

# Zhejiang Dahua Technology Co., Ltd.

## 2019 Interim Report



August 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 interim report shall be authentic, accurate and complete and free of any false records, misleading statements or material omissions, and they will bear joint and several liabilities for such information.

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

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

In the reporting period, there are no major changes in the risks faced by the Company, and the Company has always been striving to identify all the risks, and actively taking the countermeasures to avoid and lower the risks:

The Company invites each investor to carefully read the interim 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 upgrade of smart phones application, 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 Company plans not to distribute cash dividends, send bonus shares, and not to convert capital reserves to share capital.

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## Definitions

Item	Refers To	Definitions
Reporting Period	Refers To	From January 1, 2019 to June 30, 2019
Dahua Technology	Refers To	Zhejiang Dahua Technology Co., Ltd.
Dahua System Engineering, System Engineering Company	Refers To	Zhejiang Dahua System Engineering Co., Ltd.
Dahua Vision Technology	Refers To	Zhejiang Dahua Vision Technology Co., Ltd.
Dahua Security Network, Operation Company	Refers To	Zhejiang Dahua Security Network Operation Service Co., Ltd.
Dahua Ju'an	Refers To	Zhejiang Dahua Ju'an Technology Co., Ltd.
Guangxi Dahua Information	Refers To	Guangxi Dahua Information Technology Co., Ltd.
Dahua Security	Refers To	Zhejiang Dahua Security Service Co., Ltd.
Guangxi Security	Refers To	Guangxi Dahua Security Service Co., Ltd.
Huatu Microchip	Refers To	Zhejiang Huatu Microchip Technology Co., Ltd.
Dahua Zhongzhi	Refers To	Guangxi Dahua Zhongzhi Technology Co., Ltd.
Xiaohua Technology, Hangzhou Xiaohua	Refers To	Hangzhou Xiaohua Technology CO., LTD.
Dahua Zhilian	Refers To	Zhejiang Dahua Zhilian Co., Ltd.
Tecomore Technology	Refers To	Hangzhou Tecomore Technology Co., Ltd.
Dahua Investment, Dahua Investment Management	Refers To	Zhejiang Dahua Investment Management Co., Ltd.
South North United	Refers	South North United Information Technology Co., Ltd.

	To	
Guangxi Zhicheng, Dahua Zhicheng	Refers To	Guangxi Dahua Zhicheng Co., Ltd.
Hangzhou Huacheng, Huacheng Network	Refers To	Hangzhou Huacheng Network Technology Co., Ltd.
Xinjiang Information	Refers To	Xinjiang Dahua Zhixin Information Technology Co., Ltd.
HuaRay Technology	Refers To	Zhejiang HuaRay Technology Co., Ltd.
Fuyang Hua'ao	Refers To	Hangzhou Fuyang Hua'ao Technology Co., Ltd.
Huafei Intelligent	Refers To	Zhejiang Huafei Intelligent Technology CO., LTD.
Huachuang Vision	Refers To	Zhejiang Huachuang Vision Technology Co., Ltd.
Guizhou Huayi	Refers To	Guizhou Huayi Shixin Technology Co., Ltd.
Xinjiang Dahua Information	Refers To	Xinjiang Dahua Information Technology Co., Ltd.
Xinjiang Intelligence	Refers To	Xinjiang Dahua Intelligence Technology Co., Ltd.
Guizhou Intelligence	Refers To	Guizhou Dahua Intelligence Technology Co., Ltd.
Xinjiang Zhihe	Refers To	Xinjiang Dahua Zhihe Information Technology Co., Ltd.
China Standard Intelligent Security	Refers To	China Standard Intelligent Security Technology Co., Ltd.
Guangxi Huacheng	Refers To	Guangxi Huacheng Technology Co., Ltd.
Meitan Dahua Technology	Refers To	Guizhou Meitan Dahua Information Technology Co., Ltd.
Inner Mongolia Zhimeng	Refers To	Inner Mongolia Dahua Zhimeng Information Technology Co., Ltd.
Xinjiang Zhitian	Refers To	Xinjiang Dahua Zhitian Information Technology Co., Ltd.
Xinjiang Xinzhi	Refers To	Xinjiang Dahua Xinzhi Information Technology Co., Ltd.
Xinjiang Huayue	Refers To	Xinjiang Dahua Huayue Information Technology Co., Ltd.

Dahua HK	Refers To	Dahua Technology (HK) Limited
Leapmotor Technology	Refers To	Zhejiang Leapmotor Technology Co., Ltd.
Leapmotor Automobile	Refers To	Leapmotor Automobile Co., Ltd.
Tianjin Dahua Information, Tianjin Dahua	Refers To	Tianjin Dahua Information Technology Co., Ltd.
Hunan Dahua Zhilong, Dahua Zhilong	Refers To	Hunan Dahua Zhilong Information Technology Co., Ltd.
Huaxiao Technology	Refers To	Zhejiang Huaxiao Technology Co., Ltd.
Vision Technology	Refers To	Zhejiang Fengshi Technology Co., Ltd.
Xi'an Dahua Zhilian, Xi'an Dahua	Refers To	Xi'an Dahua Zhilian Technology Co., Ltd.
Wuxi Ruipin	Refers To	Wuxi Dahua Ruipin Technology Co., Ltd.
Dahua Robot	Refers To	Zhejiang Dahua Robot Technology Co., Ltd.
Beijing Huayue	Refers To	Beijing Huayue Shangcheng Information Technology Service Co., Ltd.
Shanghai Huashang	Refers To	Shanghai Huashang Chengyue Information Technology Service Co., Ltd.
Dahua Jinzhi	Refers To	Zhejiang Dahua Jinzhi Technology Co., Ltd.
Dahua Guangxun	Refers To	Sichuan Dahua Guangxun Photoelectric Technology Co., Ltd.
Huajuan Technology	Refers To	Hangzhou Huajuan Technology Co., Ltd.
Dahua HK, Dahua Hong Kong	Refers To	Dahua Technology (HK) Limited
Zhoushan Operation	Refers To	Zhejiang Zhoushan Digital Development Operation Co., Ltd.
Dahua USA	Refers To	Dahua Technology USA Inc.
Dahua Europe	Refers To	Dahua Europe B.V.

Dahua Middle East	Refers To	Dahua Technology Middle East FZE
Dahua Mexico	Refers To	Dahua Technology Mexico S.A. DE C.V
Dahua Chile	Refers To	Dahua Technology Chile SpA
Dahua Malaysia	Refers To	Dahua Security Malaysia SDN. BHD.
Dahua Korea	Refers To	Dahua Technology Korea Company Limited
Dahua Indonesia	Refers To	PT. Dahua Vision Technology Indonesia
Dahua Colombia	Refers To	Dahua Technology Colombia S.A.S
Dahua Australia	Refers To	Dahua Technology Australia PTY LTD
Dahua Singapore	Refers To	Dahua Technology Singapore Pte. Ltd.
Dahua South Africa	Refers To	Dahua Technology South Africa Proprietary Limited
Dahua Peru	Refers To	Dahua Technology Perú S.A.C
Dahua Russia	Refers To	Dahua Technology Rus Limited Liability Company
Dahua Brazil	Refers To	DAHUA TECHNOLOGY BRASIL COMÉRCIO E SERVIÇOS EM SEGURANÇA ELETRÔNICA LTDA
Dahua Canada	Refers To	Dahua Technology Canada INC.
Dahua Panama	Refers To	Dahua Technology Panama S.A.
Dahua Hungary	Refers To	Dahua Technology Hungary Kft
Dahua Poland	Refers To	Dahua Technology Poland Sp. z o.o.
Dahua Tunisia	Refers To	Dahua Technology Tunisia
Dahua Kenya	Refers To	Dahua Technology Kenya Limited

Dahua UK	Refers To	Dahua Technology UK Limited
Dahua Bulgaria	Refers To	Dahua Technology Bulgaria EOOD
Dahua Germany	Refers To	Dahua Technology GmbH
Dahua Serbia	Refers To	Dahua Technology SRB d.o.o.
Dahua India	Refers To	Dahua Technology India Private Limited
Dahua Turkey	Refers To	Dahua Guvenlik Teknolojileri Sanayi ve Ticaret A.S.
Dahua Czech	Refers To	Dahua Technology Czech s.r.o.
Dahua Argentina	Refers To	Dahua Argentina S.A.
Dahua Spain	Refers To	Dahua Iberia, S.L.
Dahua Kazakhstan	Refers To	Dahua Technology Kazakhstan LLP
Dahua Denmark	Refers To	Dahua Technology Denmark Aps.
Dahua France	Refers To	Dahua Technology France
American Lechange	Refers To	Lechange Inc.
Dahua Technology Holdings	Refers To	Dahua Technology Holdings Limited
Dahua New Zealand	Refers To	Dahua Technology New Zealand Limited
Dahua Netherlands	Refers To	Dahua Technology Netherlands B.V.
Dahua Morocco	Refers To	Dahua Technology Morocco SARL
Dahua Romania	Refers To	Dahua Technology S.R.L.
Dahua Uzbekistan	Refers To	DAHUA VISION LLC

Dahua Technology Italy	Refers To	Dahua Technology Italy S.R.L.
Dahua Lorex	Refers To	Dahua Technology Inc.
Dahua Bulgaria	Refers To	Dahua Technology Bulgaria EOOD
Dahua Sri Lanka	Refers To	Dahua Technology China (Pvt) LTD
Dahua Pakistan	Refers To	Dahua Technology Pakistan (private) Limited
Dahua Thailand	Refers To	Dahua Technology(Thailand) Co.,LTD.

## Section II Company Profile and Main Financial Indicators

### I. Corporate Information

Stock Abbreviation	Dahua	Stock Code	002236
Stock Exchange Where the Shares of the Company are Listed	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 (If Any)	大华股份		
Company Name in English (If Any)	ZHEJIANG DAHUA TECHNOLOGY CO.,LTD		
Legal Representative	Fu Liqian		

### II. Contacts and Contact Information

	Board Secretary	Securities Affairs Representative
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. Other Relevant Information

#### 1. Contact information of the Company

Are there any changes in the registered address, office address, postal code, website and email of the Company during the reporting period

Applicable  Not applicable

There are no changes in the registered address, office address, postal code, website and email of the Company during the reporting period. For details, refer to 2018 Annual Report.

#### 2. Information disclosure and place of the report

Are there any changes in the information disclosure and place for report preparation during the reporting period

Applicable  Not applicable

There are no changes in the newspaper designated by the Company for information disclosure, website specified by CSRC for release of the interim report and place for interim report preparation during the reporting period. For details, refer to 2018 Annual Report.

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

Whether the Company requires retroactive adjustment or restatement of accounting data in prior years

Yes  No

	Current Reporting Period	Corresponding Period of Last Year	YoY Change (%)
Operating Revenue (RMB)	10,806,566,370.89	9,814,041,352.48	10.11%
Net Profit Attributable to Shareholders of the Listed Company (RMB)	1,238,880,948.74	1,081,916,886.52	14.51%
Net Profit Attributable to Shareholders of the Listed Company after Deducting Non-recurring Gains and Losses (RMB)	1,138,651,748.03	1,107,484,389.00	2.81%
Net Cash Flow Generated by Operational Activities (RMB)	-870,467,092.88	-1,096,356,837.00	20.60%
Basic Earnings per Share (RMB/Share)	0.42	0.37	13.51%
Diluted Earnings per Share (RMB/Share)	0.42	0.37	13.51%
Weighted Average ROE	9.40%	9.91%	-0.51%
	At the End of the Current Reporting Period	End of Last Year	YoY Change (%)
Total Assets (RMB)	27,427,525,950.44	26,350,599,778.15	4.09%
Net Assets Attributable to Shareholders of the Listed Company (RMB)	13,557,642,896.49	12,618,758,918.48	7.44%

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

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

Applicable  Not applicable

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

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

Applicable  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.

## VI. Items and Amounts of Non-recurring Gains and Losses

Applicable  Not applicable

Unit: RMB

Item Name	Amount	Note
Profits or Losses From Disposal of Non-Current Assets (Including the Write-Off for the Accrued Impairment of Assets)	10,503,852.18	
The Government Subsidies Included in the Current Profits and Losses (Excluding the Government Subsidies Closely Related to Regular Businesses of the Company and Issued in the Quota or Quantity Based on the National Standards)	79,439,313.69	
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	30,141,194.90	
Non-operating Revenue and Expenses Other Than the Above	2,248,870.06	
Other Gains and Losses Items that Fit the Definition of Non-recurring Gains and Losses	18,436,697.18	
Less: Impact of Income Tax	3,667,332.94	
Impact of Minority Equity (after tax)	100,229,200.71	--

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

Applicable  Not applicable

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

## Section III Corporate Business Overview

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

There are no significant changes in the principal business of the Company during the reporting period. For details, refer to 2018 Annual Report.

### II. Material Changes to Major Assets

#### 1. Major changes in main assets

Major Assets	Explanation of Material Changes
Equity Assets	No major changes.
Fixed Assets	No major changes.
Intangible Assets	No major changes.
Construction in Progress	Increase by 38.79% compared with the beginning of the year, mainly due to the increase in the investment of Phase II of Hangzhou Smart Manufacturing Base Project, Smart IoT solutions R&D and industrial projects.
Notes Receivable	Decrease by 48.79% compared with the beginning of the years, mainly due to the decrease of settlement of sales notes in this period.
Long-term Receivables	Increase by 41.88% compared with the beginning of the year, mainly due to the acceptance of installment payment for selling products.

#### 2. Major overseas assets

Applicable  Not applicable

### III. Core Competitiveness Analysis

There are no significant changes in the core competitiveness of the Company during the reporting period. For details, refer to 2018 Annual Report.

## Section IV Discussion and Analysis on Business Circumstance

### I. Overview

During the first half year of 2019, despite the complex environment at home and abroad, the Company has been focusing on technological innovation as the foundation, customer demands as the orientation and customer success as the goal. Supported by its constant technological innovation, extensive industry experience and wide customer coverage, the Company continuously improves its video-centric smart IoT solutions, and proactively grasps the market and industry trends to promote stable growth of business performance. During the reporting period, the Company has achieved RMB 10.807 billion in operating revenue, a year-over-year increase of 10.11% and RMB 1.239 billion in net profits attributable to shareholders of the listed company, a year-over-year increase of 14.51%.

Main business strategies of the Company include:

#### **1. Continuously increasing the investment in R&D, and improving the capabilities to come up with comprehensive solutions**

The Company is committed to taking technological innovation as the core, facilitates the layout of artificial intelligence, cloud computing, big data, chip, machine vision, robots and other advanced technologies and continuously increases the investment in R&D. The Company gains deep insight into the industry and technology trends, constructs a differential technology system oriented toward "Full Sensing, Full Intelligence, Full Computing and Full Ecosystem (4 Full)" and continuously improves the capability to come up with comprehensive end-to-end solutions oriented to the pain points of customers; as well as strengthens the construction of software structuring competence and gradually establishes the operation capability for complete process from software development, sales to delivery.

#### **2. Enhancing operation capability for value customers and improving systematic marketing ability**

The Company further develops the customer interface, establishes and improves the tiered and hierarchical customer management strategies and refined customer management mechanisms, and enhances the operational capability for value customers. The Company focuses on the management of strategic opportunities, invests resources accurately, strengthens the planning and organization capability of major projects and improves systematic marketing capability.

#### **3. Further constructing the global marketing system and strengthening the global delivery and service capability**

In the domestic market, the Company continuously promotes the construction of channel system and refined operation channel, establishes the tiered and hierarchical project management system and improves the project operation capability; in the overseas market, the Company persistently extends its global marketing network, strengthens channel extension and improves the coverage of overseas market and its brand awareness.

The Company constantly strengthens its end-to-end supply chain prediction capability and inventory management capability and improves its supply capability oriented toward the global market with high efficiency and low cost. The Company deepens the integration of organization, and establishes a systematic delivery and service capability through organization matching and service system matching. The Company continues to improve the compliance operation system to support the sustainable development of business.

#### **4. Continuously promoting systematic management reform and improving organizational capability and operation efficiency**

The Company constantly carries out the systematic management reform, and improves internal management level and operation efficiency by carrying out LTC, IPD, ISD and ITR and other core business process reform projects to realize the smoothness of end-to-end process and provide supports for subsequent high-quality development.

## II. Main Business Analysis

### Overview

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

Changes in key financial data over the corresponding period of last year

Unit: RMB

	Current Reporting Period	Corresponding Period of Last Year	YoY Change (%)	Reason of Changes
Operating Revenue	10,806,566,370.89	9,814,041,352.48	10.11%	
Operating Cost	6,443,429,151.03	6,230,120,445.06	3.42%	
Sales Expenses	1,539,714,255.33	1,252,741,900.83	22.91%	
Management Fees	346,919,167.36	269,199,404.53	28.87%	
Financial Expenses	11,045,548.40	-22,880,395.85	148.28%	Mainly due to increase in exchange loss in the current period as a result of exchange rate fluctuation.
Income Tax Expense	163,173,365.97	165,721,533.63	-1.54%	
R&D Investment	1,245,261,201.77	865,129,052.09	43.94%	Mainly due to increase in the investment in R&D
Net Cash Flow Generated by Operational Activities	-870,467,092.88	-1,096,356,837.00	20.60%	
Net Cash Flow Generated by Investment Activities	-282,555,064.78	-349,648,911.60	19.19%	
Net Cash Flow Generated by Financing Activities	988,389,356.92	233,280,496.68	323.69%	Mainly due to the increase in bank loans in the current period
Net Additions to Balance of Equivalents	-157,333,633.07	-1,197,623,717.25	86.86%	Mainly due to the increase in net cash flow generated by financing activities

Significant changes in the profit structure or profit source of the Company in the reporting period

Applicable  Not applicable

No significant changes in the profit structure or profit source of the Company in the reporting period

Operating income structure

Unit: RMB

	Current Reporting Period		Corresponding Period of Last Year		YoY Change (%)
	Amount	Proportion to Operating Revenue	Amount	Proportion to Operating Revenue	
Total Operating	10,806,566,370.89	100%	9,814,041,352.48	100%	10.11%

Revenue					
Classified by Industry					
Security Industry	10,806,566,370.89	100.00%	9,814,041,352.48	100.00%	10.11%
Classified by Product					
Solutions	5,626,141,239.99	52.06%	5,018,508,530.50	51.13%	12.11%
Product	4,537,889,480.14	41.99%	4,054,905,104.84	41.32%	11.91%
Others	642,535,650.76	5.95%	740,627,717.14	7.55%	-13.24%
Classified by Region					
Domestic	7,087,773,045.42	65.59%	6,375,294,969.60	64.96%	11.18%
Overseas	3,718,793,325.47	34.41%	3,438,746,382.88	35.04%	8.14%

Industry, product, or region that accounts for over 10% of the Company's operating income 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	10,806,566,370.89	6,443,429,151.03	40.37%	10.11%	3.42%	3.85%
Classified by Product						
Solutions	5,626,141,239.99	3,144,638,108.68	44.11%	12.11%	8.00%	2.13%
Product	4,537,889,480.14	2,713,726,371.28	40.20%	11.91%	4.22%	4.41%
Classified by Region						
Domestic	7,087,773,045.42	4,432,123,646.82	37.47%	11.18%	9.38%	1.03%
Overseas	3,718,793,325.47	2,011,305,504.21	45.92%	8.14%	-7.66%	9.26%

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

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

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

	At the End of the Current Reporting Period		At the End of the Corresponding Period of Last Year		Proportion Change	Note on Significant Changes
	Amount	Proportion to Total Assets	Amount	Proportion to Total Assets		
Cash and Bank Balances	4,201,568,114.35	15.32%	4,160,153,847.06	15.79%	-0.47%	No Significant Change
Accounts Receivable	11,134,944,437.85	40.60%	10,191,372,777.38	38.68%	1.92%	No Significant Change
Inventory	3,358,049,330.64	12.24%	3,035,579,709.14	11.52%	0.72%	No Significant Change
Investment Property	344,460,740.53	1.26%	346,831,376.55	1.32%	-0.06%	No Significant Change
Long-term Equity Investment	165,358,482.24	0.60%	185,872,021.58	0.71%	-0.11%	No Significant Change
Fixed Assets	1,386,805,962.53	5.06%	1,407,471,330.83	5.34%	-0.28%	No Significant Change
Construction in Progress	313,934,611.81	1.14%	226,191,587.11	0.86%	0.28%	Mainly due to the increase in the investment of Phase II of Hangzhou Smart Manufacturing Base Project, Smart IoT solutions R&D and industrial projects
Short-term Loans	3,084,859,034.59	11.25%	1,851,709,561.83	7.03%	4.22%	Mainly due to the increase in demands for short-term capital turnover
Long-term Loans	154,000,000.00	0.56%	179,000,000.00	0.68%	-0.12%	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
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						Period	
Financial Assets							
1. Trading Financial Assets (excluding Derivative Financial Assets)							
2. Derivative Financial Assets		7,056,942.13					7,056,942.13
3. Other Debt Investments							
4. Other Equity Instrument Investments							
5. Other Non-current Financial Assets	82,970,227.00				1,000,000.00		83,970,227.00
Subtotal of Financial Assets	82,970,227.00	7,056,942.13			1,000,000.00		91,027,169.13
Investment Property							
Productive Biological Assets							
Others							
Total	82,970,227.00	7,056,942.13			1,000,000.00		91,027,169.13
Financial Liabilities	38,602,602.30	38,602,602.30					0

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

Yes  No

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

As of June 30, 2019, the Company pledged monetary funds of RMB 660,602,442.92 for bank borrowings and issuance of bank acceptance bill and letters of guarantee; pledged notes receivable of RMB 1,127,284,255.91 for issuance of bank acceptance bill; pledged long-term accounts receivable (including those due within one year) amounting of RMB 314,646,279.46 for bank borrowings.

## V. Investment analysis

### 1. Overview

Applicable  Not applicable

Investment during the Reporting Period (RMB)	Investment over the Corresponding Period of Last Year	Fluctuation (%)
168,115,641.06	433,638,796.38	-61.23%

### 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

Project Name	Investment Method	Fixed Assets Investment or not	Project industry	Investment during the Current Reporting Period	Cumulative Actual Investment by the End of Reporting Period	Source of funds	Project Progress	Anticipated Income	Cumulative Income by the End of the Reporting Period	Reasons for Unreached Planned Progress and Anticipated Income	Date of Disclosure (If Any)	Disclosure Index (If Any)
Phase I technological innovation project and Phase II construction	Self-construction	Yes	Video surveillance industry	91,881,069.89	221,502,729.66	Self-raised funds	13.12%			N/A	August 17, 2019	Juchao Information Website <a href="http://cninfo.com.cn/">http://cninfo.com.cn/</a>

ion project of Hangzhou Smart Manufacturing Base												
Xi'an R&D Center Construction Project	Self-construction	Yes	Video surveillance industry	5,042,764.00	40,702,970.46	Self-raised funds	3.48%			N/A	August 17, 2019	Juchao Information Website <a href="http://cninfo.com.cn/">http://cninfo.com.cn/</a>
Smart IoT solutions R&D and industrial projects	Self-construction	Yes	Video surveillance industry	22,894,574.74	133,077,812.18	Self-raised funds	8.20%			N/A	August 17, 2019	Juchao Information Website <a href="http://cninfo.com.cn/">http://cninfo.com.cn/</a>
Total	--	--	--	119,818,408.63	395,283,512.30	--	--	0.00	0.00	--	--	--

#### 4. Financial assets at fair value

√ Applicable □ Not applicable

Unit: RMB

Asset Class	Initial Investment Cost	Changes in Fair Value Gains and Losses in the Current Period	Cumulative Fair Value Changes in Equity	Amount Purchased During the Reporting Period	Amount Sold During the Reporting Period	Cumulative Investment Income	Amount at the End of the Period	Capital Source
Financial derivative instruments		45,449,188.16				-26,055,180.12	343,735,000.00	Equity Fund Capital
Other non-current financial assets	82,970,227.00			1,000,000.00			83,970,227.00	Equity Fund Capital
Total	82,970,227.00	45,449,188.16	0.00	1,000,000.00	0.00	-26,055,180.12	427,705,227.00	--

## 5. Securities investments

Applicable  Not applicable

No such case as securities investment during the reporting period.

## 6. Derivatives investments

Applicable  Not applicable

Unit: ten thousand RMB

Name of the Operator of Derivative Investment	Association	Affiliated Transaction or Not	Type of Derivative Investment	Initial Amount of Derivative Investment	Starting Date	Expiry Date	Opening Investment Amount	Provision for Impairment Accrued (If Any)	Closing Investment Amount	Ratio of Closing Investment Amount over the Company's Closing Net Asset at the End of the Reporting Period	Actual Amount of Gain or Loss during the Reporting Period
Bank	Non-associated	No	Exchange contract	0	May 29, 2018	September 16, 2019	72,063.6		34,373.5	2.54%	1,939.4
Total				0	--	--	72,063.6		34,373.5	2.54%	1,939.4
Source of derivative investment fund				Equity Fund							
Legal Actions (If Applicable)				N/A							
Disclosure Date of Derivative Investment Approval Announcement by Board of Directors (If Any)				May 9, 2018 March 19, 2019							
Disclosure Date of Derivative Investment Approval Announcement by Board of Shareholders (If Any)				May 29, 2018 April 10, 2019							
Analysis of Derivatives Position Risk and Control Measure Explanation during the Reporting Period (Including but Not Limited to Market Risk, Liquidity Risk, Credit Risk, Operation Risk, Legal Risk and so on)				Please see Announcement on Adjusting Foreign Exchange Hedging Transactions (announcement No.: 2018-040) disclosed on May 9, 2018, and Announcement on Carrying Out Foreign Exchange Hedging Transactions (announcement No.: 2019-010) disclosed on March 19, 2019 for details of risk analysis and control measures							
As for Variations in Market Prices or Fair Values of the Invested Derivatives during				The Company's accounting of derivatives' fair value is mainly based on the unexpired future foreign exchange settlement contract between the Company and the bank during							

the Reporting Period, Detailed Method Used and Related Presumptions and Indicator Settings Should Be Disclosed in the Analysis of Fair Value of Derivatives	the reporting period and the transactional financial assets or Transactional Financial Liabilities are confirmed by the difference between the closing contract price and future foreign exchange rate.
Is There Any Material Change in Accounting Policies and Specific Principles of Accounting Policies for the Company's Derivatives during the Reporting Period Compared with the Previous Reporting Period	N/A
Independent Director's Opinion of the Company's Derivative Investment and Risk Control	N/A

## 7. Use of raised funds

Applicable  Not applicable

No use of funds in the reporting period of the Company

## 8. Significant non-fundraising investment during the reporting period

Applicable  Not applicable

There are no significant non-fundraising investment projects during the reporting period

## 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 Revenue	Operating Profit	Net Profit

Zhejiang Dahua System Engineering Co., Ltd.	Subsidiary Company	The development, production, installation and sales of electronic and communication products; the design, construction and installation of computer system integration and automated control engineering	500,000,000.00	3,731,768,176.23	1,211,740,026.95	597,695,831.42	39,617,163.97	25,241,167.98
Zhejiang Dahua Vision Technology Co., Ltd.	Subsidiary Company	The development, sales, and technical services related to computer software, as well as the design, development, production and sales of security equipment, electronic products and communications products	646,810,000.00	17,092,368,395.54	1,027,834,040.33	8,002,043,279.73	21,717,612.72	17,785,796.20
Zhejiang Dahua Zhilian Co., Ltd.	Subsidiary Company	Production and sales of electronic products and auxiliary equipment;	1,110,000,000.00	4,973,473,917.23	1,051,985,336.72	1,851,529,943.89	56,203,379.91	42,284,567.30

	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.						
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## Acquisition and disposal of subsidiaries during the reporting period

√ Applicable □ Not applicable

Company Name	Method of Acquisition and Disposal of Subsidiaries during the Reporting Period	Impact on Overall Production Management and Performance
Wuxi Dahua Ruide Electronic Technology Co., Ltd.	Deregistration	No significant impact on overall production, operation and performance
Hunan Dahua System Technology Co., Ltd.	Deregistration	No significant impact on overall production, operation and performance
Dahua Zhongcheng (Beijing) Technology Co., Ltd.	Deregistration	No significant impact on overall production, operation and performance
Dahua Italy S.R.L.	Deregistration	No significant impact on overall production, operation and performance
Zhejiang Zhoushan Digital Development Operation Co., Ltd.	Established with investment	No significant impact on overall production, operation and performance
China Standard Intelligent Security Technology Co., Ltd.	Equity transfer	No significant impact on overall production, operation and performance

## Major holding companies and joint stock companies

## VIII. The structured entity controlled by the Company

Applicable  Not applicable

## IX. Estimation of the Company's Business Performance from January 1<sup>st</sup> 2019 to September 30<sup>th</sup> 2019

Estimation of Company's Business Performance from January 1<sup>st</sup> 2019 to September 30<sup>th</sup> 2019: net profits attributable to shareholders of the listed company are positive and they are not returning to profitability.

Variation in Net Profits Attributable to Shareholders of the Company from January 1 <sup>st</sup> 2019 to September 30 <sup>th</sup> 2019	10.00%	to	25.00%
Variation Scope in Net Profits Attributable to Shareholders of the Company (Ten Thousand RMB) from January 1 <sup>st</sup> 2019 to September 30 <sup>th</sup> 2019	172,004.95	to	195,460.17
Net Profits Attributable to Shareholders of the Company (Ten Thousand RMB) from January 1 <sup>st</sup> 2018 to September 30 <sup>th</sup> 2018	156,368.14		
Reasons for Changes in Performance	With the Company's sales and operation revenue growing, it is forecasted that the net profits attributable to the owner of the parent company increase by 10%-25% compared with the corresponding period of last year.		

## X. Risks of the Company and Risk Response Solutions

In the reporting period, there are no major changes in the risks faced by the Company, and the Company has always been striving to identify all the risks, and actively taking the countermeasures to avoid and lower the risks:

1. Risk of technology upgrade: The video surveillance industry is a typical technology-intensive industry, which is changing extremely fast. If the Company is unable to keep up with development trends in the industry's technology, to pay full attention to customers' diversified individual needs, and to be followed by sufficient R&D investments, it will still face the risk of losing market competitiveness due to discontinuous innovation. The Company continuously enhances researches on core technologies in AI, video cloud, chip design and other fields by enhancing R&D investment, reserves product, technology, management and talent resources to gear to the broader market in the future, thus realizing sustained and steady development of the Company's businesses.

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. The Company pays constant attention to and studies the significant changes in the global economy, industry and technological fields, analyzes the development logics of the industry, continuously integrates the evolution and video technologies in the global security industry and IoT industry with the information communication technologies and digital technologies, pre-judges diversification and uncertainty of customers' demands, consolidates the original advantage markets, actively explores and conducts experiments on new businesses and new business models, and makes layouts in businesses and technologies.

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. The Company has set up a network security committee and a professional network security team as well as developed product security programs at the company level, ensuring safety across the whole process including demand, design, coding and testing. At the same time, actively carry out technical exchanges and cooperation with external mainstream security manufacturers, security evaluation institutions and corresponding industry security associations to ensure the provision of security products and solutions for customers.

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, and may bring risks of business relationship or public opinion environment fluctuations, increase of legal proceedings, rise of expenses and costs etc. The Company attaches great importance to technical innovation and has established the mechanisms for protection and management of innovation achievements, private brands, trade secrets and other intangible assets to constantly concentrate advantageous intellectual property right assets; established the system for compliance and risk control of the intellectual property rights to constantly enhance the Company's ability in understanding and grasping the intellectual property right laws and regulations and administrative judicial environments in the region where the Company's businesses are located.

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. As export transactions are mostly settled in United States Dollars ("USD"), the company hedges against and avoids exchange rate risks through centralized management of foreign exchange funds, procurement payment hedging and other approaches.

6. Risk of decline in local fiscal spending power: At present, local fiscal earnings are declining, while debt is relatively high. If the local fiscal spending power falls, it may lead to a slowdown in the growth of industry demand, extensions to project time, long periods needed for companies to withdraw capital, and delays in customer' payments. The Company continuously improves internal control system, optimizes project review methods, and reduces the risks of delay in payment by prudently selecting local engineering projects, systematically evaluating the project risks and reasonably conducting risk management and control.

7. Risk of international operation: The Company's products and solutions cover over one hundred overseas countries and regions. International business operation may face risks of trade protection in the countries and regions where they operate, which may bring negative impact on the Company's local business development. The Company actively prevents and deals with international operation risks, establishes overseas compliance and risk control system and continuously advances understanding and adaptability of laws and regulations as well as political and economic environment in the regions where the Company's business is involved.

## Section V Significant Events

### I. Annual General Meetings and Extraordinary General Meetings Convened during the Reporting Period

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

Meeting	Nature	Proportion of Participating Investors	Convened Date	Date of Disclosure	Disclosure Index
2018 Annual General Meeting	Annual General Meeting	48.60%	April 09, 2019	April 10, 2019	Juchao Information Website <a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
First Extraordinary General Meeting in 2019	Extraordinary General Meeting	48.29%	June 05, 2019	June 06, 2019	Juchao Information Website <a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>

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

Applicable  Not applicable

### II. Conditions of Profit Distribution or Capitalization of Capital Reserves during the Reporting Period

Applicable  Not applicable

The Company plans not to distribute cash dividends, send bonus shares, and not to convert capital reserves to share capital.

### III. Complete and Incomplete Commitments of the Company and Its Actual Controller, Shareholders, Related parties, Acquirers, and Other Related Parties by the End of the Reporting Period

Applicable  Not applicable

Commitments	Giver of Commitments	Commitment Type	Details	Time	Term	Performance
Commitments Made during Initial	Fu Liquan, Zhu	Commit	The number of shares transferred each year during his/her term of service shall not exceed 25 percent of the total	July 15, 2007	Long-term	As of the disclosure

Public Offerings or Refinancing	Jiangming, Chen Ailing, Wu Jun	ment on restr icted shar es	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.			date of this announcement, the aforementioned commitments are still in strict execution.
Other Commitments to Minority Shareholders of the Company	Fu Liquan, Chen Ailing	Com mit ment on hori zont al com petit ion	(1) He/she will not directly engage in operational activities that constitute horizontal competition with the stock company's business; (2) for companies he/she held or indirectly held, he/she will fulfill the obligations under this commitment through agencies and personnel (including but not limited to directors and managers); (3) if the stock company further expands its range of products and business scope, he/she and the company held by him/her will not compete with the expanded range of products or businesses of the stock company.	June 30, 2007	Long-term	As of the disclosure date of this announcement, the aforementioned commitments are still in strict execution.
Whether the Commitment Is Fulfilled on Time	Yes					

#### IV. Engagement and Dismissal of the CPA Firm

Whether the interim report has been audited

Yes  No

The interim report of the Company has not been audited.

#### V. Explanation Given by the Board of Directors and Supervisory Committee Regarding the “Non-standard Auditor’s Report” Issued by the CPA Firm for the Reporting Period

Applicable  Not applicable

#### VI. Explanation Given by the Board of Directors Regarding the “Non-standard Auditor’s Report” Issued by the CPA Firm for the Prior Year

Applicable  Not applicable

#### VII. Bankruptcy and Restructuring

Applicable  Not applicable

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

## VIII. Material Litigation and Arbitration

Major lawsuits and arbitrations

Applicable  Not applicable

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:

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 June 30, 2019, the remaining amount 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 RMB50 millions of 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 RMB1,021,088.16 (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 RMB10 million. The net realizable value of other seized property is of significant uncertainty, thus the Company makes provision for bad debts correspondingly based on the difference between the present value of estimated future cash flow and its book value.

In July 2019, Salidi and Zhu Yuequan applied for a retrial to the Hangzhou Intermediate People's Court ( Intermediate People's Court). The Company received the Notice of Acceptance of Civil Application for Retrial from the Intermediate Peoples' Court on August 2, 2019, and the Intermediate People's Court decided to file a case for review. The Company has submitted the answer brief for retrial.

## IX. Media Queries

Applicable  Not applicable

No such case as common challenge from media during the reporting period.

## X. Punishments and Rectifications

Applicable  Not applicable

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

## XI. Integrity of the Company and Its Controlling Shareholder and Actual Controllers

Applicable  Not applicable

## XII. Implementation of the Company's Equity Incentive Plan, Employee Stock Incentive Plan or Other Incentive Plans

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 Phase III 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 RMB16.83 per share and total purchase amount of 47,000,000 shares.

On November 12, 2018, the Company's 18th meeting of the 6th Board of Directors reviewed and approved the Suggestive Proposal on Extension of the Impending Expiration of the Company's Phase III Employee Stock Ownership Plan Duration. The Board of Directors agreed to extend the Company's Phase III 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.

2. On December 27, 2018, the Company's 5th extraordinary shareholders meeting in 2018 reviewed and approved the Proposal on Repurchase and Cancellation of Some Granted but Unlocked Restricted Stocks and agreed to buy back and cancel the 44,200 restricted shares which are granted but not unlocked and held by the incentive targets who have left the Company and one deceased personnel. The repurchase price was RMB 8.17 per share, and the registered capital was reduced accordingly. The above repurchase and cancellation was completed on March 4, 2019 and the change of industrial and commercial registration was completed on April 15, 2019.

### **XIII. Significant Related-Party Transactions**

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

Applicable  Not applicable

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

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

Applicable  Not applicable

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

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

Applicable  Not applicable

No such case as significant related-party transactions arising from joint investments on external parties.

#### **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

No other major related transactions during the reporting period.

## XIV. Significant Contracts and Their Execution

### 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 (Excluding Guarantees to the Subsidiaries)								
Guaranteed Party	Announcement Date of Disclosure of the Guarantee Cap	Guarantee Amount	Actual Occurrence Date (Date of Agreement Signing)	Actual Guarantee Amount	Type of Guarantee	Term of Guarantee	Due or Not	Guarantee for Related Parties or Not
Total Amount of External Guarantees Approved during the				Total Amount of External guarantees				

Reporting Period (A1)				Actually Occurred during the Reporting Period (A2)				
Total Amount of External Guarantees Approved by the End of the Reporting Period (A3)				Total Balance of External Guarantees Actually Paid at the End of the Reporting Period (A4)				
Company's Guarantees to Subsidiaries								
Guaranteed Party	Announcement Date of Disclosure of the Guarantee Cap	Guarantee Amount	Actual Occurrence Date (Date of Agreement Signing)	Actual Guarantee Amount	Type of Guarantee	Term of Guarantee	Due or Not	Guarantee for Related Parties or Not
Zhejiang Dahua Vision Technology Co., Ltd.	May 18, 2019	750,000.00	January 15, 2018	11,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	Yes	Yes
			May 4, 2018	30,000.00	Joint liability guarantee	May 4, 2018 - April 16, 2019	Yes	Yes
			August 2, 2018	2,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	Yes	Yes
			June 6, 2016	29,000.00	Joint liability guarantee	June 6, 2016-January 1, 2020	No	Yes
			August 10, 2017	60,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
			October 13, 2017	22,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
			March 27, 2018	50,000.00	Joint liability	March 20, 2018 - March 19, 2021	No	Yes

		guarantee			
April 13, 2018	24,000.00	Joint liability guarantee	April 13, 2018 - April 12, 2021	No	Yes
July 25, 2018	10,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
August 1, 2018	20,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
August 21, 2018	10,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
September 3, 2018	10,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
September 21, 2018	27,498.80 (40 million US dollars)	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
November 26, 2018	22,000.00	Joint liability guarantee	November 26, 2018 - November 26, 2020	No	Yes
January 3, 2019	20,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
January 17, 2019	30,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
March 20, 2019	10,312.05 (15 million US dollars)	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
March 21, 2019	20,000.00	Joint liability	Three years after the maturity of the	No	Yes

					guarantee	debts in the master contract			
				April 18, 2019	20,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
				April 28, 2019	10,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
				May 10, 2019	65,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
				May 13, 2019	23,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
				June 26, 2019	18,000.00	Joint liability guarantee	June 26, 2019 - June 25, 2022	No	Yes
Zhejiang Dahua Zhilian Co., Ltd.	May 2019	18,	600,000.00	June 6, 2016	20,000.00	Joint liability guarantee	June 6, 2016 - June 30, 2020	No	Yes
				September 1, 2018	50,000.00	Joint liability guarantee	September 1, 2018 - September 1, 2020	No	Yes
				October 12, 2018	30,000.00	Joint liability guarantee	October 12, 2018 - October 12, 2020	No	Yes
				April 9, 2019	10,000.00	Joint liability guarantee	One year after the maturity of the debts in the master contract	No	Yes
				April 25, 2019	10,000.00	Joint liability guarantee	One year after the maturity of the debts in the master contract	No	Yes
				May 13, 2019	6,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes

						contract		
Zhejiang Dahua System Engineering Co., Ltd.	May 18, 2019	50,000.00	June 6, 2016	10,000.00	Joint liability guarantee	June 6, 2016 - March 30, 2020	No	Yes
			October 10, 2017	6,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
			May 10, 2019	10,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
			May 13, 2019	4,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
Dahua Technology (HK) Limited	May 18, 2019	200,000.00	April 9, 2018	20,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	Yes	Yes
			December 15, 2017	34,373.50 (50 million US dollars)	Joint liability guarantee	December 15, 2017 - December 15, 2020	No	Yes
Dahua Technology USA Inc.	May 18, 2019	1,000.00	March 4, 2019	206.24 (300 thousand US dollars)	Joint liability guarantee	March 9, 2019 - March 9, 2020	No	Yes
DAHUA TECHNOLOGY MEXICO S.A. DE C.V	May 18, 2019	10,000.00	March 26, 2019	2,150.34 (MXN 59.9731 million)	Joint liability guarantee	March 26, 2019 - March 26, 2020	No	Yes
			April 9, 2019	6,451.01 (MXN 179.9794 million)	Joint liability guarantee	April 9, 2019 - April 9, 2020	No	Yes
Guangxi Dahua Information Technology Co., Ltd.	May 18, 2019	10,000.00	No such case during the reporting period					
Zhejiang Dahua Jinzhi Technology Co., Ltd.	May 18, 2019	100,000.00	No such case during the reporting period					
Xi'an Dahua Zhilian	May 18, 2019	100,000.00	No such case during the reporting period					

Technology Co., Ltd.	2019			
Zhejiang Huafei Intelligent Technology CO., LTD.	May 18, 2019	5,000.00		No such case during the reporting period
Zhejiang Huachuang Vision Technology Co., Ltd.	May 18, 2019	5,000.00		No such case during the reporting period
Zhejiang HuaRay Technology Co., Ltd.	May 18, 2019	5,000.00		No such case during the reporting period
Zhejiang Dahua Security Network Operation Service Co., Ltd.	May 18, 2019	5,000.00		No such case during the reporting period
Hangzhou Xiaohua Technology CO., LTD.	May 18, 2019	5,000.00		No such case during the reporting period
Zhejiang Dahua Security Service Co., Ltd.	May 18, 2019	5,000.00		No such case during the reporting period
Hangzhou Tecomore Technology Co., Ltd.	May 18, 2019	5,000.00		No such case during the reporting period
Hangzhou Huacheng Network Technology Co., Ltd.	May 18, 2019	5,000.00		No such case during the reporting period
Wuxi Dahua Ruipin Technology Co., Ltd.	May 18, 2019	5,000.00		No such case during the reporting period
Zhejiang Huaxiao Technology Co., Ltd.	May 18, 2019	5,000.00		No such case during the reporting period
Zhejiang Dahua Investment Management Co., Ltd.	May 18, 2019	5,000.00		No such case during the reporting period
Zhejiang Dahua Robot Technology Co., Ltd.	May 18, 2019	5,000.00		No such case during the reporting period
DAHUA EUROPE B.V.	May 18, 2019	10,000.00		No such case during the reporting period
Dahua Technology Singapore Pte.Ltd.	May 18, 2019	500.00		No such case during the reporting period

Dahua Technology UK Limited	May 18, 2019	2,000.00	No such case during the reporting period
Dahua Technology Poland sp.zo.o.	May 18, 2019	1,600.00	No such case during the reporting period
Dahua Technology Hungary Kft	May 18, 2019	1,600.00	No such case during the reporting period
DAHUA TECHNOLOGY IND PVT LTD	May 18, 2019	3,500.00	No such case during the reporting period
DAHUA TECHNOLOGY BRASIL COMERCIO SERV EM SEGURANCA ELETRONICA LTDA	May 18, 2019	1,000.00	No such case during the reporting period
DAHUA ITALY S.R.L.	May 18, 2019	350.00	No such case during the reporting period
DAHUA TECHNOLOGY MIDDLE EAST FZE	May 18, 2019	350.00	No such case during the reporting period
DAHUA TECHNOLOGY PERÚ S.A.C	May 18, 2019	500.00	No such case during the reporting period
DAHUA TECHNOLOGY RUS LIMITED LIABILITY COMPANY	May 18, 2019	1,000.00	No such case during the reporting period
DAHUA TECHNOLOGY AUSTRALIA PTY LTD	May 18, 2019	500.00	No such case during the reporting period
Dahua Technology South Africa Proprietary Limited	May 18, 2019	500.00	No such case during the reporting period
DAHUA TECHNOLOGY CANADA INC.	May 18, 2019	100.00	No such case during the reporting period
DAHUA GUVENLIK	May 18, 2019	600.00	No such case during the reporting period

TEKNOLOJILERI SANAYI VE TICARET ANONIM SIRKETI	2019		
Dahua Technology SRB d.o.o.	May 18, 2019	300.00	No such case during the reporting period
Dahua Technology Bulgaria EOOD	May 18, 2019	100.00	No such case during the reporting period
DAHUA IBERIA, S.L.	May 18, 2019	200.00	No such case during the reporting period
DAHUA SECURITY MALAYSIA SDN. BHD.	May 18, 2019	200.00	No such case during the reporting period
Dahua Technology Kazakhstan LLP	May 18, 2019	200.00	No such case during the reporting period
PT DAHUA VISION TECHNOLOGY INDONESIA	May 18, 2019	300.00	No such case during the reporting period
Dahua Technology Korea Company Limited	May 18, 2019	100.00	No such case during the reporting period
Dahua Technology S.R.L.	May 18, 2019	200.00	No such case during the reporting period
Dahua technology France SAS	May 18, 2019	200.00	No such case during the reporting period
Dahua vision LLc	May 18, 2019	200.00	No such case during the reporting period
Dahua Technology New Zealand Limited	May 18, 2019	200.00	No such case during the reporting period
Dahua Technology GmbH i.Gr.	May 18, 2019	300.00	No such case during the reporting period
DAHUA TECHNOLOGY COLOMBIA SAS	May 18, 2019	100.00	No such case during the reporting period
DAHUA TECHNOLOGY PANAMA,S.A.	May 18, 2019	100.00	No such case during the reporting period
Dahua Technology Chile SpA	May 18, 2019	100.00	No such case during the reporting period

Dahua technology tunisia limited liability company	May 18, 2019	200.00	No such case during the reporting period
DAHUA TECHNOLOGY KENYA LIMITED	May 18, 2019	100.00	No such case during the reporting period
DAHUA TECHNOLOGY CHINA(PVT) LTD	May 18, 2019	200.00	No such case during the reporting period
DAHUA TECHNOLOGY PAKISTAN (PRIVATE) LIMITED	May 18, 2019	200.00	No such case during the reporting period
DAHUA TECHNOLOGY MOROCCO SARL	May 18, 2019	100.00	No such case during the reporting period
DAHUA ARGENTINA S.A.	May 18, 2019	200.00	No such case during the reporting period
Dahua Technology Czech s.r.o.	May 18, 2019	200.00	No such case during the reporting period
Dahua Technology Denmark ApS	May 18, 2019	200.00	No such case during the reporting period
Dahua Technology Netherlands B.V.	May 18, 2019	300.00	No such case during the reporting period
DAHUA TECHNOLOGY (THAILAND) CO LTD	May 18, 2019	100.00	No such case during the reporting period
DAHUA TECHNOLOGY ITALY S.R.L.	May 18, 2019	600.00	No such case during the reporting period
LOREX TECHNOLOGY INC.	May 18, 2019	1,000.00	No such case during the reporting period
LOREX CORPORATION	May 18, 2019	1,000.00	No such case during the reporting period
Total Amount of Guarantees to Subsidiaries Approved during the Reporting Period (B1)		1,912,300.00	Total Amount of Guarantees to Subsidiaries Actually Occurred during the Reporting Period (B2) 265,119.64

Total Amount of Guarantees to Subsidiaries Approved by the End of the Reporting Period (B3)	1,912,300.00	Total Balance of Guarantees Actually Paid to Subsidiaries at the End of the Reporting Period (B4)	699,991.94					
Subsidiaries' Guarantees to Subsidiaries								
Guaranteed Party	Announcement Date of Disclosure of the Guarantee Cap	Guarantee Amount	Actual Occurrence Date (Date of Agreement Signing)	Actual Guarantee Amount	Type of Guarantee	Term of Guarantee	Due or Not	Guarantee for Related Parties or Not
Total Amount of Guarantees to Subsidiaries Approved during the Reporting Period (C1)				Total Amount of Guarantees to Subsidiaries Actually Occurred during the Reporting Period (C2)				
Total Amount of Guarantees to Subsidiaries Approved by the End of the Reporting Period (C3)				Total Balance of Guarantees Actually Paid to Subsidiaries at the End of the Reporting Period (C4)				
The total amount of the Company's guarantees (the total of the above three items)								
Total Amount of Guarantees Approved during the Reporting Period (A1+B1+C1)	1,912,300.00	Total Amount of Guarantees Actually Occurred during the Reporting Period (A2+B2+C2)	265,119.64					
Total Amount of Guarantees Approved by the End of the Reporting Period (A3+B3+C3)	1,912,300.00	Total Balance of Guarantees Actually Paid at the End of the Reporting Period (A4+B4+C4)	699,991.94					
Total Amount of Actual Guarantees (A4+B4+C4) as a Percentage of the Company's Net Assets			51.63%					
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)				669,991.94				
Amount of the Guarantees with the Total Volume Exceeding 50% of the Net Assets (F)				22,109.80				
Total Amount of the Above Three Guarantees (D+E+F)				669,991.94				
Notes on Possible Joint and Several Repayment Liability for								

Unexpired Guarantees (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. Other significant contracts

Applicable  Not applicable

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

## XV. Social Responsibility

### 1. Significant environmental problems

The listed company and its subsidiaries do not belong to the key pollutant discharging units announced by the environmental protection department.

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

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

## XVI. Explanation of Other Significant Events

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.s

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). 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 in 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 various activities and construction of this project engaged in by the winning bidder are in compliance with the requirements in PPP-related laws and regulations, but the risk exists that the project will not be furthered and the identifiable income of the Company in the future may be reduced. 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. The Company intends to repurchase the company's share with self-raised funds by centralized bidding, with the total amount of repurchase funds not less than RMB 200 million (inclusive) and not more than RMB 400 million (inclusive). The repurchase price shall not exceed RMB 25.37 per share (inclusive). Based on the calculation of upper limit of repurchase price and amount, the estimated total number of repurchase shares are 15,766,653 shares, accounting for about 0.53% of the current capital shares of the Company. The detailed number of repurchase shares and its ratio of the capital shares of the Company shall be subject to the actual repurchase number of shares and the ratio upon expiration of the repurchase period. The implementation term of this repurchase shares shall be within 12 months since the date when the Board of Directors agreed the repurchase program. As of June 30, 2019, the Company has repurchased 6,149,480 company shares through the specialized security account for share repurchase by centralized bidding, which accounts for 0.2051% of the total current capital shares of the Company. The highest transaction price is RMB14.03 per share and the lowest RMB12.90 per share with total amount of RMB 80,733,758.44 (excluding transaction costs). The Announcement on the Program of Company's Shares Repurchase (Announcement No.: 2019-025) and the Announcement on Progress on Company's Shares Repurchase (Announcement No.: 2019-041) have been published on April 26, 2019 and July 3, 2019 respectively on the Securities Times and the website [www.cninfocom.cn](http://www.cninfocom.cn).

3. On June 5, 2019, the Company's first extraordinary shareholders meeting in 2019 approved the "Proposal on the Company's Public Issuance of Convertible Corporate Bonds" and the "Feasibility Analysis on the Use of Funds Raised by the Company's Public Issuance of Convertible Corporate Bonds" and others. (See the No. 2019-030 and No. 2019-038 announcements on the Securities Times and [www.cninfocom.cn](http://www.cninfocom.cn) for details)

## **XVII. 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		Changes in the Period (+, -)					After the Change	
	Shares	Ratio	New Shares Issued	Bonus Share	Shares Transferred from Capital Reserves	Others	Sub-total	Shares	Ratio
I. Shares Subject to Conditional Restrictions	1,169,462,780	39.01%				14,474,431	14,474,431	1,183,937,211	39.50%
3. Other Domestic Shares	1,169,410,780	39.01%				14,474,431	14,474,431	1,183,885,211	39.50%
Shares Held by Domestic Matural Persons	1,169,410,780	39.01%				14,474,431	14,474,431	1,183,885,211	39.50%
4. Foreign Shares	52,000	0.00%						52,000	0.00%
Shares Held by Foreign Natural Persons	52,000	0.00%						52,000	0.00%
II. Shares without Restrictions	1,828,159,150	60.99%				-14,518,631	-14,518,631	1,813,640,519	60.50%
1. RMB Ordinary Shares	1,828,159,150	60.99%				-14,518,631	-14,518,631	1,813,640,519	60.50%
III. Total	2,997,621,930	100.00%				-44,200	-44,200	2,997,577,730	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 revived according to 75% of the total number of shares held by executives.

2. On March 4, 2019, the company has completed the repurchase and cancellation of total 44,200 restricted shares that have been granted but not unlocked from the resigned incentive targets and the deceased persons listed in the restricted share incentive plan in 2018, reducing the total capital shares of the Company from 2,997,621,930 shares to 2,997,577,730 shares.

Approval for changes in shares

Applicable  Not applicable

On December 27, 2018, the Company's 5th extraordinary shareholders meeting in 2018 reviewed and approved the Proposal on Repurchase and Cancellation of Some Granted but Unlocked Restricted Stocks, and decided to repurchase and cancel a total of 44,200 restricted shares that have been granted but not unlocked from the resigned incentive targets and the deceased persons.

Transfer for changes in shares

Applicable  Not applicable

After the repurchase and cancellation, the total capital shares of the Company reduced from 2,997,621,930 shares to 2,997,577,730 shares. The above repurchase and cancellation has been completed on March 4, 2019 through verification and confirmation by the Shenzhen Office of China Securities Depository and Clearing Corporation Limited.

The progress on share buy-back

Applicable  Not applicable

1. The 21<sup>st</sup> meeting of the 6th Board of Directors held on April 25, 2019 reviewed and approved the Proposal on the Program of Repurchasing Company's Shares, which intends to repurchase the Company's partial issued public shares with self-raised funds by centralized bidding; the total amount of repurchase funds are not less than RMB 200 million (inclusive) and not more than RMB 400 million (inclusive), which is to be used for subsequent implementation of stock ownership incentive plan or employee stock option plan; the repurchase unit price shall not exceed RMB25.37 per share (inclusive) and detailed repurchase number of shares shall subject to that actual repurchase shares upon the expiration of repurchase period; implementation term of the repurchase shares shall be within 12 months since the date when the Board of Directors agreed the repurchase program. For details, please refer to the Report on Repurchasing Shares (No.: 2019-027) disclosed by the Company on May 11, 2019.

2. As of June 30, 2019, the Company has repurchased 6,149,480 company shares through the specialized security account for share repurchase by centralized bidding, which accounts for 0.2051% of the total current capital shares of the Company. The highest transaction price is RMB14.03 per share and the lowest RMB12.90 per share with total amount of RMB 80,733,758.44 (excluding transaction costs). The repurchase of shares conforms to the requirements of relevant laws and regulations and is in line with the repurchase program. For details, please refer to the Announcement on the Progress of Repurchasing Shares (No.: 2019-041) disclosed by the Company on July 3, 2019.

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	Opening Restricted Shares	Vested in Current Period	Increased in Current Period	Closing Restricted Shares	Note on Restricted Shares	Date of Unlocking
Fu Liquan	841,961,985	7,225,575		834,736,410	According to the relevant	According to the

					provisions of executives shares management	relevant provisions of executives shares management
Wu Jun	52,003,164	65,000		51,938,164	Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
Zhu Jiangming	116,671,117		23,175,000	139,846,117	According to the relevant provisions of executives shares management	According to the relevant provisions of executives shares management
Li Ke	2,015,000	200,000		1,815,000	Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
Chen Ailing	53,447,110	0		53,447,110	According to the relevant provisions of executives shares management	According to the relevant provisions of executives shares management
Chen Yuqing	1,441,963	65,000		1,376,963	Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
Wu Jian	1,279,501	132,500		1,147,001	Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
Wei Meizhong	1,235,000	102,500		1,132,500	Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
Wu	636,710	65,000		571,710	Per relevant management	Per relevant

Yunlong					regulations of equity incentives and senior managers' shares	management regulations of equity incentives and senior managers' shares
Xu Zhicheng	530,000	0		530,000	Per relevant management regulations of equity incentives	Per relevant management regulations of equity incentives
Yan Gang	537,262	82,500		454,762	Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
Ying Yong	1,419,437	167,500		1,251,937	Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
Zhu Jiantang	715,169	45,169		670,000	Per relevant management regulations of equity incentives	Per relevant management regulations of equity incentives
Zhang Wei	880,625	140,625		740,000	Per relevant management regulations of equity incentives	Per relevant management regulations of equity incentives
Zhang Xingming	1,588,560	327,500		1,261,060	Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
Zhao Yuning	740,000	0		740,000	Per relevant management regulations of equity incentives	Per relevant management regulations of equity incentives and senior managers' shares
Other	92,075,800	44,200		92,031,600	Per relevant management	Per relevant

equity incentive targets					regulations of equity incentives	management regulations of equity incentives and senior managers' shares
Total	1,169,178,403	8,663,069	23,175,000	1,183,690,334	--	--

## II. Total Number of Shareholders and Their Shareholdings

Unit: share

Total Number of Common Shareholders at the End of the Reporting Period		127,017	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			
Particulars about Shares Held by Shareholders with a Shareholding Percentage over 5% or Top Ten Common Shareholders								
Name of Shareholder	Nature of Shareholder	Shareholding Percentage	Total Shares Held at the End of the Reporting Period	Increase/Decrease during the Reporting Period	Number of Common Shares Held with Trading Restrictions	Number of Common Shares Held without Trading Restrictions	Pledged or Frozen	
							Status	Status
Fu Liquan	Domestic Natural Person	36.10%	1,082,081,880	-30900000	834,736,410	247,345,470	Pledge	178,652,000
Zhu Jiangming	Domestic Natural Person	6.22%	186,461,490	30900000	139,846,117	46,615,373	Pledge	36,504,000
Chen Ailing	Domestic Natural Person	2.38%	71,262,813	0	53,447,110	17,815,703		
Wu Jun	Domestic Natural Person	2.31%	69,250,886	0	51,938,164	17,312,722		
Hong Kong Securities Clearing Co. Ltd.	Overseas Legal Person	2.21%	66,113,777	-17922294	0	66,113,777		
One Zero Two Combination of National Social Security Fund	Others	1.47%	44,039,310	44039310	0	44,039,310		
China Securities Finance Co., Ltd.	Domestic Non-state-owned Legal Person	1.32%	39,611,241	0	0	39,611,241		
Central Huijin Asset	State-owned	1.05%	31,448,750	0	0	31,448,750		

Management Co., Ltd.	Legal Person							
Shanghai Greenwood Asset Management Ltd. — Greenwood Global Funds	Others	0.89%	26,719,579	26719579	0	26,719,579		
Zhejiang Dahua Technology Co., Ltd. - Phase III Employee Stock Ownership Plan	Others	0.88%	26,247,928	0	0	26,247,928		
Information about Strategic Investors' or General Legal Persons' Becoming Top Ten Common Shareholders for Placement of New Shares (If Any) (Refer to Note 3)	N/A							
Explanation on Associated Relationship or Concerted Actions among the 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.							
Particulars about Shares Held by Top Ten Common Shareholders Holding Shares That Are Not Subject to Trading Restrictions								
Name of Shareholder	Number of Common Shares Held without Restrictions at the End of the Reporting Period	Type of shares						
		Type	Number					
Fu Liquan	247,345,470	RMB common stock	247,345,470					
Hong Kong Securities Clearing Co. Ltd.	66,113,777	RMB common stock	66,113,777					
Zhu Jiangming	46,615,373	RMB common stock	46,615,373					
One Zero Two Combination of National Social Security Fund	44,039,310	RMB common stock	44,039,310					
China Securities Finance Co., Ltd.	39,611,241	RMB common stock	39,611,241					
Central Huijin Asset Management Co., Ltd.	31,448,750	RMB common stock	31,448,750					
Shanghai Greenwood Asset Management Ltd. — Greenwood Global Funds	26,719,579	RMB common stock	26,719,579					
Zhejiang Dahua Technology Co., Ltd. - Phase III Employee Stock Ownership Plan	26,247,928	RMB common stock	26,247,928					

Industrial and Commercial Bank of China — Guangfa Jufeng mixed securities investment funds	21,702,684	RMB common stock	21,702,684
Four One Eight Combination of National Social Security Fund	18,373,500	RMB common stock	18,373,500
Explanation of Associated Relationship or Concerted Actions among Top Ten Common Shareholders without Trading Restrictions, and among Top Ten Common Shareholders without Trading Restrictions and Top Ten Common Shareholders	Mr. Fu Liquan And Ms. Chen Ailing Are Husband And Wife. The Company Is Unaware Of Whether Other Shareholders Have Associated Relationship Or Are Persons Acting In Concert.		
Explanation of Top Ten Common Shareholders' Participation in Securities Margin Trading (If Any) (Refer to Note 4)	N/A		

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.

### III. Changes in Controlling Shareholders and Actual Controllers

Change of the controlling shareholders in the reporting period

Applicable  Not applicable

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

Change of the actual controller in the reporting period

Applicable  Not applicable

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

## Section VII Information of Preferred Shares

Applicable  Not applicable

There are no preferred shares in the reporting period.

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

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

√ Applicable □ Not applicable

Name	Title	Tenure Status	Shares Held at the Beginning of the Period (Shares)	Shares Increased during the Period (Shares)	Shares Decreased during the Period (Shares)	Shares Held at the End of the Period (Shares)	Number of Restricted Shares Held at the Beginning of the Period (Shares)	Number of Restricted Shares Held during the Current Period (Shares)	Number of Restricted Shares Held at the End of the Period (Shares)
Fu Liquan	Chairman	Incumbent	1,112,981,880	0	-30,900,000	1,082,081,880	0	0	0
Wu Jun	Vice Chairman, Vice President	Incumbent	69,250,886	0	0	69,250,886	0	0	0
Li Ke	Director, President	Incumbent	2,420,000	0	0	2,420,000	0	0	0
Zhu Jiangming	Director, Executive Vice President	Incumbent	155,561,490	30,900,000	0	186,461,490	0	0	0
Chen Ailing	Director	Incumbent	71,262,813	0	0	71,262,813	0	0	0
He Chao	Independent Director	Incumbent	0	0	0	0	0	0	0
Wang Zexia	Independent Director	Incumbent	0	0	0	0	0	0	0
Huang Siying	Independent Director	Incumbent	0	0	0	0	0	0	0
Song Maoyuan	Supervisor	Incumbent	0	0	0	0	0	0	0
Song Ke	Supervisor	Incumbent	0	0	0	0	0	0	0
Zuo	Supervisor	Incumbent	0	0	0	0	0	0	0

Pengfei		bent							
Chen Yuqing	Vice President	Incumbent	1,835,951	0	0	1,835,951	0	0	0
Wu Jian	Secretary of the Board, Vice President	Incumbent	1,529,335	0	0	1,529,335	0	0	0
Wei Meizhong	CFO, Vice President	Incumbent	1,510,000	0	0	1,510,000	0	0	0
Wu Yunlong	Vice President	Incumbent	762,280	0	0	762,280	0	0	0
Xu Zhicheng	Vice President	Incumbent	530,000	0	0	530,000	0	0	0
Yan Gang	Vice President	Incumbent	606,349	0	0	606,349	0	0	0
Ying Yong	Vice President	Incumbent	1,669,250	0	0	1,669,250	0	0	0
Zhu Jiantang	Vice President	Incumbent	730,225	0	0	730,225	0	0	0
Zhang Wei	Vice President	Incumbent	927,500	0	0	927,500	0	0	0
Zhang Xingming	Vice President	Incumbent	1,681,413	0	0	1,681,413	0	0	0
Zhao Yuning	Vice President	Incumbent	740,000	0	0	740,000	0	0	0
Total	--	--	1,423,999,372	30,900,000	-30,900,000	1,423,999,372	0	0	0

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

Applicable  Not applicable

There are no changes in the directors, supervisors and senior management in the reporting period. For details, refer to 2018 Annual Report.

## **Section IX Corporate Bonds**

Whether the Company has corporate bonds which have been publicly issued and listed on the stock exchange, and are unexpired or expired but not honored in full on the date approved for issuance of the interim report

No

## Section X Financial Reports

### I. Audit Reports

Whether the interim report has been audited

Yes  No

The interim financial report of the Company has not been audited.

### II. Financial Statements

Units of financial reports in the notes: RMB

#### 1. Consolidated Balance Sheet

Prepared by: Zhejiang Dahua Technology Co., Ltd.

Unit: RMB

Item Name	June 30, 2019	December 31, 2018
Current Assets:		
Cash and Bank Balances	4,201,568,114.35	4,160,153,847.06
Deposit Reservation for Balance		
Loans to Banks and Other Financial Institutions		
Transactional Financial Assets	7,056,942.13	
Financial Liabilities at Fair Value through Profit or Loss		
Derivative Financial Assets		
Notes Receivable	1,221,653,902.14	2,385,693,417.06
Accounts Receivable	11,134,944,437.85	10,191,372,777.38
Accounts Receivable Financing		
Prepayments	153,805,389.06	126,891,259.00
Premium Receivable		
Reinsurance Accounts Receivable		
Reinsurance Contract Reserves Receivable		
Other Receivables	361,774,470.14	398,170,769.40
Including: interest receivable	6,425,860.24	6,754,941.00
Dividends Receivable		
Buying Back the Sale of Financial Assets		
Inventory	3,358,049,330.64	3,035,579,709.14

Contract Assets		
Assets Held for Sale		
Non-current Assets Due within 1 Year	612,839,528.91	578,733,057.27
Other Current Assets	475,479,384.01	402,255,078.05
Subtotal of Current Assets	21,527,171,499.23	21,278,849,914.36
Non-current Assets:		
Granting of loans and advances		
Debt Investment		
Financial Assets Available for Sale		82,970,227.00
Other Debt Investment		
Held-to-maturity Investments		
Long-term Receivables	2,641,057,749.78	1,861,485,568.28
Long-term Equity Investment	165,358,482.24	185,872,021.58
Investments in Other Equity Instruments		
Other Non-current Financial Assets	83,970,227.00	
Investment Property	344,460,740.53	346,831,376.55
Fixed Assets	1,386,805,962.53	1,407,471,330.83
Projects under Construction	313,934,611.81	226,191,587.11
Productive Biological Assets		
Oil and Gas Assets		
Right-of-use Assets		
Intangible Assets	414,190,037.34	372,467,409.09
Development Expenditure		
Goodwill	42,685,490.30	109,745,412.21
Long-term Prepaid Expenses	40,067,888.66	37,117,918.55
Deferred Income Tax Assets	455,446,742.43	425,319,406.98
Other Non-current Assets	12,376,518.59	16,277,605.61
Subtotal of Non-current Assets	5,900,354,451.21	5,071,749,863.79
Total Assets	27,427,525,950.44	26,350,599,778.15
Current Liabilities:		
Short-term Loan	3,084,859,034.59	1,851,709,561.83
Borrowings from the Central Bank		
Borrowings from Banks and Other Financial Institutions		
Transactional Financial Liabilities		

Financial Liabilities Measured in Fair Value with Changes Recorded into Current Profit and Loss		38,602,602.30
Derivative Financial Liabilities		
Notes Payable	3,483,458,773.48	3,671,586,104.79
Accounts Payable	3,194,442,877.42	3,789,729,594.20
Received Prepayments	349,666,289.12	343,297,891.20
Financial Assets Sold for Repurchase		
Deposit Taking and Interbank Deposit		
Receiving from Vicariously Traded Securities		
Receiving from Vicariously Sold Securities		
Payroll Payable	825,786,554.13	1,124,358,611.94
Tax Payable	452,778,426.22	599,478,049.81
Other Payables	1,095,464,506.44	1,051,537,094.97
Including: Interest Payable	11,000,751.65	4,745,203.31
Dividends Payable	9,882,284.31	
Service Charge and Commission Payable		
Reinsurance Accounts Payable		
Contract Liabilities		
Holding for-sale Liabilities		
Non-current Liabilities Due within 1 Year	25,500,000.00	25,500,000.00
Other Current Liabilities	69,464,435.03	70,845,639.51
Subtotal of Current Liabilities	12,581,420,896.43	12,566,645,150.55
Non-current Liabilities:		
Insurance Contract Reserves		
Long-term Loan	154,000,000.00	179,000,000.00
Bonds Payable		
Including: Preferred Stocks		
Perpetual Bonds		
Lease Liabilities		
Long-term Payables		
Long-term payroll payable		
Expected Liabilities	263,357,330.71	193,761,170.12
Deferred Income	84,562,221.66	58,693,533.40
Deferred Income Tax Liabilities	54,222,930.63	50,137,969.76

Other Non-current Liabilities	436,460,214.81	399,096,280.89
Subtotal of Non-current Liabilities	992,602,697.81	880,688,954.17
Total Liabilities	13,574,023,594.24	13,447,334,104.72
Shareholders' Equity:		
Share Capital	2,997,577,730.00	2,997,621,930.00
Other Equity Instruments		
Including: Preferred Stocks		
Perpetual Bonds		
Capital Reserves	1,572,198,377.82	1,501,180,862.83
Less: Treasury Share	878,223,946.13	807,733,586.00
Other Comprehensive Incomes	9,618,908.81	10,337,164.41
Special Reserves		
Surplus Reserves	1,246,369,430.91	1,246,369,430.91
General Risk Reserves		
Undistributed Profits	8,610,102,395.08	7,670,983,116.33
Total Shareholders' Equity Attributable to the Parent Company	13,557,642,896.49	12,618,758,918.48
Minority Shareholders' Equity	295,859,459.71	284,506,754.95
Total Shareholders' Equity	13,853,502,356.20	12,903,265,673.43
Total Liabilities and Shareholders' Equity	27,427,525,950.44	26,350,599,778.15

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

## 2. Balance Sheet of the Parent Company

Unit: RMB

Item Name	June 30, 2019	December 31, 2018
Current Assets:		
Cash and Bank Balances	245,073,466.45	611,190,236.01
Transactional Financial Assets		
Financial Liabilities at Fair Value through Profit or Loss		
Derivative Financial Assets		
Notes Receivable	1,275,996,301.42	952,572,702.92
Accounts Receivable	5,668,093,889.72	4,598,575,923.04
Accounts Receivable Financing		

Prepayments	25,023,339.08	26,772,044.53
Other Receivables	6,573,741,249.72	6,954,655,863.03
Including: Interest Receivable		42,500.00
Dividends Receivable		
Inventory	128,043,339.19	120,181,267.85
Contract Assets		
Holding for-sale Assets		
Non-current Assets Due within 1 Year	52,447,313.43	50,793,137.80
Other Current Assets	18,513,295.06	24,858,982.78
Subtotal of Current Assets	13,986,932,194.07	13,339,600,157.96
Non-current Assets:		
Debt Investment		
Financial Assets Available for Sale		80,496,000.00
Other Debt Investment		
Held-to-maturity Investments		
Long-term Receivables	150,094,217.59	160,299,143.83
Long-term Equity Investment	3,096,995,988.50	3,001,639,428.55
Investments in Other Equity Instruments		
Other Non-current Financial Assets	81,496,000.00	
Investment Property	179,541,537.43	183,321,198.72
Fixed Assets	465,918,980.05	496,363,638.38
Projects under Construction	193,304,354.49	151,072,585.67
Productive Biological Assets		
Oil and Gas Assets		
Right-of-use Assets		
Intangible Assets	166,222,752.00	170,879,747.04
Development Expenditure		
Goodwill		
Long-term Prepaid Expenses	29,875,429.30	28,927,258.54
Deferred Income Tax Assets	69,820,670.32	40,821,902.57
Other Non-current Assets	7,322,417.84	929,380.00
Subtotal of Non-current Assets	4,440,592,347.52	4,314,750,283.30
Total Assets	18,427,524,541.59	17,654,350,441.26
Current Liabilities:		

Short-term loan	2,277,018,356.11	1,380,000,000.00
Transactional Financial Liabilities		
Financial Liabilities Measured in Fair Value with Changes Recorded into Current Profit and Loss		
Derivative Financial Liabilities		
Notes Payable	156,583,971.97	175,647,414.85
Accounts Payable	310,480,128.01	889,881,485.16
Received Prepayments	33,135,369.79	80,361,211.04
Contract Liabilities		
Payroll Payable	577,017,944.06	817,723,936.19
Tax Payable	309,129,580.10	351,294,836.50
Other Payables	1,048,214,399.46	1,060,909,330.56
Including: interest payable	6,472,441.27	2,416,340.30
Dividends Payable	9,882,284.31	
Holding for-sale liabilities		
Non-current Liabilities Due within 1 Year		
Other Current Liabilities	5,959,914.87	6,464,333.12
Subtotal of Current Liabilities	4,717,539,664.37	4,762,282,547.42
Non-current Liabilities:		
Long-term Loan		
Bonds Payable		
Including: Preferred Stocks		
Perpetual Bonds		
Lease Liabilities		
Long-term Payables		
Long-term payroll payable		
Expected Liabilities	2,435,103.64	3,396,100.00
Deferred Income		
Deferred Income Tax Liabilities		
Other Non-current Liabilities	17,802,512.51	23,684,423.74
Subtotal of Non-current Liabilities	20,237,616.15	27,080,523.74
Total Liabilities	4,737,777,280.52	4,789,363,071.16
Shareholders' Equity:		
Share Capital	2,997,577,730.00	2,997,621,930.00

Other Equity Instruments		
Including: Preferred Stocks		
Perpetual Bonds		
Capital Reserves	1,566,261,837.67	1,497,801,068.88
Less: Treasury Share	878,223,946.13	807,733,586.00
Other Comprehensive Incomes		
Special Reserves		
Surplus Reserves	1,246,369,430.91	1,246,369,430.91
Undistributed Profits	8,757,762,208.62	7,930,928,526.31
Total Shareholders' Equity	13,689,747,261.07	12,864,987,370.10
Total Liabilities and Shareholders' Equity	18,427,524,541.59	17,654,350,441.26

### 3. Consolidated Income Statement

Unit: RMB

Item Name	2019 Interim	2018 Interim
I. Total Operating Revenue	10,806,566,370.89	9,814,041,352.48
Including: Operating Revenue	10,806,566,370.89	9,814,041,352.48
Interest Income		
Earned Premiums		
Service Charge and Commission Income		
II. Total Operating Cost	9,650,560,173.11	8,657,002,668.63
Including: Operating Cost	6,443,429,151.03	6,230,120,445.06
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	64,190,849.22	62,692,261.97
Sales Expenses	1,539,714,255.33	1,252,741,900.83
Administration expenses	346,919,167.36	269,199,404.53
Research and development expense	1,245,261,201.77	865,129,052.09

Financial Expenses	11,045,548.40	-22,880,395.85
Including: interest expenses	76,337,321.42	48,561,403.94
Interest Income	81,150,189.81	50,792,338.79
Add: Other income	426,921,517.08	284,916,998.93
Investment Income (Mark "-" for Loss)	-5,691,002.29	-20,867,876.31
Including: Investment Income from Affiliates and Joint Ventures	-548,623.93	-25,567,280.91
Income of Financial Assets Recognition Termination Measured at Amortized Cost (Mark "-" for Loss)		
Exchange Gains (Mark "-" for Losses)		
Net Exposure Hedging Income (Mark "-" for Loss)		
Incomes from changes in fair value (losses marked with "-")	45,449,188.16	-41,332,765.27
Credit Impairment Loss (Mark "-" for Loss)	-163,681,506.49	
Asset Impairment Loss (Mark "-" for Loss)	-98,774,186.62	-128,296,022.40
Asset Disposal Income (Mark "-" for Loss)	448,615.83	-13,024.74
III. Operating Profit (Mark "-" for Loss)	1,360,678,823.45	1,251,445,994.06
Add: Non-operating Revenues	8,513,835.06	5,234,299.09
Less: Non-operating Expenses	1,357,098.55	2,194,887.35
IV. Total Profit (Mark "-" for Total Loss)	1,367,835,559.96	1,254,485,405.80
Less: Income Tax Expense	163,173,365.97	165,721,533.63
V. Net Profit (Mark "-" for Net Loss)	1,204,662,193.99	1,088,763,872.17
(I) Classified by Business Continuity		
1. Net Profit as a Going Concern (Mark "-" for Net Loss)	1,204,662,193.99	1,088,763,872.17
2. Net Profit of Discontinued Operation (Mark "-" for Net Loss)		
(II) Classified by Ownership		
1. Net Profit Attributable to the Parent Company's Owner	1,238,880,948.74	1,081,916,886.52
2. Minority Shareholders' Profit and Loss	-34,218,754.75	6,846,985.65
VI. Net Amount of Other Comprehensive Incomes after Tax	-718,205.48	8,393,760.02
Net Amount of Other Comprehensive Incomes after Tax Attributable to the Parent Company's Owner	-718,255.60	8,393,760.02
(1) Other comprehensive income that cannot be reclassified as P/L		

1. Re-measure the variation of the defined benefit plan		
2. Other comprehensive income that cannot be transferred to P/L under the equity method		
3. Changes in Fair Value of Investments in Other Equity Instruments		
4. Changes in Fair Value of the Company's Own Credit Risk		
5. Others		
(2) Other comprehensive income that will be reclassified as P/L	-718,255.60	8,393,760.02
1. Other comprehensive income that can be transferred to P/L under the equity method		
2. Changes in Fair Value of Other Debt Investment		
3. Profit or Loss Arising from Changes in the Fair Value of Financial Assets Available for Sale		
4. The Amount of Financial Assets Reclassified into Other Comprehensive Income		
5. Profit or Loss Arising from Reclassifying Investments Held to Maturity as Financial Assets Available for Sale		
6. Provision for Credit Impairment of Other Debt Investment		
7. Cash Flow Hedge Reserves		
8. Currency Conversion Difference	-718,255.60	8,393,760.02
9. Others		
Net Amount of Other Comprehensive Incomes After Tax Attributable to Minority Shareholders	50.12	
VII. Total Comprehensive Income	1,203,943,988.51	1,097,157,632.19
Total Comprehensive Income Attributable to the Parent Company's Owner	1,238,162,693.14	1,090,310,646.54
Total Comprehensive Income Attributable to Minority Shareholders	-34,218,704.63	6,846,985.65
VIII. Earnings per Share:		
(I) Basic Earnings per Share	0.42	0.37
(II) Diluted Earnings per Share	0.42	0.37

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	2019 Interim	2018 Interim
I. Operating Revenue	3,281,203,959.86	3,784,147,825.87
Less: Operating Cost	369,348,403.98	1,167,353,125.94
Taxes and Surcharges	43,805,303.56	44,911,616.72
Sales Expenses	774,697,601.25	684,873,752.77
Administration expenses	194,508,500.94	124,907,951.12
Research and development expense	1,047,272,163.00	758,110,009.97
Financial Expenses	32,399,789.08	-10,918,444.75
Including: interest expenses	51,929,211.84	16,615,717.39
Interest Income	21,971,107.71	27,789,833.90
Add: Other income	388,225,543.16	272,484,387.90
Investment Income (Mark "-" for Loss)	9,740,090.32	-23,467,410.68
Including: Investment Income from Affiliates and Joint Ventures	-7,096.54	-24,852,586.71
Income of Financial Assets Recognition Termination Measured at Amortized Cost (Mark "-" for Loss)		
Net Exposure Hedging Income (Mark "-" for Loss)		
Incomes from changes in fair value (losses marked with "-")		
Credit Impairment Loss (Mark "-" for Loss)	-10,600,820.35	
Asset Impairment Loss (Mark "-" for Loss)		-11,200,169.56
Asset Disposal Income (Mark "-" for Loss)	230,024.34	-13,523.79
II. Operating Profit (Mark "-" for Loss)	1,206,767,035.52	1,252,713,097.97
Add: Non-operating Revenues	2,476,092.90	2,920,994.67
Less: Non-operating Expenses	700,678.88	328,747.03
III. Total Profit (Mark "-" for Total Loss)	1,208,542,449.54	1,255,305,345.61
Less: Income Tax Expense	81,947,097.24	148,829,495.03
IV. Net Profit (Mark "-" for Net Loss)	1,126,595,352.30	1,106,475,850.58
(I) Net Profit as a Going Concern (Mark "-" for Net	1,126,595,352.30	1,106,475,850.58

Loss)		
(II) Net Profit of Discontinued Operation (Mark "-" for Net Loss)		
V. Net Amount of Other Comprehensive Incomes After Tax		
(1) Other comprehensive income that cannot be reclassified as P/L		
1. Re-measure the variation of the defined benefit plan		
2. Other comprehensive income that cannot be transferred to P/L under the equity method		
3. Changes in Fair Value of Investments in Other Equity Instruments		
4. Changes in Fair Value of the Company's Own Credit Risk		
5. Others		
(2) Other comprehensive income that will be reclassified as P/L		
1. Other comprehensive income that can be transferred to P/L under the equity method		
2. Changes in Fair Value of Other Debt Investment		
3. Profit or Loss Arising from Changes in the Fair Value of Financial Assets Available for Sale		
4. The Amount of Financial Assets Reclassified into Other Comprehensive Income		
5. Profit or Loss Arising from Reclassifying Investments Held to Maturity as Financial Assets Available for Sale		
6. Provision for Credit Impairment of Other Debt Investment		
7. Cash Flow Hedge Reserves		
8. Currency Conversion Difference		
9. Others		
VI. Total Comprehensive Income	1,126,595,352.30	1,106,475,850.58
VII. Earnings per Share:		
(I) Basic Earnings per Share	0.39	0.38
(II) Diluted Earnings per Share	0.39	0.38

## 5. Consolidated Cash Flow Statement

Unit: RMB

Item Name	2019 Interim	2018 Interim
I. Cash Flow Generated by Operational Activities:		
Cash from Sales of Merchandise and Provision of Services	10,826,094,759.86	9,194,169,425.67
Net Increase in Customer's Bank Deposits and Interbank Deposits		
Net Increase in Borrowings from the Central Bank		
Net Increase in Borrowings from Other Financial Institutions		
Cash Arising from Receiving Premiums for the Original Insurance Contract		
Net Amount Arising from Reinsurance Business		
Net Increase in Deposits and Investments from Policyholders		
Cash Arising from Interests, Service Charges and Commissions		
Net Increase in Borrowings from Banks and Other Financial Institutions		
Net Increase in Repurchase Business Funds		
Net Amount Received from Vicariously Traded Securities		
Tax Refund	824,424,362.86	721,443,953.84
Other Received Cashes Related to Operational Activities	182,265,336.17	69,273,319.56
Subtotal of cash inflow from operational activities	11,832,784,458.89	9,984,886,699.07
Cash Paid for Merchandise and Services	8,183,055,955.85	7,190,765,894.34
Net Increase in Loans and Advances to Customers		
Net Increase in Deposits with Central Bank and Other Financial Institutions		
Cash Paid for Original Insurance Contract Claims		
Net Increase in Financial Assets Held for Trading Purposes		
Net Increase in Loans to Banks and Other Financial Institutions		
Cash Paid for Interests, Service Charges and Commissions		
Cash Paid for Policy Dividends		
Cash Paid to and for Employees	2,506,637,462.82	2,120,130,137.36
Cash Paid for Taxes and Surcharges	851,257,957.46	722,939,607.07
Other Paid Cashes Related to Operational Activities	1,162,300,175.64	1,047,407,897.30
Subtotal of cash outflow from operational activities	12,703,251,551.77	11,081,243,536.07
Net cash flow generated by operating activities	-870,467,092.88	-1,096,356,837.00

II. Cash Flow from Investment Activities:		
Cash Arising from Disposal of Investments		140,950,000.00
Cash Arising from Investment Incomes	9,387,186.86	1,604,974.66
Net Cash Arising from Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets	4,361,781.86	330,762.69
Net Cash Arising from Disposal of Subsidiaries and Other Business Units		
Other Received Cashes Related to Investment Activities	4,052,392.39	2,404,123.87
Subtotal of cash inflow from investment activities	17,801,361.11	145,289,861.22
Cash Paid for Purchase and Construction of Fixed Assets, Intangible Assets and Other Long-term Assets	260,697,897.67	223,433,215.10
Cash Paid for Investments	13,200,000.00	139,300,000.00
Net Increase in Pledge Loans		
Net Cash Paid for Acquisition of Subsidiaries and Other Business Units		56,408,605.39
Other Paid Cashes Related to Investment Activities	26,458,528.22	75,796,952.33
Subtotal of cash outflow from investment activities	300,356,425.89	494,938,772.82
Net amount of cash flow generated by investment activities	-282,555,064.78	-349,648,911.60
III. Cash Flow from Financing Activities:		
Cash Arising from Absorbing Investments	43,114,250.00	28,410,000.00
Including: Cash Arising from Subsidiaries Absorbing Investments by Minority Shareholders	43,114,250.00	28,410,000.00
Cash Arising from Borrowings	3,995,334,621.50	2,967,492,895.90
Cash Arising from Bonds Issue		
Other Received Cashes Related to Financing Activities	805,382,000.00	619,391,279.99
Subtotal of cash inflow from financing activities	4,843,830,871.50	3,615,294,175.89
Cash Paid for Debts Repayment	2,690,153,276.12	2,210,534,089.02
Cash Paid for Distribution of Dividends and Profits or Payment of Interests	348,633,662.77	624,264,590.19
Including: Dividends and Profits Paid to Minority Shareholders by Subsidiaries		
Other Paid Cashes Related to Financing Activities	816,654,575.69	547,215,000.00
Subtotal of cash outflow from financing activities	3,855,441,514.58	3,382,013,679.21
Net cash flow generated by financing activities	988,389,356.92	233,280,496.68
IV. Impact of Fluctuation in Exchange Rate on Cash and Cash Equivalents	7,299,167.67	15,101,534.67

V. Net Increase in Cash and Cash Equivalents	-157,333,633.07	-1,197,623,717.25
Add: Cash and Cash Equivalents at the Commencement of the Period	3,702,283,803.54	3,062,678,993.88
VI. Cash and Cash Equivalents at the End of the Period	3,544,950,170.47	1,865,055,276.63

## 6. Cash Flow Statement of the Parent Company

Unit: RMB

Item Name	2019 Interim	2018 Interim
<b>I. Cash Flow Generated by Operational Activities:</b>		
Cash from Sales of Merchandise and Provision of Services	1,594,454,492.04	5,620,171,988.98
Tax Refund	327,192,023.88	271,139,112.45
Other Received Cashes Related to Operational Activities	98,858,726.98	5,648,274.89
Subtotal of cash inflow from operational activities	2,020,505,242.90	5,896,959,376.32
Cash Paid for Merchandise and Services	391,253,745.70	974,190,280.44
Cash Paid to and for Employees	1,597,070,311.21	1,369,457,901.39
Cash Paid for Taxes and Surcharges	534,095,073.85	538,414,539.67
Other Paid Cashes Related to Operational Activities	550,587,545.42	544,751,757.29
Subtotal of cash outflow from operational activities	3,073,006,676.18	3,426,814,478.79
Net cash flow generated by operating activities	-1,052,501,433.28	2,470,144,897.53
<b>II. Cash Flow from Investment Activities:</b>		
Cash Arising from Disposal of Investments		107,950,000.00
Cash Arising from Investment Incomes	9,387,186.86	1,385,176.03
Net Cash Arising from Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets	12,303,962.73	65,609,157.24
Net Cash Arising from Disposal of Subsidiaries and Other Business Units		
Other Received Cashes Related to Investment Activities	9,227,698.52	28,221,407.92
Subtotal of cash inflow from investment activities	30,918,848.11	203,165,741.19
Cash Paid for Purchase and Construction of Fixed Assets, Intangible Assets and Other Long-term Assets	102,347,243.84	35,814,739.74
Cash Paid for Investments	111,885,750.00	389,982,000.00
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	214,232,993.84	425,796,739.74

Net amount of cash flow generated by investment activities	-183,314,145.73	-222,630,998.55
III. Cash Flow from Financing Activities:		
Cash Arising from Absorbing Investments		
Cash Arising from Borrowings	1,963,462,853.53	850,000,000.00
Cash Arising from Bonds Issue		
Other Received Cashes Related to Financing Activities	2,541,785,779.17	110,534,201.15
Subtotal of cash inflow from financing activities	4,505,248,632.70	960,534,201.15
Cash Paid for Debts Repayment	1,066,444,497.42	300,000,000.00
Cash Paid for Distribution of Dividends and Profits or Payment of Interests	329,177,945.46	592,580,560.69
Other Paid Cashes Related to Financing Activities	2,258,109,917.86	2,768,689,582.54
Subtotal of cash outflow from financing activities	3,653,732,360.74	3,661,270,143.23
Net cash flow generated by financing activities	851,516,271.96	-2,700,735,942.08
IV. Impact of Fluctuation in Exchange Rate on Cash and Cash Equivalents	-251,558.05	-130,404.43
V. Net Increase in Cash and Cash Equivalents	-384,550,865.10	-453,352,447.53
Add: Cash and Cash Equivalents at the Commencement of the Period	603,430,209.42	524,670,812.68
VI. Cash and Cash Equivalents at the End of the Period	218,879,344.32	71,318,365.15

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

Amount of this period

Unit: RMB

Item Name	2019 Interim														
	Shareholders' Equity Attributable to the Parent Company's Owner											Minority Shareholder's 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			Others	Subtotal
	Preferred Stocks	Perpetual Bonds	Others												
I. Balance at the End of Last Year	2,997,621,930.00				1,501,180,862.83	807,733,586.00	10,337,164.41		1,246,369,430.91		7,670,983,116.33		12,618,758,918.48	284,506,754.95	12,903,265,673.43
Add: Changes in Accounting Policies															
Correction of Errors in the Previous Period															
Consolidated under the Same Control															
Others															

II. Balance at the Start of This Year	2,997,621,930.00				1,501,180,862.83	807,733,586.00	10,337,164.41		1,246,369,430.91		7,670,983,116.33	12,618,758,918.48	284,506,754.95	12,903,265,673.43
III. Increases or Decreases in This Period (Mark "-" for Decreases)	-44,200.00				71,017,514.99	70,490,360.13	-718,255.60				939,119,278.75	938,883,978.01	11,352,704.76	950,236,682.77
(I) Total Comprehensive Income							-718,255.60				1,238,880,948.74	1,238,162,693.14	-34,218,704.63	1,203,943,988.51
(II) Shareholders' Contribution and Reduction in Capital	-44,200.00				103,583,714.04	80,372,644.44						23,166,869.60	43,114,250.00	66,281,119.60
1. Common stock invested by the owner	-44,200.00				-326,617.25	80,372,644.44						-80,743,461.69	43,114,250.00	-37,629,211.69
2. Capital Invested by Holders of Other Equity Instruments														

3. Amount of Share-based Payments Recorded into Shareholders' Equity					103,910,331.29							103,910,331.29		103,910,331.29
4. Others														
(III) Profit Distribution					-9,882,284.31					-299,761,669.99		-289,879,385.68		-289,879,385.68
1. Appropriation of Surplus Reserves														
2. Appropriation of General Risk Reserves														
3. Distribution to Owners (or Shareholders)										-299,761,669.99		-299,761,669.99		-299,761,669.99
4. Others					-9,882,284.31							9,882,284.31		9,882,284.31
(IV) Internal Carry-forward of Shareholders' Equity														

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

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

Amount of Previous Period

Unit: RMB

Item Name	2018 Interim													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	Others	Subtotal		
Preferred Stocks		Perpetual Bonds	Others												
I. Balance at the End of Last Year	2,898,756,130.00				593,340,751.52		6,660,189.04		971,547,268.36		5,996,130,036.27		10,466,434,375.19	126,795,637.30	10,593,230,012.49
Add: Changes in Accounting															

Policies															
Correction of Errors in the Previous Period															
Consolidated under the Same Control															
Others															
II. Balance at the Start of This Year	2,898,756,130.00				593,340,751.52		6,660,189.04		971,547,268.36		5,996,130,036.27		10,466,434,375.19	126,795,637.30	10,593,230,012.49
III. Increases or Decreases in This Period (Mark "-" for Decreases)					-704,848.39		8,393,760.02				502,165,660.52		509,854,572.15	34,324,328.94	544,178,901.09
(I) Total Comprehensive Income							8,393,760.02				1,081,916,886.52		1,090,310,646.54	6,846,985.65	1,097,157,632.19
(II) Shareholders' Contribution and Reduction in Capital														27,410,000.00	27,410,000.00
1. Common stock invested by the owner														27,410,000.00	27,410,000.00

2. Capital Invested by Holders of Other Equity Instruments															
3. Amount of Share-based Payments Recorded into Shareholders' Equity															
4. Others															
(III) Profit Distribution											-579,751,226.00		-579,751,226.00		-579,751,226.00
1. Appropriation of Surplus Reserves															
2. Appropriation of General Risk Reserves															
3. Distribution to Owners (or Shareholders)											-579,751,226.00		-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. Carry-forward Retained Earnings of Other Comprehensive Incomes															
6. Others															

(V) Special Reserves														
1. Withdrawal in this period														
2. Used in This Period														
(VI) Others					-704,848.39							-704,848.39	67,343.29	-637,505.10
IV. Balance at the End of This Period	2,898,756,130.00				592,635,903.13	15,053,949.06		971,547,268.36		6,498,295,696.79		10,976,288,947.34	161,119,966.24	11,137,408,913.58

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

Amount of this period

Unit: RMB

Item Name	2019 Interim											
	Share Capital	Other Equity Instruments			Capital Reserves	Less: Treasury Share	Other Comprehensive Incomes	Special Reserves	Surplus Reserves	Undistributed Profits	Others	Total Shareholders' Equity
		Preferred Stocks	Perpetual Bonds	Others								
I. Balance at the End of Last Year	2,997,621,930.00				1,497,801,068.88	807,733,586.00			1,246,369,430.91	7,930,928,526.31		12,864,987,370.10
Add: Changes in Accounting Policies												
Correction of Errors in the Previous Period												

Others												
II. Balance at the Start of This Year	2,997,621,930.00				1,497,801,068.88	807,733,586.00				1,246,369,430.91	7,930,928,526.31	12,864,987,370.10
III. Increases or Decreases in This Period (Mark "-" for Decreases)	-44,200.00				68,460,768.79	70,490,360.13					826,833,682.31	824,759,890.97
(I) Total Comprehensive Income											1,126,595,352.30	1,126,595,352.30
(II) Shareholders' Contribution and Reduction in Capital	-44,200.00				101,026,967.84	80,372,644.44						20,610,123.40
1. Common stock invested by the owner	-44,200.00				-326,617.25	80,372,644.44						-80,743,461.69
2. Capital Invested by Holders of Other Equity Instruments												
3. Amount of Share-based Payments Recorded into Shareholders' Equity					101,353,585.09							101,353,585.09
4. Others												
(III) Profit Distribution						-9,882,284.31					-299,761,669.99	-289,879,385.68
1. Appropriation of Surplus Reserves												



(VI) Others					-32,566,199.05							-32,566,199.05
IV. Balance at the End of This Period	2,997,577,730.00				1,566,261,837.67	878,223,946.13			1,246,369,430.91	8,757,762,208.62		13,689,747,261.07

Amount of Previous Period

Unit: RMB

Item Name	2018 Interim											
	Share Capital	Other Equity Instruments			Capital Reserves	Less: Treasury Share	Other Comprehensive Incomes	Special Reserves	Surplus Reserves	Undistributed Profits	Others	Total Shareholders' Equity
		Preferred Stocks	Perpetual Bonds	Others								
I. Balance at the End of Last Year	2,898,756,130.00				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)					-637,505.10					526,724,624.58		526,087,119.48
(I) Total Comprehensive Income										1,106,475,850.58		1,106,475,850.58
(II) Shareholders'												

Contribution and Reduction in Capital												
1. Common stock invested by the owner												
2. Capital Invested by Holders of Other Equity Instruments												
3. Amount of Share-based Payments Recorded into Shareholders' Equity												
4. Others												
(III) Profit Distribution										-579,751,226.00		-579,751,226.00
1. Appropriation of Surplus Reserves												
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. Carry-forward Retained Earnings of Other Comprehensive Incomes												
6. Others												
(V) Special Reserves												
1. Withdrawal in this period												
2. Used in This Period												
(VI) Others					-637,505.10							-637,505.10
IV. Balance at the End of This Period	2,898,756,130.0 0				589,258,331. 39				971,547,268 .36	6,564,004,913. 95		11,023,566,643.7 0

### III. Basic Information about the Company

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

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

As of June 30, 2019, the Company has issued a total of 2,997,577,730 shares, with a registered capital of RMB 2,997,577,730. 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, information technology consultation service, import & export businesses, etc. The actual controllers of the Company are Fu Liquan and Chen Ailing.

This financial statement has been approved by Board of Directors on August 16, 2019.

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

### IV. Basis for Preparing the Financial Statement

#### 1. Basis for the preparation

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

#### 2. Going concern

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

### V. Significant Accounting Policies and Accounting Estimates

Notes to specific accounting policies and accounting estimates:

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

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

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 transactions until the control is lost, generally transactions in stages are treated 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 deal, 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 deal, 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

According to the business model of financial assets management of the Company and the contractual cash flow characteristics of financial assets, the financial assets are classified at the initial recognition into: financial assets measured at amortized cost, financial assets at fair value through other comprehensive income (debt instruments) and financial assets at fair value through profit or loss.

Those classified into financial assets measured at amortized cost have the business model whose target is the collection of contractual cash flow and where the contractual cash flow is only the payment of the principal and the interest based on the outstanding principal amount; those classified into financial assets at fair value through other comprehensive income (debt instruments) have the business model whose target is the collection of contractual cash flow as well as selling such financial assets and where the contractual cash flow is only the payment of the principal and the interest based on the outstanding principal amount; other financial assets other than the above are classified as financial assets at fair value through profit or loss.

For investments in non-transactional equity instruments, the Company defines it as financial assets at fair value through profit or loss at the initial recognition; Those due later than one year since the balance sheet date and expected to be held for more than one year are listed as other non-current financial assets. At the initial recognition, in order to eliminate or significantly reduce accounting mismatches, financial assets can be designated as financial assets at fair value through profit or loss. For such financial assets, the Group uses fair value for subsequent measurement, with changes in fair value recorded in profit or loss for the period.

Financial liabilities are classified at the initial recognition into: financial liabilities at fair value through profit and loss and financial liabilities measured at amortized cost.

The financial liabilities meeting any of the following conditions can be designated as the financial liabilities at fair value through profit and loss:

1) Such designation can eliminate or significantly reduce accounting mismatches.

2) According to corporate risk management or investment strategies as stated in formal written documents, the management and performance evaluation of financial liability portfolios or combinations of financial assets and financial liabilities are based on fair value, and reported to key management personnel on this basis within the enterprise.

3) Such financial liabilities include embedded derivatives that need to be split separately.

(2) Recognition and measurement of financial instruments

① Financial assets measured at amortized cost

Financial assets measured at amortized cost include notes receivable, accounts receivable, other receivables, long-term receivables, and debt investment, etc., which are initially measured at fair value, with related transaction costs included in the initial recognition amount; The accounts receivable excluding major financing components and the accounts receivable where the company decided not to consider the financing component of not more than one year are initially measured at the contract transaction price.

Interest calculated according to the effective interest rate during the period is recorded into profit and loss for the period.

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

② Financial assets (debt instruments) at fair value through other comprehensive income

Financial assets (debt instruments) at fair value through other comprehensive income include receivables financing, other debt investments, etc., which are initially measured at fair value, with related transaction costs included in the initial recognition amount. The financial assets are subsequently measured at fair value, with changes in fair value included in other comprehensive income except for interest, impairment losses or gains and exchange gains or losses calculated using the effective interest rate.

When the recognition is terminated, the accumulated gain or loss previously included in other comprehensive income is transferred from other comprehensive income and included in profit or loss for the period.

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

Financial assets (equity instruments) at fair value through other comprehensive income include other equity investments, etc., which are initially measured at fair value, with related transaction costs included in the initial recognition amount. The financial assets are subsequently measured at fair value, with changes in fair value included in other comprehensive income. Dividends obtained are recorded into profit or loss for the period.

When the recognition is terminated, the accumulated gain or loss previously included in other comprehensive income is transferred from other comprehensive income and included in retained earnings.

④ Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include transactional financial assets, derivative financial assets and other non-current financial assets, which are initially measured at fair value, with related transaction costs included in profit and loss for the period. The financial assets are subsequently measured at fair value, with changes in fair value included in profit and loss for the period.

When the recognition is terminated, 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.

⑤ Financial Liabilities at Fair Value through Profit or Loss

Financial Liabilities at Fair Value through Profit or Loss include Transactional Financial Liabilities, derivative financial liabilities, etc., which are initially measured at fair value, with related transaction costs included in profit and loss for the period. The financial liabilities are subsequently measured at fair value, with changes in fair value included in profit and loss for the period.

When the recognition is terminated, 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.

⑥ Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost include short-term loans, bills payable, accounts payable, other payables, long-term borrowings, bonds payable, and long-term payables, which are initially measured at fair value, with related transaction

costs included in the initial recognition amount.

Interest calculated according to the effective interest rate during the period is recorded into profit and loss for the period.

When the recognition is terminated, the difference between the consideration paid and the carrying amount of the financial liabilities is charged to profit or loss for the period.

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

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

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

- ① The carrying amount of the financial asset transferred;
- ② The consideration received as a result of the transfer, plus the accumulative amount of the change in fair value previously recorded into the owners' equities.

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.

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

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

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

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

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

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

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

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. The Company uses the valuation technique when it is applicable under current conditions and there are enough available data and other information to support and the technique should maximize the use of relevant observable. It chooses the inputs which are consistent

with the asset or liability's characteristics considered by market participants in the transaction of the relevant asset or liability and makes the maximum use of relevant observable inputs. Unobservable inputs are used under the circumstance that the relevant observable inputs cannot be obtained or not feasible.

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

The Company estimates the expected credit losses of financial assets measured at amortized cost and financial assets (debt instruments) at fair value through other comprehensive income on an individual or portfolio basis, taking into account all reasonable and evidence-based information including forward-looking information. The measurement of expected credit losses depends on whether the credit risk of financial assets has increased significantly since the initial recognition.

If the credit risk of the financial instrument has increased significantly since the initial recognition, the Company will measure its provision for loss based on the amount equivalent to the expected credit loss of such financial instrument over its entire duration; if the credit risk of the financial instrument has not increased significantly since the initial recognition, the Company will measure its provision for loss based on the amount equivalent to the expected credit loss of such financial instrument within the following 12 months. The increase or reversal amount of the provision for loss resulted therefrom is included in the profit and loss of the period as an impairment loss or gain.

Usually, once the financial instrument is overdue more than 30 days, the Company believes that the credit risk of the financial instrument has increased significantly, unless there is conclusive evidence that the credit risk of the financial instrument has not increased significantly since the initial recognition.

If the credit risk of financial instrument is low on the balance sheet date, the Company believes that the credit risk of the financial instrument has not increased significantly since the initial recognition.

## 10. Notes Receivable

For notes receivable, whether significant financing is involved or not, the Company will always measure its provision for loss based on the amount equivalent to the expected credit loss of its entire duration, and the increase or reversal amount of the provision for loss resulting therefrom is included in the profit and loss of the period as an impairment loss or gain.

## 11. Accounts Receivable

For accounts receivable, whether significant financing is involved or not, the Company will always measure its provision for loss based on the amount equivalent to the expected credit loss of its entire duration, and the increase or reversal amount of the provision for loss resulting therefrom is included in the profit and loss of the period as an impairment loss or gain.

For accounts receivable for which there is objective evidence of impairment and which is applicable to individual assessments, it is individually tested for impairment, the expected credit loss is recognized, and individual impairment provision is made.

For accounts receivable that does not have objective evidence of impairment or when the expected credit loss of individual accounts receivable cannot be assessed at a reasonable cost, the Company will combine the accounts receivable according to similar credit risk characteristics.

The accounts receivable is combined based on the following criteria:

For accounts receivable classified into portfolio, the Company calculates the expected credit losses based on historical credit loss experience, in combination with current conditions and forecasts of future economic conditions.

The expected credit loss is combined as follows:

(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	Within top five accounts receivable balances
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the Accounts Receivable That Are Individually Significant	
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

For the Aging Analysis Portfolio, the Company estimates the accrual ratio of bad debt provision for accounts receivable based on all reasonable and evidenced information, including forward-looking information, as shown below:

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%

## (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

## 12. Other receivables

Recognizing methods and accounting methods of the expected credit loss of other receivables

For interests receivable and dividends receivable, whether significant financing is involved or not, the Company will always measure their provision for loss based on the amount equivalent to the expected credit loss of their entire duration, and the increase or reversal amount of the provision for loss resulting therefrom is included in the profit and loss of the period as an impairment loss or

gain; the impairment loss for other receivables is measured in accordance with the measurement method of impairment loss of the aforementioned receivables.

### 13. Inventories

#### (1) Category of inventory

Inventories are classified as raw materials, work in progress, turnover materials, goods in product, commissioned processing materials, etc.

#### (2) Determination of cost

Cost of inventories is determined using the weighted average method.

#### (3) Basis for the determination of net realizable value and provision method for decline in value 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.

### 14. 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.

## 15. 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' 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 "The accounting treatment of business combinations involving enterprises under common control and business combinations involving enterprises under common control" and " Method of preparation of consolidated financial statements" in this note.

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 write-off, it shall continue to recognize investment loss and write off carrying values of long-term receivables to the extent of the carrying amount of the long-term equity (Note: the specific contents and determining criteria of the long-term equity should be clearly defined) which substantively constitutes the net investment in the investee. 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.

## 16. Investment property

Investment property measurement model

Measurement by cost method

Depreciation or amortization method

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.

## 17. 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
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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 lesser, assets under finance lease will be recognized: ① upon the expiry of lease, the ownership of the leased asset is transferred 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 the present value of the minimum lease payment upon the commencement of the lease is substantially the same as the fair value of the leased asset. 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.

## 18. 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.

## 19. 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.

## 20. Intangible Assets

### (1) Valuation method, service life, impairment test

#### A. Valuation method of intangible assets

## ① Intangible assets are initially measured at cost upon acquisition

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

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

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

## ② Subsequent measurement

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

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

## B. 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.

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

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

**(2) Accounting policy for internal R&D expenditure**

## A. Specific criteria for 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.

## B. Specific criteria for development phase qualified for capitalization:

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

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

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

## 21. 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.

## 22. Long-term prepaid expenses

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

### (1) Amortization method

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

### (2) Amortization period

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

## 23. 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.

## 24. 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.

## 25. Share-based payment

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

## 26. Revenue

Whether new revenue standards have been implemented

Yes  No

(1) General principles for recognizing revenue from the sale of goods:

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 domestic sales revenue for 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 receipt for proving the client's receipt of goods.

② Principle for recognizing overseas sales revenue for 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.

## 27. Government subsidies

### (1) Type

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

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

### (2) Confirmation of time point

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

For government grants related to revenue, 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.

## 28. 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 good will; 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.

## 29. 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.

## 30. 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.

### 31. Changes in significant accounting policies and accounting estimates

#### (1) Changes in significant accounting policies

√ Applicable □ Not applicable

Content and Reasons for Change in Accounting Policies	Approval procedure	Notes
<p>Revision of the financial statement format</p> <p>The Group has implemented the Notice on Revising the Format of 2019 General Enterprise Financial Statements (CaiKuai [2019] No. 6, hereinafter referred to as "CaiKuai No. 6") issued by the Ministry of Finance (MOC) on April 30, 2019 since the preparation of the 2019 interim financial statements. The CaiKuai No. 6 revised the general enterprise financial statement format, with the item "accounts receivable and notes receivable" split into items "accounts receivable" and "notes receivable", and "accounts payable and notes payable" into "accounts payable" and "notes payable", and the presented contents of subjects "interest income", "other income", "asset disposal income", "non-operating income" and "non-operating expenses" under the items "other receivables", "non-current assets due within one year", "other payables", "deferred income", "research and development" and "financial expenses" clarified or revised. For the enterprises that have implemented the new financial instrument standards, the "receivables financing" is added to reflect the notes receivable and accounts receivable that are measured at fair value through other comprehensive income under the new financial instrument standards; the "income of financial assets recognition termination measured at amortized cost" is added to reflect the gains or losses arising from the termination of recognition of financial assets measured at amortized cost due to transfer of the enterprise. For the above-mentioned changes in the presented items, the Company adopts the retrospective adjustment method to make accounting changes, and retrospectively adjusts the data in comparable accounting periods.</p>	Approved on the meeting of the Board of Directors of the Company	N/A
<p>The New Financial Instruments Standards</p> <p>The Group has implemented the "Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments", "Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets", "Accounting Standards for Business Enterprises No. 24 - Hedge Accounting" and "Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments" revised by the Ministry of Finance in 2017 (hereinafter referred to as "New Financial Instruments Standards") from January 1,</p>	Approved on the meeting of the Board of Directors	N/A

<p>2019.</p> <p>In terms of the classification and measurement of financial assets, the New Financial Instruments Standards require that the financial assets shall be classified into three categories: "financial assets measured at amortized cost", "financial assets at fair value through other comprehensive income" and "financial assets at fair value through profit or loss" according to the contractual cash flow characteristics of financial assets and the business model of financial assets management of the Company, with the categories in the original financial instruments standards like loans and receivables, held-to-maturity investment and available-for-sale financial assets abandoned. Equity instrument investments are generally classified as financial assets at fair value through profit or loss. The non-transactional equity instrument investments can also be designated as financial assets at fair value through other comprehensive income, but such designation is irrevocable and the accumulated fair value changes previously recognized in other comprehensive income cannot be carried forward to profit or loss of the period.</p> <p>In respect of impairment, the requirements of the New Financial Instruments Standards for impairment apply to financial assets measured at amortized cost, financial assets at fair value through other comprehensive income, lease receivables and financial guarantee contracts. The require the use of the expected credit loss model, instead of the original credit loss model, for confirming the provision for credit lossNew Financial Instruments Standards. The new impairment model adopts a three-stage model. The provision for credit loss is accrued based on the expected credit loss within 12 months or the expected credit loss of the entire duration of an item, depending on whether the credit risk of such an item has increased significantly since the initial confirmation. For the total accounts receivable and long-term receivables formed by transactions regulated by the revenue standards, as well as the finance lease receivables formed by the transactions regulated by the Accounting Standards for Business Enterprises No. 21 - Leases, the Group measures the provision for loss according to the amount equivalent to that of the expected credit losses of the entire duration.</p> <p>For financial instruments to which the recognition and measurement inconsistent with the requirements of the New Financial Instruments Standards were applied before January 1, 2019, the Group will make retrospective adjustments in accordance with the requirements of the New Financial Instruments Standards. The Group does not make adjustments to previous comparative financial statements inconsistent with the requirements of the New Financial Instruments Standards. The difference between the original carrying value of the financial instrument and the new carrying value on the date of the implementation of the New Financial Instruments Standards is included in retained income or other comprehensive income on January 1, 2019.</p>	of the Company	
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## (2) Changes in significant accounting estimates

Applicable  Not applicable

## (3) Adjustments to the first implementation of the financial statements at the beginning of the year at the first implementation of new financial instruments standards, new revenue standards, and new lease standards

Applicable  Not applicable

Consolidated Balance Sheet

Unit: RMB

Item Name	December 31, 2018	January 01, 2019	Adjusted Amount
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Current Assets:			
Cash and Bank Balances	4,160,153,847.06	4,160,153,847.06	
Deposit Reservation for Balance			
Loans to Banks and Other Financial Institutions			
Transactional Financial Assets			
Financial Liabilities at Fair Value through Profit or Loss			
Derivative Financial Assets			
Notes Receivable	2,385,693,417.06	2,385,693,417.06	
Accounts Receivable	10,191,372,777.38	10,191,372,777.38	
Accounts Receivable Financing			
Prepayments	126,891,259.00	126,891,259.00	
Premium Receivable			
Reinsurance Accounts Receivable			
Reinsurance Contract Reserves Receivable			
Other Receivables	398,170,769.40	398,170,769.40	
Including: interest receivable	6,754,941.00	6,754,941.00	
Dividends Receivable			
Buying Back the Sale of Financial Assets			
Inventory	3,035,579,709.14	3,035,579,709.14	
Contract Assets			
Holding for-sale assets			
Non-current Assets Due within 1 Year	578,733,057.27	578,733,057.27	
Other Current Assets	402,255,078.05	402,255,078.05	
Subtotal of Current Assets	21,278,849,914.36	21,278,849,914.36	

Non-current Assets:			
Granting of loans and advances			
Debt Investment			
Financial Assets Available for Sale	82,970,227.00		-82,970,227.00
Other Debt Investment			
Held-to-maturity Investments			
Long-term Receivables	1,861,485,568.28	1,861,485,568.28	
Long-term Equity Investment	185,872,021.58	185,872,021.58	
Investments in Other Equity Instruments			
Other non-current financial assets		82,970,227.00	82,970,227.00
Investment Property	346,831,376.55	346,831,376.55	
Fixed Assets	1,407,471,330.83	1,407,471,330.83	
Projects under Construction	226,191,587.11	226,191,587.11	
Productive Biological Assets			
Oil and Gas Assets			
Right-of-use Assets			
Intangible Assets	372,467,409.09	372,467,409.09	
Development Expenditure			
Goodwill	109,745,412.21	109,745,412.21	
Long-term Prepaid Expenses	37,117,918.55	37,117,918.55	
Deferred Income Tax Assets	425,319,406.98	425,319,406.98	
Other Non-current Assets	16,277,605.61	16,277,605.61	
Subtotal of Non-current Assets	5,071,749,863.79	5,071,749,863.79	
Total Assets	26,350,599,778.15	26,350,599,778.15	

Current Liabilities:			
Short-term loan	1,851,709,561.83	1,851,709,561.83	
Borrowings from the Central Bank			
Borrowings from Banks and Other Financial Institutions			
Transactional Financial Liabilities		38,602,602.30	38,602,602.30
Financial Liabilities Measured in Fair Value with Changes Recorded into Current Profit and Loss	38,602,602.30		-38,602,602.30
Derivative Financial Liabilities			
Notes Payable	3,671,586,104.79	3,671,586,104.79	
Accounts Payable	3,789,729,594.20	3,789,729,594.20	
Received Prepayments	343,297,891.20	343,297,891.20	
Financial Assets Sold for Repurchase			
Deposit Taking and Interbank Deposit			
Receiving from Vicariously Traded Securities			
Receiving from Vicariously Sold Securities			
Payroll Payable	1,124,358,611.94	1,124,358,611.94	
Tax Payable	599,478,049.81	599,478,049.81	
Other Payables	1,051,537,094.97	1,051,537,094.97	
Including: interest payable	4,745,203.31	4,745,203.31	
Dividends Payable			
Service Charge and Commission Payable			
Reinsurance Accounts Payable			
Contract Liabilities			

Holding for-sale liabilities			
Non-current Liabilities Due within 1 Year	25,500,000.00	25,500,000.00	
Other Current Liabilities	70,845,639.51	70,845,639.51	
Subtotal of Current Liabilities	12,566,645,150.55	12,566,645,150.55	
Non-current Liabilities:			
Insurance Contract Reserves			
Long-term Loan	179,000,000.00	179,000,000.00	
Bonds Payable			
Including: Preferred Stocks			
Perpetual Bonds			
Lease Liabilities			
Long-term Payables			
Long-term payroll payable			
Expected Liabilities	193,761,170.12	193,761,170.12	
Deferred Income	58,693,533.40	58,693,533.40	
Deferred Income Tax Liabilities	50,137,969.76	50,137,969.76	
Other Non-current Liabilities	399,096,280.89	399,096,280.89	
Subtotal of Non-current Liabilities	880,688,954.17	880,688,954.17	
Total Liabilities	13,447,334,104.72	13,447,334,104.72	
Shareholders' Equity:			
Share Capital	2,997,621,930.00	2,997,621,930.00	
Other Equity Instruments			
Including: Preferred Stocks			
Perpetual Bonds			

Capital Reserves	1,501,180,862.83	1,501,180,862.83	
Less: Treasury Share	807,733,586.00	807,733,586.00	
Other Comprehensive Incomes	10,337,164.41	10,337,164.41	
Special Reserves			
Surplus Reserves	1,246,369,430.91	1,246,369,430.91	
General Risk Reserves			
Undistributed Profits	7,670,983,116.33	7,670,983,116.33	
Total Shareholders' Equity Attributable to the Parent Company	12,618,758,918.48	12,618,758,918.48	
Minority Shareholders' Equity	284,506,754.95	284,506,754.95	
Total Shareholders' Equity	12,903,265,673.43	12,903,265,673.43	
Total Liabilities and Shareholders' Equity	26,350,599,778.15	26,350,599,778.15	

## Balance Sheet of the Parent Company

Unit: RMB

Item Name	December 31, 2018	January 01, 2019	Adjusted Amount
Current Assets:			
Cash and Bank Balances	611,190,236.01	611,190,236.01	
Transactional Financial Assets			
Financial Liabilities at Fair Value through Profit or Loss			
Derivative Financial Assets			
Notes Receivable	952,572,702.92	952,572,702.92	
Accounts Receivable	4,598,575,923.04	4,598,575,923.04	
Accounts Receivable Financing			
Prepayments	26,772,044.53	26,772,044.53	
Other Receivables	6,954,655,863.03	6,954,655,863.03	
Including: interest receivable	42,500.00	42,500.00	

Dividends Receivable			
Inventory	120,181,267.85	120,181,267.85	
Contract Assets			
Holding for-sale assets			
Non-current Assets Due within 1 Year	50,793,137.80	50,793,137.80	
Other Current Assets	24,858,982.78	24,858,982.78	
Subtotal of Current Assets	13,339,600,157.96	13,339,600,157.96	
Non-current Assets:			
Debt Investment			
Financial Assets Available for Sale	80,496,000.00		-80,496,000.00
Other Debt Investment			
Held-to-maturity Investments			
Long-term Receivables	160,299,143.83	160,299,143.83	
Long-term Equity Investment	3,001,639,428.55	3,001,639,428.55	
Investments in Other Equity Instruments			
Other non-current financial assets		80,496,000.00	80,496,000.00
Investment Property	183,321,198.72	183,321,198.72	
Fixed Assets	496,363,638.38	496,363,638.38	
Projects under Construction	151,072,585.67	151,072,585.67	
Productive Biological Assets			
Oil and Gas Assets			
Right-of-use Assets			
Intangible Assets	170,879,747.04	170,879,747.04	
Development Expenditure			
Goodwill			
Long-term Prepaid Expenses	28,927,258.54	28,927,258.54	

Deferred Income Tax Assets	40,821,902.57	40,821,902.57	
Other Non-current Assets	929,380.00	929,380.00	
Subtotal of Non-current Assets	4,314,750,283.30	4,314,750,283.30	
Total Assets	17,654,350,441.26	17,654,350,441.26	
Current Liabilities:			
Short-term loan	1,380,000,000.00	1,380,000,000.00	
Transactional Financial Liabilities			
Financial Liabilities Measured in Fair Value with Changes Recorded into Current Profit and Loss			
Derivative Financial Liabilities			
Notes Payable	175,647,414.85	175,647,414.85	
Accounts Payable	889,881,485.16	889,881,485.16	
Received Prepayments	80,361,211.04	80,361,211.04	
Contract Liabilities			
Payroll Payable	817,723,936.19	817,723,936.19	
Tax Payable	351,294,836.50	351,294,836.50	
Other Payables	1,060,909,330.56	1,060,909,330.56	
Including: interest payable	2,416,340.30	2,416,340.30	
Dividends Payable			
Holding for-sale liabilities			
Non-current Liabilities Due within 1 Year			
Other Current Liabilities	6,464,333.12	6,464,333.12	
Subtotal of Current Liabilities	4,762,282,547.42	4,762,282,547.42	
Non-current Liabilities:			
Long-term Loan			

Bonds Payable			
Including: Preferred Stocks			
Perpetual Bonds			
Lease Liabilities			
Long-term Payables			
Long-term payroll payable			
Expected Liabilities	3,396,100.00	3,396,100.00	
Deferred Income			
Deferred Income Tax Liabilities			
Other Non-current Liabilities	23,684,423.74	23,684,423.74	
Subtotal of Non-current Liabilities	27,080,523.74	27,080,523.74	
Total Liabilities	4,789,363,071.16	4,789,363,071.16	
Shareholders' Equity:			
Share Capital	2,997,621,930.00	2,997,621,930.00	
Other Equity Instruments			
Including: Preferred Stocks			
Perpetual Bonds			
Capital Reserves	1,497,801,068.88	1,497,801,068.88	
Less: Treasury Share	807,733,586.00	807,733,586.00	
Other Comprehensive Incomes			
Special Reserves			
Surplus Reserves	1,246,369,430.91	1,246,369,430.91	
Undistributed Profits	7,930,928,526.31	7,930,928,526.31	
Total Shareholders' Equity	12,864,987,370.10	12,864,987,370.10	
Total Liabilities and Shareholders' Equity	17,654,350,441.26	17,654,350,441.26	

#### (4) Retrospective adjustment to previous comparative data at the first implementation of the new financial instruments standards and new lease standards

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	16%, 13%, 11%, 10%, 9%, 6%, simple collection rate of 5% and simple collection rate of 3%
Urban Maintenance and Construction Tax	Calculated based on the deduction free amount, actual business tax, VAT, and consumption tax	7%, 5%
Enterprise Income Tax	Calculated based on the taxable income	15%, 16.5%, 25%
Education Surcharges	Calculated based on the deduction free amount, actual business tax, VAT, and consumption tax	3%
Local Education Surcharges	Calculated based on the deduction free amount, actual business tax, VAT, and consumption tax	2%

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

Name of taxpayer	Income tax rate
Zhejiang Dahua Technology Co., Ltd.	15%
Zhejiang Dahua System Engineering Co., Ltd.	15%
Zhejiang Dahua Security Network Operation Service Co., Ltd.	15%
South North United Information Technology Co., Ltd.	15%
Zhejiang Huatu Microchip Technology Co., Ltd.	15%
Hangzhou Tecomore Technology Co., Ltd.	15%
Zhejiang HuaRay Technology Co., Ltd.	15%
Zhejiang Huachuang Vision Technology Co., Ltd.	15%
Xinjiang Dahua Zhixin Information Technology Co., Ltd.	15%
Xinjiang Dahua Zhihe Information Technology Co., Ltd.	15%
Xinjiang Dahua Zhitian Information Technology Co., Ltd.	15%
Xinjiang Dahua Huayue Information Technology Co., Ltd.	15%

Xinjiang Dahua Xinzhi Information Technology Co., Ltd.	15%
Inner Mongolia Dahua Zhimeng Information Technology Co., Ltd.	15%
Dahua Technology (HK) Limited	16.50%
Other domestic companies	25%
Other overseas companies	Applicable to local tax rate

## 2. Preferential tax rate

(1) In accordance with CaiShui [2011] No. 100 jointly issued by the Ministry of Finance (MOC) and the State Administration of Taxation (SAT), our software sales with actual tax burden of more than 3% is subject to the policy of immediate refund right after collection after being reviewed and approved by the competent tax authorities. The policy of "tax exemption, offset and refund" is valid for the value-added tax (VAT) on our export goods, with the tax refund rate of 16% and 13%.

(2) In accordance with the Letter of Reply on the Registration of First Batch of High-tech Enterprises of Zhejiang Province in 2017 (GuoKeHuoZi [2017] No.201) issued by the Science and Technology Department of Zhejiang Province, the Company has been re-certified as a high-tech enterprise with the High-tech Enterprise Certificate No.GR201733003264 issued on November 13, 2017 with a validity period of three years. The Company's enterprise income tax in this period shall be calculated and paid at a tax rate of 15%.

(3) In accordance with the Letter of Reply on the Registration of First Batch of High-tech Enterprises of Zhejiang Province in 2015 (GuoKeHuoZi [2015] No.256) issued by the Leading High-tech Industry Development Center of the Science and Technology Department, the subsidiary - Zhejiang Dahua System Engineering Co., Ltd. - has been approved to be registered as a high-tech enterprise, with the High-tech Enterprise Certificate No.GR201633001378. The enterprise income tax of the subsidiary - Zhejiang Dahua System Engineering Co., Ltd. - in this period shall be calculated and paid at a tax rate of 15%.

(4) In accordance with the Letter of Reply on the Registration of First Batch of High-tech Enterprises of Zhejiang Province in 2017 (GuoKeHuoZi [2017] No.201) issued by the Science and Technology Department of Zhejiang Province, the subsidiary - Zhejiang Dahua Security Network Operation Service Co., Ltd. - has been certified as a high-tech enterprise with the High-tech Enterprise Certificate No.GR201733000226 issued on November 13, 2017 with a validity period of three years. The enterprise income tax of the subsidiary - Zhejiang Dahua Security Network Operation Service Co., Ltd. - in this period shall be calculated and paid at a tax rate of 15%.

(5) In accordance with the Letter of Reply on the Registration of First Batch of High-tech Enterprises of Zhejiang Province in 2017 (GuoKeHuoZi [2017] No.201) issued by the Science and Technology Department of Zhejiang Province, the subsidiary - South-North United Information Technology Co., Ltd. - has been certified as a high-tech enterprise, with the High-tech Enterprise Certificate No.GR201733001886 issued on November 13, 2017 with a validity period of three years. The enterprise income tax of the subsidiary - South-North United Information Technology Co., Ltd. - in this period shall be calculated and paid at a tax rate of 15%.

(6) In accordance with the Letter of Reply on the Registration of First Batch of High-tech Enterprises of Zhejiang Province in 2018 (GuoKeHuoZi [2019] No.70) issued by the Science and Technology Department of Zhejiang Province, the subsidiary - Zhejiang Huatu Microchip Technology Co., Ltd. - has been certified as a high-tech enterprise, with the High-tech Enterprise Certificate No.GR201833004098 issued on November 30, 2018 with a validity period of three years. The enterprise income tax of the subsidiary - Zhejiang Huatu Microchip Technology Co., Ltd. - in this period shall be calculated and paid at a tax rate of 15%.

(7) In accordance with the Letter of Reply on the Registration of High-tech Enterprises of Zhejiang Province in 2018 (GuoKeHuoZi [2019] No.70) issued by the Science and Technology Department of Zhejiang Province, the subsidiary - Hangzhou Tecomore Technology Co., Ltd. - has been certified as a high-tech enterprise, with the High-tech Enterprise Certificate

No.GR201833000036 issued on November 30, 2018 with a validity period of three years. The enterprise income tax of the subsidiary - Hangzhou Tecomore Technology Co., Ltd. - in this period shall be calculated and paid at a tax rate of 15%.

(8) In accordance with the Letter of Reply on the Registration of First Batch of High-tech Enterprises of Zhejiang Province in 2018 (GuoKeHuoZi [2019] No.70) issued by the Science and Technology Department of Zhejiang Province, the subsidiary - Zhejiang HuaRay Technology Co., Ltd. - has been certified as a high-tech enterprise, with the High-tech Enterprise Certificate No.GR201833002084 issued on November 30, 2018 with a validity period of three years. The enterprise income tax of the subsidiary - Zhejiang HuaRay Technology Co., Ltd. - in this period shall be calculated and paid at a tax rate of 15%.

(9) In accordance with the Letter of Reply on the Registration of First Batch of High-tech Enterprises of Zhejiang Province in 2018 (GuoKeHuoZi [2019] No.70) issued by the Science and Technology Department of Zhejiang Province, the subsidiary - Zhejiang Huachuang Vision Technology Co., Ltd. - has been certified as a high-tech enterprise, with the High-tech Enterprise Certificate No.GR201833000466 issued on November 30, 2018 with a validity period of three years. The enterprise income tax of the subsidiary - Zhejiang Huachuang Vision Technology Co., Ltd. - in this period shall be calculated and paid at a tax rate of 15%.

(10) In accordance with CaiShui [2011] No.58 jointly issued by the Ministry of Finance (MOC), the State Administration of Taxation (SAT) and the General Administration of Customs (GAC), the subsidiaries - Xinjiang Dahua Zhixin Information Technology LLC, Xinjiang Dahua Zhihe Information Technology Co., Ltd., Xinjiang Dahua Zhitian Information Technology Co., Ltd., Xinjiang Dahua Huayue Information Technology Co., Ltd., Xinjiang Dahua Xinzhi Information Technology Co., Ltd., and Inner Mongolia Dahua Zhimeng Information Technology Co., Ltd. - can enjoy the preferential tax policy for the development of the western region from 2011 to 2020; therefore, the corporate income tax for this year was calculated and paid at a rate of 15%.

(11) In accordance with CaiShui [2018] No.32 issued by the State Administration of Taxation (SAT), the tax rates for VAT taxable sales or imported goods by the taxpayer are adjusted from 17%, 11%, and 6% to 16%, 10%, and 6% respectively from May 1, 2018.

(12) In accordance with Announcement [2019] No.39 jointly issued by the Ministry of Finance (MOC), the State Administration of Taxation (SAT) and the General Administration of Customs (GAC), the tax rates for VAT taxable sales or imported goods by the taxpayer are adjusted from 16%, 10%, and 6% to 13%, 9%, and 6% respectively from April 1, 2019.

## VII. Notes to the Items in the Consolidated Financial Statements

### 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	3,401.03	3,981.79
Bank Balance	3,548,108,718.92	3,547,354,923.39
Other Cash and Bank Balances	653,455,994.40	612,794,941.88
Total	4,201,568,114.35	4,160,153,847.06
Including: Total Amount Deposited in Overseas Banks	943,660,689.93	838,640,436.81

The details of the cash and bank balances that are limited by mortgage, pledge or freeze are as follows:

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Documentary Credit Deposit	235,550,000.00	308,844,000.00
Bid/Performance Bond Deposit	89,919,335.26	60,315,816.01

Bank Acceptance/Commercial Acceptance Discount deposit	100,000,000.00	100,000,000.00
Bank Acceptance Bill Issuance Deposit	235,133,107.66	
Total	660,602,442.92	469,159,816.01

## 2. Trading financial assets

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Financial Liabilities at Fair Value through Profit or Loss	7,056,942.13	
Including:		
Including: Derivative Financial Assets	7,056,942.13	
Including:		
Total	7,056,942.13	

## 3. Notes Receivable

### (1) Categories of notes receivable

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Bank Acceptance Notes	1,221,653,902.14	2,385,693,417.06
Total	1,221,653,902.14	2,385,693,417.06

### (2) Notes Receivable pledged by the Company at the closing of the reporting period

Unit: RMB

Item Name	Pledged amount by the end of period
Bank Acceptance Notes	1,127,284,255.91
Total	1,127,284,255.91

### (3) Notes Receivable discounted or endorsed by the Company at the closing of the reporting period

Unit: RMB

Item Name	Derecognised amount at the end of period	Not derecognised amount at the end of period
Bank Acceptance Notes	111,187,456.29	

Total	111,187,456.29
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#### 4. Accounts Receivable

##### (1) Disclosure of accounts receivable by categories

Unit: RMB

Category	Balance at the End of the Period					Balance at the Commencement of the Period				
	Book Balance		Bad Debt Provision		Book Value	Book Balance		Bad Debt Provision		Book Value
	Amount	Percentage	Amount	Proportion		Amount	Percentage	Amount	Proportion	
Accounts Receivable with Bad Debt Provision Accrued Based on Credit Risk Feature Combinations	77,985,715.13	0.63%	67,985,715.13	87.18%	10,000,000.00	77,967,205.50	0.69%	67,967,205.50	87.17%	10,000,000.00
Including:										
Accounts Receivable that are individually insignificant but are provided for bad debt on individual basis	77,985,715.13	0.63%	67,985,715.13	87.18%	10,000,000.00	77,967,205.50	0.69%	67,967,205.50	87.17%	10,000,000.00
Accounts Receivables with the bad debts provision accrued on a portfolio basis	12,283,449,865.04	99.37%	1,158,505,427.19	9.43%	11,124,944,437.85	11,197,400,451.31	99.31%	1,016,027,673.93	9.07%	10,181,372,777.38
Including:										
Portfolio 2: Aging Analysis Portfolio	12,283,449,865.04	99.37%	1,158,505,427.19	9.43%	11,124,944,437.85	11,197,400,451.31	99.31%	1,016,027,673.93	9.07%	10,181,372,777.38
Total	12,361,435,580.17	100.00%	1,226,491,142.32		11,134,944,437.85	11,275,367,656.81	100.00%	1,083,994,879.43		10,191,372,777.38

Accrue bad debt provision individually:

Unit: RMB

Name	Balance at the End of the Period			
	Accounts Receivable	Bad Debt Provision	Accrued Proportion	Accrual Reason
Customer 1	66,920,644.38	56,920,644.38	85.06%	Estimated recoverable amount of RMB 10

				million
Customer 2	11,065,070.75	11,065,070.75	100.00%	Expected to be unable to recover
Total	77,985,715.13	67,985,715.13	--	--

Bad debts provision accrued on a portfolio basis:

Unit: RMB

Name	Balance at the End of the Period		
	Accounts Receivable	Bad Debt Provision	Accrued Proportion
Within 1 year (including 1 year)	10,161,145,520.42	508,057,276.02	5.00%
1 to 2 years	1,067,170,249.76	106,717,024.98	10.00%
2 to 3 years	375,802,899.29	112,740,869.79	30.00%
3 to 4 years	446,875,591.11	223,437,795.56	50.00%
4 to 5 years	124,515,718.08	99,612,574.46	80.00%
5 years or above	107,939,886.38	107,939,886.38	100.00%
Total	12,283,449,865.04	1,158,505,427.19	--

Disclose by aging

Unit: RMB

Aging	Balance at the End of the Period
Within 1 year (including 1 year)	10,161,145,520.42
Subtotal within 1 year	10,161,145,520.42
1 to 2 years	1,078,235,320.51
2 to 3 years	442,723,543.67
3 years or above	679,331,195.57
3 to 4 years	446,875,591.11
4 to 5 years	124,515,718.08
5 years or above	107,939,886.38
Total	12,361,435,580.17

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

Provision for bad debts accrued in this period:

Unit: RMB

Category	Balance at the Start of the Period	Changed Amount of This Period				Balance at the End of the Period
		Accrued	Recovered or reversed	Write off	Others	

Accounts Receivables with the bad debts provision accrued individually	67,967,205.50				18,509.63	67,985,715.13
Accounts Receivables with the bad debts provision accrued on a portfolio basis	1,016,027,673.93	156,164,494.82		13,065,074.63	-621,666.93	1,158,505,427.19
<b>Total</b>	<b>1,083,994,879.43</b>	<b>156,164,494.82</b>		<b>13,065,074.63</b>	<b>-603,157.30</b> (Note 1)	<b>1,226,491,142.32</b>

Note 1: The provision for bad debts derived from the translation of foreign currency statements was reduced by RMB 165,905.73, and the provision for bad debts derived from control loss was transferred out by RMB 437,251.57.

### (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 1,342,666,234.74, accounting for 10.86% of the total closing balance of accounts receivable, and the ending balance of the provision for bad debts accrued was RMB 120,583,010.91 accordingly.

### (4) Accounts Receivable derecognized due to transfer of financial assets

In accordance with the non-recourse purchase agreement on accounts receivables signed between the Company and BNP Paribas, the Company transferred the accounts receivables under the export credit insurance to BNP Paribas. By June 30, 2019, there was still a balance of USD 1,101,060.00, amount to RMB 7,569,457.18. The amount of accounts receivables was derecognised after the transfer.

### (5) Assets/liabilities generated due to transferred accounts receivable that the Company still keeps recourse or retains part of corresponding rights or interests

There are no assets/liabilities generated due to transferred accounts receivables that the Company still keeps recourse or retains part of corresponding rights or interests.

## 5. 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	150,553,248.87	97.89%	121,980,125.12	96.13%

1 to 2 years	1,474,224.58	0.96%	2,958,954.04	2.33%
2 to 3 years	1,018,263.03	0.66%	1,465,346.63	1.16%
3 years or above	759,652.58	0.49%	486,833.21	0.38%
Total	153,805,389.06	--	126,891,259.00	--

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

The advance payment of the top five closing balances by the concentration of prepayment parties was summed up to RMB 101,089,788.99, accounting for 65.73% of the total closing balance of the advance payment.

## 6. Other receivables

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Interest Receivable	6,425,860.24	6,754,941.00
Other Receivables	355,348,609.90	391,415,828.40
Total	361,774,470.14	398,170,769.40

### (1) Interests receivable

1) Category of interests receivable

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Fixed Term Deposit	6,425,860.24	6,754,941.00
Total	6,425,860.24	6,754,941.00

### (2) Other receivables

1) Other receivables categorized by the nature of the funds

Unit: RMB

Nature of the funds	Closing balance	Opening balance
Deposits	138,490,328.39	133,533,949.06
Prepaid or advance expense	138,286,434.34	114,908,097.29
Export refunds	255,504.02	36,092,616.35
Employee home loan	122,012,923.34	130,870,460.98
Others	6,323,328.52	18,545,722.64
Total	405,368,518.61	433,950,846.32

2) Provision of bad debts

Unit: RMB

Bad Debt Provision	The First Stage	The Second Stage	The Third Stage	Total
	Expected credit losses in the next 12 months	Expected credit loss of the entire duration (no credit impairment)	Expected credit loss of the entire duration (credit impairment occurred)	
Balance on January 01, 2019	36,481,554.61	5,278,676.24	774,787.07	42,535,017.92
Balance in this period on January 01, 2019	—	—	—	—
-- Transfer to the second stage	-345,540.59	345,540.59		0.00
Accrual of current period	6,645,998.24	790,955.56	80,057.87	7,517,011.67
Other variations	-32,120.88			-32,120.88
Balance on June 30, 2019	42,749,891.38	6,415,172.39	854,844.94	50,019,908.71

Disclose by aging

Unit: RMB

Aging	Balance at the End of the Period
Within 1 year (including 1 year)	242,269,744.92
1 to 2 years	89,025,147.25
2 to 3 years	52,079,070.45
3 years or above	21,994,555.99
3 to 4 years	14,724,712.18
4 to 5 years	6,260,071.47
5 years or above	1,009,772.34
Total	405,368,518.61

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

Provision for bad debts accrued in this period:

Unit: RMB

Category	Balance at the Start of the Period	Changed Amount of This Period			Balance at the End of the Period
		Accrued	Recovered or reversed	Others	
Other receivables with the bad debts provision accrued individually					
Other receivables with bad debt provision accrued based on credit	42,535,017.92	7,517,011.67		-32,120.88	50,019,908.71

risk feature combinations					
Portfolio 2: Aging Analysis Portfolio	42,535,017.92	7,517,011.67		-32,120.88	50,019,908.71
Total	42,535,017.92	7,517,011.67		-32,120.88 (Note 1)	50,019,908.71

Note 1: The provision for bad debts derived from the translation of foreign currency statements was increased by RMB 60,424.48, and the provision for bad debts derived from control loss was transferred out by RMB 92,545.36.

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 Accounts Receivable at the End of the Period	Bad Debt Provision at the End of the Period
Company 1	Prepaid or advance expense	16,971,374.03	Within 1 year	4.19%	848,568.70
Company 2	Prepaid or advance expense	14,687,654.09	Within 1 year	3.62%	734,382.70
Company 3	Deposits	12,000,000.00	2-3 years	2.96%	3,600,000.00
Company 4	Deposits	8,829,412.20	The amount within 1 year is RMB 93396 and the amount more than 1 year but not exceeding 2 years is RMB 8736016.2.	2.18%	878,271.42
Company 5	Deposits	6,020,250.47	Within 1 year	1.49%	301,012.52
Total	--	58,508,690.79	--	14.44%	6,362,235.34

## 7. Inventories

Whether new revenue standards have been implemented

Yes  No

### (1) Categories of inventories

Unit: RMB

Item Name	Balance at the End of the Period			Balance at the Start of the Period		
	Book Balance	Provision for Decline in Price	Book Value	Book Balance	Provision for Decline in Price	Book Value
Raw Materials	1,222,882,603.83	9,174,244.38	1,213,708,359.45	641,393,743.67		641,393,743.67
Work-in-progress	1,018,138,886.37	11,908,230.76	1,006,230,655.61	1,068,330,542.75	4,168,637.69	1,064,161,905.06

Finished Goods	1,089,856,047.97	57,772,253.00	1,032,083,794.97	1,347,394,898.29	72,990,967.51	1,274,403,930.78
Outsourced work-in-progress	106,026,520.61		106,026,520.61	55,620,129.63		55,620,129.63
Total	3,436,904,058.78	78,854,728.14	3,358,049,330.64	3,112,739,314.34	77,159,605.20	3,035,579,709.14

**(2) Provision for decline in value of inventories**

Unit: RMB

Item Name	Balance at the Commencement of the Period	Increased in the Current Period		Decreased in the Current Period		Balance at the End of the Period
		Accrued	Others	Reversals or Write-offs	Others	
Raw Materials		9,174,244.38				9,174,244.38
Work-in-progress	4,168,637.69	7,739,593.07				11,908,230.76
Finished Goods	72,990,967.51	10,777,068.08		25,532,521.70	463,260.89	57,772,253.00
Total	77,159,605.20	27,690,905.53		25,532,521.70	463,260.89	78,854,728.14

The basis for determining the net realizable value is:

the estimated selling price minus the estimated cost of completion and the estimated selling expenses and relevant taxes;

The reason for the write-off of inventory depreciation reserve in this period is: inventory use or sales.

**8. 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	612,839,528.91	578,733,057.27
Total	612,839,528.91	578,733,057.27

**9. Other current assets**

Whether new revenue standards have been implemented

Yes  No

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Deductible input tax	444,455,881.07	367,528,033.48
Prepaid enterprise income tax	30,148,818.42	34,727,044.57
Prepaid overseas miscellaneous taxes and dues	874,684.52	
Total	475,479,384.01	402,255,078.05

**10. Long-term receivables****(1) Long-term receivables**

Unit: RMB

Item Name	Balance at the End of the Period			Balance at the Start of the Period			Range of Discount Rate
	Book Balance	Bad Debt Provision	Book Value	Book Balance	Bad Debt Provision	Book Value	
Installment Payment for Selling Products	2,641,057,749.78		2,641,057,749.78	1,861,485,568.28		1,861,485,568.28	
Including: Unrealized Financing Income	358,548,910.83		358,548,910.83	364,590,421.98		364,590,421.98	3.03%-7.05%
Total	2,641,057,749.78		2,641,057,749.78	1,861,485,568.28		1,861,485,568.28	--

**11. Long-term equity investment**

Unit: RMB

The Invested Entity	Opening Balance (Book Value)	Decrease/Increase in the Current Period								Closing Balance (Book Value)	Closing Balance of Provision for Decline in Value
		Investments Increased	Investment Decreased	Investment Profit and Loss Recognized under the Equity Method	Adjustment on Other Comprehensive Income	Other Changes in Equity	Cash Dividends or Profit Declared to Distribute	Provision for Impairment Accrued	Others		
I. Joint ventures											
II. Affiliates											
Wenzhou Dahua Security Services Co., Ltd.	734,265.47			87,636.80						821,902.27	
Taizhou Dahua Security Services Co., Ltd.	345,823.21			35,958.24						381,781.45	
Ningbo Dahua Anbang	1,157,423.01			50,241.46						1,207,664.47	

Security Services Co., Ltd.											
Lishui Dahua Intelligent Technology Co., Ltd.	76,822.87			-56,675.00						20,147.87	
Zhoushan Dahua Technology Co., Ltd.	705,482.95			-8,181.26						697,301.69	
Shaoxing Dahua Security Services Co., Ltd.	547,439.30			3,801.16						551,240.46	
Zhejiang Leapmotor Technology Co., Ltd.	168,229.97 7.61									135,663.77 8.56	
Shenzhen Conwin Security Electronics CO., Ltd.	11,768,196.76			-339,300.05						11,428,896.71	
Zhejiang Dahua Zhian Internet of Things Technology Co., Ltd.	2,700,777.50			699,647.58						3,400,425.08	
Guangdong Dahua Zhishi Technology Co.,	-394,187.10			-7,096.54					401,283.64	0.00	

Ltd.										
China Standard Intelligent Security Technology Co., Ltd.		12,200,000.00		-1,014,656.32					11,185,343.68	
Subtotal	185,872,021.58	12,200,000.00		-548,623.93		-32,566,199.05		401,283.64	165,358,482.24	
Total	185,872,021.58	12,200,000.00		-548,623.93		-32,566,199.05		401,283.64	165,358,482.24	

## 12. Other non-current financial assets

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Non-transactional equity investment	83,970,227.00	82,970,227.00
Total	83,970,227.00	82,970,227.00

## 13. Investment properties

### (1) Investment properties measured by cost method

√ Applicable □ Not applicable

Unit: RMB

Item Name	Buildings and constructions	Land use rights	Projects under Construction	Total
I . Original Book Value				
1. Opening Balance	358,765,339.78	8,879,294.95		367,644,634.73
2. Increased in the Current Period	6,978,334.37	542,823.38		7,521,157.75
(1) Purchase				
(2) Inventories\Fixed Assets\Transferred from Construction in Progress	6,978,334.37	542,823.38		7,521,157.75
(3) Acquisition				
3. Decreased in the Current Period				
(1) Disposal				
(2) Other Transfer-out				

4. Closing Balance	365,743,674.15	9,422,118.33		375,165,792.48
II. Accumulated Depreciation and Amortization				
1. Opening Balance	19,658,323.89	1,154,934.29		20,813,258.18
2. Increased in the Current Period	9,760,178.30	131,615.47		9,891,793.77
(1) Accrual or Amortization	8,638,363.58	92,713.13		8,731,076.71
(2) Transfer of fixed assets\intangible assets	1,121,814.72	38,902.34		1,160,717.06
3. Decreased in the Current Period				
(1) Disposal				
(2) Other Transfer-out				
4. Closing Balance	29,418,502.19	1,286,549.76	0.00	30,705,051.95
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	336,325,171.96	8,135,568.57		344,460,740.53
2. Opening Balance on Book Value	339,107,015.89	7,724,360.66		346,831,376.55

**(2) Investment properties measured at fair value**

Applicable  Not applicable

**(3) Investment properties with certificates of title not granted**

Unit: RMB

Item Name	Book value	Reasons for Certificates of Title not Granted
Nanning marketable housing	158,621,757.58	In the process of obtaining the real estate

		certificates
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**14. Fixed assets**

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Fixed Assets	1,386,805,962.53	1,407,471,330.83
Total	1,386,805,962.53	1,407,471,330.83

**(1) Fixed assets**

Unit: RMB

Item Name	Housing and Building	Machinery and Equipment	Means of Transport	Electronic and Other Equipment	Total
I. Original Book Value:					
1. Opening Balance	1,085,347,467.39	234,823,941.62	41,360,429.33	671,546,377.96	2,033,078,216.30
2. Increased in the Current Period	6,156,948.32	48,347,748.25	366,240.70	41,803,860.81	96,674,798.08
(1) Purchase	4,832,517.50	46,571,751.95	366,240.70	41,803,860.81	93,574,370.96
(2) Transferred from Construction in Progress	1,324,430.82	1,775,996.30			3,100,427.12
(3) Acquisition					
3. Decreased in the Current Period	6,978,334.37	361,906.41	2,442,944.23	6,061,773.02	15,844,958.03
(1) Disposal or Scrapping		361,906.41	2,442,944.23	5,148,334.50	7,953,185.14
(2) Transfer to Investment Real Estate	6,978,334.37				6,978,334.37
(3) Other Decreases				913,438.52	913,438.52
4. Currency Translation Difference	-11,826.15	-7,392.31	28,992.40	192,610.91	202,384.85
5. Closing Balance	1,084,514,255.19	282,802,391.15	39,312,718.20	707,481,076.66	2,114,110,441.20
II. Accumulated Depreciation					
1. Opening Balance	171,317,090.95	46,671,558.15	30,433,971.72	377,184,264.65	625,606,885.47

2. Increased in the Current Period	25,657,653.91	11,643,151.60	2,227,281.50	68,901,973.07	108,430,060.08
(1) Accrual	25,657,653.91	11,643,151.60	2,227,281.50	68,901,973.07	108,430,060.08
3. Decreased in the Current Period	1,121,814.72	20,568.89	2,042,601.02	3,596,123.60	6,781,108.23
(1) Disposal or Scrapping		20,568.89	2,042,601.02	3,419,397.18	5,482,567.09
(2) Transfer to Investment Real Estate	1,121,814.72				1,121,814.72
(3) Other decreases				176,726.42	176,726.42
4. Currency Translation Difference	-1,246.15	-5,953.93	12,550.84	43,290.59	48,641.35
5. Closing Balance	195,851,683.99	58,288,186.93	30,631,203.04	442,533,404.71	727,304,478.67
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	888,662,571.20	224,514,204.22	8,681,515.16	264,947,671.95	1,386,805,962.53
2. Opening Balance on Book Value	914,030,376.44	188,152,383.47	10,926,457.61	294,362,113.31	1,407,471,330.83

**(2) Fixed assets with certificates of title not granted**

Unit: RMB

Item Name	Book value	Reasons for Certificates of Title Not Granted

Marketable housing	21,391,737.48	In the process of obtaining the real estate certificates
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## 15. Construction in progress

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Projects under Construction	313,934,611.81	226,191,587.11
Total	313,934,611.81	226,191,587.11

### (1) Details of construction in progress

Unit: RMB

Item Name	Balance at the End of the Period			Balance at the Start of the Period		
	Book Balance	Provision for Decline in Value	Book Value	Book Balance	Provision for Decline in Value	Book Value
Equipment engineering	0.00		0.00	1,382,497.31		1,382,497.31
Commercial building under decoration	59,080,800.53		59,080,800.53	55,859,895.45		55,859,895.45
Smart IoT solutions R&D and industrial projects	133,077,812.18		133,077,812.18	110,183,237.44		110,183,237.44
Hangzhou Intelligent Manufacturing Base - Phase II Construction Project	36,669,803.90		36,669,803.90	7,313,380.68		7,313,380.68
Dahua Auxiliary and R&D Experimental Building Renovation Project	53,009,042.69		53,009,042.69	33,893,914.76		33,893,914.76
Phase I, Urban Intelligent Information Industry	15,799,832.22		15,799,832.22	9,090,975.91		9,090,975.91

Construction Project						
Xi'an R&D Center Construction Project	6,073,340.46		6,073,340.46	1,030,576.46		1,030,576.46
Xi'an Marketing Center Construction Project	2,602,860.20		2,602,860.20	441,675.63		441,675.63
Others	7,621,119.63		7,621,119.63	6,995,433.47		6,995,433.47
<b>Total</b>	<b>313,934,611.81</b>		<b>313,934,611.81</b>	<b>226,191,587.11</b>		<b>226,191,587.11</b>

**(2) Changes in significant construction in progress**

Unit: RMB

Item Name	Budget	Balance at the Commencement of the Period	Increase in the Current Period	Intangible Assets Transferred into the Company in the Current 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
Smart IoT solutions R&D and industrial projects	911,964,400.00	110,183,237.44	22,894,574.74			133,077,812.18	14.59%	14.59%				Self-raised funds
Hangzhou Intelligent Manufacturing Base - Phase II Construction	827,063,700.00	7,313,380.68	29,356,423.22			36,669,803.90	4.43%	4.43%				Self-raised funds

Project												
Dahua Auxiliary and R&D Experimental Building Renovation Project	90,000,000.00	33,893,914.76	19,115,127.93			53,009,042.69	58.90%	58.90%				Self-raised funds
Phase I, Urban Intelligent Information Industry Construction Project	50,000,000.00	9,090,975.91	6,708,856.31			15,799,832.22	31.60%	31.60%				Self-raised funds
Xi'an R&D Center Construction Project	733,621,400.00	1,030,576.46	5,042,764.00			6,073,340.46	0.83%	0.83%				Self-raised funds
Xi'an Marketing Center Construction Project	300,000,000.00	441,675.63	2,161,184.57			2,602,860.20	0.87%	0.87%				Self-raised funds
Commercial building under decoration		55,859,895.45	3,220,905.08			59,080,800.53						Self-raised funds
Total	2,912,649,500.00	217,813,656.33	88,499,835.85			306,313,492.18	--	--				--

## 16. Intangible assets

### (1) Details of intangible assets

Unit: RMB

Item Name	Land Use Rights	Patent Rights	Non-patented Technology	Software	Trademark Rights	Software Copyright	Total
I . Original Book Value							
1. Opening 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
2. Increased in the Current Period	52,100,000.00			8,456,930.86			60,556,930.86
(1) Purchase	52,100,000.00			6,545,409.39			58,645,409.39
(2) Internal R&D							
(3) Acquisition							
(4) Transferred From Construction in Progress				1,911,521.47			1,911,521.47
3. Decreased in the Current Period	542,823.38			858,707.87			1,401,531.25
(1) Disposal				206.50			206.50
(2) Transfer to Investment Real Estate	542,823.38						542,823.38
(3) Other Decreases				858,501.37			858,501.37
4. Currency Translation Difference	-1,515.00			41,498.43	-1,454.40		38,529.03
5. Closing Balance	357,651,012.62		62,876,510.59	113,323,082.89	2,699,216.00	6,381,122.62	542,930,944.72

II. Accumulated Amortization							
1. Opening Balance	13,958,051.21		35,139,620.64	54,292,191.10	2,451,070.42	5,428,673.62	111,269,606.99
2. Increased in the Current Period	3,446,488.52		3,073,730.22	11,154,087.14	62,400.00	238,112.24	17,974,818.12
(1) Accrual	3,446,488.52		3,073,730.22	11,154,087.14	62,400.00	238,112.24	17,974,818.12
3. Decreased in the Current Period	38,902.34			463,610.83			502,513.17
(1) Disposal				206.50			206.50
(2) Transfer to Investment Real Estate	38,902.34						38,902.34
(3) Other decreases				463,404.33			463,404.33
4. Currency Translation Difference				449.84	-1,454.40		-1,004.56
5. Closing Balance	17,365,637.39		38,213,350.86	64,983,117.25	2,512,016.02	5,666,785.86	128,740,907.38
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	340,285,375.23		24,663,159.73	48,339,965.64	187,199.98	714,336.76	414,190,037.34
2. Opening Balance on Book Value	292,137,299.79		27,736,889.95	51,391,170.37	249,599.98	952,449.00	372,467,409.09

At the end of the period, the intangible assets generated from the internal research and development of the Company account for 0% of the balance of the intangible assets.

## (2) Land use rights with certificates of title not granted

Unit: RMB

Item Name	Book Value	Reasons for Certificates of Title Not Granted
Construction land for Fuyang	52,013,166.67	In the process of obtaining the real estate certificates

## 17. Goodwill

### (1) Original book value of goodwill

Unit: RMB

The Investee or Matters Which Formed Goodwill	Balance at the Start of the Period	Increased in the Current Period		Decreased in the Current Period		Balance at the End of the Period
		Generated from Business Combination		Disposal		
South North United Information Technology Co., Ltd.	71,083,281.09					71,083,281.09

Dahua Technology Italy S.R.L.	2,591,935.00	4,023,359.18				6,615,294.18
Lores Technology Inc.	36,070,196.12					36,070,196.12
Total	109,745,412.21	4,023,359.18				113,768,771.39

**(2) Provision of impairment in goodwill**

Unit: RMB

The invested entity or matters which formed goodwill	Balance at the Start of the Period	Increased in the Current Period		Decreased in the Current Period		Balance at the End of the Period
		Accrued		Disposal		
South North United Information Technology Co., Ltd.		71,083,281.09				71,083,281.09
Total		71,083,281.09				71,083,281.09

Information about the asset group or asset group combination where the goodwill is located

The invested entity 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 South-North United Information Technology Co., Ltd., that is, the assets and liabilities of the asset group formed for SouthNorth United Information Technology Co., Ltd. on June 30, 2019.
Dahua Technology Italy S.R.L.	6,615,294.18	The asset group relating to the goodwill generated for the acquisition of 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 June 30, 2019.
Lores Technology Inc.	36,070,196.12	The asset group relating to the goodwill generated for the acquisition of Lorex Technology Inc., that is, the assets and liabilities of the asset group formed for Lorex Technology Inc. on June 30, 2019.

Explain the goodwill impairment test process, key parameters (e.g. growth rate at forecast period, growth rate at steady period, profit rate, discount rate, forecast period, etc. when the present value of future cash flow is estimated) and the confirmation method of goodwill impairment loss:

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 of 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 year. 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 of 13.51% to calculate the present value of future cash flow. 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 2023 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 for 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 of 13.51% to calculate the present value of future cash flow. 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 2023 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 goodwill of the asset group of North-South United Information Technology Co., Ltd. has been impaired, and the Company has made a full provision for impairment. The recoverable amounts of the asset groups of 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.

## 18. Long-term prepaid expenses

Unit: RMB

Item Name	Balance at the Commencement of the Period	Increased in the Current Period	Prepaid Expenses in This Period	Other Amounts Decreased	Balance at the End of the Period
Housing rent	107,037.29	44,800.00	47,376.36		104,460.93
Improvement expenditure of fixed assets leased by operating lease	37,010,881.26	17,208,426.73	13,850,853.25	405,027.01	39,963,427.73
Total	37,117,918.55	17,253,226.73	13,898,229.61	405,027.01	40,067,888.66

## 19. Deferred income tax assets/liabilities

### (1) Deferred income tax assets not written off

Unit: RMB

Item Name	Balance at the End of the Period		Balance at the Commencement of the Period	
	Deductible Temporary Difference	Deferred Income Tax Assets	Deductible Temporary Difference	Deferred Income Tax Assets
Provision for Impairment of Assets	1,102,493,506.58	224,892,519.13	982,203,827.26	193,996,211.23
Unrealized Profit from	476,475,504.06	101,364,879.04	716,955,234.71	148,900,021.90

Internal Transactions				
Deductible Losses	109,729,261.70	17,324,813.59	92,044,909.04	16,363,887.53
Expected Liabilities	239,937,575.58	39,240,710.14	172,287,233.54	28,619,808.17
Payroll Payable	189,576,357.87	31,207,199.76	138,626,628.92	22,872,593.43
Equity incentive expense	202,176,538.35	31,544,216.77	27,235,019.84	4,337,560.56
Costs from Tax Increase Due to Absence of Invoice	47,756,409.76	9,872,404.00	41,376,609.34	9,172,826.12
Amortization of Intangible Assets			976,371.23	146,455.68
Changes in fair value gains and losses			3,640,169.45	910,042.36
Total	2,368,145,153.90	455,446,742.43	2,175,346,003.33	425,319,406.98

**(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	264,966,538.39	52,458,695.09	256,706,108.82	50,137,969.76
Changes in fair values of derivative financial instruments	7,056,942.16	1,764,235.54		
Total	272,023,480.55	54,222,930.63	256,706,108.82	50,137,969.76

**(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		455,446,742.43		425,319,406.98
Deferred Income Tax Liabilities		54,222,930.63		50,137,969.76

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

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Deductible temporary difference	293,312,789.30	247,169,565.91
Deductible Losses	286,395,821.61	172,253,137.74
Total	579,708,610.91	419,422,703.65

**(5) Details of unrecognized deferred income tax assets**

Unit: RMB

Year	Amount at the end of the period	Opening balance	Notes
2019	3,316,434.12	3,970,432.34	Losses in 2014 and due in 2019
2020	10,533,721.21	11,057,227.29	Losses in 2015 and due in 2020
2021	17,993,010.62	18,784,799.88	Losses in 2016 and due in 2021
2022	27,603,685.60	40,598,242.37	Losses in 2017 and due in 2022
2023	81,406,784.59	97,842,435.86	Losses in 2018 and due in 2023
2024	145,542,185.47		Losses in 2019 and due in 2024
Total	286,395,821.61	172,253,137.74	--

**20. Other non-current assets**

Whether new revenue standards have been implemented

 Yes  No

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Prepayments for purchase of engineering equipments	12,376,518.59	5,627,812.52
Prepayments for acquisition of real estate		10,649,793.09
Total	12,376,518.59	16,277,605.61

**21. 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
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Pledged loans	600,000,000.00	
Guaranteed loans	1,003,120,500.00	400,000,000.00
Fiduciary loans	1,377,018,356.11	1,380,000,000.00
Pledged, guaranteed loans	104,720,178.48	71,709,561.83
Total	3,084,859,034.59	1,851,709,561.83

## 22. Notes payable

Unit: RMB

Types	Balance at the End of the Period	Balance at the Start of the Period
Commercial acceptance bill	2,514,367,844.49	2,266,008,177.19
Bank acceptance bill	969,090,928.99	1,405,577,927.60
Total	3,483,458,773.48	3,671,586,104.79

## 23. Accounts payable

### (1) Details of accounts payable

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Payment for purchase of materials	3,088,933,078.50	3,586,524,616.43
Payment for engineering equipments	105,509,798.92	203,204,977.77
Total	3,194,442,877.42	3,789,729,594.20

## 24. Received pre-payments

Whether new revenue standards have been implemented

 Yes  No

### (1) Details of received pre-payments

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Payments for sales of goods	168,348,805.14	200,172,889.06
Pre-payments from construction projects	181,317,483.98	143,125,002.14
Total	349,666,289.12	343,297,891.20

## 25. Payroll Payable

### (1) Details of payroll payable

Unit: RMB

Item Name	Balance at the Commencement of the Period	Increased in the Current Period	Decreased in the Current Period	Balance at the End of the Period
I . Short-term remuneration	1,102,043,457.78	2,130,832,637.83	2,429,424,979.78	803,451,115.83
II . Dimission benefits - defined contribution scheme	22,315,154.16	87,600,080.43	87,579,796.29	22,335,438.30
III. Dismissal welfare		9,603,573.66	9,603,573.66	
Others		90,646,857.32	90,646,857.32	
Total	1,124,358,611.94	2,318,683,149.24	2,617,255,207.05	825,786,554.13

### (2) List of short-term remuneration

Unit: RMB

Item Name	Balance at the Commencement of the Period	Increased in the Current Period	Decreased in the Current Period	Item Name
1. Wages or Salaries, Bonuses, Allowances and Subsidies	921,728,024.05	1,854,735,602.83	2,187,359,055.95	589,104,570.93
2. Staff Welfare		54,756,336.00	54,756,336.00	
3. Social Insurance Contributions	18,100,292.05	62,659,224.03	62,884,498.79	17,875,017.29
Including: Medical Insurance	15,802,475.59	55,620,766.51	55,764,251.01	15,658,991.09
Industrial Injury Insurance Premium	676,267.78	1,640,306.68	1,656,653.26	659,921.20
Maternity Insurance	1,621,548.68	5,398,150.84	5,463,594.52	1,556,105.00
4. Housing Funds	212,046.97	105,288,566.08	105,230,054.22	270,558.83
5. Labor Union and Education Funds	162,003,094.71	53,392,908.89	19,195,034.82	196,200,968.78
Total	1,102,043,457.78	2,130,832,637.83	2,429,424,979.78	803,451,115.83

**(3) Defined contribution scheme (Note)**

Unit: RMB

Item Name	Balance at the Start of the Period	Increased in the current period	Decreased in the current period	Balance at the End of the Period
1. Basic Pension Insurance	21,283,607.42	84,001,327.71	84,014,946.06	21,269,989.07
2. Unemployment Insurance	1,031,546.74	3,598,752.72	3,564,850.23	1,065,449.23
Total	22,315,154.16	87,600,080.43	87,579,796.29	22,335,438.30

**26. Taxes payable**

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
VAT	180,251,151.74	280,098,796.36
Enterprise Income Tax	237,726,997.70	258,232,990.39
Individual income tax	13,221,276.77	12,298,554.78
Urban Maintenance and Construction Tax	8,722,037.98	18,878,589.21
House property tax	1,729,495.09	5,757,911.72
Sales tax	2,384,618.94	5,114,791.97
Education surcharges (including local education surcharges)	6,152,096.97	13,462,512.05
Land usage tax	312,844.02	2,099,648.89
Stamp duty	1,108,839.62	1,939,872.86
Disabled security fund	1,048,978.26	661,501.37
Others	120,089.13	932,880.21
Total	452,778,426.22	599,478,049.81

**27. Other payables**

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Interest Payable	11,000,751.65	4,745,203.31
Dividends Payable	9,882,284.31	
Other Payables	1,074,581,470.48	1,046,791,891.66
Total	1,095,464,506.44	1,051,537,094.97

**(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	10,178,600.24	3,046,260.22
Long-term Loan interest	789,151.43	991,276.43
Interest payable for national development fund	32,999.98	707,666.66
Total	11,000,751.65	4,745,203.31

**2. Dividends payable**

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Dividends for restricted shares	9,882,284.31	
Total	9,882,284.31	

**(3) Other payables**

## 1) Other payables listed by nature

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Deposits	11,112,369.87	34,384,749.18
Temporarily borrowed and advance payments	253,607,277.94	164,250,303.45
Special fund for talent incentive		30,097,503.00
Restricted share repurchase obligations	797,490,187.69	807,733,586.00
Others	12,371,634.98	10,325,750.03
Total	1,074,581,470.48	1,046,791,891.66

**28. Non-current liabilities due within 1 year**

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Long-term Loans Due within 1 Year	25,500,000.00	25,500,000.00
Total	25,500,000.00	25,500,000.00

**29. Other current liabilities**

Whether new revenue standards have been implemented

 Yes  No

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
To-be-transferred sales taxes in installments	69,464,435.03	70,845,639.51
Total	69,464,435.03	70,845,639.51

**30. Long-term Loans****(1) Categories of long-term loans**

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Pledged Loans	154,000,000.00	179,000,000.00
Total	154,000,000.00	179,000,000.00

**31. Expected liabilities**

Whether new revenue standards have been implemented

 Yes  No

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period	Causes
Product Quality Assurance	262,956,047.07	193,761,170.12	After-sales maintenance
Executory Loss-making Contract	401,283.64		Losses of invested company
Total	263,357,330.71	193,761,170.12	--

**32. Deferred income**

Unit: RMB

Item Name	Balance at the Start of the Period	Increased in the current period	Decreased in the current period	Balance at the End of the Period	Causes
Government Subsidies	58,693,533.40	27,455,000.00	1,586,311.74	84,562,221.66	Received government subsidies related to assets

Total	58,693,533.40	27,455,000.00	1,586,311.74	84,562,221.66	--
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Projects related to government subsidies:

Unit: RMB

Liabilities	Balance at the Commencement of the Period	The Amount of New Subsidies in This Period	The Amount Recorded as Non-operating Revenue in This Period	The Amount Recorded as Other Income in This Period	The Amount Written off Costs in This Period	Other Variations	Balance at the End of the Period	Related to Assets/Related to Income
Special award for industrial park projects	58,693,533.40	27,455,000.00		1,586,311.74			84,562,221.66	Related to assets

Other notes:

According to the FuJingGuan [2017] No.35, FuCaiQi [2017] No.506, FuJingGuan [2019] No.18, FuCaiQi [2019] No.286 documents issued by Fuyang Economic and Technological Development Zone Management Committee and Hangzhou Fuyang District Finance Bureau, the Company received special subsidies for the Fuyang Dahua Intelligent (IoT) Industrial Park in 2015, 2017 and 2019, respectively, RMB 31.66 million, RMB 31.66 million and RMB 27.455 million, totaling RMB 90.775 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).

### 33. Other non-current liabilities

Whether new revenue standards have been implemented

Yes  No

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
To-be-transferred sales taxes in installments	326,460,214.81	289,096,280.89
Other loans	110,000,000.00	110,000,000.00
Total	436,460,214.81	399,096,280.89

### 34. Share capital

Unit: RMB

	Balance at the Start of the Period	Increased or decreased amount in this period (+/-)					Balance at the End of the Period
		New Shares Issued	Bonus Shares	Shares Converted from Capital Reserves	Others	Subtotal	
Total shares	2,997,621,930.				-44,200.00	-44,200.00	2,997,577,730.

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Other notes:

According to the "Proposal on Buy-back and Cancellation of Some Granted but Unlocked Restricted Stocks" reviewed and approved on the 5th interim shareholders' meeting in 2018 held on December 27, 2018, and the resolution at the 19th meeting of the 6th Board of Directors held on December 10, 2018, the Company bought back and canceled 44,200 granted but unlocked restricted shares held by the equity incentive targets who have left the Company, reducing the registered capital by RMB 44,200.00. After the buy-back and cancellation, the Company's registered capital was reduced to RMB 2,997,577,730.00 (2,997,577,730 capital shares). The above capital reduction was audited by Shu Lun Pan CPA Co., Ltd.(special general partnership) and verified by the capital verification report XinKuaiShiBaoZi [2019 ] No.ZF10047 issued by Shu Lun Pan CPA Co., Ltd.

### 35. Capital reserves

Unit: RMB

Item Name	Balance at the Commencement of the Period	Increased in the Current Period	Decreased in the Current Period	Balance at the End of the Period
Capital Premium (Capital Share Premium)	1,301,563,581.94		326,617.25	1,301,236,964.69
Other Capital Reserves	199,617,280.89	103,910,331.29	32,566,199.05	270,961,413.13
Total	1,501,180,862.83	103,910,331.29	32,892,816.30	1,572,198,377.82

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

(1) In this period, the Company bought back and canceled the granted but unlocked restricted shares held by the equity incentive targets, amounting to 44,200 shares, reducing the capital shares by RMB 44,200 and the capital reserves (capital share premium) by RMB 316,914.00.

(2) The service fee for the share buy-back in the current period was RMB 9,703.25, and the capital reserve (share premium) decreased by RMB 9,703.25.

(3) In this period, the equity payment in return for services of employees amounted to RMB 92,818,059.13, and the employees' services payment reversed due to buy-back and cancellation of the granted but unlocked restricted shares held by equity incentive targets amounted to RMB 2,171,201.81. The impact amount of the income tax on the part that the amount deductible before tax exceeded the share-based payment related cost which the accounting standards allow to recognize, is RMB 13,263,473.97, increasing other capital reserves by RMB 103,910,331.29 in total.

(4) Changes in equity recognized under the Equity Method reduced the capital reserve - other capital reserve by RMB 32,566,199.05.

### 36. Treasury shares

Unit: RMB

Item Name	Balance at the Commencement 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		10,243,398.31	797,490,187.69

Share buy-back		80,733,758.44		80,733,758.44
Total	807,733,586.00	80,733,758.44	10,243,398.31	878,223,946.13

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

(1) Due to the resignation of some employees, the Company bought back their restricted shares in the current period. A total number of 44,200 restricted shares were bought back and the corresponding share capital was reduced by RMB 44,200, while the capital reserve equity was reduced by RMB 316,914.00, and the corresponding amount of treasury shares was reduced by RMB 361,114.00.

(2) The cash dividends allocated to the restricted shareholders in the current period reduced the treasury shares and related liabilities by RMB 9,882,284.31.

(3) The Company held the 21st meeting of the 6th Board of Directors on April 25, 2019 to deliberate and approve the "Proposal on the Buy-back of the Company's Share", in which it planned to use self-raised funds to buy back part of the issued public shares by centralized bidding and use them for subsequent implementation of equity incentives or employee share ownership plans. As of June 30, 2019, the Company bought back 6,149,480 shares of the company through a share buy-back special securities account by centralized price bidding, with a total amount of RMB 80,733,758.44 (excluding transaction costs) and an increase of treasury shares of RMB 80,733,758.44.

### 37. Other comprehensive incomes

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: recorded into other comprehensive incomes in the previous period and transferred to retained earnings in the current period	Less: Income Tax Expense	Attributable to the Company after tax	Attributable to the minority shareholders after tax	
II. Other Comprehensive Incomes That Will Be Subsequently Reclassified as P/L	10,337,164.41	-718,205.48				-718,255.60	50.12	9,618,908.81
Currency Translation Difference	10,337,164.41	-718,205.48				-718,255.60	50.12	9,618,908.81
Other Comprehensive Incomes in Total	10,337,164.41	-718,205.48				-718,255.60	50.12	9,618,908.81

**38. Surplus reserves**

Unit: RMB

Item Name	Balance at the Commencement of the Period	Increased in the current period	Decreased in the current period	Balance at the End of the Period
Statutory Surplus Reserve	1,246,369,430.91			1,246,369,430.91
Total	1,246,369,430.91			1,246,369,430.91

**39. Undistributed profits**

Unit: RMB

Item Name	Current Period	Previous Period
Undistributed Profit before Adjustment at the End of Previous Period	7,670,983,116.33	5,996,130,036.27
Undistributed Profit after Adjustment at the Commencement of the Period	7,670,983,116.33	5,996,130,036.27
Add: Net Profit Attributable to the Parent Company's Owner in Current Period	1,238,880,948.74	1,081,916,886.52
Payable Dividends on Ordinary Shares	299,761,669.99	579,751,226.00
Undistributed Profit at the End of the Period	8,610,102,395.08	6,498,295,696.79

**40. Operating revenue and costs**

Unit: RMB

Item Name	This Period's Amount of Occurrence		Previous Period's Amount of Occurrence	
	Income	Cost	Income	Cost
Main Business	10,586,100,409.57	6,258,976,217.79	9,597,510,318.97	6,041,519,921.55
Other businesses	220,465,961.32	184,452,933.24	216,531,033.51	188,600,523.51
Total	10,806,566,370.89	6,443,429,151.03	9,814,041,352.48	6,230,120,445.06

Whether new revenue standards have been implemented

 Yes  No**41. Taxes and surcharges**

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Urban Maintenance and Construction Tax	33,452,748.45	32,066,569.98

Education Surcharges	23,819,218.33	22,903,099.13
House property tax	2,649,929.92	2,995,522.40
Land usage tax	323,227.12	193,609.37
Stamp duty	3,763,949.94	4,077,696.15
Other taxes	181,775.46	455,764.94
Total	64,190,849.22	62,692,261.97

## 42. Sales expenses

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Labor cost	765,103,249.42	563,186,092.82
Transportation and vehicle expenses	155,268,937.92	104,529,747.83
After-sales service expense	140,370,118.61	119,407,701.71
Marketing expense	111,187,209.88	130,875,092.15
Administrative office expenses	99,350,035.03	71,783,133.96
Traveling expense	73,216,422.53	103,878,867.37
Business entertainment	70,914,579.08	87,569,880.30
Taxation and insurance expense	28,293,533.06	21,103,973.64
Communication expense	25,917,363.58	21,288,480.22
Knowledge resource fee	12,443,137.92	10,915,939.24
Depreciation cost and asset amortization	10,375,898.37	7,441,470.43
Others	47,273,769.93	10,761,521.16
Total	1,539,714,255.33	1,252,741,900.83

## 43. Administration expenses

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Labor cost	224,951,022.47	143,961,035.47
Administrative office expenses	41,428,195.75	50,063,029.09
Depreciation cost and asset amortization	34,319,636.29	31,011,239.76
Consumables and service fees	7,304,727.49	4,738,524.32
Knowledge resource fee	14,562,057.39	13,316,478.35
Transportation and vehicle expenses	7,313,060.87	5,630,961.23
Business entertainment	5,786,555.52	7,490,485.48

Traveling expense	3,615,217.28	5,549,112.77
Others	7,638,694.30	7,438,538.06
<b>Total</b>	<b>346,919,167.36</b>	<b>269,199,404.53</b>

#### 44. Research and development expense

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Labor cost	1,087,040,550.89	712,441,258.21
Research and development consumables and service fees	87,539,009.16	83,036,573.62
Depreciation cost and asset amortization	23,016,431.23	18,416,375.99
Traveling expense	21,821,910.39	26,612,654.26
Administrative office expenses	10,606,482.20	6,401,731.20
Communication expense	8,105,366.86	6,123,257.97
Others	7,131,451.04	12,097,200.84
<b>Total</b>	<b>1,245,261,201.77</b>	<b>865,129,052.09</b>

#### 45. Financial expenses

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Interest Expenditures	76,337,321.42	48,561,403.94
Less: interest income	81,150,189.81	50,792,338.79
P/L on foreign exchange	1,303,546.52	-23,708,290.67
Others	14,554,870.27	3,058,829.67
<b>Total</b>	<b>11,045,548.40</b>	<b>-22,880,395.85</b>

#### 46. Other income

Unit: RMB

Sources of other incomes	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
VAT refund	352,500,448.39	281,985,411.74
Special subsidies	74,387,384.26	2,931,587.19
VAT additional deduction	33,684.43	
<b>Total</b>	<b>426,921,517.08</b>	<b>284,916,998.93</b>

**47. Investment income**

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Long-Term Equity Investment Income Measured by Equity Method	-548,623.93	-26,273,850.83
Investment Income from Disposal of Long-Term Equity Investment	9,152,198.76	706,569.92
Investment Income from Disposal of Financial Assets Measured in Fair Value with Its Changes Recorded into Current Profit or Loss	10,747,186.86	1,005,008.70
Investment Income from Possession of Available-for-sale Financial Assets	1,013,416.14	
Investment income from disposal of financial assets measured in fair value with its changes recorded into current profit or loss	-26,055,180.12	3,094,429.94
Investment income from treasury bond reverse repurchase		380,167.33
Investment income from financial products		219,798.63
Total	-5,691,002.29	-20,867,876.31

**48. 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
Transactional Financial Assets	7,056,942.13	
Including: income from the changes in fair value for derivative financial instruments	7,056,942.13	
Transactional Financial Liabilities	38,392,246.03	-41,332,765.27
Total	45,449,188.16	-41,332,765.27

**49. Credit impairment loss**

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Losses on bad debts of other receivables	-7,517,011.67	

Losses on bad debts of accounts receivable	-156,164,494.82	
Total	-163,681,506.49	

## 50. Impairment losses of assets

Whether new revenue standards have been implemented

Yes  No

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
I . Losses on bad debts		-127,463,091.69
II . Losses on decline in price of inventories	-27,690,905.53	-832,930.71
III. Goodwill impairment losses	-71,083,281.09	
Total	-98,774,186.62	-128,296,022.40

## 51. Asset disposal incomes

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	448,615.83	-13,024.74
Total	448,615.83	-13,024.74

## 52. Non-operating revenue

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence	Amount recorded into non-recurring profit and loss in current period
Government Subsidies	5,018,245.00	762,526.13	5,018,245.00
Total profits from disposal of non-current assets	245,869.56	151,651.85	245,869.56
Including: income from disposal of fixed assets	245,869.56	151,651.85	245,869.56
Others	3,249,720.50	4,320,121.11	3,249,720.50
Total	8,513,835.06	5,234,299.09	8,513,835.06

Government subsidies recorded into current period P/L:

Unit: RMB

Subsidy	Distributing	Distributing	Types of	Subsidies	Special	This Period's	Previous	Related to
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Items	Entity	Reason	Nature	Influence Profit and Loss in the Current Year or Not	Subsidy or Not	Amount of Occurrence	Period's Amount of Occurrence	Assets/Related to Income
Award for encouraging the development and contribution of headquarters economy by Baise	Baise Municipal Investment Promotion Bureau	Award	Subsidies obtained due to compliance with local support policies of the local government such as investment promotion policy	Yes	No	1,910,000.00		Related to income
National Intellectual Property Demonstration Enterprises and Superior Enterprises in 2016 (the third batch)	Finance Bureau of Binjiang District, Hangzhou	Subsidy	Subsidies obtained for research and development, technology updating and renovation, etc.	Yes	No	100,000.00		Related to income
Hangzhou backbone enterprises driving the industrial chain development	Finance Bureau of Binjiang District, Hangzhou	Subsidy	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and regulations)	Yes	No	1,747,200.00		Related to income
Award for the	Bureau of	Award	Subsidies	Yes	No	200,000.00		Related to

Top 10 Meritorious Enterprises (Excellent Entrepreneurs) in 2018	Economy and Information Technology, Fuyang District, Hangzhou		received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and regulations)					income
Support funds for the second batch of cross-border e-commerce in 2018	Finance Bureau of Binjiang District, Hangzhou	Subsidy	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and regulations)	Yes	No	150,000.00		Related to income
Subsidy for employment and entrepreneurship	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	Yes	No	6,600.00		Related to income

			regulations)					
Subsidy for old bangers in Hangzhou	Hangzhou Finance Bureau	Subsidy	Subsidies obtained due to compliance with local support policies of the local government such as investment promotion policy	Yes	No	14,500.00		Related to income
Subsidy for High-tech Enterprises	Finance Bureau of Binjiang District, Hangzhou	Subsidy	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and regulations)	Yes	No	800,000.00		Related to income
Other special subsidies	Finance Bureau of Binjiang District, Hangzhou	Subsidy	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and	Yes	No	89,945.00	214,526.13	Related to income

			regulations)					
Key R&D of industrial Internet	Beijing University of Posts and Telecommunications	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		220,000.00	Related to income
Special subsidies for promoting employment	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
Award from Policies of Wuxi Intelligent Transportation Industry Park	Wuxi Taihu Town Management Committee	Award	Subsidies obtained due to compliance with local support policies of the local government such as investment promotion	Yes	No		300,000.00	Related to income

			policy					
Award from 2017 Assessment of Service Trade by Binjiang District	Finance Bureau of Binjiang District, Hangzhou	Award	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and regulations)	Yes	No		10,000.00	Related to income
Total						5,018,245.00	762,526.13	

### 53. Non-operating expenses

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence	Amount Recorded into Non-recurring Profit and Loss in Current Period
Donations	42,664.36	630,000.00	42,664.36
Gains and losses of non-current asset retirement	356,248.11	1,114,169.94	356,248.11
Including: losses from disposal of fixed assets	356,248.11	1,114,169.94	356,248.11
Water conservancy fund		37,881.94	
Others	958,186.08	412,835.47	958,186.08
Total	1,357,098.55	2,194,887.35	1,357,098.55

### 54. 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	175,953,366.51	244,038,288.89

Deferred income tax expense	-12,780,000.54	-78,316,755.26
Total	163,173,365.97	165,721,533.63

**(2) Reconciliation of accounting profits and income tax expenses**

Unit: RMB

Item Name	This Period's Amount of Occurrence	
Total Profit	1,367,835,559.96	
Income tax expenses calculated at legal/applicable tax rates	205,175,333.99	
Impact by applying different tax rates to subsidiaries	45,746,442.97	
Impact of the non-deductible costs, expenses and losses	11,416,452.27	
Additional Deduction of the Research and Development Expenses	-132,787,622.74	
Others	33,622,759.48	
Income tax expense	163,173,365.97	

**55. Other comprehensive incomes**

See notes.

**56. 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	30,396,327.98	15,407,298.38
Government subsidies	105,134,372.52	2,107,801.58
Tender and performance guarantee deposit	43,658,924.94	49,216,241.74
Others	3,075,710.73	2,541,977.86
Total	182,265,336.17	69,273,319.56

**(2) Other cash payments relating to operating activities**

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Administrative office expenses	128,926,539.93	164,117,578.16
Communication expense	19,528,790.65	25,790,697.07

Business entertainment	79,513,825.83	96,495,049.11
Traveling expense	103,427,522.52	151,526,241.43
Marketing expense	65,465,197.54	58,842,244.72
Shipping expenses	105,553,831.63	99,686,479.32
Knowledge resource fee	27,255,766.77	31,935,159.69
Consumables and service fees	157,130,890.63	67,764,671.31
Research and development consumption and external inspection fee	22,909,208.47	27,398,619.49
Taxation and insurance expense	12,067,545.99	5,281,488.11
Deposits	308,548,820.57	98,102,716.00
Incomings and outgoings and advanced payments	120,052,101.89	215,851,912.69
Others	11,920,133.22	4,615,040.20
<b>Total</b>	<b>1,162,300,175.64</b>	<b>1,047,407,897.30</b>

**(3) Other cash receipts relating to investing activities**

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Cash receipts related to trading financial assets	354,648.07	1,295,000.00
Receipts of loans from non-financial institutions	3,697,744.32	1,109,123.87
<b>Total</b>	<b>4,052,392.39</b>	<b>2,404,123.87</b>

**(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	26,458,528.22	892,770.06
Cash paid for asset restructuring and acquisition		74,904,182.27
<b>Total</b>	<b>26,458,528.22</b>	<b>75,796,952.33</b>

**(5) Other cash receipts related to financing activities**

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
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Documentary Credit Deposit	305,382,000.00	619,391,279.99
Bill Discounting Deposit	500,000,000.00	
Total	805,382,000.00	619,391,279.99

**(6) Other cash payments related to financing activities**

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Documentary Credit Deposit	235,550,000.00	547,215,000.00
Bill Discounting Deposit	500,000,000.00	
Share buy-back payouts	81,104,575.69	
Total	816,654,575.69	547,215,000.00

**57. Supplementary information about the cash flow statement****(1) Supplementary information about the Cash Flow Statement**

Unit: RMB

Supplementary Information	Amount of This period	Amount of Previous Period
1. Reconciliation of Net Profit to Cash Flows from Operational Activities:	--	--
Net Profit	1,204,662,193.99	1,088,763,872.17
Add: Provision for Impairment of Assets	262,455,693.11	128,296,022.40
Depreciation of Fixed Assets, Oil and Gas Assets, Productive Biological Assets	117,068,423.66	88,783,393.12
Amortization of Intangible Assets	18,067,531.25	15,655,020.87
Amortization of Long-Term Prepaid Expenses	13,898,229.61	3,088,553.94
Losses on Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets (Mark "-" for Incomes)	-448,615.83	13,024.74
Losses on Scrapping of Fixed Assets (Mark "-" for Incomes)	110,378.55	962,518.09
Losses on Fair Value Changes (Mark "-" for Incomes)	-45,449,188.16	41,332,765.27
Financial Expenses (Mark "-" for Incomes)	79,518,151.71	47,598,498.70
Losses on Investment (Mark "-" for Incomes)	5,691,002.29	20,867,876.31
Decrease on Deferred Income Tax Assets (Mark "-" for Increases)	-17,043,861.48	-89,302,479.47
Increase on Deferred Income Tax Liabilities (Mark "-" for Decreases)	4,084,960.87	8,229,683.89

Decrease on Inventories (Mark "-" For Increases)	-324,164,744.44	-580,085,558.07
Decrease on Operational Receivables (Mark "-" for Increases)	-1,132,688,857.07	-1,496,674,487.54
Increase on Operational Payables (Mark "-" for Decreases)	-1,146,875,248.26	-373,885,541.42
Others	90,646,857.32	
Net Cash Flow Generated by Operational Activities	-870,467,092.88	-1,096,356,837.00
2. Major Investing and Financing Activities Not Involving Cash Receipts and Payment:	--	--
3. Net Changes in Cash and Cash Equivalents:	--	--
Closing Balance of Cash	3,540,965,671.43	1,865,055,276.63
Less: Opening Balance of Cash	3,690,994,031.05	3,061,375,534.06
Add: Closing Balance of Cash Equivalents	3,984,499.04	
Less: Opening Balance of Cash Equivalents	11,289,772.49	1,303,459.82
Net Additions to Balance of Equivalents	-157,333,633.07	-1,197,623,717.25

## (2) Composition of cash and cash equivalents

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
I. Cash	3,540,965,671.43	3,690,994,031.05
Including: cash on hand	3,401.03	3,981.79
Bank deposit for payment at any time	2,977,425,611.26	3,547,354,923.39
Other monetary capital for payment at any time	563,536,659.14	143,635,125.87
II. Cash equivalents	3,984,499.04	11,289,772.49
III. Closing balance of cash and cash equivalents	3,544,950,170.47	3,702,283,803.54

## 58. Assets with restrictions in ownership or use rights

Unit: RMB

Item Name	Book value at the end of the period	Cause of restrictions
Cash and Bank Balances	660,602,442.92	Various security deposit pledges for loans, issuance of guarantees, issuance of bank acceptance bills and discounts
Notes Receivable	1,127,284,255.91	Pledges are used to issue bank acceptance bills

Long-term Receivables	280,851,984.00	Pledges are used for bank loans
Non-current Assets Due within 1 Year	33,794,295.46	Pledges are used for bank loans
Total	2,102,532,978.29	--

## 59. Monetary items in foreign currencies

### (1) Monetary items in foreign currencies

Unit: RMB

Item Name	Closing Balance in Foreign Currencies	Exchange Rate for Conversion	Closing Balance Converted into RMB
Cash and Bank Balances	--	--	
Including: USD	198,797,928.50	6.8747	1,366,676,119.06
EUR	23,364,847.16	7.8170	182,643,010.25
HKD	11,891,467.21	0.8797	10,460,923.70
MXN	152,913,113.09	0.3586	54,834,642.35
AED	23,814,776.73	1.8716	44,571,736.13
ZAR	42,596,282.89	0.4852	20,667,716.46
RSD	169,042,111.63	0.0663	11,207,492.00
INR	98,421,773.43	0.0996	9,802,808.63
PLN	4,230,935.44	1.8387	7,779,420.99
THB	19,177,380.80	0.2234	4,284,226.87
KRW	652,171,119.00	0.0059	3,847,809.60
RUB	33,603,395.37	0.1090	3,662,770.10
BRL	1,786,203.29	1.7999	3,214,987.30
GBP	317,083.25	8.7113	2,762,207.32
CAD	447,780.24	5.2490	2,350,398.48
AUD	462,166.38	4.8156	2,225,608.42
HUF	89,202,868.52	0.0242	2,158,709.42
LKR	46,018,010.00	0.0389	1,790,100.59
COP	849,368,276.33	0.0021	1,783,673.38
ARS	8,019,000.20	0.1610	1,291,059.03
UZS	1,369,834,859.43	0.0008	1,095,867.89
KES	16,109,443.80	0.0672	1,082,554.62
MAD	1,241,750.45	0.7176	891,080.12
PKR	20,672,756.00	0.0420	868,255.75

CLP	38,899,906.00	0.0101	392,889.05
SGD	72,317.62	5.0805	367,409.67
PEN	146,852.77	2.0893	306,819.49
MYR	183,069.87	1.6593	303,767.84
RON	153,325.74	1.6543	253,646.77
NZD	48,894.89	4.6077	225,292.98
IDR	400,934,316.42	0.0005	200,467.16
BGN	35,906.69	3.9959	143,479.54
TND	57,258.66	2.3899	136,842.47
CZK	437,190.06	0.3071	134,261.07
TRL	104,602.36	1.1909	124,570.95
DKK	78,475.99	1.0472	82,180.06
UAH	131,000.00	0.2628	34,426.80
KZT	1,128,156.21	0.0181	20,419.63
Accounts Receivable	--	--	
Including: USD	374,810,957.81	6.8747	2,576,712,891.66
EUR	32,851,947.48	7.8170	256,803,673.45
HKD			
PLN	45,934,939.07	1.8387	84,460,572.47
AED	24,104,144.53	1.8716	45,113,316.90
AUD	6,710,323.67	4.8156	32,314,234.67
CAD	2,737,062.17	5.2490	14,366,839.33
RSD	205,533,056.86	0.0663	13,626,841.67
ZAR	19,754,024.95	0.4852	9,584,652.91
KRW	885,276,100.01	0.0059	5,223,128.99
HUF	127,977,212.47	0.0242	3,097,048.54
RUB	21,206,360.80	0.1090	2,311,493.33
BRL	1,006,759.27	1.7999	1,812,066.01
KZT	421,500.00	0.0181	7,629.15
Long-term Loan	--	--	
Including: USD			
EUR			
HKD			
Accounts Payable		--	

Including: USD	142,653,750.92	6.8747	980,701,741.45
EUR	981,053.61	7.8170	7,668,896.07
AUD	322,243.29	4.8156	1,551,794.79
BRL	848,064.03	1.7999	1,526,430.45
AED	341,540.07	1.8716	639,226.40
GBP	58,843.62	8.7113	512,604.43
RUB	4,445,475.82	0.1090	484,556.86
IDR	572,080,454.55	0.0005	286,040.23
PLN	134,919.70	1.8387	248,076.85
KRW	24,100,000.00	0.0059	142,190.00
INR	1,139,025.76	0.0996	113,446.97
HUF	3,041,650.09	0.0242	73,607.93
PEN	34,205.80	2.0893	71,466.18
DKK	59,854.40	1.0472	62,679.53
NZD	10,530.00	4.6077	48,519.08
MXN	101,592.04	0.3586	36,430.91
TRL	22,416.90	1.1909	26,696.29
RON	13,502.13	1.6543	22,336.57
RSD	294,810.02	0.0663	19,545.90
EGP	32,500.00	0.4118	13,383.50
COP	5,474,483.00	0.0021	11,496.41
UZS	9,125,833.33	0.0008	7,300.67
GEL	2,010.00	2.4504	4,925.30
BGN	273.88	3.9959	1,094.40
MYR	301.89	1.6593	500.93

**(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.

**60. 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	1,586,311.74	Other Incomes	1,586,311.74
VAT refund	352,500,448.39	Other Incomes	352,500,448.39
VAT additional deduction	33,684.43	Other Incomes	33,684.43
Subsidies for R&D expenses of small and micro enterprises	530,000.00	Other Incomes	530,000.00
Core Electronics, High-End General-Purpose Chips and Basic Software Products special fund	10,118,900.00	Other Incomes	10,118,900.00
Service outsourcing development funds	1,244,400.00	Other Incomes	1,244,400.00
Special funds for foreign trade and economic development	272,526.17	Other Incomes	272,526.17
Special subsidies for the development of the integrated circuit industry	4,140,000.00	Other Incomes	4,140,000.00
Financial incentives for PPP projects in 2017	500,000.00	Other Incomes	500,000.00
Social security refund for promoting employment	54,681,846.35	Other Incomes	54,681,846.35
Subsidies for undergraduate practical training	13,400.00	Other Incomes	13,400.00
Subsidies for factory IoT projects	1,300,000.00	Other Incomes	1,300,000.00
Special award for industrial park projects	27,455,000.00	Deferred Income	
Award for encouraging the development and contribution of headquarters economy by Baise	1,910,000.00	Non-operating Revenue	1,910,000.00
National Intellectual Property Demonstration Enterprises and Superior Enterprises in 2016	100,000.00	Non-operating Revenue	100,000.00

(the third batch)			
Hangzhou backbone enterprises driving the industrial chain development	1,747,200.00	Non-operating Revenue	1,747,200.00
Award for the Top 10 Meritorious Enterprises (Excellent Entrepreneurs) in 2018	200,000.00	Non-operating Revenue	200,000.00
Support funds for the second batch of cross-border e-commerce in 2018	150,000.00	Non-operating Revenue	150,000.00
Subsidy for employment and entrepreneurship	6,600.00	Non-operating Revenue	6,600.00
Subsidy for old bangers in Hangzhou	14,500.00	Non-operating Revenue	14,500.00
Subsidy for High-tech Enterprises	800,000.00	Non-operating Revenue	800,000.00
Other special subsidies	89,945.00	Non-operating Revenue	89,945.00
Total	459,394,762.08		431,939,762.08

## (2) Repayment of government subsidies

Applicable  Not applicable

## VIII. Changes in the Scope of Consolidation

### 1. Disposal of subsidiaries

Is there any situation where disposal of investment in subsidiaries in a single transaction causes loss of control

Yes  No

Unit: RMB

Name of Subsidiaries	Equity disposal price	Equity disposal proportion	Equity disposal method	Time of loss of control	Basis for determining the time of loss of control	The difference between the disposal price and the net assets of the	Proportion of the remaining equity on the date of loss of control	Book value of the remaining equity on the date of loss of control	Fair value of the remaining equity on the date of loss of control	Profits or losses from re-measurement of equity held before acquisition date	Method for determining the fair value of the remaining equity on the	Investment gains and losses transferred from other comprehensive incomes
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						subsidiary company shared by the corresponding investment disposal from the level of the consolidated financial statements				in fair value	date of loss of control and main assumptions	related to the original subsidiary company's equity investment
China Standard Intelligent Security Technology Co., Ltd.	7,200,000.00	36.00%	Equity transfer	January 01, 2019	Signing of the equity transfer agreement and the handover of the property rights	9,152,198.76	15.00%	-1,013,416.14	0.00	1,013,416.14	Reference to the book value of net assets	0.00

Is there any situation where disposal of investment in subsidiaries is achieved through multiple transactions in various stages, causing loss of control in this period

Yes  No

## 2. Changes in the scope of consolidation for other reasons

Explanations on the changes in the scope of consolidation caused by other reasons (for example, newly established subsidiaries, subsidiaries clearing, etc.) and relevant information:

(1) The Company invested to establish Zhejiang Zhoushan Digital Development Operation Co., Ltd. in this period, with ownership of 58.80% of its equity share and substantive control. This company has been included in the scope of consolidation since its establishment.

(2) The subsidiary companies, Electronic Technology Co., Ltd., Hunan Dahua System Technology Co., Ltd., Beijing Dahua Zhongcheng Technology Co., Ltd., and Dahua Italy S.R.L, were canceled in this period and will not be included in the scope of consolidation since the date of cancellation.

## IX. Equity in Other Entities

### 1. Equity in Subsidiaries

#### (1) Composition of the enterprise group

Name of Subsidiaries	Main Place of Business	Registered Address	Business Nature	Shareholding Percentage		Acquisition Method
				Direct	Indirect	
Dahua System Engineering	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	100.00%		Establishment
Dahua Vision Technology	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	100.00%		Establishment
Dahua Security Network	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	51.00%		Establishment
Dahua Ju'an	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	51.00%		Establishment
Guangxi Dahua Information	Qingxiu District, Nanning	Qingxiu District, Nanning	Electronics and information	100.00%		Establishment
Dahua Security	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Service		100.00%	Establishment
Guangxi Security	Qingxiu District, Nanning	Qingxiu District, Nanning	Service	100.00%		Establishment
Huatu Microchip	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	100.00%		Establishment
Hangzhou Xiaohua	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	45.00% (Note 1)		Establishment
Dahua Zhilian	Fuyang District, Hangzhou	Fuyang District, Hangzhou	Electronics and information	90.09% (Note 2)		Establishment
Tecomore Technology	West Lake District, Hangzhou	West Lake District, Hangzhou	Electronics and information	51.00%		Business combination not under common control
Dahua Investment Management	Fuyang District, Hangzhou	Fuyang District, Hangzhou	Investment & investment management	75.00%		Establishment
South North United	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information		51.00%	Business combination not under common control
Guangxi	Youjiang District, Hangzhou	Youjiang District, Hangzhou	Electronics and information	65.00%		Establishment

Zhicheng	Baise	Baise	information			
Hangzhou Huacheng	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	51.00%		Establishment
Xinjiang Information	High-tech Zone, Shihezi	High-tech Zone, Shihezi	Electronics and information		92.00%	Establishment
HuaRay Technology	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Sci-tech popularization and application services industry	51.00%		Establishment
Fuyang Hua'ao	Fuyang District, Hangzhou	Fuyang District, Hangzhou	Electronics and information	51.00%		Establishment
Huafei Intelligent	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	45.50% (Note 3)		Establishment
Huachuang Vision	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	51.00%		Establishment
Guizhou Huayi	Guanshanhu District, Guiyang	Guanshanhu District, Guiyang	Electronics and information	45.00% (Note 4)		Establishment
Xinjiang Dahua Information	Shihezi, Xinjiang	Shihezi, Xinjiang	Electronics and information	100.00%		Establishment
Xinjiang Intelligence	Changji, Changji Prefecture, Xinjiang	Changji, Changji Prefecture, Xinjiang	Electronics and information	100.00%		Establishment
Guizhou Intelligence	Guiyang, Guizhou	Guiyang, Guizhou	Electronics and information	100.00%		Establishment
Xinjiang Zhihe	Hetian County, Hetian, Xinjiang	Hetian County, Hetian, Xinjiang	Electronics and information		97.00%	Establishment
Guangxi Huacheng	Wuzhou, Guangxi	Wuzhou, Guangxi	Electronics and information		90.00%	Establishment
Meitan Dahua Technology	Zunyi, Guizhou	Zunyi, Guizhou	Electronics and information		100.00%	Establishment
Inner Mongolia Zhimeng	New District, Bai County, Chahar Right Wing Back Banner	New District, Bai County, Chahar Right Wing Back Banner	Electronics and information		95.00%	Establishment
Xinjiang Zhitian	Hetian County, Hetian, Xinjiang	Hetian County, Hetian, Xinjiang	Electronics and information		97.00%	Establishment
Xinjiang Xinzhi	Shache County, Kashgar District, Xinjiang	Shache County, Kashgar District, Xinjiang	Electronics and information		100.00%	Establishment

Xinjiang Huayue	Kashgar, Xinjiang	Kashgar, Xinjiang	Electronics and information		100.00%	Establishment
Tianjin Dahua	Tianjin Binhai New Area	Tianjin Binhai New Area	Electronics and information		65.00%	Establishment
Dahua Zhilong	Shuangpai County, Yongzhou City	Shuangpai County, Yongzhou City	Electronics and information		90.00%	Establishment
Vision Technology	Fuyang District, Hangzhou	Fuyang District, Hangzhou	Electronics and information	100.00%		Establishment
Huaxiao Technology	Fuyang District, Hangzhou	Fuyang District, Hangzhou	Electronics and information	51.00%		Establishment
Xi'an Dahua	Xi'an City, Shaanxi Province	Xi'an City, Shaanxi Province	Electronics and information	100.00%		Establishment
Wuxi Ruipin	Wuxi City	Wuxi City	Electronics and information	51.00%		Establishment
Dahua Robot	Xiaoshan District, Hangzhou	Xiaoshan District, Hangzhou	Electronics and information	51.00%		Establishment
Beijing Huayue	Xicheng District, Beijing	Xicheng District, Beijing	Electronics and information	100.00%		Establishment
Shanghai Huashang	Putuo District, Shanghai	Putuo District, Shanghai	Electronics and information	100.00%		Establishment
Dahua Jinzhi	Wucheng District, Jinhua City	Wucheng District, Jinhua City	Electronics and information	100.00%		Establishment
Dahua Guangxun	Chengdu High-tech Zone	Chengdu High-tech Zone	Electronics and information	100.00%		Business combination not under common control
Huajuan Technology	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information		100.00%	Establishment
Zhoushan Operation	Zhoushan, Zhejiang Province	Zhoushan, Zhejiang Province	Electronics and information	58.80%		Establishment
Dahua Hong Kong	Hong Kong	Hong Kong	Electronics and information	100.00%		Establishment
Dahua USA	USA	USA	Electronics and information		100.00%	Establishment
Dahua Europe	Netherlands	Netherlands	Electronics and information		100.00%	Establishment

Dahua Middle East	United Arab Emirates	United Arab Emirates	Electronics and information		100.00%	Establishment
Dahua Mexico	Mexico	Mexico	Electronics and information		100.00%	Establishment
Dahua Chile	Chile	Chile	Electronics and information		100.00%	Establishment
Dahua Colombia	Columbia	Columbia	Electronics and information		100.00%	Establishment
Dahua Australia	Australia	Australia	Electronics and information		100.00%	Establishment
Dahua Singapore	Singapore	Singapore	Electronics and information		100.00%	Establishment
Dahua South Africa	South Africa	South Africa	Electronics and information		100.00%	Establishment
Dahua Peru	Peru	Peru	Electronics and information		100.00%	Establishment
Dahua Brazil	Brazil	Brazil	Electronics and information		100.00%	Establishment
Dahua Russia	Russia	Russia	Electronics and information		100.00%	Establishment
Dahua Canada	Canada	Canada	Electronics and information		100.00%	Establishment
Dahua Panama	Panama	Panama	Electronics and information		100.00%	Establishment
Dahua Hungary	Hungary	Hungary	Electronics and information		100.00%	Establishment
Dahua Poland	Poland	Poland	Electronics and information		100.00%	Establishment
Dahua Tunisia	Tunisia	Tunisia	Electronics and information		100.00%	Establishment
Dahua Kenya	Kenya	Kenya	Electronics and information		100.00%	Establishment
Dahua UK	UK	UK	Electronics and information		100.00%	Establishment
Dahua Bulgaria	Bulgaria	Bulgaria	Electronics and information		100.00%	Establishment
Dahua Serbia	Serbia	Serbia	Electronics and information		100.00%	Establishment

Dahua Germany	Germany	Germany	Electronics and information		100.00%	Establishment
Dahua Malaysia	Malaysia	Malaysia	Electronics and information		100.00%	Establishment
Dahua Korea	South Korea	South Korea	Electronics and information		100.00%	Establishment
Dahua Indonesia	Indonesia	Indonesia	Electronics and information		100.00%	Establishment
Dahua India	India	India	Electronics and information		100.00%	Establishment
Dahua Turkey	Turkey	Turkey	Electronics and information		100.00%	Establishment
Dahua Czech	Czech Republic	Czech Republic	Electronics and information		100.00%	Establishment
Dahua Argentina	Argentina	Argentina	Electronics and information		100.00%	Establishment
Dahua Spain	Spain	Spain	Electronics and information		100.00%	Establishment
Dahua Kazakhstan	Kazakhstan	Kazakhstan	Electronics and information		100.00%	Establishment
Dahua Denmark	Denmark	Denmark	Electronics and information		100.00%	Establishment
Dahua France	France	France	Electronics and information		100.00%	Establishment
American Lechange	USA	USA	Electronics and information		100.00%	Establishment
Dahua Technology Holdings	Hong Kong	Hong Kong	Electronics and information	100.00%		Establishment
Dahua Morocco	Morocco	Morocco	Electronics and information		100.00%	Establishment
Dahua Technology Italy	Italy	Italy	Electronics and information		100.00%	Business combination not under common control
Dahua Uzbekistan	Uzbekistan	Uzbekistan	Electronics and information		100.00%	Establishment
Dahua Netherlands	Netherlands	Netherlands	Electronics and information		100.00%	Establishment

Dahua Sri Lanka	Sri Lanka	Sri Lanka	Electronics and information		100.00%	Establishment
Dahua Lorex	Canada	Canada	Electronics and information		100.00%	Business combination not under common control
Dahua Pakistan	Pakistan	Pakistan	Electronics and information		100.00%	Establishment
Dahua New Zealand	New Zealand	New Zealand	Electronics and information		100.00%	Establishment
Dahua Thailand	Thailand	Thailand	Electronics and information		99.98%	Establishment
Dahua Romania	Romania	Romania	Electronics and information		100.00%	Establishment

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 45.50% equity in Zhejiang Huafei Intelligence Technology Co., Ltd., and as agreed upon, Zhejiang Huashi Investment Management Co., Ltd. grants its voting rights of 16% to the Company. The Company effectively holds 61.50% of the voting rights in Zhejiang Huafei Intelligence Technology Co., Ltd., which constitutes working control so as to incorporate it into the scope of consolidation.

(4) The Company directly holds 45% equity in Guizhou Huayi Vision Technology Co., Ltd., and as agreed upon, Guizhou Yiyun Investment Management Co., Ltd. grants its voting rights of 6% to the Company. The Company effectively holds 51% of the voting rights in Guizhou Huayi Vision Technology Co., Ltd., which constitutes working control so as to incorporate it into the scope of consolidation.

## 2. Equity in joint venture arrangements or affiliates

### (1) Financial summary of non-essential joint ventures and affiliates

Unit: RMB

	Balance at the End of the Period/Accrual	Balance at the Commencement of the
--	--	------------------------------------

	of Current Period	Period/Accrual of Previous Period
Joint Ventures:	--	--
The Total Count of the Following Items Based on the Shareholding Ratios	--	--
Affiliates:	--	--
Total Book Value of Investments	165,358,482.24	185,872,021.58
The Total Count of the Following Items Based on the Shareholding Ratios	--	--
--Net Profit	-548,623.93	-26,273,850.83
--Other Comprehensive Income	-32,566,199.05	-637,505.10
--Total Comprehensive Income	-33,114,822.98	-26,911,355.93

## 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 June 30,2019, the amount of the forward contracts that the Company has not delivered was \$50 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	2,576,712,891.66	468,721,497.42	3,045,434,389.08	2,737,552,570.28	418,253,386.17	3,155,805,956.45
Accounts Payable	980,701,741.45	13,573,246.65	994,274,988.10	761,747,601.87	11,375,001.16	773,122,603.03
Total	3,557,414,633.11	482,294,744.07	4,039,709,377.18	3,499,300,172.15	429,628,387.33	3,928,928,559.48

### (III)Liquidity Risk

Liquidity risk refers to the risk of a shortage of funds when an enterprise fulfills its obligation of settlement by cash or other financial assets. The Company's policy is to ensure that there is sufficient cash to repay the liabilities due. The liquidity risk is under the concentrated control of the Company's Financial Department. Through monitoring the balance of cash and securities cashable at any time and rolling forecasting the cash flow in the next 12 months, the Financial Department ensures that the Company has sufficient funds to repay its debts under all reasonable predictions.

The 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 year or above	Total	Within 1 year	1 year or above	Total
Short-term loan	3,084,859,034.59		3,084,859,034.59	1,851,709,561.83		1,851,709,561.83
Notes Payable	3,483,458,773.48		3,483,458,773.48	3,671,586,104.79		3,671,586,104.79
Accounts Payable	3,194,442,877.42		3,194,442,877.42	3,789,729,594.20		3,789,729,594.20
Non-current Liabilities Due within 1 Year	25,500,000.00		25,500,000.00	25,500,000.00		25,500,000.00
Long-term Loan		154,000,000.00	154,000,000.00		179,000,000.00	179,000,000.00
Total	9,788,260,685.49	154,000,000.00	9,942,260,685.49	9,338,525,260.82	179,000,000.00	9,517,525,260.82

## 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 the End of the Period			
	First Level Measurement at Fair Value	Second Level Measurement at Fair Value	Third Level Measurement at Fair Value	Total
I. Constant measurement at fair value	--	--	--	--
(I) Transactional financial assets		7,056,942.13	83,970,227.00	91,027,169.13
1. Financial assets at fair value through profit or loss		7,056,942.13	83,970,227.00	91,027,169.13
(2) Investment in equity instruments			83,970,227.00	83,970,227.00
(3) Derivative financial assets		7,056,942.13		7,056,942.13
Total amount of assets constantly measured at their fair values		7,056,942.13	83,970,227.00	91,027,169.13
II. Non-constant measurement at fair values	--	--	--	--

### 2. Basis for determining the market price of items under first level constant and non-constant measurement at fair value

### 3. Items under second level constant and non-constant measurement at fair value, valuation technique adopted, and qualitative and quantitative information of important parameters

The fair value of forward foreign exchange contracts shall be measured by the leading bank's valuation.

### 4. Items under third level constant and non-constant measurement at fair value, valuation technique adopted, and qualitative and quantitative information of important parameters

Based on the assets valued by the income approach and assets approach and the net book assets.

**5. Items under third level constant measurement at fair value, information on the reconciliation between book values at the start and the end of the period and sensitivity analysis on unobservable parameters**

**6. Items under constant measurement at fair value, and reasons for conversion and policies to determine the conversion time point if there is any conversion among different levels in this period**

**7. Changes in valuation technique in this period and reasons**

**8. Fair values of the financial assets and liabilities that are not measured at fair value**

The fair value of the financial assets and financial liabilities measured by the Company at amortized cost is equivalent to the book value.

## **XII. Related Parties and Related-party Transactions**

### **1. The Company's Parent Company**

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 Venture and Affiliate	Relationship with the Company
Taizhou Dahua Security Services Co., Ltd.	Affiliate
Ningbo Dahua Anbang Security Services Co., Ltd.	Affiliate
Lishui Dahua Intelligent Technology Co., Ltd.	Affiliate
Zhoushan Dahua Technology Co., Ltd.	Affiliate
Zhejiang Leapmotor Technology Co., Ltd.	Affiliate, and enterprise controlled by the Company's actual controller
Leapmotor Automobile Co., Ltd.	Associates, and subsidiaries controlled by actual controllers
Shenzhen Conwin Security Electronics CO., Ltd.	Affiliate
Zhejiang Dahua Zhian Internet of Things Technology Co., Ltd.	Affiliate
Guangdong Dahua Zhishi Technology Co., Ltd.	Affiliate
Ningbo Dahua-ZhiAn IOT Technology Co., Ltd.	Subsidiary of the affiliate

Wenzhou Dahua Security Services Co., Ltd.	Affiliate
China Standard Intelligent Security Technology Co., Ltd.	Affiliate

#### 4. Information about other related parties

Names of Other Related Parties	Relationship between the Company and Other Related Parties
Zhejiang Lancable Technology Co., Ltd.	Enterprise controlled by the senior manager of the Company
Hangzhou Xintu Technology Co., Ltd.	Enterprise controlled by the senior manager of the Company
Ningxia Shendun Security Services Co., Ltd.	Subsidiary of a company with shares held by the Company
Hangzhou Xunwei Robotics Technology Co., Ltd.	Enterprise significantly influenced by the senior manager of the Company
Hangzhou Huayun Technology Co., Ltd.	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
Gansu Aode Electronic Technology Co., Ltd.	Subsidiary of a company with shares held by the Company
Hangzhou Xiaoshan Weiyi Outpatient Co., Ltd.	Enterprises with any independent director of the Company being the director
Hangzhou Nuoqia Technology Co., Ltd.	Enterprise controlled by the senior manager of the Company
Eastcom Co., Ltd.	Enterprise with an independent director of the Company as the independent director
Shanghai Yanhua Intelligent Technology (Group) Co., Ltd.	Enterprise with an independent director of the company as the independent director
Zhejiang Huanuokang Technology Co., Ltd.	Company controlled by the Company's actual controller

#### 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			No	2,254,717.95

Hangzhou Huayun Technology Co., Ltd.	Purchase of materials	6,939.66		No	15,086.21
Zhejiang Leapmotor Technology Co., Ltd.	Purchase of materials	375,334.00		No	
Wangsu Technology Co., Ltd.	Acceptance of services			No	185,849.06
Hangzhou Xiaoshan Weiyi Outpatient Co., Ltd.	Acceptance of services	22,388.60		No	
Wenzhou Dahua Security Services Co., Ltd.	Acceptance of services	2,031,266.17		No	

Sales of merchandise and provision of services

Unit: RMB

Related Parties	Content of the Related-party Transaction	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Ningbo Dahua Anbang Security Services Co., Ltd.	Sales of merchandise	73,619.96	
Lishui Dahua Intelligent Technology Co., Ltd.	Sales of merchandise	188,679.25	32,812.06
Zhoushan Dahua Technology Co., Ltd.	Sales of merchandise	13,747.79	
Wenzhou Dahua Security Services Co., Ltd.	Sales of merchandise		70,338.15
Zhejiang Leapmotor Technology Co., Ltd.	Sales of merchandise	618,128.82	285,505.92
Hangzhou Xintu Technology Co., Ltd.	Sales of merchandise	240,037.81	283,583.30
Taizhou Dahua Security Services Co., Ltd.	Sales of merchandise	56,206.89	3,247.86
Shenzhen Conwin Security Electronics CO., Ltd.	Sales of merchandise	338,007.21	410,974.88
Guangdong Dahua Zhishi Technology Co., Ltd.	Sales of merchandise	3,806,217.57	2,790,467.56
Zhejiang Dahua Zhian Internet of Things Technology Co., Ltd.	Sales of merchandise	943,396.23	
Ningbo Dahua-ZhiAn IOT	Sales of merchandise		3,879.30

Technology Co., Ltd.			
Hangzhou Xunwei Robotics Technology Co., Ltd.	Sales of merchandise		14,918.51
Hangzhou Huayun Technology Co., Ltd.	Sales of merchandise	595,835.37	929,722.63
Eastcom Co., Ltd.	Sales of merchandise	517,133.64	40,411.44
Zhejiang Lancable Technology Co., Ltd.	Sales of merchandise	1,024,715.92	48,844.82
Hangzhou Nuoqia Technology Co., Ltd.	Sales of merchandise	314,418.61	
Leapmotor Automobile Co., Ltd.	Sales of merchandise	1,859,072.29	
China Standard Intelligent Security Technology Co., Ltd.	Sales of merchandise	1,662,980.56	
Shanghai Yanhua Intelligent Technology (Group) Co., Ltd.	Sales of merchandise	844,182.81	
Zhejiang Huanuokang Technology Co., Ltd.	Sales of merchandise	171,686.14	
China Standard Intelligent Security Technology Co., Ltd.	Provision of services	127,801.82	

## (2) Related-party leasing

The Company being the lessor:

Unit: RMB

Name of the Lessee	Type of the Leased Sssets	Rental Income Confirmed in This Period	Rental Income Confirmed in the Previous Period
Zhejiang Leapmotor Technology Co., Ltd.	Buildings and constructions	330,514.26	
China Standard Intelligent Security Technology Co., Ltd.	Buildings and constructions	94,999.87	

## (3) Related-party guarantee

The Company being the guarantor:

Unit: RMB

Secured Parties	Guarantee Amount	Starting Date	Maturity Date	Guarantee Fulfilled Completely or Not
Zhejiang Dahua Vision	110,000,000.00	January 15, 2018	Two years after the maturity of	Yes

Technology Co., Ltd.			the debts in the master contract	
Zhejiang Dahua Vision Technology Co., Ltd.	300,000,000.00	May 4, 2018	April 16, 2019	Yes
Zhejiang Dahua Vision Technology Co., Ltd.	20,000,000.00	August 2, 2018	Three years after the maturity of the debts in the master contract	Yes
Zhejiang Dahua Vision Technology Co., Ltd.	290,000,000.00	June 6, 2016	January 15, 2020	No
Zhejiang Dahua Vision Technology Co., Ltd.	600,000,000.00	August 10, 2017	Two years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	220,000,000.00	October 13, 2017	Two years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	500,000,000.00	March 27, 2018	March 19, 2021	No
Zhejiang Dahua Vision Technology Co., Ltd.	240,000,000.00	April 13, 2018	April 12, 2020	No
Zhejiang Dahua Vision Technology Co., Ltd.	100,000,000.00	July 25, 2018	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	200,000,000.00	August 1, 2018	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	100,000,000.00	August 21, 2018	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	100,000,000.00	September 3, 2018	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua Technology Co., Ltd. (guarantee currency is USD)	40,000,000.00	September 21, 2018	Two years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	220,000,000.00	November 26, 2018	November 26, 2020	No
Zhejiang Dahua Vision Technology Co., Ltd.	200,000,000.00	January 3, 2019	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	300,000,000.00	January 17, 2019	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua Technology Co., Ltd. (guarantee currency is USD)	15,000,000.00	March 20, 2019	Two years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	200,000,000.00	March 21, 2019	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	200,000,000.00	April 18, 2019	Three years after the maturity of the debts in the master contract	No

Zhejiang Dahua Vision Technology Co., Ltd.	100,000,000.00	April 28, 2019	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	650,000,000.00	May 10, 2019	Two years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	230,000,000.00	May 13, 2019	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	180,000,000.00	June 26, 2019	June 25, 2022	No
Zhejiang Dahua Zhilian Co., Ltd.	200,000,000.00	June 6, 2016	June 30, 2020	No
Zhejiang Dahua Zhilian Co., Ltd.	500,000,000.00	September 1, 2018	September 1, 2020	No
Zhejiang Dahua Zhilian Co., Ltd.	300,000,000.00	October 12, 2018	October 12, 2021	No
Zhejiang Dahua Zhilian Co., Ltd.	100,000,000.00	April 09, 2019	One year after the maturity of the debts in the master contract	No
Zhejiang Dahua Zhilian Co., Ltd.	100,000,000.00	April 25, 2019	One year after the maturity of the debts in the master contract	No
Zhejiang Dahua Zhilian Co., Ltd.	60,000,000.00	May 13, 2019	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua System Engineering Co., Ltd.	100,000,000.00	June 6, 2016	March 30, 2020	No
Zhejiang Dahua System Engineering Co., Ltd.	60,000,000.00	October 10, 2017	Two years after the maturity of the debts in the master contract	No
Zhejiang Dahua System Engineering Co., Ltd.	100,000,000.00	May 10, 2019	Two years after the maturity of the debts in the master contract	No
Zhejiang Dahua System Engineering Co., Ltd.	40,000,000.00	May 13, 2019	Three years after the maturity of the debts in the master contract	No
Dahua Technology (HK) Limited	200,000,000.00	April 9, 2018	Two years after the maturity of the debts in the master contract	Yes
Dahua Technology (Hong Kong) Co., Ltd. (guarantee currency is US dollar)	50,000,000.00	December 15, 2017	December 15, 2020	No
Dahua Technology USA Inc. (guarantee currency is US dollar)	300,000.00	March 4, 2019	March 9, 2020	No
DAHUA TECHNOLOGY MEXICO S.A. DE C.V (guarantee currency is Mexican	59,973,141.38	March 26, 2019	March 26, 2020	No

Peso)				
DAHUA TECHNOLOGY MEXICO S.A. DE C.V (guarantee currency is Mexican Peso)	179,919,424.15	April 09, 2019	April 9, 2020	No

**(4) About related parties' asset transfer and debt restructuring**

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
China Standard Intelligent Security Technology Co., Ltd.	Selling of fixed assets	1,659.82	

**(5) Remuneration to key management personnel**

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Salary of key management personnel	6,091,781.84	6,130,948.00

**6. Receivables and payables of the related parties****(1) Receivables**

Unit: RMB

Item Name	Related Parties	Balance at the End of the Period		Balance at the Start of the Period	
		Book Balance	Bad Debt Provision	Book Balance	Bad Debt Provision
Accounts Receivable	Zhejiang Dahua Zhian Internet of Things Technology Co., Ltd.	100,000.00	5,000.00	100,000.00	10,000.00
Accounts Receivable	Guangdong Dahua Zhishi Technology Co., Ltd.	5,444,311.16	294,660.31	3,227,876.00	161,393.80
Accounts Receivable	Ningbo Dahua Anbang Security Services Co., Ltd.			310,420.00	15,521.00
Accounts Receivable	Taizhou Dahua Security Services Co., Ltd.	148,000.00	7,400.00	133,200.00	6,660.00
Accounts Receivable	Zhejiang Leapmotor Technology Co., Ltd.	915,995.85	45,799.79	445,003.41	22,250.17
Accounts	Hangzhou Xintu Technology Co., Ltd.	52,193.04	2,609.65	47,676.81	2,383.84

Receivable					
Accounts Receivable	Zhejiang Lancable Technology Co., Ltd.	1,905,359.00	95,267.95	916,688.50	45,834.43
Accounts Receivable	Shenzhen Conwin Security Electronics CO., Ltd.	146,252.00	7,312.60	710,640.00	35,532.00
Accounts Receivable	Hangzhou Huayun Technology Co., Ltd.	2,069,785.00	103,489.25	2,998,896.00	149,944.80
Accounts Receivable	Hangzhou Xunwei Robotics Technology Co., Ltd.	9,400.00	555.00	9,400.00	470.00
Accounts Receivable	Eastcom Co., Ltd.	620,499.48	31,024.97	191,254.90	11,305.43
Accounts Receivable	Hangzhou Nuoqia Technology Co., Ltd.	6,860,186.05	4,696,586.10	9,031,072.05	4,805,130.40
Accounts Receivable	Leapmotor Automobile Co., Ltd.	4,272,932.57	213,646.63	2,198,155.00	109,907.75
Accounts Receivable	China Standard Intelligent Security Technology Co., Ltd.	2,022,221.48	101,111.07		
Accounts Receivable	Shanghai Yanhua Intelligent Technology (Group) Co., Ltd.	780,218.78	39,010.94		
Accounts Receivable	Zhejiang Huanuokang Technology Co., Ltd.	194,005.36	9,700.27		

**(2) Payables**

Unit: RMB

Item Name	Related Parties	Balance at the End of the Period	Balance at the Commencement of the Period
Accounts Payable	Ningxia Shendun Security Services Co., Ltd.	350,375.00	350,375.00
Accounts Payable	Gansu Aode Electronic Technology Co., Ltd.		365,420.00
Accounts Payable	Zhejiang Leapmotor Technology Co., Ltd.	277,054.00	27,800.00
Accounts Payable	Zhoushan Dahua Technology Co., Ltd.		3,400.00
Accounts Payable	Hangzhou Huayun Technology Co., Ltd.	45,500.00	100,450.00
Accounts Payable	Wenzhou Dahua Security Services Co., Ltd.		25,182.90
Accounts Payable	Hangzhou Nuoqia Technology Co., Ltd.	388,432.05	384,222.99
Other Payables	Zhejiang Leapmotor Technology Co., Ltd.	173,520.00	

Other Payables	Wangsu Technology Co., Ltd.	30,000.00	
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### 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	0.00
Total amount of equity instruments exercised by the Company in current period	0.00
Total amount of equity instruments of the Company invalidated in current period	44,200.00 shares of restricted stock
The range of the exercise prices of other outstanding equity instruments issued by Company at the end of the period and the remaining contractual term	8.17 RMB/share and 44 months

Other notes

According to the 2018 Restricted Stock Incentive Plan (Draft) approved and passed on the fourth extraordinary shareholders' meeting in 2018, which was held on September 14, 2018, and the deliberation of the 17th meeting of the 6th Board of Directors, 117,468,100 shares of restricted stock was proposed to be granted through the stock incentive plan of the Company, of which 105,293,200 shares would be granted at the first granting and 12,174,900 shares would be reserved for the incentive objects.

According to the deliberation of the 17th meeting of the 6th Board of Directors, the Company completed the first granting of restricted stocks on November 1, 2018. The Company granted 98,865,800 restricted shares to 3,145 people, including senior management, other managers and key business personnel, etc. The granting was done on November 1, 2018, at the price of RMB 8.17.

This stock incentive plan has the valid period, lock-up period and unlocking period as follows: The valid period is 52 months since the first granting date of the underlying stock. The lock-up period is 16 months from the day when the restricted stock is granted to the incentive objects; within this period, the restricted stock held by the incentive objects through the incentive plan shall be locked up and shall not be transferred. The unlocking period is 36 months after the lock-up period. Within the unlocking period, the incentive objects can apply to unlock the underlying stock in 3 times, with 40%, 30% and 30% of the total shares of restricted stock they gained being applied for unlocking 12 months, 24 months and 36 months since the granting date respectively, provided that the unlocking condition specified in the incentive plan is fulfilled.

#### 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	135,355,305.17
Amount of equity-settled share-based payment confirmed in current period	90,646,857.32

### 3. Situation of equity-settled share-based payment

Applicable  Not applicable

## XIV. Commitments and contingencies

### 1. Significant commitments

Important commitments on the balance sheet day

As of June 30,2019, the pledge information of the company was as follows:

(1) The subsidiary, Zhejiang Dahua Technology Co., Ltd., pledged a deposit certificate of RMB 100 million and signed a Pledge Contract (subordinate clause No.:07100ZJ191A0DY9) with Hangzhou Branch of Ningbo Bank Co., Ltd., to provide a guarantee for the back acceptance bills of RMB 100 million.

(2) Zhejiang Dahua Technology Co., Ltd. and Hangzhou Branch of China Merchants Bank Co., Ltd. signed the Credit Agreement for Notes Pool Business, which promised a special credit line of RMB 2.6 billion from the notes pool to be allocated to the subsidiary Zhejiang Dahua Technology, Co., Ltd., the subsidiary Zhejiang Dahua System Engineering Co., Ltd., the subsidiary Zhejiang Dahua Zhilian Co., Ltd and the subsidiary Hangzhou Huacheng Network Technology Co., Ltd. As of June 30,2019, RMB 244,888,246.19 undue notes receivable (where RMB 230,000,000.00 was related party notes receivable that should be included in the scope of the consolidated financial statements) of the Company, RMB 225,987,342.02 undue notes receivables (where RMB 60,000,000.00 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., RMB752,486.31 undue notes receivable of the subsidiary Zhejiang Dahua System Engineering Co., Ltd., where RMB 29,580,673.01 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 4,771,098.88 bank acceptance bills; the subsidiary Zhejiang Dahua Technology Co., Ltd. issued RMB 420,590,533.16 bank acceptance bills; the subsidiary Zhejiang Dahua System Engineering Co., Ltd. issued RMB 471,213.27 bank acceptance bills; and the subsidiary Zhejiang Dahua Zhilian Co., Ltd. issued RMB 72,326,383.14 bank acceptance bills.

(3) On June 28,2019, Zhejiang Dahua Technology Co., Ltd. and Hangzhou Branch of Zheshang Bank Co., Ltd. entered into the ZheShangZiChanChiZhiZi (2019) No.12373 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. and Zheshang Bank Co., Ltd. the financing amount for the fund pledge pool cannot be more than RMB 3 billion.

Under the notes pool business, as of June 30 ,2019, RMB730,608,055.23 undue notes receivable (where RMB 715,000,000.00 was related party notes receivable that should be included in the scope of the consolidated financial statements) of the Company, RMB 946,308,204.12 undue notes receivable (where RMB 52,470,112.89 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 6,455,439.92

undue notes receivable of the subsidiary Zhejiang Dahua System Engineering Co., Ltd., and RMB 173,922.00 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 33,272,857.62 bank acceptance bills; the subsidiary Zhejiang Dahua Technology Co., Ltd. issued RMB 1,883,770,297.91 bank acceptance bills; the subsidiary Zhejiang Dahua System Engineering Co., Ltd. issued RMB 769,267.55 bank acceptance bills; the subsidiary Guangxi Dahua Information Technology Co., Ltd. issued RMB 866,305.85 bank acceptance bills;

(4) The subsidiary Zhejiang Dahua Technology Co., Ltd. pledged its certificate of deposit amounting to RMB 134,600,000.00, to sign the Contract for Inward and Outward Documentary Bills with Hangzhou Branch of Bank of Ningbo, and provide guarantee for Dahua Technology's documentary bills loan amounting to RMB 104,720,178.48. As of June 30, 2019, the balance of the loan under the pledge contract was RMB 104,720,178.48.

(5) The subsidiary Zhejiang Dahua Technology Limited pledged its certificate of deposit amounting to RMB 100,950,000.00, to sign the Contract for Inward and Outward Documentary Bills with Hangzhou Branch of Bank of Ningbo and provide guarantee for Dahua Technology's documentary bills loan. As of June 30, 2019, the balance of the loan under the pledge contract was RMB 0.

(6) On August 19, 2016, the subsidiary Xinjiang Dahua Zhixin Information Technology LLC pledged its future accounts receivable amounting to RMB 351,064,980.00 incurred from the available service fee under the Franchise Agreement for the Shihezi "Safe Shicheng" PPP Project, and signed the Fixed Assets Loan Contract (total contract amount: RMB 230,000,000.00, contract No.: 2016-01) with Shihezi Sub-Branch of the Construction Bank of China, to provide guarantee for the Company's loan (loan contract No.: 2016-01), amounting to RMB 230,000,000.00 (Term of borrowing: from August 2016 to August 2027). As of June 30, 2019, the pledge of accounts receivable RMB 314,646,279.46, and the balance of loans under the guarantee contract was RMB 179,500,000.00.

## 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 June 30, 2019, the remaining amount 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 RMB50 millions of 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 RMB1,021,088.16 (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 RMB10 million. The net realizable value of other seized property is of significant uncertainty, thus the Company makes provision for bad debts correspondingly based on the difference between the present value of estimated future cash flow and its book value.

In July 2019, Sailidi and Zhu Yuequan applied for a retrial to the Hangzhou Intermediate People's Court (Intermediate People's Court). The Company received the Notice of Acceptance of Civil Application for Retrial from the Intermediate Peoples' Court on August 2, 2019, and the Intermediate People's Court decided to file a case for review. The Company has submitted the answer brief

for retrial.

**(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. Explanation of other matters after the balance sheet day

(1) The Company's 23rd meeting of the 6th Board of Directors held on July 29, 2019, deliberated and approved the "Proposal on Capital Increase and Related Transactions of Holding Subsidiaries". The Company planned to cooperate with related parties, Zhejiang Huashi Investment Management Co., Ltd. (hereinafter referred to as "Huashi Investment" to increase the capital of the holding subsidiary Zhejiang Dahua Robot Technology Co., Ltd. (hereinafter referred to as "the robot company"). The Company increased its capital by RMB 40.8 million with own funds and Huashi Investment increased its capital by RMB 39.2 million. After the capital increase, the registered capital of the robot company will increase from RMB 50 million to RMB 130 million. The shareholding ratio of the Company and Huashi Investment to the robot company remains unchanged.

(2) The Company held the 23rd meeting of the 6th Board of Directors on July 29, 2019, deliberated and approved the "Proposal on Waiving the Same Proportion of Capital Increase and Related Transactions of Shareholding Companies", and agreed to waive the same proportion of capital increase to Zhejiang Leap Motor Technology Co., Ltd. The amount of related transactions involved in waiving the same proportion of capital increase was RMB 58.752 million.

## 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. and has only one operation subsection, namely R&D, production and sale of security products. The accounting policy of the reporting subsection is consistent with that of the Company.

#### (2) Financial information of the reporting subsection

Subsection information by product or business

Unit: RMB

Item Name	Current Period		The Corresponding Period of Last Year	
	Operating Income	Operating Cost	Operating Income	Operating Cost
Solutions	5,626,141,239.99	3,144,638,108.68	5,018,508,530.50	2,911,635,789.84
Product	4,537,889,480.14	2,713,726,371.28	4,054,905,104.84	2,603,756,661.09
Others	642,535,650.76	585,064,671.07	740,627,717.14	714,727,994.13
Total	10,806,566,370.89	6,443,429,151.03	9,814,041,352.48	6,230,120,445.06

Subsection information by revenue source or asset location

Unit:

RMB

Item Name	Current Period		The Corresponding Period of Last Year	
	Operating income	Operating Cost	Operating income	Operating Cost
Domestic Sale	7,087,773,045.42	4,432,123,646.82	6,375,294,969.60	4,051,920,136.45
Overseas Sale	3,718,793,325.47	2,011,305,504.21	3,438,746,382.88	2,178,200,308.61
Total	10,806,566,370.89	6,443,429,151.03	9,814,041,352.48	6,230,120,445.06

## 2. Other important transactions and events that may affect the investment decision of the investors

(1) The Company intends to use self-raised funds to repurchase the company's shares by centralized bidding, with the total amount of repurchase funds not less than RMB 200 million (inclusive) and not more than RMB 400 million (inclusive). The repurchase price shall not exceed RMB 25.37 per share (inclusive). Based on the calculation of upper limit of repurchase price and amount, the estimated total number of repurchase shares are 15,766,653 shares, accounting for about 0.53% of the current capital shares of the Company. The detailed number of repurchase shares and its ratio of the capital shares of the Company shall be subject to the actual repurchase number of shares and the ratio upon expiration of the repurchase period. The implementation term of this repurchase shares shall be within 12 months since the date when the Board of Directors agreed the repurchase program. As of June 30, 2019, the Company has repurchased 6,149,480 company shares through the specialized security account for share repurchase by centralized bidding, which accounts for 0.2051% of the total current capital shares of the Company. The highest transaction price is RMB14.03 per share and the lowest RMB12.90 per share with total amount of RMB 80,733,758.44 (excluding transaction costs).

(2) On June 5, 2019, the Company's first extraordinary shareholders meeting in 2019 approved the "Proposal on the Company's Public Issuance of Convertible Corporate Bonds" and the "Feasibility Analysis on the Use of Funds Raised by the Company's Public Issuance of Convertible Corporate Bonds" and others.

## XVII. Notes to Main Items in the Financial Statements of the Parent Company

### 1. Accounts Receivable

#### (1) Disclosure of accounts receivable by categories

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	
Including:										
Accounts Receivables with the bad debts provision	5,763,187,801.91	100.00%	95,093,912.19	1.65%	5,668,093,889.72	4,689,003,520.41	100.00%	90,427,597.37	1.93%	4,598,575,923.04

accrued on a portfolio basis										
Including:										
Portfolio 1: Related Parties Portfolio	5,026,401,153.67	87.22%			5,026,401,153.67	4,111,213,084.49	87.68%			4,111,213,084.49
Portfolio 2: Aging Analysis Portfolio	736,786,648.24	12.78%	95,093,912.19	12.91%	641,692,736.05	577,790,435.92	12.32%	90,427,597.37	15.65%	487,362,838.55
Total	5,763,187,801.91	100.00%	95,093,912.19		5,668,093,889.72	4,689,003,520.41	100.00%	90,427,597.37		4,598,575,923.04

Bad debts provision accrued on a portfolio basis:

Unit: RMB

Name	Balance at the End of the Period		
	Book balance	Bad debt provision	Accrued proportion
Portfolio 1: Related Parties Portfolio	5,026,401,153.67		0.00%
Portfolio 2: Aging Analysis Portfolio	736,786,648.24	95,093,912.19	12.91%
Total	5,763,187,801.91	95,093,912.19	--

Disclose by aging

Unit: RMB

Aging	Balance at the End of the Period
Within 1 year (including 1 year)	5,568,163,913.68
Subtotal within 1 year	5,568,163,913.68
1 to 2 years	82,590,415.95
2 to 3 years	19,857,612.85
3 years or above	92,575,859.43
3 to 4 years	21,108,000.26
4 to 5 years	37,561,138.05
5 years or above	33,906,721.12
Total	5,763,187,801.91

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

Provision for bad debts accrued in this period:

Unit: RMB

Category	Balance at the Start of the Period	Changed Amount of This Period			Balance at the End of the Period
		Accrued	Recovered or	Write off	

			reversed		
Portfolio 2: Aging Analysis Portfolio	90,427,597.37	4,666,314.82			95,093,912.19
Total	90,427,597.37	4,666,314.82			95,093,912.19

### (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 5,087,830,304.31, accounting for 88.28% of the total closing balance of accounts receivable, and the ending balance for the provision for bad debts accrued was RMB 4,766,472.89.

## 2. Other receivables

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Interest Receivable		42,500.00
Other Receivables	6,573,741,249.72	6,954,613,363.03
Total	6,573,741,249.72	6,954,655,863.03

### (1) Interests receivable

#### 1) Category of interests receivable

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Fixed term deposit		42,500.00
Total		42,500.00

### (2) Other receivables

#### 1) Other receivables categorized by the nature of the funds

Unit: RMB

Nature of the funds	Closing balance	Opening balance
Deposits	31,676,641.20	40,101,577.35
Prepaid or advance expense	64,219,555.49	37,600,678.55
Employee home loan	100,376,650.34	107,390,998.98
Incomings and outgoings	6,398,956,365.53	6,789,622,721.45
Others	1,824,346.21	21,879.23
Total	6,597,053,558.77	6,974,737,855.56

#### 2) Provision of bad debts

Unit: RMB

Bad debt provision	The first stage	The second stage	The third phase	Total
	Expected credit losses in the next 12 months	Expected credit loss of the entire duration (no credit impairment)	Expected credit loss of the entire duration (credit impairment occurred)	
Balance on January 01, 2019	16,811,336.70	2,663,676.59	649,479.24	20,124,492.53
Balance in this period on January 01, 2019	—	—	—	—
-- Transfer to the second stage	-104,576.20	104,576.20		
Accrual of current period	2,640,496.94	499,182.34	2,794,826.25	5,934,505.53
Resale in the current period				
Write-off in the current period			2,746,689.01	2,746,689.01
Balance on June 30, 2019	19,347,257.44	3,267,435.13	697,616.48	23,312,309.05

Loss provisions for significant changes in book balances in the current period

 Applicable  Not applicable

Disclose by aging

Unit: RMB

Aging	Balance at the End of the Period
Within 1 year (including 1 year)	6,343,455,509.50
Subtotal within 1 year	6,343,455,509.50
1 to 2 years	220,172,875.06
2 to 3 years	23,114,416.25
3 years or above	10,310,757.96
3 to 4 years	8,766,428.76
4 to 5 years	534,556.86
5 years or above	1,009,772.34
Total	6,597,053,558.77

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

Provision for bad debts accrued in this period:

Unit: RMB

Category	Balance at the Start of the Period	Changed Amount of This Period			Balance at the End of the Period
		Accrued	Recovered or reversed	Write off	

Other receivables with the bad debts provision accrued individually					
Other receivables with bad debt provision accrued based on credit risk feature combinations	20,124,492.53	5,934,505.53		2,746,689.01	23,312,309.05
Portfolio 2: Aging Analysis Portfolio	20,124,492.53	5,934,505.53		2,746,689.01	23,312,309.05
<b>Total</b>	<b>20,124,492.53</b>	<b>5,934,505.53</b>		<b>2,746,689.01</b>	<b>23,312,309.05</b>

## 4) Actual write-off of accounts receivable during the reporting period

Unit: RMB

Item Name	Write-off amount
Incomings and outgoings	2,746,689.01

## 5) 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	2,266,774,537.19	Within 1 year	34.36%	
Company 2	Incomings and outgoings	1,866,182,904.93	Within 1 year	28.29%	
Company 3	Incomings and outgoings	1,160,294,225.50	Within 1 year	17.59%	
Company 4	Incomings and outgoings	764,847,726.99	The amount within 1 year is RMB 613,395,533.11 and the amount more than 1 year but not exceeding 2 years is RMB 151,452,193.88.	11.59%	
Company 5	Incomings and outgoings	163,967,340.39	Within 1 year	2.49%	
<b>Total</b>	--	<b>6,222,066,735.00</b>	--	<b>94.32%</b>	

**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	Book value	Book balance	Provision for	Book value

		decline in value			decline in value	
Investment in subsidiaries	2,961,332,209.94		2,961,332,209.94	2,833,803,638.04		2,833,803,638.04
Investment in affiliates and joint ventures	135,663,778.56		135,663,778.56	167,835,790.51		167,835,790.51
Total	3,096,995,988.50		3,096,995,988.50	3,001,639,428.55		3,001,639,428.55

**(1) Investment in Subsidiaries**

Unit: RMB

The invested entity	Opening Balance (Book Value)	Decrease/Increase in the current period				Closing Balance (Book Value)	Closing balance of provision for decline in value
		Investments increased	Investment decreased	Provision for impairment accrued	Others		
Zhejiang Dahua System Engineering Co., Ltd.	509,413,298.82	5,081,472.23				514,494,771.05	
Zhejiang Dahua Security Network Operation Service Co., Ltd.	26,244,774.40	321,555.84				26,566,330.24	
Zhejiang Dahua Ju'an Technology Co., Ltd.	5,100,000.00					5,100,000.00	
Guangxi Dahua Information Technology Co., Ltd.	5,399,419.60	451,800.23				5,851,219.83	
Zhejiang Dahua Security Service Co., Ltd.	46,179.54	31,487.64				77,667.18	
Dahua Technology (HK) Limited	262,000,000.00					262,000,000.00	
Zhejiang Dahua	649,784,323.16	4,551,556.77				654,335,879.93	

Vision Technology Co., Ltd.							
Wuxi Dahua Ruide Electronic Technology Co., Ltd.	1,000,000.00		1,000,000.00			0.00	
Guangxi Dahua Security Service Co., Ltd.	20,002,580.76					20,002,580.76	
Zhejiang Huatu Microchip Technology Co., Ltd.	10,034,350.20	103,050.60				10,137,400.80	
Hangzhou Xiaohua Technology CO., LTD.	4,698,841.50	396,935.31				5,095,776.81	
Zhejiang Dahua Zhilian Co., Ltd.	1,000,011,450.06	34,350.18				1,000,045,800.24	
Hangzhou Tecomore Technology Co., Ltd.	5,210,047.78	317,421.02				5,527,468.80	
Guangxi Dahua Zhicheng Co., Ltd.	71,206,080.58	193,124.35				71,399,204.93	
Hangzhou Huacheng Network Technology Co., Ltd.	25,715,324.72	747,831.93				26,463,156.65	
Xinjiang Dahua Zhixin Information Technology Co., Ltd.	2,055.08					2,055.08	
Zhejiang Dahua Investment Management	62,175,000.00					62,175,000.00	

Co., Ltd.							
Zhejiang Huachuang Vision Technology Co., Ltd.	25,900,043.59	1,118,130.00				27,018,173.59	
Zhejiang HuaRay Technology Co., Ltd.	25,783,331.48	1,654,178.06				27,437,509.54	
Xinjiang Dahua Intelligence Technology Co., Ltd.	10,000,000.00					10,000,000.00	
Hangzhou Fuyang Hua'ao Technology Co., Ltd.	5,100,000.00					5,100,000.00	
Zhejiang Huafei Intelligent Technology CO., LTD.	21,850,966.90	877,265.40				22,728,232.30	
Zhejiang Huaxiao Technology Co., Ltd.	8,050,311.05	8,192,331.08				16,242,642.13	
Xi'an Dahua Zhilian Technology Co., Ltd.	56,000,000.00	74,822.92				56,074,822.92	
Wuxi Dahua Ruipin Technology Co., Ltd.	3,134,743.40	4,413,164.78				7,547,908.18	
Zhejiang Dahua Robot Technology Co., Ltd.	6,908,515.42	19,640,596.03				26,549,111.45	
Beijing Huayue Shangcheng Information	400,000.00	633,236.96				1,033,236.96	

Technology Service Co., Ltd.									
Sichuan Dahua Guangxun Photoelectric Technology Co., Ltd.	4,530,000.00	1,000,000.00						5,530,000.00	
Dahua Technology Holdings Limited	8,102,000.00							8,102,000.00	
Zhejiang Dahua Jinzhi Technology Co., Ltd.		60,000,000.00						60,000,000.00	
Shanghai Huashang Chengyue Information Technology Service Co., Ltd.		1,054,260.57						1,054,260.57	
Zhejiang Zhoushan Digital Development Operation Co., Ltd.		17,640,000.00						17,640,000.00	
Total	2,833,803,638.04	128,528,571.90	1,000,000.00					2,961,332,209.94	

**(2) Investment in affiliates and joint ventures**

Unit: RMB

Name of Investees	Opening Balance (Book Value)	Decrease/Increase in the current period								Closing Balance (Book Value)	Closing balance of provision for decline in value
		Investments increased	Investment decreased	Investment profit and loss recognized under the equity	Adjustment on other comprehensive income	Other changes in equity	Cash dividends or profit declared to distribute	Provision for impairment accrued	Others		

				method							
I . Joint ventures											
II . Affiliates											
Zhejiang Leapmotor Technology Co., Ltd.	168,229,977.61										135,663,778.56
Guangdong Dahua Zhishi Technology Co., Ltd.	-394,187.10			-7,096.54						401,283.64	0
Subtotal	167,835,790.51			-7,096.54						401,283.64	135,663,778.56
Total	167,835,790.51			-7,096.54						401,283.64	135,663,778.56

#### 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	3,262,438,993.53	356,954,385.57	3,766,723,773.94	1,152,884,368.36
Other businesses	18,764,966.33	12,394,018.41	17,424,051.93	14,468,757.58
Total	3,281,203,959.86	369,348,403.98	3,784,147,825.87	1,167,353,125.94

Whether new revenue standards have been implemented

 Yes  No

#### 5. Investment income

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Long-term equity investment income measured by equity method	-7,096.54	-25,559,156.63
Investment income from disposal of long-term equity investment	-1,000,000.00	706,569.92

Investment income from possession of available-for-sale financial assets	10,747,186.86	1,005,008.70
Investment income from treasury bond reverse repurchase		380,167.33
Total	9,740,090.32	-23,467,410.68

## XVIII. Supplementary Information

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

Applicable  Not applicable

Unit: RMB

Item Name	Amount	Note
Gains and losses from disposal of non-current assets	10,503,852.18	
The government subsidies included in the current profits and losses (excluding the government subsidies closely related to regular businesses of the Company and issued in the quota or quantity based on the national standards)	79,439,313.69	
Profits and losses resulting from the changes in fair value for holding trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities, and investment income from disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other credit investment	30,141,194.90	
Non-Operating Revenue and expenses other than the above	2,248,870.06	
Less: Impact of income tax	18,436,697.18	
Impact of minority equity	3,667,332.94	
Total	100,229,200.71	--

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	9.40%	0.42	0.42
Net profit attributable to common shareholders of the Company after deducting non-recurring gains and losses	8.64%	0.39	0.39

**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 XI Documents Available for Inspection

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

III. Other related materials.

The said documents are prepared and placed at the Company's Securities Investment Department

Zhejiang Dahua Technology Co., Ltd.

Chairman: Fu Liquan

August 17, 2019