

ZHEJIANG DAHUA TECHNOLOGY CO., LTD.



2018 Annual Report

Stock code: 002236

Stock Abbreviation: Dahua

Date of Disclosure: March 2019

Section I Important Notes, Contents and Definitions

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

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

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

The Company invites each investor to carefully read the annual report and pay particular attention to the following risk factors:

1. Risk of technology upgrade

The video surveillance industry is a typical technology-intensive industry, which is changing extremely fast. The Company has always attached importance to technical innovation and R&D of new products, with a strong ability of continuous innovation. If the Company is unable to keep up with development trends in the industry's technology, to pay full attention to customers' diversified individual needs, and to be followed by sufficient R&D investments, it will still face the risk of losing market competitiveness due to discontinuous innovation.

2. Risk of business model transformation

With the development of network communications, cloud computing, and big data, as well as the popularity of smart phones, the business model in the IoT era may have an impact on the traditional industry development model. If an enterprise cannot timely grasp opportunities brought about by the business model transformation, it may face the risk that the original market structure becomes broken.

3. Risk of product information security

The Company attaches great importance to and continuously strengthens resource investment to ensure safe and reliable operations of the security system so as to respond to the product information security risks on the Internet. However, there may still exist hackers, computer viruses, physical security vulnerabilities, natural disasters, accidents, power interruptions, telecommunications failures, and other terrorism or warfare events, which exert influences such as security vulnerabilities, system failures, or service interruptions.

4. Risk of intellectual property rights

The acceleration of the Company's globalization and self-owned brand strategy will likely bring intellectual property risks such as IP rights protection and patent infringement. Preventions of and responses to the above risk such as rights claims or lawsuits, whether active or passive, all feature high costs, long cycles and high uncertainty, and may bring about risks such as fluctuations in business relations and public opinions environment, increased legal litigations and rising costs.

5. Risk of exchange rate

The Company's export transactions are mostly settled in United States Dollars ("USD"), while overseas sales have increased continuously. Therefore, fluctuations in the foreign exchange rate have the potential to affect the profits of the Company.

6. Risk of decline in local fiscal spending power

At present, local fiscal revenues are declining, while the debt is relatively high. If the local fiscal paying capacity is reduced, it may lead to the slowdown in the growth of some industry demands, extensions of project time, longer periods for companies to withdraw capital, and customers' payment delay.

7. Risk of international operation

The Company's products and solutions cover many overseas countries and regions. International business operation may face trade protection, political conflict, debt problem, and localized operation compliance in the countries where they operate, which may bring negative impact on the Company's local business development.

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

The profit distribution proposal passed upon deliberation at the meeting of the Board of Directors is: to take 2,997,621,930 as a base, to distribute to all shareholders cash dividends of RMB 1.00 (tax inclusive) each per 10 shares, and 0 bonus share, and not to convert capital reserves to share capital.

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Definitions

Item	Refers To	Definitions
From January 1, 2018 to December 31, 2018	Refers To	Reporting Period
Zhejiang Dahua Technology Co., Ltd.	Refers To	Dahua, Dahua Technology, Company, this Company
Dahua System Engineering, System Engineering Company	Refers To	Zhejiang Dahua System Engineering Co., Ltd.
Dahua Vision Technology	Refers To	Zhejiang Dahua Vision Technology Co., Ltd.
Dahua Security Network, Operation Company	Refers To	Zhejiang Dahua Security Network Operation Service Co., Ltd.
Dahua Ju'an	Refers To	Zhejiang Dahua Ju'an Technology Co., Ltd.
Guangxi Dahua Information	Refers To	Guangxi Dahua Information Technology Co., Ltd.
Dahua Security	Refers To	Zhejiang Dahua Security Service Co., Ltd.
Wuxi Ruide, Wuxi Dahua	Refers To	Wuxi Dahua Ruide Electronic Technology Co., Ltd.
Guangxi Security	Refers To	Guangxi Dahua Security Service Co., Ltd.
Huatu Microchip	Refers To	Zhejiang Huatu Microchip Technology Co., Ltd.
Xiaohua Technology, Hangzhou Xiaohua	Refers To	Hangzhou Xiaohua Technology CO., LTD.
Dahua Zhilian	Refers To	Zhejiang Dahua Zhilian Co., Ltd.
Tecomore Technology	Refers To	Hangzhou Tecomore Technology Co., Ltd.
Dahua Investment	Refers To	Zhejiang Dahua Investment Management Co., Ltd.
South North United	Refers To	South North United Information Technology Co., Ltd.
Guangxi Zhicheng, Dahua Zhicheng	Refers To	Guangxi Dahua Zhicheng Co., Ltd.
Hangzhou Huacheng, Huacheng Network	Refers To	Hangzhou Huacheng Network Technology Co., Ltd.
Xinjiang Information	Refers To	Xinjiang Dahua Zhixin Information Technology Co., Ltd.
HuaRay Technology	Refers To	Zhejiang HuaRay Technology Co., Ltd.
Fuyang Hua'ao	Refers To	Hangzhou Fuyang Hua'ao Technology Co., Ltd.
Huafei Intelligent	Refers To	Zhejiang Huafei Intelligent Technology CO., LTD.
Huachuang Vision	Refers To	Zhejiang Huachuang Vision Technology Co., Ltd.
Guizhou Huayi	Refers To	Guizhou Huayi Shixin Technology Co., Ltd.
Hunan System Technology	Refers To	Hunan Dahua System Technology Co., Ltd.
Xinjiang Dahua Information	Refers To	Xinjiang Dahua Information Technology Co., Ltd.

Xinjiang Intelligence	Refers To	Xinjiang Dahua Intelligence Technology Co., Ltd.
Guizhou Intelligence	Refers To	Guizhou Dahua Intelligence Technology Co., Ltd.
Xinjiang Zhihe	Refers To	Xinjiang Dahua Zhihe Information Technology Co., Ltd.
China Standard Intelligent Security	Refers To	China Standard Intelligent Security Technology Co., Ltd.
Guangxi Huacheng	Refers To	Guangxi Huacheng Technology Co., Ltd.
Meitan Dahua Technology	Refers To	Guizhou Meitan Dahua Information Technology Co., Ltd.
Inner Mongolia Zhimeng	Refers To	Inner Mongolia Dahua Zhimeng Information Technology Co., Ltd.
Xinjiang Zhitian	Refers To	Xinjiang Dahua Zhitian Information Technology Co., Ltd.
Xinjiang Xinzhi	Refers To	Xinjiang Dahua Xinzhi Information Technology Co., Ltd.
Xinjiang Huayue	Refers To	Xinjiang Dahua Huayue Information Technology Co., Ltd.
Tianjin Dahua	Refers To	Tianjin Dahua Information Technology Co., Ltd.
Dahua Zhilong	Refers To	Hunan Dahua Zhilong Information Technology Co., Ltd.
Vision Technology	Refers To	Zhejiang Fengshi Technology Co., Ltd.
Zhongcheng Technology	Refers To	Dahua Zhongcheng (Beijing) Technology Co., Ltd.
Huaxiao Technology	Refers To	Zhejiang Huaxiao Technology Co., Ltd.
Xi'an Dahua	Refers To	Xi'an Dahua Zhilian Technology Co., Ltd.
Wuxi Ruipin	Refers To	Wuxi Dahua Ruipin Technology Co., Ltd.
Dahua Robot	Refers To	Zhejiang Dahua Robot Technology Co., Ltd.
Beijing Huayue	Refers To	Beijing Huayue Shangcheng Information Technology Service Co., Ltd.
Shanghai Huashang	Refers To	Shanghai Huashang Chengyue Information Technology Service Co., Ltd.
Dahua Jinzhi	Refers To	Zhejiang Dahua Jinzhi Technology Co., Ltd.
Dahua Guangxun	Refers To	Sichuan Dahua Guangxun Photoelectric Technology Co., Ltd.
Huajuan Technology	Refers To	Hangzhou Huajuan Technology Co., Ltd.
Dahua HK	Refers To	Dahua Technology (HK) Limited
Dahua USA	Refers To	Dahua Technology USA Inc.
Dahua Europe	Refers To	Dahua Europe B.V.
Dahua Middle East	Refers To	Dahua Technology Middle East FZE
Dahua Mexico	Refers To	Dahua Technology Mexico S.A. DE C.V
Dahua Chile	Refers To	Dahua Technology Chile SpA
Dahua Colombia	Refers To	Dahua Technology Colombia S.A.S
Dahua Australia	Refers To	Dahua Technology Australia PTY LTD
Dahua Singapore	Refers To	Dahua Technology Singapore Pte. Ltd.
Dahua South Africa	Refers To	Dahua Technology South Africa Proprietary Limited

Dahua Peru	Refers To	Dahua Technology Per ú S.A.C
Dahua Brazil	Refers To	DAHUA TECHNOLOGY BRASIL COMÉRCIO E SERVIÇOS EM SEGURANÇA ELETRÔNICA LTDA
Dahua Russia	Refers To	Dahua Technology Rus Limited Liability Company
Dahua Canada	Refers To	Dahua Technology Canada INC.
Dahua Panama	Refers To	Dahua Technology Panama S.A.
Dahua Hungary	Refers To	Dahua Technology Hungary Kft
Dahua Poland	Refers To	Dahua Technology Poland Sp. z o.o.
Dahua Italy	Refers To	Dahua Italy S.R.L.
Dahua Tunisia	Refers To	Dahua Technology Tunisia
Dahua Kenya	Refers To	Dahua Technology Kenya Limited
Dahua UK	Refers To	Dahua Technology UK Limited
Dahua Bulgaria	Refers To	Dahua Technology Bulgaria EOOD
Dahua Serbia	Refers To	Dahua Technology SRB d.o.o.
Dahua Germany	Refers To	Dahua Technology GmbH
Dahua Malaysia	Refers To	Dahua Security Malaysia SDN. BHD.
Dahua Korea	Refers To	Dahua Technology Korea Company Limited
Dahua Indonesia	Refers To	PT. Dahua Vision Technology Indonesia
Dahua India	Refers To	Dahua Technology India Private Limited
Dahua Turkey	Refers To	Dahua Guvenlik Teknolojileri Sanayi ve Ticaret A.S.
Dahua Czech	Refers To	Dahua Technology Czech s.r.o.
Dahua Argentina	Refers To	Dahua Argentina S.A.
Dahua Spain	Refers To	Dahua Iberia, S.L.
Dahua Kazakhstan	Refers To	Dahua Technology Kazakhstan LLP
Dahua Denmark	Refers To	Dahua Technology Denmark Aps.
Dahua France	Refers To	Dahua Technology France
American Lechange	Refers To	Lores corporation
Dahua Technology Holdings	Refers To	Dahua Technology Holdings Limited
Dahua Morocco	Refers To	Dahua Technology Morocco SARL
Dahua Technology Italy	Refers To	Dahua Technology Italy S.R.L.
Dahua Uzbekistan	Refers To	Dahua Vision LLC
Dahua Netherlands	Refers To	Dahua Technology Netherlands B.V.
Dahua Sri Lanka	Refers To	Dahua Technology China (Pvt) LTD
Dahua Lorex	Refers To	Lores Technology Inc

Dahua Pakistan	Refers To	Dahua Technology Pakistan (private) Limited
Dahua New Zealand	Refers To	Dahua Technology New Zealand Limited
Dahua Thailand	Refers To	Dahua Technology(Thailand) Co.,LTD.
Dahua Romania	Refers To	Dahua Technology SRL

Section II Company Profile and Main Financial Indicators

I. Company Information

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

II. Contacts and Contact Information

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

III. Information Disclosure and Place for Report Preparation

News media designated by the Company for information disclosure	Securities Times
Website specified by CSRC for the release of the Annual Report	http://www.cninfo.com.cn
Place for Annual Report preparation	Securities Investment Department

IV. Changes in Company Registration

Organization Code	91330000727215176K
Changes in Main Businesses since the Company was Listed (if any)	None
Changes in Controlling Shareholders of the Company (if any)	None

V. Other Relevant Information

Accounting firm engaged by the company

Accounting Firm Name	BDO China Shu Lun Pan Certified Public Accountants LLP
Office Address of the Accounting Firm	4F, New Huangpu Financial Plaza, No. 61, Nanjing East Road, Shanghai
Name of Signed Accountants	Li Huifeng, Du Na

Sponsors engaged by the Company to continuously perform their supervisory functions during the reporting period

Applicable Not applicable

Financial advisors engaged by the Company to continuously perform their supervisory functions during the reporting period

Applicable Not applicable

VI. Key Accounting Data and Financial Indicators

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

Yes No

	2018	2017	YoY Change (%)	2016
Operating Revenue (RMB)	23,665,688,106.22	18,844,458,053.78	25.58%	13,329,094,010.82
Net Profit Attributable to Shareholders of the Listed Company (RMB)	2,529,426,468.61	2,378,726,820.22	6.34%	1,825,199,447.95
Net Profit Attributable to Shareholders of the Listed Company after Deducting Non-recurring Gains and Losses (RMB)	2,495,121,029.76	2,340,407,357.44	6.61%	1,719,172,124.08
Net Cash Flow Generated by Operational Activities (RMB)	955,315,978.17	914,231,360.01	4.49%	470,737,105.34
Basic Earnings per Share (RMB/Share)	0.87	0.82	6.10%	0.63
Diluted Earnings per Share (RMB/Share)	0.87	0.82	6.10%	0.63
Weighted Average ROE	22.16%	25.47%	-3.31%	24.80%
	End of 2018	End of 2017	YoY Change (%)	End of 2016
Total Assets (RMB)	26,350,599,778.15	21,333,478,563.97	23.52%	15,366,397,939.88
Net Assets Attributable to Shareholders of the Listed Company (RMB)	12,618,758,918.48	10,466,434,375.19	20.56%	8,237,011,399.80

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

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

Applicable Not applicable

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

Applicable Not applicable

There are no differences of net profits and net assets in the financial reports disclosed according to the overseas accounting standards and Chinese accounting standards during the reporting period.

VIII. Key Quarterly Financial Indicators

Unit: RMB

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Operating Revenue	3,617,652,691.40	6,196,388,661.08	5,216,687,713.72	8,634,959,040.02
Net Profit Attributable to Shareholders of the Listed Company	295,523,140.67	786,393,745.85	481,764,501.06	965,745,081.03
Net Profit Attributable to Shareholders of the Listed Company after Deducting Non-recurring Gains and Losses	290,656,854.31	816,827,534.69	515,756,982.03	871,879,658.73
Net Cash Flow Generated by Operational Activities	-1,286,295,160.14	189,938,323.14	-570,615,032.53	2,622,287,847.70

Whether there are significant differences between above financial indicators (or sum of them) and relevant financial indicators disclosed in the Company's quarterly report and semi-annual report

Yes No

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

Applicable Not applicable

Unit: RMB

Item	2018	2017	2016	Description
Profits or losses from disposal of non-current assets (including the write-off for the accrued impairment of assets)	-257,185.57	-8,066,035.13	1,407,453.81	
The government subsidies included in the current profits and losses (excluding the government subsidies closely related to regular	78,342,817.78	44,055,931.15	101,679,403.18	

businesses of the Company and issued in the quota or quantity based on the national standards)				
Profits and losses resulting from the changes in fair value for holding trading financial assets and trading financial liabilities, and investment income from disposal of trading financial assets, trading financial liabilities, and financial assets available for trading, excluding the effective hedging businesses related to the regular business operation of the Company	-83,285,344.55	6,841,311.77	21,720,856.17	
Profits and losses from the externally entrusted loans			853,418.80	
Non-operating income and expenses other than the above	68,947,139.26	4,327,600.51	1,816,484.30	
Other gains and losses items that fit the definition of non-recurring gains and losses	733,001.58	725,549.00	121,205.21	
Less: Impact of income tax	13,376,532.24	7,282,387.96	21,481,784.64	
Impact of minority equity (after tax)	16,798,457.41	2,282,506.56	89,712.96	
Total	34,305,438.85	38,319,462.78	106,027,323.87	--

Companies Offering Their Securities to Public - Non-recurring Gains and Losses, or non-recurring gains and losses items listed in the said document defined as recurring ones, please specify the reasons.

Applicable Not applicable

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

Section III Corporate Business Overview

I. The Principal Business of the Company during the Reporting Period

I. Main businesses and products

1. Main businesses

The Company is a world-leading video-centric smart IoT solution and service provider. In 2018, based on the in-depth insight into the future trend, Dahua launched "Dahua HOC (Heart of City)" strategy. Supported by the concept of "Full Sensing, Full Intelligence, Full Computing and Full Ecosystem (4 Full) capabilities", Dahua provides practical solutions and products for application at the city, industry and commercial level.

With the customer demands as orientation, customer success as the goal, and constantly looking into and understanding customers' businesses as the basis, the Company will continue to enrich the cooperative ecosystem and create values in city operation, enterprise management, as well as consumer life. Based on the Company's leading position in technological innovation, industry experience, and customer base, the Company has built a video-centric smart IoT ecosystem to help partners and customers, enabling

a safer society and smarter living.

2. Solutions and products

The Company provides customers with video-centric smart IoT solutions and products. Based on the in-depth understanding of the market and customer demands, the Company has launched a series of industrial solutions and core products targeting at different industrial features and application scenarios.

(1) Solutions

Centering on the demand of scenario construction, based on the "Dahua HOC" structure and supported by the concept of "Full Sensing, Full Intelligence, Full Computing and Full Ecosystem (4 Full) capabilities", the Company provides all-round solutions at the city, industry and commercial level, and creates values for city operation, enterprise management and individual consumers.

For city-level and industry-level customers, the Company conducts deepened designs for scenario-based demands of customers in fields of safe city, smart traffic, smart transportation, smart banking & finance, smart building, smart retail, and others, to form more abundant and refined scenario-based solutions. Meanwhile, the Company has also expanded and incubated new solutions for emergency commanding, smart manufacturing, etc. For small and micro-sized business users, the Company takes Imou Cloud as its basis to build the three-in-one business ecosystem and design multiple household and store scenario applications, and the Company opens up its cloud capabilities to provide more intelligent, convenient and safe solutions for end users and partners.

A. City-level business solutions

With focus on the video-centric IoT strategy and deep commitment to the city-level markets, the Company has innovatively put forward the overall framework for Dahua HOC, which is structured on the framework of "One Platform - City Big Data Platform, Two Centers - City Operations and Management Center and City Security Center and N Applications" (abbreviated as 1+2+N). It focuses on the closed-loop data value chain and the new value generated from data mining, and lays emphasis on the close connection between the platform and businesses, aiming for "improved efficiency, increased benefit and optimized experience". The Company is collaborating with the whole industry chain ecological partners to provide systematic smart city solutions and operational services and facilitate urban digital transformation and sustainable development.

City Big Data Platform: Uses targeted collection and acquisition of urban operations model data to achieve a closed loop data value chain and enable data as business services which engage in sensing within needed scenarios, logically deploy computing power and storage, and realize business and data modeling required for urban operations.

Operation Management Center: Provides comprehensive supervision, decision-making aid, command and dispatch services for urban operators to achieve centralized and efficient city management operations.

City Security Center: Encompasses all levels of security, including client security, network security, and data security to enable three-dimensional comprehensive protection and serve as protection for smart city applications, transforming network security from "passive protection" to "active sensing."

In 2018, as a council member of the National Standardization General Meeting on Smart Cities, the Company participated in the establishment of 3 important standards on smart cities, the top-level design of smart cities for 15 regions, covering provincial capitals,

prefecture-level cities, county-level cities and scientific parks and 6 national research projects and their application, won 13 important awards for smart cities, covering big data, AI, and other innovative applications of advanced technologies and top-level designs, smart city solutions, etc., and established an ecosphere with more than 150 partners.

Taking the smart city construction in Shuangpai, Hunan Province as an example, centering on building a "smart Shuangpai" and "demonstration county providing whole-region tourism", based on the concept of "one platform, two centers and four smart applications" HOC new smart city structure, Dahua satisfies the multi-level, all-round social demands of the locality to build businesses in a multi-dimensional manner. Through establishing a visual, three-dimensional and integrated AI smart management system, it serves the construction of "efficient Shuangpai" and "safe Shuangpai" and promotes the refined government management and modernized governance; through building a unified city big data platform, it breaks the data barriers, realizes cross-sectoral data integration, and serves the construction of "Internet+ government administration", so as to realize "one website for all affairs, and one affair done in no more than one time" and play a guiding and demonstration role.



B. Industry-level business solutions

1) Smart policing solution

Based on typical business scenarios, by looking into the businesses of all police combat units and targeting at multi-dimensional pain points of multiple businesses of customers, Dahua HOC smart policing solution is created. Learning experience from hundreds of actual police affair projects, Dahua HOC smart policing solution has summarized and extracted three key points, i.e. "sensing online, data computing and taking actions", to form a new mode, "Online Police", realize police resources going online, police objects going online and affair handling going online and help with the reform of the police organization and police mechanism. It focuses on enhancing the prediction, warning and prevention abilities, targeted crime fighting and dynamic management abilities and comprehensively enhancing the ability to realize informatization in everyday practice and the work efficiency of the police.

Taking the police station in Jianggan District, Hangzhou City as example, Dahua established a whole set of platforms based on the "Dahua HOC smart policing" structure for Jianggan Police. Supported by IoT multi-dimensional sensing, big data, cloud computing, AI and other technologies, carried by the smart application platform, it's established through analysis of 5000 scenarios and 46 practical application models. It's a powerful backup force for fighting against crimes, finding missing personnel and predicting mass incidents.



2) Smart traffic control solution

With the concept of "full sensing, accurate computing and implementation of services" as the principle for top-level designs and "scenario-based, standardized and case-oriented" as the guidance for deepened designs, Dahua HOC smart traffic control solution provides support to the construction and development of modern smart traffic control. Always thinking from the perspective of customers, the Company has enhanced the actual capacity for traffic control, making traffic control more precise and efficient. Based on data, network and business work flow, Dahua has established management center and transportation security center with intelligence, command, control and supervision functions integrated to conduct six businesses, including traffic monitoring, traffic

organization and control, and traffic guidance, help the traffic control authority "guard safety, facilitate smoothness and increase efficiency", help traffic control departments to establish data ecosystem and partner ecosystem required for continuous development, and create new modes and systems for smart city traffic governance.



3) Smart transportation solution

Centering on the production safety, operation service enhancement and public travel convenience in various sectors of transportation, Dahua HOC smart transportation solution has established a comprehensive sensing system for traffic data and an accurate operation system for safety assurance, and a smart data analysis and decision-making system, to comprehensively enhance the ability to ensure traffic safety and provide quality public services.

Smart airport solution: targeting at different airport scenarios, it provides a series of scenario-based solutions, such as the landside, terminals and aircraft movement areas. Centering on core businesses in airports, based on the traditional video networking, it adopts the core algorithm and smart front-end and back-end platforms of Dahua, to continuously enhance the value of massive video data and make the airport services more flexible, safer and more efficient. Taking Guangzhou Baiyun Airport as an example, Dahua's airport safety management solution is comprehensively used in the construction of "safe airport" project in Guangzhou Baiyun Airport, to ensure the safety of terminals, roads on the landside and other areas under the administration of the airport.

Smart metro solution: urban railway transport system which involves multiple fields and types of work has many business problems, such as the management of large amount of devices and data. Based on the advanced video cloud architecture technology, Dahua smart metro solution has solved the problems of big data access, storage, gathering, fault tolerance under the scenario of urban railway transport, realized unified management of sub-systems, made the urban railway transport be resource pool based, data be intelligent and businesses handled on platforms, so as to satisfy the demands under the railway transport scenario. Taking Beijing Metro as an example, Dahua metro cloud storage system solution is fully applied to Beijing New Airport metro line and TCC metro command center, which boasts the first metro cloud storage system project in China.

Smart security check solution: targeting at the three chronic problems of "low efficiency, false safety and tendency to congestion", it satisfies the business demand of the customers in security check under multiple scenarios, and makes the smart

investigation and arrest more accurate, the network control more scientific, passenger flow control more efficient and cost of operation lower.

Smart on-vehicle solution: by integrating mobile communication, IoT, ADAS and other technologies, it makes the operation of vehicles safer. Meanwhile, via the back-end big data processing and AI analysis, the application value of vehicles' travel data is largely improved, which can satisfy the demands of transportation enterprises and industrial regulators.

4) Smart fire control solution

Dahua HOC smart fire control solution goes deeply into the independent management of units, fire control supervision, fire extinction and other business points. Targeting at the application scenarios of fire control, the "full coverage with zero blind area" fire safety management is realized to make entities perform their duties and strengthen the supervision on fire control. Through the front-end smart collection of multi-dimensional data, analysis on city-level big data and commanding and dispatching applications at war, it can realize the precognition, prediction and prejudgment of fire, help with the decision-making in fire control management, enhance the efficiency of actual commanding and reduce property loss.

In terms of fire extinction, Dahua has innovatively developed the second-generation smart firefighting and rescue robots to solve the fire problems in areas that "human cannot reach, get access to, or be rescued", realize the replacement of human by robots and ensure the life security of fire fighters. It can seamlessly connect with the fire emergency commanding platform, to transmit real-time information of the fire scene and realize the visualization of the rescue process and intelligence of back-stage commanding.



5) Smart finance solution

Dahua HOC smart finance solution has been refined continuously on the basis of the previous video networking solution. It has loaded various AI technologies, IoT sensing technologies and big data technical applications, and integrated into the physical scenarios of the financial industry, and solved more than 40 targeted business demands and pain points. Meanwhile, the Company continues to expand from the security field to the operational field, and actively increase the width and depth of businesses into the financial field. Currently, the construction of pilot branches for smart finance upgrading has been spread among state-owned banks,

stockholding banks, city commercial banks and some other financial institutions.

Taking the security field as an example, the solution has further enhanced the accuracy of warning triggering, reduced omitted and wrong warning and released human resources; it has realized visualized management of business data in the security field, enhanced the speed of response to decision-making and the emergency commanding ability; it has also enhanced rapid processing of early warnings and efficient management of businesses.

6) Smart judicature solution

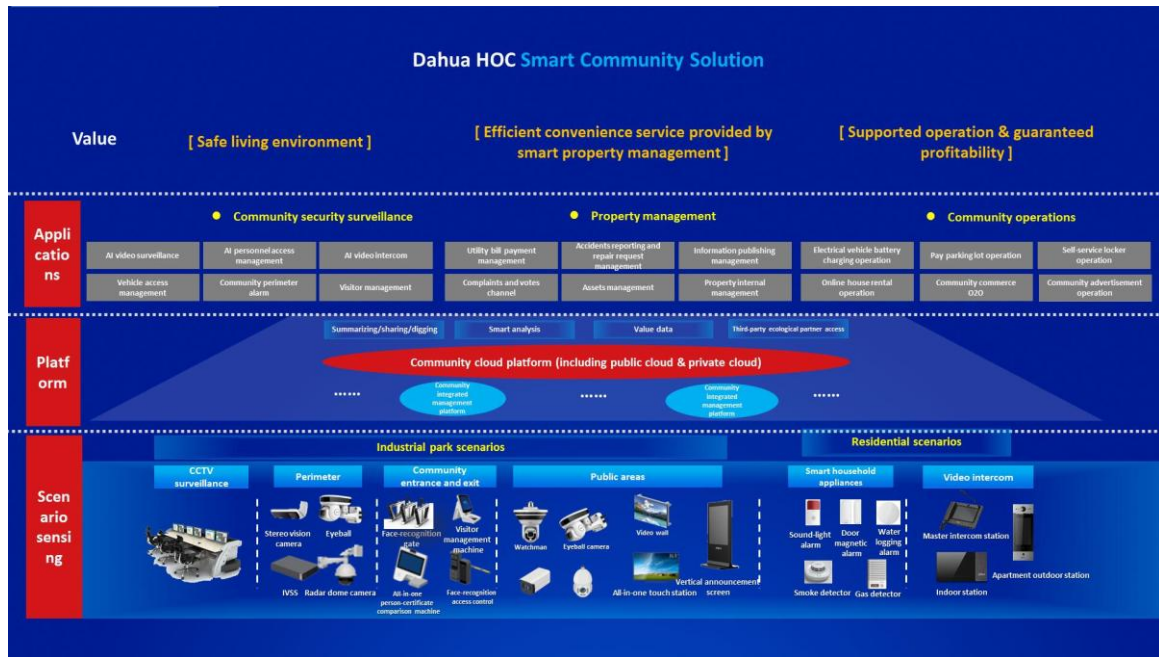
Dahua HOC intelligent judicature solution, on the basis of the information-centric development planning, construction and application requirements, meets the construction requirements of the intelligent modern civilized judicial system, and based on the actual application scenarios and by use of intelligent management methods, to realize the digital and visual law enforcement for more accuracy and impartiality and facilitate the upgrading, transformation and development of core judicial business.

Dahua judicature solution satisfies the requirements of video confidentiality, storage safety, regulated law enforcement, abnormal warning, etc., in judicial case handling and execution of punishment. The product design complies with the industrial standards.

7) Smart community solution

Dahua HOC smart community solution targets at smart management design of communities and creates comprehensive solutions for smart communities. Meanwhile, via AI, visual face-to-face communication can be realized. The deep integration of multiple systems further realizes information sharing and synergy among systems and the smart application of systems, and provides proprietors with safe living environment and convenient way of access. At present, the Company has entered into the long-term strategic partnership or various project cooperation with many mainstream real estate customers.

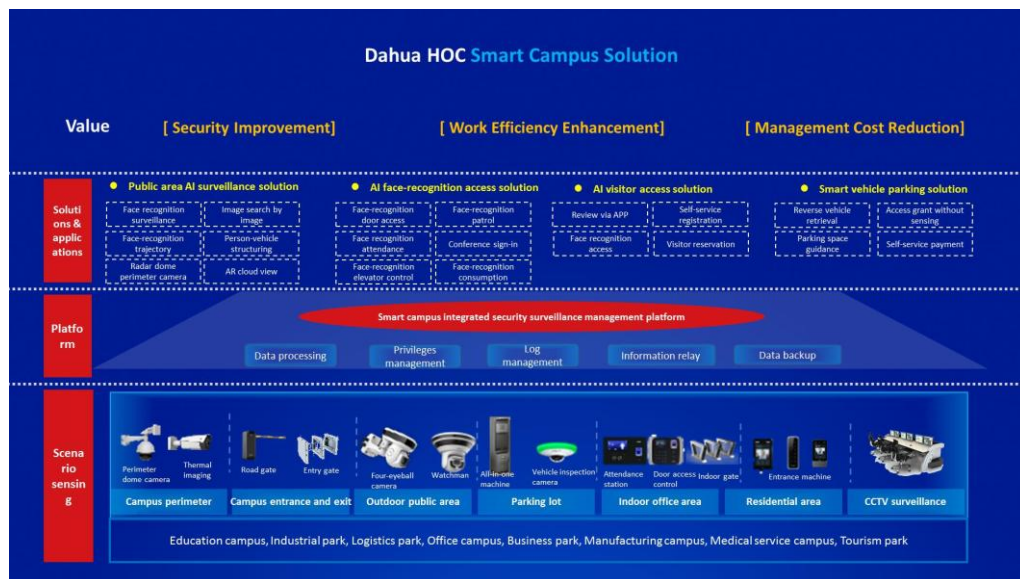
Meanwhile, the Company is committed to the development and integration of peripheral sensing products for communities, providing more valuable structured data for community management, connecting upstream and downstream business partners, establishing advanced and practical IoT business ecosystem for smart communities, building cloud platforms for communities, realizing the integration of the community's property management system and security system, providing convenient one-stop APP services and providing property management with data operation support to help real estate customers enhance the value of their premises and build high-quality premises.



8) Smart park solution

In 2018, Dahua HOC smart park solution expanded the business application to all business scenarios in application parks, such as production parks, office parks, education parks, industrial parks, logistics parks, medical parks and so on, and satisfied the demands of managing enterprise personnel, vehicles and objects.

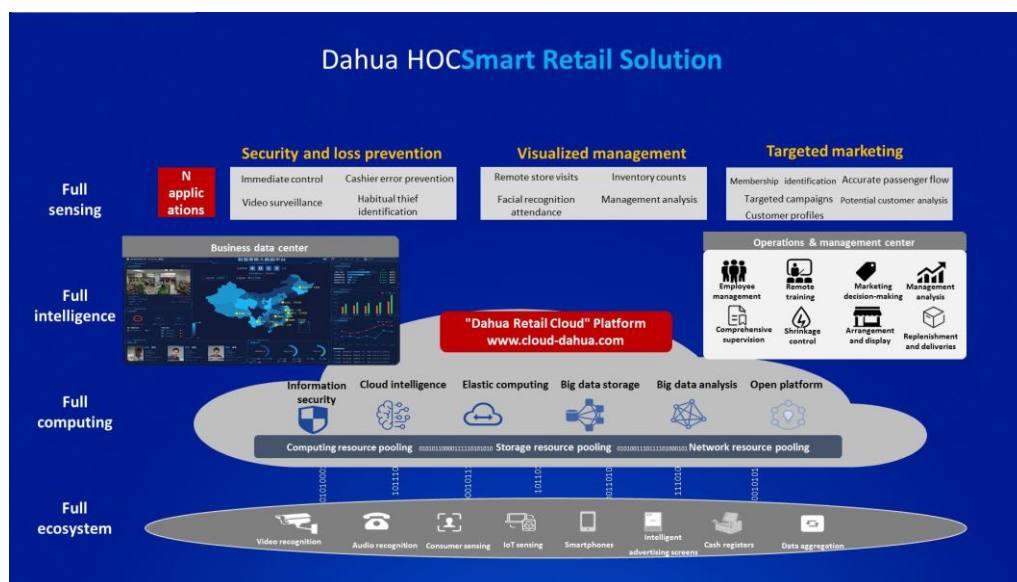
The solution focuses on upgrading of intelligent capabilities and park security level to deliver the face-recognition access management for a better user experience. Moreover, the Company has established strategic cooperation ecosphere to upward support the innovative application development of partners in the ecosystem and realize "fully integrated data, fully visible statuses, fully manageable businesses, and fully controllable events" in various parks, to help the smart digital transformation of the parks.



9) Smart retail solution

Dahua HOC smart retail solution is designed to meet three core business demands under the retail scenario, i.e. safety and loss

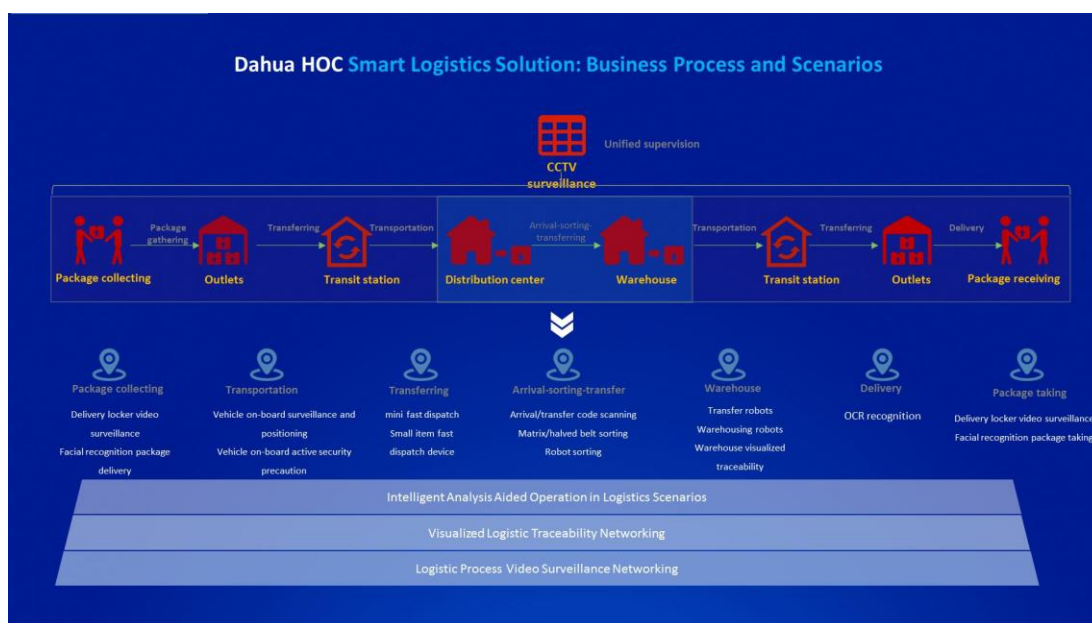
prevention, store management and targeted marketing. Through smart sensing and peripheral integration of cloud, the scheme has realized the insights into the data related to "persons, goods and sites", connecting data islands and gathering data to form a data brain, to provide data support for the development, manufacturing and marketing of products. On this basis, it can help retail customers reduce the loss of commodities, enhance the efficiency of operation management, and reduce labor cost. Meanwhile, based on the collection and analysis on offline data, it helps the merchants realize targeted marketing, reduce operation cost, increase sales revenue, and upgrade the shopping experience of consumers, so as to help with the digital transformation of physical retail.



10) Smart logistics solution

The Dahua HOC smart logistics solution applies the IoT technologies, machine vision, AI, smart control to the logistics industry. Through collecting the front-end data of persons, vehicles and objects, it deploys smart robots, enhances the safety management and prevention abilities in logistics operations and processes, reduces labor cost, and increases the efficiency of logistics operations and the distribution centers. Meanwhile, it also effectively supports the business process optimization and operation management of the customers in logistics.

Taking express delivery and transportation as an example, the Company has deployed video monitoring networking platforms for multiple customers. The number of connected video channels has exceeded 100,000. In logistics parks or distribution centers, machine vision code reading technology is used instead of manual code scanning. For example, the DWS multi-function sorting solution introduced for the logistics industry can realize package measuring and sorting at the same time for better transportation and management efficiency; The vehicle guidance system can improve the efficiency of the vehicles' passing through the park's entrance and exit; The platform visual management platform can enhance the operation efficiency, leading to efficiency enhancement of logistics park operation.

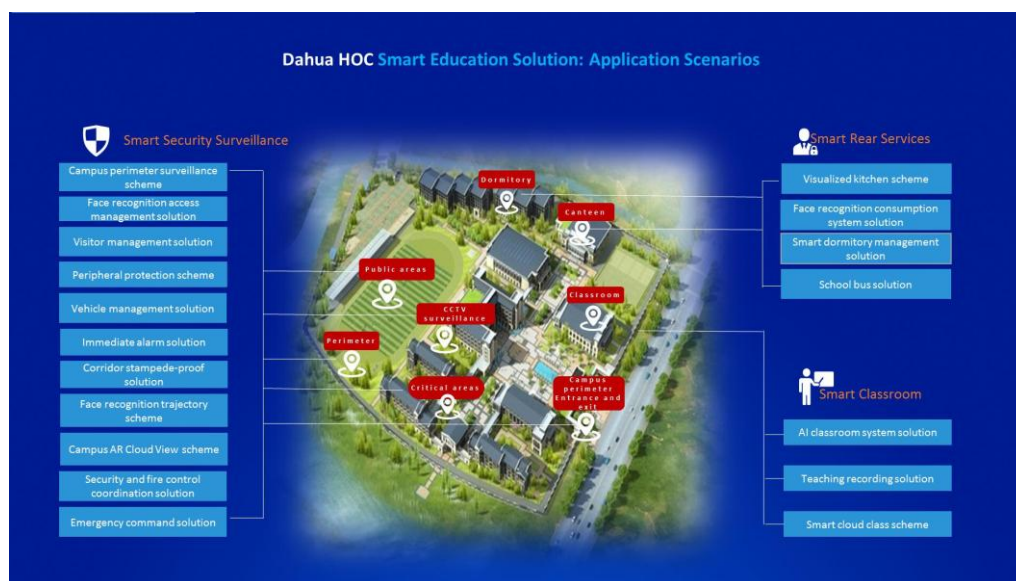


11) Smart energy solution

Dahua HOC energy solution serves industrial process type (electric power, petrification, mining, iron and steel) energy enterprises. The Company has launched smart transformer substations, digital petrochemical and other solutions to help the energy industry solve problems in emergency commanding, equipment maintenance, personnel management, operation control, production quality inspection, and other core businesses. The Company provides smart patrol robots, thermal imaging, smart patrol servers, machine vision, RFID/ROLA/UWB, big data, video cloud and other core products and technologies. Massive instruments, switches, indicator lights and other objects are transformed into structured data. Through the analysis and computation on big data, the healthy status of equipment can be comprehensively researched and determined, thus providing powerful guarantee for the production safety of energy enterprises.

12) Smart education solution

Dahua HOC smart education centers on business scenarios in campuses. Through multi-dimensional sensing and collection, fully smart analysis and comprehensive analysis and computing, it can realize the integration of businesses in smart scenarios and multiple ecosystems. On this basis, the safety protection solution is provided centering on "persons, vehicles and objects" to enhance the security protection efficiency and guarantee the safety of teachers and students; the logistics management solution is provided centering on "eating, living and traveling" to enhance the management efficiency and service quality; the smart classroom solution is provided centering on "teaching resources, management of teaching affairs, and teaching environment", to support new teaching methods and promote the construction of information-based education.



C. Commercial-level business solutions

In 2018, Dahua consumer business department launched a new brand strategy and took Imou as the new brand image for Lechange. New definition is given to Imou: Intelligent Moments of Happiness - smart technologies guard every moment in life and to create happiness for customers is Imou's eternal pursuit.

Imou is oriented towards the consumer business which is an important part in the "Dahua HOC" strategy. The Company, based on Imou for the "three-in-one" business ecosystem of intelligent hardware, intelligent technology and video cloud, puts forward the application solutions of household care, household security and store security management, etc., which provide smart scenario-based IoT services for households, stores and small and micro-sized business users. The Company opens up its cloud capabilities to facilitate third-party developers in their development of feature-rich scenario applications and provide convenient, easy-to-use, safe and customizable services for end users and partners for an intelligent Internet of Things ecosystem.

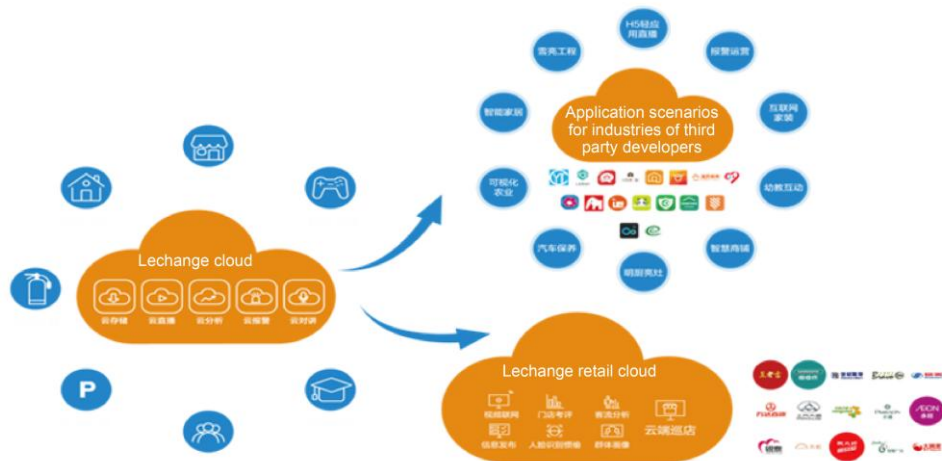
In 2018, Imou launched multiple products for families and shops using AI technologies, including face detection camera, sound and light alarming camera, POE camera series, wireless NVR, fire control alarm, and the smart video lock, which enables more users to enjoy the achievements of new technologies and get their life quality enhanced.

Imou will be built as a global brand. Through the global marketing service network, the products and services of Imou will be brought to each corner of the world. People of different cultures, languages and skin colors can be protected by smart technologies.

(2) Core products and technologies

The company, based on the "Dahua HOC" strategy, intensified core technical and products layout at the aspect of "Full Sensing, Full Intelligence, Full Computing, and Full Ecosystem (4 Full) capabilities" in 2018. By sensing environments, scenarios and content, combining edge computing and integrating its edge node business, the company has enriched intelligent front-end sensing devices, giving full play to the agile response capabilities of front-end intelligence. By connecting data links, exploring business applications, combining cloud computing and integrating intelligent algorithms and spatio-temporal data, the Company has promoted intelligent analysis and mining capabilities of big data.

Lechange cloud 1+N+X solution



To fully promote the implementation of AI technology for full range of smart products, the Company aimed at customers' demands in front-end, storage and center service to seek innovation and launched intelligent products. By combining with cloud computing and big data and relying on intelligent algorithms and chip technology, the Company has optimized products and solutions, enhanced customer value and innovative business modes.

1) Front-end products

In 2018, more front-end products were developed to enrich the series with ever more established integration of new technology and new products. Relying on intelligent algorithms and new technology, the Company launched series of cameras including "Deep Sense", "Aurora", "Hunter", "Eyeball", and "Watchman", applying advanced technologies such as facial recognition, structured pedestrian, non-motor and motor vehicle, live detection, multi-channel HD definition video splicing, dual-vision fusion, dual-vision depth information analysis, integration of thermal imaging and visible light and smart IoT to products according to practical needs to realize intelligent monitoring and multi-dimensional sensing in multiple scenarios.

Smart camera series: Dahua self-developed chips and deep learning algorithm are applied to the facial recognition network camera series, to realize the priority of facial snapshot, extraction of facial features, classification and tracking of targets. An 8-inch fully smart dome camera was launched, realizing the extraction of fully structured properties, classification of targets, flow statistics for "pedestrians, vehicles and non-motor vehicles". The 40-time optical zoom and super long focal distance design is adopted for capturing details of targets within long distance. A four-sensor camera integrated with a tracking ball was launched, which is a pioneer product in this industry. The panorama camera is responsible for overall target detection and other cameras rapidly capture details rapidly. A 4K resolution panorama image will be output to realize the coverage of 180 degree, which is 4 times of that of ordinary cameras. A dual-camera behavior analyzing product was launched. Dahua self-developed algorithm is adopted to realize deep analysis of images captured by the two cameras, supporting accurate passenger flow statistics and warning against to persons approaching, violent movement, falling, retention and abnormal number of persons and other abnormal behaviors.

Intelligent traffic camera series: the Company launched the eco-camera that can capture traffic violations of "pedestrians, vehicles, non-motor vehicles", monitor roads, collect traffic information and detect traffic accidents, as well as effectively solve light pollution from white light flashing. The series won the Best Product award for "2018 China Highway 30 Years Informationization Award", the Innovative Product award of the 10th China International Road Traffic Safety Products Expo and other awards. The Company also launched the AI entrance & exit snapshot camera that is integrated with the self-developed AI chip and can support industry-leading recognition of vehicles without a license plate and multiple-in multiple-out of vehicles. The series won "Comprehensive Strength Award" at the 2018 Urban Static Traffic and Intelligent Parking Forum".

Panoramic multi-vision camera series: The Watchman series of panoramic AR products adopt multi-channel video splicing technology to allow the display of UHD 180° and 360° panoramic images, supporting soft splicing, simultaneous output of initial data, multi-vision splicing, along with smart large-scenario analysis on people and vehicles status.

Meanwhile, the Company optimized multi-dimensional sensing capability of the video surveillance products. The "Jumbo" all-in-one camera can obtain sensing information from facial detection, license plate recognition, vehicle, non-motor vehicle and pedestrian detection/capture, collection of mobile MAC information, GPS/Beidou positioning, RFID data collection, etc., Such as thermal camera series, which can realize multi-dimensional data collection like fire information, and object temperature. "Dahua Blue Sky Guardian Comprehensive Solution for Straw Burning Monitoring" based on its thermal products won the award of A&S TOP 10 system solution in 2018.



2) Storage products

In 2018, the Company launched several new products including the "Smart" NVR, "Smart" IVSS and HD-over-Coax DVR based on the deep learning technology, the vehicle-mounted travel data recorder MDJ7100 based on the HDCVI technology and launched an indoor 55-inch vertical facial recognition attendance machine.

The "Smart" NVR product adopts deep learning-based facial recognition technology, supporting face access control, face control, image search by image and other functions. Its perimeter detection function can identify people/vehicle-triggered alarms and effectively filter shadows of small animals and leaves to improve the alarm accuracy, and also can support quick retrieval and playback according to face, body, license plate, vehicle model and other properties for greater video searching efficiency.

With continuous algorithm optimization and improvement of detection and recognition accuracy in "Smart" IVSS product, the Company deeply analyzed needs in retail, finance, energy, logistics, buildings, education, government and enterprises and other industries, thus delivering industrial smart business solutions implemented in projects.

HD-over-Coax DVR, based on HDCVI4.0 technology, realizes coaxial transmission of high definition image with the maximum resolution up to 4K, digital audio with broadcast audio effect, and control signal.

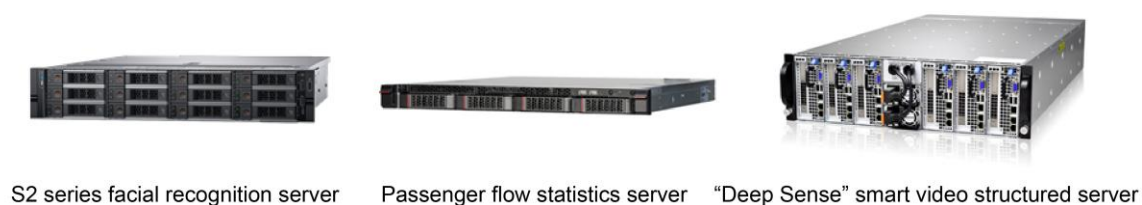
The vehicle-mounted product features new structure design with a small built-in HDD damping system and an intelligent cooling system to satisfy the requirements of vehicles under various complex working conditions.

Smart cloud information terminal product features an integrated structure with built-in facial recognition collection module, supporting attendance by facial recognition, accurate advertising by facial recognition, live detection and other functions.



3) Central products

With deployment of the central products on four intelligent fields including face, structured video, vehicle and behavior, the Company launched S2 series of facial recognition server, "Smart" structured video server, vehicle secondary analysis server, passenger flow statistics server and other series of intelligent servers. The product development adopts super comparison algorithms, further promoting product comparison analytical performance and playing a leading role in the industry. Meanwhile, the Company initiated "one file for one person" function in the industry to give full play to the market competitiveness of products.



4) Cloud computing and big data products and services

For urban operation management, we have created an established video cloud product system, delivered services such as cloud storage, cloud database, container cloud, intelligent cloud, and big data platform, covering complete data processing links by combining with the industrial features to satisfy clients' computing and storage needs in different scenarios of the whole network. For smart policing, smart traffic, smart judiciary, emergency command and other features in business scenarios, we have provided comprehensive and targeted platform product services based on new technologies such as cloud computing, big data, IoT, and artificial intelligence.

For enterprise management, we have created a common product system at enterprise level and launched AI-based industry platforms, improving operation and management efficiency and fixing the pain points for the clients from enterprise parks, education, energy, finance and other sectors. We have also gradually launched the industry cloud platform in retail, community, parking, and

house renting and other fields to provide services to more industry clients.

As for small and micro enterprises and individuals, LeChange cloud platform has been established for providing cloud storage, cloud sharing, cloud warning, cloud analysis and other cloud intelligence. An operation data analysis visualized platform supporting big data analysis and statistical analysis has been established to provide users with real, superior and intelligent product experience.

For the video-centric ecosystem, we have built an open industry-level platform to support third-party algorithm execution and third-party equipment and platform access. We have also provided basic video and AI capabilities. Industry partners were enabled through open interface and we could involve in the partner ecosystem through extensible technical framework, so as to promote implementation of the end-to-end solution from front-end perception and intelligent analysis to back-end cloud platform and industry applications. Meanwhile, an open network platform has been established for different application scenarios of industries. The Lechange cloud SaaS and PaaS solutions were delivered to help partners get their own cloud video capacity with faster speed and lower cost and jointly create value with partners for win-win result. As at the end of 2018, there have been over 20,000 developers for LeChange cloud.

5) Intelligent building products

The Company launched a whole series of facial recognition access control machines. The integrated access control machine, turnstile and door phones are equipped with the wide dynamic visible light for facial recognition technology with fast recognition speed, strong biometric false prevention and large database capacity. It is widely applied in places such as commercial buildings, residence communities, recreation and stadiums, plants and other sites. Meanwhile, Dahua facial recognition access control products can offer various authentication methods like fingerprint, password, QR code, ID card, IC card, Bluetooth, and App according to customer needs, with wide adaptability and usability.

In 2018, Dahua applied for almost 30 patents for inventions, utility models and design patents for smart building products in terms of facial false prevention, visitor management, structural technology, wireless communication and appearance design, which further facilitate the research and development on new technologies and products.

6) AI algorithms

In 2018, the Company continued invested in AI to build a super large-scale computing center and data center for algorithm training and focused on researching and commercializing algorithms in multiple fields. As its core strategy, the Company has developed the AI algorithms and has bolstered the core competitiveness. At present, the Company mainly focuses on six AI application fields - smart traffic, facial and behavior analysis, object recognition, robots and multi-sensor fusion. The Company can provide end-to-end AI solutions and products according to various scenarios of different industries, with the technical strength in quickly improving algorithm functions and performance. The Company topped the list in over 10 global algorithm competitions in 2018, including 2D/3D detection, tracking, image segmentation, scene recognition, human weight recognition, and image search by image among other technical fields of AI.

The Company has made achievements in the six AI application fields as follows:

- Smart traffic field: Dahua has focused on the field of smart traffic application since 2006. At present, its products and

solutions include electronic stations, electronic police, entrances and exits, recognition of domestic and overseas license plates, big data of vehicles, and other application scenarios. The Company has launched "Smart" series of AI entrance & exit snapshot cameras TianQing" series of vehicle secondary analysis servers, servers for vehicle image search by image, and other products and solutions. The smart traffic solution realizes the detection, recognition and property analysis of "pedestrians, vehicles and non-motor vehicles" and recognition of domestic and overseas license plates in traffic scenario, as well as recognition and analysis of traffic violations of all "pedestrians, vehicles and non-motor vehicles" in road scenario. When combined with the back-end big data analysis server, the solution can realize the multi-dimensional data collision, comparison, searching, and image search by image of vehicles.

- Face recognition field: the complete facial end-to-end intelligent algorithm link has already been formed in the field of facial analysis, including face detection, tracking, property, recognition, live detection, etc., with all mainstream products launched with industry-leading performance. In practical application, the face intelligent solution can well satisfy differentiated demands on all scenarios, help the upgrade of technical method for smart police affairs, and facilitate implementation of "customer portrait" in smart retail, "facial authentication" in intelligent park and other projects.
- Behavior analysis field: behavior analysis is mainly applied in analyzing contents of videos in different industries, such as body behaviors, situation analysis, image search by image and other applications. At present, the Company launched all series of intelligent front-end products, intelligent NVRs and intelligent servers. With fully technical upgrading of the traditional solutions, the Company put an emphasis on introducing video structured analysis, behavior analysis, perimeter management, flow statistics, situation analysis and other solutions.
- Object recognition field: intelligent analysis on all kinds of objects can be carried out in the field of object recognition. It is applied in security check, power supply, water supply, retail, logistics and other industry solutions, enhancing the business operation efficiency and management quality.
- Robots field: robots solution is designed for manufacturing, logistics, energy and other industries. At present, multiple AGV cluster dispatching, simultaneous positioning and map building, vision navigation and scenario understanding and other technologies have been developed and applied in AGV for handling, storage and sorting, indoor/outdoor power inspection robots, intelligent drones and other products.
- Multi-sensor fusion field: in the field of Multi-sensor fusion, the multi-vision fusion, millimeter wave radar, infrared thermal imaging, 3D building, laser and vision fusion, audio processing and other core technologies have been realized and applied in "Watchman" series of panoramic cameras, AR panoramic fusion, radar and dome linkage, dual-vision temperature detection, robot and other products and solutions.

7) Chip technology

In 2018, the Company's AI chip technology, HDCVI chip technology and digital-analog hybrid chip technology have got constant investment and achieved good results:

- AI chip technology: Based on the self-developed AI chip, the Company successfully launched "Deep Sense" series of economical face detection cameras, "Smart" series of AI entrance and exit snapshot cameras. In 2018, AI chip research and development project obtained support of the national science and technology major project of the Ministry of

Industry and Information Technology and Hangzhou integrated circuit industry development project, laying a solid foundation for future development.

- **HDCVI chip technology:** The scheme integrating HDCVI with front-end and back-end AI technology has been successfully realized, which greatly improves the competitiveness of the HDCVI scheme. The 4K real-time front-end and back-end chip products are successfully launched. The Company maintained its leadership in the coaxial analog high-definition field and successfully developed the HDCVI5.0 technology based on the new-generation transmission technology, which realized the lossless transmission of mixed information via multiple media and surpasses the existing coaxial transmission technologies in the market.
- **Digital-analog hybrid chip technology:** With the mass production of the self-developed PoE front-end and back-end control chips, the Company has become the first national chip manufacturer to provide the comprehensive PoE solution, which greatly improves the competitiveness of NVR, switch, IPC and other products of the Company. Meanwhile, the Company increased investment in independent IP research and development, and broke through technical bottlenecks on high-complexity IP technologies such as high-speed ADC and DAC, optimizing the digital-analog hybrid chip technology.

8) Video IoT innovative business and products

➤ Machine vision products

In 2018, Huaray Technology, a holding subsidiary of the Company, has four series of products: railway carriage and container scanner, intelligent 3D camera, visual controller and intelligent RFID reader. HuaRay Technology also improves smart logistics solution, applying the video AI technology in parcel smart sensing, smart sorting and other application scenarios. Relying on the new generation of pentagonal code reading DWS system, content smart sensing system, and big data smart tracking system for parcels, the solution realizes deep mining of parcel data, full flow tracing, management and efficient sorting of parcels.

➤ Huachuang Vision collaborative products

In 2018, Huachuang Video, a holding subsidiary of the Company, introduced universal-type integrated terminal for grass-roots organizations, integrated terminal for small conference rooms, split-type terminal for medium and large conference rooms, 10-fold optical varifocal USB camera, digital omnidirectional microphone and the industry-leading conference Multi-Point Control Units which support H.265+4K encoding and decoding protocols, among which universal-type integrated terminals has been granted the IF Award, the highest international honor in the design field. Currently, Huachuang's products can be applied in various scenarios and meet customer demands and gained wide recognition through the highly-integrated terminal and other advantageous products.

➤ Other smart IoT products

Up to now, the Company has developed four types of aerial vehicles, about 20 kinds of mounting and matching remote controls, ground station and UAV management platform, which, combined with the promotion of industrial solutions, have been applied in emergency command, police surveillance, forest fire prevention, power line patrol, road patrol, environmental monitoring and other fields.

The Company, based on wireless access, data transmission and positioning technology, continuously promotes the R&D and

application of radio frequency identification technology and launches a series of products such as RFID reader, intelligent mobile, electronic tag, etc., providing IoT solutions and products for industry applications such as in enterprises, governments, buildings and for environmental protection, education, judiciary., etc.

The Company launched a comprehensive security protection solution including terminal security, access security, network security, data security, and security operation center, and released a series of access control gateways, IoT trend sensing products, video surveillance bastion hosts and video encryption servers that fix the security pain points in the video surveillance;

Robot Technology, a newly established holding subsidiary of the Company, focuses on three business scenarios, namely AGV handling, industrial patrol and security patrol. It has launched intelligent patrol solution for substation equipment, warehousing logistics solutions and in-plant logistics solutions.

3 Major sales model and performance driving factors

With global sales and service network, the Company builds a diversified customer system of different levels based on different customer properties and business values. With subsidiaries and representative offices across many countries and regions, the Company offers products and solutions to different end users including governments, enterprises, and consumers.

Major performance driving factors include:

The Company has a wide user base at the city, industry and commercial level, and can provide different customers with multi-level solutions. Focusing on customer demands, the Company positively follows the industry trend, with transformation of business model from a single product, comprehensive solutions to comprehensive smart operating service for cities. Dahua Heart of City (HOC) is a smart city development engine supported by "Full Sensing, Full Intelligence, Full Computing, and Full Ecosystem (4 Full) capabilities". It realizes the construction of a "1 platform, 2 centers, N applications" (1+2+N) new smart city framework for application at the city, industry, and commercial level. Dahua HOC highlights the application of AI technology in products, which satisfies needs of the next generation of smart city, helps the Company transform from a product supplier to a comprehensive solution and service provider for a wide growth space for future development of the Company.

After years of development in overseas markets, the Company has established a global sales and service network, contributing to increasing brand recognition and product reputation. The Company always adheres to open, transparent and cooperative attitude with active communication. The Company sticks to the strategy of internalization development, while the continuous increase in overseas market is one of the vital factors for future revenue increase.

II. Industry development trends and the industry position

In 2018, although the Company is affected by domestic economic deleveraging and foreign trade frictions and the pace of industry growth has slowed down in the short term, the Company has maintained the overall growth trend.

As for the changes in customer demands in the market, the granularity of projects has become larger and the decision-making level has been lifted. Meanwhile, with the rise of intelligence, customers gradually hope that enterprises can provide overall solutions and professional advises instead of merely selling products. The future smart city should rely on AI, deep learning, IoT and other new technologies to realize active sensing of the city development, finally achieving "accuracy, innovation, coordination, sharing,

openness" for city governance. The connotations and denotations of video IoT - based security industry have been redefined, with barriers overcame to open up more room for growth. Meanwhile, a higher requirement on the comprehensive ability of manufacturers is raised.

The Company is a world-leading video-centric smart IoT solution and service provider, offering end-to-end video surveillance solutions, systems and services based on the technological innovation, to create value for urban operation, enterprise management and individual life. Following the industry development trend, the Company has put forward the "Dahua Heart of City (HOC)" strategy to make overall plan for full process capability in technological innovation, top-level design, business structure, emergency alarm and operation service and has built a complete closed loop from development to application for AI, deep learning, IoT and other technologies in all fields of smart city, to facilitate the development of smart city. According to the global video surveillance market report released in July 2018 by IHS Markit, Dahua has been the second largest video surveillance company in the industry for many years, with 12% of the global market share (based on 2017 data).

II. Material Changes to Major Assets

1. Major changes in main assets

Major Assets	Explanation Of Material Changes
Equity assets	Increased by 203.35% compared with that of the beginning of the year, mainly due to the recognition of the equities of the shareholding companies.
Fixed Assets	No major changes.
Intangible Assets	Increased by 47.01% compared with that of the beginning of the year, mainly due to increase of land use rights during this period.
Projects under Construction	Increased by 284.82% compared with that of the beginning of the year, mainly due to increase of investment in the Dahua smart security surveillance (IoT) production base.
Non-current Assets Due within 1 Year	Increased by 57.56% compared with that of the beginning of the year, mainly due to increase of long-term receivables due within one year.
Investment Property	Increased by 91.57% compared with that of the beginning of the year, mainly due to increase of rental fees of private commodity houses.
Goodwill	Increased by 54.39% compared with that of the beginning of the year, mainly due to acquisitions of business under non-identical control.
Deferred Income Tax Assets	Increased by 69.14% compared with that of the beginning of the year, mainly due to increase of deductible temporary difference.

2. Major overseas assets

Applicable Not applicable

III. Core Competitiveness Analysis

I. Center on core technology and maintain high R&D investment to build strong capacities in technical innovation

Innovation is an important source of power and core competitive advantage for the development of the Company. The Company possesses a national post-doctoral research station, a nationally certified enterprise technology center and nationally innovative pilot enterprise, and has five research institutes for advanced technology, central, big data, chip and network security. In 2018, the company's R&D investment accounts for 9.65% of the annual sales revenue, which are focused on artificial intelligence, cloud computing, big data, chips and other future-oriented core technologies to enhance R&D capabilities and accelerate the technology commercialization. The Company makes use of the industry-leading innovative capabilities to pursue and grasp new development opportunities, opening up new growth space.

(1) Artificial Intelligence

The year of 2018 is one of rapid development for AI algorithm and application. The Company's deep learning-based video structuring technology can detect people, vehicles and objects in video footage and extract various attributes, with many performance indicators reaching world-class level and supporting more than 40 functions; At the same time, the Company enhances the layout of industry algorithms to vigorously improve the performance of algorithms for various sub-industries. With the vehicle big data technology of the Company, nearly 300 vehicle brands and more than 5000 vehicle models can be identified along with industry-leading recognition of wide-angle license plate. The number of overseas countries whose license plates can be identified has been largely increased. In the smart security check sector, the X-ray automatic detection scheme for hazardous article was launched at first with multiple indicators of the detection rate constantly enhanced to maintain its leading superiority.

In 2018, the Company ranked first in 13 lists in respect of 2D human body detection, 2D/3D vehicle detection, scene flow, optical flow, road segmentation in drivable areas, segmentation cases (cases with vehicles, pedestrians, and so on), multiple object tracking (vehicles, human bodies), PRCV 2018 competition for large-scale searching of pedestrians (image, system test) for KITTI VISION respectively. The facial recognition algorithm ranked first among domestic manufactures in 2018 NIST facial recognition competition for natural scenarios. In the "AI Recognition Competition for Image Characteristics of Vehicles on Road" hosted by the Ministry of Public Security, the Company ranked first in the detection of characteristics of muck trucks and facial recognition for drivers, ranked second in event detection through videos, and ranked third in detection of passengers in a vehicle.

(2) Cloud computing and big data

The Company has constantly enhanced services in cloud storage, cloud database, smart analysis, stream media and formed a comprehensive video cloud technology system. The actual intelligent application based on video & image intelligence and data intelligence allows the access to IoT equipment, data of business platform and third-party data sources. The types of data include 6 sensing objects, 34 sensing scenarios and 43 sensing devices. According to evolution of the scenarios and loading of multiple smart algorithms for persons, vehicles and objects to support the integrated application, and based on the integration of edge intelligence and cloud intelligence, a unified pool for intelligent resources is built for deploying of intelligent resources according to the complex demands of business. The full-network installation and deployment of smart algorithms and computing power will be further realized

according to demands of smart cities.

(3) Chip technology

The first AI chip independently developed by the Company has been applied to multiple intelligent products and solutions, which greatly facilitates the extension of the Company's solutions and products. Meanwhile, according to the industry development characteristics, the Company designs and develops two AI chips by way of customization, professionalism and differentiation, which will be used in many fields such as camera, storage, intelligent server and industrial robot, etc.

II. Have deep insight into customer demands to deliver comprehensive solutions and build operation service capacity

Focusing on customer demands, the Company has constantly expanded and upgraded its business modes, so as to independently offer comprehensive solutions and operation services in entire industrial chain of video surveillance. Meanwhile, the Company has always established sensing systems centering on customers' scenarios and has constantly enhanced the networking capacity of computation and intelligence in products and solutions, so as to maximize customer value.

In 2018, the Company further streamlined the standardized solutions and provided tailored solutions for safe city, smart traffic, smart retail and other key industries. It also launched a series of smart front-end and server products to satisfy the smart application scenarios of the next generation, and comprehensively support the implementation of Dahua HOC. Dahua Heart of City (HOC) is a smart city development engine supported by Full Sensing, Full Intelligence, Full Computing, and Full Ecosystem (4 Full) capabilities. It realizes the construction of a "1 platform, 2 centers, N applications" (1+2+N) new smart city framework for application at the city, industry, and commercial level. Dahua HOC not only pays attention to "4 Full" capabilities of products and solutions, but also endows network with "4 Full" capabilities from a global perspective, thus driving professional, efficient and intelligent operation.

III. Deepen the globalized marketing system, and establish a global marketing and service network

The Company has a global marketing and service network with more than 200 offices in 32 provinces and municipalities in China and 54 subsidiaries and representative offices. The products and solutions are applied in over 180 countries and regions in the world, and the supply chain center set up in Europe can provide fast and high-quality end-to-end services for customers.

For the domestic market, the Company is oriented toward the city-level and industry-level markets with focus on value industries and scenarios, providing solutions more centered around customer business scenarios; For the channel markets, the Company maintains close cooperation with many channel partners to facilitate the healthy and benign market environment and constantly promote channel development and refined channel management. As for the overseas market, through cultivating an international marketing and management team and building localized marketing and services centers and opening Dahua brand image stores and Dahua element stores, the Company will further enhance the brand coverage of Dahua abroad and seize the international market.

IV. The "dedicated to success" corporate culture in support of the Company's long-term sustainable development

"Customer-centered and dedicated to success" is placed at the core of the corporate culture. The Company, through customer-oriented business processes and organization construction, regards creation of customer value as the work guidance and

performance evaluation criteria for every employee. Meanwhile, the Company adheres to the value orientation of "dedicated to success" for continuous optimization of the performance evaluation and salary distribution system and promotes diversified short-term and long-term incentive packages to award high-performance staff with sustainable salary and moral encouragement. The Company has a management team with a strong sense of mission and global strategic vision, and boasts of a strong talent team in the core technology fields of AI, big data, chips, etc.

On March 6, 2018, the company's first interim shareholders' general meeting in 2018 approved the "Management Methods for Business Startup and Investment of Core Staff (draft)" that the Company implemented the investment plan for startup businesses by core staff to share benefits and risks and encourage the entrepreneurial spirit and innovation capabilities of core employees. On September 14, 2018, the Company's fourth interim shareholders' general meeting approved the "Proposal on 'the Company's Restricted Stock Incentive Plan for 2018 (Draft) and its Abstracts'". On November 1, 2018, the seventeenth meeting of the Company's sixth board of directors approved the "Proposal on Granting Restricted Stocks to the Incentive Objects", by which 3145 incentive objects have been awarded, greatly enhancing the staff cohesion and stability and playing a positive role in the long-term stable development of the Company in the future.

Section IV Discussion and Analysis on Business Circumstance

I. Overview

Against the highly volatile international situation in 2018, the video-centric IoT industry has slowed down in its growth rate in the short term due to multiple factors such as domestic economic transformation and overseas uncertainty, etc. Supported by AI, IoT, cloud computing, big data and other technologies, the value of intelligent products and solutions is quickly improved. The market space for the video-centric smart IoT field grows further.

The Company, from an overall perspective, introduced the "Dahua HOC" strategy to coordinate the abilities in all processes such as technological innovation, top-level design, business structure, emergency alarm and operation service, facilitate intelligent transformation of various cities and the industry, and help with the cooperative, open, safe and sustainable development of various cities and the industry.

During the reporting period, the Company has achieved RMB 23.666 billion in operating income, representing an increase of 25.58% on a year-on-year basis; net profit attributable to the shareholders of listed companies was RMB 2.529 billion, representing an increase of 6.34% on a year-on-year basis. The profitability of the Company continued to rise. Main business strategies of the Company include:

(1) Stepping up the targeted R&D investment to continuously improve the core technological capability and build a differentiated technology framework oriented towards "Full Intelligence, Full Computing, Full Sensing and Full Ecosystem (4 Full)"

The Company is committed to taking technological innovation as the core, and investing heavily in R&D. The investment to R&D in 2018 was RMB 2.284 billion, representing an increase of 27.67% on a year-on-year basis, and accounting for 9.65% of the operating income. The company kept a greater focus on advanced technical fields, such as AI, cloud computing and big data, chip, machine vision and robot to realize rapid implementation and iteration for meeting customers' demands.

The Company pays much attention on customers' data security and privacy protection, so it has established a network security research institute to carry out research on device, network and system security technologies and fully implement product security development processes. Its IP video product has got the first TÜV Rheinland GDPR certification in the industry. The Company has provided insights into the industrial and technical trends and constructed a differential technology system oriented toward "Full Sensing, Full Intelligence, Full Computing and Full Ecosystem (4 Full)", with the aim to improve the capability to come up with comprehensive end-to-end solutions oriented to the pain points of customers and build application solutions for particular scenarios, supporting a new round of quick intelligence implementation in the industry.

(2) Having in-depth understanding of customers' businesses, enriching the customer interface and supporting the success of customers

Continuously guided by customer demands, the Company has explored the demands of the market and customers in an in-depth

manner. Based on the properties and business demands of different customers, the Company has established and improved the tiered customer management strategy and refined customer management mechanism. By getting closer to customers, the Company has provided targeted solutions and products, to firmly realize the values of customers' businesses, so as to make them successful.

In the industry market, the Company provides solutions oriented toward customers by focusing on valuable regions, valuable industries, valuable scenarios, and going deeply into various segmented industries. As to the applications in cross-industry scenarios, the Company provides comprehensive solutions through the cooperation in the ecosystem. Building on industry development and market insight, the marketing strategies for various segmented industries are gradually formed; the industry market has been expanded and deepened with the operation capabilities in major projects improved. In terms of channel management, the Company has enhanced the integration of online and offline channels, made channels sink deeper, continuously promoted the establishment of new channels and established a tiered channel customer management system.

(3) Steadily promoting overseas market development while exploring the domestic market in an in-depth manner

The domestic market is the foundation for our business development. The Company has a wide user base at the city, industry and commercial level, and can provide different customers with multi-level solutions.

As to the overseas market, the Company has gradually enhanced the driving force of overseas subsidiaries in localized operations through cultivating international marketing and management teams, establishing local marketing and service centers. It has continuously optimized the revenue structure and gradually realized the expansion in the global market and the upgrading of businesses.

(4) Continuously increasing investment in innovative businesses to promote business growth

Based on the in-depth understanding of customers' diversified demands, and the multi-dimensional sensing technology, the Company continues to develop the machine vision, robots, smart fire control, video conference system, professional drones and other emerging businesses.

Machine vision business: guided by the wave of intelligent manufacturing, machine vision business offers omnidirectional vision products to the manufacturing automation field based on more than a decade of video and intelligent technological accumulation of the Company in the video monitoring field.

Video conference system business: based on the in-depth understanding of the market, the Company has further enlarged product lines. The Company's video conference system has been widely used in the comprehensive urban smart solutions.

Smart fire control business: in the comprehensive application field of smart fire control, the Company has accomplished the R&D and practical application of Dahua HOC smart fire control solutions and realized the top-level planning and deepened design of smart fire control for units, subdistricts, districts/counties and the entire city, to provide customers with guarantee in smart security warning and enhance the informatization and intelligence level of fire control.

Professional drone business: currently, professional drones are widely used in emergency commanding, police surveillance, forest fire control, power line patrol, environment monitoring and other fields. The data from drones can be connected with the data of the police system, city administration system, forestry and other industries. Meanwhile, through smart analysis and application, the Company has realized facial recognition, license plate recognition, structural data extraction, and so on.

Robot business: the Company has organized a core talent team, successively made breakthroughs in movement control, movement navigation, centralized dispatching, task assignment and other core technologies, which have been widely applied in logistics, fire control, police affairs and other fields.

(5) Promoting global layout and establishing R&D sub-centers and supply chain sub-centers

The Company has a global business layout, and a wide marketing network and business coverage both in domestic and overseas markets. In 2018, the company had plans to set up an intelligence base and R&D center in the West for the layout of core technical personnel in artificial intelligence, big data and cloud computing, etc. to meet the Company's growing business needs; The Company continuously optimizes supply chain management, improves product delivery capacity, and speeds up product iteration; And the establishment of the European Supply Center, as one of the important measures to accelerate the "globalization + localization" strategy, we aim to provide faster delivery experience and better customer service to European markets through local assembly and centralized logistics services, and to provide better products and services to global partners and users.

(6) Continuously enhancing refined management capabilities, and realizing high-quality development

The Company continues to carry out systematic business reform and management optimization, strengthen the customer management abilities and enhance the capabilities for providing solutions and operation services. Centering on customers, the Company continues to optimize the LTC/IPD/ISD/ITR and other processes, establish process-based organizations, with a focus on solving pain points in the processes, realizing the smoothness of end-to-end processes and enhancing the speed of response to customers.

II. Main Business Analysis

1. Overview

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

2. Income and Costs

(1) Operating income structure

Unit: RMB

	2018		2017		YoY Change (%)
	Amount	Proportion to Operating Revenue	Amount	Proportion to Operating Revenue	
Total Operating Revenue	23,665,688,106.2	100%	18,844,458,053.78	100%	25.58%
Classified by Industry					
Security Industry	23,665,688,106.2	100.00%	18,844,458,053.78	100.00%	25.58%

	2				
Classified by Product					
Solutions	12,214,951,613.16	51.62%	9,835,663,501.07	52.20%	24.19%
Product	9,762,853,684.85	41.25%	7,593,336,542.79	40.29%	28.57%
Other	1,687,882,808.21	7.13%	1,415,458,009.92	7.51%	19.25%
Classified by Region					
Domestic	15,087,657,708.75	63.75%	12,037,252,733.24	63.88%	25.34%
Overseas	8,578,030,397.47	36.25%	6,807,205,320.54	36.12%	26.01%

(2) The industry, product, or region that accounts for over 10% of the Company's operating revenue or profit

Applicable Not applicable

Unit: RMB

	Operating Revenue	Operating Cost	Gross Profit Margin	Increase or Decrease of Operating Revenue over the Corresponding Period of the Last Year	Increase or Decrease of Operating Cost over the Corresponding Period of the Last Year	Increase or Decrease of Gross Profit over the Corresponding Period of the Last Year
Classified by Industry						
Security Industry	23,665,688,106.22	14,871,181,066.69	37.16%	25.58%	27.76%	-1.07%
Classified by Product						
Solutions	12,214,951,613.16	7,201,889,474.98	41.04%	24.19%	28.89%	-2.15%
Product	9,762,853,684.85	6,128,694,957.17	37.22%	28.57%	28.54%	0.01%
Classified by Region						
Domestic	15,087,657,708.75	9,822,914,231.08	34.89%	25.34%	29.47%	-2.08%
Overseas	8,578,030,397.47	5,048,266,835.61	41.15%	26.01%	24.57%	0.68%

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

Applicable Not applicable

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

Yes No

Industry Classification	Item Name	Unit	2018	2017	Year-on-year increase or decrease
Security industry	Sales volume	Unit/set	54,750,353	44,333,106	23.50%
	Production output	Unit/set	57,109,913	46,876,080	21.83%

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

Applicable Not applicable

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

Applicable Not applicable

(5) Operating Cost Structure

Industry and Product Classification

Unit: RMB

Industry Classification	Item Name	2018		2017		Year-on-year increase or decrease
		Amount	Proportion to Operating Cost	Amount	Proportion to Operating Cost	
Security industry	Operating Cost	14,871,181,066.69	100.00%	11,639,494,423.21	100.00%	27.76%

Unit: RMB

Product Classification	Item Name	2018		2017		Year-on-year increase or decrease
		Amount	Proportion to Operating Cost	Amount	Proportion to Operating Cost	
Solutions	Operating Cost	7,201,889,474.98	48.43%	5,587,449,096.24	48.01%	28.89%
Product	Operating Cost	6,128,694,957.17	41.21%	4,767,931,685.71	40.96%	28.54%
Others	Operating Cost	1,540,596,634.54	10.36%	1,284,113,641.26	11.03%	19.97%

Has the scope of consolidation changed during the reporting period?

Yes No

a) The Company invested to establish 12 domestic subsidiaries including Zhejiang Vision Technology Co., Ltd., Dahua Zhongcheng (Beijing) Technology Co., Ltd., Zhejiang Huaxiao Technology Co., Ltd., Xi'an Dahua Zhilian Technology Co., Ltd., Tianjin Dahua Information Technology Co., Ltd., Hunan Dahua Zhilong Information Technology Co., Ltd., Zhejiang Dahua Robot Technology Co., Ltd., Beijing Huayue Shangcheng Information Technology Service Co., Ltd., Zhejiang Dahua Jinzhi Technology Co., Ltd., Shanghai Huashang Chengyue Information Technology Service Co., Ltd., Wuxi Dahua Ruipin Technology Co., Ltd., Hangzhou Huajuan Technology Co., Ltd. and 9 overseas subsidiaries including Dahua Technology Netherlands BV, Dahua Technology Morocco SARL, Dahua Technology S.R.L, DAHUA VISION LLC, Dahua Technology New Zealand Limited, 1151551 B.C.Ltd., DAHUA TECHNOLOGY CHINA (PVT) LTD, Dahua Technology Pakistan (private) Limited, DAHUA TECHNOLOGY (THAILAND) CO., LTD. The above subsidiaries have been incorporated in the consolidation scope since the date of establishment.

b) In February 2018, the Company completed the shareholding merger of Lorex Technology Inc and Dahua Technology Italy SRL, owning 100% stake of them and having substantial control over it, so they were incorporated in the consolidation scope.

In November 2018, the Company completed the shareholding merger of Sichuan Dahua Guangxun Photoelectric Technology Co., Ltd., owning 100% stake of them and having substantial control over it, so they were incorporated in the consolidation scope.

c) This year, Guangxi Dahua Zhongzhi Technology Co., Ltd., Yancheng Zhongchuang Dahua IOT Technology Co., Ltd., Jiangsu Dahua Zhiyun Information Technology Co., Ltd. And 1151551 B.C.Ltd. were canceled, without being incorporated in the consolidation scope since the date of cancellation.

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

Applicable Not applicable

(8) Major Clients and Suppliers

The Company's Major Clients

Total sales amount of the top five customers	1,875,901,281.59
Proportion of the total sales amount of the top five customers to the total annual sales	7.93%
Proportion of the total sales amount of the related parties in the top five customers to the total annual sales	0.00%

Profiles of the Company's top five customers

No.	Name of Customer	Sales Amount (RMB)	Proportion to the annual sales
1	Company 1	649,872,001.87	2.75%
2	Company 2	416,431,918.63	1.76%
3	Company 3	354,060,992.03	1.50%
4	Company 4	235,293,800.70	0.99%
5	Company 5	220,242,568.36	0.93%
Total	--	1,875,901,281.59	7.93%

Other Information Notes for Major Clients

Applicable Not applicable

(8) Major suppliers

Total Purchase Amount of Top Five Suppliers (RMB)	3,079,872,506.40
Proportion of the total purchase amount of top five suppliers to the total annual purchase amount	21.26%
Proportion of the total purchase amount of the related parties in top five suppliers to the total annual purchase amount	0.00%

Profiles of the Company's top five suppliers

No.	Supplier Name	Purchase Amount (RMB)	Proportion to the Total Annual Purchase
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			Amount
1	Company 1	1,431,895,445.67	9.88%
2	Company 2	435,544,917.09	3.01%
3	Company 3	423,340,474.10	2.92%
4	Company 4	397,174,139.65	2.74%
5	Company 5	391,917,529.89	2.71%
Total	--	3,079,872,506.40	21.26%

Other Information Notes for Major Suppliers

Applicable Not applicable

3. Expenses

Unit: RMB

	2018	2017	Year-on-year Increase or Decrease	Statement on Significant Changes
Sales Expenses	3,365,380,947.78	2,416,699,706.00	39.26%	Mainly due to the expansion of the company's sales volume and the market.
Administration Expenses	632,968,594.64	519,518,000.34	21.84%	
Financial Expenses	-123,167,962.74	167,431,921.69	-173.56%	Mainly due to the increase in exchange gains
Research and Development Expense	2,283,872,502.53	1,788,888,879.43	27.67%	

4. R&D Investment

Applicable Not applicable

Company's R&D investment

	2018	2017	Change Ratio
Number of R&D personnel	6,880	6,267	9.78%
Percentage of R&D personnel	50.56%	53.15%	-2.59%
R&D investment (RMB)	2,283,872,502.53	1,788,888,879.43	27.67%
The proportion of R&D investment to operating income	9.65%	9.49%	0.16%
Capitalized R&D investment	0.00	0.00	0.00%
Proportion of capitalized R&D investment to R&D investment	0.00%	0.00%	0.00%

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

Applicable Not applicable

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

Applicable Not applicable

5. Cash Flow

Unit: RMB

Item Name	2018	2017	Year-on-year Increase or Decrease
Subtotal of Cash Inflow from Operating Activities	23,648,130,137.58	17,873,518,699.53	32.31%
Subtotal of Cash Outflow from Operating Activities	22,692,814,159.41	16,959,287,339.52	33.81%
Net Cash Flow Generated by Operating Activities	955,315,978.17	914,231,360.01	4.49%
Subtotal of Cash Inflow from Investment Activities	170,142,702.70	117,691,286.89	44.57%
Subtotal of Cash Outflow from Investment Activities	916,786,739.20	412,603,885.09	122.20%
Net Amount of Cash Flow Generated by Investment Activities	-746,644,036.50	-294,912,598.20	153.17%
Subtotal of Cash Inflow from Financing Activities	8,800,798,371.20	5,310,239,934.34	65.73%
Subtotal of Cash Outflow from Financing Activities	8,424,286,645.98	4,865,390,334.24	73.15%
Net Cash Flow Generated by Financing Activities	376,511,725.22	444,849,600.10	-15.36%
Net additions to Balance of Equivalents	639,604,809.66	987,502,208.32	-35.23%

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

Applicable Not applicable

1. Cash inflow from operating activities saw a year-on-year rise of 32.31%, which is mainly due to the expansion of company sales and increase in received payment.
2. Cash outflow from operating activities saw a year-on-year rise of 33.81%, which is mainly due to the expansion of company sales and the increase in the corresponding expenditure.
3. Cash inflow from investment activities saw year-on-year rise of 44.57%, which is mainly due to the increase in investment recovered from the reverse repurchase of treasury bonds in the current period.
4. Cash outflow from investment activities saw year-on-year rise of 122.20%, which is mainly due to the increase in investment to construction in progress, asset and equity acquisition in the current period.
5. Cash inflow from funding activities saw a year-on-year rise of 65.73%, which is mainly due to increased borrowings in the current period.
6. Cash outflow from funding activities saw a year-on-year rise of 73.15%, which is mainly due increased refunds in the current period.

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

Applicable Not applicable

III. Non-main Business Analysis

Applicable Not applicable

IV. Analysis of Assets and Liabilities

1. Significant changes in assets composition

Unit: RMB

	End of 2018		End of 2017		Proportion Increase and Decrease	Statement on Significant Changes
	Amount	Proportion To Total Assets	Amount	Proportion To Total Assets		
Cash and Bank Balances	4,160,153,847.06	15.79%	3,612,937,164.14	16.94%	-1.15%	No Significant Change
Accounts Receivable	10,191,372,777.38	38.68%	7,539,944,756.69	35.34%	3.34%	Mainly due to the expansion of Company sales
Inventory	3,035,579,709.14	11.52%	2,806,142,598.65	13.15%	-1.63%	No Significant Change
Investment Property	346,831,376.55	1.32%	181,050,142.29	0.85%	0.47%	Main due to self-owned property rental
Long-term Equity Investment	185,872,021.58	0.71%	61,272,885.41	0.29%	0.42%	Mainly due to the rights and interests confirmation for joint stock companies
Fixed Assets	1,407,471,330.83	5.34%	1,248,305,165.77	5.85%	-0.51%	No Significant Change
Projects under Construction	226,191,587.11	0.86%	58,779,225.41	0.28%	0.58%	Mainly due to increased investment in Dahua Smart Security (IOT) Manufacturing Base
Short-term Loan	1,851,709,561.83	7.03%	1,770,924,255.90	8.30%	-1.27%	No Significant Change
Long-term Loan	179,000,000.00	0.68%	230,000,000.00	1.08%	-0.40%	No Significant Change

2. Assets and liabilities measured at fair value

Applicable Not applicable

Unit: RMB

Item Name	At the Beginning of the Reporting Period	Changes in Fair Value Gains and Losses in the Current Period	Cumulative Fair Value Changes in Equity	Impairment Loss of the Reporting Period	Purchase Amount of the Reporting Period	Sales Amount of the Reporting Period	At the End of the Reporting Period

Financial Liabilities	62,450,000.00	38,602,602.30				62,450,000.00	38,602,602.30
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Are there any significant changes in the measurement attributes of the company's main assets during the reporting period?

Yes No

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

As of December 31, 2018, the Company pledged monetary funds of RMB 469,159,816.01 for bank loans, issuing letters of guarantee and commercial acceptance bills; pledged notes receivable of RMB 1,606,595,655.43 for issuing bank acceptance bills; pledged long-term accounts receivable of RMB 333,613,018.77 for long-term loans of bank.

V. Investment analysis

1. Overview

Applicable Not applicable

Investment In The Reporting Period (RMB)	Investment Over The Corresponding Period Of Last Year	Rate Of Change
573,964,874.71	1,113,976,115.63	-48.48%

2. Significant equity investments acquired during the reporting period

Applicable Not applicable

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

Applicable Not applicable

Unit: RMB

Item Name	Investment Mode	The Investment In The Fixed Assets Or Not	Involvement in industry investment projects	Amount Invested In The Current Reporting Period	Cumulative Actual Investment As Of The End Of Reporting Period	Capital Source	Item Name Progress	Anticipated Income	Cumulative Income As Of The End Of The Reporting Period	Reasons For Unreached Planned Progress And Anticipated Revenue	Disclosing Date (If Any)	Disclosing Index (If Any)
Dahua Intelligence (IoT) Industrial Park	Self-construction	Yes	Video surveillance industry	193,537,262.06	1,011,578,841.90	Self-raised funds	50.58%			N/A	December 02, 2014	Juchao Information Website http://cninfo.com .

												cn/
Dahua West Smart Base and Dahua West R&D Center	Self-construction	Yes	Video surveillance industry	50,943,152.09	50,943,152.09	Self-raised funds	5.09%			N/A	July 16, 2018	Juchao Information Website http://cninfo.com.cn/
Dahua Smart Security (IOT) Manufacturing Base	Self-construction	Yes	Video surveillance industry	102,115,375.87	110,183,237.44	Self-raised funds	13.77%			N/A		
Total	--	--	--	346,595,790.02	1,172,705,231.43	--	--	0.00	0.00	--	--	--

4. Financial assets at fair value

Applicable Not applicable

5. Utilization of raised funds

Applicable Not applicable

No use of funds in the reporting period of the Company

VI. Major Assets and Equity Sales

1. Major assets sales

Applicable Not applicable

No major assets sales in the reporting period of the Company

2. Major equity sales

Applicable Not applicable

VII. Analysis of Major Subsidiaries and Investees

Applicable Not applicable

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

Unit: RMB

Company Name	Company Type	Main Business	Registered Capital	Total Assets	Net Assets	Operating Income	Operating Profit	Net Profit
Dahua System Engineering	Subsidiary Company	The development, production, installation and sales of electronic and communication products; the design, construction and installation of computer system integration and automated control engineering	500,000,000.00	3,806,285,042.13	1,231,086,785.21	1,733,294,029.23	20,275,392.33	27,584,975.67
Dahua Vision Technology	Subsidiary Company	The development, sales, and technical services related to computer software, as well as the design, development, production and sales of security equipment, electronic products and communications	646,810,000.00	18,991,040,578.25	1,004,392,739.83	20,535,514,855.52	319,563,148.18	239,719,169.44

		products						
Dahua Zhilian Company	Subsidiary Company	Production and sales of electronic products and auxiliary equipment; technological development, technical consultation and services, achievement transference of computer software, electronic products, communications products, and digital security products; self-owned house lease; catering service; import and export of goods.	1,110,000,000.00	4,333,344,310.38	1,009,658,111.72	2,375,777,103.45	62,545,434.99	46,928,649.30

Acquisition and disposal of subsidiaries during the reporting period

√ Applicable □ Not applicable

Company Name	Method of Acquisition and Disposal of Subsidiaries during the Reporting Period	Impact on Overall Production Management and Performance
Tianjin Dahua	Established with investment	No significant impact on overall production, operation and performance
Dahua Zhilong	Established with investment	No significant impact on overall production, operation and performance
Vision Technology	Established with investment	No significant impact on overall production, operation and performance

Zhongcheng Technology	Established with investment	No significant impact on overall production, operation and performance
Huaxiao Technology	Established with investment	No significant impact on overall production, operation and performance
Xi'an Dahua	Established with investment	No significant impact on overall production, operation and performance
Wuxi Ruipin	Established with investment	No significant impact on overall production, operation and performance
Dahua Robot	Established with investment	No significant impact on overall production, operation and performance
Beijing Huayue	Established with investment	No significant impact on overall production, operation and performance
Shanghai Huashang	Established with investment	No significant impact on overall production, operation and performance
Dahua Jinzhi	Established with investment	No significant impact on overall production, operation and performance
Huajuan Technology	Established with investment	No significant impact on overall production, operation and performance
Dahua Morocco	Established with investment	No significant impact on overall production, operation and performance
Dahua Uzbekistan	Established with investment	No significant impact on overall production, operation and performance
Dahua Netherlands	Established with investment	No significant impact on overall production, operation and performance
Dahua Sri Lanka	Established with investment	No significant impact on overall production, operation and performance
Dahua Pakistan	Established with investment	No significant impact on overall production, operation and performance
Dahua New Zealand	Established with investment	No significant impact on overall production, operation and performance
Dahua Thailand	Established with investment	No significant impact on overall production, operation and performance
Dahua Romania	Established with investment	No significant impact on overall production, operation and performance
1151551 B.C.Ltd	Invest to establish/cancel	No significant impact on overall production, operation and performance
Guangxi Dahua Zhongzhi Technology Co., Ltd.	Deregistration	No significant impact on overall production, operation and performance

Yancheng Zhongchuang Dahua IoT Technology Co., Ltd.	Deregistration	No significant impact on overall production, operation and performance
Jiangsu Dahua Zhiyun Information Technology Co., Ltd.	Deregistration	No significant impact on overall production, operation and performance

Major holding companies and joint stock companies

No significant holding companies and joint stock companies information should be disclosed during the reporting period.

VIII. The structured entity controlled by the Company

Applicable Not applicable

IX. Prospects for the Future Development of the Company

A. Company Development Strategy

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

Based on the insights into the future trend, the Company introduced the "Dahua HOC" strategy in 2018 to facilitate intelligent transformation of various cities and the industry, and help with the cooperative, open, safe and sustainable development of various cities and the industry.

B. Prospects for Future Strategy

1. Improving the capability to come up with comprehensive end-to-end solutions oriented to the pain points of customers based on the HOC structure

The Company will construct a differential technology system oriented toward "full sensing, full intelligence, full computing and full ecology" and improve the capability to come up with comprehensive end-to-end solutions oriented to the pain points of customers based on the HOC structure. The Company will follow the market trend of "customer demands as orientation, customer success as the goal", so as to create a project-driven organization with strong matrix, open up solution marketing, R&D and delivery functions, and cultivate the capability to come up with differential solutions oriented toward customers' scenarios. The Company will gradually realize the two-way opening-up and synergy of solutions and products, to promote the integration of solutions and products.

2. Continuously increasing investment in R&D and facilitating technical innovation

The Company will further explore insights into the industrial and technical trends and increase the investment in advanced technologies, such as AI, cloud computing and big data, chip and other future core technologies to enhance R&D capabilities. By

virtue of the leading technologies in the industry and the market scale, the Company will accelerate the commercialization of technologies, maintain its leading position in video technology, multi-dimensional sensing, AI, big data analysis and other core technical fields, and develop more solutions and products oriented toward customer demands.

3. Continuously enriching the customer interface to enhance the ability to create values for customers

The Company will build a tiered customer sand table, establish a three-dimensional customer relationship management system and improve the systematic marketing abilities based on the matching with customer values, to continuously enrich the customer interface. In the industry market, the Company will focus on valuable industries and enhance the expansion and deepening in the industry market. In addition, the Company will build a cooperative ecosystem to provide integrated solutions that create values for customers. In terms of channel management, we will strengthen channel sinking and channel relationship management, establish a tiered channel customer management system, and enhance the development and operation of new channels.

4. Exploring the domestic market in an in-depth manner while promoting overseas business localization and optimizing revenue structure

The Company will continue to optimize the construction of global marketing network, expand the overseas market on the basis of the exploration in the domestic market, proceed orderly with the construction of overseas branches, and improve the localized operation capabilities. The Company will enrich the product lines for overseas market, speed up the update and iteration of overseas products, promote continuous breakthrough in project market, and gradually increase the proportion of its revenue in overseas market revenue.

5. Building systematic delivery and service capabilities oriented toward the global market

The Company will, based on the integration plan, build a high-efficiency and low-cost supply system oriented toward the global market to realize flexible supply and improved quality. For the front-line businesses, the Company will build delivery and service capabilities in domestic provinces/overseas regions, create a professional and efficient delivery platform, and enhance delivery efficiency and customer satisfaction.

6. Taking video capabilities as the core and increasing the investment in innovative businesses to cultivate new growth points

Centering on the video business, the Company has incubated machine vision, robots, smart fire control, video conference system, industry-level drones and other emerging video IoT businesses. The Company will continue to integrate resources such as AI, cloud computing and big data, IoT, etc., and explore the application of those resources in the video IoT field. In the future, the Company will continue to explore different business models around video services and tap new growth points from its innovative business.

7. Focusing on the pain points in businesses and processes to strengthen management improvement, improving operational efficiency, and enhancing the ability to continuously create values for customers

The Company will continue to advance the business transformation and management optimization aiming at creating values for customers, and gradually open up the LTC\IPD\ISD\ITR process to achieve the efficient operation of the end-to-end process system. The Company will open up the LTC business process to the front-line businesses, strengthen the management of channels and

projects and enhance efficiency and benefit. Through IPD, the Company will strengthen market insight targeting at typical customers and scenarios, solidify demand management, and enhance accuracy of product investment and effectiveness of R&D. Through ISD, the Company will enhance the customer delivery and service ability and further enhance the overall delivery efficiency. Through establishing the end-to-end ITR management system, the Company will connect the technical service organizations of all levels to clarify the solution procedures for domestic and overseas pre-sales/in-sales/after-sales problems.

8. Further improving the incentive system for talents and the development of corporate culture

The company will adhere to the corporate culture of "customer-centered and strive-oriented" to build the core power of enterprise development. The Company always adheres to the value orientation of "Striver-oriented and win-win with fighters", continuously optimizes the performance evaluation and salary distribution system, and promotes diversified incentive measures including both short term and long term ones to provide high-performance talents with sustainable salary and spiritual incentive.

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

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

√ Applicable □ Not applicable

Reception Time	Reception Method	Reception target type	Index of the basic information of research
January 10, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
January 11, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
26 January 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
January 29, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
January 30, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
March 14, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
March 15, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
March 19, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
March 21, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
March 26, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn

27 April 2018	Field Investigation	Institution, individual	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
May 08, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
May 09, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
May 10, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
May 11, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
May 17, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
May 18, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
May 30, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
May 31, 2018	Field investigation, telephone communication	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
June 06, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
June 07, 2018	Field investigation, telephone communication	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
June 19, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
June 20, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
June 26, 2018	Field investigation, telephone communication	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
June 27, 2018	Telephone communication	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
July 02, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
July 08, 2018	Telephone communication	Institution, individual	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
July 17, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn

July 18, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
August 23, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
August 29, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
August 30, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
September 06, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
September 07, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
September 12, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
September 13, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
September 14, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
September 18, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
September 19, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
September 20, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
September 26, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
September 27, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
October 26, 2018	Field Investigation	Institution, individual	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
October 31, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
November 01, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
November 19, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
November 20, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn

November 21, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
November 29, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
November 30, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
December 03, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
December 10, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
December 11, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
December 12, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
December 17, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
December 18, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn
December 19, 2018	Field Investigation	Institution	For more information, please see the investor relations activity list in http://www.cninfo.com.cn

Section V Significant Events

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

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

Applicable Not applicable

On April 27, 2018, the Company's 2017 Annual General Meeting of Shareholders reviewed and approved the Shareholder Return Planning for the Next Three Years (2018-2020), which clearly stipulates the decision-making procedures for dividend standards, proportions and profit distribution policies that will be executed in strict rotation, guaranteeing the continuity and stability of the profit distribution policies and adequately protecting the legitimate rights and interests of small and medium investors.

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

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

1. The profit distribution preplan of the Company in 2016 is: taking the 2,899,411,405 total capital shares by December 31, 2016 as the basis, cash dividend of RMB 1.00 (tax included) for each 10 shares was distributed to all shareholders, with a total amount of RMB 289,941,140.50, and no bonus share sent and no capitalization of capital reserves.

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

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

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

Unit: RMB

Year	Cash Dividend Amount (tax included)	Net profit Attributable to Common Stock Shareholders of	The ratio of Cash Dividends to the Net Profit Attributable to	The Amount of Cash Dividends in Other Ways	The Proportion of Cash Dividends in Other Ways the	Total Amount of Cash Dividends (including	The Ratio of Total Amount of Cash Dividends

		Listed Companies in the Consolidated Financial Statement of the Year for Dividend Distribution	Ordinary Shareholders of Listed Companies in the Consolidated Statements	(such as share repurchase)	Net Profit Attributable to Ordinary Shareholders of Listed Companies in the Consolidated Statements	other ways)	(including other ways) to the Net Profit Attributable to Ordinary Shareholders of Listed Companies in the Consolidated Statements
2018	299,762,193.00	2,529,426,468.61	11.85%	0.00	0.00%	299,762,193.00	11.85%
2017	579,751,226.00	2,378,726,820.22	24.37%	0.00	0.00%	579,751,226.00	24.37%
2016	289,941,140.50	1,825,199,447.95	15.89%	0.00	0.00%	289,941,140.50	15.89%

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

Applicable Not applicable

II. Preplans on Profit Distribution and Capitalization of Capital Reserves during this Reporting Period

Applicable Not applicable

Number of bonus shares per 10 shares (shares)	0
Number of dividend payout per 10 shares (RMB) (tax included)	1.00
Number of capitalized shares per 10 shares (shares)	0
Equity base in the distribution preplan (shares)	2997621930
The amount of cash dividends (RMB) (including tax)	299,762,193.00
The amount of cash dividends (RMB) in other ways (such as share repurchase)	0.00
The total amount of cash dividends (including in other ways) (RMB)	299,762,193.00
Distributable profits (RMB)	7,670,983,116.33
The ratio of the total amount of cash dividends (including in other ways) to the total amount of profit distribution	100
Latest cash dividend	
If the Company's development stage is not easy to define but there are significant capital expenditure arrangements, when the profits are being distributed, the proportion of the cash dividends in this profit distribution should be at least 20%	
Details of the preplans on profit distribution or capitalization of capital reserves	
As audited and confirmed by BDO China Shu Lun Pan Certified Public Accountants LLP, the net profit attributable to	

shareholders of the parent company in 2018 was RMB 2,529,426,468.61. According to the Articles of Incorporation, the statutory surplus reserve transferred was RMB 274,822,162.55; as of December 31, 2018, the profit actually available for distribution to shareholders by the Company is RMB 7,670,983,116.33, and the profit actually available for distribution to shareholders from the parent company is RMB 7,930,928,526.31.

The Company's profit distribution preplan for the year of 2018 is: on the basis of the Company's 2,997,621,930 shares in total capital by December 31, 2018, all shareholders will be distributed 1 yuan in cash (including tax) for each 10 shares, and the total amount of cash dividends is 299,762,193.00 yuan, with no bonus shares and no capitalization of capital reserves. The remaining undistributed profit after the distribution of dividends will be carried forward to the next year.

III. Performance of Commitments

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

√ Applicable □ Not applicable

Commitments	Party making commitments	Commitment Type	Content	Time	Term	Performance
Commitments made during initial public offerings or refinancing	Fu Liquan, Zhu Jiangming, Chen Ailing, Wu Jun	Commitment on restricted shares	The number of shares transferred each year during his/her term of service shall not exceed 25 percent of the total number of shares he/she holds in the Company; he/she shall not transfer his/her shares in the Company within half a year after he/she leaves the Company; within the next twelve months, the number of shares sold through the stock exchange listing transactions shall not exceed 50% of the total shares he/she holds.	15 July 2007	Long-term	As of the disclosure date of this announcement, the aforementioned commitments are still in strict execution.
Other commitments to minority shareholders of the Company	Fu Liquan, Chen Ailing	Commitment on horizontal competition	(1) He/she will not directly engage in operational activities that constitute horizontal competition with the stock company's business; (2) for companies he/she held or indirectly held, he/she will fulfill the obligations under this commitment through agencies and personnel (including but not limited to directors and managers); (3) if the stock company further expands its range of products and business scope, he/she and the company held by him/her will not compete with the expanded range of products or businesses of the stock company.	30 June 2007	Long-term	As of the disclosure date of this announcement, the aforementioned commitments are still in strict execution.
Whether	Yes					

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

Applicable Not applicable

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

Applicable Not applicable

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

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

Applicable Not applicable

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

Applicable Not applicable

During the reporting period, there are no changes in accounting policies, accounting estimating and accounting methods.

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

Applicable Not applicable

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

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

Applicable Not applicable

a) The Company invested to establish 12 domestic subsidiaries including Zhejiang Vision Technology Co., Ltd., Dahua Zhongcheng (Beijing) Technology Co., Ltd., Zhejiang Huaxiao Technology Co., Ltd., Xi'an Dahua Zhilian Technology Co., Ltd., Tianjin Dahua Information Technology Co., Ltd., Hunan Dahua Zhilong Information Technology Co., Ltd., Zhejiang Dahua Robot Technology Co., Ltd., Beijing Huayue Shangcheng Information Technology Service Co., Ltd., Zhejiang Dahua Jinzhi Technology

Co., Ltd., Shanghai Huashang Chengyue Information Technology Service Co., Ltd., Wuxi Dahua Ruipin Technology Co., Ltd., Hangzhou Huajuan Technology Co., Ltd. and 9 overseas subsidiaries including Dahua Technology Netherlands BV, Dahua Technology Morocco SARL, Dahua Technology S.R.L, DAHUA VISION LLC, Dahua Technology New Zealand Limited, 1151551 B.C.Ltd., DAHUA TECHNOLOGY CHINA (PVT) LTD, Dahua Technology Pakistan (private) Limited, DAHUA TECHNOLOGY (THAILAND) CO., LTD. The above subsidiaries have been incorporated in the consolidation scope since the date of establishment.

b) In February 2018, the Company completed the shareholding merger of Lorex Technology Inc and Dahua Technology Italy SRL, owning 100% stake of them and having substantial control over it, so they were incorporated in the consolidation scope.

In November 2018, the Company completed the shareholding merger of Sichuan Dahua Guangxun Photoelectric Technology Co., Ltd., owning 100% stake of them and having substantial control over it, so they were incorporated in the consolidation scope.

c) This year, Guangxi Dahua Zhongzhi Technology Co., Ltd., Yancheng Zhongchuang Dahua IOT Technology Co., Ltd., Jiangsu Dahua Zhiyun Information Technology Co., Ltd. And 1151551 B.C.Ltd. were canceled, without being incorporated in the consolidation scope since the date of cancellation.

IX. Appointment and Dismissal of Accounting Firms

Currently appointed accounting firms

Names of domestic accounting firms	BDO China Shu Lun Pan CPAs (special general partnership)
Remuneration to domestic accounting firms (Unit: ten thousand RMB)	130
Years of continuous audit service of domestic accounting firms	15
Names of Certified Public Accountants from domestic accounting firms	Zhong Jiandong, Du Na
The continuous period of audit service for certified public accountants in domestic accounting firms	One year of continuous service for Zhong Jiandong and four years of continuous service for Du Na

Whether to reappoint accounting firms for current period

Yes No

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

Applicable Not applicable

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

Applicable Not applicable

XI. Bankruptcy and restructuring

Applicable Not applicable

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

XII. Significant Lawsuits and Arbitrations

During this reporting period, the Company has no major lawsuits or arbitrations. Other lawsuits that do not meet the criteria of disclosure for major lawsuits are as follows:

The subsidiary company, Zhejiang Dahua Technology Co., Ltd, signed a sales contract with Hangzhou Sailidi Import & Export Co., Ltd (hereinafter referred to as "Sailidi Company") that Sailidi Company purchased products from Dahua Technology. Up to December 31, 2018, there are still 66,920,644.38 yuan in accounts payable. In August 2018, Dahua Technology filed a lawsuit to the People's Court of Binjiang District in Hangzhou, requesting Sailidi Company to pay the remaining amount and the liquidated damages for overdue payment and interests. In September 2018, Dahua Technology applied to the People's Court of Binjiang District for property preservation, requesting to freeze the bank deposit of 50 million yuan from Sailidi Company's legal representative Zhu Yuequan, or to seal up or seize property of corresponding value and provide guarantee. The People's Court of Binjiang District granted the application for property preservation. On January 11, 2019, the People's Court of Binjiang District in Hangzhou conducted a public hearing and on January 17, 2019, it issued a court verdict of (2018) Zhejiang 0108 Minchu No. 4451 that requested Sailidi Company to pay Dahua Technology the overdue payment of 27,878,975.60 yuan and corresponding interest loss of 1,021,088.16 yuan (calculated until the date of December 31, 2018) after the verdict came into effect, with Zhu Yuequan assuming joint and several liability. Until the financial reporting date, this case was still in the execution stage. According to the inventory of seized property, the Company's estimated recoverable amount is 10 million yuan. The net realizable value of other seized property is of significant uncertainty, thus the Company makes provision for bad debts of 56,920,644.38 yuan based on the difference between the present value of estimated future cash flow and its book value.

XIII. Penalties and Rectification

Applicable Not applicable

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

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

Applicable Not applicable

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

Applicable Not applicable

1. On May 16, 2017, the Company's 2016 Annual General Meeting of Shareholders reviewed and approved the Zhejiang Dahua Technology Co., Ltd. Phase III Employee Stock Ownership Plan (Draft) and its summary, and decided to implement the Phase III Employee Stock Ownership Plan. On June 1, 2017, the Company's third employee stock ownership plan completed the stock purchase through the "DAHUA No. 3 Directional Asset Management Plan of Caitong Securities Asset Management", with an average purchase price of 16.83 yuan per share and total purchase amount of 47,000,000 shares.

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

3. On August 28, 2018, the Company's 15th meeting of the 6th Board of Directors of the company reviewed and approved "the

Restricted Stock Incentive Plan (Draft) of Zhejiang Dahua Technology Co., Ltd in 2018" and its summary, which intends to use the method of private placements to grant for the first time 109,574,100 restricted stocks at the price of 8.17 yuan per share to 3,423 employees, including part of the Company's directors, senior executives and other managers and key staff, and reserve 12,174,900 shares for reserved incentive objects at the same time.

4. On September 14, 2018, the Company's 4th interim shareholders' meeting in 2018 reviewed and approved "the Restricted Stock Incentive Plan (Draft) of Zhejiang Dahua Technology Co., Ltd in 2018" and its summary, authorizing the Board of Directors to handle relevant matters on the Company's stock incentive plan.

5. On November 1, 2018, the Company's 17th meeting of the 6th Board of Directors reviewed and approved the "Proposal on Related Issues of Adjusting the Restricted Stock Incentive Plan of 2018" and the "Proposal on Granting Restricted Stocks to Incentive Targets". In view that some of the original incentive targets no longer met the incentive conditions due to dimission, and some of them waived the restricted stocks that the company intended to grant for personal reasons, the Board of Directors adjusted the number of incentive targets and the quantity of stocks to be granted. The number of incentive targets was adjusted from 3,423 to 3,237, and the total number of restricted stocks to be granted was adjusted from 121,749,000 shares to 117,468,100 shares. At the same time, the Board of Directors confirmed the granting conditions and concluded that the conditions had been reached and decided to grant restricted stocks to the incentive targets for the first time. The granting date was November 1, 2018.

On November 29, 2018, the Company published the "Announcement on the Completion of Restricted Stocks Granting in 2018". In view that some of the original incentive targets no longer met the incentive conditions due to their dimission, and some of them waived the restricted stocks that the company intended to grant for personal reasons, the Company adjusted the number of incentive targets and the quantity of stocks to be granted. The number of incentive targets was adjusted from 3,237 to 3,145, and the total number of restricted stocks to grant was adjusted from 105,293,200 shares to 98,865,800 shares, and the quantity of 12,174,900 shares of reserved restricted stocks remained unchanged. The 98,865,800 shares that the Company has granted to 3,145 people for the first time through the restricted stock incentive plan in 2018 have been issued in Shenzhen Stock Exchange on November 30, 2018.

7. On December 27, 2018, the Company's 5th interim shareholders' meeting in 2018 reviewed and approved the "Proposal on Buy-back and Cancellation of Some Granted but Unlocked Restricted Stocks" and agreed to buy back and cancel restricted shares held by the incentive targets who have left the Company and one deceased personnel. The buy-back price was 8.17 yuan per share, the same as the granting price, and the registered capital was reduced accordingly. The above buy-back and cancellation was completed on March 4, 2019, and the modification procedures at the Bureau of Industry and Commerce are still in progress.

XVI. Significant Related-party Transactions

1. Related transactions relevant to daily operations

Applicable Not applicable

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

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

Applicable Not applicable

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

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

Applicable Not applicable

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

4. Related-party creditor's rights and debts

Applicable Not applicable

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

5. Other major related transactions

Applicable Not applicable

1. On January 25, 2018, the Company's 5th meeting of the 6th Board of Directors reviewed and approved the "Proposal on Adjusting the Joint Investment Plan with Related Parties and Related Transactions (I)", which agreed to adjust the capital contribution to Zhejiang Huaan Technology Co., Ltd (tentative name) with the related legal person of Zhejiang Huashi Investment Management Co., Ltd, the related natural person of Wei Meizhong and 15 unrelated natural persons. After the adjustment, the Company will contribute RMB 25.5 million with its own funds, accounted for 51% of the registered capital. In March 2018, this company was established and the approved company name by the Bureau of Industry and Commerce was Zhejiang Huaxiao Technology Co., Ltd.

2. On January 25, 2018, the Company's 5th meeting of the 6th Board of Directors reviewed and approved the "Proposal on Adjusting the Joint Investment Plan and Related Transactions with Related Parties (II)", which agreed to adjust the capital contribution to Zhejiang Huazhi Technology Co., Ltd (now renamed Zhejiang Dahua Robotics Technology Co., Ltd) with the related legal person of Zhejiang Huashi Investment Management Co., Ltd and the unrelated persons. After the adjustment, the Company invested 25.5 million yuan with its own funds, accounting for 51% of the registered capital; Huashi Investment contributed 24.5 million yuan in cash, accounting for 49% of the registered capital. In August 2018, this company was established.

3. On January 25, 2018, the Company's 5th meeting of the 6th Board of Directors reviewed and approved the "Proposal on Waiving the Right of Proportional Capital Increase and Related Transactions with Joint Stock Companies", which agreed to waive the right of proportional capital increase of eight investors, including Ningbo Jinghang Equity Investment Partnership, Ningbo Gulin Equity Investment Partnership and Hangzhou Yixun Investment Management Partnership, to Zhejiang Leap Technology Co., Ltd, and the amount of related transactions for waiving the right of proportional capital increase was 41,483,000 yuan. The modification procedures at the Bureau of Industry and Commerce for the above matters were completed in March 2018.

4. On April 17, 2018, the Company's 8th meeting of the 6th Board of Directors reviewed and approved the "Proposal on Capital Increase and Related Transactions with Holding Subsidiary Companies" that the Company and the related person, Mr. Fu Liquan, increased proportional capital contributions to the holding subsidiary of Hangzhou Huacheng Network Technology Co., Ltd. Among them, the Company increased capital by 20.4 million yuan with its own funds, and the Company's controlling shareholder, Fu Liquan, increased capital by 19.6 million yuan. After the capital increase, the registered capital of Huacheng Network will increase from 10 million yuan to 50 million yuan. The modification procedures at the Bureau of Industry and Commerce for the above matters were completed in April 2018.

5. On May 31, 2018, the Company's 11th meeting of the 6th Board of Directors reviewed and approved the "Proposal on Accepting assignment of Part Equities of Subsidiary Companies and Waiving Priority of Assignment and Related Transactions", which agreed to: (1) Being assigned 6% of the equities of Huarui Technology held by the related legal person of Zhejiang Huashi Investment Management Co., Ltd and waiving the priority of assignment of 49% of equities of Huarui Technology transferred from the related legal person of Huashi Investment, the related natural person of Zhang Xingming and other related persons to the related legal person and core employees' business startup and investment shareholding platform of Ningbo Huayu Investment Management Partnership (hereinafter referred to as "Ningbo Huayu"); (2) Waiving the priority of assignment of 49% of equities of Zhejiang Huachuang Video Technology Co., Ltd transferred from the related legal person of Huashi Investment and other unrelated natural

persons to Ningbo Huayu; (3) Waiving the priority of assignment of 49% of equities of Zhejiang Dahua Security Networking Operation Service Co., Ltd which were intended to be transferred from the related legal person of Huashi Investment and the related natural person of Wu Jun and other unrelated persons to Ningbo Huayu. In July 2018, matters related with transferring the above three kinds of equities were all completed.

6. On May 31, 2018, the Company's 11th meeting of the 6th Board of Directors reviewed and approved the "Proposal on Joint Investment and Related Transactions with Related Parties", which agreed to establish Wuxi Dahua Ruipin Technology Co., Ltd with joint contribution with the related legal person of Huashi Investment. Among them, the Company invested 25.5 million yuan with its own funds, accounting for 51% of the registered capital, while Huashi Investment invested 24.5 million yuan in cash, accounting for 49% of the registered capital. In June 2018, the company was established.

7. On June 21, 2018, the Company's 12th meeting of the 6th Board of Directors reviewed and approved the "Proposal on Waiving the Priority of Assignment and Related Transactions", which agreed to waive the priority of assignment of 49% of equities of Hangzhou Huacheng Network Technology Co., Ltd transferred from the Company's controlling shareholder, Fu Liquan, to the related legal person and core employees' business startup and investment shareholding platform of Ningbo Huayu. In July 2018, matters regarding such equity transfer were completed.

8. On November 12, 2018, the Company's 18th meeting of the 6th Board of Directors reviewed and approved the "Proposal on Waiving the Right of Proportional Capital Increase and Related Transactions in Shareholding Companies", which agreed to waive the right of proportional capital increase of seven investors, namely, Shanghai Electric, Industrial Securities Investment Management, Everfront Phoenix Mountain Ltd, Ningbo Sequoia Jiasheng Equity Investment Partnership (Limited Partnership), Ningbo Hualing Investment Management Partnership (Limited Partnership), Hangzhou Xintu Technology Co., Ltd and Chen Jinxia, to Zhejiang Leap Technology Co., Ltd. The amount of related transactions for waiving the right of proportional capital increase was 139,947,900 yuan. The modification procedures at the Bureau of Industry and Commerce for the above matters were completed in November 2018.

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

Announcement Name	Disclosure Date	Website for the Disclosure
Announcement on Adjusting the Joint Investment Plan and Related Transactions with Related Parties (I), Announcement on Adjusting the Joint Investment Plan and Related Transactions with Related Parties (II), Announcement on Waiving the Right of Proportional Capital Increase and Related Transactions with Joint Stock Companies	26 January 2018	http://www.cninfo.com.cn
Announcement On Increasing Capital In Holding Subsidiaries And Related-party Transactions	18 April 2018	http://www.cninfo.com.cn
Announcement on Accepting Assignment of Part Equities of Subsidiary Companies and Waiving the Priority of Assignment and Related Transactions, Announcement on the Joint Investment with Related Persons and Related Transactions	June 01, 2018	http://www.cninfo.com.cn
Announcement on Giving up the Priority to Accept Transfer and Related-party Transactions	22 June 2018	http://www.cninfo.com.cn
Announcement On Giving Up The Shareholding Company's Right To Increase Capital With The Same Percentage And Related-party Transactions	November 13, 2018	http://www.cninfo.com.cn

XVII. Significant Contracts and Performance

1. Matters on trusteeship, contracting, and leasehold

(1) Matters on trusteeship

Applicable Not applicable

No such case as custody during the reporting period.

(2) Contracting

Applicable Not applicable

No such case as contracting during the reporting period.

(3) Leasing

Applicable Not applicable

Explanations on leases

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

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

Applicable Not applicable

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

2. Significant guarantees

Applicable Not applicable

(1) Guarantees

Unit: ten thousand RMB

External Guarantees from the Company and its Subsidiaries (excluding guarantees to the subsidiaries)								
Guaranteed party	Announcement date of disclosure of the guarantee cap	Guarantee amount	Actual occurrence date	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for related parties or not
Company's guarantees to subsidiaries								
Guaranteed party	Announcement date of disclosure of the guarantee	Guarantee amount	Actual occurrence date	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for related parties or

	cap							not
Zhejiang Dahua System Engineering Co., Ltd.	August 21, 2018	50,000.00	6/6/2016	10,000.00	Joint liability guarantee	2016.06.06-2020.03.30	No	Yes
			10/10/2017	6,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
Zhejiang Dahua Vision Technology Co., Ltd.	August 21, 2018	600,000.00	05/17/201705/18/2017	30,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	Yes	Yes
			5/23/2017	20,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	Yes	Yes
			7/9/2017	10,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	Yes	Yes
			7/21/2017	8,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	Yes	Yes
			11/24/2017	30,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	Yes	Yes
			11/28/2017	5,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	Yes	Yes
			11/30/2017	20,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	Yes	Yes
			11/30/2017	50,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	Yes	Yes
			12/4/2017	30,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	Yes	Yes
			6/6/2016	29,000.00	Joint liability guarantee	2016.06.06-2020.01.15	No	Yes
			8/10/2017	60,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
			10/13/2017	22,000.00	Joint liability guarantee	Two years after the maturity of the debts in	No	Yes

					the master contract			
			1/15/2018	11,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
			3/27/2018	50,000.00	Joint liability guarantee	2018.3.20-2021.3.19	No	Yes
			4/13/2018	24,000.00	Joint liability guarantee	2018.4.13-2020.4.12	No	Yes
			5/4/2018	30,000.00	Joint liability guarantee	2018.5.4-2019.4.16	No	Yes
			7/25/2018	10,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
			8/1/2018	20,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
			8/2/2018	2,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
			8/21/2018	10,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
			9/3/2018	10,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
			9/21/2018	27,452.80 (40 million US dollars)	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
			11/26/2018	22,000.00	Joint liability guarantee	2018.11.26-2020.11.26	No	Yes
Zhejiang Dahua Zhilian Co., Ltd.	August 21, 2018	100,000.00	6/6/2016	20,000.00	Joint liability guarantee	2016.06.06-2020.06.30	No	Yes
			9/1/2018	50,000.00	Joint liability guarantee	2018.09.01-2020.09.01	No	Yes
			10/12/2018	30,000.00	Joint liability guarantee	2018.10.12-2021.10.12	No	Yes
Dahua Technology (HK)	August 21, 2018	200,000.00	8/24/2017	20,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	Yes	Yes

Limited			15 December 2017	34,316.00 (50 million US dollars)	Joint liability guarantee	2017.12.15-2020.12.15	No	Yes
			4/9/2018	20,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
Guangxi Dahua Information Technology Co., Ltd.	August 21, 2018	10,000.00	No such case during the reporting period					
Dahua Technology USA Inc.	August 21, 2018	350.00	No such case during the reporting period					
DAHUA EUROPE B.V	August 21, 2018	10,000.00	No such case during the reporting period					
Dahua Technology Singapore Pte.Ltd.	August 21, 2018	500.00	No such case during the reporting period					
Dahua Technology UK Limited	August 21, 2018	200.00	No such case during the reporting period					
Dahua Technology Poland sp.zo.o.	August 21, 2018	1,600.00	No such case during the reporting period					
Dahua Technology Hungary Kft.	August 21, 2018	1,600.00	No such case during the reporting period					
Dahua Technology India Private Limited	August 21, 2018	3,500.00	No such case during the reporting period					
Dahua Technology Brasil Comercio Serv Em	August 21, 2018	1,000.00	No such case during the reporting period					

Seguranca Elertonica Ltda			
Dahua Italy s.r.l.	August 21, 2018	800.00	No such case during the reporting period
Dahua Technology Middle East Fze	August 21, 2018	350.00	No such case during the reporting period
Dahua technology mexico.s.a. De c.v.	August 21, 2018	4,000.00	No such case during the reporting period
Dahua Technology Peru S.A.C.	August 21, 2018	4,000.00	No such case during the reporting period
Dahua Technology Rus Ltd	August 21, 2018	1,000.00	No such case during the reporting period
Dahua Technology Australia Pty Ltd	August 21, 2018	500.00	No such case during the reporting period
Dahua Technology South Africa Proprietary Limited	August 21, 2018	500.00	No such case during the reporting period
Dahua Technology Canada Inc.	August 21, 2018	100.00	No such case during the reporting period
Dahua Guvenlik Teknolojileri Sanayi Ve Ticaret Anonim Sirketi	August 21, 2018	200.00	No such case during the reporting period
Dahua Technology SRB d.o.o.	August 21, 2018	300.00	No such case during the reporting period

Dahua Technology Bulgaria Eood	August 21, 2018	100.00	No such case during the reporting period	
Dahua Iberia S.L.(U.)	August 21, 2018	200.00	No such case during the reporting period	
Dahua Security Malaysia Sdn. Bhd	August 21, 2018	200.00	No such case during the reporting period	
Dahua Technology Kazakhstan LLP	August 21, 2018	200.00	No such case during the reporting period	
Pt. Dahua Vision Technology Indonesia	August 21, 2018	300.00	No such case during the reporting period	
Dahua Technology Korea Company Limited	August 21, 2018	350.00	No such case during the reporting period	
Dahua Technology S.R.L.	August 21, 2018	200.00	No such case during the reporting period	
Dahua technology France Sas	August 21, 2018	100.00	No such case during the reporting period	
LOREX Corporation	August 21, 2018	350.00	No such case during the reporting period	
"Dahua Vision" LLC	August 21, 2018	100.00	No such case during the reporting period	
Dahua Technology New Zealand Limited	August 21, 2018	200.00	No such case during the reporting period	
Total amount of guarantees to subsidiaries approved		992,800.00	Total amount of guarantees to subsidiaries actually	316,452.80

during the reporting period (B1)		occurred during the reporting period (B2)	
Total amount of guarantees to subsidiaries approved by the end of the reporting period (B3)	992,800.00	Total balance of guarantees actually paid to subsidiaries at the end of the reporting period (B4)	497,768.80
Subsidiaries' guarantees to subsidiaries			
Total amount of guarantees approved during the reporting period (A1+B1+C1)	992,800.00	Total amount of guarantees actually occurred during the reporting period (A2+B2+C2)	316,452.80
Total amount of guarantees approved by the end of the reporting period (A3+B3+C3)	992,800.00	Total balance of guarantees actually paid at the end of the reporting period (A4+B4+C4)	497,768.80
Total amount of actual guarantees (A4+B4+C4) as a percentage of the Company's net assets			39.45%
Including:			
Balance of guarantees to the shareholders, actual controllers and their related parties (D)			
Balance of debt guarantees directly or indirectly offered to guaranteed objects with asset-liability ratio exceeding 70% (E)			481,768.80
Amount of the guarantees with the total volume exceeding 50% of the net assets (F)			
Total amount of the above three guarantees (D+E+F)			481,768.80
Notes on unexpired guarantees with guarantee responsibilities occurred or possible joint liabilities within the reporting period (if any)			
Notes on providing external guarantees in violation of specified procedures (if any)			

(2) Illegal external guarantees

Applicable Not applicable

No illegal external guarantees during the reporting period.

3. Entrusting Others to Manage Cash Assets

(1) Entrusted Financing

Applicable Not applicable

Entrusted financing during the reporting period

Unit: ten thousand RMB

Specific Type	Funding Source	Entrusted Amount	Unexpired Balance	Overdue Outstanding Amount
Bank financial products	Equity Fund	3,900		
Total		3,900		

Specific matters on high-risk entrusted capital management with a large amount for a single item, or with low security, poor liquidity and no capital preservation guarantee.

Applicable Not applicable

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

Applicable Not applicable

(2) Entrusted Loans

Applicable Not applicable

No such case as entrusted loan during the reporting period.

4. Other Significant Contracts

Applicable Not applicable

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

XVIII. Social Responsibilities

1. Fulfillment of Social Responsibilities

The Company adheres to the core concept of "customer-centered and striver-oriented" and the values of "integrity, dedication, responsibility, innovation, cooperation and openness" to pursue economic benefits and protect shareholders' interests; Meanwhile the Company actively creates value for its employees and gets engaged in environmental protection and other public welfare endeavors to promote the harmonious integration between the Company, the society, interested parties and the environment. For details of the Company's social responsibility fulfillment during the reporting period, please refer to the "2018 Social Responsibility Report" published on www.cninfo.com.cn on the same day.

2. Social responsibility fulfillment regarding targeted poverty alleviation

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

3.Environmental Protection-related Matters

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

No

The Company does not belong to the key pollutant discharging units announced by the environmental protection department. For details, please refer to Chapter 6 Going Green and Environmental Protection of 2018 Social Responsibility Report published on www.cninfo.com.cn on the same day.

XIX. Explanations on Other Significant Matters

√ Applicable □ Not applicable

1. On January 24, 2017, the Company's holding sub-subsidiary, Nanbei United Information Technology Co., Ltd. and its wholly-owned subsidiary, Zhejiang Dahua System Engineering Co., Ltd. signed a Cooperation Agreement on PPP Investment in Safe City Project of Shache County with the People's Government of Shache County in Kashgar, Xinjiang, which is just a framework agreement on the PPP project. The agreement stipulates that the service content is the pre-feasibility study of the project and the design of the project, etc. For the implementation of the specific project, it still needs to fulfill related decision-making and approval procedures, such as government procurement.

On July 21, 2017, the Company received the Notification of Award issued by the project purchasing unit, which confirmed that the wholly-owned subsidiary Zhejiang Dahua System Engineering Co., Ltd. (the consortium leader), with the holding sub-subsidiary Nanbei United Information Technology Co., Ltd. (member of the consortium) is the winning bidder for the Safe City Construction Project (PPP) in Shache County. The winning bid amount of the project is RMB 4.31479 billion (the final amount is based on the signed contract), which is the total amount for construction and operation within 10-year project cooperation period.

On August 4, 2017, the Company's 34th session of the 5th Board of Directors' meeting reviewed and approved the Proposal on Investing to Establish a PPP Project Company in Shache County, Xinjiang, and the Company submitted a bid based on the requirements for the Shache County City Construction Project (PPP), and the winning consortium jointly funded the establishment of the project company, with a registered capital of RMB 335,567,200. Among them, Zhejiang Dahua System Engineering Co., Ltd. contributed RMB 234,897,040, accounted for 70% of the total contribution; Nanbei United Information Technology Co., Ltd. contributed RMB 100,670,160, accounted for 30%. In August 2017, the project company was established and the name of the company approved by the industrial and commercial bureau was Xinjiang Dahua Xinzhi Information Technology Co., Ltd.

On April 18, 2018, the project winning bidder received the request from the Public Security Bureau of Shache County to stop the implementation of the "Safe City Construction (PPP) Project of Shache County". Near a half of the construction progress in the project construction period has been completed, but no expenses for subsequent equipment replacement, operation and maintenance have been incurred. The actual investment in the construction period will be further accounted and confirmed with the government.

The bid winner's project participation and construction is in compliance with the requirements of relevant laws and regulations of PPP, but there exists the risk that the project will not be able to proceed on and lead to the decrease of the Company's future certifiable income. The Company will actively cooperate with relevant government departments in their work, and timely perform the obligation of information disclosure in accordance with the subsequent progress of the project and the provisions in relevant laws and regulations and the Articles of Association.

2. On February 24, 2018, the Company disclosed the Announcement on Subsidiary's Release of External Guarantees. The Company's subsidiaries, System Engineering, Dahua Zhicheng and Yunnan International Trust Co., Ltd. signed the Pledge Contract on December 6, 2017. The System Engineering and Dahua Zhicheng as a pledger provided a pledge guarantee for the debt under the Trust Loan Contract signed between Guangxi Baixing Holdings Co., Ltd. as a debtor and Yunnan International Trust Co., Ltd. as a creditor (with the trust loan principal of RMB 0.23 billion). The collateral in this guarantee was System Engineering and Dahua Zhicheng's accounts receivable income rights. This guarantee responsibility was released on February 22, 2018.

3. On March 6, 2018, the Company's first interim shareholders' meeting in 2018 reviewed and approved the "Management Methods for Business Startup of Core Employees (Draft)" that the Company decided to implement the business investment plan for startup business by the Company's core employees.

4. On May 17, 2017, the Company's 31st session of the 5th Board of Director's meeting reviewed and approved the Proposal on

Increasing Investment in Holding Subsidiaries, and it's agreed that the Company will increase its investment in Dahua Zhilian by RMB 610 million with its own funds. In this time of investment increase, China Development Bank Development Fund Co., Ltd. gives up the right to increase the investment in the same proportion. When the increment is accomplished, the registered capital of Dahua Zhilian will increase from RMB 500 million to 1.11 billion. The proportion of equities held by the Company will be 90.09%. Matters regarding capital increase were completed on June 26, 2018.

On July 16, 2018, the Company's 13th meeting of the 6th Board of Directors reviewed and approved the "Proposal on the Construction of 'Dahua Western Smart Base and Dahua Western R&D Center' in Xi'an" which agreed that the company would invest about 800 million yuan in the project which covers an area of about 133.64 acres and mainly focuses on construction research and development, office space and supporting facilities, etc. The overall construction period of the project is about 42 months.

XX. Significant Events of the Company's Subsidiaries

Applicable Not applicable

Section VI Changes in Shares and Information about Shareholders

I. Changes in Shares

1. Changes in shares

Unit: share

	Before the Change		Increase or Decrease in the Change (+, -)					After the Change	
	Number	Percentage	Shares newly issued	Bonus shares	Shares converted from capital reserves	Others	Subtotal	Number	Percentage
I. Shares with limited sales condition	1,196,864,751	41.29%	98,865,800			-126,267,771	-27,401,971	1,169,462,780	39.01%
3. Other domestic shares	1,196,864,751	41.29%	98,813,800			-126,267,771	-27,453,971	1,169,410,780	39.01%
Shares held by domestic natural persons	1,196,864,751	41.29%	98,813,800			-126,267,771	-27,453,971	1,169,410,780	39.01%
4. Foreign shares			52,000				52,000	52,000	0.00%
Shares held by foreign natural persons			52,000				52,000	52,000	0.00%
II. Shares without restrictions	1,701,891,379	58.71%				126,267,771	126,267,771	1,828,159,150	60.99%
1. RMB ordinary shares	1,701,891,379	58.71%				126,267,771	126,267,771	1,828,159,150	60.99%
III. Total	2,898,756,130	100.00%	98,865,800				98,865,800	2,997,621,930	100.00%

Reasons for changes in shares

√ Applicable □ Not applicable

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

2. On November 30, 2018, the 98,865,800 shares of restricted stocks granted by the Company to 3,145 incentive targets in the form of private placements were publicly listed in Shenzhen Stock Exchange.

Approval for changes in shares

√ Applicable □ Not applicable

1. On September 14, 2018, the Company's 4th interim shareholders' meeting in 2018 reviewed and approved "Restricted Stock

Incentive Plan of Zhejiang Dahua Technology Co., Ltd in 2018 (Draft)" and its summary which authorized the Board of Directors to handle relevant matters on the Company's stock incentive plan.

2. On November 1, 2018, the Company's 17th meeting of the 6th Board of Directors reviewed and approved the "Proposal on Adjusting Related Issues of the Restricted Stock Incentive Plan of 2018" and the "Proposal on Granting Restricted Stocks to Incentive Targets". In view that some of the original incentive targets no longer met the incentive conditions due to dimission, and some of them waived the restricted stocks that the company intended to grant for personal reasons, the Board of Directors adjusted the number of incentive targets and the quantity of stocks to be granted. The number of incentive targets was adjusted from 3,423 to 3,237, and the total number of restricted stocks to be granted was adjusted from 121,749,000 shares to 117,468,100 shares. At the same time, the Board of Directors confirmed the granting conditions and concluded that the conditions had been reached and decided to grant restricted stocks to the incentive targets for the first time. The granting date was November 1, 2018.

3. On November 29, 2018, the Company published the "Announcement on the Completion of Restricted Stock Granting in 2018". In view that some of the original incentive targets no longer met the incentive conditions due to their dimission, and some of them waived the restricted stocks that the company intended to grant for personal reasons, the Company adjusted the number of incentive targets and shares. The number of incentive targets was adjusted from 3,237 to 3,145, and the total number of restricted stocks to be granted in the first batch was adjusted from 105,293,200 shares to 98,865,800 shares, and the 12,174,900 shares of reserved restricted stocks remained unchanged. The 98,865,800 shares that the Company has granted to 3,145 people for the first time through the restricted stock incentive plan in 2018 have been issued in Shenzhen Stock Exchange on November 30, 2018.

Transfer for changes in shares

Applicable Not applicable

On November 30, 2018, the first granted shares of the Company's restricted stocks incentive plan in 2018 went to public in Shenzhen Stock Exchange.

The progress on share buy-back

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

2. Changes in restricted stocks

Applicable Not applicable

Unit: share

Name of Shareholder	Number Of Shares With Limited Sales Condition At The Beginning Of The Period	Number of Unlocked Shares with Limited Sales Condition in Current Period	Number of Increased Shares with Limited Sales Condition in Current Period	Number of Shares with Limited Sales Condition at the End of the Period	Reasons for Limited Sales	Date of Unlocking
Fu Liquan	919,748,180	77,786,195	0	841,961,985	According to the	According to the

						relevant provisions of executives shares management	relevant provisions of executives shares management
Wu Jun	54,267,937	2,264,773	0	52,003,164		Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
Zhu Jiangming	145,096,117	28,425,000	0	116,671,117		According to the relevant provisions of executives shares management	According to the relevant provisions of executives shares management
Li Ke	0	0	2,015,000	2,015,000		Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
Chen Ailing	71,262,376	17,815,266		53,447,110		According to the relevant provisions of executives shares management	According to the relevant provisions of executives shares management
Chen Yuqing	1,181,963	0	260,000	1,441,963		Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
Wu Jian	999,250	0	280,251	1,279,501		Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
Wei Meizhong	1,078,351	0	156,649	1,235,000		Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
Wu Yunlong	496,710	0	140,000	636,710		Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares

Xu Zhicheng	0	0	530,000	530,000	Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
Yan Gang	276,262	0	261,000	537,262	Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
Ying Yong	999,250	0	420,187	1,419,437	Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
Zhu Jiantang	0	0	715,169	715,169	Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
Zhang Wei	140,625	0	740,000	880,625	Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
Zhang Xingming	938,560	0	650,000	1,588,560	Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
Zhao Yuning	0	0	740,000	740,000	Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
Other incentive targets	0	0	92,075,800	92,075,800	Per regulations on equity incentives	Per regulations on equity incentives
Total	1,196,485,581	126,291,234	98,984,056	1,169,178,403	--	--

II. Issuance and listing of securities

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

Applicable Not applicable

Name of the Stock and Its Derivative Securities	Issue Date	Issuance Price (or Interest Rate)	Quantity of Issuance	Listing Date	Number of Approved Listed Transactions	Transaction Termination Date
Stocks						
DAHUA	November 01, 2018	8.17	98,865,800	November 30, 2018	98,865,800	

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

According to the "Restricted Stock Incentive Plan of Zhejiang Dahua Technology Co., Ltd in 2018(Draft)" and its summary, which has been reviewed and approved at the 4th interim shareholders' meeting of the Company in 2018, the "Proposal on Adjusting Related Issues of the Restricted Stock Incentive Plan of 2018" and the "Proposal on Granting Restricted Stocks to Incentive Targets" which have been reviewed and approved at the 17th meeting of the 6th Board of Directors. In November 2018, the Company granted 98,865,800 shares of restricted stocks to 3,145 incentive targets, with a subscription price of 8.17 yuan per share. These stocks were listed on Shenzhen Stock Exchange on November 30, 2018.

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

Applicable Not applicable

In November 2018, the Company granted 98,865,800 shares of restricted stocks to 3,145 incentive targets. On November 30, 2018, the above restricted stocks were listed on Shenzhen Stock Exchange. The Company's general capital was changed from 2,898,756,130 shares to 2,997,621,930 shares.

3. Existing shares held by internal staff of the Company

Applicable Not applicable

III. Particulars about the shareholders and actual controller

1. Total number of shareholders and their shareholdings

Unit: share

Total Number Of Common Shareholders At The End Of The Reporting Period	124,431	Total number of common shareholders at the end of previous month before the disclosure date of the annual report	114,076	Total Number of Preferred Shareholders (If Any) (Refer to Note 8) Whose Voting Rights have been Recovered at the End of the Reporting Period	0	Total number of preferred shareholders (if any) (refer to Note 8) with resumed voting rights at the end of previous month before the disclosure date of the annual report	0
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Shareholding list of shareholders with over 5% shares or top ten shareholders								
Name of Shareholder	Nature of Shareholder	Shareholding Percentage	Number of shares held at the end of the reporting period	Changes in the reporting period	Number of shares held with limited sales conditions	Number of shares held without limited sales condition	Pledges or freezings	
							State Of Shares	Number
Fu Liquan	Domestic Natural Person	37.13%	1,112,981,880	-9634100	841,961,985	271,019,895	Pledge	130,942,000
Zhu Jiangming	Domestic Natural Person	5.19%	155,561,490	0	116,671,117	38,890,373	Pledge	24,154,000
Hong Kong Securities Clearing Co. Ltd.	Overseas Legal Person	2.80%	84,036,071	52745799	0	84,036,071		
Chen Ailing	Domestic Natural Person	2.38%	71,262,813	0	53,447,110	17,815,703	Pledge	11,170,000
Wu Jun	Domestic Natural Person	2.31%	69,250,886	8460000	52,003,164	17,247,722		
China Securities Finance Co., Ltd.	Domestic Non-state-owned Legal Person	1.32%	39,611,241	4061284	0	39,611,241		
Central Huijin Asset Management Co., Ltd.	State-owned Legal Person	1.05%	31,448,750	0	0	31,448,750		
Zhejiang Dahua Technology Co., Ltd. - Phase III Employee Stock Ownership Plan	Others	0.88%	26,247,928	-20752072	0	26,247,928		
GIC PRIVATE LIMITED	Overseas Legal Person	0.74%	22,308,251	16748237	0	22,308,251		
BOC - Core Growth Stock Type Security Investment Fund of China International Fund Management	Others	0.60%	17,844,249	729935	0	17,844,249		

Description of the association relationship or concerted action of above-mentioned shareholders	Mr. Fu Liquan And Ms. Chen Ailing Are Husband And Wife. The Company Is Unaware Of Whether Other Shareholders Have Associated Relationship Or Are Persons Acting In Concert.		
Shareholding list of top ten shareholders without limited sales condition			
Name of Shareholder	Number of shares held without limited sales condition at the end of the reporting period	Type of shares	
		Type of shares	Number
Fu Liquan	271,019,895	RMB common stock	271,019,895
Hong Kong Securities Clearing Co. Ltd.	84,036,071	RMB common stock	84,036,071
China Securities Finance Co., Ltd.	39,611,241	RMB common stock	39,611,241
Zhu Jiangming	38,890,373	RMB common stock	38,890,373
Central Huijin Asset Management Co., Ltd.	31,448,750	RMB common stock	31,448,750
Zhejiang Dahua Technology Co., Ltd. - Phase III Employee Stock Ownership Plan	26,247,928	RMB common stock	26,247,928
GIC PRIVATE LIMITED	22,308,251	RMB common stock	22,308,251
BOC - Core Growth Stock Type Security Investment Fund of China International Fund Management	17,844,249	RMB common stock	17,844,249
Chen Ailing	17,815,703	RMB common stock	17,815,703
Wu Jun	17,247,722	RMB common stock	17,247,722
Explanation on associated relationship or persons acting in concert among top ten shareholders without limited shares, and between top ten shareholders without limited shares and top ten shareholders	Mr. Fu Liquan And Ms. Chen Ailing Are Husband And Wife. The Company Is Unaware Of Whether Other Shareholders Have Associated Relationship Or Are Persons Acting In Concert.		

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

Yes No

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

the reporting period.

2. Particulars about the controlling shareholder

Nature of the controlling shareholder: Natural person-owned

Type of the controlling shareholder: Natural person

Name of the controlling shareholder	Nationality	Whether he/she has obtained the right of residence in another country or region
Fu Liquan	China	Yes
Main occupation and title	In the recent five years, Mr. Fu Liquan has acted as the chairman and president of the Company and is currently the chairman of the Company.	
Shares held in other listed companies by controlling or holding in the reporting period	N/A	

Change of the controlling shareholders in the reporting period

Applicable Not applicable

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

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

Nature of the actual controller: Domestic natural person

Type of the actual controller: Natural person

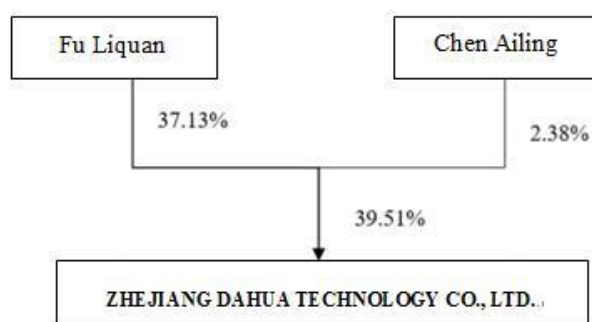
Name of the actual controller	Relationship with the actual controller	Nationality	Whether he/she has obtained the right of residence in another country or region
Fu Liquan	Himself	China	Yes
Chen Ailing	Acting in concert (including agreement, relatives, under same control)	China	Yes
Main occupation and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

Change of the actual controller in the reporting period

Applicable Not applicable

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

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



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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

Section VII Information of Preferred Shares

Applicable Not applicable

There are no preferred shares in the reporting period.

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

I. Shareholding Changes of Directors, Supervisors and Senior Management

Name	Post	Position Status	Gender	Age	Starting Date of Tenure	Termination Date of Tenure	Number of Shares Held at the Beginning of the Period (share)	Number of Shares Increased in the period (share)	Number of Shares Decreased in the Period (share)	Other Changes (share)	Number of Shares Held at the End of the Period
Fu Liquan	Chairman	Incumbent	Male	52	April 01, 2005	August 23, 2020	1,122,615,980		9,634,100	0	1,112,981,880
Wu Jun	Vice Chairman, Vice President	Incumbent	Male	47	April 01, 2005	August 23, 2020	60,790,886	8,200,000		260,000	69,250,886
Li Ke	Director, President	Incumbent	Male	47	May 03, 2017	August 23, 2020	0	1,620,000		800,000	2,420,000
Zhu Jiangming	Director, Executive Vice President	Incumbent	Male	52	April 01, 2005	August 23, 2020	155,561,490			0	155,561,490
Chen Ailing	Director	Incumbent	Female	52	April 01, 2005	August 23, 2020	71,262,813			0	71,262,813
He Chao	Independent Director	Incumbent	Male	60	January 07, 2014	August 23, 2020	0			0	0
Wang Zexia	Independent Director	Incumbent	Female	54	January 07, 2014	August 23, 2020	0			0	0
Huang Siying	Independent Director	Incumbent	Female	41	May 22, 2017	August 23, 2020	0			0	0
Song Maoyuan	Supervisor	Incumbent	Female	37	April 03, 2008	August 23, 2020	0			0	0
Song Ke	Supervisor	Incumbent	Male	41	August	August 23,	0			0	0

	or	bent			07, 2015	2020					
Zuo Pengfei	Supervisor	Incumbent	Female	41	April 03, 2008	August 23, 2020	0			0	0
Chen Yuqing	Vice President	Incumbent	Male	45	May 20, 2010	August 23, 2020	1,575,951			260,000	1,835,951
Wu Jian	Secretary of the Board, Vice President	Incumbent	Male	45	December 01, 2005	August 23, 2020	999,335			530,000	1,529,335
Wei Meizhong	CFO, Vice President	Incumbent	Male	48	November 01, 2007	August 23, 2020	1,300,000		50,000	260,000	1,510,000
Wu Yunlong	Vice President	Incumbent	Male	63	May 20, 2010	August 23, 2020	502,280			260,000	762,280
Xu Zhicheng	Vice President	Incumbent	Male	53	22 March 2018	August 23, 2020	0			530,000	530,000
Yan Gang	Vice President	Incumbent	Male	50	December 06, 2012	May 20, 2010	276,349			330,000	606,349
Ying Yong	Vice President	Incumbent	Male	50	May 20, 2010	August 23, 2020	999,250			670,000	1,669,250
Zhu Jiantang	Vice President	Incumbent	Male	37	22 March 2018	August 23, 2020	60,225			670,000	730,225
Zhang Wei	Vice President	Incumbent	Male	48	December 06, 2012	August 23, 2020	187,500			740,000	927,500
Zhang Xingming	Vice President	Incumbent	Male	42	May 20, 2010	August 23, 2020	1,131,413		190,000	740,000	1,681,413
Zhao Yuning	Vice President	Incumbent	Male	42	22 March 2018	August 23, 2020	0			740,000	740,000
Shen Huiliang	Vice President	Resigned	Male	58	May 20, 2010	01/25/2018	379,170			150,000	529,170
Total	--	--	--	--	--	--	1,417,642,642	9,820,000	9,874,100	6,940,000	1,424,528,542

II. Changes of Directors, Supervisors and Senior Management

√ Applicable □ Not applicable

Name	Title	Type	Date	Causes
Xu Zhicheng	Vice President	Appointment and dismissal	22 March 2018	Appointed As Vice President
Zhao Yuning	Vice President	Appointment and dismissal	22 March 2018	Appointed As Vice President
Zhu Jiantang	Vice President	Appointment and dismissal	22 March 2018	Appointed As Vice President
Shen Huiliang	Vice President	Resigned	25 January 2018	Resigned voluntarily as vice president but still undertook work in management of the Company

III. Positions

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

Mr. Fu Liquan, Chinese nationality, has the right of permanent residence in Cyprus, was born in 1967, and holds master degree in Business Administration of Zhejiang University. As one of the main founders of the Company, he served as chairman and president of the Company. In 2018, his employment was renewed by China Security Association as an expert of the Expert Committee of China Security & Protection Industry Association. He is currently the chairman of the Company and director of China Information Technology Industry Federation. He has won the honors of Advanced Individual in Scientific Research and Standardization of Zhejiang Security Technology Protection Industry, Outstanding Figure Award of China Security - Tribute to the 40 Years Anniversary of Reform and Opening Up, Top Ten Influential Zhejiang Entrepreneurs, Model Worker of Hangzhou, One of the 40 Figures of Industry Innovative Development of Zhejiang for the 40 years Anniversary of Reform and Opening Up, Excellent Enterprise Operator with Outstanding Contributions to the Information Economy, Excellent Constructor of Socialism with Chinese Characteristics in the New Era of Non-Public Economy in Zhejiang Province, Outstanding Contributions Award in "Ingenuity for a Safe China", Global Security Contribution Award, Top Ten Figures in Security and Protection Industry, and the Best CEO of listed companies of Forbes, etc. He is the controlling shareholder and actual controller of the Company.

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

Mr. Li Ke, Chinese nationality, born in 1972, with degree of master degree in engineering of University of Electronic Science and Technology of China, served as R&D engineer, general manager for product solution department, marketing vice president, and regional president of Huawei Technologies Co., Ltd. from June 1996 to January 2017, and now serves as director and president of the Company.

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

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

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

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

Ms. Wong Sze Wing, Hong Kong of China, born in 1978, obtained the degree of MBA from Hong Kong University and degree of EMBA (Executive Master of Business Administration) from China Europe International Business School. She is the certified public accountant and senior member of Hong Kong Institute of Certified Public Accountants. She has been serving as the Chief Financial Officer of Yingde Gases Group Co., Ltd since July, 2010. She once served as vice Chief Financial Officer of Yingde Gases Group Co., Ltd and Secretary of Joint Company, Chief Financial Officer of Chengtian Entertainment Group (International) Holdings Limited and Aihui Music Video Production (China) Co., Ltd., Manager of PricewaterhouseCoopers Ltd; She Currently serves as independent director of Chengtian Jiahe Entertainment Group (International) Holdings Limited, Rich Healthcare Holdings Co., Ltd, Wangsu Science and Technology Co., Ltd and Jiangxi Ganfeng Lithium Industry Co., Ltd, and independent director of the Company.

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

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

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

Mr. Wu Jian, Chinese nationality, born in 1978, holds master degree, served as secretary of the Board of Directors and vice president of the Company in the recent five years, and now serves as secretary of the Board of Directors and vice president of the Company, member of China Software Industry Association and vice chairman of Zhejiang Software Industry Association.

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

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

Mr. Wu Yunlong, Chinese nationality, born in 1956, has obtained bachelor degree from Xiamen University and EMBA degree from Zhongnan University of Economics and Law, and he is a professor-level senior engineer. He is appointed by China Security Association as an expert of the Expert Committee of China Security and Protection Industry Association; He serves as vice

secretary-general of Zhejiang Security Technology Protection Industry Association and director of its Expert Committee, Executive Director of China Security Association, Vice President and Expert of Zhejiang Security Association, Director of the Security and Technical Defense Committee, Vice President of Hangzhou Security Association and Distinguished Professor of Zhejiang Police Officer Vocational College. He has served as vice president of the Company and general manager of Zhejiang Dahua Security Connected Operation Services Co., Ltd. in the recent five years. He now serves as vice president of the Company and general manager of Zhejiang Dahua Security Connected Operation Services Co., Ltd.

Mr. Xu Zhicheng, Chinese nationality, was born in 1966. From September 2013 to June 2015, he has successively served as deputy general manager of marketing, general manager and supervisor of the Company. Since June 2015, he has been the general manager of the Company's Internal Audit Department. He is currently the vice president of the Company and the general manager of the Internal Audit Department.

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

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

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

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

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

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

Position held in shareholders entities

Applicable Not applicable

Position held in other entities

Applicable Not applicable

Name	Name of Other Entity	Position Held in Other Entities	Remuneration Received from Other Entity or Not
Fu Liquan	Zhejiang Dahua Vision Technology Co., Ltd.	Executive Director	No
Fu Liquan	Zhejiang Dahua Security Service Co., Ltd.	Director	No
Fu Liquan	Hangzhou Huacheng Network Technology Co., Ltd.	Chairman	No
Fu Liquan	Zhejiang Dahua Investment Management Co., Ltd.	Executive Director and General Manager	No

Fu Liquan	Leapmotor Automobile Co., Ltd.	Director	No
Fu Liquan	Xinjiang Dahua Xinzhi Information Technology Co., Ltd.	Chairman	No
Fu Liquan	Inner Mongolia Dahua Zhimeng Information Technology Co., Ltd.	Chairman	No
Fu Liquan	Zhejiang Huafei Intelligent Technology CO., LTD.	Chairman	No
Fu Liquan	Hangzhou Xiaohua Technology CO., LTD.	Executive Director	No
Fu Liquan	Guangxi Dahua Zhicheng Co., Ltd.	Chairman	No
Fu Liquan	Guizhou Huayi Shixin Technology Co., Ltd.	Director	No
Fu Liquan	Xinjiang Dahua Huayue Information Technology Co., Ltd.	Chairman	No
Fu Liquan	Zhejiang Huashi Investment Management Co., Ltd.	Executive Director	No
Fu Liquan	Xinjiang Dahua Zhixin Information Technology Co., Ltd.	Chairman	No
Fu Liquan	Zhejiang Leapmotor Technology Co., Ltd.	Director	No
Fu Liquan	Zhejiang Dahua Zhilian Co., Ltd.	Executive Director and General Manager	Yes
Fu Liquan	Zhejiang HuaRay Technology Co., Ltd.	Chairman	No
Fu Liquan	Xinjiang Dahua Zhihe Information Technology Co., Ltd.	Chairman	No
Fu Liquan	Xinjiang Dahua Information Technology Co., Ltd.	Executive Director	No
Fu Liquan	Guangxi Huacheng Technology Co., Ltd.	Chairman	No
Fu Liquan	Zhejiang Huachuang Vision Technology Co., Ltd.	Chairman	No
Fu Liquan	Guizhou Meitan Dahua Information Technology Co., Ltd.	Executive Director	No
Fu Liquan	Zhejiang Dahua Security Network Operation Service Co., Ltd.	Chairman	No
Fu Liquan	Ningbo Huayang Investment Management Partnership Enterprise (Limited Partnership)	Executive Partner	No
Fu Liquan	Hangzhou Gulin Equity Investment Partnership (limited partnership)	Executive Partner	No
Fu Liquan	Ningbo Huaqi Investment Management Partnership (Limited Partnership)	Executive Partner	No
Fu Liquan	Zhejiang Dahua Robot Technology Co., Ltd.	Executive Director	No
Fu Liquan	Wuxi Dahua Ruipin Technology Co., Ltd.	Director	No
Fu Liquan	Hangzhou Huajuan Technology Co., Ltd.	Executive Director and General Manager	No
Fu Liquan	Xinjiang Dahua Intelligence Technology Co., Ltd.	Supervisor	No
Fu Liquan	Beijing Huayue Shangcheng Information Technology Service Co., Ltd.	Executive Director	No
Fu Liquan	Shanghai Huashang Chengyue Information Technology	Executive Director	No

	Service Co., Ltd.		
Fu Liquan	Zhejiang Fengshi Technology Co., Ltd.	Executive Director	No
Fu Liquan	Xi'an Dahua Zhilian Technology Co., Ltd.	Executive Director	No
Wu Jun	Guangdong Dahua Zhishi Technology Co., Ltd.	Director	No
Wu Jun	Zhejiang Dahua System Engineering Co., Ltd.	Executive Director	Yes
Wu Jun	Hangzhou Yuneng Technology Co., Ltd.	Executive Director	No
Wu Jun	Zhejiang Dahua Security Service Co., Ltd.	Director	No
Wu Jun	Ningbo Huakun Investment Management Partnership (Limited Partnership)	Executive Partner	No
Li Ke	Leapmotor Automobile Co., Ltd.	Director	No
Li Ke	Zhejiang Leapmotor Technology Co., Ltd.	Director	No
Li Ke	Zhejiang Huaxiao Technology Co., Ltd.	Executive Director	No
Li Ke	Zhejiang Dahua Security Network Operation Service Co., Ltd.	Director	No
Li Ke	Hangzhou Huacheng Network Technology Co., Ltd.	Director	No
Li Ke	Zhejiang Huachuang Vision Technology Co., Ltd.	Director	No
Li Ke	Wuxi Dahua Ruipin Technology Co., Ltd.	Director	No
Li Ke	Zhejiang HuaRay Technology Co., Ltd.	Director	No
Li Ke	Xi'an Dahua Zhilian Technology Co., Ltd.	Manager	No
Zhu Jiangming	Zhejiang Dahua Vision Technology Co., Ltd.	Supervisor	No
Zhu Jiangming	Zhejiang Dahua Security Service Co., Ltd.	Director	No
Zhu Jiangming	Hangzhou Xintu Technology Co., Ltd.	Executive Director and General Manager	No
Zhu Jiangming	South North United Information Technology Co., Ltd.	Director	No
Zhu Jiangming	Zhejiang Huatu Microchip Technology Co., Ltd.	Executive Director	No
Zhu Jiangming	Zhejiang Lancable Technology Co., Ltd.	Chairman	No
Zhu Jiangming	Leapmotor Automobile Co., Ltd.	Chairman	No
Zhu Jiangming	Zhejiang Huafei Intelligent Technology CO., LTD.	Director	No
Zhu Jiangming	Hangzhou Menghao Investment Management Partnership (Limited Partnership)	Executive Partner	No

Zhu Jiangming	Hangzhou Xunwei Robotics Technology Co., Ltd.	Director	No
Zhu Jiangming	Zhejiang Leapmotor Technology Co., Ltd.	Chairman	No
Zhu Jiangming	Ningbo Jinghang Equity Investment Partnership (Limited Partnership)	Executive Partner	No
Chen Ailing	Zhejiang Lancable Technology Co., Ltd.	Director	No
Chen Ailing	Zhejiang Huashi Investment Management Co., Ltd.	General Manager	No
Chen Ailing	Zhejiang Huanuokang Technology Co., Ltd.	Executive Director	No
Chen Ailing	Ningbo Huali Investment Management Partnership (Limited Partnership)	Executive Partner	No
Chen Ailing	Ningbo Huayan Investment Management Partnership (Limited Partnership)	Executive Partner	No
Chen Ailing	Ningbo Huadi Investment Management Partnership (Limited Partnership)	Executive Partner	No
Chen Ailing	Ningbo Huaqian Investment Management Partnership (Limited Partnership)	Executive Partner	No
Chen Ailing	Ningbo Hualing Investment Management Partnership (Limited Partnership)	Executive Partner	No
He Chao	Guahao (Hangzhou) Technology Co., Ltd.	Senior Vice President	Yes
He Chao	WeDoctor (Hainan) Health Industry Development Co., Ltd.	Supervisor	No
He Chao	Shanghai Rensheng Medical Cosmetology Outpatient Co., Ltd.	Chairman	No
He Chao	Hangzhou Xiaoshan Weiyi Outpatient Co., Ltd.	Director	No
He Chao	Beijing Weyi General Clinic Co., Ltd.	Director	No
He Chao	Lingkang Pharmaceutical Group Co., Ltd.	Independent Director	Yes
Wang Zexia	Hangzhou Mingze Cloud Software Co., Ltd.	Chairman and General Manager	No
Wang Zexia	Zhejiang Weiming Environment Co., Ltd.	Independent Director	Yes
Wang Zexia	Zhejiang Kaier New Materials Co., Ltd.	Independent Director	Yes
Huang Siying	Wangsu Technology Co., Ltd.	Independent Director	Yes
Huang	Orange Sky Golden Harvest Entertainment (Holdings)	Independent Director	Yes

Siying	Limited		
Huang Siying	Rich Healthcare Holdings Limited	Independent Director	Yes
Huang Siying	Jiangxi Ganfeng Lithium Co., Ltd.	Independent Director	Yes
Huang Siying	Yingde Gases Group Company Limited	CFO	No
Huang Siying	Yingde Investment (Shanghai) Co., Ltd.	Supervisor	Yes
Song Maoyuan	China Standard Intelligent Security Technology Co., Ltd.	Chairman of the Board of Supervisors	No
Song Maoyuan	Zhejiang Dahua System Engineering Co., Ltd.	Supervisor	No
Song Maoyuan	Guangdong Dahua Zhishi Technology Co., Ltd.	Supervisor	No
Song Maoyuan	Zhejiang Dahua Investment Management Co., Ltd.	Supervisor	No
Song Maoyuan	Guizhou Huayi Shixin Technology Co., Ltd.	Supervisor	No
Song Maoyuan	Hangzhou Maycur Technology Co., Ltd.	Supervisor	No
Song Maoyuan	Hangzhou Huajuan Technology Co., Ltd.	Supervisor	No
Song Maoyuan	Xi'an Dahua Zhilian Technology Co., Ltd.	Supervisor	No
Zuo Pengfei	Hangzhou Xiaohua Technology CO., LTD.	Supervisor	No
Chen Yuqing	Zhejiang Dahua Vision Technology Co., Ltd.	General Manager	No
Wei Meizhong	Cein Biological Technology (Beijing) Co., Ltd.	Director	No
Wei Meizhong	South North United Information Technology Co., Ltd.	Chairman	No
Wei Meizhong	Shenzhen Conwin Security Electronics CO., Ltd.	Director	No
Wei Meizhong	Hangzhou Qianhudao Meixin Investment Management Co., Ltd.	Executive Director and General Manager	No
Wei Meizhong	Hangzhou Wanpuhua Internet Financial Services Co., Ltd.	Director	No

Wei Meizhong	Hangzhou Weixing Enterprise Management and Consulting Co., Ltd.	Executive Director and General Manager	No
Wei Meizhong	Hangzhou Tecomore Technology Co., Ltd.	Executive Director	No
Wei Meizhong	Zhejiang Dahua Ju'an Technology Co., Ltd.	Executive Director	No
Wei Meizhong	China Standard Intelligent Security Technology Co., Ltd.	Vice Chairman	No
Wei Meizhong	Hangzhou Thermal Power Group Co., Ltd.	Director	No
Wei Meizhong	Sunyard System Engineering Co., Ltd.	Independent Director	Yes
Wei Meizhong	Hangzhou Hexing Electrical Co., Ltd.	Independent Director	Yes
Wei Meizhong	Shanghai Yanhua Intelligent Technology (Group) Co., Ltd.	Independent Director	Yes
Wu Yunlong	Shaoxing Dahua Security Services Co., Ltd.	Director	No
Wu Yunlong	Zhejiang Dahua Security Service Co., Ltd.	Chairman	No
Wu Yunlong	Zhoushan Dahua Technology Co., Ltd.	Director	No
Wu Yunlong	Lishui Dahua Intelligent Technology Co., Ltd.	Director	No
Wu Yunlong	Taizhou Dahua Security Services Co., Ltd.	Director	No
Wu Yunlong	Ningbo Dahua Anbang Security Services Co., Ltd.	Director	No
Wu Yunlong	Wenzhou Dahua Security Services Co., Ltd.	Director	No
Wu Yunlong	Zhejiang Dahua Security Network Operation Service Co., Ltd.	General Manager	No
Xu Zhicheng	Hangzhou Fuyang Hua'ao Technology Co., Ltd.	Chairman	No
Ying Yong	Zhejiang Dahua Security Network Operation Service Co., Ltd.	Director	No
Ying Yong	Hangzhou Huacheng Network Technology Co., Ltd.	Director	No
Ying Yong	Zhejiang Huachuang Vision Technology Co., Ltd.	Director	No

Ying Yong	Zhejiang HuaRay Technology Co., Ltd.	Director	No
Zhang Wei	Guizhou Huayi Shixin Technology Co., Ltd.	Director	No
Zhang Wei	China Standard Intelligent Security Technology Co., Ltd.	Director	No
Zhang Wei	Guizhou Dahua Intelligence Technology Co., Ltd.	Executive Director	No
Zhang Wei	Guangzhou Zhizhen Business Service Co., Ltd.	Supervisor	No
Zhang Xingming	Zhejiang Huatu Microchip Technology Co., Ltd.	General Manager	No
Zhang Xingming	Hangzhou Jingbo Equity Investment Partnership (Limited Partnership)	Executive Partner	No
Positions held in other companies	N/A		

Incumbent or outgoing directors, supervisors and senior management in the reporting period that have been imposed administrative penalties by CSRC in the last three years

Applicable Not applicable

IV. Remuneration of Directors, Supervisors and Senior Management

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

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

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

Unit: ten thousand RMB

Name	Post	Gender	Age	Position Status	Total Remuneration from the Company before Tax	Whether to Receive Remuneration From Related Parties or Not
Fu Liquan	Chairman	Male	52	Incumbent	88.51	No
Wu Jun	Vice Chairman, Vice President	Male	47	Incumbent	94.76	No
Li Ke	Director, President	Male	47	Incumbent	190.64	No
Zhu Jiangming	Director, Executive Vice President	Male	52	Incumbent	88.51	No

Chen Ailing	Director	Female	52	Incumbent	0	No
He Chao	Independent Director	Male	60	Incumbent	20	No
Wang Zexia	Independent Director	Female	54	Incumbent	20	No
Huang Siying	Independent Director	Female	41	Incumbent	20	No
Song Maoyuan	Supervisor	Female	37	Incumbent	42.54	No
Song Ke	Supervisor	Male	41	Incumbent	108.06	No
Zuo Pengfei	Supervisor	Female	41	Incumbent	49.83	No
Wu Jian	Secretary of the Board, Vice President	Male	45	Incumbent	127.91	No
Wei Meizhong	CFO, Vice President	Male	48	Incumbent	107.91	No
Chen Yuqing	Vice President	Male	45	Incumbent	157.91	No
Wu Yunlong	Vice President	Male	63	Incumbent	90.41	No
Xu Zhicheng	Vice President	Male	53	Incumbent	127.91	No
Yan Gang	Vice President	Male	50	Incumbent	107.88	No
Ying Yong	Vice President	Male	50	Incumbent	128.03	No
Zhu Jiantang	Vice President	Male	37	Incumbent	127.88	No
Zhang Wei	Vice President	Male	48	Incumbent	160.23	No
Zhang Xingming	Vice President	Male	42	Incumbent	157.96	No
Zhao Yuning	Vice President	Male	42	Incumbent	160.64	No
Shen	Vice President	Male	58	Resigned	91.77	No

Huiliang						
Total	--	--	--	--	2,269.29	--

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

√ Applicable □ Not applicable

Unit: share

Name	Post	Number of vesting shares during the reporting period	Number of vested shares during the reporting period	The exercise price of the vested shares during the reporting period (yuan/share)	Market price at the end of the reporting period (yuan/share)	Number of restricted stocks held at the beginning of the period	Number of unlocked shares in this period	Number of restricted stocks newly granted during the reporting period	The granting price of restricted stocks (yuan/share)	Number of restricted stocks held at the end of the period
Li Ke	Director, President	0	0	0	11.46	0	0	800,000	8.17	800,000
Wu Jun	Vice Chairman, Vice President	0	0	0	11.46	0	0	260,000	8.17	260,000
Wu Jian	Secretary of the Board, Vice President	0	0	0	11.46	0	0	530,000	8.17	530,000
Wei Meizhong	CFO, Vice President	0	0	0	11.46	0	0	260,000	8.17	260,000
Chen Yuqing	Vice President	0	0	0	11.46	0	0	260,000	8.17	260,000
Wu Yunlong	Vice President	0	0	0	11.46	0	0	260,000	8.17	260,000
Xu Zhicheng	Vice President	0	0	0	11.46	0	0	530,000	8.17	530,000
Yan Gang	Vice President	0	0	0	11.46	0	0	330,000	8.17	330,000
Ying Yong	Vice President	0	0	0	11.46	0	0	670,000	8.17	670,000
Zhang	Vice	0	0	0	11.46	0	0	740,000	8.17	740,000

Wei	President									
Zhang Xingming	Vice President	0	0	0	11.46	0	0	740,000	8.17	740,000
Zhao Yuning	Vice President	0	0	0	11.46	0	0	740,000	8.17	740,000
Zhu Jiantang	Vice President	0	0	0	11.46	0	0	670,000	8.17	670,000
Total	--	0	0	--	--	0	0	6,790,000	--	6,790,000

V. Employees in the Company

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

Number of incumbent employees in the parent company (person)	10,033
Number of incumbent employees in major subsidiaries (person)	3,575
Total number of incumbent employees (person)	13,608
Number of employees receiving salaries in current period (person)	13,608
Number of retired employees requiring the parent company and major subsidiaries to bear their costs	4
Profession composition	
Type of profession composition	Number of employees for profession composition (person)
R&D staff	6,880
Sales	2,629
Supply chain	2,461
Administrative staff	311
Professional support staff	1,327
Total	13,608
Educational background	
Type of educational background	Number of employees (person)
Master and above	2,079
Bachelor	7,530
College, technical secondary school	2,172
Others	1,827
Total	13,608

2. Remuneration policies

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

3. Training plan

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

4. Labor outsourcing

Applicable Not applicable

Section IX Corporate Governance

I. Basic Situation on Corporate Governance

During the reporting period, the Company strictly followed the provisions of "Company Law", "Securities Law", "Governance Guidelines for Listed Companies", "Stock Listing Rules of Shenzhen Stock Exchange", "Standard Operation Guidelines for SME Board Listed Companies of Shenzhen Stock Exchange" and other relevant laws and regulations and regulatory documents, constantly improved corporate governance structure, established and improved internal control system, and strived to improve the Company's standardized operation level. At present, the overall operation of the company is considerably standardized and independent with rule-based information disclosure. The actual state of corporate governance is generally in line with the regulatory documents issued by the China Securities Regulatory Commission regarding the governance of listed companies.

I Shareholders and shareholders meeting: The company standardizes the calling, convening, and voting procedures as required by the regulations and requirements of the Standards on the Shareholders' General Meeting of Listed Companies, the Articles of Corporation and the Rules of Procedures of the Shareholders' General Meeting, according to which the associated shareholders shall avoid voting when the relevant issues are being discussed in the shareholders meeting and connected transactions have been fair and reasonable without hurting the interests of shareholders. Treat all shareholders equally to ensure that shareholders, especially small and medium-sized shareholders, can fully exercise their rights. The general meetings of shareholders have all been convened by the company's board of directors and witnessed by the lawyer.

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

III Directors and Board of Directors: The company currently has eight directors, including three independent directors, all of whom are experts in corporate management, financial accounting and other fields; the number and composition of the board of directors meet the requirements of laws and regulations and the Articles of Corporation. The Board of Directors convened board meetings and implemented the resolutions of the shareholders' meeting in strict accordance with "Articles of Association" and "Rules of Procedure of the Board of Directors"; All the directors were able to perform their due duties and conscientiously attended the Board meetings and shareholders' meetings to safeguard the legitimate rights and interests of the Company and shareholders.

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

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

appointment of company executives is open, transparent and complies with laws and regulations.

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

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

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

Yes No

There is no significant difference between the actual situation of corporate governance and the regulatory documents on the governance of listed companies issued by China Securities Regulatory Commission.

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

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

1. Business independence

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

2. Staff independence

The company's personnel are independent from the controlling shareholders, actual controllers and other companies controlled by them. The company has an independent human resources department responsible for labor, personnel and payroll management. The company has established an independent labor, personnel, and salary management system. The production, operation, and

administration are independent of the controlling shareholders, actual controllers, and other companies controlled by them; the recommendation, election, and appointment of directors, supervisors, and senior managers of the company have all been conducted legally and independently; senior management personnel such as the president, vice president, board secretary, and finance director did not hold positions other than directors and supervisors for controlling shareholders, actual controllers, and other companies controlled by them or receive salaries from them; the company's financial staff do not have a part-time job with the controlling shareholders, actual controllers, and other companies controlled by them.

3. Asset independence

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

4. Institutional independence

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

5. Financial independence

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

III Horizontal competition

Applicable Not applicable

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

1. The shareholders' meetings for this reporting period

Conference Session	Conference Type	Percentage of Investors Involved	Date of Conference	Date of Disclosure	Disclosure Index
First Extraordinary	Extraordinary	45.25%	06 March 2018	07 March 2018	CNINFO:

General Meeting in 2018	General Meeting					http://www.cninfo.com.cn
Shareholders' General Meeting in 2017	Annual General Meeting	49.53%	27 April 2018	28 April 2018		CNINFO: http://www.cninfo.com.cn
The second interim shareholders' general meeting in 2018	Extraordinary General Meeting	42.05%	28 May 2018	29 May 2018		CNINFO: http://www.cninfo.com.cn
Third Extraordinary General Meeting of Shareholders in 2018	Extraordinary General Meeting	42.53%	September 07, 2018	September 08, 2018		CNINFO: http://www.cninfo.com.cn
The fourth interim shareholders' general meeting in 2018	Extraordinary General Meeting	52.51%	September 14, 2018	September 15, 2018		CNINFO: http://www.cninfo.com.cn
The fifth interim shareholders' general meeting in 2018	Extraordinary General Meeting	42.57%	December 27, 2018	December 28, 2018		CNINFO: http://www.cninfo.com.cn

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

Applicable Not applicable

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

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

Attendance of independent directors at the BOD meeting and shareholders' general meetings							
Name of independent director	Number of board meetings to attend during the reporting period	Number of on-site attendance of board meetings	Number of attendance of board meetings by means of telecommunications	Number of attendance of board meetings by trustees	Number of absence at board meetings	Whether absent from board meetings in person for two consecutive times	Number of attendance of shareholders' general meetings
He Chao	15	3	12	0	0	No	1
Wang Zexia	15	6	9	0	0	No	3
Huang Siying	15	2	13	0	0	No	2

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

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

Yes No

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

3. Other information on independent directors' performance of duties

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

Yes No

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

During the reporting period, according to the provisions of "Company Law", "Guiding Opinions on Establishing Independent Directors in Listed Companies", "Standard Operation Guidelines for SME Board Listed Companies of Shenzhen Stock Exchange", "Articles of Association" and "Working Rules of Independent Directors" and relevant laws and regulations, the independent directors made full use of their professional advantages to pay close attention to the Company's business condition, and took the opportunity of board meetings, shareholders' meetings and other time to look into the Company's production, operation and management conditions and actively communicate with other directors, supervisors and administrative staff to keep abreast of the Company's business dynamics, discuss the industry competition structure and overall development strategy faced by the Company and potential risks. Independent directors offered reasonable ideas and suggestions for the Company's business development from their respective professional perspectives, and issued their independent and just opinions on matters such as related transactions, profit distribution, restricted stock incentive plan, and foreign investment that require independent directors' opinions during the reporting period. They played a due role in safeguarding the interests of the Company and shareholders, especially the public shareholders. The company has adopted the opinions of independent directors.

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

1. Strategy Committee

In 2018, the Strategy Committee strictly complied with the requirements of the system, discussed the industry's competitive landscape, corporate strategy, future development plans, the deepening of innovation and transformation, and globalized layout, timely analyzed the market conditions and made corresponding adjustments. They proposed constructive suggestions on the company's business strategy and annual work, ensured the scientific nature of the company's development planning and strategic decision-making, and provided strategic support for the company's sustained and steady development.

2. Nomination Committee

In 2018, the Nomination Committee actively carried out its work in accordance with the Working System of the Nomination Committee of the Board of Directors and other relevant regulations and fulfilled its duties earnestly. The Nomination Committee has selected candidates for the company's directors and senior managers, selection criteria and procedures and made recommendations.

3. Audit Committee

In 2018, the Audit Committee fully implemented its supervisory role and maintained the independence of auditing in accordance with the principle of due diligence. During the reporting period, the Audit Committee heard the management's report on business situation, financial status and other major issues during the year. During the reporting period, the Audit Committee held meetings as required to discuss the company's periodic reports, various audit reports submitted by the internal audit department, internal controls, and the reappointment of accounting organizations, expressed opinions, and supervised the auditing work of the accounting firms.

4. Remuneration and Appraisal Committee

In 2018, the Remuneration and Appraisal Committee, based on the company's performance and industry standards, carried out a review of the ranking of staff positions and assessment standards, and reviewed and confirmed the company's remuneration for directors, supervisors and senior management in 2017 and other issues.

VII. Work of the Supervisory Committee

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

Yes No

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

VIII. Evaluation and Incentive Mechanisms for Senior Management

The company has established a complete assessment and incentive system for senior management personnel, formulated a complete senior management personnel selection, evaluation, incentive and restraint mechanism, and assessed fulfillment of their duties and annual performance. At present, the assessment of the company's senior staff mainly involves promised performance-based evaluation for senior executives and the year-end performance debriefing of staff higher than department managers. At the manager level, the operation goal-driven responsibility system during the term and the assessment approach which combines company-level KPIs with personal performance commitment have been set up. Those who pass the assessment and can properly complete the respective tasks in the recent term will have salary raise or other incentive-based rewards by the company according to the degree of goal completion. In the future, the company will adopt a multi-level comprehensive incentive system to effectively mobilize the management personnel, attract, and stabilize outstanding management talents and the backbone of technology and business.

During the reporting period, the Company implemented the Restricted Stock Incentive Plan in 2018, which further improved the incentive and constraint mechanism for senior executives and other key employees of the Company and established and improved the middle and long term incentive and constraint mechanism, which fully mobilized and facilitated the enthusiasm and creativity of the incentive objects and effectively aligned the interests of shareholders, the Company with the employees to continuously promote the Company's performance, bring the benefits of the Company's development to all employees for the shared development.

IX. Internal Control Assessment Report

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

Yes No

2. Internal control self-evaluation report

Date of full-text disclosure for internal control assessment report	March 19, 2019
Full-text disclosure index for internal control assessment report	http://www.cninfo.com.cn
Percentage of total asset from units included in the assessment out of the total asset from the company's	100.00%

consolidated financial statements		
The proportion of operating income of parties included in the assessment to the operating income from the Company's consolidated financial statements	100.00%	
Defect identification criteria		
Category	Financial Report	Non-financial reports
Qualitative standards	Signs of material weakness in financial reporting include:	The identification of non-financial report defects is mainly determined by the extent of their influence on validity of business process and the probability of occurrence.
Quantitative standards	Losses which have been or may be incurred due to internal control deficiencies and are related to the profit statement should be measured by the operating income indicators. If the misreporting amount in the financial statement, which may be incurred by the deficiencies alone or together with other deficiencies, is less than 0.5% of the operating income, it is considered as a general deficiency; If it exceeds 0.5% of the operating income but is less than 1%, then it is an important deficiency; If it exceeds 1% of the operating income, then it is considered as a major deficiency.	The quantitative criteria is based on operating income and total assets. Losses which have been or may be incurred due to internal control deficiencies and are related to the profit statement should be measured by the operating income indicators. If the misreporting amount in the financial statement, which may be incurred by the deficiencies alone or together with other deficiencies, is less than 0.5% of the operating income, it is considered as a general deficiency; If it exceeds 0.5% of the operating income but is less than 1%, then it is an important deficiency; If it exceeds 1% of the operating income, then it is considered as a major deficiency.
Number of material weakness in financial reports	0	
Number of material weakness in non-financial reports	0	
Number of significant deficiency in financial reports	0	
Number of significant deficiency in non-financial report	0	

X. Internal Control Audit Report or Assurance Report

Not applicable.

Section X Situation on Corporate Bonds

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

No

Section XI Financial Reports

I. Audit Reports

Audit opinion type	Standard Unqualified Opinion
Signature Date of audit report	March 18, 2019
Name of audit institution	BDO China Shu Lun Pan CPAs (special general partnership)
Audit report ref.	Xin Kuai Shi Bao Zi [2019] No.ZF10073
Name of Certified Public Accountant	Zhong Jiandong, Du Na

Audit Report Text

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

I. Opinion

We have audited the financial statements of Zhejiang Dahua Technology Co., Ltd. (hereinafter referred to as the Company), which comprise the parent company's and the consolidated balance sheet dated December 31, 2018, the parent company's and the consolidated income statement, the parent company's and the consolidated cash flow statement and the parent company's and the consolidated statement of changes in owners' equity in 2018, as well as the notes to relevant financial statements.

In our opinion, the attached financial statements are prepared, in all material respects, in accordance with Accounting Standards for Business Enterprises and present fairly the financial position of the merged companies and the parent company as at December 31, 2018 and the operating results and cash flows of the merger and the parent company in 2018.

II. Basis for Our Opinion

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

III. Key Audit Matters

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

Key Audit Matters	How the matter was addressed in the audit
A. Recognition of revenue	
The revenue of Dahua in 2018 is RMB 23,665,688,106.22, which is an important part of its income statement. We recognize the revenue as a key audit matter. Based on the accounting policy of Dahua, the Company's main products	The main audit procedures implemented for the above key audit matter include: 1. Understand the internal control system in relation to revenue recognition and the design and implementation of the financial accounting system, and test the effectiveness of its operation;

<p>include security standard products, system integration and other labor services. Among them, the security standard products for domestic market were delivered to customers or picked up by customers based on the contractual terms in the sales contract. The revenue was recognized after customers received and accepted the goods and the Company obtained the evidence proving the customers' receipt of goods; for the security standard products exported by domestic companies, the revenue was recognized after the goods were declared and exported, and for the security standard products sold overseas by overseas subsidiaries, the revenue was recognized after the customer received and accepted the goods; the revenue from the system integration sales was recognized after the acceptance of goods by customers; the revenue from the labor services sales was recognized when relevant labor services were provided. See Notes III (24) for details.</p>	<p>2. Check the agreements of relevant contracts for different sales types in accordance with the actual situation of the specific businesses, and evaluate whether the revenue recognition meets the requirements of Accounting Standards for Business Enterprises; perform an analytical procedures to judge the reasonableness of the changes in sales revenue and gross profit margin; 3. Perform confirmation procedures: send confirmation to customers for the annual sales amount and the outstanding at the end of the year, and the export sales income shall be certified by the customs. 4. Different types of income samples shall be tested: for standard products for domestic market and overseas sales of overseas subsidiaries, sample the out-of-stock records, shipping orders, customer countersign records, received payment records, etc.; for standard products exported by domestic companies, check the out-of-stock records, customs declaration, bill of lading, and received payment records; for system integration sales, check the product delivery records, shipping list and contract list, unpacking acceptance report, acceptance report for the completion of installation and commissioning, received payment records, etc. 5. Sample the transactions made before or after the balance sheet date and check their out-of-stock records, customs declaration, and other relevant supportive documents to confirm whether the revenues have been recognized in an appropriate accounting period.</p>
<p>B. Recoverability of accounts receivable</p>	
<p>Dahua's original accounts receivable was RMB 11,275,367,656.81 in total as of the end of 2018. The balance of bad debt provision was RMB 1,083,994,879.43. The management needs to make significant judgments about the identification of accounts receivable impairment accounts, the likelihood of inward cash flows of future customers and the realization of the amount guaranteed. The management's estimates and assumptions are uncertain. Since the amount of accounts receivable is significant to the financial statements as a whole and the recoverability involves the estimation and judgment of future cash flows,</p>	<p>We evaluated the recoverability of accounts receivable by the following procedures: 1. Understand the management and the internal control of key financial reporting related to credit control, account recovery and assessment of impairment provision for receivables, and evaluate the effectiveness of the design and operation of the internal control; 2. Understand the company's management procedures for customers' credit and the collection measures for overdue debts; 3. Evaluate whether the aging interval of accounts receivable with bad debt set aside according to aging portfolios is appropriate, and comprehensively evaluate the recoverability of accounts receivable based on customer size, credit status, historical default evidence, and</p>

we recognize the recoverability of accounts receivable as a key audit matter.	historical payment status. Check the nature of receivables with long account-age and if there are litigations; 4. Test the payment received after the balance sheet date; 5. Perform the correspondence-based confirmation procedure and check whether the confirmation results are consistent; 6. Analyze whether there are amounts of accounts receivable that cannot be recovered and need to be written off.
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IV. Other Information

The management of the Company (hereinafter referred to as the Management) is responsible for the other information. The other information comprises information of the Company's annual report in 2018, but excludes the financial statements and our audit report.

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

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

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

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

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

In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing matters related to going concern (if applicable) and using the going concern basis of accounting unless the Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

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

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

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

(2) Obtain an understanding of internal control relevant to the audit in order to design appropriate audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related

disclosures made by the Management.

(4) Conclude on the appropriateness of using the going concern assumption by the Management. Meanwhile, conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the information available up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(5) Evaluate the overall presentation, structure and content of the financial statements (including the disclosures), and whether the financial statements represent the relevant transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

Chinese CPA: Zhong Jiandong (project partner)

Chinese CPA: Du Na

Shanghai, China

March 18, 2019

II. Financial Statements

Units of financial reports in the notes: RMB

1. Consolidated Balance Sheet

Prepared by: Zhejiang Dahua Technology Co., Ltd.

December 31, 2018

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Commencement of the Period
Current Assets:		
Cash and Bank Balances	4,160,153,847.06	3,612,937,164.14
Deposit Reservation for Balance		
Loans to Banks and Other Financial Institutions		
Financial liabilities at fair value through profit or loss		
Derivative Financial Assets		
Notes receivable and accounts receivable	12,577,066,194.44	9,971,240,927.27
Including: notes receivable	2,385,693,417.06	2,431,296,170.58
Accounts receivable	10,191,372,777.38	7,539,944,756.69
Prepayments	126,891,259.00	154,357,171.13
Premium Receivable		
Reinsurance Accounts Receivable		
Reinsurance Contract Reserves Receivable		
Other Receivables	398,170,769.40	292,278,208.02
Including: interest receivable	6,754,941.00	9,219,422.61
Dividends Receivable		
Buying Back the Sale of Financial Assets		
Inventory	3,035,579,709.14	2,806,142,598.65
Holding for-sale assets		
Non-current Assets Due within 1 Year	578,733,057.27	367,302,811.80
Other Current Assets	402,255,078.05	352,055,656.65
Subtotal of Current Assets	21,278,849,914.36	17,556,314,537.66
Non-current Assets:		
Granting of loans and advances		
Financial Assets Available for Sale	82,970,227.00	77,970,227.00

Held-to-maturity Investments		
Long-term Receivables	1,861,485,568.28	1,480,947,137.80
Long-term Equity Investment	185,872,021.58	61,272,885.41
Investment Property	346,831,376.55	181,050,142.29
Fixed Assets	1,407,471,330.83	1,248,305,165.77
Projects under Construction	226,191,587.11	58,779,225.41
Productive Biological Assets		
Oil and gas assets		
Intangible Assets	372,467,409.09	253,357,254.66
Development Expenditure		
Goodwill	109,745,412.21	71,083,281.09
Long-term Prepaid Expenses	37,117,918.55	
Deferred Income Tax Assets	425,319,406.98	251,453,971.05
Other Non-current Assets	16,277,605.61	92,944,735.83
Subtotal of Non-current Assets	5,071,749,863.79	3,777,164,026.31
Total Assets	26,350,599,778.15	21,333,478,563.97
Current Liabilities:		
Short-term loan	1,851,709,561.83	1,770,924,255.90
Borrowings from the Central Bank		
Deposit Taking and Interbank Deposit		
Borrowings from Banks and Other Financial Institutions		
Financial Liabilities Measured in Fair Value with Changes Recorded into Current Profit and Loss	38,602,602.30	62,450,000.00
Derivative Financial Liabilities		
Notes payable and accounts payable	7,461,315,698.99	6,136,607,389.03
Received Prepayments	343,297,891.20	461,715,422.38
Financial Assets Sold for Repurchase		
Service Charge and Commission Payable		
Payroll payable	1,124,358,611.94	851,146,379.97
Tax Payable	599,478,049.81	479,536,571.45
Other Payables	1,051,537,094.97	107,991,640.10
Including: interest payable	4,745,203.31	3,694,476.25
Dividends Payable		
Reinsurance Accounts Payable		

Insurance Contract Reserves		
Receiving from Vicariously Traded Securities		
Receiving from Vicariously Sold Securities		
Holding for-sale liabilities		
Non-current Liabilities Due within 1 Year	25,500,000.00	
Other Current Liabilities	70,845,639.51	45,941,962.85
Subtotal of Current Liabilities	12,566,645,150.55	9,916,313,621.68
Non-current Liabilities:		
Long-term loan	179,000,000.00	230,000,000.00
Bonds Payable		
Including: Preferred Stocks		
Perpetual Bonds		
Long-term Payables		
Long-term payroll payable		
Expected Liabilities	193,761,170.12	127,998,889.61
Deferred Income	58,693,533.40	61,866,156.88
Deferred Income Tax Liabilities	50,137,969.76	45,468,946.77
Other Non-current Liabilities	399,096,280.89	358,600,936.54
Subtotal of Non-current Liabilities	880,688,954.17	823,934,929.80
Total Liabilities	13,447,334,104.72	10,740,248,551.48
Shareholders' Equity:		
Share Capital	2,997,621,930.00	2,898,756,130.00
Other Equity Instruments		
Including: Preferred Stocks		
Perpetual Bonds		
Capital Reserves	1,501,180,862.83	593,340,751.52
Less: Treasury Share	807,733,586.00	
Other Comprehensive Incomes	10,337,164.41	6,660,189.04
Special Reserves		
Surplus Reserves	1,246,369,430.91	971,547,268.36
General Risk Reserves		
Undistributed Profits	7,670,983,116.33	5,996,130,036.27
Total Shareholders' Equity Attributable to the Parent Company	12,618,758,918.48	10,466,434,375.19

Minority Shareholders' Equity	284,506,754.95	126,795,637.30
Total Shareholders' Equity	12,903,265,673.43	10,593,230,012.49
Total Liabilities and Shareholders' Equity	26,350,599,778.15	21,333,478,563.97

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

2. Balance Sheet of the Parent Company

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Current Assets:		
Cash and Bank Balances	611,190,236.01	528,918,086.71
Financial liabilities at fair value through profit or loss		
Derivative Financial Assets		
Notes receivable and accounts receivable	5,551,148,625.96	5,961,186,747.25
Including: notes receivable	952,572,702.92	28,625,396.43
Accounts receivable	4,598,575,923.04	5,932,561,350.82
Prepayments	26,772,044.53	60,553,036.53
Other Receivables	6,954,655,863.03	2,745,958,536.36
Including: interest receivable	42,500.00	171,583.35
Dividends Receivable		
Inventory	120,181,267.85	155,981,228.49
Holding for-sale assets		
Non-current Assets Due within 1 Year	50,793,137.80	721,747.17
Other Current Assets	24,858,982.78	613,008.35
Subtotal of Current Assets	13,339,600,157.96	9,453,932,390.86
Non-current Assets:		
Financial Assets Available for Sale	80,496,000.00	75,496,000.00
Held-to-maturity Investments		
Long-term Receivables	160,299,143.83	2,900,649.67
Long-term Equity Investment	3,001,639,428.55	2,492,439,607.09
Investment Property	183,321,198.72	188,865,490.54
Fixed Assets	496,363,638.38	457,103,573.22
Projects under Construction	151,072,585.67	32,179,351.04
Productive Biological Assets		

Oil and gas assets		
Intangible Assets	170,879,747.04	183,721,662.56
Development Expenditure		
Goodwill		
Long-term Prepaid Expenses	28,927,258.54	
Deferred Income Tax Assets	40,821,902.57	36,986,523.59
Other Non-current Assets	929,380.00	3,611,195.07
Subtotal of Non-current Assets	4,314,750,283.30	3,473,304,052.78
Total Assets	17,654,350,441.26	12,927,236,443.64
Current Liabilities:		
Short-term loan	1,380,000,000.00	700,000,000.00
Financial Liabilities Measured in Fair Value with Changes Recorded into Current Profit and Loss		
Derivative Financial Liabilities		
Notes payable and accounts payable	1,065,528,900.01	524,188,372.26
Received Prepayments	80,361,211.04	87,898,434.50
Payroll payable	817,723,936.19	632,166,128.79
Tax Payable	351,294,836.50	346,992,152.22
Other Payables	1,060,909,330.56	137,023,150.55
Including: interest payable	2,416,340.30	678,835.62
Dividends Payable		
Holding for-sale liabilities		
Non-current Liabilities Due within 1 Year		
Other Current Liabilities	6,464,333.12	67,347.75
Subtotal of Current Liabilities	4,762,282,547.42	2,428,335,586.07
Non-current Liabilities:		
Long-term loan		
Bonds Payable		
Including: Preferred Stocks		
Perpetual Bonds		
Long-term Payables		
Long-term payroll payable		
Expected Liabilities	3,396,100.00	925,500.00
Deferred Income		

Deferred Income Tax Liabilities		43,435.80
Other Non-current Liabilities	23,684,423.74	452,397.55
Subtotal of Non-current Liabilities	27,080,523.74	1,421,333.35
Total Liabilities	4,789,363,071.16	2,429,756,919.42
Shareholders' Equity:		
Share Capital	2,997,621,930.00	2,898,756,130.00
Other Equity Instruments		
Including: Preferred Stocks		
Perpetual Bonds		
Capital Reserves	1,497,801,068.88	589,895,836.49
Less: Treasury Share	807,733,586.00	
Other Comprehensive Incomes		
Special Reserves		
Surplus Reserves	1,246,369,430.91	971,547,268.36
Undistributed Profits	7,930,928,526.31	6,037,280,289.37
Total Shareholders' Equity	12,864,987,370.10	10,497,479,524.22
Total Liabilities and Shareholders' Equity	17,654,350,441.26	12,927,236,443.64

3. Consolidated Income Statement

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
I. Total Operating Revenue	23,665,688,106.22	18,844,458,053.78
Including: Operating Revenue	23,665,688,106.22	18,844,458,053.78
Interest Income		
Earned Premiums		
Service Charge and Commission Income		
II. Total Operating Cost	21,581,614,670.44	16,919,172,999.60
Including: Operating Cost	14,871,181,066.69	11,639,494,423.21
Interest Expenditures		
Service Charge and Commission Expenses		
Surrender Value		
Net Claims Paid		
Net Amount Withdrawn for Insurance		

Contract Reserves		
Policyholder Dividend Expense		
Reinsurance Cost		
Taxes and Surcharges	192,381,330.58	141,633,153.19
Sales Expenses	3,365,380,947.78	2,416,699,706.00
Administration expenses	632,968,594.64	519,518,000.34
Research and development expense	2,283,872,502.53	1,788,888,879.43
Financial Expenses	-123,167,962.74	167,431,921.69
Including: interest expenses	114,335,785.04	73,301,999.99
Interest Income	113,966,942.24	54,757,215.68
Losses on Assets Impairment	358,998,190.96	245,506,915.74
Add: Other income	733,874,699.13	735,716,476.52
Investment Income (Mark "-" for Loss)	-79,293,077.01	-29,510,653.15
Including: Investment Income from Affiliates and Joint Ventures	-36,049,906.26	-37,464,812.35
Incomes from changes in fair value (losses marked with "-")	-38,602,602.30	
Exchange Gains (Mark "-" for Losses)		
Asset Disposal Income (Mark "-" for Loss)	17,535.97	774,332.50
III. Operating Profit (Mark "-" for Loss)	2,700,069,991.57	2,632,265,210.05
Add: Non-operating Revenues	77,197,481.30	22,631,016.54
Less: Non-operating Expenses	4,112,201.74	12,688,370.45
IV. Total Profit (Mark "-" for Total Loss)	2,773,155,271.13	2,642,207,856.14
Less: Income Tax Expense	178,562,590.79	265,421,510.04
V. Net Profit (Mark "-" for Net Loss)	2,594,592,680.34	2,376,786,346.10
(I) Net Profit as a Going Concern (Mark "-" for Net Loss)	2,594,592,680.34	2,376,786,346.10
(II) Net Profit of Discontinued Operation (Mark "-" for Net Loss)		
Net Profit Attributable to the Parent Company's Owner	2,529,426,468.61	2,378,726,820.22
Minority Shareholders' Profit and Loss	65,166,211.73	-1,940,474.12
VI. Net Amount of Other Comprehensive Incomes after Tax	3,676,975.37	4,365,067.32
Net Amount of Other Comprehensive Incomes after Tax Attributable to the Parent Company's Owner	3,676,975.37	4,365,067.32

(1) Other comprehensive income that cannot be reclassified as P/L		
1. Re-measure the variation of the defined benefit plan		
2. Other comprehensive income that cannot be transferred to P/L under the equity method		
(2) Other comprehensive income that will be reclassified as P/L	3,676,975.37	4,365,067.32
1. Other comprehensive income that can be transferred to P/L under the equity method		
2. Profit or Loss Arising from Changes in the Fair Value of Financial Assets Available for Sale		
3. Profit or Loss Arising from Reclassifying Investments Held to Maturity as Financial Assets Available for Sale		
4. Effective Part of Profit or Loss From Cash Flow Hedging		
5. Currency Translation Difference	3,676,975.37	4,365,067.32
6. Others		
Net Amount of Other Comprehensive Incomes After Tax Attributable to Minority Shareholders		
VII. Total Comprehensive Income	2,598,269,655.71	2,381,151,413.42
Total Comprehensive Income Attributable to the Parent Company's Owner	2,533,103,443.98	2,383,091,887.54
Total Comprehensive Income Attributable to Minority Shareholders	65,166,211.73	-1,940,474.12
VIII. Earnings per Share:		
(I) Basic Earnings per Share	0.87	0.82
(II) Diluted Earnings per Share	0.87	0.82

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

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

4. Income Statement of the Parent Company

Unit: RMB

Item Name	This Period's Amount of	Previous Period's Amount of
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	Occurrence	Occurrence
I. Operating Revenue	8,333,563,115.08	6,547,583,570.54
Less: Operating Cost	1,762,464,907.26	815,064,636.33
Taxes and Surcharges	114,691,360.49	102,895,042.06
Sales Expenses	1,826,106,099.37	1,529,259,610.81
Administration expenses	332,931,605.32	307,009,140.36
Research and development expense	2,000,658,797.75	1,593,069,751.80
Financial Expenses	29,935,660.08	20,631,688.15
Including: interest expenses	41,278,053.23	25,520,964.94
Interest Income	15,006,188.38	7,919,337.33
Losses on Assets Impairment	16,183,524.43	64,116,170.81
Add: Other income	676,054,269.34	703,670,185.76
Investment Income (Mark "-" for Loss)	-35,043,814.25	-26,479,223.27
Including: Investment Income from Affiliates and Joint Ventures	-37,135,560.20	-36,550,868.57
Incomes from changes in fair value (losses marked with "-")		
Asset Disposal Income (Mark "-" for Loss)	8,194.76	689,271.65
II. Operating Profit (Mark "-" for Loss)	2,891,609,810.23	2,793,417,764.36
Add: Non-operating Revenues	7,089,018.48	13,959,080.17
Less: Non-operating Expenses	820,867.93	10,196,741.66
III. Total Profit (Mark "-" for Total Loss)	2,897,877,960.78	2,797,180,102.87
Less: Income Tax Expense	149,656,335.29	258,780,739.04
IV. Net Profit (Mark "-" for Net Loss)	2,748,221,625.49	2,538,399,363.83
(I) Net Profit as a Going Concern (Mark "-" for Net Loss)	2,748,221,625.49	2,538,399,363.83
(II) Net Profit of Discontinued Operation (Mark "-" for Net Loss)		
V. Net Amount of Other Comprehensive Incomes After Tax		
(1) Other comprehensive income that cannot be reclassified as P/L		
1. Re-measure the variation of the defined benefit plan		
2. Other comprehensive income that cannot be transferred to P/L under the equity method		

(2) Other comprehensive income that will be reclassified as P/L		
1. Other comprehensive income that can be transferred to P/L under the equity method		
2. Profit or Loss Arising from Changes in the Fair Value of Financial Assets Available for Sale		
3. Profit or Loss Arising from Reclassifying Investments Held to Maturity as Financial Assets Available for Sale		
4. Effective Part of Profit or Loss From Cash Flow Hedging		
5. Currency Translation Difference		
6. Others		
VI. Total Comprehensive Income	2,748,221,625.49	2,538,399,363.83
VII. Earnings per Share:		
(I) Basic Earnings per Share	0.95	0.88
(II) Diluted Earnings per Share	0.94	0.88

5. Consolidated Cash Flow Statement

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
I. Cash Flow Generated by Operational Activities:		
Cash from Sales of Merchandise and Provision of Services	21,710,486,123.09	16,125,642,536.81
Net Increase in Customer's Bank Deposits and Interbank Deposits		
Net Increase in Borrowings from the Central Bank		
Net Increase in Borrowings from Other Financial Institutions		
Cash Arising from Receiving Premiums for the Original Insurance Contract		
Net Amount Arising from Reinsurance Business		
Net Increase in Deposits and Investments from Policyholders		
Net additions to financial assets from disposal at fair value measurement and its inclusion in current profit or loss		
Cash Arising from Interests, Service Charges and Commissions		
Net Increase in Borrowings from Banks and Other Financial Institutions		
Net Increase in Repurchase Business Funds		

Tax Refund	1,613,409,298.19	1,524,698,109.73
Other Received Cashes Related to Operational Activities	324,234,716.30	223,178,052.99
Subtotal of Cash Inflow from operational activities	23,648,130,137.58	17,873,518,699.53
Cash Paid for Merchandise and Services	14,872,235,902.05	10,542,785,834.76
Net Increase in Loans and Advances to Customers		
Net Increase in Deposits with Central Bank and Other Financial Institutions		
Cash Paid for Original Insurance Contract Claims		
Cash Paid for Interests, Service Charges and Commissions		
Cash Paid for Policy Dividends		
Cash Paid to and for Employees	4,224,457,856.42	3,150,935,592.99
Cash Paid for Taxes and Surcharges	1,631,045,797.74	1,389,349,414.63
Other Paid Cashes Related to Operational Activities	1,965,074,603.20	1,876,216,497.14
Subtotal of Cash Outflow from operational activities	22,692,814,159.41	16,959,287,339.52
Net Cash Flow Generated by operating activities	955,315,978.17	914,231,360.01
II. Cash Flow from Investment Activities:		
Cash Arising from Disposal of Investments	154,883,001.58	73,662,025.45
Cash Arising from Investment Incomes	1,005,008.70	5,543,861.26
Net Cash Arising from Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets	6,708,368.55	2,547,995.10
Net Cash Arising from Disposal of Subsidiaries and Other Business Units		
Other Received Cashes Related to Investment Activities	7,546,323.87	35,937,405.08
Subtotal of Cash Inflow from investment activities	170,142,702.70	117,691,286.89
Cash Paid for Purchase and Construction of Fixed Assets, Intangible Assets and Other Long-term Assets	552,121,341.01	287,810,123.74
Cash Paid for Investments	144,300,000.00	123,796,449.00
Net Increase in Pledge Loans		
Net Cash Paid for Acquisition of Subsidiaries and Other Business Units	80,777,002.35	
Other Paid Cashes Related to Investment Activities	139,588,395.84	997,312.35
Subtotal of Cash Outflow from investment activities	916,786,739.20	412,603,885.09
Net Amount of Cash Flow Generated by investment activities	-746,644,036.50	-294,912,598.20
III. Cash Flow from Financing Activities:		
Cash Arising from Absorbing Investments	902,573,370.84	40,773,116.00
Including: Cash Arising from Subsidiaries Absorbing Investments by	94,839,784.84	40,773,116.00

Minority Shareholders		
Cash Arising from Borrowings	6,623,290,520.36	4,857,362,598.34
Cash Arising from Bonds Issue		
Other Received Cashes Related to Financing Activities	1,274,934,480.00	412,104,220.00
Subtotal of Cash Inflow from Financing Activities	8,800,798,371.20	5,310,239,934.34
Cash Paid for Debts Repayment	6,579,048,362.00	3,847,629,805.60
Cash Paid for Distribution of Dividends and Profits or Payment of Interests	693,036,283.98	356,585,882.44
Including: Dividends and Profits Paid to Minority Shareholders by Subsidiaries		
Other Paid Cashes Related to Financing Activities	1,152,202,000.00	661,174,646.20
Subtotal of Cash Outflow from Financing Activities	8,424,286,645.98	4,865,390,334.24
Net Cash Flow Generated by Financing Activities	376,511,725.22	444,849,600.10
IV. Impact of Fluctuation in Exchange Rate on Cash and Cash Equivalents	54,421,142.77	-76,666,153.59
V. Net Increase in Cash and Cash Equivalents	639,604,809.66	987,502,208.32
Add: Cash and Cash Equivalents at the Commencement of the Period	3,062,678,993.88	2,075,176,785.56
VI. Cash and Cash Equivalents at the End of the Period	3,702,283,803.54	3,062,678,993.88

6. Cash Flow Statement of the Parent Company

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
I. Cash Flow Generated by Operational Activities:		
Cash from Sales of Merchandise and Provision of Services	9,535,966,439.28	6,967,013,848.33
Tax Refund	625,791,603.06	681,551,016.44
Other Received Cashes Related to Operational Activities	80,259,840.35	119,876,487.44
Subtotal of Cash Inflow from Operational Activities	10,242,017,882.69	7,768,441,352.21
Cash Paid for Merchandise and Services	1,600,482,018.59	62,579,595.07
Cash Paid to and for Employees	2,621,021,358.25	2,092,506,819.43
Cash Paid for Taxes and Surcharges	1,136,429,938.25	1,128,448,324.81
Other Paid Cashes Related to Operational Activities	1,148,233,582.00	1,212,919,232.03
Subtotal of Cash Inflow from Operational Activities	6,506,166,897.09	4,496,453,971.34
Net Cash flow Generated by Operating Activities	3,735,850,985.60	3,271,987,380.87
II. Cash Flow from Investment Activities:		
Cash Arising from Disposal of Investments	108,330,167.33	53,172,014.49

Cash Arising from Investment Incomes	1,005,008.70	5,543,861.26
Net Cash Arising from Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets	66,931,904.09	58,161,679.41
Net Cash Arising from Disposal of Subsidiaries and Other Business Units		
Other Received Cashes Related to Investment Activities	3,559,123.87	1,982,642.22
Subtotal of Cash Inflow from Investment Activities	179,826,203.99	118,860,197.38
Cash Paid for Purchase and Construction of Fixed Assets, Intangible Assets and Other Long-term Assets	141,168,885.59	142,334,274.59
Cash Paid for Investments	484,916,250.00	746,185,000.00
Net Cash Paid for Acquisition of Subsidiaries and Other Business Units		
Other Paid Cashes Related to Investment Activities		
Subtotal of Cash Outflow from Investment Activities	626,085,135.59	888,519,274.59
Net Amount of Cash Flow Generated by Investment Activities	-446,258,931.60	-769,659,077.21
III. Cash Flow from Financing Activities:		
Cash Arising from Absorbing Investments	807,733,586.00	
Cash Arising from Borrowings	2,958,285,400.61	1,190,000,000.00
Cash Arising from Bonds Issue		
Other Received Cashes Related to Financing Activities	238,356,205.21	56,945,471.12
Subtotal of Cash Inflow from Financing Activities	4,004,375,191.82	1,246,945,471.12
Cash Paid for Debts Repayment	2,278,285,400.61	1,190,000,000.00
Cash Paid for Distribution of Dividends and Profits or Payment of Interests	619,291,774.55	317,759,075.18
Other Paid Cashes Related to Financing Activities	4,317,544,339.28	2,508,910,059.87
Subtotal of Cash Outflow from Financing Activities	7,215,121,514.44	4,016,669,135.05
Net Cash Flow Generated by Financing Activities	-3,210,746,322.62	-2,769,723,663.93
IV. Impact of Fluctuation in Exchange Rate on Cash and Cash Equivalents	-86,334.64	-160,371.60
V. Net Increase in Cash and Cash Equivalents	78,759,396.74	-267,555,731.87
Add: Cash and Cash Equivalents at the Commencement of the Period	524,670,812.68	792,226,544.55
VI. Cash and Cash Equivalents at the End of the Period	603,430,209.42	524,670,812.68

7. Consolidated Statement of Changes in Owners' Equity

Amount of This Period

Unit: RMB

Item Name	Current Period												
	Shareholders' Equity Attributable to the Parent Company's Owner										Minority Shareholders' Equity	Total Shareholders' Equity	
	Share Capital	Other Equity Instruments			Capital Reserves	Less: Treasury Share	Other Comprehensive Incomes	Special Reserves	Surplus Reserves	General Risk Reserves			Undistributed Profits
	Preferred Stocks	Perpetual Bonds	Others										
I. Balance at the End of Last Year	2,898,756,130.00				593,340,751.52		6,660,189.04		971,547,268.36		5,996,130,036.27	126,795,637.30	10,593,230,012.49
Add: Changes in Accounting Policies													
Correction of Errors in the Previous Period													
Consolidated under the Same Control													
Others													
II. Balance at the Start of This Year	2,898,756,130.00				593,340,751.52		6,660,189.04		971,547,268.36		5,996,130,036.27	126,795,637.30	10,593,230,012.49
III. Increases or Decreases in This Period (Mark "-" for Decreases)	98,865,800.00				907,840,111.31	807,733,586.00	3,676,975.37		274,822,162.55		1,674,853,080.06	157,711,117.65	2,310,035,660.94
(I) Total Comprehensive Income							3,676,975.37				2,529,426,468.61	65,166,211.73	2,598,269,655.71

(II) Shareholders' Contribution and Reduction in Capital	98,865,800.00				740,312,759.88	807,733,586.00					92,479,784.84	123,924,758.72
1. Common stock invested by the owner	98,865,800.00				708,867,786.00	807,733,586.00					92,479,784.84	92,479,784.84
2. Capital Invested by Holders of Other Equity Instruments												
3. Amount of Share-based Payments Recorded into Shareholders' Equity					31,444,973.88							31,444,973.88
4. Others												
(III) Profit Distribution								274,822,162.55		-854,573,388.55		-579,751,226.00
1. Appropriation of Surplus Reserves								274,822,162.55		-274,822,162.55		
2. Appropriation of General Risk Reserves												
3. Distribution to Owners (or Shareholders)										-579,751,226.00		-579,751,226.00
4. Others												
(IV) Internal Carry-forward of Shareholders' Equity												
1. Capital Reserves Transferred into Capital (or Share Capital)												
2. Surplus Reserves Transferred into Capital												

(or Share Capital)													
3. Surplus Reserves Covering Losses													
4. Carry-forward Retained Earnings of the Variation of the Defined Benefit Plan													
5. Others													
(V) Special Reserves													
1. Withdrawal in This Period													
2. Used in This Period													
(VI) Others					167,527,351.43							65,121.08	167,592,472.51
IV. Balance at the End of This Period	2,997,621,930.00				1,501,180,862.83	807,733,586.00	10,337,164.41		1,246,369,430.91		7,670,983,116.33	284,506,754.95	12,903,265,673.43

Amount of Previous Period

Unit: RMB

Item Name	Previous Period											Minority Shareholders' Equity	Total Shareholders' Equity
	Shareholders' Equity Attributable to the Parent Company's Owner												
	Share Capital	Other Equity Instruments			Capital Reserves	Less: Treasury Share	Other Comprehensive Incomes	Special Reserves	Surplus Reserves	General Risk Reserves	Undistributed Profits		
Preferred Stocks		Perpetual Bonds	Others										
I. Balance at the End of Last Year	2,899,411,405.00				589,582,012.29	133,001,534.15	2,295,121.72		717,707,331.98		4,161,017,062.96	188,773,235.48	8,425,784,635.28
Add: Changes in Accounting Policies													
Correction of Errors in the Previous Period													
Consolidated under the Same Control													
Others													
II. Balance at the Start of This Year	2,899,411,405.00				589,582,012.29	133,001,534.15	2,295,121.72		717,707,331.98		4,161,017,062.96	188,773,235.48	8,425,784,635.28
III. Increases or Decreases in This Period (Mark "-" for Decreases)	-655,275.00				3,758,739.23	-133,001,534.15	4,365,067.32		253,839,936.38		1,835,112,973.31	-61,977,598.18	2,167,445,377.21
(I) Total Comprehensive Income							4,365,067.32				2,378,726,820.22	-1,940,474.12	2,381,151,413.42

(II) Shareholders' Contribution and Reduction in Capital	-655,275.00				7,418,499.17	-133,001,534.15						-63,696,884.00	76,067,874.32
1. Common stock invested by the owner	-655,275.00				-4,697,011.20	-133,001,534.15						-63,696,884.00	63,952,363.95
2. Capital Invested by Holders of Other Equity Instruments													
3. Amount of Share-based Payments Recorded into Shareholders' Equity					12,115,510.37								12,115,510.37
4. Others													
(III) Profit Distribution								253,839,936.38		-543,613,846.91			-289,773,910.53
1. Appropriation of Surplus Reserves								253,839,936.38		-253,839,936.38			
2. Appropriation of General Risk Reserves													
3. Distribution to Owners (or Shareholders)										-289,773,910.53			-289,773,910.53
4. Others													
(IV) Internal Carry-forward of Shareholders' Equity													
1. Capital Reserves Transferred into Capital (or Share Capital)													

2. Surplus Reserves Transferred into Capital (or Share Capital)													
3. Surplus Reserves Covering Losses													
4. Carry-forward Retained Earnings of the Variation of the Defined Benefit Plan													
5. Others													
(V) Special Reserves													
1. Withdrawal in This Period													
2. Used in This Period													
(VI) Others					-3,659,759.94							3,659,759.94	
IV. Balance at the End of This Period	2,898,756,130.00				593,340,751.52		6,660,189.04		971,547,268.36		5,996,130,036.27	126,795,637.30	10,593,230,012.49

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

Amount of This Period

Unit: RMB

Item Name	Current Period											
	Share Capital	Other Equity Instruments			Capital Reserves	Less: Treasury Share	Other Comprehensive Income	Special Reserves	Surplus Reserves	Undistributed Profits	Total Shareholders' Equity	
		Preferred Stocks	Perpetual Bonds	Others								

I. Balance at the End of Last Year	2,898,756,130.00				589,895,836.49				971,547,268.36	6,037,280,289.37	10,497,479,524.22
Add: Changes in Accounting Policies											
Correction of Errors in the Previous Period											
Others											
II. Balance at the Start of This Year	2,898,756,130.00				589,895,836.49				971,547,268.36	6,037,280,289.37	10,497,479,524.22
III. Increases or Decreases in This Period (Mark "-" for Decreases)	98,865,800.00				907,905,232.39	807,733,586.00			274,822,162.55	1,893,648,236.94	2,367,507,845.88
(I) Total Comprehensive Income										2,748,221,625.49	2,748,221,625.49
(II) Shareholders' Contribution and Reduction in Capital	98,865,800.00				740,312,759.88	807,733,586.00					31,444,973.88
1. Common stock invested by the owner	98,865,800.00				708,867,786.00	807,733,586.00					
2. Capital Invested by Holders of Other Equity Instruments											
3. Amount of Share-based Payments Recorded into Shareholders' Equity					31,444,973.88						31,444,973.88
4. Others											
(III) Profit Distribution									274,822,162.55	-854,573,388.55	-579,751,226.00
1. Appropriation of Surplus Reserves									274,822,162.55	-274,822,162.55	
2. Distribution to Owners (or Shareholders)										-579,751,226.00	-579,751,226.00
3. Others											

(IV) Internal Carry-forward of Shareholders' Equity											
1. Capital Reserves Transferred into Capital (or Share Capital)											
2. Surplus Reserves Transferred into Capital (or Share Capital)											
3. Surplus Reserves Covering Losses											
4. Carry-forward Retained Earnings of the Variation of the Defined Benefit Plan											
5. Others											
(V) Special Reserves											
1. Withdrawal in This Period											
2. Used in This Period											
(VI) Others					167,592,472.51						167,592,472.51
IV. Balance at the End of This Period	2,997,621,930.00				1,497,801,068.88	807,733,586.00			1,246,369,430.91	7,930,928,526.31	12,864,987,370.10

Amount of Previous Period

Unit: RMB

Item Name	Previous Period										
	Share Capital	Other Equity Instruments			Capital Reserves	Less: Treasury Share	Other Comprehensive Incomes	Special Reserves	Surplus Reserves	Undistributed Profits	Total Shareholders' Equity
		Preferred Stocks	Perpetual Bonds	Others							
I. Balance at the End of Last Year	2,899,411,405.00				584,959,799.88	133,001,534.15			717,707,331.98	4,042,494,772.45	8,111,571,775.16
Add: Changes in Accounting Policies											
Correction of Errors in the Previous Period											
Others											
II. Balance at the Start of This Year	2,899,411,405.00				584,959,799.88	133,001,534.15			717,707,331.98	4,042,494,772.45	8,111,571,775.16
III. Increases or Decreases in This Period (Mark "-" for Decreases)	-655,275.00				4,936,036.61	-133,001,534.15			253,839,936.38	1,994,785,516.92	2,385,907,749.06
(I) Total Comprehensive Income										2,538,399,363.83	2,538,399,363.83
(II) Shareholders' Contribution and Reduction in Capital	-655,275.00				4,936,036.61	-133,001,534.15					137,282,295.76
1. Common stock invested by the owner	-655,275.00				-4,697,011.20	-133,001,534.15					127,649,247.95
2. Capital Invested by Holders of Other Equity Instruments											

3. Amount of Share-based Payments Recorded into Shareholders' Equity					9,633,047.81						9,633,047.81
4. Others											
(III) Profit Distribution									253,839,936.38	-543,613,846.91	-289,773,910.53
1. Appropriation of Surplus Reserves									253,839,936.38	-253,839,936.38	
2. Distribution to Owners (or Shareholders)										-289,773,910.53	-289,773,910.53
3. Others											
(IV) Internal Carry-forward of Shareholders' Equity											
1. Capital Reserves Transferred into Capital (or Share Capital)											
2. Surplus Reserves Transferred into Capital (or Share Capital)											
3. Surplus Reserves Covering Losses											
4. Carry-forward Retained Earnings of the Variation of the Defined Benefit Plan											
5. Others											
(V) Special Reserves											
1. Withdrawal in This Period											
2. Used in This Period											
(VI) Others											

IV. Balance at the End of This Period	2,898,756,130.00				589,895,836.49				971,547,268.36	6,037,280,289.37	10,497,479,524.22
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III. Basic Information about the Company

Zhejiang Dahua Technology Co., Ltd. (hereinafter referred to as "Company" or "the Company") was incorporated under the official approval document No. 18 [2002] Zhejiang Enterprise Listing by Zhejiang Provincial People's Government Work Leading Group for Enterprise Listing in June 2002, and on the basis of overall change of the previous Hangzhou Dahua Information Technology Co., Ltd. It was an incorporated company initiated and established jointly by five natural persons, Fu Liquan, Chen Ailing, Zhu Jiangming, Liu Yunzhen and Chen Jianfeng as initiators. The Company's business license registration number as Legal Entity is 330000000024078. On April 22, 2008, the Company issued 16.8 million shares of common stock in RMB to the general public for the first time under the approval document No. 573 [2008] Securities Regulatory Issuance, issued by China Securities Regulatory Commission ("CSRC"). It was listed on Shenzhen Stock Exchange on May 20, 2008 with a registered capital of RMB 66.8 million and the change registration filed with Administration for Industry and Commerce was completed on May 23, 2008. The Company's unified social credit code is 91330000727215176K. The Company falls within the security video surveillance industry.

As at December 31, 2018, the Company has issued a total of 2,997,621,930 shares, with a registered capital of RMB 2,997,621,930. The registered address is No.1187, Bin'an Road, Binjiang District, Hangzhou, and the headquarters address is No.1199, Bin'an Road, Binjiang District, Hangzhou.

The Company's main operational activities include the development, services & sales of computer software, the design, development, production, installation & sales of electronic products and communication products, the development, system integration & sales of network products, the design & installation of electronic engineering products, import & export businesses, etc. The actual controllers of the Company are Fu Liquan and Chen Ailing.

This financial statement has been approved by Board of Directors on March 18, 2019.

As of December 31, 2018, the subsidiaries within the scope of the consolidated financial statement of the Company are as follows:

Name of Subsidiaries
Zhejiang Dahua System Engineering Co., Ltd. (hereinafter referred to as Dahua System Engineering)
Zhejiang Dahua Technology Co., Ltd (hereinafter referred to as Dahua Technology)
Zhejiang Dahua Security Network Operation Service Co., Ltd. (hereinafter referred to as Dahua Security Network)
Zhejiang Dahua Ju'an Technology Co., Ltd. (hereinafter referred to as Dahua Ju'an)
Guangxi Dahua Information Technology Co., Ltd. (hereinafter referred to as Guangxi Dahua Information)
Zhejiang Dahua Security Service Co., Ltd. (hereinafter referred to as Dahua Security)
Wuxi Dahua Ruide Electronic Technology Co., Ltd. (hereinafter referred to as Wuxi Ruide)
Guangxi Dahua Security Service Co., Ltd. (hereinafter referred to as Guangxi Security)
Zhejiang Huatu Microchip Technology Co., Ltd. (hereinafter referred to as Huatu Microchip)
Hangzhou Xiaohua Technology Co., Ltd. (hereinafter referred to as Xiaohua Technology)
Zhejiang Dahua Zhilian Co., Ltd. (hereinafter referred to as Dahua Zhilian)
Hangzhou Tecomore Technology Co., Ltd. (hereinafter referred to as Tecomore Technology)
Zhejiang Dahua Investment Management Co., Ltd. (hereinafter referred to as Dahua Investment)
South North United Information Technology Co., Ltd. (hereinafter referred to as South North United)
Guangxi Dahua Zhicheng Co., Ltd. (hereinafter referred to as Guangxi Zhicheng)

Hangzhou Huacheng Network Technology Co., Ltd. (hereinafter referred to as Hangzhou Huacheng)
Xinjiang Dahua Zhixin Information Technology Co., Ltd. (hereinafter referred to as Xinjiang Information)
Zhejiang HuaRay Technology Co., Ltd. (hereinafter referred to as HuaRay Technology)
Hangzhou Fuyang Hua'ao Technology Co., Ltd. (hereinafter referred to as Fuyang Hua'ao)
Zhejiang Huafei Intelligent Technology Co., Ltd. (hereinafter referred to as Huafei Intelligent)
Zhejiang Huachuang Vision Technology Co., Ltd. (hereinafter referred to as Huachuang Vision)
Guizhou Huayi Shixin Technology Co., Ltd. (hereinafter referred to as Guizhou Huayi)
Hunan Dahua System Technology Co., Ltd. (hereinafter referred to as Hunan System Technology)
Xinjiang Dahua Information Technology Co., Ltd. (hereinafter referred to as Xinjiang Dahua Information)
Xinjiang Dahua Intelligence Technology Co., Ltd. (hereinafter referred to as Xinjiang Intelligence)
Guizhou Dahua Intelligence Technology Co., Ltd. (hereinafter referred to as Guizhou Intelligence)
Xinjiang Dahua Zhihe Information Technology Co., Ltd. (hereinafter referred to as Xinjiang Zhihe)
China Standard Intelligent Security Technology Co., Ltd. (hereinafter referred to as China Standard Intelligent Security)
Guangxi Huacheng Technology Co., Ltd. (hereinafter referred to as Guangxi Huacheng)
Guizhou Meitan Dahua Information Technology Co., Ltd. (hereinafter referred to as Meitan Dahua Technology)
Inner Mongolia Dahua Zhimeng Information Technology Co., Ltd. (hereinafter referred to as Inner Mongolia Zhimeng)
Xinjiang Dahua Zhitian Information Technology Co., Ltd. (hereinafter referred to as Xinjiang Zhitian)
Xinjiang Dahua Xinzhi Information Technology Co., Ltd. (hereinafter referred to as Xinjiang Xinzhi)
Xinjiang Dahua Huayue Information Technology Co., Ltd. (hereinafter referred to as Xinjiang Huayue)
Tianjin Dahua Information Technology Co., Ltd. (hereinafter referred to as Tianjin Dahua Information)
Hunan Dahua Zhilong Information Technology Co., Ltd. (hereinafter referred to as Dahua Zhilong)
Zhejiang Vision Technology Co., Ltd. (hereinafter referred to as Vision Technology)
Dahua Zhongcheng (Beijing) Technology Co., Ltd. (hereinafter referred to as Zhongcheng Technology)
Zhejiang Huaxiao Technology Co., Ltd. (hereinafter referred to as Huaxiao Technology)
Xi'an Dahua Zhilian Technology Co., Ltd. (hereinafter referred to as Xi'an Dahua)
Wuxi Dahua Ruipin Technology Co., Ltd. (hereinafter referred to as Wuxi Ruipin)
Zhejiang Dahua Robot Technology Co., Ltd. (hereinafter referred to as Dahua Robot)
Beijing Huayue Shangcheng Information Technology Service Co., Ltd. (hereinafter referred to as Beijing Huayue)
Shanghai Huashang Chengyue Information Technology Service Co., Ltd. (hereinafter referred to as Shanghai Huashang)
Zhejiang Dahua Jinzhi Technology Co., Ltd. (hereinafter referred to as Dahua Jinzhi)
Sichuan Dahua Guangxun Photoelectric Technology Co., Ltd. (hereinafter referred to as Dahua Guangxun)
Hangzhou Huajun Technology Co., Ltd. (hereinafter referred to as Huajun Technology)

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

Dahua Iberia, S.L. (hereinafter referred to as Dahua Spain)

Dahua Technology Kazakhstan LLP (hereinafter referred to as Dahua Kazakhstan)

Dahua Technology Denmark Aps. (hereinafter referred to as Dahua Denmark)

Dahua Technology France (hereinafter referred to as Dahua France)

Loxex corporation (hereinafter referred to as American Lechange)

Dahua Technology Holdings Limited (hereinafter referred to as Dahua Technology Holdings)

Dahua Technology Morocco SARL (hereinafter referred to as Dahua Morocco)

Dahua Technology Italy S.R.L. (hereinafter referred to as Dahua Italy)

Dahua Vision LLC (hereinafter referred to as Dahua Uzbekistan)

Dahua Technology Netherlands B.V. (hereinafter referred to as Dahua Netherlands)

Dahua Technology China (hereinafter referred to as Pvt) LTD (hereinafter referred to as Dahua Sri Lanka)

Loxex Technology Inc (hereinafter referred to as Dahua Loxex)

Dahua Technology Pakistan (hereinafter referred to as private) Limited (hereinafter referred to as Dahua Pakistan)

Dahua Technology New Zealand Limited (hereinafter referred to as Dahua New Zealand)

Dahua Technology(hereinafter referred to as Thailand) Co.,LTD. (hereinafter referred to as Dahua Thailand)

Dahua Technology SRL (hereinafter referred to as Dahua SRL)

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

IV. Basis for Preparing the Financial Statement

1. Basis for the preparation

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

2. Going concern

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

V. Significant Accounting Policies and Accounting Estimates

Notes to specific accounting policies and accounting estimates:

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

1. Statement on compliance with Accounting Standards for Business Enterprises

The financial statements have been prepared by the Company in conformity with Chinese Accounting Standards for Business Enterprises, and present truly and completely the Company's financial position, operating results and cash flow, and other related information in the reporting period.

2. Accounting period

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

3. Operating cycle

The Company's operating cycle is 12 months.

4. Functional currency

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

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

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

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

The agency fee such as audit, legal service and evaluation consultation and other fees which are directly related to the above matters shall be recognized as the profit or loss in the period when the costs are incurred; the transaction costs for the equity securities issued for corporate combination shall be written-off against equity.

6. Preparation method of consolidated financial statements

The scope of consolidation of the consolidated financial statements of the Company is based on controlling interests, and all the subsidiaries (including separate entities of the investee controlled by the Company) are included in the consolidated financial statements.

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

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

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

(1) Acquisition of subsidiaries or business

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

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

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

In connection with imposing control over the investee not under joint control due to additional investment and other reasons, the

equity of acquiree held before acquisition date shall be remeasured by the Company at the fair value of such equity on the acquisition date and the difference between fair value and carrying amount shall be recognized as investment income in current period. If the acquiree's equity held before the acquiring date contains other comprehensive income and the other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions under the equity method, the related other comprehensive income and changes in other owner's equity shall be transferred to investment gains or losses on the date of acquisition, excluding the other comprehensive income derived from changes of net liabilities or net assets due to re-measurement on defined benefit plan by the investee.

(2) Disposal of subsidiaries or business

① General treatment

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

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

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

② Disposal of subsidiary achieved by stages

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

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

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

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

(3) Acquisition of minority interest of subsidiaries

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

(4) Partial disposal of equity investment in subsidiaries without losing control

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

7. Recognition criteria of cash and cash equivalents

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

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

(1) Foreign currency transactions

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

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

2. Translation of foreign currency financial statements

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

For disposal of overseas operation, the translation difference as stated in the foreign currency financial statements relating to overseas operation is accounted for in the profit and loss account in the current period from owners' equity items.

9. Financial instruments

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

(1) Classification of the financial instruments

The financial instruments was classified at the time of initial recognition as: financial assets or financial liabilities carried at fair value through profit or loss for the current period, including financial assets or liabilities for trading and financial assets or financial liabilities directly designated as measured at fair value and its changes are included in the profit or loss for the current period; held-to-maturity investments; accounts receivable; available-for-sale financial assets and other financial liabilities.

(2) Recognition and measurement of financial instruments

① Financial assets or financial liabilities carried at fair value through profit or loss for the current period

When obtained, the financial assets or financial liabilities shall be initially measured at their fair value (except for cash dividends which are declared but not distributed or interests on bonds of which the maturity interest is not drawn), its transaction costs are included in the profit or loss for the period.

The interest or cash dividend gained in the period are recognized as investment income. At the end of the period, the variation in the fair value of the financial asset or financial liability shall be included in the profit or loss for the period.

When being disposed, the difference between the fair value and the amount of initial recognition shall be recognized as investment income; meanwhile, the profits and losses arising from the variation in fair value shall be adjusted.

② Held-to-maturity investments

Held-to-maturity investments are initially measured at fair value when obtained (except for interests on bonds of which the maturity interest is not drawn) plus relevant transaction costs.

Interest income is calculated according to the amortized cost and effective interest rate and recorded into investment income. The effective interest rate, ascertained when initially obtained, shall remain unchanged within the predicted term of existence or within a shorter applicable term.

When being disposed, the difference between the consideration obtained and the carrying amount of the investment shall be recorded into investment income.

③ Accounts receivable

The receivables that are formed in sale of goods or rendering of services to external parties, and the receivables, except for the debt instruments quoted in an active market, due to the Company from other entities, including accounts receivable, other receivables, etc., are initially recognized at the consideration of the contract or agreement to be received from the buyers. Accounts receivable that are of a financing nature are initially recognized at their present value.

Upon recovery or disposal of accounts receivable, the difference between the consideration obtained and the carrying amount is charged to profit or loss for the period.

④ Available-for-sale financial assets

Available-for-sale financial assets are initially measured at fair value when obtained (except for cash dividends which are declared but not distributed or interests on bonds of which the maturity interest is not drawn) plus relevant transaction costs.

The interests or cash dividends to be obtained during the period the available-for-sale financial assets are held shall be recorded into investment income. By the end of the reporting period, financial assets are measured at fair value, and the change in fair value shall be recorded into other comprehensive income. However, measurement at cost shall be used when there is no quoted price in an active market and the fair value of investments in equity instruments cannot be reliably measured and derivative financial assets is linked to equity instruments where equity instrument shall be settled by delivery.

When being disposed, the difference between the consideration obtained and the carrying amount of the financial assets shall be recorded into investment income; meanwhile, the corresponding portion of accumulated change in fair value previously recorded into other comprehensive income shall be transferred to profit or loss.

⑤ Other financial liabilities

Other financial liabilities are initially measured at fair value plus relevant transaction costs, and subsequently measured at amortized cost.

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

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

The substance-over-form principle shall be adopted while making judgment on whether the transfer of financial assets satisfies the above conditions for termination of recognition. The transfer of financial assets can be classified into entire transfer and partial transfer. If the transfer of an entire financial asset satisfies the conditions for termination of recognition, the difference between the two amounts below shall be recorded into profit or loss for the period:

① The carrying amount of the financial asset transferred;

② The consideration received as a result of the transfer, plus the accumulative amount of the change in fair value previously recorded into the owners' equities (in cases where the transferred financial asset is available-for-sale financial asset).

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

① The carrying amount of the recognition terminated portion;

② The sum of consideration of the recognition terminated portion and the corresponding portion of accumulated change in fair value previously recorded into owners' equity (in cases where the transferred financial assets are available-for-sale financial assets).

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

(4) Recognition conditions for termination of financial liabilities

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

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

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

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

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

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

(6) Testing methodology and accounting treatment for impairment of financial assets (excluding accounts receivable)

The Company shall assess the carrying amount of financial assets other than those at fair value through profit or loss at the balance sheet date. If there is objective evidence that the financial asset is impaired, the Company shall make provision of any impairment.

① Impairment provision for available-for-sale financial asset:

While the fair value of available-for-sale financial asset falls significantly, or judged by the Company that descending trend is not temporary after taking into account related data comprehensively at the end of the period, they will be recognized as impaired, the cumulative loss arising from decline in fair value that had been recognized directly in the owners' equity shall be removed from the shareholders' equity and recognized as impairment loss.

If, after an impairment loss has been recognized on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the original impairment loss was recognized, the impairment loss shall be reversed, with the amount of the reversal recognized in the profit or loss for the current period.

Impairment losses recognized for an investment in an available-for-sale equity instrument shall not be reversed through profit or loss.

② Impairment provision for held-to-maturity investments:

The impairment losses of held-to-maturity investments shall be measured according to the method for measuring impairment losses of accounts receivable.

10. Notes Receivable and Accounts Receivable

(1) Accounts receivable which are individually insignificant but subject to separate bad debt provision

Bases for Making Judgment and Standard for Calculation the Amount for the Accounts Receivable That Are Individually Significant	Within top five accounts receivable balances
Recognition of Receivables with Amounts that are Individually Significant and Subject to Separate Assessment for Provision for Bad Debts	When assessing provision for bad debts separately, if the objective evidence shows that the accounts receivable has been impaired, the provision for bad debts will be made according to the difference of the present value of the expected future cash flow below its book value. When separately assessing the accounts receivable that have not been devalued, it is classified into the corresponding combinations for bad debt provision.

(2) Accounts receivable for which provision of bad debts made by portfolio of credit risk characteristics

Portfolio Name	Method of Provision of Bad Debts
Portfolio 1: Related Parties Portfolio	Related party accounts receivable within the scope of the portfolio are not provided for bad debts
Portfolio 2: Aging Analysis Portfolio	Aging analysis

In this portfolio, the aging analysis method is used to make provision for bad debts:

Applicable Not applicable

Aging	Provision Percentage for Account Receivables	Provision Percentage for Other Receivables
Within 1 year (including 1 year)	5.00%	5.00%
1-2 years	10.00%	10.00%
2-3 years	30.00%	30.00%
3-4 years	50.00%	50.00%
4-5 years	80.00%	80.00%
5 years or above	100.00%	100.00%

In this portfolio, the balance percentage method is used to make provision for bad debts:

Applicable Not applicable

In this portfolio, other methods are used to make provision for bad debts:

Applicable Not applicable

(3) Accounts receivable that are individually insignificant but are provided for bad debt on individual basis

Reason for Making Bad Debt Provision Individually	Long aging, with objective evidence of impairment
Method for Bad Debt Provision	Impairment loss is recognized and bad debt provision is made by using the difference between the present value of estimated future cash flows and the book value of receivables

11. Inventories**(1) Category of inventory**

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

(2) Determination of cost

Cost of inventories is determined using the weighted average method.

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

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

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

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

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

(4) Inventory system

The perpetual inventory system is adopted.

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

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

12. Holding for-sale assets

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

- (1) Immediate sale could be made under the current circumstances in accordance with the convention of selling such kind of assets or disposal groups in similar transactions;

(2) Selling is extremely likely to occur, i.e. the Company has made a resolution on a selling plan and obtained confirmed purchase commitments, and the selling is predicted to be completed within 1 year. If required by relevant provisions that selling shall only be made after approved by the relevant competent authority or supervision department of the Company, such approval should have been obtained.

13. Long-term equity investments

(1) Joint control or significant influence criterion

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

Significant influence refers to the power to participate in making decisions on the financial and operating policies of an enterprise, but not the power to control, or jointly control, the formulation of such policies with other parties. Where the Company can exercise significant influence over the investee, the investee is an associate of the Company.

(2) Determination of initial investment cost

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

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

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

② Long-term equity investments acquired by other means

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

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

If the non-monetary assets transaction is commercial in nature and the fair value of the assets received or surrendered can be reliably measured, the initial cost of investment of a long-term equity investment received the non-monetary assets transaction, shall be determined on the basis of the fair value of the assets surrendered and the related tax payable, unless there are concrete evidences that the fair value of the assets received is more reliable; For non-monetary assets transaction which does not meet the above conditions, the initial cost of a long-term equity investment received shall be the book value of the assets surrendered and the relevant taxes payable.

The initial cost of a long-term equity investment through debt restructuring shall be ascertained based on their fair value.

(3) Subsequent measurement and recognition of profit or loss

① Long-term equity investment calculated by cost method

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

② Long-term equity investment accounted for by equity method

Long-term equity investments of associates and jointly controlled entities are calculated using equity method. Where the initial investment cost of a long-term equity investment exceeds the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, no adjustment shall be made to the initial investment cost; where the initial investment cost is less than the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, the difference shall be charged to profit or loss for the current period.

The Company recognizes the investment income and other comprehensive income according to the shares of net profit or loss and other comprehensive income realized by the investee which it shall be entitled or shared respectively, and simultaneously makes adjustment to the carrying value of long-term equity investments; The carrying value of long-term equity investment shall be reduced by attributable share of the profit or cash dividends for distribution declared by the investee. In relation to other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions of the investee, the carrying value of long-term equity investments shall be adjusted and included in owner's equity.

When determining the amount of proportion of net profit or loss in the investee which it entitles, fair value of each identifiable assets of the investee at the time when the investment is obtained shall be used as basis, and according to the accounting policies and accounting period of the Company, adjustment shall be made to the net profit of the investee. During the period of holding investments, when preparing consolidated financial statements by the investee, the accounting shall be based on the amounts attributable to the investee in the net profit, other comprehensive income and other changes of the owner's equity in the consolidated financial statements.

The unrealized profit or loss resulting from transactions between the Company and its associates or joint venture shall be eliminated in portion to the investor's equity interest of investee, based on which investment income or loss shall be recognized. Any losses resulting from transactions, which are attributable to impairment of assets, shall be fully recognized. Where transactions of investing or selling the assets occur between the Company and the associated enterprises or joint ventures and that the assets constitute a business, account processing shall be conducted in accordance with the relevant policies disclosed in "Section XI Financial Reports, V. Significant Accounting Policies and Accounting Estimates, 5. The accounting treatment of business combinations involving enterprises under common control and business combinations involving enterprises under common control" and "Section XI Financial Reports, V. Significant Accounting Policies and Accounting Estimates, 6. Method of preparation of consolidated financial statements".

In recognition of share of losses in the investee, the Company treats it in the following order: Firstly, the Company will write off the carrying value of long-term equity investments. Secondly, in the event the aforesaid carrying value is insufficient for offset, the investment losses shall continue to be confirmed with the limit of the carrying amount of long-term equity which substantially constitutes the net investment in the investee, to offset the carrying amount of long-term receivable. Finally, after the above treatment, for the additional obligations which shall be still assumed by entities according to investment contract or agreement, the estimated liabilities shall be recognized based on the obligations which are expected to assume and included in the investment loss for the current period.

③ Disposal of long-term equity investments

For disposal of long-term equity investment, the difference between the book value and the consideration actually received shall be included in the current profit or loss.

For the long-term equity investment under the equity method, when disposing of such investment, part of amounts that shall be originally included in other comprehensive income shall be accounted for in proportion by using the same basis as the investee used for direct disposal of relevant assets or liabilities. The owner's equity which is recognized due to other changes of owner's equity

except for net profits and losses, other comprehensive income and profit distributions shall be transferred in proportion into the current profit or loss, excluding the other comprehensive income derived from changes of net liabilities or net assets due to re-measurement on defined benefit plan by the investee.

When losing the controls or material influence over the investee due to partially disposal of equity investment and other reasons, the remaining equities shall be accounted for in accordance with the standards on recognition and measurement of financial instruments, and the difference between the fair value and the carrying value at the date of losing control or material influence shall be included in current profit or loss. For other comprehensive income recognized in the original equity investment due to the equity method is adopted, it shall be treated using the same accounting basis as the investee used for direct disposal of relevant assets or liabilities when ceasing to use the equity method. All owner's equities which are recognized due to other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions shall be transferred into the current profit or loss when ceasing to use the equity method.

When losing the controls over the investee due to partially disposal of equity investment and other reasons, the remaining equities after disposal shall be accounted for under equity method in preparation of individual financial statements provided that common control or material influence over the investee can be imposed, and shall be adjusted as if such remaining equities has been accounted for under the equity method since they are obtained. Where the remaining equities after disposal cannot impose common control or material influence over the investee, it shall be accounted for according to relevant provisions of the standards on recognition and measurement of financial instruments, and the difference between fair value and the carrying value on the date of losing control shall be included in the current profit or loss.

The disposed equity interest was acquired in a business combination as resulted from such as making additional investment, the remaining equity interest after disposal will be accounted for using cost method or equity method when preparing the separate financial statements. Other comprehensive income and other owners' equity recognized when the equity interests held on the acquisition date is accounted for using equity method and shall be transferred proportionally; For the remaining equity interest after disposal accounted for using the recognition and measurement standard of financial instruments, other comprehensive income and other owners' equity shall be fully transferred.

14. Investment property

Investment property refers to the real estate held to generate rental income or capital appreciation, or both, including leased land use rights, land use rights held for transfer after appreciation, and leased buildings (including buildings that are leased after completion of self-construction or development activities and buildings in construction or development that are used for rental in the future).

The Company adopts the cost mode to measure the existing investment property. Investment property measured at cost - buildings held for leasing shall adopt the same depreciation policy for fixed assets of the company, land use rights held for leasing shall adopt the same amortization policy for the intangible assets.

15. Fixed assets

(1) Conditions for recognition of fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and have a service life of more than one accounting year. Fixed asset is recognized when it meets the following conditions: ① It is probable that the economic benefits associated with the fixed asset will flow to the enterprise; ② Its cost can be reliably measured.

(2) Methods for depreciation

Category	Depreciation Method	Useful lives of depreciation	Residual Ratio	Annual Depreciation Rate
Housing and building	Straight-line method	20	5%	4.75%
Machinery and equipment	Straight-line method	5-10	5%	19.00%-9.50%
Means of transport	Straight-line method	4-8	5%	23.75%-11.88%
Electronic and other equipment	Straight-line method	3-5	5%	31.67%-19.00%

Fixed assets are depreciated by categories using the straight-line method, and the annual depreciation rates are determined by categories based upon their estimated useful lives and their estimated residual values. Where the parts of a fixed asset have different useful lives or cause economic benefits for the enterprise in different ways, different depreciation rates or depreciation methods shall apply, and each part is depreciated separately.

For fixed assets leased under finance lease, if it can be reasonably determined that the ownership of the leased asset can be acquired upon the expiry of the lease term, depreciation policies in line with the fixed assets will be adopted for depreciation during the remaining service life of the leased asset. If it cannot be reasonably determined that the ownership of the leased asset can be acquired upon the expiry of the lease term, depreciation policies in line with the fixed assets will be adopted for depreciation during the shorter of the lease term and the remaining service life of the leased asset.

(3) Recognition bases and measurement methods of fixed assets under finance lease

Where any one of the following conditions is provided in the lease agreement between the Company and the lessee, the leased assets can be recognized as fixed assets acquired under finance leases: ① The ownership of the leased assets after the expiration of the tenancy is attributable to the Company; ② The Company has the option to purchase the leased asset, the purchase consideration entered into is expected to be far less than the fair value of the leased asset upon the exercise of the option; ③ The lease term accounts for the majority of the service life of the leased asset; ④ There is no great difference between the minimum present lease value on the lease commencement date and the fair value of the assets. On the commencement of the lease, the leased asset shall be recorded at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments, and the minimum lease payments shall be recorded as the carrying amount of long-term payables. The difference between the recorded amount of the leased asset and the minimum lease payments shall be accounted for as unrecognized finance charge.

16. Construction in progress

Criteria and time point for construction in progress being transferred to the fixed asset Construction in progress is measured at all the expenditures incurred to bring the fixed assets ready for their intended use. If the construction in progress of fixed assets constructed are ready for their intended use but the final account of completed project has not been issued, it should be transferred to fixed assets at an estimated cost according to the construction budget, construction price or actual cost, and depreciation should be provided according to deprecation policy for fixed assets from the date when the assets are ready for their intended use. When the final account of completed project is issued, the estimated cost will be adjusted according to the actual cost, while the original depreciation charge will not be adjusted.

17. Borrowing costs

(1) Criteria for recognition of capitalized borrowing costs

Borrowing costs refers to the borrowing interests, amortization of discounts or premiums, ancillary costs and exchange differences arising from foreign currency borrowings, etc.

For borrowing costs incurred by the Company that are directly attributable to the acquisition, construction or production of assets qualified for capitalization, the costs will be capitalized and included in the costs of the related assets. Other borrowing costs shall be recognized as expense in the period in which they are incurred and included in profit or loss for the current period.

Assets qualified for capitalization are assets (fixed assets, investment property, inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

Capitalization of borrowing costs begins when the following three conditions are fully satisfied:

- ① expenditures for the assets (including cash paid, transferred non-currency assets or expenditure for holding debt liability for the acquisition, construction or production of assets qualified for capitalization) have been incurred;
- ② borrowing costs have been incurred;
- ③ acquisition, construction or production that are necessary to enable the asset reach its intended usable or salable condition have commenced.

(2) Capitalization period of borrowing costs

The capitalization period shall refer to the period between the commencement and the cessation of capitalization of borrowing costs, excluding the period in which capitalization of borrowing costs is temporarily suspended.

Capitalization of borrowing costs shall be suspended during periods in which the qualifying asset under acquisition and construction or production ready for the intended use or sale.

If part of an asset being acquired, constructed or produced has been completed respectively and put into use individually, capitalization of borrowing costs should be suspended.

If different parts of the assets acquired, constructed or produced are completed separately, but such asset will not be ready for the intended use or sale until all parts have been completed, then the borrowing costs will be capitalized until the completion of all parts of the said asset.

(3) Suspension of capitalization period

Capitalization of borrowing costs shall be suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally, when the interruption is for a continuous period of more than 3 months; if the interruption is a necessary step for making the qualifying asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs shall continue. The borrowing costs incurred during such period shall be recognized as profits and losses of the current period. When the acquisition and construction or production of the asset resumes, the capitalization of borrowing costs commences.

(4) Calculation of capitalization rate and amount of borrowing costs

Specific borrowings for the acquisition, construction or production of assets qualified for capitalization, borrowing costs of the specific borrowings actually incurred in the current period minus the interest income earned on the unused borrowing loans as a deposit in the bank or as investment income earned from temporary investment will be used to determine the amount of borrowing costs for capitalization.

General borrowings for the acquisition, construction or production of assets qualified for capitalization, the to-be-capitalized amount of interests on the general borrowing shall be calculated and determined by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the specifically borrowed loans by the capitalization rate of the general borrowing used. The capitalization rate shall be calculated and determined according to the weighted average interest rate of the general borrowing.

18. Intangible Assets

(1) Valuation method, service life, impairment test

① Valuation method

Intangible assets are initially measured at cost upon acquisition;

The costs of an externally purchased intangible asset include the purchase price, relevant taxes and expenses paid, and other expenditures directly attributable to putting the asset into condition for its intended use. If the payment for an intangible asset is delayed beyond the normal credit conditions and it is of financing nature in effect, the cost of the intangible assets shall be ascertained based on the present value of the purchase price.

The amount of intangible assets acquired from debt restructuring should be recorded at the fair value of such intangible assets, and the difference between the carrying amount of the restructured debt and the fair value of the intangible assets acquired from debt restructuring should be included in the profit or loss for the current period.

If the non-monetary assets transaction is commercial in nature and the fair value of the assets received or surrendered can be reliably measured, the intangible assets received in the non-monetary assets transaction, shall be measured on the basis of the fair value of the assets surrendered, unless there are concrete evidence that the fair value of the assets received is more reliable; For non-monetary assets transaction which does not meet the above conditions, the cost of intangible assets received shall be the book value of the assets surrendered and the relevant taxes and expenses payable, and the profit or loss will not be recognized.

Subsequent measurement

The service life of intangible assets shall be analyzed and judged upon acquisition.

As for intangible assets with a finite service life, they are amortized using the straight-line method over the term in which economic benefits are brought to the firm; If the term in which economic benefits are brought to the firm by an intangible asset cannot be estimated, the intangible asset shall be taken as an intangible asset with indefinite service life, and shall not be amortized.

Estimated useful lives for the intangible assets with finite service life:

Item Name	Estimated Useful Lives	Basis
Land use rights	50 years	Land use certificate
Non-patented technology	5-10 years	Expected benefited period
Softwares	2-5 years	Expected benefited period
Trademark rights	6 years	Expected benefited period
Software copyright	10 years	Expected benefited period

For an intangible asset with a finite service life, review on its service life and amortization method is performed at the end of each end.

Upon review, service life and amortization method for the intangible assets are the same with the previous estimate at the end of this period.

The basis for the judgment of intangible assets with uncertain service life and the procedure for reviewing their service life

As at the balance sheet date, the Company has no intangible assets with uncertain service life.

(2) Accounting policy for internal R&D expenditure

Specific criteria for the division of research phase and development phase

The expenses for internal research and development projects of the Company are divided into expenses in the research phase and expenses in the development phase.

Research phase: Scheduled innovative investigations and research activities to obtain and understand scientific or technological knowledge.

Development phase: Apply the research outcomes or other knowledge to a plan or design prior to a commercial production or use in order to produce new or essentially-improved materials, devices, products, etc.

Specific condition for capitalizing expenditure during the development phase

The expenses in the development phase for internal R&D are recognized as intangible assets if the following conditions are fulfilled:

- ① It is technically feasible to complete such intangible asset so that it will be available for use or for sale;
- ② There is intention to complete the intangible asset for use or sale;
- ③ The intangible asset can produce economic benefits, including there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market; if the intangible asset is for internal use, there is evidence that there exists usage for the intangible asset;
- ④ There is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;
- ⑤ The expenses attributable to the development stage of the intangible asset can be measured reliably.

If the expenses in the development phase do not meet the above conditions, it shall be included in the profits and losses for the current period at the time of occurrence. Expenses in the research phase are recorded into the profits and losses for the current period when they occur.

19. Impairment of long-term assets

Long-term assets, such as long-term equity investment, investment properties, fixed assets, construction in progress, intangible assets that measured at cost are tested for impairment if there is any indication that an asset may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognized on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs to is determined. A group of assets is the smallest group of assets that is able to generate cash inflows independently.

Impairment test to goodwill and the intangible assets whose using life is not certain shall be carried out at least at the end of each year.

When the Company carry out impairment test to goodwill, the Company shall, as of the purchasing day, allocate on a reasonable basis the carrying value of the goodwill formed by merger of enterprises to the relevant asset groups, or if there is a difficulty in allocation, to allocate it to the sets of asset groups. When the carrying value of goodwill is allocated to the related asset group or sets of asset group, the allocation shall be made based on the proportion of the fair value of each asset groups or sets of asset groups to the total fair value of the relevant assets groups or sets of asset group. If there is difficulty for the fair value to be reliably measured, the allocation shall be made based on the proportion of the carrying value of each asset groups or sets of asset groups to the total carrying value of the relevant assets groups or sets of asset groups.

For the purpose of impairment test on the relevant asset groups or the sets of asset groups containing goodwill, if any evidence shows that the impairment of asset groups or sets of asset groups related to goodwill is possible, an impairment test will be made first on the asset groups or sets of asset groups not containing goodwill, thus calculating the recoverable amount and comparing it with the relevant carrying value so as to recognize the corresponding impairment loss. Then an impairment test will be made on the asset groups or sets of asset groups containing goodwill, and compare the carrying value of these asset groups or sets of asset groups

(including the carrying value of the goodwill allocated thereto) with the recoverable amount. Where the recoverable amount of the relevant assets or sets of the asset groups is lower than the carrying value thereof, it shall recognize the impairment loss of the goodwill.

Once the above asset impairment loss is recognized, it will not be reversed in the subsequent accounting periods.

20. Long-term prepaid expenses

Long-term prepaid expenses are expenses which have occurred but will benefit over 1 year and shall be amortized over the current period and subsequent periods. The long-term unamortized expenses of the Company include housing rental fees and expenditures paid for improvement of fixed assets under operating lease.

(1) Amortization method

Long-term prepaid expenses are amortized evenly over the estimated benefit period

(2) Amortization period

Expenditures paid for improvement of fixed assets under operating lease, amortized evenly over the lease term or remaining service life of the asset, whichever is shorter.

21. Employee compensation

(1) Accountant arrangement method of short-term remuneration

During the accounting period when the staff provides service, the Company will recognize the short-term remuneration actually incurred as liabilities, and the liabilities would be charged into current profits and loss or costs of assets.

The Company will pay social insurance and housing funds, and will make provision of trade union funds and staff education costs in accordance with the requirements. During the accounting period when the staff provides service, the Company will determine the relevant amount of employee benefits in accordance with the required provision basis and provision ratios.

Non-currency employee benefits will be accounted for in accordance with their fair value if they can be measured reliably.

(2) Accountant arrangement method of retirement benefit plan

① Defined contribution scheme

The Company will pay basic pension insurance and unemployment insurance in accordance with the relevant provisions of the local government for the staff. During the accounting period when the staff provides service, the Company will calculate the amount payable in accordance with the local stipulated basis and proportions which will be recognized as liabilities, and the liabilities would be charged into current profits and loss or costs of assets.

In addition to the basic pension insurance, the Company has also established an enterprise annuity payment system (supplementary pension insurance)/enterprise annuity plan based on the relevant policies of the national enterprise annuity system. The Company conducts payment/payment of annuity plan to local social insurance institutions according to certain proportion of employees' wages and corresponding expenditures are included in profit or loss for the period or relevant asset costs.

② Defined benefit scheme

The welfare responsibilities generated from defined benefit scheme based on the formula determined by projected unit credit method would be vested to the service period of the staff and charged into current profits and loss or costs of assets.

(3) Accountant arrangement method of termination benefits

The Company will pay termination benefits when the group can no longer withdraw the offer of termination plan or layoff proposal or when the Group recognizes costs for restructuring which involving the payment of termination benefits (whichever the earliest). The remuneration incurred by the termination benefits will be recognized as liabilities which would be charged into current profits and loss.

(4) Accountant arrangement method of other long-term employee benefits**22. Estimated Liabilities**

Where the Company is involved in litigations, guarantees provided to debts, loss-making contracts, restructuring and after-sale maintenance cost, and if such matters are likely to require future assets delivery or the provision of labor services, the amount of which can be reliably measured, such items shall be recognized as estimated liabilities.

(1) Recognition criteria for estimated liabilities

The Company shall recognize the obligations related to contingencies involving litigations, guarantees provided to debts, loss-making contracts, and restructuring as estimated liabilities, when all of the following conditions are satisfied:

- ① the obligation is a present obligation of the group;
- ② it is probable that an outflow of economic benefits will be required to settle the obligation;
- ③ the amount of the obligation can be measured reliably.

(2) Method of measuring the various estimated liabilities

Estimated liabilities shall be initially measured at the best estimate of the expenditure required to settle the related present obligation.

Factors pertaining to a contingency such as risk, uncertainties, and time value of money shall be taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, the best estimate shall be determined by discounting the related future cash outflow.

The best estimate will be dealt with separately in the following circumstances:

The expenses required have a successive range (or band), in which the possibilities of occurrence of each result are the same, and the best estimate should be determined as the middle value for the range, i.e. the average of the upper and lower limit.

The expenses required does not have a successive range (or band), or although there is a successive range (or band), the possibilities of occurrence of each result are different, if the contingency is related to individual item, the best estimate should be determined as the most likely amount; where the contingency is related to a number of items, the best estimate should be calculated and determined according to the possible results and the relevant possibilities.

Where some or all of the expenditure required to settle an estimated liability is expected to be reimbursed by a third party, the reimbursement is separately recognized as an asset when it is virtually certain that the reimbursement will be received. The amount recognized for the reimbursement is limited to the carrying amount of the estimated liability.

23. Share-based payment

The Company's share-based payment refers to a transaction in which an enterprise determines the liabilities on the basis of equity instruments granting or bearing for the acquisition of service from its employees [or other parties]. The Company's share-based payment is equity-settled.

Equity-settled share-based payment and equity instrument:

As to an equity-settled share-based payment in return for services of employees, calculation will be based on the fair value of the equity instrument granted to the employees.

If the Company make the share-based payment by restricted shares, employees will subscribe the share but those shares shall not be listed on the market or transferred before it fulfill the unlocking condition and unlocked. If the unlocking conditions stipulated in the equity incentive scheme cannot be fulfilled eventually, the Company will repurchase those shares based on the predetermined price. Upon obtaining the payment for subscribing restricted shares made by the employees, the Company will recognized the share capital and capital reserve (share capital premium) according to the payment it received, while fully recognize a liability for its repurchasing obligation as well as its treasury shares. On each balance sheet date within the vesting period, the Company will make the best estimation of the number of vested equity instruments based on the subsequent information such as the updated changes in the number of executives and the achievement of performance standard. Based on the above results, the services received in the current period will be included in the relevant cost or expense based on the fair value on the date of grant, and the capital reserve will be increased accordingly. The recognized cost or expense and owners' interest will not be adjusted after the vesting date. However, equity instruments vested immediately after the date of grant will be included in the relevant cost or expense based on its fair value on the date of grant, and the capital reserve will be increased accordingly.

For the share-based payments that are not vested eventually, no cost or expense will be recognized, except the vesting condition is market condition or non-exercisable condition. Under such circumstances, no matter whether the market condition or non-exercisable condition can be fulfilled, the share-based payment will be deemed as vested as long as all the non-market conditions in the vesting condition are fulfilled.

If the terms of the equity-settled share-based payment are amended, the Company shall recognize the services received at least based on the situation before the amendment was made. In addition, any amendment resulting in the increase of the fair value of the equity instrument granted or changes that are beneficial to the staff on the amendment date, will be recognized as an increase in the service received.

If the equity-settled share-based payment is canceled, it will be accounted for as accelerated exercise on the cancellation date and the unrecognized amount will be recognized immediately. Employees and other parties are able to satisfy the non-vesting conditions. If the conditions are not fulfilled during the vesting period, the equity settled share-based payment will be deemed as canceled. However, if new equity instruments are vested and they are verified at the vesting date of new equity instrument as alternatives vested to canceled equity instruments, the treatment on the new equity instrument is in conformity with the modified treatment on disposal of equity instrument.

24. Revenue

(1) General principles for the recognition of revenue from commodity sales

- ① Revenue from the sale of goods is recognized when all the significant risks and rewards of ownership of the goods have been transferred to the buyer;
- ② The Company does not retain either continuing managerial involvement to the degree usually associated with ownership or effective control over the sold goods;
- ③ The amount of revenue can be reliably measured;
- ④ It is probable that the economic benefits associated will flow to the Company;
- ⑤ The relevant amount of costs incurred or to be incurred can be measured reliably.

(2) Specific principles

① Principle for recognizing revenue from the domestic sales of standard products: The Company's security standard products are sold, through both direct sale and distribution, to the project clients, dealers and other customers. The Company and customers sign sales contracts and send the goods to customers according to the contractual terms of delivery, or the customers pick up goods. The

revenue is recognized after the customer receives and accepts the goods and the Company obtains the evidence proving the client's receipt of goods.

② Principle for recognizing revenue from the overseas sales of standard products: If the domestic company makes direct export, the FOB and CIF terms are generally adopted and the Company recognizes the sale income after the product is declared and exported. If a foreign subsidiary sells the goods abroad, the goods will be sent to the customer or the customer will collect the goods according to the delivery method agreed with the customer, and the income will be recognized when the customer receives and accepts the goods.

③ Principle for recognizing system-integrated sales revenue: The sales of the system-integrated products of the Company include providing the supporting services such as plan design, supporting products, installation, debugging and system trial operation. The sales income will be recognized upon acceptance.

④ Principle for recognizing the income from labor services: The income is recognized when the labor service is provided.

25. Government subsidies

(1) Type

Government grants are monetary assets and non-monetary assets acquired by the Company from the government free of charge. Government grants are classified into government grants related to assets and government grants related to revenue.

Government grants related to assets refer to government grants acquired by the Company for the purpose of purchasing or constructing or otherwise forming long-term assets. Government grants related to revenue refer to the government grants other than those related to assets.

(2) Confirmation of time point

Government grants related to assets will be measured at the actual amount of money received at the time of receipt. The assets (bank deposits) and deferred income shall be period by period included in the profits and losses of the current period in a reasonable and systematic manner from the time the assets are available for use (those related to the Company's daily activities shall be included in other income; those unrelated to the Company's daily activities shall be recognized as non-operating income). When the relevant assets are disposed of (sold, transferred, scrapped, etc.) at or before the end of their service life, the balance of the deferred income that has not yet been apportioned will be transferred to the current-period income from the disposal of the assets on a one-time manner, and will not be deferred.

For government grants related to revenue, it will be recognized as non-Operating Revenue according to the amount receivable for government subsidies obtained under fixed quota standards; otherwise it will be recognized as non-Operating Revenue when it is actually received.

(3) Accounting treatment

Government grants related to assets shall write off the book value of relevant assets or be recognized as deferred income. When recognized as deferred income, the government grant related to assets will be period by period credited to the profits and losses of the current period in a reasonable and systematic manner within the service life of relevant assets (those related to the Company's daily activities shall be recognized as other income; those unrelated to the Company's daily activities shall be recognized as non-operating income).

The revenue-related government grants shall be recognized as deferred income if they are used to compensate relevant expenses or losses in subsequent periods, and they shall be included in profit and loss of the current period (those related to Company's routine activities shall be included in other income; those unrelated to the Company's routine activities shall be included in non-operating income) or used to offset relevant expenses or losses during the recognition of related expenses or losses; the grants used to compensate related expenses or losses incurred shall be included in profit and loss of the current period (those related to Company's routine activities shall be included in other income; those unrelated to the Company's routine activities shall be included in

non-operating income) or used to offset relevant expenses or losses.

26. Deferred Income Tax Assets/Liabilities

Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized. For deductible losses and tax credits that can be reversed in the future period, deferred tax assets shall be recognized to the extent that it is probable that taxable profit will be available in the future to offset the deductible losses and tax credits.

Save as the exceptions, deferred income tax liabilities shall be recognized for the taxable temporary difference.

The exceptions for not recognition of deferred income tax assets and liabilities include: the initial recognition of the goodwill; other transactions or matters other than business combinations in which neither profit nor taxable income (or deductible loss) will be affected when transactions occur.

After granted the legal rights of net settlement and with the intention to use net settlement or obtain assets and repay debt at the same time, the net amount after offsetting its current income tax assets and current income tax liabilities shall be recorded.

When the Company was granted the legal rights of net settlement of current income tax assets and current income tax liabilities, and deferred income tax assets and deferred income tax liabilities are related to income tax to be paid by the same entity liable to pay tax to the same tax collection and management authority or related to different entities liable to pay tax, but the relevant entity liable to pay tax is intended to apply net settlement of current income tax assets and liabilities or, at the same time, obtain assets, repay debt whenever every deferred income tax assets and liabilities with importance would be reversed in the future, the Company records the net amount after offsetting its current income tax assets and current income tax liabilities.

27. Leases

(1) Accounting of operating lease

① As the lessee of operating leases, rental payments under operating leases are recognized as costs or expenses on a straight line basis over the lease term (including rent free periods). Initial direct costs that are attributable to an operating lease incurred by the Company are charged to current profit and loss.

When the lesser bears the lease related expenses which should be undertaken by the Company, the Company shall deduct this part of expense from the rent and amortize the net amount over the lease term.

② Leasing charges received by the Company for the assets leased out shall be amortized in a straight-line basis over the lease term without deducting the rent-free periods, and recognized as leasing income. The initial direct fee related to the leasing transactions paid by the Company shall be charged to current expenses; if the amount is significant, it shall be capitalized and charged to current income evenly on the same basis as the leasing income is recognized over the lease term.

When the Company bears the lease related expenses which should be undertaken by the lessee, the Company shall deduct this part of expense from the rent income, and amortize the net amount over the lease term.

(2) Accounting of finance lease

① Assets acquired under finance leases: At the initiation date of the lessee, the leased asset is recorded at the amounts equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments. The balance is accounted for as unrecognized finance charge and is amortized using the effective interest method over the period of the lease. The Company, by means of the real interest method, amortizes the unacknowledged financial charges during the lease term of the assets and includes them into financing expenses. Initial direct cost incurred by the Company will be included in the assets acquired under finance leases.

② Assets acquired under finance rents: At the initiation date of the lessee, the difference between the recorded amount of the leased asset and the minimum lease receivables is accounted for as unrecognized finance income and is recognized as rental income over the period of the lease. Initial direct costs shall be included in the initial accounting of the lease payment receivables and deduct by the revenue recognized over the lease term.

28. Other significant accounting policies and accounting estimates

(1) Termination of operation

Termination of business is a separately distinguishable constituent part that satisfies one of the following conditions and that has been disposed of or classified by the Company as held for sale:

- ① This constituent part represents an independent primary business or a separate principal operating area;
- ② This constituent part is part of an associated plan to dispose of for an independent primary business or a separate principal operating area;
- ③ This constituent part is a subsidiary acquired for resale.

(2) Repurchase of the Company's shares

The Company's shares repurchased by the Company for reducing the registered capital or rewarding employees shall be treated as the treasury shares based on the actual amount paid, and shall be checked and registered at the same time. If the repurchased shares are canceled, the difference between the actual amount paid for the repurchase and the total par value of shares calculated by the par value of the canceled shares and the number of canceled shares will write off the capital reserve. If the capital reserve is insufficient, the retained income will be written off; if the repurchased shares are awarded to the employees of the Company, it shall be categorized as equity-settled share-based payment. When the Company receives the payment made by employees who exercise their rights to purchase such shares, the amount shall be used to write off the cost of treasury shares delivered to employees and the capital reserve in the waiting period and meanwhile, the capital reserve (stock premium) shall be adjusted according to the difference.

29. Change in Significant Accounting Policies and Accounting Estimates

(1) Changes in significant accounting policies

Applicable Not applicable

Content and Reasons for Change in Accounting Policies	Notes
(1) The "Notes receivable" and "Accounts receivable" in the balance sheet are listed as "Notes receivable and accounts receivable"; "Notes payable and "Accounts payable" are listed as "Notes payable and accounts payable"; "Interest receivable " and "Dividends receivable" are included in "Other receivables"; "Interest payable " and "dividend payable" are included in "Other payables"; "Disposal of fixed assets" is included in "Fixed assets"; "Engineering materials" is included in "Construction in progress"; "Special payables" is included in "Long-term payables". Comparative data will be adjusted accordingly.	The "Notes receivable" and "Accounts receivable" are listed as "Notes receivable and accounts receivable", the amount for the current period is RMB 12,577,066,194.44, and the amount for the previous period was RMB 9,971,240,927.27; the "Notes payable" and "Accounts payable" are listed as "Notes payable and accounts payable", the amount for the current period is RMB 7,461,315,698.99, and the amount for the previous period was RMB 6,136,607,389.03; the amount of "Other receivables" for the current period is increased by RMB 6,754,941.00, and the amount for the previous period was RMB 9,219,422.61; the amount of "Other payables" for the current period is increased by RMB 4,745,203.31, and the amount for the previous period was RMB 3,694,476.25.
(2) The item "R&D expenses" is added to the income	The amount of "Administration expenses" for the current period is

statement, and the "R&D expenses" in the original "Administration expenses" is reclassified as "R&D Expenses" separately; The items "Including: interest expenses" and "Interest income" are added to the financial expenses in the income statement. Comparative data will be adjusted accordingly.	reduced by RMB 2,283,872,502.53, and the amount for the previous period was RMB 1,788,888,879.43. The reduced amount is reclassified to "R&D expenses".
(3) In the table of changes in owner's equity, the item "Carry-forward retained earnings of the variation of the defined benefit plan" is added. Comparative data will be adjusted accordingly.	N/A

On June 15, 2018, the Ministry of Finance issued the Notice of the Ministry of Finance on Revising the Format of 2018 General Enterprise Financial Statements (Finance (2018) No.15), and revised the financial statement format of general enterprises.

(2) Changes in significant accounting estimates

Applicable Not applicable

VI. Taxes

1. Major categories of taxes and tax rates

Tax Type	Taxation basis	Tax Rate
VAT	According to the provisions of the tax law, the sales tax shall be calculated on the basis of the income by selling goods and taxable services. After deducting the input tax that is allowed to be deducted from the sales tax in the current period, the difference shall be the value added tax	17%、16%、11%、10%、6%, simple collection rate of 5% and simple collection rate of 3%
Urban Maintenance and Construction Tax	Calculated based on the deduction free amount, actual business tax, VAT, and consumption tax	7%, 5%
Enterprise Income Tax	Calculated based on the taxable income	15%, 25%
Education Surcharges	Calculated based on the deduction free amount, actual business tax, VAT, and consumption tax	3%
Local Education Surcharges	Calculated based on the deduction free amount, actual business tax, VAT, and consumption tax	2%

If there are multiple taxpayers with different enterprise income tax rates, specify the situation

Name of Taxpayer	Income Tax Rate
Our Company	15%
Dahua System Engineering	15%
Dahua Security Network	15%

South North United	15%
Huatu Microchip	15%
Tecomore Technology	15%
HuaRay Technology	15%
Huachuang Vision	15%
Dahua HK	16.5%
Other domestic companies	25%
Other overseas companies	Applicable to local tax rate

2. Preferential tax rate

(1) According to CaiShui [2011] No. 100 jointly issued by the Ministry of Finance (MOC) and the State Administration of Taxation (SAT), our software sales is firstly taxed at the rate of 17%, and the actual tax burden of more than 3% is subject to the policy of immediate refund right after collection after being reviewed and approved by the competent tax authorities. The policy of "tax exemption, offset and refund" is valid for the value-added tax (VAT) on our export goods, with the tax refund rate of 17%. According to CaiShui [2018] No. 32 issued by MOC and SAT, the tax rates for VAT taxable sales or imported goods by the taxpayer are reduced from 17% to 16%, and 11% to 10%, respectively.

(2) According to the "Reply on the Filing of the First Batch of High-tech Enterprises in Zhejiang Province in 2017" (Guo Ke Huo Zi [2017] No. 201) issued by the Office for the Administration of the Certification of National High-tech Enterprises on December 15, 2017, the Company was certified as a high-tech enterprise, valid for 3 years. The corporate income tax for this year was reduced at a rate of 15%.

(3) According to the "Reply on the Filing of the First Batch of High-tech Enterprises in Zhejiang Province in 2015" (Guo Ke Huo Zi [2015] No. 256) issued by the Office for the Administration of the Certification of National High-tech Enterprises on November 23, 2015, our subsidiary Zhejiang Dahua System Engineering Co., Ltd. was certified as a high-tech enterprise with the validation for 3 years. The corporate income tax for this year was reduced at a rate of 15%.

(4) According to the "Reply on the Filing of the First Batch of High-tech Enterprises in Zhejiang Province in 2017" (Guo Ke Huo Zi [2017] No. 201) issued by the Office for the Administration of the Certification of National High-tech Enterprises on December 15, 2017, our subsidiary Zhejiang Dahua Security Network Operations Services Co., Ltd. was certified as a high-tech enterprise with the validation for 3 years. The corporate income tax for this year was reduced at a rate of 15%.

(5) According to the "Reply on the Filing of the First Batch of High-tech Enterprises in Zhejiang Province in 2017" (Guo Ke Huo Zi [2017] No. 201) issued by the Office for the Administration of the Certification of National High-tech Enterprises on December 15, 2017, our subsidiary South-North United Information Technology Co., Ltd. was certified as a high-tech enterprise, valid for 3 years. The corporate income tax for this year was reduced at a rate of 15%.

(6) According to the "Notice on Publicizing Zhejiang Province's List of Proposed High-tech Enterprises in 2018" issued by the Office for the Administration of the Certification of National High-tech Enterprises on November 30, 2018, our subsidiary Zhejiang Huatu Microchip Technology Co., Ltd. was preliminarily certified as a high-tech enterprise with the validation for 3 years. The corporate income tax for this year was reduced at a rate of 15%.

(7) According to the "Notice on Publicizing Zhejiang Province's List of Proposed High-tech Enterprises in 2018" issued by the Office for the Administration of the Certification of National High-tech Enterprises on November 30, 2018, our subsidiary Hangzhou Tecomore Technology Co., Ltd. was preliminarily certified as a high-tech enterprise with the validation for 3 years. The corporate income tax for this year was reduced at a rate of 15%.

(8) According to the "Notice on Publicizing Zhejiang Province's List of Proposed High-tech Enterprises in 2018" issued by the

Office for the Administration of the Certification of National High-tech Enterprises on November 30, 2018, our subsidiary Zhejiang HuaRay Technology Co., Ltd. was preliminarily certified as a high-tech enterprise with the validation for 3 years. The corporate income tax for this year was reduced at a rate of 15%.

(9) According to the "Notice on Publicizing Zhejiang Province's List of Proposed High-tech Enterprises in 2018" issued by the Office for the Administration of the Certification of National High-tech Enterprises on November 30, 2018, our subsidiary Zhejiang Dahua Vision Technology Co., Ltd. was preliminarily certified as a high-tech enterprise with the validation for 3 years. The corporate income tax for this year was reduced at a rate of 15%.

3. Other events

VII. Notes to the Items in the Consolidated Financial Statement

1. Cash and bank balances

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Cash on Hand	3,981.79	167,745.54
Bank Balance	3,547,354,923.39	2,926,061,578.72
Other Cash and Bank Balances	612,794,941.88	686,707,839.88
Total	4,160,153,847.06	3,612,937,164.14
Including: Total Amount Deposited in Overseas Banks	838,640,436.81	714,069,191.59

Other notes

Item Name	Balance at the End of the Period	Balance at the beginning of the year
Documentary Credit Deposit	308,844,000.00	514,241,540.00
Bid/performance bond	60,315,816.01	37,320,090.08
Commercial acceptance bill discount deposit	100,000,000.00	
Total	469,159,816.01	551,561,630.08

2. Notes receivable and accounts receivable

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Notes receivable	2,385,693,417.06	2,431,296,170.58
Accounts receivable	10,191,372,777.38	7,539,944,756.69
Total	12,577,066,194.44	9,971,240,927.27

(1) Notes receivable

1) Disclosure of notes receivable

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Bank Acceptance Notes	2,385,693,417.06	2,431,296,170.58
Total	2,385,693,417.06	2,431,296,170.58

2) Notes receivable that the company has pledged at the end of the period

Unit: RMB

Item Name	Pledged amount by the end of period
Bank Acceptance Notes	1,606,595,655.43
Total	1,606,595,655.43

3) Notes receivable that the company has endorsed or discounted at the end of the period and that have not yet expired on the balance sheet date

Unit: RMB

Item Name	Derecognized amount at the end of period	Not derecognized amount at the end of period
Bank Acceptance Notes	583,145,991.20	
Total	583,145,991.20	

(2) Accounts receivable

1) Disclosure of accounts receivable

Unit: RMB

Category	Balance at the End of the Period					Balance at the Start of the Period				
	Book balance		Bad debt provision		Book Value	Book balance		Bad debt provision		Book Value
	Amount	Percentage	Amount	Accrued proportion		Amount	Percentage	Amount	Accrued proportion	
Portfolio 2: Aging Analysis Portfolio	11,197,400,451.31	99.31%	1,016,027,673.93	9.07%	10,181,372,777.38	8,293,930,926.78	100.00%	753,986,170.09	9.09%	7,539,944,756.69

Accounts receivable with insignificant single amount but accrued for separate provision of bad debt	77,967,205.50	0.69%	67,967,205.50	87.17%	10,000,000.00				
Total	11,275,367,656.81	100.00%	1,083,994,879.43		10,191,372,777.38	8,293,930,926.78	100.00%	753,986,170.09	7,539,944,756.69

Accounts receivables with individual items significant in amount and the bad debts provision accrued individually at the end of period:

Applicable Not applicable

In the combination, the accounts receivables with the bad debt provision accrued according to the aging analysis method:

Applicable Not applicable

Unit: RMB

Aging	Balance at the End of the Period		
	Accounts receivable	Bad debt provision	Accrued proportion
Aging within 1 year			
Within 1 year (inclusive)	9,488,921,706.97	474,446,085.35	5.00%
Subtotal within 1 year	9,488,921,706.97	474,446,085.35	5.00%
1 to 2 years	811,282,951.64	81,128,295.16	10.00%
2 to 3 years	361,935,926.96	108,580,778.09	30.00%
3 to 4 years	325,382,863.05	162,691,431.53	50.00%
4 to 5 years	103,479,594.46	82,783,675.57	80.00%
5 years or above	106,397,408.23	106,397,408.23	100.00%
Total	11,197,400,451.31	1,016,027,673.93	

Notes on the basis to determine the combination:

In the combination, the accounts receivables with the bad debt provision accrued according to the percentage method:

Applicable Not applicable

In the combination, the accounts receivables with the bad debt provision accrued according to other methods:

2) Provision for bad debts accrued, recovered or reversed in this period

In this period, bad debt provision accrued amounts to (RMB); the recovered or reversed bad debt provision amounts to (RMB).

Significant amount of recovered or reversed bad debt provision in this period:

In this period, the provision for bad debts accrued was RMB 320,695,219.29; the provision for bad debts derived from the translation of foreign currency statements was RMB 122,885.56; and the provision for bad debts derived from business merger and other matters not under the same control was RMB 14,294,671.59.

3) Accounts receivable actually written off in this period

Accounts receivable write-off statement: accounts receivable actually written off in this period was RMB 5,104,067.10.

4) Accounts receivable of the top five closing balances collected by the arrears

The accounts receivable of the top five closing balances collected by the arrears was summed up to RMB 1,246,385,349.58, accounting for 11.05% of the total closing balance of accounts receivable, and the ending balance of the provision for bad debts accrued was RMB 127,350,257.93 accordingly.

5) Accounts receivable that are derecognized due to the transfer of financial assets

In accordance with the non-recourse purchase agreement on accounts receivables signed between the Company and BNP Paribas in this period, the Company transferred the accounts receivables of USD 46,475,691.60 under the export credit insurance to BNP Paribas, amount to RMB 318,971,966.59. The amount of accounts receivables was derecognized after the transfer.

3. Prepayments

(1) Aging analysis of prepayments is as follows

Unit: RMB

Aging	Balance at the End of the Period		Balance at the Start of the Period	
	Amount	Percentage	Amount	Percentage
Within 1 year	121,980,125.12	96.13%	151,610,645.14	98.22%
1 to 2 years	2,958,954.04	2.33%	2,210,892.79	1.43%
2 to 3 years	1,465,346.63	1.16%	36,743.12	0.03%
3 years or above	486,833.21	0.38%	498,890.08	0.32%
Total	126,891,259.00	--	154,357,171.13	--

Notes on reasons for prepayments with aging over 1 year and significant amount not settled timely:

There are no prepayments with aging over 1 year and significant amount not settled timely.

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

The advance payment of the top five closing balances by the concentration of prepayment parties was summed up to RMB 86,278,157.08, accounting for 67.99% of the total closing balance of the advance payment.

4. Other receivables

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
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Interest Receivable	6,754,941.00	9,219,422.61
Other Receivables	391,415,828.40	283,058,785.41
Total	398,170,769.40	292,278,208.02

(1) Interests receivable

(1) Category of interests receivable

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Fixed term deposit	6,754,941.00	9,219,422.61
Total	6,754,941.00	9,219,422.61

(2) Other receivables

1. Disclosure of other receivables

Unit: RMB

Category	Balance at the End of the Period					Balance at the Start of the Period				
	Book balance		Bad debt provision		Book Value	Book balance		Bad debt provision		Book Value
	Amount	Percentage	Amount	Accrued proportion		Amount	Percentage	Amount	Accrued proportion	
Portfolio 2: Aging Analysis Portfolio	433,950,846.32	100.00%	42,535,017.92	9.80%	391,415,828.40	310,353,894.34	100.00%	27,295,108.93	8.79%	283,058,785.41
Total	433,950,846.32	100.00%	42,535,017.92	9.80%	391,415,828.40	310,353,894.34	100.00%	27,295,108.93	8.79%	283,058,785.41

Other receivables with individual items significant in amount and the bad debts provision accrued individually at the end of period:

 Applicable Not applicable

In the combination, other receivables with the bad debt provision accrued according to the aging analysis method:

 Applicable Not applicable

Unit: RMB

Aging	Balance at the End of the Period		
	Other Receivables	Bad debt provision	Accrued proportion
Aging within 1 year			
Within 1 year (inclusive)	283,132,371.08	14,156,618.55	5.00%
Subtotal within 1 year	283,132,371.08	14,156,618.55	5.00%

1 to 2 years	104,394,814.85	10,439,481.48	10.00%
2 to 3 years	29,369,871.93	8,810,961.58	30.00%
3 to 4 years	15,648,900.17	7,824,450.09	50.00%
4 to 5 years	506,910.33	405,528.26	80.00%
5 years or above	897,977.96	897,977.96	100.00%
Total	433,950,846.32	42,535,017.92	

Notes on the basis to determine the combination:

In the combination, other receivables with the bad debt provision accrued according to the percentage method:

Applicable Not applicable

In the combination, other receivables with the bad debt provision accrued according to other method:

Applicable Not applicable

2) Provision for bad debts accrued, recovered or reversed in this period

In this period, bad debt provision accrued amounts to (RMB); the recovered or reversed bad debt provision amounts to (RMB).

Significant amount of recovered or reversed bad debt provision in this period:

In this period, the provision for bad debts accrued was RMB 14,717,677.83; the provision for bad debts derived from the translation of foreign currency statements was RMB 56,877.04; and the provision for bad debts derived from business merger and other matters not under the same control was RMB 465,354.12.

3) Other receivables categorized by the nature of the funds

Unit: RMB

Nature of the Funds	Closing Balance	Opening Balance
Deposits	133,533,949.06	123,678,597.71
Prepaid or advance expense	114,908,097.29	71,686,744.59
Export refunds	36,092,616.35	102,690.84
Employee home loan	130,870,460.98	110,473,899.98
Alipay and e-wallet	11,289,772.49	1,303,459.82
Others	7,255,950.15	3,108,501.40
Total	433,950,846.32	310,353,894.34

4) Other receivables of the top five closing balances collected by the arrears

Unit: RMB

Name of Unit	Nature of the Funds	Balance at the End of the Period	Aging	As a Percentage of Total Other Receivables at the End of the Period	Bad Debt Provision at the End of the Period
Company 1	Export refunds	36,092,616.35	Within 1 year	8.32%	1,804,630.82
Company 2	Prepaid or advance expense	20,071,344.25	RMB 11,153,133.39 within 1 year RMB 8,918,210.86 in 1-2	4.62%	1,449,477.76

			years		
Company 3	Prepaid or advance expense	17,617,416.10	Within 1 year	4.06%	880,870.81
Company 4	Deposits	12,000,000.00	1-2 years	2.77%	1,200,000.00
Company 5	Alipay and e-wallet	11,182,346.52	Within 1 year	2.57%	559,117.33
Total	--	96,963,723.22	--	22.34%	5,894,096.72

5. Inventories

(1) Categories of inventories

Unit: RMB

Item Name	Balance at the End of the Period			Balance at the Start of the Period		
	Book balance	Provision for decline in price	Book Value	Book balance	Provision for decline in price	Book Value
Raw Materials	641,393,743.67		641,393,743.67	822,509,588.98		822,509,588.98
Work-in-progress	1,068,330,542.75	4,168,637.69	1,064,161,905.06	1,037,927,237.89	38,652,726.64	999,274,511.25
Finished Goods	1,347,394,898.29	72,990,967.51	1,274,403,930.78	915,949,813.93		915,949,813.93
Outsourced Work-in-progress	55,620,129.63		55,620,129.63	68,408,684.49		68,408,684.49
Total	3,112,739,314.34	77,159,605.20	3,035,579,709.14	2,844,795,325.29	38,652,726.64	2,806,142,598.65

(2) Provision for decline in value of inventories

Unit: RMB

Item Name	Balance at the Start of the Period	Increased in the current period		Decreased in the current period		Balance at the End of the Period
		Accrued	Others	Reversals or write-offs	Others	
Work-in-progress	38,652,726.64	832,930.71		35,317,019.66		4,168,637.69
Finished Goods		22,752,363.13	83,616,689.30	33,378,084.92		72,990,967.51
Total	38,652,726.64	23,585,293.84	83,616,689.30	68,695,104.58		77,159,605.20

The basis for determining the net value realizable is: the estimated selling price minus the estimated cost of completion and the estimated compulsory cost of the sales;

The reason for the write-off of inventory depreciation reserve in this period is: inventory use or sales.

(3) Notes on the closing balance of the inventories containing capitalized amount of the borrowing expense

N/A

(4) Information about the completed but unsettled assets generated by construction contracts at the end of period

N/A

6. Non-current assets due within 1 year

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Long-term accounts receivables due within 1 year	578,733,057.27	367,302,811.80
Total	578,733,057.27	367,302,811.80

7. Other current assets

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Not deducted input tax	250,985,405.70	285,105,032.99
Deductible input tax	116,325,653.23	51,815,451.18
Identifiable input tax	216,974.55	3,488,460.65
Prepaid enterprise income tax	34,727,044.57	9,989,313.35
Prepaid overseas miscellaneous taxes and dues		1,657,398.48
Total	402,255,078.05	352,055,656.65

8. Available-for-sale financial assets**(1) Available-for-sale financial assets**

Unit: RMB

Item Name	Balance at the End of the Period			Balance at the Start of the Period		
	Book balance	Provision for decline in value	Book Value	Book balance	Provision for decline in value	Book Value
Available-for-sale equity instruments:	97,970,227.00	15,000,000.00	82,970,227.00	92,970,227.00	15,000,000.00	77,970,227.00
By cost method	97,970,227.00	15,000,000.00	82,970,227.00	92,970,227.00	15,000,000.00	77,970,227.00
Total	97,970,227.00	15,000,000.00	82,970,227.00	92,970,227.00	15,000,000.00	77,970,227.00

(2) Available-for-sale financial assets measured by cost at the end of the period

Unit: RMB

The Invested Entity	Book Balance				Provision for Decline in Value				Percentage of Shares held in the Invested Entity	Cash Dividend in the Current Period
	At the Start of the Period	Increased in the Current Period	Decreased in the Current Period	At the End of the Period	At the Start of the Period	Increased in the Current Period	Decreased in the Current Period	At the End of the Period		
Shanghai Xianghe Equity Investment Partnership (limited partnership)	10,000,000.00			10,000,000.00					1.43%	260,229.59
Shanghai Xianghe Hongan Equity Investment Partnership (limited partnership)	10,000,000.00			10,000,000.00					0.77%	744,779.11
Xinjiang Fangyuan Huirong Investment Partnership	30,000,000.00			30,000,000.00					6.98%	
Shanghai Xianghe Yongan Equity Investment Partnership (limited partnership)	10,000,000.00			10,000,000.00					1.00%	
Shandong Zhongan Technology	8,000,000.00			8,000,000.00					1.76%	

Co., Ltd.										
Hangzhou Xichuang Equity Investment Partnership (limited partnership)	5,000,000.00	5,000,000.00		10,000,000.00					11.30%	
Zhejiang Xinmenhai Technology Co., Ltd.	2,416,000.00			2,416,000.00					5.00%	
Hangzhou Chuangchao Investment Management Co., Ltd.	80,000.00			80,000.00					4.00%	
Ningxia Electronic Technology Co., Ltd.	15,000,000.00			15,000,000.00	15,000,000.00			15,000,000.00	19.99%	
Hangzhou Maycur Technology Co., Ltd.	2,474,227.00			2,474,227.00					2.43%	
Total	92,970,227.00	5,000,000.00		97,970,227.00	15,000,000.00			15,000,000.00	--	1,005,008.70

(3) The decline in value of the available-for-sale financial assets during the reporting period

Unit: RMB

Categories of the Available-for-sale Financial Assets	Available-for-sale Equity Instrument	Available-for-sale Debt Instrument		Total
Balance of the Impairment after the Accrual at the Beginning of Period	15,000,000.00			15,000,000.00
Balance of the Impairment after the Accrual at the end of Period	15,000,000.00			15,000,000.00

9. Long-term receivables

(1) Long-term receivables

Unit: RMB

Item Name	Balance at the End of the Period			Balance at the Start of the Period			Range of Discount Rate
	Book Balance	Bad Debt Provision	Book Value	Book Balance	Bad Debt Provision	Book Value	
Installment Payment for Selling Products	1,861,485,568.28		1,861,485,568.28	1,480,947,137.80		1,480,947,137.80	
Including: Unrealized Financing Income	364,590,421.98		364,590,421.98	307,410,501.65		307,410,501.65	3.03-7.05
Total	1,861,485,568.28		1,861,485,568.28	1,480,947,137.80		1,480,947,137.80	--

(2) Long-term receivables derecognised due to transfer of financial assets

There are no long-term receivables derecognised due to transfer of financial assets.

(3) Assets/liabilities generated due to transferred long-term receivables that the Company still keeps recourse or retains part of corresponding rights or interests

There are no assets/liabilities generated due to transferred long-term receivables that the Company still keeps recourse or retains part of corresponding rights or interests.

The amount of long-term receivables pledged by the Company at the end of the period was RMB 292,229,615.24. See Note XIV (I) for details.

10. Long-term equity investment

Unit: RMB

The Invested Entity	Balance at the Start of the Period	Decrease/Increase in the Current Period								Balance at the End of the Period	Closing Balance of Provision for Decline in Value
		Investments Increased	Investment Decreased	Investment Profit and Loss Recognized under the Equity Method	Adjustment on Other Comprehensive Income	Other Changes in Equity	Cash Dividends or Profit Declared to Distribute	Provision for Impairment Accrued	Others		
I. Joint ventures											

II. Affiliates											
Wenzhou Dahua Security Services Co., Ltd.	672,907.47			61,358.00						734,265.47	
Taizhou Dahua Security Services Co., Ltd.	315,827.85			29,995.36						345,823.21	
Ningbo Dahua Anbang Security Services Co., Ltd.	1,287,212.43			-129,789.42						1,157,423.01	
Lishui Dahua Intelligent Technology Co., Ltd.	75,748.24			1,074.63						76,822.87	
Zhoushan Dahua Technology Co., Ltd.	541,197.78			164,285.17						705,482.95	
Shaoxing Dahua Security Services Co., Ltd.	549,538.49			-2,099.19						547,439.30	
Beijing Ankang Jianxing Emergency Education Technology Co., Ltd.	7,651,907.75		7,580,935.18	-70,972.57							

Zhejiang Leapmotor Technology Co., Ltd.	36,803,547.78			-36,803,547.78		168,229,977.61				168,229,977.61	
Shenzhen Conwin Security Electronics CO., Ltd.	10,756,555.03			1,011,641.73						11,768,196.76	
Zhejiang Dahua Zhian Internet of Things Technology Co., Ltd.	2,751,589.84			-50,812.34						2,700,777.50	
Guangdong Dahua Zhishi Technology Co., Ltd.	-133,147.25			-261,039.85						-394,187.10	
Subtotal	61,272,885.41		7,580,935.18	-36,049,906.26		168,229,977.61				185,872,021.58	
Total	61,272,885.41		7,580,935.18	-36,049,906.26		168,229,977.61				185,872,021.58	

11. Investment properties

(1) Investment properties measured by cost method

√ Applicable □ Not applicable

Unit: RMB

Item Name	Buildings and Constructions	Land Use Rights	Projects under Construction	Total
I . Original Book Value				
1. Opening Balance	182,786,539.11	7,787,655.39		190,574,194.50

2. Increased in the Current Period	175,978,800.67	1,091,639.56		177,070,440.23
(1) Purchase				
(2) Transfer of Fixed Assets\Intangible Assets\Construction in Progress	175,978,800.67	1,091,639.56		177,070,440.23
(3) Acquisition				
3. Decreased in the Current Period				
(1) Disposal				
(2) Other Transfer-out				
4. Closing Balance	358,765,339.78	8,879,294.95		367,644,634.73
II. Accumulated Depreciation and Amortization				
1. Opening Balance	8,641,451.19	882,601.02		9,524,052.21
2. Increased in the Current Period	11,016,872.70	272,333.27		11,289,205.97
(1) Accrual or Amortization	10,863,487.30	224,432.67		11,087,919.97
(2) Transfer of Fixed Assets\Intangible Assets	153,385.40	47,900.60		201,286.00
3. Decreased in the Current Period				
(1) Disposal				
(2) Other Transfer-out				
4. Closing Balance	19,658,323.89	1,154,934.29		20,813,258.18
III. Provision for Impairment				
1. Opening Balance				
2. Increased in the Current Period				
(1) Accrual				
3. Decreased in the Current Period				
(1) Disposal				
(2) Other Transfer-out				

4. Closing Balance				
IV. Book Value				
1. Closing Balance on Book Value	339,107,015.89	7,724,360.66		346,831,376.55
2. Opening Balance on Book Value	174,145,087.92	6,905,054.37		181,050,142.29

(2) Investment properties with certificates of title not granted

Unit: RMB

Item Name	Book Value	Reasons for Certificates of Title not Granted
Nanning marketable housing	162,512,222.80	In the process of obtaining the real estate certificates

12. Fixed assets

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Fixed Assets	1,407,471,330.83	1,248,305,165.77
Total	1,407,471,330.83	1,248,305,165.77

(1) Fixed assets

Unit: RMB

Item Name	Housing and building	Machinery and equipment	Means of transport	Electronic and other equipment	Total
I. Original book value:					
1. Opening Balance	1,037,396,613.16	139,396,762.19	37,598,995.15	514,518,515.12	1,728,910,885.62
2. Increased in the Current Period	58,347,644.68	95,664,384.27	4,255,880.15	211,744,418.39	370,012,327.49
(1) Purchase	968,204.62	61,173,097.75	4,028,488.93	203,956,655.84	270,126,447.14
(2) Transferred From Construction in Progress	51,827,721.96	32,937,003.66			84,764,725.62
(3) Acquisition	5,551,718.10	1,554,282.86	227,391.22	7,787,762.55	15,121,154.73
3. Decreased in the Current Period	10,406,913.95	244,525.88	419,306.20	54,164,548.88	65,235,294.91
(1) Disposal or Scrapping		244,525.88	419,306.20	54,164,548.88	54,828,380.96

(2) Transfer to investment real estate	10,406,913.95				10,406,913.95
4. Currency Translation Difference	10,123.50	7,321.04	-75,139.77	-552,006.67	-609,701.90
5. Closing Balance	1,085,347,467.39	234,823,941.62	41,360,429.33	671,546,377.96	2,033,078,216.30
II. Accumulated depreciation					
1. Opening Balance	121,806,114.10	30,400,919.75	26,341,709.20	302,056,976.80	480,605,719.85
2. Increased in the Current Period	49,664,362.25	16,330,648.41	4,369,153.24	123,127,795.04	193,491,958.94
(1) Accrual	49,431,468.15	14,836,670.30	4,282,221.21	117,853,677.86	186,404,037.52
(2) Acquisition	232,894.10	1,493,978.11	86,932.03	5,274,117.18	7,087,921.42
3. Decreased in the Current Period	153,385.40	60,010.01	284,881.54	47,912,518.82	48,410,795.77
(1) Disposal or Scrapping		60,010.01	284,881.54	47,912,518.82	48,257,410.37
(2) Transfer to investment real estate	153,385.40				153,385.40
4. Currency Translation Difference			7,990.82	-87,988.37	-79,997.55
5. Closing Balance	171,317,090.95	46,671,558.15	30,433,971.72	377,184,264.65	625,606,885.47
III. Provision for Impairment					
1. Opening Balance					
2. Increased in the Current Period					
(1) Accrual					
3. Decreased in the Current Period					
(1) Disposal or Scrapping					
4. Closing Balance					
IV. Book Value					
1. Closing Balance on Book Value	914,030,376.44	188,152,383.47	10,926,457.61	294,362,113.31	1,407,471,330.83
2. Opening Balance on Book Value	915,590,499.06	108,995,842.44	11,257,285.95	212,461,538.32	1,248,305,165.77

(2) Fixed assets with certificates of title not granted

Unit: RMB

Item Name	Book Value	Reasons for certificates of title not granted
Urumqi marketable housing	16,972,113.94	In the process of obtaining the real estate certificates

13. Construction in progress

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Projects under Construction	226,191,587.11	58,779,225.41
Total	226,191,587.11	58,779,225.41

(1) Details of construction in progress

Unit: RMB

Item Name	Balance at the End of the Period			Balance at the Start of the Period		
	Book balance	Provision for decline in value	Book Value	Book balance	Provision for decline in value	Book Value
ORACLE System				5,045,690.84		5,045,690.84
Equipment engineering	1,382,497.31		1,382,497.31	26,036,020.95		26,036,020.95
Commercial building under decoration	55,859,895.45		55,859,895.45	16,485,759.23		16,485,759.23
Dahua Smart Security (IOT) Manufacturing Base	110,183,237.44		110,183,237.44	8,067,861.57		8,067,861.57
Phase II, Dahua Intelligent (IoT) Industrial Park Construction Project	7,313,380.68		7,313,380.68			
Dahua Auxiliary and R&D Experimental Building Renovation Project	33,893,914.76		33,893,914.76	886,173.80		886,173.80
Phase I, Urban Intelligent Information Industry Construction Project	9,090,975.91		9,090,975.91			
Dahua West Smart Base and Dahua West R&D Center	1,472,252.09		1,472,252.09			
Others	6,995,433.47		6,995,433.47	2,257,719.02		2,257,719.02

Total	226,191,587.11		226,191,587.11	58,779,225.41		58,779,225.41
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(2) Changes in significant construction in progress

Unit: RMB

Item Name	Budget	Balance at the Start of the Period	Increased in the current period	Transfer amounts of fixed assets/intangible assets/investment real estate in this period	Other amounts decreased in current period	Balance at the End of the Period	Project accumulative investment as a percentage of the budget	Project Progress	Accumulated capitalized interest amount	Including: capitalized interest amount in the current period	Capitalization rate of the interest in the current period	Capital Source
ORACLE System	0.00	5,045,690.84	1,600,527.41	6,646,218.25			100.00%	Completed				Equity Fund
Dahua Smart Security (IOT) Manufacturing Base	800,000,000.00	8,067,861.57	102,115,375.87			110,183,237.44	13.77%	13.77%				Equity Fund
Phase II, Dahua Intelligent (IoT) Industrial Park Construction Project	600,000,000.00		7,313,380.68			7,313,380.68	1.22%	1.22%				Equity Fund
Dahua Auxiliary and R&D Experimental Building Renovation Project	90,000,000.00	886,173.80	33,007,740.96			33,893,914.76	37.66%	37.66%				Equity Fund
Phase I, Urban Intelligent Information	50,000,000.00	134,622.65	8,956,353.26			9,090,975.91	18.18%	18.18%				Equity Fund

Industry Construction Project												
Dahua West Smart Base and Dahua West R&D Center	1,000,000,000.00		1,472,252.09			1,472,252.09	0.15%	0.15%				Equity Fund
Commercial building under decoration	0.00	16,485,759.23	220,884,430.13	181,510,293.91		55,859,895.45	75.65%	75.65%				Equity Fund
Total	2,540,000,000.00	30,620,108.09	375,350,060.40	188,156,512.16		217,813,656.33	--	--				--

14. Intangible assets

(1) Details of intangible assets

Unit: RMB

Item Name	Land use rights	Non-patented technology	Softwares	Trademark rights	Software copyright	Total
I . Original book value						
1. Opening Balance	200,738,970.56	58,346,510.59	63,638,856.89	2,324,000.00	6,381,122.62	331,429,460.66
2. Increased in the Current Period	106,446,745.00	4,530,000.00	43,155,360.18	375,446.40		154,507,551.58
(1) Purchase	106,055,655.00		29,304,144.44			135,359,799.44
(2) Transferred From Construction in Progress			13,193,496.33			13,193,496.33
(3) Acquisition	391,090.00	4,530,000.00	657,719.41	375,446.40		5,954,255.81
3. Decreased in the Current Period	1,091,639.56		1,110,883.15			2,202,522.71
(1) Disposal			1,110,883.15			1,110,883.15
(2) Transfer to investment real estate	1,091,639.56					1,091,639.56
4. Currency Translation Difference	1,275.00		27.55	1,224.00		2,526.55
5. Closing Balance	306,095,351.00	62,876,510.59	105,683,361.47	2,700,670.40	6,381,122.62	483,737,016.08

II. Accumulated amortization						
1. Opening Balance	8,626,094.88	29,466,322.41	34,045,431.21	1,824,800.00	4,109,557.50	78,072,206.00
2. Increased in the Current Period	5,373,133.57	5,673,298.23	20,265,230.09	625,046.42	1,319,116.12	33,255,824.43
(1) Accrual	5,373,133.57	5,673,298.23	19,731,852.18	249,600.02	1,319,116.12	32,347,000.12
(2) Acquisition			533,377.91	375,446.40		908,824.31
3. Decreased in the Current Period	47,900.60		9,729.70			57,630.30
(1) Disposal			9,729.70			9,729.70
(2) Transfer to investment real estate	47,900.60					47,900.60
4. Currency Translation Difference	6,723.36		-8,740.50	1,224.00		-793.14
5. Closing Balance	13,958,051.21	35,139,620.64	54,292,191.10	2,451,070.42	5,428,673.62	111,269,606.99
III. Provision for Impairment						
1. Opening Balance						
2. Increased in the Current Period						
(1) Accrual						
3. Decreased in the Current Period						
(1) Disposal						
4. Closing Balance						
IV. Book Value						
1. Closing Balance on Book Value	292,137,299.79	27,736,889.95	51,391,170.37	249,599.98	952,449.00	372,467,409.09
2. Opening Balance on Book Value	192,112,875.68	28,880,188.18	29,593,425.68	499,200.00	2,271,565.12	253,357,254.66

15. Goodwill

(1) Original book value of goodwill

Unit: RMB

The invested entity or matters which formed	Balance at the Start of the Period	Increased in the current period	Decreased in the current period	Balance at the End of the Period

goodwill		Generated from business combination	Disposal	
South North United Information Technology Co., Ltd.	71,083,281.09			71,083,281.09
Dahua Technology Italy S.R.L.		2,591,935.00		2,591,935.00
Lores Technology Inc.		36,070,196.12		36,070,196.12
Total	71,083,281.09	38,662,131.12		109,745,412.21

(2) Provision of impairment in goodwill

Unit: RMB

The invested entity or matters which formed goodwill	Balance at the Start of the Period	Increased in the current period		Decreased in the current period		Balance at the End of the Period
South North United Information Technology Co., Ltd.						
Dahua Technology Italy S.R.L.						
Lores Technology Inc.						

Information about the asset group or asset group combination where the goodwill is located

The invested entity or matters which formed goodwill	Amount of goodwill	Information about the asset group or asset group combination where it is located
South North United Information Technology Co., Ltd.	71,083,281.09	The asset group relating to the goodwill generated for the acquisition of the South-North United Information Technology Co., Ltd., that is, the assets and liabilities of the asset group formed for South-North United Information Technology Co., Ltd. on December 31, 2018.
Dahua Technology Italy S.R.L.	2,591,935.00	The asset group relating to the goodwill generated for the acquisition of the Dahua Technology Italy S.R.L., that is, the assets and liabilities of the asset group formed for Dahua Technology Italy S.R.L. on December 31, 2018.
Lores Technology Inc.	36,070,196.12	The asset group relating to the goodwill generated for the acquisition of the Lores Technology Inc., that is, the assets and liabilities of the asset group formed for Lores Technology Inc. on December 31, 2018.

(4) Explain the goodwill impairment test process, key parameters (e.g. growth rate at forecast period, growth rate at steady period, profit rate, discount rate, forecast period, etc. when the present value of future cash flow is estimated) and the confirmation method of goodwill impairment loss:

South-North United Information Technology Co., Ltd.: At the end of the period, the Company recognized the entire South-North United as an asset group, and measured its recoverable amount through estimating the present value of future cash flows. The asset

group is identical with the one recognized during the goodwill impairment test at the acquisition date and in previous years. Based on the financial budget for the South-North United approved by the management, the Company estimated the cash flows of the next five years and perpetual period, and took the discount rate 13.51% to calculate the present value of future cash flows. The management prepared the above financial budget on the basis of a comprehensive analysis of such factors as annual operating conditions in history, market competition, and estimated annual achievable project revenues after 2019.

Dahua Technology Italy S.R.L.: At the end of the period, the Company recognized the entire Dahua Technology Italy S.R.L. as an asset group, and measured its recoverable amount through estimating the present value of future cash flows. The asset group is identical with the one recognized during the goodwill impairment test at the acquisition date and in previous years. Based on the financial budget for the Dahua Technology Italy S.R.L. approved by the management, the Company estimated the cash flows of the next five years and perpetual period, and took the discount rate 13.51% to calculate the present value of future cash flows. The management prepared the above financial budget on the basis of a comprehensive analysis of annual operating conditions in history, market competition and other factors. It estimated that at Dahua Technology Italy S.R.L., the growth rate of the annual sales from 2019 to 2033 will be 5%, and that in 2024 and beyond will be flat with the year of 2023.

Lorex Technology Inc.: at the end of the period, the Company recognized the entire Lorex Technology Inc. as an asset group, and measured its recoverable amount through estimating the present value of future cash flows. The asset group is identical with the one recognized during the goodwill impairment test at the acquisition date and in previous years. Based on the financial budget of Lorex Technology Inc. approved by the management, the Company estimated the cash flows of the next five years and perpetual period, and took the discount rate 13.51% to calculate the present value of future cash flows. The management prepared the above financial budget on the basis of a comprehensive analysis of annual operating conditions in history, market competition and other factors. It estimated that at Lorex Technology Inc., the growth rate of the annual sales from 2019 to 2033 will be 5%, and that in 2024 and beyond will be flat with the year of 2023.

Result of goodwill impairment test

It can be obtained from the test that, the recoverable amounts of the asset groups of South-North United Information Technology Co., Ltd., Dahua Technology Italy S.R.L., and Lorex Technology Inc. were higher than the book value, and no signs of goodwill impairment for the asset groups were found.

16. Long-term deferred expenses

Unit: RMB

Item Name	Balance at the Start of the Period	Increased in the current period	Prepaid Expenses in This Period	Other Amounts Decreased	Balance at the End of the Period
Housing rent		989,166.01	882,128.72		107,037.29
Improvement expenditure of fixed assets leased by operating lease		44,994,693.69	7,983,812.43		37,010,881.26
Total		45,983,859.70	8,865,941.15		37,117,918.55

17. Deferred income tax assets/deferred income tax liabilities

(1) Deferred income tax assets not written off

Unit: RMB

Item Name	Balance at the End of the Period		Balance at the Start of the Period	
	Deductible temporary difference	Deferred Income Tax Assets	Deductible temporary difference	Deferred Income Tax Assets
Provision for Impairment of Assets	982,203,827.26	193,996,211.23	542,711,860.62	107,607,864.75
Unrealized Profit from Internal Transactions	716,955,234.71	148,900,021.90	324,096,266.40	72,010,655.66
Deductible Losses	92,044,909.04	16,363,887.53	126,225,882.24	30,425,699.26
Expected Liabilities	172,287,233.54	28,619,808.17	113,848,081.74	17,680,464.33
Payroll payable	138,626,628.92	22,872,593.43	100,118,528.01	16,566,607.55
Equity incentive expense	27,235,019.84	4,337,560.56		
Costs from Tax Increase Due to Absence of Invoice	41,376,609.34	9,172,826.12	32,963,690.12	6,856,453.98
Amortization of Intangible Assets	976,371.23	146,455.68	2,041,503.49	306,225.52
Changes in fair value gains and losses	3,640,169.45	910,042.36		
Total	2,175,346,003.33	425,319,406.98	1,242,005,812.62	251,453,971.05

(2) Deferred income tax liabilities not written off

Unit: RMB

Item Name	Balance at the End of the Period		Balance at the Start of the Period	
	Taxable temporary difference	Deferred Income Tax Liabilities	Taxable temporary difference	Deferred Income Tax Liabilities
The gross profit of sales by installments	256,706,108.82	50,137,969.76	270,358,534.08	45,468,946.77
Total	256,706,108.82	50,137,969.76	270,358,534.08	45,468,946.77

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

Unit: RMB

Item Name	Amount of Deferred Income Tax Assets Offset against Liabilities at the End of the Period	Balance of Deferred Income Tax Assets or Liabilities after Offset at the End of the Period	Amount of Deferred Income Tax Assets Offset against Liabilities at the Start of the Period	Balance of Deferred Income Tax Assets or Liabilities after Offset at the Start of the Period
Deferred Income Tax Assets		425,319,406.98		251,453,971.05

Deferred Income Tax Liabilities		50,137,969.76		45,468,946.77
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(4) Deferred income tax assets or liabilities listed by net amount after offset

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Provision for Impairment of Assets	221,485,675.29	277,222,145.04
Deductible Losses	172,253,137.74	118,796,525.71
Equity incentive expense	4,209,954.04	
Expected Liabilities	21,473,936.58	14,150,807.87
Total	419,422,703.65	410,169,478.62

(5) Details of unrecognized deferred income tax assets

Unit: RMB

Year	Amount at the end of the period	Opening Balance	Notes
2018		2,098,124.64	Losses in 2013 and due in 2018
2019	3,970,432.34	5,566,595.76	Losses in 2014 and due in 2019
2020	11,057,227.29	25,369,075.20	Losses in 2015 and due in 2020
2021	18,784,799.88	28,287,841.72	Losses in 2016 and due in 2021
2022	40,598,242.37	57,474,888.39	Losses in 2017 and due in 2022
2023	97,842,435.86		Losses in 2018 and due in 2023
Total	172,253,137.74	118,796,525.71	--

18. Other non-current assets

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Prepayments for purchase of engineering equipments	5,627,812.52	9,057,335.83
Prepayments for acquisition of real estate	10,649,793.09	83,887,400.00
Total	16,277,605.61	92,944,735.83

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

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Fiduciary loans	1,380,000,000.00	700,000,000.00
Pledged loans		270,924,255.90
Pledged, guaranteed loans	71,709,561.83	600,000,000.00
Guaranteed loans	400,000,000.00	200,000,000.00
Total	1,851,709,561.83	1,770,924,255.90

20. Financial liabilities measured at fair value through profit or loss in this period

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Transactional financial liabilities	38,602,602.30	
Derivative Financial Liabilities	38,602,602.30	
A contractual obligation due to acquisition of a subsidiary's contingent consideration		62,450,000.00
Total	38,602,602.30	62,450,000.00

21. Notes payable and accounts payable

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Notes Payable	3,671,586,104.79	3,434,822,334.46
Accounts Payable	3,789,729,594.20	2,701,785,054.57
Total	7,461,315,698.99	6,136,607,389.03

(1) Disclosure of notes payable

Unit: RMB

Types	Balance at the End of the Period	Balance at the Start of the Period
Bank acceptance bill	2,266,008,177.19	2,407,766,588.82
Commercial acceptance bill	1,405,577,927.60	1,027,055,745.64
Total	3,671,586,104.79	3,434,822,334.46

(2) Details of accounts payables

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Payment for purchase of materials	3,586,524,616.43	2,517,661,622.60

Payment for engineering equipments	203,204,977.77	184,123,431.97
Total	3,789,729,594.20	2,701,785,054.57

(3) Significant accounts payable with aging over 1 year

There are no significant advance receipts aged over one year.

22. Advance receipts

(1) Details of received pre-payments

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Payments for sales of goods	200,172,889.06	316,554,403.77
Pre-payments from construction projects	143,125,002.14	145,161,018.61
Total	343,297,891.20	461,715,422.38

23. Payroll payable

(1) Details of payroll payable

Unit: RMB

Item Name	Balance at the Start of the Period	Increased in the current period	Decreased in the current period	Balance at the End of the Period
I . Short-term remuneration	845,292,407.50	4,291,124,537.50	4,034,373,487.22	1,102,043,457.78
II . Dimission benefits - defined contribution scheme	5,853,972.47	196,215,031.05	179,753,849.36	22,315,154.16
III. Dismissal welfare		10,330,519.84	10,330,519.84	
Others		31,444,973.88	31,444,973.88	
Total	851,146,379.97	4,529,115,062.27	4,255,902,830.30	1,124,358,611.94

(2) List of short-term remuneration

Unit: RMB

Item Name	Balance at the Start of the Period	Increased in the current period	Decreased in the current period	Balance at the End of the Period
1. Wages or salaries, bonuses, allowances and subsidies	733,044,267.35	3,724,256,047.65	3,535,572,290.95	921,728,024.05
2. Staff welfare		150,496,931.20	150,496,931.20	

3. Social insurance contributions	9,209,443.48	122,453,144.61	113,562,296.04	18,100,292.05
Including: medical insurance	8,573,930.92	105,607,708.29	98,379,163.62	15,802,475.59
Work injury insurance premium	174,814.60	4,959,196.77	4,457,743.59	676,267.78
Maternity insurance premium	460,697.96	11,886,239.55	10,725,388.83	1,621,548.68
4. Housing funds	136,310.74	202,953,455.47	202,877,719.24	212,046.97
5. Labor union and education funds	102,902,385.93	90,964,958.57	31,864,249.79	162,003,094.71
Total	845,292,407.50	4,291,124,537.50	4,034,373,487.22	1,102,043,457.78

(3) Defined contribution scheme (Note)

Unit: RMB

Item Name	Balance at the Start of the Period	Increased in the current period	Decreased in the current period	Balance at the End of the Period
1. Basic pension insurance	5,314,945.62	188,590,503.30	172,621,841.50	21,283,607.42
2. Unemployment insurance	539,026.85	7,624,527.75	7,132,007.86	1,031,546.74
Total	5,853,972.47	196,215,031.05	179,753,849.36	22,315,154.16

24. Taxes payable

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
VAT	280,098,796.36	204,313,190.07
Enterprise Income Tax	258,232,990.39	236,139,791.09
Individual income tax	12,298,554.78	12,517,616.31
Urban Maintenance and Construction Tax	18,878,589.21	12,124,330.32
House property tax	5,757,911.72	2,289,512.95
Sales tax	5,114,791.97	
Education surcharges (including local education surcharges)	13,462,512.05	8,660,325.87
Land usage tax	2,099,648.89	999,198.00
Stamp duty	1,939,872.86	1,596,025.78
Disabled security fund	661,501.37	722,165.12
Others	932,880.21	174,415.94

Total	599,478,049.81	479,536,571.45
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25. Other payables

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Interest Payable	4,745,203.31	3,694,476.25
Other Payables	1,046,791,891.66	104,297,163.85
Total	1,051,537,094.97	107,991,640.10

(1) Interests payable

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Interest payable for short-term loan	3,046,260.22	1,870,583.16
Long-term loan interest	991,276.43	1,116,226.43
Interest payable for national development fund	707,666.66	707,666.66
Total	4,745,203.31	3,694,476.25

Details on significant overdue interests:

There is no significant interest that has been overdue.

(2) Other payables

1) Other payables listed by nature of funds

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Deposits	34,384,749.18	20,265,869.53
Temporarily borrowed and advance payments	164,250,303.45	72,780,836.70
Special fund for talent incentive	30,097,503.00	9,860,718.00
Restricted share repurchase obligations	807,733,586.00	
Others	10,325,750.03	1,389,739.62
Total	1,046,791,891.66	104,297,163.85

26. Non-current liabilities due within 1 year

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Long-term debt due within one year	25,500,000.00	
Total	25,500,000.00	

27. Other current liabilities

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
To-be-transferred sales taxes in installments	70,845,639.51	45,941,962.85
Total	70,845,639.51	45,941,962.85

28. Long-term loans

(1) Categories of long-term loans

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Pledged loans	179,000,000.00	230,000,000.00
Total	179,000,000.00	230,000,000.00

29. Estimated liabilities

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period	Causes
Product quality assurance	193,761,170.12	127,998,889.61	After-sales maintenance
Total	193,761,170.12	127,998,889.61	--

30. Deferred income

Unit: RMB

Item Name	Balance at the Start of the Period	Increased in the current period	Decreased in the current period	Balance at the End of the Period	Causes
Government subsidies	61,866,156.88		3,172,623.48	58,693,533.40	Received government subsidies related to assets
Total	61,866,156.88		3,172,623.48	58,693,533.40	--

Projects related to government subsidies:

Unit: RMB

Liabilities	Balance at the Start of the Period	The amount of new subsidies in this period	Amount recorded as non-operating revenue in this period	The Amount Recorded as Other Income in This Period	The Amount Written off Costs in This Period	Other variations	Balance at the End of the Period	Related to assets/related to income
Special award for industrial park projects	61,866,156.88			3,172,623.48			58,693,533.40	Related to assets
Total	61,866,156.88			3,172,623.48			58,693,533.40	

Other notes:

According to the FuJingGuan [2017] No.35 document issued by Economic Development Zone Management Committee and the FuCaiQi [2017] No.506 document issued by Hangzhou Fuyang District Finance Bureau, the Company received the special subsidies for the Fuyang Dahua Intelligent (IoT) Industrial Park in 2015 and 2017, respectively, RMB 31.66 million each time, totaling RMB 63.32 million. As the government grant related to assets, it is recognized as deferred income and will be recognized as other income in installments based on the estimated service life of the asset (20 years).

31. Other non-current liabilities

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
To-be-transferred sales taxes in installments	289,096,280.89	248,600,936.54
Other loans	110,000,000.00	110,000,000.00
Total	399,096,280.89	358,600,936.54

32. Share capital

Unit: RMB

	Balance at the Start of the Period	Increased or decreased amount in this period (+/-)					Balance at the End of the Period
		Shares newly issued	Bonus shares	Shares converted from capital reserves	Others	Subtotal	
Total shares	2,898,756,130.00	98,865,800.00				98,865,800.00	2,997,621,930.00

According to the 2018 Restricted Stock Incentive Plan (Draft) reviewed and approved at the 4th Extraordinary General Meeting of Shareholders held by the Company on September 14, 2018, and the decisions at the 17th Session of the 6th Board of Directors held by the Company on November 1, 2018, the restricted stocks were subscribed by 3,145 restricted stock incentive targets, with the registered capital increased by RMB 98,865,800, and up to RMB 299,762,193,300. The above-mentioned capital contribution has

been verified through Xin Kuai Shi Bao [2018] No.10688 Verification Report issued by BDO China Shu Lun Pan CPAs (special general partnership).

33. Capital reserve

Unit: RMB

Item Name	Balance at the Start of the Period	Increased in the current period	Decreased in the current period	Balance at the End of the Period
Capital premium (capital share premium)	592,695,795.94	708,867,786.00		1,301,563,581.94
Other capital reserves	644,955.58	199,674,951.49	702,626.18	199,617,280.89
Total	593,340,751.52	908,542,737.49	702,626.18	1,501,180,862.83

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

1. According to the 2018 Restricted Stock Incentive Plan (Draft) reviewed and approved at the 4th Extraordinary General Meeting of Shareholders held by the Company on September 14, 2018, and the decisions at the 17th Session of the 6th Board of Directors held by the Company on November 1, 2018, 98,865,800 restricted stocks were subscribed by 3,145 restricted stock incentive targets. The actual subscription amount paid by the restricted stock incentive targets was RMB 807,733,586.00, which was recorded in the capital reserve (share premium) as RMB 708,867,786.00. The matter is a share-based payment settled by equity. The amount of employee service exchanged by the share-based payment for this period was RMB 31,444,973.88. Other capital reserve was increased by RMB 31,444,973.88.
2. The capital reserve was reduced in total by RMB 65,121.08 in this period due to the acquisition and disposal of minority interests of the subsidiaries. See Note IX. (II) for details.
3. The equities of Beijing Ankang Jianxing Emergency Education Technology Co., Ltd. were disposed in this period. The impact of changes in other owners' equity that the Company should enjoy was transferred to the current PL at the time of disposal, reducing the Capital Reserves - Other Capital Reserves RMB 637,505.10.
4. The impact of changes in other owners' equity of Zhejiang Leap Motor Technology Co., Ltd. that the Company should enjoy under the Equity Method was recognized as the Capital Reserves - Other Capital Reserves RMB 168,229,977.61.

34. Treasury stock

Unit: RMB

Item Name	Balance at the Start of the Period	Increased in the current period	Decreased in the current period	Balance at the End of the Period
Restricted shares		807,733,586.00		807,733,586.00
Total		807,733,586.00		807,733,586.00

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

The Company gave share-based payment with restricted stock. In this period, 98,865,800 stocks were granted to employees at the rate of RMB 8.17 per share. The actual subscription amount paid by the restricted stock incentive targets was RMB 807,733,586.00. When the Company obtained the payment from the employees for the subscription of the restricted stock, the share capital was confirmed to be RMB 98,865,800.00, capital reserve (share premium) RMB 708,867,786.00. Meantime, the liabilities and the

treasury stocks were confirmed in full amount regarding the buy-back obligations.

35. Other comprehensive income

Unit: RMB

Item Name	Balance at the Start of the Period	This Period's Amount of Occurrence					Balance at the End of the Period
		Before tax balance in this period	Less: recorded into other comprehensive incomes in previous period and transferred to P/L in current period	Less: Income Tax Expense	Attributable to the Company after tax	Attributable to the minority shareholders after tax	
II. Other comprehensive income that will be reclassified into P/L	6,660,189.04	3,676,975.37			3,676,975.37		10,337,164.41
Currency conversion difference	6,660,189.04	3,676,975.37			3,676,975.37		10,337,164.41
Other comprehensive incomes in total	6,660,189.04	3,676,975.37			3,676,975.37		10,337,164.41

36. Surplus reserve

Unit: RMB

Item Name	Balance at the Start of the Period	Increased in the current period	Decreased in the current period	Balance at the End of the Period
Statutory surplus reserve	971,547,268.36	274,822,162.55		1,246,369,430.91
Total	971,547,268.36	274,822,162.55		1,246,369,430.91

Notes on the surplus reserve, including increases or decreases in this period and their reasons:

According to the regulations of the Company Law and the Company's Articles of Association, the Company took the statutory surplus reserve at 10% of the net profit of the parent company.

37. Undistributed profits

Unit: RMB

Item Name	Current Period	Previous Period
Undistributed Profit before Adjustment at the End of Previous Period	5,996,130,036.27	4,161,017,062.96
Undistributed Profit after Adjustment at the Start of the Period	5,996,130,036.27	4,161,017,062.96

Add: net profit attributable to parent company's owner in current period	2,529,426,468.61	2,378,726,820.22
Less: withdrawal for statutory surplus reserve	274,822,162.55	253,839,936.38
Payable dividends on ordinary shares	579,751,226.00	289,773,910.53
Undistributed Profit at the End of the Period	7,670,983,116.33	5,996,130,036.27

Note 1: in accordance with relevant Company Law, the Company is required to transfer 10% of its net profit reported in its financial statements to statutory surplus reserve.

Note 2: According to the resolution of the 2017 Annual General Meeting of Shareholders on April 27, 2018, based on the total share capital of the Company on December 31, 2017, a total of RMB 579,751,226.00 cash dividend was distributed to all shareholders, with RMB 2.00 (including tax) for every 10 shares.

38. Operating income and operating costs

Unit: RMB

Item Name	This Period's Amount of Occurrence		Previous Period's Amount of Occurrence	
	Income	Cost	Income	Cost
Main Business	23,191,615,559.35	14,470,491,985.75	18,423,482,303.75	11,277,408,143.95
Other businesses	474,072,546.87	400,689,080.94	420,975,750.03	362,086,279.26
Total	23,665,688,106.22	14,871,181,066.69	18,844,458,053.78	11,639,494,423.21

39. Taxes and surcharges

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Urban Maintenance and Construction Tax	97,207,644.92	70,327,853.31
Education Surcharges	69,434,971.62	50,231,212.58
House property tax	11,836,830.04	9,360,553.41
Land usage tax	3,188,528.47	2,969,689.60
Vehicle and vessel use tax	89,710.39	75,522.54
Stamp duty	10,206,314.47	8,227,352.17
Business tax	417,330.67	9,311.87
Others		431,657.71
Total	192,381,330.58	141,633,153.19

40. Sales expenses

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
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Labor cost	1,629,543,927.81	1,201,754,107.11
Business entertainment	209,983,842.65	162,071,695.55
Traveling expense	284,309,308.39	232,469,819.06
Marketing expense	334,418,534.17	213,670,567.18
Shipping expenses	290,085,985.98	199,826,187.07
After-sales service expense	224,209,671.79	143,264,423.61
Office expense	158,307,770.03	109,526,953.36
Depreciation cost and asset amortization	18,452,085.97	13,658,666.28
Communication expense	38,273,229.13	27,282,411.04
Others	177,796,591.86	113,174,875.74
Total	3,365,380,947.78	2,416,699,706.00

41. Administration expenses

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Labor cost	363,927,940.64	311,613,463.30
Office expense	38,308,283.42	25,155,698.05
Business entertainment	14,950,790.29	13,966,250.60
Taxation and insurance expense	8,198,001.61	6,786,400.82
Traveling expense	10,790,701.94	9,930,462.02
Depreciation cost and asset amortization	66,357,497.12	53,648,854.70
Administrative property cost	54,117,301.05	45,994,528.39
Knowledge resource fee	34,427,472.19	31,661,155.11
Others	41,890,606.38	20,761,187.35
Total	632,968,594.64	519,518,000.34

42. R&D expenses

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Labor cost	1,934,011,719.44	1,457,543,233.96
Consumables and service fees	101,311,129.73	108,082,095.04
Research and development consumption and external inspection fee	91,271,559.00	85,538,232.50
Traveling expense	68,476,970.51	59,376,221.44

Depreciation cost and asset amortization	39,157,143.81	34,412,495.10
Communication expense	13,622,482.14	10,340,596.69
Others	36,021,497.90	33,596,004.70
Total	2,283,872,502.53	1,788,888,879.43

43. Financial expenses

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Interest expense	114,335,785.04	73,301,999.99
Less: interest income	113,966,942.24	54,757,215.68
P/L on foreign exchange	-152,398,515.34	140,569,791.31
Others	28,861,709.80	8,317,346.07
Total	-123,167,962.74	167,431,921.69

44. Impairment losses of assets

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
I . Losses on bad debts	335,412,897.12	191,854,189.10
II . Losses on decline in price of inventories	23,585,293.84	38,652,726.64
III. Losses on the impairment of available-for-sale financial assets		15,000,000.00
Total	358,998,190.96	245,506,915.74

45. Other income

Unit: RMB

Sources of other incomes	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Special award for industrial park projects	3,172,623.48	1,453,843.12
VAT refund	660,676,927.40	706,770,201.91
Financial subsidy for science and technology R&D plan projects	21,265,400.00	
Foreign trade incremental subsidies for Binjiang District	15,164,400.00	4,489,800.00
Core Electronics, High-End General-Purpose Chips and Basic Software	13,900,000.00	

Products special fund		
Special funds for foreign trade and economic development	5,217,148.00	6,062,000.00
Tax refund	4,345,816.85	8,239,609.35
Subsidies for stable positions	2,168,664.05	2,818,712.14
Patent subsidies	1,529,200.00	947,400.00
Foreign trade export increment and premium subsidy	3,000,000.00	
Rent subsidy	1,107,900.00	
Export credit insurance premium subsidies	790,700.00	658,000.00
Science and technology innovation award funding	400,000.00	
Intellectual Property award funding	350,000.00	
Project grant from the Research Institute, Ministry of Public Security	290,000.00	
Subsidies for undergraduate practical training	275,919.35	920,710.00
Key R&D of industrial Internet	220,000.00	
Subsidies for IP License		2,250,000.00
Service outsourcing enterprise development funds		1,106,200.00
Total	733,874,699.13	735,716,476.52

46. Investment income

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Long-term equity investment income measured by equity method	-36,049,906.26	-37,464,812.35
Investment income from disposal of long-term equity investment	706,569.92	387,298.43
Investment income from disposal of financial assets measured in fair value with its changes recorded into current profit or loss	-45,687,750.95	1,297,450.51
Investment income from possession of available-for-sale financial assets	1,005,008.70	5,543,861.26
Investment income from treasury bond reverse	380,167.33	259,538.04

repurchase		
Investment income from financial products	352,834.25	466,010.96
Total	-79,293,077.01	-29,510,653.15

47. Profits from changes in fair values

Unit: RMB

Source of the income from changes in fair value	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Financial Liabilities Measured in Fair Value with Changes Recorded into Current Profit and Loss	-38,602,602.30	
Total	-38,602,602.30	

48. Asset disposal income

Unit: RMB

Sources of the asset disposal income	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Income from disposal of fixed assets	17,535.97	774,332.50

49. Non-operating revenue

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence	Amount recorded into non-recurring profit and loss in current period
Government subsidies	5,145,046.05	15,109,656.54	5,145,046.05
Gains and losses of non-current asset retirement	563,588.96	873,369.48	563,588.96
No payment required	62,450,000.00		62,450,000.00
Others	9,038,846.29	6,647,990.52	9,038,846.29
Total	77,197,481.30	22,631,016.54	77,197,481.30

Government subsidies recorded into current period P/L:

Unit: RMB

Subsidy items	Distributing Entity	Distributing Reason	Types of Nature	Subsidies Influence Profit and Loss in the Current Year or not	Special Subsidy or not	This period's amount of occurrence	Previous period's amount of occurrence	Related to assets/related to income
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Development Contribution Award	Baise Municipal Investment Promotion Bureau	Subsidy	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and regulations)	Yes	No	2,890,000.00		Related to income
Talent contribution award	Baise Municipal Investment Promotion Bureau	Subsidy	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and regulations)	Yes	No	101,706.00		Related to income
Major science and technology innovation funding	Finance Bureau of Binjiang District, Hangzhou	Subsidy	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and regulations)	Yes	No	1,000,000.00		Related to income
Policy support award funding for Intelligent Transportation Industry Park	Wuxi Taihu Town Management Committee	Subsidy	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and regulations)	Yes	No	640,000.00		Related to income
Funding for central service trade	Finance Bureau of Binjiang	Subsidy	Subsidies received due to engagement in specific	Yes	No	264,526.13		Related to income

innovation development pilot	District, Hangzhou		industries and trades encouraged and supported by the State (obtained by national policies and regulations)					
Other special subsidies	Hangzhou Vocational Skills Training and Guidance Center	Subsidy	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and regulations)	Yes	No	18,000.00		Related to income
Other special subsidies	Finance Bureau of Binjiang District, Hangzhou	Subsidy	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and regulations)	Yes	No	157,313.92	738,600.00	Related to income
Other special subsidies	Hangzhou Finance Bureau	Subsidy	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and regulations)	Yes	No	73,500.00	100,000.00	Related to income
Other special subsidies	Baise Municipal Development and Reform Commission	Subsidy	Subsidies received due to engagement in specific industries and trades encouraged and supported by	Yes	No		100,000.00	Related to income

			the State (obtained by national policies and regulations)					
Other special subsidies	Hangzhou Employment Management Service Bureau	Subsidy	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and regulations)	Yes	No		18,856.54	Related to income
Other special subsidies	Zhejiang Human Resources and Social Security Department	Subsidy	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and regulations)	Yes	No		50,000.00	Related to income
Municipal subsidies for provincial key enterprise research institute construction projects	Finance Bureau of Binjiang District, Hangzhou	Subsidy	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and regulations)	Yes	No		4,984,000.00	Related to income
Subsidies for economic development of headquarters	Baise Municipal Investment Promotion Bureau	Subsidy	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and	Yes	No		3,080,000.00	Related to income

			regulations)					
Industrial support subsidies	Market Supervision Administration of Guanshan Lake District, Guiyang City	Subsidy	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and regulations)	Yes	No		3,000,000.00	Related to income
Financial subsidies for 2017 provincial key research and development projects	Finance Bureau of Binjiang District, Hangzhou	Subsidy	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and regulations)	Yes	No		1,700,000.00	Related to income
Subsidies for projects of the ministry of public security's research institution	Third Institute of Research, the Ministry of Public Security	Subsidy	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and regulations)	Yes	No		920,000.00	Related to income
Subsidy funds for innovation chain & industry chain major science and technology innovation projects in Hangzhou	Finance Bureau of Binjiang District, Hangzhou	Subsidy	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and regulations)	Yes	No		390,200.00	Related to income
Science and	Finance	Subsidy	Subsidies received	Yes	No		28,000.00	Related to

technology innovation award	Bureau of Binjiang District, Hangzhou		due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and regulations)					income
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50. Non-operating expenses

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence	Amount recorded into non-recurring profit and loss in current period
Donations	630,000.00	1,475,272.21	630,000.00
Gains and losses of non-current asset retirement	1,544,880.42	10,101,035.54	1,544,880.42
Water conservancy fund	25,614.29	266,944.90	
Others	1,911,707.03	845,117.80	1,911,707.03
Total	4,112,201.74	12,688,370.45	4,086,587.45

51. Income tax expenses

(1) Income tax expenses table

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Current income tax expense	345,147,511.10	303,959,330.80
Deferred income tax expense	-166,584,920.31	-38,537,820.76
Total	178,562,590.79	265,421,510.04

(2) Reconciliation of accounting profits and income tax expenses

Unit: RMB

Item Name	This Period's Amount of Occurrence
Total Profit	2,773,155,271.13
Income tax expense calculated at the applicable tax rate (15%)	415,973,290.67
Impact by applying different tax rates to subsidiaries	-9,190,109.62

Impact of annual income tax before adjustment	-102,993,151.49
Impact of additional deduction of the research and development expenses	-237,224,748.87
Impact of the non-deductible costs, expenses and losses	29,666,890.84
Others	82,330,419.26
Income tax expense	178,562,590.79

Other notes

According to the "Notice on Issues Related to Enterprise Income Tax Preferential Policies for Software and Integrated Circuit Industry" (CaiShui [2016] No.49), the Company was approved by the tax authorities after the 2017 annual audit report, to enjoy that the corporate income tax for 2017 was reduced to 10%. The reduced corporate income tax of RMB 107,781,786.41 in 2017 was recorded in the income tax expense in this period. As of the approval date of this report, the preferential policies for 2018 have not yet been approved, and the enterprise income tax for the year is still calculated at the rate of 15%.

52. Other comprehensive income

See notes.

53. Cash Flow Statement items

(1) Other cash receipts relating to operating activities

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Interest Income	43,728,828.20	34,424,114.16
Government subsidies	75,170,194.30	34,358,676.23
Tender and performance guarantee deposit	68,951,758.33	64,756,242.28
Incomings and outgoings and advanced payments	96,065,091.17	77,741,485.52
Others	40,318,844.30	11,897,534.80
Total	324,234,716.30	223,178,052.99

(2) Other cash payments relating to operating activities

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Office expense	196,211,736.05	142,667,968.99
Communication expense	55,457,740.91	44,420,833.25
Business entertainment	228,985,751.81	175,110,406.38

Traveling expense	308,771,285.09	292,008,105.40
Marketing expense	339,880,920.34	230,435,488.41
Shipping expenses	292,384,473.18	215,630,545.91
Property fee	84,273,210.58	70,486,836.89
Knowledge resource fee	88,659,768.32	58,975,102.47
Research and development consumption and external inspection fee	94,636,031.85	107,497,433.52
Taxation and insurance expense	30,257,054.94	26,284,739.91
Tender and performance guarantee deposit	50,577,789.33	104,250,303.97
Incomings and outgoings and advanced payments	114,257,759.78	125,468,549.65
Others	80,721,081.02	282,980,182.39
Total	1,965,074,603.20	1,876,216,497.14

(3) Other cash receipts relating to investing activities

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Receipts of cash from forward exchange contracts	3,987,200.00	2,294,762.86
Receipts of loans from non-financial institutions	3,559,123.87	1,982,642.22
Government subsidies related to assets		31,660,000.00
Total	7,546,323.87	35,937,405.08

(4) Other cash payments related to investing activities

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Cash paid for forward exchange contracts	49,674,950.95	997,312.35
Cash paid for asset restructuring and acquisition	89,913,444.89	
Total	139,588,395.84	997,312.35

(5) Other cash receipts related to financing activities

Unit: RMB

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

Withdrawn documentary credit deposit	1,274,934,480.00	404,080,220.00
Cash received from sales of equity without loss of control		8,024,000.00
Total	1,274,934,480.00	412,104,220.00

(6) Other cash payments related to financing activities

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Paid documentary credit deposit	1,149,842,000.00	653,328,360.00
Cashes for encouraging repurchase of equity		5,352,286.20
Cashes for purchasing minority equity	2,360,000.00	2,494,000.00
Total	1,152,202,000.00	661,174,646.20

54. Supplementary information about the Cash Flow Statement**(1) Supplementary information about the Cash Flow Statement**

Unit: RMB

Supplementary Information	Amount of This Period	Amount of Previous Period
1. Reconciliation of net profit to cash flows from operational activities:	--	--
Net Profit	2,594,592,680.34	2,376,786,346.10
Add: provision for impairment of assets	358,998,190.96	245,506,915.74
Depreciation of fixed assets, oil and gas assets, productive biological assets	197,491,957.49	134,488,131.80
Amortization of Intangible Assets	32,347,000.12	27,767,397.35
Amortization of long-term prepaid expenses	8,865,941.15	
Losses on disposal of fixed assets, intangible assets and other long-term assets (mark "-" for incomes)	-17,535.97	-774,332.50
Losses on scrapping of fixed assets (mark "-" for incomes)	981,291.46	9,227,666.06
Losses on fair value changes (mark "-" for incomes)	38,602,602.30	
Financial expenses (mark "-" for incomes)	-38,062,730.30	213,871,791.30
Losses on investment (mark "-" for incomes)	79,293,077.01	29,510,653.15
Decrease on deferred income tax assets (mark "-" for increases)	-171,253,943.30	-60,088,749.83
Increase on deferred income tax liabilities (mark "-" for	4,669,022.99	21,763,500.72

decreases)		
Decrease on inventories (mark "-" for increases)	-29,181,801.03	-640,320,122.78
Decrease on operational receivables (mark "-" for increases)	-3,523,904,205.02	-4,110,273,418.55
Increase on operational payables (mark "-" for decreases)	1,436,072,079.57	2,668,345,576.97
Others	-34,177,649.60	-1,579,995.52
Net Cash Flow Generated by operating activities	955,315,978.17	914,231,360.01
2. Major investing and financing activities not involving cash receipts and payment:	--	--
3. Net changes in cash and cash equivalents:	--	--
Closing balance of cash	3,690,994,031.05	3,061,375,534.06
Less: opening balance of cash	3,061,375,534.06	2,075,176,785.56
Add: closing balance of cash equivalents	11,289,772.49	1,303,459.82
Less: opening balance of cash equivalents	1,303,459.82	
Net additions to balance of equivalents	639,604,809.66	987,502,208.32

(2) Net cash payments for acquisition of subsidiaries in this period

Unit: RMB

	Amount
Cash or cash equivalents used for the acquisition occurred in this period and paid in this period	86,251,926.40
Including:	--
Dahua Technology Italy S.R.L	29,306,120.62
Lorex Technology Inc	52,415,805.78
Sichuan Dahua Guangxun Photoelectric Technology Co., Ltd.	4,530,000.00
Less: cash and cash equivalents held by acquired subsidiaries	5,474,924.05
Including:	--
Dahua Technology Italy S.R.L	139,015.44
Lorex Technology Inc	5,335,908.61
Including:	--
Net cash paid for acquisition of subsidiaries	80,777,002.35

(3) Net cash receipts from disposal of subsidiaries in this period**(4) Composition of cash and cash equivalents**

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
I . Cash	3,690,994,031.05	3,061,375,534.06
Including: cash on hand	3,981.79	167,745.54
Bank deposit for payment at any time	3,547,354,923.39	2,926,061,578.72
Other monetary capital for payment at any time	143,635,125.87	135,146,209.80
II . Cash equivalents	11,289,772.49	1,303,459.82
III. Closing balance of cash and cash equivalents	3,702,283,803.54	3,062,678,993.88

55. Assets with restricted ownership rights or right to use

Unit: RMB

Item Name	Book Value at the end of the period	Cause of restrictions
Cash and Bank Balances	469,159,816.01	L/C loan deposit, bond deposit, bill discount deposit
Notes receivable	1,606,595,655.43	Bill pledges are used to issue bank acceptance bills
Long-term Receivables	292,229,615.24	Pledges to achieve long-term borrowings
Non-current Assets Due within 1 Year	41,383,403.53	Pledges to achieve long-term borrowings
Total	2,409,368,490.21	--

56. Monetary items in foreign currencies**(1) Monetary items in foreign currencies**

Unit: RMB

Item Name	Closing Balance in Foreign Currencies	Exchange Rate for Conversion	Closing Balance Converted into RMB
Cash and Bank Balances	--	--	
Including: USD	261,613,693.03	6.8632	1,795,507,098.00
EUR	17,583,904.27	7.8473	137,986,171.98
HKD	10,644,455.17	0.8762	9,326,671.62
AED	11,826,190.73	1.8679	22,089,786.88

PLN	6,742,307.37	1.8271	12,318,734.95
GBP	727,776.00	8.6762	6,314,330.13
THB	23,774,203.38	0.211	5,015,643.69
ZAR	10,085,973.28	0.4735	4,775,781.66
INR	47,651,092.62	0.0979	4,662,825.52
AUD	667,652.80	4.825	3,221,424.76
MXN	7,805,348.24	0.3484	2,719,444.02
HUF	110,578,585.59	0.0244	2,702,569.05
RSD	29,820,524.09	0.0664	1,980,685.28
RUB	19,957,326.83	0.0986	1,967,792.43
KRW	309,466,492.00	0.0061	1,895,427.77
COP	680,565,675.51	0.0021	1,423,825.13
PEN	392,891.66	2.0369	800,288.88
CAD	146,878.28	5.0381	739,987.46
ARS	3,546,438.74	0.1792	635,390.56
CZK	1,945,283.30	0.3042	591,676.16
BRL	275,055.65	1.7718	487,351.85
TND	169,103.91	2.2979	388,580.88
DKK	329,173.20	1.0508	345,879.16
NZD	54,504.46	4.5954	250,469.80
MYR	145,005.98	1.6479	238,956.51
SGD	46,092.86	5.0062	230,750.08
BGN	55,597.99	4.0163	223,296.54
CLP	20,481,027.00	0.0098	201,606.92
TRY	94,217.36	1.2962	122,120.72
UZS	136,723,962.57	0.0008	112,523.98
IDR	140,588,782.73	0.0005	66,356.44
KES	860,313.60	0.0674	58,001.03
MAD	48,241.94	0.7201	34,740.17
RON	19,606.49	1.6857	33,050.05
KZT	404,939.94	0.0182	7,359.37
PKR	2,756.00	0.0491	135.25
Accounts Receivable	--	--	
Including: USD	398,874,077.73	6.8632	2,737,552,570.28

EUR	23,734,764.50	7.8473	186,253,817.46
HKD	604,511.00	0.8762	529,672.54
PLN	56,260,869.44	1.8271	102,793,109.34
AUD	10,787,817.54	4.825	52,051,219.63
AED	19,889,019.78	1.8679	37,150,103.38
ZAR	31,193,253.93	0.4735	14,770,232.46
RSD	140,258,178.09	0.0664	9,315,976.72
CAD	837,855.92	5.0381	4,221,201.91
BRL	1,510,868.07	1.7718	2,677,001.37
ARS	14,055,131.79	0.1792	2,518,159.39
SGD	375,073.19	5.0062	1,877,691.40
HUF	64,146,995.81	0.0244	1,567,769.06
KRW	242,707,460.00	0.0061	1,486,540.45
RUB	9,718,016.00	0.0986	958,196.38
GBP	9,531.21	8.6762	82,694.68
Long-term Loan	--	--	
Including: USD			
EUR			
HKD			
Accounts Payable		--	
Including: USD	110,990,150.64	6.8632	761,747,601.87
EUR	811,480.38	7.8473	6,367,929.99
AUD	605,718.16	4.825	2,922,590.12
BRL	780,864.03	1.7718	1,383,558.31
AED	287,175.00	1.8679	536,405.57
INR	906,501.00	0.0979	88,704.28
IDR	62,455,454.54	0.0005	29,478.32
RUB	254,772.71	0.0986	25,120.59
TRY	9,166.90	1.2962	11,881.76
HUF	169,244.09	0.0244	4,136.37
COP	1,593,000.00	0.0021	3,332.75
MXN	3,919.58	0.3484	1,365.61
MYR	301.89	1.6479	497.49

(2) Notes on overseas business entities, including that for the important overseas business entities, the overseas main premises, functional currency and selection basis shall be disclosed. If there are changes on its functional currency, the causes for the changes shall be disclosed as well.

√ Applicable □ Not applicable

Since the Company's overseas business entity, Dahua Technology (HK) Limited, does not have autonomy over its business activities, which are the extension of the Company's business activities, for the part constituting the Company's business activities, RMB shall be used as its functional currency, and for the rest of the overseas entities, local currencies shall be used as its functional currency.

57. Government subsidies

(1) Basic information about government subsidies

Unit: RMB

Types	Amount	Items reported	Amount Taken to Current P&L
Special award for industrial park projects	3,172,623.48	Other Incomes	3,172,623.48
VAT refund	660,676,927.40	Other Incomes	660,676,927.40
Financial subsidy for science and technology R&D plan projects	21,265,400.00	Other Incomes	21,265,400.00
Foreign trade incremental subsidies for Binjiang District	15,164,400.00	Other Incomes	15,164,400.00
Core Electronics, High-End General-Purpose Chips and Basic Software Products special fund	13,900,000.00	Other Incomes	13,900,000.00
Special funds for foreign trade and economic development	5,217,148.00	Other Incomes	5,217,148.00
Tax refund	4,345,816.85	Other Incomes	4,345,816.85
Subsidies for stable positions	2,168,664.05	Other Incomes	2,168,664.05
Patent subsidies	1,529,200.00	Other Incomes	1,529,200.00
Foreign trade export increment and premium subsidy	3,000,000.00	Other Incomes	3,000,000.00
Rent subsidy	1,107,900.00	Other Incomes	1,107,900.00
Export credit insurance premium subsidies	790,700.00	Other Incomes	790,700.00
Science and technology	400,000.00	Other Incomes	400,000.00

innovation award funding			
Intellectual Property award funding	350,000.00	Other Incomes	350,000.00
Project grant from the Research Institute, Ministry of Public Security	290,000.00	Other Incomes	290,000.00
Subsidies for undergraduate practical training	275,919.35	Other Incomes	275,919.35
Key R&D of industrial Internet	220,000.00	Other Incomes	220,000.00
Development Contribution Award	2,890,000.00	Non-operating Revenue	2,890,000.00
Talent contribution award	101,706.00	Non-operating Revenue	101,706.00
Major science and technology innovation funding	1,000,000.00	Non-operating Revenue	1,000,000.00
Policy support award funding for Intelligent Transportation Industry Park	640,000.00	Non-operating Revenue	640,000.00
Funding for central service trade innovation development pilot	264,526.13	Non-operating Revenue	264,526.13
Other special subsidies	248,813.92	Non-operating Revenue	248,813.92
Total	739,019,745.18		739,019,745.18

(2) Repayment of government subsidies

Applicable Not applicable

VIII. Changes in the Scope of Consolidation

1. Consolidation not under the common control

(1) Consolidation not under the common control in this period

Unit: RMB

Name of Acquiree	Time Point for Equity Acquisition	Cost for Equity Acquisition	Percentage Acquired	Acquisition Method	Acquisition Date	Basis for Determining Acquisition Date	Income of Acquiree from the Acquisition Date to the End of the Period	Net Profit of Acquiree from the Acquisition Date to the End of the Period
Dahua	February	29,306,120.62	100.00%	Acquisit	February 01,	The equity transfer	229,100,976.68	14,262,440.67

Technology Italy S.R.L.	01, 2018			ion	2018	payment was made and the asset transfer procedure was completed on February 1, 2018		
Lorex Technology Inc	February 06, 2018	52,415,805.78	100.00%	Acquisition	February 06, 2018	The equity transfer payment was made and the asset transfer procedure was completed on February 6, 2018	395,441,522.53	2,333,175.62
Sichuan Dahua Guangxun Photoelectric Technology Co., Ltd.	November 05, 2018	4,530,000.00	100.00%	Acquisition	November 05, 2018	The equity transfer payment and the asset transfer procedures were completed on November 5, 2018		-34,020.00

Other notes:

(2) Consolidation costs and goodwill

Unit: RMB

Consolidated Cost	Dahua Technology Italy S.R.L.	Lorex Technology Inc	Sichuan Dahua Guangxun Optoelectronics Technology Co., Ltd.
-- Cash	29,306,120.62	52,415,805.78	4,530,000.00
Total cost of business combination	29,306,120.62	52,415,805.78	4,530,000.00
Less: fair value of identifiable net assets acquired	26,714,185.62	16,345,609.66	4,530,000.00
Negative difference between goodwill/combination cost and fair value of identifiable net assets acquired	2,591,935.00	36,070,196.12	

(3) Identifiable assets and liabilities of acquiree at the acquisition date

Unit: RMB

	Dahua Technology Italy S.R.L.	Lorex Technology Inc	Sichuan Dahua Guangxun Optoelectronics Technology Co., Ltd.

	Fair Value at Acquisition Date	Book Value at Acquisition Date	Fair Value at Acquisition Date	Book Value at Acquisition Date	Fair Value at Acquisition Date	Book Value at Acquisition Date
Cash and Bank Balances	139,015.44	139,015.44	5,335,908.61	5,335,908.61		
Accounts receivable	87,889,305.36	87,889,305.36	36,211,498.72	36,211,498.72		
Inventory	111,446,381.94	111,446,381.94	4,578,646.06	4,578,646.06		
Fixed Assets	6,915,789.02	4,469,325.52	1,117,444.29	1,117,444.29		
Intangible Assets	515,431.50	515,431.50			4,530,000.00	
Other Current Assets	1,922,258.90	1,922,258.90	14,406,467.20	14,406,467.20		
Deferred Income Tax Assets			2,611,492.63	2,611,492.63		
Other Non-current Assets	132,800.95	132,800.95				
Loan	348,958.58	348,958.58				
Payables	179,983,848.99	179,983,848.99	44,356,227.53	44,356,227.53		
Other Current Liabilities	1,901,221.30	1,901,221.30				
Long-term Payables	12,768.62	12,768.62				
Expected Liabilities			3,559,620.32	3,559,620.32		
Net Assets	26,714,185.62	24,267,722.12	16,345,609.66	16,345,609.66	4,530,000.00	
Net assets acquired	26,714,185.62	24,267,722.12	16,345,609.66	16,345,609.66	4,530,000.00	

(4) Profits or losses from re-measurement of equity held before acquisition date in fair value

Is there any transaction that leads to business consolidation achieved through multiple transactions in various stages with control acquired within the reporting period

Yes No

(5) Notes on consolidation considerations which cannot be reasonably determined at the acquisition date or at the end of the period of consolidation, or fair values of identifiable assets or liabilities of acquiree

(6) Other notes:

1. Business combinations not under the same control in this period

Acquiree	Acquisition Date	Acquisition Method	Basis for Determining Acquisition Date
Flir Belgium Bvba (Note 1)	2/6/2018	Acquisition	The asset acquisition transfer payment was made and the asset transfer procedure was completed on February 6, 2018
Flir Commercial Systems INC. (Note 2)	2/6/2018	Acquisition	The asset acquisition transfer payment was made and the asset transfer procedure was completed on February 6, 2018

Note 1: The Company acquired relevant assets of Flir Belgium Bvba in Belgium through its holding subsidiary Dahua Europe in this period, including debt receivables, inventories and personnel. The Company believed that the above portfolio has the input and output capabilities, and can calculate its cost and income independently. Therefore the acquisition is recognized as a business combination not under the same control.

Note 2: The Company acquired the relevant assets of Flir Commercial Systems INC. in USA through its holding subsidiary Lechange Inc. in this period, including debt receivables and inventories. The Company believed that the above portfolio has the input and output capabilities, and can calculate its cost and income independently. Therefore the acquisition is recognized as a business combination not under the same control.

2. Acquisition Cost

	Flir Belgium Bvba	Flir Commercial Systems INC.
Acquisition consideration	1,280,017.29	113,068,303.06
Less: cash and cash equivalents held by the acquired assets at the acquisition date		24,434,875.46
Total of actual acquisition cost	1,280,017.29	88,633,427.60

3. Identifiable assets and liabilities of the acquiree at the acquisition date

(1) Flir Belgium Bvba

Subject	Fair Value at Acquisition Date	Book Value at Acquisition Date
Assets:		
Notes receivable and accounts receivable	4,852,355.33	4,852,355.33
Inventory	5,851,203.38	5,851,203.38
Liabilities:		
Other Payables	9,423,541.42	9,423,541.42
Net assets acquired	1,280,017.29	1,280,017.29

(2) Flir Commercial Systems INC.

Subject	Book Value at Acquisition Date	Book Value at Acquisition Date
---------	--------------------------------	--------------------------------

Assets:		
Cash and Bank Balances	24,434,875.46	24,434,875.46
Notes receivable and accounts receivable	40,356,778.14	40,356,778.14
Inventory	185,673,676.49	185,673,676.49
Liabilities:		
Accounts Payable	115,977,676.74	115,977,676.74
Payroll payable	361,029.87	361,029.87
Tax Payable	1,954,060.19	1,954,060.19
Other Payables	16,211,050.59	16,211,050.59
Expected Liabilities	2,893,209.64	2,893,209.64
Net assets acquired	113,068,303.06	113,068,303.06

2. Disposal of subsidiaries

Is there any situation where disposal of investment in subsidiaries in a single transaction causes loss of control

Yes No

Is there any situation where disposal of investment in subsidiaries is achieved through multiple transactions in various stages, causing loss of control in this period

Yes No

3. Changes in the scope of combination for other reasons

Explanations on the changes in the scope of consolidation caused by other reasons (for example, newly established subsidiaries, subsidiaries clearing, etc.) and relevant information:

a) The Company invested to establish 12 domestic subsidiaries including Zhejiang Vision Technology Co., Ltd., Dahua Zhongcheng (Beijing) Technology Co., Ltd., Zhejiang Huaxiao Technology Co., Ltd., Xi'an Dahua Zhilian Technology Co., Ltd., Tianjin Dahua Information Technology Co., Ltd., Hunan Dahua Zhilong Information Technology Co., Ltd., Zhejiang Dahua Robot Technology Co., Ltd., Beijing Huayue Shangcheng Information Technology Service Co., Ltd., Zhejiang Dahua Jinzhi Technology Co., Ltd., Shanghai Huashang Chengyue Information Technology Service Co., Ltd., Wuxi Dahua Ruipin Technology Co., Ltd., Hangzhou Huajuan Technology Co., Ltd. and 9 overseas subsidiaries including Dahua Technology Netherlands BV, Dahua Technology Morocco SARL, Dahua Technology S.R.L, DAHUA VISION LLC, Dahua Technology New Zealand Limited, 1151551 B.C.Ltd., DAHUA TECHNOLOGY CHINA (PVT) LTD, Dahua Technology Pakistan (private) Limited, DAHUA TECHNOLOGY (THAILAND) CO., LTD. The above subsidiaries have been incorporated in the consolidation scope since the date of establishment.

b) In February 2018, the Company completed the shareholding merger of Lorex Technology Inc and Dahua Technology Italy SRL, owning 100% stake of them and having substantial control over it, so they were incorporated in the consolidation scope.

In November 2018, the Company completed the shareholding merger of Sichuan Dahua Guangxun Photoelectric Technology Co., Ltd., owning 100% stake of them and having substantial control over it, so they were incorporated in the consolidation scope.

c) This year, Guangxi Dahua Zhongzhi Technology Co., Ltd., Yancheng Zhongchuang Dahua IOT Technology Co., Ltd., Jiangsu

Dahua Zhiyun Information Technology Co., Ltd. And 1151551 B.C.Ltd. were canceled, without being incorporated in the consolidation scope since the date of cancellation.

IX. Equity in Other Entities

1. Equity in Subsidiaries

(1) Composition of the enterprise group

Name of Subsidiaries	Main Place of Business	Registered Address	Business Nature	Shareholding Percentage		Acquisition Method
				Direct	Indirect	
Dahua System Engineering	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	100%		Establishment
Dahua Vision Technology	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	100%		Establishment
Dahua Security Network	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	51%		Establishment
Dahua Ju'an	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	51%		Establishment
Guangxi Dahua Information	Qingxiu District, Nanning	Qingxiu District, Nanning	Electronics and information	100%		Establishment
Dahua Security	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Service		100%	Establishment
Wuxi Ruide	Wuxi	Wuxi	Electronics and information	100%		Establishment
Guangxi Security	Qingxiu District, Nanning	Qingxiu District, Nanning	Service	100%		Establishment
Huatu Microchip	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	100%		Establishment
Hangzhou Xiaohua	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	45% (Note 1)		Establishment
Dahua Zhilian	Fuyang District, Hangzhou	Fuyang District, Hangzhou	Electronics and information	Note 2		Establishment
Tecomore Technology	West Lake District, Hangzhou	West Lake District, Hangzhou	Electronics and information	51%		Business combination not under common control
Dahua Investment	Fuyang District, Hangzhou	Fuyang District, Hangzhou	Investment & investment management	75%		Establishment
South North United	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and		51%	Business combination

			information			not under common control
Guangxi Zhicheng	Youjiang District, Baise	Youjiang District, Baise	Electronics and information	65%		Establishment
Hangzhou Huacheng	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	51%		Establishment
Xinjiang Information	High-tech Zone, Shihezi	High-tech Zone, Shihezi	Electronics and information		92%	Establishment
HuaRay Technology	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Sci-tech popularization and application services industry	51%		Establishment
Fuyang Hua'ao	Fuyang District, Hangzhou	Fuyang District, Hangzhou	Electronics and information	51%		Establishment
Huafei Intelligent	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	45.50% (Note 3)		Establishment
Huachuang Vision	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	51%		Establishment
Guizhou Huayi	Guanshanhu District, Guiyang	Guanshanhu District, Guiyang	Electronics and information	45% (Note 4)		Establishment
Hunan System Technology	Hengyang, Hunan	Hengyang, Hunan	Electronics and information		100%	Establishment
Xinjiang Dahua Information	Shihezi, Xinjiang	Shihezi, Xinjiang	Electronics and information	100%		Establishment
Xinjiang Intelligence	Changji, Changji Prefecture, Xinjiang	Changji, Changji Prefecture, Xinjiang	Electronics and information	100%		Establishment
Guizhou Intelligence	Guiyang, Guizhou	Guiyang, Guizhou	Electronics and information	100%		Establishment
Xinjiang Zhihe	Hetian County, Hetian, Xinjiang	Hetian County, Hetian, Xinjiang	Electronics and information		97%	Establishment
China Standard Intelligent Security	Haidian District, Beijing	Haidian District, Beijing	Electronics and information		51%	Establishment
Guangxi Huacheng	Wuzhou, Guangxi	Wuzhou, Guangxi	Electronics and information		90%	Establishment
Meitan Dahua Technology	Zunyi, Guizhou	Zunyi, Guizhou	Electronics and information		100%	Establishment
Inner Mongolia Zhimeng	New District, Bai County, Chahar Right Wing Back Banner	New District, Bai County, Chahar Right Wing Back Banner	Electronics and information		95%	Establishment
Xinjiang Zhitian	Hetian County, Hetian,	Hetian County, Hetian,	Electronics and		97%	Establishment

	Xinjiang	Xinjiang	information			
Xinjiang Xinzhi	Shache County, Kashgar District, Xinjiang	Shache County, Kashgar District, Xinjiang	Electronics and information		100%	Establishment
Xinjiang Huayue	Kashgar, Xinjiang	Kashgar, Xinjiang	Electronics and information		100%	Establishment
Tianjin Dahua	Tianjin Binhai New Area	Tianjin Binhai New Area	Electronics and information		65%	Establishment
Dahua Zhilong	Shuangpai County, Yongzhou City	Shuangpai County, Yongzhou City	Electronics and information		90%	Establishment
Vision Technology	Fuyang District, Hangzhou	Fuyang District, Hangzhou	Electronics and information	100%		Establishment
Zhongcheng Technology	Xicheng District, Beijing	Xicheng District, Beijing	Electronics and information	55%		Establishment
Huaxiao Technology	Fuyang District, Hangzhou	Fuyang District, Hangzhou	Electronics and information	51%		Establishment
Xi'an Dahua	Xi'an City, Shaanxi Province	Xi'an City, Shaanxi Province	Electronics and information	100%		Establishment
Wuxi Ruipin	Wuxi City	Wuxi City	Electronics and information	51%		Establishment
Dahua Robot	Xiaoshan District, Hangzhou	Xiaoshan District, Hangzhou	Electronics and information	51%		Establishment
Beijing Huayue	Xicheng District, Beijing	Xicheng District, Beijing	Electronics and information	100%		Establishment
Shanghai Huashang	Putuo District, Shanghai	Putuo District, Shanghai	Electronics and information	100%		Establishment
Dahua Jinzhi	Wucheng District, Jinhua City	Wucheng District, Jinhua City	Electronics and information	100%		Establishment
Dahua Guangxun	Chengdu High-tech Zone	Chengdu High-tech Zone	Electronics and information	100%		Business combination not under common control
Huajuan Technology	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information		100%	Establishment
Dahua Hong Kong	Hong Kong	Hong Kong	Electronics and information	100%		Establishment
Dahua USA	USA	USA	Electronics and information		100%	Establishment
Dahua Europe	Netherlands	Netherlands	Electronics and information		100%	Establishment
Dahua Middle East	United Arab Emirates	United Arab Emirates	Electronics and information		100%	Establishment

			information			
Dahua Mexico	Mexico	Mexico	Electronics and information		100%	Establishment
Dahua Chile	Chile	Chile	Electronics and information		100%	Establishment
Dahua Colombia	Columbia	Columbia	Electronics and information		100%	Establishment
Dahua Australia	Australia	Australia	Electronics and information		100%	Establishment
Dahua Singapore	Singapore	Singapore	Electronics and information		100%	Establishment
Dahua South Africa	South Africa	South Africa	Electronics and information		100%	Establishment
Dahua Peru	Peru	Peru	Electronics and information		100%	Establishment
Dahua Brazil	Brazil	Brazil	Electronics and information		100%	Establishment
Dahua Russia	Russia	Russia	Electronics and information		100%	Establishment
Dahua Canada	Canada	Canada	Electronics and information		100%	Establishment
Dahua Panama	Panama	Panama	Electronics and information		100%	Establishment
Dahua Hungary	Hungary	Hungary	Electronics and information		100%	Establishment
Dahua Poland	Poland	Poland	Electronics and information		100%	Establishment
Dahua Italy	Italy	Italy	Electronics and information		100%	Establishment
Dahua Tunisia	Tunisia	Tunisia	Electronics and information		100%	Establishment
Dahua Kenya	Kenya	Kenya	Electronics and information		100%	Establishment
Dahua UK	UK	UK	Electronics and information		100%	Establishment
Dahua Bulgaria	Bulgaria	Bulgaria	Electronics and information		100%	Establishment
Dahua Serbia	Serbia	Serbia	Electronics and information		100%	Establishment

Dahua Germany	Germany	Germany	Electronics and information		100%	Establishment
Dahua Malaysia	Malaysia	Malaysia	Electronics and information		100%	Establishment
Dahua Korea	South Korea	South Korea	Electronics and information		100%	Establishment
Dahua Indonesia	Indonesia	Indonesia	Electronics and information		100%	Establishment
Dahua India	India	India	Electronics and information		100%	Establishment
Dahua Turkey	Turkey	Turkey	Electronics and information		100%	Establishment
Dahua Czech	Czech Republic	Czech Republic	Electronics and information		100%	Establishment
Dahua Argentina	Argentina	Argentina	Electronics and information		100%	Establishment
Dahua Spain	Spain	Spain	Electronics and information		100%	Establishment
Dahua Kazakhstan	Kazakhstan	Kazakhstan	Electronics and information		100%	Establishment
Dahua Denmark	Denmark	Denmark	Electronics and information		100%	Establishment
Dahua France	France	France	Electronics and information		100%	Establishment
American Lechange	USA	USA	Electronics and information		100%	Establishment
Dahua Technology Holdings	Hong Kong	Hong Kong	Electronics and information	100%		Establishment
Dahua Morocco	Morocco	Morocco	Electronics and information		100%	Establishment
Dahua Technology Italy	Italy	Italy	Electronics and information		100%	Business combination not under common control
Dahua Uzbekistan	Uzbekistan	Uzbekistan	Electronics and information		100%	Establishment
Dahua Netherlands	Netherlands	Netherlands	Electronics and information		100%	Establishment
Dahua Sri Lanka	Sri Lanka	Sri Lanka	Electronics and information		100%	Establishment

Dahua Lorex	Canada	Canada	Electronics and information		100%	Business combination not under common control
Dahua Pakistan	Pakistan	Pakistan	Electronics and information		100%	Establishment
Dahua New Zealand	New Zealand	New Zealand	Electronics and information		100%	Establishment
Dahua Thailand	Thailand	Thailand	Electronics and information		99.98%	Establishment
Dahua Romania	Romania	Romania	Electronics and information		100%	Establishment

Explanations on the fact that the proportion of the shares held by a subsidiary differs from that of voting rights:

(1) The Company directly holds 45% equity in Hangzhou Xiaohua Technology Co., Ltd., and as agreed upon, Zhejiang Huashi Investment Management Co., Ltd. grants its voting rights of 12% to the Company. The Company effectively holds 57% of the voting rights in Hangzhou Xiaohua Technology Co., Ltd., which constitutes working control so as to incorporate it into the scope of consolidation.

(2) Based on the industrial and commercial registration data, the CDB Development Fund holds equity in the Company. According to the cooperation agreement between the Company and CDB Development Fund, CDB Development Fund shall not appoint senior management personnel, such as directors and supervisors, to Dahua Zhilian; regarding its investment, the Company shall pay an annual investment profit of 1.2% to CDB Development Fund through dividends, repurchase premiums, etc. In addition, the Company shall redeem the CDB Development Fund's equity in Dahua Zhilian period by period from 2022 to 2024, using its amount of investment as other non-current liabilities. The Company effectively holds 100% voting rights and equity in Dahua Zhilian.

(3) The Company directly holds 45.5% equity in Zhejiang Huafei Intelligence Technology Co., Ltd., and as agreed upon, Zhejiang Huashi Investment Management Co., Ltd. grants its voting rights of 16% to the Company. The Company effectively holds 61.50% of the voting rights in Zhejiang Huafei Intelligence Technology Co., Ltd., which constitutes working control so as to incorporate it into the scope of consolidation.

(4) The Company directly holds 45% equity in Guizhou Huayi Vision Technology Co., Ltd., and as agreed upon, Guizhou Yiyun Investment Management Co., Ltd. grants its voting rights of 6% to the Company. The Company effectively holds 51% of the voting rights in Guizhou Huayi Vision Technology Co., Ltd., which constitutes working control so as to incorporate it into the scope of consolidation.

The basis for holding half (or less) of the voting rights but still can control the invested entities, and holding more than half of the voting rights but cannot control the invested entities:

N/A

For the essential structured entities included in the scope of consolidation, the basis for control is:

N/A

The basis to determine whether a company is an agent or a principal:

N/A

2. The transactions that lead to changes in the shareholder's equity in the subsidiaries while still has working control over the subsidiary

(1) Explanation of the changes in the shareholder's equity in the subsidiaries

Changes in the equity share of HuaRay Technology: The Company held 45% of equity of HuaRay Technology, a subsidiary of the Company. In July 2018, the Company acquired 6% of equity of Zhejiang Huashi Investment Management Co., Ltd., a minority shareholder of HuaRay Technology, at the purchase price of RMB 1.36 million. After the transfer, the equity of HuaRay Technology held by the Company increased from 45% to 51%.

Changes in the equity share of Yancheng Zhongchuang: The Company held 51% of equity of Teconmore Technology, a subsidiary of the Company which previously held 70% of equity of Yancheng Zhongchuang. In May 2018, Teconmore Technology acquired 30% of equity of Dongtai Chengdong High-tech Investment Development Co., Ltd., a minority shareholder of Yancheng Zhongchuang, at the purchase price of RMB 1 million. After the transfer, Tecomore's equity in Yancheng Zhongchuang was increased from 70% to 100%. As at December 31, 2018, Yancheng Zhongchuang Dahua IOT Technology Co., Ltd. has been canceled.

(2) The effect of the transactions on the equity of the minority shareholders and the shareholder's equity attributable to the parent company

Unit: RMB

	HuaRay Technology	Yancheng Zhongchuang
Purchase cost/Disposal consideration	1,360,000.00	1,000,000.00
-- Cash	1,360,000.00	1,000,000.00
Purchase cost/ Total disposal consideration	1,360,000.00	1,000,000.00
Less: the share of net assets of the subsidiary calculated based on the ratio of equity obtained/disposed	1,362,222.21	932,656.71
Difference	2,222.21	-67,343.29
Among them: adjust the capital reserve	2,222.21	-67,343.29

3. Equity in joint venture arrangements or affiliates

(1) Financial summary of non-essential joint ventures and affiliates

Unit: RMB

	Closing balance / accrual of current period	Opening Balance / accrual of previous period
Joint ventures:	--	--
The total count of the following items based on the shareholding ratios	--	--
Affiliates:	--	--
Total book value of investments	185,872,021.58	61,272,885.41

The total count of the following items based on the shareholding ratios	--	--
--Net profit	-36,049,906.26	-37,464,812.35
--Other comprehensive income	168,229,977.61	
--Total comprehensive income	132,180,071.35	-37,464,812.35

X. Risks Relating to Financial Instruments

In the business operation, the Company is facing with various financial risks: credit risk, market risk and liquidity risk.

The overall objective of the Company's risk management is to formulate risk management policies that can minimize risks without affecting the Company's competitiveness and adaptability to changes too much.

(I) Credit Risk

The credit risk refers to the risk of one party of a financial instrument suffering financial losses due to that the other party fails to perform its obligations.. The Company is mainly facing with the customer credit risk arising from sales on account. Before signing a new contract, the Company will assess the new customer's credit risk, including external credit rating and the credibility letter from a bank under some circumstances (if such information is available). The Company has set a credit limit for sales on account for each customer. Such limit shall be the maximum amount with no additional approval needed.

The Company ensures that the overall credit risk is within the controllable range through quarterly monitoring of credit ratings of existing customers, and monthly review of aging analysis on accounts receivable. When monitoring customers' credit risk, the Company groups them according to their credit characteristics. Customers rated as "high risk" will be placed on the restricted customer list. The Company can provide them with O/A in the future period only when additional approval is obtained. Otherwise they must make relevant payment in advance.

(II) Market Risk

The market risk of financial instruments refers to the risk of fluctuation in fair value of financial instruments or future cash flows with the change of market prices, including exchange rate risks and interest rate risks.

(1) Interest Rate Risk

The interest rate risk refers to the risk in which the fair value or future cash flow of financial instruments changes due to the change of market interest rate. The interest rate risk faced with by the Company is mainly from bank loans. The Company's assets and liabilities relating to interest rate are respectively bank deposits and short-term loans, whose interest rate risk is low.

(2) Exchange Rate Risk

The exchange rate risk refers to the risk in which the fair value or future cash flow of financial instruments changes due to the change of foreign exchange rate. The Company will try its best to match the revenues with the expenses in foreign currency, to lower the exchange rate risk. In addition, the Company may also sign forward foreign exchange contracts or currency swap contracts to avoid exchange rate risks. On December 31, 2018, the amount of the forward contracts that the Company has not delivered was \$100.5 million.

The exchange rate risk faced with by the Company is mainly from financial assets and liabilities in USD. The amounts of assets and liabilities in foreign currencies and converted into RMB are listed as below:

Item Name	Balance at the End of the Period			Balance at the beginning of the year		
	USD	Other foreign currencies	Total	USD	Other foreign currencies	Total

Accounts receivable	2,737,552,570.28	418,253,386.17	3,155,805,956.45	2,258,581,367.79	297,004,864.77	2,555,586,232.56
Accounts Payable	761,747,601.87	11,375,001.16	773,122,603.03	509,185,587.55	3,975,690.17	513,161,277.72
Total	3,499,300,172.15	429,628,387.33	3,928,928,559.48	2,767,766,955.34	300,980,554.94	3,068,747,510.28

(III) Liquidity Risk

Liquidity risk refers to the risk of a shortage of funds when an enterprise fulfills its obligation of settlement by cash or other financial assets. The Company's policy is to ensure that there is sufficient cash to repay the liabilities due. The liquidity risk is under the concentrated control of the Company's Financial Department. Through monitoring the balance of cash and securities cashable at any time and rolling forecasting the cash flow in the next 12 months, the Financial Department ensures that the Company has sufficient funds to repay its debts under all reasonable predictions.

The Company's major financial liabilities are listed by maturity dates as below:

Item Name	Balance at the End of the Period			Balance at the beginning of the year		
	Within 1 year	1 years or above	Total	Within 1 year	1 years or above	Total
Short-term loan	1,851,709,561.83		1,851,709,561.83	1,770,924,255.90		1,770,924,255.90
Notes Payable	3,671,586,104.79		3,671,586,104.79	3,434,822,334.46		3,434,822,334.46
Accounts Payable	3,789,729,594.20		3,789,729,594.20	2,701,785,054.57		2,701,785,054.57
Non-current Liabilities Due within 1 Year	25,500,000.00		25,500,000.00			
Long-term loan		179,000,000.00	179,000,000.00		230,000,000.00	230,000,000.00
Total	9,338,525,260.82	179,000,000.00	9,517,525,260.82	7,907,531,644.93	230,000,000.00	8,137,531,644.93

XI. Disclosure of Fair Values

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

Unit: RMB

Item Name	Fair values at period-end			
	First level measurement at fair value	Second level measurement at fair value	Third level measurement at fair value	Total
I. Constant measurement at fair value	--	--	--	--
(V) Trading financial liabilities		38,602,602.30		38,602,602.30

Derivative Financial Liabilities		38,602,602.30		38,602,602.30
Total amount of liabilities constantly measured at their fair values		38,602,602.30		38,602,602.30
II. Non-constant measurement at fair values	--	--	--	--

XII. Related Parties and Related-party Transactions

1. The Company's Parent Company

Names of the actual controllers	Relation with related party	Share in the Company in %	Voting rights in the Company %
Fu Liqun	The controlling shareholder and actual controller	37.13%	37.13%
Chen Ailing	The actual controller	2.38%	2.38%

The final controllers of the Company are Mr. Fu Liqun and Ms. Chen Ailing.

2. Information about the Company's subsidiaries

For details of subsidiaries of the Company, see Note "IX. Equities in other entities".

3. Information about the Company's joint ventures and affiliates

For details of significant joint ventures and associates of the Company, see Note "IX. Equities in other entities".

Here are the information about other joint ventures and affiliates that have related-party transactions with the Company in the current period or have balance from related-party transactions with the Company in the previous period:

Names of joint ventures and affiliates	Relationship with the Company
Taizhou Dahua Security Services Co., Ltd.	Affiliate
Ningbo Dahua Anbang Security Services Co., Ltd.	Affiliate
Lishui Dahua Intelligent Technology Co., Ltd.	Affiliate
Zhoushan Dahua Technology Co., Ltd.	Affiliate
Zhejiang Leapmotor Technology Co., Ltd.	Affiliate, and enterprise controlled by the Company's actual controller
Leapmotor Automobile Co., Ltd.	Associates, and subsidiaries controlled by actual controllers
Shenzhen Conwin Security Electronics CO., Ltd.	Affiliate
Zhejiang Dahua Zhian Internet of Things Technology Co., Ltd.	Affiliate

Guangdong Dahua Zhishi Technology Co., Ltd.	Affiliate
Ningbo Dahua-ZhiAn IOT Technology Co., Ltd.	Subsidiary of the affiliate
Quzhou Dahua Zhian IOT Technology Co., Ltd.	Subsidiary of the affiliate
Wenzhou Dahua Security Services Co., Ltd.	Affiliate

4. Information about other related parties

Names of other related parties	Relationship between the Company and other related parties
Zhu Jiangming	Director and senior manager of the Company
Zhang Xingming	Senior manager of the Company
Wu Yunlong	Senior manager of the Company
Wu Jun	Senior manager of the Company
Wu Jian	Senior manager of the Company
Wei Meizhong	Senior manager of the Company
Zhejiang Huashi Investment Management Co., Ltd.	Company controlled by the Company's actual controller
Chen Jianfeng	Family member with close relationship with the Company's actual controller
Zhejiang Lancable Technology Co., Ltd.	Enterprise controlled by the senior manager of the Company
Hangzhou Xintu Technology Co., Ltd.	Enterprise controlled by the senior manager of the Company
Ningxia Electronic Technology Co., Ltd.	Company with shares held by the Company
Ningxia Shendun Security Services Co., Ltd.	Subsidiary of a company with shares held by the Company
Ningxia Shendzhou Tianwang Security Technology Services Co., Ltd.	Subsidiary of a company with shares held by the Company
Hangzhou Xunwei Robotics Technology Co., Ltd.	Enterprise significantly influenced by the senior manager of the Company
Hangzhou Huayun Technology Co., Ltd.	Enterprise significantly influenced by the senior manager of the Company
Wangsu Technology Co., Ltd.	Enterprise with an independent director of the Company as the independent director
Eastcom Co., Ltd.	Enterprise with an independent director of the Company as the independent director
Gansu Aode Electronic Technology Co., Ltd.	Subsidiary of a company with shares held by the Company
Ningbo Jinghang Equity Investment Partnership (Limited Partnership)	Enterprise controlled by the senior manager of the Company
Hangzhou Gulin Equity Investment Partnership (limited)	Enterprise controlled by the senior manager of the Company

partnership)	
Ningbo Huayu Investment Management Partnership Enterprise	Platform invested by and with shared held by core employees
Hangzhou Xiaoshan Weiyi Outpatient Co., Ltd.	Enterprises with any independent director of the Company being the director
Ningbo Hualing Investment Management Partnership (Limited Partnership)	Enterprise controlled by the senior manager of the Company
Hangzhou Nuoqia Technology Co., Ltd.	Enterprise controlled by the senior manager of the Company

Other notes: Hangzhou Nuoqia Technology Co., Ltd. is a company under the actual control of Xu Zhicheng's spouse. Xu Zhicheng has been engaged as the Company's senior manager since March 2018. Since his inauguration, Hangzhou Nuoqia Technology Co., Ltd. has been a company controlled by Company's senior managers.

5. Information about related-party transactions

(1) Related-party transactions involving purchase and selling of merchandise and provision and acceptance of labor services

Merchandise purchase and acceptance of labor services

Unit: RMB

Related parties	Content of the Related - party Transaction	This Period's Amount of Occurrence	Approved transaction limit	Over the Transaction Limit or Not	Previous Period's Amount of Occurrence
Zhejiang Lancable Technology Co., Ltd.	Purchase of materials	2,254,717.95		No	3,231,829.05
Hangzhou Huayun Technology Co., Ltd.	Purchase of materials	86,594.83		No	
Zhejiang Leapmotor Technology Co., Ltd.	Purchase of materials	23,965.51		No	
Shaoxing Dahua Security Services Co., Ltd.	Purchase of materials				7,075.47
Ningxia Shendun Security Services Co., Ltd.	Purchase of materials				3,899,288.56
Wangsu Technology Co., Ltd.	Acceptance of services	462,869.81		No	312,596.70
Hangzhou Xiaoshan Weiyi Outpatient Co., Ltd.	Acceptance of services	1,568.58		No	
Zhoushan Dahua Technology Co., Ltd.	Acceptance of services	3,090.91		No	
Wenzhou Dahua Security Services Co., Ltd.	Acceptance of services	25,182.90		No	

Hangzhou Nuoqia Technology Co., Ltd.	Acceptance of services	33,468.20		No	
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Sales of merchandise and provision of services

Unit: RMB

Related parties	Content of the Related - party Transaction	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Ningbo Dahua Anbang Security Services Co., Ltd.	Sales of merchandise	424,949.12	391,347.01
Lishui Dahua Intelligent Technology Co., Ltd.	Sales of merchandise	32,812.06	99,211.97
Zhoushan Dahua Technology Co., Ltd.	Sales of merchandise	81.89	47,419.65
Wenzhou Dahua Security Services Co., Ltd.	Sales of merchandise	70,338.15	
Zhejiang Leapmotor Technology Co., Ltd.	Sales of merchandise	1,000,350.67	1,014,193.46
Hangzhou Xintu Technology Co., Ltd.	Sales of merchandise	569,735.39	532,666.16
Taizhou Dahua Security Services Co., Ltd.	Sales of merchandise	158,907.33	293,297.42
Shenzhen Conwin Security Electronics CO., Ltd.	Sales of merchandise	1,598,876.61	2,019,339.24
Guangdong Dahua Zhishi Technology Co., Ltd.	Sales of merchandise	3,364,854.53	2,679,316.97
Zhejiang Dahua Zhian Internet of Things Technology Co., Ltd.	Sales of merchandise		67,160,205.15
Ningbo Dahua-ZhiAn IOT Technology Co., Ltd.	Sales of merchandise	28,879.30	3,748,717.95
Ningxia Shendzhou Tianwang Security Technology Services Co., Ltd.	Sales of merchandise		142,962.06
Hangzhou Xunwei Robotics Technology Co., Ltd.	Sales of merchandise	21,556.45	8,717.94
Hangzhou Huayun Technology Co., Ltd.	Sales of merchandise	3,633,397.66	263,726.51
Eastcom Co., Ltd.	Sales of merchandise	134,629.35	1,398,858.97
Zhejiang Lancable Technology Co., Ltd.	Sales of merchandise	843,783.23	
Quzhou Dahua Zhian IOT Technology Co., Ltd.	Sales of merchandise	86,206.90	
Hangzhou Nuoqia Technology Co., Ltd.	Sales of merchandise	4,574,431.42	
Leapmotor Automobile Co., Ltd.	Sales of merchandise	1,905,827.85	

(2) Related guarantee

The Company being the guarantor:

Unit: RMB

Secured Parties	Guarantee Amount	Starting Date	Maturity Date	Guarantee Fulfilled Completely or Not
Dahua System Engineering	100,000,000.00	6/6/2016	3/30/2020	No
	60,000,000.00	10/10/2017	Two years after the maturity of the debts in the master contract	No
Dahua Vision Technology	300,000,000.00	05/17/2017/05/18/2017	Two years after the maturity of the debts in the master contract	Yes
	200,000,000.00	5/23/2017	Two years after the maturity of the debts in the master contract	Yes
	100,000,000.00	7/9/2017	Two years after the maturity of the debts in the master contract	Yes
	80,000,000.00	7/21/2017	Two years after the maturity of the debts in the master contract	Yes
	300,000,000.00	11/24/2017	Two years after the maturity of the debts in the master contract	Yes
	50,000,000.00	11/28/2017	Two years after the maturity of the debts in the master contract	Yes
	200,000,000.00	11/30/2017	Three years after the maturity of the debts in the master contract	Yes
	500,000,000.00	11/30/2017	Two years after the maturity of the debts in the master contract	Yes
	300,000,000.00	12/4/2017	Two years after the maturity of the debts in the master contract	Yes
	290,000,000.00	6/6/2016	1/15/2020	No
	600,000,000.00	8/10/2017	Two years after the maturity of the debts in the master contract	No
	220,000,000.00	10/13/2017	Two years after the maturity of the debts in the master	No

			contract	
	110,000,000.00	1/15/2018	Two years after the maturity of the debts in the master contract	No
	500,000,000.00	3/20/2018	3/19/2021	No
	240,000,000.00	4/13/2018	4/12/2020	No
	300,000,000.00	5/4/2018	4/16/2019	No
	100,000,000.00	7/25/2018	Three years after the maturity of the debts in the master contract	No
	200,000,000.00	8/1/2018	Three years after the maturity of the debts in the master contract	No
	20,000,000.00	8/2/2018	Three years after the maturity of the debts in the master contract	No
	100,000,000.00	8/21/2018	Three years after the maturity of the debts in the master contract	No
	100,000,000.00	9/3/2018	Three years after the maturity of the debts in the master contract	No
	US\$ 40,000,000	9/21/2018	Two years after the maturity of the debts in the master contract	No
	220,000,000.00	11/26/2018	11/26/2020	No
Dahua Zhilian	200,000,000.00	6/6/2016	6/30/2020	No
	500,000,000.00	9/1/2018	9/1/2020	No
	300,000,000.00	10/12/2018	10/12/2021	No
Dahua HK	200,000,000.00	8/24/2017	Two years after the maturity of the debts in the master contract	Yes
	US\$ 50,000,000	15 December 2017	12/15/2020	No
	200,000,000.00	4/9/2018	Two years after the maturity of the debts in the master contract	No

The Company being the secured party

N/A

About the related-party guarantee

(1) Guarantee for Zhejiang Dahua System Engineering Co., Ltd., a wholly-owned subsidiary of the Company

As at December 31, 2018, System Engineering issued commercial acceptance bills worthing RMB 5,571,734.44, all of which were provided with a discount guarantee by the parent company under the above guarantee. The System Engineering Company has also issued letters of guarantee amounting to RMB 25,836,471.61 under the aforesaid guarantee.

(2) Guarantee for Zhejiang Dahua Technology Co., Ltd., a wholly-owned subsidiary of the Company

As at December 31, 2018, Dahua Technology issued commercial acceptance bills worthing RMB 771,486,202.77, of which RMB 290 million was provided with a discount guarantee by the parent company under the above guarantee. Meanwhile, Dahua Technology issued bank acceptance bills amounting to RMB 960,000,000.00, bonds amounting to RMB 70,000,000.00, and short-term loans amounting to RMB 200,000,000.00 under the above guarantees.

(3) Guarantee for Dahua Technology (Hong Kong) Co., Ltd., a wholly-owned subsidiary of the Company

As at December 31, 2018, UOB Hong Kong lent RMB 200,000,000.00 to Dahua Technology (Hong Kong) under the above mortgage guarantee.

(4) Guarantee for Zhejiang Dahua Zhilian Co., Ltd., a wholly-owned subsidiary of the Company

As at December 31, 2018, Dahua Zhilian issued commercial acceptance bills worthing RMB 590,898,814.94, all of which were provided with a discount guarantee by the parent company under the above guarantee.

(3) Asset transfer and debt restructuring of related parties

Unit: RMB

Related Parties	Content of the Related - party Transaction	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Eastcom Co., Ltd.	Selling of fixed assets	4,273.50	
Zhejiang Leapmotor Technology Co., Ltd.	Selling of fixed assets		272,965.35
Zhejiang Leapmotor Technology Co., Ltd.	Equity transfer		33,000,000.00
Zhejiang Huashi Investment Management Co., Ltd.	Equity transfer	1,360,000.00	5,081,800.00

(4) Remuneration to key management personnel

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Salary of key management personnel	22,692,922.08	17,861,416.01

(5) Other related-party transactions

(1) On January 25, 2018, the Fifth Meeting of the Sixth Board of Directors of the Company approved the Proposal (I) on Adjusting the Joint Investment Plan with Related Persons and Related Transactions, which agreed to cooperate with the related legal person Zhejiang Huashi Investment Management Co., Ltd., related natural person Wei Meizhong, and 15 non-related natural persons to adjust their capital contribution to Zhejiang Huaan Technology Co., Ltd. (tentative name). After the adjustment, the Company will contribute RMB 25.5 million with its own funds, accounted for 51% of the registered capital. In March 2018, this company was

established and the approved company name by the Bureau of Industry and Commerce was Zhejiang Huaxiao Technology Co., Ltd.

(2) On January 25, 2018, the Fifth Meeting of the Sixth Board of Directors of the Company approved the Proposal (II) on Adjusting the Joint Investment Plan with Related Persons and Related Transactions, which agreed to cooperate with the related legal person Zhejiang Huashi Investment Management Co., Ltd., and non-related persons to adjust the capital contribution to Zhejiang Huazhi Technology Co., Ltd. (now renamed as Zhejiang Dahua Robotics Co., Ltd.). After the adjustment, the Company contributed RMB 25.5 million with its own funds, accounting for 51% of the registered capital, while Huashi Investment contributed RMB 24.5 million by cash, accounting for 49% of the registered capital. In August 2018, this company was established.

(3) On January 25, 2018, the Fifth Meeting of the Sixth Board of Directors of the Company approved the Proposal on Abandoning the Joint Stock Companies' Right of Capital Increase with the Same Proportion and Related Transactions, which agreed to abandon the right of 8 investors (including Ningbo Jinghang Equity Investment Partnership, Ningbo Gulin Equity Investment Partnership, and Hangzhou Yixun Investment Management Partnership) to increase capital in Zhejiang Leap Motor Technology Co., Ltd. with the same proportion, and the related transaction amount involved in such abandoning was RMB 41,948,300. The modification procedures at the Bureau of Industry and Commerce for the above matters were completed in March 2018.

On April 17, 2018, the Eighth Meeting of the Sixth Board of Directors of the Company approved the Proposal on Capital Increase in Holding Subsidiaries and Related Transactions, which agreed the Company and related person Mr. Fu Liquan made the capital increase in the holding subsidiary Hangzhou Huacheng Network Technology Co., Ltd. with the same proportion. Among them, the Company increased capital by 20.4 million yuan with its own funds, and the Company's controlling shareholder, Fu Liquan, increased capital by 19.6 million yuan. After the capital increase, the registered capital of Huacheng Network will increase from 10 million yuan to 50 million yuan. The modification procedures at the Bureau of Industry and Commerce for the above matters were completed in April 2018.

(5) On May 31, 2018, the 11th Meeting of the Sixth Board of Directors of the Company approved the Proposal on Accepting Part of Equity of Subsidiaries and Abandoning First Refusal Right, and Related Transactions", which agreed: (1) to accept 6% of equity of HuaRay Technology held by the related legal person Zhejiang Huashi Investment Management Co., Ltd., and to abandon the first refusal right for the transfer of 49% of equity of HuaRay Technology from related legal person Huashi Investment, related natural person Zhang Xingming, and other non-related persons to Ningbo Huayu Investment Management Partnership (hereinafter referred to as "Ningbo Huayu"), a related legal person and core employee shareholding platform for venture capital of new business; (2) to abandon the first refusal right of the related legal person Huashi Investment and other non-related natural persons to transfer the 49% equity of Zhejiang Dahua Vision Technology Co., Ltd. to Ningbo Huayu; (3) to abandon the first refusal right of the related legal person Huashi Investment, related natural persons Wu Jun, et al., and other non-related persons for the proposed transfer of the 49% equity of Zhejiang Dahua Security Network Operations Services Co., Ltd. to Ningbo Huayu. In July 2018, matters related with transferring the above three kinds of equities were all completed.

(6) On May 31, 2018, the 11th Meeting of the Sixth Board of Directors of the Company approved the Proposal on Joint Investment with Related Parties and Related Transactions, which agreed to jointly invest in and establish Wuxi Dahua Ruipin Technology Co., Ltd. with the related legal person Huashi Investment. Among them, the Company invested 25.5 million yuan with its own funds, accounting for 51% of the registered capital, while Huashi Investment invested 24.5 million yuan in cash, accounting for 49% of the registered capital. In June 2018, the company was established.

(7) On June 21, 2018, the 12th Meeting of the Sixth Board of Directors of the Company approved the Proposal on Abandoning First Refusal Right and Related Transactions, which agreed to abandon the first refusal right of the Company's controlling shareholder Fu Liquan for the proposed transfer of the 49% equity of Hangzhou Huacheng Network Technology Co., Ltd. to Ningbo Huayu, a related legal person and core employee shareholding platform for venture capital of new business. In July 2018, matters regarding such equity transfer were completed.

(8) On November 12, 2018, the 18th Meeting of the Sixth Board of Directors of the Company approved the Proposal on Abandoning the Joint Stock Companies' Right of Capital Increase with the Same Proportion and Related Transactions, which agreed to abandon the right of capital increase of 7 investors (including Shanghai Electric Hong Kong Co., Ltd., Xingzheng Investment

Management Co., Ltd., Everfront Phoenix Mountain Ltd., Ningbo Hongshan Jiesheng Equity Investment Partnership (Limited Partnership), Ningbo Hualing Investment Management Partnership (Limited Partnership), Hangzhou Xintu Technology Co., Ltd. Company, Chen Jinxia) in Zhejiang Leap Motor Technology Co., Ltd. with the same proportion, and the related transaction amount involved in such abandoning was RMB 139,947,900. The modification procedures at the Bureau of Industry and Commerce for the above matters were completed in November 2018.

6. Receivables and payables of the related parties

(1) Receivables

Unit: RMB

Item Name	Related parties	Balance at the End of the Period		Balance at the Start of the Period	
		Book Balance	Bad Debt Provision	Book Balance	Bad Debt Provision
Accounts receivable	Zhejiang Dahua Zhian Internet of Things Technology Co., Ltd.	100,000.00	10,000.00	22,901,900.00	1,145,095.00
Accounts receivable	Guangdong Dahua Zhishi Technology Co., Ltd.	3,227,876.00	161,393.80	2,907,406.00	145,370.30
Accounts receivable	Ningbo Dahua Anbang Security Services Co., Ltd.	310,420.00	15,521.00	150,000.00	7,500.00
Accounts receivable	Lishui Dahua Intelligent Technology Co., Ltd.			82,078.00	4,103.90
Accounts receivable	Taizhou Dahua Security Services Co., Ltd.	133,200.00	6,660.00		
Accounts receivable	Zhejiang Leapmotor Technology Co., Ltd.	445,003.41	22,250.17	135,313.85	6,765.69
Accounts receivable	Hangzhou Xintu Technology Co., Ltd.	47,676.81	2,383.84		
Accounts receivable	Zhejiang Lancable Technology Co., Ltd.	916,688.50	45,834.43		
Accounts receivable	Shenzhen Conwin Security Electronics CO., Ltd.	710,640.00	35,532.00	126,420.00	6,321.00
Accounts receivable	Hangzhou Huayun Technology Co., Ltd.	2,998,896.00	149,944.80	293,800.00	14,690.00
Accounts receivable	Hangzhou Xunwei Robotics Technology Co., Ltd.	9,400.00	470.00	10,200.00	510.00
Accounts receivable	Eastcom Co., Ltd.	191,254.90	11,305.43	557,661.00	27,883.05
Accounts receivable	Hangzhou Nuoqia Technology Co., Ltd.	9,031,072.05	4,805,130.40		

Accounts receivable	Leapmotor Automobile Co., Ltd.	2,198,155.00	109,907.75		
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(2) Payables

Unit: RMB

Item Name	Related Parties	Closing Balance	Opening Balance
Accounts Payable	Zhejiang Lancable Technology Co., Ltd.		866,435.89
Accounts Payable	Ningxia Shendun Security Services Co., Ltd.	350,375.00	900,375.00
Accounts Payable	Gansu Aode Electronic Technology Co., Ltd.	365,420.00	365,420.00
Accounts Payable	Shaoxing Dahua Security Services Co., Ltd.		7,075.47
Accounts Payable	Zhejiang Leapmotor Technology Co., Ltd.	27,800.00	
Accounts Payable	Zhoushan Dahua Technology Co., Ltd.	3,400.00	
Accounts Payable	Hangzhou Huayun Technology Co., Ltd.	100,450.00	
Accounts Payable	Wenzhou Dahua Security Services Co., Ltd.	25,182.90	
Accounts Payable	Hangzhou Nuoja Technology Co., Ltd.	384,222.99	

XIII. Share-based payment**1. Overview of share-based payment**

√ Applicable □ Not applicable

Unit: RMB

Total amount of equity instruments granted by the Company in current period	98,865,800 shares of restricted stock
Total amount of equity instruments exercised by the Company in current period	N/A
Total amount of equity instruments of the Company invalidated in current period	N/A
The range of the exercise prices of outstanding stock options issued by Company at the end of the period and the remaining contractual term	
The range of the exercise prices of other outstanding equity instruments issued by Company at the end of the period and the remaining contractual term	The Company granted restricted stocks at a price of RMB 8.17 at the end of the period. With application, 40%, 30% and 30%, respectively, of the total granted restricted stocks can be unlocked after 28 months, 40 months and 52 months from the date of granting.

2. Situation of equity-settled share-based payment

√ Applicable □ Not applicable

Unit: RMB

The method for determining the fair value of equity instruments on the day of granting	Determined based on the stock price at the grant date and the grant cost of the restricted stocks
The basis for determining the amount of exercisable equity instruments	Estimated according to equity instruments held by the employees
Reason for the significant difference between the estimation of current period and the previous period	N/A
The accumulated amount of equity-settled share-based payment counted into the capital reserve	31,444,973.88
Amount of equity-settled share-based payment confirmed in current period	31,444,973.88

XIV. Commitments and contingencies

1. Significant commitments

Important commitments on the balance sheet day

As of December 31, 2018, the pledge information of the Company was as follows:

(1) On August 19, 2016, the subsidiary Xinjiang Dahua Zhixin Information Technology LLC pledged its future accounts receivable amounting to 351,064,980.00 Yuan incurred from the available service fee under the Franchise Agreement for the Shihezi "Safe Shicheng" PPP Project, and signed the Fixed Assets Loan Contract (total contract amount: 230,000,000.00 Yuan, contract No.: 2016-01) with Shihezi Sub-Branch of the Construction Bank of China, to provide guarantee for the Company's loan (loan contract No.: 2016-01) amounting to 230,000,000.00 Yuan (Term of borrowing: from August, 2016 to August, 2027). As at December 31, 2018, the pledge receivables amounted to RMB 333,613,018.77 (including the long-term receivable balance was RMB 292,229,615.24, and the balance of the non-current assets mature within one year was RMB 41,383,403.53). The loan balance under the guarantee contract was RMB 204,500,000.00 (where the long-term loan balance was RMB 179,000,000.00, and the balance of non-current liabilities mature within one year was RMB 25,500,000.00).

(2) On October 23, 2018, Zhejiang Dahua Technology Co., Ltd. and Hangzhou Branch of Zheshang Bank Co., Ltd. entered into the ZSZCCZ (2018) No. 22518 Asset Pool Pledge and Guarantee Contract (ID No. 33100000), to provide a guarantee for the Notes Pool Business Cooperation Agreement signed by the Company together with the subsidiary Zhejiang Dahua Technology Co., Ltd., the subsidiary Zhejiang Dahua System Engineering Co., Ltd., the subsidiary Guangxi Dahua Information Technology Co., Ltd., Zhejiang Dahua Zhilian Co., Ltd., and Zheshang Bank Co., Ltd. The financing amount for the fund pledge pool cannot be more than RMB 2.5 billion.

Under the notes pool business, as at December 31, 2018, RMB 454,198,766.18 undue notes receivable (wherein RMB 450,000,000.00 was related party notes receivable that should be included in the scope of the consolidated financial statements) of the Company, RMB 550,345,302.62 undue notes receivable (where RMB 6,993,724.50 was related party notes receivable that should be included in the scope of the consolidated financial statements) of the subsidiary Zhejiang Dahua Technology Co., Ltd., RMB 5,504,198.40 undue notes receivable of the subsidiary Zhejiang Dahua System Engineering Co., Ltd., RMB 50,000.00 undue notes receivable of the subsidiary Zhejiang Dahua Zhilian Co., Ltd., and RMB 612,953.00 undue notes receivable of the subsidiary Guangxi Dahua Information Technology Co., Ltd. were pledged for the issuance of acceptance bills. Under the pledge, the Company issued RMB 12,509,976.49 bank acceptance bills; the subsidiary Zhejiang Dahua Technology Co., Ltd. issued RMB 590,030,272.18 bank acceptance bills; the subsidiary Zhejiang Dahua System Engineering Co., Ltd. issued RMB 15,702,811.50 bank acceptance bills; the subsidiary Guangxi Dahua Information Technology Co., Ltd. issued RMB 282,461.13 bank acceptance bills; and the subsidiary

Zhejiang Dahua Zhilian Co., Ltd. issued RMB 6,608,133.90 bank acceptance bills.

(3) Zhejiang Dahua Technology Co., Ltd. and Hangzhou Branch of China Merchants Bank Co., Ltd. signed the Special Credit Agreement for Notes Pool Business, which promised a special credit line of RMB 2,500,000,000 for the notes pool to be allocated to the subsidiary Zhejiang Dahua Technology Co., Ltd., the subsidiary Zhejiang Dahua System Engineering Co., Ltd., and the subsidiary Zhejiang Dahua Zhilian Co., Ltd. As at December 31, 2018, RMB 492,807,010.59 undue notes receivable (where RMB 480,000,000.00 was related party notes receivable that should be included in the scope of the consolidated financial statements) of the Company, RMB 962,341,321.24 undue notes receivable (where RMB 17,355,404.38 was related party notes receivable that should be included in the scope of the consolidated financial statements) of the subsidiary Zhejiang Dahua Technology Co., Ltd., RMB 3,587,250.00 undue notes receivable of the subsidiary Zhejiang Dahua System Engineering Co., Ltd., RMB 201,497,982.28 undue notes receivable of the subsidiary Zhejiang Dahua Zhilian Co., Ltd. (where RMB 110,000,000.00 was related party notes receivable that should be included in the scope of the consolidated financial statements) were pledged for the issuance of acceptance bills. Under the pledge, the Company issued RMB 12,867,310.24 bank acceptance bills; the subsidiary Zhejiang Dahua Technology Co., Ltd. issued RMB 1,635,258,183.65 bank acceptance bills; the subsidiary Zhejiang Dahua System Engineering Co., Ltd. issued RMB 431,999.65 bank acceptance bills; and the subsidiary Zhejiang Dahua Zhilian Co., Ltd. issued RMB 3,476,249.41 bank acceptance bills.

(4) The subsidiary Zhejiang Dahua Technology Co., Ltd. pledged a deposit certificate of US\$45 million and signed an Import and Export Bill Contract with Hangzhou Branch of Ningbo Bank Co., Ltd., to provide a guarantee for its documentary bill loan (RMB 71,709,561.83). Till December 31, 2018, the balance of the loan under the Pledge Contract was 71,709,561.83 Yuan.

(5) The subsidiary Zhejiang Dahua Technology Co., Ltd. pledged a deposit certificate of RMB 100 million and signed a Maximum Amount Pledge Contract (Subordinate Clause No.: 07100ZA20188039) with Hangzhou Branch of Ningbo Bank Co., Ltd., to provide a guarantee for discounting of the company's commercial acceptance bills.

2. Contingencies

(1) Important contingent matters on the balance sheet day

Zhejiang Dahua Technology Co., Ltd. signed a sales contract with Hangzhou Sailidi Import & Export Co., Ltd. (hereinafter referred to as "Sailidi"), where Sailidi purchased products from Dahua Technology. As at December 31, 2018, the remaining RMB 66,920,644.38 was not paid. In August 2018, Dahua Technology filed a lawsuit to the People's Court of Binjiang District in Hangzhou, requesting Sailidi Company to pay the remaining amount and the liquidated damages for overdue payment and interests. In September 2018, Dahua Technology applied to the People's Court of Binjiang District for property preservation, requesting to freeze the bank deposit of 50 million yuan from Sailidi Company's legal representative Zhu Yuequan, or to seal up or seize property of corresponding value and provide guarantee. The People's Court of Binjiang District granted the application for property preservation. The Binjiang District People's Court of Hangzhou conducted a public trial on January 11, 2019, and issued (2018) Zhejiang 0108 Min Chu No.4451 judgment on January 17, 2019, requiring Sailidi to pay Dahua Technology the overdue amount RMB 27,878,975.60 and interest loss RMB 1,021,088.16 (temporarily calculated until December 31, 2018) upon the judgment took effect. Zhu Yuequan assumed the joint and several liabilities. Until the financial reporting date, this case was still in the execution stage. According to the inventory of seized property, the Company's estimated recoverable amount is 10 million yuan. The net realizable value of other seized property is of significant uncertainty, thus the Company makes provision for bad debts of 56,920,644.38 yuan based on the difference between the present value of estimated future cash flow and its book value.

(2) If no important contingent matter to be disclosed by the Company, it should also be noted accordingly

No important contingent matter needs to be disclosed by the Company.

XV. Events after the Balance Sheet Date

1. Distribution of profits

Unit: RMB

Profits or dividends to be distributed	299,762,193.00
Profits or dividends reviewed and approved for releasing	299,762,193.00

XVI. Other Significant Events

1. Subsection information

(1) Basis for determining the reporting subsection and the accounting policy

The Company determines the Operation Subsection according to the internal organization structure, management requirements, internal reporting system, etc. The Operation Subsection of the Company refers to the constituent parts that can fulfill all the following conditions:

- (1) The constituent part shall have income and expenses in the daily activities;
- (2) The management can regularly assess such constituent part's business performance, so as to decide resource allocation to it and assess its performance;
- (3) The constituent part's financial status, business performance, cash flow and other relevant accounting information can be got through analysis.

The accounting policy of the reporting subsection is consistent with that of the Company.

(2) Financial information of the reporting subsection

Regional distribution

Unit: RMB

Item Name	Operating Income	Operating Cost
Domestic	15,087,657,708.75	9,822,914,231.08
Overseas	8,578,030,397.47	5,048,266,835.61
Total	23,665,688,106.22	14,871,181,066.69

Product distribution

Unit: RMB

Item Name	Operating Income	Operating Cost
Solutions	12,214,951,613.16	7,201,889,474.98
Product	9,762,853,684.85	6,128,694,957.17
Others	1,687,882,808.21	1,540,596,634.54

Total	23,665,688,106.22	14,871,181,066.69
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XVII. Notes to Main Items in the Financial Statements of the Parent Company

1. Notes receivable and accounts receivable

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Notes receivable	952,572,702.92	28,625,396.43
Accounts receivable	4,598,575,923.04	5,932,561,350.82
Total	5,551,148,625.96	5,961,186,747.25

(1) Notes receivable

1) Disclosure of notes receivable

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Bank Acceptance Notes	952,572,702.92	28,625,396.43
Total	952,572,702.92	28,625,396.43

2) Notes receivable that the company has pledged at the end of the period

Unit: RMB

Item Name	Pledged amount by the end of period
Bank Acceptance Notes	947,005,776.77
Total	947,005,776.77

3) Notes receivable that the company has endorsed or discounted at the end of the period and that have not yet expired on the balance sheet date

Unit: RMB

Item Name	Derecognised amount at the end of period	Not derecognised amount at the end of period
Bank Acceptance Notes	39,870,033.95	
Total	39,870,033.95	

(2) Accounts receivable

1) Disclosure of accounts receivable

Unit: RMB

Category	Balance at the End of the Period			Balance at the Start of the Period		
	Book Balance	Bad Debt Provision	Book Value	Book Balance	Bad Debt	Book Value

								Provision		
	Amount	Percentage (%)	Amount	Accrued percentage (%)		Amount	Percentage (%)	Amount	Accrued percentage (%)	
Accounts receivable with significant single amount and accrued for separate provision of bad debt										
Accounts Receivable with Bad Debt Provision Accrued Based on Credit Risk Feature Combinations	4,689,003,520.41	100.00	90,427,597.37	1.93	4,598,575,923.04	6,013,051,170.90	100.00	80,489,820.08	1.34	5,932,561,350.82
Portfolio 1: Related Parties Portfolio	4,111,213,084.49	87.68			4,111,213,084.49	5,585,736,850.51	92.89			5,585,736,850.51
Portfolio 2: Aging Analysis Portfolio	577,790,435.92	12.32	90,427,597.37	15.65	487,362,838.55	427,314,320.39	7.11	80,489,820.08	18.84	346,824,500.31
Accounts receivable with insignificant single amount but accrued for separate provision of										

bad debt										
Total	4,689,003,520.41	100.00	90,427,597.37		4,598,575,923.04	6,013,051,170.90	100.00	80,489,820.08		5,932,561,350.82

Accounts receivables with individual items significant in amount and the bad debts provision accrued individually at the end of period:

Applicable Not applicable

In the combination, the accounts receivables with the bad debt provision accrued according to the aging analysis method:

Applicable Not applicable

Unit: RMB

Aging	Balance at the End of the Period		
	Accounts Receivable	Bad Debt Provision	Accrued Proportion
Aging within 1 year			
Within 1 year (inclusive)	424,696,030.82	21,234,801.54	5.00%
Subtotal within 1 year	424,696,030.82	21,234,801.54	5.00%
1 to 2 years	63,069,919.14	6,306,991.91	10.00%
2 to 3 years	15,552,109.90	4,665,632.97	30.00%
3 to 4 years	25,694,175.46	12,847,087.73	50.00%
4 to 5 years	17,025,586.88	13,620,469.50	80.00%
5 years or above	31,752,613.72	31,752,613.72	100.00%
Total	577,790,435.92	90,427,597.37	

Notes on the basis to determine the combination:

In the combination, the accounts receivables with the bad debt provision accrued according to the percentage method:

Applicable Not applicable

In the combination, the accounts receivables with the bad debt provision accrued according to other methods:

2) Provision for bad debts accrued, recovered or reversed in this period

In this period, the provision for bad debts was accrued as RMB 9,937,777.29 and the bad debt provision recovered or transferred back was RMB 0.00.

3) Accounts receivable of the top five closing balances collected by the arrears

The accounts receivable of the top five closing balances collected by the arrears was summed up to RMB 4,119,309,088.34, accounting for 87.85% of the total closing balance of accounts receivable, and the ending balance for the provision for bad debts accrued was RMB 2,241,990.46 accordingly.

2. Other receivables

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Interest Receivable	42,500.00	171,583.35

Other Receivables	6,954,613,363.03	2,745,786,953.01
Total	6,954,655,863.03	2,745,958,536.36

(1) Interests receivable

(1) Category of interests receivable

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Fixed term deposit	42,500.00	171,583.35
Total	42,500.00	171,583.35

2) Significant overdue interest

N/A

(2) Other receivables

1. Disclosure of other receivables

Unit: RMB

Category	Balance at the End of the Period					Balance at the Start of the Period				
	Book Balance		Bad Debt Provision		Book Value	Book Balance		Bad Debt Provision		Book Value
	Amount	Percentage (%)	Amount	Accrued percentage (%)		Amount	Percentage (%)	Amount	Accrued percentage (%)	
Other receivables with significant single amount and accrued for separate provision of bad debt										
Other receivables with bad debt provision	6,974,737,855.56	100.00	20,124,492.53	0.29	6,954,613,363.03	2,759,665,698.40	100.00	13,878,745.39	0.50	2,745,786,953.01

accrued based on credit risk feature combinations										
Portfolio 1: Related Parties Portfolio	6,789,622,721.45	97.35			6,789,622,721.45	2,611,235,228.10	94.62			2,611,235,228.10
Portfolio 2: Aging Analysis Portfolio	185,115,134.11	2.65	20,124,492.53	10.87	164,990,641.58	148,430,470.30	5.38	13,878,745.39	9.35	134,551,724.91
Other receivables with insignificant single amount but accrued for separate provision of bad debt										
Total	6,974,737,855.56	100.00	20,124,492.53		6,954,613,363.03	2,759,665,698.40	100.00	13,878,745.39		2,745,786,953.01

Other receivables with individual items significant in amount and the bad debts provision accrued individually at the end of period:

Applicable Not applicable

In the combination, other receivables with the bad debt provision accrued according to the aging analysis method:

Applicable Not applicable

Unit: RMB

Aging	Balance at the End of the Period		
	Other Receivables	Bad Debt provision	Accrued Proportion
Aging within 1 year			
Within 1 year (including 1 year)	110,850,892.69	5,542,544.63	5.00%
Subtotal within 1 year	110,850,892.69	5,542,544.63	5.00%
1 to 2 years	48,449,372.06	4,844,937.21	10.00%
2 to 3 years	18,754,479.15	5,626,343.75	30.00%
3 to 4 years	5,724,136.08	2,862,068.04	50.00%

4 to 5 years	438,276.17	350,620.94	80.00%
5 years or above	897,977.96	897,977.96	100.00%
Total	185,115,134.11	20,124,492.53	

Notes on the basis to determine the combination:

There are no other receivables with insignificant single amount but accrued for separate provision of bad debt at the end of the period.

In the combination, other receivables with the bad debt provision accrued according to the percentage method:

Applicable Not applicable

In the combination, other receivables with the bad debt provision accrued according to other method:

Applicable Not applicable

2) Provision for bad debts accrued, recovered or reversed in this period

In this period, the provision for bad debts was accrued as RMB 6,245,747.14 and the bad debt provision recovered or transferred back was RMB 0.00.

3) Other receivables categorized by the nature of the funds

Unit: RMB

Nature of the Funds	Closing Balance	Opening Balance
Deposits	40,101,577.35	25,217,308.16
Prepaid or advance expense	37,600,678.55	32,269,628.09
Employee home loan	107,390,998.98	90,737,849.98
Incomings and outgoings	6,789,622,721.45	2,611,235,228.10
Others	12,763.50	201,391.85
Alipay and e-wallet	9,115.73	4,292.22
Total	6,974,737,855.56	2,759,665,698.40

4) Other receivables of the top five closing balances collected by the arrears

Unit: RMB

Name of Unit	Nature of the Funds	Balance at the End of the Period	Aging	As a Percentage of Total Other Receivables at the End of the Period	Bad Debt Provision at the End of the Period
Company 1	Incomings and outgoings	4,746,786,765.19	Within 1 year	68.06%	
Company 2	Incomings and outgoings	1,160,658,350.66	Within 1 year	16.64%	
Company 3	Incomings and outgoings	337,705,016.63	RMB 305,544,553.63 within 1 year, RMB 32,160,463.00 in 1-2 years	4.84%	

Company 4	Incomings and outgoings	231,084,309.37	RMB 219,267,383.08 within 1 year, RMB 11,816,926.29 in 1-2 years	3.31%	
Company 5	Incomings and outgoings	159,425,382.24	Within 1 year	2.29%	
Total	--	6,635,659,824.09	--	95.14%	

5) Receivables relating to government subsidies

Unit: RMB

Name of Unit	Name of Government Subsidy Project	Balance at the End of the Period	Aging at the End of the Period	Expected Time, Amount and Basis for Collection
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3. Long-term equity investment

Unit: RMB

Item Name	Balance at the End of the Period			Balance at the Start of the Period		
	Book Balance	Provision for Decline in Value	Book Value	Book Balance	Provision for Decline in Value	Book Value
Investment in subsidiaries	2,833,803,638.04		2,833,803,638.04	2,448,117,298.81		2,448,117,298.81
Investment in affiliates and joint ventures	167,835,790.51		167,835,790.51	44,322,308.28		44,322,308.28
Total	3,001,639,428.55		3,001,639,428.55	2,492,439,607.09		2,492,439,607.09

(1) Investment in Subsidiaries

Unit: RMB

The Invested Entity	Balance at the Start of the Period	Increased in the Current Period	Decreased in the Current Period	Balance at the End of the Period	Provision for Impairment Accrued for This Period	Closing Balance of Provision for Decline in Value
Zhejiang Dahua System Engineering Co., Ltd.	507,577,918.10	1,835,380.72		509,413,298.82		
Zhejiang Dahua Security Network Operation Service Co., Ltd.	10,837,589.12	15,407,185.28		26,244,774.40		
Zhejiang Dahua Ju'an Technology Co., Ltd.	5,100,000.00			5,100,000.00		

Guangxi Dahua Information Technology Co., Ltd.	5,204,609.58	194,810.02		5,399,419.60		
Zhejiang Dahua Security Service Co., Ltd.	35,683.66	10,495.88		46,179.54		
Dahua Technology (HK) Limited	60,000,000.00	202,000,000.00		262,000,000.00		
Zhejiang Dahua Vision Technology Co., Ltd.	648,249,697.44	1,534,625.72		649,784,323.16		
Wuxi Dahua Ruide Electronic Technology Co., Ltd.	1,000,000.00			1,000,000.00		
Guangxi Dahua Security Service Co., Ltd.	20,002,580.76			20,002,580.76		
Zhejiang Huatu Microchip Technology Co., Ltd.	10,000,000.00	34,350.20		10,034,350.20		
Hangzhou Xiaohua Technology CO., LTD.	4,558,896.36	139,945.14		4,698,841.50		
Zhejiang Dahua Zhilian Co., Ltd.	1,000,000,000.00	11,450.06		1,000,011,450.06		
Hangzhou Tecomore Technology Co., Ltd.	5,100,000.00	110,047.78		5,210,047.78		
Guangxi Dahua Zhicheng Co., Ltd.	71,202,900.00	3,180.58		71,206,080.58		
Hangzhou Huacheng Network Technology Co., Ltd.	510,000.00	25,205,324.72		25,715,324.72		
Xinjiang Dahua Zhixin Information Technology Co., Ltd.	2,055.08			2,055.08		
Zhejiang Dahua Investment Management Co., Ltd.	62,175,000.00			62,175,000.00		
Zhejiang Huachuang Vision Technology Co., Ltd.	10,209,151.33	15,690,892.26		25,900,043.59		
Zhejiang HuaRay Technology Co., Ltd.	11,289,001.62	14,494,329.86		25,783,331.48		
Xinjiang Dahua Intelligence Technology Co., Ltd.	10,000,000.00			10,000,000.00		
Hangzhou Fuyang Hua'ao Technology Co., Ltd.	510,000.00	4,590,000.00		5,100,000.00		
Zhejiang Huafei Intelligent Technology CO., LTD.	4,552,215.76	17,298,751.14		21,850,966.90		
Zhejiang Huaxiao Technology Co., Ltd.		8,050,311.05		8,050,311.05		
Xi'an Dahua Zhilian Technology Co., Ltd.		56,000,000.00		56,000,000.00		
Wuxi Dahua Ruipin Technology Co.,		3,134,743.40		3,134,743.40		

Ltd.										
Zhejiang Dahua Robot Technology Co., Ltd.				6,908,515.42				6,908,515.42		
Beijing Huayue Shangcheng Information Technology Service Co., Ltd.				400,000.00				400,000.00		
Sichuan Dahua Guangxun Photoelectric Technology Co., Ltd.				4,530,000.00				4,530,000.00		
Dahua Technology Holdings Limited				8,102,000.00				8,102,000.00		
Total	2,448,117,298.81			385,686,339.23				2,833,803,638.04		

(2) Investment in affiliates and joint ventures

Unit: RMB

Name of Investees	Balance at the Start of the Period	Decrease/Increase in the Current Period								Balance at the End of the Period	Closing Balance of Provision for Decline in Value
		Investments Increased	Investment Decreased	Investment Profit and Loss Recognized under the Equity Method	Adjustment on Other Comprehensive Income	Other Changes in Equity	Cash Dividends or Profit Declared to Distribute	Provision for Impairment Accrued	Others		
I . Joint ventures											
II . Affiliates											
Beijing Ankang Jianxing Emergency Education Technology Co., Ltd.	7,651,907.75		7,580,935.18	-70,972.57							
Zhejiang Leapmotor Technology Co., Ltd.	36,803,547.78			-36,803,547.78		168,229,977.61				168,229,977.61	
Guangdong Dahua Zhishi Technology	-133,147.25			-261,039.85						-394,187.10	

Co., Ltd.										
Subtotal	44,322,308.28	7,580,935.18	-37,135,560.20		168,229,977.61				167,835,790.51	
Total	44,322,308.28	7,580,935.18	-37,135,560.20		168,229,977.61				167,835,790.51	

4. Operating income and operating costs

Unit: RMB

Item Name	This Period's Amount of Occurrence		Previous Period's Amount of Occurrence	
	Income	Cost	Income	Cost
Main Business	8,306,049,467.16	1,743,136,622.36	6,523,938,339.59	795,113,331.00
Other businesses	27,513,647.92	19,328,284.90	23,645,230.95	19,951,305.33
Total	8,333,563,115.08	1,762,464,907.26	6,547,583,570.54	815,064,636.33

5. Investment income

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Long-term equity investment income measured by equity method	-37,135,560.20	-36,550,868.57
Investment income from disposal of long-term equity investment	706,569.92	4,268,246.00
Investment income from possession of available-for-sale financial assets	1,005,008.70	5,543,861.26
Investment income from treasury bond reverse repurchase	380,167.33	259,538.04
Total	-35,043,814.25	-26,479,223.27

XVIII. Supplementary Information

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

√ Applicable □ Not applicable

Unit: RMB

Item Name	Amount	Note
Gains and losses from disposal of non-current assets	-257,185.57	
The government subsidies included in the current profits and losses (excluding the government subsidies closely related to regular businesses of the Company and issued in the quota or quantity)	78,342,817.78	

based on the national standards		
Profits and losses resulting from the changes in fair value for holding trading financial assets and trading financial liabilities, and investment income from disposal of trading financial assets, trading financial liabilities, and financial assets available for trading, excluding the effective hedging businesses related to the regular business operation of the Company	-83,285,344.55	
Non-Operating Revenue and expenses other than the above	68,947,139.26	
Other gains and losses items that fit the definition of non-recurring gains and losses	733,001.58	
Less: Impact of income tax	13,376,532.24	
Impact of minority equity	16,798,457.41	
Total	34,305,438.85	--

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

Applicable Not applicable

2. Return on net assets and earnings per share

Profit for the reporting period	Weighted Average ROE	Earnings per share	
		Basic Earnings per Share (RMB/Share)	Diluted Earnings per Share (RMB/Share)
Net profit attributable to common shareholders of the Company	22.16%	0.87	0.87
Net profit attributable to common shareholders of the Company after deducting non-recurring gains and losses	21.86%	0.86	0.86

3. Differences in accounting data between domestic and overseas accounting standards

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

Applicable Not applicable

(2) Differences of net profits and net assets in the financial reports disclosed according to the overseas accounting standards and Chinese accounting standards

Applicable Not applicable

(3) Reasons for accounting data differences under domestic and overseas accounting standards. For difference adjustment on the data already audited by an overseas audit institution, name of the audit institution should be noted.

Section XII Documents Available for Reference

- I. The financial statements signed and sealed by Fu Liquan, the Company's legal representative, Wei Meizhong, chief accountant, and Xu Qiaofen, person in charge of accounting institution.
- II. The original copy of the Audit Report with the seal of the Accounting Firm and signed and stamped by Certified Public Accountants.
- III. Original copies of all the Company's documents and announcements published on media designated by China Securities Regulatory Commission within the reporting period.
- IV. Other related materials.

The said documents are prepared and placed at the Company's Securities Investment Department

Dahua, Dahua Technology, Company, this Company

Chairman: Fu Liquan

March 19, 2019