insurance and Feng Anming, etc.	The Company's operating conditions and future prospects	CNINF, <i>Investor Relations Activity Record: From August 24th 2020 to September 4th 2020</i>
From September 7 th 2020 to September 25 th 2020	Headquarters meeting room of the Company	Site Research and telephone communication	Institutional investors	61 investors including Guotai Jun'an Securities-Junan Feng Dingcheng	The Company's operating conditions and future prospects	CNINF, <i>Investor Relations Activity Record: From September 7th 2020 to September 25th 2020</i>
October 24 th 2020	Headquarters meeting room of the Company	Performance result conference call	Institutional investors; individuals	670 investors including Baoyin Investment-Zhou Junkai, etc.	The Company's operations in the third quarter of 2020	CNINF, <i>Investor Relations Activity Record: October 24th 2020</i>
From October 26 th 2020 to November 6 th 2020	Headquarters meeting room of the Company	Site Research and telephone communication	Institutional investors	295 investors including China Industrial Securities-Yao Kang, etc.	The Company's operating conditions and future prospects	CNINF, <i>Investor Relations Activity Record: From October 26th 2020 to November 6th 2020</i>
From November 9 th 2020 to November 20 th 2020	Headquarters meeting room of the Company	Site Research and telephone communication	Institutional investors	25 investors including Hillhouse Capital-Liang Din, etc.	The Company's operating conditions and future prospects	CNINF, <i>Investor Relations Activity Record: From November 9th 2020 to November 20th 2020</i>
From November 23 rd 2020 to December 7 th 2020	Headquarters meeting room of the Company	Site Research and telephone communication	Institutional investors	22 investors including Peshan Investment-Jiang Jianbo, etc.	The Company's operating conditions and future prospects	CNINF, <i>Investor Relations Activity Record: From November 23rd 2020 to December 7th 2020</i>
From December 8 th 2020 to December 21 st 2020	Headquarters meeting room	Site Research and telephone	Institutional investors	44 investors including Cathay Pacific Fund-Zhang	The Company's operating conditions	CNINF, <i>Investor Relations Activity Record: From December 8th 2020 to December 21st 2020</i>

Time of reception	Location of reception	Method of reception	Type of reception object	Reception object	The main content of the discussion and the information provided	Index of basic situation of the research
	of the Company	communication		Yang, etc.	and future prospects	
From December 22 nd 2020 to January 11 th 2021	Headquarters meeting room of the Company	Site Research and telephone communication	Institutional investors	106 investors including China Life-Feng Guanlan, etc.	The Company's operating conditions and future prospects	CNINF, <i>Investor Relations Activity Record: From December 22nd 2020 to January 11th 2021</i>

Section V Significant Events

I. Profit distribution of ordinary shares and capitalization of capital reserves

Profit distribution policy of ordinary shares in the reporting period, especially the formulation, implementation and adjustment of cash dividend policy

Applicable Inapplicable

Profit distribution policy (proposal) and capitalizing of capital reserves policy (proposal) in last three years (including the current reporting period)

- (1) Profit distribution for the year 2018: Based on the Company's total share capital of 9,348,465,931 shares on the date of equity registration when the Company implements the distribution plan, the Company distributed cash dividend of RMB 6 (tax inclusive) per each 10 shares to all shareholders, bonus share and share distribution from capital reserve is nil.
- (2) Profit distribution for the year 2019: Based on the Company's total share capital of 9,345,010,696 shares on the date of equity registration when the Company implements the distribution plan, the Company distributed cash dividend of RMB 7 (tax inclusive) per each 10 shares to all shareholders, bonus share and share distribution from capital reserve is nil.
- (3) Profit distribution proposal for the year 2020: Based on the Company's current total share capital of 9,343,417,190 shares, the Company proposed to distribute cash dividend of RMB 8 (tax inclusive) per each 10 shares to all shareholders, bonus share and share distribution from capital reserve is nil.

Cash dividend of ordinary shares in last 3 years (including the current reporting period)

Unit: RMB

Year	Cash dividends (including tax)	Net profit attributable to shareholders of listed Company in consolidated statements	Ratio of net profit attributable to shareholder of Company in consolidated financial statements (%)	Amount of cash dividends in other methods (Such as share repurchase)	Ratio of cash dividends in other methods	Total cash dividends (including other methods)	The ratio of total cash dividends (including other methods) to the net profit attributable to common shareholders of listed companies in the consolidated statement
2020	7,474,733,752.00	13,385,526,714.15	55.84%	0.00	0.00%	7,474,733,752.00	55.84%
2019	6,541,507,487.20	12,414,587,690.45	52.69%	0.00	0.00%	6,541,507,487.20	52.69%
2018	5,609,079,558.60	11,352,869,241.32	49.41%	0.00	0.00%	5,609,079,558.60	49.41%

During the reporting period, the company was profitable and the distributable profits to ordinary shareholders of the parent company was positive, but the Company did not propose a cash dividend distribution plan of ordinary shares.

Applicable Inapplicable

II. Profit distribution and capitalizing of capital Reserves for the current reporting period

Bonus issue per 10 shares (share)	0
Cash dividend per 10 shares (RMB) (tax inclusive)	8.00
Additional shares converted from capital reserves for 10 shares (share)	0
Total capital shares as the basis for the distribution proposal (share)	9,343,417,190
Total cash dividend (RMB) (tax inclusive)	7,474,733,752.00
Distributable profits (RMB)	31,327,891,058.77
Percentage of cash dividends in the total distributed profit (%)	23.86%
Cash dividend policy:	
The Company is in the development stage and has a substantial plan of cash expenditure. In the current profit distribution, cash dividends shall account for at least 20%.	
Details about the plan for profit distribution and capitalizing capital reserves into share capital	
<p>As audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, in 2020, the parent company of the Company realized net profit of RMB 12,671,388,440.50, the statutory surplus reserve is nil, adding the undistributed profit of the parent company at the beginning of the year of RMB 25,196,894,651.27, deducting the cash dividends of RMB 6,541,507,487.20 in 2019, adding back RMB 1,115,454.20 of the unpaid dividends for the repurchased restricted shares, as of December 31st 2020, the profits distributable to shareholders of the parent company amounted to RMB 31,327,891,058.77. As of December 31st 2020, the profits distributable to shareholders in the consolidated statement were RMB 35,806,523,826.37 (consolidated). To sum up, according to the principle of “whichever is lower”, the profits distributable to shareholders this year was RMB 31,327,891,058.77.</p> <p>Based on the Company’s current total share capital of 9,343,417,190 shares, the Company proposed to distribute cash dividend of RMB 8 (tax inclusive) per each 10 shares to all shareholders, bonus share and share distribution from capital reserve is nil. The above scheme will distribute a total cash dividend of RMB 7,474,733,752.00, and the remaining undistributed profits will be transferred to the next year.</p>	

III. Performance of commitments

1. Complete and incomplete commitments of the Company and its actual controller, shareholders, related parties, acquirers, and other related parties for the commitments by the end of the reporting period.

√ Applicable □ Inapplicable

Commitments	Giver of commitments	Commitment type	Details of commitments	Date of commitments	Term of commitments	Performance
Commitments in offering documents or shareholding alterations	CETHIK Group Co., Ltd.	Commitments regarding horizontal competition and related party transactions	<p>1. Commitments in non-competition within the industry: In the period as controlling shareholders of the Hikvision, CETHIK and its controlling subsidiaries (excluding Hikvision and its subsidiaries, the same below) will not be engaged in such business that is competitive to Hikvision and its subsidiaries directly or indirectly.</p> <p>2. Commitments in decrease and regulation of transactions with related party: Zhejiang Haikang Group Co., Ltd (hereinafter referred to as Haikang Group or actual controller) as the controlling shareholders of Hangzhou Hikvision Digital Technology Co., Ltd (hereinafter referred to as "Hikvision" or "Listed Company") are committed as below for the transactions with Hikvision:</p> <p>(1) Haikang Group will not make use of the controlling power to offer more favorable conditions to Hikvision than those to any independent third party in any fair market transactions in the cooperation with Hikvision.</p> <p>(2) Haikang Group will not make use of the controlling power to obtain the prior right to complete the transaction with Hikvision.</p> <p>(3) Haikang Group will not deal with Hikvision in not fair terms comparing to the market prices to prejudice the Company's interests.</p> <p>For unavoidable related transactions, the Company will observe the principles of justice and fairness to determine prices according to the market on the basis of equality,</p>	October 29 th 2013	Long-term	Strict performance

Commitments	Giver of commitments	Commitment type	Details of commitments	Date of commitments	Term of commitments	Performance
			<p>voluntarily. The Company will obey the Articles of Association and other regulatory documents related to the avoiding of issues about related transactions. The related transactions will go through approval procedures in accordance with related rules and complete legal procedures, fulfilling the information disclosure obligations in respect to the related transactions</p> <p>3. Commitment to the maintenance of the independence of the listed Company</p> <p>3.1 Commitment to Personnel Independence of the listed Company</p> <p>(1) Commitment that our general manager, deputy general manager, chief financial officer, secretary of the board and other members of senior management shall not assume any positions other than directors and supervisors or get any remuneration in CETHIK and/or any of its controlled entities; (2) Commitment in keeping the management of labor, human resources and issues related to remuneration of the listed Company independent from that of CETHIK;</p> <p>3.2 Commitment to the independence of the asset of the listed Company</p> <p>(1) Commitment to independent and complete asset of the listed Company</p> <p>(2) Commitment free of unlawful use of cash and asset of the listed Company by the controlling shareholders</p> <p>3.3 Commitment to financial independence of the listed Company</p> <p>(1) Commitment to an independent finance department with a team and accounting system;</p> <p>(2) Commitment to a regulated, independent accounting system and financial management system of the branches and subsidiaries</p> <p>(3) Commitment to maintaining accounts with banks independently of and not sharing any bank account with our</p>			

Commitments	Giver of commitments	Commitment type	Details of commitments	Date of commitments	Term of commitments	Performance
			<p>controlling shareholders</p> <p>(4) Commitment that the financial staff shall not assume any positions in CETHIK</p> <p>(5) Commitment to paying taxes independently according to the law;</p> <p>(6) Commitment to implementing financial decisions independently</p> <p>3.4 The Company has set up an independent organizational structure which maintains its independent operations which is independent from that of CETHIK.</p> <p>3.5 Commitment to business Independence of the listed Company</p> <p>(1) The Company has the asset, personnel, aptitude and management capability for independent and complete business operation. The Company has the ability to operate independently in the market.</p> <p>(2) Commitment in independence in both business and operations</p> <p>4. Regarding plans for the development and relevant commitment for the listed Company, Haikang Group has committed as below for the subsequent development of Hikvision according to the Securities Acts and relevant laws and rules,</p> <p>4.1 Currently the Company has no plan to change or make significant adjustments for principal business in the next 12 months;</p> <p>4.2 Currently the Company has no plan to sell, merge or operate with another Company for the assets and business of the listed Company or its subsidiaries in the next 12 months.</p> <p>4.3 Currently the Company has no plan to alter the Board of</p>			

Commitments	Giver of commitments	Commitment type	Details of commitments	Date of commitments	Term of commitments	Performance
			<p>the Directors and senior management and no agreement with other shareholders about the appointment and removal of the directors or senior management. The team of Board of Directors and senior management will remain unchanged for the foreseeable future.</p> <p>4.4 Currently the Company has no plan to make significant changes to the Articles of Association for the listed Company.</p> <p>4.5 Currently the Company has no plan to make significant changes to the existing employee recruitment for the listed Company.</p> <p>4.6 Currently the Company has no plan to make significant changes for the dividend distribution plan for the listed Company.</p> <p>4.7 Currently the Company has no plan to make significant changes for business and organizational structure for the listed Company.</p>			
Commitments in Initial Public Offering or re-financing	Hangzhou Weixun Investment Management Limited Partnership (later renamed as Xinjiang Weixun Investment Management Limited Partnership)	Share restriction commitment	During Hu Yangzhong, Wu Weiqi, JiangHaiqing, Zhou Zhiping, Xu Lirong, Cai Dingguo, He Hongli, Zheng Yibo, Hu Dan, Jiang Yufeng, Liu Xiang, Wang Ruihong, Chen Junke's tenure of the Company's board of directors, supervisors and senior management personnel, the annual transfer of Hikvision's total shares should not exceed 25% of total number of shares held under Weixun; within 6 months after abovementioned personnel's dimission, should not transfer Hikvision's shares held under Weixun.	May 17 th 2010	Long term	Strict performance
	Hangzhou Pukang Investment Limited	Share restriction	During Hu Yangzhong, Wu Weiqi, Gong Hongjia's tenure of	May 17 th	Long term	Strict

Commitments	Giver of commitments	Commitment type	Details of commitments	Date of commitments	Term of commitments	Performance
	Partnership (later renamed as Xinjiang Pukang Investment Limited Partnership)	commitment	the Company's board of directors, supervisors and senior management persone, the annual transfer of Hikvision's total shares should not exceed 25% of total number of shares held under Pukang; whthin 6 months after abovementioned personnel's dimission, should not transfer Hikvision's shares held under Pukang.	2010		performance
	The Company's directors, supervisors and executive: HuYangzhong, Wu Weiqi, Jiang Haiqing, Zhou Zhiping, Xu Lirong, Cai Dingguo, He Hongli, Zheng Yibo, Hu Dan, Jiang Yufeng, Liu Xiang, Wang Ruihong, Chen Junke	Share restriction commitment	During their tenure of the Company's board of directors, supervisors and senior management personnel, the annual shares transfer should not exceed 25% of total number of shares held under Weixun; whthin 6 months after their dimission, they should not transfer their shares held under Weixun.	May 17 th 2010	Long term	Strict performance
	Directors, executive officers of the Company: Hu Yangzhong, Wu Weiqi	Share restriction commitment	During their tenure of the Company's board of directors, supervisors and senior management personnel, the annual shares transfer should not exceed 25% of total number of shares held under Pukang; whthin 6 months after their dimission, they should not transfer their shares held under Pukang.	May 17 th 2010	Long term	Strict performance
	The Company's director Gong Hongjia's spouse, Chen Chunmei	Share restriction commitment	During Gong Hongjia's tenure of the Company's board of directors, supervisors and senior management personnel, Chen's annual shares transfer should not exceed 25% of total number of shares held under Pukang; whthin 6 months after the dimission of Gong Hongjia,Chen should not transfer her shares held under Pukang.	May 17 th 2010	Long-term	Strict performance
	China Electronics Technology Group Corporation (later renamed as China	Commitment to avoid horizontal	To avoid any loss of the Company and other shareholders arising from any competing business, China Electronics	September 18 th 2008	Long term	Strict performance

Commitments	Giver of commitments	Commitment type	Details of commitments	Date of commitments	Term of commitments	Performance
	Electronics Technology Group Co., Ltd.)	competition	Technology Group Corporation, the actual controller of the Company, issued Letters of non-competition on 18 September, 2008.			
	Gong Hongjia; Hangzhou Weixun Investment Management Limited Partnership (later renamed as Xinjiang Weixun Investment Management Limited Partnership); Hangzhou Pukang Investment Limited Partnership (later renamed as Xinjiang Pukang Investment Limited Partnership); ZheJiang Orient Holdings Co., Ltd.	Commitment to avoid horizontal competition	To avoid any loss of the Company and other shareholders arising from any competing business, Gong Hongjia, Hangzhou WeiXun Investment Management Limited Partnership, ZheJiang Orient Holdings Co., Ltd and Hangzhou KangPu Investment Management Limited Partnership, the promoters of the Company, issued <i>Commitment Letters of non-competition in the same industry</i> on 10 July, 2008.	July 10 th 2008	Long term	Strict performance
Other commitments to the Company's minority shareholders	Gong Hongjia	Share reduction commitment	Within six months after 15 trading days from the date of the disclosure of the <i>Announcement on Pre-Disclosure of Shareholdings by Shareholders</i> on May 23 rd 2020, Gong Hongjia will reduce his holdings of shares not exceeding 2% of the Company's total share capital by means of centralized bidding.	May 23 rd 2020	Six months starting from June 15 th 2020	Completed on September 4 th 2020
Whether the commitments is fulfilled in time	Yes					

2. Where any profit forecast was made for any of the Company’s assets or projects and the current reporting period is still within the forecast period, the Company shall explain whether the performance of the asset or project reaches the profit forecast and why:

Applicable Inapplicable

IV. The Company’s funds used by the controlling shareholder or its related parties for non-operating purposes.

Applicable Inapplicable

No such case during the reporting period.

V. Explanation given by the board of directors, supervisory committee and independent directors (if applicable) regarding the “non-standard auditor’s report” issued by the CPA firm for the current reporting period

Applicable Inapplicable

VI. For changes in accounting policies, accounting estimates and accounting methods as compared to the financial report for the prior year

Applicable Inapplicable

Starting from January 1st 2020, the Company has adopted the Accounting Standards for Business Enterprises No. 14 – Revenue (hereinafter referred to as the “New Revenue Standard”, the revenue standard before the amendment is referred to as the "Original Revenue Standard") modified by the Ministry of Finance in 2017. The New Revenue Standard has introduced the 5-step method for recognition and measurement of revenue and added more instructions on specific transactions or events. For details of the accounting policies for recognition and measurement of revenue of the Company, please refer to Note (III). 26 to the financial statements. The New Revenue Standard requires the entity to adjust the retained earnings and the amounts of other relative items in the financial statements at the beginning of initial adoption (i.e. January 1st 2020) of the new standards for the cumulative amount of impact, and not to adjust information in comparable period. In adopting the New Revenue Standard, the Company only adjusts the cumulative impact of contracts that have not been completed on the first execution date. For changes in contract incurred before the beginning of adoption of New Revenue Standard, the Company will make simplified treatment, namely, the Company will identify the fulfilled and unfulfilled performance obligations, determine transaction price and allocate the transaction price between the fulfilled and unfulfilled performance obligations according to the final arrangement of contract changes.

The New Revenue Standard has no significant impact on the revenue recognition of various businesses of the Company. Details of the impact of the adoption of the New Revenue Standard by the Company on January 1st 2020 are set out in Note (III) 32.2 to the financial statements.

VII. Explanation for retrospective restatement of major accounting errors during the reporting period

Applicable Inapplicable

No such case during the reporting period.

VIII. Explanation for changes in scope of the consolidated financial statements as compared to the financial report for the prior year

Applicable Inapplicable

During the reporting period, the Company has newly set up three wholly-owned subsidiaries and four holding subsidiaries, acquired three subsidiaries, liquidated and cancelled two subsidiaries, which have caused the change in consolidation scope. For more details, please refer to Financial Report Note (VI) “Changes in consolidation scope” of the financial statement.

IV. Engagement and disengagement of the CPA firm

CPA firm engaged at present

Name of the domestic CPA firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Remuneration for the domestic CPA firm (RMB'0000)	365
Consecutive years of the audit service provided by the domestic CPA firm	5
Name of the certified public accountants from the domestic CPA firm	Tang Lianjiong, Zhang Shushu
Consecutive years of the audit service provided by the certified public accountants from the domestic CPA firm	Tang Lianjiong has provided audit service for 2 consecutive year; Zhang Shushu has provided audit service for 4 consecutive years.

Whether the CPA firm was changed in the current period

Yes No

Whether to reappoint a CPA firm during the audit

Yes No

Engagement of internal control audit CPA firm, financial advisor or sponsor

Applicable Inapplicable

X. Listing suspension and termination after disclosure of this annual report

Applicable Inapplicable

XI. Bankruptcy and restructuring

Applicable Inapplicable

No such case during the reporting period.

XII. Material litigation and arbitration

Applicable Inapplicable

No such case during the reporting period.

XIII. Punishments and rectifications

Applicable Inapplicable

No such case during the reporting period.

XIV. Integrity of the Company and its controlling shareholders and actual controllers

Applicable Inapplicable

XV. The implementation of an Equity Incentive Plan, Employee Stock Incentive Plan, or other incentive plans

Applicable Inapplicable

During the reporting period, the Company completed the second unlocking, repurchasing and cancelling shares for 2016 Restricted Share Incentive Scheme.

On December 24th 2019, *Resolution for the Fulfillment of the Unlocking Conditions of the Second Unlock Period for the 2016 Restricted Share Incentive Schemes* was approved by the 14th meeting of the fourth Board. Authorized by the second extraordinary general meeting for 2016, a total of 21,836,266 restricted shares of 2,726 grantees were vested and circulated on January 20th 2020. Meanwhile, 1,593,506 restricted shares held by a portion of grantees not fulfilling the incentive conditions were repurchased and cancelled. On December 16th 2020, repurchase and cancelation process of the restricted shares was complete.

For details, please refer to in the *Indicative Notice of Listing the Unlocked Shares during the Second Unlocking Period of 2016 Restricted Share Incentive Schemes* (No. 2020-002) and the *Notice of the Completion of the Second Repurchase and Cancelation of Restricted Shares that Already Granted for 2016 Restricted Share Incentive Schemes* (No. 2020-062) issued on January 17th 2020 and December 17th 2020 respectively.

By the end of the reporting period, the Company has a total of 143,170,198 granted and restricted shares,

accounts for 1.53% of the Company's total share capital.

The Company followed the *Accounting Standard for Business Enterprises No. 11 – Share-based Payment* and other accounting standards in relation to accounting treatment for Restricted Share Incentive Schemes. Costs in relation to the shares granted under 2016 Restricted Share Incentive Schemes and 2018 Restricted Share Incentive Schemes are amortized over the waiting period for vesting.

During the reporting period, costs amortized in relation to the shares granted under the 2016 Restricted Share Incentive Schemes and shares granted under 2018 Restricted Share Incentive Schemes of the Company have no material impact on the financial position and operating results of the Company. For details, please refer to Footnote (XI) - Share-based Payments.

XVI. Significant related-party transaction
1. Related-party transactions arising from routine operation

√Applicable □Inapplicable

Related party	Relationship	Type of related transaction	Content of related transaction	Pricing principles for related party transactions	Trading Amount (0'000 RMB)	Proportion to the amount of similar transactions.	Approved trading quota (0'000 RMB)	Whether exceed the approved quota	Settlement method	Disclosure date	Disclosure reference
Subsidiaries or research institutes of CETC	Under the common control of the Company's actual controller.	Procurement	Procurement, receiving services	Reference market price; Agreed on price	82,684	2.32%	90,000	No	Payment on delivery	July 25 th 2020	Announcement on increasing the projections on 2020 related-party transactions arising from routine operations (No: 2020-045)
Shanghai Fullhan Micro Co., Ltd.	The Company's shareholder who holds more than 5% of the Company's shares, The Company's director, Gong Hongjia is the director of the related party	Procurement			24,390	0.69%	50,000	No	Payment on delivery	April 25 th 2020	
Maxio Technology (Hangzhou) Co., Ltd. and its subsidiaries	Wu Weiqi, director of the Company, served as director of this company	Procurement			2,035	0.06%	13,000	No	Payment on delivery		Announcement on projections on 2020 related-party

Related party	Relationship	Type of related transaction	Content of related transaction	Pricing principles for related party transactions	Trading Amount (0'000 RMB)	Proportion to the amount of similar transactions.	Approved trading quota (0'000 RMB)	Whether exceed the approved quota	Settlement method	Disclosure date	Disclosure reference
											transactions arising from routine operations (No: 2020-017)
Wuhu Sensor Technology Co., Ltd. and its subsidiaries	Wu Weiqi, director of the Company, served as director of this company	Procurement			6,171	0.17%	14,000	No	Payment on delivery		
Zhiguang Hailian Big Data Technology Co., Ltd. and its subsidiaries	An associated company held by the company	Procurement			14	0.00%	1,000	No	Payment on delivery	-	-
Zhejiang Haishi Huayue Digital Technology Co., Ltd.	A joint venture company held by the company; The Company's senior management is appointed as this company's chairman	Procurement			174	0.00%	200	No	Payment on delivery	-	-
Shenzhen Hikvision City Service Operation Co., Ltd. and its subsidiaries	A joint ventures held by the company	Procurement			36	0.00%	100	No	Payment on delivery	-	-

Related party	Relationship	Type of related transaction	Content of related transaction	Pricing principles for related party transactions	Trading Amount (0'000 RMB)	Proportion to the amount of similar transactions.	Approved trading quota (0'000 RMB)	Whether exceed the approved quota	Settlement method	Disclosure date	Disclosure reference
Subsidiaries or research institutes of CETC	Under the common control of the Company's actual controller.	Sales	Providing services, selling products, commercial goods	Reference market price; Agreed on price	35,056	0.55%	75,000	No	Payment on delivery	April 25 th 2020	Announcement on projections on 2020 related-party transactions arising from routine operations (No: 2020-017)
Daishan Hailai Yunzhi Technology Co., Ltd.	A joint ventures held by the company	Sales			2,985	0.05%	4,000	No	Payment on delivery		
Wuhu Sensor Technology Co., Ltd. and its subsidiaries	Wu Weiqi, director of the Company, served as director of this company	Sales			191	0.00%	2,000	No	Payment on delivery		
Zhejiang Haishi Huayue Digital Technology Co., Ltd.	A joint venture company held by the company; The Company's senior management is appointed as this company's chairman	Sales			369	0.01%	1,000	No	Payment on delivery		
Sanmenxia Xiaoyun Vision Technology Co., Ltd.	An associated company held by the company	Sales			375	0.01%	1,500	No	Payment on delivery		
Shenzhen Wanyu Security Service	Senior executives of the Company serve as	Sales			20	0.00%	500	No	Payment on delivery		

Related party	Relationship	Type of related transaction	Content of related transaction	Pricing principles for related party transactions	Trading Amount (0'000 RMB)	Proportion to the amount of similar transactions.	Approved trading quota (0'000 RMB)	Whether exceed the approved quota	Settlement method	Disclosure date	Disclosure reference
Technology Co., Ltd. and its subsidiaries	directors of this company										
Maxio Technology (Hangzhou) Co., Ltd. and its subsidiaries	Wu Weiqi, director of the Company, served as director of this company	Sales			15	0.00%	500	No	Payment on delivery		
Hangzhou Confirmware Technology Co., Ltd.	The former Company executive Jia Yonghua served as a director of this company. Jia Yonghua resigned in October 2019. Within 12 months after his departure, Hangzhou Confirmware was still identified as the Company's related party.	Sales			59	0.00%	500	No	Payment on delivery		
Qinghai Qingtang Big Data Co., Ltd.	An associated company held by the company	Sales			149	0.00%	1,000	No	Payment on delivery		
Zhiguang Hailian Big Data Technology Co., Ltd. and its subsidiaries	An associated company held by the company	Sales			1,437	0.02%	8,000	No	Payment on delivery	July 25 th 2020	Announcement on increasing the projections on 2020 related-party

Related party	Relationship	Type of related transaction	Content of related transaction	Pricing principles for related party transactions	Trading Amount (0'000 RMB)	Proportion to the amount of similar transactions.	Approved trading quota (0'000 RMB)	Whether exceed the approved quota	Settlement method	Disclosure date	Disclosure reference
Jiaxin Haishi JiaAn Zhicheng Technology Co., Ltd.	An associated company held by the company	Sales			3,820	0.06%	8,000	No	Payment on delivery		transactions arising from routine operations (No: 2020-045)
Xuzhou Kangbo Urban Operation Management Service Co., Ltd.	A joint ventures held by the company	Sales			315	0.00%	1,000	No	Payment on delivery	-	-
Guangxi Haishi Urban Operation Management Co., Ltd. and its subsidiaries	A joint ventures held by the company	Sales			177	0.00%	200	No	Payment on delivery	-	-
Zhejiang City Digital Technology Co., Ltd.	A joint ventures held by the company	Sales			1,376	0.02%	1,500	No	Payment on delivery	-	-
Shenzhen Hikvision City Service Operation Co., Ltd. and its subsidiaries	A joint ventures held by the company	Sales			5	0.00%	10	No	Payment on delivery	-	-
Yunnan Yinghai Parking Service Co., Ltd.	A joint ventures held by the company	Sales			1,826	0.03%	2,000	No	Payment on delivery	-	-
Total					163,679		275,010	-	-	-	-
Details on significant sales return			None								

Related party	Relationship	Type of related transaction	Content of related transaction	Pricing principles for related party transactions	Trading Amount (0'000 RMB)	Proportion to the amount of similar transactions.	Approved trading quota (0'000 RMB)	Whether exceed the approved quota	Settlement method	Disclosure date	Disclosure reference
Total amount of related transactions projected based on different categories, actual performance during the current reporting period (if any)			The amount of related-party purchases incurred with Zhiguang Hailian Big Data Technology Co., Ltd. and its subsidiaries, Zhejiang Haishi Huayue Digital Technology Co., Ltd., Shenzhen Hikvision City Service Operation Co., Ltd. and its subsidiaries; and the amount of related-party sales incurred with Xuzhou Kangbo Urban Operation Management Service Co., Ltd., Guangxi Haishi City Operation Management Co., Ltd. and its subsidiaries, Zhejiang City Digital Technology Co., Ltd., Shenzhen Hikvision City Service Operation Co., Ltd. and its subsidiaries, Yunnan Yinghai Parking Service Co., Ltd. have been approved by the chairman of the board in accordance with the Company's <i>Related-Party Transaction Management System</i> .								
Reasons on significant difference between trading price and market referencing price (if applicable)			Not applicable								

2. Related-party transactions regarding purchase and disposal of assets or equity

Applicable Inapplicable

No such case in the reporting period.

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

Applicable Inapplicable

No such case in the reporting period.

4. Related credit and debt transactions

Applicable Inapplicable

No related-parties' creditor's rights or debts during the reporting period.

5. Other significant related party transactions

Applicable Inapplicable

On October 18th 2019, the 12th meeting of the 4th Board of Directors passed the *Proposal on Investment and Establishment of Industrial Investment Fund Partnership and the Related Transactions* and authorized the Company to co-invest in and establish the Hangzhou Haikang Intelligent Industrial Investment Fund Partnership (L.P.) ("Hikvision Intelligent Fund"). On December 9th 2019, the 13th meeting of the 4th Board of Directors passed the *Proposal on Adjusting Some of the Fund Providers of Hangzhou Haikang Intelligent Industrial Investment Fund Partnership (L.P.)*. The Company was authorized to adjust some of the fund providers in the Hikvision Intelligent Fund. During the reporting period, Hikvision Intelligent Fund has completed the registration of private equity funds and raised a total of RMB 1.00 billion.

On April 23rd 2020, the *Resolution on the Commencement of Financial Leasing Business and Related-Party Transactions with China Electronics Technology Leasing Co. Ltd.* was considered and approved by the Company at 17th meeting of the fourth session of the Board, agreeing that the Company enters into a financial leasing contract with China Electronics Technology Leasing Co. Ltd. to commence financial leasing related-party transactions. The aforesaid related-party transactions mainly included the design of financing solutions, financial leasing and other consulting services relating to procurement, taxation, finance and asset management in connection with financial leasing, with the total amount of financing not exceeding RMB 500 million (excluding tax). On May 15th 2020, the Company entered into a financial leasing contract with China Electronics Technology Leasing Co. Ltd., effective

for 1 year from the effective date.

On April 23rd 2020, the *Resolution on Increasing the Capital of China Electronic Technology Finance Co., Ltd. and Related-Party Transactions* was considered and approved by the Company at the seventeenth meeting of the fourth session of the Board, agreeing that the Company increases the capital of China Electronic Technology Finance Co., Ltd. with RMB 112.87 million in cash, including RMB 68.94 million as registered capital and RMB 43.93 million as capital reserve. After the capital increase, Hikvision still holds 3.83% equity interest in China Electronic Technology Finance Co., Ltd. Meanwhile, the Company's management is authorized to deal with matters related to this capital increase.

Disclosure website for provisional reports on significant related-party transactions:

Title of provisional reports	Disclosure date	Disclosure website
<i>Announcement on the Investment and Establishment of Industrial Investment Fund Partnerships and Related-party Transactions</i> (No. 2019-052)	October 19 th 2019	www.cninfo.com.cn
<i>Announcement on Adjusting Some Capital Contributors of Hangzhou Haikang Smart Industrial Investment Fund Partnership (Limited Partnership and Related-party Transactions</i> (No. 2019-060)	December 10 th 2019	www.cninfo.com.cn
<i>Announcement on Completion of Registration of Industrial Investment Fund that the Company Participated in the Establishment</i> (No. 2020-003)	February 12 th 2020	www.cninfo.com.cn
<i>Announcement on Carrying out Financial Leasing Business and Related-party Transactions with CLP Leasing Co., Ltd.</i> (No. 2020-022)	April 25 th 2020	www.cninfo.com.cn
<i>Announcement on Capital Increase of China Electronic Technology Finance Co., Ltd. and Related Party Transactions</i> (No. 2020-023)	April 25 th 2020	www.cninfo.com.cn
<i>Announcement on the Completion of Fundraising of the Industrial Investment Fund that the Company Participated in the Establishment</i> (No. 2020-058)	November 4 th 2020	www.cninfo.com.cn

XVII. Significant contracts and their execution

1. Trusteeship, contracting and leasing

(1) Trusteeship

Applicable Inapplicable

No such case in the reporting period.

(2) Contracting

Applicable Inapplicable

No such case in the reporting period.

(3) Leasing

Applicable Inapplicable

On December 3rd 2018, the *Proposal on Carrying out Financial Leasing Related Party Transactions between the Holding Innovative Business Subsidiary and China Electronics Technology Leasing Co. Ltd.* was approved at the 7th meeting of the 4th Board of Directors of the Company. In 2019, the Company's holding subsidiary Hangzhou HikMicro Sensing Technology Ltd. and China Electronics Technology Leasing Co. Ltd. signed the Financial Leasing Contract, where HIKMICRO used some of its own equipment to start leaseback business with China Electronics Technology Leasing Co. Ltd.; the financing amount was RMB 70 million, term of lease 48 months and annual lease rate 3.80%. See the details in Financial Statement Note (V) 33- Long-term payables.

Projects that brought the company's profits and losses to more than 10% of the company's total profit during the reporting period

Applicable Inapplicable

2. Significant guarantees

√Applicable □ Inapplicable

(1) Details of guarantees

Unit: RMB'0000

Guarantees provided by the Company for subsidiaries								
Guaranteed party	Disclosure date of announcement of the guarantee cap	Guarantee Cap	Actual occurrence date	Actual guaranteed amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related party or not
Hangzhou Hikvision Technology Co., Ltd.	April 25 th 2020	1,437,500	January 18 th 2019	280,660.64	Joint guarantee	2019.01.18-2021.01.18	No	Yes
Hangzhou Hikvision Electronics Co., Ltd.	April 25 th 2020	287,500	May 1 st 2020	19,181.55	Joint guarantee	2020.05.01-2021.04.30	No	Yes
Hikvision International Co., Ltd.	April 25 th 2020	462,500	December 20 th 2017	6,728.99	Joint guarantee	2017.12.20-2020.12.20	No	Yes
Chongqing Hikvision Technology Co., Ltd.	April 25 th 2020	155,000	July 5 th 2019	41,443.40	Joint guarantee	2019.07.05-2020.08.08	No	Yes
Hangzhou Hikvision System Technology Co., Ltd.	April 25 th 2020	190,000	May 1 st 2020	8,808.59	Joint guarantee	2020.05.01-2021.04.30	No	Yes
Urumqi HaiShi Xin'An Electronic Technology Co., Ltd.	April 25 th 2020	40,000	March 29 th 2019	28,063.86	Joint guarantee	2019.03.29-2028.06.20	No	Yes
Mo Yu HaiShi Electronic Technology Co., Ltd.	April 25 th 2020	25,000	March 26 th 2019	18,280.00	Joint guarantee	2019.03.26-2035.03.26	No	Yes
Pi Shan HaiShi Yong An Electronic	April 25 th 2020	30,000	March 26 th 2019	22,378.00	Joint guarantee	2019.03.26-	No	Yes

Guarantees provided by the Company for subsidiaries								
Guaranteed party	Disclosure date of announcement of the guarantee cap	Guarantee Cap	Actual occurrence date	Actual guaranteed amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related party or not
Technology Co., Ltd.						2040.06.26		
Luo Pu HaiShi Ding Xin Electronic Technology Co., Ltd.	April 25 th 2020	30,000	March 26 th 2019	22,800.00	Joint guarantee	2019.03.26-2035.06.26	No	Yes
Yu Tian HaiShi Mei Tian Electronic Technology Co., Ltd.	April 25 th 2020	30,000	March 26 th 2019	9,560.00	Joint guarantee	2019.03.26-2034.03.26	No	Yes
Hikvision Singapore Pte. Ltd	April 25 th 2020	100,000	September 15 th 2020	6,433.00	Joint guarantee	2020.09.15-2023.12.31	No	Yes
Chongqing Hikvision System Technology Co., Ltd.	April 25 th 2020	60,000	Not happened during the reporting period					
Chengdu Hikvision Digital Technology Co., Ltd.	April 25 th 2020	50,000	Not happened during the reporting period					
Hangzhou Haikang Zhicheng Investment and Development Co., Ltd.	April 25 th 2020	20,000	Not happened during the reporting period					
Wuhan Hikvision Technology Co., Ltd.	April 25 th 2020	50,000	Not happened during the reporting period					
Wuhan Hikvision Science and Technology Co., Ltd.	April 25 th 2020	50,000	Not happened during the reporting period					
Xi'an Hikvision Digital Technology Co., Ltd.	April 25 th 2020	30,000	Not happened during the reporting period					
Pyronix Limited	April 25 th 2020	11,000	Not happened during the reporting period					
Zhenping Haikang Juxin Digital	April 25 th 2020	23,000	Not happened during the reporting period					

Guarantees provided by the Company for subsidiaries								
Guaranteed party	Disclosure date of announcement of the guarantee cap	Guarantee Cap	Actual occurrence date	Actual guaranteed amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related party or not
Technology Co., Ltd.								
Hikvision Limited Liability Company	April 25 th 2020	50,000					Not happened during the reporting period	
Hikvision USA Inc.	April 25 th 2020	2,000					Not happened during the reporting period	
Prama Hikvision India Private Limited	April 25 th 2020	50,000					Not happened during the reporting period	
Hikvision South Africa (Pty) Ltd	April 25 th 2020	20,000					Not happened during the reporting period	
HIKVISION DO BRASIL COMÉRCIO DE EQUIPAMENTOS DE SEGURANÇA LTDA	April 25 th 2020	20,000					Not happened during the reporting period	
Hikvision (Malaysia) SDN BHD.	April 25 th 2020	2,000					Not happened during the reporting period	
Hikvision Australia Pty Ltd.	April 25 th 2020	2,000					Not happened during the reporting period	
Hikvision FZE	April 25 th 2020	2,000					Not happened during the reporting period	
Hikvision Europe B.V.	April 25 th 2020	50,000					Not happened during the reporting period	
Total guarantee cap for subsidiaries approved during the reporting period(B1)			3,279,500.00		Total actual guarantee amount for subsidiaries during the reporting period(B2)			837,552.87
Total approved guarantee cap for subsidiaries at the end of the reporting period(B3)			3,279,500.00		Total actual guarantee balance for subsidiaries at the end of the reporting period(B4)			464,338.03

Guarantees provided by the Company for subsidiaries								
Guaranteed party	Disclosure date of announcement of the guarantee cap	Guarantee Cap	Actual occurrence date	Actual guaranteed amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related party or not
Total guarantee amount provided by the Company (total of the above-mentioned 3 kinds of guarantees) [During the reporting period, the Company did not have any external guarantees or guarantees from subsidiaries to subsidiaries, so there is only item B, no items A and C]								
Total guarantee cap approved during the reporting period (A1+B1+C1)		3,279,500.00		Total actual guarantee amount during the reporting period (A2+B2+C2)		837,552.87		
Total approved guarantee cap at the end of reporting period (A3+B3+C3)		3,279,500.00		Total actual guarantee balance at the end of the reporting period (A4+B4+C4)		464,338.03		
Portion of the total actual guarantee (A4+B4+C4) amount in net assets of the Company				8.63%				
Of which:								
The balance of guarantee for shareholders, actual controllers and their affiliates. (D)				0				
Amount of debt guarantees provided directly or indirectly for entities with a liability-to-asset ratio over 70% (E)				420,354.89				
Total amount of guarantee exceeding 50% of net assets (F)				0				
Total guarantee amount of the above-mentioned 3 kinds of guarantees (D+E+F)				420,354.89				

Illustration of compound method guarantee

As required by the project owner, China Electronics Technology Group Co., Ltd. (CETC) has provided a joint guarantee to responsibility and duties of projects of “Safe Chongqing, Emergency Control System Digital Construction Project”, including 41 districts/counties construction projects, signed by Chongqing Hikvision System Technology Co., Ltd. Meanwhile, the Company provides a counter guarantee to CETC’s joint responsibilities above.

(2) Illegal provision of guarantees for external parties

Applicable Inapplicable

No such case in the reporting period.

3. Entrust others to conduct cash asset management**(1) Entrusted financial management situation**

Applicable Inapplicable

No entrusted finance during the reporting period

(2) Entrusted loan situation

Applicable Inapplicable

No entrusted loan during the reporting period

4. Significant contracts for daily operations

Applicable Inapplicable

Significant contract progress differs materially from the contract agreement and affects the contract amount by more than 30%.

Applicable Inapplicable

5. Other significant contracts

Applicable Inapplicable

No such case in the reporting period.

XVIII. Social responsibility**1. Fulfillment of social responsibilities**

For details, please refer to the Company's 2020 Annual Social Responsibility Report disclosed on CNINFO (www.cninfo.com.cn)

2. Fulfillment of the social responsibility of targeted poverty alleviation

The Company did not conduct any targeted poverty alleviation during the current reporting period and had no future arrangement for targeted poverty alleviation.

3. Environmental protection

Whether the Company or any of its subsidiaries should be categorized as a critical pollutant enterprises published by national environmental protection department

No.

XIX. Other significant events

Applicable Inapplicable

On March 13th 2020, Mr. Gong Hongjia and Mr. Hu Yangzhong, Directors of the Company, received the *Case Closure Notice from the China Securities Regulatory Commission* and the *Decision Letter regarding Administrative Regulatory Measures from the Zhejiang Securities Regulatory Bureau of the China Securities Regulatory Commission* ([2020] No. 16). The Zhejiang Securities Regulatory Bureau took the supervisory and administrative measures against the above two Directors by issuing warning letters, and recorded them in the integrity files of securities and futures markets. For details, please refer to the *Announcement on the Directors' Receipt of the Case Closure Notice from the China Securities Regulatory Commission* and *Decision Letter regarding Administrative Regulatory Measures from the Zhejiang Securities Regulatory Bureau of the China Securities Regulatory Commission* (Announcement No.: 2020-009) published by the Company on March 14th 2020. The above two Directors have submitted written rectification reports to the Zhejiang Securities Regulatory Bureau on March 19th 2020.

On April 23rd 2020, the 17th meeting of the 4th session of the Board of the Company considered and approved the *Proposal on Authorizing the Company's Management to Initiate the Preliminary Preparatory Work for the Domestic Listing of Spin-off Subsidiaries*, and agreed to authorize the Company's management to initiate the preliminary preparatory work for the spin-off of Hangzhou EZVIZ Network Co., Ltd. to the Shenzhen Stock Exchange for listing, including but not limited to the demonstration of feasibility plan, the preparation of the listing plan, the signing of relevant agreements involved in the planning process and other listing-related matters, and upon

the formulation of the spin-off plan, the submission of relevant listing plan and other listing-related matters to the Board and the general meeting of shareholders of the Company respectively for consideration and approval. For details, please refer to the *Prompt Announcement on the Authorization of the Management of the Company to Initiate the Preliminary Preparatory Work for the Domestic Listing of Spin-off Subsidiaries* (Announcement No.: 2020-028) published by the Company on April 25th 2020.

On December 22nd 2016, the 2016 Second Extraordinary General Meeting of the Company approved the *Proposal on the Issuance of Short-Term Commercial Paper (SCP)* and approved the Company's application to the China Association of Interbank Market Dealers for the registration and issuance of SCP of no more than RMB 7 billion. During the Reporting Period, the Company issued the *2020 First Tranche of Short-term Commercial Paper (SCP) of Hangzhou Hikvision Digital Technology Co., Ltd.* with a total amount of RMB 1 billion and an interest rate of 1.75%, which was due and completed on December 1st 2020. For details, please refer to the *Announcement on the Issuance Results of the 2020 First Tranche of Short-term Commercial Paper (SCP)* (Announcement No.: 2020-037) issued by the Company on June 6th 2020, *Announcement on the Completion of the Payment of the 2020 First Tranche of Short-term Commercial Paper (SCP)* (Announcement No. 2020-060) issued on December 2nd 2020, and the Note (V) 31- Other Current Liabilities in the financial statements herein.

XX. Significant events of the Company's subsidiaries

Applicable Inapplicable

Section VI Changes in Shares and Information about Shareholders

I. Changes in Share Capital

1. Table of changes in share capital

Unit: Share

	Before the change		Changes in the period (+, -)					After the change	
	Shares	Ratio	New Shares Issued	Bonus share	Share transferred from capital reserve	Others	Sub-total	Shares	Ratio
1. Shares subject to conditional restriction(s)	1,276,701,961	13.66%				-28,676,701	-28,676,701	1,248,025,260	13.36%
1)State holdings									
2)Shares held by State-owned corporate									
3) Other domestic shares	335,144,656	3.59%				-28,656,361	-28,656,361	306,488,295	3.28%
Including: held by domestic corporates									
held by domestic natural person	335,144,656	3.59%				-28,656,361	-28,656,361	306,488,295	3.28%
4) Foreign shares	941,557,305	10.07%				-20,340	-20,340	941,536,965	10.08%

Including:held by overseas corporates									
held by overseas natural person	941,557,305	10.07%				-20,340	-20,340	941,536,965	10.08%
2. Shares without restriction	8,068,308,735	86.34%				27,083,195	27,083,195	8,095,391,930	86.64%
1) RMB ordinary shares	8,068,308,735	86.34%				27,083,195	27,083,195	8,095,391,930	86.64%
2) Domestically listed foreign shares									
3) Foreign shares listed overseas									
4) Others									
3. Total	9,345,010,696	100.00%				-1,593,506	-1,593,506	9,343,417,190	100.00%

Reason for the changes in share capital

√Applicable □Inapplicable

The second time repurchasing and cancelling shares for 2016 Restricted Share Incentive Scheme:

On December 24th 2019, *Resolution for the Second Repurchase and Cancellation of the Restricted Shares that Already Granted for 2016 Restricted Share Incentive Schemes* was approved by the 14th meeting of the fourth Board. Authorized by the second extraordinary general meeting for 2016, the board agreed to repurchase and cancel a total of 1,593,506 restricted shares held by a portion of grantees not fulfilling the stock incentive conditions. On May 15th 2020, *Resolution for the Second Repurchase and Cancellation of the Restricted Shares that Already Granted for 2016 Restricted Share Incentive Schemes* was reviewed and approved by the 2019 annual general meeting. On December 16th 2020, repurchase and cancellation process of the restricted shares was complete. The Company's total share capital decreased by 1,593,506 shares from 9,345,010,696 shares to 9,343,417,190 shares.

Approval for changes in share capital

Applicable Inapplicable

On December 24th 2019, *Resolution for the Second Repurchase and Cancelation of the Restricted Shares that Already Granted for 2016 Restricted Share Incentive Schemes* was approved by the 14th meeting of the fourth Board. Authorized by the second extraordinary general meeting for 2016, the board agreed to repurchase and cancel a total of 1,593,506 restricted shares held by a portion of grantees not fulfilling the stock incentive conditions. On May 15th 2020, *Resolution for the Second Repurchase and Cancelation of the Restricted Shares that Already Granted for 2016 Restricted Share Incentive Schemes* was reviewed and approved by the 2019 annual general meeting.

Transfer for changes in share capital

Applicable Inapplicable

On December 16th 2020, repurchase and cancelation process of the restricted shares for 2016 Restricted Share Incentive Scheme was complete. The Company's total share capital decreased by 1,593,506 shares from 9,345,010,696 shares to 9,343,417,190 shares.

Information about the implementation of share repurchase

Applicable Inapplicable

The implementation progress of reducing and repurchasing shares by centralized bidding

Applicable Inapplicable

Effects of changes in share capital 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 Inapplicable

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

Applicable Inapplicable

2. Changes in restricted shares

Applicable Inapplicable

Unit: Share

Name of shareholder	Opening restricted shares	Increased in current period	Vested in current period	Closing restricted shares	Note for restricted shares	Date of unlocking
Gong Hongjia	941,292,525	0	0	941,292,525	Restricted shares for senior executives	According to the relevant provisions of shares management for senior executives
Hu Yangzhong	136,543,558	48,150	0	136,591,708	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	According to the relevant provisions of shares management for senior executives
Grantees of restricted share incentive plan (consolidated)	166,599,970	0	21,836,266	143,170,198	Equity Incentive Restricted Shares	January 20 th 2020
Jiang Haiqing	11,317,082	36,900	2,847,721	8,506,261	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	April 24 th 2020

Name of shareholder	Opening restricted shares	Increased in current period	Vested in current period	Closing restricted shares	Note for restricted shares	Date of unlocking
Wu Weiqi	8,439,442	44,550	0	8,483,992	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	According to the relevant provisions of shares management for senior executives
Jia Yonghua	5,635,544	32,850	1,425,311	4,243,083	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	April 24 th 2020
Li Pan	5,634,368	47,850	1,425,017	4,257,201	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	April 24 th 2020
Huang Fanghong	219,375	0	0	191,875	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	According to the relevant provisions of shares management for senior executives
Fu Baijun	272,100	32,700	0	304,800	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	
Jiang Yufeng	170,325	36,900	0	207,225	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	
Xu Lirong	161,550	32,850	0	194,400	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	

Name of shareholder	Opening restricted shares	Increased in current period	Vested in current period	Closing restricted shares	Note for restricted shares	Date of unlocking
He Hongli	165,825	41,400	0	207,225	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	
Wang Qiuchao	26,250	0	0	26,250	Restricted shares for senior executives	
Qu Liyang	11,812	0	0	11,812	Restricted shares for senior executives	
Pu Shiliang	130,785	19,820	0	150,605	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	
Jin Duo	16,425	32,850	0	49,275	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	
Cai Changyang	16,425	32,850	0	49,275	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	
Bi Huijuan	22,500	14,250	0	36,750	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	
Jin Yan	26,100	24,700	0	50,800	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	
Total	1,276,701,961	478,620	27,534,315	1,248,025,260	--	--

Note:

1. Executives who are grantees under incentive restricted shares scheme, his/her holding incentive restricted shares are counted within the total incentive restricted shares (consolidated statistics) on the second row.

2. The difference of 1,593,506 shares between ending balance of restricted shares of *total incentive restricted shares (consolidated) for grantees* and the *calculated balance (opening balance + increased restricted shares - unlocked shares)* was due to repurchasing and cancelling of 1,593,506 shares on December 16th 2020.
3. The three executives Jiang Haiqing, Jia Yonghua and Li Pan have left office on October 25th 2019. The original term of office expires on March 20th 2021, and the shares held by them are kept restricted in accordance with the relevant regulations.
4. The difference of 27,500 shares between Ms. Huang Fanghong's closing balance of restricted shares and the calculated balance (opening balance + increased restricted shares - unlocked shares) was due to the 110,000 restricted shares received on January 18th 2019 and the corresponding increase in the transferable quota of 27,500 shares during the current reporting period.

II. Issuance and listing of securities

1. Securities (exclude preferred share) issued during the reporting period

Applicable Inapplicable

2. Explanation on changes in share capital & the structure of shareholders, the structure of assets and liabilities

Applicable Inapplicable

During the reporting period, the Company completed the second repurchasing and cancelling shares for 2016 Restricted Share Incentive Scheme, the total capital shares were decreased by 1,593,506 shares from 9,345,010,696 shares to 9,343,417,190 shares. The structure of shareholder structure, assets and liabilities of the Company did not change significantly after completing the above mentioned items.

3. Existent shares held by internal staff of the Company

Applicable Inapplicable

III. Particulars about the shareholders and actual controller

1. Total number of shareholders and their shareholdings

Unit: Share

Total number of common shareholders at the end of the reporting period		199,030		Total number of preferred shareholders (if any) whose voting rights have been recovered at the end of the reporting period			234,089	
Particulars about shares held by common shareholders with a shareholding percentage over 5% or the Top 10 of them								
Name of shareholder	Nature of shareholder	Share-holding percentage (%)	Total common shares held at the end of the reporting period	Increase/decrease during the reporting period	The number of common shares held with trading restrictions	The number of shares held without trading restrictions	Pledged or frozen	
							Share Status	Amount
China Electronics Technology HIK Group Co., Ltd.	State-owned corporation	38.88%	3,632,897,256	0	0	3,632,897,256	Pledged	50,000,000
Gong Hongjia	Overseas individual	10.88%	1,016,614,814	-238,441,886	941,292,525	75,322,289	Pledged	375,950,000
Xinjiang Weixun Investment Management Limited Partnership	Domestic non-state-owned corporation	4.82%	450,795,176	0	0	450,795,176	Pledged	90,948,998
Hong Kong Securities Clearing Company Ltd.(HKSCC)	Overseas corporation	3.60%	336,429,990	-252,164,200	0	336,429,990	-	-
Shanghai Gaoyi Asset Management Partnership (Limited Partnership) - Gaoyi Adjacent Mountain 1 Yuanwang Fund	Other	2.68%	250,000,000	250,000,000	0	250,000,000	-	-
Xinjiang Pukang Investment Limited Partnership	Domestic non-state-owned corporation	1.95%	182,510,174	0	0	182,510,174	-	-

Hu Yangzhong	Domestic Individual	1.95%	182,186,477	0	136,639,858	45,546,619	Pledged	8,150,000
The 52nd Research Institute at China Electronics Technology Group Corporation	State-owned corporation	1.93%	180,775,044	0	0	180,775,044	-	-
CITIC Securities Company Limited	Domestic non-state-owned corporation	1.14%	106,692,148	10,094,085	0	106,692,148	-	-
Bank of China Co., Ltd. - Efund Blue Chip Select Hybrid Securities Investment Fund	Other	0.75%	70,000,025	70,000,025	0	70,000,025	-	-
Explanation on associated relationship or concerted actions among the above-mentioned shareholders:	<p>China Electronics Technology HIK Group Co., Ltd. and The 52nd Research Institute at China Electronics Technology Group Co., Ltd. are all subject to control of China Electronics Technology Group Co. Ltd.. Ms. Chen Chunmei, limited partner of Xinjiang Pukang Investment Limited Partnership, is the spouse of Mr. Gong Hongjia, foreign individual shareholder of the Company. Hu Yangzhong, domestic individual, is holding shares in both Xinjiang Weixun Investment Management Limited Partnership and Xinjiang Pukang Investment Limited Partnership.</p> <p>Except for these, the Company does not know whether the other shareholders are related parties or whether they are acting-in-concert parties in accordance with the <i>Measures for Management of the Disclosure of the Shareholding Changes of Shareholders of the Listed Company</i>.</p>							
Particulars about shares held by the Top 10 shareholders holding shares that are not subject to trading restriction(s)								
Name of shareholder	Number of shares without trading restrictions held at the period-end	Type of shares						
		Type	Number					
China Electronics Technology HIK Group Co., Ltd.	3,632,897,256	RMB ordinary shares	3,632,897,256					
Xinjiang Weixun Investment Management Limited Partnership	450,795,176	RMB ordinary shares	450,795,176					
Hong Kong Securities Clearing Company Ltd.(HKSCC)	336,429,990	RMB ordinary shares	336,429,990					

Shanghai Gaoyi Asset Management Partnership (Limited Partnership) - Gaoyi Adjacent Mountain 1 Yuanwang Fund	250,000,000	RMB ordinary shares	250,000,000
Xinjiang Pukang Investment Limited Partnership	182,510,174	RMB ordinary shares	182,510,174
The 52nd Research Institute at China Electronics Technology Group Co. Ltd.	180,775,044	RMB ordinary shares	180,775,044
CITIC Securities Company Limited	106,692,148	RMB ordinary shares	106,692,148
Gong Hongjia	75,322,289	RMB ordinary shares	75,322,289
Bank of China Co., Ltd. - Efunds Blue Chip Select Hybrid Securities Investment Fund	70,000,025	RMB ordinary shares	70,000,025
Central Huijin Investment Co., Ltd.	65,818,800	RMB ordinary shares	65,818,800
Explanation on associated relationship and concerted actions among top ten shareholders holding outstanding shares without trading restrictions, and among top ten shareholders and top ten shareholders holding outstanding shares without trading restrictions	<p>China Electronics Technology HIK Group Co., Ltd. and The 52nd Research Institute at China Electronics Technology Group Co., Ltd. are all subject to control of China Electronics Technology Group Co. Ltd. Ms. Chen Chunmei, limited partner of Xinjiang Pukang Investment Limited Partnership, is the spouse of Mr. Gong Hongjia, foreign individual shareholder of the Company. Hu Yangzhong, domestic individual, is holding shares in both Xinjiang Weixun Investment Management Limited Partnership and Xinjiang Pukang Investment Limited Partnership.</p> <p>Except for these, the Company does not know whether the other shareholders are related parties or whether they are acting-in-concert parties in accordance with the <i>Measures for Management of the Disclosure of the Shareholding Changes of Shareholders of the Listed Company</i>.</p>		

Any of the Company's top 10 common shareholders or top 10 non-restricted common shareholders conducted any agreed buy-back in the reporting period?

Applicable Inapplicable

No such case during the current reporting period.

2. Particulars about controlling shareholder of the Company

Nature of the controlling shareholder: Central State-owned

Type of the actual controller: Corporation

Name of controlling shareholder	Legal Representative /People in charge	Date of establishment	Organization code	Business scope
China Electronics Technology HIK Group Co., Ltd.	Chen Zongnian	November 29 th , 2002	9133000014306073XD	Industrial investment; R&D of environmental protection products, network products, intelligent products and electronic products; technology transfer, technical services, manufacturing and sales; business consulting services, rental services of self-owned real estate; import and export businesses.
Shares held by the controlling shareholder in other listed companies through controlling or holding during the reporting period				Indirect control of domestic listed company Phoenix Optical Co. Ltd.,

Change of the controlling shareholder during the reporting period

Applicable Inapplicable

The Company's controlling shareholder has not changed during the reporting period.

3. Particulars about the Company's actual controller & concerted parties

Nature of the actual controller: Central state-owned assets management agency

Type of the actual controller: Corporation

Name of the actual controller	Legal Representative /People in charge	Date of establishment	Organization code	Business scope
China Electronics Technology Group Ltd.	Chen Zhaoxiong	February 25 th 2002	91110000710929498G	The Company is responsible for the development and manufacturing of military electronic equipment and systems integration, electronic equipment for weapon platform, military software and electronic basic products; and the construction of national defense electronic information infrastructure and safeguard conditions; construction of national major electronic information system; the research, development, production and sales of civil electronic information software, materials, components, equipment and system integration and related common technology; self-operated and agent import and export business of various commodities and technologies (except for goods and technologies that are restricted or restricted by the state-limited company); operating feed processing and "three comes one supplement" business; operating counter trade and entrepot trade; Industrial investment; asset management; engaged in e-commerce information services; organization of enterprises in the industry to go abroad, participate in exhibitions.

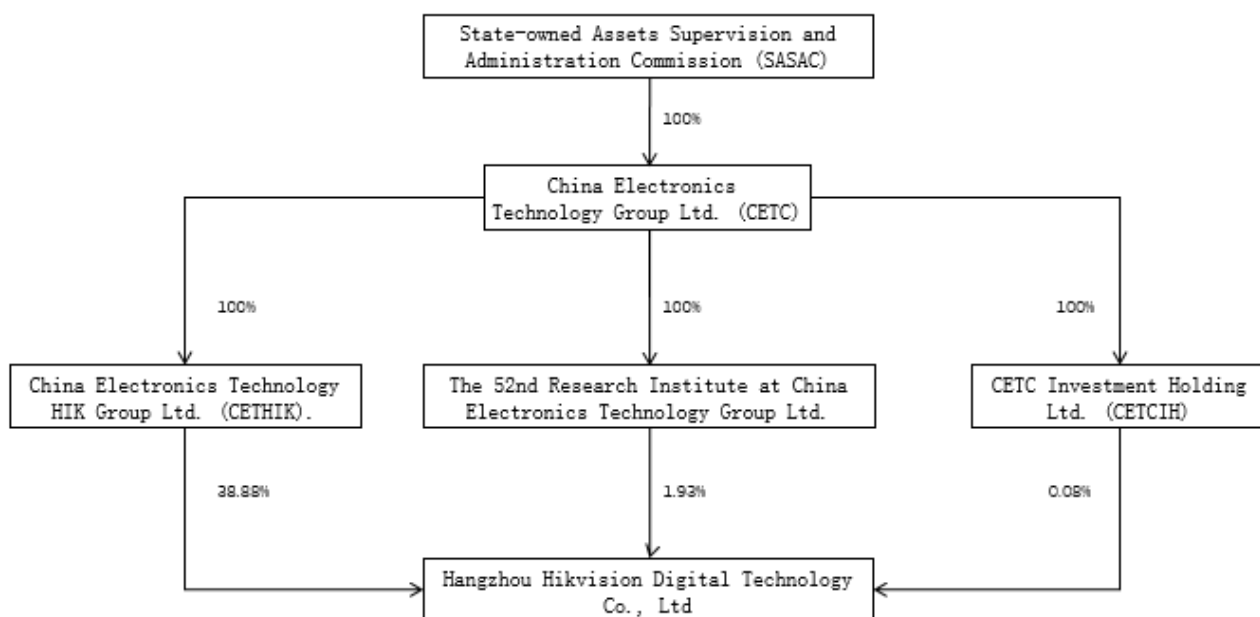
Name of the actual controller	Legal Representative /People in charge	Date of establishment	Organization code	Business scope
Shares held by the actual controlling shareholder in other listed companies through controlling or holding during the reporting period		China Electronics Technology Group Ltd is the actual controller of nine domestic listed companies including An’hui Sun Create Electronic Co., Ltd, Shanghai East China Computer Co., Ltd, Chengdu Westone Information Industry Co., Ltd., GCI Science & Technology Co., Ltd., Tai’ji Computer Corporation Limited, GLARUN Technology Co., Ltd. , Phoenix Optics Co., Ltd., Chengdu Tianao Electronic Co., Ltd. and CETC Energy Co., Ltd., and etc.		

Change of the actual controller during the reporting period

Applicable Inapplicable

No such change during the reporting period.

The ownership and controlling relationship between the actual controller of the Company and the Company is detailed as follows:



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

Applicable Inapplicable

5. Particulars on shareholding decrease restrictions for the controlling shareholders, actual controller, restructurer or other committing parties

Applicable Inapplicable

Section VII Information of Preferred Shares

Applicable Inapplicable

There is no preferred share existed for the Company during the current reporting period.

Section VIII Information about Convertible Corporate Bonds

Applicable Inapplicable

There is no convertible corporate bond existed for the Company during the current reporting period.

Section IX Information about Directors, Supervisors, Senior Management and Employees

I. Shareholding changes of directors, supervisors, senior management personnel

Name	Title	Tenure status	Gender	Age	Commencement of term of office	Termination of term of office	Shares held at the beginning of the Period (Shares)	Shares increased during the Period (shares)	Shares decreased during the Period (Shares)	Shares held at the end of the Period (Shares)
Chen Zongnian	Chairman	Incumbent	Male	56	June 19 th 2008	March 4 th 2024	0	0	0	0
Gong Hongjia	Vice Chairman	Incumbent	Male	56	June 19 th 2008	March 5 th 2021	1,255,056,700	0	238,441,886	1,016,614,814
Qu Liyang	Director	Incumbent	Male	57	March 7 th 2018	March 4 th 2024	15,750	0	0	15,750
Hu Yangzhong	Director, General Manager (CEO)	Incumbent	Male	56	December 28 th 2001	March 4 th 2024	182,186,477	0	0	182,186,477
Wu Weiqi	Director, Standing Deputy General Manager	Incumbent	Male	57	March 1 st 2003	March 4 th 2024	11,371,389	0	0	11,371,389
Cheng Tianzong	Independent Director	Incumbent	Male	69	March 6 th 2015	March 5 th 2021	0	0	0	0
Lu Jianzhong	Independent Director	Incumbent	Male	67	March 6 th 2015	March 5 th 2021	0	0	0	0

Name	Title	Tenure status	Gender	Age	Commencement of term of office	Termination of term of office	Shares held at the beginning of the Period (Shares)	Shares increased during the Period (shares)	Shares decreased during the Period (Shares)	Shares held at the end of the Period (Shares)
Wang Zhidong	Independent Director	Incumbent	Male	54	March 6 th 2015	March 5 th 2021	0	0	0	0
Hong Tianfeng	Independent Director	Incumbent	Male	55	December 22 nd 2016	March 5 th 2021	0	0	0	0
Cheng Huifang	Supervisor Chairman	Incumbent	Female	68	March 6 th 2015	March 5 th 2021	0	0	0	0
Wang Qiuchao	Supervisor	Incumbent	Male	70	March 6 th 2015	March 5 th 2021	35,000	0	0	35,000
Xu Lirong	Supervisor; person in charge of internal audit	Incumbent	Male	58	March 21 st 2018	March 11 th 2024	303,000	0	0	303,000
He Hongli	Senior Deputy General Manager	Incumbent	Female	48	December 18 th 2005	March 11 th 2024	331,500	0	0	331,500
Fu Baijun	Senior Deputy General Manager	Incumbent	Male	49	January 20 th 2009	March 12 th 2021	495,000	0	0	495,000
Cai Changyang	Senior Deputy General Manager	Incumbent	Male	50	April 8 th 2016	March 11 th 2024	109,500	0	0	109,500
Xu Ximing	Senior Deputy General Manager	Incumbent	Male	48	October 11 th 2016	March 11 th 2024	197,000	0	0	197,000
Bi Huijuan	Senior Deputy General Manager	Incumbent	Female	50	October 11 th 2016	March 11 th 2024	273,000	0	0	273,000

Name	Title	Tenure status	Gender	Age	Commencement of term of office	Termination of term of office	Shares held at the beginning of the Period (Shares)	Shares increased during the Period (shares)	Shares decreased during the Period (Shares)	Shares held at the end of the Period (Shares)
Jiang Yufeng	Senior Deputy General Manager	Incumbent	Male	50	December 18 th 2005	March 12 th 2021	325,500	0	0	325,500
Pu Shiliang	Senior Deputy General Manager	Incumbent	Male	44	March 21 st 2018	March 11 th 2024	393,900	0	98,000	295,900
Jin Duo	Senior Deputy General Manager	Incumbent	Male	56	March 10 th 2015	March 11 th 2024	109,500	0	0	109,500
Jin Yan	Senior Deputy General Manager, Person in charge of finance	Incumbent	Female	42	July 22 nd 2015	March 11 th 2024	284,000	0	0	284,000
Huang Fanghong	Senior Deputy General Manager, Board Secretary	Incumbent	Female	39	April 8 th 2016	March 11 th 2024	402,500	0	0	402,500
Chen Junke	Senior Deputy General Manager	Incumbent	Male	50	March 21 st 2018	March 11 th 2024	0	0	0	0
Total	--	--					1,451,889,716	0	238,539,886	1,213,349,830

Note:

(1) Number shares held at the beginning of the period, shares increased during the period, shares decreased during the period for directors, supervisors, and senior management personnel above are all shares directly held by them accordingly, including restricted shares.

(2) On March 5th 2021, Gong Hongjia resigned as a director of the Company at termination of term of office, Cheng Tianzong and Wang Zhidong resigned as

independent directors of the Company at termination of term of office, Cheng huifang resigned as the board supervisor of the Company at termination of term of office. Wang Qiuchao was elected as a director of the Company's fifth board of directors, Hong Tianfeng and Lu Jianzhong were elected as supervisors of the Company's fifth supervisory board.

(3) On March 12th 2021, Gong Hongjia, Fu Baijun and Jiang Yufeng resigned from the Company's senior management positions. Xu Lirong resigned from the Company's person in charge of internal audit.

II. Changes of directors, supervisors and senior management personnel

Applicable Inapplicable

III. Positions and Incumbency

1. Directors

Mr Chen Zongnian (陈宗年): Born in 1965, Chen holds a PhD of business administration and has served as deputy general manager Shenzhen Gao Ke Run Electronics, director and general manager of Zhejiang Haikang Information Technology Co., Ltd. and Zhejiang Haikang Group Co., Ltd. He also served as an assistant of the head, deputy head, and the head of 52nd Research Institute at China Electronics Technology Group Corporation (52nd Research Institute). Chen currently serves as the chairman of China Electronics Technology HIK Group Co., Ltd. (CETHIK), the chairman of Phoenix Optics Co., Ltd. and the chairman of the Company.

Mr. Gong Hongjia (龚虹嘉): Born in 1965, Hong Kong permanent resident. Gong holds a bachelor degree of engineering, technology entrepreneur, and angel investor. He has established and invested over 10 enterprises including TECSUN Co. Ltd., AsiaInfo Dekang, Funian Technology, and Woqi Data, and etc. He took part in the establishment of the Company in November 2001 and served as a director (left after the expiry of his tenure on March 5th 2021) and vice chairman (left after the expiry of his tenure on March 12th 2021) of the Company. Gong currently serves as a vice chairman of the Company.

Mr. Qu Liyang (屈力扬): Born in 1964, bachelor degree of engineering, researcher-level senior engineer. He served as the director, deputy director, party secretary and deputy director of the 52nd Research Institute, and chairman of the board of supervisors of CETHIK. He is currently a member of the Strategy Committee of China Electronic Technology Group Co., Ltd., director of the Science and Technology Innovation Committee of CETHIK, and a director of the Company.

Mr. Hu Yangzhong (胡扬忠): Born in 1965, master degree of engineering, senior research engineer. He served as an engineer of the 52nd Research Institute from June 1989 to December 2001. He has been appointed as a director of the Company and general manager of the company since December 2001. Hu currently serves as a director and the general manager of the Company.

Mr. Wu Weiqi (邬伟琪): Born in 1964, bachelor degree of engineering, senior engineer. Wu held various positions at the 52nd Research Institute, including technician, engineer associate, engineer and senior engineer, from July 1986 to December 2001. Since November 2001, He has been appointed as a deputy general manager, a standing deputy general manager, and a director of Hikvision. Wu currently serves as a director and standing deputy general manager of the Company.

Mr. Cheng Tianzong (程天纵): Born in 1952, Taiwanese, master degree in business administration. Cheng served as president and a director of Hewlett-Packard Development Company, L.P. (China) from 1992 to 1997; served as the president of the Asia Pacific of Texas Instruments Incorporated (德州仪器) from 1997 to 2007; served as a vice-president of Hon Hai Corporation (鸿海集团) from July 2007 to 2012, and the chief executive officer of FIH Mobile Limited, a subsidiary of Hon Hai Corporation (鸿海集团), a company listed on the Hong Kong Stock Exchange in 2011. He retired in June 2012 and devoted himself to China Maker Campaign (中国创客运动) to help and guide those start-up companies in September 2013. Cheng served as an independent director of the Company (left after the expiry of his tenure on March 5th 2021)

Mr. Lu Jianzhong (陆建忠): Born in 1954, holds bachelor degree in economics and CPA certificate. Lu served as a lecturer and an associate professor of finance and accounting department at Shanghai Maritime University (上海海事大学) from September 1986 to September 1997; he was a CPA and a partner of the auditing department of PricewaterhouseCoopers, from October 1997 to June 2012; he was a chartered accountant of Shanghai De'an Certified Public Accountants LLP (上海德安会计师事务所) from July 2012 to July 2013; he was a chartered accountant of the Shanghai branch of PKF Daxin Certified Public Accountants LLP (大信会计师事务所上海分所), from August 2013 to July 2014; He was a partner and a chartered accountant and a partner of Zhongxinghua Certificated Public Accountants LLP (中兴华会计师事务所) from August 2014 to January 2016. Lu has served as an independent director of Hikvision. Lu currently serves as a chartered accountant of Dahua Certificated Public Accountants LLP (大华会计师事务所), MPAcc/Maud Enterprise Mentor of Antai College of Economics & Management, Shanghai Jiao Tong University (上海交通大学安泰管理学院), and a supervisor of the Company. (On March 5th 2021, Mr. Lu was elected as a supervisor of the Company at the Company's 2021 first interim general meeting of shareholders).

Mr. Wang Zhidong (王志东): Born in 1967, Hong Kong permanent resident, bachelor degree of science. He served as a deputy general manager and chief engineer of Beijing Haidian District Suntendy Electronic Technology Research Institute (北京新天地电子信息技术研究) from April 1992 to August 1993; He served as a general manager of Beijing Richwin Information Technology Co., Ltd. (四通利方信息技术有限公司), and served as chief executive officer and a director of SINA Corporation (新浪网) from December 1993 to June 2001; He served as chairman and chief executive officer of Beijing Dianji Technology, Ltd. (北京点击科技有限公司) from December 2001 to July 2013. Mr. Wang has served as an independent director of the Company (left after the expiry of his tenure on March 5th 2021). He currently serves as chairman and chief executive officer of Beijing Yilianyisheng Techonology Co. Ltd.(北京易连忆生科技有限公司).

Mr. Hong Tianfeng (洪天峰): Born in 1966, master degree in engineering. Hong was an engineer in Nanjing University of Posts and Telecommunication (南京邮电大学) from July 1990 to June 1993; He served as an executive deputy general manager, chief executive of Operation and Delivery, chairman of investment decision

committee, and vice chairman of Huawei Technologies Co., Ltd. (华为技术有限公司) from July 1993 to September 2011. Hong has served as an independent director of the Company. Hong currently serves as a managing partner of Suzhou Fangguang Venture Investment Management (Limited Partnership)(苏州方广创业投资管理合伙企业(有限合伙)), an executive director of Shanghai Fangguang Venture Investment Management Co., Ltd. (上海方广创业投资管理有限公司), and supervisor of the Company. (On March 5th 2021, Mr. Hong was elected as a supervisor of the Company at the Company's 2021 first interim general meeting of shareholders).

Mr. Wu Xiaobo (吴晓波): born in 1960, a PhD of business administration, Professor, Ph.D. Tutor. In February 1982, he joined the Energy Saving Office of the Ministry of Forestry, Zhejiang Energy Conservation Technology Service Center, and joined the School of Management of Zhejiang University in July 1992, successively served as an executive vice dean and dean. He is currently the Director of the Department of Social Sciences of Zhejiang University, the Director of the National Philosophy and Social Science Innovation Base - *Research on Innovation Management and Sustainable Competitiveness* of Zhejiang University, the Chinese Director of the Joint Research Center for Global Manufacturing and Innovation Management of Zhejiang University-Cambridge University, the Co-Director of the Ruihua Institute of Innovation Management, and an independent director of the Company (elected at the Company's first extraordinary general meeting for 2021 held on March 5th 2021).

Mr. Hu Ruimin (胡瑞敏): born in 1964, a PhD in engineering, Second-level Professor, doctoral tutor, LuoJia distinguished scholar, recipient of Special Government Grants from the State Council, Senior Member of IEEE (Institute of Electrical and Electronics Engineers), fellow of China Institute of Communications, distinguished member of China Computer Federation. He has successively served as Vice Chairman of the Academic Committee of Wuhan University, Director of the National Multimedia Software Engineering Technology Research Center, Director of Hubei Provincial Key Laboratory of Multimedia Network Communication Engineering, First Executive Dean of National Cyber Security College and Dean of School of Computer Science of Wuhan University. From January 2010 to January 2016, he served as the first dean of Hikvision Research Institute. He is currently a professor of Wuhan University and an independent director of the Company (elected at the Company's first extraordinary general meeting for 2021 held on March 5th 2021).

Mr. Li Shuhua (李树华): born in 1971, a PhD in accounting, non-practicing member of the China Institute of Certified Public Accountants, National-level candidates for the New Century Hundreds and Thousands of Talents Project, National Leading Talents in Accounting, and National Leading Talents in Shenzhen. He has successively served as Deputy Director of the Audit Division of the Accounting Department of the China Securities Regulatory Commission (presiding), Deputy Director of the General Office (presiding), Director of the Financial and Budget Management Department and Director of the General Office, a member of the Executive Committee and Chief Financial Officer, Chief Risk Officer and Chief Compliance Officer of China Galaxy Securities Co., Ltd. He concurrently served as a PE professor and master's tutor at the National Accounting Institute (Xiamen), Peking University, Shanghai Institute of Advanced Finance, Shanghai Jiaotong University, and Tsinghua University. He is currently the Managing Partner of Shenzhen Oriental Fortune Capital Investment Management Co., Ltd. (OFC), Chairman of Changzhou NRB Corporation (常州光洋轴承股份有限公司), and an independent director of the Company (elected at the Company's first extraordinary general meeting for 2021 held on March 5th 2021).

Mr. Guan Qingyou (管清友): born in 1977, a holder of Ph.D. in economics, Young Economist. He has successively served as the former vice president of Minsheng Securities and the president of the research institute; He is currently the President and Chief Economist of the Institute of Finance, Vice President of the China Private Economic Research Association, Professor of the School of Economics of Hainan University, Chief Economist of Zhongguancun Private Equity & Venture Capital Association (ZVCA) and Guangdong Province Venture Capital Association, and an independent director of the Company (elected at the Company's first extraordinary general meeting for 2021 held on March 5th 2021).

2. Supervisors

Ms. Cheng Huifang (程惠芳): Born in 1953, PhD in international finance. She was a member of the 8th and 9th Zhejiang CPPCC (浙江省政协). Cheng has served as a supervisor of the Company (left after the expiry of her tenure on March 5th 2021). Cheng currently serve as dean of the Global Development Research Institute of Zhejiang Businesses under Zhejiang University of Technology (浙江工业大学全球浙商发展研究院), professor (level II), president of Zhejiang Yangtze River Delta of the Institute of Innovation Management (浙江长三角创新管理研究院), president of the Zhejiang Financial Engineering Society (浙江省金融工程学会).

Mr. Wang Qiuchao (王秋潮): Born in 1951, master degree in law. Wang served as director of Zhejiang Tiance Law Firm (浙江天册律师事务所), chairman of the Zhejiang Lawyers Association (浙江省律师协会), vice-president of the Zhejiang Law Society (浙江省法学会), and a supervisor of the Company.. Wang currently serves as honorary partner of Zhejiang Tiance Law Firm, arbitrator of the China International Economic and Trade Arbitration Commission (中国国际经济贸易仲裁委员会, “CIETAC”), an arbitrator of Shanghai International Arbitration Center (上海国际仲裁中心) and Shenzhen International Economic and Trade Arbitration Commission (深圳国际仲裁中心), and a director of the Company (On March 5th 2021, Mr. Wang was elected as a director of the Company at the Company's 2021 first interim general meeting of shareholders).

Mr. Xu Lirong (徐礼荣): Born in 1963, master degree of engineering, senior engineer. In January 2002, he joined Hikvision and served as manager of development division under the R&D center, secretary of the board of directors, the person in charge of internal audit, and a deputy general manager of the Company. He is currently the employee representative supervisor.

3. Senior management personnel

Mr. Hu Yangzhong (胡扬忠): Please refer to his profile in preceding part of the report.

Mr Wu Weiqi (邬伟琪): Please refer to his profile in preceding part of the report.

Ms. He Hongli (何虹丽): Born in 1973, master degree in business administration. She joined Hikvision in December 2001 and served as an assistant to the general manager and a deputy general manager. Ms. He currently serves as a senior deputy general manager of the Company.

Mr. Fu Baijun (傅柏军): Born in 1972, bachelor degree in economics, Chinese Certificated Public Accountant, professor-level senior accountant. He served as an accountant of the accounting division of the 52nd Research Institute and a deputy general manager of Zhejiang Haikang Information Co. Ltd. (浙江海康信息技术股份有限公司) from July 1996 to December 2008. He joined Hikvision in January 2009, and served as a deputy general manager and the person in charge of finance and accounting department, a deputy general manager, and a senior deputy general manager of the Company (left after the expiry of his tenure on March 12th 2021).

Mr. Cai Changyang (蔡昶阳): born in 1971, bachelor degree in engineering. He joined Hikvision in 2004, and held various positions of the Company, including general manager of Beijing branch, director for government and enterprise corporation department, director of investment department, director of strategy and marketing department, and a deputy general manager of the Company. Mr. Cai currently serves as senior deputy general manager of the Company.

Mr. Xu Ximing (徐习明): born in 1973, bachelor degree in engineering. From July 1996 to September 2016, he held various positions in IBM, including engineer, department manager, director, partner of consulting service, senior partner of consulting service, and a vice president. He joined Hikvision in September 2016, and served as a deputy general manager of the Company. Mr. Xu currently serves as a senior deputy general manager of the Company.

Ms. Bi Huijuan (毕会娟): born in 1971, PhD in engineering, senior research engineer. From April 1999 to August 2016, she held various positions in the 15th Research

Institute at China Electronics Technology Group Corporation (CETC), including engineer, senior engineer, senior research engineer, head of R&D department, vice chief engineer, and deputy director. She joined Hikvision in August 2016, and served as a deputy general manager of the Company. Ms. Bi currently serves as a senior deputy general manager of the Company.

Mr. Jiang Yufeng (蒋玉峰): born in 1971, bachelor degree of engineering, an engineer. He joined Hikvision in January 2005 and held various positions in the Company, including general manager of Beijing branch, marketing director, assistant to general manager, deputy general manager and marketing director, a deputy general manager, and a senior deputy general manager of the Company (left after the expiry of his tenure on March 12th 2021).

Mr. Pu Shiliang (浦世亮): born in 1977, doctor of engineering, a senior engineer. He joined Hikvision in April 2006 and held various positions in the Company, including R&D engineer, R&D manager, R&D director, dean of the R&D institute, and chief expert. He currently serves as a senior deputy general manager of the Company.

Mr. Jin Duo (金铎): born in 1965, bachelor degree in engineering, a senior engineer. He served as a technician, assistant to engineers, an engineer and a senior engineer of the 52nd Research Institute from July 1986 to June 2004. He joined Hikvision in July 2004 and served as general manager of Hangzhou Branch, and a deputy general manager of the Company. Mr. Jin currently serves as a senior deputy general manager of the Company.

Ms. Jin Yan (金艳): born in 1979, master degree in management, an accountant. She joined Hikvision in 2004 and held various positions at the Company, including financial manager, the general manager of the Financial Management Center, and a deputy general manager and the person in charge of finance and accounting. Ms. Jin currently serves as a senior deputy general manager and the person in charge of finance and accounting of the Company.

Ms. Huang Fanghong (黄方红): born in 1982, bachelor degree in law. She joined Hikvision in June 2009 and held various positions at the Company including legal department manager, internal audit manager, internal control director, and a deputy general manager and the board secretary. Ms. Huang currently serves as a senior deputy general manager, and board secretary of the Company.

Mr. Chen Junke (陈军科): Born in 1971, bachelor degree in engineering, senior engineer. Chen held various positions in the 52nd Research Institute from 1994 to 2001, including assistant engineer, engineer and senior engineer. He joined the Company in 2001 and served as the technology director of the Digital Video Recorder (DVR) Division of the Technology Management Center, general manager of supply chain management center, employee representative supervisor. Chen currently serves as senior deputy general manager of the Company.

Mr. Xu Peng (徐鹏): born in 1976, bachelor of engineering, senior engineer. From 1998 to 2004, he successively served as an assistant engineer and engineer of No. 52 institute, and in 2004, he joined Hikvision, where he served as camera research and development manager, research and development director, product director, general manager of front-end product business, and deputy general manager of the Company. He is currently the senior deputy general manager of the Company (appointed at the first meeting of the 5th Board of Directors on March 12th 2021).

Mr. Guo Xudong (郭旭东): born in 1972, bachelor of engineering. In July 2002, he joined Hikvision, and successively served as general manager of Shenzhen Branch, marketing director of domestic marketing center and deputy general manager of domestic marketing center. He is currently the senior deputy general manager of the Company (appointed at the first meeting of the 5th Board of Directors on March 12th 2021).

Position held in shareholders' entities

√Applicable □ Inapplicable

Name	Shareholder's entity	Position in shareholders' entities	Commencement of the term	Termination of the term	Compensation and allowance from the shareholders' entity
Chen Zongnian	China Electronics Technology HIK Group Ltd.	Chairman, Secretary of party committee	November 2013		Y
Hu Yangzhong	China Electronics Technology HIK Group Ltd.	Director	December 2013		N
Xu Lirong	China Electronics Technology HIK Group Ltd.	Supervisor, Member of Commission for Discipline Inspection	December 2013		N

Positions held in other entities

√Applicable □ Inapplicable

Name	Name of other Entity	Position in other entity	Commencement of the term	Termination of the term	Compensation and allowance from the other entities
Cheng Zongnian	Zhejiang <i>Intelligent IoT Technology</i> Magazine	Legal Representative	February 2004		N
Cheng Zongnian	CETC Finance Ltd.	Director	December 2012	January 2021	N
Cheng Zongnian	Phoenix Optics Co., Ltd.	Chairman	December 2019		N
Gong Hongjia	Furong Technology Ltd.	Director	October 1999		N
Gong Hongjia	Hangzhou FunVio Ltd.	Chairman	February 2004		N
Gong Hongjia	Funian Technology Ltd.	Chairman of the Board	October 2007		N
Gong Hongjia	Beijing Funian Technology Ltd.	Legal Representative	November 2011		N
Gong Hongjia	Shanghai Fullhan Microelectronics Co., Ltd.	Director	April 2013		N
Gong Hongjia	Shenzhen Innovation Valley Investment Management Ltd.	Director	July 2014		N
Gong Hongjia	Shanghai Pukun Information Technology Ltd.	Director	September 2014		N
Gong Hongjia	FuCe Holdings Ltd.	Director	October 2014		N
Gong Hongjia	Chuangjia Venture Capital Investment Ltd	Director	October 2014		N
Gong Hongjia	Shenzhen Jiadao Valley Investment Management Ltd.	Legal Representative	October 2014		Y

Name	Name of other Entity	Position in other entity	Commencement of the term	Termination of the term	Compensation and allowance from the other entities
Gong Hongjia	Shenzhen Jiadao Gongcheng Equity Investment Fund (Limited Partnership)	Executive Partner	November 2014		N
Gong Hongjia	JiuBaYi Health Technology Ltd.	Director	November 2014		N
Gong Hongjia	Beijing JiaBoWen Biotechnology Ltd.	Director	March 2015		N
Gong Hongjia	Wuhan YouXin Technology Co., Ltd.	Director	January 2016		N
Gong Hongjia	QingKe Management Consulting Group Ltd.	Director	February 2017		N
Gong Hongjia	Shenzhen JiadaoFangzhi Education Industry Investment Enterprise (Limited Partnership)	Executive Partner	June 2017		N
Gong Hongjia	Shenzhen Jiadao Successful Investment Enterprise (Limited Partnership)	Executive Partner	August 2017		N
Gong Hongjia	Shanghai AoYuan Medical Supplies Ltd.	Chairman	September 2017		N
Gong Hongjia	Sichuan JiaDao BoWen Ecological Technology Ltd.	Chairman	December 2017		N
Gong Hongjia	Beijing JiaDaoGu Management Consulting Ltd.	Supervisor	April 2018		N
Gong Hongjia	Sichuan Five-Plus-One Ecological Agriculture Technology Service Ltd.	Chairman	November 2018		N
Gong Hongjia	Sichuan JiaBoWen Biological Technology Ltd.	Chairman	November 2018		N
Gong Hongjia	Shenzhen Zhongke Science and Technology Achievements Transformation Equity	Director	December 2019		N

Name	Name of other Entity	Position in other entity	Commencement of the term	Termination of the term	Compensation and allowance from the other entities
	Investment Fund Management Ltd.				
Gong Hongjia	ZhongYuan Concord Cell Genetic Engineering Co., Ltd.	Legal Representative Chairman	December 2018		N
Gong Hongjia	Shenzhen Guotai Data Technology Ltd.	Chairman	April 2019		N
Gong Hongjia	Tianjin Deyuan Investment Development Ltd.	Director	July 2019		N
Gong Hongjia	Yong Tai Hong Kan Holding Group Ltd.	Vice Chairman	October 2019		N
Wu Weiqi	Xinjiang Pukang Investment Management Limited Partnership	Executive Partner	May 2011		N
Wu Weiqi	Wuhu Sensor Tech Intelligent Technology Ltd.	Director	January 2017		N
Wu Weiqi	Maxio Technology (Hangzhou) Ltd.	Director	May 2017		N
Wang Zhidong	Beijing YiLianSheng Science and Technology Ltd.	Chairman and CEO	October 2013		Y
Cheng Tianzong	Hechun Technology Co., Ltd.	Director	June 2014		Y
Cheng Tianzong	Zuozhen Co., Ltd.	Director	January 2015		Y
Cheng Tianzong	Wenhui Technology Co., Ltd.	Independent Director	June 2016		Y
Lu Jianzhong	Dahua Certificated Public Accountants LLP	Chartered Accountant	January 2016		N
Lu Jianzhong	ChangShu FengFan Electric Power Equipment Co., Ltd.	Independent Director	September 2015		Y
Lu Jianzhong	Ningbo Lehui International Construction Equipment Co., Ltd.	Independent Director	March 2016		Y
Lu Jianzhong	COSCO Maritime Transport Development	Independent Director	January 2018		Y

Name	Name of other Entity	Position in other entity	Commencement of the term	Termination of the term	Compensation and allowance from the other entities
	Co., Ltd.				
Lu Jianzhong	Shanghai Xinnanyang Angli Education Technology Co., Ltd.	Independent Director	January 2019		Y
Hong Tianfeng	Shanghai Fangguang Investment Management Ltd.	Executive Director	February 2012		Y
Hong Tianfeng	Shanghai Fangguang Venture Investment Management Partnership Enterprise (Limited Partnership)	Managing Partner	February 2012		N
Hong Tianfeng	Shanghai Fangguang Venture Investment Partnership Enterprise (Limited Partnership)	Managing Partner	August 2012		N
Hong Tianfeng	Shanghai Fangguang Erqi Venture Investment Partnership Enterprise (Limited Partnership)	Managing Partner	September 2016		N
Hong Tianfeng	Suzhou Fangguang Venture Investment Management Partnership Enterprise (Limited Partnership)	Managing Partner	September 2012		N
Hong Tianfeng	Suzhou Fangguang Venture Investment Partnership Enterprise (Limited Partnership)	Managing Partner	September 2012		N
Hong Tianfeng	Suzhou Fangguang Venture Investment Phase 2 Partnership Enterprise (Limited Partnership)	Managing Partner	July 2016		N
Hong Tianfeng	Shenzhen Pengfenghui Venture Investment Ltd.	Executive Director & General Manager	June 2014		N
Hong Tianfeng	Shenzhen Fangguang Enterprise Management Consulting Ltd.	Executive Director & General Manager	May 2016		N
Hong Tianfeng	Sannuo Biology Sensor	Director	September 2013		Y

Name	Name of other Entity	Position in other entity	Commencement of the term	Termination of the term	Compensation and allowance from the other entities
	Co., Ltd.				
Hong Tianfeng	Shenzhen YunZhiXun Network Technology Ltd.	Director	May 2014		N
Hong Tianfeng	Jiangsu JiTaiKe Electrics Co., Ltd.	Director	July 2015		N
Hong Tianfeng	Zhongwei Dahe Cloud Connection Network Technology Ltd.	Director	November 2016		N
Hong Tianfeng	Shenzhen DongFengMingTu Enterprise Management Ltd.	Supervisor	August 2016		N
Hong Tianfeng	CETC Huayun Information Technology Ltd.	Director	March 2017		N
Hong Tianfeng	Beijing ZhiZhangYi Sicence and Technology Ltd.	Director	December 2016		N
Hong Tianfeng	Guangzhou Smart Software Ltd.	Director	March 2018		N
Hong Tianfeng	Shanghai Daxian Intelligent Science and Technology Ltd.	Director	June 2018		N
Hong Tianfeng	Shenzhen Chip and Semi-conductor Technology Ltd.	Director	February 2018		N
Hong Tianfeng	Shenzhen YingFeiYuan Technology Ltd.	Director	October 2017		N
Hong Tianfeng	Shenzhen BiYi Micro-electronics Ltd.	Director	September 2019	July 2020	N
Cheng Huifang	Zhejiang FuRun Co., Ltd	Independent Director	April 2014	May 2020	Y
Cheng Huifang	Hangzhou Oxygenerator Group Co., Ltd.	Independent Director	January 2016	December 2020	Y
Cheng Huifang	Zhejiang HuaCe Media Co., Ltd.	Independent Director	February 2016		Y
Cheng Huifang	Zhejiang Commercial	External Supervisor	June 2016		Y

Name	Name of other Entity	Position in other entity	Commencement of the term	Termination of the term	Compensation and allowance from the other entities
	Bank Co., Ltd.				
Cheng Huifang	Quzhou NanGaoFeng Chemical Co., Ltd.	Independent Director	March 2017		Y
Cheng Huifang	Zhejiang China Textile City Group Co., Ltd	Independent Director	November 2020		Y
Wang Qiuchao	Zhejiang T&C Law Firm	Partner	August 1993		Y
Wang Qiuchao	Zhejiang KaiShan Compressor Co., Ltd.	Independent Director	May 2015		Y
Wang Qiuchao	Botsy Technology Co., Ltd	Independent Director	May 2020		Y
Xu Ximing	Shenzhen Wangyu Security Service Science and Technology Co., Ltd.	Director	November 2019		N
Fu Baijun	Shenzhen Hikvision City Service and Operation Co., Ltd.	Director	Demceber 2019	July 2020	N
Fu Baijun	Shenzhen Hikvision Urban Service Operation Co., Ltd.	Chairman	July 2020		N
Fu Baijun	Daishan Hailai Yunzhi Technology Co., Ltd.	Legal representative and chairman of the board of directors	September 2019		N
Jin Duo	Zhejiang Haishi Huayue Digital Technology Co., Ltd	Legal representative and chairman of the board of directors	January 2020		N
Wu Xiaobo	Shanghai Yirui Management Consultants Co., Ltd	Director	April 2004		N
Wu Xiaobo	Hangzhou Co-Rui Enterprise Management Consulting Co., Ltd	Director	April 2011		N
Wu Xiaobo	Ruihua Innovation Management Research Institute (Hangzhou) Co., Ltd	Director	November 2019		N
Wu Xiaobo	Ningbo Industrial Internet Research Institute Co., Ltd	Independent director	May 2018		Y

Name	Name of other Entity	Position in other entity	Commencement of the term	Termination of the term	Compensation and allowance from the other entities
Wu Xiaobo	Eddy Co., Ltd	Independent director	August 2018		Y
Wu Xiaobo	Zhongliang Holdings Group Co., Ltd	Independent director	June 2019		Y
Wu Xiaobo	Yousse Technology Co., Ltd	Independent director	June 2020		Y
Li Shuhua	Xi'an Shaanxi Power Co., Ltd	Independent director	May 2018		Y
Li Shuhua	Luoyang Yuchuan Yuye Group Co., Ltd	Independent director	August 2018		Y
Li Shuhua	Bomenko Marine Engineering Co., Ltd	Independent director	December 2018		Y
Li Shuhua	Changzhou Guangyang Holdings Co., Ltd	Director and CEO	August 2019		N
Li Shuhua	Changzhou Guangyang Bearing Co., Ltd	Chairman	Ocotober 2019		Y
Li Shuhua	Weihai Shiyi Electronics Co., Ltd	Legal representative and chairman of the board of directors	December 2020		N
Guan Qingyou	Beijing Minjin Information Consulting Services Co., Ltd	Supervisor	September 2017		N
Guan Qingyou	Rushi Institute of Finance	Chairman	September 2017		Y
Guan Qingyou	Media Group Co., Ltd.	Independent director	August 2018		Y
Guan Qingyou	Beijing Xincai Zhibei Information Technology Co., Ltd	Supervisor	October 2018		N
Guan Qingyou	South China Futures Co., Ltd	Independent director	March 2019		Y
Guan Qingyou	Shanxi International Trust Co., Ltd	Independent director	July 2019		Y
Guan Qingyou	Beijing Film Spectrum Technology Co., Ltd	Independent director	March 2019		Y
Guan Qingyou	Shandong Province Road Bridge Group Co., Ltd	Independent director	January 2021		Y

Name	Name of other Entity	Position in other entity	Commencement of the term	Termination of the term	Compensation and allowance from the other entities
Description of the status of employment in other units	1) Fu Baijun left at the end of his tenure on March 12 th 2021; 2) Wu Xiaobo, Li Shuhua and Guan Qingyou were elected as independent directors of the Company at the Company's 2021 first interim general meeting of shareholders.				

Incumbent and off-office directors, supervisors and senior management personnel during the reporting period that have been imposed administrative penalties by the CSRC during the last three years.

Applicable Inapplicable

IV. Remuneration of directors, supervisors and senior management personnel

The decision-making program, determination basis and actual remuneration payment of directors, supervisors and senior management personnel:

The remuneration of directors, supervisors and senior management personnel will be received preliminarily by the Remuneration and Appraisal Committee of the Board, among them, remuneration of independent directors and external supervisors would be further reviewed and approved by general meeting of shareholders. As for those directors (exclude independent directors), supervisors (exclude external supervisors) and senior management personnel who receive remuneration from the Company directly, they will receive remuneration according to the Company's current Salary System and Performance Appraisal Schemes.

Remuneration of directors, supervisors and senior management personnel

Unit: RMB 0,000

Name	Title	Gender	Age	Tenure status	Total remuneration from the Company (RMB'0,000)	Remuneration from related parties (Y/N)
Chen Zongnian	Chairman	M	56	Incumbent	0	Y
Gong Hongjia	Vice Chairman	M	56	Incumbent	0	Y
Qu Liyang	Director	M	57	Incumbent	0	Y
Hu Yangzhong	Director, General Manager	M	56	Incumbent	308.57	N
Wu Weiqi	Director, Standing Deputy General Manager	M	57	Incumbent	293.55	N
Cheng Tianzong	Independent Director	M	69	Incumbent	30.00	N
Lu Jianzhong	Independent Director	M	67	Incumbent	30.00	N
Wang Zhidong	Independent Director	M	54	Incumbent	30.00	N
Hong Tianfeng	Independent Director	M	55	Incumbent	30.00	N
Cheng Huifang	Supervisor Chairman	F	68	Incumbent	20.00	N
Wang Qiuchao	External Supervisor	M	70	Incumbent	20.00	N

Name	Title	Gender	Age	Tenure status	Total remuneration from the Company (RMB'0,000)	Remuneration from related parties (Y/N)
Xu Lirong	Employee Supervisor, Person in charge of internal audit	M	58	Incumbent	158.56	N
He Hongli	Senior Deputy General Manager	F	48	Incumbent	278.57	N
Fu Baijun	Senior Deputy General Manager	F	49	Incumbent	240.57	N
Cai Changyang	Senior Deputy General Manager	M	50	Incumbent	237.94	N
Xu Ximing	Senior Deputy General Manager	M	48	Incumbent	415.65	N
Bi Huijuan	Senior Deputy General Manager	F	50	Incumbent	397.62	N
Jiang Yufeng	Senior Deputy General Manager	M	50	Incumbent	240.56	N
Pu Shiliang	Senior Deputy General Manager	M	44	Incumbent	278.57	N
Jin duo	Senior Deputy General Manager	M	56	Incumbent	268.57	N
Chen Junke	Senior Deputy General Manager	M	50	Incumbent	238.55	N
Jin Yan	Senior Deputy General Manager, person in charge of finance and accounting	F	42	Incumbent	248.57	N
Huang Fanghong	Senior Deputy General Manager Board Secretary	F	39	Incumbent	248.57	N
Total	--	--	--	--	4,014.42	--
Other information on positions and incumbency		1) On March 5 th 2021, Gong Hongjia left as a director of the Company, Cheng Tianzong and Wang Zhidong left as independent directors of the Company, and Cheng Huifang left as a supervisor of the Company at the end of their tenure. Wang Qiuchao was elected as a director of the Company's fifth board of directors, and Hong Tianfeng and Lu Jianzhong were elected as supervisors of the company's fifth supervisory board. 2) On March 12 th 2021, Gong Hongjia, Fu Baijun and Jiang Yufeng left their senior management positions after expires of their tenures.				

Share incentives for directors, supervisors and senior executives in the Reporting Period

 ✓ Applicable Inapplicable

Unit: share

Name	Title	Restricted Shares held at the beginning of the period	Shares vested in the current period	Shares newly granted in the current period	Price for restricted shares granted (RMB per share)	Restricted Shares held at period-end
Hu Yangzhong	Director, General Manager	96,300	48,150	-	-	48,150
Wu Weiqi	Director, Standing Deputy General Manager	89,100	44,550	-	-	44,550
He Hongli	Senior Deputy General Manager	82,800	41,400	-	-	41,400
Fu Baijun	Senior Deputy General Manager	222,900	58,950	-	-	163,950
Xu Lirong	Supervisor, person in charge of internal audit	65,700	32,850	-	-	32,850
Jiang Yufen	Senior Deputy General Manager	73,800	36,900	-	-	36,900
Jin Duo	Senior Deputy General Manager	65,700	32,850	-	-	32,850
Jin Yan	Senior Deputy General Manager, person in charge of finance	214,400	52,200	-	-	162,200
Cai Changyang	Senior Deputy General Manager	65,700	32,850	-	-	32,850
Bi Huijuan	Senior Deputy General Manager	213,000	45,000	-	-	168,000
Pu Shiliang	Senior Deputy General Manager	189,640	44,820	-	-	144,820
Huang Fanghong	Senior Deputy General Manager, Secretary of the board	110,000	0	-	-	110,000
Xu Ximing	Senior Deputy General Manager	197,000	0	-	-	197,000
Total	--	1,686,040	470,520	-	-	1,215,520

Note:

- (1) This personnel listed above are the Company's senior executives who were included in 2016 restricted shares incentive plan and 2018 restricted shares incentive plan.
- (2) Fu Baijun and Jiang Yufeng left their positions at expires of their tenures on March 12th 2021.

V. Staff in the Company

1. Statistics of employees, professional structure of the staff, and educational background

Number of incumbent employees in the parent Company	18,392
Number of incumbent employees in major subsidiaries	24,293
Number of incumbent employees	42,685
Number of employees receiving salaries in current period	42,685
Number of retired employees requiring the parent Company and its subsidiaries to bear costs	0
Professional structure	
Tier	Number of employees
Managerial personnel	697
Production staff	11,751
Sales staff	8,164
Engineers	20,597
Financial staff	321
Administrative Staff	1,155
Total	42,685
Educational background	
Education background	Number of employees
Master and/or doctor/or above	7,952
Bachelor	21,838
Junior College (professional training)	2,880
Other	10,015
Total	42,685

2. Staff remuneration policy

Hikvision applies scientific talent cultivation methods, effective talent incentive mechanisms and fair competition platforms to recruit talents, and continuously optimizes the talent structure. The Company provides employees with remuneration packages which are competitive in the industry. In addition to endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance and housing provident funds, the Company also provides employees with the supplementary commercial insurance, special allowances, and other benefits, and creates a fairer and more humanized working environment for each employee; so that each employee is able to demonstrate his/her value, and create value to satisfy increasing demands for a good life.

3. Staff training plans

The company is focused on long-term development strategies and works for the goal of supporting business development and people development and has planned and implemented a set of training programs and courses.

In 2019, the Company continued to optimize the training system, with priority placed on creating online learning platform, optimizing courses system and cultivating internal trainers. In order to better accumulate and reproduce the experiences of the organization and provide the employees with premium training courses of various fields, the Company has introduced detailed arrangements for systematic management in 5 categories and implemented certification and level-by-level management of the courses from the aspects of course quality and reproducibility, and etc. The company has enacted the standard for Hikvision's internal trainers' growth, development and capabilities, clarified the capability requirements and enabling courses for the internal trainers in terms of "demand analysis, course design, course development, lecturing and course evaluation", and completed the SOP process for internal trainers certification. The Company provides standardized certification procedure covering application, qualification review, selection, certification and employment and will further improve certification efficiency by implementing online management.

The Human Resources Department interacts with the front-line business personnel and assists the business experts in gleaning inter-organization experiences to design and implement large-scale training-practice programs. We are striving to better facilitate ability enhancement of the employees in critical positions during business transformation and thoroughly implement the concept of "learning in practice".

In 2020, the Company continued to work on the goal of business development and talent development and continue optimizing the systems and resources, to facilitate strategic transformation and prepare the talent pool and enhance their capabilities for the critical activities during business development.

In 2021, the Company will continue the "system and resources" construction, while focusing on the annual strategic completion of several key posts, to carry out targeted capacity improvement projects.

4. Labor outsourcing

Applicable Inapplicable

Section X Corporate Governance

I. Basic situation of corporate governance

Since the inception of the Company, we have been strictly following relevant laws and regulations such as the “Company Law”, “Securities Law”, “Code of Corporate Governance of Listed Companies”, “Rules Governing the Listing of Shares on Shenzhen Stock Exchange”, and “Guidelines for the Standardized Operation of Listed Companies on the Shenzhen Stock Exchange” as well as the requirements of the regulations and regulatory documents of the regulatory authorities, set up a “3+1” corporate governance structure comprising shareholders’ meeting, the board of directors, the board of supervisors, and the senior management taking into consideration the actual situation of the Company, and disclosed information in a true, accurate, complete, timely and impartial manner; we have also established and improved internal management and control system, maintained the healthy and stable development, and ensured the legitimate rights and interests of the Company and investors. During the reporting period, the basic details of corporate governance is as follows:

1. Shareholders and shareholders’ meeting

We have ensured the equal status and full rights for all shareholders, especially small and medium shareholders. During the reporting period, the Company’s shareholders’ meetings were convened by the board of directors, and witnessed by lawyers on-site with legal opinions issued. Proposals were reviewed in compliance with legal procedures to ensure that all shareholders have the right to know, participate, and vote on major issues of the Company and to fully exercise their legal rights.

2. The controlling shareholders and listed company

The Company’s controlling shareholders had no improper conduct and have never directly or indirectly interfered with the Company’s decision-making and operating activities overriding shareholders’ meeting. There are no such cases that controlling shareholders occupy the Company’s funds or the Company provides guarantees for controlling shareholders. The Company, with its own complete business system and management capabilities, has been independent of controlling shareholders in terms of business, personnel, assets, institutions, and finances. The Company’s board of directors, board of supervisors and internal institutions has been operating separately to ensure that major company decisions are made and implemented by the Company.

3. Directors and the board of directors

The Company's board of directors, operating in a normalized way, has performed its functions invested by the “Articles of Association” and relevant laws and regulations, and implemented the relevant decisions of the shareholders’ meeting. The number and composition of the Company's board of directors comply with the requirements of laws and regulations. There are four special committees for strategy, audit, nomination, remuneration and appraisal under it. Each committee has a clear division of labor, clear powers and responsibilities, and effective operation. All directors of the Company have performed their duties with integrity, loyalty, diligence, professionalism and due diligence, and earnestly safeguard the legitimate rights and interests of the Company and all shareholders with a view to the interests of the Company and all shareholders. During the reporting period, the company convened 6 board meetings, reviewed and approved 38 proposals including the “Annual Report 2019 and Its Summary”, “Proposal on Revising the Performance Appraisal Indicators of the Company under the Restricted Stock Plan in 2018”, and “Proposal on Revising < Management Measures for Core Staff’s Co-investment into Innovative Business >”, etc.

4. Supervisors and board of supervisors

The number and composition of the Company’s board of supervisors meet the requirements of laws and regulations; the Company’s supervisors have diligently performed their duties and obligations, and carried out supervision and inspection functions being responsible to shareholders, and supervised the Company’s financial status, operating conditions and related transactions, and the performance of duties by directors and senior managers to fully protect the legal rights and interests of the Company and all shareholders.

5. Performance appraisal and incentive and restraint mechanism

The Company has established a complete performance appraisal system and remuneration system. The appointment procedures for senior management personnel are open and transparent, and comply with relevant laws and regulations. The remuneration and appraisal committee under the Company's board of directors is responsible for performance appraisal of the Company's senior management at the end of the year to determine their remuneration. To further set up and improve the Company’s incentive mechanism and strengthen the concept of sustainable development of both the Company and employees, the Company has adopted a restricted share plan and the plan of core staff’s co-investment into innovation business to achieve its development strategy and business objectives, and realize sustainable health development.

6. Information disclosure and transparency

The Company has strictly followed the relevant laws and regulations and the “Company Information Disclosure Management Measures” to disclose relevant information truthfully, accurately, completely, timely and

impartially, and thoroughly implemented the “*Company Information Insider Registration Management System*” to register insiders and file to further standardize inside information management and to ensure that all shareholders and other stakeholders of the Company have equal access to company information. During the reporting period, the Company disclosed 4 periodic reports and 68 temporary announcements. The Company's information disclosure has been recognized by the regulatory authorities: the company has been rated as Level A by the Shenzhen Stock Exchange for 10 consecutive years in the SMEs board listed company information disclosure assessment.

7. Investor relations activities

The Company has proactively organized performance briefings after the disclosure of regular reports, regularly held investor reception day activities to actively listens to investors’ opinions and suggestions, and released the “*Investor Relations Activity Record*” after the event to ensure fair access to company information by all investors. In daily work, the Company has kept in touch with investors through multiple channels such as telephone, e-mail, and irm.cninfo.com.cn to effectively interact and communicate with investors. The Company’s efforts to maintain investor relations has been recognized by the capital market: the Securities Times’ 14th China Most Valuable Listed Company Selection “*SMEs Board Top 50*”, “*SMEs Board Top 10 Management Teams*”, and “*Best Listed Company*” by New Fortune; *CBN 2020 China Capital Annual Conference-Valuable Company Selection “2020 Top 15 Valuable Companies in China”*, “*2020 Top 30 Valuable Companies - New Leader of the Security Industry*”; Wind 2020 List of Listed Companies by Market Value “*Market Value List Top 50*”, “*Top 5 in Hardware Equipment Industry*”, “*Top 50 Listed Companies Most Favored by Institutions*”.

Any significant incompliance for the relevant regulatory documents issued by China Securities Regulatory Commission in respect of the Company’s corporate governance:

Yes No

There is no significant incompliance for the relevant regulatory documents issued by China Securities Regulatory Commission in respect of the Company’s corporate governance.

II. Company’s Independence in Businesses, Management, Assets, Institutions and Finance from Controlling Shareholders

The Company is completely independent in business, management, assets, organization, and finance from its shareholders. The Company has established a sound internal control system, being capable of operating

independently with its complete and independent business.

- (1) **Business independence:** The Company has its own production, purchases and sales systems, which are completely independent from controlling shareholders. Therefore, there is no competition among the Company, controlling shareholders, and related parties.
- (2) **Personnel independence:** The Company has independent personnel. The management has set up various independent departments, including R&D, production, administration, finance and operation management divisions, etc., and established complete management methods for labor, personnel, and salary management. Personnel of the Company are independent from controlling shareholders, e.g. the Chairman is elected through the general meetings of the Board. In addition, the General Manager, Senior Deputy General Managers, the Secretary of the Board, CFO, and other senior management personnel of the Company are only employed and remunerated by the Company, and do not hold any position in controlling shareholders and is not remunerated by controlling shareholders. Directors, Supervisors and Senior Management Personnel are appointed through legal procedures strictly in accordance with relevant regulations stipulated in *Company Law* and *Articles of Association*. There is no controlling shareholder intervention in the Company's personnel decisions in general meetings of the Board or shareholders.
- (3) **Asset Completeness:** The property rights of assets are explicitly between the Company and the controlling shareholders, and no assets, funds, or other resources owned by the Company are illegally and irregularly occupied or controlled by the controlling shareholders. Assets of the Company are integrated, including complete property rights of fixed assets for production, supporting assets for production, and intangible assets of patents, etc. The Company has the full control and ownership of all assets.
- (4) **Independence in organizations:** The Company's Board, Supervisor Committee, Management and other internal organizations operates independently, and each functional department is independent from controlling shareholders in duty and personnel. There is no superior-subordinate relation between functional departments of controlling shareholders and those of the Company, which would have an impact on the Company's independent operations.
- (5) **Financial Independence:** The Company has established an independent financial department, as well as a sound and independent financial and accounting system. The Company makes financial decisions independently. There is no controlling shareholder intervention in the Company's financial and accounting activities. The Company has maintained accounts with banks independently of and do not share any bank account with our Controlling Shareholders. The Company has undertaken independent tax registration in accordance with applicable laws, and paid tax independently.

III. Horizontal competition

Applicable Inapplicable

IV. Annual General Meeting and Extraordinary General Meetings convened during the Reporting Period

1. Annual General Meeting convened during the reporting period

Meeting	Nature	Proportion of participating investors	Convened Date	Disclosure Date	Disclosure Index
2019 Annual General Meeting	Annual General Meeting	71.59%	May 15 th 2020	May 16 th 2020	Public Announcement: No. 2020-032

2. Extraordinary general meetings convened at the request of preferred shareholders with resumed voting rights:

Applicable Inapplicable

V. Performance of duties by independent directors during the reporting period

1. Attendance of independent directors in board meetings and general meetings

Attendance of independent directors in board meetings and general meetings							
Name of Independent Director	Board meeting presence required in the reporting period (times)	Board meeting presence on site (times)	Board meeting presence by telecommunication (times)	Board meeting presence through a proxy (times)	Board meeting absence (times)	Board meeting not attend in person for two consecutive times	Presence of independent directors in general meetings (times)
Cheng Tianzong	6	1	5	0	0	N	0
Lu Jianzhong	6	1	5	0	0	N	0
Wang Zhidong	6	1	5	0	0	N	1
Hong Tianfeng	6	1	5	0	0	N	0

2. Objections from independent directors on related issues of the Company

Were there any objections on related issues of the Company from independent directors?

Yes No

During the reporting period, there is no objections on related issues of the Company from independent directors.

3. Other details about the performance of duties by independent directors

Were there any suggestions from independent directors accepted by the Company?

Yes No

Details: During the Reporting Period, independent directors strictly followed related rules, regulations, including *Company Act*, *Guidance of Board of Directors for Listed Companies*, *Shenzhen Stock Exchange Listed Companies Standard Operation Guidelines*, *the Articles Association*, and *Regulations on Independent Directors*. They focused on the Company operation, carried out their duties independently and imparted considerable professional advice on improving the Company's systems, daily operations and decision making. They provided fair advice during the Reporting Period and played an effective role in improving the Company supervisory systems and protecting the legal rights of the Company and the shareholders as a whole. For details, please refer to *Independent Directors' 2020 Debriefings* disclosed on www.cninfo.com.cn.

VI. Performance of duties by special committees under the Board during the Reporting Period

1. Strategy Committee

During the reporting period, the Strategy Committee, based on the domestic and foreign economic conditions, the global epidemic situation of the Covid-19, and the characteristics of the industry in which the Company carries out business, conducted research into and offered suggestions on the Company's assets operation projects and major investment decisions and examined and assessed the implementation of the aforesaid matters. Besides, the Strategy Committee listened to the reports of the management executives on operation and management of the Company's business modules and explored the Company's future long-term strategic development plan based on the Company's current development conditions and the extent to which regions are affected by the COVID-19 outbreak, to inform the Company's sustainable and healthy development with strategic insights.

2. Audit Committee

The Audit Committee mainly maintains communication between internal auditors and external auditors and

also inspects and supervises external audits. During the reporting period, the audit committee reviewed the annual audit work summary report by the external audit institution, and offered suggestions and opinions on the selection and employment of the external audit institution. It has also listened to the relevant reports by the internal audit department, and made valuable suggestions on the internal audit department's team issues, division of labor and arrangements, and work plan and summary. In addition, it has seriously reviewed the Company's financial information and its disclosure, carried out daily audits on the subsidiaries, and gotten the information on the Company's and its subsidiaries' operation, management and internal control status, and provided guidance from a professional perspective; checked and supervised the scientificity, reasonability, effectiveness and implementation of the internal control system of the Company. Meanwhile, the audit committee also organized special work meetings to track the implementation of major projects of the financial center and internal audit department, and put forward relevant requirements for the Company's internal control compliance.

3. Nomination Committee

The primary responsibility of the Nomination Committee is to examine and audit the criteria and procedure for selecting directors, senior managerial staff and other personnel and offer suggestions. During the reporting period, the Nomination Committee carefully investigated the criteria and procedure for selecting the Company's directors and senior managerial staff, communicated with the relevant departments, cautiously audited the resume and qualification of directors and senior managerial staff, thus practically fulfilling the Nomination Committee's responsibility.

4. Remuneration and Appraisal Committee

During the reporting period, the Remuneration and Appraisal Committee prudently examined the remuneration for the senior managerial staff and the overall remuneration policy and scheme of the Company and offered professional suggestions on the appraisal criteria for the aforesaid personnels. They deliberated on the 2020 Remuneration and Performance Appraisal Plan of the Company and also tracked and supervised implementation of this plan. They deliberated on the matters concerning the relevant matters related to the adjustment of the performance appraisal of the third unlocking period of the 2016 Restricted Incentive Shares Scheme, the matters related to the third unlocking, repurchase and write-off of 2016 restricted shares, the first unlocking, repurchase and write-off of 2018 restricted shares, and the amendments of the *Management Measures for Core Staff Investment in*

Innovative Businesses, and guidance were provided.

VII. Performance of duties by the Supervisory Committee

Were there any risks to the Company identified by Supervisory Committee when performing its duties during the Reporting Period?

Yes No

VIII. Assessment and incentive mechanism for the senior management

The Company has established a fairly sophisticated mechanism on employees’ evaluation and incentive restraint, and has established a fair and transparent appraisal and incentive mechanism on senior management personnel and other various level management personnel and employees. The Company’s board of directors has carried out annual appraisals of senior management members mainly based on annual target achievement index. The Board is responsible for appraisals of the general manager on the general manager’s duty, capacity and performance of operation; and the general manager carried out appraisals of other senior management members on their operational management and implementation of relevant assignments. In 2020, senior management personnel carried out their duties diligently with good performance, and fairly completed their objectives and missions set out at the beginning of the year.

IX. Evaluation report on internal control

1. Any significant internal control deficiencies during the reporting period

Yes No

2. Self-evaluation report on internal control

Disclosure date of full text of self-evaluation report on internal control	April 17 th 2021
Disclosure index of full text of self-evaluation report on internal control	www.cninfo.com.cn
Proportion of assets evaluated in total assets	100.00%
Proportion of revenue evaluated in total revenue per consolidated financial statement	100.00%
Recognition standard of deficiencies	

Nature	Financial report level	Non-financial report level
Qualitative criteria	<p>Significant deficiency: A deficiency or a combination of deficiencies in internal control may prevent significant errors in financial reports from being identified or prevented, e.g.:</p> <ul style="list-style-type: none"> A. Invalid internal control environment; B. Fraud of directors, supervisors and senior management personnel on the financial report ; C. Significant errors identified by external auditors but not identified during the Company is operating; D. Invalid supervision of audit committee and internal audit system; E. Other deficiencies that may lead to the wrong judgement of financial statement reporter. <p>Important deficiency: A deficiency or a combination of deficiencies in internal control may prevent errors in financial report from being identified or prevented, although such deficiency is not significant, but require attention of the Board and Management, e.g.:</p> <ul style="list-style-type: none"> A. Application of accounting policies does not follow the enterprise accounting standard; B. No internal control systems for fraud; C. No control systems or system not effective for unusual or special transactions or no compensatory relevant control; D. One or more deficiencies which prevent the preparation of true and fair financial statements. <p>Normal deficiency: Not significant and not important deficiency.</p>	<p>Internal control deficiencies at non-financial report level are mainly identified by the likelihood of occurrence and the extent of impacts on operating effective in business.</p> <p>Significant deficiency: the high likelihood leading to significant reduction of working efficiency, or significant increase of uncertainty, or significant deviation from the expected target;</p> <p>Important deficiency: a higher likelihood leading to remarkable reduction of working efficiency, or remarkable increase of uncertainty, or remarkable deviation from the expected target;</p> <p>Normal deficiency: a low likelihood leading to reduction of working efficiency, or increase of uncertainty, or deviation from the expected target;</p>
Quantitative criteria	<p>Significant deficiency: potential errors 5% or more of total profits</p> <p>Important deficiency: potential errors 2% or more but below 5% of total profits</p> <p>Normal deficiency: potential errors is 2% or less of total profits</p>	<p>Significant deficiency: direct losses of assets is 5% or more of total profits</p> <p>Important deficiency: direct losses of assets is 2% or more but below 5% of total profits</p> <p>Normal deficiency: direct losses of assets is below 2% of total profits</p>
Number of significant deficiencies in financial report level		0
Number of significant deficiencies in non-financial report level		0
Number of important deficiencies in financial report level		0
Number of important deficiencies in non-financial report level		0

X. Audit report or assurance report on internal control

Applicable Inapplicable

Section XI Corporate Bonds

Whether the Company has publicly issued corporate bonds on stock exchange place, which has not terminated or terminated but fail to collect the full payment before the half year report authorized disclosure date.

Yes No

Section XII Financial Report

I. Audit report

Audit Opinion	Standard unqualified audit opinion
Audit Report sign-off Date	April 15 th 2021
Audit Institution Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Audit Report Number	Deloitte Auditors' Report (Audit) No. 21- P02773
Certified Public Accounts Name	Tang Lianjiong, Zhang Shushu

To all shareholders of Hangzhou Hikvision Digital Technology Co., Ltd.:

I. Audit Opinion

We have audited the accompanying financial statements of Hangzhou Hikvision Digital Technology Co., Ltd. (hereinafter referred to as "Hikvision"), including consolidated and parent company's balance sheet as of December 31st 2020, consolidated and parent company's income statement, cash flow statement and statement of changes in owners' equity of 2020 as well as relevant financial notes to financial statements.

In our opinion, the financial statements annexed have been prepared in accordance with Accounting Standards for Business Enterprises in all material respects and they present fairly the consolidated and parent company's financial position of Hikvision as of December 31st 2020 and consolidated and parent company's financial performance and cash flows of 2020.

II. Basis of Opinion

We have conducted our audit in accordance with the Auditing Standards for Chinese Certified Public Accountants. "Responsibilities of Certified Public Accountants for Financial Statements Audit" in the Audit Report further states our responsibilities under the standards. As per the code of ethics of Chinese certified public accountants, we are independent from Hikvision and have implemented other responsibilities as required by the code of ethics. We believe that the audit evidence we have acquired is sufficient and appropriate to provide a basis for our audit opinion.

III. Key Matters

Key matters are matters we deem the most significant to the financial statements audit for the current period based on our professional judgment. These matters are handled based on the financial statements audit as a whole and the audit opinion formed accordingly. We don't present opinions separately on these matters. We confirm that the following matters are key matters to be communicated through in the audit report.

(I) Recognition of Sales RevenuesDescription:

As shown in Note (V) 43, the operating revenue in 2020 in the consolidated financial statements of the Group for the year ended December 31st 2020 is RMB 63,503,450,891.78. The product sales revenue, a key performance indicator, reaches RMB 60,287,664,582.89, accounting for 94.94% of the operating revenue, which is a significant and has a significant influence on results of operations. The product sales revenue models include product domestic sales and product export sales by domestic companies and the overseas sales of overseas subsidiaries; the domestic sales of products by domestic companies and the overseas sales of overseas subsidiaries are completed when the control of the goods is transferred, i.e. when the products are delivered to the other party's designated location, or the other party completed acceptance; while for the export of products of domestic companies, the delivery of the goods to the carrier designated by the other party at the port of shipment specified in the contract within the specified time limit is the time point for the transfer of control of the goods. The timing of the transfer of control rights under each revenue model is different, and improper determination of the timing of completion of performance obligations may result in a material misstatement of revenue recognition. Therefore, we regard the occurrence of sales revenue as a key audit matter.

Audit Measures:

Main audit procedures that we perform for the aforesaid key audit matters include:

- (1) Understanding and evaluating design and implementation of key internal control in relation to revenue recognition, and testing the effectiveness of its operation;
- (2) For revenues under different sales models, selecting a sample to check a sales contract, reviewing its main transaction terms, evaluating whether revenue recognition complies with requirements of accounting policies of the Group and the Accounting Standards for Business Enterprises; conducting a background investigation of important customers to check whether there is any indication of existence of abnormal customers.
- (3) Analyzing revenues and gross profits, based on product types, to understand whether there are abnormal fluctuations in the revenues and gross profits for the year, and conducting a test of details for identified specific transactions, through systematic analysis of revenue data, and reviewing relevant supporting documents;
- (4) Selecting sample(s) from product sales revenues recorded for the year, checking invoices, sales contracts or orders, shipping orders, signature forms, and other supporting documents; for the sample(s) of income under the export model of the selected domestic companies, additional inspections will be made to the customs declaration record and shipment record.

(II) Provision for Decline in Value of Inventories

Description:

As shown in Note (V) (8), as of December 31st 2020, the carrying balance of inventory other than contract performance costs in the Group's Consolidated Financial Statements is RMB 11,535,395,160.86, and the provision for diminution in value of inventories was RMB 613,100,101.53. The carrying value of the Group's inventories is relatively high, so the provision for diminution in value of inventories has a relatively significant influence on the financial statements. As shown in Note (III) 12.3 and Note (III) 31 to the financial statements, inventories are measured at the lower of cost and net realizable value, on the balance sheet date. The provision for impairment of inventories is made when the net realizable value is lower than the cost. Net realizable value is the estimated selling price for inventories less estimated costs of completion to be incurred, estimated costs to make the sale and relevant taxes. As the management needs to use critical accounting estimates in determining the net realizable value of inventories and the amount is significant, we treat the provision for diminution in value of inventories as a key audit matter.

Audit Measures:

Main audit procedures that we perform for the aforesaid key audit matters include:

- (1) Understanding and evaluating design and implementation of key internal control in relation to provision for diminution in value of inventories by the Group's management, and testing the effectiveness of its operation;
- (2) Understanding the Group's accounting policies for the provision for diminution in value of inventories, and evaluate the rationality of the methods and assumptions used by the management of the Group to estimate the provision for diminution in value of inventories;
- (3) Performing the supervision and selective examination procedure for inventory-taking of the Group, with focus on defective, obsoleted or slow-moving inventories, and checking whether there are inventories with an indication of impairment which are not provided for diminution in value of inventories.
- (4) Selecting sample(s) from inventories to test the net realizable value. For the selected raw material samples, the book cost of the raw material is compared with the actual purchase price of the latest or later period; For the selected unfinished product samples, comparing the book cost of the unfinished product with the actual selling price of the most recent period or the later period for the finished goods after subtracting the estimated cost of the same kind of products from the current period to completion, estimated sales expenses and related taxes, and evaluating the reasonableness of the estimated costs, sales expenses and related taxes and fees that will occur until completion; For the selected sample of finished products, compare the book cost of the finished product with the actual selling price of the latest or future period minus the estimated sales expenses and related taxes, and evaluating the reasonableness of the the estimated sales expenses and related taxes

(III) Provision for credit loss of accounts receivable

Description:

As disclosed in Note (V)-4 to the consolidated financial statements of the Group, as of December 31st 2020, the balance of accounts receivable amounted to RMB 23,491,775,903.07, and the balance of provision for credit loss of accounts receivable amounted to RMB 1,512,395,186.21. The book value of the Group's accounts receivable is relatively high, and the provision for credit loss of accounts receivable has a significant impact on the financial statements. As shown in Note (III) 10.2 and Note (III) 31 of the financial statements, the Group makes provisions for credit losses for accounts receivable at an amount equivalent to expected credit losses during the entire duration. For accounts receivable with significant individual amount and when the debtor has major financial difficulties, etc., the Group recognizes its credit losses based on individual assets, and classifies other accounts receivable into different combinations based on common credit risk characteristics and calculates expected credit losses on a portfolio basis.

For accounts receivable classified into portfolios, the Group uses impairment matrix to determine the expected credit loss provision for accounts receivable. The expected credit loss provision ratio for each portfolio by using impairment matrix is determined based on the Group's historical overdue ratio and default and with reference to the forward-looking information of the industry. In measuring expected credit loss, the Company is required to classify the customers with similar credit risk characteristics into a same portfolio, and classify them by appropriate overdue stage and comparable expected credit loss rate. The accounting estimates above are subject to a high level of uncertainties. Therefore, we identify the recognition of credit loss provision for accounts receivable on a portfolio basis as a key audit matter.

Audit Measures:

Main audit procedures that we perform for the aforesaid key audit matters include:

- (1) Understanding and evaluating design and implementation of key internal control in relation to expected credit loss provision for accounts receivable by the Group's management, and testing the effectiveness of its operation;
- (2) Understanding the Group's accounting policies for expected credit loss on accounts receivable; for the model where the Group's management estimates expected credit loss provision for accounts receivable on a portfolio basis, we mainly performed the following procedures:
 - Assessing the rationality of measurement method by using impairment matrix model, and the rationality of the key parameters and assumptions used in the impairment matrix model, including classification of different portfolios, classification of stage, forward-looking adjustment, etc.;
 - Obtaining the historical default data used by the Group's management in determining the historical loss rate of accounts receivable, and evaluating the accuracy thereof;

- Selecting samples to test the accuracy of the classification of portfolio and stage by the Group's management;

- Recalculating the expected credit loss provision based on default loss percentage.

IV. Other Information

Management of Hikvision shall be responsible for other information. Other information includes the information covered in the annual report, excluding the financial statements and our audit report.

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

In connection with our audit of the financial statements, our responsibility is to read other information and to consider whether other information is significantly misstated or materially inconsistent with the financial statements or the information we learned during the audit.

Based on the works we have performed, if we determine that there is a material misstatement in other information, we should report the fact. In this respect, we have nothing to report.

V. Responsibility of the Management and Governance for the Financial Statements

The management of Hikvision is responsible for the preparation of financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation, and design, implementation and maintenance of necessary internal control to enable the financial statements are free from material misstatement, whether due to fraud or error.

When preparing the financial statements, the management is responsible for assessing the going-concern ability of Hikvision, disclosing issues related to going-concern as applicable, and applying going-concern assumptions, unless the management plans to liquidate Hikvision, terminate operation or has no other realistic choice.

The governance is responsible for supervising financial reporting processes of Hikvision.

VI. Responsibility of Certified Public Accountants on Audit of the Financial Statements

Our objective is to obtain reasonable assurance as to whether the overall financial statements are free from material misstatement, whether due to fraud or error, and to issue audit report that contain audit opinions. Reasonable assurance is a high level of assurance, but could not guarantee that an audit performed in accordance with the Auditing Standards can

always figure out any existing material misstatements. Misstatements may be caused by fraud or error. Misstatement is generally considered to be material if it is reasonably expected that the misstatement, alone or aggregated, may affect the users' financial decisions based on the financial statements.

In performing the audit in accordance with the Auditing Standards, we applied professional judgment and maintained professional skepticism. Meanwhile, we also perform the following duties:

- (1) Identify and evaluate the risk of material misstatement of financial statements due to fraud or error; design and implement audit procedures to cope with these risks, and obtain adequate and appropriate audit evidence as the basis for expressing audit opinions. As fraud may involve collusion, forgery, willful omission, misrepresentation or override of internal control, the risk of not discovering a material misstatement due to fraud is higher than the risk of not discovering a material misstatement due to error.
- (2) Understand the internal control related to auditing as a way to design appropriate audit procedures, but the purpose is not to express opinions on the effectiveness of the company's internal control.
- (3) Evaluate the properness of accounting policy selected by the management and the rationality of accounting estimate and related disclosure.
- (4) Reach a conclusion on whether the going concern assumption adopted by the management is appropriate. Meanwhile, based on the audit evidence obtained, reach a conclusion on whether there are material uncertainties in the events or conditions that may cast significant doubts on Hikvision's ability to continue as a going concern. If we reach a conclusion that there is a material uncertainty, the Auditing Standards require us to call the attention of the users of the report to the relevant disclosures in the financial statements in the audit report. If the disclosure is insufficient, we should issue modified audit opinions. Our conclusion is based on the information available up to the date of the audit report. However, future events or conditions may result in the failure of Hikvision to continue as a going concern.

-
- (5) Evaluate the overall presentation (including the disclosure), structure and content of the financial statements and evaluate whether the financial statements fairly reflect the related transactions and events.
- (6) Obtain adequate and appropriate audit evidence on the financial information of entity or business activities of Hikvision so as to express audit opinions on the financial statements. We are responsible for directing, supervising and executing the audit on the Group, and assume full responsibility for the audit opinions.

We communicated with the governance about the scope of the audit, the schedule and major audit findings, including the notable shortcomings of internal control identified during the auditing.

We also provide statement to the governance on the independence-related work ethics we follow, and communicate with the governance on all relations and other matters that might be reasonably deemed to influence our independence as well as relevant precautionary measures (as applicable).

We determine which of the matters we communicated with the governance are of the greatest importance to the audit of financial statements of the current period so as to make them key matters. We describe the matters in the audit report. We decide not to communicate on such matters in the audit report unless the laws and regulations forbid the public disclosure of such matters, or, in rare circumstances, if the negative consequence of communication of matters in the audit report is reasonably expected to exceed the benefit of the public interest.

At December 31st 2020

Consolidated Balance Sheet

Unit: RMB

Item	Notes	On December 31 st 2020	On December 31 st 2019
Current Assets:			
Cash and bank balances	(V)1	35,459,729,108.27	27,071,948,919.78
Held-for-trading financial assets	(V)2	22,679,846.77	181.76
Notes receivable	(V)3	1,303,252,705.19	973,236,789.02
Accounts receivable	(V)4	21,979,380,716.86	21,307,927,200.28
Receivables for financing	(V)5	1,959,601,195.25	1,257,385,053.02
Prepayments	(V)6	296,334,689.86	309,685,733.32
Other receivables	(V)7	519,143,350.82	555,246,545.48
Inventories	(V)8	11,477,906,040.70	11,267,986,843.11
Contract assets	(V)9	245,754,510.98	
Non-current assets due within one year	(V)10	1,001,208,813.83	528,469,701.75
Other current assets	(V)11	497,914,506.64	754,456,821.72
Total Current Assets		74,762,905,485.17	64,026,343,789.24
Non-current Assets:			
Long-term receivables	(V)12	2,105,570,004.53	1,382,536,761.22
Long-term equity investment	(V)13	864,026,710.23	252,165,321.49
Other non-current financial assets	(V)14	491,939,067.27	312,398,267.44
Fixed assets	(V)15	5,876,007,536.60	5,791,218,720.87
Construction in progress	(V)16	1,425,235,193.72	631,555,479.06
Intangible assets	(V)17	1,251,317,923.69	1,046,122,507.64
Goodwill	(V)18	274,203,665.20	273,611,961.96
Long-term deferred expenses	(V)19	108,584,686.85	87,611,490.75
Deferred tax assets	(V)20	820,380,954.86	688,849,263.70
Other non-current assets	(V)21	721,511,156.08	865,586,676.92
Total Non-current Assets		13,938,776,899.03	11,331,656,451.05
Total Assets		88,701,682,384.20	75,358,000,240.29

At December 31st 2020

Consolidated Balance Sheet-continued

Unit: RMB

Item	Notes	On December 31 st 2020	On December 31 st 2019
Current Liabilities:			
Short-term borrowings	(V)22	3,999,246,634.59	2,640,082,485.15
Held-for-trading financial liabilities	(V)23	7,405,771.15	652,428.18
Notes payable	(V)24	1,036,920,229.85	1,239,584,016.70
Accounts payable	(V)25	13,593,884,790.19	12,700,075,307.70
Receipts in advance		-	1,020,989,460.61
Contract liabilities	(V)26	2,161,166,671.26	
Payroll payable	(V)27	2,877,786,430.71	2,359,674,640.12
Taxes payable	(V)28	1,770,057,908.62	991,342,805.91
Other payables	(V)29	1,525,053,355.95	1,568,744,599.94
Non-current liabilities due within one year	(V)30	3,507,680,339.78	86,123,154.06
Other current liabilities	(V)31	745,711,579.57	913,534,538.26
Total Current Liabilities		31,224,913,711.67	23,520,803,436.63
Non-current Liabilities:			
Long-term borrowings	(V)32	1,961,167,761.30	4,604,168,571.43
Long-term payables	(V)33	39,595,459.35	50,181,416.72
Provisions	(V)34	151,443,871.02	90,570,669.01
Deferred income	(V)35	190,878,987.69	333,589,831.30
Deferred tax liabilities	(V)20	92,979,823.89	51,088,103.96
Other non-current liability	(V)36	560,959,368.74	1,234,739,326.10
Total non-current liabilities		2,997,025,271.99	6,364,337,918.52
Total liabilities		34,221,938,983.66	29,885,141,355.15
Owners' Equity			
Share capital	(V)37	9,343,417,190.00	9,345,010,696.00
Capital reserves	(V)38	5,178,777,462.09	4,126,943,698.96
Less: Treasury shares	(V)39	1,121,918,737.47	2,148,273,864.36
Other comprehensive income	(V)40	(84,993,926.94)	(53,541,146.99)
Surplus reserves	(V)41	4,672,505,348.00	4,672,505,348.00
Retained earnings	(V)42	35,806,523,826.37	28,961,389,145.22
Total owners' equity attributable to owner of the Company		53,794,311,162.05	44,904,033,876.83
Minority equity		685,432,238.49	568,825,008.31
Total owners' equity		54,479,743,400.54	45,472,858,885.14
Total liabilities and owners' equity		88,701,682,384.20	75,358,000,240.29

The accompanying notes form part of the financial statements.

The financial statements were signed by the following:

Legal Representative: Chen Zongnian; Person in charge of the accounting work: Jin Yan;

Person in Charge of the Accounting Department: Zhan Junhua

At December 31st 2020

Balance sheet of the parent company

Unit: RMB

Item	Notes	On December 31 st 2020	On December 31 st 2019
Current Assets:			
Cash and bank balances		23,476,606,330.08	16,851,590,525.05
Notes receivable		107,411,912.35	149,703,073.98
Accounts receivable	(XV)1	24,193,392,179.36	25,107,965,925.08
Receivables for financing		12,216,215.65	84,839,695.67
Prepayments		62,946,087.75	160,688,588.99
Other receivables	(XV)2	726,703,133.65	921,275,388.15
Inventories		204,216,250.73	171,243,815.97
Contract assets		3,311,250.08	
Non-current assets due within one year		71,208,685.76	4,513,795.81
Other current assets		10,110,869.86	23,117,398.50
Total Current Assets		48,868,122,915.27	43,474,938,207.20
Non-current Assets:			
Long-term accounts receivable		47,762,348.01	681,568.43
Long-term equity investment	(XV)3	6,727,373,453.97	5,074,018,030.44
Other non-current financial assets		489,054,847.27	309,504,047.44
Fixed assets		2,762,700,997.83	2,831,295,145.61
Construction in progress		388,903,828.81	153,416,054.28
Intangible assets		158,917,438.86	188,362,883.75
Long-term deferred expenses		43,264,691.73	34,199,446.06
Deferred tax assets		110,066,596.99	126,357,792.34
Other non-current assets		2,740,576.47	21,619,464.07
Total Non-current Assets		10,730,784,779.94	8,739,454,432.42
Total Assets		59,598,907,695.21	52,214,392,639.62

At December 31st 2020

Balance sheet of the parent company - continued

Unit: RMB

Item	Notes	On December 31 st 2020	On December 31 st 2019
Current Liabilities:			
Short-term borrowings		1,431,233,375.00	2,001,781,388.89
Accounts payable		540,664,512.60	450,983,270.08
Receipts in advance		-	227,242,328.23
Contract liabilities		240,629,015.92	
Payroll payable		1,618,357,135.99	1,564,304,003.49
Taxes payable		1,539,095,196.97	796,890,945.83
Other payables		659,214,959.62	533,325,191.05
Non-current liabilities due within one year		3,219,794,958.37	9,539,251.98
Other current liabilities		589,167,743.26	913,534,538.26
Total Current Liabilities		9,838,156,897.73	6,497,600,917.81
Non-current Liabilities:			
Long-term borrowings		-	3,126,200,000.00
Provisions		85,230,299.84	62,863,096.83
Deferred Income		122,455,935.44	162,018,728.45
Other non-current liabilities		560,959,368.74	1,234,739,326.10
Total non-current liabilities		768,645,604.02	4,585,821,151.38
Total liabilities		10,606,802,501.75	11,083,422,069.19
Owners' Equity			
Share capital		9,343,417,190.00	9,345,010,696.00
Capital reserves		4,770,210,334.16	4,064,833,739.52
Less: Treasury shares		1,121,918,737.47	2,148,273,864.36
Surplus reserves		4,672,505,348.00	4,672,505,348.00
Retained earnings		31,327,891,058.77	25,196,894,651.27
Total owners' equity		48,992,105,193.46	41,130,970,570.43
Total liabilities and owners' equity		59,598,907,695.21	52,214,392,639.62

For the reporting period from January 1st 2020 to December 31st 2020

Consolidated Income Statement

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Total operating income	(V)43	63,503,450,891.78	57,658,110,065.22
Less: Total operating costs	(V)43	33,957,697,857.73	31,140,176,777.12
Business taxes and surcharges	(V)44	416,263,349.55	417,318,543.55
Selling expenses	(V)45	7,377,790,744.58	7,256,781,486.68
Administrative expenses	(V)46	1,790,013,088.76	1,822,464,442.07
Research and Development (R&D) expenses	(V)47	6,378,651,762.42	5,483,811,698.36
Financial expenses	(V)48	396,254,772.56	(640,068,177.19)
Including: Interest expenses		202,415,502.10	192,739,975.98
Interest income		719,662,082.74	699,779,882.35
Add: Other Income	(V)49	2,303,581,705.81	1,892,323,306.29
Investment income	(V)50	169,277,048.95	36,649,237.09
Including: Investment gains in associated enterprise and joint-venture enterprise		6,361,388.74	7,743,476.93
Gains from changes in fair values	(V)51	85,458,209.54	15,321,889.63
Credit impairment losses	(V)52	(185,940,325.74)	(222,009,426.18)
Impairment losses of assets	(V)53	(363,109,513.99)	(197,891,311.27)
Asset disposal income		628,505.02	5,535,663.32
II. Operating profit		15,196,674,945.77	13,707,554,653.51
Add: Non-operating income	(V)54	99,273,303.50	65,032,501.54
Less: Non-operating expenses	(V)55	22,976,971.41	17,124,407.28
III. Total profit		15,272,971,277.86	13,755,462,747.77
Less: Income tax expenses	(V)56	1,594,651,805.69	1,290,278,445.12
IV. Net profit		13,678,319,472.17	12,465,184,302.65
4.1 Classification by continuous operation			
(a) Net profit on continuous operation		13,678,319,472.17	12,465,184,302.65
(b) Net loss on terminated operation		-	-
4.2 Classification by attribution of ownership			
(a) Profit or loss attributable to minority shareholders		292,792,758.02	50,596,612.20
(b) Net profit attributable to owners of parent company		13,385,526,714.15	12,414,587,690.45
V. Other comprehensive income, net of income tax	(V)40	(34,145,243.17)	(4,658,993.77)
Other comprehensive income attributable to owners of the Company, net of tax		(31,452,779.95)	(3,964,795.89)
(I) Items that will not be reclassified subsequently to profit or loss		-	-
(II) Other comprehensive income to be reclassified to profit or loss in subsequent periods		(31,452,779.95)	(3,964,795.89)

Item	Notes	Amount for the current period	Amount for the prior period
1. Exchange differences arising on conversion of financial statements denominated in foreign currencies		(31,452,779.95)	(3,964,795.89)
Other comprehensive income attributable to minority interests, net of tax		(2,692,463.22)	(694,197.88)
VI. Total comprehensive income		13,644,174,229.00	12,460,525,308.88
Total comprehensive income attributable to owners of the parent company		13,354,073,934.20	12,410,622,894.56
Total comprehensive income attributable to minority shareholders		290,100,294.80	49,902,414.32
VII. Earnings per share			
(I) Basic earnings per share	(XVI)2	1.445	1.343
(II) Diluted earnings per share	(XVI)2	1.444	1.343

For the reporting period from January 1st 2020 to December 31st 2020

Income statement of the parent company

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Total operating income	(XV)4	26,311,987,347.40	25,712,466,601.80
Less: Total operating Cost	(XV)4	7,177,407,215.45	7,728,486,855.67
Business taxes and surcharges		293,578,888.80	274,273,500.24
Selling expenses		2,854,822,255.21	3,101,749,832.98
Administrative expenses		783,395,117.26	725,281,640.65
Research and Development (R&D) expenses		4,554,003,406.39	4,012,212,610.85
Financial expenses		(278,380,172.69)	(506,021,681.46)
Including : Interest expenses		85,828,434.69	107,400,998.19
Interest income		527,732,109.92	579,879,330.28
Add: Other income		1,847,575,953.90	1,542,338,077.01
Investment income	(XV)5	1,095,486,482.55	25,026,089.44
Including: Investment gains in associated enterprise and joint-venture enterprise		13,424,897.92	5,089,008.14
Gains from changes in fair values		69,478,784.83	17,547,234.44
Credit impairment gains (losses)		(35,765,705.73)	656,135,180.29
Gains on asset impairment		2,397,952.77	51,593,292.77
Asset disposal income		16,966.03	4,072,096.18
II. Operating profit		13,906,351,071.33	12,673,195,813.00
Add: Non-operating income		18,924,477.37	17,287,915.50
Less: Non-operating expenses		4,678,775.95	8,974,800.59
III. Total profit		13,920,596,772.75	12,681,508,927.91
Less: Income tax expenses		1,249,208,332.25	999,092,917.90
IV. Net profit		12,671,388,440.50	11,682,416,010.01
V. Other comprehensive income, net of income tax		-	-
VI. Total comprehensive income		12,671,388,440.50	11,682,416,010.01

For the reporting period from January 1st 2020 to December 31st 2020

Consolidated Cash Flow Statement

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		68,169,017,614.45	59,405,106,132.63
Receipts of tax refunds		3,274,552,890.75	3,084,090,410.43
Other cash receipts relating to operating activities	(V)57(1)	1,427,590,353.65	1,989,547,720.88
Sub-total of cash inflows from operating activities		72,871,160,858.85	64,478,744,263.94
Cash payments for goods purchased and services received		37,257,220,824.09	37,422,764,103.72
Cash paid to and on behalf of employees		10,247,824,582.96	8,934,696,624.52
Payments of various types of taxes		4,901,863,280.18	5,192,433,698.75
Other cash payments relating to operating activities	(V)57(2)	4,376,095,604.95	5,161,129,665.81
Sub-total of cash outflows from operating activities		56,783,004,292.18	56,711,024,092.80
Net Cash flows from Operating Activities	(V)58(1)	16,088,156,566.67	7,767,720,171.14
II. Cash flows from Investing Activities:			
Cash receipts from recovery of investments		1,693,378,691.26	548,141,227.41
Cash receipts from investment income		150,000,000.00	17,355,010.13
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		14,793,178.49	85,339,813.21
Other cash receipts relating to investing activities	(V)57(3)	46,196,873.80	17,234,624.45
Sub-total of cash inflows from investing activities		1,904,368,743.55	668,070,675.20
Net cash paid to acquire subsidiaries and other business units	(V)58(2)	48,918,168.58	16,095,782.07
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		2,003,628,270.01	1,927,278,918.86
Cash paid to acquire investments		2,405,456,262.23	644,715,663.25
Other cash payments relating to investing activities	(V)57(4)	1,000,000.00	2,968,783.82
Sub-total of cash outflows from investing activities		4,459,002,700.82	2,591,059,148.00
Net cash flows from Investing Activities		(2,554,633,957.27)	(1,922,988,472.80)
III. Cash flows from financing activities:			
Cash receipts from capital contributions		173,897,986.67	123,530,000.00
Including: cash receipts from capital contributions from minority owners of subsidiaries		173,897,986.67	123,530,000.00
Cash receipts from borrowings		5,883,973,583.25	9,492,281,861.82
Cash receipts from issuance of bonds and SCP		999,500,000.00	-
Sub-total of cash inflows from financing activities		7,057,371,569.92	9,615,811,861.82
Cash repayments of borrowings		4,834,813,277.12	9,305,661,321.88
Cash payments for distribution of dividends or profits or settlement of interest expenses		6,704,954,160.69	5,754,605,713.66
Including : Dividends and profits paid by subsidiaries to minority shareholders		40,000,000.00	2,100,000.00
Other cash payments relating to financing activities	(V)57(5)	77,707,417.35	26,897,116.20
Sub-total of cash outflows from financing activities		11,617,474,855.16	15,087,164,151.74
Net cash flows from Financing Activities		(4,560,103,285.24)	(5,471,352,289.92)
IV. Effect of foreign exchange rate changes on Cash and Cash Equivalents		(464,249,454.25)	111,276,866.09
V. Net Increase in Cash and Cash Equivalents	(V)58(1)	8,509,169,869.91	484,656,274.51
Add: Opening balance of Cash and Cash Equivalents	(V)58(1)	26,515,668,008.40	26,031,011,733.89
VI. Closing Balance of Cash and Cash Equivalents	(V)58(3)	35,024,837,878.31	26,515,668,008.40

For the reporting period from January 1st 2020 to December 31st 2020

Cash Flow Statements of the parent company

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Cash flows from Operating Activities::			
Cash receipts from the sale of goods and the rendering of services		30,589,118,989.08	20,043,914,998.81
Receipts of tax refunds		1,609,506,273.14	1,364,269,467.87
Other cash receipts relating to operating activities		728,754,897.93	880,611,125.32
Sub-total of cash inflows from operating activities		32,927,380,160.15	22,288,795,592.00
Cash payments for goods acquired and services received		8,265,995,701.20	8,911,851,425.42
Cash payments to and on behalf of employees		5,227,053,043.52	4,809,105,203.79
Payments of various types of taxes		3,096,614,910.29	3,547,737,881.19
Other cash payments relating to operating activities		1,827,804,822.26	2,273,874,546.47
Sub-total of cash outflows from operating activities		18,417,468,477.27	19,542,569,056.87
Net Cash flows from Operating Activities	(XV)8(1)	14,509,911,682.88	2,746,226,535.13
II. Cash flows from Investing Activities:			
Cash receipts from recovery of investments		6,450,064.33	33,241,636.07
Cash receipts from investment income		210,000,000.00	18,757,220.31
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		22,605,893.13	92,098,125.61
Cash receipts from disposal of subsidiaries and other business units		848,151,116.16	-
Other cash receipts relating to investing activities		44,165,378,335.06	16,718,160,478.21
Sub-total of cash inflows from investing activities		45,252,585,408.68	16,862,257,460.20
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		446,640,144.49	513,878,473.24
Cash payments to acquire investments		1,572,003,054.15	633,438,441.87
Other cash payments relating to investing activities		43,940,319,202.39	17,142,547,258.27
Sub-total of cash outflows from investing activities		45,958,962,401.03	18,289,864,173.38
Net Cash flows from Investing Activities		(706,376,992.35)	(1,427,606,713.18)
III. Cash flows from Financing Activities			
Cash receipts from borrowings		2,480,000,000.00	7,279,240,000.00
Cash receipts from issuance of bonds and SCP		999,500,000.00	-
Other cash receipts relating to financing activities		6,971,777,752.17	7,534,930,948.45
Sub-total of cash inflows from financing activities		10,451,277,752.17	14,814,170,948.45
Cash repayments of borrowings		4,049,244,293.61	5,372,727,888.37
Cash payments for distribution of dividends or profits or settlement of interest expenses		6,547,520,501.67	5,679,184,068.78
Other cash payments relating to financing activities		6,910,848,212.28	7,471,674,598.52
Sub-total of cash outflows from financing activities		17,507,613,007.56	18,523,586,555.67
Net Cash flows from Financing Activities		(7,056,335,255.39)	(3,709,415,607.22)
IV. Effect of foreign exchange rate changes on Cash and Cash Equivalents		(138,534,267.16)	47,889,908.40
V. Net increase (decrease) in cash and cash equivalents	(XV)8(1)	6,608,665,167.98	(2,342,905,876.87)
Add: Opening balance of cash and cash equivalents	(XV)8(1)	16,656,028,410.72	18,998,934,287.59
VI. Closing Balance of Cash and Cash Equivalents	(XV)8(2)	23,264,693,578.70	16,656,028,410.72

At December 31st 2020

Consolidated Statement of Changes in Owners' Equity

Unit: RMB

项目	Amount for 2020							
	Owner's equity attributable to the parent company						Minority interests	Total owners' equity
	Share capital	Capital reserves	Less: Treasury share	Other comprehensive income	Surplus reserve	Retained profits		
I. Opening balance of the current period	9,345,010,696.00	4,126,943,698.96	2,148,273,864.36	(53,541,146.99)	4,672,505,348.00	28,961,389,145.22	568,825,008.31	45,472,858,885.14
II. Increase or decrease in the current period	(1,593,506.00)	1,051,833,763.13	(1,026,355,126.89)	(31,452,779.95)	-	6,845,134,681.15	116,607,230.18	9,006,884,515.40
(I) Total comprehensive income	-	-	-	(31,452,779.95)	-	13,385,526,714.15	290,100,294.80	13,644,174,229.00
(II) Owners' contributions and reduction in capital	(1,593,506.00)	1,051,833,763.13	(925,020,534.09)	-	-	-	(135,943,064.62)	1,839,317,726.60
1. Capital contribution from shareholders	-	-	-	-	-	-	173,897,986.67	173,897,986.67
2. Share-based payment recognized in owners' equity	-	752,504,023.39	-	-	-	-	65,602,599.80	818,106,623.19
3. Others	(1,593,506.00)	299,329,739.74	(925,020,534.09)	-	-	-	(375,443,651.09)	847,313,116.74
(III) Profit distribution	-	-	(101,334,592.80)	-	-	(6,540,392,033.00)	(37,550,000.00)	(6,476,607,440.20)
1. Transfer to surplus reserves	-	-	-	-	-	-	-	-
2. Distributions to shareholders	-	-	(101,334,592.80)	-	-	(6,540,392,033.00)	(37,550,000.00)	(6,476,607,440.20)
3. Others	-	-	-	-	-	-	-	-
III. Closing balance of the current period	9,343,417,190.00	5,178,777,462.09	1,121,918,737.47	(84,993,926.94)	4,672,505,348.00	35,806,523,826.37	685,432,238.49	54,479,743,400.54

At December 31st 2020

Consolidated Statement of Changes in Owners' Equity-continued

Unit: RMB

Item	Amount for 2019							
	Owner's equity attributable to the parent company						Minority interests	Total owners' equity
	Share capital	Capital reserves	Less: Treasury share	Other comprehensive income	Surplus reserve	Retained profits		
I. Closing balance of the prior year	9,227,270,473.00	1,956,139,660.52	364,984,759.94	(49,576,351.10)	4,460,712,358.45	22,360,593,257.53	373,981,737.96	37,964,136,376.42
Add: Business merger under common control	-	-	-	-	-	(736,986.11)	(491,324.07)	(1,228,310.18)
II. Opening balance of the current period	9,227,270,473.00	1,956,139,660.52	364,984,759.94	(49,576,351.10)	4,460,712,358.45	22,359,856,271.42	373,490,413.89	37,962,908,066.24
III. Increase or decrease in the current period	117,740,223.00	2,170,804,038.44	1,783,289,104.42	(3,964,795.89)	211,792,989.55	6,601,532,873.80	195,334,594.42	7,509,950,818.90
(I) Total comprehensive income	-	-	-	(3,964,795.89)	-	12,414,587,690.45	49,902,414.32	12,460,525,308.88
(II) Owners' contributions and reduction in capital	117,740,223.00	2,170,804,038.44	1,885,322,227.42	-	-	-	147,532,180.10	550,754,214.12
1. Capital contribution from shareholders	121,195,458.00	1,936,703,418.84	2,057,898,876.84	-	-	-	123,530,000.00	123,530,000.00
2. Share-based payment recognized in owners' equity	-	257,542,500.80	-	-	-	-	10,767,293.62	268,309,794.42
3. Amount formed by business combination not under common control	-	-	-	-	-	-	13,234,886.48	13,234,886.48
4. Others	(3,455,235.00)	(23,441,881.20)	(172,576,649.42)	-	-	-	-	145,679,533.22
(III) Profit distribution	-	-	(102,033,123.00)	-	211,792,989.55	(5,813,054,816.65)	(2,100,000.00)	(5,501,328,704.10)
1. Transfer to surplus reserves	-	-	-	-	211,792,989.55	(211,792,989.55)	-	-
2. Distributions to shareholders	-	-	(102,033,123.00)	-	-	(5,601,261,827.10)	(2,100,000.00)	(5,501,328,704.10)
3. Others	-	-	-	-	-	-	-	-
IV. Closing balance of the current period	9,345,010,696.00	4,126,943,698.96	2,148,273,864.36	(53,541,146.99)	4,672,505,348.00	28,961,389,145.22	568,825,008.31	45,472,858,885.14

At December 31st 2020

Statement of Changes in Owners' Equity of the parent company

Unit: RMB

Item	Amount for 2020					
	Share capital	Capital reserves	Less: Treasury share	Surplus reserve	Retained profits	Total owners' equity
I. Closing balance of the prior year	9,345,010,696.00	4,064,833,739.52	2,148,273,864.36	4,672,505,348.00	25,196,894,651.27	41,130,970,570.43
II. Increase or decrease in the current period	(1,593,506.00)	705,376,594.64	(1,026,355,126.89)	-	6,130,996,407.50	7,861,134,623.03
(I) Total comprehensive income	-	-	-	-	12,671,388,440.50	12,671,388,440.50
(II) Owners' contributions and reduction in capital	(1,593,506.00)	705,376,594.64	(925,020,534.09)	-	-	1,628,803,622.73
1. Capital contribution from shareholders	-	-	-	-	-	-
2. Share-based payment recognized in owners' equity	-	717,200,505.99	-	-	-	717,200,505.99
3. Others	(1,593,506.00)	(11,823,911.35)	(925,020,534.09)	-	-	911,603,116.74
(III) Profit distribution	-	-	(101,334,592.80)	-	(6,540,392,033.00)	(6,439,057,440.20)
1. Transfer to surplus reserve	-	-	-	-	-	-
2. Distributions to shareholders	-	-	(101,334,592.80)	-	(6,540,392,033.00)	(6,439,057,440.20)
3. Others	-	-	-	-	-	-
III. Closing balance of the current period	9,343,417,190.00	4,770,210,334.16	1,121,918,737.47	4,672,505,348.00	31,327,891,058.77	48,992,105,193.46

At December 31st 2020

Statement of Changes in Owners' Equity of the parent company-continued

Unit: RMB

Item	Amount for 2019					
	Share capital	Capital reserves	Less: Treasury share	Surplus reserve	Retained profits	Total owners' equity
I. Closing balance of the prior year	9,227,270,473.00	1,883,262,407.46	364,984,759.94	4,460,712,358.45	19,327,533,457.91	34,533,793,936.88
II. Increase or decrease in the current period	117,740,223.00	2,181,571,332.06	1,783,289,104.42	211,792,989.55	5,869,361,193.36	6,597,176,633.55
(I) Total comprehensive income	-	-	-	-	11,682,416,010.01	11,682,416,010.01
(II) Owners' contributions and reduction in capital	117,740,223.00	2,181,571,332.06	1,885,322,227.42	-	-	413,989,327.64
1. Capital contribution from shareholders	121,195,458.00	1,936,703,418.84	2,057,898,876.84	-	-	-
2. Share-based payment recognized in owners' equity	-	268,309,794.42	-	-	-	268,309,794.42
3. Others	(3,455,235.00)	(23,441,881.20)	(172,576,649.42)	-	-	145,679,533.22
(III) Profit distribution	-	-	(102,033,123.00)	211,792,989.55	(5,813,054,816.65)	(5,499,228,704.10)
1. Transfer to surplus reserve	-	-	-	211,792,989.55	(211,792,989.55)	-
2. Distributions to shareholders	-	-	(102,033,123.00)	-	(5,601,261,827.10)	(5,499,228,704.10)
3. Others	-	-	-	-	-	-
III. Closing balance of the current period	9,345,010,696.00	4,064,833,739.52	2,148,273,864.36	4,672,505,348.00	25,196,894,651.27	41,130,970,570.43

I. Basic Information about the Company

Hangzhou Hikvision Digital Technology Co., Ltd. (hereinafter referred to as "Company" or "the Company" or "Hikvision"), is a Sino-foreign equity joint venture company, formerly known as "Hangzhou Hikvision Digital Technology Ltd", established on November 30th 2001 in Hangzhou upon the approval letter of Hangzhou High-tech No. 604 [2001] issued by Hangzhou High-tech Industrial Development Zone Management Committee. On June 25th 2008, with approval of document No. 598 [2008] issued by the MOFCOM (The Ministry of Commerce of the People's Republic of China), the company was renamed as "Hangzhou Hikvision Digital Technology Co., Ltd.", headquartered in Hangzhou, and obtained the business license of enterprise No.91330000733796106P. On May 28th 2010, the Company was listed on the Shenzhen Stock Exchange.

On June 26th 2019, authorized by the Company's first Extraordinary General Meeting in 2014, the Company completed procedures of repurchase and cancellation of some of the 509,625 restricted stocks that did not meet the incentive conditions, and the total share capital of the Company was adjusted to 9,347,956,306 shares.

On September 3rd 2019, authorized by the Company's second Extraordinary General Meeting in 2016, the Company completed procedures of repurchase and cancellation of some of the 2,945,610 restricted stocks that did not meet the incentive conditions, and the total share capital of the Company was adjusted to 9,345,010,696 shares.

On December 17th 2020, authorized by the Company's second Extraordinary General Meeting in 2016, the Company completed procedures of repurchase and cancellation of some of the 1,593,506 restricted stocks that did not meet the incentive conditions, and the total share capital of the Company was adjusted to 9,343,417,190 shares. Please refer to Note (V)-37 for share capital details.

As of December 31st 2020, the Company's total registered capital is RMB 9,343,417,190, with total capital shares of 9,343,417,190 shares (face value RMB 1 per share), of which restricted A-shares were 1,248,025,260 shares, A-shares without restriction are 8,095,391,930 shares.

The Company is engaged in other electronic equipment manufacturing business under electronics industry. Business scope of the Company includes development and production of electronic products (including explosion-proof electrical products, tele-communication equipment and its ancillary equipment, multimedia equipment), transmission and display equipment, fire protection and control products, big data and IoT software and hardware products, aircraft, robot, intelligent equipment and intelligent system, real-time communication system, auto parts and accessories, and electrical signal equipment for vehicle, and servers and supporting hardware and software products ; sales of self-manufactured products; technical service, electronic technology consulting service, training service (excluding class training), electronic equipment installation, electronic engineering, and design, construction and maintenance of intelligent systems. For details about business scope of the Company and its subsidiaries, please refer to Note (VII) 1.

The Company's and consolidated financial reports were approved for issuance by the 2nd meeting of the 5th session Board of Directors of the Company on April 15th 2021.

For consolidation scope of the financial statements of the current fiscal year, please refer to Note (VII) "Interest in other entities". For changes in consolidation scope of the financial statements during the current fiscal year, please refer to "changes in the consolidation scope" in Note (VI).

II. Basis of preparation of financial statements

Basis of preparation of financial statements

The Company and its subsidiaries (hereinafter referred to as "the Group") have adopted the Accounting Standards for Business Enterprises ("ASBE") and relevant provisions issued by the Ministry of Finance ("MoF"). In addition, the Group

has disclosed relevant financial information in accordance with *Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15 — General Provisions on Financial Reporting (revised in 2014)*.

Going concern

The Group has evaluated its going concern for 12 months going forward starting from December 31st 2020, and there is no factor that may cast significant doubt on the entity's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

Bookkeeping base and valuation principles

The Group measures the accounting elements in accordance with the accrual accounting basis. Except certain financial instruments are measured by fair value, these financial statements are prepared in accordance with the measurements basis of historical costs. If the asset decreases in value, the provision for impairment of assets should be made according to relevant regulations.

According to the historical cost measurement, the assets shall be measured as per the amount of cash or cash equivalent paid at the time of purchase, or the fair value of consideration paid for the purchase of such assets. The liabilities shall be measured in accordance with the amount of funds or assets actually received when undertaking current obligations, or the contract amount when undertaking the current obligations, or the amount of cash or cash equivalents required for paying back the debts in daily activities.

The fair value is a price received by the market participants from selling asset or transferring liability during orderly transaction at the measurement date. No matter the fair value is observable or estimated by using valuation technique, the measured and disclosed fair value in the financial statement shall be determined on this basis.

When measuring non-financial assets at fair value, the assets shall be measured considering the ability of market participants to use the assets for optimal use to generate economic benefits, or to sell the assets to other market participants to use the assets for optimal use to generate economic benefits.

For the financial assets measured with transaction price at the initial recognition, and the use of valuation techniques involving unobservable inputs in the subsequent fair value measurement, the valuation technique is corrected in the valuation process in order to make the initial recognition results confirmed by valuation techniques equal to the transaction price.

Based on the observable extent of the input value of the fair value, and the importance of such input value to the fair value measurement, the fair value measurement is divided into three levels:

- Level 1: The input value is the unadjusted offer of the same assets or liabilities on active market acquired on measurement date;
- Level 2: The input value is the input value of relevant assets or liabilities observable directly or indirectly in addition to level 1 input value;
- Level 3: The input value is the non-observable input value of relevant assets or liabilities.

III. Significant accounting policies and accounting estimates

1. Statement for Compliance with Accounting Standards for Business Enterprises (ASBE)

The financial statements of the Company have been prepared in accordance with ASBE, and present truly and completely, the Company's and consolidated financial position as of December 31st 2020; and the Company's and consolidated results of operations, the Company's and consolidated changes in shareholders' equity, and the Company's and consolidated cash flows for the year of 2020.

2. Accounting Period

The Group has adopted the calendar year as its accounting year from January 1st to December 31st each year.

3. Business Cycle

The business cycle refers to the period from purchase of assets used for processing to realization of cash or cash equivalents. The Group business cycle is usually 12 months.

4. Functional currency

Renminbi ("RMB") is the currency in the primary economic environments in which the Company and its domestic subsidiaries are operated. The Company and its domestic subsidiaries take RMB as their functional currency. Overseas subsidiaries of the Company determine their functional currency on the basis of the primary economic environment in which it operates. For functional currency of overseas subsidiaries of the Company, see Note (V) 60. The Group adopts RMB to prepare its financial statements.

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

Business combinations are classified into business combinations involving enterprises under common control and business combinations not involving enterprises under common control.

5.1 Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combining entities at the date of the combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.

5.2 Business combinations not involving enterprises under common control and goodwill

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. If a business combination not under the common control is realized step by step through multiple transactions, the cost of the combination is the sum of the consideration paid on the purchase date and the fair value of the equity of the purchasee already held before the purchase date on the purchase date. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria shall be measured at fair value at the acquisition date.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognized as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognizes the remaining difference immediately into profit or loss for the current period.

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements.

6. Preparation method of consolidated financial statements

6.1 Preparation method of consolidated financial statements

The scope of consolidated financial statements shall be confirmed based on the control. Control right means that an investor may control an investee; the investor may participate in relevant activities of the investee to obtain variable rewards and also be able to use the control rights for the investee to influence its amount of returns. The Group will re-evaluate, if the change of the relevant facts and circumstances leading to the change of the relevant elements involved in the above definition of control.

The merger of subsidiary starts from the Group obtaining the control power of the subsidiary, and terminates when the Group loses the control power of the subsidiary.

As for subsidiaries disposed by the Group, operating results and cash flows prior to the disposal date (the date of losing control right) have been properly included in the consolidated profit statement and consolidated cash flow statement.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

All significant intra-group balances and transactions are eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "minority equity" in the consolidated balance sheet. The portion of net profits or losses of subsidiaries for the period attributable to minority interests is presented as "minority interests" in the consolidated income statement below the "net profit" line item.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount are still allocated against minority interests.

Acquisition of minority interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the total owners' equity attributable to owner of the Company and minority equity are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under owners' equity. If the capital reserve is not sufficient to absorb the difference, the excess is adjusted against retained earnings.

In the case that the equity of the acquiree is obtained through multiple deals step by step to finally form the business combination not under the common control, the business combination shall be handled differently based on whether it is "package deal": where it is package deal, the Company accounts each deal as a deal to obtain the control. If the deal is not a "package deal", a deal where the control is obtained on the acquisition date will be subject to accounting. The acquiree's equity held before the acquisition date will be remeasured based on the fair value of the equity on the acquisition date and the difference between the fair value and book value will be included in the profit or loss in the current period. If the acquiree's equity held before the acquisition date involves any changes in the other comprehensive income or in any other owner's equity accounted by the equity method, such equity changes will be converted into the profit or loss in the current period on the acquisition date.

7. Joint arrangement classification and joint operation accounting

Joint arrangements include joint operation and joint ventures. Such classification is defined based on the rights and obligations of the joint parties in the joint arrangement, taking into account the structure and legal form of such arrangement and also the contractual provisions. Joint operation refers to a joint arrangement where the joint venture is entitled to assets related to this arrangement and bear liabilities related to this arrangement. Joint ventures mean that joint venture parties are merely entitled to joint venture arrangements of net assets of such arrangements.

The Groups investment in any joint venture is accounted by the equity method. See the details in Note (III) "15.3.2 Long-term equity investment accounted under the equity method".

The Group confirms its assets held separately according to the arrangement of joint operation and those held jointly in proportion to the Group's share; confirms its liabilities held separately and those held jointly in proportion to the Group's share ; confirms its revenue from the sale of its share of the output arising from the joint operation; confirms its share of the revenue from the sale of the output by the joint operation; confirms the expenses incurred by the Group alone and the expenses incurred by the joint operation corresponding to the share of the Group therein. The assets, liabilities, revenues and expenses related to the joint operation are accounted and confirmed by the Group in accordance with the regulations applicable to specific assets, liabilities, revenues, and expenses.

8. Recognition criteria of cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term (Generally refers to due within three months from the purchase date), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

9. Conversion of transactions and financial statements denominated in foreign currencies.

9.1 Transactions denominated in foreign currencies

A foreign currency transaction is recorded, on initial recognition, by applying an exchange rate that approximates the actual spot exchange rate on the date of transaction; The exchange rate that approximates the actual spot exchange rate on the date of transaction is calculated according to the middle price of market exchange rate at the beginning of the month in which the transaction happened.

At the balance sheet date, foreign currency monetary items are translated into [RMB] using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognized in profit or loss for the period, except for exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalization are capitalized as part of the cost of the qualifying asset during the capitalization period.

When the consolidated financial statements include foreign operation(s), if there is foreign currency monetary item constituting a net investment in a foreign operation, exchange difference arising from changes in exchange rates are recognized as "exchange differences arising on conversion of financial statements denominated in foreign currencies " in other comprehensive income, and in profit and loss for the period upon disposal of the foreign operation.

Foreign currency non-monetary items measured at historical cost are converted to the amounts in functional currency at the spot exchange rates on the dates of the transactions. Foreign currency non-monetary items measured at fair value are re-converted at the spot exchange rate on the date the fair value is determined. Difference between the re-converted functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognized in profit and loss or as other comprehensive income.

9.2 Conversion of financial statements denominated in foreign currencies

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are converted from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; shareholders' equity items are converted at the spot exchange rates at the dates on which such items arose; all items in the income statement as well as items reflecting the distribution of profits are translated at exchange rates that approximate the actual spot exchange rates on the dates of the transactions; The difference between the converted assets and the aggregate of liabilities and shareholders' equity items is recognized into other comprehensive income and shareholders' equity.

The foreign currency cash flows and cash flows of overseas subsidiaries adopt the exchange rate similar to the spot rate at the date of cash flows for conversion. The affected amount of cash and cash equivalents due to the change of exchange rate, as an adjustment item, shall be separately listed as "the impact of cash and cash equivalents due to the change of exchange rate" in the cash flow statement.

The closing balances of the prior year and the actual amount of the prior year are presented at the converted amounts of the prior year's financial statements.

On disposal of the Group's entire interest in a foreign operation, or upon a loss of control over a foreign operation due to disposal of certain interest in it or other reasons, the Group transfers the accumulated exchange differences arising on conversion of financial statements of this foreign operation attributable to the owners' equity of the Company and presented under shareholders' equity, to profit or loss in the period in which the disposal occurs.

In case of a disposal or other reason that does not result in the Group losing control over a foreign operation, but only a decrease in proportion of overseas business interests, the proportionate share of accumulated exchange differences arising on conversion of financial statements are re-attributed to minority interests and are not recognized in profit and loss under current period. For partial disposals of equity interests in foreign operations, which are associates or joint ventures, the proportionate shares of the accumulated exchange differences arising on conversion of financial statements of foreign operations is reclassified to profit or loss under current period.

10. Financial Instruments

The Group recognizes a financial asset or a financial liability when it becomes a party to a contract of financial instrument.

For the purchase or sale of a financial asset in conventional manner, the asset to be received and the liability to be assumed will be recognized on the trading day, or the asset sold will be derecognized on the trading day.

Financial assets and financial liabilities are measured by fair value upon initial recognition. For financial assets and financial liabilities at fair value through profit and loss, the relevant trading costs will be directly charged to profit and loss of the current period. For other types of financial assets and financial liabilities, the relevant trading costs will be booked into the initial recognition amount. Upon initial recognition of accounts receivable which have no material financing components or have not taken into consideration the financing components in contracts with a term not exceeding one year according to Accounting Standards for Business Enterprise No. 14 – Revenue (“Revenue Standard”), such initial amount is measured by the transaction price as defined under the Revenue Standard.

Effective interest rate method refers to the method of calculating the amortized cost of financial asset or financial liability and apportioning interest income or interest expenses to each accounting period.

Effective interest rate refers to the interest rate used for discounting the estimated future cash flows of a financial asset or a financial liability for an expected subsisting period into the balance of book value of the financial asset or the amortized cost of the financial liability. When determining the effective interest rate, the expected cash flows are estimated on the basis of considering all contractual terms of the financial asset or financial liability (such as early repayment, extended term, call option or other similar option) but without considering the expected credit loss.

The amortized cost of a financial asset or a financial liability refers to the initial recognition amount of such financial asset or financial liability, less the repaid amount of principal, plus or minus the accrued amortized amount calculated by amortization of the difference between the initial recognition amount and the amount on maturity by using the effective interest rate method, and then deducts the accrued provision for losses (only applicable to financial assets).

10.1 Classification, Confirmation and Measurement of Financial Assets

After initial recognition, the Group will adopt amortized cost, fair value through other comprehensive income, or fair value through profit and loss for subsequent measurement depending on different categories of financial assets.

The Group will classify a financial asset into a financial asset measured at amortized cost if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. Financial assets classified by the Group as financial asset measured by amortized cost include cash and cash equivalents, notes receivables and accounts receivable, other receivables (except for tax refund receivable) and long-term receivables.

The Group will classify a financial asset into a financial asset measured by fair value through other comprehensive income if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. This category of financial assets mainly includes financial assets with a maturity of more than one year from the date of acquisition and which are presented under other debt investments, financial assets maturing within one year (inclusive) from the balance sheet date and which are presented under non-current assets maturing within one year, as well as the accounts receivable and notes receivable classified as fair value at the time of acquisition and their changes are included in other comprehensive income are listed in the receivables for financing, and for those have acquisition period within one year (including one year) are listed in other current assets.

At the time of initial recognition, the Group may, on the basis of a single financial asset, irrevocably designate an

investment in an equity instrument held for non-trading purpose recognized or without consideration in a business merger not under common control as a financial asset at fair value through other comprehensive income. This type of financial assets is presented as investment in other equity instruments.

Financial assets which have satisfied one of the following conditions indicate that such financial assets are held for trading purpose by the Group:

- The purpose of acquiring the relevant financial asset is mainly for sale in recent period.
- At the time of initial recognition, the relevant financial asset is a part of an identifiable portfolio of financial instruments under collective management, and there is objective evidence showing a recent and actual existence of short-term profitable mode.
- The relevant financial assets are derivatives, excluding derivatives which satisfy the definition under financial guarantee contracts and derivatives which are designated as effective hedging instruments.

Financial assets at fair value through profit and loss include financial assets which are classified as financial assets at fair value through profit and loss and financial assets designated at fair value through profit and loss:

- Financial assets which do not satisfy the conditions of being classified as financial assets measured at amortized cost or as financial assets at fair value through other comprehensive income, they will be classified as financial assets at fair value through profit and loss.
- At the time of initial recognition, in order to eliminate or substantially reduce mismatch in accounting, the Group may irrevocably designate a financial asset as a financial asset measured at fair value with changes through profit and loss.

Financial assets at fair value through profit and loss will be presented as held-for-trading financial assets. If such financial assets have a maturity of more than one year from the balance sheet date (or without a fixed maturity) and which are expected to be held for more than one year, they will be presented under other non-current financial assets.

10.1.1 Financial assets measured at amortized cost

Financial assets measured at amortized cost adopt the effective interest rate method for subsequent measurement according to amortized cost, the profit or loss when impairment occurs or upon derecognition will be accounted in profit and loss of the current period.

The Group recognizes interest income by using effective interest rate method for financial assets measured at amortized cost. The Group determines interest income by multiplying the balance of book value of financial assets with the effective interest rate except under the following circumstances:

- For acquired or generated financial assets which incurred credit impairment already, their interest income will be determined by using the amortized cost of such financial asset calculated with the credit adjusted effective interest rate.
- For acquired or generated financial assets which have not incurred credit impairment but incur credit impairment in the subsequent period, the Group will determine their interest income by using the amortized cost of such financial assets multiplied with the effective interest rate in the subsequent period. If such financial asset ceases to have credit impairment due to improvement in credit risk in the subsequent period, then the Group should change to multiply the effective interest rate with the balance of book value of such financial asset instead to determine the interest income.

10.1.2 Financial asset at fair value through other comprehensive income

The impairment loss or profit, or interest income calculated by using the effective interest rate method, relating to financial asset at fair value through other comprehensive income should be accounted in the profit and loss of the current period, and other changes in fair value of such financial assets will be accounted in other comprehensive income. The amount charged by such financial asset to the profit and loss of each period is deemed to be equal to the amount which has been measured by amortized cost and charged to the profit and loss of each period. Upon derecognition of such financial asset, the accumulated profit or loss previously charged to other comprehensive income will be reversed from other comprehensive income and charged to profit and loss of the current period.

For non-trading equity instrument investment designated at fair value through other comprehensive income, its changes in fair value will be recognized in other comprehensive income. Upon derecognition of such financial asset, the accumulated profit or loss charged to other comprehensive income will be reversed from other comprehensive income and charged to retained earnings. During the period when such investment in equity instruments for non-trading purpose are held by the Group, the right to receive dividends by the Group has been established, and economic benefits related to dividends are likely to flow into the Group, and if the amount of dividends may be measured reliably, the dividend income is recognized and accounted in the profit and loss of the current period.

10.1.3 Financial asset at fair value through profit and loss

For financial asset at fair value through profit and loss, subsequent measurement will be calculated at fair value, the profit or loss arising from changes in fair value and the dividend and interest income relating to such financial asset will be accounted in the profit and loss of the current period.

10.2 Impairment of Financial Assets

For financial assets measured at amortized cost, financial assets that are classified as financial asset at fair value through other comprehensive income, contract assets, lease receivables, and financial guarantee contracts that do not meet the conditions for termination of recognition due to the transfer of financial assets or continue to be involved in financial liabilities formed by the transferred financial assets, the Group will handle impairment on the basis of expected credit loss and recognize loss provision.

The Group's consideration of contract assets, notes receivable and accounts receivable that are generated by transactions regulated by revenue standards and do not contain significant financing components or that do not consider financing components in contracts that are not more than one year old, as well as those operating lease receivables formed from transactions that are defined by the *Accounting Standards for Business Enterprises No. 21-Leasing*, the loss reserve shall be measured based on the amount of the expected credit loss during the entire duration.

For other financial instruments, other than acquired or generated financial assets which have incurred credit impairment already, the Group will assess on each balance sheet date the changes in credit risk of the relevant financial instruments since initial recognition. If the credit risk of such financial asset has significantly increased after initial recognition, the Group will calculate its loss provision based on the amount equivalent to the expected credit loss for the entire subsisting period. If the credit risk of such financial asset since initial recognition has not increased significantly, the Group will calculate its loss provision according to the expected credit loss amount of such financial asset for the next 12 months. The amount of increase or reversal in the provision for credit loss, apart from financial assets classified as financial asset at fair value through other comprehensive income, is accounted in the profit and loss of the current period. For financial asset classified as measured at fair value through other comprehensive income, the Group will recognize its credit loss provision in other comprehensive income and charged the impairment loss or gain to the profit and loss of the current period, and will not decrease the book value of such financial asset presented in the balance sheet.

The Group has calculated the loss provision equivalent to the expected credit loss amount for the entire subsisting period of the financial instrument in the preceding accounting period, but at the balance sheet date of the current period, such financial instrument is no longer under the condition of significant increase in credit risk since initial recognition, the Group calculates the loss provision for such financial instrument on the balance sheet date of the current period according to an amount equivalent to the expected credit loss for the next 12 months, and the resulting loss provision reversal amount will be counted as impairment gain and booked into the profit and loss of the current period.

10.2.1 Significant increase in credit risk

The Group uses available and reasonable forward-looking information with justification, by comparing the default risk of the financial instrument at the balance sheet date with the default risk on the initial recognition date, to confirm whether the credit risk of the financial instrument has significantly increased after initial recognition. When using the financial instrument impairment rules for loan commitment and financial guarantee contracts, the date when the Group becomes a party of an irrevocable commitment is deemed as the initial recognition date.

The Group considers the following factors when assessing whether the credit risk has significantly increased:

- (1) Whether a significant change has been caused to the internal price indicator due to changes in credit risk.
- (2) Whether the external credit rating of financial instrument has actual or expected significant changes.
- (3) Whether the actual or expected internal credit rating of the debtor has been downgraded.
- (4) Whether adverse changes have occurred in the business, finance or economic conditions which are expected to cause significant changes in the capability of the debtor to perform debt repayment obligations.
- (5) Whether actual or expected significant changes have occurred in the operating results of the debtor.
- (6) Whether significant adverse changes have occurred in the supervision, economic or technical environment in which the debtor operates.
- (7) Whether significant changes have occurred in the value of security pledged for the debt or the quality of guarantee or credit enhancement provided by third parties. Such changes are expected to reduce the debtor's economic motivation of repayment according to contractual term or influence the probability of default.
- (8) Whether significant changes have occurred in the economic motivation which will lower the expectation of repayment by the borrower according to the contractual term.
- (9) Whether significant changes have occurred in the expected performance and repayment behavior of the debtor.

Whether or not the credit risks increase significantly after the foregoing assessments, if any contractual payment for any financial instrument that overdue for over (including) 30 days, it indicates the credit risks of that financial instrument have increased significantly.

On the balance sheet date, if the Group determines that the financial instrument only carries low credit risks, then it assumes that the credit risks of the financial instrument have not increased significantly since the initial recognition. If the risk of default on financial instruments is low, the borrower is highly able to perform its contractual cash flow obligations in the short term, and even if the economic situation and operating environment are adversely changed over a long period of time but not necessarily reducing the borrower's performance of its contractual cash obligations, the financial instrument is considered as having a lower credit risk.

10.2.2 Financial assets which have incurred credit impairment already

When one or more events which will have adverse effect on the expected future cash flows from the financial asset of the Group have occurred, such financial asset will become a financial asset which have incurred credit impairment already.

The evidence of credit impairment occurred in a financial asset includes the following observable information:

- (1) Material financial difficulties have occurred in the issuer or debtor;
- (2) Breach of contract by the debtor, such as default or overdue for the payment of interest or repayment of principal;
- (3) Due to economic or contractual considerations relating to financial difficulties of the debtor, the creditor has granted concession to the debtor under no other circumstances;
- (4) The debtor is likely to go bankrupt or carry out other financial restructuring;
- (5) The financial difficulties of the issuer or debtor have caused the disappearance of the active market for the financial asset;
- (6) The purchase or generation of a financial asset at a large discount, such discount reflects the fact of occurrence of credit loss.

10.2.3 Confirmation of expected credit loss

The Group's accounts receivable, other receivables (except for tax refund receivables), contract assets, lease receivables and long-term receivables, that are individually significant and the debtor has serious financial difficulties, are determined on the basis of individual for its credit loss. For the remaining accounts receivable, other receivables (except for tax refund receivables), contract assets, lease receivables and long-term receivables, an impairment matrix is used to determine the credit losses of relevant financial instruments on a portfolio basis. The Group determines credit losses by assessing the probability of breach and loss given default based on the credit ratings on a portfolio basis of notes receivable and receivables. On the basis of common risk characteristics, the Group places financial instruments in different groups. The common credit risk characteristics adopted by the Group include: financial instrument type, credit risk rating, initial recognition date, remaining contract period, industry of debtor, geographic location of debtor, and etc.

The Group confirms the expected credit loss of the relevant financial instrument according to the following method:

- In respect of a financial asset, the credit loss is the present value of the difference between the contractual cash flow that the group should receive and the cash flow that it expects to receive.
- In respect of lease receivables, the credit loss is the present value of the difference between the contractual cash flow that the group should receive and the cash flow that it expects to receive.
- In respect of a financial guarantee contrac (for specific accounting policies, please refer to Note (III), 10.4.1.2.1), the credit loss is the present value of the difference between Group's expected payment amount for the compensation made to the contract holder due to the occurrence of credit loss and the amount expected to be received by the Group from such contract holder, debtor or any other parties.
- In respect of financial assets with credit impairment on the balance sheet date but they are not acquired or generated financial assets with credit impairment, the credit loss represents the difference between the balance of the book value of such financial asset and the present value of the estimated future cash flows discounted by the original effective interest rate.

The factors reflected by the method used for calculating expected credit loss of financial instruments by the Group include: an unbiased weighted average amount determined by assessing a series of probable outcomes; time value of currency; reasonable and justifiable information relating to past events, prevailing conditions and forecast of future economic conditions obtained on the balance sheet date without incurring unnecessary additional cost or effort.

10.2.4 Write-off on financial asset

When the Group ceases to have reasonable expectation on the possible collection of all or part of the contractual cash flows from the financial asset, the balance of book value of such financial asset will be written off directly. Such a write-

off constitutes a de-recognition of the relevant financial asset.

10.3 Transfer of financial asset

A financial asset that fulfills one of the following conditions will be de-recognized: (1) termination of contractual rights to receive cash flows from the financial asset; (2) upon transfer of such financial asset and transfer of substantially all the risks and rewards in respect of the ownership of such financial asset to the transferee; (3) upon transfer of such financial asset, though the Group has not transferred nor retained substantially all the risks and rewards in respect of the ownership of such financial asset, yet it has not retained the control over such financial asset.

If the Group has not transferred nor retained substantially all the risks and rewards in respect of the ownership of such financial asset, and has retained the control over such financial asset, then such transferred financial asset will continue to be recognized, and the relevant liabilities will continue to be recognized, according to the level of the Group's continuous involvement in such transferred financial asset. The relevant liabilities will be measured by the Group according to the following method:

- If the transferred financial asset is measured by amortized cost, the book value of the relevant liabilities is equivalent to the book value of the transferred asset of continuous involvement less the amortized cost of the rights retained by the Group (if the Group has retained the relevant rights due to transfer of the financial asset) and plus the amortized cost of the obligations undertaken by the Group (if the Group has undertaken the relevant obligations due to transfer of the financial asset), and the relevant liabilities are not designated as financial liabilities at fair value through profit and loss of the current period.
- If the transferred financial asset is measured by fair value, the book value of the relevant liabilities is equivalent to the book value of the transferred asset of continuous involvement less the fair value of the rights retained by the Group (if the Group has retained the relevant rights due to transfer of the financial asset) and plus the fair value of the obligations undertaken by the Group (if the Group has undertaken the relevant obligations due to transfer of the financial asset), and the fair value of the rights and obligations shall be measured at the fair value on a separate basis.

For full transfer, which satisfies the conditions of derecognition, of the financial assets, the difference between the sum of the book value of the transferred financial assets as at the date of derecognition and the consideration received from such transfer and the accumulated amount of change in fair value originally included in other comprehensive income, which corresponds to the amount in respect of derecognition, shall be recognized in the profit and loss for the current period. If the transfer of the financial assets by the Group is designated as investment in equity instrument held for non-trading purpose measured at fair value through other comprehensive income, the accumulated gains or losses previously included in other comprehensive income shall be transferred out from other comprehensive income and be included in retained earnings.

For transfer in part, which satisfies the conditions of derecognition, of the financial assets, the book value of the entire financial assets before the transfer shall be shared between the derecognized portion and the continuous recognition portion at their respective relative fair value on the date of transfer, and the difference between the sum of the consideration received from derecognition and the accumulated amount of change in fair value originally included in other comprehensive income, which corresponds to the amount in respect of derecognition, and the book value of the derecognized portion as at the date of derecognition shall be included in the profit and loss of the current period. If the transfer of the financial assets by the Group is designated as investment in equity instrument for non-trading purpose measured at fair value through other comprehensive income, the accumulated gains or losses previously included in other comprehensive income shall be transferred out from other comprehensive income and be included in retained earnings.

For full transfer, which does not satisfy the conditions of derecognition, of the financial assets, the Group will continue to

recognize the entire financial assets transferred and the consideration received as a result of the asset transfer is recognized as a liability when received.

10.4 Classification, confirmation and measurement of financial liabilities and equity instruments

Pursuant to the contractual terms of the issued financial instruments and the substantive economic condition as reflected, but not in legal terms only, combined with the definitions of financial liabilities and equity instruments, the Group has classified such financial instruments or the components thereof as financial liabilities or equity instruments upon initial recognition.

10.4.1 Classification, confirmation and measurement of financial liabilities

Financial liabilities are classified into financial liabilities at fair value through profit and loss of the current period and other financial liabilities upon initial recognition.

10.4.1.1 Financial liabilities at fair value through profit and loss of the current period

Financial liabilities at fair value through profit and loss of the current period comprise of financial liabilities held for trading purpose (including derivatives of financial liabilities) and financial liabilities designated as measured at fair value through profit and loss of the current period. Except for derivatives of financial liabilities, which are presented separately, financial liabilities at fair value through profit and loss of the current period are presented as financial liabilities held for trading.

Financial liabilities that fulfill one of the following conditions suggest that the Group assumes such financial liabilities for trading purpose:

- Assumption of the relevant financial liabilities is mainly for the purpose of the recent repurchases.
- The relevant financial liabilities, upon initial recognition, are part of a portfolio of identifiable financial instruments under centralized management, and available objective evidence shows the recent and actual existence of a short-term profit-making model.
- The relevant financial liabilities are derivatives, except derivatives which satisfy the definition of financial guarantee contract and derivatives designated as effective hedging instruments.

Financial liabilities can be designated, upon initial recognition, by the Group as financial liabilities at fair value through profit and loss of the current period, provided that they have satisfied one of the following conditions: (1) such designation can eliminate or substantially reduce accounting mismatches; (2) managing and evaluating the performance of portfolios of financial liabilities, or portfolios of financial assets and financial liabilities, on fair value basis and reporting internally to key personnel of the Group on this basis in accordance with the risk management or investment strategies specified in formal written documents of the Group; (3) hybrid contracts, with embedded derivatives, have satisfied the conditions.

Financial liabilities held for trading purpose use fair value for subsequent measurement, gains or losses arise from changes in fair value and the dividends or interest expenses relating to such financial liabilities are accounted in the profit and loss of the current period.

For financial liabilities designated at fair value through profit and loss of the current period, changes in fair value of such financial liabilities caused by changes in the Group's own credit risks shall be included in other comprehensive income, and other changes in fair value shall be included in the profit and loss of the current period. On derecognition of such financial liabilities, the accumulated amount of changes in fair value as a result of changes in our own credit risk included

previously in other comprehensive income shall be transferred to retained earnings. Dividends or interest expenses relating to such financial liabilities shall be included in the profit and loss of the current period. If handling the effect of changes in credit risk of such financial liabilities according to the aforesaid method would cause or magnify the accounting mismatches in profit and loss, the Group will include all gains or losses of those financial liabilities (including the amount affected by changes in their own credit risk) in the profit and losses of the current period.

10.4.1.2 Other financial liabilities

Excluding transfer of financial assets not complying with derecognition conditions, or financial liabilities as a result of continuous involvement in transferred financial assets, as well as the financial guarantee contracts, the other financial liabilities will be classified as financial liabilities measured at amortized cost, subsequent measurement will be based on amortized cost, gains or losses on derecognition or amortization will be accounted in the profit and loss of the current period.

If the Group and the counterparty have revised or renegotiated the contract, this has not resulted in the derecognition of financial liabilities measured at amortized cost for subsequent measurement, but has caused changes in the contractual cash flows, then the Group should recalculate the book value of such financial liabilities, and the relevant gains or losses shall be accounted in the profit and loss of the current period. The recalculated book value of such financial liabilities will be determined by the Group by discounting the cash flows from the renegotiated or revised contract with the original effect interest rate of the financial liabilities. All costs or expenses incurred in the revision or renegotiation of the contract will be reflected in the adjusted book value of financial liabilities after such revision, and will be amortized during the remaining period of the revised financial liabilities.

10.4.1.2.1 Financial guarantee contract

Financial guarantee contract refers to a contract that requests the issuer to provide a specific amount of compensation to the contract holder who suffers losses when a specific debtor fails to repay the debt on due date according to the initial or revised terms of the debt instrument. In respect of financial liabilities which are not designated at fair value through profit and loss of the current period, or in respect of financial guarantee contract for financial liabilities arising from transfer of financial assets not complying with derecognition conditions or continuous involvement in the transferred financial assets, the measurement after initial recognition will be based on the amount of provision for losses, or the balance of initial recognized amount after deducting the accumulated amortized amount confirmed in accordance with the relevant provisions of the Revenue Standard, whichever the higher.

10.4.2 Derecognition of financial liabilities

When the existing obligations of a financial liability have been wholly or partially discharged, such financial liability or such part of it will be derecognized. When the Group (as borrower) and the lender enter into an agreement to undertake new financial liabilities for replacing the original financial liabilities, if substantive difference exists in the contractual terms between the new financial liabilities and the original financial liabilities, the Group should derecognize the original financial liabilities while at the same time recognizes the new financial liabilities.

When a financial liability is wholly or partially derecognized, the difference between the book value of the derecognized portion and the consideration paid (including non-cash asset transferred out or new financial liabilities undertaken) will be accounted in the profit and loss of the current period.

10.4.3 Equity instrument

Equity instrument refers to a contract which can prove the ownership of remainder interest in assets after deducting all liabilities of the Group. The Group issues (including refinances), repurchases, sells or cancels equity instruments for treatment of changes in equity. The Group will not recognize changes in the fair value of equity instruments. Trading expenses relating to equity transactions will be deducted from equity.

The Group's distribution to holder of equity instrument is treated as profit distribution, the share dividends paid out will not affect the total equity of shareholders.

10.5 Derivatives and embedded derivatives

Derivatives include foreign exchange forward contract and foreign exchange option contract, etc. Derivatives are measured at fair value initially on the date of signing the relevant contract and will be measured at fair value for subsequent measurement.

For a hybrid contract constituted by an embedded derivative and a master contract, if the master contract is in respect of a financial asset, the Group will not split the embedded derivative from the hybrid contract, but will consider such hybrid contract as a whole unit to which the accounting standards and rules for classification of financial assets are applicable.

If the master contract included in the hybrid contract is not in respect of a financial asset, and fulfills the following conditions at the same time, the Group will split the embedded derivative from the hybrid contract to be treated as a separate subsisting derivative.

- (1) The economic characteristics and risks of the embedded derivative are not closely connected to the economic characteristics and risks of the master contract.
- (2) A separate instrument containing the same terms as the embedded derivative fits the definition of a derivative.
- (3) The hybrid contract is not measured at fair value and changes in fair value are accounted through profit and loss of the current period.

If an embedded derivative is split from the hybrid contract, the accounting treatment adopted by the Group for the master contract within the hybrid contract will be in accordance with the applicable accounting standards and rules. If the Group is unable to measure the fair value of the embedded derivative reliably according to the terms and conditions of the embedded derivative, the fair value of such embedded derivative will be determined by the difference between the fair value of the hybrid contract and the fair value of the master contract. After adoption of the above method, if the fair value of such embedded derivative is still unable to be measured separately on the acquisition date or subsequent balance sheet date, the Group will designate the entire hybrid contract as a financial instrument measured at fair value through profit and loss of the current period.

10.6 Offsetting between financial assets and financial liabilities

When the Group has legal right to offset the recognized financial assets and financial liabilities, and such legal right is enforceable currently, while at the same time the Group plans to perform netting settlement, or to liquidate the financial asset and repay the financial liability at the same time, the amount after offsetting between the financial asset and financial liability will be presented in the balance sheet. Save as said above, the financial asset and financial liability are presented separately in the balance sheet without offsetting each other.

11. Receivables for financing

Among the notes receivable measured at fair value through other comprehensive income, the ones with a term of less than

(including) one year since they are acquired will be listed as receivables for financing; the ones with a term of more than (including) one year since they are acquired will be listed as other debt investment. The relevant accounting policy is explained in Note (III), 10.1, 10.2 and 10.3.

12. Inventories

12.1 Categories of inventories

The Group's inventory mainly includes finished products, products in process and raw materials held in daily activities. Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

12.2 Valuation method of inventories upon delivery

The actual cost of inventories upon delivery is calculated using the moving weighted average method.

12.3 Basis for determining net realizable value of inventories

The inventory is measured according to cost and net realizable value, whichever is lower, on the date of balance sheet. When the net realizable value is lower than cost, withdraw inventory impairment reserves.

The net realizable value refers to the amount derived by deducting the potential cost, estimated selling expense and relative taxes to the completion date from the estimated sales price of inventory in daily activities. When determining net realizable value of inventories, take the obtained conclusive evidence as basis and consider the purposes of holding inventories and influence of events after the balance sheet date.

For the low-price stocks in large quantity, provision for the inventory price drops will be made based on the categories of stocks; for the stocks that are related to the products manufactured and sold in the same region, that have identical or similar ultimate use or purpose and that are hard to separate from other items when being measured, they are consolidated for provision for the inventory price drops; for other stocks, the provision for the inventory price drops will be made based on the cost of a single stock item in excess of the net realizable value.

After provision for inventory depreciation reserves is made, if the factors resulting in the write-down of inventory impairment have disappeared and causing the net realizable value higher than its book value, such inventory impairment provision are recovered and reversed, and the reversed amount recorded in profits and losses of the current period.

12.4 Inventory count system

The perpetual inventory system is maintained for stock system.

12.5 Amortization method for low cost and short-lived consumable items and packaging materials

Packaging materials and low cost and short-lived consumable items are amortized using the immediate write-off method.

13. Contract Assets

13.1 Method and standard for determination of contract assets

Contract assets refer to the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time. The Group's unconditional (i.e., depending on the passage of time only) right to receive consideration from the customer is separately presented as receivables.

13.2 Methods for determining and accounting of expected credit loss of contract assets

For details of methods for determining and accounting of expected credit loss of contract assets, please refer to Note (III)-10.2 Impairment of financial instruments.

14. Assets held for sale

Non-current assets and disposal groups are classified as held for sale category when the Group recovers the book value through a sale (including an exchange of non-monetary assets that has commercial substance) rather than continuing use.

Non-current assets or disposal groups classified as held for sale are required to satisfy the following conditions at the same time: (1) the asset or disposal group is available for immediate sale in its present condition subject to terms that are usual and customary for sales of such asset or disposal group; (2) the sale is highly probable, i.e. the Group has made a resolution about a selling plan and obtained a confirmed purchase commitment and the sale is expected to be completed within one year.

Non-current assets or disposal groups classified as held for sale are measured at the lower of the book value and the net amount of the fair value less the cost of disposal. Where the carrying amount is higher than the net amount of fair value less the cost of disposal, the carrying amount should be reduced to the net amount of fair value less the cost of disposal, and such reduction is recognized as impairment loss of assets and included in profit or loss for the period. In the meantime, provision for impairment of held-for-sale assets is made. When there is an increase in the net amount of fair value of non-current assets held for sale less the cost of disposal at the subsequent balance sheet date, the original deduction should be reversed from impairment loss of assets recognized after the classification as held for sale, and the reversed amount is included in profit or loss for the period. The impairment loss of assets recognized before the classification as held for sale is not reversed.

Non-current assets or non-current assets within disposal groups classified as held for sale are not depreciated or amortized, and the interests and other costs of liabilities of disposal group classified as held for sale continue to be recognized.

All or part of equity investments in an associate or joint venture are classified as held-for-sale assets. For the part that is classified as held for sale, it is no longer accounted through equity method since the date of the classification.

15. Long-term Equity Investment

15.1 Basis for determining joint control and significant influence over investee

Control is the power to govern an entity through participating in relevant activities of the investee; the investor is able to obtain variable benefits from its activities, and at same time, to use the control rights on the investee to influence the amount of returns. Joint control means that joint control for certain arrangement in accordance with relevant agreements; activities relevant to the arrangement cannot be decided until obtaining the unanimous consent of parties sharing control right. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee, such as current convertible debts, current executable warrants, etc., held by the investing enterprises or other parties shall be considered.

15.2 Determination of initial investment cost

For a long-term equity, investment acquired through a business combination involving enterprises under common control, the shares of merged party's book value of owners' equity in the final controlling party consolidated financial statements obtained on the merger date shall be considered as the initial investment cost of long-term equity investment. The differences between the initial investment cost of long-term equity investment and the paid cash, the transferred non-cash assets and the book value of the assumed debts are adjusted against the capital surplus; if the capital surplus is not sufficient to be offset, the remaining balance is adjusted against retained earnings. In the case of issued equity securities treated as consolidation consideration, share of book value of owner's equity of merged party in the final controlling party consolidated financial statements is regarded as initial investment cost of long-term equity investments on the date of consolidation; capital reserve shall be adjusted in accordance with taking total nominal value of issued share as capital share, the difference between the initial investment cost of long-term equity investments and total book value of issued shares; In case the capital reserve is not enough for writing down, the retained earnings shall be adjusted.

For a long-term equity investment acquired through business combination not involving enterprises under common control, and the merging cost confirmed on the purchased date are regarded as the initial investment cost.

The intermediate expenses made by the combining party or purchaser for audit, legal service, assessment and other management related expenses during the business merger should be included into the current profit and loss as it happens.

Long-term equity investment obtained by other means other than long-term equity investment formed by business combination shall be initially measured at cost.

15.3 Subsequent measurement and recognition of profit or loss

15.3.1 Long-term equity investment accounted for using the cost method

Long-term equity investments in subsidiaries are accounted for using the cost method in the Company's financial statements. A subsidiary is an investee that is controlled by the Group.

The long-term equity investment accounted by the cost method shall be measured at its initial investment cost. If there are additional investments or disinvestments, the long-term equity investment cost shall be adjusted. Income from the investment in the current period shall be recognized in accordance with the cash dividends or profits declared and issued

by the investee.

15.3.2 Long-term equity investment accounted for using the equity method

Except for investments in associates and joint ventures that are wholly or partly classified as holding assets for sale, the Group accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Group has significant influence and a joint venture is an entity over which the Group can only exercise joint control along with other investors on the investee's net assets.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognizes its share of the net profit or loss and other comprehensive income of the investee for the period as investment income or loss and comprehensive income for the period, meanwhile, the book value of the long-term equity investment shall be adjusted; The Group shall accordingly reduce the book value of the long-term equity investment in terms of the part that shall be enjoyed according to the profit or cash dividends declared by the invested unit to be distributed; For other changes in the owners' equity of the invested unit other than net profits and losses, other comprehensive incomes and the profit distribution, the book value of long-term equity investment shall be adjusted and be included into the capital reserves. The Group shall, on the ground of the fair value of all identifiable assets of the invested entity when it obtains the investment, recognize the attributable share of the net profits and losses of the invested entity after it adjusts the net profits of the invested entity. If the accounting policies and accounting periods adopted by the invested unit are different from those adopted by the Group, the adjustment shall be made for the financial statements of the invested unit in accordance with the accounting policies and accounting periods of the Group to recognize the investment income and other comprehensive incomes. For the transaction incurred between the group and associated enterprises and joint ventures, invested or sold assets don't constitute a business, the part that doesn't achieve internal transaction profit or loss or belongs to the Group calculated according to the enjoyed ratio will be offset, and the profit or loss on investment will be confirmed on this basis. But for the unrealized loss arising from the internal transaction between the Group and the invested unit, if such transaction loss is defined as the impairment loss of the transferred asset, they cannot be offset.

When the Group determines the net loss of the invested unit that shall be shared, it is necessary to write-down the book value of the long-term equity investment and other long-term equities substantially constituting the net investment of the invested unit to zero as a limit. Besides, if the Group is obliged to bear extra loss for the invested unit, it shall be necessary to determine provisions and record them to current investment loss in compliance with obligations expected to be assumed. If the invested unit realizes any net profits later, the Group shall, after the amount of its attributable share of profits offsets its attributable share of the un-confirmed losses, resume recognizing its attributable share of profits.

15.4 Disposal of long-term equity investments

On disposal of a long term equity investment, the difference between the proceeds actually received and the carrying amount is recognized in profit or loss for the period.

16. Fixed Assets

16.1 Recognition criteria for 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 useful lives of more than one accounting year. A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognized. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

16.2 Depreciation of each category of fixed assets

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Class	Depreciation period (years)	Residual value rate (%)	Annual depreciation rate (%)
Buildings and Constructions	20 years	10	4.5
General-purpose equipment	3-5 years	10	18.0-30.0
Special-purpose equipment	3-5 years	10	18.0-30.0
Means of transportation	5 years	10	18.0

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

16.3 Identification basis and valuation methods for fixed assets acquired under finance leases

On the commencement date of the lease term, record the lower of the fair value of the leasing asset or the present value of the minimum lease payments on the lease commencement date as the entry book value of the leased asset, and book the amount of the minimum lease payments as the entry book value of long-term account payable, and recognize the difference between the entry value of the leased asset and that of the long-term account payables as unrecognized financing expenses. In addition, the initial direct costs directly attributable to the leased item incurred during the process of negotiating the lease and signing the leasing agreement shall be included into the value of the leased assets.

The Group adopts a depreciation policy for a fixed asset held under a finance lease which is consistent with that for its owned fixed asset. If there is reasonable certainty that the Group will obtain ownership of the leased asset at the end of the lease term, the leased asset is depreciated over its useful life. If there is no reasonable certainty that the Group will obtain

ownership of the leased asset at the end of the lease term, the leased asset is depreciated over the shorter of the lease term and its useful life.

16.4 Other explanations

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognized. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognized in profit or loss for the period.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

17. Construction in Process

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalized before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use.

18. Borrowing Costs

Borrowing costs directly attributable to the acquisition & construction or production of assets eligible for capitalization shall be capitalized when assets expenditure, borrowing costs and necessary construction or production for bringing assets to expected conditions for use or marketing have taken place; when construction or production of assets ready for capitalization reach to expected conditions for use or marketing, capitalization shall be ceased. Other borrowing expenses are recognized as expenses in the current period.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings. During the capitalization period, exchange differences related to a specific-purpose borrowing denominated in foreign currency are all capitalized. Exchange differences in connection with general-purpose borrowings are recognized in profit or loss in the period in which they are incurred.

19. Intangible Assets

19.1 Intangible Assets Valuation Method and Service Life

Intangible assets include land use right, intellectual property (IP), application software, and franchisee etc, etc.

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost is amortized over its estimated useful life using the straight-line method. The useful life and predicted net residual value of various intangible assets are shown as follows:

Class	Service life (year)	Salvage value rate (%)
Land use right	40 or 50 years	-
IP Right	10 Years	-
Application Software	5-10 years	-
Franchise	Franchised operating period	-

After the construction of the relevant infrastructure, the Group has the right to collect fees from the service recipients within a certain period of operation, but if the amount of the fees is uncertain, the Group will use the fair value of the consideration receivable for construction services as the initial intangible assets confirmed. The amortization of the franchise is accrued on an average basis in installments using the straight-line method during its operating period.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at the end of the period, and makes adjustments when necessary.

For the impairment test of intangible assets, please refer to Note (III), 20. Long-term asset impairment.

19.2 Internal Research and Development Expenditure

Expenditure during the research phase is recognized as an expense in the period in which it is incurred.

Expenditure during the development phase that meets all of the following conditions at the same time is recognized as intangible asset. Expenditure during development phase that does not meet the following conditions is recognized in profit or loss for the period.

- (1) It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (2) The Group has the intention to complete the intangible asset and use or sell it;
- (3) The Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- (4) The availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- (5) The expenditure attributable to the intangible asset during its development phase can be reliably measured.

If the expenditures cannot be distinguished between the research phase and development phase, the Group recognizes all of them in profit or loss for the period. The costs of the intangible assets generated by internal development activities only include the total expenditure incurred from the time point when the capitalization conditions are available to the point when the intangible assets are used for their intended purposes; for the expenditure that already becomes an expenditure

in the profit and loss statement before the capitalization conditions are available during development of the same intangible asset, no adjustment will be made.

20. Long-term Assets Impairment

The Group assesses at each balance sheet date whether there is any indication that the long-term equity investment, fixed assets, construction in process and intangible assets with a finite useful life may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. The recoverable amount is determined by the higher of 1) net amount of fair value of the asset or asset group deducted by the disposal expenses; or 2) the present value of the expected future cash flows of the asset or asset group.

If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted as an impairment provision and is recognized in profit or loss for the period.

Goodwill impairment test shall be conducted at the end of each year at least. Goodwill impairment test shall be conducted in accordance with the concerned asset group or asset portfolio. That is to allocate the book value of goodwill to the asset group or asset portfolio that is expected to benefit from the synergies of the combination in a reasonable way from the date of purchasing. When recoverable amount of apportion-included asset group or asset portfolio of goodwill is less than book value of goodwill, impairment loss shall be recognized. Firstly, amount of impairment loss shall be apportioned to the book value of goodwill of the said asset group or asset portfolio, and then book value of other assets, except for goodwill, in asset group or asset portfolio shall be abated in proportion.

Once the impairment loss of such assets is recognized, it can not be reversed in any subsequent period.

21. Long-term deferred expenses

Long-term deferred expenses are the expenses that are already incurred but will be shared in the current reporting period and later periods with amortization term of more than one year, mainly for the expenses on betterment of leased fixed assets. Long-term deferred expenses are evenly amortized in installments in three years during the expected benefit period.

22. Contract liabilities

Contract liabilities refer to the obligation of the Group to transfer goods or services to customers for consideration received or receivable from customers. Contract assets and contract liabilities under the same contract are presented in net terms.

23. Employee compensation

23.1 Accountant Arrangement Method of Short-term Remuneration

During accounting period when the Group's employees provide services, actual short-term remuneration shall be recognized as the liabilities and current profit and loss or relevant asset cost. The Group's employee benefits and welfare are included into current profit and loss or relevant asset cost according to actual amount occurred during the period. If the employee benefits and welfare is non-monetary, it shall be measured according to its fair value.

During the accounting period that the employees service the Group, the Group pays social insurance premiums such as medical insurance premium, industrial injury insurance premium, maternity insurance premium and housing accumulation fund for its employees, as well as labor union expenditure and employee education expenses calculated and withdrawn according to the regulations, corresponding employee remuneration amount shall be calculated and determined in accordance with specified calculation and withdrawal basis and proportion to recognize corresponding liabilities and included into the current profit and loss or relevant asset cost.

23.2 Accountant Arrangement Method of Post-employment Benefits

All post-employment benefits shall be considered as the defined contribution plan.

In the accounting period when the employee serves for the Group, the deposited amount calculated based on defined contribution plan shall be recognized as liabilities and included in the current profit and loss or relevant asset cost.

23.3 Accountant Arrangement Method of the Termination Benefits

Where the Group provides termination benefits, the employee remuneration liabilities caused by such termination benefits will be determined as the following date, whichever is earlier, and will be included in the current profit and loss: 1) When the Group cannot unilaterally withdraw the termination benefits provided due to labor relation cancellation plan or employee lay-off suggestion; or 2) when the Group determines costs or expenses in relation with the restructuring of the paid termination benefits.

24. Provisions

Provisions are recognized when the Group has a present obligation related to a contingency such as products quality assurance, etc. And it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

25. Share-based Payment

Share-based payment refers to a transaction in which the Group grants the equity instruments or undertakes the equity-instrument-based liabilities in return for services from employees. The Group's share-based payment is an equity-settled share-based payment.

A share-based payment is a transaction which the Group grants equity instruments, or incurs liabilities for amounts that are determined based on the price of equity instruments, in return for services rendered by employees. The Group's share-based payments are equity-settled share-based payments.

25.1 Equity-settled share-based payments

Grants to employees are equity-settled share-based payments.

Equity-settled share-based payments in exchange for services rendered by employees are measured at the fair value of the equity instruments granted to employees at the grant date. Such amount is recognized as related costs or expenses on a straight-line basis over the vesting period, with a corresponding increase in capital reserve.

At each balance sheet date during the vesting period, the Group makes the best estimate according to the subsequent latest information of change in the number of employees who are granted with options that may vest, etc. and revises the number of equity instruments expected to vest. The effect of the above estimate is recognized as related costs or expenses, with a corresponding adjustment to capital reserve.

25.2. Accounting treatment related to implementation, modification and termination of share-based payment arrangement

In case the Group modifies a share-based payment arrangement, if the modification increases the fair value of the equity instruments granted, the Group will include the incremental fair value of the equity instruments granted in the measurement of the amount recognized for services received. If the modification increases the number of the equity instruments granted, the Group will include the fair value of additional equity instruments granted in the measurement of the amount recognized for services received. The increase in the fair value of the equity instruments granted is the difference between fair value of the equity instruments before and after the modification on the date of the modification. If the Group modifies the terms or conditions of the share-based payment arrangement in a manner that reduces the total fair value of the share-based payment arrangement, or is not otherwise beneficial to the employee, the Group will continue to account for the services received as if that modification had not occurred, other than a cancellation of some or all the equity instruments granted.

If cancellation of the equity instruments granted occurs during the vesting period, the Group will account for the cancellation of the equity instruments granted as an acceleration of vesting, and recognize immediately the amount that otherwise would have been recognized over the remainder of the vesting period in profit or loss for the period, with a corresponding recognition in capital reserve. When the employee or counterparty can choose whether to meet the non-vesting condition but the condition is not met during the vesting period, the Group treats it as a cancellation of the equity instruments granted.

26. Revenue

26.1 Accounting policies applied in revenue recognition and measurement

The revenue of the Group is mainly generated from business types as follows:

(1) Revenue from sale of products

Product sales revenue is the revenue from sales of video surveillance products, smart home products, robotics products and other products of the Group.

(2) Project construction revenue

Project construction revenue is the revenue from constructions related to intelligent security solution projects provided by the Group.

(3) Cloud service and other service revenue

Revenue from cloud services and other services refers to cloud services such as storage services, video services, and telephone services provided by the Group, maintenance services related to security projects, and other services, etc.

When (or as) a performance obligation in a contract was satisfied, i.e., when (or as) the customer obtains control of relevant goods or services, the Group recognizes as revenue the amount of the transaction price that is allocated to that performance obligation. A performance obligation is the Group's commitment to transfer to a customer a good or service (or a bundle of goods or services) that is distinct, in a contract with the customer. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and amounts that the Group expects to refund to the customer.

Revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met: (1) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; (2) the Group's performance creates or enhances an asset that the customer controls as the Group performs; or (3) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

The Group adopts the output method to determine the progress of performance, that is, the progress of contract performance is determined according to the value of the goods or services that have been transferred to the customer in the view of the customer. When the performance progress cannot be reasonably determined, and the costs incurred can be expected to be compensated, the Group recognizes revenue based on the amount of costs incurred until the performance progress can be reasonably determined.

If the contract contains two or more performance obligations, the Group allocates the transaction price to each single performance obligation on the contract start date in accordance with the relative proportion of the individual selling price of the goods or services promised by each single performance obligation. However, if there is strong evidence that the contract discount or variable consideration is only related to one or more (but not all) performance obligations in the contract, the Group allocates the contract discount or variable consideration to the relevant one or more performances obligation. Individual selling price refers to the price at which the Group sells goods or services to customers separately. Where the individual selling price cannot be directly observed, the Group comprehensively considers all relevant information that can be reasonably obtained, and uses the observable input value to the maximum to estimate the individual selling price.

If there is variable consideration in the contract, the Group determines the best estimate of variable consideration based on the expected value or the most likely amount. The transaction price including variable consideration shall not exceed the amount that is likely to cause no significant reversal of accumulated recognized revenue when the relevant uncertainty

is eliminated. At each balance sheet date, the Group re-estimates the amount of variable consideration that should be included in the transaction price.

For sales with sales return terms attached, as the customer obtains ownership of related goods, the Group recognizes revenue in accordance with the consideration (excluding expected refund amounts due to sales returns) that the Group is expected to receive due to the transfer of goods or services to the customer, and recognizes expected liabilities in accordance with expected refund amounts due to sales returns. The remaining amount, subsequent to deduction of expected costs from collecting the goods (including the decrease in value of the returned goods), is recognized as an asset in accordance with the carrying amount during the expected transfer of returned goods after deducting the costs of the above net assets carried forward.

For sales with quality assurance clauses, if the quality assurance provides a separate service beyond the assurance to the customer that the goods or services sold meet established standards, the quality assurance constitutes a single performance obligation. Otherwise, the Group conducts accounting for quality assurance responsibilities in accordance with the *Accounting Standards for Business Enterprises No. 13-Contingencies*.

The additional purchase option of customers includes customer reward incentives. With respect to the additional purchase option with material rights provided to customers, the Group regards it as a single performance obligation, and recognizes relevant revenue upon obtaining the control over relevant goods or services by the customers who exercise the purchase option in future or upon lapse of such option. If a stand-alone selling price of the additional purchase option of customers is not directly observable, the Group shall consider all relevant information including the difference in discount obtained with and without the exercise of such option by customers and the possibility of exercising such option by customers during estimation.

If there is a significant financing component in the contract, the Group determines 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 is amortized using the effective interest rate method during the contract period. On the contract commencement date, the Group does not consider the significant financing components in the contract if the interval between the customer obtaining control of the goods or services and the price being paid by the customer is not more than one year.

The Group judges whether the Group's identity is the principal or agent when engaging in transactions based on whether it has control over the goods or services before transferring the goods or services to customers. If the Group is able to control the goods or services before transferring them to customers, the Group is the principal responsible person, and revenue is recognized based on the total amount of consideration received or receivable; otherwise, the Group is an agent and recognizes revenue based on the amount of commissions or fees which the Group is expected to be entitled to charge. The amount of commissions or fees is determined based on the total amount of consideration received or receivable net of the amount payable to other parties.

When the Group collects amounts of sold goods or services in advance from the customer, the Group will firstly recognize the amounts as a liability and then transfer to revenue until satisfying relevant performance obligations. When the advances from customers is non-refundable and the customer may give up all or part of contract right, and the Group is expected to be entitled to obtain amounts associated with contract rights given up by the customer, the above amounts shall be proportionally recognized as revenue in accordance with the model of exercising contract rights by the customer; otherwise, the Group will transfer the relevant balance of the above liability to revenue only when the probability is extremely low for the customer to satisfy remaining performance obligations.

27. Cost of contract

27.1 Cost of obtaining a contract

Incremental costs incurred by the Group to obtain a contract (that is, costs that would not have occurred without a contract) and expected to be recovered are recognized as an asset, and amortized using the same basis as revenue recognition for the goods or services to which the asset relates, and included in current profit or loss. If the amortization period of the asset does not exceed one year, it is included in current profit or loss when it occurs. Other expenses incurred by the Group in order to obtain the contract shall be included in current profit or loss when incurred, unless it is clearly borne by the customer.

27.2 Cost of contract fulfillment

The cost of the Group's performance of a contract that does not fall within the scope of accounting standards other than the revenue standard and meets the following conditions is recognized as an asset: (1) The cost is directly related to a current or anticipated contract; (2) The cost increases the Group's resources for fulfilling performance obligations in the future; (3) The cost is expected to be recovered. The aforesaid assets are amortized on the same basis as the recognition of income from goods or services related to the assets, and are included in the current profit or loss.

The Group's asset in relation to contract costs are mainly contract performance costs, and they are included in inventories based on their current nature.

27.3 Impairment of contract costs

In determining impairment losses on assets related to contract costs, impairment losses are first determined for other assets recognized in accordance with other relevant ASBEs and related to the contract; then, for assets related to contract costs whose carrying value is higher than the difference between the following two items, the Group makes provision for impairment for the excess to be recognized as asset impairment losses: (1) the remaining amount of consideration that the Group expects to receive as a result of transfer of goods or services to which the asset relates; (2) the estimated costs to be incurred in connection with the transfer of relevant goods or services.

After the provision for impairment for the asset related to contract costs is made, if the difference between the above two items is higher than the carrying amount of the asset due to changes in the factors of impairment in previous periods, the original provision for impairment of the asset is reversed and included in the current profit or loss, but the carrying amount of the asset after the reversal shall not exceed the carrying amount of the asset on the reversal date assuming no provision for impairment is made.

28. Types of governmental subsidies and accounting treatment methods

Government subsidies refer to the monetary and non-monetary assets obtained by the Group from the government for free. Government subsidies are recognized when they can meet the conditions attached to the government subsidies and can be received.

If a government subsidy is a monetary asset, it shall be measured at the amount received or receivable.

28.1 Judgment basis and Accountant treatment of government subsidy related to assets

The government subsidies for Chongqing Manufacture Base construction and etc. are used for constructions and forms long-term assets, and therefore are categorized as government subsidy related to assets.

A government grant related to an asset is recognized as deferred income, and it should be evenly amortized to profit or loss over the useful life of the related asset.

28.2 Judgment basis and accountant treatment of government subsidy related to income

The Group receives government subsidies including subsidies for Core Electronic Devices, High-end Universal Chip and Basic Software Product Projects, Value-Added-Tax rebate (VAT rebate), subsidies for special projects, tax refunds, and Value-Added-Tax deductions, etc. which are used to compensate the group-related costs or losses, and therefore are categorized as government subsidy related to income.

For a government grant related to income, for example subsidy for Core Electronic Devices, High-end Universal Chip and Basic Software Product Projects, if the subsidy is a compensation for related expenses or losses to be incurred in subsequent periods, it is recognized as deferred income, and recognized in profit or loss over the periods in which the related costs or losses are recognized; If the subsidy, such as VAT Rebate, is a compensation for related expenses or losses already incurred, it is recognized immediately in profit or loss for the period.

For government subsidies related to the Group's daily operations shall be booked into other income; for those not related to the Group's daily operations, shall be booked into non-operating income/expense.

For the policy-backed preferential subsidized loan, if the Ministry of Finance will appropriate the subsidy amount to the lending bank, who will grant the loan to the Group at the policy-backed preferential interest rate, the actually received loan amount will be the entry value of the loan and the loan-related expenses will be calculated based on the loan principal and policy-backed preferential interest rate.

29. Deferred Tax Assets / Deferred Tax Liabilities

The income tax expenses include current income tax and deferred income tax.

29.1. Current Income Tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

29.2 Deferred Tax Assets and Deferred Tax Liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized through the balance sheet liability method.

Deferred tax is generally recognized for all temporary differences. Deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. However, for temporary differences associated with the initial recognition of goodwill and the

initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

On the balance sheet date, the deferred income tax assets and deferred income tax liabilities are measured at the applicable tax rates in the period in which the related assets are recovered or the related liabilities are recovered in accordance with the tax laws.

Current and deferred tax expenses or income are recognized in profit or loss for the period, except when they arise from transactions or events that are directly recognized in other comprehensive income or in shareholders' equity, in which case they are recognized in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

29.3 Offset of Income Tax

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

30. Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

30.1 Accounting treatment of operating Lease

30.1.1 The Group as lessee under operating leases

Operating lease payments are recognized on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the period. Contingent rents are charged to profit or loss in the period in which they are actually incurred.

30.1.2 The Group as lessor under operating leases

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs with more than an insignificant amount are capitalized when incurred, and are recognized in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred. Contingent rents are charged to profit or loss in the period in which they actually arise.

30.2. Accounting treatment of the finance lease

30.2.1 The Group as lessee under finance leases

For relevant accounting treatment, refer to Note (III) *16.3 Identification basis, valuation and depreciation method of finance lease of fixed assets.*

Unrecognized finance charges are recognized as finance charge for the period using the effective interest method over the lease term. Contingent rents are credited to profit or loss in the period in which they are actually incurred. The net amount of minimum lease payments less unrecognized finance charges is separated into long-term liabilities and the portion of long-term liabilities due within one year for presentation.

30.2.2 The Group as lessor under finance leases

At the commencement of the lease term, the aggregate of the minimum lease receivable at the inception of the lease and the initial direct costs is recognized as a finance lease receivable, and the unguaranteed residual value is recorded at the same time. The difference between the aggregate of the minimum lease receivable, the initial direct costs and the unguaranteed residual value, and the aggregate of their present values is recognized as unearned finance income.

Unearned finance income is recognized as finance income for the period using the effective interest method over the lease term. Contingent rents are credited to profit or loss in the period in which they are actually incurred.

The net amount of financial lease receivables less unearned finance income is separated into long-term debts receivable and the portion of long-term debts receivable due within one year for presentation.

31. Important judgments while applying accounting policy, and key assumptions and uncertainty factors applied for accounting estimate

During the process of using accounting policy described in note (III), due to the uncertainty in operation activities, the group should judge, estimate and assume the book value of the report items which may not be metered reliably. These judgments, estimates and assumptions are based on the historical experience of the Group's management and other related factors. Differences may exist between the actual results and the Group's estimate.

The Group regularly reviews the above judgments, assumptions and estimations on the basis of continuous operation. If the changes of accounting estimate only influence current period, the influence amount will be affirmed during the changing period; if it influences the current period and subsequent periods, the influence amount will be recognized in the current period and future period.

- Key assumptions and uncertainties used in accounting estimate

On balance sheet date, key assumptions and uncertainties for performing accounting estimates on book value of assets and liabilities in subsequent future periods are:

Impairment provision for inventories

Except for contract performance costs, inventories are measured at the lower of cost or net realizable value. For raw materials, the latest or future actual purchase price is used as the basis for determining the net realizable value; For products in progress, the actual selling price of the latest or future finished product minus the estimated costs and costs that will be incurred when similar products are completed in the current period, the estimated selling expenses and related taxes to be incurred, is used as the basis for determining the net realizable value; For finished products, the actual selling price of the latest or future finished product minus the estimated selling expenses and related taxes will be incurred, is used as the basis for determining the net realizable value. The Group will regularly conduct a comprehensive stocktaking to review the impairment circumstances on defective, obsoleted or slow-moving inventory if any; in addition, the Group's management will regularly review the impairment circumstance of inventory with long storage time according to the inventory aging list. The review procedure includes the comparison between book value of defective, obsoleted or slow-moving inventories and inventory with long storage time and its corresponding net realizable value in order to determine whether to withdraw provisions on the defective, obsoleted or slow-moving inventory and inventory with long storage time. Based on the above procedure, the Group's management deems that the full provision amounts have been withdrawn for inventory.

Impairment of accounts receivable

Except for accounts receivable whose credit losses are determined on the basis of individual basis, the Group adopts an impairment matrix to determine its expected credit loss provision. Based on the historical loss rate, the Group determines the proportion of corresponding loss reserves for various types of accounts receivable with similar risk characteristics. The impairment matrix is determined based on the historical overdue ratio and default of the Group, taking into account reasonable and well-founded industry forward-looking information. As of December 31st 2020, the Group has reassessed the historically observable overdue ratio and considered changes in forward-looking information. The amount of the provision for expected credit losses will change as the estimation of the Group. The details on the provision for expected credit losses of the accounts receivable of the Group are given in Note (V). 4.

Useful life and predicted net residual value of fixed asset

The Group's estimation of fixed assets useful life is based on the historical experience of actual usable term of fixed assets with similar properties and functions, the estimation of predicted net residual value is the amount obtained currently by the Group from the assets after deducting the anticipated disposal expense based on the anticipated status assuming the conditions that fixed assets' predicted useful life expires and fixed assets are at the end of useful life. The Group shall conduct the review on the predicted service life and predicted net residual value of fixed assets at least annually. For the current reporting period, the Group's management did not see signs either indicating a shortened or extended useful life of the Group's fixed asset or indicating a change in predicted net residual value.

Accrued liabilities of product quality warranty

Accrued liabilities of product quality assurance are costs and expenses incurred to meet the established standards of product quality assurance obligations to customers in accordance with the product contract; the Group made such an estimation according to the predicted repair and replacement cost of relevant products. The estimation considers the product claim rate trend, historic defect rate, industry practice and other major estimations. The management deems that the current estimation on accrued liabilities of product quality warranty is reasonable, however, the Group will continue to review the conditions of product repairs, and will conduct adjustment if any sign indicating the need to make adjustments on accounting estimates.

Deferred tax assets and deferred tax liabilities

Deferred income tax assets and deferred income tax liabilities are measured at the applicable income tax rate during the period when the relevant asset is expected to be recovered or the relevant debt is expected to be paid off. The expected applicable income tax rate is determined according to the relevant current tax regulations and the actual situation of the Group. If the estimated income tax rate is different from the original estimate, the management of the Group will adjust it.

The realization of deferred income tax assets mainly depends on the actual future profits and the effective tax rate of temporary difference in the future applicable years. If the actual profit in the future is less than the estimation, or actual tax rate is lower than the estimation, then the confirmed deferred income tax assets will be reversed and confirmed in the income statement during the corresponding period. If the actual profit in the future is more than the estimation, or actual tax rate is higher than the estimation, then the corresponding deferred income tax assets might be adjusted and confirmed in the income statement during the corresponding period.

Goodwill impairment

When performing impairment test on goodwill, the predicted present value of future cash flows of relevant asset group or asset group portfolio included the goodwill need to be calculated, the future cash flows of relevant asset group or asset group portfolio need to be estimated, and the proper pretax rate that fairly reflects the current market time value of money and specific asset risk need to be determined. When the future actual result is different from the original estimation, the goodwill impairment loss will alter.

Fair value measurement and valuation process

Held-for-trading financial assets, receivables for financing, and other non-current financial assets of the Group are measured at fair value in the financial statement. When valuating the fair value of these assets, the Group preferably uses obtainable and observable market data. If no observable data is available, the Group will organize an internal evaluation panel or hire qualified third-party valuers to conduct valuation. The Finance Department and evaluation panel of the Group will work closely with the hired valuers to determine appropriate valuation techniques and the input values of the valuation model. The valuation techniques and input values used for valuating the fair value of various assets are disclosed in Note (IX).

32. Significant alternation in accounting policy and accounting estimations

32.1 Significant changes in accounting policies

Changes in accounting policies and reasons	Approval Procedures	Notes
<p><i>New revenue standard</i></p> <p>Starting from January 1st 2020, the Group has adopted the <i>Accounting Standards for Business Enterprises No. 14 – Revenue</i> (hereinafter referred to as the “New Revenue Standard”, the revenue standard before the amendment is referred to as the “Original Revenue Standard”) modified by the Ministry of Finance in 2017. The New Revenue Standard has introduced the 5-step method for recognition and measurement of revenue and added more instructions on specific transactions or events. For details of the accounting policies for recognition and measurement of revenue of the Group, please refer to Note (III). 26. The New Revenue Standard requires the entity to adjust the retained earnings and the amounts of other relative items in the financial statements at the beginning of initial adoption (i.e. January 1st 2020) of the new standards for the cumulative amount of impact, and not to adjust information in comparable period. In adopting the New Revenue Standard, the Group only adjusts the cumulative impact of contracts that have not been completed on the first execution date. For changes in contract incurred before the beginning of adoption of New Revenue Standard, the Group will make simplified treatment, namely, the Group will identify the fulfilled and unfulfilled performance obligations, determine transaction price and allocate the transaction price between the fulfilled and unfulfilled performance obligations according to the final arrangement of contract changes.</p> <p>The New Revenue Standard has no significant impact on the revenue recognition of various businesses of the Group.</p> <p>For details of the impact of the Group’s adoption of the New Revenue Standard on January 1st 2020, please refer to Note (III). 32.2.</p>	<p>Such alternations in accounting policy were approved by the Group at board of director general meeting.</p>	<p>None</p>

32.2 In addition to providing more extensive disclosure of income transactions, the impact of the implementation of the New Revenue Standards on the consolidated balance sheet at the beginning of the year:

Unit: RMB

Item	Original Revenue Standard	Reclassified (Note)	New Revenue Standard
Current Assets:			
Inventories	11,267,986,843.11	(511,959,250.70)	10,756,027,592.41
Contract assets	-	511,959,250.70	511,959,250.70
Current Liabilities:			
Receipts in advance	1,020,989,460.61	(1,020,989,460.61)	-
Contract liabilities	-	1,277,556,117.60	1,277,556,117.60
Other payables	1,568,744,599.94	(223,641,465.91)	1,345,103,134.03
Other current liabilities	913,534,538.26	74,324,355.92	987,858,894.18
Non-current Liabilities:			
Deferred income	333,589,831.30	(107,249,547.00)	226,340,284.30

Note: Due to the implementation of the New Revenue Standards, the Group reclassified the completed but unsettled assets formed by construction contracts of RMB 511,959,250.70 that was originally included in inventory into contract assets;

reclassified the prepaid product sales amount and prepaid construction settlement payments that were originally included in advance receipts of RMB 946,665,104.69 and RMB 74,324,355.92 to contract liabilities and other current liabilities, respectively; and reclassified cloud storage service income of RMB 107,249,547.00 originally included in deferred income and part of the accrued expenses of RMB 223,641,465.91 originally included in other payables into contract liabilities.

The impact of the implementation of the New Revenue Standards on the relevant items of the parent company's balance sheet at the beginning of this year is listed below:

Unit: RMB

Item	Original Revenue Standard	Reclassified (Note)	New Revenue Standard
Current Assets:			
Inventories	171,243,815.97	(10,824,732.70)	160,419,083.27
Contract assets	-	10,824,732.70	10,824,732.70
Current Liabilities:			
Receipts in advance	227,242,328.23	(227,242,328.23)	-
Contract liabilities	-	201,581,177.56	201,581,177.56
Other current liabilities	913,534,538.26	25,661,150.67	939,195,688.93

Note: Due to the implementation of the New Revenue Standards, the Group reclassified the completed but unsettled assets formed by construction contracts of RMB10,824,732.70 that was originally included in inventory to contract assets; and reclassified the prepaid product sales amount and prepaid construction settlement payments that were originally included in advance receipts of RMB 201,581,177.56 and RMB 25,661,150.67 to contract liabilities and other current liabilities, respectively.

Compared with the Original Revenue Standard, the impact of the implementation of the New Revenue Standard on the related items of the consolidated balance sheet on December 31st 2020 is listed below:

Unit: RMB

Item	Original Revenue Standard	Reclassified (Note)	New Revenue Standard
Current Assets:			
Inventories	11,723,660,551.68	(245,754,510.98)	11,477,906,040.70
Contract assets	-	245,754,510.98	245,754,510.98
Current Liabilities:			
Receipts in advance	1,545,407,782.59	(1,545,407,782.59)	-
Contract liabilities	-	2,161,166,671.26	2,161,166,671.26
Other payables	2,187,414,432.38	(662,361,076.43)	1,525,053,355.95
Other current liabilities	560,959,368.73	184,752,210.84	745,711,579.57
Non-current Liabilities:			
Deferred income	329,029,010.77	(138,150,023.08)	190,878,987.69

Note: Due to the implementation of the New Revenue Standards, the Group reclassified the completed but unsettled assets formed by constructions of RMB 245,754,510.98 that was originally included in inventory to contract assets; reclassified the prepaid product sales amount and prepaid construction settlement payments that were originally included in advance receipts of RMB 1,360,655,571.75 and RMB 184,752,210.84 into contract liabilities and other current liabilities, respectively; and reclassified cloud storage service income of RMB 138,150,023.08 originally included in deferred income and part of the accrued expenses of RMB 662,361,076.43 originally included in other payables into contract liabilities;

Compared with the Original Revenue Standard, the impact of the implementation of the New Revenue Standard on the related items of the parent Company's balance sheet on December 31st 2020 is listed below:

Notes to Financial Statements

 For the reporting period from January 1st 2020 to December 31st 2020

Unit: RMB

Item	Original Revenue Standard	Reclassified (Note)	New Revenue Standard
Current Assets:			
Inventories	207,527,500.81	(3,311,250.08)	204,216,250.73
Contract assets	-	3,311,250.08	3,311,250.08
Current Liabilities:			
Receipts in advance	272,352,315.20	(272,352,315.20)	-
Contract liabilities	-	240,629,015.92	240,629,015.92
Other current liabilities	557,444,443.98	31,723,299.28	589,167,743.26

Note: Due to the implementation of the New Revenue Standards, the Group reclassified the completed but unsettled assets formed by construction contracts of RMB 3,311,250.08 that was originally included in inventory into contract assets; and reclassified the prepaid product sales amount and prepaid construction settlement payments that were originally included in advance receipts of RMB 240,629,015.92 and RMB 31,723,299.28 into contract liabilities and other current liabilities, respectively.

IV. Taxes

1. Major categories of taxes and tax rates

Category of tax	Basis of tax computation	Tax rate
Enterprise income tax	Taxable income	25% (Note 1)
VAT	For the taxable product sales revenue or taxable labor revenue, the Company and its domestic subsidiaries are ordinary Value-added Tax payers; the VAT payable is the balance of input tax after deducting the deductible output tax.	6%, 9%, 13% and simple collection rate of 5%, 3% (Note 3)
City maintenance and construction tax	Actual payable turnover tax	7%
Education surcharges	Actual payable turnover tax	3%
Local education surcharges	Actual payable turnover tax	2%

Note 1: Except that this Company and subsidiaries in China are applicable to the following tax preference, this Company's other subsidiaries in China are applicable to 25% of enterprise income tax rate, the overseas subsidiaries are applicable to corresponding local tax rate.

- (1) In accordance with the *Letter of Reply on Publishing the List of Identified High-tech Enterprises of Zhejiang Province in 2020* (Guo Ke Huo Zi [2020] No. 251) issued by the Leading Group Office of National High-tech Enterprise Identification Management on December 29th 2020, the Company was identified as the high-tech enterprise with a valid term of 3 years, from 2020 to 2022. Therefore, the Company's enterprise income tax rate is at a reduced rate of 15% for the current reporting period. (2019:15%)

In accordance with the *Notice on Printing and Distributing the List of Key Software Enterprises and IC Design Enterprises in the National Planning Layout for 2013-2014* (Fa Gai Gao Ke [2013] No. 2458), the Company was recognized as a national key software enterprise in 2013. According to the *Notice on Issues Related to Enterprise Income Tax Preferential Policies for Software and Integrated Circuit Industry* (Cai Shui [2016] No. 49), the Company was approved by the tax authorities in August 2020 to pay the 2019 annual corporate income tax at the rate of 10%. As of the approval date of this report, the Company's 2020 income tax concessions have not been verified or filed; therefore, the Company's 2020 corporate income tax is still paid at the rate of 15% (2019: 10%).

- (2) In accordance with Finance and Taxation [2011] No. 58 Document of Ministry of Finance, State Administration of Taxation (SAT) and General Administration of Customs, the wholly-owned subsidiaries, Chongqing Hikvision Technology Co., Ltd. and Chongqing Hikvision System Technology Co., Ltd., are qualified to enjoy the west development preferential tax policy from 2011 to 2020, therefore, the enterprise income rate shall be calculated and paid on the basis of a reduced tax rate of 15% in the current reporting period. (2019:15%)
- (3) In accordance with the *Replies on Publishing the List of First Batch of identified High-tech Enterprises of Zhejiang Province in 2018* (GuoKeHuoZi [2019] No. 70) issued by the leading group office of Zhejiang high-tech enterprise identification management work on February 20th 2019, the Company's joint venture subsidiary, Hangzhou Fuyang Baotai Security Technology Service Co., Ltd. (Fuyang Baotai), was recognized as a high-tech enterprise and was valid for 3 years from 2018 to 2020. Therefore, the enterprise income rate shall be calculated and paid on the basis of a reduced tax rate of 15% in the current reporting period. (2019:15%)
- (4) In accordance with the *Replies on Publishing identified High-tech Enterprises of Zhejiang Province in 2019* (GuoKeHuoZi [2020] No. 32) issued by the leading group office of Zhejiang high-tech enterprise identification management work on January 20th 2020, the Company's wholly-owned subsidiary, Hangzhou Hikvision System Technology Co., Ltd. (Hangzhou System), was recognized as a high-tech enterprise and was valid for 3 years from 2019 to 2021. Therefore, the enterprise income rate shall be calculated and paid on the basis of a reduced tax rate of 15% in the current reporting period. (2019:15%)

- (5) In accordance with the *Notice on Publishing the List of Third Batch of Proposed Identified High-tech Enterprises of Shanghai in 2020* issued by Shanghai High-tech Enterprise Identification Office on November 20th 2020, the Company's wholly-owned subsidiary, Shanghai Goldway Intelligent Transportation System Co., Ltd. ("Shanghai Goldway") was identified as the high-tech enterprise with a valid term of 3 years, from 2020 to 2022. Therefore, its corporate income tax is at a reduced rate of 15% this year. (2019:15%)
- (6) In accordance with the *Letter of Reply on Publishing the List of Identified High-tech Enterprises of Zhejiang Province in 2020* (Guo Ke Huo Zi [2020] No. 251) issued by the Leading Group Office of National High-tech Enterprise Identification Management on December 29th 2020, the Company's joint-venture subsidiary, Hangzhou Hikrobot Technology Co., Ltd. ("Hangzhou Robotic Technology") were identified as the high-tech enterprises with a valid term of 3 years, from 2020 to 2022. Therefore, the enterprise income tax in the current reporting period is at a reduced rate of 15%. (2019:15%)
- (7) In accordance with the *Letter of Reply on Publishing the List of Identified High-tech Enterprises of Zhejiang Province in 2020* (Guo Ke Huo Zi [2020] No. 32) issued by the Leading Group Office of National High-tech Enterprise Identification Management on January 20th 2020, the Company's joint-venture subsidiary, Hangzhou Hikmicro Sensing Technology Co., Ltd. ("Hangzhou Hikmicro") were identified as the high-tech enterprises with a valid term of 3 years, from 2019 to 2021.

According to the *Notice of State Administration of Taxation and Ministry of Finance on the Enterprise Income Tax Policy for Further Incentivizing Software Industry and Integrated Circuit Industry* (Cai Shui [2012] No. 27) and *Notice on Issues Related to Enterprise Income Tax Preferential Policies for Software and Integrated Circuit Industry* (Cai Shui [2016] No. 49), Hangzhou HikMicro is an integrated circuit manufacturer that was founded before December 31st 2017 and has not made profit and that produces the integrated circuit with line width <0.8 micrometers (incl.), so it is exempted from enterprise income tax in the first and second years after start of profiting and pays enterprise income tax at half of the 25% statutory tax rate in the third to fifth years. As of the approval date of this report, Hangzhou HikMicro had not profited in 2020.

- (8) In accordance with the *Announcement on Promoting the Income Tax Policies of High-quality Developed Enterprises in the Integrated Circuit Industry and the Software Industry* (Announcement [2020] No. 45 jointly by the MOF, SAT, NDRC and MIIT), enterprises engaging in integrated circuit design, equipment, materials, packaging, testing and software encouraged by the state are entitled to exemption from enterprise income tax in the first and second years after start of profiting and pays enterprise income tax at half of the 25% statutory tax rate in the third to fifth years. The Company's joint venture subsidiaries, Hangzhou EZVIZ Software Co., Ltd. ("EZVIZ Software") and Hangzhou Microimage Software Co., Ltd. ("Microimage Software"), are qualified software companies and are entitled to exemption from enterprise income tax in 2020 (2019: 25%).

Note 2: In accordance with the requirements of the *Notice on Software Product Value-added Tax Policy* (Cai Shui [2011] No. 100) promulgated by the Ministry of Finance and the State Administration of Taxation, as for self-developed software products sales of the Company, Hangzhou System, the Company's joint-venture subsidiaries such as Hangzhou HikRobotic Technology, Hangzhou HikAuto Software Co., Ltd. ("HikAuto"), Hangzhou EZVIZ Software, Wuhan Hik Storage Technology Co., Ltd., Hangzhou HikStorage Technology Ltd. ("HikStorage"), Hangzhou Hikmed Imaging Technology Co., Ltd., Hangzhou Hikfire Technology Co., Ltd. ("Hikfire"), Hangzhou Rayin Technology Co., Ltd. ("Rayin"), Microimage Software and Hangzhou Kuangxin, the VAT shall be calculated and paid with tax rate of 17% at first, then the portion with actual tax bearing excess 3% shall be refunded after State Administration of Taxation reviews.

Note 3: In accordance with the *Announcement on Relevant Policies for Deepening the Value-Added Tax Reform* (Joint Announcement [2019] No. 39) jointly issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs, from April 1st 2019 to December 31st 2021, taxpayers in the production and living services industry are allowed to deduct an additional 10% of the current deductible input tax to deduct the tax payable ("Additional Deduction Policy"), the Company's joint venture subsidiaries, Henan Hua'an Bao Quan Intelligent Development Co., Ltd. ("Hua'an Baoquan Intelligent"), Henan Hua'an Security Services Co., Ltd. ("Hua'an Security Services"), Henan Haikang Hua'an BaoQuan Electronics Co., Ltd. ("Hua'an BaoQuan Electronics"), Hangzhou EZVIZ Technology Co., Ltd. ("EZVIZ Technology"), engaging in information technology service industry, and their sales of information technology services accounted for more than 50% of its total sales, are complying with the provisions of the

Notes to Financial Statements

For the reporting period from January 1st 2020 to December 31st 2020

Additional Deduction Policy and were entitled to additional deduction preferential tax policy of input tax since April 1st 2019.

Based on the Joint Announcement [2019] No. 39, since April 1st 2019, taxpayers are subject to VAT taxable sales or imported goods, the VAT rates had been adjusted from 16% and 10% to 13% and 9% respectively.

The VAT rate for the services provided by the Company's taxpayers is 6%, and part of taxable service income is applicable to the simple collection rate of 5% and 3%.

V. Notes to items in the consolidated financial statements

1. Cash and bank balances

Item	Closing Balance			Opening Balance		
	Foreign currency amount	Exchange rate for conversion	RMB amount	Foreign currency amount	Exchange rate for conversion	RMB amount
Cash:						
RMB	-	-	17,959.62	-	-	26,573.64
EUR	71,638.34	8.0250	574,897.70	9,121.04	7.8155	71,285.50
INR	2,504,019.19	0.0891	223,108.11	2,522,598.05	0.0975	245,953.31
USD	32,776.72	6.5249	213,864.82	18,379.06	6.9762	128,216.03
GBP	6,341.78	8.8903	56,380.33	6,402.60	9.1501	58,584.43
Other currencies	-	-	18,836.93	-	-	26,816.77
Bank balance:						
RMB	-	-	27,789,108,210.05	-	-	18,788,528,237.06
USD	941,351,972.89	6.5249	6,142,227,487.92	961,564,878.01	6.9762	6,708,068,901.97
EUR	52,026,066.91	8.0250	417,509,186.97	52,283,961.33	7.8155	408,625,299.77
RUB	1,742,132,380.50	0.0877	152,785,009.77	620,006,016.25	0.1126	69,812,677.43
INR	1,203,270,539.96	0.0891	107,211,405.11	1,970,579,846.87	0.0975	192,131,535.07
GBP	11,204,897.40	8.8903	99,614,899.38	10,626,622.96	9.1501	97,234,662.71
BRL	54,535,451.03	1.2551	68,447,444.59	19,927,461.93	1.7312	34,498,422.09
AED	36,263,518.29	1.7761	64,407,634.83	6,881,653.06	1.8992	13,069,635.49
CAD	5,383,485.44	5.1161	27,542,449.88	55,723.62	5.3421	297,681.15
PLN	12,359,893.85	1.7520	21,654,534.02	38,087,521.72	1.8324	69,791,574.80
JPY	336,505,067.09	0.0632	21,267,120.24	-	-	-
HKD	13,632,862.61	0.8416	11,473,417.17	414,424.94	0.8958	371,241.86
AUD	2,279,274.45	5.0163	11,433,524.41	1,809,291.16	4.8843	8,837,120.83
ZAR	14,765,683.20	0.4458	6,582,541.57	30,300,402.08	0.4943	14,977,488.75
KRW	855,655,685.00	0.0060	5,133,934.11	1,047,156,352.79	0.0060	6,316,447.12
THB	14,687,508.85	0.2328	3,419,252.06	15,437,877.88	0.2328	3,593,937.97
Other currencies	-	-	18,195,337.35	-	-	31,353,569.84
Other currency funds:						
RMB	-	-	463,887,119.07	-	-	552,442,631.48
USD	3,101,420.39	6.5249	20,236,457.90	9,370,708.66	6.9762	65,371,937.73
EUR	465,821.33	8.0250	3,738,216.17	601,625.37	7.8155	4,702,003.07
Other currencies	-	-	2,748,878.19	-	-	1,366,483.91
Total			35,459,729,108.27			27,071,948,919.78
Including: deposited in overseas banks			782,389,029.81			1,045,878,239.66

Details of other currency funds:

Item	Closing Balance			Opening Balance		
	Foreign currency amount	Exchange rate for conversion	RMB amount	Foreign currency amount	Exchange rate for conversion	RMB amount
Capitals with limitations:						
Bank acceptance bill	-	-	8,484.61	-	-	121,763,423.06
Deposits for letter of guarantee	-	-	44,417,713.65	-	-	60,758,739.37
Deposits for letter of Credit in BRL	283,313.18	1.2551	355,586.37	271,326.91	1.7312	469,721.15
Tax Operation Margin for India	120,305.95	0.0891	10,719.26	120,306.05	0.0975	11,729.83
Other security deposit	60,000.00	4.7050	282,300.00	-	-	505,730.42
Other capitals with limitations	-	-	389,816,426.07	-	-	372,771,567.55
Subtotal			434,891,229.96			556,280,911.38
Capitals without limitations:						
Deposit in Alipay, Tenpay, etc.	-	-	25,263,562.38	-	-	65,519,585.97
Other currency funds in USD	4,662,441.59	6.5249	30,421,965.14	298,523.39	6.9762	2,082,558.84
Other currency funds in ZAR	23,875.03	0.0877	2,093.84	-	-	-
Other currency funds in EUR	3,965.11	8.0250	31,820.01	-	-	-
Subtotal			55,719,441.37			67,602,144.81
Total			490,610,671.33			623,883,056.19

2. Held-for-trading financial assets

Unit: RMB

Item	Closing Balance	Opening Balance
Financial assets measured at fair value through current gain and loss	22,679,846.77	181.76
Including: derivative financial assets	22,679,846.77	181.76
Total	22,679,846.77	181.76

As of December 31st 2020, derivative financial assets include forward foreign exchange contracts and foreign exchange option contracts. Forward foreign exchange contracts include forward contracts which sell USD and buy RMB, forward contracts which sell EUR and buy USD, etc. with a nominal value of RMB 1,875,987,806.80 (2019: RMB 782,363,621.62), while foreign exchange option contracts include USD call options, etc. with a nominal value of RMB 326,245,000.00 (2019: nil). Such forward foreign exchange contracts and foreign exchange option contracts are not designated as hedging instruments, and gains or losses arising from changes in fair value are recognized directly in current profit or loss.

3. Notes receivable

3.1 Categories of notes receivable

Unit: RMB

Category	Closing Balance	Opening Balance
Bank acceptance bill	1,003,388,157.28	696,453,713.94
Commercial acceptance bill	299,864,547.91	276,783,075.08

Category	Closing Balance	Opening Balance
Total	1,303,252,705.19	973,236,789.02

3.2 The pledged notes receivable by the Group at the closing of the current reporting period

Unit: RMB

Category	Pledged amount at the end of the current reporting period
Bank acceptance bill	7,981,224.88
Total	7,981,224.88

3.3 At the end of the current reporting period, notes receivable endorsed by the Group but not yet due at the balance sheet day

Unit: RMB

Category	Derecognized amount by December 31 st 2020	Amount not derecognized by December 31 st 2020
Bank acceptance bill Note (V)-29.3	-	482,454,604.99
Total	-	482,454,604.99

Note: Transfer of financial assets

As of December 31st 2020, the Group gave RMB 482,454,604.99 (2019: RMB 329,309,522.17) undued bank acceptance bills to suppliers for endorsement. Since the Group has not transferred almost all the risks and rewards of ownership of financial assets, the Group has not terminated its confirmation. For details, please refer to Note (V) 29.3.

3.4 As of December 31st 2020, the Group transferred the defaulted notes receivable into accounts receivable.

Unit: RMB

Category	Amounts transferred into accounts receivable by December 31 st 2020
Commercial Acceptance Bill	17,014,737.60
Total	17,014,737.60

3.5 The Group believes, except for bills that are transferred to accounts receivable due to the failure of the drawer to perform the contract, The bank acceptance bills and commercial acceptance bills held by the Group do not have significant credit risks and will not cause major losses due to the counterparty's default. Therefore, no loss provision is made.

4. Accounts Receivable

4.1 Disclosure by aging

Unit: RMB

Item	Closing Balance		
	Accounts receivable	Credit loss provision	Proportion (%)
Within credit period	14,002,517,652.87	58,299,025.51	0.42
Within 1 year after exceeding credit period	6,758,932,090.02	255,864,496.09	3.79
1-2 years after exceeding credit period	1,578,112,326.35	372,980,005.92	23.63
2-3 years after exceeding credit period	733,996,553.54	447,320,322.82	60.94
3-4 years after exceeding credit period	255,513,263.37	215,227,318.95	84.23
Over 4 years after exceeding credit period	162,704,016.92	162,704,016.92	100.00

Item	Closing Balance		
	Accounts receivable	Credit loss provision	Proportion (%)
Subtotal	23,491,775,903.07	1,512,395,186.21	6.44

4.2 Classified disclosure of credit loss provision by methods

Unit: RMB

Category	Closing Balance				
	Carrying amount		Credit loss provision		Book Value
	Amount	Proportion (%)	Amount	Proportion (%)	Amount
Provision for credit loss on a single basis	-	-	-	-	-
Provision for credit loss by portfolios	23,491,775,903.07	100.00	1,512,395,186.21	6.44	21,979,380,716.86
Total	23,491,775,903.07	100.00	1,512,395,186.21	6.44	21,979,380,716.86
Category	Beginning Balance				
	Carrying amount		Credit loss provision		Book Value
	Amount	Proportion (%)	Amount	Proportion (%)	Amount
Provision for credit loss on a single basis	-	-	-	-	-
Provision for credit loss by portfolios	22,740,426,638.25	100.00	1,432,499,437.97	6.30	21,307,927,200.28
Total	22,740,426,638.25	100.00	1,432,499,437.97	6.30	21,307,927,200.28

Provision for credit loss by portfolios for accounts receivable

Unit: RMB

Customer	Closing balance		
	Carrying amount	Credit loss provision	Proportion (%)
Portfolio A	3,741,372,760.83	99,390,940.21	2.66
Portfolio B	14,498,803,998.36	1,286,607,985.18	8.87
Portfolio C	5,251,599,143.88	126,396,260.82	2.41
Total	23,491,775,903.07	1,512,395,186.21	6.44

Description of credit loss provision by portfolios for accounts receivable

As part of the Group's credit risk management, the Group uses the ageing of accounts receivable to assess the expected credit losses of accounts receivable formed by domestic and overseas sales business, and divides the risk characteristics into portfolio A, portfolio B and portfolio C, according to the business area and object. These three portfolios involve a large number of customers with the same risk characteristics. Aging information is able to reflect the solvency of these three types of customers when the accounts receivable are due.

Notes to Financial Statements

 For the reporting period from January 1st 2020 to December 31st 2020

 As of December 31st 2020 and January 1st 2020, the credit risk and expected credit losses of accounts receivable from portfolio A are as follows:

Unit: RMB

Age	Estimated average loss rate (%)	Closing balance			Estimated average loss rate (%)	Beginning balance		
		Carrying value	Credit loss provision	Book value		Carrying value	Credit loss provision	Book value
Within credit period	0.02	2,971,260,488.09	604,959.50	2,970,655,528.59	0.02	3,012,605,457.25	597,158.52	3,012,008,298.73
Within 1 year after exceeding credit period	2.02	640,220,646.55	12,955,798.75	627,264,847.80	6.11	624,571,039.13	38,185,783.11	586,385,256.02
1-2 years after exceeding credit period	51.50	82,533,903.30	42,503,136.38	40,030,766.92	52.96	42,580,562.72	22,551,710.14	20,028,852.58
2-3 years after exceeding credit period	90.10	40,717,280.97	36,686,603.66	4,030,677.31	100.00	10,567,300.34	10,567,300.34	-
3-4 years after exceeding credit period	100.00	5,809,507.07	5,809,507.07	-	100.00	361,945.19	361,945.19	-
Over 4 years after exceeding credit period	100.00	830,934.85	830,934.85	-	100.00	970,003.96	970,003.96	-
Total	2.66	3,741,372,760.83	99,390,940.21	3,641,981,820.62	1.98	3,691,656,308.59	73,233,901.26	3,618,422,407.33

 As of December 31st 2020 and January 1st 2020, the credit risk and expected credit losses of accounts receivable from portfolio B are as follows:

Unit: RMB

Age	Estimated average loss rate (%)	Closing balance			Estimated average loss rate (%)	Beginning balance		
		Carrying value	Credit loss provision	Book value		Carrying value	Credit loss provision	Book value
Within credit period	0.76	6,294,425,956.16	48,017,503.05	6,246,408,453.11	0.79	6,328,262,502.43	50,248,953.36	6,278,013,549.07
Within 1 year after exceeding credit period	3.77	5,727,639,925.20	216,155,232.48	5,511,484,692.72	5.56	5,693,144,197.77	316,684,963.73	5,376,459,234.04
1-2 years after exceeding credit period	20.69	1,426,493,413.08	295,122,043.56	1,131,371,369.52	33.24	1,204,463,575.15	400,380,049.11	804,083,526.04
2-3 years after exceeding credit period	57.51	665,262,321.85	382,616,768.44	282,645,553.41	69.87	359,638,419.88	251,294,454.87	108,343,965.01
3-4 years after exceeding credit period	83.09	238,233,041.29	197,947,096.87	40,285,944.42	88.54	111,524,139.09	98,742,193.82	12,781,945.27
Over 4 years after exceeding credit period	100.00	146,749,340.78	146,749,340.78	-	100.00	86,854,139.13	86,854,139.13	-
Total	8.87	14,498,803,998.36	1,286,607,985.18	13,212,196,013.18	8.74	13,783,886,973.45	1,204,204,754.02	12,579,682,219.43

Notes to Financial Statements

For the reporting period from January 1st 2020 to December 31st 2020

As of December 31st 2020 and January 1st 2020, the credit risk and expected credit losses of accounts receivable from portfolio C are as follows:

Unit: RMB

Age	Estimated average loss rate (%)	Closing balance			Estimated average loss rate (%)	Beginning balance		
		Carrying value	Credit loss provision	Book value		Carrying value	Credit loss provision	Book value
Within credit period	0.20	4,736,831,208.62	9,676,562.96	4,727,154,645.66	0.25	4,542,156,207.09	11,532,655.19	4,530,623,551.90
Within 1 year after exceeding credit period	6.84	391,071,518.27	26,753,464.86	364,318,053.41	11.63	607,354,998.31	70,646,073.52	536,708,924.79
1-2 years after exceeding credit period	51.18	69,085,009.97	35,354,825.98	33,730,183.99	50.83	86,416,837.18	43,926,740.35	42,490,096.83
2-3 years after exceeding credit period	100.00	28,016,950.72	28,016,950.72	-	100.00	12,516,916.97	12,516,916.97	-
3-4 years after exceeding credit period	100.00	11,470,715.01	11,470,715.01	-	100.00	10,418,437.21	10,418,437.21	-
Over 4 years after exceeding credit period	100.00	15,123,741.29	15,123,741.29	-	100.00	6,019,959.45	6,019,959.45	-
Total	2.41	5,251,599,143.88	126,396,260.82	5,125,202,883.06	2.95	5,264,883,356.21	155,060,782.69	5,109,822,573.52

4.3 Credit loss provision

Provision, re-collection, or reverse of the credit loss provision in the current reporting period

Unit: RMB

Credit loss provision	Total
Balance on January 1 st 2020	1,432,499,437.97
Provision/(reverse) during the current fiscal year	106,051,544.54
Derecognition of financial assets (including direct write-downs) and transfer out	(22,005,239.96)
Difference arised from foreign currency statement translation	(4,150,556.34)
Balance on December 31 st 2020	1,512,395,186.21

Actual write-off of accounts receivable during current reporting period:

In the current reporting period, the amount of actual accounts receivable write-off is RMB 25,171,302.50, and RMB 3,166,062.54 is recollected after writing-off.

4.4 Top five debtors based on corresponding closing balance of accounts receivable

Unit: RMB

Name of the Party	Relationship with the Company	Book value balance of accounts receivable	Closing balance for credit loss provision	Proportion (%)
CETC's subsidiary company A (Note)	Related Party	501,007,644.51	96,125,402.52	2.13
Third Party A	Third party	310,077,741.68	1,486,228.93	1.32
Third Party B	Third party	126,881,081.38	151,276.86	0.54
Third Party C	Third party	107,295,716.59	3,377,737.34	0.46
Third Party D	Third party	89,559,375.68	1,090,145.30	0.38
Total		1,134,821,559.84	102,230,790.95	4.83

Note: A subsidiary of CETC is a subsidiary of China Electronics Technology Group Co., Ltd., the Company's ultimate controller.

4.5 As of December 31st 2020, there is no termination of accounts receivable booking due to transfer of a financial asset.

4.6 As of December 31st 2020, the Group has no assets/liabilities booked due to transferred accounts receivable that the Group still continue to be involved in.

5. Receivables for financing

5.1 Receivables for financing by categories

Unit: RMB

Item	Closing Balance	Opening Balance
Bank acceptance bill	1,959,601,195.25	1,257,385,053.02
Total-	1,959,601,195.25	1,257,385,053.02

5.2 At the end of the reporting period, the Group's pledged receivables for financing

Unit: RMB

Item	Pledged amounts at the end of the reporting period
Bank acceptance bill	106,117,987.87
Total-	106,117,987.87

5.3 At the end of the reporting period, receivables for financing endorsed or discounted by the Group that have not yet expired on the balance sheet date.

Unit: RMB

Item	Derecognized amount at December 31 st 2020 (note)	Amount not derecognized at December 31 st 2020
Bank acceptance bill	1,176,321,996.01	-
Total-	1,176,321,996.01	-

5.4 The Group believes that the acceptance bank's credit rating of the bank acceptance bill held is high, and there is no significant credit risk, so no loss provision is made.

6. Prepayments

6.1 Prepayments by aging analysis

Unit: RMB

Aging	Closing Balance		Opening Balance	
	Carrying amount	Proportion (%)	Carrying amount	Proportion (%)
Within 1 year	264,692,469.55	89.33	288,005,514.00	93.00
1-2 years	20,302,314.17	6.85	15,571,671.02	5.03
2-3 years	9,021,070.25	3.04	5,931,322.30	1.92
Over 3 years	2,318,835.89	0.78	177,226.00	0.05
Total	296,334,689.86	100.00	309,685,733.32	100.00

6.2 Closing balances of top five prepayments parties

As of December 31st 2020, the Group's top five balances of prepayments amounted to RMB 92,888,243.89, accounting for 31.35% of total closing balance of prepayments.

Notes to Financial Statements

 For the reporting period from January 1st 2020 to December 31st 2020

7. Other receivables
7.1 Other receivables by aging

Unit: RMB

Item	Closing Balance		
	Other receivables	Bad debt provision	Proportion (%)
Within contract period	393,767,306.19	3,092,760.15	0.79
Within 1 year	82,543,774.90	3,484,470.34	4.22
1-2 years	30,360,130.36	6,333,574.44	20.86
2-3 years	36,308,366.49	16,055,559.67	44.22
3-4 years	19,994,220.62	14,864,083.14	74.34
Over 4 years	7,472,685.05	7,472,685.05	100.00
Subtotal	570,446,483.61	51,303,132.79	8.99

7.2 Other receivables by nature of the payment

Unit: RMB

Item	Closing Balance	Opening Balance
Temporary payments for receivables	294,409,377.31	289,318,820.48
Guarantee deposits	173,447,240.76	189,230,714.51
Tax rebates	67,714,444.77	63,470,351.07
Investment intention fund	1,000,000.00	2,968,783.82
Others	33,875,420.77	36,238,521.79
Total	570,446,483.61	581,227,191.67

Notes to Financial Statements

For the reporting period from January 1st 2020 to December 31st 2020

7.3 Provision for credit loss

Unit: RMB

Category	Opening balance	Amount of changes in the current reporting period			Difference resulted from foreign currency statements Conversion	Closing balance
		Provision or reverse	Recollect	Resell or write off		
Other receivables	25,980,646.19	27,043,173.31	-	(977,181.94)	(743,504.77)	51,303,132.79
Total	25,980,646.19	27,043,173.31	-	(977,181.94)	(743,504.77)	51,303,132.79

Changes in credit loss provisions for other receivables

Unit: RMB

bed debts allowance	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses in the next 12 months	Expected credit loss for the entire duration (credit impairment has not incurred)	Expected credit loss for the entire duration (credit impairment has occurred)	
Balance on January 1 st 2020	1,212,041.34	4,892,634.45	19,875,970.40	25,980,646.19
The book balance of other receivables on January 1 st 2020 in the current reporting period				
--Transfer into stage 2	(1,212,041.34)	1,212,041.34	-	-
-- Transfer into stage 3	-	(4,892,634.45)	4,892,634.45	-
--provision/(reverse) in the current reporting period	3,836,264.92	8,606,003.44	14,600,904.95	27,043,173.31
-- Derecognition of financial assets (including direct write-down) and transfer out	-	-	(977,181.94)	(977,181.94)
Other changes	(743,504.77)	-	-	(743,504.77)
Balance on December 31 st 2020	3,092,760.15	9,818,044.78	38,392,327.86	51,303,132.79

7.4 The actual write-off of other receivables during the current reporting period:

The actual write-off of other receivables during the current reporting period is RMB 977,181.94.

Notes to Financial Statements

For the reporting period from January 1st 2020 to December 31st 2020

7.5 Top five debtors based on corresponding closing balance of other receivables

Unit: RMB

Entities	Relationship with the Company	Nature	Closing balance	Aging	Proportion of total closing balance for other receivables (%)	Closing balance for credit loss provision
Third party E	Third party	Guarantee deposits	13,305,682.50	With in the contract period	2.33	157,007.05
Third party F	Third party	Guarantee deposits	6,927,179.05	With in the contract period	1.21	81,740.71
Third party G	Third party	Temporary payments for receivables	5,513,580.00	With in the contract period	0.97	65,060.24
Third party H	Third party	Temporary payments for receivables	4,492,118.45	With in the contract period	0.79	53,007.00
Third party I	Third party	Guarantee deposits	3,738,423.66	1-2 years	0.66	797,405.77
Total			33,976,983.66		5.96	1,154,220.77

7.6 As of December 31st 2020, the Group does not have other receivables related to government subsidies.

7.7 As of December 31st 2020, there is no termination of other receivables booking due to transfer of a financial asset.

7.8 As of December 31st 2020, the Group has no assets/liabilities booked due to any transferred other receivable that the Group continues to be involved in.

Notes to Financial Statements

 For the reporting period from January 1st 2020 to December 31st 2020

8. Inventories

8.1 Categories of inventories

Unit: RMB

Category	Closing Balance			Opening Balance		
	Carrying amount	Provision for decline in value of inventories/ Impairment provision for contract performance cost	Book value	Carrying amount	Provision for decline in value of inventories/ Impairment provision for contract performance cost	Book value
Raw materials	5,307,099,264.63	96,173,520.97	5,210,925,743.66	4,900,229,585.04	36,718,275.26	4,863,511,309.78
Work-in-progress	364,831,525.62	-	364,831,525.62	280,637,734.52	-	280,637,734.52
Finished goods	5,863,464,370.61	516,926,580.56	5,346,537,790.05	5,801,082,843.92	405,129,709.25	5,395,953,134.67
Contract performance cost	555,610,981.37	-	555,610,981.37	215,925,413.44	-	215,925,413.44
Total	12,091,006,142.23	613,100,101.53	11,477,906,040.70	11,197,875,576.92	441,847,984.51	10,756,027,592.41

8.2 Provision for decline in value of inventories

Unit: RMB

Category	Opening balance	Increase in the current reporting period	Decrease in the current reporting period		Effect on conversion of financial statements denominated in foreign currencies	Closing Balance
			Reversals	Write-off		
Raw materials	36,718,275.26	61,888,587.98	-	2,433,342.27	-	96,173,520.97
Finished goods	405,129,709.25	299,338,888.22	-	174,888,235.50	(12,653,781.41)	516,926,580.56
Subtotal	441,847,984.51	361,227,476.20	-	177,321,577.77	(12,653,781.41)	613,100,101.53

The write-offs of provision for inventories in the current reporting period are due to use or sale of inventories.

For contract performance cost recognized as an asset, the Company recognizes it into current profit or loss on the same basis as the revenue from goods relating to such asset, and is recognized at the point of time when the goods are delivered to and accepted by the counterparty; there was an amount of RMB 288,555,605.91 recognized during the current fiscal year.

Notes to Financial Statements

 For the reporting period from January 1st 2020 to December 31st 2020

9. Contract assets

9.1 Details of contract assets:

Unit: RMB

Items	Closing Balance			Opening Balance		
	Carrying amount	Provisions for impairment	Book value	Carrying amount	Provisions for impairment	Book value
Constructions	179,392,556.16	1,363,383.44	178,029,172.72	511,959,250.70	-	511,959,250.70
Maintenance services	68,243,992.61	518,654.35	67,725,338.26	-	-	-
Total	247,636,548.77	1,882,037.79	245,754,510.98	511,959,250.70	-	511,959,250.70

9.2 The classification and disclosure of the method of provision for impairment of contract assets this year:

Unit: RMB

Items	Closing Balance				
	Carrying amount		Provisions for impairment		Book value
	Amount	Proportion (%)	Amount	Provision proportion (%)	Amount
Provision for impairment on a single item	-	-	-	-	-
Provision for impairment by portfolio	247,636,548.77	100.00	1,882,037.79	0.76	245,754,510.98
Total	247,636,548.77	100.00	1,882,037.79	0.76	245,754,510.98

Provision, re-collection, or reverse in the current reporting period:

Unit: RMB

Credit loss provision	Expected credit loss during the whole duration (No credit impairment occurred)	Expected credit loss during the whole duration (Credit impairment occurred)	Total
Balance on January 1 st 2020	-	-	-
Provision/(reverse) during the current fiscal year	1,882,037.79	-	1,882,037.79
Balance on December 31 st 2020	1,882,037.79	-	1,882,037.79

Impairment provision for the current fiscal year amounted to RMB 1,882,037.79, with no reversal, write-off or recovery of impairment provision during the current fiscal year.

Contract assets arise from the Group's construction works business as well as maintenance services relating to security projects. The Group provides construction works and maintenance services based on contracts with customers, and recognizes revenue based on the performance progress during the term of the contracts. The Group's customers make milestone payments for the construction works and maintenance services of the Group as provided in the contracts. For the portion where the Group has obtained an unconditional right to the payment, it will be recognized as accounts receivable, while the remaining portion will be recognized as contract assets; where the contract price received or receivable by the Group exceeds the performance obligation completed to date, the excess portion will be recognized as contract liabilities. The Group presents contract assets and contract liabilities under the same contract on a net basis.

10. Non-current assets due within one year

Unit: RMB

Item	Closing Balance	Opening Balance
Long-term receivables due within one year (Note (V) 12)	1,001,208,813.83	528,469,701.75
Total	1,001,208,813.83	528,469,701.75

Notes to Financial Statements

For the reporting period from January 1st 2020 to December 31st 2020

11. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible VAT input	391,898,131.26	616,239,842.99
Prepaid corporate income tax	41,520,799.46	80,344,406.42
Prepaid tariff	22,446,422.69	16,702,795.64
Others	42,049,153.23	41,169,776.67
Total	497,914,506.64	754,456,821.72

Notes to Financial Statements

For the reporting period from January 1st 2020 to December 31st 2020

12. Long-term receivables

12.1 Details of long-term receivables

Unit: RMB

Item	Closing balance			Opening balance			Range of discount rate
	Carrying amount	Provision for credit loss	Book value	Carrying amount	Provision for credit loss	Book value	
Financial leases receivables	332,860,621.51	21,387,061.50	311,473,560.01	361,658,264.68	16,387,726.08	345,270,538.60	0.54%-6.05%
Including: Unrealized income from financing	20,751,939.07	-	20,751,939.07	17,093,256.64	-	17,093,256.64	-
Installments for selling goods	2,890,406,667.71	95,101,409.36	2,795,305,258.35	1,612,991,061.26	47,255,136.89	1,565,735,924.37	4.24%-6.45%
Including: Unrealized income from financing	738,142,438.88	-	738,142,438.88	399,492,567.10	-	399,492,567.10	-
Less: Non-current assets due within one year (Note (V) 10)	1,092,345,496.98	91,136,683.15	1,001,208,813.83	580,682,032.92	52,212,331.17	528,469,701.75	-
Total	2,130,921,792.24	25,351,787.71	2,105,570,004.53	1,393,967,293.02	11,430,531.80	1,382,536,761.22	-

12.2 Credit loss provision

As part of the Group's credit risk management, the Group uses the aging of long-term receivables to assess the expected credit losses of long-term receivables formed by financial leasing and installment collection business. The customers involved in financial leasing and installment collection business are mainly government department and state-owned enterprises. There are a large number of customers and have the same risk characteristics. The aging information is able to reflect the repayment capability of these customers when the long-term receivables are due.

As of December 31st 2020, the credit risk and expected credit losses of long-term receivables of these customers are as follows:

Notes to Financial Statements

For the reporting period from January 1st 2020 to December 31st 2020

Unit: RMB

Age	Closing balance		
	Amounts	Credit loss provision	Estimated average loss rate (%)
Within credit period	2,677,352,505.22	31,592,759.56	1.18
Within 1 year after exceeding credit period	358,008,398.69	16,181,979.62	4.52
1-2 years after exceeding credit period	127,457,418.27	27,186,667.32	21.33
2-3 years after exceeding credit period	28,298,355.18	12,513,532.66	44.22
3-4 years after exceeding credit period	12,899,178.33	9,762,098.16	75.68
Over 4 years after exceeding credit period	19,251,433.53	19,251,433.54	100.00
Total	3,223,267,289.22	116,488,470.86	3.61

The changes in the Group's long-term receivables' expected credit loss provision for the year of 2020 are as follows:

Unit: RMB

Credit loss provision	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses in the next 12 months	Expected credit losses for the entire duration (No credit impairment occurred)	Expected credit losses for the entire duration (Credit impairment has occurred)	
Balance on January 1 st 2020	13,978,436.59	10,724,421.18	38,940,005.20	63,642,862.97
On January 1 st 2020, the book balance of long-term accounts receivable in the current year				
Transfer into stage 2	(13,978,436.59)	13,978,436.59	-	-
Transfer into stage 3	-	(2,587,059.16)	2,587,059.16	-
Provision/(reverse) during the current reporting period	31,592,759.56	21,252,848.33	-	52,845,607.89
Balance on December 31 st 2020	31,592,759.56	43,368,646.94	41,527,064.36	116,488,470.86

12.3 As of December 31st 2020, there is no termination of long-term receivables booking due to transfer of a financial asset.

12.4 As of December 31st 2020, the Group has no assets/liabilities booked due to any transferred long-term receivable that the Group continue to be involved in.

13. Long-term equity investment

Unit: RMB

Notes to Financial Statements

 For the reporting period from January 1st 2020 to December 31st 2020

The invested entity	Opening Balance	Increase/Decrease in the current reporting period								Closing Balance	Closing balance for impairment provision
		Additional Investments	Investment reduction	Investment Profit (Loss) recognized under the equity Method	Adjustment: Other comprehensive income	Other Changes in equity	Declaration of cash dividends or profit distribution	Impairment provision	others		
1. Joint venture companies											
Hangzhou Haikang Intelligent Industrial Equity Investment Fund Partnership (L.P.) (note 1)	50,000,000.00	550,000,000.00	-	12,479,371.62	-	-	-	-	-	612,479,371.62	-
Daishan Hailai Yunzhi Technology Co., Ltd.	13,320,000.00	-	-	1,933,091.76	-	-	-	-	-	15,253,091.76	-
Zhejiang City Digital Technology Co., Ltd. (Note 2)	-	11,500,000.00	-	364,018.37	-	-	-	-	-	11,864,018.37	-
Zhejiang Haishi Huayue Digital Technology Co., Ltd. (Note 3)	-	10,200,000.00	-	(214,422.68)	-	-	-	-	-	9,985,577.32	-
Shenzhen Hikvision Urban Service Operation Co., Ltd. (Note 4)	-	8,000,000.00	-	(1,970,430.31)	-	-	-	-	-	6,029,569.69	-
Guangxi Haishi Urban Operation Management Co., Ltd. (Note 5)	-	6,000,000.00	-	(703,304.64)	-	-	-	-	-	5,296,695.36	-
Yunnan Yinghai Parking Service Co., Ltd. (Note 6)	-	4,900,000.00	-	(58,939.24)	-	-	-	-	-	4,841,060.76	-
Xuzhou Kangbo Urban Operation Management Service Co., Ltd. (Note 7)	-	4,900,000.00	-	(268,713.42)	-	-	-	-	-	4,631,286.58	-
Subtotal	63,320,000.00	595,500,000.00	-	11,560,671.46	-	-	-	-	-	670,380,671.46	-

Notes to Financial Statements

 For the reporting period from January 1st 2020 to December 31st 2020

The invested entity	Opening Balance	Increase/Decrease in the current reporting period								Closing Balance	Closing balance for impairment provision
		Additional Investments	Investment reduction	Investment Profit (Loss) recognized under the equity Method	Adjustment: Other comprehensive income	Other Changes in equity	Declaration of cash dividends or profit distribution	Impairment provision	others		
2. Associated Companies											
Wuhu Sensor Technology Co., Ltd.	48,420,966.46	-	-	10,070,297.96	-	-	-	-	-	58,491,264.42	-
Maxio Technology (Hangzhou) Co., Ltd.	109,929,732.09	-	-	(17,974,093.48)	-	-	-	-	-	91,955,638.61	-
Zhiguang Hailian Big Data Technology Co., Ltd.	8,684,859.27	10,000,000.00	-	2,568,199.60	-	-	-	-	-	21,253,058.87	-
Sanmenxia Xiaoyun Vision Technology Co., Ltd.	4,317,157.18	-	-	(645,660.25)	-	-	-	-	-	3,671,496.93	-
Jiaxin Haishi JiaAn Zhicheng Technology Co., Ltd.	7,699,011.20	-	-	780,120.07	-	-	-	-	-	8,479,131.27	-
Qinghai Qingtang Big Data Co., Ltd.	9,793,595.29	-	-	1,853.38	-	-	-	-	-	9,795,448.67	-
Subtotal	188,845,321.49	10,000,000.00	-	(5,199,282.72)	-	-	-	-	-	193,646,038.77	-
Total	252,165,321.49	605,500,000.00	-	6,361,388.74	-	-	-	-	-	864,026,710.23	-

Note 1: As approved according to the *Proposal on Investment in and Establishment of Industrial Investment Fund Partnership and the Related Transactions* passed by the 12th Conference of the 4th Board of Director held on October 18th 2019 and the *Proposal on Adjusting Some of the Fund Providers of Hangzhou Haikang Intelligent Industrial Investment Fund Partnership (L.P.)* passed by the 13th Conference of the 4th Board of Director held on December 9th 2019, the Group and the CET Fund Management (Tianjin) Ltd. (CET Management), Hangzhou High-tech Venture Capital Ltd. (Hangzhou High-tech), CET (Tianjin) Investment Management Partnership (L.P.) (CET Partnership) and CETHIK Group Ltd. (CETHIK) signed the *Partnership Agreement for Hangzhou Hikvision Intelligent*

Industrial Equity Investment Fund Partnership (L.P.) and, on December 10th 2019, founded the Hangzhou Haikang Intelligent Industrial Equity Investment Fund Partnership (L.P.) (Haikang Intelligent Fund) under joint contribution. Haikang Intelligent Fund is a limited partnership, with subscribed capital contribution of RMB 1,000,010,000, and completed registration at Asset Management Association of China (AMAC) on February 5th 2020. CET Management as the fund manager and the general partner contributes RMB 10,000 and holds 0.0010% shares. The Group, Hangzhou High-tech, CET Partnership and CETHIK, as limited partners, have respectively contributed RMB 600 million, RMB 200 million, RMB 100 million and RMB 100 million in currency, and their shareholding ratios are respectively 59.9994%, 19.9998%, 9.9999% and 9.9999%. In 2020, the Group has paid in RMB 550 million. As of the end of the year, the Group has paid in all of the capital. The Investment Decision Committee of Haikang Intelligent Fund comprises five members, and all investment matters are subject to approval by more than half of the representatives. Over half of the representatives of the Investment Decision Committee of Haikang Intelligent Fund are assigned by the Group and the related party CET Partnership has one-vote veto power over any resolution of the Investment Decision Committee of Haikang Intelligent Fund, therefore the Group and the related party CET Partnership jointly control Haikang Intelligent Fund.

Note 2: During the current fiscal year, the Group and the independent third parties, Ningbo Urban Construction Investment Holding Co., Ltd. (Ningbo Urban Investment) and Ningbo YongCheng Asset Management Co., Ltd. (YongCheng Asset Management), have signed the agreement for jointly establishing the Zhejiang Urban Digital Technology Co., Ltd. (Zhejiang Urban Digital Technology), of which, the Group, Ningbo Urban Investment and Yong Cheng Asset Management respectively contribute RMB 23 million, RMB 24.5 million and RMB 2.5 million, and their shareholding ratios are respectively 46%, 49% and 5%. As of the end of the current fiscal year, the Group has paid in RMB 11.50 million as stipulated in the agreement and controlled 46% of the equity, which is commensurate with the Group's voting power in the board of shareholders of Zhejiang Urban Digital Technology. The board of directors of Zhejiang Urban Digital Technology consists of five directors, one of whom is assigned by the Group. According to the Articles of Association of Zhejiang Urban Digital Technology, any major matters related to finance and operation decisions are subject to approval by the shareholders representing over two thirds of the voting powers. Therefore, the Group, Ningbo Urban Investment and Yong Cheng Asset Management jointly control Zhejiang Urban Digital Technology.

Note 3: During the current fiscal year, the Group and the independent third parties, Taizhou Huangyan Broadcast & TV Network Co., Ltd. (Huangyan Broadcast & TV) and Taizhou Huangyan Technology Innovation Investment Co., Ltd. (Huangyan Technology Innovation), have signed the agreement for jointly establishing the Zhejiang Hai Shi Hua Yue Digital Technology Ltd. (Hai Shi Hua Yue), of which, the Group, Huangyan Broadcast & TV and Huangyan Technology Innovation respectively contribute RMB 10.20 million, RMB 5.80 million and RMB 4.00 million, and their shareholding ratios are respectively 51%, 29% and 20%. As of the end of the current fiscal year, the Group has paid in all of the capital and controlled 51% of the equity, which is commensurate with the Group's voting power in the board of shareholders of HaiShi HuaYue. The board of directors of HaiShi HuaYue consists of five directors, three of whom are assigned by the Group. According to the Articles of Association of Hai Shi Hua Yue, all matters are subject to approval by the shareholders representing over two thirds of the voting powers. Therefore, the Group, Huangyan Broadcast & TV and Huangyan Technology Innovation jointly control HaiShi HuaYue.

Note 4: During the year, the Group and the independent third party Shenzhen Harzone Borui Technology Co., Ltd. (Harzone Borui) have signed the agreement for jointly establishing the Shenzhen Hikvision City Service and Operation Co., Ltd. (Shenzhen City Service), of which, the Group and Harzone Borui respectively contribute RMB 20.00 million and RMB 30.00 million, and their shareholding ratios are respectively 40% and 60%. As of the end of the current fiscal year, the Group has paid in RMB 8.00 million as stipulated in the agreement and controlled 40% of the equity, which is commensurate with the Group's voting power in the board of shareholders of Shenzhen City Service. The board of directors of Shenzhen City Service consists of three directors, one of whom is assigned by the Group.

According to the Articles of Association of Shenzhen City Service, any major matters related to finance and operation decisions are subject to approval by the shareholders representing over two thirds of the voting powers. Therefore, the Group and Harzone Borui jointly control Shenzhen City Service.

Note 5: During the year, the Group and the independent third party Guangxi Yibo Investment Management Partnership (Yibo Investment) have signed the agreement for jointly establishing the Guangxi HaiShi City Operation and Management Co., Ltd. (Guangxi Hai Shi), of which, the Group and Yibo Investment respectively contribute RMB 20.00 million and RMB 30.00 million, and their shareholding ratios are respectively 40% and 60%. As of the end of the current fiscal year, the Group has paid RMB 6.00 million as stipulated in the agreement and controlled 40% of the equity, which is commensurate with the Group's voting power in the board of shareholders of Guangxi HaiShi. The board of directors of Guangxi HaiShi consists of three directors, one of whom is assigned by the Group. According to the Articles of Association of Guangxi HaiShi, any major matters related to finance and operation decisions are subject to approval by all shareholders. Therefore, the Group and Yibo Investment jointly control Guangxi HaiShi.

Note 6: During the current fiscal year, the Group and the independent third party Jianshui County Yinghui Development and Investment Co., Ltd. (Yinghui Investment) have signed the agreement for jointly establishing the Yunnan Yinghai Parking Services Ltd. (Yunnan Yinghai), of which, the Group and Yinghui Investment respectively contribute RMB 4.90 million and RMB 5.10 million, and their shareholding ratios are respectively 49% and 51%. As of the end of the current fiscal year, the Group has paid in all of the capital and controlled 49% of the equity, which is commensurate with the Group's voting power in the board of shareholders of Yunnan Yinghai. The board of directors of Yunnan Yinghai consists of five directors, two of whom are assigned by the Group. According to the Articles of Association of Yunnan Yinghai, any major matters related to finance and operation decisions are subject to approval by the shareholders representing over two thirds of the voting powers. Therefore, the Group and Yinghui Investment jointly control Yunnan Yinghai.

Note 7: During the current fiscal year, the Group and the independent third parties, Xuzhou Parking Technology Co., Ltd. (Parking Technology) and Xuzhou Citizen Card Company Co., Ltd. (Citizen Card Company), have signed the agreement for jointly establishing the Xuzhou Kangbo City Operation and Management Services Co., Ltd. (Xuzhou Kangbo), of which, the Group, Parking Technology and Citizen Card Company respectively contribute RMB 9.80 million, RMB 9.20 million and RMB 1.00 million, and their shareholding ratios are respectively 49%, 46% and 5%. As of the end of the current fiscal year, the Group has contributed RMB 4.90 million as stipulated in the agreement and controlled 49% of the equity, which is commensurate with the Group's voting power in the board of shareholders of Xuzhou Kangbo. The board of directors of Xuzhou Kangbo consists of five directors, of which two are assigned by the Group and two by Parking Technology. According to the Articles of Association of Xuzhou Kangbo, any major matters related to finance and operation decisions are subject to approval by the shareholders representing over two thirds of the voting powers. Therefore, the Group and Parking Technology jointly control Xuzhou Kangbo.

14. Other non-current financial assets

Unit: RMB

Invested Entity (Note 1)	Shareholding %	Opening balance	Additional investment during the current reporting period	Investment recovery during the current reporting period	Changes in fair value during the current reporting period	Closing balance
CETC Finance Co., Ltd. (Note 2)	3.83%	247,308,906.45	112,872,015.00	-	63,254,815.75	423,435,737.20
Hangzhou Confirmware Technology Co., Ltd.	9.52%	28,732,009.18	-	-	2,360,023.44	31,092,032.62
Zhejiang Tuxun Technology Co., Ltd. (Zhejiang Tuxun)	8.13%	28,358,818.81	-	-	3,863,945.64	32,222,764.45
Zhengzhou Guokong Smart City Technology Co., Ltd.	7.00%	3,500,000.00	-	(2,800,000.00)	-	700,000.00
Guangxi Jilian Haibao Technical Service Co., Ltd.	10.00%	2,884,220.00	-	-	-	2,884,220.00
Shenzhen Wanyu Security Service Technology Co., Ltd.	5.00%	1,000,000.00	-	-	-	1,000,000.00
Nanwang Information Industry Group Co., Ltd.	0.25%	604,313.00	-	-	-	604,313.00
Hangzhou Hikvision Equity Investment Partnership (Limited Partnership)	0.0017%	10,000.00	-	(10,000.00)	-	-
Total		312,398,267.44	112,872,015.00	(2,810,000.00)	69,478,784.83	491,939,067.27

Note 1: it refers to the Group's equity investments of private companies. The Group has no control, joint control or significant influence over the invested company.

Note 2: It is an enterprise controlled by CETC, the ultimate controlling party of the Group. The Company received a cash dividend of RMB 150,000,000.00 from China Electronic Technology Finance Co., Ltd. (2019: RMB 17,357,220.31) and recognized it as current profit and loss. Please refer to Note (V), 50 for details.

15. Fixed Assets

15.1 Details of fixed assets

Unit: RMB

Items	Building and construction	General-purpose equipment	Special-purpose equipment	Transportation vehicles	Total
I. Total original carrying amount					
1. Opening balance	4,816,088,804.95	773,020,682.47	1,857,736,384.58	91,486,364.54	7,538,332,236.54
2. Increase in the current reporting period	290,038,021.04	200,342,860.19	329,720,963.55	11,169,837.29	831,271,682.07
1) purchase	111,173,014.46	196,976,721.66	271,178,967.52	11,169,837.29	590,498,540.93
2) transferred from construction in progress	178,865,006.58	2,054,230.79	58,407,353.86	-	239,326,591.23
3) Increase due to business combination not under common control	-	1,311,907.74	134,642.17	-	1,446,549.91
3. Decrease in the current reporting period	-	25,020,616.02	41,675,783.29	6,140,826.91	72,837,226.22

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 For the reporting period from January 1st 2020 to December 31st 2020

1) disposal or write-off	-	25,020,616.02	41,675,783.29	6,140,826.91	72,837,226.22
4. Effect on conversion of financial statements denominated in foreign currencies	(6,039,423.60)	(6,284,853.71)	(7,936,383.67)	(437,978.06)	(20,698,639.04)
5. Closing Balance	5,100,087,402.39	942,058,072.93	2,137,845,181.17	96,077,396.86	8,276,068,053.35
II. Accumulated depreciation					
1. Opening balance	763,668,628.26	224,369,283.55	713,167,782.03	45,907,821.83	1,747,113,515.67
2. Increase in the current reporting period	229,496,408.86	163,413,431.03	306,084,325.88	14,638,909.16	713,633,074.93
(1) accrual	229,496,408.86	163,413,431.03	306,084,325.88	14,638,909.16	713,633,074.93
3. Decrease in the current reporting period	-	17,007,542.08	32,569,223.85	5,257,664.57	54,834,430.50
(1) disposal or write-off	-	17,007,542.08	32,569,223.85	5,257,664.57	54,834,430.50
4. Effect on conversion of financial statements denominated in foreign currencies	(852,994.41)	(2,608,249.93)	(2,122,197.55)	(268,201.46)	(5,851,643.35)
5. Closing balance	992,312,042.71	368,166,922.57	984,560,686.51	55,020,864.96	2,400,060,516.75
III. Provision for decline in value					
1. Opening balance	-	-	-	-	-
2. Increase in the current reporting period	-	-	-	-	-
3. Decrease in the current reporting period	-	-	-	-	-
4. Closing balance	-	-	-	-	-
IV. Total book value					
Closing balance on book value	4,107,775,359.68	573,891,150.36	1,153,284,494.66	41,056,531.90	5,876,007,536.60
Opening balance on book value	4,052,420,176.69	548,651,398.92	1,144,568,602.55	45,578,542.71	5,791,218,720.87

 15.2 As of December 31st 2020, the Group did not have any significant idle fixed assets.

15.3 Fixed assets leased through financial lease.

Unit: RMB

Item	Original book value	Accumulated depreciation	Provision for impairment	Carrying value
Special-purpose equipment	92,164,518.65	46,834,180.90	-	45,330,337.75

 15.4 As of December 31st 2020, the Group had not rent out any fixed asset through operating leasing

 15.5 Fixed assets of which certificates of title have not been granted as of December 31st 2020.

Unit: RMB

Item	Carrying amount	Reason for certificates of title not granted
Office building for branches	24,734,446.00	In the process of obtaining the real estate certificates
Fuzhou High-tech Zone Innovation Park	102,456,967.05	In the process of obtaining the real estate certificates after transferred to fixed assets
Total	127,191,413.05	

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 For the reporting period from January 1st 2020 to December 31st 2020

16. Construction in progress

16.1 Details of construction in progress

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision	Book value	Carrying amount	Provision	Book value
Chengdu Science and Technology Park Project	521,626,793.33	-	521,626,793.33	242,931,547.66	-	242,931,547.66
Hangzhou Innovation Industry Park	337,821,702.49	-	337,821,702.49	113,538,634.58	-	113,538,634.58
Chongqing Science and Technology Park Phase II Project	249,810,250.79	-	249,810,250.79	111,066,438.98	-	111,066,438.98
Others	315,976,447.11	-	315,976,447.11	164,018,857.84	-	164,018,857.84
Total	1,425,235,193.72	-	1,425,235,193.72	631,555,479.06	-	631,555,479.06

16.2 Changes in significant construction in progress during the current reporting period

Unit: RMB

Item	Budget (RMB 0,000)	Opening balance	Increase in the current reporting period	Transferred to fixed assets during the current reporting period	Effect on conversion of financial statements denominated in foreign currencies	Other Reductions (Note 1)	Closing balance	Amount invested as a proportion of budget amount (%)	Construction in Progress (%)	Accumulated capitalized interest and profit/loss on exchange (Note 2)	Including: capitalized interest and profit/loss on exchange for the current reporting period	Capitalization rate for interest in the current reporting period (%)	Source of funds
Chengdu Science and Technology Park Project	196,900.00	242,931,547.66	278,695,245.67	-	-	-	521,626,793.33	26.49%	26.49%	-	-	-	Self-financing
Hangzhou Innovation Industry Park	102,600.00	113,538,634.58	224,283,067.91	-	-	-	337,821,702.49	32.93%	32.93%	53,686,015.19	58,884,747.25	0.85%	Special loan

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 For the reporting period from January 1st 2020 to December 31st 2020

Item	Budget (RMB 0,000)	Opening balance	Increase in the current reporting period	Transferred to fixed assets during the current reporting period	Effect on conversion of financial statements denominated in foreign currencies	Other Reductions (Note 1)	Closing balance	Amount invested as a proportion of budget amount (%)	Construction in Progress (%)	Accumulated capitalized interest and profit/loss on exchange (Note 2)	Including: capitalized interest and profit/loss on exchange for the current reporting period	Capitalization rate for interest in the current reporting period (%)	Source of funds
Chongqing Science and Technology Park project-phase 2	76,200.00	111,066,438.98	138,743,811.81	-	-	-	249,810,250.79	32.78%	32.78%	-	-	-	Self-financing
Zhengzhou Science and Technology Park Project	48,500.00	94,339.62	13,435,069.91	-	-	-	13,529,409.53	2.79%	2.79%	-	-	-	Self-financing
Xi'an Science and Technology Park project	227,800.00	6,171,571.90	6,507,603.03	-	-	-	12,679,174.93	0.56%	0.56%	-	-	-	Self-financing
EZVIZ Industry Park	79,800.00	-	2,332,067.08	-	-	-	2,332,067.08	0.29%	0.29%	-	-	-	Self-financing
Others	-	157,752,946.32	399,106,638.93	(239,326,591.23)	(3,744,572.05)	(26,352,626.40)	287,435,795.57	-	-	-	-	-	Self-financing
Total	731,800.00	631,555,479.06	1,063,103,504.34	(239,326,591.23)	(3,744,572.05)	(26,352,626.40)	1,425,235,193.72	-	-	53,686,015.19	58,884,747.25		

Note 1: Other reductions during the year were the completion of the construction of financial leasing project assets and transferred to long-term receivables.

Note 2: This amount is calculated by interest expense for specific foreign currency borrowings, less interest income for unused borrowing fund and profit/loss on exchange rate difference.

As of December 31st 2020, the Group did not have any sign of impairment of projects under construction; therefore, no provision for impairment loss was booked.

Notes to Financial Statements

 For the reporting period from January 1st 2020 to December 31st 2020

17. Intangible assets

17.1 Details of Intangible assets

Unit: RMB

Item	Land use right	Intellectual property right	Application Software	Franchise	Total
Total original carrying amount					
1. Opening balance	973,043,453.70	66,993,435.51	280,896,635.94	-	1,320,933,525.15
2. Increased	251,850,478.79	5,394,189.23	24,738,514.02	13,091,615.51	295,074,797.55
(1) Purchase	251,850,478.79	5,394,189.23	24,535,277.43	13,091,615.51	294,871,560.96
(2) Increase in business merger not under common control	-	-	203,236.59	-	203,236.59
3. Decreased	-	2,218,158.40	6,222,967.65	-	8,441,126.05
(1) Disposal or write-off	-	2,218,158.40	6,222,967.65	-	8,441,126.05
4. Effect on conversion of financial statements denominated in foreign currencies	-	(125,431.46)	(599,314.89)	-	(724,746.35)
5. Closing balance	1,224,893,932.49	70,044,034.88	298,812,867.42	13,091,615.51	1,606,842,450.30
Total accumulated amortization					
1. Opening balance	53,291,064.90	51,532,190.15	169,987,762.46	-	274,811,017.51
2. Increased	23,321,497.39	10,836,131.28	51,730,781.87	1,126,160.47	87,014,571.01
(1) Accrual	23,321,497.39	10,836,131.28	51,730,781.87	1,126,160.47	87,014,571.01
3. Decreased	-	1,603,085.50	4,210,982.42	-	5,814,067.92
(1) Disposal or write-off	-	1,603,085.50	4,210,982.42	-	5,814,067.92
4. Effect on conversion of financial statements denominated in foreign currencies	-	(46,755.83)	(440,238.16)	-	(486,993.99)
5. Closing balance	76,612,562.29	60,718,480.10	217,067,323.75	1,126,160.47	355,524,526.61
Provision for decline in value					
1. Opening balance	-	-	-	-	-
2. Increased	-	-	-	-	-
3. Decreased	-	-	-	-	-
4. Closing balance	-	-	-	-	-
Total book value					
Closing balance on book value	1,148,281,370.20	9,325,554.78	81,745,543.67	11,965,455.04	1,251,317,923.69
Opening balance on book value	919,752,388.80	15,461,245.36	110,908,873.48	-	1,046,122,507.64

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 For the reporting period from January 1st 2020 to December 31st 2020

17.2 At the end of the year, the intangible assets of the Group that have not completed the title certificate are as follows:

Unit: RMB

Item	Carrying value	Reasons for not getting the title certificate
Land use right of Nanchang Science and Technology Park	103,774,766.90	The land certificate is still in process
Total	103,774,766.90	

18. Goodwill
18.1 Goodwill book value

Unit: RMB

The name of the investee or the matter that forming a goodwill	Opening balance	Increased	Decreased	Effect on conversion of financial statements denominated in foreign currencies	Closing balance
		Business combination not involving enterprises under common control	Liquidation & cancellation		
Secure Holdings Limited (SHL)	139,374,307.33	-	-	(9,054,133.14)	130,320,174.19
HuaAn Baoquan Intelligence and its subsidiaries	61,322,871.63	-	-	-	61,322,871.63
Hangzhou Kuangxin Technology Co., Ltd.	59,060,454.06	-	-	-	59,060,454.06
Hundure Technology (Shanghai) Co., Ltd.	13,774,405.88	-	-	-	13,774,405.88
BK EESTI AKTSAIASELTS(Note)	-	4,718,796.04	-	107,470.90	4,826,266.94
SIA "BK Latvia"(Note)	-	4,712,247.69	-	107,321.75	4,819,569.44
ZAO Hikvision	67,349.64	-	-	-	67,349.64
Hangzhou Haikang Zhicheng Investment and Development Co., Ltd.	12,573.42	-	-	-	12,573.42
Total	273,611,961.96	9,431,043.73	-	(8,839,340.49)	274,203,665.20

Note: The Group acquired BK EESTI AKTSAIASELTS and SIA "BK Latvia" in October 2020, and formed goodwill of RMB 4,718,796.04 and RMB 4,712,247.69, respectively. See Note (VI) and 1.

18.2 Provision of impairment in goodwill

The key assumptions used in the Group's annual impairment test performed for goodwill at the end of the reporting period:

The recoverable amounts of the relevant assets have been determined on the discounted present value of the future cash flow projections. The cash flow projections are based on 2021-2025 Financial Budgets approved by management covering a 5-year period, with certain discount rates. The sets of cash flows beyond the 5-year period are projected based on 0%-2% growth rate. These growth rates are based on the relevant industry growth forecasts and do not exceed the average long-term growth rate for the relevant industry. Expected cash inflows/outflows, considering budgeted net sales, cost of revenue and operating expenses, have been determined by management based on past performance and expectations for the future market development.

In the current year, the Group did not find that the recoverable amount of the goodwill of the relevant asset group which was lower than its book value, so it believed that there was no need for impairment loss provisions.

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 For the reporting period from January 1st 2020 to December 31st 2020

19. Long-term deferred expenses

Unit: RMB

Invested unit	Opening Balance	Increased	Amortized	Difference of foreign currency translation	Closing balance
Improvement expenditure for leased fixed asset	87,611,490.75	68,051,877.78	44,742,828.97	(2,335,852.71)	108,584,686.85
Total	87,611,490.75	68,051,877.78	44,742,828.97	(2,335,852.71)	108,584,686.85

20. Deferred tax assets/deferred tax liabilities
20.1 Deferred tax assets that are not presented on net off basis

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment losses of assets	439,119,363.43	118,145,320.66	272,015,493.85	72,480,367.65
Provision for credit loss	1,539,163,635.55	317,826,951.61	1,409,847,170.59	292,275,236.58
Payroll payables	340,995,206.97	67,364,166.74	353,810,837.41	55,990,855.40
Share-based payment	395,569,612.03	63,817,274.43	273,114,847.21	43,340,918.66
Provisions	125,721,860.51	20,746,514.91	78,353,085.64	15,477,040.83
Expenditure without invoice	343,485,705.59	79,499,747.08	228,359,902.54	52,419,606.75
Unrealized profit from inter-group transactions	1,332,036,632.93	203,654,079.47	1,157,820,970.68	187,268,546.98
Changes in the fair value of derivative financial instruments	4,862,446.50	1,215,611.63	652,428.18	163,107.05
Deferred income	175,339,879.57	28,307,816.27	288,449,840.21	51,155,882.21
Total	4,696,294,343.08	900,577,482.80	4,062,424,576.31	770,571,562.11

Notes to Financial Statements

For the reporting period from January 1st 2020 to December 31st 2020

20.2 Deferred tax liabilities that are not presented on net off basis

Unit: RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Difference in fixed asset depreciation	792,868,727.84	155,188,912.37	680,837,730.59	129,970,264.62
Difference in amortization of intangible assets	2,077,910.40	311,686.57	1,386,714.30	208,007.14
Changes in the fair value of derivative financial instruments	18,487,400.00	4,621,850.00	181.76	45.44
Changes in fair value of other non-current financial assets	87,026,019.27	13,053,902.89	17,547,234.44	2,632,085.17
Total	900,460,057.51	173,176,351.83	699,771,861.09	132,810,402.37

20.3 Deferred tax assets or deferred tax liabilities that are presented at the net amount after offset

Unit: RMB

Item	Closing balance		Opening balance	
	Offset amount at the end of the reporting period	Deferred tax assets or liabilities at the net amount after offset	Offset amount at the beginning of the reporting period	Deferred tax assets or liabilities at the net amount after offset
Deferred tax assets	80,196,527.94	820,380,954.86	81,722,298.41	688,849,263.70
Deferred tax liabilities	80,196,527.94	92,979,823.89	81,722,298.41	51,088,103.96

20.4 Unrecognized deferred income tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible temporary difference	788,077,425.69	306,240,573.47
Deductible losses	2,881,025,358.37	2,630,277,858.25
Total	3,669,102,784.06	2,936,518,431.72

20.5 Deductible losses of unrecognized deferred income tax assets that will expire in the following years

Unit: RMB

Year	Closing balance	Opening balance
2020	-	3,636,058.38
2021	39,781,118.30	90,274,644.51
2022	318,339,826.45	331,787,605.27
2023	490,824,542.00	490,824,542.00
2024	1,289,599,782.28	1,713,755,008.09
2025	742,480,089.34	-
Total	2,881,025,358.37	2,630,277,858.25

21. Other non-current assets

Unit: RMB

Item	Closing balance	Opening balance
Contract assets	600,392,481.02	751,457,739.44
Prepayments for acquisition of land	79,046,571.00	818,200.00
Prepayments for equipment	26,838,623.06	85,573,983.95
Prepayments for infrastructure	15,233,481.00	13,942,203.53
Prepayments for equity investment	-	13,794,550.00
Total	721,511,156.08	865,586,676.92

Notes to Financial Statements

 For the reporting period from January 1st 2020 to December 31st 2020

22. Short-term borrowings

22.1 Categories of short-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Fiduciary loan	3,999,246,634.59	2,640,082,485.15
Total	3,999,246,634.59	2,640,082,485.15

22.2 As of December 31st 2020, the Group did not have any overdue short-term loans that were failed to repay.

23. Held-for-trading financial liabilities

Unit: RMB

Item	Closing balance	Opening balance
Financial liabilities measured at fair value through current profits and losses	7,405,771.15	652,428.18
Including: derivative financial liabilities	7,405,771.15	652,428.18
total	7,405,771.15	652,428.18

As of December 31st 2020, the Group's outstanding forward foreign exchange contracts include forward contracts which sell USD and buy RMB, forward contracts which sell EUR and buy USD, etc. with a nominal value of RMB 498,858,533.76 (December 31st 2019: RMB 202,529,600.00), and its outstanding foreign exchange option contracts include USD call options, etc. with a nominal value of RMB 815,612,500.00 (2019: nil). Such forward foreign exchange contracts and foreign exchange option contracts are not designated as hedging instruments, and gains or losses arising from changes in fair value are recognized directly in current profit or loss.

24. Notes payable

Unit: RMB

Item	Closing balance	Opening balance
Bank acceptance Bill	1,036,920,229.85	1,239,584,016.70
Total	1,036,920,229.85	1,239,584,016.70

As of December 31st 2020, the Group did not have any unpaid matured notes payable.

25. Accounts payable

25.1 List of accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Payments for goods	13,461,766,461.74	12,526,135,911.98
Payables on equipment	132,118,328.45	173,939,395.72
Total	13,593,884,790.19	12,700,075,307.70

25.2 As of December 31st 2020, the Group did not have any significant accounts payable with aging above one year.

26. Contract liabilities

26.1 List of contract liabilities

Unit: RMB

Item	Closing balance	Opening balance
Advanced receipts from sales of products	1,605,290,145.88	719,153,423.32
Advanced receipts for construction settlement payment	401,866,195.59	451,153,147.28
Advanced receipts from services	154,010,329.79	107,249,547.00
Total	2,161,166,671.26	1,277,556,117.60

26.2 Qualitative and Quantitative Analysis on the Above Contract Liabilities:

According to the New Revenue Standards which has been implemented since January 1st 2020, the Group reclassified the obligation to transfer goods to a customer for which consideration has been received into contract liabilities as detailed in Note (III) 32.

Advanced receipts for product sales include prepayments for goods by customers and sales rebates provided to distributors. Product sales revenue of the Group is recognized when the control of such product is transferred to the customers. During the transaction, prepayments for goods by customers are recognized as a contract liability till the goods are shipped or delivered to the customers. Sales rebates to distributors of the Group may be accumulated when they purchase products from the Group, and are deductible for payments for goods to be purchased in the future. Such sales rebates enable distributors to enjoy discounts in their future purchase of goods, which are not available to the same type of customers. Therefore, the commitment to offer such discounts to distributors on their future purchase prices is a separate performance obligation. Such commitment is recognized as a contract liability based on the transaction price allocated on the basis of the fair value of rebates when the sales transaction takes place, and is recognized as revenue when distributors use the sales rebates for deduction of purchase prices.

The Group provides construction works and maintenance services based on the construction works and maintenance service contracts with customers, and recognizes revenue based on the performance progress during the term of the contracts. The Group's customers make milestone payments for the construction works and maintenance services of the Group as provided in the contracts. For the portion where the Group has obtained an unconditional right to the payment, it will be recognized as accounts receivable, while the remaining portion will be recognized as contract assets; where the contract price received or receivable by the Group exceeds the performance obligation completed to date, the excess portion will be recognized as contract liabilities. The Group presents contract assets and contract liabilities under the same contract on a net basis.

The Group provides cloud services including storage service, video service, and telephone service to its customers. Such services are performance obligations to be satisfied during a period of time, and revenue is recognized based on the performance progress over the period in which such services are rendered. As customers have prepaid for cloud services at the time of purchase, at the time of transaction, the Group recognizes as a contract liability for the payments that would be received for cloud services, and recognizes revenue based on the performance progress over the period in which such services are rendered.

26.3 On January 1st 2020, contract liabilities with a book value of RMB 1,277,556,117.60 have been recognized as revenue in 2020, including RMB 719,153,423.32 of contract liabilities arising from advanced receipts for product sales, RMB 451,153,147.28 of contract liabilities arising from advanced receipts for construction settlement amounts, and RMB 107,249,547.00 of contract liabilities arising from advanced receipts for cloud services. As of December 31st 2020, RMB 2,161,166,671.26 of contract liabilities are expected to be recognized as revenue within the next fiscal year.

27. Payroll payable

27.1 Details of payroll payable

Unit: RMB

Item	Opening balance	Increase in the current reporting period	Decrease in the current reporting period	Closing balance
1.Short-term remuneration	2,350,226,309.38	10,301,532,329.56	9,793,161,156.45	2,858,597,482.49
2. Termination benefits – defined contribution scheme	9,448,330.74	464,404,043.99	454,663,426.51	19,188,948.22
Total	2,359,674,640.12	10,765,936,373.55	10,247,824,582.96	2,877,786,430.71

27.2 List of Short-term remuneration

Unit: RMB

Item	Opening balance	Increase in the current reporting period	Decrease in the current reporting period	Closing balance
1.Wages or salaries, bonuses, allowances and subsidies	2,194,538,939.13	9,182,646,162.58	8,706,122,709.43	2,671,062,392.28

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2. Staff welfare	74,284.72	142,891,180.65	142,951,164.55	14,300.82
3. Social insurance contributions	746,726.43	375,957,975.97	365,477,160.47	11,227,541.93
Including:				
Medical insurance	671,240.08	360,762,800.40	350,581,697.41	10,852,343.07
Injury insurance	24,637.32	7,622,958.77	7,317,340.46	330,255.63
Maternity insurance	50,849.03	7,572,216.80	7,578,122.60	44,943.23
4. Housing funds	132,910.00	467,536,191.39	467,522,907.38	146,194.01
5. Labor union and education fund	154,733,449.10	132,500,818.97	111,087,214.62	176,147,053.45
Subtotal	2,350,226,309.38	10,301,532,329.56	9,793,161,156.45	2,858,597,482.49

27.3 Defined contribution scheme

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Basic pension insurance	9,009,304.85	448,873,230.48	439,217,131.24	18,665,404.09
2. Unemployment insurance	439,025.89	15,530,813.51	15,446,295.27	523,544.13
Subtotal	9,448,330.74	464,404,043.99	454,663,426.51	19,188,948.22

Note:

Pursuant to *The Notification of the Ministry of Human Resources and Social Security, the Ministry of Finance and the State Taxation Administration about the Staged Reduction and Exemption of Social Insurance Premiums Payable by Enterprises* (No. 11 [2020] of the Ministry of Human Resources and Social Security) jointly issued by the Ministry of Human Resources and Social Security, the Ministry of Finance and the State Taxation Administration, the Company and part of its subsidiaries shall enjoy a staged reduction or exemption for the contributions by the employer to basic pension insurance, unemployment insurance and injury insurance (hereinafter referred to as the “three social insurances”) payable by them during the current fiscal year.

Pursuant to *The Guidance Opinions of National Healthcare Security Administration, Ministry of Finance and the State Taxation Administration about the Staged Reduction of Basic Medical Insurance Premiums Payable by Employees* (No. 6 [2020] National Healthcare Security Administration) jointly issued by National Healthcare Security Administration, Ministry of Finance and the State Taxation Administration, the Company and part of its subsidiaries shall enjoy 50% reduction for the contributions by the employer to the basic medical insurance during the current fiscal year.

During the reporting periods, the employees of the Group are the members of state-managed retirement benefit plan, and unemployment insurance plan, operated by the respective governments of these jurisdictions. The Group is required to contribute specified percentage out of payroll costs to the retirement benefit schemes and unemployment insurance schemes to fund the benefits. The Group has no other material obligation for the payment of pension benefits beyond the contributions described above, and corresponding expenses were booked into profits and losses of related assets during the current period.

The Group shall pay a total of RMB 448,873,230.48 and RMB 15,530,813.51 (2019: RMB 451,708,456.17 and RMB 17,424,763.78) to the pension insurance and unemployment insurance schemes respectively during the current fiscal year. On December 31st 2020, the Group still had RMB 18,665,404.09 and RMB 523,544.13 (December 31st 2019: RMB 9,009,304.85 and RMB 439,025.89) payable expenses for pension insurance and unemployment insurance schemes that were due during the current reporting period but were not paid. The relevant dues have been paid off after the reporting period.

28. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Enterprise income tax	1,403,744,369.98	553,486,554.42
Value-added tax	294,728,811.39	331,490,538.56
City construction and maintenance tax	17,924,699.09	21,992,627.00

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Item	Closing balance	Opening balance
Education surcharges	7,547,297.38	9,283,542.86
Local education surcharges	5,437,435.12	6,385,473.76
Others	40,675,295.66	68,704,069.31
Total	1,770,057,908.62	991,342,805.91

29. Other payables
29.1 Categories

Unit: RMB

Item	Closing balance	Opening balance
Dividend payable	205,898,523.84	108,129,385.24
Other payables	1,319,154,832.11	1,236,973,748.79
Total	1,525,053,355.95	1,345,103,134.03

29.2 Dividends payable

Unit: RMB

Item	Closing balance	Opening balance
Dividends of incentive restricted shares	205,898,523.84	105,679,385.24
Dividends of common shares	-	2,450,000.00
Total	205,898,523.84	108,129,385.24

29.3 Other payables
(1) List of other payables according to the nature of the payment

Unit: RMB

Item	Closing balance	Opening balance
Unexpired commercial acceptance bills that were endorsed (Note (V)-3)	482,454,604.99	329,309,522.17
Accrued expenses	337,678,697.37	384,494,722.84
Guarantee and deposit fees	298,869,865.03	240,507,892.79
Collection and payment on behalf	157,485,875.39	220,858,972.11
Investment payable	-	12,400,000.00
Other expense payable	42,665,789.33	49,402,638.88
Total	1,319,154,832.11	1,236,973,748.79

 (2) As of December 31st 2020, the Group did not have any significant other payables aging over one year.

30. Non-current liabilities due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within one year (Note (V) 32)	3,486,243,087.91	69,893,081.33
Long-term payables due within one year (Note (V) 33)	21,437,251.87	16,230,072.73
Total	3,507,680,339.78	86,123,154.06

31. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
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Notes to Financial Statements

 For the reporting period from January 1st 2020 to December 31st 2020

Subscription payment of restricted shares	560,959,368.73	913,534,538.26
Output VAT to be transferred	184,752,210.84	74,324,355.92
Short-term commercial paper (SCP)	-	-
Total	745,711,579.57	987,858,894.18

Short-term commercial paper (SCP) information as follow:

Unit: RMB

Item	Opening balance	Issued during the current fiscal year	Repaid during the current fiscal year	Interest payable this year	Closing balance
Short-term commercial paper (SCP) (Note)	-	1,000,000,000.00	1,000,000,000.00	-	-
Total	-	1,000,000,000.00	1,000,000,000.00	-	-

Note: As approved by the *Notice of Acceptance of Registration from the China Interbank Market Dealers Association* (China Interbank Market Dealers Association ZhongShiXieZhu [2020] No. SCP301), the Company publicly issued 10,000,000 Short-term Commercial Paper (SCP) on June 4th 2020 with a par value of RMB 100 each, a maturity of 180 days, and an annual interest rate of 1.75%. The maturity date of the SCP is December 1st 2020, which had already expired as of the end of the current fiscal year with a one-off repayment of principal and interest.

32. Long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Pledged loan (Note 1)	1,556,927,316.08	1,348,034,851.48
Fiduciary loan (Note 2)	3,700,483,533.13	3,136,026,801.28
Other borrowing (Note 3)	190,000,000.00	190,000,000.00
Less: Long-term loans due within one year (Note (V) 30)	3,486,243,087.91	69,893,081.33
Total	1,961,167,761.30	4,604,168,571.43

Note 1: As of December 31st 2020, RMB 280,638,571.42 of the pledged loan was obtained by the Group with all the rights and benefits pledged under the *Urumqi High-tech Zone (New Urban Area) Safe City & Surveillance system for Social Comprehensive Management -- PPP Project Agreement*; the maturity date is June 20th 2028, the annual interest rate is 4.41%.

RMB 182,800,000.00 of the pledged loan was obtained by the Group with all the rights and benefits pledged under the *MoYu Security Protection and Prevention Control System-- PPP Project Agreement*; the maturity date is March 26th 2035, among them, the annual interest rate of RMB 141,200,000.00 of the loan is 4.445%. , the annual interest rate of RMB 41,600,000.00 of the loan is 4.345%

RMB 223,780,000.00 of the pledged loan was obtained by the Group with all the rights and benefits pledged under the *PiShan Security Protection and Prevention Control System-- PPP Project Agreement*; the maturity date is March 26th 2040, among them, the annual interest rate of RMB 172,800,000.00 of the loan is 4.445%. , the annual interest rate of RMB 50,980,000.00 of the loan is 4.345%.

RMB 228,000,000.00 of the pledged loan was obtained by the Group with all the rights and benefits pledged under the *LuoPu Security Protection and Prevention Control System-- PPP Project Agreement*; the maturity date is March 26th 2035, among them, the annual interest rate of RMB 140,800,000.00 of the loan is 4.445%, the annual interest rate of RMB 87,200,000.00 of the loan is 4.245%.

RMB 95,600,000.00 of the pledged loan was obtained by the Group with all the rights and benefits pledged under the *YuTian Safe City-- PPP Project Agreement*; the maturity date is March 26th 2034, the annual interest rate is 4.245%.

RMB 544,000,000.00 of the pledged loan was obtained by the Group with all the rights and benefits pledged under the *Xi'an Public Security Video Surveillance Construction Network Application Construction--Public-Private Partnership (PPP) Project Agreement*; the maturity date is November 5th 2031, among them, the annual interest rate of RMB

Notes to Financial Statements

 For the reporting period from January 1st 2020 to December 31st 2020

325,000,000.00 of the loan is 4.445%, and the annual interest rate of RMB 219,000,000.00 of the loan is 4.345%.

Note 2: As of December 31st 2020, the credit loan with a book value of RMB 3,210,000,000.00 was 400 million euros in credit loans, which was mainly used for the investment and construction of the Company's Hangzhou Innovation Industrial Park project and Xi'an Science and Technology Park project, the maturity date is December 14th 2021, and the interest rate is 0.85%.

The book value of the credit loan is RMB 480,000,000.00, which is mainly used for the acquisition of the thermal imaging division asset group by Hangzhou HikMicro Sensing Technology Co., Ltd., a subsidiary of the Group, and the maturity dates are September 28th 2022 and September 27th 2023, respectively, and the annual interest rate is 3.20%.

Note 3: During 2016, the Group entered into an agreement with CDB Development Fund Ltd. (CDBDF) to jointly inject capital into Hikvision Electronics Co., Ltd. ("Hangzhou Electronics"), a subsidiary of the Group. Pursuant to the capital injection agreement, CDBDF would not participate in senior management personnel such as directors, and it would either take part in decision-making or make significant influence on Hangzhou Electronics. The Group shall pay a 1.2% annualized return to CDBDF through dividends or interest payments, and the Group is required to redeem the CDBDF's equity investment in the current reporting period by installments each year from 2021 to 2024. Therefore, the capital injection by CDBDF is treated as a long-term loan. As of December 31st 2020, CDBDF has aggregately invested RMB 190 million (December 31st 2019: RMB 190 million).

33. Long-term payables

Unit: RMB

Item	Closing balance	Opening balance
Payables for financial leasing	23,052,993.27	42,181,416.72
Purchase goods in installments	8,542,466.08	-
Borrowing	8,000,000.00	8,000,000.00
Total	39,595,459.35	50,181,416.72

Unit: RMB

Details of financial lease payables in long-term payables	Closing balance	Opening balance
1 st year after the balance sheet date	21,389,896.88	19,265,287.22
2 nd year after the balance sheet date	14,374,551.20	21,387,869.19
3 rd year after the balance sheet date	10,420,815.85	14,137,481.89
Future years	-	10,420,815.85
Total minimum lease payments	46,185,263.93	65,211,454.15
Unrecognized financing costs	3,829,657.27	6,799,964.70
Finance lease payable	42,355,606.66	58,411,489.45
Including: Finance lease payable due within 1 year	19,302,613.39	16,230,072.73
Finance lease payable due after 1 year	23,052,993.27	42,181,416.72

34. Provisions

Unit: RMB

Item	Closing balance	Opening balance
Product quality warranty	151,443,871.02	90,570,669.01
Total	151,443,871.02	90,570,669.01

35. Deferred income

Unit: RMB

Item	Opening balance	Increase in current reporting period	Decrease in current reporting period	Closing balance	Details
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For the reporting period from January 1st 2020 to December 31st 2020

Government Subsidies	226,340,284.30	46,112,100.00	81,573,396.61	190,878,987.69	Note
Total	226,340,284.30	46,112,100.00	81,573,396.61	190,878,987.69	

As of December 31st 2020, the deferred income related to government subsidies:

Unit: RMB

Liability Items	Opening Balance	Increase in current reporting period	Amounts booked into other income during the current reporting period	Other changes	Closing Balance	Related to assets/related to incomes
Chongqing Manufacture Park construction	79,254,065.44	-	2,418,930.00	-	76,835,135.44	Related to assets
Projects of core electronic devices, high-end universal chips and basic software products	62,827,863.01	-	62,827,863.01	-	-	Related to incomes
Other special subsidies	43,466,515.09	-	10,650,914.29	-	32,815,600.80	Related to assets
Other special subsidies	40,791,840.76	46,112,100.00	5,675,689.31	-	81,228,251.45	Related to incomes
Subtotal	226,340,284.30	46,112,100.00	81,573,396.61	-	190,878,987.69	

Note 1: Refer to government subsidies received by the Group for projects of Core Electronic Devices, High-end Universal Chip and Basic Software Products, Chongqing Manufacture Park construction, and other projects; Actual expenses occurred in the current reporting period for projects of core electronic devices, high-end universal chips and basic software products and other special subsidies related to incomes were recognized in other income; and relevant assets for Chongqing Manufacture Park construction and other special subsidies related to assets were amortized averagely in other income within the assets' useful lives.

36. Other non-current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Subscription for restricted stocks	560,959,368.74	1,234,739,326.10
Total	560,959,368.74	1,234,739,326.10

37. Share capital

Unit: RMB

	Opening balance	Changes for the current reporting period					Closing balance
		New issue of shares	Bonus issue	Transfer from Capital Reserve	Others (Note)	Subtotal	
2020							
Total shares	9,345,010,696.00	-	-		(1,593,506.00)	(1,593,506.00)	9,343,417,190.00
2019							
Total shares	9,227,270,473.00	121,195,458.00	-		(3,455,235.00)	117,740,223.00	9,345,010,696.00

Note: On December 24th 2019, in accordance with the authorization of the Company's 2016 second extraordinary general meeting and the resolutions of the 14th meeting of the fourth board of directors and the revised articles of association, the Company repurchased and cancelled the granted 1,593,506 restricted RMB treasury shares that have not been unlocked, reducing the share capital by RMB 1,593,506.00 and the capital reserve by RMB 11,823,911.35. The Company had completed the repurchase cancellation registration on December 17th 2020.

38. Capital reserves

Unit: RMB

Notes to Financial Statements

 For the reporting period from January 1st 2020 to December 31st 2020

Item	Opening balance	Increase in the current reporting period (Note 1)	Decrease in the current reporting period (Note 2)	Closing balance
2020				
Share premium	3,834,418,853.06	985,668,869.46	72,278,815.14	4,747,808,907.38
Other capital reserves	292,524,845.90	782,471,622.99	644,027,914.18	430,968,554.71
Total	4,126,943,698.96	1,768,140,492.45	716,306,729.32	5,178,777,462.09
2019				
Share premium	1,828,917,545.39	2,039,710,482.49	34,209,174.82	3,834,418,853.06
Other capital reserves	127,222,115.13	268,309,794.42	103,007,063.65	292,524,845.90
Total	1,956,139,660.52	2,308,020,276.91	137,216,238.47	4,126,943,698.96

Note 1: The RMB 644,027,914.18 increase in share capital premium during the current fiscal year was due to equity-settled share-based payment exercised this year, and other capital reserves were transferred to share capital premium; the RMB 341,640,955.28 was due to the business integration of the thermal imaging business and intelligent fire protection and control of the Group through transferring the asset groups of the thermal imaging business department to the holding subsidiary Hangzhou Hikmicro by the Company, and transferring the asset groups of the intelligent fire protection and control business department, and 100% equity interests in Wuhan Hikvision Fire Protection and Control Technology Co., Ltd. ("Wuhan Fire Protection and Control") and Zhejiang Hikvision Fire Control Protection Technology Co., Ltd. (Zhejiang Fire Protection and Control) to its holding subsidiary Hangzhou Hikfire Technology by the Company, the difference between the collected transfer consideration and the transferred net assets is formed, the shareholding ratio in the two companies was changed from direct holding of 100% to indirect holding of 60%. Please refer to Note (VII) 2 and Note (XV) 6 for details.

The increase of RMB 782,471,622.99 in other capital reserves in the current fiscal year was calculated with equity-settled share-based payments which were included in the capital reserve. Please refer to Note (XI) for details.

The RMB 103,007,063.65 increase in share capital premium during the prior year was due to equity-settled share-based payments exercised during the current fiscal year, and other capital reserves were transferred to share capital premium; the RMB 1,936,703,418.84 increase in share capital premium was due to the implementation of share registration in 2019 for the restricted stocks granted in the prior year.

The RMB 268,309,794.42 increase in other capital reserves in the prior year was due to equity-settled share-based payments and was included in the capital reserve.

Note 2: The decrease of RMB 11,823,911.35 in share capital premium during the current fiscal year was due to the Company's repurchase of 1,593,506 granted but unlocked RMB treasury shares by cash, please refer to Note (V) 37-2; The decrease of RMB 29,967,599.60 in share capital premium during the current fiscal year was due to share distributions by equity settlements to minority shareholders; The decrease of RMB 30,487,304.19 in share capital premium was due to the difference between the payment of the consideration and the share of identifiable net assets calculated based on the newly increased shareholding ratio as a result of acquisition of 42.86% minority interest in each of the holding subsidiaries Hua'An Baoquan Intelligence and Hua'An Bao Quan Electronics, please refer to Note (VII) 2.

The decrease of RMB 23,441,881.20 in share capital premium during the prior year was due to the Company's repurchase of 3,455,235 granted but unlocked RMB treasury shares by cash, please refer to Note (V) 37- 2; The decrease of RMB 10,767,293.62 in share capital premium during the prior year was due to share distributions by equity settlements to minority shareholders during the prior year.

39. Treasury shares

Unit: RMB

Item	Opening Balance	Increase in the current reporting period (Note 1)	Decrease in the current reporting period (Note 2)	Closing balance
2020				
Restricted shares incentive scheme	2,148,273,864.36	-	1,026,355,126.89	1,121,918,737.47
Total	2,148,273,864.36	-	1,026,355,126.89	1,121,918,737.47
2019				
Restricted shares incentive scheme	364,984,759.94	2,057,898,876.84	274,609,772.42	2,148,273,864.36

Notes to Financial Statements

For the reporting period from January 1st 2020 to December 31st 2020

Total	364,984,759.94	2,057,898,876.84	274,609,772.42	2,148,273,864.36
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Note 1: The increase of treasury shares in the prior year was due to granting of 121,195,458 restricted RMB ordinary shares to 6,095 grantees, with issuing price of RMB 16.98 per share.

Note 2: During the current reporting period, the decreased amounts of treasury shares includes a decrease of RMB 12,301,866.32 due to the repurchase and cancellation of 1,593,506 restricted RMB ordinary shares of 2016 Restricted Share Incentive Scheme; a decrease of RMB 101,334,592.80 in treasury shares was due to provision of cash dividend allocated to restricted shares; a decrease of RMB 197,839,337.85 in treasury shares was due to unlocking of 21,204,645 shares for the expiry of the 3rd unlocking period of the Company's 2016 Restricted Share Incentive Scheme; and a decrease of RMB 714,879,329.92 in treasury shares was due to unlocking of 45,591,794 shares for the expiry of the 1st unlocking period of the Company's 2018 Restricted Share Incentive Scheme.

During the prior year, the decreased amounts of treasury shares includes a decrease of RMB 1,086,067.50 due to the repurchase and cancellation of 509,625 restricted RMB ordinary shares of 2014 Restricted Share Incentive Scheme; a decrease of RMB 20,383,621.20 in treasury shares was due to the repurchase and cancellation of 2,945,610 restricted RMB ordinary shares of 2016 Restricted Share Incentive Scheme; a decrease of RMB 102,033,123 in treasury shares was due to provision of cash dividend allocated to restricted shares; a decrease of RMB 151,106,960.72 in treasury shares was due to unlocking of 21,836,266 shares for the expiry of the 2nd unlocking period of the Company's 2016 Restricted Share Incentive Scheme.

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 For the reporting period from January 1st 2020 to December 31st 2020

40. Other comprehensive income

Unit: RMB

Item	Opening balance	Amounts occurred in the current reporting period					Closing balance
		The before-income-tax amount incurred during the current reporting period	Less: transfer to current period P/L from previous other comprehensive income	Less: income tax expense	Attributable to the parent company (after tax)	Attributable to minority shareholders (after tax)	
2020							
Other incomes that may be reclassified subsequently to profit or loss	(53,541,146.99)	(34,145,243.17)	-	-	(31,452,779.95)	(2,692,463.22)	(84,993,926.94)
Included: Effect on conversion of financial statements denominated in foreign currencies	(53,541,146.99)	(34,145,243.17)	-	-	(31,452,779.95)	(2,692,463.22)	(84,993,926.94)
Other comprehensive income	(53,541,146.99)	(34,145,243.17)	-	-	(31,452,779.95)	(2,692,463.22)	(84,993,926.94)
2019							
Other incomes that may be reclassified subsequently to profit or loss	(49,576,351.10)	(4,658,993.77)	-	-	(3,964,795.89)	(694,197.88)	(53,541,146.99)
Included: Effect on conversion of financial statements denominated in foreign currencies	(49,576,351.10)	(4,658,993.77)	-	-	(3,964,795.89)	(694,197.88)	(53,541,146.99)
Other comprehensive income	(49,576,351.10)	(4,658,993.77)	-	-	(3,964,795.89)	(694,197.88)	(53,541,146.99)

41. Surplus reserves

Unit: RMB

Item	Opening balance	Increase in the current reporting period	Decrease in the current reporting period	Closing balance
2020				
Statutory surplus reserves (Note)	4,672,505,348.00	-	-	4,672,505,348.00
Total	4,672,505,348.00	-	-	4,672,505,348.00
2019				
Statutory surplus reserves (Note)	4,460,712,358.45	211,792,989.55	-	4,672,505,348.00
Total	4,460,712,358.45	211,792,989.55	-	4,672,505,348.00

Note: According to the *Company Law of the People's Republic of China* and the *Articles of Association of the Company*, The Company shall withdraw the statutory surplus reserve fund at 10% of the annual net profit, and when the accumulated amount of the statutory surplus reserve fund reaches more than 50% of the registered capital, it may not be withdrawn. The Company withdrew a statutory surplus reserve of RMB 211,792,989.55 in the prior year, and accumulatively withdrawn

Notes to Financial Statements

 For the reporting period from January 1st 2020 to December 31st 2020

a statutory surplus reserve of RMB 4,672,505,348.00, which has reached 50% of the Company's share capital, so no subsequent statutory surplus reserve will be accrued in the current fiscal year.

The statutory surplus reserve can be used to make up for losses or increase the share capital after approval.

42. Retained earnings

Unit: RMB

Item	2020	2019
Retained Earnings at the close of the prior reporting period	28,961,389,145.22	22,359,856,271.42
Add: Net profit attributable to the parent company for the current reporting period	13,385,526,714.15	12,414,587,690.45
Subtract: Statutory surplus reserves	-	211,792,989.55
Dividends payable on common shares (Note)	6,540,392,033.00	5,601,261,827.10
Retained earnings at the end of the current reporting period	35,806,523,826.37	28,961,389,145.22

Note: According to the resolution of 2019 annual General Meeting dated on May 15th 2020, based upon the total capital share of the Company on the equity distribution date, for each 10 ordinary shares, the Company distributed cash dividends of RMB 7 (tax inclusive), the rest of retained earnings were all carried forward for future distributions.

43. Operating income/operating cost

43.1 Operating income and operating cost

Unit: RMB

Item	2020		2019	
	Revenue	Cost	Revenue	Cost
Operating income	62,879,112,889.36	33,607,174,664.31	57,080,710,049.95	30,823,984,977.93
Other operating income	624,338,002.42	350,523,193.42	577,400,015.27	316,191,799.19
Total	63,503,450,891.78	33,957,697,857.73	57,658,110,065.22	31,140,176,777.12

43.2 Operating business (by business type)

Unit: RMB

Item	2020	
	Revenue	Cost
Product sales	60,287,664,582.89	32,012,524,098.76
Construction contract	1,614,246,940.42	1,353,524,939.67
Provide services	977,201,366.05	241,125,625.88
Total	62,879,112,889.36	33,607,174,664.31

43.3 Operating business (by the time of revenue recognition)

Unit: RMB

Item	2020	
	Revenue	Cost
Recognized at some point	60,287,664,582.89	32,012,524,098.76
Recognition took place within a certain period of time	2,591,448,306.47	1,594,650,565.55
Total	62,879,112,889.36	33,607,174,664.31

Notes to Financial Statements

 For the reporting period from January 1st 2020 to December 31st 2020

43.4 Operating business (By product or business type)

Unit: RMB

Item	2020	
	Revenue	Cost
Front-end equipment	28,841,213,141.09	12,797,470,301.71
Back-end equipment	6,867,289,356.22	3,463,814,165.41
Central control equipment	10,146,396,260.19	5,587,909,127.42
Constructions	1,614,246,940.42	1,353,524,939.67
Others	9,241,620,854.47	6,536,906,909.85
Subtotal	56,710,766,552.39	29,739,625,444.06
Smart home business	2,918,904,302.62	1,772,362,386.38
Robotic business	1,358,653,520.55	703,671,619.41
Other innovative businesses	1,890,788,513.80	1,391,515,214.46
Subtotal	6,168,346,336.97	3,867,549,220.25
Total	62,879,112,889.36	33,607,174,664.31

Descriptions of Performance obligations:

The Group sells video surveillance products, smart home products, robotic products and other products and related accessories. For sales of goods to customers, the Group recognizes revenue when the control of the goods is transferred, i.e. when the goods are delivered to the location designated by other party, or delivered to the carrier designated by other party, or delivered to the other party for acceptance. Since the delivery of the goods to the customer represents the right to unconditionally receive the contract consideration, and the maturity of the payment only depends on the passage of time, the Group recognizes a receivable when the goods are delivered to the customer. When the customer prepays for the goods, the Group recognizes the transaction amount received as a contract liability, and recognizes revenue until the goods are delivered to the customer.

For projects constructed for customers, since the customers could control the assets under construction during the performance of the Group, the Group recognizes revenue according to the performance progress by treating them as the obligations within certain period, except that the performance progress cannot be reasonably determined. The Group applies the output method to determine the performance progress, which is based on the value to the customers of the goods or services that have been transferred to them. Where the performance progress cannot be reasonably determined, and the costs incurred by the Group are expected to be compensated, the revenue shall be recognized according to the amount of the costs already incurred until the performance progress can be reasonably determined. The customers of the Group pay the Group for the construction works by milestone payments in accordance with the contract. For the portion where the Group has obtained an unconditional right to the payment, it will be recognized as accounts receivable, while the remaining portion will be recognized as contract assets; where the contract price received or receivable by the Group exceeds the performance obligation completed to date, the excess portion will be recognized as contract liabilities. The Group presents contract assets and contract liabilities under the same contract on a net basis.

The Group provides customers with operation and maintenance services. Since customers obtain and consume the economic benefits generated by the performance of the Group at the same time when the Group performs its obligations, the Group recognizes revenue according to the performance progress by treating them as the obligations within certain period.

The customers of the Group pay the Group for the maintenance services by milestone payments in accordance with the contract. For the portion where the Group has obtained an unconditional right to the payment, it will be recognized as accounts receivable, while the remaining portion will be recognized as contract assets; where the contract price received or receivable by the Group exceeds the performance obligation completed to date, the excess portion will be recognized as contract liabilities. The Group presents contract assets and contract liabilities under the same contract on a net basis.

The Group provides cloud services including storage service, video service, and telephone service to its customers. Such services are performance obligations to be satisfied during a period of time, and revenue is recognized based on the

performance progress over the period in which such services are rendered. As customers have prepaid for cloud services at the time of purchase, the Group recognizes the payments for cloud services received at the time of transaction as a contract liability, and recognizes revenue based on the performance progress over the period in which such services are rendered.

Sales rebates to distributors of the Group may be accumulated when they purchase products from the Group, and are deductible for payments for goods to be purchased in the future. Such sales rebates enable distributors to enjoy discounts in their future purchase of goods, which are not available to the same type of customers. Therefore, the commitment to offer such discounts to distributors on their future purchase prices is a separate performance obligation. Such commitment is recognized as a contract liability based on the transaction price allocated on the basis of the fair value of rebates when the sales transaction takes place, and is recognized as revenue when distributors use the sales rebates for deduction of purchase prices.

The Group provides quality assurance for the sold video surveillance products, smart home products, robotic products and other products and related accessories, as well as the assets constructed. The quality assurance related to the products sold by the Group cannot be purchased separately, and is a guarantee to customers that the products sold meet the established standards, therefore, the Group conducts accounting treatment in accordance with the Accounting Standards for Business Enterprises No. 13 - Contingencies, please refer to Note (V), 34 for details.

For sales to end consumers through the online trading platform, a 7-day or 30-day right of return is provided accordingly. At the time of revenue recognition, a return payable is recognized for the goods expected to be returned according to the amount expected to be returned due to the sales return; in addition, a return cost receivable is recognized according to the balance of the book value of the goods expected to be returned at the time of transfer net of the estimated cost of recovering the goods, and carrying over costs according to net amount of book value of the transferred goods at the time of transfer net of the cost of the aforementioned assets. The Group estimates the number of returns at the portfolio level with its accumulated historical experience and adopting the expected value method. In view of the stable return rate in previous years, it is most unlikely that there will be a significant reversal for the accumulated recognized revenue.

Descriptions of allocation to the remaining performance obligations:

As of December 31st 2020, all the remaining performance obligations are part of the contracts with original expected contract term not exceeding one year. The Group expects to recognize all of them as revenue within the next year.

44. Business Taxes and Surcharges

Unit: RMB

Items	2020	2019
City construction and maintenance tax	189,386,771.55	193,991,607.90
Education surcharges	82,442,008.19	83,931,204.13
Local education surcharges	54,915,581.40	56,338,987.32
Stamp duty	30,560,972.35	27,143,633.24
Real estate tax	20,330,766.80	36,404,025.90
Tax on use of land	3,992,258.37	5,196,493.82
Vehicle and vessel tax	151,291.55	171,445.08
Others	34,483,699.34	14,141,146.16
Total	416,263,349.55	417,318,543.55

45. Selling expenses

Unit: RMB

Items	2020	2019
Payroll	4,322,277,210.83	3,887,374,487.37
Marketing Expenses	1,156,331,130.68	1,189,955,197.73
Shipping, transportation, and vehicle expense	711,448,510.07	743,840,798.66
Travelling expenses	216,729,012.52	419,804,042.73
Office expenses	201,748,056.17	209,868,651.76
Business hospitality expenses	183,005,835.09	209,295,672.81
Rental expenses	193,697,802.86	177,800,427.54
Professional Intermediary expenses	158,620,553.03	161,222,028.36
Depreciation and amortization expenses	89,216,922.78	74,726,169.24

Notes to Financial Statements

 For the reporting period from January 1st 2020 to December 31st 2020

Others	144,715,710.55	182,894,010.48
Total	7,377,790,744.58	7,256,781,486.68

46. Administrative Expenses

Unit: RMB

Items	2020	2019
Payroll	1,155,570,756.22	973,611,772.00
Office expenses	180,626,249.71	207,809,854.24
Depreciation and amortization expenses	164,558,720.85	124,598,148.82
Professional intermediary expenses	74,792,204.76	72,435,016.26
Travelling expenses	37,760,312.22	59,312,055.12
Shipping, transportation, utility expense	41,419,386.33	56,959,599.18
Rental expenses	6,827,268.39	29,478,819.26
Business hospitality expenses	9,193,300.21	10,658,155.86
Others	119,264,890.07	287,601,021.33
Total	1,790,013,088.76	1,822,464,442.07

47. R&D Expenses

Unit: RMB

Items	2020	2019
Payroll	5,154,824,934.62	3,984,322,782.34
Consumables and service fees	533,761,090.55	563,641,365.06
Depreciation and amortization expenses	218,167,957.47	235,693,987.33
Office expenses	190,693,619.45	213,060,797.71
Intermediate testing fees	145,698,114.33	164,302,894.56
Travelling expenses	68,264,094.55	139,847,661.42
New product design fees	20,416,472.49	77,948,833.47
Rental expenses	10,791,884.40	9,242,161.63
Others	36,033,594.56	95,751,214.84
Total	6,378,651,762.42	5,483,811,698.36

48. Financial Expenses

Unit: RMB

Items	2020	2019
Interest expenses	223,386,660.79	263,960,347.94
Less: Interest income	722,845,909.92	720,921,071.27
Foreign exchange losses/ (gains)	927,956,362.97	(183,930,899.01)
Less : Capitalized specific loan interests and foreign exchange differences on specific loan	58,884,747.25	28,013,146.25
Others	26,642,405.97	28,836,591.40
Total	396,254,772.56	(640,068,177.19)

49. Other income

Unit: RMB

Item	2020	2019
VAT Rebates	1,739,193,206.86	1,481,554,615.35
Special subsidies	530,334,411.76	405,744,665.57
Tax relief	32,596,557.71	5,024,025.37
Value-added tax deduction	1,457,529.48	-
Total	2,303,581,705.81	1,892,323,306.29

Notes to Financial Statements

 For the reporting period from January 1st 2020 to December 31st 2020

50. Investment income

Unit: RMB

Item	2020	2019
Long-term equity investment losses based on equity method	6,361,388.74	7,743,476.93
Investment income from other non-current financial assets during the holding period	150,000,000.00	17,357,220.31
Investment income from disposal of held-for-trading financial assets	12,915,660.21	11,550,750.03
Investment losses for derecognition of financial assets measured at amortized cost	-	(2,210.18)
Total	169,277,048.95	36,649,237.09

51. Profits from changes in fair values

Unit: RMB

Sources of gains/losses from changes in fair values	2020	2019
Held-for-trading financial assets	22,814,664.19	(1,863,915.06)
Including: gains (losses) on the changes in fair value of derivative financial instruments	22,814,664.19	(1,863,915.06)
Gains from changes in fair value of other non-current financial assets	69,478,784.83	17,547,234.44
Held-for-trading financial liabilities	(6,835,239.48)	(361,429.75)
Including: losses on the changes in fair value of derivative financial instruments	(6,835,239.48)	(361,429.75)
Total	85,458,209.54	15,321,889.63

52. Credit impairment loss

Unit: RMB

Items	2020	2019
Credit impairment losses of accounts receivable	(106,051,544.54)	(202,855,091.00)
Credit impairment losses of other receivables	(27,043,173.31)	44,488,527.79
Credit impairment losses of long-term receivables	(52,845,607.89)	(63,642,862.97)
Total	(185,940,325.74)	(222,009,426.18)

53. Impairment losses of assets

Unit: RMB

Items	2020	2019
Losses on inventory devaluation	(361,227,476.20)	(197,891,311.27)
Contract assets impairment loss	(1,882,037.79)	-
Total	(363,109,513.99)	(197,891,311.27)

54. Non-operating income

Unit: RMB

Item	2020	2019	The amount booked into current period non-recurring profits and losses
Fines and confiscations	66,127,109.32	48,610,859.46	66,127,109.32
Special subsidies	8,333,888.90	3,318,626.10	8,333,888.90
Tax reduction	138,798.93	23,979.90	138,798.93
Income from business merger not under common control (Note)	281,193.50	-	281,193.50
Others	24,392,312.85	13,079,036.08	24,392,312.85
Total	99,273,303.50	65,032,501.54	99,273,303.50

Government subsidies included in current profit and loss:

Unit: RMB

Item	2020	2019	Related to assets/Related to incomes
Other special subsidies	8,333,888.90	3,318,626.10	Related to incomes
Tax reduction	138,798.93	23,979.90	Related to incomes
Total	8,472,687.83	3,342,606.00	

Note: On November 5th 2020, the Group acquired BK Grupè UAB. The amount of the merger cost less than the fair value of the identifiable net assets obtained in the merger is included in the current profit and loss, which is equivalent to RMB 281,193.50. See Note (VI)-1 for details.

55. Non-operating expenses

Unit: RMB

Item	2020	2019	The amount booked into current period non-recurring profits and losses
Losses on disposal of non-current assets	6,465,180.38	7,589,538.54	6,465,180.38
Local water conservancy construction fund	1,672,431.96	842,983.10	1,672,431.96
Others	14,839,359.07	8,691,885.64	14,839,359.07
Total	22,976,971.41	17,124,407.28	22,976,971.41

56. Income tax expenses

56.1 Details of Income tax expenses

Unit: RMB

Item	2020	2019
Income tax for the current reporting period	2,140,449,306.26	1,731,388,650.59
Deferred income tax expenses	(89,684,430.19)	(103,112,225.43)
Differences in filing and payment of income tax in previous reporting years	(456,113,070.38)	(337,997,980.04)
Total	1,594,651,805.69	1,290,278,445.12

56.2 Reconciliation of income tax expenses to the accounting profit

Unit: RMB

Item	2020	2019
Total profit	15,272,971,277.86	13,755,462,747.77
Income tax expenses calculated at applicable tax rates of 15%	2,290,945,691.68	2,063,319,412.17
Impact of non-deductible costs, expenses and losses	30,860,096.48	16,237,180.91
Tax effect of non-taxable income	(3,054,060.62)	(2,603,583.05)
Impact of deductible temporary differences or deductible losses for which	160,270,373.80	270,139,191.78

Notes to Financial Statements

 For the reporting period from January 1st 2020 to December 31st 2020

Item	2020	2019
no deferred income tax assets is recognized for the current period		
Impact of using deductible temporary differences or deductible losses for which no deferred income tax assets was recognized for the prior periods	(27,124,409.54)	(50,147,289.55)
Differences of income tax annual filing (Note)	(456,113,070.38)	(337,997,980.04)
Impact by different tax rates applicable to different subsidiaries	65,427,121.90	169,030,658.26
Impact of additional deduction of R&D expenses	(498,716,838.03)	(597,165,564.68)
Others	32,156,900.40	(240,533,580.68)
Income tax expenses	1,594,651,805.69	1,290,278,445.12

Note: Pursuant to the *Notice on Printing the List of Key Software Enterprises and Integrated Circuit Design Enterprises under the National Planning Layout between 2013 and 2014* (Fa Gai Gao Ji [2013] No. 2458), the Company was identified as a national key software enterprise in December 2013. Pursuant to the *Notice on Relevant Issues Concerning the Preferential Policies for Enterprise Income Tax on Software and Integrated Circuit Industry* (Finance and Taxation [2016] No. 49), the Company was approved by the tax authorities in August 2020 to apply enterprise income tax of 10% for 2019, therefore, the enterprise's 2019 income tax expenses was reduced by RMB 456,113,070.38.

57. Notes to consolidated cash flow statement items

57.1 Other cash receipts relating to operating activities

Unit: RMB

Item	2020	2019
Interest income	639,105,287.46	695,228,454.23
Government subsidies	503,207,004.05	397,596,487.11
Others	285,278,062.14	896,722,779.54
Total	1,427,590,353.65	1,989,547,720.88

57.2 Other cash payments relating to operating activities

Unit: RMB

Item	2020	2019
Advertising and Selling services	1,106,345,645.08	1,012,053,513.83
Office expenses and business expenses	997,386,647.41	1,194,981,715.54
Shipping and transportation expense	778,093,845.68	823,922,007.09
R&D expense	561,674,056.35	720,903,726.16
Travelling expense	322,753,419.29	618,963,759.27
Outsourcing service fees, fees for hiring intermediaries, etc.	301,671,589.85	410,388,242.46
Rental expense	211,316,955.65	216,521,408.43
Deposits to restricted monetary funds	62,196,400.89	109,697,678.52
Others	34,657,044.75	53,697,614.51
Total	4,376,095,604.95	5,161,129,665.81

57.3 Other cash receipts relating to investing activities

Unit: RMB

Item	2020	2019
Receipts of financing lease payments	46,196,873.80	17,234,624.45
Total	46,196,873.80	17,234,624.45

57.4 Other cash payments related to investing activities

Notes to Financial Statements

 For the reporting period from January 1st 2020 to December 31st 2020

Unit: RMB

Item	2020	2019
Cash payments for investment intention funds	1,000,000.00	2,968,783.82
Total	1,000,000.00	2,968,783.82

57.5 Other cash payments relating to financing activities

Unit: RMB

Item	2020	2019
The consideration paid for the acquisition of minority shareholders' equity	64,290,000.00	-
Repurchase of restricted shares	13,417,417.35	26,897,116.20
Total	77,707,417.35	26,897,116.20

58. Supplementary information about cash flow statement
58.1 Supplementary information about cash flow statement

Unit: RMB

Supplementary information	2020	2019
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	13,678,319,472.17	12,465,184,302.65
Add: Impairment of assets	363,109,513.99	197,891,311.27
Provision for credit losses	185,940,325.74	222,009,426.18
Fixed assets depreciation	713,633,074.93	559,888,586.31
Amortization of intangible assets	87,014,571.01	114,901,556.25
Long-term deferred expenses amortization	44,742,828.97	24,002,044.87
Losses (Gains) on disposal of fixed assets, intangible assets and other long-term assets	5,836,675.36	(5,535,663.32)
Gains from changes in fair value	(85,458,209.54)	(15,321,889.63)
Financial expenses	598,966,581.29	174,491,026.21
Investment income	(169,277,048.95)	(36,649,237.09)
Share-based payment based on equity settlement	818,106,623.19	268,309,794.42
Decrease (increase) of restricted funds	121,389,681.42	(27,617,192.34)
Increase in deferred income tax assets	(131,576,150.12)	(154,200,329.39)
Increase in deferred income tax liabilities	41,891,719.93	51,088,103.96
Increase in inventories	(496,228,965.62)	(5,742,789,862.91)
Decrease of operating other non-current assets	151,065,258.42	501,950,002.84
Increase in operating receivables	(2,794,429,636.26)	(4,673,231,938.92)
Increase in operating payables	3,098,102,287.85	3,802,939,387.61
Increase (decrease) in deferred income	(142,710,843.61)	40,410,742.17
Others	(281,193.50)	-
Net cash flows from operating activities	16,088,156,566.67	7,767,720,171.14
2. Significant investing and financing activities not involving cash receipts and payments:		
3. Net changes in cash and cash equivalents:		
Ending balance of cash	35,024,837,878.31	26,515,668,008.40
Less: Opening balance of cash	26,515,668,008.40	26,031,011,733.89
Add: Ending balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
Net increase in cash and cash equivalents	8,509,169,869.91	484,656,274.51

Notes to Financial Statements

For the reporting period from January 1st 2020 to December 31st 2020

58.2 Net cash paid for obtaining subsidiaries and other business units during the current year

The current reporting period:

Unit: RMB

	Amounts
Cash or cash equivalents paid for the business combination in this year	62,585,784.41
Including: BK Grupè UAB	25,684,141.43
BK EESTI AKTSIASELTS	21,566,307.77
SIA "BK Latvia"	15,335,335.21
Less: Cash and cash equivalents held by the Company on the day of purchase	13,667,615.83
Including: BK Grupè UAB	6,190,791.43
BK EESTI AKTSIASELTS	5,875,032.31
SIA "BK Latvia"	1,601,792.09
Net cash paid for obtaining the subsidiary	48,918,168.58

58.3 Constituents of cash and cash equivalents

Unit: RMB

Item	Closing balance	Opening balance
Cash	35,024,837,878.31	26,515,668,008.40
Including: Cash on hand	1,105,047.51	557,429.68
Bank deposit for payment at any time	34,968,013,389.43	26,447,508,433.91
Other monetary capital for payment at any time	55,719,441.37	67,602,144.81
Cash equivalents	-	-
Closing balance of cash and cash equivalents	35,024,837,878.31	26,515,668,008.40

Among the total balance of RMB 490,610,671.33 of the other monetary fund(s) at the end of the reporting period (December 31st 2019: RMB 623,883,056.19), RMB 434,891,229.96 are various guarantee deposits and other restricted funds, etc. (December 31st 2019: RMB 556,280,911.38), not cash and cash equivalents.

59. Assets with restriction in ownership or use rights

Unit: RMB

Item	Book value at the end of the current reporting period	Cause of restriction
Monetary fund(s)	434,891,229.96	Various guarantee deposits and other restricted funds
Notes receivable	482,454,604.99	Endorsed to suppliers
Notes receivable	7,981,224.88	Pledged for issuing bank acceptance bills
Receivables for financing	106,117,987.87	Pledged for issuing bank acceptance bill
Fixed assets	45,330,337.75	Fixed assets leased through financial lease
Long-term receivables	1,770,160,748.25	Pledged for long-term borrowings
Total	2,846,936,133.70	

60. Monetary items of foreign currencies

(1) foreign currencies

Notes to Financial Statements

 For the reporting period from January 1st 2020 to December 31st 2020

Unit: RMB

Item	Balance in foreign currency at the end of the reporting period	Exchange rate for conversion	Balance of RMB converted at the end of the reporting period
Monetary funds			
Including: USD	936,545,445.72	6.5249	6,110,865,378.79
EUR	46,813,175.16	8.0250	375,675,730.67
AED	36,263,373.59	1.7761	64,407,377.83
GBP	4,959,769.90	8.8903	44,093,842.34
RUB	305,930,485.18	0.0877	26,830,103.55
JPY	336,505,067.09	0.0632	21,267,120.24
PLN	11,441,152.13	1.7520	20,044,898.53
HKD	13,443,127.64	0.8416	11,313,736.22
AUD	1,539,441.34	5.0163	7,722,299.59
KRW	394,701,420.00	0.0060	2,368,208.52
UZS	1,358,540,144.69	0.0007	995,266.51
ZAR	1,335,503.68	0.4458	595,367.54
NZD	48,072.09	4.7050	226,179.18
SGD	20,756.90	4.9314	102,360.58
TRY	270.72	1.1729	317.53
INR	1,698.20	0.0891	151.31
Accounts receivable			
Including: USD	155,116,482.71	6.5249	1,012,119,538.03
EUR	137,647,553.28	8.0250	1,104,621,615.07
Short-term borrowing			
Including: GBP	6,582,913.66	8.8903	58,524,077.31
EUR	8,052,220.91	8.0250	64,619,072.80
Accounts Payable			
Including: USD	289,121,715.41	6.5249	1,886,490,280.88
Long-term loans due within one year			
Including: EUR	401,220,555.56	8.0250	3,219,794,958.41

(2) Details of Overseas Operational Entities

Name of overseas subsidiaries	Main overseas operational office	Recording Currency	Basis of selection
HDT International Ltd.	Hongkong China	HKD	Selection based on local economic environment
Hikvision Europe BV	Netherlands	USD	Selection based on local economic environment
Prama Hikvision Indian Private Limited	India	INR	Selection based on local economic environment
Hikvision UK Limited	UK	GBP	Selection based on local economic environment
Hikvision Italy (S.R.L.)	Italy	EUR	Selection based on local economic environment
Hikvision International Co., Limited	Hongkong China	USD	Selection based on local economic environment
Hikvision Australia PTY Ltd.	Australia	AUD	Selection based on local economic environment
Hikvision Spain, S.L.	Spain	EUR	Selection based on local economic environment

Notes to Financial Statements

For the reporting period from January 1st 2020 to December 31st 2020

Name of overseas subsidiaries	Main overseas operational office	Recording Currency	Basis of selection
Hikvision France SAS	France	EUR	Selection based on local economic environment
Hikvision Singapore Pte. Ltd	Singapore	SGD	Selection based on local economic environment
Hikvision South Africa (Pty) Ltd.	South Africa	ZAR	Selection based on local economic environment
Hikvision FZE	Dubai	USD	Selection based on local economic environment
Hikvision Poland Spolka Z ograniczona Odpowiedzialnoscia.	Poland	PLN	Selection based on local economic environment
Hikvision do Brasil Comercio de Equipamentos de Segurança Ltda.	Brazil	BRL	Selection based on local economic environment
Hikvision LLC	Russia	RUB	Selection based on local economic environment
EZVIZ Inc.	USA	USD	Selection based on local economic environment
Cooperative Hikvision Europe U.A.	Netherlands	USD	Selection based on local economic environment
Hikvision Korea Limited	Korea	KRW	Selection based on local economic environment
Hikvision Colombia SAS	Columbia	COP	Selection based on local economic environment
Hikvision Kazakhstan limited liability partnership	Kazakhstan	KZT	Selection based on local economic environment
Pyronix Ltd	UK	GBP	Selection based on local economic environment
Microwave Solutions Limited	UK	GBP	Selection based on local economic environment
Secure Holdings limited	UK	GBP	Selection based on local economic environment
Hikvision Turkey Technology And Security Systems Commerce Corporation	Turkey	TRY	Selection based on local economic environment
ZAO Hikvision	Russia	RUB	Selection based on local economic environment
Hikvision Hungary Limited	Hungary	HUF	Selection based on local economic environment
Hikvision New Zealand Limited	New Zealand	NZD	Selection based on local economic environment
Hikvision Czech s.r.o.	Czech	CZK	Selection based on local economic environment
Hikvision Deutschland GmbH	Germany	EUR	Selection based on local economic environment
Hikvision Kenya (Pty) Ltd	Kenya	KES	Selection based on local economic environment
LLC Hikvision Tashkent	Uzbekistan	UZS	Selection based on local economic environment
Hikvision (Malaysia) SDN. BHD	Malaysia	MYR	Selection based on local economic environment
Hikvision USA, Inc.	USA	USD	Selection based on local economic environment
Hikvision Canada INC.	Canada	CAD	Selection based on local economic environment
Hikvision Mexico S.A.de C.V.	Mexico	MXN	Selection based on local economic environment
Hikvision Panama Commercial S.A.	Panama	USD	Selection based on local economic environment
Hikvision Pakistan (SMC-Private) Limited	Pakistan	PKR	Selection based on local economic environment
Hikvision Peru Closed Stock Company	Peru	PEN	Selection based on local economic environment
Hikvision Central America S.A.	Panama	USD	Selection based on local economic environment
Hikvision Technology Egypt JSC	Egypt	EGP	Selection based on local economic environment
PT. Hikvision Technology Indonesia	Indonesia	IDR	Selection based on local economic environment
Hikvision Technologies S.R.L.,	Romania	RON	Selection based on local economic environment
Hikvision IOT (Thailand) Co.,Ltd.	Thiland	THB	Selection based on local economic environment
Hikvision West Africa Limited	Nigeria	NGN	Selection based on local economic environment
Ezviz International Limited	Honkong China	HKD	Selection based on local economic environment
Hikvision Azerbaijan Limited Liability	Azerbaijan	AZN	Selection based on local economic environment
Hikvision Japan K.K.	Japan	JPY	Selection based on local economic environment
Hikvision Argentina S.R.L.	Argentina	ARS	Selection based on local economic environment
HIKVISION Morocco LLC	Morocco	MAD	Selection based on local economic environment
Hikvision Technology Israel Ltd	Israel	ILS	Selection based on local economic environment
EZVIZ Europe B.V.	Netherlands	EUR	Selection based on local economic environment
BK Grupė UAB	Lithuania	EUR	Selection based on local economic environment
BK EESTI AKTSIASELTS	Estonia	EUR	Selection based on local economic environment

Notes to Financial Statements

 For the reporting period from January 1st 2020 to December 31st 2020

Name of overseas subsidiaries	Main overseas operational office	Recording Currency	Basis of selection
SIA "BK Latvia"	Latvia	EUR	Selection based on local economic environment

61. Government Subsidies

61.1 Categories

Unit: RMB

Category	Amount	Financial Report Items	Amount booked in current profit and loss
VAT Rebate	1,739,193,206.86	Other Income	1,739,193,206.86
Special subsidies	729,547,288.35		
Including: other special subsidies	587,465,359.90	Deferred income / Other income/ Non-operating income	473,421,507.65
core electronic devices, high-end universal chip and basic software product projects	62,827,863.01	Deferred income / Other income	62,827,863.01
Chongqing Manufacture Park construction subsidies	79,254,065.44	Deferred income / Other income	2,418,930.00
Tax Refund/Reduction	34,192,886.12	Other income/ Non-operating income	34,192,886.12
Total	2,502,933,381.33		2,312,054,393.64

61.2 There was no refund of government subsidies during the current reporting period.

VI. Changes in consolidation scope

1. Business mergers not involving enterprises under the common control

(1) Business mergers not under common control during the current reporting period

BK Grupė UAB (“BK Lithuania”), BK EESTIAKTSIASELTS (“BK Estonia”) and SIA “BK Latvia” (“BK Latvia”) (collectively referred as to “Subject Companies or Three BK Companies”)

On June 30th 2020, Hikvision Singapore Pte. Ltd (“Hikvision Singapore”), a wholly-owned subsidiary of the Company, entered into the *SHARES SALE AND PURCHASE AGREEMENT* (“BK Acquisition Agreement”) with the original shareholders of Subject Companies, to acquire 100% equity of the Subject Companies in total held by four independent third parties at an agreed consideration of EUR 7,976,471.00. From June to October 2020, the above acquisition completed the filing or approval of the board of directors of CETHIK, Ministry of Commerce of the People’s Republic of China, National Development and Reform Commission of the People’s Republic of China and State Administration of Foreign Exchange of the People’s Republic of China (Branch of Zhejiang Province). The acquisition of the equity of those Three BK Companies, namely BK Lithuania, BK Estonia and BK Latvia was completed on November 5th 2020, October 29th 2020 and November 2nd 2020, respectively, and therefore, the Group will incorporate the Subject Companies into consolidation scope from the acquisition dates, which are November 5th 2020, October 29th 2020 and November 2nd 2020. As of December 31st 2020, the Company has made the equity transfer payment of EUR 7,976,471.00, which is equivalent to approximately RMB 62,585,784.41 exchanged at spot foreign exchange rate.

Unit:RMB

Name of the acquiree	Time of equity acquisition	Equity acquisition cost	Equity acquisition ratio (%)	Equity acquisition method	Date of acquisition	Basis for determining the acquisition date	Income of acquiree from acquisition data to the end of the reporting period	Net profit of acquiree from acquisition data to the end of the reporting period
Lithuania BK	November 2020	25,684,141.43	100.00	Cash Payments	November 5 th 2020	Equity delivery date for obtaining control of the purchased party	26,550,867.59	2,419,560.41
Estonia BK	October 2020	21,566,307.77	100.00	Cash Payments	October 29 th 2020	Equity delivery date for obtaining control of the purchased party	9,535,154.53	433,971.22
Latvia BK	November 2020	15,335,335.21	100.00	Cash Payments	November 2 nd 2020	Equity delivery date for obtaining control of the purchased party	8,858,903.31	877,192.86

(2) Cost of business merger and goodwill

Unit:RMB

Notes to Financial Statements

 For the reporting period from January 1st 2020 to December 31st 2020

Cost of business merger	Lithuania BK	Estonia BK	Latvia BK
-Cash	25,684,141.43	21,566,307.77	15,335,335.21
Total cost of business merger	25,684,141.43	21,566,307.77	15,335,335.21
Less: The fair value share of identifiable net assets obtained	25,965,334.93	16,847,511.73	10,623,087.52
Goodwill/The amount that the merger cost is less than the amount of the fair value share of the identifiable net assets obtained	(281,193.50)	4,718,796.04	4,712,247.69

(2) Acquiree's book value of assets and liabilities at the date of acquisition

Unit: RMB

	Lithuania BK		Estonia BK		Latvia BK	
	Book value on the date of acquisition	Fair value on the date of acquisition	Book value on the date of acquisition	Fair value on the date of acquisition	Book value on the date of acquisition	Fair value on the date of acquisition
Assets:						
Cash	6,190,791.43	6,190,791.43	5,875,032.31	5,875,032.31	1,601,792.09	1,601,792.09
Accounts receivable	14,018,545.29	14,018,545.29	6,123,134.67	6,123,134.67	4,505,689.13	4,505,689.13
Prepayments	2,519,198.67	2,519,198.67	143,883.10	143,883.10	313,532.58	313,532.58
Inventories	37,744,183.07	37,744,183.07	15,123,419.43	15,123,419.43	10,150,107.30	10,150,107.30
Fixed assets	544,603.52	544,603.52	543,197.70	543,197.70	358,748.69	358,748.69
Intangible assets	203,236.59	203,236.59	-	-	-	-
Other assets	1,058,521.81	1,058,521.81	138,429.76	138,429.76	103,534.83	103,534.83
Liabilities:						
Accounts payable	28,906,897.26	28,906,897.26	10,063,328.87	10,063,328.87	4,422,565.19	4,422,565.19
Tax payable	4,750,116.59	4,750,116.59	560,697.54	560,697.54	778,626.80	778,626.80
Payroll payable	2,006,861.02	2,006,861.02	467,878.64	467,878.64	814,277.64	814,277.64
Other liabilities	649,870.58	649,870.58	7,680.19	7,680.19	394,847.47	394,847.47
Net assets acquired	25,965,334.93	25,965,334.93	16,847,511.73	16,847,511.73	10,623,087.52	10,623,087.52

(4) The Group uses the market method and the income method to evaluate the fair value, and finally confirms the evaluation value on the basis of comparing the two evaluation methods.

(5) The Group has no contingent liabilities of the purchased party that need to be assumed in this merger.

Notes to Financial Statements

 For the reporting period from January 1st 2020 to December 31st 2020

2. Changes of consolidation scope due to other causes

The subsidiaries newly established and incorporated in the consolidation scope during the current reporting period as follows:

Company Name	Time of establishment	Registered capital	Amount of contribution of the Group	Ratio of contribution (%)
Hangzhou Rayin Technology Co., Ltd. (Note 1)	January 2020	RMB 100 mn	RMB 60 mn	60
Kunming Hikvision Digital Technology Co., Ltd. ("Kunming Hikvision") (Note 2)	July 2020	RMB 50 mn	RMB 50 mn	100
Hangzhou Microimage Software Co., Ltd. (Note 3)	July 2020	RMB 20 mn	RMB 12 mn	60
Hangzhou Microimage Intelligent Technology Co., Ltd. (Note 4)	July 2020	RMB 50 mn	RMB 30 mn	60
Jinan Hikvision Digital Technology Co., Ltd. ("Jinan Hikvision") (Note 2)	August 2020	RMB 50 mn	RMB 50 mn	100
Hikvision Morocco LLC (Moroccan subsidiary)	March 2020	MAD 1,800,000	MAD 1,800,000	100
EZVIZ Europe B.V.(EZVIZ Europe)(Note 2)	August 2020	EUR 800,000	EUR 480,000	60

Note 1: At the end of the reporting period, the actual paid-up capital of Hangzhou Rayin Technology Co., Ltd. was RMB 100,000,000.00, among them, RMB 60,000,000.00 was paid by the Group and RMB 40,000,000.00 was invested by minority shareholder of Qianmo Jiaying Equity Investment Partnership (Limited Partnership)

Note 2: At the end of the reporting period, Kunming Hikvision, Jinan Hikvision and EZVIZ Europe had not yet completed the paid-in capital, so there is no paid-in capital.

Note 3: At the end of the reporting period, the actual paid-in capital of Microimage Software was RMB 20,000,000.00, all of which was contributed and paid by Hangzhou Hikmicro, a subsidiary of the Group.

Note 4: At the end of the current reporting period, the paid-in capital of Microimage Intelligent was RMB 10,000,000.00, all of which was contributed and paid by Hangzhou Hikmicro, a subsidiary of the Group.

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 For the reporting period from January 1st 2020 to December 31st 2020

The subsidiaries cancelled in the current reporting period and no longer included in the scope of consolidation are as follows:

Company Name	Date of equity disposition	Proportion of shareholding (%)
Hainan Hikvision System Technology Co., Ltd.	November 2020	100
Hangzhou Hikvision Investment Management Co., Ltd.	December 2020	100

VII. Interest in other entities

1. Equity in subsidiaries

(1) Composition of the corporate group

Name	Location of operation	Place of registration	Nature of business	Shareholding ratio (%)		Acquisition Method
				Direct	Indirect	
Hangzhou Hikvision System Technology Co., Ltd.	Hangzhou	Hangzhou, Zhejiang	System integration, Technology development	100.00	-	Establishment
Hangzhou Hikvision Technology Co., Ltd.	Hangzhou	Hangzhou, Zhejiang	manufacture	100.00	-	Establishment
Hangzhou Hikvision Security Equipment Leasing Services Co., Ltd.	Hangzhou	Hangzhou, Zhejiang	Finance lease	100.00	-	Establishment
Chongqing Hikvision System Technology Co., Ltd.	Chongqing	Chongqing	System integration	100.00	-	Establishment
Hikvision USA, Inc.	USA	Los Angeles	Sales	100.00	-	Establishment
HDT International Ltd.	Hong Kong China	Hong Kong China	Sales	95.00	5.00	Establishment
Prama Hikvision Indian Private Limited	India	Mumbai	Sales	58.00	-	Business combination not involving enterprises under common control
Hikvision Europe B.V.	Europe	Amsterdam	Sales	-	100.00	Establishment
Hikvision FZE	Dubai	Dubai	Sales	100.00	-	Establishment
Hikvision Singapore Pte. Ltd	Singapore	Singapore	Sales	100.00	-	Establishment
Chongqing Hikvision Technology Co., Ltd.	Chongqing	Chongqing	Manufacture	100.00	-	Establishment
Hangzhou Fuyang Hik Baotai Security Technology Services Co., Ltd. (Note 1)	Hangzhou	Hangzhou, Zhejiang	Construction	-	51.00	Establishment
Hikvision South Africa (Pty) Co., Ltd.	South Africa	South Africa	Sales	100.00	-	Establishment
Hikvision Italy S.R.L.	Italy	Milan	Sales	-	100.00	Establishment
Hikvision do Brasil Comercio de Equipamentos de Segurança	Brazil	Brazil	Sales	95.00	5.00	Establishment

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Name	Location of operation	Place of registration	Nature of business	Shareholding ratio (%)		Acquisition Method
				Direct	Indirect	
Ltda.						
Hikvision Australia PTY Co., Ltd.	Australia	Australia	Sales	100.00	-	Establishment
Hikvision International Co., Limited	Hong Kong China	Hong Kong China	Sales	100.00	-	Establishment
Hikvision France SAS	France	France	Sales	-	100.00	Establishment
Hikvision Spain,S.L.	Spain	Spain	Sales	-	100.00	Establishment
Shanghai Goldway Intelligent Transportation System Co., Ltd.	Shanghai	Shanghai	Manufacture	100.00	-	Business combination not involving enterprises under common control
ZAO Hikvision	Russia	St. Peterburg	Sales	-	100.00	Business combination not involving enterprises under common control
Henan Hua'an Baoquan Intelligent Development Co., Ltd. (Note 2)	Zhengzhou	Zhengzhou Henan	Construction	93.86	-	Business combination not involving enterprises under common control
Henan Hua'an Security Services Co., Ltd. (Note 2)	Zhengzhou	Zhengzhou Henan	Services	-	84.47	Business combination not involving enterprises under common control
Hundure Technology (Shanghai) Co., Ltd.	Shanghai	Shanghai	Manufacture	100.00	-	Business combination not involving enterprises under common control
Hikvision UK Limited	UK	UK	Sales	-	100.00	Establishment
Hikvision Poland Spolka Z Ograniczona Odpowiedzialnoscia	Poland	Poland	Sales	-	100.00	Establishment
Hangzhou Hikvision Electronics Co., Ltd. (Note 3)	Hangzhou	Hangzhou Zhejiang	Manufacture	71.30	-	Establishment
Cooperative Hikvision Europe U.A.	Netherlands	Netherlands	Sales	99.00	1.00	Establishment
Hikvision Canada Inc.	Canada	Canada	Sales	100.00	-	Establishment
Hikvision LLC	Moscow	Moscow	Sales	100.00	-	Establishment
Hikvision Korea Limited	Korea	Korea	Sales	100.00	-	Establishment
Hangzhou EZVIZ Network Co., Ltd.	Hangzhou	Hangzhou Zhejiang	Technology development	60.00	-	Establishment
EZVIZ Inc.	USA	Los Angeles	Sales	-	60.00	Establishment
Hangzhou Haikang Zhicheng Investment Development Ltd	Hangzhou	Hangzhou Zhejiang	System integration	80.00	-	Business combination not involving enterprises under common control
Hangzhou Hikrobot Technology Co., Ltd.	Hangzhou	Hangzhou	Technology development	60.00	-	Establishment

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Name	Location of operation	Place of registration	Nature of business	Shareholding ratio (%)		Acquisition Method
				Direct	Indirect	
		Zhejiang				
Hangzhou Hikvision Investment Management Co., Ltd. (Note 4)	Hangzhou	Hangzhou Zhejiang	Investment Management	100.00	-	Establishment
Hangzhou HikAuto Technology Co., Ltd.	Hangzhou	Hangzhou Zhejiang	Technology development	60.00	-	Establishment
Hangzhou Hikvision Communication Technology Co., Ltd.	Hangzhou	Hangzhou Zhejiang	Technology development	70.00	-	Establishment
Hangzhou Hikmicro Sensing Technology Co., Ltd.	Hangzhou	Hangzhou Zhejiang	Technology development	60.00	-	Establishment
Hikvision Turkey Technology And Security Systems Commerce Corporation	Turkey	Istanbul	Sales	100.00	-	Establishment
Hikvision Colombia SAS	Columbia	Santa Fe Bogota	Sales	100.00	-	Establishment
Hikvision Kazakhstan limited liability partnership	Kazakhstan	Astana	Sales	100.00	-	Establishment
Secure Holding Limited	British	Sheffield	Manufacture	-	100.00	Business combination not involving enterprises under common control
Pyronix Limited	British	Sheffield	Manufacture	-	100.00	Business combination not involving enterprises under common control
Microwave Solutions Limited	British	Sheffield	Manufacture	-	100.00	Business combination not involving enterprises under common control
Hikvision Hungary Limited	Hungary	Hungary	Sales	-	100.00	Establishment
Hikvision New Zealand Limited	New Zealand	Auckland	Sales	-	100.00	Establishment
Urumqi HaiShi Xin'An Electronic Technology Co., Ltd.	Urumqi	Urumqi, Xinjiang	Construction	-	90.00	Establishment
Hangzhou Ximu Intelligent Technology Co., Ltd.	Hangzhou	Hangzhou, Zhejiang	Manufacture	-	60.00	Business combination involving enterprises under common control
LLC Hikvision Tashkent	Uzbekistan	Tashkent	Sales	100.00	-	Establishment
Hikvision Kenya (Pty) Ltd	Kenya	Kenya	Sales	-	100.00	Establishment
Hangzhou HikAuto Software Co., Ltd.	Hangzhou	Hangzhou, Zhejiang	Technology Development	-	60.00	Establishment
Hangzhou Hikrobot Intelligent Technology Co., Ltd.	Hangzhou	Hangzhou, Zhejiang	Technology Development	-	60.00	Establishment

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Name	Location of operation	Place of registration	Nature of business	Shareholding ratio (%)		Acquisition Method
				Direct	Indirect	
Wuhan HikStorage Technology Co., Ltd.	Wuhan	Wuhan Hubei	Technology development	60.00	-	Establishment
Chengdu Hikvision Digital Technology Co., Ltd.	Chengdu	Chengdu Sichuan	Technology development	100.00	-	Establishment
MoYuHaiShi Electronic Technology Co., Ltd.	Hetian	Hetian Xinjiang	Construction	-	85.00	Establishment
Hangzhou EZVIZ Software Co., Ltd.	Hangzhou	Hangzhou Zhejiang	Technology development	-	60.00	Establishment
PiShan HaiShi YongAn Electronic Technology Co., Ltd.	Hetian	Hetian Xinjiang	System integration	-	90.00	Establishment
Henan Haikang Hua'an BaoQuan Electronics Co., Ltd. (Note 2)	Zhengzhou	Zhengzhou Henan	Construction	93.86	-	Establishment
Hikvision Czech s.r.o.	Czech	Czech	Sales	-	100.00	Establishment
Hikvision (Malaysia) SDN. BHD	Malaysia	Malaysia	Sales	-	100.00	Establishment
Hikvision Deutschland GmbH	Germany	Germany	Sales	-	100.00	Establishment
Hikvision Xi'an Xueliang Construction Project Management Co., Ltd.	Xi'an	Xi'an Shanxi	Construction	-	99.00	Establishment
Luo Pu District HaiShi Ding Xin Electronic Technology Co., Ltd.	Hetian	Hetian Xinjiang	System integration	-	90.00	Establishment
Yu Tian HaiShi Mei Tian Electronic Technology Co., Ltd.	Hetian	Hetian Xinjiang	System integration	-	98.00	Establishment
Xi'An Hikvision Digital Technology Co., Ltd.	Xi'An	Xi'an Shanxi	Technology development	100.00	-	Establishment
Wuhan Hikvision Technology Co., Ltd.	Wuhan	Wuhan Hubei	Technology development	100.00	-	Establishment
Wuhan Hikvision Science and Technology Co., Ltd.	Wuhan	Wuhan Hubei	Sales	100.00	-	Establishment
Wuhan Hiksafety Technology Co., Ltd. (Note 5)	Wuhan	Wuhan Hubei	Sales	-	60.00	Establishment
Hainan Hikvision System Technology Co., Ltd. (Note 4)	Lingshui	Lingshui Hainan	System integration	100.00	-	Establishment
Hangzhou Hikmed Imaging Technology Co., Ltd.	Hangzhou	Hangzhou, Zhejiang	Technology development	60.00	-	Establishment
Hikvision Mexico S.A.de C.V.	Mexico	Mexico	Sales	-	100.00	Establishment
Guizhou Hikvision Transportation Big Data Co., Ltd.	Guiyang	Guiyang, Guizhou	Technology development	55.00	-	Establishment
Xinjiang CET Yihai Information Technology Co., Ltd.	Urumqi	Urumqi, Xinjiang	System integration	60.00	-	Establishment
Hikvision Panama Commercial S.A	Panama	Panama	Sales	-	100.00	Establishment
Hikvision Pakistan (SMC-Private) Limited	Pakistan	Pakistan	Sales	-	100.00	Establishment
Hikvision Peru Closed Stock Company	Peru	Peru	Sales	95.00	5.00	Establishment

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Name	Location of operation	Place of registration	Nature of business	Shareholding ratio (%)		Acquisition Method
				Direct	Indirect	
Hikvision Technology Israel Co., Ltd.	Israel	Israel	Sales	-	100.00	Establishment
Nanjing Hikvision Digital Technology Co., Ltd.	Nanjing	Nanjing, Jiangsu	Sales	100.00	-	Establishment
Shijiazhuang Hikvision Technology Co., Ltd.	Shijiazhuang	Shijiazhuang Hebei	Technology development	100.00	-	Establishment
Zhengzhou Hikvision Digital Technology Co., Ltd.	Zhengzhou	Zhengzhou Henan	Sales	100.00	-	Establishment
Hikvision Central America S.A.	Panama	Panama	Sales	-	100.00	Establishment
Hikvision West Africa Limited	Nigeria	Nigeria	Sales	94.00	6.00	Establishment
Hikvision Technology Egypt JSC	Egypt	Egypt	Sales	-	100.00	Establishment
Hangzhou EZVIZ Technology Co., Ltd. (Note 6)	Hangzhou	Hangzhou Zhejiang	Sales	-	60.00	Business merger under the common control
Hangzhou Kuangxin Technology Co., Ltd.	Hangzhou	Hangzhou Zhejiang	Technology development	80.00	-	Business merger not involving enterprises under the common control
Hikvision Digital Technology (Shanghai) Co., Ltd.	Shanghai	Shanghai	Technology development, sales	100.00	-	Establishment
Nanchang Hikvision Digital Technology Co., Ltd.	Nanchang	Nanchang Jiangxi	Technology development	100.00	-	Establishment
Zhejiang Hiksafety Technology Co., Ltd. (Note 5)	Jiangshan	Jiangshan Zhejiang	Technology development	-	60.00	Establishment
Zhenping County Haikang Juxin Digital Technology Co., Ltd.	Zhenping	Zhenping Henan	System integration	-	90.00	Establishment
Hefei Hikvision Digital Technology Co., Ltd.	Hefei	Hefei Anhui	Technology development	100.00	-	Establishment
Tianjin Hikvision Information Technology Co., Ltd.	Tianjin	Tianjin	Technology development	100.00	-	Establishment
Fuzhou Hikvision Digital Technology Co., Ltd.	Fuzhou	Fuzhou Fujian	System integration	100.00	-	Establishment
Anhui Hikvision Urban Operation Service Co., Ltd. (Note 7)	Xuancheng	Xuancheng Anhui	System integration	-	100.00	Establishment
Ningbo Haikang Parking System Operation Co., Ltd.	Ningbo	Ningbo Zhejiang	Technology development	70.00	-	Establishment
Guangzhou Hikvision Technology Co., Ltd.	Guangzhou	Guangzhou Guangdong	Technology development	100.00	-	Establishment
Hangzhou Hikfire Technology Co., Ltd.	Hangzhou	Hangzhou Zhejiang	Technology development	60.00	-	Establishment
PT. Hikvision Technology Indonesia	Indonesia	Indonesia	Sales	-	100.00	Establishment

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Name	Location of operation	Place of registration	Nature of business	Shareholding ratio (%)		Acquisition Method
				Direct	Indirect	
Ezviz International Limited	Hongkong	Hongkong China	Sales	-	100.00	Establishment
Hikvision Technologies S.R.L.,	Romania	Romania	Sales	-	100.00	Establishment
Hikvision Azerbaijan Limited Liability	Azerbaijan	Azerbaijan	Sales	-	100.00	Establishment
Hikvision IOT (Thailand) CO.,LTD.	Thailand	Thailand	Sales	-	100.00	Establishment
Hikvision Japan K.K.	Japan	Japan	Sales	-	100.00	Establishment
Hikvision Argentina S.R.L.	Argentina	Argentina	Sales	95.00	5.00	Establishment
Hangzhou HikStorage Technology Co., Ltd.	Hangzhou	Hangzhou Zhejiang	Technology development	-	60.00	Establishment
Hangzhou Rayin Technology Co., Ltd.	Hangzhou	Hangzhou Zhejiang	Technology development	60.00	-	Establishment
Kunming Hikvision Digital Technology Co., Ltd.	Kunming	Kunming Yunnan	Sales	100.00	-	Establishment
Hangzhou Microimage Software Co., Ltd.	Hangzhou	Hangzhou Zhejiang	Technology development	-	60.00	Establishment
Hangzhou Microimage Intelligent Technology Co., Ltd.	Hangzhou	Hangzhou Zhejiang	Technology development	-	60.00	Establishment
Jinan Hikvision Digital Technology Co., Ltd.	Jinan	Jinan Shandong	Sales	100.00	-	Establishment
Hikvision Morocco LLC	Morocco	Morocco	Sales	-	100.00	Establishment
EZVIZ Europe B.V.	Netherland	Netherland	Sales	-	60.00	Establishment
BK Grupè UAB (Note 8)	Lithuania	Lithuania	Sales	-	100.00	Business merger not involving enterprises under the common control
BK EESTI AKTSIASELTS (Note 8)	Estonia	Estonia	Sales	-	100.00	Business merger not involving enterprises under the common control
SIA “BK Latvia” (Note 8)	Latvia	Latvia	Sales	-	100.00	Business merger not involving enterprises under the common control

Notes to Financial Statements

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Note 1: Fuyang Baotai is a subsidiary controlled by Hangzhou System, who holds 51% equity interests. According to the *Articles of Association* of the Company, Hangzhou System has a 50% dividend payout ratio in the said company (Fuyang Baotai).

Note 2: In 2020, the Group acquired a 42.86% minority stake in each of its subsidiaries, Hua'an Baoquan Intelligent and Hua'an Baoquan Electronics, and its shareholding in the two companies was changed from 51% to 93.86%. The shareholding ratio of Huaan Baoquan Service, a subsidiary of Huaan Baoquan Intelligent Company, has changed from indirect holding 45.9% to indirect holding 84.47%. For details, please refer to Note (VII), 2.

Note 3: The remaining 28.70% equity interests of Hangzhou Hikvision Electronics Co., Ltd. is held by China Development Bank Fund. Please refer to Note (V) 32 for details.

Note 4: Hangzhou Hikvision Investment Management Co., Ltd. and Hainan Hikvision System Technology Co., Ltd. have been deregistered by the industry and commerce in 2020.

Note 5: In order to integrate the intelligent fire protection and control business, the Group transferred 100% of the equity of Wuhan Fire Protection and Zhejiang Fire Protection and Control (formerly known as Zhejiang Hikvision Fire Protection and Control Technology Co., Ltd.) to its holding subsidiary Hangzhou HikFire in 2020. After the completion of the transfer, the Group's shareholding in the two companies changed from direct holding 100% to indirect holding 60%.

Note 6: The Group controls Hangzhou EZVIZ Technology Co., Ltd. through an entrusted management agreement and does not directly or indirectly hold its shares.

Note 7: Ningguo Hikvision City Operation Service Co., Ltd. has been renamed to Anhui Hikvision City Operation Service Co., Ltd. in 2020.

Note 8: Hikvision Singapore, a wholly-owned subsidiary of the Group, acquired 100% of the shares of Lithuania BK, Estonia BK and Latvia BK through cash settlement in 2020. Please refer to Note (VI)-1 for details.

Notes to Financial Statements

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2. Transaction in which the share of owner's equity in the subsidiaries has been changed and the subsidiaries are still under control

(1) Description of changes in the share of owner's equity in the subsidiaries

Acquisition of minority equity of Hua 'An Bao Quan Intelligent and Hua 'An Bao Quan Electronics

On December 31st 2019, the Company entered into an agreement in relation to the *Equity Transfer of Henan Hua 'An Bao Quan Intelligent Development Ltd. and Henan Haikang Hua 'An Bao Quan Electronics Ltd.* with the original minority shareholders of Hua 'An Bao Quan Intelligent and Hua 'An Bao Quan Electronics, holding subsidiaries of the Company, to acquire each of 42.86% minority equity of Hua 'An Bao Quan Intelligent and Hua 'An Bao Quan Electronics held by original shareholders at an agreed consideration of RMB 30,859,200.00 and RMB 33,430,800.00, respectively. Upon the completion of the transaction, the Company holds a total of 93.86% of the shares of Hua 'An Bao Quan Intelligent and Hua 'An Bao Quan Electronics. As of December 31st 2020, the Company has made the equity transfer payment of RMB 64,290,000 and the equity transfer has been completed.

	Unit: RMB	
Purchase cost	Hua'an Baoquan Intelligence	Hua'an Baoquan Electronics
-Cash	30,859,200.00	33,430,800.00
Total purchase cost	30,859,200.00	33,430,800.00
Less: Subsidiary's share of net assets calculated according to the proportion of acquired equity	29,031,021.70	4,771,674.11
Difference	1,828,178.30	28,659,125.89
Of which: adjusted capital reserve	1,828,178.30	28,659,125.89

Disposal of Wuhan Fire Protection and Control and Zhejiang Fire Protection and Control to the the Company's holding subsidiary, Hangzhou Hikfire

Hangzhou Hikfire is a holding subsidiary of the Company with shareholding ratio of 60%. In order to integrate the overall intra-group intelligent fire protection and control business, on April 30th 2020, the Company entered into an *Equity Transfer Agreement* with its holding subsidiary, Hangzhou Hikfire to transfer 100% equity of Wuhan Fire Protection and Control and Zhejiang Fire Protection and Control, at an agreed consideration of RMB 0. Upon the completion of the transaction, the Company's shareholding ratios in Wuhan Fire Protection and Control and Zhejiang Fire Protection and Control were changed from direct holding of 100% to indirect holding of 60.00%. As of December 31st 2020, the equity transfer has been completed.

	Unit: RMB	
Disposal consideration	Zhejiang Fire Protection and Control	Wuhan Fire Protection and Control
- Cash	-	-
Total disposal cost	-	-
Less: the difference of the subsidiary's net assets share calculated based on the proportion of the	(2,379,712.83)	(795.98)

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Disposal consideration	Zhejiang Fire Protection and Control	Wuhan Fire Protection and Control
- Cash	-	-
disposed equity		
Difference	(2,379,712.83)	(795.98)
Of which: adjusted capital reserve	(2,379,712.83)	(795.98)

3. Equity in joint ventures or associates

(1) Aggregated financial information of insignificant joint-ventures and associates

Unit: RMB

	Closing balance / Amount for 2020	Opening balance / Amount for 2019
Associates:		
The aggregate carrying amount of investments in associates	193,646,038.77	188,845,321.49
The aggregate amount of the following items calculated based on the Company's equity share percentage of the associates		
- Net income (loss)	(5,199,282.72)	7,743,476.93
- Other comprehensive income	-	-
--Net income (loss) and total comprehensive income (loss)	(5,199,282.72)	7,743,476.93
Joint Ventures:		
Total investment book value	670,380,671.46	63,320,000.00
The sum of the following items calculated according to the shareholding ratio		
- Net income	11,560,671.46	-
- Other comprehensive income	-	-
- Net income and comprehensive income	11,560,671.46	-

The Group uses the equity method to account for the aforementioned associates and joint ventures.

VIII. Risks associated with financial instrument

The Group's principal financial instruments include cash and bank balances, other non-current financial assets, notes receivable, accounts receivable, receivables for financing, other receivables (except for tax refund receivable), long-term receivables, borrowings, notes payable, accounts payable, other payables, other current liabilities, long-term payables, derivative financial instruments, etc. Details of these financial instruments are set out in Note (V). Below are the risks associated with such financial instruments and the risk management policies adopted by the Group to mitigate such risks. The management of the Group manages and monitors such risk exposures to ensure such risks are contained within a prescribed scope.

1. Classification of financial instruments

Unit: RMB

Items	Ending balance of the current reporting period	Ending balance of the prior year (on December 31 st 2019)
Financial assets:		
Measured at fair value through current profit and loss		
Held –for-trading financial assets	22,679,846.77	181.76
Other non-current financial assets	491,939,067.27	312,398,267.44
Measured at fair value through other comprehensive income		
Receivables for financing	1,959,601,195.25	1,257,385,053.02
Measured at amortized cost		
Cash and bank balances	35,459,729,108.27	27,071,948,919.78
Notes receivable	1,303,252,705.19	973,236,789.02
Accounts receivable	21,979,380,716.86	21,307,927,200.28
Other receivables (except for tax refund receivable)	451,428,906.05	491,776,194.41
Long-term receivables	2,105,570,004.53	1,382,536,761.22
Financial liabilities		
Measured at fair value through current profit and loss		
Held-for-trading financial liabilities	7,405,771.15	652,428.18
Measured at amortized cost		
Short-term borrowings	3,999,246,634.59	2,640,082,485.15
Notes payable	1,036,920,229.85	1,239,584,016.70
Accounts payable	13,593,884,790.19	12,700,075,307.70
Other payables	1,525,053,355.95	1,568,744,599.94
Non-current liabilities due within one year	3,507,680,339.78	86,123,154.06
Other current liabilities	560,959,368.73	913,534,538.26
Long-term borrowings	1,961,167,761.30	4,604,168,571.43
Long-term payables	39,595,459.35	50,181,416.72
Other non-current liabilities	560,959,368.74	1,234,739,326.10

The Group adopts sensitivity analysis techniques to analyze the possible effects of rational and probable changes in risk variables to profit or loss for the period or to the interests of shareholders. Since risk variables seldom change on a stand-alone basis, while the correlation between variables may have significant influence to the ultimate amount of change effected by the change in a single risk variable, the analysis below is based on the assumption that the changes in each variable occurred separately.

2. Objectives and policies of risk management

The Group engages in risk management with the aim of achieving an appropriate balance between risk and return, where the negative effects of risks against the Group's operating results are minimized, in order to maximize the benefits of shareholders and other stakeholders. Based on such objective in risk management, the underlying strategy of the Group's risk management is to ascertain and analyze all types of risks exposures of the Group, establish appropriate risk tolerance thresholds, carry out risk management procedures and perform risk monitoring on all kinds of risks in a timely and reliable manner, thus containing risk exposures within a prescribed scope.

2.1 Market risks

2.1.1 Foreign exchange risks

Foreign exchange risks refer to the risk that losses will occur because of changes in foreign exchange rates. The Company is primarily exposed to risks relating to the currencies such as USD and EUR. The Group's subsidiaries in the mainland of China whose procurement, sales and financing are denominated in RMB, USD and EUR, other principal activities are settled in RMB. The Group's subsidiaries in Hong Kong and outside China are principally engaged in procurement, sales, financing and other major business activities in local currencies such as USD, EUR, GBP, RUB, and etc.

As of December 31st 2020, except for monetary items of foreign currencies set out in Note (V) 60, the Group mainly adopted the functional currency of each of its subsidiary to present the balance of its assets and liabilities. The foreign exchange risks arising from assets and liabilities denominated in USD and EUR (which has been converted into RMB) as follows may generate significant impact on the operating results of the Group.

Unit: RMB

Currencies	Assets		Liabilities	
	Closing balance	Opening balance	Closing balance	Opening balance
USD	7,122,984,916.85	8,990,808,097.16	1,886,490,280.88	2,680,807,278.88
EUR	1,480,297,345.67	396,683,098.55	3,284,414,031.21	3,135,739,251.94

The Group has been paying close attention to the effect of fluctuation in exchange rate on the foreign exchange risks of the Group, and has purchased various financial derivative instruments, such as forward foreign exchange contracts and foreign exchange options and etc., to mitigate the foreign exchange risk exposure.

Sensitivity analysis on exchange rate risk

With other variables unchanged, the exchange rate might float within a reasonable range, and has the following before-tax effect on profit or loss and shareholders' equity for the current period:

Unit: RMB

Change in foreign exchange rates	2020		2019	
	Effect on profit	Effect on shareholders' equity	Effect on profit	Effect on shareholders' equity
5% appreciation of USD against functional	261,824,731.80	261,824,731.80	315,500,040.91	315,500,040.91
5% depreciation of USD against functional	(261,824,731.80)	(261,824,731.80)	(315,500,040.91)	(315,500,040.91)
5% appreciation of EUR against functional	(90,205,834.28)	(90,205,834.28)	(136,952,807.67)	(136,952,807.67)

Change in foreign exchange rates	2020		2019	
	Effect on profit	Effect on shareholders' equity	Effect on profit	Effect on shareholders' equity
5% depreciation of EUR against functional	90,205,834.28	90,205,834.28	136,952,807.67	136,952,807.67

2.1.2. Interest rate risk

The risk of changes in cash flow of financial instruments due to changes in interest rates exposed to the Group are primarily related to bank borrowings bearing floating interest rate and bank deposits bearing floating interest rate.

At the end of the year, the amount of borrowings of the Group bearing floating interest rate is not significant, and the risk of changes in cash flow of financial instruments due to changes in interest rates is expected to be insignificant.

The Group expects that the risk exposure of cash flow generated from bank deposits bearing floating interest rate is insignificant.

The Group determines the relative proportion of fixed interest rate contracts and floating interest rate contracts based on the prevailing market environment. The Group's interest-bearing debts bearing floating interest rates were mainly RMB-denominated PPP pledged long-term borrowing contracts with an amount of RMB 1,556,927,316.08 (Note (V), 32) (December 31st 2019: RMB-denominated PPP pledged long-term borrowings with an amount of RMB 1,348,034,851.48 (Note (V), 32)).

The headquarter finance department of the Group continuously monitors the level of interest rate of the Group. Rising interest rates will increase the cost of newly incurred interest-bearing debts and the Group's interest expenses on outstanding interest-bearing debts with floating interest rates, and have a significant adverse impact on the financial performance of the Group. The management team would make adjustments on a timely basis based on the latest market conditions, including arrangements for interest rate swaps to reduce interest rate risk. The Group did not have any interest rate swap arrangement in the year of 2020 or 2019.

2.1.3. Other price risks

The Group's price risk mainly arises from investments in held-for-trading equity instruments and derivative financial instruments. Held-for-trading equity instrument investments are all investments in unlisted held-for-trading equity instruments.

The Group is exposed to price risk due to the holding of financial assets measured at fair value. The fair value of certain financial instruments is determined by the general pricing model based on discounted future cash flow method or other valuation techniques, while the valuation techniques are based on certain valuation assumptions. Therefore, the valuation results are highly sensitive to valuation assumptions. However, at the end of the current reporting period, the amount of investment in held-for-trading equity instruments and derivative financial instruments is not significant, and the risk exposure due to changes in price of financial instruments as a result of change in valuation assumptions is low, accordingly, no sensitivity analysis is conducted.

2.2 Credit Risk

As of December 31st 2020, the largest credit risk exposure that may result in financial losses of the Group is mainly due to the loss of the Group's financial assets arising from the failure of the counterparty to perform its obligations, including: cash and bank balance (Note (V). 1), notes receivable (Note (V). 3), accounts receivable (Note (V). 4), receivables for financing (Note (V). 5), other receivables (Note (V). 7), non-current assets due within one year (Note (V). 10), long-term receivables (Note (V). 12), etc., and derivative financial assets that are not included in the scope of impairment assessment and are measured at fair value through current profit or loss (Note (V). 2). As of the balance sheet date, the book value of the Group's financial assets represents its maximum credit risk exposure.

In order to reduce credit risk, the Group has formed a team to determine the credit limit, conduct credit approval, and implement other monitoring procedures to ensure that necessary measures are taken to recover over-due debt. In addition,

the Group reviews the recovery of financial assets on each balance sheet date to ensure that sufficient credit loss provisions are made for relevant financial assets. Therefore, the management of the Group believes that the credit risk exposure of the Group has been reduced significantly.

The credit risk on cash and bank balances of the Group is low as they are deposited with banks with high credit ratings.

For accounts receivable, contract assets and long-term receivables, the Group has put in place relevant policies to control credit risk exposure. The Group assesses credit quality of customers and sets corresponding credit period based on the customer's financial status, the possibility of obtaining guarantees from third parties, credit history and other factors such as current market conditions. The Group will regularly monitor the credit history of its customers. For customers with poor credit history, the Group takes various measures, such as written payment reminders, shorten or cancel the credit period, to ensure that the overall credit risk of the Group is maintained in a controllable range. For accounts receivable and contract assets, the Group uses a simplified method, that is, to measure the loss provision based on the amount equivalent to the expected credit loss for the entire duration. For details of the relevant expected credit loss measurement, see (Note (V). 4 & Note (V)-9). For long-term receivables, the Group calculates the expected credit losses based on the expected credit loss rate in the next 12 months or the entire duration based on the default risk exposure. For details of the related expected credit loss measurement, see (Note (V). 12).

The Group's notes receivable and receivables for financing are mainly bank acceptance notes and commercial acceptance notes with high credit ratings of the counterparties, which the Group does not consider to be subject to significant credit risk and will not incur any material loss due to default by the counterparties.

For other receivables (except for tax refund receivable), the Group regularly monitors the debtor's credit history. For debtors with poor credit history, the Group takes various measures such as written payment reminders to ensure that the Group's overall credit risk is maintained in a controllable range. For other receivables (except for tax refund receivable), the Group calculates the expected credit loss based on the expected credit loss ratio in the next 12 months or the entire duration based on the default risk exposure. For details of the relevant expected credit loss measurement, see (Note (V). 7).

The Group's risk exposure is distributed among multiple contractors and multiple customers, so the Group has no significant credit concentration risk.

2.3. Liquidity risk

The Group maintains and monitors a level of cash and cash equivalents deemed adequate by the management to meet the operation needs of the Group and to reduce the effect of cash flow movements when managing liquidity risk. The management of the Group monitors the usage of bank borrowings, and ensures compliance with borrowing agreements.

According to the term to maturity of non-discounted and remaining contract obligations, the financial liabilities held by the Group are analyzed as below:

Unit: RMB

December 31 st 2020				
	Within one year	1-5 years	More than five years	Total
Non-derivative financial liabilities				
Short-term borrowings	4,064,285,416.93	-	-	4,064,285,416.93
Notes payable	1,036,920,229.85	-	-	1,036,920,229.85
Accounts payable	13,593,884,790.19	-	-	13,593,884,790.19
Other payables	1,525,053,355.95	-	-	1,525,053,355.95
Other current liabilities	560,959,368.73	-	-	560,959,368.73
Other non-current liabilities	-	560,959,368.74	-	560,959,368.74
Long-term debt (including those due within one year)	3,720,856,676.22	1,012,468,505.00	1,277,492,929.04	6,010,818,110.26

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 For the reporting period from January 1st 2020 to December 31st 2020

December 31 st 2020				
	Within one year	1-5 years	More than five years	Total
Long-term payables (including those due within one year)	23,524,535.36	33,337,833.13	8,000,000.00	64,862,368.49
Derivative financial instruments				
Forward foreign exchange contracts- settled in the gross amount				
- Cash inflow	2,382,536,343.19	-	-	2,382,536,343.19
- Cash outflow	2,370,937,267.57	-	-	2,370,937,267.57
- Net cash outflow	(11,599,075.62)	-	-	(11,599,075.62)

IX. Fair value disclosure

1. The financial assets and financial liabilities measured at fair value at the end of the reporting period

Unit: RMB

Items	Closing fair value			
	Level 1	Level 2	Level 3	Total
I. Continuous fair value measurement	-	1,974,875,270.87	491,939,067.27	2,466,814,338.14
(I) Financial assets measured at fair value through profit and loss				
1. Held-for-trading Financial Assets	-	22,679,846.77	-	22,679,846.77
-- Derivative financial assets	-	22,679,846.77	-	22,679,846.77
2. Other non-current financial assets	-	-	491,939,067.27	491,939,067.27
(II) Receivables for financing	-	1,959,601,195.25	-	1,959,601,195.25
Total assets measured continuously at fair value	-	1,982,281,042.02	491,939,067.27	2,474,220,109.29
(III) Financial liabilities measured at fair value through profit and loss				
1. Held-for-trading Financial Liabilities	-	7,405,771.15	-	7,405,771.15
- Derivative financial liabilities	-	7,405,771.15	-	7,405,771.15
Total liabilities measured continuously at fair value	-	7,405,771.15	-	7,405,771.15

2. Information on the estimation technique and important parameters adopted as for continuous Level 2 fair value measurement items

Unit: RMB

	Fair value at December 31 st 2020	Estimation technique	Inputs
Forward Foreign Exchange Contracts (Assets)	22,679,846.77	Discounted cash flow approach	Forward exchange rate Discounted rate that reflects the credit risk of counterparty
Forward Foreign Exchange Contracts (Liabilities)	(7,405,771.15)	Discounted cash flow approach	Forward exchange rate Discounted rate that reflects the credit risk of counterparty
Receivables for financing	1,959,601,195.25	Discounted cash flow approach	Discounted rate that reflects the credit risk of counterparty

3. The third level of fair value measurement item, the valuation techniques and important parameters used

Unit: RMB

Items	Fair value at December 31 st 2020	Valuation techniques	Inputs
Other non-current financial assets-- Investment in equity instruments of private companies	491,939,067.27	Market approach /Income approach	Comparable public companies' PB (price/book value) ratio within the same industry /Future cash flows, Discount rate

4. The third level of fair value measurement item, adjustment information between the opening and closing book value

Unit: RMB

Notes to Financial Statements

For the reporting period from January 1st 2020 to December 31st 2020

Other non-current financial assets	Amount
Book value on January 1 st 2020	312,398,267.44
Increase in the current reporting period	112,872,015.00
Decrease in the current reporting period	(2,810,000.00)
Changes in fair value booked into profit and loss during the current reporting period	69,478,784.83
Book value on December 31 st 2020	491,939,067.27

The total amount included in profit or loss in 2020 includes unrealized gains of RMB 69,478,784.83 (2019: RMB 17,547,234.44) related to financial assets measured at fair value at the end of the fiscal year, and such gains or losses are included in the gains or losses from changes in fair value; The realized gains of financial assets measured at fair value at the end of the year which were included in investment income in the current fiscal year was RMB 150,000,000.00 (2019: RMB 17,357,220.31).

5. Items measured at continuous fair value. There were no transfers between levels for the current reporting period. There was no estimation technique change for the current reporting period

6. Fair values of financial assets and financial liabilities that not measured at fair value

The Group's management team believes that financial assets and financial liabilities measured at amortized cost mainly include monetary fund, notes receivable, accounts receivable, other receivables (other than tax refund receivables), non-current assets due within one year, short-term borrowings, notes payable, accounts payable, other payables, other current liabilities (other than Output VAT To-be-Transferred), non-current liabilities due within one year, long-term borrowings, long-term payables and other non-current liabilities, etc., carrying value of which approximates to its fair value.

X. Related party relationships and transactions

1. Information on parent company of the Company

Name	Place of registration	Nature of business	Registered capital	Shareholding ratio of parent company in the Company (%)	Percentage of voting rights of parent company to the Company (%)
China Electronics Technology HIK Group Co., Ltd. (CETHIK)	Hangzhou, Zhejiang	Industrial investment	RMB 660 million	38.88	38.88

The ultimate controlling party of the Company is China Electronics Technology Group Co., Ltd. ("CETE").

2. Information on the subsidiaries of the Company

For details of the subsidiaries of the Company, see Note (VII).

3. Information on the joint ventures and associated companies of the Company

For details of the associates and joint ventures of the Company, see Note (V) 13.

Other joint ventures and associates that had related party transactions with the Group in the current reporting period, or in the prior periods and formed balances are as follows:

Name of the associates or joint ventures	Relationship with the Company
Wuhu Sensor-Tech Intelligent Technology Co., Ltd. (Wuhu SensorTech) and its subsidiaries	Associated company
Maxio Technology (Hangzhou) Co., Ltd. and its subsidiaries (Maxio Technology) and its subsidiaries	Associated company
Zhiguang Hailian Big Data Technology Co., Ltd. (Zhiguang Hailian) and its subsidiaries	Associated company

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 For the reporting period from January 1st 2020 to December 31st 2020

Jiaxin Haishi JiaAn Zhicheng Technology Co., Ltd. (Haishi JiaAn)	Associated company
Qinghai Qingtang Big Data Co., Ltd. (Qingtang Big Data)	Associated company
Sanmenxia Xiaoyun Vision Technology Co., Ltd. (Xiaoyun Vision Technology)	Associated company
Daishan Hailai Yunzhi Technology Co., Ltd. (Daishan Hailai)	Joint venture
Guangxi Haishi and its subsidiaries	Joint venture
Shenzhen City Service and its subsidiaries	Joint venture
Xuzhou Kangbo	Joint venture
Yunan Yinghai	Joint venture
Zhejiang City Digital Technology	Joint venture
Haishi Huayue	Joint venture

4. Information on other related parties

Name	Relationship
Gong Hongjia	Major shareholder and director of the company that holds more than 5% of the share of the Company
Shanghai Fullhan Microelectronics Co., Ltd. (Shanghai Fullhan Micro)	Gong Hongjia or his relative(s) serve(s) as the director(s)
Shenzhen Wanyu Security Service Technology Co., Ltd. (Shenzhen Wanyu Security Service) and its subsidiaries	The Group's senior management serve(s) as director(s) of this company
Confirmware Technology(Hangzhou) Co., Ltd. (Hangzhou Confirmware)	The Group's senior management serve(s) as director(s) of this company (Note 1)
Zhejiang Tuxun Technology Co.,Ltd. (Zhejiang Tuxun)	The Group's senior management serve(s) as director(s) of this company (Note 2)
Subsidiaries of CETE (Note 3)	Under common control of the ultimate controlling party of the Company

Note 1: Due to the departure of the senior management of the Group in 2019, the current reporting period was within one year after he/she left the position, therefore, Hangzhou Confirmware was still recognized as a related party of the Group in the current reporting period.

Note 2: the senior management of the Group had left the post in 2018, and last year was one year after his departure, therefore, Zhejiang Tuxun was still identified as a related party of the Group in 2019, and was no longer recognized as a related party of the Company in the current fiscal year.

Note 3: Subsidiaries of CETC, excluding Hikvision and its subsidiaries.

5. Related party transactions

(1) Related party transactions regarding sales and purchases of goods, provision of services and receiving services

Purchase of commodities / receiving of services:

Unit: RMB

Related party	Transaction type	Amount occurred in 2020	Amount occurred in 2019
Subsidiaries of CETE	Purchase of materials and receiving of services	826,842,233.14	385,462,257.69
Shanghai Fullhan Micro	Purchase of materials and receiving of services	243,902,272.09	366,576,874.81
Wuhu SensorTech	Purchase of materials and receiving of services	61,712,356.51	63,261,094.03
Maxio Technology and its subsidiaries	Purchase of materials and receiving of services	20,353,951.20	49,188,682.39
Haishi Huayue	Purchase of materials and receiving of services	1,743,775.22	-
Shenzhen City Service and its subsidiaries	Purchase of materials and receiving of services	357,000.00	-
Zhiguang Hailian and its subsidiaries	Purchase of materials and receiving of services	135,782.26	-
Total		1,155,047,370.42	864,488,908.92

Notes to Financial Statements

 For the reporting period from January 1st 2020 to December 31st 2020

Sales of commodities / rendering of services:

Unit: RMB

Related party	Transaction content	Amount occurred in 2020	Amount occurred in 2019
Subsidiaries of CETE	Sales of products and rendering of services	350,558,721.59	481,423,053.77
Haishi JiaAn	Sales of products and rendering of services	38,199,938.50	488,565.32
Daishan Hailai	Sales of products and rendering of services	29,854,444.59	-
Yunnan Yinghai	Sales of products and rendering of services	18,259,614.17	-
Zhiguang Hailian and its subsidiaries	Sales of products and rendering of services	14,374,052.45	4,099,860.19
Zhejiang City Digital Technology	Sales of products and rendering of services	13,760,843.37	-
Xiaoyun Vision Technology	Sales of products and rendering of services	3,748,314.02	8,014,997.11
Haishi Huayue	Sales of products and rendering of services	3,685,281.81	-
Xuzhou Kangbo	Sales of products and rendering of services	3,150,603.57	-
Wuhu Sensor Tech and its subsidiaries	Sales of products and rendering of services	1,906,811.54	4,130,770.44
Guangxi Haishi and its subsidiaries	Sales of products and rendering of services	1,769,911.50	-
Qingtang Big Data	Sales of products and rendering of services	1,492,966.38	-
Hangzhou Confirmware	Sales of products and rendering of services	589,159.33	112,261.40
Maxio Technology and its subsidiaries	Sales of products and rendering of services	153,465.93	160,288.14
Wanyu Security and its subsidiaries	Sales of products and rendering of services	198,230.06	-
Shenzhen City Service and its subsidiaries	Sales of products and rendering of services	46,006.90	-
Zhejiang Tuxun	Sales of products and rendering of services	Not applicable	449,431.44
Total		481,748,365.71	498,879,227.81

Statement of capital deposits:

Unit: RMB

Related Party	Content of related party transaction	Amount occurred in the 2020	Balance at the end of the current reporting period	Amount occurred in 2019	Opening Balance
Subsidiaries of CETE (Note)	Deposit into fixed deposits	-	4,000,000,000.00	-	4,000,000,000.00
Total		-	4,000,000,000.00	-	4,000,000,000.00

Note: the fixed deposits that the Group deposited into China Electronic Technology Finance Co., Ltd.

The above transactions are executed at market prices.

(2) Guaranteed by the related party

As required by the project owner, China Electronics Technology Group Co., Ltd. has provided a joint guarantee to responsibility and duties of construction projects of “Safe Chongqing, Emergency Control System Digital Construction Project”, including 41 districts and counties, signed by the Group’s subsidiary Chongqing Hikvision System Technology Ltd. (Chongqing System) Meanwhile, the Company, Hikvision, provides a counter guarantee to China Electronics Technology Group Co., Ltd.

(3) Compensation for key managers

Unit: RMB

Item	Amount occurred in 2020	Amount occurred in 2019
Compensation for key managers	38,952,000.00	44,518,667.00

(4) Other related party transactions

Financial Leasing

Pursuant to resolution of the Company’s 7th meeting of the fourth session of the Board of Directors held on December 3rd 2018, the Group’s subsidiary Hangzhou Hikmicro signed a financial leasing contract with a subordinate company of CETC, HikMicro will carry out sale and leaseback business of part of its self-owned equipment with the CETC’s subordinate company. The new financing amount in 2019 was RMB 70 million, with lease term of 48 months, and the annual lease rate is 3.8%.

Entrusted management of the interest expenditure of borrowed funds

On April 19th 2019, CETHIK signed an entrusted management agreement with the holding subsidiary of the Company, Hangzhou EZVIZ Network Ltd. (“EZVIZ Network”) to entrust EZVIZ Network to exercise the actual operating management right over Hangzhou EZVIZ Technology Ltd. (“EZVIZ Technology”), and be fully responsible for the production, operation and management of EZVIZ Technology, and EZVIZ Network shall not charge fixed entrusted management fees from CETHIK while EZVIZ Network is entitled to the 100% distributable profits generated by EZVIZ Technology prior to or after the entrusted management. At the same time, EZVIZ Network shall make a payment to CETHIK as occupying fund fees at the basis of paid-in capital of EZVIZ Technology of RMB 8,000,000.00 and at an interest rate up by 1% for loans over five years in the Central Bank. The amount in the current year of the interest expenditure of the aforementioned occupying funds was RMB 1,144,831.70.

6. Receivables from related parties and payables to related parties

(1) Receivables from related parties

Unit: RMB

Item	Related Party	Closing balance		Opening balance	
		Carrying balance	Credit loss provision	Carrying balance	Credit loss provision
Accounts receivable	Subsidiaries of CETE	694,163,118.90	108,859,842.53	761,252,308.57	54,524,384.59
Accounts receivable	Haishi JiaAn	29,762,113.04	975,776.51	541,468.80	21,296.76
Accounts receivable	Daishan Hailai	16,387,257.40	194,920.07	-	-
Accounts receivable	Zhejiang City Digital Technology	12,427,421.59	561,604.39	-	-
Accounts receivable	Xiaoyun Vision Technology	10,929,211.22	412,855.37	6,896,577.22	382,760.04
Accounts receivable	Zhiguang Hailian and its subsidiaries	9,436,662.00	111,434.71	4,270,910.00	47,006.81
Accounts receivable	Haishi Huayue	2,112,591.44	42,509.22	-	-
Accounts receivable	Wuhu Sensor Tech and its subsidiaries	823,165.40	37,207.08	4,486,674.99	249,010.46
Accounts receivable	Xuzhou Kangbo	786,702.90	35,558.97	-	-

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 For the reporting period from January 1st 2020 to December 31st 2020

Item	Related Party	Closing balance		Opening balance	
		Carrying balance	Credit loss provision	Carrying balance	Credit loss provision
Accounts receivable	Qingtang Big Data	660,000.00	29,832.00	-	-
Accounts receivable	Hangzhou Confirmware	83,150.00	981.17	-	-
Accounts receivable	Maxio Technology and its subsidiaries	45,667.50	538.88	158,025.60	1,295.81
Accounts receivable	Zhejiang Tuxun	Not applicable	Not applicable	130,838.99	1,072.88
Total		777,617,061.39	111,263,060.90	777,736,804.17	55,226,827.35

Unit: RMB

Item	Related Party	Closing balance		Opening balance	
		Carrying balance	Credit loss provision	Carrying balance	Credit loss provision
Notes receivable	Subsidiaries of CETE (Note)	78,876,284.35	-	162,553,909.93	-
Notes receivable	Haishi JiaAn	9,147,466.00	-	-	-
Notes receivable	Zhiguang Hailian and its subsidiaries	1,120,000.00	-	244,719.00	-
Total		89,143,750.35	-	162,798,628.93	-

Note: Among them, the RMB 4,000,000.00 (2019: RMB 32,697,400.57) notes receivable are the acceptance bills of which the drawer is the related party, and the former endorsers are unrelated third parties.

Unit: RMB

Item	Related Party	Closing balance		Opening balance	
		Carrying balance	Credit loss provision	Carrying balance	Credit loss provision
Other receivables	Subsidiaries of CETE	132,459.00	1,563.02	-	-
Other receivables	Haishi Huayue	279,452.11	3,297.53	-	-
Other receivables	Shenzhen City Service and its subsidiaries	140,000.00	1,652.00	-	-
Total		551,911.11	6,512.55	-	-

Unit: RMB

Item	Related Party	Closing balance		Opening balance	
		Carrying balance	Credit loss provision	Carrying balance	Credit loss provision
Long-term receivables (including those due within one year)	Subsidiaries of CETE	73,512,305.64	2,015,923.07	20,000,000.00	164,000.00
Long-term receivables (including those due within one year)	Yunnan Yinghai	21,444,096.16	253,040.33	-	-
Long-term receivables (including those due within one year)	Xuzhou Kangbo	1,581,135.63	29,277.25	-	-
Long-term receivables	Xiaoyun Vision Technology	2,295.00	103.73	-	-
Total		96,539,832.43	2,298,344.38	20,000,000.00	164,000.00

Notes to Financial Statements

 For the reporting period from January 1st 2020 to December 31st 2020

Unit: RMB

Item	Related Party	Closing balance		Opening balance	
		Carrying balance	Credit loss provision	Carrying balance	Credit loss provision
Prepayments	Subsidiaries of CETE	4,339,675.60	-	1,399,872.38	-
Total		4,339,675.60	-	1,399,872.38	-

(2) Payables to related parties

Unit: RMB

Item	Related Party	Closing balance	Opening balance
Accounts payable	Subsidiaries of CETE	360,026,227.41	226,498,160.40
Accounts payable	Shanghai Fullhan Micro	117,676,674.67	143,284,053.29
Accounts payable	Wuhu Sensor Tech and its subsidiaries	6,286,164.42	9,203,484.14
Accounts payable	Maxio Technology and its subsidiaries	545,124.36	12,763,683.98
Total		484,534,190.86	391,749,381.81

Unit: RMB

Item	Related Party	Closing balance	Opening balance
Notes Payable	Subsidiaries of CETE	17,301,547.82	13,054,828.27
Notes Payable	Shanghai Fullhan Micro	3,648,820.00	7,110,446.00
Total		20,950,367.82	20,165,274.27

Unit: RMB

Item	Related Party	Closing balance	Opening balance
Contract liabilities	Subsidiaries of CETE	10,507,934.92	7,172,635.75
Contract liabilities	Xuzhou kangbo	201,887.56	-
Contract liabilities	Zhiguang Hailian and its subsidiaries	57,630.00	-
Contract liabilities	Daishan Hailai	688.00	-
Total		10,768,140.48	7,172,635.75

Unit: RMB

Item	Related Party	Closing balance	Opening balance
Other payables	Subsidiaries of CETE	47,056,334.07	56,022,589.40
Other payables	Shanghai Fullhan Micro	100,000.00	100,000.00
Other payables	Wuhu Sensor Tech	-	51,200.00
Total		47,156,334.07	56,173,789.40

Unit: RMB

Item	Related Party	Closing balance	Opening balance
Long-term payables (including those due within one year)	Subsidiaries of CETE	49,213,376.81	55,814,753.72
Total		49,213,376.81	55,814,753.72

XI. Share-based payments
1. Overview of share-based payments
Restrictive Share Incentive Scheme

According to the *Approval of the Implementation of the Restrictive Share Incentive Scheme of Hangzhou Hikvision Digital Technology Co., Ltd.* (关于杭州海康威视数字技术股份有限公司实施限制性股票激励计划的批复) (Guo Zi Fen Pei [2012] No. 426) issued by the State-owned Assets Supervision and Administration Commission of the State Council and

the *Opinion the Restrictive Share Incentive Scheme of Hangzhou Hikvision Digital Technology Co., Ltd.* (关于杭州海康威视数字技术股份有限公司限制性股票激励计划的意见) (Shang Shi Bu Han [2012] No. 353) issued by China Securities Regulatory Commission, the Company convened the ninth meeting of the second session of the Board of Directors on July 25th 2012 and the first extraordinary general meeting for 2012 on August 13th 2012, whereat the Proposal Relating to the Restrictive Share Scheme (Amendments to the Draft) of the Company and Highlights was reviewed and passed. The purpose of the Share Incentive Scheme is to: further improve the Company's governance structure to establish a good and balanced value allocation system; establish a profit-sharing and restriction mechanism among shareholders, the Company and its employees, so as to provide shareholders with sustainable return; fully mobilize the positivity of core employees to support the Company in realizing its strategies and long-term sustainable development; attract and retain core employees to ensure the Company's long-term development.

The Scheme shall be effective for a term of 10 years commencing from the date of approval by general meeting of the Company, during which the Company may grant restricted shares to grantees under the Scheme. In principle, each grant should be at an interval of two years. After the expiry of the Scheme, no restricted shares could be granted to grantees under the Scheme. However, all the provisions of the Scheme remain valid to the restricted shares granted under the Scheme.

Each batch of restricted shares shall not be unlocked unless fulfilling, each time, by the Company its unlock performance criteria (including net asset yield and operating income growth rate), and by grantees' individual performance criteria simultaneously. Where, during any year of the unlocking period, any one or more unlock criteria for the Company or individuals is or are not fulfilled, such portion of subject shares shall be cancelled, and no grantees shall be entitled to make another application for unlocking those subject shares in the future years. The cancelled restricted shares will be repurchased by the Company based on the grant price.

On December 23rd 2016, after consideration and approval by the general meeting, the Company granted 52,326,858 restricted shares to grantees at a grant price of RMB 12.63 per share ("2016 Share Incentive Scheme"). The Lock-up Period of the Subject Shares shall last for a period of 24 months commencing on the grant date, during which the Subject Shares granted to grantees under the scheme shall be subject to lock-up and shall not be transferable. The Unlocking Period shall be the 24 to 60 months following the grant of restricted shares (including Lock-up Period), during which grantees may, subject to unlocking conditions stipulated by the scheme being satisfied, apply for unlocking in 3 tranches: the first unlocking period shall be the 24 to 36 months following the grant date and the number of shares to be unlocked shall be 40% of the aggregate number of the Subject Shares granted; the second unlocking period shall be the 36 to 48 months following the grant date and the number of shares to be unlocked shall be 30% of the aggregate number of the Subject Shares granted; the third unlocking period shall be the 48 to 60 months following the grant date and the number of shares to be unlocked shall be 30% of the aggregate number of the Subject Shares granted. As of December 31st 2020, all restricted shares awarded in 2016 have been closed.

On December 20th 2018, authorized by the 2nd extraordinary general meeting of 2018 and reviewed by the board of directors, the Company granted 121,195,458 restricted shares to grantees at a grant price of RMB 16.98 per share ("2018 Share Incentive Scheme"). The Lock-up Period of the Subject Shares shall last for a period of 24 months commencing on the grant date, during which the Subject Shares granted to grantees under the scheme shall be subject to lock-up and are not transferable. The Unlocking Period shall be the 24 to 60 months following the grant of restricted shares (including Lock-up Period), during which grantees may, subject to unlocking conditions stipulated by the scheme being satisfied, apply for unlocking in 3 tranches: the first unlocking period shall be the 24 to 36 months following the grant date and the number of shares to be unlocked shall be 40% of the aggregate number of the Subject Shares granted; the second unlocking period shall be the 36 to 48 months following the grant date and the number of shares to be unlocked shall be 30% of the aggregate number of the Subject Shares granted; the third unlocking period shall be the 48 to 60 months following the grant date and the number of shares to be unlocked shall be 30% of the aggregate number of the Subject Shares granted. The Company has completed the equity registration work in January 2019.

Unit: share

2016 Share Incentive Scheme	2020	2019
Total of equity instruments outstanding at the beginning of the reporting period	21,974,740	45,404,512
Total of equity instruments granted during the current reporting period	-	-
Total of equity instruments vested during the current reporting period	21,204,645	21,836,266

Notes to Financial Statements

 For the reporting period from January 1st 2020 to December 31st 2020

2016 Share Incentive Scheme	2020	2019
Total of equity instruments forfeited during the current reporting period (Note)	770,095	1,593,506
Total of equity instruments outstanding at the end of the reporting period	-	21,974,740
The exercise price (ex-rights) of the outstanding Share-based payments of the Company at the end of the reporting period and the remaining period of the contract	-	RMB 8.42 per share & 24 months

Note:

On December 25th 2020, pursuant to the revised *Articles of Association* and resolution of the 20th general meeting of 4th session of the Board, and approved by the second extraordinary general meeting of 2018, the Company repurchased and cancelled 770,095 granted and unvested restricted RMB treasury shares in cash. As of the reporting date, the Company has not completed the registration procedures of equity changes.

On December 24th 2019, authorized by the Company's second extraordinary shareholders' meeting in 2016 and according to the resolutions and the revised articles of association of the 14th meeting of the fourth board of directors, the Company repurchased and cancelled the granted and unvested 1,593,506 restricted RMB treasury shares in cash. On December 17th 2020, the Company has not completed the equity registration procedures.

Unit: share

2018 Share Incentive Scheme	2020	2019
Total of equity instruments outstanding at the beginning of the reporting period	121,195,458	121,195,458
Total of equity instruments granted (share dividend) during the current reporting period	-	-
Total of equity instruments vested during the current reporting period	45,591,794	-
Total of equity instruments forfeited during the current reporting period	6,840,981	-
Total of equity instruments outstanding at the end of the reporting period	68,762,683	121,195,458
The exercise price (ex-rights) of the outstanding Share-based payments of the Company at the end of the reporting period and the remaining period of the contract	RMB 16.98 per share & 36 months	RMB 16.98 per share & 48 months

Note: On December 25th 2020, authorized by the Company's second extraordinary shareholders' meeting in 2018 and according to the resolutions and the revised *Articles of Association* of the 20th meeting of the fourth board of directors, the Company repurchased and cancelled the granted and unvested 6,840,981 restricted RMB treasury shares in cash. As of the reporting date, the Company has not completed the registration procedures of equity changes.

Share Incentive Scheme of Staff Co-Investment in Innovative Businesses

On October 22nd 2015, Hikvision considered and approved *Management Measures for Core Staff Co-Investment in Innovative Businesses (Draft)* (hereafter referred to as "Management Measures") at the 2nd extraordinary general meeting. On March 7th 2016, representative congress of labor union of Hikvision passed *Implementation Provisions for Management Measures for Core Staff Investment in Innovative Businesses* (hereafter referred to as "Provisions"), to initiate and implement the incentive mechanism of staff co-investment (hereafter referred to as "Staff Co-Investment Plan") in innovative business subsidiaries. Staff who participate in the Staff Co-Investment Plan (hereafter referred to as "Co-Investment Staff") signed an *Entrusted Investment Agreement* with the labor union committee of Hikvision (hereafter referred to as "Hikvision Labor Union"), to entrust Hikvision Labor Union to make investments. Hikvision Labor Union, as a principal, shall cooperate with a trust company, which shall be a limited partner (LP) of a partnership enterprise, to establish a trust plan, and to invest trust funds into innovative business subsidiaries. (Investment form described above is referred to as "Co-Investment Platform").

Staff Investment Plan is classified as plan A and plan B according to applicable grantees. Grantees of plan A are comprised of medium-and-senior level management personnel and core competent staff from Hikvision, its wholly-owned subsidiaries, and innovative business subsidiaries, and are able to invest in all innovative businesses. Grantees of plan B

are comprised of core and full-time staff from innovative business subsidiaries, and could participate in investment on innovative business subsidiaries where they serve. The Co-Investment Platform will increase capitals annually, the corresponding increased equity of which will be distributed to core staff who meets investment conditions pursuant to particular rules.

The lock-up period shall be five years after equity of Co-Investment Platform is held by the staff, which will be unlocked in one-off manner when due. Within the lock-up period, if the labor relationship between the grantees and the Company or its subsidiaries is released or terminated, equity of Co-Investment Platform held by the grantees shall be refunded and settled by the labor union at an agreed price pursuant to the Provisions.

The Co-Investment Platform grants Co-Investment Staff additional equity annually. The Group determines whether share-based payment shall be constituted based on the fair value of equity instruments newly obtained by the Group's staff in Co-Investment Platform on each granting date. During the year, the Group recognized share-based payment of RMB 152,253,261.12 in aggregate based on the fair value of services obtained by the Group.

2. Information of the share-based payment through equity settlements

Restrictive Share Incentive Scheme

Unit: RMB

	2016 Share Incentive Scheme	2018 Share Incentive Scheme
Method of determine the fair value of equity instruments at the grant date	Determined based on stock price at the grant date and the costs of restricted shares during Lock-up Period	Determined based on stock price at the grant date and the costs of restricted shares during Lock-up Period
Recognition basis of the number of the equity instruments qualified for vesting	Determined based on the results estimation of each release period	Determined based on the results estimation of each release period
Reasons of the significant difference between the estimates of the current reporting period with that of the prior year	None	Performance conditions for vesting the restricted shares have been revised this year, as detailed in Note (XI)- 4, Restricted Shares Incentive Scheme
Accumulative amount of share-based payment through equity settlement and further included in the capital reserve	345,213,163.42	852,748,384.69
Total amount of the expenses recognized according to share-based payment through equity settlement in the current reporting period	24,136,568.62	641,716,793.45

Share Incentive Scheme of Staff Co-Investment in Innovative Businesses

Unit: RMB

	Share Incentive Scheme of Staff Co-Investment in Innovative Businesses
Method of determining the fair value of equity instruments at the grant date	Evaluated and determined based on income method at the grant date
Recognition basis of the number of the equity instruments qualified for vesting	Estimated and determined based on the performance result conditions of each vesting period
Accumulative amount of share-based payment through equity settlement and further included in the capital reserve	116,618,260.92
Total amount of the expenses recognized according to share-based payment through equity settlement in the current reporting period	152,253,261.12

Among total amount of the expenses recognized according to share-based payment through equity settlement during the current fiscal year, amount of RMB 35,635,000.20 was due to share distributions to minority shareholders; As of December 31st 2020, accumulative amount of share-based payment through equity settlement of RMB 35,635,000.20 was included in the equity of minority shareholders.

3. There is no share-based payment through cash settlements

4. Revision and termination of share-based payment

Restrictive Share Incentive Scheme

The 2018 share incentive performance evaluation indicators were revised at the 2019 annual general meeting convened on May 15th 2020 by approval of the *Proposal on Revision to the Company's Performance Evaluation Indicators for the 2018 Restricted Share Incentive Scheme*. The historical comparison value of the compounded operating income growth rate and the benchmark companies' comparison value over the same period will be used as alternative evaluation indicators, that is, if either of the two indicators were satisfied, the Company's performance evaluation indicator for the current unlocking period is considered to be satisfied. The particulars of the revision are set out as follows: the performance evaluation indicators set out in the Company's 2018 Restricted Share Incentive Scheme (Revision to the Draft) that "the compounded operating income growth rate at the year before the time of unlocking is no less than 20% and no less than 75th percentiles level of growth rate of the benchmark companies at the same period as compared to those at the year before the time of grant" was revised to be that "the compounded operating income growth rate at the year before the time of unlocking is no less than 20% or no less than 75th percentiles level of growth rate of benchmark companies at the same period as compared to those at the year before the time of grant".

The Company believes that current operating environment has changed materially as compared to that when 2018 Restrictive Share Scheme was formulated, and therefore, the Company had revised the performance evaluation indicators set out in the 2018 Share Incentive Scheme during the current fiscal year.

Share Incentive Scheme of Staff Co-Investment in Innovative Businesses

To adapt to the new changes brought by the proposed spin-off of a subsidiary, EZVIZ Network for its listing, from Hikvision, Co-Investment Staff and Hikvision Labor Union executed the *Supplemental Agreement* to the *Entrusted Investment Agreement* (hereafter referred to as "*Supplemental Agreement*") in December 2020. On December 25th 2020, Hikvision convened the 20th meeting of the 4th session of the Board to consider and approve the *Proposal on Revision to Management Measures for Core Staff Co-Investment in Innovative Businesses*. The new version of *Management Measures for Core Staff Co-Investment in Innovative Businesses* (hereafter referred to as "*Management Measures (New Version)*") has added the authentic right for equity shares of co-investment plan held by staff and equity shares of innovative business subsidiaries indirectly held by them, specified the processing measures of investment equity shares held by staff after they lose the qualification or are cancelled to be qualified for co-investment, and added the systems of management committee, and etc.

On December 31st 2020, co-investment plan execution and management committee approved the *Implementation Provisions for Management Measures for Core Staff Co-Investment in Innovative Businesses* (hereafter referred to as "*Provisions (New Version)*"). Pursuant to the *Management Measures (New Version)* and *Provisions (New Version)*, the Lock-up Period in respect of plan A's equity shares with the authentic right shall last for a period of a full-five years during which the staff has served for the Company or its subsidiaries; the Lock-up Period in respect of plan B's equity with the authentic right shall last for a period of a full-five years during which the staff has served for the corresponding innovative business subsidiary or its subsidiaries.

XII. Commitments and contingencies

1. Significant commitments

(1) Capital commitments

Unit: RMB'000

	Closing balance	Opening balance
Contracted but not yet recognized in financial statements		
- Commitment on construction of long-term assets	9,573,577	10,905,300
- Commitment on external investments	42,400	550,000
Total	9,615,977	11,455,300

Notes to Financial Statements

For the reporting period from January 1st 2020 to December 31st 2020

(2) Operating lease commitments

As of the balance sheet date, the Group had the following external commitments in respect of non-cancellable operating leases:

Notes to Financial Statements

 For the reporting period from January 1st 2020 to December 31st 2020

Unit: RMB'000

	Closing balance	Opening balance
Minimum lease payments under non-cancellable operating leases:		
First year subsequent to the balance sheet date	179,814	235,585
Second year subsequent to the balance sheet date	98,860	154,430
Third year subsequent to the balance sheet date	76,606	92,851
Subsequent years	53,532	129,063
Total	408,812	611,929

(3) As of December 31st 2020, the Group has no other significant commitments need to be disclosed.

2. Contingencies

The Group has no significant contingencies to be disclosed.

XIII. Events after the balance sheet date

1. Significant unadjusted events

The spin-off of the Company's subsidiary, Hangzhou EZVIZ Network, to be listed on the SSE STAR (Sci-Tech Innovation Board) Market

On January 8th 2021, the Company convened the 21st meeting of the 4th session of the Board, to consider and approve the *Proposal on the Initial Public Share Offering and Listing on the STAR Market of the Shanghai Stock Exchange of the Subsidiary, Hangzhou EZVIZ Network Co., Ltd., Proposal on the Spin-off of the Subsidiary, Hangzhou EZVIZ Network Co., Ltd. to be Listed on the SSE STAR Market, by Hangzhou Hikvision Digital Technology Co., Ltd., and etc.*, to propose the listing of its holding subsidiary, Hangzhou EZVIZ Network, on the STAR Market of the Shanghai Stock Exchange after changing it to a limited company as a whole and its spin-off from the Company. The Company's management expects that the Company and EZVIZ Network will be specialized on their operations and develop their advantageous businesses on their own after the spin-off and listing, to facilitate the maximization of the shareholders' value of each party. This proposal is still subject to the approval of the general meeting of the Company; the relevant proposals on the initial public share offering and listing on the SSE STAR Market of EZVIZ Network are still subject to the consideration and approval of the board of directors and the general meeting of EZVIZ Network; the initial public share offering and listing on the SSE STAR Market of EZVIZ Network is still subject to the approval of the Shanghai Stock Exchange and the fulfillment of the offering registration process of CSRC.

2. Profit Distribution

Pursuant to the proposal of the 2nd meeting of the 5th session of the Board of Directors on April 15th 2021, the Company proposed to distribute cash dividend of RMB 8 (tax inclusive) per each 10 shares to all shareholders. The above dividend distribution plan is still subject to the approval of the general meeting of shareholders.

XIV. Other significant events

1. Segment information

1.1 Report segment determining and accounting policy

According to the Group's internal organization structure, management requirements and internal report principles, the Group has only one operating segment, which is the research and development, production and sales of video products and video services.

1.2 Segment financial reporting

External revenue by geographical area & non-current assets by geographical location

Unit: RMB

Notes to Financial Statements

For the reporting period from January 1st 2020 to December 31st 2020

Item	2020	2019
External revenue generated in domestic area	45,806,567,913.73	41,419,508,094.09
External revenue generated in overseas area	17,696,882,978.05	16,238,601,971.13
Total	63,503,450,891.78	57,658,110,065.22

Unit: RMB

Item (Note)	On December 31 st 2020	On January 1 st 2020
Non-current assets in domestic area	9,202,175,652.66	8,401,009,239.65
Non-current assets in overseas area	454,684,509.48	294,697,597.55
Total	9,656,860,162.14	8,695,706,837.20

Note: the non-current assets above did not include other non-current financial assets, long-term receivables, long-term equity investment, and deferred tax assets.

Notes to Financial Statements

For the reporting period from January 1st 2020 to December 31st 2020

XV. Notes to major items of financial statements of the parent company

1. Accounts receivable

1.1 Disclosure by age

Unit: RMB

Aging	Closing Balance		
	Accounts receivable	Credit loss provision	Proportion (%)
Within credit period	7,543,457,533.96	16,846,435.26	0.22
Within 1 year after exceeding credit period	16,299,894,312.09	73,843,384.42	0.45
1-2 years after exceeding credit period	432,048,595.19	94,372,538.40	21.84
2-3 years after exceeding credit period	141,983,528.60	60,423,474.75	42.56
3-4 years after exceeding credit period	56,374,022.37	34,879,980.02	61.87
Over 4 years after exceeding credit period	76,533,747.78	76,533,747.78	100.00
Subtotal	24,550,291,739.99	356,899,560.63	1.45

1.2 Classification and disclosure of by credit loss provision methods

Unit: RMB

Category	Closing balance					Opening balance				
	Carrying balance		Credit loss provision		Book value	Carrying balance		Credit loss provision		Book value
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Amount	Percentage (%)	Amount	Percentage (%)	Amount
Provision for credit loss on a single basis	-	-	-	-	-	-	-	-	-	-
Provision for credit loss by portfolios	24,550,291,739.99	100.00	356,899,560.63	1.45	24,193,392,179.36	25,454,740,943.40	100	346,775,018.32	1.36	25,107,965,925.08
Total	24,550,291,739.99	100.00	356,899,560.63	1.45	24,193,392,179.36	25,454,740,943.40	100	346,775,018.32	1.36	25,107,965,925.08

Notes to Financial Statements

For the reporting period from January 1st 2020 to December 31st 2020

Accounts receivable provision for credit loss by portfolios

Unit: RMB

Customer	Closing balance		
	Carrying balance	Credit loss provision	Proportion (%)
Subsidiaries' customers	20,623,636,081.76	-	-
Portfolio A	1,211,153.19	9,301.19	0.77
Portfolio B	3,925,238,885.86	356,684,640.26	9.09
Portfolio C	205,619.18	205,619.18	100.00
Total	24,550,291,739.99	356,899,560.63	1.45

Description of accounts receivable for credit loss provision by portfolios

As part of the Company's credit risk management, the Company uses the ageing of accounts receivable to assess the expected credit losses of accounts receivable formed by domestic and overseas sales businesses, and the risk characteristics are divided according to different business area and target into portfolio A, portfolio B and portfolio C. For the accounts receivable generated by the Group's related parties, because the payment time is arranged by the Group according to the cash flow of the companies in the Group, the Company believes that the credit risk is low and no provision for credit loss is required. The aging information can reflect the solvency of these three types of customers when the accounts receivable are due.

1.3 Credit loss provision

The provision for credit loss in the current reporting period is RMB 21,070,066.64.

The actual write-off of accounts receivable for the current fiscal year amounted to RMB 12,558,567.42, and there is a recovery of RMB 1,613,043.09 after write-off.

Notes to Financial Statements

 For the reporting period from January 1st 2020 to December 31st 2020

1.4 Top five debtors based on corresponding closing balance of accounts receivable

Unit: RMB

Name of the Party	Relationship with the Company	Book value balance of accounts receivable	Closing balance for credit loss provision	Proportion (%)
Subsidiary A	Subsidiary	20,546,447,737.45	-	83.69
CETC's subsidiary company A	Related party	181,223,569.28	23,284,283.90	0.74
Third party C	Third party	107,295,716.59	3,719,250.50	0.44
Third party J	Third party	55,367,861.68	3,073,260.09	0.23
Third party K	Third party	46,229,159.05	1,993,747.65	0.19
Total		20,936,564,044.05	32,070,542.14	85.29

1.5 As of December 31st 2020, there is no termination of accounts receivable booking due to transfer of a financial asset.

1.6 As of December 31st 2020, the Company has no assets/liabilities booked due to transferred accounts receivable that the Company still continue to be involved in.

2. Other receivables

2.1 By categories

Unit: RMB

Category	Closing balance	Opening Balance
Dividends receivable	22,910,404.14	2,550,000.00
Other receivables	703,792,729.51	918,725,388.15
Total	726,703,133.65	921,275,388.15

2.2 Dividends receivable

Unit: RMB

Investees	Closing balance	Opening Balance
Subsidiaries of CETE	22,910,404.14	2,550,000.00
Total	22,910,404.14	2,550,000.00

2.3 other receivables

(1) Other receivables by aging

Unit: RMB

Item	Closing Balance		
	Other receivables	Credit loss provision	Proportion (%)
Within contract period	634,509,005.61	1,648,559.06	0.26
Within 1 year	50,953,297.06	2,233,096.83	4.38
1-2 years	12,926,792.49	2,713,664.99	20.99
2-3 years	17,863,896.99	7,899,415.25	44.22
3-4 years	6,637,912.12	4,829,679.73	72.76
Over 4 years	2,319,368.31	2,093,127.21	90.25
Subtotal	725,210,272.58	21,417,543.07	2.95

Notes to Financial Statements

For the reporting period from January 1st 2020 to December 31st 2020

(2) Other receivables by nature of the payment

Unit: RMB

Nature	Closing balance	Opening balance
Payments by related parties within the Group	454,474,087.76	678,798,902.79
Temporary payments for receivables	219,103,746.42	196,954,698.49
Guarantee deposit	47,835,041.47	45,527,954.39
Others	3,797,396.93	7,240,271.59
Total	725,210,272.58	928,521,827.26

2.3 Provision for credit losses

The provision for credit losses in the current reporting period is RMB 11,621,103.96.

2.4 The actual write-off of other receivables in the current reporting period was nil.

2.5 Top 5 debtors of other receivables in terms of closing balance

Unit: RMB

The name of entity	Relationship with the Company	Nature	Closing balance	Aging	Percentage to total other receivables (%)	Closing balance for credit loss provision
Subsidiary B	Subsidiary	Internal Payment	170,708,595.23	Within contract period	23.54	-
Subsidiary C	Subsidiary	Internal Payment	73,356,492.91	Within contract period	10.12	-
Subsidiary D	Subsidiary	Internal Payment	61,302,093.00	Within contract period	8.45	-
Subsidiary E	Subsidiary	Internal Payment	21,867,738.77	Within contract period	3.02	-
Subsidiary F	Subsidiary	Internal Payment	13,039,051.12	Within contract period	1.80	-
Total			340,273,971.03		46.93	-

2.6 At the end of the current reporting period, the Company had no other receivables involving government subsidies.

2.7 At the end of the current reporting period, there were no other receivables derecognized due to the transfer of financial assets.

2.8 At the end of the current reporting period, there were no assets or liabilities formed by continuing involvement in transferred other receivables

Notes to Financial Statements

 For the reporting period from January 1st 2020 to December 31st 2020

3. Long-term equity investment

Unit: RMB

Item	Closing Balance			Opening Balance		
	Carrying Balance	Provisions	Book Value	Carrying Balance	Provisions	Book Value
Investment in subsidiaries	5,912,831,208.01	-	5,912,831,208.01	4,878,400,682.40	-	4,878,400,682.40
Investments in associated enterprises and joint ventures	814,542,245.96	-	814,542,245.96	195,617,348.04	-	195,617,348.04
Total	6,727,373,453.97	-	6,727,373,453.97	5,074,018,030.44	-	5,074,018,030.44

3.1 Investment in subsidiaries

Unit: RMB

Name of investee	Opening balance	Increase during the current reporting period	Decrease during the current reporting period	Closing balance	Write-off of impairment provision during the current reporting period	Balance of impairment loss provision at the end of the current reporting period
Hangzhou Hikvision System Technology Co., Ltd.	776,276,512.41	71,995,980.21	-	848,272,492.62	-	-
Hangzhou Hikvision Security Equipment Leasing Services Co., Ltd.	200,000,000.00	-	-	200,000,000.00	-	-
Shanghai Goldway Intelligent Transportation System Co., Ltd.	23,000,000.00	-	-	23,000,000.00	-	-
Chongqing Hikvision System Technology Co., Ltd.	700,000,000.00	-	-	700,000,000.00	-	-
Hundure Technology (Shanghai) Co., Ltd.	37,247,790.28	-	-	37,247,790.28	-	-
Hangzhou EZVIZ Network Co., Ltd.	9,150,235.55	52,592,512.43	-	61,742,747.98	-	-
Hangzhou Haikang Zhicheng Investment and Development Co.,	24,000,000.00	-	-	24,000,000.00	-	-

Notes to Financial Statements

For the reporting period from January 1st 2020 to December 31st 2020

Name of investee	Opening balance	Increase during the current reporting period	Decrease during the current reporting period	Closing balance	Write-off of impairment provision during the current reporting period	Blance of impairment loss provision at the end of the current reporting period
Ltd.						
Hangzhou Hikrobot Technology Co., Ltd.	123,598,406.81	15,359,226.18	-	138,957,632.99	-	-
Hangzhou Hikvision Investment Management Co., Ltd.	100,000.00	-	100,000.00	-	-	-
Hangzhou HikAuto Technology Co., Ltd.	183,723,427.59	2,765,128.01	-	186,488,555.60	-	-
Hangzhou Hikvision Communication Technology Co., Ltd.	7,000,000.00	-	-	7,000,000.00	-	-
Hangzhou Hikmicro Sensing Technology Co., Ltd.	120,513,668.74	61,687,768.80	-	182,201,437.54	-	-
HDT International Ltd.	87,786.14	-	-	87,786.14	-	-
Prama Hikvision Indian Private Limited	1,585,696.80	-	-	1,585,696.80	-	-
Hikvision International Co., Limited	79,423.52	-	-	79,423.52	-	-
Hikvision Australia Pty Ltd.	2,866,850.00	-	-	2,866,850.00	-	-
Hikvision Singapore Pte. Ltd.	1,900,590.00	-	-	1,900,590.00	-	-
Hikvision South Africa (Pty) Ltd.	1,578,650.00	-	-	1,578,650.00	-	-
Hikvision Dubai FZE	1,870,351.40	-	-	1,870,351.40	-	-
Hikvision Brazil Participacoes Ltda.	4,579,750.50	-	-	4,579,750.50	-	-
Hikvision Limited Liability Company	647,249.19	-	-	647,249.19	-	-
Coöperatief Hikvision Europe U.A.	65,485.53	-	-	65,485.53	-	-
Hikvision Korea Limited	1,535,850.00	-	-	1,535,850.00	-	-

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 For the reporting period from January 1st 2020 to December 31st 2020

Name of investee	Opening balance	Increase during the current reporting period	Decrease during the current reporting period	Closing balance	Write-off of impairment provision during the current reporting period	Blance of impairment loss provision at the end of the current reporting period
Hikvision Colombia SAS	1,337,440.00	-	-	1,337,440.00	-	-
Hikvision Kazakhstan limited liability partnership	4,758.69	-	-	4,758.69	-	-
Hikvision Turkey Technology And Security Systems Commerce Corporation	1,148,115.83	-	-	1,148,115.83	-	-
Chongqing Hikvision Technology Co., Ltd.	100,541,006.38	1,777,592.36	-	102,318,598.74	-	-
Hikvision USA, Inc.	1,546,160.00	-	-	1,546,160.00	-	-
Hikvision Canada, Inc.	994,442.54	-	-	994,442.54	-	-
Henan Hua'An Bao Quan Intelligent Development Co., Ltd.	67,475,000.00	30,859,200.00	-	98,334,200.00	-	-
Henan Haikang Hua'An Bao Quan Electronics Co., Ltd.	510,000.00	33,430,800.00	-	33,940,800.00	-	-
Hangzhou Hikvision Technology Co., Ltd.	1,034,004,725.85	32,912,506.85	-	1,066,917,232.70	-	-
Hangzhou Hikvision Electronics Co., Ltd.	401,092,310.36	10,318,114.79	-	411,410,425.15	-	-
Wuhan HikStorage Technology Co., Ltd.	60,869,464.15	-	-	60,869,464.15	-	-
Chengdu Hikvision Digital Technology Co., Ltd.	300,000,000.00	240,086,104.32	-	540,086,104.32	-	-
Hangzhou HikAuto Software Co., Ltd.	5,483,004.52	9,053,170.08	-	14,536,174.60	-	-
Hangzhou Haikang Intelligent Technology Co., Ltd.	2,726,015.34	5,963,128.62	-	8,689,143.96	-	-
Hangzhou EZVIZ Software Co., Ltd.	12,535,758.31	22,548,397.51	-	35,084,155.82	-	-
LLC Hikvision Tashkent	833,014.00	-	-	833,014.00	-	-

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 For the reporting period from January 1st 2020 to December 31st 2020

Name of investee	Opening balance	Increase during the current reporting period	Decrease during the current reporting period	Closing balance	Write-off of impairment provision during the current reporting period	Balance of impairment loss provision at the end of the current reporting period
Xi'An Hikvision Digital Technology Co., Ltd.	75,000,000.00	10,000,000.00	-	85,000,000.00	-	-
Wuhan Hikvision Technology Co., Ltd.	12,600,000.00	-	-	12,600,000.00	-	-
Wuhan Hikvision Science and Technology Co., Ltd.	65,250,000.00	85,000,000.00	-	150,250,000.00	-	-
Hangzhou Hikmed Technology Co., Ltd.	48,769,806.64	2,178,627.18	-	50,948,433.82	-	-
Guizhou Haikang Transportation Big Data Co., Ltd.	16,500,000.00	5,500,000.00	-	22,000,000.00	-	-
Xinjiang CET Yihai Information Technology Co., Ltd.	24,000,000.00	-	-	24,000,000.00	-	-
Nanjing Hikvision Digital Technology Co., Ltd.	35,000,000.00	45,000,000.00	-	80,000,000.00	-	-
Hangzhou Kuangxin Technology Co., Ltd.	112,000,000.00	-	-	112,000,000.00	-	-
Zhengzhou Hikvision Digital Technology Co., Ltd.	55,000,000.00	10,000,000.00	-	65,000,000.00	-	-
Nanchang Hikvision Digital Technology Co., Ltd.	20,000,000.00	60,000,000.00	-	80,000,000.00	-	-
Hikvision Digital Technology (Shanghai) Co., Ltd.	80,000,000.00	-	-	80,000,000.00	-	-
Hefei Hikvision Digital Technology Co., Ltd.	35,000,000.00	-	-	35,000,000.00	-	-
Tianjin Hikvision Information Technology Co., Ltd.	50,000,000.00	348,846.40	-	50,348,846.40	-	-
Ningbo Hikvision Parking System Operation Co., Ltd.	35,000,000.00	-	-	35,000,000.00	-	-
Hikvision Peru Closed Stock Company	1,598,042.50	-	-	1,598,042.50	-	-
Hangzhou HikStorage Technology Co., Ltd.	173,892.83	2,669,982.96	-	2,843,875.79	-	-
Shijiazhuang Hikvision Technology Co., Ltd.	-	45,000,000.00	-	45,000,000.00	-	-

Notes to Financial Statements

 For the reporting period from January 1st 2020 to December 31st 2020

Name of investee	Opening balance	Increase during the current reporting period	Decrease during the current reporting period	Closing balance	Write-off of impairment provision during the current reporting period	Blance of impairment loss provision at the end of the current reporting period
Zhejiang Haikang Fire Protection and Control Co., Ltd.	-	84,004.82	-	84,004.82	-	-
Hikvision Argentina S.R.L	-	1,793,559.15	-	1,793,559.15	-	-
Fuzhou Hikvision Digital Technology Co., Ltd.	-	50,814,676.49	-	50,814,676.49	-	-
Hangzhou Hikfire Technology Co., Ltd.	-	61,871,362.21	-	61,871,362.21	-	-
Hangzhou Rayin Technology Co., Ltd.	-	60,702,536.80	-	60,702,536.80	-	-
Hangzhou Microimage Software Co., Ltd.	-	2,090,633.38	-	2,090,633.38	-	-
Kunming Hikvision Digital Technology Co., Ltd.	-	126,666.06	-	126,666.06	-	-
Total	4,878,400,682.40	1,034,530,525.61	100,000.00	5,912,831,208.01	-	-

Notes to Financial Statements

For the reporting period from January 1st 2020 to December 31st 2020

3.2 Investments in associated enterprises and joint ventures

Unit: RMB

Name of investee	Opening balance	Increase/Decrease during the current reporting period							Closing Balance	Blance of impairment loss provision at the end of the current reporting period
		Additional Investments	Reduce Investments	Investment income (losses) recognized under the equity method	Other comprehensive income adjustment	Declared cash dividends or profits	Provision for impairment	Others		
1. Joint Ventures										
Hangzhou Haikang Intelligent Fund	50,000,000.00	550,000,000.00	-	12,479,371.62	-	-	-	-	612,479,371.62	-
Daishan Hailai	13,320,000.00	-	-	1,933,091.76	-	-	-	-	15,253,091.76	-
Haishi Huayue	-	10,200,000.00	-	(214,422.68)	-	-	-	-	9,985,577.32	-
Xuzhou Kangbo	-	4,900,000.00	-	(268,713.42)	-	-	-	-	4,631,286.58	-
Shenzhen City Service	-	8,000,000.00	-	(1,970,430.31)	-	-	-	-	6,029,569.69	-
Yunnan Yinghai	-	4,900,000.00	-	(58,939.24)	-	-	-	-	4,841,060.76	-
Zhejiang City Digital Technology	-	11,500,000.00	-	364,018.37	-	-	-	-	11,864,018.37	-
Guangxi Haishi	-	6,000,000.00	-	(703,304.64)	-	-	-	-	5,296,695.36	-
Total	63,320,000.00	595,500,000.00	-	11,560,671.46	-	-	-	-	670,380,671.46	-

Notes to Financial Statements

For the reporting period from January 1st 2020 to December 31st 2020

Name of investee	Opening balance	Increase/Decrease during the current reporting period							Closing Balance	Balance of impairment loss provision at the end of the current reporting period
		Additional Investments	Reduce Investments	Investment income (losses) recognized under the equity method	Other comprehensive income adjustment	Declared cash dividends or profits	Provision for impairment	Others		
2. Associated Enterprises										
Wuhu Sensor Tech	48,420,966.46	-	-	10,070,297.96	-	-	-	-	58,491,264.42	-
Maxio Technology	65,397,927.02	-	-	(10,776,124.48)	-	-	-	-	54,621,802.54	-
Zhiguang Hailian	8,684,859.27	10,000,000.00	-	2,568,199.60	-	-	-	-	21,253,058.87	-
Qingtang Big Data	9,793,595.29	-	-	1,853.38	-	-	-	-	9,795,448.67	-
Subtotal	132,297,348.04	10,000,000.00	-	1,864,226.46	-	-	-	-	144,161,574.50	-
Total	195,617,348.04	605,500,000.00	-	13,424,897.92	-	-	-	-	814,542,245.96	-

3.3 As of December 31st 2020, there were no restrictions on the capability of transferring fund to the Company from investees in which the Company held long-term equity investment.

Notes to Financial Statements

 For the reporting period from January 1st 2020 to December 31st 2020

4. Operating income and operating cost

Unit: RMB

Item	2020		2019	
	Income	Cost	Income	Cost
Operating income	24,051,359,607.67	7,010,347,837.77	22,818,988,903.46	7,351,332,707.12
Other operating income	2,260,627,739.73	167,059,377.68	2,893,477,698.34	377,154,148.55
Total	26,311,987,347.40	7,177,407,215.45	25,712,466,601.80	7,728,486,855.67

5. Investment income

5.1 Details of investment income

Unit: RMB

Item	2020	2019
Long-term equity investment income (losses) calculated by cost method	80,360,404.14	1,400,000.00
Long-term equity investment losses measured by equity method	13,424,897.92	5,089,008.14
Investment income (loss) from disposal of asset group	(2,215.23)	11,161.99
Investment income of other non-current financial assets during the holding period	150,000,000.00	17,357,220.31
Investment income from disposal of held-for-trading financial assets	3,552,279.56	1,168,699.00
Proceeds from the disposal of asset groups	848,151,116.16	-
Total	1,095,486,482.55	25,026,089.44

6. Related party transactions

6.1 Sales and purchase of goods, provision of services and receiving services

Purchase of goods/receiving of services:

Unit: RMB

Related party	Transaction type	2020	2019
Subsidiaries of Hikvision (Note)	Purchase of materials and receiving of services	7,995,299,074.64	5,671,591,849.30
Subsidiaries of CETE	Purchase of materials and receiving of services	11,773,724.55	39,607,756.46
Maxio Technology and its subsidiaries	Purchase of materials and receiving of services	7,875,600.00	4,192,107.01
Wuhu Sensor Tech and its subsidiaries	Purchase of materials and receiving of services	1,000.00	-
Shanghai Fullhan Micro	Purchase of materials and receiving of services	-	36,590,000.00
Total		8,014,949,399.19	5,751,981,712.77

Note: Subsidiaries of Hikvision are subsidiaries of the Company. See Note (VII) for details.

Notes to Financial Statements

For the reporting period from January 1st 2020 to December 31st 2020

Sales of goods/rendering of services:

Unit: RMB

Related party	Transaction type	2020	2019
Subsidiaries of Hikvision	Sales of products and rendering of services	18,507,772,746.27	17,597,924,722.59
Subsidiaries of CETE	Sales of products and rendering of services	71,968,472.76	251,053,117.23
Xiaoyun Vision Technology	Sales of products and rendering of services	2,629,911.49	7,709,012.16
Zhiguang Hailian and its subsidiaries	Sales of products and rendering of services	2,191,071.97	4,099,860.19
Guangxi Haishi and its subsidiaries	Sales of products and rendering of services	1,769,911.50	-
Haishi Huayue	Sales of products and rendering of services	263,634.07	-
Shenzhen City Service and its subsidiaries	Sales of products and rendering of services	13,868.14	-
Qingtang Big Data	Sales of products and rendering of services	7,092.92	-
Wuhu Sensor Tech Service and its subsidiaries	Sales of products and rendering of services	1,150.44	74,446.30
Total		18,586,617,859.56	17,860,861,158.47

Statement of capital deposits:

Unit: RMB

Related Party	Content of related party transaction	Amount occurred during the current reporting period	Closing balance at the end of the current reporting period	Amount occurred during the prior reporting period	Opening Balance at the beginning of the current reporting period
Subsidiaries of CETE (Note)	Deposit into fixed deposits	-	4,000,000,000.00	-	4,000,000,000.00
Total		-	4,000,000,000.00	-	4,000,000,000.00

Note: The Company had deposited fixed deposits and call deposits into China Electronic Science and Technology Finance Ltd.

Those transactions above were executed at market prices or at the prices agreed by both parties.

6.2 Guarantees with related parties

In the current reporting period, the Company has provided guarantees for its 28 wholly-owned and majority-owned subsidiaries in an amount not exceeding an equivalent of RMB 32.80 billion (2019: RMB 25.55 billion), including the joint liability guarantee for the payment obligations on purchase from suppliers in an amount not exceeding an equivalent of RMB 3.125 billion (2019: RMB 3.125 billion), and the joint liability guarantee for the general credit limit applied from commercial banks and other financial institutions or other financing methods through agreed methods in an amount not exceeding an equivalent of RMB 29.67 billion (2019: RMB 22.42 billion).

For details of the Company's guarantees on Safety Chongqing project, please refer to Note X (5).

6.3 Funding from related parties

Amount of financial funds: The Company proposes to provide amounts of no more than RMB 300.00 million, RMB 50.00 million, RMB 100.00 million, RMB 500.00 million and RMB 1,000.00 million to five innovative business holding subsidiaries, namely Hangzhou HikAuto Technology Co., Ltd., Hangzhou HikStorage, Hangzhou Hikfire, Hangzhou Hikmicro and Hangzhou HikRobotic Technology, respectively. The actual amount of funds will be provided based on the actual business needs of each innovative business holding subsidiary. The period of financial funds will take effect during 3 years after the date of approval by the general meeting of the Company, during which the limit (balance) can be utilized in circulation by batches.

6.4 Transfer of the asset groups of the related parties

The Company had integrated the thermal imaging business and intelligent fire protection and control business, and transferred the asset groups of the thermal imaging business department and the asset groups of the intelligent fire protection and control business to the Company's holding subsidiaries, Hangzhou Hikmicro and Hangzhou Hikfire, at the consideration of RMB 801,140,000.00 and RMB 49,770,000.00, respectively. The Company transferred 100% equity of Wuhan Fire Protection and Control and Zhejiang Fire Protection and Control to Hangzhou Hikfire at the consideration of RMB 0.00, upon the completion of which the shareholding ratios of those two companies were changed from direct holding of 100% to indirect holding of 60%, respectively. For details, please refer to Note (VII) 2.

7. Receivables from related parties and payables to related parties

7.1 Receivables from related parties

Unit: RMB

Item	Related party	Closing balance		Opening balance	
		Carrying balance	Credit loss provision	Carrying balance	Credit loss provision
Accounts receivable	Subsidiaries of Hikvision	20,623,636,081.76	-	20,936,806,929.47	-
Accounts receivable	Subsidiaries of CETE	224,340,023.89	28,804,106.29	250,291,208.65	10,516,129.42
Accounts receivable	Xiaoyun Vision Technology	9,522,614.22	349,200.54	6,550,814.22	363,570.19
Accounts	Zhiguang Hailian and its	7,074.00	83.47	4,270,910.00	47,006.81

Notes to Financial Statements

 For the reporting period from January 1st 2020 to December 31st 2020

Item	Related party	Closing balance		Opening balance	
		Carrying balance	Credit loss provision	Carrying balance	Credit loss provision
receivable	subsidiaries				
Accounts receivable	Wuhu Sensor-Tech and its subsidiaries	1,300.00	58.76	-	-
Total		20,857,507,093.87	29,153,449.06	21,197,919,862.34	10,926,706.42

Item	Related party	Closing balance		Opening balance	
		Carrying balance	Credit loss provision	Carrying balance	Credit loss provision
Notes receivable	Subsidiaries of CETE	15,740,985.15	-	-	-
Total		15,740,985.15	-	-	-

Item	Related party	Closing balance		Opening balance	
		Carrying balance	Credit loss provision	Carrying balance	Credit loss provision
Other receivables	Subsidiaries of Hikvision	454,474,087.76	-	678,798,902.79	-
Other receivables	Haishi Huayue	279,452.11	3,297.53	-	-
Other receivables	Subsidiaries of CETE	145,000.00	1,711.00	-	-
Total		454,898,539.87	5,008.53	678,798,902.79	-

Item	Related party	Closing balance		Opening balance	
		Carrying balance	Credit loss provision	Carrying balance	Credit loss provision
Prepayments	Subsidiaries of Hikvision	3,646,828.69	-	64,380,038.22	-
Prepayments	Subsidiaries of CETE	-	-	144,569.90	-
Total		3,646,828.69	-	64,524,608.12	-

Item	Related party	Closing balance		Opening balance	
		Carrying balance	Credit loss provision	Carrying balance	Credit loss provision
Long-term receivables (including those due)	Subsidiaries of CETE	53,512,305.64	1,446,519.44	-	-

Notes to Financial Statements

 For the reporting period from January 1st 2020 to December 31st 2020

Item	Related party	Closing balance		Opening balance	
		Carrying balance	Credit loss provision	Carrying balance	Credit loss provision
within one year)					
Total		53,512,305.64	1,446,519.44	-	-

Item	Related party	Closing balance		Opening balance	
		Carrying balance	Credit loss provision	Carrying balance	Credit loss provision
Dividends receivable	Subsidiaries of Hikvision	22,910,404.14	-	2,550,000.00	-
Total		22,910,404.14	-	2,550,000.00	-

7.2 payables to related parties

Unit: RMB

Item	Related party	Closing balance	Opening balance
Accounts payable	Subsidiaries of Hikvision	329,639,516.11	877,307,780.01
Accounts payable	Subsidiaries of CETE	3,010,132.22	1,653.61
Accounts payable	Maxio Technology and its subsidiaries	-	8,560,000.00
Total		332,649,648.33	885,869,433.62

Item	Related party	Closing balance	Opening balance
Contract liabilities	Subsidiaries of Hikvision	5,755.28	7,682,167.48
Contract liabilities	Subsidiaries of CETE	382,332.53	109,309.12
Contract liabilities	Daishan Hailai	688.00	-
Total		388,775.81	7,791,476.60

Item	Related party	Closing balance	Opening balance
Other payables	Subsidiaries of Hikvision	289,914,770.68	219,301,627.42
Other payables	Subsidiaries of CETE	337,710.00	150,000.00
Other payables	Shanghai Fullhan Micro	100,000.00	100,000.00
Other payables	Wuhu Sensor-Tech and its subsidiaries	1,200.00	1,200.00
Total		290,353,680.68	219,552,827.42

8. Supplementary information to the cash flow statement
(1) Supplementary information to the cash flow statement

Notes to Financial Statements

 For the reporting period from January 1st 2020 to December 31st 2020

Unit: RMB

Supplementary information	2020	2019
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	12,671,388,440.50	11,682,416,010.01
Add: Assets impairment provision	(2,397,952.77)	(51,593,292.77)
Credit loss provision	35,765,705.73	(656,135,180.29)
Depreciation of fixed assets	256,698,165.42	245,879,493.31
Amortization of intangible assets	51,580,512.51	82,358,499.02
Amortization of long-term deferred expenses	21,910,527.64	9,252,020.83
Gains on disposal of fixed assets, intangible assets and other long-term assets	(16,966.03)	(4,072,096.18)
Financial expenses	270,249,113.29	183,074,224.09
Gains from change in fair value	(69,478,784.83)	(17,547,234.44)
Investment income	(1,095,486,482.55)	(25,026,089.44)
Share-based payment through equity settlement	523,901,019.53	193,304,834.81
Increase in restricted funds	(16,350,637.05)	(2,035,173.70)
Decrease in deferred income tax assets	16,291,195.35	95,421,754.68
Decrease (increase) of inventories	(30,574,481.99)	49,235,200.73
Decrease (Increase) in operating receivables	941,257,584.66	(9,018,892,651.51)
Increase in operating payables	974,737,516.48	5,315,195.54
Decrease in deferred income	(39,562,793.01)	(24,728,979.56)
Net cash flow from operating activities	14,509,911,682.88	2,746,226,535.13
2. Major investing and financing activities not involving cash receipt and payment:		
3. Net change in cash and cash equivalents:		
Closing balance of cash	23,264,693,578.70	16,656,028,410.72
Less: Opening balance of cash	16,656,028,410.72	18,998,934,287.59
Add: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	6,608,665,167.98	(2,342,905,876.87)

(2) Composition of cash and cash equivalents

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	23,264,693,578.70	16,656,028,410.72
Including: Cash on hand	264,936.39	181,655.02

Notes to Financial Statements

 For the reporting period from January 1st 2020 to December 31st 2020

Bank deposit for payment at any time	23,264,326,122.65	16,654,913,925.73
Other monetary funds for payment at any time	102,519.66	932,829.97
II. Cash equivalents	-	-
III. Closing balance of cash and cash equivalents	23,264,693,578.70	16,656,028,410.72

On December 31st 2020, the Company's closing balance of other monetary funds was RMB 212,015,271.04 (December 31st 2019: RMB 196,494,944.30), of which RMB 211,912,751.38 were all various guarantee deposits (December 31st 2019: RMB 195,562,114.33), not cash or cash equivalents.

XVI. Supplementary information

1. Details of current non-recurring gains and losses

Unit: RMB

Item	Amount	Description
Profit or loss from disposal of non-current assets	(5,836,675.36)	/
The government subsidies included in the current profits and losses (excluding the government subsidy closely related to regular course of business of the Company and government subsidy based on standard quota or quantitative continuous enjoyment according to the state industrial policy)	571,403,657.30	/
The gains generated when the investment cost of acquiring a subsidiary, an associate or joint venture is less than the income derived from the fair value of the identifiable net assets of the investee	281,193.50	/
In addition to the Company's normal business related to the effective hedging business, gains and losses on changes in fair value arising from holding derivative financial assets, derivative financial liabilities, other non-current financial assets, and investment gains from the disposal of the above-mentioned financial assets/financial liabilities and receivables financing	98,373,869.75	/
Other non-operating income and expense except the items mentioned above	74,007,631.14	/
Impact of income tax	(109,931,807.07)	/
The impact of minority equity	(48,610,431.55)	/
Total	579,687,437.71	/

2. Return on net assets and earnings per share

The return on net assets and earnings per share have been prepared by Hangzhou Hikvision Digital Technology Co., Ltd. in accordance with the *Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revised in 2010)* issued by China Securities Regulatory Commission.

Notes to Financial Statements

For the reporting period from January 1st 2020 to December 31st 2020

Unit: RMB

Profit for the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	27.72%	1.445	1.444
Net profit excluding non-recurring items of profit or loss attributable to ordinary shareholders of the Company	26.52%	1.382	1.381

Section XIII Documents Available for Reference

1. The financial report was signed and sealed by the person in charge of the Company, the person in charge of accounting work and person in charge of accounting organization (Accounting Supervisor);
2. The original audit report containing the seal of the accounting firm and the signature and seal of the certified public accountant;
3. Original versions and copies of all the Company's documents and announcements that were publicly disclosed on the website designated by CSRC during the reporting period.

The above documents are completely placed at the Company's board of directors' office.

Hangzhou Hikvision Digital Technology Co., Ltd.

Chairman: Chen Zongnian

April 17th 2021

Note:

This document is a translated version of the Chinese version 2020 Annual Report (“2020 年年度报告”), and the published announcements in the Chinese version shall prevail. The complete published Chinese 2020 Annual Report may be obtained at www.cninfo.com.cn.