

Hangzhou Hikvision Digital Technology Co., Ltd.

2023 Annual Report

HIKVISION

April 20, 2024

To Shareholders

The business performance of Hikvision kept improving on a quarterly basis in 2023. Despite the uneven performance of the Company's five business groups-PBG, EBG, SMBG, overseas main business and the innovative business, greater stability in the operation has been achieved by Hikvision, in a complex and volatile business environment.

Regardless of our performance, Hikvision has resolutely increased investment in research and development as we have always believed in long-term efforts. Over the past eight years, Hikvision has gradually expanded perception technology from visible light to centimeter wave, millimeter wave, far-infrared, medium wave infrared, shortwave infrared, ultraviolet and X-ray, as well as to infrasound wave, acoustic wave, and ultrasonic wave. By combining perception with AI technologies, we have gradually built and improved our AIoT technology system, launched and improved the products and solutions, which contributed to the business growth. The surveillance business is currently one of the business directions of the Company's AIoT strategy. We have enhanced our competitiveness in the surveillance industry by increasing non-visible light detector product lines or integrating multiple detector product lines. Scenario-based digitalization, especially scenario-based digitalization for enterprises, is another direction of our AIoT strategy. Hikvision has launched some product lines in this field and is becoming an OT (Operational Technology) manufacturer. Looking digital transformation of various businesses. We seek to become a partner of varied businesses in their digital transformation journey by continuously improving our internal operational mechanisms and optimizing our operational processes. We believe that digital transformation of businesses is a long process that provides immense potential for our future business growth.

Hikvision has applied AI technology to various perception products and combined AI with big data technologies for use in system solutions. While exploring and developing industrial large models and industrial large multimodal models, we will continue to develop industry software to provide more suitable products and system solutions for users.

Hikvision is committed to the internationalization strategy. Although severely suppressed in some countries, the Company has been increasing investment in overseas markets, resulting in

continuous growth of our international business. We will further increase investment in overseas marketing and enhance our competitiveness in those markets.

Being customer-centric and creating value for customers are always Hikvision's original aspiration and core values. We stay dedicated to being open, transparent, and honest towards customers, shareholders, and employees.

Our sincere gratitude goes to all shareholders for your commitment to Hikvision and for your trust in the management team!

See far, go further!

Board of Directors of Hangzhou Hikvision Digital Technology Co., Ltd.

April, 2024

Section I Important Notes, Contents and Definitions

The Board of Directors, Board of Supervisors, directors, supervisors and senior management guarantee that the information presented in this report is true, accurate and complete without false records, misleading statements or material omissions, and will undertake individual and joint legal liabilities.

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

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

The profit distribution proposal passed upon deliberation at the meeting of the Board of Directors is set out as follows: Board of Directors based on the Company's current total share capital of 9,330,600,931 shares, the Company proposed to distribute cash dividend of RMB9 (tax inclusive) per each 10 shares to all shareholders, bonus share and share distribution from capital reserve is nil.

Note:

This document is a translated version of the Chinese version 2023 Annual Report ("2023 年年度报告"), and the published announcements in the Chinese version shall prevail. The complete published Chinese 2023 Annual Report may be obtained at www.cninfo.com.cn.

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

- 1) **Geopolitical risks:** Global geopolitical uncertainty remains acute as the political landscape is being fragmented and reshaped, and local wars continue. In recent years, the Company has continuously strengthened our risk control and response capabilities, and flexibly adjusted resources based on business opportunities. However, our operations in some countries and regions may be adversely affected should geopolitical environment continues to deteriorate.
- 2) **Global economic downside risks:** In addition to slower growth and entrenched currency oversupply in some major economies, different regions across the world develop at different rates, presenting a hidden risk that is difficult to eliminate. The Company disperses the risk of operating in a single region with a wide business layout and conducts business based on the actual situation of various countries and regions. However, the Company's business will be impacted if another global economic recession arises
- 3) **Risks of domestic economic structural transformation:** The infrastructure and real estate markets in China continue to undergo adjustments. The exports of some commodities are restricted by trade protection policies of destination countries, and the advantage of a large labor force is weakened. The Chinese economy is in a process of transformation of development mode and alternation of new and old driving forces. The Company empowers the digital transformation of the economy and society with AIoT technologies and products, promoting new developments in productivity. However, economic transformation cannot be achieved overnight, and structural pressure and resistance will persist for a long time. Any problems that occur during the process will still affect the Company's business operations.
- 4) **Supply chain risks:** The integrity of the global supply system is undermined by geopolitics, and the timeliness of the supply chain is affected by business cycles. The Company strives to develop a diversified supply network and adjust inventory properly. However, our business stability may be affected if the supply chain is seriously interrupted.
- 5) **Technology upgrading risks:** With the rapid development of AI, big data, IoT and other technologies, technological applications are iterating quickly. The Company has some strength in technology fields such as IoT perception, AI, and big data, and keeps growing through business practices. However, if we cannot closely track the updates and changes of cutting-edge technologies and maintain business innovation and expansion, the uncertainty of the Company's future development will increase.

- 6) **Risks of internal management:** The Company's continual business expansion and development of new products and business services add complexity to internal management, posing new challenges to our management capabilities. The Company accumulates management experience through the development of systems and procedures with a focus on talent cultivation and construction. However, the Company's operations will be adversely affected if our management capabilities cannot keep up with the business expansion.
- 7) **Legal and compliance risks:** The world's multilateral trading system is greatly impacted by politics, and business activities are required to comply with the complex laws and regulations of various regions. The Company has constantly strengthened the legal compliance system since countries around the world have stricter requirements for data supervision and legal compliance capabilities. However, the Company's operations will be adversely affected if our legal compliance capabilities cannot keep up with the requirements.
- 8) **Risks of exchange rate fluctuations:** The Company operates in multiple countries and regions, where transactions are mainly settled in non-RMB currencies. Although the Company uses appropriate financial instruments to reduce risks, exchange rate fluctuations will affect our financial performance due to the foreign currency exposure arising from sales, procurement, and financing.
- 9) **Financial risks caused by customers' reduced ability to pay:** The flow of funds in commercial transactions is affected by the economic environment. The Company has accumulated some cash reserves due to our sound collection mechanism and stable business operations, and our financing costs are low. However, if the overall liquidity risk of the market increases, the Company's operations will be adversely affected as our payment collection maybe delayed.
- 10) **Risks of cybersecurity:** The Company has always emphasized cybersecurity and taken active measures to enhance the security of our products and systems. However, computer viruses, malicious software, hacker attacks and other security incidents that deliberately attempt to damage the Company's systems or products may take place, causing potential cybersecurity issues.
- 11) **Risks of intellectual property (IP) rights:** The Company has maintained considerable investment in R&D, and made significant technological achievements. We have also implemented robust IP protection measures. However, the risk of IP disputes and infringement still exists.

The above-mentioned alerts do not include all the potential risks for the Company. Investors are advised to invest with caution.

CONTENTS

To Shareholders	1
Section I Important Notes, Contents and Definitions	3
Section II Corporate Profile & Key Financial Data.....	9
Section III Management Discussion and Analysis	16
Section IV Corporate Governance	148
Section V Environmental and Social Responsibility	183
Section VI Significant Events.....	184
Section VII Changes in Shares and Information about Shareholders	207
Section VIII Information of Preferred Shares	223
Section IX Bonds	224
Section X Financial Report	225
Section XI Documents Available for Reference	385

Definitions

Term	Definition
Reporting Period	From January 1, 2023 to December 31, 2023
Articles of Associations	<i>Articles of Associations for Hangzhou Hikvision Digital Technology Co., Ltd</i>
Hikvision, the Company, our Company, the Group	Hangzhou Hikvision Digital Technology Co., Ltd.
CETC	China Electronics Technology Group Ltd., the actual controller of the Company
CETHIK	CETHIK Group Co., Ltd. Controlling Shareholder of the Company
EZVIZ, EZVIZ Network	Hangzhou EZVIZ Network Co., Ltd.(According to the context, also refers to the corresponding business)
HikRobot, Robotic business	Hangzhou Hikrobot Technology Co., Ltd. (According to the context, also refers to the corresponding business)
HikAuto, Auto electronics business	Hangzhou Hikauto Technology Ltd. (According to the context, also refers to the corresponding business)
HikMicro, Micro Sensing, Thermal imaging business	Hangzhou Hikmicro Sensing Technology Ltd. (According to the context, also refers to the corresponding business)
HikSemi, HikStorage, Storage business	Wuhan Hikstorage Technology Ltd. (According to the context, also refers to the corresponding business)
HikImaging	Hangzhou Hikimaging Technology Ltd. (According to the context, also refers to the corresponding business)
HikFire	Hangzhou Hikfire Technology Ltd. (According to the context, also refers to the corresponding business)
HikRayin,Rayin, HikSecurityCheck	Hangzhou Rayin Technology Ltd. (According to the context, also refers to the corresponding business)
Chengdu Science and Technology Park	Located in Chengdu, Sichuan Province, the planned use is for R&D, office space and supporting facilities, etc.
Xi'an Science and Technology Park	Located in Xi'an, Shaanxi Province, the planned use is for R&D, office space and supporting facilities, etc.
Wuhan Intelligence Industry Park	Located in Wuhan, Hubei Province, the planned use is for production plants, warehouses and supporting facilities, etc.
EZVIZ Intelligent Manufacturing (Chongqing) Base	Located in Chongqing, the planned use is for production plants, warehouses and supporting facilities, etc.
Shijiazhuang Science and Technology Park	Located in Shijiazhuang, Hebei Province, the planned use is for R&D, office space and supporting facilities, etc.
Hikvision Global Warehousing and Logistics	Located in Hangzhou City, Zhejiang Province, the planned use is for warehousing and logistics buildings and supporting buildings, etc.

Term	Definition
Center	
Industrialization Base of Infrared Thermal Imaging Products	Located in Hangzhou, Zhejiang Province, the planned use is for office, R&D sites and supporting facilities, etc.
HikRobot Product Industrialization Base Construction Project	Located in Hangzhou, Zhejiang Province, the planned use is for office, R&D sites and supporting facilities, etc.
HikRobot Intelligent Manufacturing (Tonglu) Base Project	Located in Hangzhou, Zhejiang Province, the planned use is for factory buildings, comprehensive office buildings and supporting facilities, etc.
Innovative Business	<p>A long investment cycle, business prospects uncertain, has the high risk and uncertainty, in need for direct or indirect investment in exploration, in order for the Company to timely enter into new areas of business. Initially disclosed in <i>Announcement about Management Measures for Core Staff Investment in Innovative Business</i> (www.cninfo.com.cn).</p> <p>In this report, innovative business also refers to EZVIZ, HikRobot, HikAuto, HikMicro, HikSemi, HikImaging, HikFire, Rayin and their related business or products.</p>

Section II Corporate Profile & Key Financial Data

I. Corporate Information

Stock abbreviation	HIKVISION	Stock code	002415
Stock exchange where the shares of the Company are listed	Shenzhen Stock Exchange		
Name of the Company in Chinese	杭州海康威视数字技术股份有限公司		
Abbr. of the Company name in Chinese	海康威视		
Name of the Company in English (if any)	HANGZHOU HIKVISION DIGITAL TECHNOLOGY CO., LTD		
Abbr. of the Company name in English (if any)	HIKVISION		
Legal representative	Chen Zongnian		
Registered address	No. 555 Qianmo Road, Binjiang District, Hangzhou, Zhejiang Province		
Postal code of Registered address	310051		
Changes in the Company's registered address	The Company was listed on the Shenzhen Stock Exchange on May 28 th 2010. The original registered address was No. 36 MachengRoad, Xihu District, Hangzhou, Zhejiang Province. In 2016, the Company's registered address was changed to No. 555 Qianmo Road, Binjiang District, Hangzhou, Zhejiang Province.		
Business address	No. 518 WuLianWang Street, Binjiang District, Hangzhou		
Postal code of Business address	310051		
Company website	www.hikvision.com		
E-mail	market@hikvision.com; ir@hikvision.com		

II. Contacts and Contact Information

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

III. Information Disclosure and Place of the Report

The securities exchange website for the disclosure of the Annual Report	www.szse.cn
Media and website for the disclosure of the Annual Report	<i>Securities Times, China Securities Journal, Shanghai securities Journal, www.cninfo.com.cn</i>
Place where the Annual Report is available for inspection	Office of the Board of Directors of the Company

IV. Company Registration and Alteration

Unified Social Credit Identifier	91330000733796106P
Changes in principle business activities since the Company was listed (if any)	<p>During the reporting period, there is no change in the Company's business scope. The Company's business scope covers: licensed items: production of Class II and Class III radiation devices; sales of Class II and Class III radiation devices; radioisotope production (except the radiopharmaceuticals for positron emission computed tomography); sales of Class II, Class III, Class IV and Class V radioactive sources; engineering and construction activities; type II value-added telecommunications services; online data processing and transaction processing services (operating e-commerce); Internet information services; general aviation services. (as for the items which by law are subject to approval, business activities can be carried out only after having been approved by the relevant departments, and the specific operation items are subject to the terms of the approval). General items: manufacturing of digital video surveillance systems; sales of digital video surveillance systems; manufacturing of security equipment; sales of security equipment; manufacturing of IoT equipment; sales of IoT equipment; manufacturing of intelligent unmanned aerial drones; sales of intelligent unmanned aerial drones; manufacturing of computer software and hardware and peripherals; wholesale of computer software and hardware and auxiliary equipment; manufacturing of communication equipment; sales of communication equipment; manufacturing of network equipment; sales of network equipment; manufacturing of display devices; sales of display devices; manufacturing of intelligent mobile equipment; sales of intelligent mobile equipment; manufacturing of auto parts and accessories; wholesale of auto parts and accessories; manufacturing of electric signal appliances and devices; sales of electric signal appliances and devices; manufacturing of mechanical and electrical equipment; sales of mechanical and electrical equipment; manufacturing of special labor protective supplies; sales of special labor protective supplies; production of commercial password products; sales of electronic products; sales of digital cultural and creative technological equipment; technical services, technical development, technical consultation, technical knowledge exchange, technology transfer and technology promotion; software development; development of network and information security software; information system integration services; computer system services; research and development of IoT technologies; IoT technology services; IoT application services; big data services; data processing and storage support services; security system monitoring services; security technology defense system's design and construction services; electronic and mechanical equipment maintenance (excluding special equipment); parking lot services; digital cultural and creative content application services; environmental protection monitoring; business training (excluding education and vocational training that require licensing); import and export of goods; import and export of technology (Except for items which by law are subject to approval, the</p>

	Company can determine and carry out operational activities in accordance with the law by virtue of its business license).
Changes of controlling shareholders of the Company (if any)	No change during the reporting period

V. Other Relevant Information

Accounting firm engaged by the Company

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

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

Applicable Inapplicable

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

Applicable Inapplicable

Name of Financial Advisor	Office Address of Financial Advisor	Name of the lead financial advisor	Supervision Period
China International Capital Corporation Limited	27th & 28th Floors, Tower 2, China World Tower, No.1 Jianguomen Outer Street, Chaoyang District, Beijing.	Wang Jian; Liu Jia	The remaining period of the first year of listing of Hangzhou Ezviz Network Co., Ltd., a subsidiary under the control of the Company, and the following complete fiscal year. (From December 28, 2022 to December 31, 2023)

VI. Key Accounting Data and Financial Indicators

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

Yes No

Reasons for retrospective adjustment or restatement of previous accounting data

Changes in accounting policies

Unit: RMB

	2023	2022		YoY Change (%)	2021
		Before the adjustment	After the adjustment	After the adjustment	
Revenue (RMB)	89,339,856,855.68	83,166,321,681.14	83,166,321,681.14	7.42%	81,420,053,539.27
Net profit attributable to shareholders of the Company (RMB)	14,107,621,359.66	12,837,342,061.07	12,837,704,462.49	9.89%	16,800,411,032.05

	2023	2022		YoY Change (%)	2021
		Before the adjustment	After the adjustment	After the adjustment	
Net profit attributable to shareholders of the Company excluding non-recurring gains and losses (RMB)	13,665,962,325.65	12,330,695,878.62	12,331,058,280.04	10.83%	16,444,723,630.97
Net cash flows from operating	16,623,254,305.92	10,164,135,382.38	10,164,135,382.38	63.55%	12,708,524,686.99
Basic earnings per share (RMB/share)	1.520	1.370	1.370	10.95%	1.810
Diluted earnings per share	1.520	1.370	1.370	10.95%	1.806
Weighted average ROE	19.64%	19.62%	19.62%	0.02%	28.99%
	At December 31, 2023	At December 31, 2022		YoY Change (%)	At December 31, 2021
		Before the adjustment	After the adjustment	After the adjustment	
Total assets (RMB)	138,848,007,548.55	119,233,282,761.47	119,234,833,850.69	16.45%	103,864,543,195.18
Net assets attributable to shareholders of the Company (RMB)	76,354,265,540.14	68,389,154,548.76	68,389,337,524.32	11.65%	63,460,886,665.26

Reasons for changes in accounting policies and situations of correction of accounting errors:

The Ministry of Finance issued the Interpretation No. 16 of Accounting Standards for Business Enterprises (the "Interpretation No. 16") on November 30, 2022. The scope of the initial recognition exemption for deferred income tax in the Accounting Standards for Business Enterprises No. 18-Income Tax was revised. Making it clear that the provisions on exemption of initial recognition of deferred income tax liabilities and deferred income tax assets in Accounting Standards for Business Enterprises No. 18-Income Taxes shall not be applied if a single transaction is not a business combination, that affects neither accounting profit nor taxable income (or deductible loss) when the transaction occurs, and that initially recognized assets and liabilities result in equal taxable temporary differences and deductible temporary differences. This provision is effective as of January 1, 2023 and may be implemented in advance. The Group implemented this requirement from January 1, 2023, adopted the retrospective adjustment method for accounting treatment, and restated the financial statements for the comparative period.

The Company's net profit before and after deducting non-recurring gains and losses in the last three fiscal years is negative, and the audit report of the most recent year shows that there is uncertainty about the Company's ability to continue operations

Yes No

Net profit before and after deducting extraordinary gains and losses is negative

Yes No

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

The total share capital of the Company as of the previous trading day of the annual report disclosure	9,330,600,931
---	---------------

(share)	
---------	--

Fully diluted earnings per share calculated with the latest share capital

Fully diluted earnings per share (RMB/share) calculated with the latest share capital	1.512
---	-------

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

1. Difference in the Financial Report of Net Profits and Net Assets According to the Disclosure of International Financial Reporting Standards and China Accounting Standards

Applicable Inapplicable

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

2. Difference in the Financial Report of Net Profits and Net Assets According to the Disclosure of Overseas Accounting Standards and China Accounting Standards

Applicable Inapplicable

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

3. Explanation of the Differences in Accounting Data under Domestic and Overseas Accounting Standards

Applicable Inapplicable

VIII. Key Quarterly Financial Indicators

Unit: RMB

	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
Revenue (RMB)	16,201,189,412.53	21,369,596,985.36	23,704,377,795.74	28,064,692,662.05
Net profit attributable to shareholders of the Company	1,811,255,388.03	3,526,612,628.85	3,513,299,100.33	5,256,454,242.45
Net profit attributable to shareholders of the Company excluding non-recurring gains and losses	1,554,094,332.67	3,482,034,300.29	3,425,870,315.02	5,203,963,377.67
Net cash flows from operating activities	-3,285,523,507.64	4,311,914,370.44	4,887,462,618.15	10,709,400,824.97

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

Yes No

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

Applicable Inapplicable

Unit: RMB

Item	2023	2022	2021
Profits or losses from disposal of non-current assets (including the write-off for the impairment provision of assets)	-10,507,192.80	-18,617,582.10	26,069,469.18
The government subsidies included in the current profits and losses (excluding the government subsidy that are closely related to the Company's normal business operations, in line with national policies and regulations, enjoyed in accordance with the determined standards, and have a continuous impact on the Company's profit and loss)	518,953,527.79	726,269,569.92	576,619,421.07
The investment cost of the Company to obtain subsidiaries, associates and joint ventures is less than the income generated by the fair value of the investee's identifiable net assets when the investment is obtained	-	-	1,163,932.96
Profits and losses attributed to change in fair value for derivative financial assets, derivative financial liabilities and other non-current financial assets; and investment gains and losses from disposal of derivative financial assets, derivative financial liabilities, and receivables financing, excluding the effective hedging business related to the regular business operation of the Company.	-67,516,075.30	-99,112,871.09	75,408,081.63
Investment gains and losses on disposal of subsidiaries and other business units	-	3,550,851.71	-169,184,641.43
Gains and losses from a business combination achieved in stages not under common control	116,433,610.45	-	-
Other non-operating income and expenditures except the items mentioned above	69,942,462.96	72,446,008.81	-1,471,007.77
Other profit or loss items that meet the definition of non-recurring profit or loss	1,106,664.51	-	-
Less: Impact of income tax	64,745,616.43	74,392,826.66	29,930,824.64
Impact of the minority interests (after tax)	122,008,347.17	103,496,968.14	122,987,029.92
Total	441,659,034.01	506,646,182.45	355,687,401.08

Details of other gain/loss items that meet the definition of non-recurring gains and losses:

Applicable Inapplicable

The Company did not have other gain/ loss items that meet the definition of non-recurring gains and losses.

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

Applicable Inapplicable

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

Section III Management Discussion and Analysis

I. The Industry Situation and Main Business of the Company during the Reporting Period

1. Business Overview

With the rapid development of AI, big data, and IoT technologies, digitalization has accelerated its penetration into various industries and fields, creating new industries and business models, and giving birth to a group of digital-era giants in retail, media, entertainment, local life, and other fields. Major countries around the world have introduced strategies and plans to promote the accelerated application of digital technologies. In 2016, the Chinese government proposed to promote the deep integration of information technology and economic and social development, and, for the first time, introduced the concept of "Digital China" in the *Outline of the 13th Five-Year Plan for National Economic and Social Development*. In 2021, "Digital China" was identified as one of the important national strategies in the *14th Five-Year Plan and 2035 Vision Goals of China*.

As digitization and digital transformation continue to unfold, data has become a new production factor. A vast majority of companies built around the physical world (which can be referred to as non-digital native companies), especially manufacturing companies, have conducted a large amount of IT work, but the lack of core data required for digital transformation of their core business processes and the data-based products and solutions for intelligent control and decision-making remains the biggest pain point for these companies.

The digitization of physical world scenarios is the fundamental unit of digital transformation. "Signals" are widely present in the physical world and a variety of perceptual capabilities are needed to collect multi-dimensional and multi-type data and enable them to be mapped in the digital world. The demand for digital transformation is personalized and highly fragmented. Different industries and even different participants within the same industry vary in their demands for digital transformation. Only by deeply integrating technology and user needs can we truly solve the digital transformation problems in specific scenarios and empower business with digital technology.

Hikvision's comprehensive perception capabilities facilitate acquisition of richer data. By focusing on video perception, Hikvision has built a comprehensive perception system that encompasses electromagnetic waves such as visible light, infrared, radar, and X-ray, mechanical waves such as sound waves and ultrasound, as well as various physical sensing technologies. At present, the Company has tens of thousands of IoT perception products, covering multiple categories including front-end cameras, audios and sensors, enabling comprehensive aggregation

of images, sound, vibration, temperature, and other multi-dimensional data.

Hikvision's diverse digital technology further unlocks data value. With our profound expertise in cloud computing, big data and AI as well as deep understanding of AIoT, the Company has launched a capability architecture "integrating cloud and edge, IoT and information network, digitalization and intelligence". Meanwhile, the Company continues to improve our data processing and analysis capabilities by increasing investment and accumulation in basic computing power and large model construction. Recently, we have innovatively launched the Guanlan large model that promotes the wider value fulfilment of AI.

Hikvision leverages a deep understanding of the industry to meet the application needs of personalized scenarios. Currently, the Company has covered over 500 segmented scenarios in nearly 90 sub-industries across over 10 main industries, and continues to expand our presence in many fields related to production, life, and social governance. With the establishment of lower-level distribution channels and long-term communication and cooperation with industry customers, the Company has gained profound industry understanding and user insights, enabling us to better meet the personalized and customized digital transformation needs of downstream customers.

Faced with the unstoppable trend of digital transformation, Hikvision will help businesses to consolidate their data foundation for digital transformation through our comprehensive perception technologies and more innovative digital technologies, respond to the highly customized digital transformation needs of various industries through richer product portfolios and stronger platform capabilities, and accelerate the large-scale implementation of digital transformation through wider channel coverage and a more open partner ecosystem, thus enabling convenient and efficient government services, quality and efficiency improvement of business operations, and an intelligent and healthy life for the people.

2. Technology System

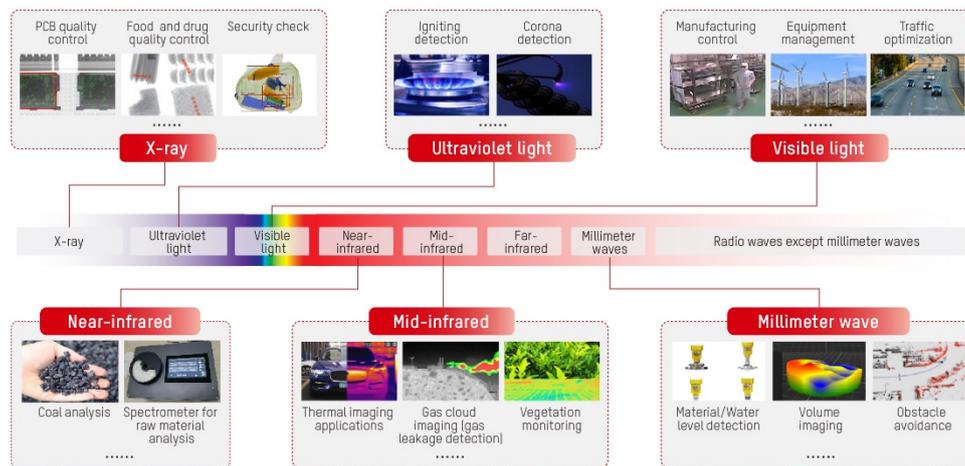
With more than 20 years of innovation and experience, Hikvision has developed IoT perception, artificial intelligence, and big data technology systems that support the product development and application implementation. Using visible light as the technology foundation, the Company has created a business logic that comprises video signal acquisition, processing, and application. We have continuously developed perception technologies to expand these business services and established the business model of data acquisition, processing, and application with the support of artificial intelligence and big data. The three complementary technologies are combined to improve Hikvision's business, continuously promoting the commercial realization of technology, and facilitating the

Company's implementation of the business cycle of technology-product-market-technology.

2.1 IoT Perception

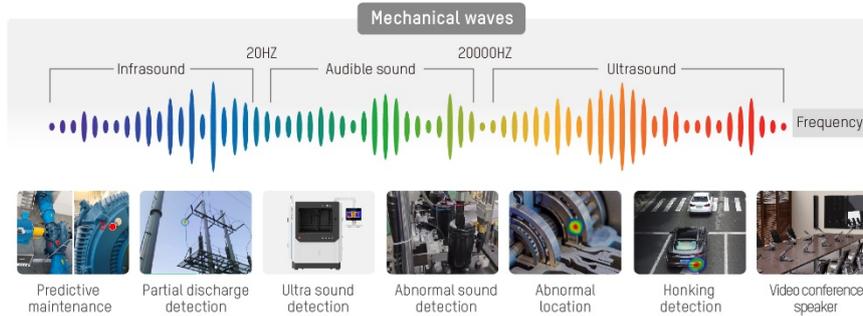
With video technology as the starting point, Hikvision has been committed to developing perception technologies and improving our IoT perception capabilities. With more than 20 years of technological expertise, the Company has grown to cover the fields of electromagnetic and mechanical waves, as well as other physical sensing technologies such as temperature, humidity, pressure, and magnetism.

In the field of electromagnetic waves, Hikvision's perception technology has covered long waves from visible light to near-infrared, mid-infrared, far-infrared and millimeter waves, as well as short waves such as ultraviolet light and X-ray. Our profound know-how in signal processing, computer vision, large model, and multi-dimensional



perception integration technologies has promoted the application of digital technology in a range of industries including food, medical, logistics, power, transportation, and manufacturing.

In the area of mechanical waves, Hikvision has achieved perception of sound that extends from audible to ultrasonic frequencies, and developed microphone array, sound classification, industrial auscultation, ultrasonic non-destructive detection, and ultrasound measurement technologies, which have been widely applied in scenarios such as horn detection, high-voltage discharge detection, high-pressure gas leakage detection, belt fault monitoring, motor fault monitoring, and component quality inspection.



In other physical sensing sectors, Hikvision developed force, electrical, and magnetic sensing technologies. Utilizing multi-dimensional sensing devices such as pressure, flow, and temperature sensors, the Company is helping businesses to achieve automated control of production, improve production efficiency, and advance their process of digitalization.

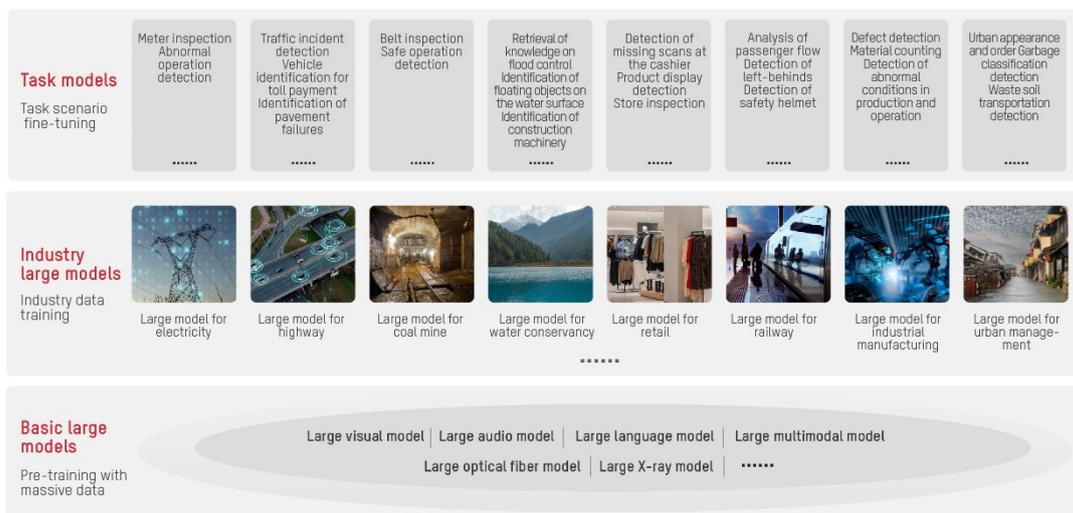
With an extensive perception capacity and multi-dimensional perception integration capabilities, Hikvision has built an underlying technology platform that supports our growing innovative applications in the field of scenario-based digitization to meet the sensing and perception needs of different fragmented scenarios. For instance, in the energy field, the visible and ultraviolet lights, and thermal imaging integration technology is used to provide fault diagnosis and detection for high-voltage power facilities, greatly improving the efficiency of power inspection. In the industrial sector, audio and video integration technologies are utilized to provide fault monitoring and diagnosis for production equipment, enabling predictive maintenance in unmanned scenarios. In the environment industry, real-time visual monitoring of water level changes is achieved by integrating video perception and millimeter-wave radar perception, thus enhancing intelligent management of water environments.



2.2 Artificial Intelligence

As early as 2006, Hikvision began to develop AI technology by building an algorithm team. After years of continuous investment and R&D innovation, the Company has gained extensive experience in the AI field. Since

2016, Hikvision has won championships in over 30 international academic competitions related to AI. In 2019, our open AI platform was awarded the title of National Artificial Intelligence Innovation and Entrepreneurship Platform by the Ministry of Science and Technology. In 2021, considering the rapid development of AI technology and the practical demand for AI application in digital scenarios, Hikvision began to launch a R&D project for a large pre-trained model. Subsequently, the Company innovatively introduced the Hikvision Guanlan Large Model with a three-tier architecture comprising large foundation model, large industry model, and task model. The large foundation model has massive data and knowledge and is characterized by a large number of parameters, high generalization ability, and excellent performance. The large industry model uses industry data for further pre-training and fine-tuning on the basis of the large foundation model, and possesses expert-level capabilities in specific fields. The task model focuses on specific scenarios or business services and is an important way to implement the capabilities of the large model.



The Guanlan Large Model offers four advantages: extensive modal data, professional industry capabilities, high deployment cost-effectiveness, and flexible and efficient application, promoting the implementation of AI:

Extensive modal data: The construction of large model applications requires high-quality training data. The Guanlan Large Model can be widely integrated with extensive high-quality multi-modal data from fields such as electromagnetic waves, mechanical waves, and other sensing technologies, and has comprehensive IoT perception capabilities.

Professional industry capabilities: The Guanlan Large Model transforms Hikvision's practical experience of more than 10 main industries, nearly 90 sub-industries, and over 500 scenarios into industry application capabilities,

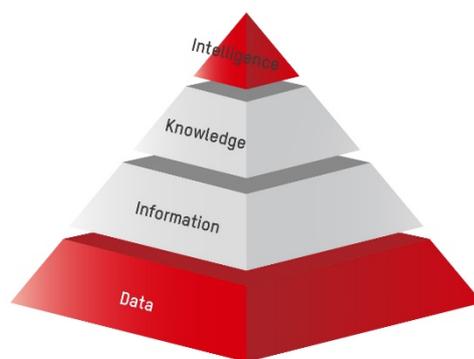
having a profound understanding of specific industries.

High cost-effectiveness of deployment: The Guanlan Large Model effectively reduces performance costs through innovative hardware deployment technology, and utilizes cloud edge deployment solutions to efficiently meet different scenario requirements, building a high cost-effective application model.

Flexible and efficient application: The Guanlan Large Model provides technical support for open AI platforms and enables opening the inferencing capabilities to meet the fragmented, diverse, and personalized algorithm application needs.

2.3 Software and Big Data

Hikvision utilizes big data technology to organically integrate human society, physical systems, and information systems, enhancing information interoperability and decision-making intelligence in social production activities and people's life. The AIoT field has enormous data with a low information density as there are a large amount of unstructured data. To address the issue, Hikvision leverages big data technologies such as data collection, storage, processing, analysis, governance, security, and application to build a big data infrastructure and develop a complete set of big data technology systems, further unleashing the value of AIoT data. Our key big data technologies include:



Big data storage and computing technologies: These technologies use an open architecture that integrates multi-source heterogeneous storage methods such as relational databases, NoSQL databases, and data libraries, support multi-modal computing frameworks such as batch processing and streaming computing, and are equipped with management technologies such as multi-tenant, user authentication, and refined monitoring. In terms of storage and computing acceleration, Hikvision has developed aggregative encoding, adaptive compression and other storage technologies for objects and relations, and built a computing engine that adapts to complex algorithms, enabling second-level spatiotemporal retrieval and robust relationship inference, which can support the computing of billion-scale graphed data.

Big data mining technology: By integrating AI, knowledge, and data, Hikvision has developed intelligent technologies in graph mining, time series prediction, and intelligent decision-making. In terms of graph mining, the

Company has developed knowledge construction, representation, and inference techniques that are designed to solve multi-dimensional data fusion, relationship computing, node classification and other problems, and can be applied in security risk control, intelligent recommendation and other scenarios. In the field of time series prediction, a deep learning-based series prediction method has been improved to address the difficulties of unstable data trends and complex spatial relationships among multiple variables, enhancing prediction accuracy in multiple tasks such as traffic flow prediction, travel time estimation, and congestion warning. As for intelligent decision-making, progress has been made in areas such as operations optimization, deep combinatorial optimization, and reinforcement learning, which have been applied to intelligent supply chain scheduling, production optimization, intelligent control of traffic lights, and other scenarios.

Big data application technology: Hikvision takes advantage of the big data collection, governance, analysis, and service capabilities powered by the IoT-information network integration data resource platform to provide big data application services for various industries. During this process, a set of industry business data models have been built, managed based on the model library, and can be replicated and optimized in other similar application scenarios.

In an attempt to quickly satisfy fragmented market demand, Hikvision has completed the transformation from developing customized software to implementing the unified software technology architecture over a period of three years. Based on the unified software technology architecture, the Company has developed a software and hardware product system that integrates software and hardware, cloud and edge, IoT and information network, as well as digitalization and intelligence. Hikvision's unified software technology architecture supports a component-based way for software development. Currently, the Company has more than 4,200 components in our software component library, an increase of more than 14 times compared to 2018. On average, each reusable component is integrated with 18.3 product models, and each product model is reused in 80.3 reusable components. The vast software component library and high component reuse rate greatly reduce the development and maintenance costs for users, helping to achieve agile development and rapid iteration of software applications in different industries.

3. Product System

AIoT products are the bridge between the physical and digital worlds, the carrier of intelligent algorithms, and the fulcrum for creating digital transformation application solutions. To meet the needs of typical applications of digital transformation, Hikvision has quickly developed innovative and intelligent new products based on the

existing hardware products of over 30,000 models.

3.1 New Digital Products

With long-standing technical expertise, extensive product engineering capabilities, and years of in-depth understanding of the industry, Hikvision continues to launch new digital products that meet the digital transformation needs of various industries. From a technical perspective, the Company has developed increasingly diverse products based on different perception technologies that are able to perceive data on more "objects" (such as water quality, raw material composition, equipment status, etc.), paving the way for data analysis and application in different industries. From the perspective of application scenarios, the digital products launched by the Company have covered a growing number of application scenarios from the digitization of auxiliary management to that of core business processes, making digitization truly an important lever for government and corporate digital transformation and upgrading.

3.1.1 A variety of perception products building the foundation of the digital world

Perception provides a foundation for creating a digital twin for the physical world. The acquisition of data on objects requires the use of different perception methods. Hikvision has launched a variety of digital perception products, making more data on objects easily accessible and building the foundation of the digital world.

1) Visible light perception

The deep integration of visible light and AI has enabled the evolution of cameras from being traditional video surveillance terminals to AIoT terminals that connect the physical and digital worlds. The cameras, which make things from visible, clear, to be understood, are no longer limited to surveillance, but have been applied in a wider range of fields, which opens the space of intelligent application.



For example, by focusing on improving quality and efficiency in manufacturing and other sectors, the Company has launched a series of new innovative products for different scenarios based on visible light and AI:

Production line camera series: In terms of monitoring daily production processes, the Company has launched a production line camera series. With a miniaturized design, these cameras can flexibly adapt to the production line scenarios, and observe key production processes at close range, making production status visualized and problem tracing justifiable. As for the scenarios of production workstations and packing workstations, the Company has developed a binocular traceability camera. With the large-depth-of-field imaging technology, the camera is able to provide a panoramic view of the packaging process and detailed information on labels, ensuring clear identification of sheets and barcodes.

Platform cameras: These cameras, equipped with deep learning-based intelligent recognition algorithms, are used for intelligent recognition of parking spaces, car doors, carriage loading status, etc., to improve logistics, transportation and management efficiency, achieve automated detection of loading in logistics, and enhance management efficiency for platforms.

Inspection camera series: The Company has launched track inspection cameras specifically for the scenarios of power generation rooms and distribution rooms. These cameras can be used with an IoT sensing module and optionally with partial discharge detection, temperature measurement, and environmental sensing modules as needed to meet the inspection needs of different scenarios. They can also be used with obstacle avoidance technology to conduct safety inspections. The inspection plans can be customized to improve the efficiency of remote inspections.

Macro camera series: Some problems exist in the observation of utility meters, production quality control and other scenarios that require close observation, such as unclear focus, and interference from fill light reflection. Our macro camera series use technologies of automatically focus and polarize to achieve all-weather color imaging.

Low-temperature-resistant camera series: As for cold chain scenarios, Hikvision has launched low-temperature-resistant cameras that use technologies such as window heating to ensure stable operation at temperatures as low as minus 60 °C without fogging the lenses. These cameras can be used with multi-dimensional sensors, such as temperature and humidity sensors, to facilitate managers in monitoring changes in the warehouse environment in real-time and achieve visual supervision of the entire cold chain transportation process.

High-temperature-resistant camera series: In high-temperature production scenarios such as metallurgy, hazardous waste, petrochemical, and glass production, ordinary cameras are easily affected by noise and dark current, resulting in a significant decrease in imaging quality. Hikvision's high-temperature-resistant camera series can meet application needs even in high-temperature environments through technologies such as air cooling, water cooling, and semiconductor cooling.

Anti-vibration and anti-shake camera series: In industries such as steel, industrial and commercial enterprises, equipment manufacturing, logistics transportation, where heavy machinery is controlled automatically and remotely, cameras are often used for real-time assistance during the operation process. Due to long-term vibration in the installation scenarios, the cameras may produce unclear images, and even face the potential risk of falling off during long-term operation. Hikvision's anti-vibration and anti-shake camera series feature rigid anti-vibration, and scientific counterweight design, reducing the impact of vibration and ensuring stable and in-focus images. Moreover, as high latency can seriously affect equipment control accuracy and endanger production safety, Hikvision has integrated the entire chain from cameras, high-speed storage and computing, to real-time flow display, which can meet the real-time remote-control needs.

PDA product series: Combining deep learning-based barcode/character recognition technology with imaging technology and AI capabilities, Hikvision has launched multiple series of PDA products equipped with professional scanners including full display, button, medical, and printing. In addition, by innovating product design as per scenario requirements, Hikvision has launched multiple mobile intelligent data terminals, including DPM PDA, cold chain PDA, and medical PDA for pressure ulcer treatment, based on the existing products. These terminals provide data collection, scenario-based intelligent recognition, and analysis capabilities for manufacturing, express logistics, retail & e-commerce, medical and health, public services and other industries, helping to achieve lean

management of data collection.

Product	Technical points	Value points
Binocular scanning Pro PDA	<ul style="list-style-type: none"> Close focus + far focus binocular design Color scanning lens 	<ul style="list-style-type: none"> Wider range of distance recognition Better restoration of color images
OCR PDA	<ul style="list-style-type: none"> Binocular stereo recognition Image distortion correction 	<ul style="list-style-type: none"> Identification of text and symbols in the diagram Improved operational efficiency
Cold chain PDA	<ul style="list-style-type: none"> Sealing of scanning chamber Intelligent control of resistance wire heating Temperature and humidity sensing 	<ul style="list-style-type: none"> Usable at temperatures as low as -30 C Adaptive heating Temperature measurement function
DPM PDA	<ul style="list-style-type: none"> Multi-angle fill light sources on dome surfaces Tiny code recognition 	<ul style="list-style-type: none"> Solving the problem of metal reflection Clear display of DPM codes

Product	Key Features
Full screen mini PDA	Scanner design
Full screen series PDA	
Short keyboard series PDA	
Long keyboard series PDA	
5S medical PDA	
Medical care PDA	Deep learning algorithms
Explosion-proof PDA	
Integrated scanning and printing PDA	
4G/5G 10-inch tablet SE	
4G/5G 10-inch code scanning tablet	
8-inch three-proof mate tablet	
4G/5G industry personal terminal	
Explosion-proof industry personal terminal	
Explosion-proof search and rescue device	
Traceable packing machine	

2) Sound wave perception

As sound waves are caused by mechanical vibrations, detecting changes in the waveform and intensity of sound waves can reflect vibration status of various mechanical equipment, thereby determining the equipment status as normal or abnormal. Sound wave perception technologies and products are widely used in the industrial field. Hikvision is able to design and produce acoustic devices by building a professional acoustic algorithm team, and has developed a wide range of acoustic sensing products in the audible sound and ultrasound fields.

Sound-vibration-temperature monitoring product series: These products can simultaneously collect data on the voice, vibration, and temperature of machines, and upload them in real-time. By analyzing long-term multi-dimensional data, they can monitor, diagnose, and predict equipment faults, monitor the operating status of pumps, motors, fans, belts, and other machines in real-time, and warn of abnormal faults. They also provide predictive operation and maintenance services for equipment.

Industrial auscultation microphone series: These microphones can detect abnormal noise in the production process of various motors, pumps, and compressors by collecting information on the voiceprints of machines using bone conduction sensors, and comparing them with AI voiceprints. They have expanded their applications from equipment operation and maintenance to quality inspection of abnormal noise in automotive electric components and household appliance motors due to their ability to quickly identify workpiece faults with sound.



Audiovisual instrument: The Company's online audiovisual instrument features a combination of 64 microphone arrays and camera lenses, and locates sound within the monitored target frequency band using sound source localization algorithms. By visualizing sound through color cloud images, the instrument displays the distribution of sound sources in the field of view, and quickly determines the location of partial discharge, gas leakage, and abnormal equipment noise. It can be used for real-time online monitoring of important equipment in indoor and outdoor scenarios such as substations, distribution cabinets, compressors, factory pipe galleries, and valve rooms. Furthermore, the Company has introduced a handheld audiovisual camera and developed an explosion-proof version, which is lightweight and portable, and can serve as an effective supplement to corporate inspections by performing predictive maintenance, and quickly locating problem points.

3) Laser perception

Laser perception technology uses laser to perceive and measure various external physical quantities through different media such as optical fibers and air. It has the advantages of good anti-interference, high sensitivity, long distance transmission, and high accuracy. With distributed positioning optical fiber products as the starting point, Hikvision continues to build our ability to develop core laser devices and optical-related embedded software, and gradually improves the family of laser sensing products.

Distributed positioning optical fiber: This type of optical fiber optimizes performance using the HIK-DAS patented acoustic detection algorithm and is characterized by long distance transmission, high accuracy, and anti-interference. These products can accurately locate abnormal vibrations that occur around the perimeters, pipelines, etc. in real-time, improving the efficiency of security protection. The application of Hikvision's distributed positioning optical fiber products is becoming increasingly widespread, with benchmark application cases in perimeter protection across various industries such as general and higher education, petroleum and petrochemical,

energy and electricity, railway transportation, cultural museums and scenic spots. There are also multiple trial projects where these products are used in the prevention of external damage to the communication networks of operators, and the buried oil and gas pipelines.

Distributed positioning optical fiber for temperature measurement: This type of fiber can accurately measure the temperature at various positions along the direction of fiber laying and locate points with abnormal temperatures. A host covers tens of kilometers, achieving sub-meter level fault location and maintaining the health of cables, belts, and other equipment. In addition to the 10/20/30 km general model, the specialized intrinsic safety model is used for fire temperature measurement of belts and power cables in coal mines where heavy equipment transportation is inconvenient. The 2.5 km economical short-distance optical fiber for temperature measurement is more suitable for scenarios such as energy storage cabinets and distribution cabinets that do not have high distance requirements. At the Asian Games Hangzhou, the distributed positioning optical fiber for temperature measurement was used for real-time monitoring 7/24, helping to ensure electricity safety during the games.



4) Spectral perception

As objects have their own unique spectral characteristics, spectra are unique and distinct fingerprints of objects. Spectral analysis of different objects helps us to gain more information about their composition. Hikvision's spectral sensing product family combines spectral technology and AI algorithms to qualitatively and quantitatively monitor the composition and changes in substances such as gases, water quality, and vegetation. These products are widely used in safety monitoring of petrochemical parks, quality control in production processes, ecological environment protection, crop growth monitoring and other sectors.

Water environment monitoring: Traditional sampling monitoring methods have problems such as low data timeliness and secondary pollution due to chemical reagents. Our hyperspectral water quality monitoring instrument integrates hyperspectral, liquid level radar, and visible light cameras. The instrument can collect 11 key water quality

parameters including chlorophyll, permanganate index and transparency in seconds. When used with a monitoring platform, it can obtain information on the trend of water quality changes in a timely manner, and warn of abnormal conditions, helping to maintain a long-term clean water environment.

Gas monitoring: To address the difficulty in detecting and locating gas leaks in petroleum, chemical, natural gas and other industries, Hikvision has launched a series of gas monitoring products that can analyze a single gas or hundreds of gases, meeting the needs of various gas monitoring scenarios. For example, our gas cloud imaging telemetry device, which operates based on the principle of spectral absorption, can observe the distribution of VOC masses in space in real-time. The device solves the problem of monitoring VOC leaks under traditional detection modes by making previously invisible VOCs "visible". The hyperspectral Fourier gas telemetry instrument uses the fingerprint spectrum of gas in different wavelength bands to remotely detect gas clouds, which can detect more than 490 toxic and harmful gas substances such as methane and ethylene. The device can overlay spectra and RGB images to visually display the distribution and diffusion trend of gas concentration. It continuously generates sequence diagrams for gas monitoring, and monitors the distribution of gas concentration throughout the day, achieving rapid and accurate quantitative analysis of sudden air pollution gases.

Vegetation monitoring: The multispectral vegetation monitoring instrument collects high-precision spectral data on the vegetation in real-time, and quickly converts them into multiple vegetation parameters that provide information on vegetation growth status, thus conducting intelligent health checks on the vegetation regardless of weather. The instrument conducts all-weather, real-time and high-frequency monitoring of all kinds of vegetation from tens of thousands of acres of agricultural land and forestry to a single plant, helping to provide visual information on the growth trend of vegetation and promoting the digital upgrading of agriculture and forestry.

Multispectral monitoring instrument **Ambient light sensor**

- Crop growth monitoring
- Tree growth monitoring
- Ecological environment restoration monitoring

Real-time visualization of vegetation status
By combining spectra with visible light, the instrument visually monitors growth and determines vegetation status.

Easy to cover 10,000 acres of farmland
The instrument inspects 10,000 acres of farmland in 1 hour with a monitoring radius of 2 kilometers, and enables high definition monitoring of a single plant using 32 times optical magnification.

Conducting efficient inspections without leaving the comfort of home
The management platform can remotely monitor the instrument and provide timely warnings in case of abnormal parameters.

Clear growth trend at a glance
The instrument conducts all-weather full-cycle monitoring of the vegetation and generates a vegetation parameter report that visually displays information on vegetation growth.

Visual and convenient
Integrating visible light and multispectral technologies with built-in algorithms, the instrument generates multiple vegetation parameters and visually displays crop growth status in real-time.

Application scenarios:
monitoring of farmland, tree growth, and invasive species

Rice monitoring Tea garden pest monitoring Vegetation desertification monitoring

5) Location perception

The problem of insufficient accuracy with traditional area positioning technologies such as Wi-Fi, RFID and Bluetooth has given birth to ultra-wideband (UWB) positioning, which provides a wide spectrum range, and low spectrum power, and is not affected by signal stability or spatial attenuation. Hikvision's UWB products utilize wireless radio frequency positioning technology to achieve centimeter-level accurate ranging, suitable for high-precision positioning of personnel, vehicles, and materials. On the basis of centimeter-level precise positioning, our UWB products combines personnel, space, and videos on our visual management platform to monitor, in real-time, the status of personnel, goods dynamics, and production progress in specific areas. These products are applied in indoor and outdoor scenarios such as digital factories, tunnel corridors, warehousing and logistics, energy and chemical hazardous operations, ensuring the safety of personnel and materials, and improving management and operational efficiency.

6) Millimeter wave perception

Millimeter wave radars accurately measure target distance, velocity, angle and other data in real-time, and offer high accuracy, good stability, strong all-weather adaptability and other advantages. By leveraging technological innovation, Hikvision has expanded our millimeter wave radar line through the launch of a full range of product lines for industrial fields, including one-dimensional level measurement, two-dimensional plane scanning, three-dimensional stereo imaging, and 4D obstacle avoidance. These products are widely used in nearly 500 industrial process scenarios, as well as intelligent operation scenarios for production tools (large operating machinery) across 14 industries, including cement, metallurgy, petrochemical, chemicals, food processing, and pharmaceuticals.

Radar level meters

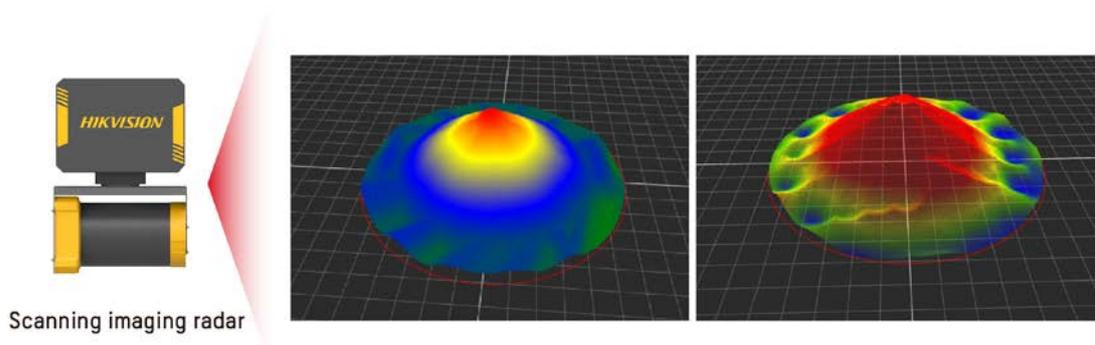
High-frequency millimeter wave radar level meters: These level meters are mainly used for solid and liquid level measurement in industrial scenarios. They are characterized by small size, small beam angle, large bandwidth, and high ranging accuracy. In addition, with a 3° beam angle and a maximum measurement accuracy of 1 mm, they can measure different materials in a non-contact, continuous, accurate, and stable manner. Furthermore, as the high temperature, high pressure, and high dust environments during the production process can bring uncertainty to level measurement, the Company has released a full range of high-frequency millimeter wave level meters for high temperature, high pressure, corrosive, and explosion-proof conditions. With more accurate and stable level measurement, these products help users fully explore the possibility of production process optimization and achieve more efficient and intelligent digital production.



Imaging radars

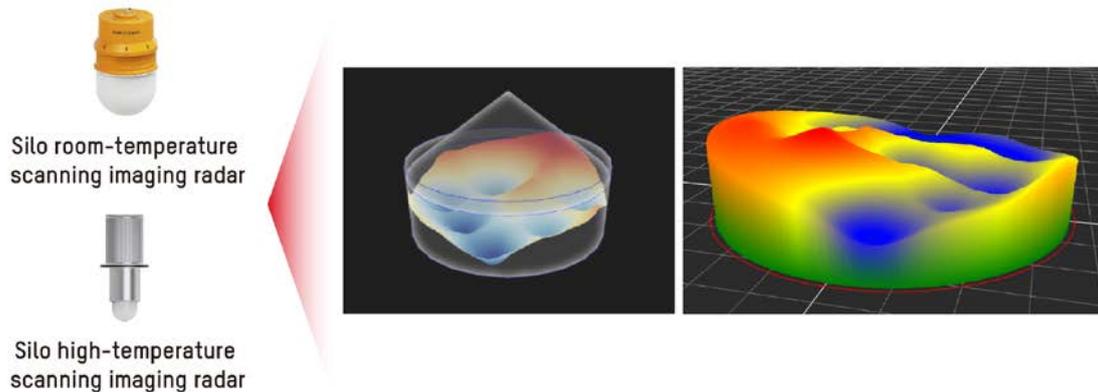
Hikvision has introduced multiple millimeter wave volume imaging radars for different application scenarios such as silos, tanks, and yards in industrial production processes:

Scanning imaging radars: Mainly used in large sheds and yards for storing materials in cement, coal, metallurgy, and chemical and other industries. These radars scan the surface of the material pile in real-time, and detect the coordinates of the material points. Through backend point cloud data processing, they are able to scan the target contour and perform calculus calculations, ultimately achieving accurate presentation of the material shape and precise measurement of the target volume. A single radar has a detection radius of 50 meters, and multiple radars can splice data together in the backend.



Silo imaging radars: Designed specifically for enclosed environments such as silos and tanks. These radars can perform real-time 360° scanning of materials under complex working conditions such as heavy dust, high temperature, and adhesion in silos and tanks. They offer a number of features including static target detection within a spatial range, point cloud data output, spatial scanning imaging, volume and weight calculation output. In addition, they are not affected by harsh environments such as rainwater, dust, and light, and can be automatically and digitally managed to improve utilization and safety. At Huaxin Cement, this series of products allows for intelligent material discharge, which ensures that the aggregate particle size ratio meets the requirements, and improves the stability of

aggregate quality by 60%, thus driving the digital transformation and upgrading of this century-old company.



Cross-section imaging radars: Mainly used for imaging in mobile scenarios, such as moving vehicles, cranes, gantry cranes, scrapers and other machinery, and often equipped with track robots for operations. These radars have significant advantages in all-weather scenarios such as dust, water mist, rain and snow. With a detection radius of up to 100 meters, they can scan the shape and contour of the material pile in real-time. This information can be used with position information of the machinery to obtain the volume of the material pile through point cloud data processing. These products help to precisely control mechanical grabbing and retrieval, facilitating more efficient and safer mechanical operations.

Obstacle avoidance radars

Accidents are sometimes caused by collisions during the operation of large construction machinery such as overhead cranes, cranes, gantry cranes, stackers and reclaimers, ship loaders, and scrapers. Obstacle detection has always been a top priority for companies in safety production supervision. Mechanical obstacle avoidance is mainly divided into three types: obstacle avoidance between large moving machines and people, obstacle avoidance between machines, and obstacle avoidance during operations. Hikvision has launched corresponding millimeter wave radars for all three scenarios.

4D obstacle avoidance radars: Installed on mechanical support legs, these radars are mainly used for obstacle avoidance between large moving machines and people by detecting obstacles in real-time within 20 meters ahead at a horizontal angle of 120 degrees, and a vertical angle of 60 degrees.

Location radars: These radars are installed in the upper middle area of machinery and mainly used for obstacle avoidance between machines in enclosed areas within a detection range of over 500 meters at a horizontal angle of 60 degrees, and a vertical angle of 20 degrees. These radars effectively solve the problem of poor environmental

adaptability caused by the unique path in traditional laser ranging and infrared detection solutions in these scenarios. They also have independent emission and reception forms and provide greatly improved anti-interference and stability.

Scanning obstacle avoidance radars: These radars scan at a horizontal angle of 330 degrees and within a radius of 100 meters, which can be extended to 150 meters, and have a refresh rate of 10 Hz. They are mainly used for large-scale, all-weather obstacle avoidance during operations of stackers and reclaimers, ship loaders, coke pushers, coal loading trucks, coke blocking trucks, and coke quenching trucks, etc.

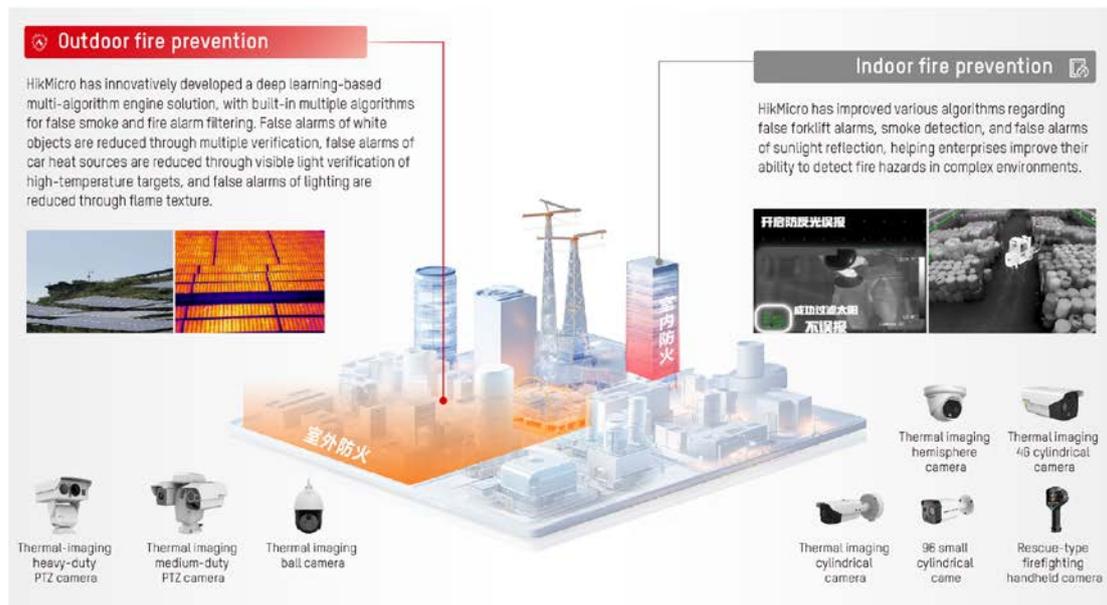
7) Infrared perception

Infrared thermal imaging technology offers many advantages such as all-weather operation, wide coverage, non-contact temperature measurement, and real-time monitoring. It can detect and image the surface temperature distribution of objects. Combining infrared thermal imaging technology with MEMS technology, the Company has built a comprehensive perception network for businesses that covers production safety, production control and production efficiency improvement, helping them with digital transformation.

Panoramic photoelectric turntable: With regard to the monitoring needs of large scenarios, traditional camera solutions have longer inspection times and are difficult to directly generate panoramic images. Our panoramic photoelectric turntable features the fast-steering mirror technology that ensures clear imaging without trailing during high-speed operation. It scans the target by rotating 360° down to 2.4 s per revolution, and generates a visual panoramic splicing image using infrared thermal imaging. A single device is able to quickly control the overall situation. The turntable can quickly detect small targets when used with our self-developed small target detection algorithm, and can also be connected to a thermal imaging PTZ camera, which allows users to view and verify details by zooming in the targets. Additionally, the product provides clear imaging even at night, compensating for the disadvantage of visible light. It is widely used in many scenarios such as oil fields, ports, and key area boundaries to facilitate high-altitude panoramic protection for companies.

Thermal imaging-based fire prevention product series: Thermal imaging can be used to quickly locate fire sources and warn of flames through temperature sensing. This series of products is designed to meet the indoor and outdoor fire protection needs. Taking corporate safety production as an example, these products are used to develop a high-precision fire protection system based on thermal imaging applications, which responds quickly to accurately detect fire points and prevent potential hazards. These products warn of flames through thermal imaging monitoring

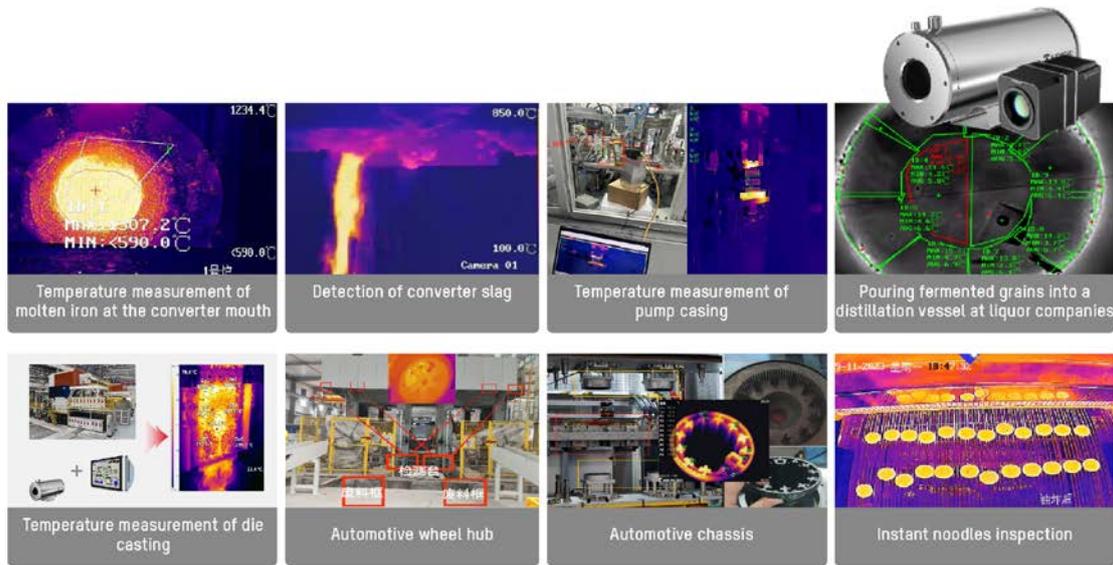
and analyze data with a multi-algorithm engine to reduce false alarms, and make alarms more accurate and alarm handling more efficient, minimizing losses, and warning of fire for companies.



Multispectral fire detector series: This series is designed for fire scenarios such as fires in factories, warehouses, traffic tunnels, and laboratories. These detectors innovatively integrate spectral technology, thermal imaging technology, and AI algorithms. Compared with single fire detection technology, the fusion of several technologies allows second-level synchronous identification of temperature, flames, smoke, and other elements, thus recognizing fire hazards more accurately and intelligently through multiple verifications. A 0.1 square-meter fire panel can detect and locate abnormal temperatures, flames, and smoke within a distance of up to 150 meters, helping to detect and handle fire hazards in advance. In addition, these products can provide reliable support for decision-making in digital fire protection command and scheduling through dual verification of infrared spectroscopy and visual videos.

Thermal imaging-based ultra-high temperature cameras: Ordinary cameras cannot work properly in high-temperature operation scenarios. However, with a wide temperature measurement range of 0 – 1,800 °C and a -20 – 200 °C circulating refrigeration system, our thermal imaging-based ultra-high temperature cameras can meet the vast majority of high-temperature production scenarios. Equipped with the self-cleaning technology for germanium windows, these cameras allow precise and sensitive temperature detection and presentation of clear thermal images even in dusty environments. The devices are widely used in many industries such as steel, automotive, liquor, electronic manufacturing, and food, providing real-time monitoring of operational processes to

ensure quality inspection of production processes and products for businesses.



Visual colorimetric infrared thermometer: The thermometer determines the temperature of an object by measuring the ratio of energy at two different wavelengths. It provides higher accuracy in temperature measurement than monochromatic thermometers by eliminating environmental influences such as water vapor, dust, changes in target size, partial occlusion, and changes in emissivity. The equipment can accurately measure the temperature of the target at high temperatures ranging from 600 °C to 3,200 °C, and is widely used in various industrial applications such as steel rolling, forging, casting, kilns, heat treatment, induction heating, and monocrystalline silicon. It helps businesses effectively control production, reduce energy waste, and improve product quality.



Thermal imaging-based dual spectrum temperature measurement camera: With a small size and large field of view, the product can perform real-time temperature monitoring in any weather and even in narrow and enclosed areas that are difficult to cover by daily manual inspections. The camera supports single/dual light and is available in wired and wireless transmission versions. It can be used with various sensors and gateways to analyze the temperature change trend and quickly locate and warn of high-temperature hazard points. The product is suitable for use in cabinet temperature measurement, indoor fire prevention, equipment monitoring, and other scenarios,

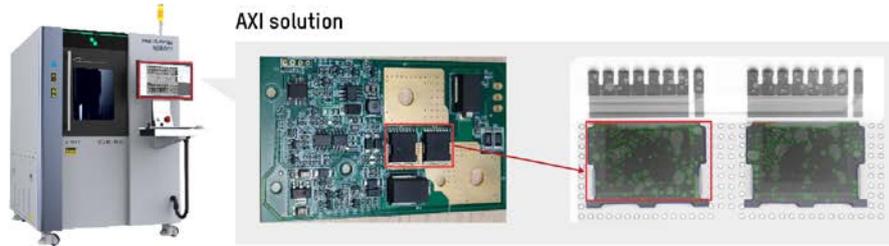
helping to ensure corporate electrical safety.

A full range of thermal imaging-based temperature measurement products: By utilizing the characteristics of thermal imaging-based visual temperature measurement, the Company has developed two major categories of products: online and handheld. Both of these products meet the required accuracy of $\pm 2\text{ }^{\circ}\text{C}$ and are widely used in multiple scenarios such as power temperature measurement, industrial inspection, temperature sensing, and electronic inspection. The products can be paired with analyzer, HikMicro Vision app and other software to provide predictive maintenance of devices and improve production stability for businesses.

8) X-ray perception

X-rays can detect objects without causing any damage to them due to their strong penetration ability, allowing users to see the internal features and defects of the objects through image processing. In response to the demand for perspective inspection in industrial production, the Company leverages our strong expertise in X-ray perception, AI and equipment IoT to continuously launch new X-ray perception products that are available in offline or online and flat or 3D formats and focus on three business services: electronic manufacturing inspection, food and drug inspection, and industrial flaw detection.

Offline/online fully automatic AXI equipment: Used for quality control in electronic and electrical manufacturing processes, and for defect detection of PCBA, LED, semiconductor components, IGBT modules, die-casting components, precision structural components, connectors and other related devices. With the next-generation Raytina image enhancement engine, the equipment enables clearer X-ray imaging and better presentation of image details, making it easier for staff to troubleshoot problems. Compared to traditional methods, the use of AI detection algorithms allows the equipment to automatically identify defects and perform high-precision detection in complex processes with image brightness changes and background interference, greatly reducing the false alarm rate with traditional manual sampling and improving the defect detection efficiency of electronic production enterprises. The offline version is suitable for production scenarios with multiple small batches and full quantity inspection. The online version can be directly connected to the production line, allowing for automatic full line detection.



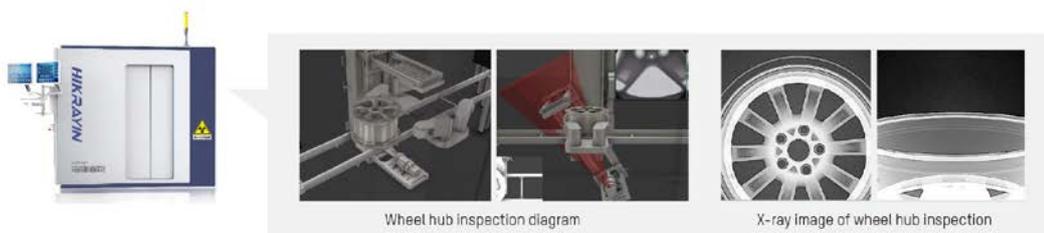
Second-generation intelligent electronic material counting machine: The machine is applied in SMT left-over materials counting and warehouse inventory processes. With an AI recognition algorithm, it can solve the problem of inability to effectively count irregularly shaped and packaged materials as with traditional algorithms, and detects materials with an accuracy of over 99.99%, and a scanning recognition rate of 99.9%. Moreover, it supports automatic counting and is able to count materials in as short as 8 seconds per time. The machine can rapidly and accurately count a large variety of electronic materials, and supports automatic loading and unloading and data connection to MES, greatly improving the efficiency of leftover materials counting, effectively saving enterprise costs, and enhancing digital production.



Intelligent foreign object/defect detection system: Faced with the challenges of multiple background interferences, small foreign objects, and complex defects in the field of food and drug detection, the Company has optimized our product detection capabilities by greatly improving detection accuracy from 0.4 mm to 0.1 mm, effectively ensuring detection speed without compromising accuracy. On a high-speed bottle production line (>600 bottles/minute), this system can accurately detect and remove defective products in real-time, greatly improving the production and testing capabilities of users, reducing defect rates, and enhancing their product quality, market competitiveness, and brand satisfaction.



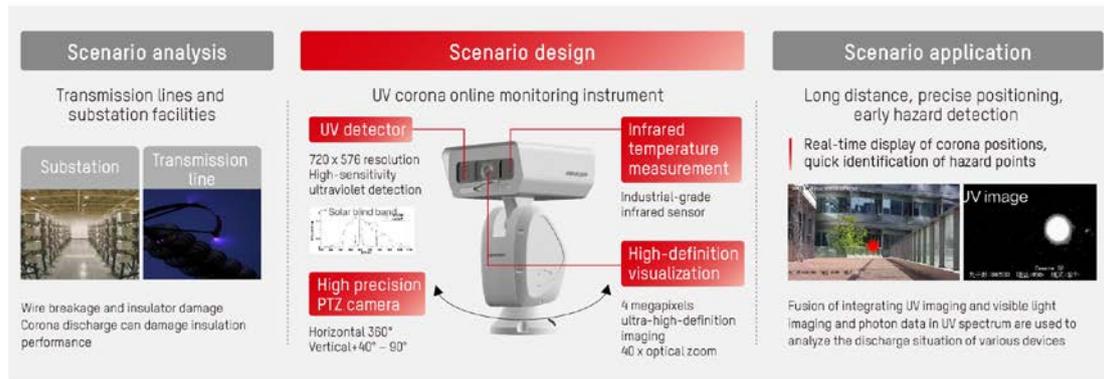
Industrial flaw detection equipment: The Company has released the RN570 series of industrial flaw detection equipment. By combining precision X-ray and image processing technologies with AI algorithms, the equipment can clearly present the internal condition of castings, perform non-destructive defect detection on electronic products, and send alarms for various defects automatically. Currently, the equipment has been used in the new energy vehicle industry, including tires, castings/wheels, electromechanical components, providing an efficient defect detection method and helping to improve the process quality of electronic products for users.



9) UV perception

When electrical discharge occurs with high-voltage equipment, corona, flashover, or arc may occur depending on the strength of the electric field. The surrounding air is broken down and ionized, and the emitted spectrum mainly falls in the ultraviolet light band. The wavelength range below 300 nm is referred to as the solar blind band. The ultraviolet signal in solar blind area the generated by the discharge is received by a UV monitor and processed by overlaying it with visible light images to determine the position and intensity of the corona.

UV corona online monitoring instrument: To address the safety hazards that weak discharge poses to the transmission system, the Company has launched the UV corona online monitoring instrument. Through the multi-dimensional integration of UV detection, visible light imaging, and thermal imaging-based temperature measurement technologies, the instrument can accurately locate corona discharge at difficult-to-detect positions in a non-contact manner from a long distance, improving the detection rate of high-voltage equipment and line faults, and preventing any potential circuit risks.



3.1.2 Use of professional products in business services to create more value

1) Digital products for applications ranging from auxiliary management to core business

Hikvision has always focused on digital business services. In the past, the Company provided digital products and services mainly for auxiliary management in security-fire protection integration, park management, and other scenarios. Today, as our technical capabilities continue to improve, the Company has developed digital products that help to solve core pain points of users in an increasing number of core business scenarios, such as production and operation, quality inspection, equipment status monitoring, safety production, and environmental factor monitoring. The company has laid out digital products to help solve the core pain points of users, achieve scenario digitalization, equipment digitalization, environment digitalization, and operation digitalization, and create more value for thousands of industries.

Improving production and operational efficiency, and optimizing management processes

Production is a central part of corporate operations and the key to ensuring sustainable and stable development of enterprises. The production and operation services focus on the organization, coordination, and control of core production factors in the production process, mainly including equipment, personnel, and logistics operations. Hikvision has launched a series of intelligent perception products to help enterprises monitor and manage the operation of various production factors in real-time, ensuring the stable and efficient operation of production systems.

Managers from manufacturing companies need to gain timely information about the on-site operation of key production line nodes, but it is difficult for traditional manual methods to provide real-time and visual on-site data. Hikvision's production line series cameras feature a miniaturized design and can flexibly adapt to the production line scenarios. With the high-frame-rate image acquisition technology, these cameras can clearly record the live

scene in narrow spaces on the production line, and observe key production processes at close range, making production status visual and problem tracing justifiable. This system has been implemented in the production process of LED products at Hikvision's intelligent manufacturing base. Each product has been assigned a special identification code, so that users can scan the code to obtain a video of the key production processes of the product and understand how it is manufactured.



In terms of the management of production materials, these materials are usually attached QR codes, barcodes and model labels to facilitate the inbound, outbound, sorting, inventory, and traceability operations. The scanning PDA series products launched by Hikvision can help corporate users timely and accurately collect and manage goods data, further improving their production efficiency and capabilities. These products supervise the counting and inventory of incoming materials during the inbound and outbound processes, control and manage various production processes through production line traceability using PDA, and provide timely information on inventory status during the inventory counting process, which allows users to address insufficient or excess inventory in a timely manner. Moreover, these PDA products can be used for anti-counterfeiting management of manufactured products through effective traceability, allowing users to promptly respond to and solve any possible product problems.

In the manufacturing and distribution industry, mobile robots are an important driving force for automation and intelligence. By focusing on internal logistics, the Company has continuously optimized and iterated products in four hardware product series: Latent LMR, Conveyor/Heavy-duty CMR/HMR, Forklift FMR, and Cargo To You (CTU). Additionally, the Company leverages two software platforms, RCS (robot control system) and iWMS (intelligent warehouse management system), to provide professional intelligent logistics solutions that allow for efficient handling of various materials in different scenarios. These solutions cover automotive, new energy, 3C electronics, pharmaceuticals and healthcare, e-commerce & retail, and other industry segments, reducing

operational costs in logistics, and improving logistics efficiency and management quality for users.



In terms of logistics scheduling process, the utilization efficiency of platforms directly affects the efficiency of goods circulation, thereby indirectly affecting the sales revenue of enterprises. Some common problems exist in the management of platforms, such as improper parking of loading and unloading trucks on the platform, excessive working hours, non-standard working processes, and unsupervised operations. The platform cameras launched by Hikvision are based on video technology and AI algorithms. They can automatically identify information on vehicles working at the platform, the number of operators, and the real-time loading rate of vehicles, helping platform dispatchers to reasonably schedule logistics vehicles by efficiently matching platform resources with loading and unloading needs, and improving the utilization and management efficiency of the platform.

Businesses are burdened with high costs of handling customer complaints as difficulties in accountability attribution, long processing times, and other problems often occur in the handling of abnormal returns from buyers (such as empty packages, missing items, and wrong goods) in the after-sales scenario of customer complaints in the e-commerce industry. Hikvision's sheets camera with large depth of field, binocular traceability camera, and traceable packing machine series can clearly capture the waybill information in each step and record a video of the process. Furthermore, these cameras can be used with corporate order systems to quickly provide video evidence, thus helping businesses to quickly complete accountability attribution, gain recognition from e-commerce platforms, and maintain a good customer experience. The comprehensive processing time for customer complaints can be reduced by more than 90%.

Intelligent quality inspection enhances the core competitiveness of businesses

As product quality is the lifeline of an enterprise, quality improvement is a means to enhance its core competitiveness. Combining multi-dimensional perception technology and professional AI algorithms, Hikvision has launched a rich range of digital products for quality inspection of raw materials, semi-finished and finished products in the production process, helping enterprises improve their quality inspection process and efficiency.

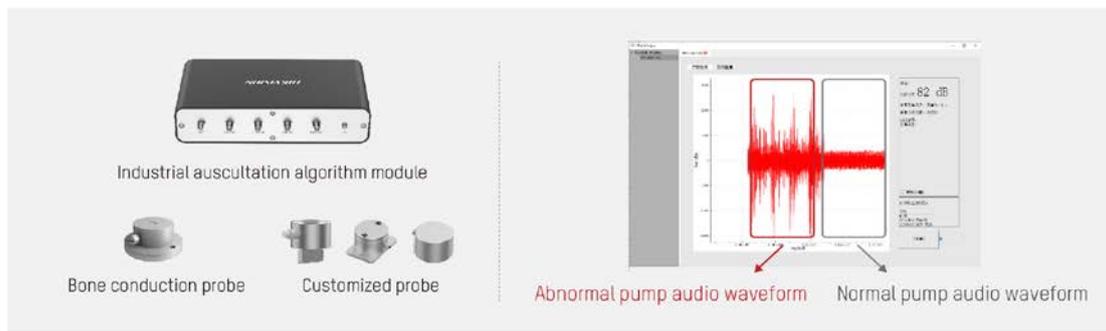
Foreign object detection is one of the important inspection items for products related to human health, such as food, drugs, and cosmetics. To address quality risks such as presence of foreign objects and insufficient filling volume, non-destructive and efficient quality inspection methods are key means of product quality management. By integrating the X-ray image enhancement technology and an AI algorithm for foreign object monitoring, Hikvision has introduced a series of products for X-ray-based foreign object and defect detection. The products can quickly identify quality problems such as internal foreign objects, abnormal morphology and filling volumes, and can deformation, helping enterprises to steadily improve production and quality.

Casting is one of the basic techniques in modern mechanical manufacturing industry. The presence of defects such as small holes and cracks in iron/aluminum castings during the manufacturing process have some impact on the overall tightness and quality of the castings. Traditional quality inspection methods are often used for surface defect detection, while internal defect detection methods are often destructive. Hikvision has released an industrial flaw detection series of products by integrating the X-ray imaging technology with AI algorithms. The products can clearly present the internal condition of castings, detect defects such as cracks, bubbles, or looseness inside metal workpieces, and provide non-destructive defect detection, helping users to efficiently detect defects and improve product quality in industrial production scenarios.

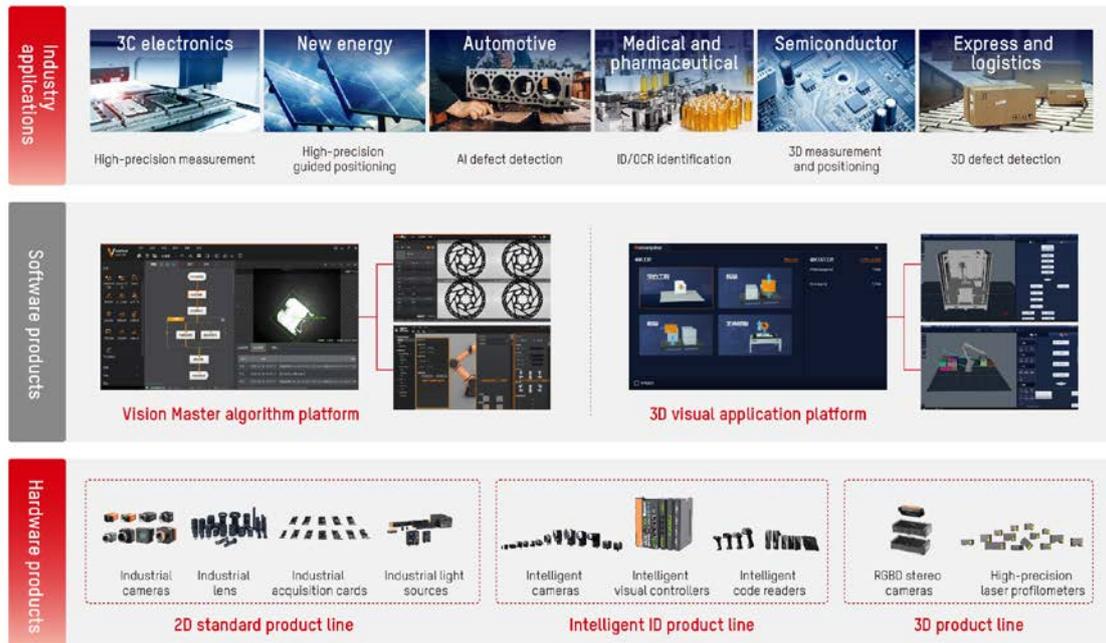


To meet the demand for automated quality inspection of components in the manufacturing industry, the Company has launched an industrial auscultation microphone series. By collecting voiceprint information of machine through bone conduction sensors and comparing them with AI voiceprint models, these microphones can detect abnormal noise in the production process of various motors, pumps, and compressors, and intelligently

determine whether the sound of the workpiece is normal or abnormal. Traditional quality inspection methods are based on manual listening. As workers vary in experience and the parameters are difficult to quantify, it is difficult to ensure timeliness and accuracy, and trace the detection process. Our industrial auscultation microphones are able to detect abnormal sound without disrupting the original production arrangements. They can be used to inspect each workpiece instead of inspecting them randomly, and trace workpiece problems. The quality inspection results can be integrated into the MES, making quality inspection more efficient, accurate, and standardized. These products can be used for quality inspection of abnormal noise in automotive electric components and household appliance motors.



Machine vision, as the core of industrial sensing, is the eye of robots and automation equipment, and is also one of the key drivers for digital and intelligent production. In addition to developing and optimizing our product lines around 2D vision, intelligent ID, and 3D vision, Hikvision has leveraged the VM (VisionMaster) algorithm software platform to achieve various applications such as positioning, measurement, identification, and defect detection, improving production flexibility and product quality. With regard to industrial quality inspection, the Company continues to introduce perception cameras and AI detection algorithms to better capture and accurately detect various defects in the industrial production process. For example, in response to the needs of wafer detection and hidden crack detection, the Company has launched a new SWIR shortwave infrared industrial camera with a greatly expanded range of spectral imaging. To meet the demand for defect detection of objects with high surface reflectivity and transparent materials, the Company has launched a new high-speed line scanning 2.5D vision system. The Company has introduced multiple series of laser profilers and VM-3D algorithm software platforms for applications such as welding seam and point inspection in the lithium battery industry, pin inspection in the automotive parts industry, and silicon wafer thickness measurement in the photovoltaic industry. In addition, the Company has released more than 10 AI detection algorithm tools to help partners efficiently respond to various defect detection needs and drive the rapid development of the industry.



Accurate monitoring of equipment status to ensure stable operation

The stable operation of equipment is a key element in guaranteeing smooth production of enterprises. By leveraging our multi-dimensional perception capabilities, Hikvision comprehensively monitors and collects data on equipment operation status from various perception dimensions such as temperature, sound, and vibration. Moreover, our intelligent analysis capabilities enable us to timely detect equipment abnormalities and assign relevant personnel to quickly address the problems.

It is difficult to collect real-time data with traditional manual inspection methods for online operation and maintenance of equipment in industries such as steel and wind power. Furthermore, the difficulty in operation and maintenance is increased by environmental characteristics of these industries such as high temperature and wide geographical distribution. Therefore, fault detection and resolution require a large amount of time. Hikvision's sound-vibration-temperature monitoring series products can simultaneously collect data on the voiceprint, vibration mechanism, and temperature of machines, and upload them in real-time. By analyzing long-term multi-dimensional data, they can monitor, diagnose, and predict equipment faults, monitor the operating status of pumps, motors, fans, belts, distribution cabinets, and other machines in real-time, and warn of abnormal faults. They also provide predictive operation and maintenance services for equipment, effectively improving operation and maintenance efficiency.

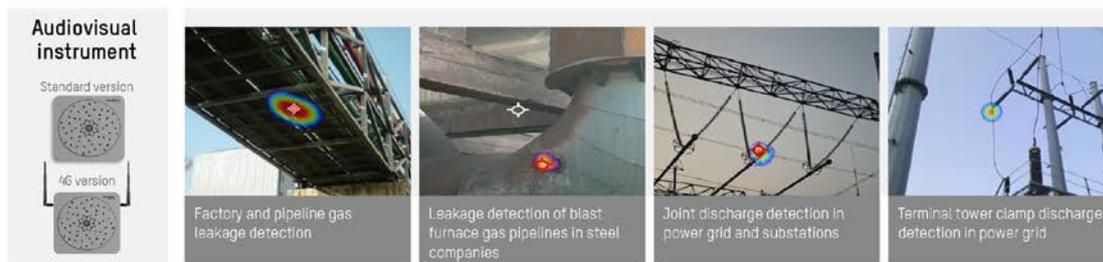
During the equipment and facility inspection operations in the power industry, people often rely on the readings of various meters to determine the abnormal status of equipment. However, some problems such as unclear focus and interference from fill light reflection exist in the scenario of close-range observation such as meters. The macro meter camera provided by Hikvision features an integrated structural design, automatic focus and polarized fill light, and can read meters at close range. When used with an auxiliary platform for power operation inspection and an intelligent analysis host, it enables remote intelligent meter reading and online meter inspection, helping to improve quality and efficiency, and reduce risks.



The stable operation of production areas such as distribution rooms, production equipment rooms, and relay rooms provides the foundation for the safe and efficient operation of enterprises. However, some problems exist with the manual operation and maintenance approaches, including heavy workload, high personnel costs, human inspection risks and hazards, and even the presence of missed and wrong detections. Hikvision's track inspection camera series can be used with an IoT sensing module and optionally with partial discharge detection, temperature measurement, and environmental sensing modules as needed to meet the inspection needs of different scenarios. They can also be used with obstacle avoidance technology to conduct safety inspections. Staff can remotely configure inspection plans as needed to meet the personalized needs of different users and perform all-weather inspections.

In industrial pipe galleries and pipeline inspection scenarios, gas leakage inside pipelines can cause energy loss and even safety hazards, which can easily lead to safety accidents if not handled in a timely manner. Hikvision has launched an audiovisual instrument that combines microphone arrays and camera components, and locates gas leakage points using sound source localization algorithm. By visualizing sound source locations through color cloud images, the instrument displays the distribution of sound sources in the field of view. This can reduce energy waste

caused by pipeline leaks, avoid potential risks of personnel or property damage due to delayed detection, and ensure the safety of pipeline transportation.



Improving hazard detection capabilities to ensure safety production

Safety production is an indispensable part of production management for organizations. Hikvision endeavors to help companies build comprehensive safety management capabilities through comprehensive monitoring of unsafe behaviors of people, unsafe states of objects, and unsafe factors of the environment to effectively prevent safety risks, improve hazard detection capabilities, and reduce safety accidents.

There is a risk of leakage of industrial materials such as liquefied gas and alkanes during the production operations in petrochemical facility and tank areas, which may cause fire accidents if exposed to open flames. However, as these gases are transparent and colorless, it is difficult to detect gas leaks in a timely manner. Hikvision has developed a multispectral gas cloud imaging camera by utilizing multispectral technology and based on the principle of unique spectral absorption peaks for hydrocarbon media. The camera can timely detect leaks in hydrocarbon gas media such as ethylene and methane, and visually display the leak points. By monitoring and warning of gas leaks in real-time, it can facilitate and guide maintenance operations, and provide reference for emergency evacuation due to gas leaks.

Product name	TDLAS laser telemetry instrument	Gas cloud imaging telemetry instrument	Hyperspectral Fourier telemetry instrument
Product image			
Gas type	Methane, ethylene, carbon monoxide, acetylene, ammonia, etc.	Hydrocarbon gas - CxHx (alkanes, hydrocarbons)	VOCs (over 400 kinds)
Application scenarios	 <p>TDLAS detection</p> <p>Natural gas pipelines, underground gas pipelines, and other scenarios</p>	 <p>Gas cloud imaging detection</p> <p>Petrochemical extraction/production/transportation/storage and other scenarios</p>	 <p>Fourier detection</p> <p>Chemical and petrochemical parks and other scenarios</p>

In the power industry, high-voltage equipment and lines may experience insulation performance degradation, structural defects, surface contamination, and increased humidity during long-term use, leading to corona discharge and even equipment and transmission line failures in serious cases, resulting in large-scale power outages. To address the safety hazards that weak discharge poses to the transmission system, Hikvision has launched the UV corona online monitoring instrument. Through the multi-dimensional integration of UV detection, visible light imaging, and thermal imaging-based temperature measurement technologies, the instrument can accurately locate corona discharge at difficult-to-detect positions in a non-contact manner from a long distance, improving the detection rate of high-voltage equipment and line faults, and preventing any potential circuit risks.

Unsafe behavior of people has always been a pain point in the safety production management of power generation enterprises. By utilizing the UWB positioning technology, Hikvision has introduced positioning base stations, tags, and systems to provide functions such as visual display of personnel positions, rapid playback of historical movements, and timely warn of personnel approaching or entering dangerous areas. In addition, the positioning technology can be combined with video surveillance and 3D technology, as well as the two-ticket management process to enhance the real-time, interactive, and proactive site safety control, and improve safety management of power enterprises.

Real-time perception of environmental factors to provide technical support for decision-making

Real-time and high-frequency monitoring of environmental factors enables managers to timely understand the on-site conditions, and handle any problems in a more prompt and effective manner. Hikvision uses multi-dimensional perception technology to intelligently monitor various environmental factors, providing decision-making support for scientific management of government and business departments.

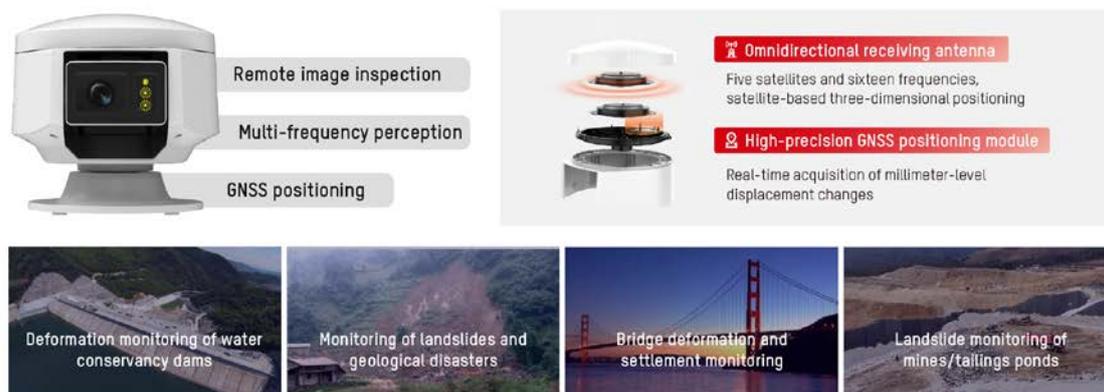
Water is the source of life that humans rely on for survival and development. Traditional water quality monitoring mainly uses chemical methods, which have problems such as low monitoring frequency, high construction and operation costs, fewer monitoring spots, large blind areas, and secondary pollution, making it difficult to achieve refined management of water quality in rivers and lakes. To meet the demand for monitoring surface water quality of lakes, reservoirs, watersheds and drinking water sources, the Company has launched a hyperspectral water quality monitoring instrument, which integrates hyperspectral, liquid level radar, and visible light cameras. The instrument can collect 11 key water quality parameters including chlorophyll, permanganate index and transparency in less than 1 second. When used with a monitoring platform, it can obtain information on the trend of water quality changes in a timely manner, and warn of abnormal conditions, helping to maintain a long-term clean water environment.

In addition to water quality, Hikvision's intelligent perception technology can also be used in multi-dimensional monitoring of water. During the peak period of rainy season, rivers and lakes with developed water systems are key areas for flood control, and water level is the core indicator reflecting the water regime of rivers and lakes. The Company has launched a ball camera for water level observation specifically for water level monitoring scenarios such as rivers, reservoirs, and culverts. The ball camera integrates video perception technology and millimeter wave radar technology to achieve all-weather, high-precision, non-contact, and visual water level monitoring. Our radar flowmeter also features an integrated design and measures the surface flow velocity and level of water in real-time based on the principle of Doppler radar velocity measurement. The flowmeter works stably all day with a millimeter-level monitoring accuracy, providing decision-making support for flood control and prevention.



Minor geological changes are often difficult to observe with the naked eye, but they can pose long-term safety hazards and even trigger geological disasters. The Company has launched a displacement observation ball camera

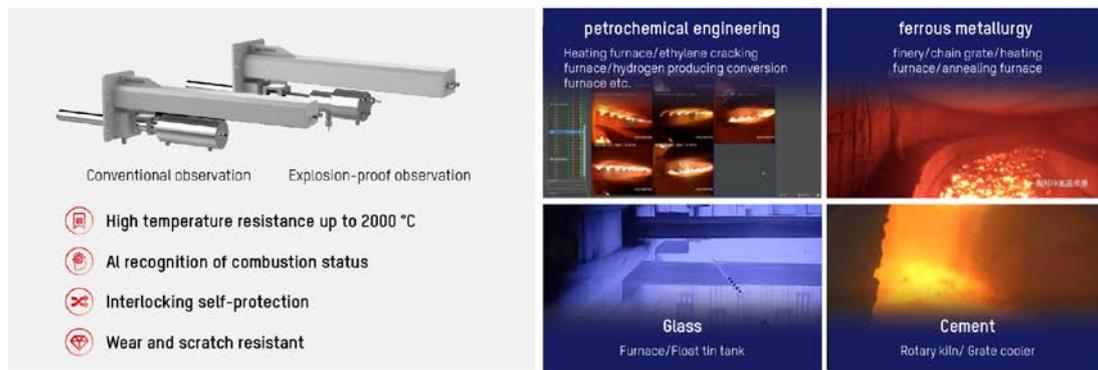
specifically for scenarios such as reservoirs, dams, mines, iron towers and bridges where displacement, tilting, and settlement are likely to happen. Through the integration of GNSS and video technologies, this product improves the perception efficiency of displacement, settlement and other factors that may cause geological disasters, and provides millimeter-level accuracy in displacement change monitoring and remote video inspections. It is designed to provide long-term all-weather monitoring trends, helping to ensure geological safety.



2) Specialized products with strong environmental adaptability

Data collection in complex scenarios relies on the comprehensive product innovation capabilities in the process of implementing digital applications. A sensing device that can better adapt to complex and ever-changing special environments is more useful in collecting higher-quality data to improve the effectiveness of practical applications. At present, the Company has launched a series of specialized products with strong environmental adaptability for different special scenarios, such as low illumination, short and far distance, vibration, dirty, flammable and explosive, no electricity or network connection, humid and corrosive, ultra-high and low temperature scenarios.

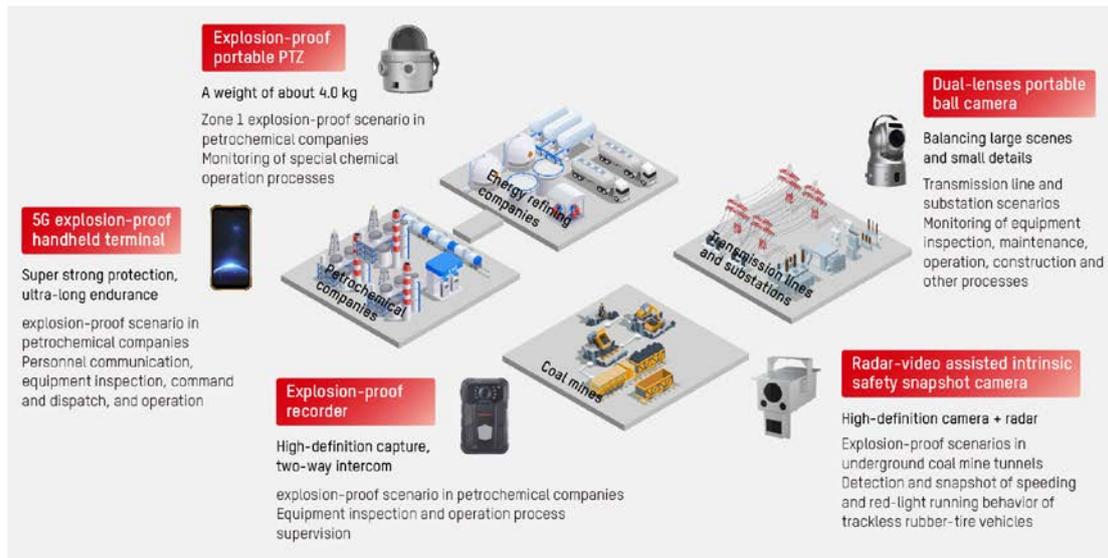
The Company has introduced a series of products for high-temperature scenarios including an endoscopic furnace flame observation camera and a high-temperature high-brightness camera. The endoscopic furnace flame observation camera is deployed in high-temperature and dusty heating furnaces, where it can accurately measure the real-time temperature inside the furnace even at a maximum temperature of 2,000°C. Moreover, it can timely control and adjust the working status of the heating furnace, ensuring product quality, and controlling material scrap.



The Company has launched a low-temperature-resistant cold chain cameras for the low-temperature scenarios. The cameras use technologies such as window heating to ensure stable operation at temperatures as low as minus 60 °C without fogging the lenses. These cameras can be used with multi-dimensional sensors, such as temperature and humidity sensors, to facilitate managers in monitoring changes in the warehouse environment in real-time and achieve visual supervision of the entire cold chain transportation process.

In industrial remote-control scenarios, there is a problem of high end-to-end latency (hundreds of milliseconds or even seconds) with conventional video monitoring systems. Remote high-latency monitoring may cause misoperations and accidents. To address the problem, the Company has launched a series of low latency products. These products can achieve a minimum end-to-end latency of 70 ms by optimizing the entire video encoding chain from on-site cameras to centralized control centers, thus improving the security of centralized control, and facilitating production collaboration.

As for flammable and explosive energy operation scenarios, the Company has launched explosion-proof mobile wearables, portables, and violation detection products by combining our technical capabilities of explosion-proof design with a rich product system based on different scenarios, explosion-proof requirements, and functional requirements. Taking our Zone 1 explosion-proof portable ball camera as an example, we've selected new materials and innovated explosion-proof design to reduce its weight by 60% and its size by 30%. Moreover, we've added new functions such as intercom and gas detection to improve the product's functional adaptability, user experience, and safety in energy scenarios. The camera is designed to meet the needs of video recording and supervision during special operation processes, as well as remote command and scheduling in emergency scenarios.



The Company has developed a dedicated crane camera for use in crane operation scenarios with obvious vibration and a large amount of dust and water vapor. The camera features an anti-vibration and anti-shake structural design that effectively reduces the impact of mechanical vibration on images. With a professional dust penetration algorithm, the camera can remove interference from dust and water vapor to generate clear and stable video images. It is also equipped with an intelligent lifting tool tracking algorithm that ensures the video images are always focused on the lifting tool and the object being lifted, providing visual, clear, and real-time operation video images for crane dispatchers and ensuring the safety of crane operations.

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

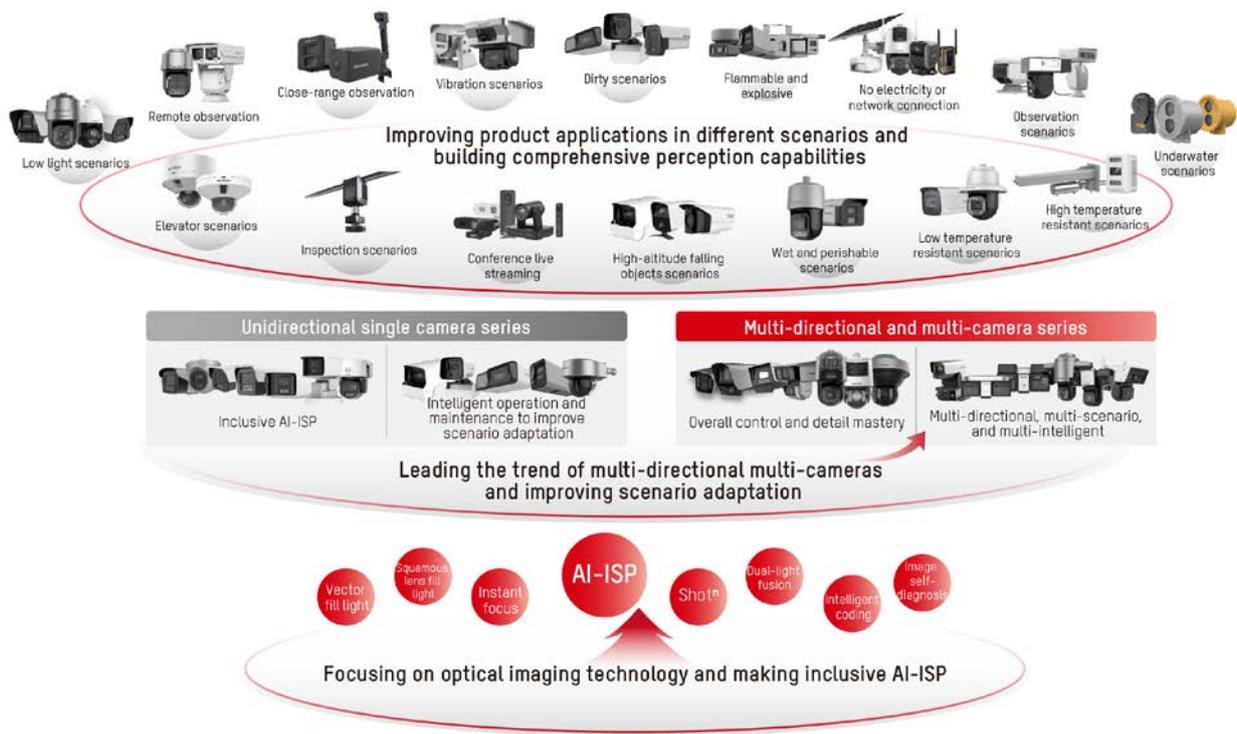
In addition to launching new digital products, Hikvision has continuously promoted technological innovation and breakthroughs in different product areas such as edge nodes, edge domains, and cloud centers, and strengthened our product innovation capabilities to better meet the needs of customers in various industries.

3.2.1 Edge node products: comprehensive perception and growing product mix

In terms of perception products, Hikvision has constructed a diverse and competitive product matrix that provides solid support for numerous industry applications by consolidating our technological advantages and improving our IoT perception capabilities.

1) Front-end cameras

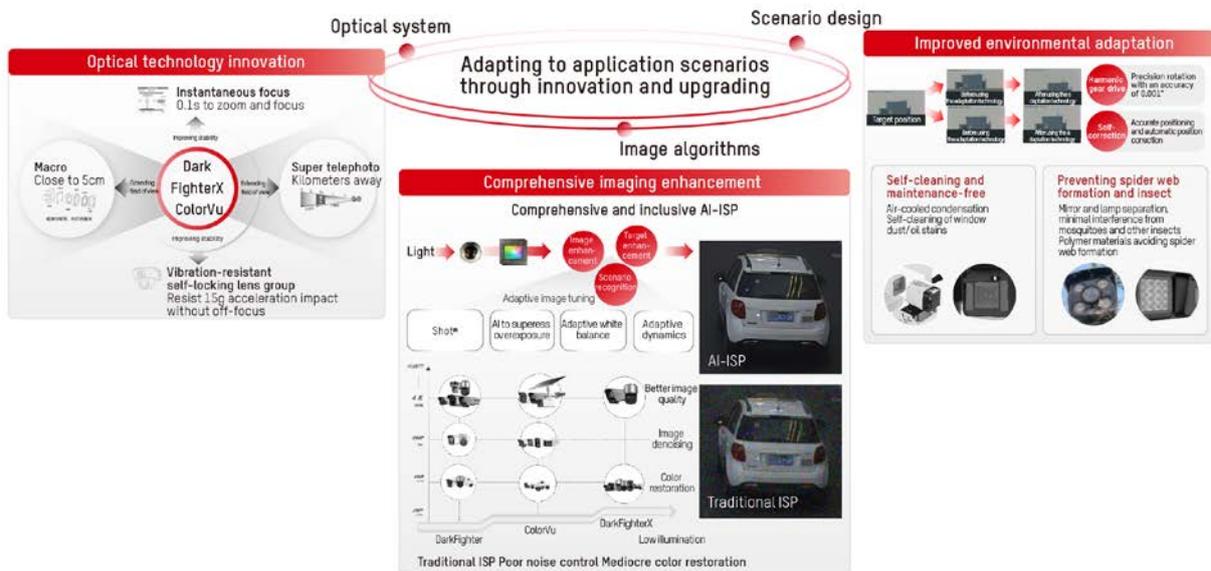
Hikvision continues to optimize optical systems, image algorithms, environmental adaptation, transmission encoding and other multi-dimensional technological architectures with a focus on video perception technology, bringing about innovation in optical technology, and comprehensively enhancing imaging quality and scenario adaptation. At the product level, Hikvision leads the evolution from unidirectional single cameras to panoramic detail and then to multi-directional multi-cameras, so that a single camera can solve perspective loss, data inefficiency, difficulty in intelligent calling and other problems in practical applications, making video data more comprehensive, effective, and easier to use. The Company continues to improve AIoT video perception capabilities, and expand video perception boundaries, fields of view and scenarios to build comprehensive perception capabilities that meet business needs in various scenarios and under different conditions.



Focusing on optical imaging technology and inclusive AI-ISP

By consolidating our core technology foundation in video perception and leveraging our ColorVu and DarkFighter technologies in optical systems, Hikvision has made breakthroughs in close range and ultra telephoto imaging, expanded the sight distance, and innovatively developed anti-vibration self-locking lenses that accelerate the zoom speed and improve the stability of the lens. To improve the imaging quality in low light environments, the Company has comprehensively upgraded AI-ISP image processing technology, and optimized intelligent scenario-based image recognition that enables clear detail restoration. To reduce the difficulty of later-stage camera operation

and maintenance, we have made more efforts in scenario design, and used harmonic drive and auto-correction techniques to ensure that PTZ and dome cameras do not deviate in the long term. Moreover, self-cleaning and anti-spider web technologies have been adopted to keep the lens clean and reduce daily maintenance costs.



Leading the trend of multi-directional multi-cameras and improving scenario adaptation

To further solve the problem of cameras’ universality in different scenarios, Hikvision has comprehensively improved the practicality of video perception data and innovatively released a series of multi-directional multi-cameras, so that a single device allows free multi-perspective visibility, multi-directional adjustment, and flexible applications in multiple scenarios. Large aperture, panoramic depth, AI-ISP, and DarkFighter technologies have been used to improve imaging quality and ensure the quality of origin data. A range of functions including remote adjustment, algorithm switching without downtime, energy consumption monitoring, and intelligent data capture and statistics enable quick deployment and use, and efficient operation and maintenance of the cameras. Front-end and back-end collaboration and domain-end large model application allow faster use of the intelligent cameras and make it easier to use the data.



Improving product applications in different scenarios and building comprehensive perception capabilities

AIoT has diverse application scenarios. Hikvision has expanded product categories and developed a series of products that better meet the needs of the specific scenarios and environments to address poor imaging quality and other problems in different industry scenarios and environments.

A range of dirt-proof and self-cleaning products have been introduced for use in the wild, reservoirs, factory areas, and other scenarios that are prone to insect nets, dust, and oil stains. For example, the anti-spider web camera is designed to prevent attraction of mosquitoes and other insects and spider web formation on the lens, which affects imaging. The manual maintenance costs of outdoor cameras are systematically reduced through an array of gentle supplementary light that decreases insect attraction, an innovative design of horizontal mirror and lamp separation that reduces insect interference with the lens, and a smooth front cover that prevents spider web formation.



Wildlife cameras create a network on their own and coordinate their behaviors through layered protocols and distributed algorithms in remote nature reserves that are rarely visited by humans, and not covered by public networks. After the power is on, these devices can quickly and automatically form an independent network, achieving real-time transmission of high-definition image data in areas without public networks. They provide a more efficient monitoring tool for biodiversity conservation.

With regard to elevator operation and safety management, Hikvision has upgraded and released a lineup of cameras for elevator health monitoring, which not only supervise the safety management of electric scooters, but also monitor the daily operation and maintenance of elevators. These cameras feature a TOF design that prevents the lenses from being blocked and are equipped with built-in multi-dimensional sensors that can intelligently determine the elevator speed, and daily status of door opening and closing, parking floors, etc., providing data support for elevator health testing, and facilitating the upgrade of elevator maintenance from responsive to predictive maintenance.



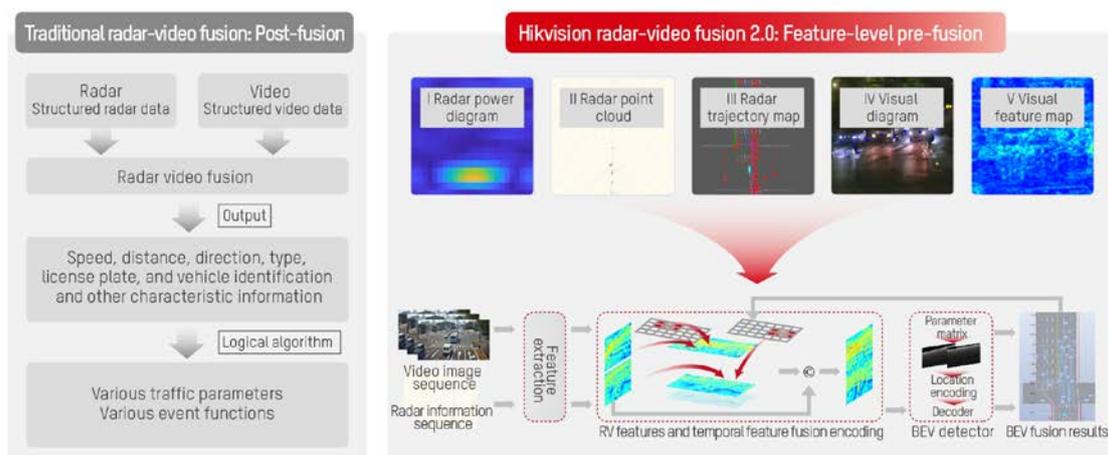
As for near and far object observation scenarios, a series of ultra telephoto cameras that can clearly see faraway targets have been introduced for application at urban high points, and in coastal areas, the forests for fire prevention, and other scenarios that require long-distance observation; a series of micro cameras that can quickly focus have been launched to allow close-range metered snap shots, observation of cracks in cultural relics sites, and defect detection in production lines, etc.

In terms of extreme temperatures, corrosion, no electricity or network connection and other special scenarios, Hikvision has released a series of temperature-resistant cameras that can work properly at temperatures as low as -60 °C and as high as 2,000 °C, a series of cameras that are resistant to corrosive substances by the seaside or in environments involving sulfuric acid, formic acid, and acetic acid, and a series of solar energy cameras that operate with electricity generated from light in environments without electricity.

2) Smart traffic and mobile devices

Smart traffic products: Hikvision has continuously iterated our capture system series based on the new light pollution standards, developed and classified capture systems, and contributed to the improvement of light pollution problems. As for multi-dimensional perception products, long and short focus dual-image sensor technologies are integrated to achieve applications in super-resolution and ultra depth of field scenarios. By combining radars, ETC, RFID, and videos, the Company has introduced a series of multi-dimensional perception products to improve the target capture rate and accuracy, and meet the needs of new business scenarios, which are widely used in the field of traffic management.

In the field of intelligent signal control systems, Hikvision takes advantage of our own products across the supply chain to integrate and apply perception data and signal control algorithms, enabling radar-video assisted vehicle detectors to accurately collect traffic parameters. Combining the radar-video assisted multi-modal large model with millimeter-wave radars and high-definition cameras, the Company has acquired millions of segments of radar-video assisted perception, and constructed the radar-video assisted integrated large model that simultaneously perceives spatial physical information and semantic image information. This model is capable of ultra-long-distance perception and the detection of vehicle flow trajectories with a precision of more than 95%. Compared with the vision or single-mode radar models, the radar-video assisted multi-modal large model provides a deeper understanding of the physical world by extracting effective information from multi-dimensional signals and exploring the potential relationships among different modal information, so that the radar-video assisted products can deliver unparalleled performance at day and night and in rainy and foggy environments, and are used at a large scale. Meanwhile, in contrast to the traditional radar-video assisted products that have a shorter detection distance in the algorithm scheme, our new products featuring the radar-video assisted multi-modal large model are two times more powerful in perceiving targets. Hikvision's radar-video assisted all-in-one devices, equipped with ultra-long-range radars and multi-lens long and short focus videos, are capable of high-precision detection of ultra-long-range vehicles and traffic trajectories. With a breakthrough performance in detection distance, these radar-video assisted fusion products can significantly reduce the construction costs of intelligent signal control systems and digital roads, and improve the ability to manage traffic congestion and ensure traffic safety.



Hikvision is also actively conducting research on the basic models of intelligent signal control algorithms, promoting the intelligent development of the industry's signal control systems. The Company has completed the

development of control algorithms based on traffic knowledge and AI technology, as well as consultation algorithms based on traffic knowledge graph and field of view graph technologies. Furthermore, based on the perception data from radar-video assisted vehicle detectors, we have implemented an AI-assisted high-order signal timing control optimization algorithm. For example, the algorithm can intelligently divide the daily traffic volumes of a particular intersection into morning and evening peak hours, off-peak hours, and other time periods based on its historical traffic flow, and generate a traffic release plan for each time period that supports dynamic generation. It can also accurately predict the next cycle of traffic based on historical traffic and real-time traffic of the day, so as to provide more precise solutions in case of sudden changes in traffic volumes (start/end of a peak period).

The Company continues to enhance comprehensive road management and control capabilities by promoting the construction of digital roads. Our safety warning product series integrates all-weather traffic safety detection and risk warning, and is designed to strengthen traffic order management and road safety risk prevention and control, providing safety warnings for traffic participants, and addressing road hazards.

Entrance and exit parking products: Hikvision has improved intelligent video and unmanned product solutions, helping customers and users to increase operational management and service efficiency. Through the launch and iteration of products such as the Guardian Series, Roadside Series, and automotive charging stations, the Company has expanded our business scope and customer services, and strengthened the intensive, intelligent and digital capabilities of our products and systems and our ability to continuously provide customers with comprehensive products and solutions for segmented scenarios including vehicle entrances and exits, parking lots, roadside parking, and parking spaces for new energy vehicles. In addition, Hikvision continues to expand our channel coverage and service capabilities, further improving the reputation of our products in the market and the service experience for users. By investing in the R&D capabilities of a full range of products, we have expanded our urban parking business, helping to improve urban parking efficiency and the people's parking experience.

Mobile terminals: Hikvision focuses on industrial wearables and portables, handheld PDAs and other sectors. The Company leverages miniaturization, low power consumption and explosion-proof technologies to launch a series of industrial wearable and portable products, facilitating mobile visual management in mobile law enforcement, safety production, construction site inspection, financial services and other scenarios. In the field of handheld PDAs, the Company continues to improve and innovate mobile intelligent data products by combining deep learning-based barcode/character recognition technologies with imaging technology and AI capabilities, developing more scenario-based business models.

3) Access control, intercom and alarm products

Hikvision conducts research on perception detection and identity recognition for various scenarios and spaces, with a focus on technological innovation and product development for people- and object-based business applications. The Company continues to explore product applications for segmented scenarios and has developed solutions for a range of scenarios, including access control, attendance, visitor management, elevator control, financial checkout, inventory management, building intercom, smart medical and elderly care, entrance and exit management, intrusion alarm, and perimeter prevention.



Hikvision's access control products, represented by MinMoe, are a result of the research and integration of multi-modal and other basic technologies that are used to create digital and intelligent identity recognition and permission control-related products. The Company has established two sets of access control product systems, wired and wireless, covering a full range of scenarios. In an effort to create industry-specific solutions and products, we have introduced a series of new products such as explosion-proof, violence-proof, and national security products, providing customers with more diverse solutions.



Hikvision's visual intercom products feature the two-wire communication technology and optimized mobile applications, and are characterized by easy usability, deployment, and maintenance. They are designed to create a multi-level product array, and adapt to different building intercom scenarios. Hikvision continues to promote bus technologies and integrate multiple subsystems such as smart homes, intrusion alarms, and elevator control, providing customers with one-stop application solutions for residential control scenarios. On the basis of building intercom product solutions, the Company continues to explore industry application scenarios, including common intercom scenarios, and integrate radar, infrared and other detection technologies, gradually incubating related business ideas such as smart medical and elderly care.



Hikvision's turnstile products consistently serve customers and users with continuous technological innovation. On the R&D end, these products feature an integrated design that combines advanced technologies including self-developed LiDAR, multi-modal recognition, digital debugging, operation and maintenance, and are designed for easier use during installation, debugging, use, operation and maintenance stages, bringing value to customers. On the manufacturing end, the entire assembly line from raw materials to finished products is automated to efficiently improve product quality.



Hikvision's alarm products continue to make breakthroughs in infrared, microwave, sound wave, and vibration and other detection technologies, further improving the wireless and hybrid intrusion alarm ecosystems. Our high-speed BUS technology is speed-adaptive and enables flexible topology; our RF technology features lower power consumption, a longer communication distance, and higher data efficiency. By integrating indoor intrusion and outdoor perimeter fence, and CCTV systems, Hikvision provides a one-stop solution package for scenario applications, delivering more valuable services to customers. The Company continues to improve cloud service applications by providing professional and easy-to-use application tools that allow more convenient access to, more efficient management, and easier operation and maintenance of cloud services.



4) Interactive audio products

Over the course of three years, Hikvision has built independent product R&D capabilities covering all processes of the interactive audio field. The Company has developed three product systems: security audio, broadcasting audio, and professional audio, leading the audio industry towards an array-based, intelligent networked future. We provide pleasant, easily adjustable and manageable system solutions for sound capture and reinforcement that are widely used in different scenarios such as conference rooms, lecture halls, venues, and campuses, bringing higher quality sound, more comfortable speeches, and smoother communication.



Array-based - Precise sound capture and reinforcement bring higher definition quality: As speakers need to hold microphones or stand close to desktop microphones in traditional large conferences and other sound capture scenarios, the microphones are largely affected by the distance and environment, and likely to produce unstable sound quality. Combining multi-beam and algorithm technologies, Hikvision's sound capture array can effectively shield noise, suppress interference, and capture sound precisely over long distances across multiple areas. Just one of the 128mic ceiling array microphones released by Hikvision can cover a space of 100 square meters, freeing up users' hands through seamless sound reinforcement. On the other hand, heterogeneous array square microphones increase the sound capture distance while ensuring sound quality and volume, allowing speakers to speak clearly and stably without leaning forward. They are suitable for middle- to high-end conference rooms, lecture halls, and more.

With regard to sound reinforcement, multiple individual speakers are installed together in traditional sound reinforcement scenarios, which can easily lead to reverberation, uneven listening experience for the front and rear listeners, and other problems. Hikvision's source linear array-based sound column uses a combination of multiple speaker arrays and a constant beamwidth beamforming algorithm to make the sound field beam adjustable and controllable, creating an even sound field for both the front and rear listeners. Moreover, sound waves emitted from the column surfaces are more effective in suppressing whistling and have a more stable output. The sound beams can accurately reach the target audience, reducing noise and echoes, and producing clearer sound quality. The remote sound-field beams are adjustable, eliminating the need for on-site adjustment of the installation angle, making the sound column more harmonious with the environment and more aesthetically pleasing.

Networked - Audio effects are remote adjustable for more convenient management: Unlike networked videos, which have brought revolutionary changes to the entire security monitoring industry, networked audios are currently in their early days, but represent an inevitable trend. An analog audio system requires a large amount of wiring, complicated deployment, and can easily cause interference with sound quality. However, a networked audio system connects all audio devices with only one Ethernet cable, allowing for simplified wiring, convenient expansion, and extended space, and further improves sound quality by eliminating the need for multiple analog-to-digital conversions. Hikvision's 8000 series networked professional audio system is entirely networked from sound capture to processing and to playback, and transmits audio data in milliseconds by implementing the AES67 transmission protocol. With the system, different speakers can synchronize in nanoseconds, and capture and enhance sound without delay or acoustic differences, producing audio effects that can be conveniently managed through

remote online precise adjustment.

Intelligent - Sound quality is further improved using AI algorithms: With the support of AI algorithms, audio products can now be optimized with software algorithms instead of hardware and devices alone, thus overcoming hardware bottlenecks, further improving sound quality, and significantly reducing system costs. Hikvision's 8000 series networked professional audio system comprehensively utilizes AI in signal processing, audio playback, and sound tuning to enhance product capabilities.

AI-based noise reduction: With hundreds of noise models, the system automatically filters out non-stationary noise such as mouse clicks and keyboard typing, as well as stationary noise such as air conditioning and equipment sounds in conference scenarios, making the sound quality clearer;

AI-based sound source localization: The system supports beams in 8 areas, and gives priority to capturing the voice of the main speaker if multiple people speak simultaneously. It focuses on the position of the main speaker in real-time and automatically shields interference outside the beam area, clearly capturing the sound of the main speaker even though he/she walks around;

AI-based device detection: The system monitors the real-time operation status of equipment and automatically triggers alarms in case of abnormal conditions;

AI-based sound field calibration: The system automatically detects parameters such as echo delay, environmental reverberation, and noise reduction level, and enables one-click debugging by automatically adjusting to the optimal configuration parameters.

After continuous efforts, Hikvision has improved our capabilities in independent R&D of audio products. The Company has a professional acoustic product R&D team and several automated assembly, testing, and packaging production lines, which empower us with design and production capacity across the industry chain from acoustic design and algorithm development to manufacturing. With multiple globally-leading RMB 10 million-level acoustic laboratories certified by Ceprei and SGS, we have established a complete set of acoustic evaluation systems for basic acoustic/speech/noise testing, standard acoustic certification testing, etc. We possess professional acoustic testing capabilities including objective evaluation, subjective listening, and precise evaluation and testing for industry-specific scenarios.

3.2.2 Edge domain products: Building a domain-end brain through intelligent upgrades and IoT acceleration

Hikvision's customer-centric edge domain products are continuously upgraded for use in different industry

scenarios by utilizing large model and other AI technologies, creating value for customers. Moreover, these products have accelerated the integration of intelligence and IoT, achieving the aggregation, parsing, and comprehensive domain-end application of multi-dimensional perception data.

1) Integrated devices for intelligent applications

Hikvision DeepinMind NVR - A core product for edge domain: In 2023, Hikvision kept enriching and expanding the DeepinMind NVR product mix by deeply understanding user needs and optimizing product design, which were widely applied in various industries.

In response to the demand for high-definition and long-term storage, Hikvision has released a high-density series of NVRs, leading the industry towards high-definition storage. The Company has intensified efforts in inclusive AI and gradually achieved the application of comprehensive inclusive AI in general NVR products.

Hikvision is committed to building a domain-end brain in the era of AIoT. The Company has launched a new 5.0 system architecture for domain-end products, which has six capabilities: perceptual access, domain-end management, fusion and aggregation, multi-dimensional storage, edge computing, and intelligent applications. Facing the future, we have established the cornerstone of AIoT product solutions, continuously improving the competitiveness of our products. In terms of algorithms, Hikvision has conducted in-depth research on visual large model technology and transformed it into products. Meanwhile, the use of algorithm orchestration, computing power virtualization and other strategies have significantly improved the performance and accuracy of algorithms, allowing AI to truly create value for customers. Believing in open cooperation, the Company has continuously enriched the algorithm models and capabilities of our open AI platform, and upgraded and iterated HEOP hardware openness capabilities to rapidly expand algorithms and applications, and establish extensive cooperation.



AIoT gateway - Multi-dimensional data fusion products: AIoT perception data are rich and diverse. Hikvision's domain-end AIoT products integrate videos, sensor data, and AI, and support data aggregation, processing, and application. These products can be easily and intelligently networked and controlled by our customers, which cover industries and scenarios including energy grid, agricultural applications, water conservancy and affairs, computer rooms, energy consumption, industrial IoT, and financial services, achieving a closed loop of multi-dimensional perception data application and creating value for customers with data.



2) Smart displays and video conference products

Hikvision's smart displays and video conference products focus on conference and educational scenarios. With improvements in display control, operating systems, touch interaction, audio and video processing, and AI recognition technologies in digital era, Hikvision has launched intelligent interactive terminals and software systems. The IoT media data in conference rooms, classrooms, and other spaces are integrated through display viewing, audio and video interaction, touch interaction, and other means to provide professional intelligent scenario-based solutions for customers.



Smart displays - The use of smart displays in conference scenarios can comprehensively enhance the participation experience: With the continuous iteration of WonderOS and the launch of connected displays, conference tablets can be seamlessly connected with mobile phones, computers, audio and video accessories to share resources, making screen projection and interaction more convenient, and conference operations more efficient. Powered by intelligent audio and video processing algorithms, conference tablets can display human images clearly with excellent sound capture and noise reduction effects, and track the speaker more accurately, making remote conferences as immersive as offline ones. Hikvision has launched our flagship audio and video conference tablet, which comes with built-in SIP/323 and cloud conference capabilities, and can be used with mainstream MCU conference platforms. By iterating products for teaching scenarios, the Company has created a complete set of educational product solutions that include flagship, traffic, and basic smart blackboards and all-in-one devices, as well as push-pull and memory blackboards. Additionally, dual-screen smart blackboards and all-in-one devices have been introduced to enrich smart product solutions for higher education seminar, remote and lecture classrooms, and regular classrooms.

Video conference products: In 2023, Hikvision comprehensively enhanced the audio and video effects of our video conference system using AI capabilities. The product supports the intelligent window mode, and provides independent conference screens, allowing each participant in the conference room to enjoy a front row experience. By combining AI audio-based deep learning technology, the product has been upgraded with intelligent noise reduction, echo cancellation, and reverberation removal algorithms that enable automatic elimination of hundreds of types of noise and improve the clarity and restoration of conference sound.

Conference management software: As the value of platforms further increases, Hikvision has improved the equipment control and maintenance capabilities of our conference management software apart from business meeting needs. The software is designed to control, in a real-time and comprehensive manner, various displays, audio enhancement devices, control and sensing devices, video conference equipment, etc. in the conference room. It timely detects equipment abnormalities, and remotely debugs any problems and upgrades configurations, reducing the workload of IT operation and maintenance personnel. Moreover, the software explores conference data, analyzes conference results from multiple dimensions such as organizational departments, conference rooms, and individuals, and provides a visual display of space utilization and conference duration, assisting management personnel in decision-making and boosting efficiency with digital technology

3) PCs

Hikvision has developed security PCs by combining traditional IoT with the characteristics of security applications and video application requirements. This product series is equipped with our self-developed graphics decoding card and other technologies that enhance video decoding and output capabilities. These PCs are preinstalled with various business application software, which can be used conveniently on startup, providing robust decoding, high stability, and greater professionalism.

Hikvision's PCs feature multiple platform architecture technologies and a range of components made of self-developed materials such as storage media, displays, output display cards, and motherboards. These products are available in different formats including desktops, laptops and all-in-one computers and support desktop cloud solutions in different modes such as VOI¹ and VDI². They are usable, user-friendly, and reliable, suitable for office applications, education and teaching, business practices, specific business support, and other scenarios.

4) Network products

Hikvision's network products are designed to provide scenario-based monitoring network solutions for security IP. Our products come in different types including switching, routing, wireless, and all optical. The access capacity of a single core switch has been increased to 10,000 4-megapixel front-end devices.



In 2023, we focused on promoting the centralized and unified management of IT + IoT terminals in the network of small and medium-sized businesses. Leveraging the Company's IoT perception capabilities at the front and back ends, we used a globally visible topology view to help users quickly discover, locate, and solve network-related problems, reducing the difficulties of network operation and maintenance. The switches represented by the light network management series are more suitable solutions for network access needs in IoT scenarios.

Based on their unified management capability of IT + IoT networks, Hikvision's network products are expanding to a wider corporate park network, helping users to build a safe, reliable, and intelligent network.

3.2.3 Cloud center products: Creating an IoT-information network base and providing a variety of solutions

With the rapid development of cloud, AI and other technologies, high-performance and more secure IT infrastructure becomes essential. By integrating servers, storage, network transmission, and PCs, Hikvision has established a complete set of IT products that cover from the center to the edge of "computing - storage - transmission - end", providing comprehensive, secure, available, and advanced IT infrastructure for IoT.

1) General computing products

After more than ten years of development, Hikvision has built a complete server product system that encompasses different specifications such as single channel, dual channel, multi-channel, and high-density, and different product forms such as workstations, tower servers, rack servers, edge servers. Our diverse and robust portfolio of servers adequately meets the market demand.

2) Intelligent computing products

Hikvision has built a rich and highly competitive product system of intelligent servers that are fully compatible with mainstream CPU and GPU products from home and abroad. These products not only meet the general needs

of information market, but also provide a solid and reliable infrastructure for intelligent computing centers, cloud computing and big data. They are suitable for professional application scenarios in government, internet, energy, finance, operators and other industries, providing a high-performance, and highly reliable and secure infrastructure for these industries.

3) Central storage products

Hikvision has a wide range of central storage products, including controller architecture, server architecture, and other product systems, which meet the needs of various business scenarios. In 2023, in response to the new demand for high definition and ultra-long-duration storage, the Company launched new products including ultra-high-density series and ultra-long-duration series to meet the video storage needs of users. At the same time, by combining existing products with SSD and HDD technologies, the Company has built a new hardware system, and upgraded software for the development of new system capabilities.

Hikvision has introduced a fully symmetrical architecture for cloud storage products that significantly improves performance and makes storage systems more secure and robust, establishing our leadership in the field of cloud storage. Moreover, in the era of AIoT, massive data are generated every day in addition to large volumes of high-definition video data. By leveraging our powerful video streaming storage capabilities, and advanced technologies such as storage layering, virtualization, and modeling, Hikvision has actively developed multi-dimensional IoT data storage capabilities and released a series of integrated storage products that suit the comprehensive storage needs of various industries.



Hikvision continues to iterate the entire family of general storage products that cover SAN, NAS, and object storage. These products have server and controller architectures, and support the most advanced technologies in the industry such as SDS³ and HCI⁴. Based on distributed storage technology, the Company has developed mixed

application capabilities for industry-specific and B/C-end services in terms of private and public cloud solutions. In recent years, to meet different needs for warm, hot and cool scenarios, Hikvision has developed a range of solutions and products including single device applications, clustered distributed solutions, high availability with no downtime throughout the year, and upgrades with minute-level downtime. These products are widely used in various industries and play a valuable role in office OA, database hosting, production management, IDC data center construction, and other areas. For many years, they have been among the best in the sales ranking of domestic IP storage products in IDCs.

4) Large screen displays and control products

Hikvision's display products are powered by video processing, image restoration, image enhancement, ultra-high-resolution display, and intelligent interaction technologies, and widely used in monitoring centers, command centers, and pan-conference/exhibition scenarios. The Company continues to introduce Mini LED, COB, and energy-saving series products by building two development and production bases in Tonglu and Wuhan. We focus on core LED manufacturing processes and standardize quality control to improve product quality, and shorten the manufacturing process. Furthermore, the Company has expanded application scenarios in the fields of specialized and commercial displays with an emphasis on better color consistency and higher resolution, providing cost-effective display products and solutions.

For business scenarios such as command centers, monitoring centers, and conference displays, Hikvision has launched the third-generation integrated video platform, splicing controller, and LED control system, further improving the display effects and adaptability of LED screens, and enhancing the efficiency of command, scheduling and business display applications. The third-generation integrated video platform features a new high-speed bus system architecture, and is able to process high frame rate, high bit depth, wide color gamut, and high dynamic video data in real-time. With Hikvision's robust video technology, the platform can assure lossless display of video images. For the conference display scenarios, the third-generation splicing controller adopts full-link high-definition audio and video, intelligent interaction, IoT perception, and 3D display technologies, providing users with a delicate and immersive interactive experience.

3.3 Software Product Family: Software Platforms + Intelligent Algorithms + Data Models + Business Services

Hikvision's software product family is composed of software platforms, intelligent algorithms, data models and business services.

3.3.1 Software platforms: Basic platforms + general platforms + industry-specific platforms

Basic software platforms: Hikvision continues to improve our basic software in four categories: storage and computing, IoT, intelligence, and data. Our storage and computing software includes cloud computing and cloud storage platforms, providing pooling service capabilities for basic running environment in different application scenarios. Our AI software includes algorithm libraries, resource management and scheduling platforms, open AI platforms, perception fusion and empowerment platforms, open intelligent application platforms, and other related products, providing intelligent algorithm training and operation, intelligent service orchestration and publishing, intelligent application development and reuse capabilities for intelligent application scenarios. Our big data software includes model libraries, basic big data platforms, IoT-information network integration data resource platforms, data integration software, data mining software, knowledge graph software, spatiotemporal intelligence software, BI visualization analysis platforms and other related products, providing data model management, data aggregation governance, data storage and computing analysis, open data service, and data visualization application capabilities for data application scenarios.

General software platforms: Hikvision provides general software functions across multiple industries, including comprehensive security software, regulatory and command software, ARVR software, and four-dimensional spatiotemporal operating environment. For instance, our general software platforms in the category of visual command include comprehensive security management, integrated drone management, video and audio integration and application, cafeteria consumption management, and digital building management platforms.

Industry-specific software platforms: Hikvision, serving over 80 sub-industries, has gradually built 126 industry-specific software platforms. Taking the transportation industry as an example, we provide a smart station platform for rail transit, a comprehensive law enforcement platform for transportation administration, an integrated monitoring platform for smart highways, a comprehensive management platform for highway speeding, a dynamic supervision platform for ships, a digital management platform for ports, an integrated management platform for airport security, and a comprehensive monitoring platform for transportation operations.

3.3.2 Intelligent algorithms: General algorithms + industry-specific algorithms

Matching hardware design and improving general algorithm capabilities: In response to intelligent scenario demands, Hikvision has optimized the AI effects of multi-dimensional perception devices by leveraging new technological capabilities. For example, our intelligent dual-spectrum firework recognition device is designed

to address any misrecognition caused by water mist and clouds. The device features multi-algorithm engine optimization technology that enhances its ability to resist interference from water mist and clouds, and spatial coordinate conversion technology that enables it to geographically locate the mist and clouds. Our intelligent millimeter-wave radar recognition device optimizes AI signal processing to perform better in fall and sign detection compared to traditional signal processing. Our hyperspectral water quality testing device, combined with a drone, is able to conduct measurements in a non-hovering state, and gains a real-time understanding of water quality changes and trends in the form of heat maps.

Hikvision uses multi-dimensional perception technology to optimize industry-specific algorithms:

(1) Soil and water protection: hyperspectral water quality testing, infrared sediment content monitoring, gas monitoring with a radar flow meter or acoustic imaging device, atmospheric particle detection with a quantum LiDAR, raindrop impact detection using electrical sensing, remote sensing-based image analysis of illegal construction events;

(2) Hazard investigation: thermal imaging-based fire point monitoring and positioning in combination with visible light-based smoke detection, optical fiber-based temperature measurement, and fire exit blockage detection;

(3) Urban governance: analysis of crowd gathering, vehicle congestion and other abnormal events with high-altitude images from inspection drones; analysis of roadside stall business, road waterlogging and other abnormal events with low-altitude images from mobile vehicle-mounted cameras; water level detection using a water level sensor in the manhole cover;

(4) Public security supervision: analysis of climbing over railings, delivering goods through barriers and other abnormal behaviors using key point detection technology; dangerous area entry detection and high-altitude throwing using thermal imaging; analysis of people falling to the ground, and other abnormal events using images from a law enforcement recorder.

Innovation in algorithm applications based on large models: from large visual models to large multimodal models, from large model technology to innovative applications of large models. 1) Algorithm optimization: The analysis results of the end-side small model are filtered twice by the center-side large model to ensure accurate output while minimizing resource consumption. For example, in the scenario of a chemical park, false alarms of smoking and making phone calls can be reduced by more than 80%. 2) Innovation in intelligent applications: The original video structuring level is improved by utilizing the image understanding ability of the CV large model. For example, analyzing the full information of images allows for intelligent view search. 3) Project delivery efficiency

improvement: The generalization ability of large models is utilized to automatically segment images, extract label elements of a scene, and accelerate the efficiency of algorithm development and implementation. For example, the universal segmentation ability of large-scale models is used to quickly divide the scenes and associate each scene with applicable algorithms. The target detection ability of large-scale models is used with parameter fine-tuning to quickly incubate new algorithms, and complete the fast validation of new scenario algorithms with the Zero to One strategy.

3.3.3 Data models: Industry data library governance models + professional business application models

Hikvision provides big data application services for various industries based on the big data collection, governance, analysis, and service capabilities provided by the IoT-information network integration data resource platform, and has accumulated a number of industry business data models in the process. These data models are managed through a model library and can be replicated and optimized in other similar application scenarios. According to different usage scenarios, these models are divided into two categories by application scenario: industry data library governance models and professional business application models.

(1) Industry data library governance models

The Company has formulated industry data library construction standards, and standardized the descriptions of tables, fields and dictionaries in the data library, and data processing rules in compliance with national and industry standards, and policy documents. These standards and rules pave the way for the construction of industry data libraries. Examples of these models include data library governance models for the transportation industry and data library governance models for the emergency industry.

(2) Professional business application models

Using the transportation sector as an example, Hikvision has provided a highway traffic situation fusion model, a highway congestion warning model, a highway vehicle trajectory restoration model, an urban road traffic operation evaluation and diagnosis model, an urban road traffic tracing analysis model, an urban road traffic short-term prediction model, a changeable lane feature research, judgment and control model for urban roads, a tidal lane feature research, judgment and control model for urban roads, a high-precision real-time online traffic flow simulation model, an urban road traffic indicator model, a real-time target vehicle trajectory prediction model, a subway station flow prediction model, a bus priority signal control model, a bus passenger flow OD analysis model, a bus operation shift analysis model, an dynamic risk identification model for operating vehicles, an illegal operating

vehicle analysis model, a research and judgment model for shuttle buses recruiting passengers outside the station, a parking point detection model for vehicles transporting hazardous chemicals, a time-space analysis, research and judgment model for fake-licensed vehicles, a racketeering car analysis model, a high-frequency path analysis model for oversized vehicles, a safety risk management and control model for driving behaviors, a warning analysis model for drivers deprived of their driving license, a traffic safety code assignment model for drivers, and a risky section mining model based on active safety data.

3.3.4 Business services: System operation and maintenance + Data engineering + business operations

By focusing on users' application needs, Hikvision explores the transformation from being a product and system supplier to being a service provider for certain business services.

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

Data engineering services: Hikvision delivers data engineering services including IoT resources management, and integration of data collection, management and services.

Business operations services: Hikvision offers over 10 business operation services based on the internet operation platform and our private deployment methods. Among them, urban parking operation services have been adopted in more than 400 cities, and their coverage scope is expanding. The number of cities using our signal timing services is gradually increasing. The user base of business operation platforms for fire protection operation, smart community operation, safety risk monitoring and warning, and comprehensive monitoring of low-grade highways is also increasing.

4. Business Layout

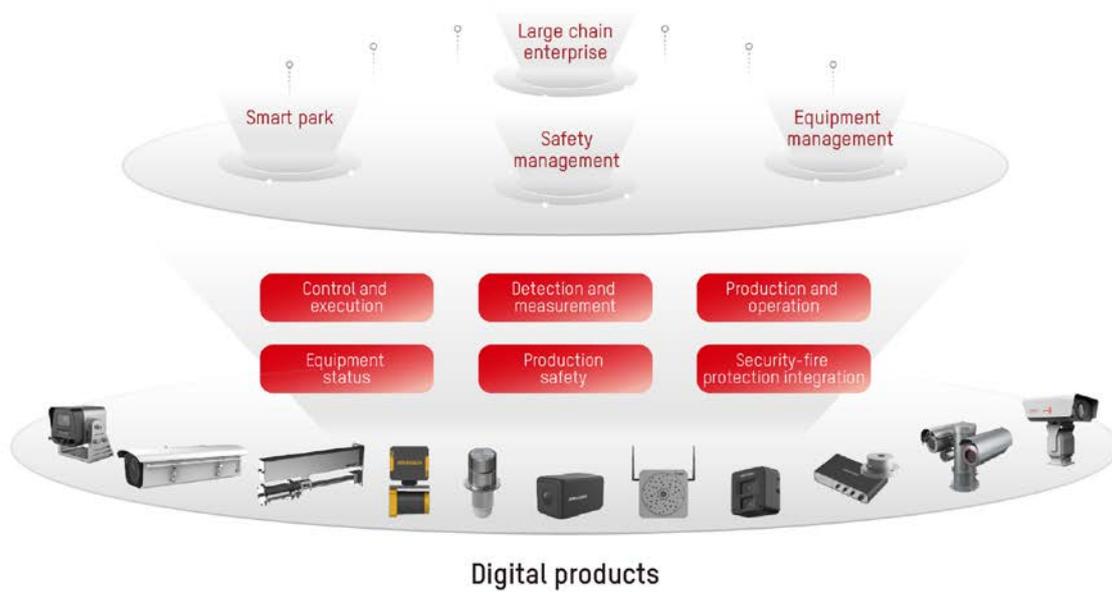
The data collected by IoT is a new production factor in the digital world. The IoT data can be used to promote the iterative development of existing technologies and tools, improve the quality and efficiency of labor and labor processes, explore the deep value of nature, and achieve more sustainable benefits by utilizing capital. This facilitates the replacement of old production factors and the penetration of digital capabilities into every aspect of global transformation, thereby promoting the transformation and upgrading of production, life, and governance models.

Hikvision has been serving for various domestic and international industries for many years, providing over 300 solutions in 54 sub-industries across 9 industries related to enterprises and institutions, and over 200 solutions in 35 sub-industries across 5 industries related to public services. The Company has gained extensive and in-depth practical experience in the process of promoting socio-economic transformation and upgrading. Our business layout will be described below by taking typical applications and industry scenarios as examples.

4.1 Facilitating the digital transformation of production management

As a clear development trend of the digital economy, industrial digitization helps to improve quality and efficiency and reduce costs for Chinese and international companies, thereby enabling them to achieve sustainable and high-quality development. It is not only a requirement of the times, but also a huge industrial opportunity.

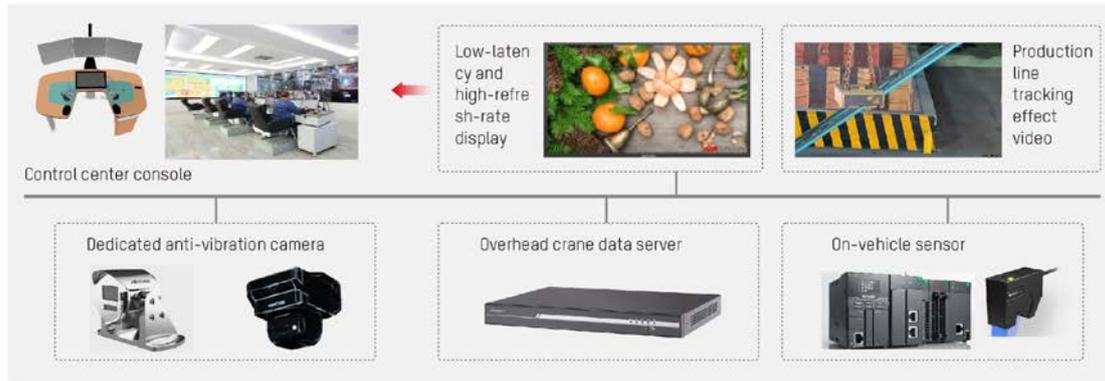
Hikvision is concentrating efforts on the core production areas of businesses by creating six digital product series including "control and execution", "detection and measurement", "production and operation", "equipment status", "safety production" and "security-fire protection integration". Moreover, the Company focuses on developing AIoT solutions powered by operation technology (OT) to continuously strengthen our intelligent perception capabilities, and help organizations to build efficient production and operation management systems. By promoting the integration of OT with IT (Information Technology) and DT (Data Technology), we strive to create enterprise-level IT applications in business directions such as large enterprise chain, smart parks, safety management, and equipment management.



1) Control and execution series

By applying the multi-dimensional intelligent perception technology to frontline production scenarios, Hikvision helps organizations to strengthen their capabilities of monitoring the production process, timely identify any abnormal situations in production and scheduling activities, and build safe and reliable systematic capabilities in remote monitoring and auxiliary execution.

The overhead crane is a common piece of lifting equipment, and the efficiency and safety of overhead crane operations is greatly affected by the scheduling ability of site operators. However, dust, noise, overhead crane vibration, and equipment obstruction can all interfere with on-site scheduling operations. Hikvision has developed a dedicated camera for the overhead crane scenarios. The camera features a patented structural design that effectively reduces the impact of mechanical vibration on the image. With a professional dust penetration algorithm, the camera is able to generate clear and stable video images in extremely low-visibility environments. It is also equipped with an intelligent lifting tool tracking algorithm that ensures the images are always focused on the lifting tool and the object being lifted, providing visual, clear, and real-time operation images for crane dispatchers and ensuring safe and efficient crane operations.



Heating furnaces are widely used in the combustion process of metals and materials. To ensure that the combustion process in the furnace meets the process requirements, it is necessary to know the temperature inside the furnace in real-time. However, the traditional method of manual observation through opening holes on the furnace wall is limited in accuracy and poses safety risks. Hikvision's endoscopic furnace flame observation camera can reach into the heating furnace for precise temperature measurement and real-time monitoring of the flame dynamics inside the furnace, making it perfect for high-temperature and high-dust environments. When the temperature inside the furnace becomes abnormal, the operator can adjust the working status of the heating furnace in a timely manner to ensure product quality and avoid material scrap.

Endoscopic furnace flame observation system

- Resistant to high temperatures up to 2000 C
- Conventional observation
- Explosion-proof observation
- Conventional temperature measurement
- Explosion-proof temperature measurement

<p>Steel/metallurgical scenarios Blast/refining/heating/annealing/reverberatory furnaces, etc.</p>	<p>Petrochemical scenarios Heating/ethylene cracking/hydrogen production/conversion furnaces, etc.</p>	<p>Cement/glass factory scenarios Observing the condition inside the rotary kiln/grate cooler, kiln furnace/float tin tank</p>	<p>Waste incineration plant scenarios Observing the combustion process in the grate furnace</p>	<p>Thermal power plant scenarios Observing the combustion process in the boiler</p>
---	---	---	--	--

The flying shear is an important device for cutting metal billets in steel, paper and other companies. The fixed length cutting process requires the flying shear to adjust its working status in real-time based on the movement speed of the rolled piece to ensure that the fixed length of the workpiece meets the specifications. Hikvision has

developed a laser Doppler measurement instrument based on the Doppler effect, which can quickly and accurately measure the movement speed of plates, bars, and pipes in a non-contact manner. The instrument allows the flying shear to adjust its operating parameters in real-time to precisely cut rolled parts, ensuring product quality.



These solutions have been implemented in a variety of industries, including metallurgy, manufacturing, petrochemicals, and power, serving Baowu Steel Group, Urumqi Petrochemical Company and other users.

2) Detection and measurement series

Material inventory counting and product quality inspection during the production process are of paramount significance in ensuring production continuity and product quality. Hikvision combines multi-dimensional perception technology and professional AI algorithms to build intelligent perception capabilities for product quality inspection and material inventory counting scenarios of enterprises, helping them improve quality inspection efficiency and material management.

In the automotive parts manufacturing industry, friction stir welding technology is widely used in the production and processing of battery cold plates, motor shells, heaters, packing boxes, and other components. Traditional quality inspection methods can only detect surface defects such as shrinkage, porosity, and slag inclusion that may occur in welded components, while internal defects require destructive sampling. By combining ultrasonic technology and AI algorithms, Hikvision has launched an industrial flaw detection series of products, which can perform non-destructive defect detection on key internal parts of welded components and automatically identify welding defects.



Material inventory counting helps companies understand the dynamics of production materials and ensure smooth production operations. Manual inventory counting is slow and costly when dealing with massive amounts of materials of different shapes, sizes and types, and is inaccurate when dealing with irregularly stacked materials such as aggregate and ores. By integrating video, radar and other technologies, Hikvision has created an intelligent inventory counting solution that is suitable for high-temperature and high-dust working environments. The solution allows accurate measurement of the volume of irregularly stacked materials, and assists warehouse management personnel in quickly and accurately collecting inventory data, thus improving inventory efficiency, and achieving scientific material management.



Foreign object detection is one of the important inspection items for products such as food, drugs, and cosmetics. To address quality risks such as presence of foreign objects and insufficient filling volume, non-destructive and efficient quality inspection methods are key means of product quality management. By integrating the X-ray image enhancement technology and an AI algorithm for foreign object monitoring, Hikvision has introduced a series of products for X-ray-based foreign object and defect detection. The products can quickly identify quality problems such as internal foreign objects, abnormal morphology and filling volumes, and can deformation, helping to steadily improve production and quality.

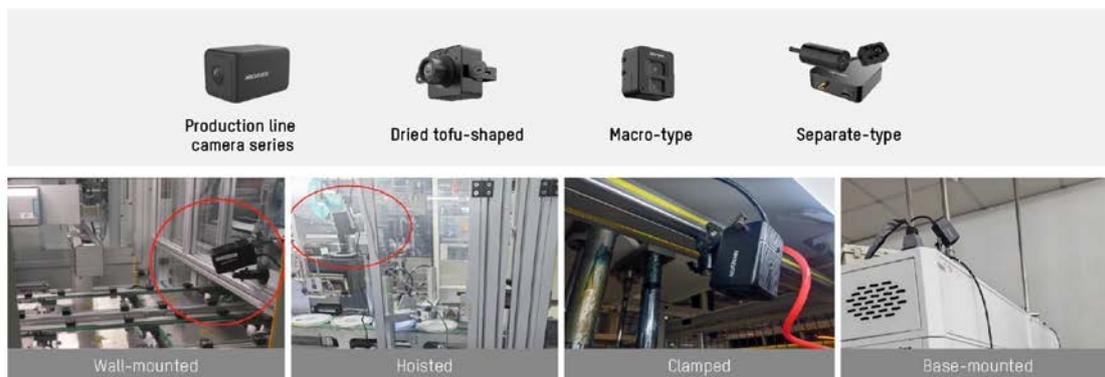


These solutions have been implemented in a variety of industries, including manufacturing, cement, food, pharmaceutical, and new energy, serving Huaxin Cement, Xiduoduo and other users.

3) Production and operation series

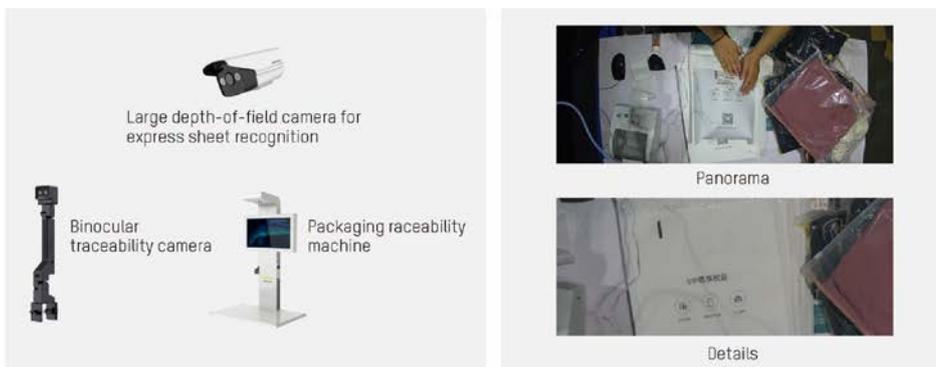
The production and operation services focus on the organization, coordination, and control of core production factors in the production process, mainly including equipment, personnel, and logistics operations. Hikvision has launched a series of intelligent perception products to help enterprises monitor and manage the operation of various production factors in real-time, ensuring the stable and efficient operation of production systems.

Managers from manufacturing companies need to gain timely information about the operation of key nodes of the production line in the daily line maintenance, line replacement design, troubleshooting, and capacity ramp-up scenarios, but it is difficult for traditional manual methods to provide real-time and visual on-site data. Hikvision's production line series cameras can be deployed in narrow spaces on the production line due to a unique compact structural design. With the high-frame-rate image acquisition technology, these cameras can clearly record the live images, achieving traceability of production line problems and providing strong support for on-site production line management.

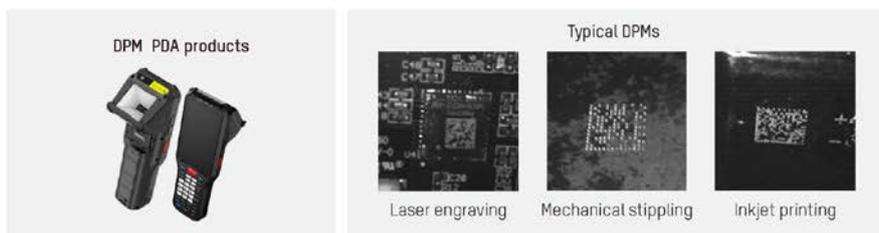


Businesses are burdened with high costs of handling customer complaints as difficulties in accountability attribution, long processing times, and other problems often occur in the handling of abnormal returns from buyers (such as empty packages, missing items, and wrong goods) in the after-sales scenario of customer complaints in the

e-commerce industry. To address these pain points, Hikvision has launched large depth of field single camera, binocular traceability camera, and traceable packing machine series. These cameras can clearly capture the waybill information in each step and record a video of the process. Furthermore, they can be used with corporate order systems to quickly provide video evidence, thus helping businesses to quickly complete accountability attribution, gain recognition from e-commerce platforms, and maintain a good customer experience. The comprehensive processing time for customer complaints can be reduced by more than 90%.



The DPM (Direct Part Mark) technology can directly mark the surface of components through engraving, stippling, inkjet printing, and other methods. The technology is commonly used for tracking and tracing mechanical components, electronic devices, instruments and other products. However, it is difficult for traditional scanning equipment to effectively recognize DPMs as their clarity can be affected by the reflective properties of metal. Therefore, Hikvision has developed a DPM version of PDA products, which can reduce interference from metal reflection through a surface fill light source design. These products can be used with professional scanners equipped with deep learning algorithms to capture ultra-clear images of DPMs and rapidly scan and recognize them.



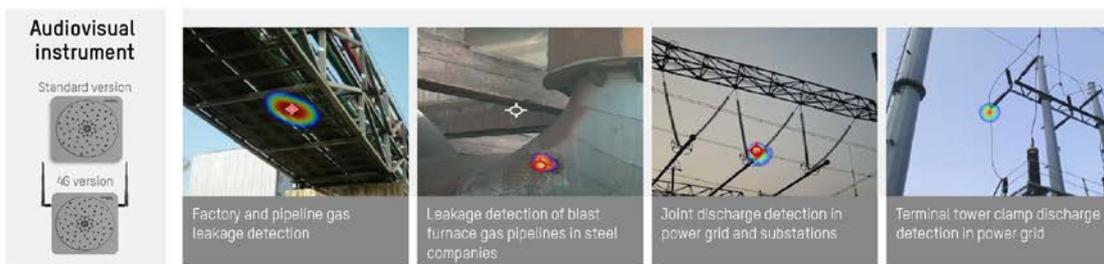
These solutions have been implemented in a variety of industries, including automotive, electronics and logistics, serving Pingyuan Filter, Apower, Excellent Fashion Garment (Hangzhou), and other users.

4) Equipment status series

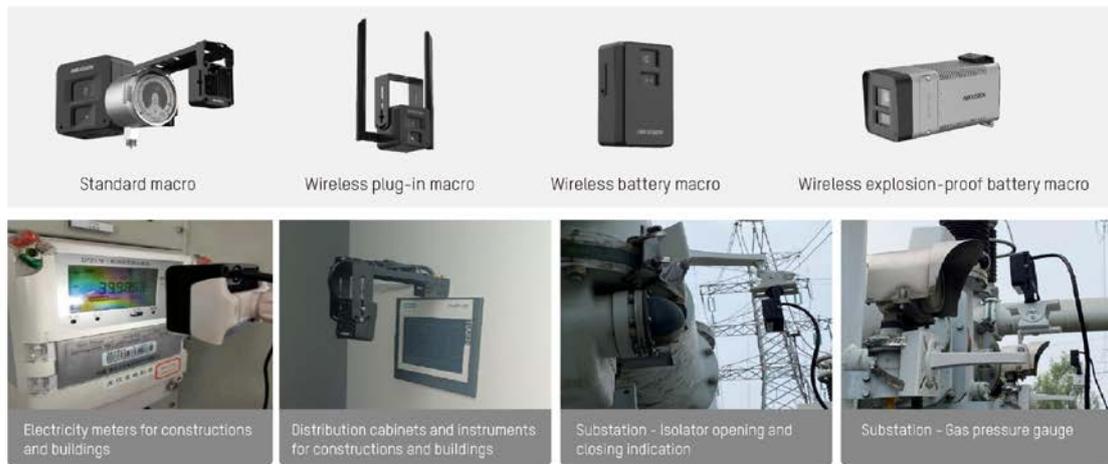
The stable operation of equipment is a key element in guaranteeing smooth production of enterprises. By

leveraging our multi-dimensional perception capabilities, Hikvision comprehensively detects and maintains data on equipment operation status from various perception dimensions such as temperature, sound, and vibration. Moreover, our intelligent analysis capabilities enable us to timely detect equipment abnormalities and assign relevant personnel to quickly address the problems.

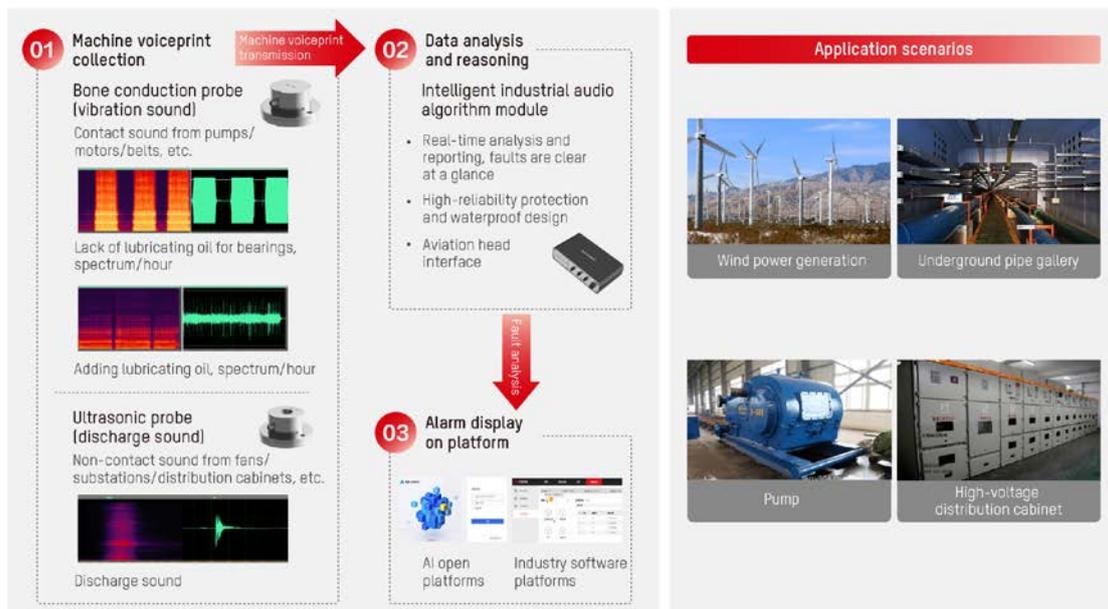
In industrial pipe galleries and pipeline inspection scenarios, gas leakage inside pipelines can cause energy loss and even safety hazards, which can easily lead to safety accidents if not handled in a timely manner. Hikvision has launched an audiovisual instrument that combines microphone arrays and camera components, and locates gas leakage points using sound source localization algorithm. By visualizing sound source locations through color cloud images, the instrument displays the distribution of sound sources in the field of view. This can reduce energy waste caused by pipeline leaks, avoid potential risks of personnel or property damage due to delayed detection, and ensure the safety of pipeline transportation.



The daily power inspection work includes regular inspections of various meters in order to detect relevant hazards in advance. In recent years, State Grid Corporation of China has been accelerating the application of "dual-replacement" (remote intelligent inspection replacing on-site manual routine inspection, and one-key sequential control operation replacing conventional switching operation) technologies. For these application scenarios, Hikvision has developed a series of macro meter cameras. This series features an integrated structural design, and allows the users to see the dial pointer and scale clearly up close. When used with an auxiliary platform for power operation inspection and an intelligent analysis host, these cameras enable remote intelligent meter reading and online meter inspection, helping to improve quality and efficiency and reduce risks.

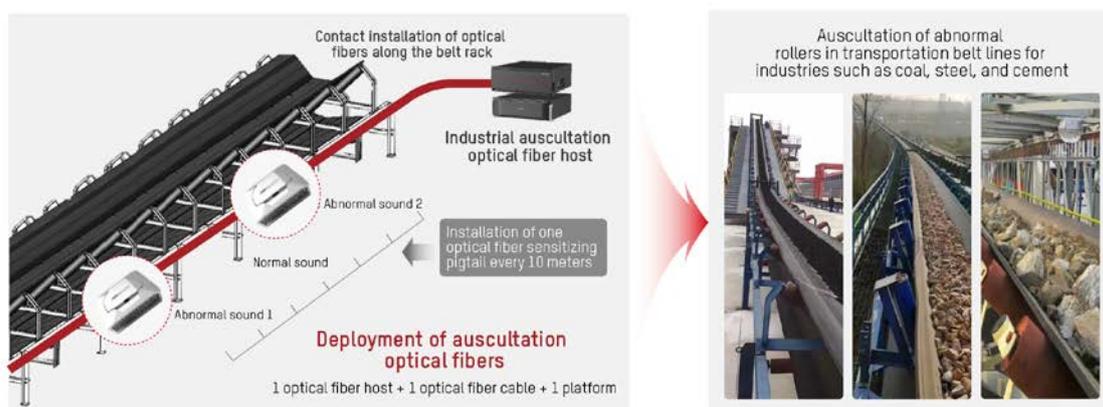


Sound is an important indicator of the health status of equipment. Traditional equipment maintenance methods require on-site "auscultation" of the equipment by maintenance personnel, who rely on personal experience to analyze the sound and determine the equipment's health status. Hikvision has launched an industrial auscultation instrument. Through a bone conduction or ultrasonic sound capture device, the instrument can monitor key equipment such as transformers, switchgear, and circuit breakers 24 hours a day online. Moreover, by analyzing fault voiceprint data with AI algorithms, the instrument allows real-time detection and warning of faults of various equipment, and provides monitoring curves throughout the equipment lifecycle to operation and inspection personnel, offering support for operation and inspection decision-making.



Belt conveyors are widely used in material transportation scenarios in industries such as coal mines, steel,

cement, and power generation. The safe and stable operation of belts is crucial for production. As an important component of the belt, the roller is installed in large quantities and is prone to wear, which may cause accidents such as belt fires in severe cases. Hikvision has developed an optical fiber auscultation device to meet the needs for real-time monitoring of belt rollers. Multiple sets of optical fiber detectors are laid along the belt to collect data on roller operation, enabling long-distance and multi-point monitoring of belt operation, and effectively reducing the frequency of on-site manual inspections.

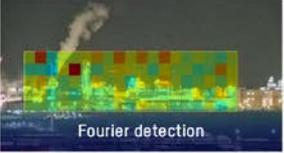


These solutions have been implemented in a variety of industries, including power, chemical, new energy, steel, pharmaceutical, and mining, serving Nanjing Steel, the Asian Games Hangzhou Stadium and other users.

5) Safety production series

Safety production is an indispensable part of production management for organizations. Hikvision endeavors to help companies build comprehensive safety management capabilities through comprehensive monitoring of unsafe behaviors of people, unsafe states of objects, and unsafe factors of the environment to effectively prevent safety risks, improve hazard detection capabilities, and reduce safety accidents.

There is a risk of leakage of industrial materials such as liquefied gas and alkanes during the production operations in petrochemical facility and tank areas, which may cause fire accidents if exposed to open flames. As these gases are transparent and colorless, it is difficult to detect gas leaks in a timely manner. However, Hikvision has developed a multispectral gas cloud imaging camera by utilizing multispectral technology and based on the principle of unique spectral absorption peaks for hydrocarbon media. The camera can timely detect leaks in hydrocarbon gas media such as ethylene and methane, and visually display the leak points. By monitoring and warning of gas leaks in real-time, it can facilitate and guide maintenance operations, and provide reference for emergency evacuation due to gas leaks.

Product name	TDLAS laser telemetry instrument	Gas cloud imaging telemetry instrument	Hyperspectral Fourier telemetry instrument
Product image			
Gas type	Methane, ethylene, carbon monoxide, acetylene, ammonia, etc.	Hydrocarbon gas - CxHx (alkanes, hydrocarbons)	VOCs (over 400 kinds)
Application scenarios	 <p>TDLAS detection</p> <p>Natural gas pipelines, underground gas pipelines, and other scenarios</p>	 <p>Gas cloud imaging detection</p> <p>Petrochemical extraction/production/transportation/storage and other scenarios</p>	 <p>Fourier detection</p> <p>Chemical and petrochemical parks and other scenarios</p>

Unsafe behavior of people has always been a pain point in the safety production management of power generation enterprises, such as non-standardized operations, inadequate supervision of outsourced personnel, and difficulty in confirming whether an employee is on duty. By utilizing the UWB positioning technology, Hikvision has introduced positioning base stations, tags, and systems to provide functions such as visual display of personnel positions, rapid playback of historical movements, and timely warn of personnel approaching or entering dangerous areas. In addition, the positioning technology can be combined with video surveillance and 3D modeling technology, as well as the two-ticket management process to enhance the real-time, interactive, and proactive site safety control, and improve safety management of power enterprises.

In addition, Hikvision has developed a risk classification and control system module that is designed to create an online risk classification and control process for businesses that meets safety regulations. The module defines risk units based on the operational activities, equipment and facilities, and production processes of an organization, identifies hazardous and harmful factors, and generates a list of these factors. Three built-in risk assessment models, LS, LEC, and MES, are used to automatically calculate risk values and levels, generate a risk classification and control list and a risk notification card, and construct a dynamic four-color risk distribution map for the organization. The map visually displays the overall safety situation of the organization, paving the way for intelligent monitoring and control of hazards.

Finally, as the last crucial step, emergency command plays an indispensable role in the safety production management of organizations. Hikvision's emergency command solution combines integrated communication capabilities with digital means such as structured contingency plans, data graphs and walls, and AR to assist users in developing an emergency command capability system for monitoring and warning, prevention and preparation,

response and rescue, recovery and reconstruction. Our solution allows efficient information exchange and visual scheduling management of safety accidents, thereby facilitating scientific decision-making and helping enterprises improve a closed-loop system of safety production management.

These solutions have been implemented in a variety of industries, including power, chemical, construction, petroleum, new energy, and manufacturing, serving Shouguang Power Plant, Xin'ao Gas and other users.

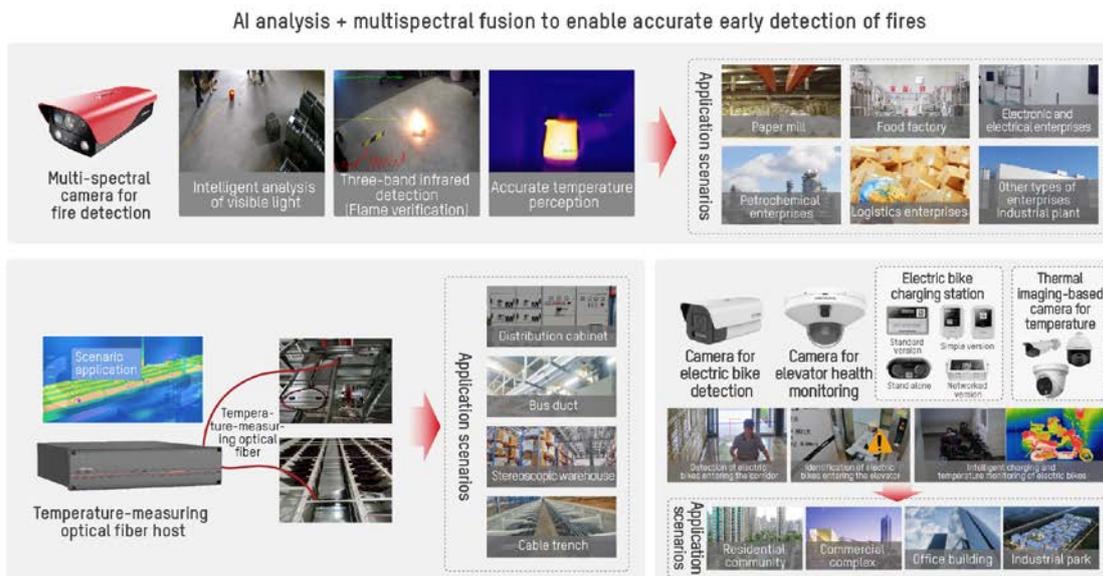
6) Security-fire protection integration series

Security-fire protection integration can improve the efficiency of security and fire protection by integrating security and fire protection resources. By leveraging AIoT technologies such as multispectral, thermal imaging, and combustible gas detection, Hikvision accurately identifies core elements related to security and fire hazards to enable early detection and handling of risks and hazards, reducing the probability of fire accidents, and enhancing an organization's capacity for emergency handling of safety and fire accidents.

For the fire source monitoring scenarios, Hikvision's multispectral fire detectors integrate image processing, temperature detection, and multi-band sensing fusion technologies to allow for temperature measurement and alarming, fire point orientation and shape recognition in key areas, thus warning of fire at a very early stage and shortening the response time for fire prevention and extinguishing.

In terms of smoke monitoring scenarios, Hikvision's visual smoke detectors combine smoke and temperature detection with video monitoring capabilities to enable high temperature/smoke detection and alarming and video recording in unmanned locations such as warehouses and high-temperature work areas, and support remote verification of alarm information.

With regard to abnormal temperature monitoring scenarios, Hikvision uses temperature-measuring optical fibers to measure surface temperature of linear objects in narrow spaces, enabling abnormal temperature monitoring of bus ducts, cables, distribution cabinets, and stereoscopic battery warehouses. This will help to warn of fire accidents, prevent safety hazards, and ensure stable operation of important production equipment.



These solutions have been implemented in a variety of industries, including energy, electronic appliances, education, cultural tourism, and finance, serving Luzhou Laojiao, Han Energy Technology and other users.

4.2 Promoting the digital transformation of lifestyle

In recent years, digital technology has found applications in various aspects of social life, improving people's experiences in clothing, food, housing and transportation, and enhancing their sense of gain and happiness. Hikvision relentlessly explores new business opportunities for lifestyle improvement and upgrading, and continuously innovates for digital life service application scenarios to promote the digital transformation of lifestyle.

In fields such as education and healthcare, Hikvision empowers traditional service facilities with digital technology to improve the quality of public services. In sectors such as trade and commerce, finance, and real estate, Hikvision helps users improve their operational management and enhance their corporate service capabilities. In industries such as culture and tourism, Hikvision provides safe and comfortable digital services to create new cultural and tourism experiences.

1) Education and teaching: Helping to digitize educational and teaching scenarios

As the digital transformation of education evolves, Hikvision actively promotes innovation in teaching products to meet the needs for high-quality education development, and help schools build a safe and beautiful environment and develop innovative education methods.

As the teaching methods continue to diversify in universities and the number of intelligent devices continues to grow in classrooms, there is a growing demand for unified management and control of equipment. Hikvision's smart classroom solution is designed with a fully networked and minimalist architecture based on an intelligent control engine. The solution is integrated with various systems to allow for fully automated and minimalist applications. By providing automated operation and maintenance capabilities, the solution easily enables interconnection and integration of various equipment and facilities in the classroom, creating a convenient and easy-to-use smart teaching space for teachers and students.



In university laboratory scenarios, Hikvision provides digital products and applications with a focus on experimental teaching services and experimental resource sharing. The Company provides analytical instruments such as ultra-high performance liquid chromatography and gas chromatography for teaching and experimental centers, as well as analysis and testing centers. These instruments utilize advanced analytical techniques to strictly control data quality and ensure the accuracy and reliability of experimental results. To address the waste of resources in experimental resource management, Hikvision uses smart laboratory doorplates to display real-time information on laboratory reservation and the use of experimental resources, facilitating online reservations for teachers and students, and improving the efficiency of experimental resource utilization.

With the Hik-Cloud general education platform, Hikvision has launched an all-in-one device (6000E) for primary and secondary school campuses. The device features an innovative cloud-edge fusion architecture that allows intelligent and integrated management of campuses. It can be connected to an education bureau's system to comprehensively meet the needs of management of parents, schools, and the education bureau, achieving joint home and school education and interconnection between the education bureau and schools. Furthermore, Hikvision provides a high-quality digital teaching environment for teachers and students through intelligent products such as

class displays, electronic class plates, and smart integrated sports machines.

Hikvision builds a new digital infrastructure for education through AIoT technologies and products, and works with numerous partners including Ningbo University and the Education Bureau of Sucheng District, Suqian City to create a new perspective on high-quality education and promote the high-quality development of education.

2) Smart healthcare: Helping to create a high-quality and efficient medical experience by focusing on diagnosis and treatment scenarios

It is well known that the medical care process plays a very important role in patient diagnosis and treatment process. Hikvision seeks to create a new nursing management model by focusing on improving nursing quality and efficiency.

In clinical nursing, patients are prone to pressure injuries due to long-term bed rest. Hikvision provides wound detection PDA that helps nurses measure the area of pressure ulcers and automatically records data into working documents, achieving refined management of nursing quality. As for the patient monitoring scenarios, Hikvision applies multiple kind of millimeter wave perception radar products to daily patient monitoring, which can quickly identify risk events such as patient falls, and monitor the patient's breathing, heart rate, and body movement in real-time, thereby improving monitoring management.



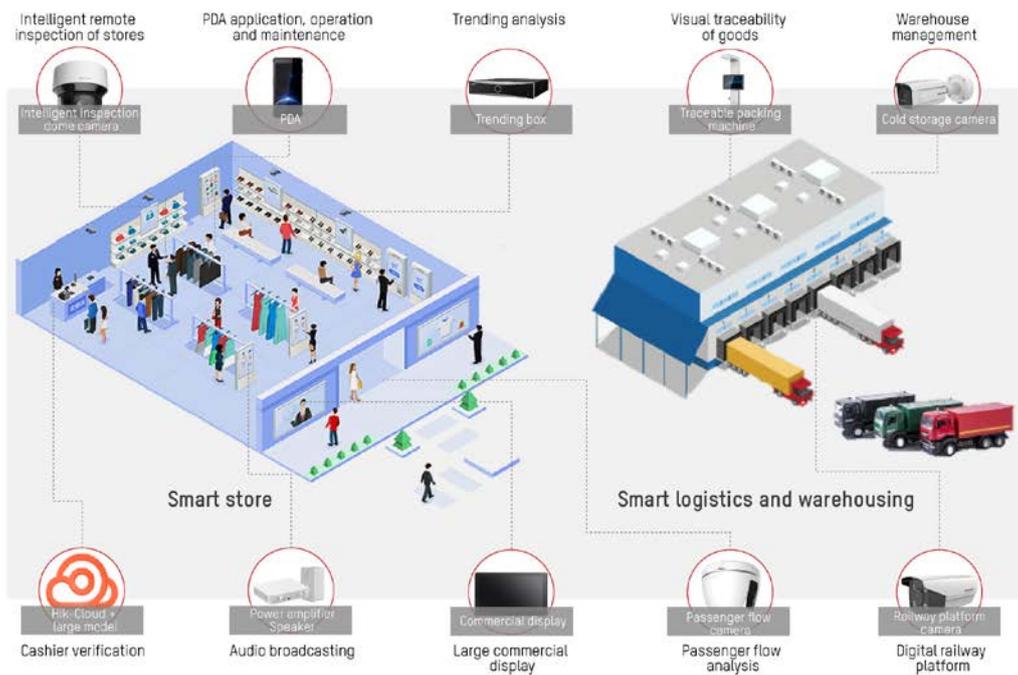
Additionally, to address the issue of inconsistent information during the surgical process, Hikvision uses video terminals to achieve rapid interaction of various information, improving the efficiency of surgical information query and doctor-nurse collaboration. In biological laboratories, intelligent visual products provide intelligent tools for remote guidance and standardized management of operating areas. In the pre-hospital emergency scenarios, real-time information transmission can be achieved through intelligent terminals, providing support for remote consultation and pre-hospital and intra-hospital collaborative treatment, and improving pre-hospital medical emergency capabilities.

Hikvision empowers patient-centered diagnosis and treatment services with digital technology, and works with

customers such as the First Hospital of Ningbo University and Qilu Hospital of Shandong University to improve the quality and efficiency of modern healthcare.

3) Trade and commerce: Building digital capabilities for marketing and supply chain scenarios

With the Hik-Cloud platform and the Guanlan Large Model, Hikvision provides highly cost-effective products and solutions for trade and commercial enterprises in multiple aspects such as production, processing, logistics, and sales, enhancing digital management and marketing capabilities, and helping enterprises reduce costs and increase efficiency.



In the retail scenarios, Hikvision uses industry large models to perceive cashier violations and other behaviors in real-time, strengthening the standardized management of stores. As for the catering scenarios, the Company combines anti-oil cameras, unsupervised open fire work cameras, temperature and humidity sensors and other equipment to ensure standardized kitchen operations. In business management, the Company assists businesses in digital marketing through products such as commercial displays, audio broadcasting, customer flow analysis, and live streaming cameras.

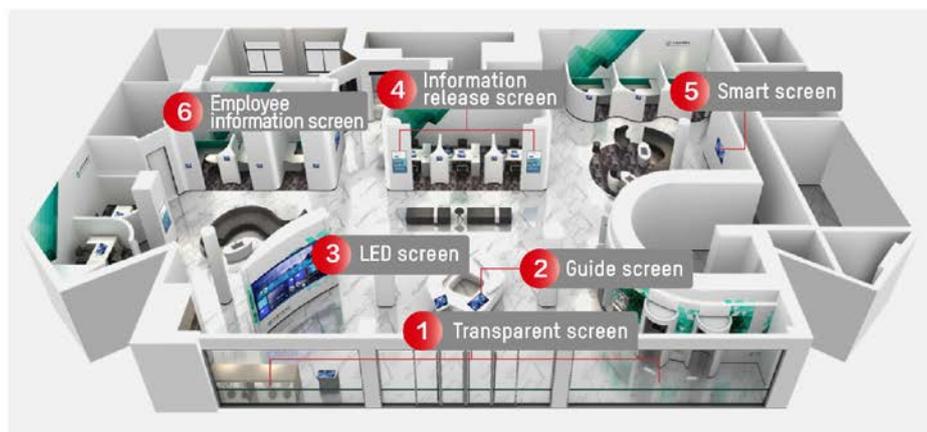
Hikvision provides products such as smart cold storage cameras, railway platform cameras, and packaging traceability machine in the logistics part of the supply chain. These products help trade and commercial enterprises establish a transparent, efficient, and collaborative supply chain network and build agile operation centers, strengthening the management of core elements—people, vehicles, goods, and warehouses.

Hikvision uses a variety of AIoT products to help trade and commercial enterprises build manageable marketing and supply chain networks, continuously improving their digital operational capabilities. As of 2023, the number of Hik-Cloud chain users and access devices has maintained rapid growth, with over 5 million access devices, serving approximately 600,000 chain stores.

4) Financial services: Facilitating the digitalization of outlet services and customer management

Financial services continue to penetrate into every aspect of the economy and society, giving a strong impetus to social development. Hikvision leverages technological advantages to assist financial institutions in strengthening their management and service capabilities, thus better contributing to economic and social development.

In terms of the smart branches, Hikvision participates in the intelligent construction of virtual reception services, interactive marketing, energy-conserving IoT central control systems. The Company is also actively promoting the construction of themed and characteristic outlets such as agricultural assistance, and facilitating the orderly management of theme-related content displayed on media devices such as information release screens, LED screens, and smart screens based on the information release management platform, making financial services more considerate and heart-warming.



The asset owners are generally found to be small, scattered, and weak in the asset mortgage process of agricultural entities, which restricts the growth potential of agricultural users by leveraging financial services as well as the in-depth development of the bank's agricultural services. Combining video and AI technologies and multispectral vegetation monitoring devices, Hikvision helps customers quickly establish a closed loop system of production, operations, and fund management by building capabilities for remote asset inventory counting, visual abnormality warning, and intelligent growth detection in planting, breeding, and animal husbandry scenarios,

thereby reducing the threshold for agricultural loans and promoting construction for rural revitalization.

At present, these solutions have served multiple first-tier branches of banks including Agricultural Bank of China, Industrial and Commercial Bank of China, and China Construction Bank.

5) Real estate and property management: Focusing on digital solutions in core scenarios

Aiming to serve people's livelihoods through technology, Hikvision has launched a cloud-edge integration architecture based on Hik-Cloud+6000C, which is a smart community and property solution powered by a digital and intelligent application system that supports digital services such as property decoration, property management services, and house operation and maintenance.

During the pre-construction phase of real estate, Hikvision integrates smart community spaces with smart home technology to increase the technological premium of real estate projects. In the property management service stage, Hikvision uses intelligent perception products to monitor and warn in real-time of high-altitude littering, electric bikes entering the elevator, abnormal charging and other situations. AI property inspections enable the placement and processing of online work orders and closed-loop service management, helping to improve the quality and efficiency of property management services. Moreover, these inspections can be used to manage the charging and operation of new energy vehicles to increase the revenue of property management companies. In the house operation and maintenance stage, the Company assists in monitoring the status of dangerous buildings and enables intelligent supervision and management.



Hikvision has been in the real estate industry for many years, and has established cooperation with Binjiang Real Estate, CR Vanguard Life, Deji Commercial Group, Shanghai Construction and many other customers in the

fields of community, property management, business management, and construction, creating a win-win situation.

6) Cultural and museum venues: Building digital preservation and exhibition of cultural relics

Hikvision utilizes digital technology to promote the inheritance of brilliant human civilization that has been established over thousands of years. As for the scenarios of cultural relics and historical sites, Hikvision uses macro cameras to observe cracks in stone carvings, providing accurate data on crack changes for researchers in cultural relics protection and facilitating research on the protection of stone carvings. In terms of the scenarios of cultural relic exhibition preparations, the Company uses laser radars to provide senseless protection for openly-exhibited cultural relics, ensuring their safety. With regard to the cultural exhibition scenarios, the Company enhances the interactivity and fun of the exhibition and makes the exhibits more vivid through various forms of LED screens, creating an immersive experience for tourists. The use of digital protection enables cultural relics to be presented in a more vibrant state to the public, allowing them to better experience and appreciate the beauty of culture.

Furthermore, at the entrance and exit of the museum, Hikvision's intelligent security machines and security gates are used to conduct security checks on people and their bags and assist security inspectors in quickly identifying prohibited items based on a deep learning algorithm, protecting the safety of both tourists and cultural relics. At the entrance and exit of the exhibition hall, Hikvision's passenger flow cameras track the number of visitors in each exhibition hall in real-time, assisting museum managers in guiding visitors in an orderly manner and providing a comfortable environment for visitors.



These technologies have been used by many users including the Shanghai Museum, He'nan Museum, Luoyang Longmen Grottoes, and China Animation Museum, facilitating the protection and inheritance of civilization.

7) Tourist attractions: Empowering tourist attraction management and services with digitization

With the recovery of the tourism industry and changes in tourism consumption structure, the high-quality requirements of tourists for tourism experience are driving the refinement of tourist attraction operation and management. Hikvision drives innovative development of smart tourism by integrating digital technology into tourist attractions.



As for daily management of tourist attractions, Hikvision uses passenger flow cameras to monitor and calculate the number of people at ticket gates, waiting points, and various scenic areas in real-time, and to warn of exceeding passenger flow limits. Hikvision's GNSS displacement observation dome cameras can be used to timely detect geological disasters such as landslides, rockfalls, and collapses. Hikvision's water-level observation dome cameras and hyperspectral water quality detection cameras can monitor the water level and quality in scenic areas in real-time. Hikvision helps scenic area managers build intelligent perception and warning capabilities through digital products, facilitating grid-based inspections in scenic areas. By creating a scenic area command center, the Company integrates and analyzes multi-dimensional data to enhance scenic area management and emergency response capabilities, ensuring a safe, orderly, and convenient tourist experience in the scenic area.

In addition, as for tourist service scenarios, Hikvision provides services such as pre-tour live streaming, self-driving parking guidance, scenic spot information inquiry, and automatic attraction explanation. To address the long wait time for buses during peak hours, the lack of information synchronization and other problems, the Company integrates, analyzes, and processes data on tourist flow in the scenic area and at each station, and vehicle operation trajectories to provide real-time information on vehicle arrival time, available parking spaces, and reasonable and interesting travel routes for tourists, thereby enhancing the tourist experience in the scenic

area.

These technical solutions have served many cultural and tourism organizations, including Mount Wuyi National Park in Fujian, Datang Never Night City in Xi'an, and Yulong Snow Mountain in Lijiang, Yunnan.

4.3 Facilitating the digital transformation of governance methods

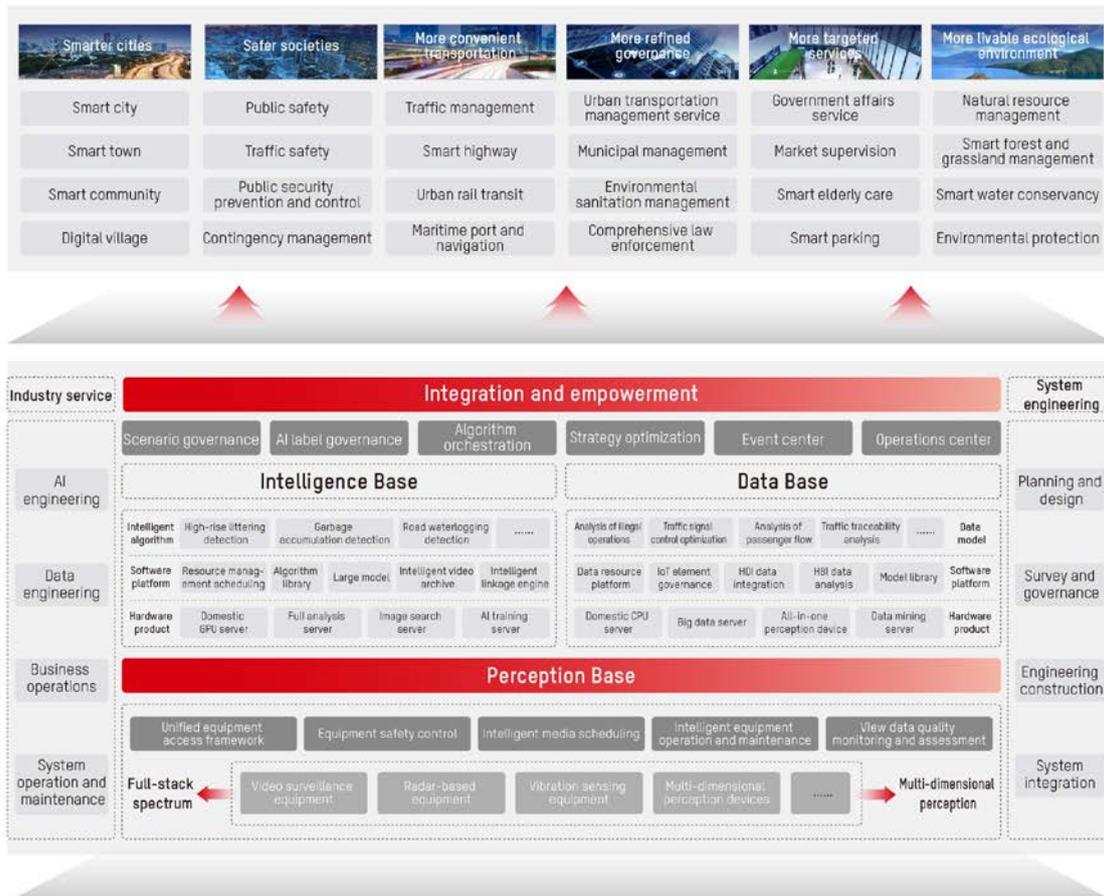
As the digital transformation of governance methods is inevitable in the digital age, the construction of digital governments has picked up speed. With the growing use of IoT perception, AI, big data, and cloud computing technologies in the construction of digital governments, the importance of digital and intelligent governance has increasingly attracted attention, and improving digital and intelligent governance capabilities has become an important component of digital government construction.

Combining AIoT technology with years of profound understanding of user needs in the public service field, Hikvision continues our efforts in five industrial business areas, **security, traffic, ecosystem, governance and service**. Moreover, the Company integrates product and technology capabilities to support the data and AI governance of governments at municipal, county, town, village and community levels. With the philosophy of "AI universal empowerment and deepening of data value", Hikvision has constantly expanded our product portfolio in terms of "hardware, platforms, algorithms, models and services" and deeply integrated product and system capabilities with a focus on the value fulfillment of solutions. Ultimately, the Company serves to empower digital government transformation through the comprehensive expansion of intelligent businesses in public security, transportation, urban governance, livelihood services, ecological and environmental protection, etc.

In response to the urgent need for digital government transformation, Hikvision continues to strengthen urban-level basic capabilities of AIoT such as **Perception Base, Intelligence Base, Data Base and Empowering Platform**. The Company intensifies efforts in various sectors and expands applications across industry segments, developing and consolidating our industrial service capabilities.

Hikvision continues our efforts in different industry segments. By integrating our scenario-based AIoT capabilities with strong expertise in image-data integration and our Guanlan Large Model's universal detection and recognition capabilities, the Company provides localized end-to-end application solutions for users from various industries, helping to expand scenario-based intelligent innovation applications and promoting a closed-loop business process in these industries. As of today, the Company has sorted out more than 2,000 business scenarios,

developed more than 250 industrial solutions and improved more than 500 intelligent industrial applications in smart cities, public security, traffic management, urban governance, livelihood services, ecological and environmental protection, and other sectors. All these efforts are aimed at optimizing government's operational mechanisms and construction modes, and providing strong support for modernized urban governance.



Combining a profound understanding of each industry with years of experience, Hikvision has continuously consolidated our service capabilities in AI engineering, data engineering, business operation and system operation and maintenance. The Company has also established a nationwide professional service team to better serve users .

AI engineering services: Hikvision provides users with scenario-based AI engineering services, including personalized algorithm training, tuning of intelligent algorithms, tuning of correlation clustering, tuning of intelligent strategies, intelligent scenario arrangement, event analysis, research and judgment. The Company has provided AI engineering services for more than 300 projects.

Data engineering services: Hikvision provides users with data engineering services involving multi-dimensional perception data and business data, and optimizes data engineering delivery systems. With big data governance tools such as the IoT-information network integration data resource platform, the Company provides

data engineering services for users on demand, including IoT element governance implementation, data integration implementation, data governance implementation, and data model implementation. We have provided data engineering services for more than 300 projects.

Business operation services: Hikvision has increasingly expanded the scope of business operation services that are provided based on Internet operation platforms, and these services have covered a number of fields including comprehensive urban operations, urban parking management, firefighting management, community security management, security inspection management, and intelligent management of garbage classification.

System operation and maintenance services: Hikvision provides users with comprehensive operation and maintenance services covering equipment, systems, and services, including daily inspection of software and hardware, fault repair, active monitoring, technical guidance, major project support, software updates and upgrades, and regular customer service reports, etc. The Company has provided system operation and maintenance services for 291 projects.

Hikvision continues to strengthen product and service integration, and comprehensively enhance our system engineering service capabilities, including planning and design, survey and governance, engineering construction, and system integration, covering scientific deployment of perception devices, intelligent analysis and correlation of perception data, and deep integration of IoT-information network data. The Company also continuously strengthens project management in the construction of complex systems, enhances project management capabilities in various stages such as initiation, planning, execution, monitoring, and closure, and collaborates with integration customers to provide users with a closed loop process for the project.

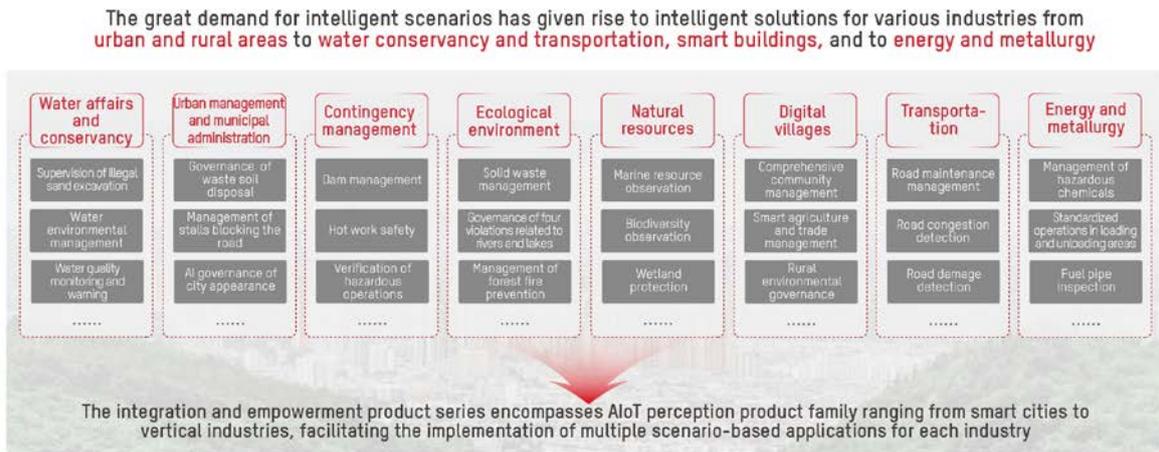
While deepening our understanding of business services in public security, transportation, urban governance, livelihood services, ecological and environmental protection and other fields, Hikvision strives to build the capabilities of the "Perception Base, Intelligence Base and Data Base" for cities with a focus on perception, intelligence and data. In addition, the Company has continuously expanded smart industrial services through the Fusion of Perceptions Empowering Platform. We are committed to making cities smarter, society safer, transportation more convenient, governance more refined, services more targeted, and the ecological environment more livable.

1) Smarter cities

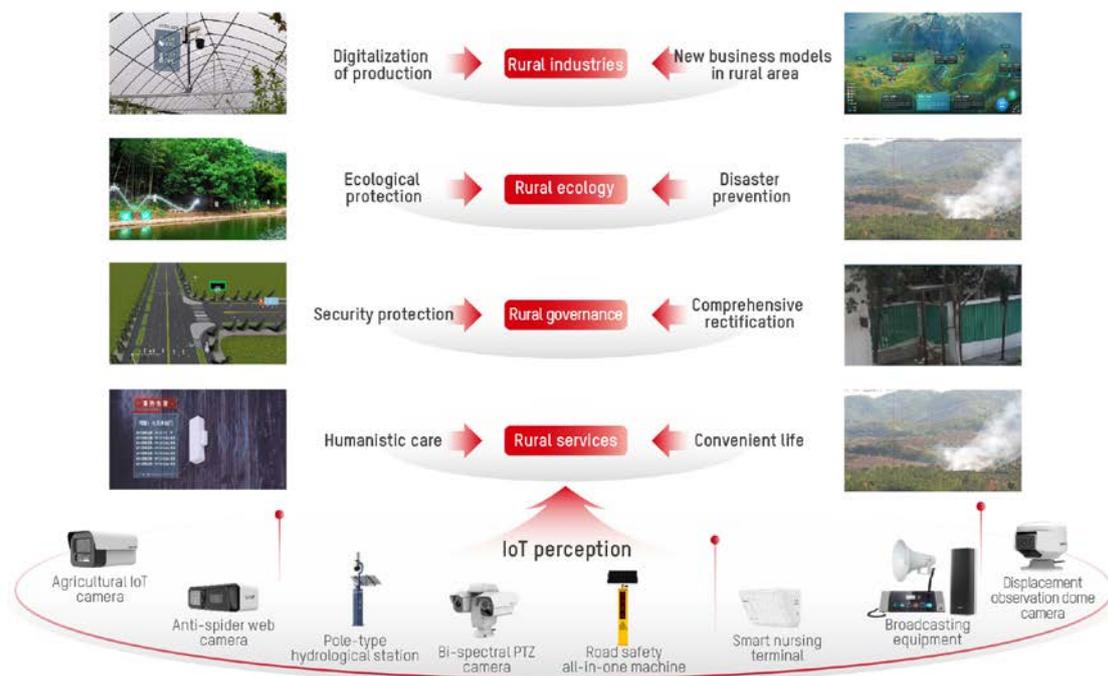
In the field of smart cities, Hikvision focuses on governance with perception data and empowerment with data and AI. The Company has optimized the urban AIoT perception system, promoted an organic integration of

multi-source data, and created an AIoT application ecosystem with the goal of empowering urban governance with data and AI. Utilizing IoT, AI, big data and other technologies, the Company has established a governance network featured by multi-dimensional perception, intelligent research and judgment, and efficient collaboration, assisting in developing an efficient, accurate, and intelligent urban digital governance system that makes the city smarter.

Hikvision continues to optimize the Fusion of Perceptions Empowering Platform. Guided by the core philosophy of "resource co-construction, video sharing, algorithm co-management, capacity sharing, computing power integration, and event co-governance," the Company cultivates unified resource networking, catalog governance, intelligent analysis, strategic efficiency enhancement, fusion and exploration, and open sharing capabilities for cities to meet the needs of intelligent perception and fusion applications across industries and departments, comprehensively enhancing the co-construction and sharing of urban IoT perception resources.



In terms of digital villages, Hikvision provides a management platform for digital villages, which enables digital planting, rural smart tourism and other applications for multiple scenarios including rural industries, ecological protection, rural governance, and rural services, empowering the digital transformation of rural industries. The platform allows management of straw burning prohibition, intelligent farmland protection, and water environment monitoring, enabling intelligent perception and warning of rural ecological environment elements, and helping to improve the rural living environment. It is also used for multi-dimensional rural archiving, rural drowning prevention, rural fire management and other applications, helping to improve the comprehensive governance capacity of rural areas. In addition, the platform provides intelligent elderly care, digital radio, village affairs disclosure and other applications that help to improve rural service capabilities.



Furthermore, Hikvision provides comprehensive and diverse solutions for city managers at all levels. For example, **in the field of smart towns**, Hikvision provides a management platform for smart towns, which enables comprehensive management of waste trucks, smart store management, smart management of construction sites, and other applications for multiple scenarios such as public management, safety construction, public services, ecological protection, and comprehensive law enforcement, helping to improve the efficiency of public management. The platform provides fire safety management, emergency assistance for residents, drowning prevention supervision and other applications, helping to improve safety construction. It also offers home-based elderly care services, self-service government services, information release services and other applications, helping to improve the capacity of serving the people. Moreover, the platform is used for forest fire monitoring and management, smart flood control supervision, smart river and lake supervision and other applications, helping to strengthen ecological environment protection capabilities. The platform also allows management of law enforcement teams, management of objects of law enforcement, electronic evidence management and other applications, helping to enhance comprehensive law enforcement capabilities at the grassroots level. **As for smart communities**, Hikvision provides a comprehensive management platform for smart communities, which enables supervision of high-altitude littering, fire passages and non-motor vehicles and other applications for multiple applications such as community governance, community safety and community services to timely identify various abnormal risks and hazards, helping to improve the efficiency of community governance. The platform is used for intelligent supervision of pedestrian and vehicle

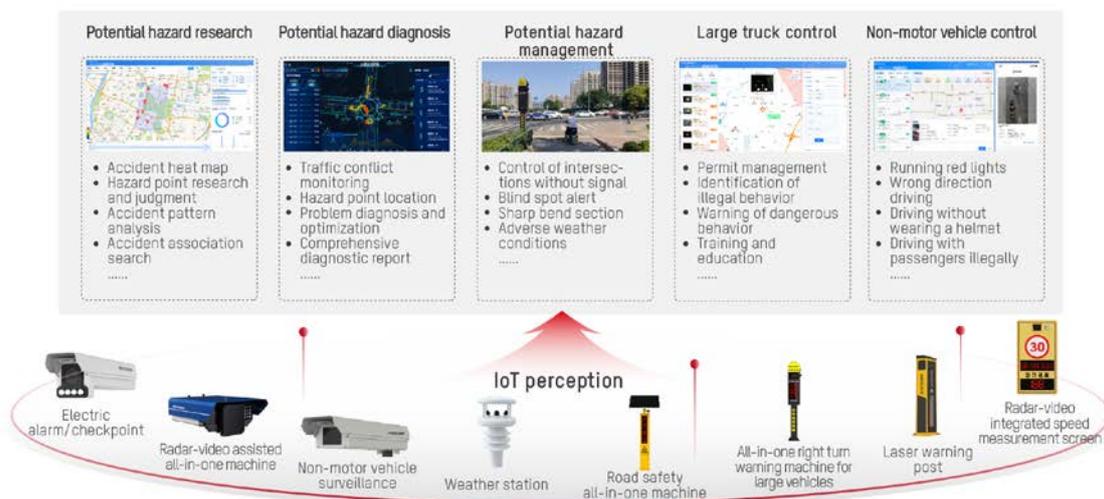
transportation, community fire protection, and manhole covers and other applications, expanding the measures of safety prevention and helping to improve community safety management. The platform also provides smart property services, community-based elderly care services, mobile welfare services and other applications, helping to improve the happiness of community residents.

2) Safer societies

In the public safety domain, by following the core development path of "perception + intelligence", Hikvision is committed to providing comprehensive "video-image intelligence-based" solutions and products. The Company deeply explores and expands application scenarios by focusing on the core capability of "video-image intelligence" to consolidate and expand our position in urban public safety.

For instance, with regard to the security for the Asian Games Hangzhou, Hikvision has built the Intelligence and Data Bases by focusing on game security to enable AIoT, image and data fusion, data-assisted decision-making, venue digital twins, intelligent assisted warning, multi-party collaborative consultation, remote visual command and other capabilities. The Company has provided comprehensive, three-dimensional, and intelligent solutions and product systems in event command and scheduling, opening and closing ceremony support, Asian Games Village management, traffic support, social control, moat defense, torch relay, marathons, and other aspects.

In terms of road traffic safety, Hikvision provides system capabilities for traffic safety hazard research and judgment, diagnosis and management, large truck control, and non-motor vehicle control. The Company accurately determines the road traffic safety situation and comprehensively analyzes the causes of safety risks to enable refined hazard management in multiple scenarios and comprehensive safety control of large trucks and non-motor vehicles, helping to improve the management of road traffic safety.

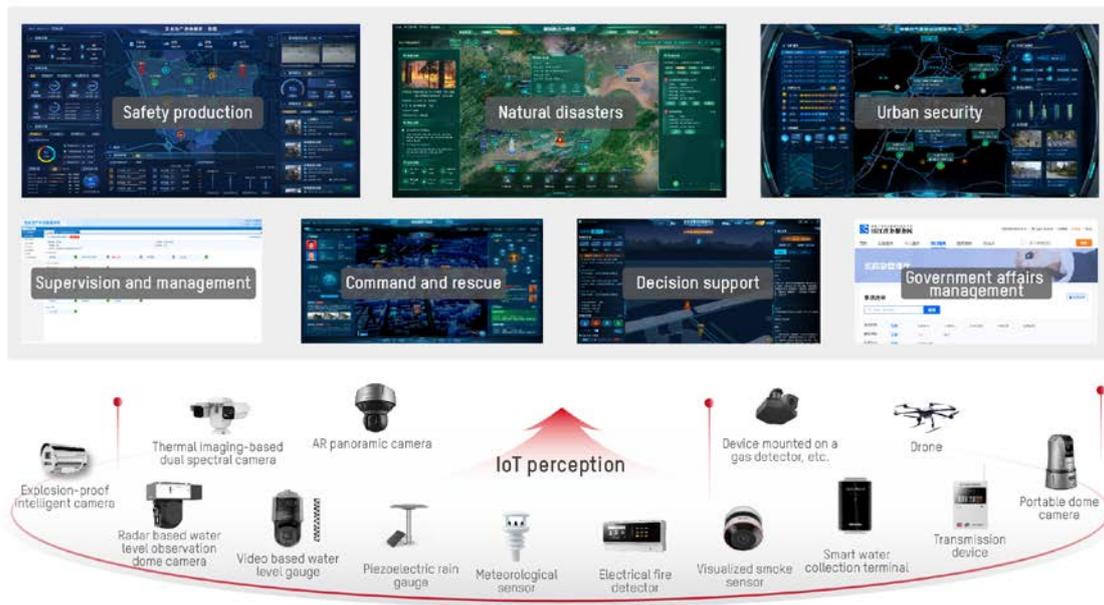


Taking the management and control of large trucks as an example, Hikvision provides Internet permit application, police platform permit approval and other applications for scenarios such as the handling of large truck passes, identification of illegal acts, warning of dangerous acts, visit-based publicity and education to quickly and efficiently complete the application and review of permits, and prevent high-risk trucks from getting on the road. The Company enables identification of illegal acts of large trucks such as running red lights, driving on prohibited lanes, carrying passengers in the truck compartment, modification and speeding, helping to investigate and deal with illegal activities related to large trucks and prevent traffic accidents. The Company timely reminds drivers of safe driving by warning of dangerous behaviors such as fatigue driving, making phone calls, lane departure, and approaching other vehicles. The Company also provides enterprise operation and examination forms, visit-based enterprise publicity and education and other applications, comprehensively evaluates high-risk enterprises, vehicles, and drivers, and conducts targeted visits and education, facilitating joint efforts of the police and enterprises to eliminate accident hazards.

In emergency management, Hikvision has built a comprehensive application platform for emergency management by using our AIoT perception, intelligence and data bases, and four-dimensional spatiotemporal operating environment, which enables various emergency management applications for scenarios such as production safety, natural disasters emergency management, command and rescue.

Hikvision provides a comprehensive supervision platform for safety production, which enables IoT access, risk monitoring, intelligent warning, hierarchical push and other applications to meet the needs of supervising hazardous chemicals, fireworks and firecrackers, non-coal mines, tailings ponds, and various industrial and trade enterprises. The platform also provides special operation management applications for key high-risk scenarios such as open fire work and limited space operations, helping to improve comprehensive supervision capabilities for safety production. The Company offers a comprehensive monitoring and warning platform for natural disaster risks, which enables disaster risk monitoring, comprehensive risk assessment, disaster warning, disaster situation analysis and other applications for various natural disaster scenarios such as forest and grassland fires, typhoons and floods, and geological disasters, helping to improve the monitoring and warning capabilities of natural disasters. The Company also provides an emergency command platform, which offers full-process emergency command and dispatch capabilities for various unexpected accidents and disasters, including duty fulfillment, event reporting, plan management, collaborative consultation, command and dispatch, summarization and evaluation and other core applications. The platform also enables specialized research and judgment applications for specific disasters such as hazardous chemical accidents, forest fires, and urban waterlogging, helping to improve emergency command and

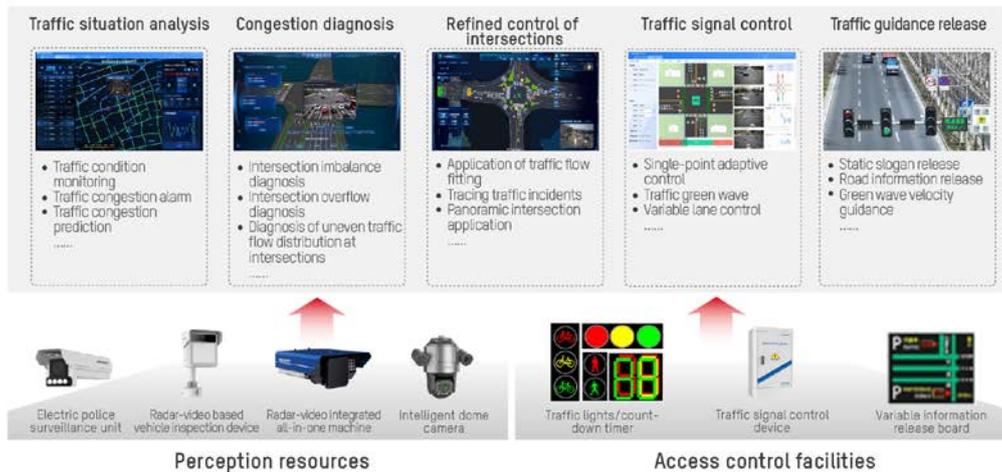
rescue capabilities.



3) More convenient transportation

By combining IoT perception technology with industry scenarios, Hikvision provides the industry with refined perception, big data-based scientific decision-making control and other capabilities in areas such as digitalization of transportation infrastructure, traffic operation guarantee, traffic management organization, hub passenger and freight flow, traffic and travel, ensuring the safe and efficient operation of transportation.

Taking traffic signal control in the field of traffic management organization as an example, Hikvision provides a smart platform for traffic signal control, which offers single-point induction control, single-point adaptive control and other control capabilities for single-point signal control intersection scenarios to solve the problem of unreasonable signal timing plans at intersections. The platform provides dynamic green waves, static green waves, and other control capabilities for signal control of urban trunk lines, enabling vehicles to pass through green lights all the way and improving the overall efficiency of trunk line traffic. It offers regional coordination and control capabilities for intersection linkage control scenarios to achieve optimal overall traffic efficiency in the region. Moreover, the platform provides anti-overflow planning and control capabilities for queue overflow scenarios to effectively prevent queue overflow at intersections, and offers variable lane control capabilities for uneven traffic flow distribution at intersections to intelligently allocate lane resources, and alleviate lane congestion.



In addition, Hikvision can provide complete and diverse solutions for traffic management services in different fields. For example, **in the field of highway transportation**, Hikvision fully combines IoT perception technology with industry scenarios to provide safe and efficient monitoring capabilities for super highways as well as bridges, slopes, tunnels, service areas/stations, construction sites, toll stations, mountainous sections, and sections with poor visibility on ordinary national and provincial roads. The Company also provides abnormality detection and data analysis capabilities for highway events and weather, visual industry supervision capabilities for engineering construction and industry management, as well as AI road fault inspection and other auxiliary equipment and road surface maintenance decision-making systems for daily maintenance inspections. The Company has provided end-to-end services for thousands of users in this area. **With regard to port management**, combining multi-dimensional perception and AI algorithms with production safety management needs of the port area, Hikvision provides scenario-based intelligent warning and effective supervision of elements related to "people, vehicles, goods, machines, and environment" in the production process. By utilizing various perception methods such as video, radar, and thermal imaging, the Company improves the overall perception and monitoring capabilities for safety production scenarios. Moreover, the Company offers 25 intelligent algorithms in 4 categories that provide more comprehensive production hazard investigation, tracking, and disposal capabilities for port safety management departments, helping ports to gain full information on overall safety hazards. **In terms of railway transportation and rail transit**, Hikvision provides comprehensive monitoring and detection in scenarios such as railway stations and hubs, freight yards, power substations, train carriages, railway lines, and railway overpass bridges and culverts through multi-dimensional perception technology, serving 18 railway administration groups and hundreds of high-speed railway station hubs across China, and providing supporting services for railway travel. Hikvision's technologies have been applied to public safety precautions, smart operation, intelligent operation and maintenance,

digital service, smart stations and other scenarios in over 100 urban rail transit lines in the country, providing support and guarantee for the safe, efficient and smooth operation of urban rail transit and creating a safer and more comfortable ride experience for citizens.

4) More refined governance

Using **urban operation management** as an example, Hikvision offers a smart urban management platform that provides intelligent inspection of urban appearance, management of general sanitation of the store entrance area, urban waterlogging monitoring, urban illegal construction monitoring, command and dispatch, operation and monitoring centers and other applications through urban management dome cameras, urban management panoramic PTZ cameras, intelligent analysis servers and other devices. The platform provides warning and algorithmic scheduling capabilities for nearly 70 types of violations ranging, helping to create a clean, tidy and orderly urban environment.



Additionally, Hikvision can provide comprehensive and diverse solutions for different types of urban governance activities. For instance, in the field of **municipal supervision**, Hikvision provides a smart municipal supervision platform with a focus on scenarios such as pipeline blockage, waterlogging, and gas leakage. The platform enables municipal facility operation monitoring, pipeline visualization modeling, emergency command

and dispatch, and other applications through the use of underground liquid level and flow sensors, intelligent monitoring terminals for manhole covers, dome cameras for water level observation, combustible gas detectors in enclosed spaces and other devices. The platform also provides a management process that integrates problem collection, dispatch and disposal, feedback and evaluation, providing support for the closed-loop supervision of municipal facilities. In terms of **environmental sanitation supervision**, Hikvision provides a smart environmental sanitation platform with a focus on scenarios such as sanitation worker and vehicle operation, garbage collection and transportation, station management, and garbage classification. The platform allows worker and vehicle operation supervision, garbage collection and transportation management, garbage classification management, station operation supervision and other applications through the use of intelligent vehicle terminals, garbage classification cameras, intelligent analysis supercomputers and other devices, facilitating refined supervision of urban appearance and environmental sanitation. As for **comprehensive law enforcement**, Hikvision provides a comprehensive management platform for mobile law enforcement with a focus on law enforcement event collection, law enforcement process recording, law enforcement command and dispatch and other scenarios. The platform allows off-site collection of law enforcement events, management of objects of law enforcement, command and dispatch, electronic evidence management, intelligent review and closure of cases and other applications through the use of law enforcement recorders, law enforcement case terminals, collection stations and other devices, helping to improve the effectiveness of comprehensive law enforcement.

5) **More targeted services**

Hikvision utilizes industry software platforms such as a comprehensive management platform for smart government halls, an online supervision platform for market supervision, a smart elderly care platform and a management platform for urban parking operations to provide complete solutions for government services, market supervision, smart elderly care, smart parking and other business fields, helping to provide more targeted services.

For example, **in the field of market supervision**, Hikvision has built an online market supervision platform for catering enterprises, elevators, agricultural markets and other segmented scenarios through the use of elevator health monitoring cameras, elevator safety gateways, anti-oil cameras, kitchen inspection super brains and other products, facilitating refined supervision services.



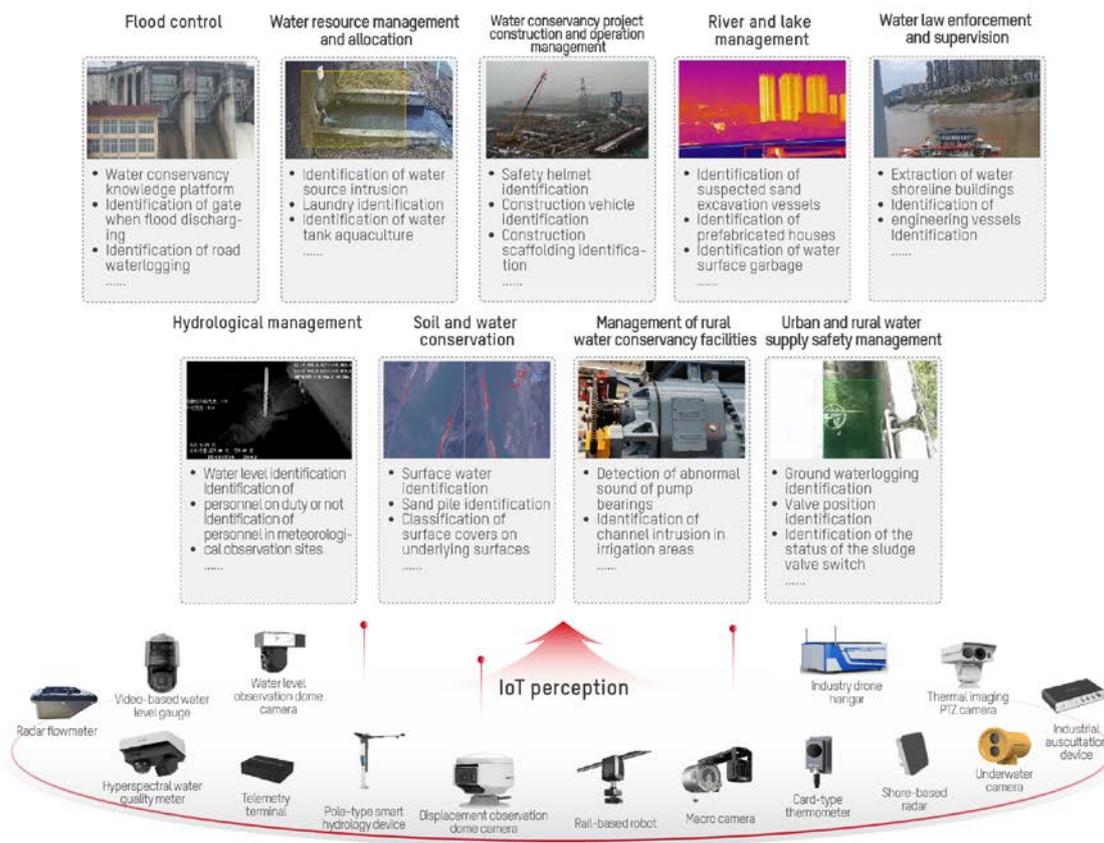
Hikvision provides an online supervision application for catering, which intelligently analyzes the wearing of catering staff, shipstandardized operations and other aspects, and provides visible, perceptible, and accessible production process services for users and the public, helping to create a safer and more hygienic and standardized catering environment. The Company also provides an online elevator supervision application, which enables elevator fault supervision services, elevator maintenance and quality supervision services, and annual elevator inspection supervision services, helping to upgrade elevator operation services. The application also provides elevator video inspection and other services to help improve the safe operation of elevators.

Moreover, **as for smart elderly care**, Hikvision provides a smart elderly care platform with a focus on institutional elderly care, elderly nursing, service supervision and other scenarios. The platform enables smart nursing, everything about elderly care in one diagram, safety warning services and other applications through the use of smart elderly care all-in-one machines, elderly care alarm boxes, fall detection radars, smart nursing terminals and other devices, promoting the intelligent transformation of elderly care services. **In the area of smart parking**, Hikvision provides a management platform for urban parking operations with a focus on roadside parking, off-road closed parking lots and other scenarios. The platform allows resource management, operation management, customer service management, financial management, operation and maintenance management, public services and other urban parking business applications through the use of parking space detection cameras, radar-video assisted parking posts, geomagnetic instruments, entrance and exit control equipment and other devices, providing professional parking operations services and promoting more efficient and convenient parking experience.

6) A more livable ecological environment

With the help of video, radar, thermal imaging, hyperspectral and other multi-dimensional perception and intelligent analysis technologies, Hikvision strives to build an ecological monitoring, management and service system for natural resources, ecological environment, meteorology and other business services, creating a more livable ecological environment.

For example, in the field of **smart water conservancy**, Hikvision has built a digital twin platform for water conservancy by providing AIoT perception, data base construction, intelligent analysis, simulation, computing support and other capabilities for rivers and lakes, water conservancy projects and other scenarios, helping water conservancy users across the country to implement scenario-based applications.



Hikvision provides an intelligent management platform for river and lake management and protection, which intelligently detects the four violations related to rivers and lakes, such as illegal sand excavation, shoreline destruction and garbage stacking, helping to improve the long-term protection and dynamic control of rivers and lakes. A comprehensive monitoring and management platform for water conservancy projects is set up to achieve safety monitoring and warning of dams, embankments, water gates, pumping stations and other projects, safety monitoring and warning of mechanical and electrical equipment status, rainwater monitoring and warning,

intelligent inspection, contingency plan management, control center diagram and other applications, thus obtaining real-time updates on safe project operation and protecting water conservancy projects during floods. A monitoring and warning platform for mountain torrents and a command and scheduling platform for water disaster prevention are provided to offer dynamic monitoring and warning of mountain torrents, GIS scheduling, conference scheduling, video scheduling and other functions, and realize "full access for one system, full connectivity of one network, full display on one screen," ensuring easy access to flood information at the front-line level as well as vertical linkage and horizontal coordination of flood control command and scheduling. An irrigation area management and application platform is provided to offer applications such as water measurement management and irrigation area safety inspection, facilitating the renovation and modernization of irrigation areas. An intelligent management platform for water plant safety is created to achieve intelligent inspection of water plants, safety management of secondary water supply pump houses, ensuring safe production of water plants and pump houses.

As the construction of digital economy, society and governments gains speed, IoT perception, AI, big data and other technologies continue to find applications in cities and industries, gradually fulfilling their value. The application of ubiquitous security has expanded from public security to security control needs in **various fields including public areas, municipal administration, transportation, resources, and production** in a broader sense. Its application in a single industry has been gradually brought to a new level with growing demand for **integration and empowerment based on all scenarios, all weathers and all-round perception**. The picture of a smart city is increasingly clearer, transforming **from "all operations via one network" to "unified management via one network", from "Internet +" to "intelligent +", and from "scenario intelligence to "industry intelligence."**

With a user-centered approach, Hikvision seeks to work with partners in the AIoT sector such as research institutes, product providers, algorithm vendors, independent software developers, system integrators and product distributors to create a closed-loop ecosystem that covers the entire value chain from technology, products to solutions and services by understanding the value preferences and core needs of users. Moreover, the Company will continue to upgrade the products, systems and services, while providing high-quality technologies, products and services to industrial users in the public service field.

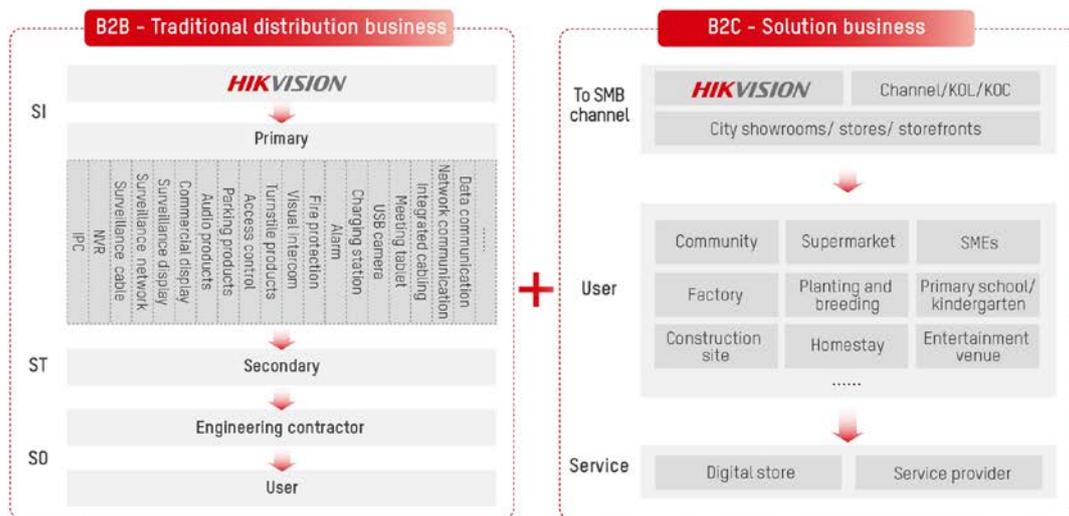
4.4 Promoting the digital transformation of domestic distribution systems and overseas marketing networks, and driving the digital development of commercial users at all levels

In the digital era, Hikvision continues to create digital marketing tools. With these tools, the Company helps

more than 10,000 primary and tens of thousands of secondary distribution agents at home and abroad, as well as millions of engineering contractors, installation companies, small integrators and other customers and partners covered by this distribution network to overcome development bottlenecks, improve their ability to survive in a volatile business environment, and build long-term competitiveness. By leveraging the multi-level coverage capabilities of our domestic and foreign partners, end-users at all levels can benefit from Hikvision's AIoT products and solutions, laying a solid foundation for digital development.

4.4.1 Domestic channels: Enhancing the service capabilities of the industry and promoting the digital transformation of small and medium-sized enterprises

Hikvision continues to expand our channel ecosystem by accelerating the transformation from a traditional distribution service model to a solution model. The Company collaborates with ecosystem partners to build a digital system for the value chain that brings marketing, stores and services online. Moreover, the system encourages more industry professionals and devices to get online and offers online AIoT capabilities for ecosystem partners and online scenario capabilities for users. With the system, the Company provides low-cost, lightweight, tailor-made and precise solutions and services for various SMEs.



1) Capacity building: Developing an intelligent cloud-edge system to promote the implementation of intelligent business services

By leveraging our Hikvision SMBG E-commerce, Hikvision SMBG HikLink and Easy to Debug platform, Hikvision connects and empowers distributors, engineering contractors, and industrial workers to reach and serve SME users through digital marketing, service crowdsourcing, online devices and other means, thus creating a

collaborative network for the AIoT industry, and promoting the prosperity, transformation and upgrading of the industry.

Hikvision SMBG HikLink: This is an AIoT cloud platform that serves SME users. The platform mainly provides general product capabilities such as video, access control, attendance, visual intercom, visitor, broadcasting, and network management, as well as alarm, fire protection, information release, and OA approval. In collaboration with ecosystem partners, Hikvision provides scenario-based solutions for self-built houses, communities, factories, schools, construction sites, parks, breeding farms, and entertainment venues, and offers innovative services including 4G with no power or network access and intelligent reminders, thus achieving unmanned operations, cost reduction and efficiency improvement, and facilitating the digital and intelligent transformation of SMEs.

Based on people and vehicle detection algorithm, Hikvision has developed more intelligent scenario algorithms, and built an intelligent business platform that integrates intelligent hardware, cloud visual model and services. The Company also collaborates with ecosystem partners to create more vertical scenario applications, promoting intelligent inclusiveness.

Hikvision SMBG E-commerce: This is an industrial digital empowerment platform that mainly serves distributors, engineering contractors, service providers, and industrial workers. Currently, it has served over a million security professionals.

The platform offers a product and solution showroom, enables customers to search information on Hikvision's full range of products and solutions, and provides a VR display of scenario-based solutions. The platform helps customers with digital marketing as it provides structured marketing materials for products and solutions, supports customers in live streaming marketing through a new media matrix including TikTok, Kuaishou and Video Account, and enables them to build private marketing networks and obtain sales leads. Moreover, with the platform, users can experience digital stores or assign orders at the cloud business service plaza with products and services delivered at the engineering contractors/service providers/stores offline, thus reducing customer acquisition costs, and improving industrial synergy efficiency.

Easy to Debug: This is a professional and simple debugging tool for installation companies. It is used to improve debugging efficiency by reducing service difficulties with tooling. Over the past year, the number of service providers using this tool has increased rapidly. Moreover, an order matching tool is provided to improve pre-sales efficiency, lower employment barriers, and promote flexible employment.

2) **Business direction: Arming practitioners with digital capabilities and improving quality and efficiency**

for SME users using digital solutions**Promoting the digital transformation of security practitioners and enhancing their service capabilities**

Hikvision SMBG E-commerce facilitates practitioners in content marketing and service support through the order matching tool, product information, solution showroom, service squares and other sections during pre-sales, mid-sales, and post-sales stages.

The Easy to Debug platform offers configuration and debugging functions for various professional devices and is a job assistant that reduces the threshold for employment. It has served hundreds of thousands of service providers, with key functions used over a million times. Furthermore, it helps practitioners maintain user relations and build a good reputation through maintenance services.

Looking ahead, Hikvision will work with partners to provide more competitive solutions, while establishing connection with SME users to facilitate their digital transformation. An IoT system will be established to unlock more possibilities.

Facilitating digital transformation of SMEs through the provision of one-stop solutions and services

With long-term investment and R&D efforts in AIoT, Hikvision has achieved rapid growth in commercial displays, parking, access control, audio, conference tablets, fire protection, alarm, network and other non-video business services in addition to maintaining stable growth in video business and supporting products. By expanding professional channels and building a nationwide service network, the Company provides customers with diversified product choices and timely and professional local services.

In response to the demand of SMEs for lightweight and easy-to-use products and systems, Hikvision has created Hikvision SMBG HikLink, an AIoT cloud platform that provides small and quality solutions and standardized services to promote the digital transformation of SMEs in a more convenient, efficient, and economical manner. Hikvision SMBG HikLink integrates multi-terminal capabilities, and expands multiple light intelligent algorithms. In collaboration with ecosystem partners, the platform has created multiple vertical small scenario applications and solutions, which have been implemented nationwide. The number of access devices and users of the platform maintained high growth throughout the year.

In order to better meet the demand of users for one-stop security and intelligent application solutions, the Company has developed digital store business based on solution marketing to offer scenario-based, structured, and online solutions and attract online traffic through full-touch aggregation. Along with nationwide partners, the

Company actively explores new media e-commerce and live streaming channels while leveraging the experience, service, and systematic delivery capabilities of offline terminal stores to enhance lead conversion rate, facilitate efficient consultation, experience, and purchase for users, connect users online, and continuously provide services.

4.4.2 Overseas layout: Continuously improving the international marketing system and building an open international cooperation ecosystem

Hikvision's international business has evolved from its initial foreign trade model to localized sales via regional centers, and now to localized marketing through a global network of sales and service channels and the implementation of the "one policy for one country" strategy. By 2023, the Company has set up 80 branch offices in the international market including Hong Kong, Macau and Taiwan regions of China, providing localized services to more than 150 countries and regions. Hikvision is strategically positioned in overseas markets as a leading global provider of AIoT products and solutions.

1) Development of international marketing capabilities and systems

Guided by the "one policy for one country" strategy, Hikvision continues to promote localization strategy with a greater focus on the cultivation of digital precision marketing capabilities, expansion of multiple channels, development of lower-tier markets, and the improvement of global operational service capabilities.

For the video business, the Company focuses on developing lower-level city-based markets. Efforts are being made to further develop existing channels in tier 1 and 2 cities by focusing on the introduction and repurchase of strategic products through secondary channels, and to develop new channels in tier 3 and 4 cities by focusing on the coverage and transformation of secondary channels. In countries where the business development is relatively mature, in addition to optimizing customer structure and consolidating channel foundation, the focus of marketing is gradually shifting towards the coverage of and effective impact on the installation companies, with a greater emphasis on effective promotion on the demand side.

On the basis of consolidating our video business, the Company has been actively seeking a second growth curve in overseas markets in recent years. For non-video business, there has been a significant improvement in product strength. While maintaining and re-using existing channels, the Company is accelerating the development of new professional channels. In 2023, a breakthrough was made in the development of new channels. For example, the Company has continued to expand the market share of our access control and intercom products in multiple countries, establishing a leading position in these markets. Our LED and interactive screen products have been

introduced to and highly recognized by users in many countries in the Middle East and Europe, achieving rapid sales growth.

The Company continues to promote the construction of localized operational capabilities. In terms of overseas warehousing operations, the Company has effectively optimized the local delivery chain and responded quickly to customer needs by accelerating inventory turnover in overseas warehouses, visualizing local order delivery times, and optimizing warehousing and distribution. With regard to after-sales service, in 2023, the Company focused on delegating repair capabilities to lower-level markets and providing replacement instead of repair services for some products. Over 100 authorized service customers were added throughout the year, and customer satisfaction was significantly improved regarding to after-sales response and problem-solving.

2) Establishing international ecological cooperation through product technology openness and collaborative resource openness

As a leader in the AIoT industry, Hikvision has always been committed to developing an international ecological cooperation plan through open products, technologies and resources that meets the diverse and personalized scenario-based needs of various industries. In 2023, the Company's international business achieved significant results in both product technology openness and collaborative resource openness.

At the level of product technology openness, the Company has transformed from video surveillance integration to key AI data integration, and systematic software integration has also become the mainstream integration method overseas. The multi-level and multi-faceted integration methods provide flexible integration solutions and optimized user experience.



At the level of collaborative resource openness, the Company's Technology Partner Portal has continuously expanded its business to provide comprehensive technical support and services for partners. As of 2023, more than 11,000 overseas partners have registered and obtained integrating resources on the platform, learned about open technology, and engaged in collaborative business. Through regular online and offline activities, the Company

strengthens communication and exchange with partners, shares the latest technological trends and success cases, and creates a favorable environment for ecological cooperation.

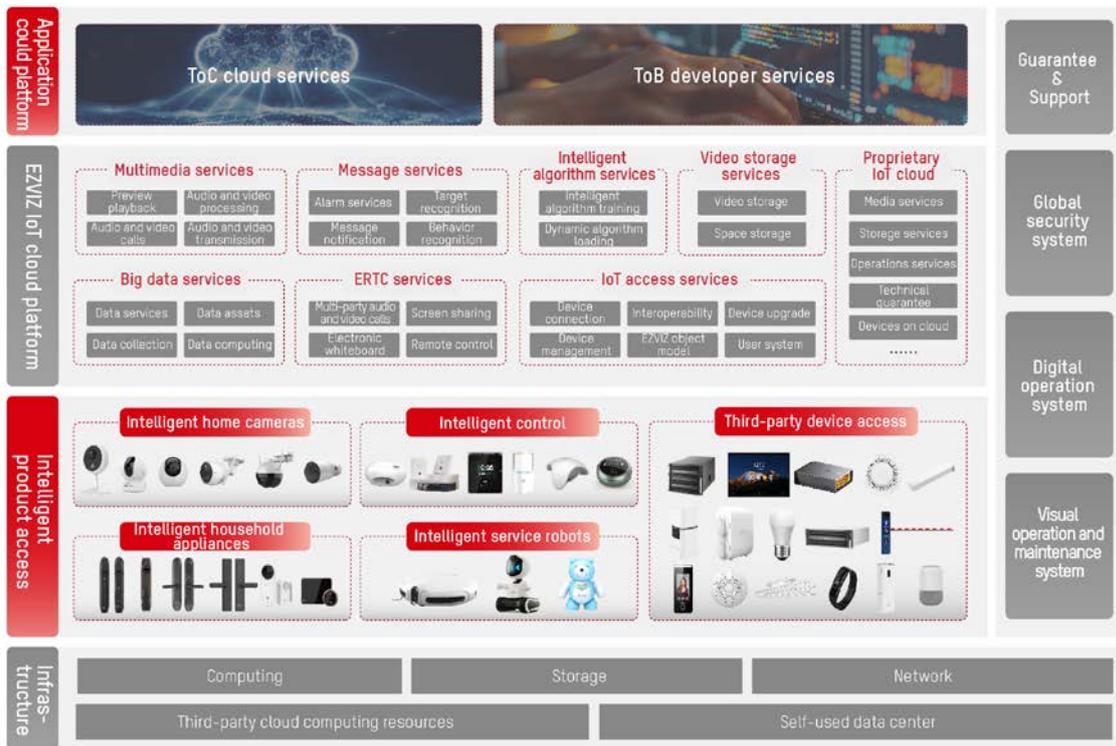
With the advancement of the global digital wave, the Company will continue to enhance our marketing network, and expand our openness capabilities with a focus on vertical markets overseas. As AIoT technology and scenario-based solutions propel us forward, we are looking to empower all industries and help users improve operational and management efficiency.

4.5 Cultivating new growth curves for innovative business services, and exploring new technologies, products, and formats for AIoT

Hikvision's continuous efforts in technical reserves and expanding business scope provide a good environment for innovative business development. Both our main and innovative business services revolve around the clear business direction of AIoT, but they also differ in technology construction, product development, and business layout, supporting and promoting each other, and jointly empowering the digital transformation of the economy and society.

Currently, our innovative business services include EZVIZ Network, HikRobot, HikMicro, HikAuto, HikSemi, HikFire, Rayin and HikImaging. More new innovative business units are being explored, incubated, and cultivated. The solid growth of these innovative business services has continuously injected new impetus into the long-term sustainable development of the Company.

After nearly a decade of thoughtful operations, EZVIZ Network has built "EZVIZ", a leading brand in high-quality smart home. With a vision to becoming **a trusted provider of smart home and IoT cloud platform services**, EZVIZ Network has developed **smart home and IoT cloud platform services as its two main business services** and built its core competitiveness. Today, EZVIZ Network has grown into one of the few AIoT companies in the industry with complete vertical service capabilities including hardware design, R&D, manufacturing, and IoT cloud platform services.

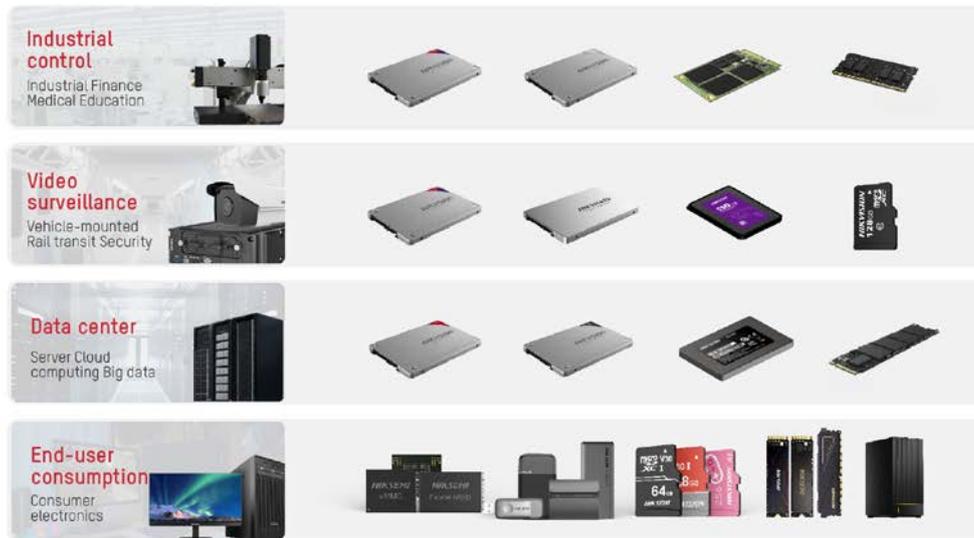


Combining visual perception, AI and navigation control technologies, HikRobot focuses on industrial IoT, smart logistics and intelligent manufacturing with solid algorithm accumulation, strong software and hardware development capabilities, and a complete marketing system. HikRobot continues to invest in **mobile robots and machine vision** to improve quality, reduce costs, and increase efficiency and promote the digital and intelligent transformation of manufacturing and logistics.

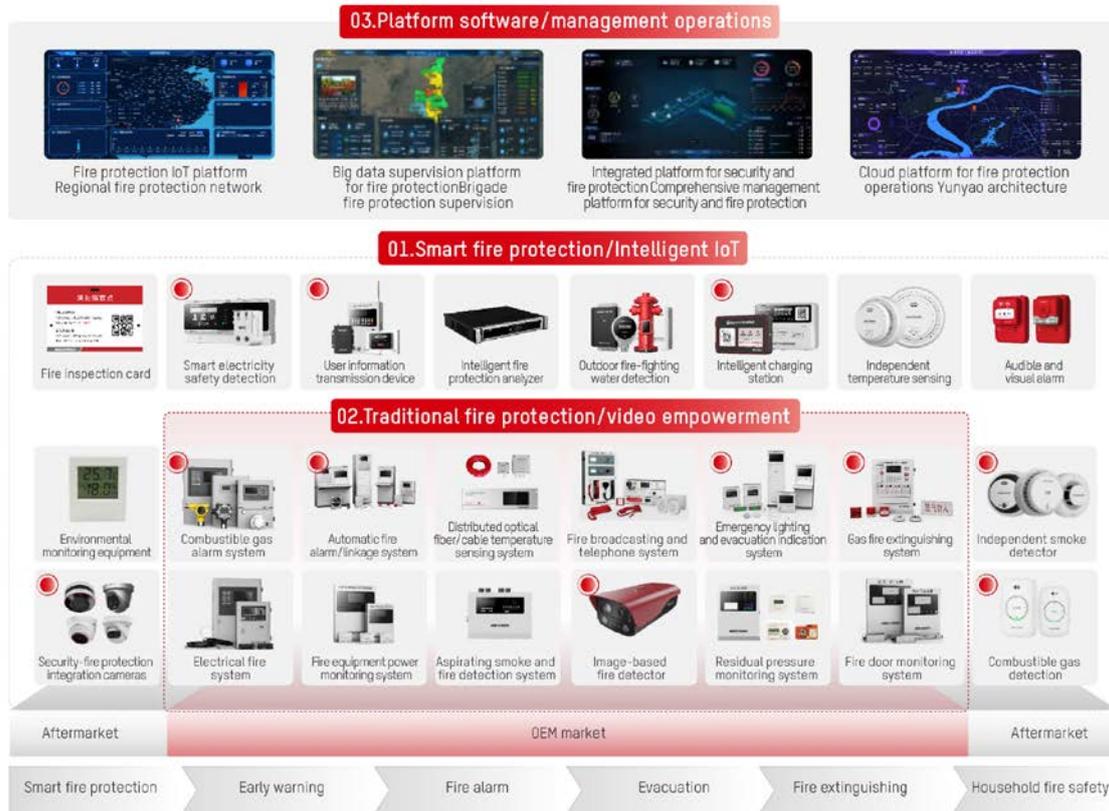


on industrial control, data center, video surveillance, consumer-end customers and other application scenarios. With complete design, development and manufacturing capabilities, the Company **operates four product lines: solid-state hard disks, front-end storage, embedded storage and flash memory application.**

HikSemi continues to provide consumers with safe and reliable storage devices, systems, and solutions, striving to become a leading provider of overall storage solutions in China.



HikFire's business services cover traditional fire protection, smart fire protection, and fire protection platforms. By leveraging cloud computing, big data, and AI technologies, HikFire has developed a full range of multi-dimensional perception, ubiquitous IoT, as well as intelligent and visual security-fire protection integration products and solutions **with a focus on six fire perception elements, including smoke, temperatures, gases, fire, water, and electricity.** The company aims to **strongly promote the construction of urban fire protection IoT**, optimize the integrated management of corporate security and fire protection, and improve home fire safety.



Rayin is **focusing on X-ray imaging technologies**, dedicated to becoming a leading technology R&D, manufacturing, sales and leasing services provider of invisible light detection equipment. The company has the ability to independently **produce security inspection machines, security doors, industrial X-ray equipment**, and a full range of supporting products. With long-standing expertise in X-ray technology, AI, equipment IoT, etc., Rayin keeps enabling technology and creating value for **smart security inspection and intelligent industrial manufacturing and other fields**.

Smart security check

Our lineup of smart security check products integrates X-ray imaging, active millimeter-wave imaging, intelligent recognition, and image processing technologies to provide an overall security check solution that ensures the safety of key locations

Industrial detection

Combining X-ray penetration imaging capabilities and AI analysis algorithms, our lineup of industrial detection products can recognize different objects based on their characteristics, and provide intelligent detection capabilities for foreign objects and defects in industrial production, building an integrated industrial detection product solution

HikImaging, rooted in the medical technology industry, is committed to the research and application of multi-dimensional perception, intelligent analysis, video/audio transmission, computing and display control and other

related technologies in medical scenarios. The company provides **rigid endoscopes, electronic endoscopes, operation video management**, and other products and solutions for customers in the medical device industry, working with customers to promote the digital and intelligent transformation of the **surgical and clinical scenarios**.

Rigid endoscopic imaging solution for MIS (minimally invasive surgery)

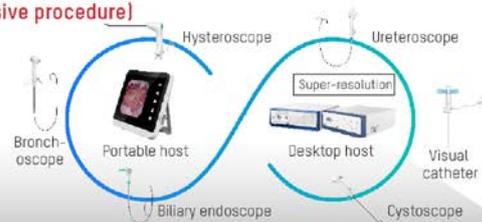
- Hikimaging's 3D fluorescence solution is one of the first high-end endoscopic solutions in China that can be mass-produced and used in clinical practice. It significantly improves the accuracy and safety of surgery in complex scenarios through the fusion of 3D stereoscopic field of view and multi-color gradient fluorescence imaging technology.
- The second-generation 4K fluorescence solution has been upgraded with variable autofocus (VAF), and is the only solution in China that integrates 4K, fluorescence, and VAF.
- The rigid endoscopic multi-in-one single-channel imaging solution supports flexible switching of multiple endoscopic cameras, meeting the needs of complex surgeries.



Electronic endoscopic imaging solution for MIP (minimally invasive procedure)

Hikimaging offers a wide range of electronic endoscopic imaging solutions. Its core products include:

- Super-resolution image processor solutions, dual endoscopic image processor solutions, portable image processor solutions, and electronic endoscopic solutions.
- Among them, electronic endoscopic solutions include four-way biliary endoscopy solutions for digestive endoscopy departments, ureteroscopy and cystoscopy solutions for urology departments, bronchoscopy solutions for respiratory departments, and hysteroscopy solutions for gynecology departments.



ORMS (operation video management system) solution

- Focusing on the operating room scenario, Hikimaging combines the ORMS product line with MIS and MIP lines to provide customers with a digital overall solution for the operating room, including two main lines: medical displays and operation audio and video management systems.
- In 2023, Hikimaging launched a 32-inch 4K 3D surgical display. The product is used with a 3D endoscopic camera system to provide excellent display effects.
- An intelligent 5G full-link 4K audio and video management system is offered to digitally build operating room audio and video management, remote communication, and information systems, etc.



II. Analysis of Core Competitiveness

AIoT is an industry where the Company sees potential for long-term development. Combining multi-dimensional perception with AI and big data, we have created tens of thousands of products from detectors to system solutions that cover more than 500 scenarios across over 90 sub-sectors in over 10 industries. These technologies, products and consumer needs promote one another through continuous changes, updates and iterations, becoming a competitive driver of Hikvision's technological innovation.

Demands in the AIoT industry has always been fragmented and scenario-based. How to meet personalized demands and create scenario-based solutions while maximizing business economies of scale is a challenge that is faced by all industry participants. Hikvision has established and consistently improved the operating mechanism and organizational systems to adapt to the fragmented demands, and has continuously promoted the refinement and optimization of baseline products and standardized business services while meeting personalized demands.

Digital transformation has exerted a profound impact on retail, media, entertainment, local life and other sectors, and created a group of giants in the digital era. As digital transformation advances, the demand for quality and efficiency improvement and costs reduction has become increasingly prominent in traditional industries. Digitization is a primary way to meet these needs. With strong technological expertise and profound industry understanding, Hikvision is rapidly expanding digital transformation business services.

1. Continuously investing in R&D to build a comprehensive technology and product mix

Since our establishment, Hikvision has always focused on technological innovation, and developed a product system including detectors, modules, devices and systems through the combination and integration of common technologies (hardware technology, process materials, embedded software, system-level software development, big data technology, network security, etc.) and scenario-based application technologies. As an AIoT company, perception technology has been our long-term focus. The Company has gradually expanded perception technology from visible light to infrared, X-ray, millimeter wave and other fields, explored audible sound, ultrasonic and other fields, continuously developed perception methods such as temperature, humidity, pressure and magnetism, and further expanded the fusion of multi-dimensional perception applications. In addition, combining strong expertise in technology fields such as cloud computing, big data, and AI with a deep understanding of AIoT, the Company has formed a complete system ranging from perception to intelligent perception and cognition, from products to solutions, and from data to applications. By leveraging our technical capabilities and engineering thinking, we've continuously improved our implementation capabilities, technologies, products, and solutions in projects, and

created a circular iterative system that connects R&D to the market and vice versa.

Hikvision continues to invest in R&D with a cumulative investment of RMB 41.32 billion in R&D over the past five years. In addition to the research institute, hardware product R&D center, and software product R&D center at the Hangzhou headquarters, the Company has also established a number of local R&D centers at home and abroad, which have formed a headquarters-centered multi-level R&D system. The Company will continue to maintain heavy R&D investment, strengthen and consolidate our foundation of AIoT technology, and expanded our AIoT devices. We will also take advantage of digital transformation to consolidate our market position in the field of AIoT.

During the reporting period, by leveraging our technical expertise and industry understanding, Hikvision rapidly promoted the R&D of new digital products, and developed a large number of multi-dimensional perception and audio products that solved the core pain points of users and were suitable for various typical application scenarios. The launch of these digital products will accelerate the advancement of Hikvision's AIoT strategy and further expand the proportion of corporate business services in our business structure.

2. Continuously improving domestic and foreign marketing networks and gaining insight into customer needs

The Company is committed to building a comprehensive marketing system covering the world that quickly responds to customer needs. In China, the Company has developed a city-centered marketing network. As of 2023, the Company has established 32 provincial-level business centers, and more than 300 city-level branches and offices under the business centers, forming a hierarchical city-based marketing system. At the same time, the Company has expanded industry scenario applications for domestic business services by differentiating users into public business groups, enterprise business groups, and small and medium-sized enterprises business groups. Overseas, the Company has continuously promoted the process of localization and implemented the strategy of "one policy for one country". As of 2023, we have set up 80 branches, subsidiaries and offices in the international market including Hong Kong, Macau and Taiwan regions of China, establishing a presence in more than 150 major countries and regions worldwide.

In terms of services, the Company has a three-level vertical service system including Hangzhou Global Technical Support and Service Center, Business Center Technical Service Department, and Authorized Customer Service Station, which ensures global and local quality services. In China, we have set up 32 provincial-level technical service departments and 300 municipal service outlets, and established cooperation with more than 3000

important partners and authorized service providers. Overseas, the Company focuses on extending authorized maintenance capabilities and providing replacement services instead of repair services for some products. By accelerating inventory turnover in overseas warehouses, visualizing the delivery times of local orders, and optimizing warehousing and distribution, we have effectively optimized the local delivery chain to respond quickly to customer needs.

3. Continuously building a flexible manufacturing system to enhance supply chain stability

The AIoT market is fragmented due to the diversity and personalization of AIoT products. On the production end, this market characteristic is manifested as the formation of large-scale customized manufacturing needs of multiple small-lot orders. As an answer to this challenge, Hikvision has focused on continuously building a flexible and efficient manufacturing system, and has used new technologies such as AI to enhance manufacturing capabilities and improve lean production and automation. The Company operates domestic manufacturing bases in Tonglu of Hangzhou, Chongqing and other places, orderly promotes the construction and expansion for new manufacturing bases, and supports the global product supply through local factories in India, Brazil, and UK.

The Company has always been committed to establishing long-term and stable partnerships with suppliers, helping them iteratively improve raw materials, components, etc. By leveraging our digital capabilities supported by a smart supply chain we've developed over the years, we have empowered industry chain partners to build a healthy supplier ecosystem, and enhance the overall stability of the industry's supply chain.

During the reporting period, Hikvision vigorously promoted the development of digital products for production parks by verifying our own ideas through practice. By promoting innovative applications of automated, digital, and intelligent technologies and products, we aim to improve supply quality, increase operational efficiency, and reduce production costs.

4. Continuously promoting the evolution of the management system and improving the operating efficiency

As for business direction and goal setting, the Company has annually updated and applied the strategic planning and annual business planning based on the BLM strategic planning methodology, facilitating effective communication and alignment of each business and functional departments to ensure clear goals and division of responsibilities. In terms of internal management, focusing on revolution of management, Hikvision has implemented over 100 management reform initiatives each year to optimize resource layout and improve overall capabilities. With regard to risk management, the Company has established a sound risk management system, promoted the construction of a global compliance governance system, and continuously improved compliance risk

management. Relying on the construction of an IT system, the Company has continuously optimized business processes and improved efficiency of the business system. Furthermore, the Company continues to refine the digital management capabilities in many aspects including promoting the identification and management of financial risks, building a digital quality management system, improving internal control mechanisms, pursuing the construction of compliance systems, and protecting innovation achievements.

5. Continuously building a people-oriented organizational climate and uniting outstanding talents

Hikvision firmly believes that talent is an important driver for the sustainable development of organizations, as well as the core competitive advantage for corporate development. Therefore, the Company recruits talent from all around the world by adhering to the employment concept of "people-oriented, growing together with talents". By improving the talent discovery and performance appraisal mechanism and identifying and assigning people through a scientific approach, the Company has boosted the morale and creativity of employees to improve organizational capabilities. Guided by our business strategy, the Company has built an agile and efficient organization to ensure the supply of talent for key positions, continuously strengthening organizational capabilities, and helping to achieve profitable business growth.

The comprehensive employee reward system has been formed, which consists of compensation and benefits, equity incentives, innovative business co-investment and etc., further developing the distribution mechanism for employees to participate in and benefit from the Company's growth. Employees participating in equity incentives and co-investment can obtain long-term returns through their contributions to the Company's performance, coordinating the long-term development of business with the continuous employee growth.

III. Core Business Analysis

1. Overview

The concentrated outbreak of social demand during a certain period often accompanies the rise of a group of enterprises. Looking back at the past two decades, Hikvision has taken advantage of the demand for social security improvement and become a leading global security enterprise. Looking towards the future, the continuous improvement of production efficiency is the key to enhancing competitiveness. As a traditional manufacturing power, China considers enhancing the competitiveness of manufacturing enterprises as a top priority. Hikvision continues to pave the way for business transformation by shifting our business positioning from security to AIoT, aiming to fully apply AIoT technologies and products to all aspects of social life, thoroughly solve users' core pain points from the dimensions of quality improvement, efficiency enhancement, and cost reduction, and help users create more value.

In recent years, the global economy and politics have suffered from severe external turmoil such as anti-globalization, public health event, inflation, and regional military conflicts. If Hikvision were a moving truck, strategic transformation would be like replacing the engine of the moving truck, which was made even more difficult by the exceptionally bumpy roads. Nevertheless, in 2023, Hikvision preliminarily completed the transformation of our AIoT strategy, recording a total operating revenue of RMB 89.34 billion with a year-on-year increase of 7.42%, and a net profit attributable to shareholders of the Company of RMB 14.11 billion with a year-on-year increase of 9.89%. We will continue to invest in research, production, and sales, firmly believing in stable and long-term development.

1. Sustained investment in R&D to consolidate the innovation foundation for business transformation. After more than a decade of development, Hikvision has accumulated significant expertise in multidimensional perception and sensory fusion technologies, with a well-established scale in the research and development and application of artificial intelligence. Sustained investment in AI has substantially improved our development of products, algorithms and solutions. The iterative evolution of numerous technology sets has brought favorable clustering effects to Hikvision's product development in terms of technology combination and aggregation. On the basis of these efforts, Hikvision has rapidly promoted the innovation and R&D of digital products. In 2023, the Company launched a large number of new products with vastly different functions and forms to adapt to new scenarios and needs, laying the foundation for the implementation of our AIoT strategy.

2. Continuous organizational change towards business objectives. In terms of the marketing, Hikvision has established a unique marketing strategy with a focus on market expansion into lower-tier regions. The Company has set up provincial-level business centers and city-level branches in China and implemented the strategy of "one policy for one country" overseas to foster lower-level business organizations, making marketing activities closer to users and responding quickly to their needs. In addition, Hikvision has promoted organizational change driven by vertical industries to meet the business needs of industries represented by headquarters, branches, and chain enterprises. Our marketing organizations have become more flexible and adaptable to the business environment. Furthermore, guided by the business differentiation strategy, the Company has focused on key business services by splitting our product lines, industry lines, and innovative business services. We have promoted moderate independent operation and assessment, and continuously expanded and strengthened small product and industry categories, facilitating organizational development towards business changes.

3. Continuously improving the flexibility of the supply chain and optimizing manufacturing costs. Compared to the highly automated and scaled production lines of a single product category, the demand for multiple small batches of multiple product categories has posed an enormous challenge to the production lines. Hikvision has long been committed to building a flexible and efficient manufacturing system that continuously improves our manufacturing capabilities by promoting factory automation and R&D automation, and using AI technology. Only by solving the manufacturing problems can fragmented market demands be met quickly and with high quality. In 2023, Hikvision vigorously promoted the development of digital products for production parks by verifying our own ideas through practice. By promoting innovative applications of automated, digital, and intelligent technologies and products, we aim to improve supply quality, increase operational efficiency, and reduce production costs.

4. Expanding a presence in AIoT and strengthening innovative business services. In 2023, the Company's total revenue from innovative business services was RMB 18.55 billion, accounting for 20.77% of our overall revenue. EZVIZ Network, which was listed on the Science and Technology Innovation Board in 2022, has become one of the few AIoT companies in the industry with complete vertical integration service capabilities, ranging from hardware design, R&D, manufacturing to IoT cloud platforms. By focusing on industrial IoT, smart logistics, and intelligent manufacturing, HikRobot has continuously invested in mobile robots and machine vision, and has become a domestic leader in the two fields. It has submitted an IPO application to the SZSE ChiNext Market. Our other innovative business services are in a period of rapid development, and their market competitiveness continues to improve. Centralized or decentralized operations are performed for these business services to support the Company's sustained and stable business growth, helping the Company achieve stable, long-term success.

The trend of digital transformation has arrived, and AIoT is Hikvision's choice of the times. In 2023, we will stick to our strategic positioning, firmly promote the Company's business transformation, and make positive progress in the fields of technology system, product system, manufacturing system, marketing system, and innovative business group, taking a solid step on the Company's strategic transformation and laying a good foundation for steady progress in the future on the road of AIoT. The company will continue to consolidate the technical foundation, enrich the product matrix, innovate intelligent applications, contribute to the digital transformation of various fields of economy and society, and create tangible value for users.

2. Revenue /cost of sales and services

1) Revenue structure

Unit: RMB

	2023		2022		YoY Change (%)
	Amount	Proportion to revenue	Amount	Proportion to revenue	
Revenue	89,339,856,855.68	100.00%	83,166,321,681.14	100.00%	7.42%
Classified by industry					
AIoT products and services	89,339,856,855.68	100.00%	83,166,321,681.14	100.00%	7.42%
Classified by product					
Products and services for main business (Note 1)	68,779,757,950.20	76.99%	65,873,570,961.21	79.21%	4.41%
Constructions for main business	2,007,188,913.81	2.25%	2,222,876,059.14	2.67%	-9.70%
Subtotal	70,786,946,864.01	79.23%	68,096,447,020.35	81.88%	3.95%
Robotic business	4,940,495,688.57	5.53%	3,916,176,952.59	4.71%	26.16%
Smart home business	4,686,023,001.37	5.25%	4,077,290,933.03	4.90%	14.93%
Thermal imaging business	3,284,778,727.13	3.68%	2,790,033,744.03	3.35%	17.73%
Auto electronics business	2,706,680,020.16	3.03%	1,905,289,927.53	2.29%	42.06%
Storage business	1,931,387,706.41	2.16%	1,616,267,518.08	1.94%	19.50%
Other innovative businesses (Note 2)	1,003,544,848.03	1.12%	764,815,585.53	0.92%	31.21%
Subtotal (Note 3)	18,552,909,991.67	20.77%	15,069,874,660.79	18.12%	23.11%
Classified by region					
Domestic	60,372,251,251.28	67.58%	56,890,890,769.45	68.41%	6.12%
Overseas	28,967,605,604.40	32.42%	26,275,430,911.69	31.59%	10.25%

Note 1: Main business refers to the business parts other than the innovative businesses.

Note 2: Other innovative businesses include the products and services of the innovative business subsidiaries, such as HikFire, Rayin and HikImaging. Same below.

Note 3: The data listed in the subtotals may differ slightly from the aggregated results of the relevant individual data due to rounding.

Revenue structure

Unit: RMB 100mn

		2023	2022	YoY Change (%)	2021
Domestic main business	PBG	153.54	161.35	-4.84%	191.61
	EBG	178.45	165.05	8.12%	166.29
	SMBG	126.79	124.97	1.46%	134.90
	Other products and services for main business	9.32	9.27	0.54%	9.43
Overseas main business	Products and services for main business	239.77	220.32	8.83%	189.26
Innovative businesses		185.53	150.70	23.11%	122.71
Total		893.40	831.66	7.42%	814.20

Note 4: The operating income from domestic main business (including three major business groups in domestic and other products and services for main business) and overseas main business only include Hikvision's main business's products and services, excluding revenue from innovative businesses.

Note 5: Innovative businesses' revenue includes its domestic and overseas revenue

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

✓ Applicable Inapplicable

Unit: RMB

	Revenue	Cost of sales and services	Gross margin	YoY Change (%) of revenue	YoY Change (%) of operating cost	YoY Change (%) of gross margin
Classified by industry						
AIoT products and services	89,339,856,855.68	49,637,055,845.33	44.44%	7.42%	3.42%	2.15%
Classified by product						
Products and services for main business	68,779,757,950.20	36,907,185,097.37	46.34%	4.41%	-0.42%	2.60%
Constructions for main business	2,007,188,913.81	1,529,858,191.39	23.78%	-9.70%	-8.55%	-0.96%
Innovative businesses	18,552,909,991.67	11,200,012,556.57	39.63%	23.11%	20.95%	1.08%
Subtotal	89,339,856,855.68	49,637,055,845.33	44.44%	7.42%	3.42%	2.15%
Classified by region						
Domestic	60,372,251,251.28	33,920,287,429.21	43.81%	6.12%	2.50%	1.98%

	Revenue	Cost of sales and services	Gross margin	YoY Change (%) of revenue	YoY Change (%) of operating cost	YoY Change (%) of gross margin
Overseas	28,967,605,604.40	15,716,768,416.12	45.74%	10.25%	5.46%	2.46%

When the statistical caliber of the Company's main business data is adjusted during the reporting period, the Company's main business data would be adjusted according to the end of the reporting period in the most recent period.

Applicable Inapplicable

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

Yes No

Industry	Item	Unit	2023	2022	YoY Change (%)
AIoT products and services	Sales volume	Per unit	227,487,010	202,935,192	12.10%
	Output volume	Per unit	240,073,553	207,698,031	15.59%

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

Applicable Inapplicable

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

Applicable Inapplicable

5) Cost of sales and services structure

Classified by industry

Unit: RMB

Industry	Item	2023		2022		YoY Change (%)
		Amount	Proportion to cost of sales and services	Amount	Proportion to cost of sales and services	
AIoT products and services	Cost of sales and services	49,637,055,845.33	100.00%	47,996,254,466.32	100.00%	3.42%

Classified by product

Unit: RMB

Product	Item	2023		2022		YoY Change (%)
		Amount	Proportion to cost of sales and services	Amount	Proportion to cost of sales and services	
Products and services for main business	Cost of sales and services	36,907,185,097.37	74.35%	37,063,587,434.45	77.22%	-0.42%
Constructions for main business	Cost of sales and services	1,529,858,191.39	3.08%	1,672,876,250.28	3.49%	-8.55%
Innovative businesses	Cost of sales and services	11,200,012,556.57	22.56%	9,259,790,781.59	19.29%	20.95%

Product	Item	2023		2022		YoY Change (%)
		Amount	Proportion to cost of sales and services	Amount	Proportion to cost of sales and services	
Subtotal	Cost of sales and services	49,637,055,845.33	100.00%	47,996,254,466.32	100.00%	3.42%

Note: The data listed in the subtotals may differ slightly from the aggregated results of the relevant individual data due to rounding.

6) Any change in consolidation scope during the reporting period

Yes No

During the reporting period, the Company established three domestic subsidiaries, three overseas subsidiaries, and acquired two subsidiaries. All of this result in changes in the scope of its consolidation scope. For details, please refer to changes in the consolidation scope in Note (VI) to the financial statements.

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

Applicable Inapplicable

8) Major customers and suppliers:

Sales to major customers of the Company

Sales to top five customers (RMB)	2,019,184,544.05
Total sales to top five customers as a percentage of the total sales for the year (%)	2.26%
Total sales to the related parties in top five customers as a percentage of the total sales for the year (%)	0.00%

Information on top five customers

No.	Name of Customer	Sales Amount (RMB)	Percentage of total sales for the year
1	First	663,582,455.14	0.74%
2	Second	505,858,674.52	0.57%
3	Third	294,396,573.73	0.33%
4	Fourth	288,396,578.78	0.32%
5	Fifth	266,950,261.88	0.30%
Total	--	2,019,184,544.05	2.26%

Other information of major customers

Applicable Inapplicable

Major suppliers of the Company

Total purchases from top five suppliers (RMB)	7,384,910,178.70
---	------------------

Total purchases from top five suppliers as a percentage of the total purchases for the year (%)	15.86%
Total purchases from the related parties in the top five suppliers as a percentage of the total purchases for the year (%)	6.65%

Information on top five suppliers of the Company

No.	Supplier Name	Purchase Amount (RMB)	Percentage of total purchase for the year
1	First	1,856,306,127.19	3.99%
2	Second	1,724,031,662.99	3.70%
3	Third	1,309,828,018.03	2.81%
4	Fourth	1,257,177,731.27	2.70%
5	Fifth	1,237,566,639.22	2.66%
Total	--	7,384,910,178.70	15.86%

Other information of major suppliers

Applicable Inapplicable

3. Expenses

Unit: RMB

	2023	2022	YoY Change (%)	Note of significant change
Selling expenses	10,842,500,778.25	9,773,457,336.23	10.94%	Continue to increase investment in domestic and overseas marketing networks
Administrative expenses	2,769,731,410.40	2,642,113,372.00	4.83%	No significant change
R&D expenses	11,392,948,404.47	9,814,444,260.55	16.08%	Continue to increase R&D investment
Financial expenses	-749,780,213.12	-990,401,533.32	24.30%	Affected by foreign exchange rate fluctuations, foreign exchange income decreased

4. R&D Investment

Applicable Inapplicable

R&D personnel of the Company

	2023	2022	Change Percentage
Number of R&D staff (ppl)	28,479	27,951	1.89%
R&D staff as percentage of Total headcount	48.65%	47.96%	0.69%
Education structure of R&D staff	-	-	-
Bachelor degree	17,502	17,376	0.73%

	2023	2022	Change Percentage
Master's degree	8,602	8,528	0.87%
Master's degree or above	161	162	-0.62%
others	2,214	1,885	17.45%
Age composition of R&D staff	-	-	-
Under 30 years old	14,967	16,442	-8.97%
30-40 years old	12,655	10,844	16.70%
Over 40 years old	857	665	28.87%

R&D investment of the Company

	2023	2022	Change Percentage
Amount of R&D expenses (RMB)	11,392,948,404.47	9,814,444,260.55	16.08%
R&D expenses as a percentage of revenue	12.75%	11.80%	0.95%
Capitalized R&D expenses (RMB)	0.00	0.00	0.00%
Capitalized R&D expenses as a percentage of R&D expenses	0.00%	0.00%	0.00%

Reason and effect of significant change in the composition of the Company's R&D personnel

Applicable Inapplicable

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

Applicable Inapplicable

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

Applicable Inapplicable

5. Cash Flow

Unit: RMB

Item	2023	2022	YoY Change (%)
Subtotal of cash inflows from operating activities	99,392,055,313.32	92,669,076,379.69	7.25%
Subtotal of cash outflows from operating activities	82,768,801,007.40	82,504,940,997.31	0.32%
Net cash flows from operating activities	16,623,254,305.92	10,164,135,382.38	63.55%
Subtotal of cash inflows from investing activities	4,907,512,153.30	7,422,373,113.52	-33.88%
Subtotal of cash outflows from investing activities	8,894,812,143.31	11,147,754,175.76	-20.21%
Net cash flows from investing activities	-3,987,299,990.01	-3,725,381,062.24	-7.03%

Item	2023	2022	YoY Change (%)
Subtotal of cash inflows from financing activities	11,109,937,859.61	14,375,530,041.46	-22.72%
Subtotal of cash outflows from financing activities	14,255,369,357.73	15,831,448,254.21	-9.96%
Net cash flows from financing activities	-3,145,431,498.12	-1,455,918,212.75	-116.04%
Net increase in cash and cash equivalents	9,603,887,833.13	5,211,446,085.37	84.28%

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

Applicable Inapplicable

The main reason for the change in net cash flow from operating activities was the increase in sales collection during the reporting period; the main reason for the change in net cash flow from investing activities was the purchase of long-term assets during the reporting period; the main reason for the change in net cash flow from financing activities was mainly due to the issuance of restricted shares and the listing of the subsidiary in the previous year, and there were no such fundraising activities in the current period.

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

Applicable Inapplicable

IV. Non-core Business Analysis

Applicable Inapplicable

V. Analysis of Assets and Liabilities

1. Material changes of asset items

Unit: RMB

	December 31, 2023		December 31, 2022		YoY Change (%)	Note of significant change
	Amount	Percentage of total assets	Amount	Percentage of total assets		
Cash and bank balances	49,629,469,654.46	35.74%	40,011,863,999.94	33.56%	2.18%	Increase in sales collection
Accounts receivable	35,815,173,511.44	25.79%	29,906,294,410.40	25.08%	0.71%	No significant change
Contract assets	1,173,312,415.20	0.85%	2,118,223,370.98	1.78%	-0.93%	Part of construction projects met payment conditions transferred to accounts receivable
Inventories	19,211,434,385.32	13.84%	18,998,222,978.81	15.93%	-2.09%	No significant change
Long-term equity investment	1,151,104,887.85	0.83%	1,252,033,513.41	1.05%	-0.22%	No significant change

	December 31, 2023		December 31, 2022		YoY Change (%)	Note of significant change
	Amount	Percentage of total assets	Amount	Percentage of total assets		
Fixed assets	11,508,302,317.75	8.29%	8,539,842,630.68	7.16%	1.13%	Chengdu Science and Technology Park Project, Wuhan Smart Industrial Park Project Phase I and other projects were transferred to fixed assets
Construction in process	4,307,651,074.46	3.10%	3,770,803,300.80	3.16%	-0.06%	No significant change
Right-of-use assets	521,061,396.66	0.38%	574,478,326.31	0.48%	-0.10%	No significant change
Lease liabilities	344,005,866.13	0.25%	277,255,924.83	0.23%	0.02%	
Contract liabilities	2,977,990,775.40	2.14%	2,644,496,508.36	2.22%	-0.08%	No significant change
Short-term borrowings	2,118,952,026.06	1.53%	3,343,071,972.89	2.80%	-1.27%	Increase in demands for working capital
Long-term borrowings	8,940,122,961.01	6.44%	7,522,315,341.60	6.31%	0.13%	
Non-current liabilities due within one year	5,814,660,214.96	4.19%	868,197,272.46	0.73%	3.46%	

High proportion of overseas assets

Applicable Inapplicable

2. Assets and liabilities measured at fair value

√ Applicable Inapplicable

Unit: RMB

Item	Opening balance	Profit or loss from change in fair value during the period	Cumulative fair value changes included in equity	Provision for decline in value during the current period	Purchased amount during the period	Sales during the period	Other changes	Closing balance
Financial assets								
1. Derivative financial assets	12,807,438.36	-12,770,058.36						37,380.00
2. Other non-current financial assets	423,893,239.94	5,229,385.72			25,000,000.00	604,313.00	18,666,625.00	472,184,937.66
3. Receivables for financing	1,484,218,258.74						110,001,573.88	1,594,219,832.62
Subtotal of financial assets	1,920,918,937.04	-7,540,672.64			25,000,000.00	604,313.00	128,668,198.88	2,066,442,150.28
Financial liabilities	68,299,685.57	30,219,930.53						38,079,755.04

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

Yes No

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

Unit: RMB

Item	Closing book value (RMB)	Reasons for being restricted
Cash and bank balances	210,191,306.76	Various cash deposits and other restricted funds
Notes receivable	1,172,749,062.48	Endorsed to suppliers, discounted to banks, and pledged for the issuance of the banker's acceptance
Receivables for financing	42,274,830.03	Pledge for issuance of bank's acceptance bills
Accounts receivable	320,648,995.89	Pledge for long-term debts
Contract assets	129,223,004.39	Pledge for long-term debts
Fixed assets	79,633,944.01	Fixed assets leased out under operating leases
Intangible assets	37,374,930.65	Pledge and mortgage for long-term debts
Other non-current assets	1,500,999,221.99	Pledge for long-term debts
Total	3,493,095,296.20	

VI. Investments

1. Overview

Applicable Inapplicable

Investment in 2023 (RMB)	Investment in 2022 (RMB)	YoY (%)
4,935,643,770.15	4,686,051,570.44	5.33%

2. Significant equity investment during the current reporting period

Applicable Inapplicable

3. Significant non-equity investment during the current reporting period

√ Applicable □ Inapplicable

Unit: RMB

Project name	Invest method	Fixed assets investment or not	Project industry	Investment during the current reporting period	Cumulative amount of investment by the end of the current reporting period	Source of funds	Project schedule	Reasons for not reaching planned progress and expected benefits	Disclosure Date (if applicable)	Disclosure Index (if applicable)
Chengdu Science and Technology Park Project	Self-built	Yes	AIoT products and services	4,687,853.06	1,429,368,089.70	Self-financing	100.00%	None	September 23, 2017	<i>Announcement on Investment and Construction of Chengdu Science and Technology Park Project in Chengdu (No. 2017-033)</i>
Xi'an Science and Technology Park Project	Self-built	Yes	AIoT products and services	679,169,622.18	1,189,310,650.73	Self-financing	73.29%	None	September 23, 2017	<i>Announcement on Investment and Construction of Xi'an Science and Technology Park in Xi'an (No. 2017-031)</i>
Wuhan Intelligence Industry Park Project (Phase I)	Self-built	Yes	AIoT products and services	597,753,883.32	960,249,154.48	Self-financing	100.00%	None	September 23, 2017	<i>Announcement on Investment and Construction of Wuhan Intelligence Industry Park in Wuhan (No. 2017-036)</i>
Wuhan Intelligence Industry Park Project (Phase II)	Self-built	Yes	AIoT products and services	1,698,562.38	5,671,116.16	Self-financing	0.37%	None		

Project name	Invest method	Fixed assets investment or not	Project industry	Investment during the current reporting period	Cumulative amount of investment by the end of the current reporting period	Source of funds	Project schedule	Reasons for not reaching planned progress and expected benefits	Disclosure Date (if applicable)	Disclosure Index (if applicable)
EZVIZ Intelligent Manufacturing Chongqing Base Project(Infrastructure Part)	Self-built	Yes	AIoT products and services	556,041,674.60	628,214,692.80	Self-financing/ Raise funds	53.69%	None	August 11, 2021	<i>Announcement on the Investment and Construction of EZVIZ Intelligent Manufacturing (Chongqing) Base Project by Holding Subsidiaries (No. 2021-052)</i>
Shijiazhuang Science and Technology Park Project (Phase I)	Self-built	Yes	AIoT products and services	169,836,308.93	288,123,484.13	Self-financing	100.00%	None	March 22, 2018	<i>Announcement on Investment and Construction of Shijiazhuang Science and Technology Park in Shijiazhuang (No. 2018-016)</i>
Shijiazhuang Science and Technology Park Project (Phase II)	Self-built	Yes	AIoT products and services	153,547,142.02	276,247,602.73	Self-financing	61.57%	None		
Hikvision Global Warehousing Logistics Center (Phase I)	Self-built	Yes	AIoT products and services	84,761,013.93	106,599,361.06	Self-financing	100.00%	None	January 19, 2022	<i>Announcement on the Investment and Construction of Hikvision Global Warehousing and Logistics Center Project (No. 2022-010)</i>

Project name	Invest method	Fixed assets investment or not	Project industry	Investment during the current reporting period	Cumulative amount of investment by the end of the current reporting period	Source of funds	Project schedule	Reasons for not reaching planned progress and expected benefits	Disclosure Date (if applicable)	Disclosure Index (if applicable)
Industrialization Base of Infrared Thermal Imaging Products	Self-built	Yes	AIoT products and services	70,562,828.92	70,932,363.98	Self-financing	8.60%	None	January 19, 2022	<i>Announcement on the Investment and Construction of the Industrialization Base of Infrared Thermal Imaging Products by the Holding Subsidiary (No. 2022-008)</i>
HikRobot Product Industrialization Base Construction Project	Self-built	Yes	AIoT products and services	61,041,691.51	61,417,606.81	Self-financing	6.06%	None	January 19, 2022	<i>Announcement on the Investment and Construction of HikRobot Product Industrialization Base Construction Project by Holding Subsidiary (No. 2022-007)</i>
HikRobot Intelligent Manufacturing (Tonglu) Base Project	Self-built	Yes	AIoT products and services	19,640,816.79	20,299,490.56	Self-financing	1.90%	None	January 19, 2022	<i>Announcement on the Investment and Construction of HikRobot Intelligent Manufacturing (Tonglu) Base Project by a Holding Subsidiary (No. 2022-009)</i>
Total	--	--	--	2,398,741,397.64	5,036,433,613.14	--	--	--	--	--

Note: In accordance with the Company's Authorization Management System, new investments on fixed assets of Chengdu Science and Technology Park Project, Xi'an Science and Technology Park Project, Wuhan Intelligence Industry Park Project, and Shijiazhuang Science and Technology Park Project were approved by the Strategy Committee of the Board of Directors.

4. Financial asset investment

(1) Securities Investments

Applicable Inapplicable

There no such case in the reporting period.

(2) Derivatives Investments

Applicable Inapplicable

1) Derivative investments for hedging purposes during the reporting period

Applicable Inapplicable

Unit: 0,000 RMB

Type of derivatives investment	Initial investment amount	Opening amount	Gain or loss on changes in fair value during the reporting period	Changes in cumulative fair value included in equity	Purchased amount during the reporting period	Sold amount during the reporting period	Closing amount	Proportion of closing investment amount to the Company's net assets at the end of the reporting period
Foreign exchange contract	235,153.63	235,153.63	1,744.99	0.00	611,695.94	0.00	176,133.92	2.31%
Total	235,153.63	235,153.63	1,744.99	0.00	611,695.94	0.00	176,133.92	2.31%
Accounting policies and specific accounting principles for hedging business during the reporting period and explanations on whether there have been significant changes from the previous reporting	In accordance with the provisions of Accounting Standards for Business Enterprises (hereinafter referred to as "ASBE") No. 22 - Recognition and Measurement of Financial Instruments, ASBE No. 24 - Hedge Accounting, ASBE No. 37 - Presentation of Financial Instruments and other relevant regulations and guides, the Company correspondingly conducted accounting and reporting for foreign exchange derivatives business carried out. The Company conducted initial and subsequent measurements on contracts of foreign exchange derivatives by held-							

Type of derivatives investment	Initial investment amount	Opening amount	Gain or loss on changes in fair value during the reporting period	Changes in cumulative fair value included in equity	Purchased amount during the reporting period	Sold amount during the reporting period	Closing amount	Proportion of closing investment amount to the Company's net assets at the end of the reporting period
period								
Explanations on actual gain or loss during the reporting period		for-trading financial assets/ held-for-trading financial liabilities, and the fair value for held-for-trading financial assets and held-for-trading financial liabilities is determined by financial institutions based on trading data of open market. There was no significant changes from the previous reporting period.						
Explanations on the effect of hedging business		There was a total of RMB90.20 million actual losses during the reporting period.						
Capital source of derivatives investment		The Company's purpose was to avoid and prevent risks of exchange rate or interest rate fluctuations and prohibited any speculative actions, further improving the Company's ability to cope with risks of foreign exchange fluctuations, better avoiding and preventing risks of foreign exchange rate and interest rate fluctuations, and enhancing its financial stability.						
Risk analysis and control measures (including but not limited to, market risk, liquidity risk, credit risk, operational risk, legal risk, etc.) of holding derivatives during the reporting period		The Company's own fund.						
Change of market price or fair value of invested derivatives during the reporting period; specific methods, related assumptions and parameter setting of the derivatives' fair value analysis should be disclosed		For details of the risk analysis and control measures, please refer to the <i>Announcement on Carrying out Foreign Exchange Hedging Business in 2023</i> (Announcement No. 2023-016) disclosed by the Company on April 15, 2023.						
Prosecution (if applicable)		The Company recognized and measured the fair value of derivatives in accordance with the <i>Accounting Standards for Business Enterprises Article 22 - Recognition and Measurement of Financial Instruments</i> . During the reporting period, a total of RMB17.45 million of gains from changes in fair value of derivatives were recognized, and the fair value is determined according to the exchange rate and interest rate provided by banks and other pricing service institutions, measured and recognized on a monthly basis.						
Announcement date for approvals of derivatives investment from the Board of Directors (if any)		None						
Announcement date for approvals of derivatives investment from the general meeting of shareholders		April 15, 2023						
		Inapplicable						

Type of derivatives investment	Initial investment amount	Opening amount	Gain or loss on changes in fair value during the reporting period	Changes in cumulative fair value included in equity	Purchased amount during the reporting period	Sold amount during the reporting period	Closing amount	Proportion of closing investment amount to the Company's net assets at the end of the reporting period
(if any)								
Specific opinions on the Company's derivatives investments and risk control from independent directors		The relevant approval procedures for the Company's foreign exchange hedging business complies with the relevant national laws and regulations and the relevant provisions of the <i>Articles of Association</i> . The Company has established a sound process for the organization, business operation, and approval for conducting foreign exchange hedging business, and formulated the <i>Foreign Exchange Hedging Management System</i> . The relevant internal control processes have been improved, and the targeted risk control measures taken by the Company are feasible and effective. The Company has issued a feasibility analysis report on the proposed foreign exchange hedging business, and it is reasonable and feasible for the Company to carry out hedging business based on avoiding foreign exchange market risks. Under the premise of ensuring normal production and operation, the Company conducts foreign exchange hedging business, which enables the Company to avoid and prevent sharp exchange rate fluctuations and its adverse effects on the Company's operations, and contributes to controlling foreign exchange risks. There is no damage to the interests of the Company nor of its shareholders.						

2) Derivative investments for speculative purposes during the reporting period

Applicable Inapplicable

There is no derivative investments for speculative purposes during the reporting period.

5. Use of raised funds

Applicable Inapplicable

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

The details of the use of funds raised by EZVIZ Network, the Company's holding subsidiary, was disclosed on April 13, 2024 in *Annual Report of Hangzhou EZVIZ Network Co., Ltd* Section VI (14) - Progress of the Use of Funds Raised on the website of Shanghai Stock Exchange (www.sse.com.cn).

VII. Disposal of Significant Assets and Equity**1. Disposal of significant assets:**

Applicable Inapplicable

There is no disposal of significant asset for the Company during the current reporting period.

2. Sale of significant equity:

Applicable Inapplicable

VIII. Analysis of Major Subsidiaries and Holding Companies

Information about obtaining and disposal of subsidiaries during the reporting period

Applicable Inapplicable

Company name	Equity acquisition and disposal method during the reporting period	Impact on overall production results
Wuhu Sensortech Intelligent Technology Ltd. and its subsidiaries	Transfer of equity in cash	Business development
Zhejiang Haishi Luyue Technology Ltd.	Cash contribution	Business development
LLC VIETNAM HIKVISION TECHNOLOGY COMPANY LIMITED	Cash contribution	Expand overseas sales channels
Shijiazhuang Haishi Digital Technology Ltd.	Cash contribution	Business development
Hikrobot Europe B.V.	Cash contribution	Expand overseas sales channels
Hikrobot Singapore Pte. Ltd.	Cash contribution	Expand overseas sales channels
Zhengzhou Hikvision Technology Ltd	Cash contribution	Business development

IX. Structural Entities Controlled by the Company

Applicable Inapplicable

X. Outlook for the Future Development of the Company

1. Development Trends for the Industry

IoT perception, AI, and big data are the core technologies of the AIoT industry and key drivers for digital transformation. The development of the AIoT industry will drive various industries, and bring unprecedented changes to the society and economy in the process of promoting digital transformation of more business scenarios.

The Company has long-standing technical expertise and first-mover advantage in the field of AIoT, and possesses the core capabilities for digital transformation. We are confident in taking advantage of the opportunities brought by digital transformation and working with partners to facilitate the digital transformation of the society.

2. Development Strategy of the Company

Hikvision is committed to serving various industries with IoT perception, AI, and big data technologies, leading the future of AIoT. Through comprehensive perception technologies, we aim to help people better connect with the world around them. With a wealth of intelligent products, we strive to identify and satisfy diverse demands by delivering intelligence at your fingertips. Through innovative AIoT applications, we are dedicated to empowering

every individual to enjoy a better future by building an intelligent world that is more convenient, efficient and secure.

3. Key Priorities in 2024

- (1) Consolidate and enhance innovation advantages by focusing on products and technologies.
- (2) Expand business scope and product categories by seizing the opportunities of digital transformation.
- (3) Continuously implement the marketing strategy, and promote the construction of digital marketing capabilities to ensure continuous business growth.
- (4) Enhance manufacturing capabilities and build a flexible and smart supply chain to ensure supply security.
- (5) Expand the scale of innovative business services, strengthen their competitiveness, and strive for a better position in their respective markets.
- (6) Promote the integration and mutual facilitation of the Company's organizational systems, and improve operational efficiency.

XI. Reception of Activities including Research, Communication and Interviews during the Report Period

✓ Applicable □ Inapplicable

Time of reception	Location of reception	Method of reception	Type of reception object	Reception object	The main content of the discussion and the information provided	Index of basic situation of the research
April 15, 2023	Headquarters meeting room of the Company	Performance result conference call	Institutional investors; individuals	Investors including Tianhong Fund-Chen Hao	The Company's operations in 2022 and the first quarter of 2023	CNINF, <i>Investor Relations Activity Record on April 15, 2023</i>
April 17, 2023 – May 19, 2023	Headquarters meeting room of the Company	Site research and telephone communication	Institutional investors	Investors including Huaxia Fund-Xu Heng	The Company's operating conditions and future prospects	CNINF, <i>Investor Relations Activity Record: From April 17, 2023 – May 19, 2023</i>
May 25, 2023 – June 21, 2023	Headquarters meeting room of the Company	Site Research and telephone communication	Institutional investors	Investors including Caitong Assets Management-Miao Feng	The Company's operating conditions and future prospects	CNINF, <i>Investor Relations Activity Record: From May 25, 2023 – June 21, 2023</i>
June 28, 2023 – July 19, 2023	Headquarters meeting room of the	Site Research and telephone communication	Institutional investors	Investors including Guoxin Securities-Ye Zi	The Company's operating conditions and future prospects	CNINF, <i>Investor Relations Activity Record: from June 28, 2023 – July 19, 2023</i>

Time of reception	Location of reception	Method of reception	Type of reception object	Reception object	The main content of the discussion and the information provided	Index of basic situation of the research
	Company					
August 19, 2023	Headquarters meeting room of the Company	Performance result conference call	Institutional investors; individuals	Investors including Fidelity Fund-Liu Xuqing	The Company's operations in the first half of 2023	CNINF, <i>Investor Relations Activity Record on August 19, 2023</i>
October 21, 2023	Headquarters meeting room of the Company	Performance result conference call	Institutional investors; individuals	Investors including Boshi Fund-Chen Wei	The Company's operations in the third quarter of 2023	CNINF, <i>Investor Relations Activity Record on October 21, 2023</i>

Section IV Corporate Governance

I. Basic Situation of Corporate Governance

Since the inception of the Company, we have been strictly following relevant laws and regulations such as the *Company Law*, *Securities Law*, *Code of Corporate Governance of Listed Companies*, *Rules Governing the Listing of Shares on Shenzhen Stock Exchange*, and *Shenzhen Stock Exchange Listed Companies Self-Regulatory Supervision Guidelines No. 1 - Standardized Operation of Main Board Listed Companies* as well as the requirements of the regulations and regulatory documents of the regulatory authorities and continuously improving the "3+1" corporate governance structure comprising shareholders' meeting, the Board of Directors, the Board of Supervisors, and the management taking into consideration the actual situation of the Company, and strictly follow the principle of disclosing information in a true, accurate, complete, timely and impartial manner; we have also established and improved internal management and control system, promoted the standardized operation of the Company and ensured the legitimate rights and interests of the Company and investors. During the reporting period, the basic details of corporate governance is as follows:

1. Shareholders and shareholders' meeting

All shareholders of the Company have the equal status and full rights, especially small and medium shareholders. During the reporting period, the Company held a total of 1 general meetings of shareholders, which was convened by the Company's Board of Directors, and witnessed by lawyers on-site with legal opinions issued. Proposals of general meetings of shareholders were reviewed in compliance with legal procedures to ensure that all shareholders have the right to know, participate, and vote on major issues of the Company and to fully exercise their legal rights.

2. The controlling shareholders and listed company

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

3. Directors and the Board of Directors

The Company's Board of Directors, operating in a normalized way, has exercised its authority invested by the *Articles of Association* and relevant laws and regulations, and implemented the relevant decisions of the shareholders' meeting. The number and composition of the Company's Board of Directors comply with the requirements of laws and regulations. There are four committees for strategy, audit, nomination, remuneration and appraisal under it. Each committee has a clear division of labor, clear powers and responsibilities, and effective operation. All directors of the Company have performed their duties with integrity, loyalty, diligence, professionalism and due diligence, and earnestly safeguard the legitimate rights and interests of the Company and shareholders with a view to the interests of the Company and shareholders. The independent directors of the Company performed their duties independently and unaffected in accordance with the *Measures for the Administration of Independent Directors of Listed Companies* and other relevant regulations, attended the Company's Board of Directors and shareholders' general meetings, conducted special discussion and research on related party transactions that should be disclosed and issued prior approval opinions. The special committee has studied and deliberated on matters such as employing accounting firms and foreign exchange hedging, and has played its due role in improving the Company's supervision mechanism, safeguarding the interests of the Company and its shareholders, especially the shareholders of public shares, providing professional and objective suggestions for the Company's operation and development, promoting the improvement of the decision-making level of the board of directors, and ensuring the standardized operation of the Company.

During the reporting period, the Company convened 4 board meetings, reviewed and approved 29 proposals including the *Annual Report 2022 and its Summary*, *Proposal on Capital Increase and Introduction of Strategic Investors for Wholly-Owned Subsidiary Shijiazhuang Sensortech Intelligent Technology Co., Ltd.*, *Proposal on Renewing the "Financial Services Agreement" and Related Party Transactions with China Electronics Technology Finance Co., Ltd.*, etc.

4. Supervisors and Board of Supervisors

The Company's Board of Supervisors, operating in a normalized way, has exercised its authority invested by the *Articles of Association* and relevant laws and regulations. The number and composition of the Company's Board of Supervisors meet the requirements of laws and regulations; the Company's supervisors have diligently performed their duties and obligations, and carried out supervision and inspection functions being responsible to shareholders, and supervised the Company's financial status, operating conditions and related transactions, and the performance of duties by directors and senior managers to fully protect the legal rights and interests of the Company and all

shareholders.

During the reporting period, the Company held 3 Board of Supervisors' meetings, reviewed and approved 14 proposals including the *Annual Report 2022 and its Summary*, *Proposal on the Change of Certain Accounting Policies*, etc.

5. Performance appraisal and incentive and restraint mechanism

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

6. Information disclosure and transparency

The Company has strictly followed the relevant laws and regulations and the *Information Disclosure Management System* to disclose relevant information truthfully, accurately, completely, timely and impartially, and thoroughly implemented the *Information Insider Management System* to register insiders and file to further standardize inside information management and to ensure that all shareholders and other stakeholders of the Company have equal access to company information. During the reporting period, the Company disclosed 4 periodic reports and 37 temporary announcements. The Company's information disclosure has been recognized by the regulatory authorities: the Company has been rated as Level A by the Shenzhen Stock Exchange for 13 consecutive years in the main board listed company information disclosure assessment.

7. Continue to improve the internal management system

In accordance with relevant laws and regulations of regulatory authorities such as the *Company Law* and the *Securities Law*, requirements of normative documents and other internal management systems such as the *Articles of Association*, the *Rules of Procedure for the General Meeting of Shareholders*, the *Rules of Procedure for the Board of Directors*, the *Authorization Management System*, The Company continuously strengthened the internal management, improved the governance structure, promoted the normative operation, and protected the legitimate rights and interests of the Company and shareholders.

8. Investor relations activities

The Company has proactively organized result briefing conferences and investor research activities after the disclosure of regular reports to actively listen to investors' opinions and suggestions, and released the *Investor Relations Activity Record* after the event to ensure fair access to company information by all investors. In daily work, the Company has kept in touch with investors through multiple channels such as telephone, e-mail, and irm.cninfo.com.cn to effectively interact and communicate with investors. The Company was awarded the "17th Outstanding Digital Intelligence Enterprise of China's Listed Companies" in the 17th China's Most Valuable Listed Company Selection hosted by the Securities Times, the "2023 Best Practice Case of Corporate Governance" by the China Association of Listed Companies, and the "Excellent Case of Corporate Social Responsibility Report in Zhejiang Province" by the Zhejiang Federation of Industrial Economics and the Zhejiang State-owned Assets Management Association.

Any significant incompliance for the laws, administrative regulations and the relevant regulatory documents issued by China Securities Regulatory Commission in respect of the Company's corporate governance:

Yes No

There is no significant incompliance for the laws, administrative regulations and the relevant regulatory documents issued by China Securities Regulatory Commission in respect of the Company's corporate governance.

II. Company's Independence in Assets, Personnel, Finances, Organizations and Businesses from Controlling Shareholders and Actual Controller

The Company is completely independent in business, personnel, assets, organizations, and finances from its shareholders. The Company has established a sound internal control system, being capable of operating independently with its complete and independent business.

1. Business independence: The Company has own production, purchases and sales systems, which are completely independent from controlling shareholders. Therefore, there is no competition among the Company, controlling shareholders, and related parties.

2. Personnel independence: The Company has independent personnel. The management has set up various independent departments, including R&D, production, administration, finance and operation management divisions, etc., and established complete management methods for labor, personnel, and salary management. Personnel of the Company is independent from controlling shareholders, e.g. the chairman is elected through the

general meetings of the Board. In addition, the general manager, senior deputy general managers, CFO, the secretary of the Board, and other senior management personnel of the Company are work full-time in the Company and receive remuneration, and do not receive remuneration in the controlling shareholders, nor do they hold any administrative positions other than directors and supervisors in the controlling shareholders. Directors, supervisors, and senior management personnel are appointed through legal procedures strictly in accordance with relevant regulations stipulated in *Company Law* and *Articles of Association*. There is no controlling shareholder illegal intervention in the Company's personnel decisions in general meetings of the Board or shareholders.

3. Asset Completeness: The property rights of assets are explicitly between the Company and the controlling shareholders, and no assets, funds, or other resources owned by the Company are illegally and irregularly occupied or controlled by the controlling shareholders. Assets of the Company are integrated, including complete property rights of fixed assets for production, supporting assets for production, and intangible assets of patents, etc. The Company has the full control and ownership of all assets.

4. Independence in organizations: The Company's Board of Directors, Board of Supervisor, management and other internal organizations operate independently, and each functional department is independent from controlling shareholders in duty and personnel. There is no superior-subordinate relation between functional departments of controlling shareholders and those of the Company, which would have an impact on the Company's independent operations.

5. Financial Independence: The Company has established an independent financial department, as well as a sound and independent financial and accounting system. The Company makes financial decisions independently. There is a standardized financial accounting system and a financial management system for the Company's branches and subsidiaries, and there is no controlling shareholder intervention in the Company's financial and accounting activities. The Company has maintained accounts with banks independently of and do not share any bank account with our Controlling Shareholders. The Company has undertaken independent tax registration in accordance with applicable laws, and paid tax independently.

III. Horizontal Competition

Applicable Inapplicable

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

1. General Meetings Convened during the Reporting Period

Meeting	Nature	Proportion of participating investors	Convened Date	Disclosure Date	Resolution of the Meeting
2022 Annual General Meeting	Annual General Meeting	67.0703%	May 9, 2023	May 10, 2023	14 proposals including the <i>2022 Annual Report and Summary</i> were reviewed and voted. For details, please refer to the Company's announcement: No. 2023-025.

2. Extraordinary General Meetings Convened at the Request of Preferred Shareholders with Resumed Voting Rights:

Applicable Inapplicable

V. Information about Directors, Supervisors, Senior Management

1. Basic Situation

Name	Title	Tenure status	Gender	Age	Commencement of term of office	Termination of term of office	Shares held at the beginning of the Period (Shares)	Shares increased during the Period (shares)	Shares decreased during the Period (Shares)	Other increase or decrease of shares (Share)	Shares held at the end of the Period (Shares)	Reasons for increase or decrease of shares
Chen Zongnian	Chairman	Incumbent	Male	59	June 19, 2008	March 4, 2024	0	0	0	0	0	--
Qu Liyang	Director	Incumbent	Male	60	March 7, 2018	March 4, 2024	15,750	0	0	0	15,750	--
Wang Qiuchao	Director	Incumbent	Male	73	March 5, 2021	March 4, 2024	35,000	0	0	0	35,000	--
Hu Yangzhong	Director, General Manager (CEO)	Incumbent	Male	59	December 28, 2001	March 4, 2024	155,246,477	390,000	0	0	155,636,477	Increase of shares during the Period
Wu Weiqi	Director, Standing Deputy General Manager	Incumbent	Male	60	March 1, 2003	March 4, 2024	8,631,089	54,700	0	0	8,685,789	Increase of shares during the Period
Wu Xiaobo	Independent Director	Incumbent	Male	64	March 5, 2021	March 4, 2024	0	0	0	0	0	--

Name	Title	Tenure status	Gender	Age	Commencement of term of office	Termination of term of office	Shares held at the beginning of the Period (Shares)	Shares increased during the Period (shares)	Shares decreased during the Period (Shares)	Other increase or decrease of shares (Share)	Shares held at the end of the Period (Shares)	Reasons for increase or decrease of shares
Hu Ruimin	Independent Director	Incumbent	Male	60	March 5, 2021	March 4, 2024	0	0	0	0	0	--
Li Shuhua	Independent Director	Incumbent	Male	53	March 5, 2021	March 4, 2024	0	0	0	0	0	--
Guan Qingyou	Independent Director	Incumbent	Male	47	March 5, 2021	March 4, 2024	0	0	0	0	0	--
Hong Tianfeng	Supervisor Chairman	Incumbent	Male	58	March 5, 2021	March 4, 2024	0	0	0	0	0	--
Xu Lirong	Supervisor	Incumbent	Male	61	March 21, 2018	March 4, 2024	303,000	0	0	0	303,000	--
Lu Jianzhong	Supervisor	Incumbent	Male	70	March 5, 2021	March 4, 2024	0	0	0	0	0	--
He Hongli	Senior Deputy General Manager	Incumbent	Female	51	December 18, 2005	March 11, 2024	331,500	0	0	0	331,500	--
Cai Changyang	Senior Deputy General Manager	Incumbent	Male	53	April 8, 2016	March 11, 2024	109,500	0	0	0	109,500	--
Xu Ximing	Senior Deputy General	Incumbent	Male	51	October 11, 2016	March 11, 2024	287,000	0	0	-59,100	227,900	The third repurchase and cancellation of the

Name	Title	Tenure status	Gender	Age	Commencement of term of office	Termination of term of office	Shares held at the beginning of the Period (Shares)	Shares increased during the Period (shares)	Shares decreased during the Period (Shares)	Other increase or decrease of shares (Share)	Shares held at the end of the Period (Shares)	Reasons for increase or decrease of shares
	Manager											Company's 2018 restricted shares
Bi Huijuan	Senior Deputy General Manager	Incumbent	Female	53	October 11, 2016	March 11, 2024	273,000	0	0	-36,900	236,100	The third repurchase and cancellation of the Company's 2018 restricted shares
Pu Shiliang	Senior Deputy General Manager	Incumbent	Male	47	March 21, 2018	March 11, 2024	385,900	0	0	-30,000	355,900	The third repurchase and cancellation of the Company's 2018 restricted shares
Jin Duo	Senior Deputy General Manager	Incumbent	Male	59	March 10, 2015	March 11, 2024	109,500	0	0	0	109,500	--
Jin Yan	Senior Deputy General Manager, Person in charge of finance	Incumbent	Female	45	July 22, 2015	March 11, 2024	364,000	0	0	-33,000	331,000	The third repurchase and cancellation of the Company's 2018 restricted shares
Huang Fanghong	Senior Deputy General	Incumbent	Female	42	April 8, 2016	March 11, 2024	482,500	0	0	-33,000	449,500	The third repurchase and cancellation of the Company's 2018 restricted

Name	Title	Tenure status	Gender	Age	Commencement of term of office	Termination of term of office	Shares held at the beginning of the Period (Shares)	Shares increased during the Period (shares)	Shares decreased during the Period (Shares)	Other increase or decrease of shares (Share)	Shares held at the end of the Period (Shares)	Reasons for increase or decrease of shares
	Manager, Board Secretary											shares
Chen Junke	Senior Deputy General Manager	Incumbent	Male	53	March 21, 2018	March 11, 2024	0	0	0	0	0	--
Xu Peng	Senior Deputy General Manager	Incumbent	Male	48	March 12, 2021	March 11, 2024	147,244	0	0	-38,622	108,622	The third repurchase and cancellation of the Company's 2018 restricted shares
Guo Xudong	Senior Deputy General Manager	Incumbent	Male	52	March 12, 2021	March 11, 2024	44,280	0	1,000	-22,140	21,140	The third repurchase and cancellation of the Company's 2018 restricted shares and reduction of shares during the Period
Total	--	--	--	--	--	--	166,765,740	444,700	1,000	-252,762	166,956,678	--

Note: The number of shares held at the beginning of the period, shares increased during the period, shares decreased during the period, other increase or decrease of shares, and shares held at the end of the period for directors, supervisors, and senior management personnel above are all shares directly held by them accordingly, including restricted shares.

Any resignation of directors or supervisors and dismissals of senior management personnel during their term of office during the reporting period.

Yes No

Change of directors, supervisors and senior management personnel

Applicable Inapplicable

2. Positions and Incumbency

1) Directors

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

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

Mr. Wang Qiuchao (王秋潮): Born in 1951, master degree in law. Wang served as director of Zhejiang T&C Law Firm (浙江天册律师事务所), Chairman of the Zhejiang Lawyers Association (浙江省律师协会), vice-president of the Zhejiang Law Society (浙江省法学会), and a supervisor of the Company. Wang currently serves as honorary partner of Zhejiang T&C Law Firm, arbitrator of the China International Economic and Trade Arbitration Commission (中国国际经济贸易仲裁委员会, "CIETAC"), an arbitrator of Shanghai International Arbitration Center (上海国际仲裁中心) and Shenzhen International Economic and Trade Arbitration Commission (深圳国际仲裁中心), and a director of the Company.

Mr. Hu Yangzhong (胡扬忠): Born in 1965, master degree of engineering, senior research engineer. He served as an engineer of the 52nd Research Institute from June 1989 to December 2001. From December 2013 to April 2022, he served as a director of CETHIK Group Co., Ltd. He has been appointed as a director of the Company and general manager of the Company since December 2001. Hu currently serves as a director and the general manager of the Company.

Mr. Wu Weiqi (邬伟琪): Born in 1964, bachelor degree of engineering, senior engineer. Wu held various positions at the 52nd Research Institute, including technician, engineer associate, engineer and senior engineer, from July 1986

to December 2001. Since November 2001, He has been appointed as a deputy general manager, a standing deputy general manager, and a director of Hikvision. Wu currently serves as a director and standing deputy general manager of the Company.

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

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

Mr. Li Shuhua (李树华): Born in 1971, a PhD in accounting, postdoctoral fellow in finance and law, non-practicing member of the China Institute of Certified Public Accountants, National-level candidates for the New Century Hundreds and Thousands of Talents Project, National Leading Talents in Accounting, and National Leading Talents in Shenzhen. He has successively served as deputy director of the Audit Division of the Accounting Department of the China Securities Regulatory Commission (presiding), deputy director of the General Office (presiding), director of the Financial and Budget Management Department and director of the General Office, a member of the Executive Committee and Chief Financial Officer, Chief Risk Officer and Chief Compliance Officer of China Galaxy Securities Co., Ltd. He concurrently served as a PE professor and master's tutor at the National Accounting Institute (Xiamen), Peking University, Shanghai Institute of Advanced Finance, Shanghai Jiaotong University, and Tsinghua University. He is currently the Chairman of Changzhou NRB Corporation (常州光洋轴承股份有限公司), and an

independent director of the Company.

Mr. Guan Qingyou (管清友): Born in 1977, a holder of Ph.D. in economics, Young Economist. He has successively served as the former vice president of Minsheng Securities and the president of the research institute; He is currently the President and Chief Economist of the Institute of Finance, Vice President of the China Private Economic Research Association, Professor of the School of Economics of Hainan University, Chief Economist of Zhongguancun Private Equity & Venture Capital Association (ZVCA) and Guangdong Province Venture Capital Association, and an independent director of the Company.

2) Supervisors

Mr. Hong Tianfeng (洪天峰): Born in 1966, master degree in engineering. Hong was an engineer in Nanjing University of Posts and Telecommunication (南京邮电大学) from July 1990 to June 1993; He served as an executive deputy general manager, chief executive of Operation and Delivery, chairman of investment decision committee, and vice chairman of Huawei Technologies Co., Ltd. (华为技术有限公司) from July 1993 to September 2011. Hong has served as an independent director of the Company. Hong currently serves as an executive director of Shanghai Fangguang Investment Management Co., Ltd. (上海方广投资管理有限公司), and supervisor of the Company.

Mr. Lu Jianzhong (陆建忠): Born in 1954, holds bachelor degree in economics and CPA certificate. Lu served as a lecturer and an associate professor of finance and accounting department at Shanghai Maritime University (上海海事大学) from September 1986 to September 1997; he was a CPA and a partner of the auditing department of PricewaterhouseCoopers, from October 1997 to June 2012; he was a chartered accountant of Shanghai De'an Certified Public Accountants LLP (上海德安会计师事务所) from July 2012 to July 2013; he was a chartered accountant of the Shanghai branch of PKF Daxin Certified Public Accountants LLP (大信会计师事务所上海分所), from August 2013 to July 2014; he was a partner and a chartered accountant and a partner of Zhongxinghua Certificated Public Accountants LLP (中兴华会计师事务所) from August 2014 to January 2016; he was a chartered accountant of Dahua Certificated Public Accountants LLP (大华会计师事务所) from January 2016 to December 2021. Lu has served as an independent director of Hikvision. Lu currently serves as a chartered accountant of Zhongxinghua Certificated Public Accountants LLP Shanghai Branch, and a supervisor of the Company.

Mr. Xu Lirong (徐礼荣): Born in 1963, master degree of engineering, senior engineer. In January 2002, he joined Hikvision and served as manager of development division under the R&D center, secretary of the Board of Directors,

the person in charge of internal audit, and a deputy general manager of the Company. He is currently the employee representative supervisor.

3) Senior Management Personnel

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

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

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

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

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

Ms. Bi Huijuan (毕会娟): Born in 1971, PhD in engineering, senior research engineer. From April 1999 to August 2016, she held various positions in the 15th Research Institute at China Electronics Technology Group Corporation (CETC), including engineer, senior engineer, senior research engineer, head of R&D department, vice chief engineer, and deputy director. She joined Hikvision in August 2016, and served as a deputy general manager of the Company. Ms. Bi currently serves as a senior deputy general manager of the Company.

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

Mr. Jin Duo (金铎): Born in 1965, bachelor degree in engineering, a senior engineer. He served as a technician, assistant to engineers, an engineer and a senior engineer of the 52nd Research Institute from July 1986 to June 2004.

He joined Hikvision in July 2004 and served as general manager of Hangzhou Branch, and a deputy general manager of the Company. Mr. Jin currently serves as a senior deputy general manager of the Company.

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

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

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

Mr. Xu Peng (徐鹏): Born in 1976, bachelor of engineering, senior engineer. From 1998 to 2004, he successively served as an assistant engineer and engineer of 52nd Research Institute, and in 2004, he joined Hikvision, where he served as camera research and development manager, research and development director, product director, general manager of front-end product business, and deputy general manager of the Company. He is currently the senior deputy general manager of the Company.

Mr. Guo Xudong (郭旭东): Born in 1972, bachelor of engineering. In July 2002, he joined Hikvision, and successively served as general manager of Shenzhen Branch, marketing director of domestic marketing center and deputy general manager of domestic marketing center. He is currently the senior deputy general manager of the Company.

Position held in shareholders' entities

√ Applicable Inapplicable

Name	Shareholder's entity	Position in shareholders' entities	Commencement of the term	Termination of the term	Compensation and allowance from the shareholders' entity
Chen Zongnian	China Electronics Technology HIK Group Ltd.	Chairman, Secretary of Party Committee	November 2013	--	Y
Xu Lirong	China Electronics Technology HIK Group Ltd.	Member of Commission for Discipline Inspection	December 2013	December 2023	N
Xu Lirong	China Electronics Technology HIK Group Ltd.	Supervisor	December 2013	--	N

Positions held in other entities

 ✓ Applicable Inapplicable

Name	Name of other Entity	Position in other entity	Commencement of the term	Termination of the term	Compensation and allowance from the other entities
Cheng Zongnian	Zhejiang AIoT Technology Magazine	Legal representative	May 2009		N
Cheng Zongnian	Phoenix Optics Ltd.	Chairman	December 2019		N
Wang Qiuchao	Zhejiang T&C Law Firm	Partner	June 1986		Y
Wang Qiuchao	Shanghai Kehui Value Investment Management Ltd.	Director	July 2009		N
Wang Qiuchao	Yalongxing Investment Development Ltd.	Director	February 2012		N
Wang Qiuchao	Botsy Technology Co., Ltd	Independent director	June 2020	May 2023	Y
Wu Weiqi	Hangzhou Pukang Equity Investment Partnership (Limited Partnership)	Executive Partner	April 2011		N
Wu Weiqi	Wuhu Sensortech Intelligent Technology Ltd.	Director	January 2017	February 2023	N
Wu Weiqi	Hangzhou Qianmo Tongzhou Equity Investment Partnership (Limited Partnership)	Executive partner	July 2021	December 2022	N
Wu Xiaobo	Shanghai Yirui Management Consultants Ltd.	Director	April 2004		N
Wu Xiaobo	Hangzhou Co-Rui Enterprise Management Consulting Ltd.	Director	April 2011		N
Wu Xiaobo	Ningbo Industrial Internet Research Institute Ltd.	Outside director	May 2018		Y

Name	Name of other Entity	Position in other entity	Commencement of the term	Termination of the term	Compensation and allowance from the other entities
Wu Xiaobo	Eddy Co., Ltd.	Independent director	August 2018		Y
Wu Xiaobo	Zhongliang Holdings Group Ltd.	Independent director	June 2019		Y
Wu Xiaobo	Ruihua Innovation Management Research Institute (Hangzhou) Ltd.	Director	November 2019		N
Wu Xiaobo	UCloud Technology Co., Ltd.	Independent director	June 2020		Y
Wu Xiaobo	Zhongtian Holding Group Ltd.	Independent director	July 2021		Y
Li Shuhua	Xi'an ShaanGu Power Co., Ltd.	Independent director	May 2018		Y
Li Shuhua	Luoyang Yuchuan Yuye Group Co., Ltd.	Independent director	August 2018		Y
Li Shuhua	Changzhou Guangyang Holdings Ltd.	Director & CEO	August 2019	December 2022	N
Li Shuhua	Changzhou Guangyang Holdings Ltd.	Legal representative, Chairman, and CEO	December 2022		N
Li Shuhua	Changzhou NRB Co., Ltd.	Chairman	October 2019		Y
Li Shuhua	Weihai Shiyi Electronics Ltd.	Chairman	December 2020		N
Li Shuhua	Juzhengyuan Co., Ltd.	Independent director	December 2020		Y
Li Shuhua	CIMC-TianDa Holdings Company Ltd.	Independent director	May 2021		Y
Li Shuhua	Guangdong Shengyi Technology Co., Ltd.	Independent director	October 2021		Y
Li Shuhua	TianJin TianHai Precision Forging Co., Ltd.	Chairman	December 2022		N
Li Shuhua	Yingda Securities Co.,Ltd.	Independent director	July 2023		Y
Guan Qingyou	Beijing Rushi Chengjin Information Consulting Services Ltd.	CEO	October 2016		N
Guan Qingyou	Beijing Rushiwo Research	Executive director	December 2017		Y

Name	Name of other Entity	Position in other entity	Commencement of the term	Termination of the term	Compensation and allowance from the other entities
	Information Consulting Service Ltd.	& CEO			
Guan Qingyou	Midea Group Co., Ltd.	Independent director	August 2018		Y
Guan Qingyou	Beijing Xincai Zhibei Information Technology Ltd.	Supervisor	October 2018		N
Guan Qingyou	South China Futures Co., Ltd.	Independent director	March 2019		Y
Guan Qingyou	Shanxi International Trust Co., Ltd.	Independent director	July 2019		Y
Guan Qingyou	Beijing Rushiwo Research Institute of Science and Technology Ltd.	Executive director & CEO	May 2020		N
Guan Qingyou	Beijing Rushi Wancheng Technology Development Ltd.	Executive director & CEO	June 2020		N
Guan Qingyou	Hainan Wuyongtang Information Technology Ltd.	Executive director & CEO	July 2020		N
Guan Qingyou	Beijing Yaocen Yuanmu Information Technology Ltd.	Executive director & CEO	July 2020		N
Guan Qingyou	Beijing Ruoan Jiatai Technology Ltd.	Executive director & CEO	December 2020		N
Guan Qingyou	Zhongchancheng Investment (Shenzhen) Ltd.	Supervisor	March 2021		N
Guan Qingyou	Qingdao Rushiwo Research Investment Management Ltd.	Supervisor	November 2021		N
Guan Qingyou	Shenzhen Jiuzhoutongyu Technology Ltd.	Supervisor	January 2022		N
Guan Qingyou	Ucap Cloud Information Technology Co.,Ltd.	Independent director	September 2022		Y
Guan Qingyou	Beijing Film Spectrum Technology Co., Ltd.	Independent director	March 2019	January 2024	Y
Hong Tianfeng	Shanghai Fangguang Investment Management Ltd.	Executive director	February 2012		Y
Hong Tianfeng	Shenzhen Yunzhixun Network Technology Ltd.	Director	May 2014		N

Name	Name of other Entity	Position in other entity	Commencement of the term	Termination of the term	Compensation and allowance from the other entities
Hong Tianfeng	Shenzhen Fangguang Enterprise Management Consulting Ltd.	Executive director & CEO	May 2016		N
Hong Tianfeng	CETC Huayun Information Technology Ltd.	Director	March 2017		N
Hong Tianfeng	Quanzhi Technology (Hangzhou) Ltd.	Director	June 2020		N
Hong Tianfeng	Shanghai Fangguang Enterprise Management Consulting Ltd.	Executive director	November 2022		N
Hong Tianfeng	Nantong Fangjun Enterprise Management Co., Ltd.	Supervisor	March 2023		N
Hong Tianfeng	Nantong Fangyuan Enterprise Management Co., Ltd.	Executive director	March 2023		N
Hong Tianfeng	Sannuo Biology Sensor Co., Ltd.	Director	September 2013	January 2023	Y
Hong Tianfeng	Zhongwei Dahe Cloud Connection Network Technology Ltd.	Director	November 2016	October 2023	N
Hong Tianfeng	Shenzhen YingFeiYuan Technology Ltd.	Director	October 2017	December 2023	N
Hong Tianfeng	Beijing ZhiZhangYi Science and Technology Ltd.	Director	January 2018	June 2023	N
Hong Tianfeng	Shenzhen Chip and Semiconductor Technology Ltd.	Director	February 2018	December 2023	N
Hong Tianfeng	Shanghai Daxian Intelligent Science and Technology Ltd.	Director	June 2018	January 2024	N
Hong Tianfeng	Shanghai Fanglan Enterprise Management Center	Executive Director & CEO	March 2021	January 2024	N
Lu Jianzhong	Huatai Baoxing Fund Management Ltd.	Director	July 2016		Y
Lu Jianzhong	COSCO Maritime Transport Development Co., Ltd.	Independent Director	January 2018		Y
Lu Jianzhong	Shanghai Xinnanyang Angli Education Technology Co., Ltd.	Independent Director	January 2019		Y

Name	Name of other Entity	Position in other entity	Commencement of the term	Termination of the term	Compensation and allowance from the other entities
Lu Jianzhong	INESA (Group) Co., Ltd.	Director	December 2019		N
Lu Jianzhong	Shanghai Vico Precision Mold &Plastics Co., Ltd.	Independent Director	May 2021		Y
Lu Jianzhong	BOMESC Offshore Engineering Co., Ltd.	Independent Director	December 2021		Y
Lu Jianzhong	Zhongxinghua Certified Public Accountants LLP (Shanghai Branch)	Chartered Accountant	January 2022		N
Lu Jianzhong	Bank of Tianjin Co., Ltd.	Independent Director	August 2022		Y
Xu Ximing	Shenzhen Wangyu Security Service Science and Technology Ltd.	Director	November 2019		N
Xu Ximing	Chengdu Guoshengtianfeng Network Technology Ltd.	Director	August 2020		N
Xu Ximing	Hangzhou Confirmware Technology Co., Ltd.	Director	August 2021		N
Jin Duo	Zhejiang Haishi Huayue Digital Technology Ltd	Chairman	January 2020		N
Xu Peng	Maxio Technology (Hangzhou) Co., Ltd.	Director	December 2021		N
Guo Xudong	Zhejiang Fast Line data fusion Information Technology Co., Ltd.	Director	January 2021		N

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

Applicable Inapplicable

3. Remuneration of Directors, Supervisors and Senior Management Personnel

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

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

Company's current Salary System and Performance Appraisal Schemes.

Explanations on other situations.

Applicable Inapplicable

Remuneration of directors, supervisors and senior management personnel

Unit: RMB 0,000

Name	Title	Gender	Age	Tenure status	Total remuneration from the Company (RMB'0,000)	Remuneration from related parties (Y/N)
Chen Zongnian	Chairman	M	59	Incumbent	0	Y
Qu Liyang	Director	M	60	Incumbent	0	Y
Wang Qiuchao	Director	M	73	Incumbent	30.00	N
Hu Yangzhong	Director, CEO	M	59	Incumbent	300.93	N
Wu Weiqi	Director, Standing Deputy General Manager	M	60	Incumbent	300.89	N
Wu Xiaobo	Independent Director	M	64	Incumbent	30.00	N
Hu Ruimin	Independent Director	M	60	Incumbent	30.00	N
Li Shuhua	Independent Director	M	53	Incumbent	30.00	N
Guan Qingyou	Independent Director	M	47	Incumbent	30.00	N
Hong Tianfeng	Supervisor Chairman	M	58	Incumbent	20.00	N
Lu Jianzhong	Supervisor	M	70	Incumbent	20.00	N
Xu Lirong	Supervisor	M	61	Incumbent	147.86	N
He Hongli	Senior Deputy General Manager	F	51	Incumbent	290.37	N
Cai Changyang	Senior Deputy General Manager	M	53	Incumbent	265.57	N
Xu Ximing	Senior Deputy General Manager	M	51	Incumbent	416.43	N
Bi Huijuan	Senior Deputy General Manager	F	53	Incumbent	401.90	N
Pu Shiliang	Senior Deputy General Manager	M	47	Incumbent	301.49	N
Jin duo	Senior Deputy General Manager	M	59	Incumbent	290.94	N
Jin Yan	Senior Deputy General Manager, person in charge of finance and accounting	F	45	Incumbent	262.26	N
Huang Fanghong	Senior Deputy General Manager Board Secretary	F	42	Incumbent	262.61	N

Name	Title	Gender	Age	Tenure status	Total remuneration from the Company (RMB'0,000)	Remuneration from related parties (Y/N)
Chen Junke	Senior Deputy General Manager	M	53	Incumbent	262.55	N
Xu Peng	Senior Deputy General Manager	M	48	Incumbent	299.72	N
Guo Xudong	Senior Deputy General Manager	M	52	Incumbent	262.02	N
Total	--	--	--	--	4,255.54	--

Note 1: Directors (excluding independent directors), supervisors (excluding non-employee representative supervisors) and senior managers who serve in the Company and receive remuneration with the numeration structure composed of 50% of basic salary, 50% of bonuses linked to the Company's performance, and social insurance and provident fund paid in accordance with the statutory proportion.

Note 2: During the reporting period, the remuneration of incumbent directors, supervisors and senior management are the remuneration for the period in which they held their positions.

VI. Performance of Duties by Directors during the Reporting Period

1. The Board of Directors during the Reporting Period

Meeting Session	Convening Date	Disclosure Date	Meeting Resolutions
The 16 th meeting of the 5 th session of the Board	February 15, 2023	February 16, 2023	1 proposals was considered and approved at the meeting, <i>Proposal on Capital Increase and Introduction of Strategic Investors for Wholly-Owned Subsidiary Shijiazhuang Sensortech Intelligent Technology Co., Ltd.</i> For details, please refer to the Company's announcement: No. 2023-004.
The 17 th meeting of the 5 th session of the Board	April 13, 2023	April 15, 2023	25 proposals were considered and approved at the meeting, including the <i>2022 Annual Report and Its Summary</i> . For details, please refer to the Company's announcement: No. 2023-010.
The 18 th meeting of the 5 th session of the Board	August 18, 2023	August 19, 2023	2 proposals were considered and approved at the meeting, including the <i>2023 Half Year Report and Its Summary</i> . For details, please refer to the Company's announcement: No. 2023-029
The 19 th meeting of the 5 th session of the Board	October 20, 2023	October 21, 2023	1 proposal was considered and approved at the meeting, the <i>2023Q3 Report and Its Summary</i> . For details, please refer to the Company's

Meeting Session	Convening Date	Disclosure Date	Meeting Resolutions
			announcement: No. 2023-034

2. Attendance of Directors in Board Meetings and General Meetings

Attendance of directors in board meetings and general meetings							
Name of Director	Board meeting presence required in the reporting period (times)	Board meeting presence on site (times)	Board meeting presence by telecommunication (times)	Board meeting presence through a proxy (times)	Board meeting absence (times)	Board meeting not attend in person for two consecutive times	Presence of independent directors in general meetings (times)
Chen Zongnian	4	1	3	0	0	N	1
Qu Liyang	4	1	3	0	0	N	1
Wang Qiuchao	4	1	3	0	0	N	1
Hu Yangzhong	4	1	3	0	0	N	1
Wu Weiqi	4	1	3	0	0	N	1
Wu Xiaobo	4	1	3	0	0	N	1
Hu Ruimin	4	1	3	0	0	N	1
Li Shuhua	4	1	3	0	0	N	1
Guan Qingyou	4	1	3	0	0	N	1

3. Objections from Directors on Related Issues of the Company

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

Yes No

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

4. Other Details about the Performance of Duties by Directors

Were there any suggestions from directors accepted by the Company?

Yes No

Details: During the Reporting Period, directors strictly followed related rules, regulations, including *Company Law, Rules Governing the Listing of Shares on Shenzhen Stock Exchange, Shenzhen Stock Exchange Listed Companies Self-Regulatory Supervision Guidelines No. 1 - Standardized Operation of Main Board Listed Companies* and *Articles of Association*. They focused on the Company operation, carefully review the Company's relevant meeting materials, reviewed and approved a number of board resolutions, and have no objection to all the

proposals; At the same time, the directors of the Company put forward relevant constructive suggestions based on their professional abilities and the actual situation of the Company, which had a positive impact on the standardized operation of the Company and fulfilled their duties as directors.

The Company's independent directors strictly followed *Measures for the Administration of Independent Directors of Listed Companies* and related rules/ regulations, carried out their duties, attended the board meeting and the shareholders' general meetings, and issued prior approval opinions after conducting special discussion on related transactions that should be disclosed. The special committee of independent directors studied and deliberated matters such as hiring accounting firms and hedging foreign exchange. To improve the Company supervisory systems and to protect the legal rights of the Company and shareholders, especially public shareholders as a whole, independent directors provided professional and subjective advices, enhancing the board's management capability, ensuring the Company's standardized operations. For details, please refer to *Independent Directors' 2023 Debriefings* disclosed on www.cninfo.com.cn.

VII. The Special Committees under the Board during the Reporting Period

Committee Name	Members	Number of meetings held	Convening Date	Meeting Content	Important comments and suggestions
Strategy Committee of the 5 th session of the Board of Directors	Chen Zongnian (convener), Wu Xiaobo, Hu Ruimin	3	January 18, 2023 to October 31, 2023	Reviewed and approved 7 proposals including the 2022 <i>Annual Work Report of the Strategy Committee of the Board of Directors</i>	All expressed concurring opinions
Audit Committee of the 5 th session of the Board of Directors	Li Shuhua (convener), Wang Qiuchao, Guan Qingyou	5	February 10, 2023 to October 20, 2023	Reviewed and approved 13 proposals including <i>Proposal on 2023 Reappointment of Certificated Public Accountants LLP</i>	All expressed concurring opinions
Remuneration and Appraisal Committee of the 5 th session of the Board of Directors	Guan Qingyou (convener), Wu Xiaobo, Wu Weiqi	4	March 3, 2023 to December 26, 2023	Reviewed and approved 8 proposals including the 2022 <i>Annual Report of the Remuneration and Appraisal Committee</i>	All expressed concurring opinions
Nomination Committee of the 5 th session of the Board of Directors	Hu Ruimin (convener), Qu Liyang, Li shuhua	1	13 April 2023	Reviewed and approved the 2022 <i>Annual Report of the Nomination Committee</i>	All expressed concurring opinions

VIII. Performance of Duties by the Supervisory Committee

Were there any risks to the Company identified by Board of Supervisors when performing its duties during the reporting period?

Yes No

The Board of Supervisors has no objection to the supervision matters during the reporting period.

IX. Staff in the Company

1. Statistics of Employees, Professional Structure of the Staff, and Educational Background

Number of incumbent employees in the parent Company at the end of the reporting period	19,140
Number of incumbent employees in major subsidiaries at the end of the reporting period	39,404
Number of incumbent employees at the end of the reporting period	58,544
Number of employees receiving salaries in current period	58,544
Number of retired employees requiring the parent Company and its subsidiaries to bear costs	0
Professional structure	
Tier	Number of employees
Managerial personnel	962
Production staff	17,332
Sales staff	9,927
Technical staff	28,479
Financial staff	402
Administrative Staff	1,442
Total	58,544
Educational background	
Education background	Number of employees
Master and/or doctor/or above	10,971
Bachelor	28,890
Junior College (professional training)	6,131
Other	12,552
Total	58,544

2. Staff Remuneration Policy

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

3. Staff Training Plans

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

From 2020 to 2023, the Company committed to the twin strategies of "system construction" and "resource construction", consolidating the system and resource base, enhancing the training system combined with leadership, general skills, new employee orientation, business skills, and professional competence.

With respect to rapid changes in external business environment, the human resources department carried out an agile and effective talent development model based on current implementation. On one hand, they worked with business experts to timely summarize experiences, identifying typical scenarios of business development, learning practical methodologies and skills, and implementing the large learning project that is a combination of theoretical training and practical training. On the other hand, they designed learning map for key roles and positions based on "721 learning rule" derived from *Competency Model for Qualifications*, and launched an online learning system to support talent development.

In 2024, the Company will further strengthen the talent development systems, providing talents for key positions for business development, through better design and result of the talent development program and the cultivation project of core business talents.

4. Labor Outsourcing

Applicable Inapplicable

X. Profit Distribution and Capitalization of Capital Reserves

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

Applicable Inapplicable

Special explanation of cash dividend policy	
Whether it complies with the provisions of the Company's articles of association or the requirements of the resolution of the shareholders' meeting:	Yes
Whether the dividend standard and dividend ratio are clear:	Yes
Whether the relevant decision-making procedures and mechanisms are complete:	Yes
Whether independent directors performed their duties and played their due roles:	Yes
For companies with no cash dividend, disclose detailed reasons and further measures to improve investment return for shareholders:	Inapplicable
Whether minority shareholders have the opportunity to fully express their opinions and demands, and whether their legitimate rights and interests are fully protected:	Yes
If the cash dividend policy is adjusted or changed, whether the conditions and procedures are compliant and transparent:	Inapplicable

The 17th meeting of the 5th session of the Board of Directors of the Company reviewed and approved the 2022 *Annual Profit Distribution Proposal*, and was reviewed and approved by the Company's 2021 annual general meeting: based on the Company's current total share capital of 9,363,932,789 shares, the Company proposed to distribute cash dividend of RMB 7 (tax inclusive) per each 10 shares to all shareholders, bonus share and share distribution from capital reserve is nil. The date of record for this profit distribution is May 18, 2023, the ex-rights/ex-dividend date is May 19, 2023, and the total cash dividends (tax inclusive) is RMB6,554,752,952.30.

The above-mentioned profit distribution policy conforms to the provisions of the Company's articles of association and the review procedures, and fully protects the legitimate rights and interests of small and medium investors, and the independent directors have expressed their agreement.

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

Applicable Inapplicable

Profit distribution and capitalizing of capital reserves for the current reporting period

 ✓ Applicable Inapplicable

Bonus issue per 10 shares (share)	0
Cash dividend per 10 shares (RMB) (tax inclusive)	9.00
Additional shares converted from capital reserves for 10 shares (share)	0
Total capital shares as the basis for the distribution proposal (share)	9,330,600,931
Total cash dividend (RMB) (tax inclusive)	8,397,540,837.90
Amount of cash dividends in other methods (such as share repurchase) (RMB)	0.00
Total cash dividends (including other methods) (RMB)	8,397,540,837.90
Distributable profits (RMB)	43,150,159,133.80
Percentage of cash dividends in the total distributed profit (%)	100.00%
Cash dividend policy:	
The Company is in the development stage and has a substantial plan of cash expenditure. In the current profit distribution, cash dividends shall account for at least 20%.	
Details about the plan for profit distribution and capitalizing capital reserves into share capital	
As audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, in 2023, the parent company of the Company realized net profit of RMB10,552,055,515.88, with no withdrawal of statutory surplus reserve, adding the undistributed profit of the parent company at the beginning of the year of RMB 39,030,437,901.96, deducting the cash dividends of RMB6,554,752,952.30, adding back RMB123,327,874.60 of the unpaid dividends for the repurchased restricted shares, as of December 31, 2023, the profits distributable to shareholders of the parent company amounted to RMB43,150,159,133.80. As of December 31, 2023, the profits distributable to shareholders in the consolidated statement were RMB57,136,620,244.01 (consolidated). To sum up, according to the principle of "whichever is lower", the profits distributable to shareholders this year was RMB43,150,159,133.80.	
Based agree on the Company's current total share capital of 9,330,600,931 shares, the Company proposed to distribute cash dividend of RMB9 (tax inclusive) per each 10 shares to all shareholders, bonus share and share distribution from capital reserve is nil. The above scheme will distribute a total cash dividend of RMB8,397,540,837.90, and the remaining undistributed profits will be transferred to the next year.	

XI. The Implementation of an Equity Incentive Plan, Employee Stock Incentive Plan, or other Incentive Plans

 ✓ Applicable Inapplicable

1. Share Incentive

During the reporting period, the Company accomplished the repurchase and cancellation of the granted but

unvested restricted shares under the third unlocking period of the 2018 Restricted Share Incentive Scheme.

On 13th April 2023 and 9th May 2023, the 17th Meeting of the 5th session of the Board of Directors and the 2022 annual shareholders' general meeting, reviewed and approved *the Proposal on the Unfulfilled Unlocking Conditions for the Third Unlocking Period of the 2018 Restricted Share Plan and the Repurchase of Restricted Shares Granted but Not Unlocked*, as the Company performance did not meet the unlocking conditions for the third unlocking period of the *2018 Restricted Stock Plan (Revised Draft)*, and agreed on the repurchase and cancellation of the 33,331,858 granted but not unlocked restricted shares of the 2018 Restricted Stock Plan. On 5th July 2023, the Company completed the cancellation procedures for the above shares at the Shenzhen branch of China Securities Depository and Clearing Ltd. As a result, the Company's total share capital changes from 9,363,932,789 shares to 9,330,600,931 shares.

For details, please refer to *the Proposal on the Unfulfilled Unlocking Conditions for the Third Unlocking Period of the 2018 Restricted Share Plan and the Repurchase of Restricted Shares Granted but Not Unlocked* (No. 2023-021) published by the Company on www.cninfo.com.cn on April 15, 2023 and *The Proposal of the Completed Cancellation of the Restricted Shares that have been Granted but not yet Unlocked for the Third Unlocking Period of the 2018 Restricted Plan* (No. 2023-028) published by the Company on www.cninfo.com.cn on July 7, 2023.

At the end of the reporting period, the Company has a total amount of 97,402,605 granted but unvested shares, accounting for 1.04%.

The Company performs accounting treatments related to restricted share incentive plans in accordance with the requirements of *Accounting Standards for Business Enterprises No. 11-Share Payments* and other related accounting standards. The cost of the shares granted by the 2021 Restricted Share Incentive Scheme is amortized during the vesting period.

During the reporting period, the amortization cost of the Company's 2021 Restricted Share Incentive Scheme had no significant impact on the Company's financial status and operating results. For details, please refer to Financial Statement Note (XII)-Share-based Payment.

Equity incentives obtained by the directors and senior management of the Company

Applicable Inapplicable

Unit: Share

Name	Title	Restricted Shares held at the beginning of the period	Shares vested in the current period	Shares newly granted in the current period	Price for restricted shares granted (RMB per share)	Restricted Shares held at period-end
Hu Yangzhong	Director, CEO	0	0	-	-	0
Wu Weiqi	Director, Standing Deputy General Manager	0	0	-	-	0
He Hongli	Senior Deputy General Manager	0	0	-	-	0
Cai Changyang	Senior Deputy General Manager	0	0	-	-	0
Xu Ximing	Senior Deputy General Manager,	149,100	59,100	-	-	90,000
Bi Huijuan	Senior Deputy General Manager	36,900	36,900	-	-	0
Pu Shiliang	Senior Deputy General Manager	120,000	30,000	-	-	90,000
Jin Duo	Senior Deputy General Manager	0	0	-	-	0
Jin Yan	Senior Deputy General Manager, Person in Charge of Finance	113,000	33,000	-	-	80,000
Huang Fanghong	Senior Deputy General Manager, Secretary of the Board	113,000	33,000	-	-	80,000
Chen Junke	Senior Deputy General Manager	0	0	-	-	0
Xu Peng	Senior Deputy General Manager	108,622	38,622	-	-	70,000
Guo Xudong	Senior Deputy General Manager	22,140	22,140	-	-	0
Total	--	662,762	252,762	--	--	410,000

Note:

- (1) Persons listed above are grantees who are senior executives that are the Company's incumbent senior executives.
- (2) During the reporting period, the third third unlocking plan of the 2018 Restricted Share Incentive Scheme were repurchased and cancelled, of which 252,762 were repurchased and cancelled by senior executives.

Assessment and incentive mechanism for the senior management

The Company has established a fairly sophisticated mechanism on employees' evaluation and incentive

restraint, and has established a fair and transparent appraisal and incentive mechanism on senior management personnel and other various level management personnel and employees. The Company's Board of Directors has carried out annual appraisals of senior management members mainly based on annual target achievement index. The Board is responsible for appraisals of the general manager on the general manager's duty, capacity and performance of operation; and the general manager carried out appraisals of other senior management members on their operational management and implementation of relevant assignments. In 2023, senior management personnel carried out their duties diligently with good performance. In the face of complex and changing business environment, better of internal management, improve operating efficiency and continue to promote the steady development of the Company.

2. The Implementation of Employee Stock Incentive Plan

Applicable Inapplicable

3. Other Incentive Plans

Applicable Inapplicable

XII. Construction and Implementation of Internal Control System during the Reporting Period

1. Construction and Implementation of Internal Control

The Company shall establish, improve and effectively implement internal control, further improve the construction of internal control system and strengthen internal audit supervision in accordance with the *Basic Standard for Enterprise Internal Control*, its associated Guidelines and other internal control supervision requirements. The Board of Directors of the Company truthfully discloses the internal control evaluation report. The Board of Supervisors supervises the establishment by the Board of Directors and its implementation of internal control. The management is responsible for organizing and leading the daily internal controls of the Company.

The Audit Committee of the Company under the Board of Directors inspects and supervises the scientificity, rationality, effectiveness and implementation of the Company's internal control system. At the same time, the Audit Committee has organized special work meetings to follow up on the implementation of major matters by the financial center and internal audit department, and puts forward relevant requirements on the normativeness of internal control of the Company. The Company has set up an internal audit department under the Audit Committee

of the Board of Directors, which is equipped with full-time personnel to independently carry out internal audits, supervise and inspect the effectiveness and rationality of internal control. The internal audit department is accountable and reports to the Audit Committee and reports on their work regularly. The internal audit department audits the risk profiles of the Company's business areas according to an annual audit plan. It highlights internal control defects and gives rational suggestions, and standardizes and supervises the operation and management of the Company.

During the reporting period, the Company continuously strengthened its self-evaluation and self-improvement on internal control. It continued to improve and thoroughly implement internal control in its departments and strengthened the awareness of compliance management, to ensure the effective implementation of the internal control system, improve the standard of the Company's operations, and promote the healthy and sustainable development of the Company. For more details, please refer to the *2023 Internal Control Self-Evaluation Report* disclosed by the Company on CNINFO website (www.cninfo.com.cn).

2. Any Significant Internal Control Deficiencies during the Reporting Period

Yes No

XIII. The Company's Management and Control of Subsidiaries during the Reporting Period

In strict adherence to the relevant laws and regulations such as the Authorization Management System and the regulations and normative documents of regulatory authorities, the Company considers and approves proposals on the acquisition and cancellation the registration of new subsidiaries, and exercises management powers over major matters of the subsidiaries in accordance with the requirements regarding assets control over the subsidiaries and the standard operations of the Company. At the same time, subsidiaries shall provide timely, complete and accurate information to the Company such as operating results, financial position and operating prospects, so that the Company can conduct scientific decision-making, supervision and coordination.

During the reporting period, the Company established two domestic subsidiaries and four overseas subsidiaries, acquired one subsidiary, and liquidated and cancelled three subsidiaries. All of this result in changes in the scope of its consolidation scope. For details, please refer to changes in the consolidation scope in Note (6) to the financial statements.

XIV. Self-evaluation Report on Internal Control or Internal Control Audit Report

1. Self-evaluation Report on Internal Control

Disclosure date of full text of self-evaluation report on internal control		April 20, 2024
Disclosure index of full text of self-evaluation report on internal control		www.cninfo.com.cn
Proportion of assets evaluated in total assets		100.00%
Proportion of revenue evaluated in total revenue per consolidated financial statement		100.00%
Recognition standard of deficiencies		
Nature	Financial report level	Non-financial report level
Qualitative criteria	<p>Significant deficiency: A deficiency or a combination of deficiencies in internal control may prevent significant errors in financial reports from being identified or prevented, e.g.:</p> <p>A. Invalid internal control environment; B. Fraud of directors, supervisors and senior management personnel on the financial report ; C. Significant errors identified by external auditors but not identified during the Company is operating; D. Invalid supervision of audit committee and internal audit system; E. Other deficiencies that may lead to the wrong judgement of financial statement reporter.</p> <p>Important deficiency: A deficiency or a combination of deficiencies in internal control may prevent errors in financial report from being identified or prevented, although such deficiency is not significant, but require attention of the Board and Management, e.g.:</p> <p>A. Application of accounting policies does not follow the enterprise accounting standard; B. No internal control systems for fraud; C. No control systems or system not effective for unusual or special transactions or no compensatory relevant control; D. One or more deficiencies which prevent the preparation of true and fair financial statements.</p> <p>Normal deficiency: Not significant and not important deficiency.</p>	<p>Internal control deficiencies at non-financial report level are mainly identified by the likelihood of occurrence and the extent of impacts on operating effective in business.</p> <p>Significant deficiency: the high likelihood leading to significant reduction of working efficiency, or significant increase of uncertainty, or significant deviation from the expected target;</p> <p>Important deficiency: a higher likelihood leading to remarkable reduction of working efficiency, or remarkable increase of uncertainty, or remarkable deviation from the expected target;</p> <p>Normal deficiency: a low likelihood leading to reduction of working efficiency, or increase of uncertainty, or deviation from the expected target;</p>
Quantitative criteria	<p>Significant deficiency: potential errors 5% or more of total profits</p> <p>Important deficiency: potential errors 2% or more but below 5% of total profits</p> <p>Normal deficiency: potential errors is 2% or less of total profits</p>	<p>Significant deficiency: direct losses of assets is 5% or more of total profits</p> <p>Important deficiency: direct losses of assets is 2% or more but below 5% of total profits</p> <p>Normal deficiency: direct losses of assets is below 2% of total profits</p>
Number of significant deficiencies in financial report level		0

Number of significant deficiencies in non-financial report level	0
Number of important deficiencies in financial report level	0
Number of important deficiencies in non-financial report level	0

2. Internal Control Audit Report

Applicable Inapplicable

Deliberation Opinion Paragraph in Internal Control Audit Report	
We believe that Hangzhou Hikvision Digital Technology Co., Ltd. maintained effective internal control over financial reporting in all material aspects as of December 31 st 2023 in accordance with the <i>Basic Standard for Enterprise Internal Control</i> and other related regulations.	
Disclosure of internal control audit report	Disclose
Disclosure date of the full text of the internal control audit report	April 20, 2024
Disclosure index of full text of internal control audit report	www.cninfo.com.cn 2023 Internal Control Audit Report
Internal control audit opinion	Standard unqualified audit opinion
Whether there are material weakness of non-financial report	No

Whether the accounting firm issued an internal control audit report with a non-standard opinion

Yes No

Whether the internal control audit report issued by the accounting firm is consistent with the opinion of the self-evaluation report from the Board of Directors

Yes No

Section V Environmental and Social Responsibility

I. Significant Environmental Issues

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

Yes No.

II. Social Responsibilities

For details, please refer to the Company's *2023 Environment, Social and Governance Report* disclosed on CNINFO (www.cninfo.com.cn).

III. The Achievements of Poverty Alleviation and Rural Revitalization

During the reporting period, the Company did not conduct any targeted poverty alleviation and rural revitalization work.

Section VI Significant Events

I. Performance of Commitments

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

√ Applicable □ Inapplicable

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

Commitments	Giver of commitments	Commitment type	Details of commitments	Date of commitments	Term of commitments	Performance
			<p>about related transactions. The related transactions will go through approval procedures in accordance with related rules and complete legal procedures, fulfilling the information disclosure obligations in respect to the related transactions</p> <p>3. Commitment to the maintenance of the independence of the listed Company</p> <p>3.1 Commitment to Personnel Independence of the listed Company</p> <p>(1) Commitment that our general manager, deputy general manager, chief financial officer, secretary of the board and other members of senior management shall not assume any positions other than directors and supervisors or get any remuneration in CETHIK and/or any of its controlled entities; (2) Commitment in keeping the management of labor, human resources and issues related to remuneration of the listed Company independent from that of CETHIK;</p> <p>3.2 Commitment to the independence of the asset of the listed Company</p> <p>(1) Commitment to independent and complete asset of the listed Company</p> <p>(2) Commitment free of unlawful use of cash and asset of the listed Company by the controlling shareholders</p> <p>3.3 Commitment to financial independence of the listed Company</p> <p>(1) Commitment to an independent finance department with a team and accounting system;</p> <p>(2) Commitment to a regulated, independent accounting system and financial management system of the branches and subsidiaries</p> <p>(3) Commitment to maintaining accounts with banks independently of and not sharing any bank account with our controlling shareholders</p> <p>(4) Commitment that the financial staff shall not assume any positions in CETHIK</p> <p>(5) Commitment to paying taxes independently according to the law;</p> <p>(6) Commitment to implementing financial decisions independently</p> <p>3.4 The Company has set up an independent organizational structure which maintains its independent operations which is independent from that of CETHIK.</p> <p>3.5 Commitment to business Independence of the listed Company</p> <p>(1) The Company has the asset, personnel, aptitude and management capability</p>			

Commitments	Giver of commitments	Commitment type	Details of commitments	Date of commitments	Term of commitments	Performance
			<p>for independent and complete business operation. The Company has the ability to operate independently in the market.</p> <p>(2) Commitment in independence in both business and operations</p> <p>4. Regarding plans for the development and relevant commitment for the listed Company, Haikang Group has committed as below for the subsequent development of Hikvision according to the Securities Acts and relevant laws and rules,</p> <p>4.1 Currently the Company has no plan to change or make significant adjustments for principal business in the next 12 months;</p> <p>4.2 Currently the Company has no plan to sell, merge or operate with another Company for the assets and business of the listed Company or its subsidiaries in the next 12 months.</p> <p>4.3 Currently the Company has no plan to alter the Board of the Directors and senior management and no agreement with other shareholders about the appointment and removal of the directors or senior management. The team of Board of Directors and senior management will remain unchanged for the foreseeable future.</p> <p>4.4 Currently the Company has no plan to make significant changes to the Articles of Association for the listed Company.</p> <p>4.5 Currently the Company has no plan to make significant changes to the existing employee recruitment for the listed Company.</p> <p>4.6 Currently the Company has no plan to make significant changes for the dividend distribution plan for the listed Company.</p> <p>4.7 Currently the Company has no plan to make significant changes for business and organizational structure for the listed Company.</p>			
Commitments in Initial Public	Hangzhou Weixun Equity Investment Partnership	Share restriction commitment	During Hu Yangzhong, Wu Weiqi, Jiang Haiqing, Zhou Zhiping, Xu Lirong, Cai Dingguo, He Hongli, Zheng Yibo, Hu Dan, Jiang Yufeng, Liu Xiang,	May 17, 2010	Long term	Strict performance

Commitments	Giver of commitments	Commitment type	Details of commitments	Date of commitments	Term of commitments	Performance
Offering or re-financing	(Limited Partnership)		Wang Ruihong, Chen Junke's tenure of the Company's Board of Directors, supervisors and senior management personnel, the annual transfer of Hikvision's total shares should not exceed 25% of total number of shares held under Weixun; within 6 months after abovementioned personnel's demission, should not transfer Hikvision's shares held under Weixun.			
	Hangzhou Pukang Equity Investment Partnership (Limited Partnership)	Share restriction commitment	During Hu Yangzhong, Wu Weiqi, Gong Hongjia's tenure of the Company's Board of Directors, supervisors and senior management personnel, the annual transfer of Hikvision's total shares should not exceed 25% of total number of shares held under Pukang; within 6 months after abovementioned personnel's demission, should not transfer Hikvision's shares held under Pukang.	May 17, 2010	Long term	Strict performance
	The Company's directors, supervisors and executive: HuYangzhong, Wu Weiqi, Jiang Haiqing, Zhou Zhiping, Xu Lirong, Cai Dingguo, He Hongli, Zheng Yibo, Hu Dan, Jiang Yufeng, Liu Xiang, Wang Ruihong, Chen Junke	Share restriction commitment	During their tenure of the Company's Board of Directors, supervisors and senior management personnel, the annual shares transfer should not exceed 25% of total number of shares held under Weixun; within 6 months after their demission, they should not transfer their shares held under Weixun.	May 17, 2010	Long term	Strict performance
	Directors, executive officers of the Company: Hu Yangzhong, Wu Weiqi	Share restriction commitment	During their tenure of the Company's Board of Directors, supervisors and senior management personnel, the annual shares transfer should not exceed 25% of total number of shares held under Pukang; within 6 months after their demission, they should not transfer their shares held under Pukang.	May 17, 2010	Long term	Strict performance
	The Company's director Gong Hongjia's spouse, Chen Chunmei	Share restriction commitment	During Gong Hongjia's tenure of the Company's Board of Directors, supervisors and senior management personnel, Chen's annual shares transfer should not exceed 25% of total number of shares held under Pukang; within 6	May 17, 2010	Long-term	Strict performance

Commitments	Giver of commitments	Commitment type	Details of commitments	Date of commitments	Term of commitments	Performance
			months after the demission of Gong Hongjia, Chen should not transfer her shares held under Pukang.			
	China Electronics Technology Group Co., Ltd.	Commitment to avoid horizontal competition	To avoid any loss of the Company and other shareholders arising from any competing business, China Electronics Technology Group Co., Ltd., the actual controller of the Company, issued Letters of non-competition on 18 September, 2008.	September 18, 2008	Long term	Strict performance
	Gong Hongjia; Hangzhou Weixun Equity Investment Partnership (Limited Partnership); Hangzhou Pukang Equity Investment Partnership (Limited Partnership); ZheJiang Orient Holdings Co., Ltd.	Commitment to avoid horizontal competition	To avoid any loss of the Company and other shareholders arising from any competing business, Gong Hongjia, Hangzhou WeiXun I Equity Investment Partnership (Limited Partnership), ZheJiang Orient Holdings Co., Ltd. and Hangzhou Pukang Equity Investment Partnership (Limited Partnership), the promoters of the Company, issued <i>Commitment Letters of non-competition in the same industry</i> on July 10, 2008.	July 10, 2008	Long term	Strict performance
Other commitments (commitments relating to the spin-off of EZVIZ Network to be listed on the Science and Technology Innovation Board)	Hangzhou Hikvision Digital Technology Co., Ltd.	Commitment relating to the spin-off of EZVIZ Network to be listed on the Science and Technology Innovation Board	Arrangement on trading restriction and commitment to voluntarily restrict shares relating to the spin-off of EZVIZ Network to be listed on the Science and Technology Innovation Board, for details, please refer to the appendix VI of the <i>Prospectus on the Initial Public Share Offering and Listing on the STAR Market of the Shanghai Stock Exchange of Hangzhou EZVIZ Network Co., Ltd.</i> published by EZVIZ Network on the website of Shanghai Stock Exchange (www.sse.com.cn): commitments relating to investor protection.	December 28, 2022	Within 36 months from the date of issuing and listing of EZVIZ Network	Strict performance
			Commitment relating to the intention to hold shares and the intention to reduce holdings of shares of EZVIZ Network of the spin-off of EZVIZ Network to be listed on the Science and Technology Innovation Board, for details, please refer to the appendix VI of the <i>Prospectus on the Initial Public Share Offering and Listing on the STAR Market of the Shanghai Stock Exchange of Hangzhou EZVIZ Network Co., Ltd.</i> published by EZVIZ Network on the website of Shanghai Stock Exchange (www.sse.com.cn): commitments relating to investor	December 28, 2022	Within 2 years from the end date of shares restriction period of	Strict performance

Commitments	Giver of commitments	Commitment type	Details of commitments	Date of commitments	Term of commitments	Performance
			<p>protection.</p> <p>Commitments and initiatives to stabilize the stock price of EZVIZ Network, to repurchase shares of EZVIZ Network, to guarantee no fraud in listing of EZVIZ Network, to make compensation for diluted spot return, to undertake compensation or liability in accordance with the law, to have constraints for failing to fulfill commitments, to avoid intra-industry competition, to regulate and reduce related party transactions, to avoid capital occupation, and to keep system independent after the spin-of of EZVIZ Network to be listed on the Science and Technology Innovation Board. For details, please refer the <i>Prospectus on the Initial Public Share Offering and Listing on the STAR Market of the Shanghai Stock Exchange of Hangzhou EZVIZ Network Co., Ltd.</i> published by EZVIZ Network on the website of Shanghai Stock Exchange (www.sse.com.cn): commitments relating to investor protection.</p>	December 28, 2022	EZVIZ Network Long term	Strict performance
Whether the commitments is fulfilled in time	Yes					

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

Applicable Inapplicable

II. The Company's Funds Used by the Controlling Shareholder or Other Related Parties for Non-operating Purposes

Applicable Inapplicable

No such case during the current reporting period.

III. Illegal Provision of Guarantees for External Parties

Applicable Inapplicable

No such case in the current reporting period.

IV. Explanation Given by the Board of Directors regarding the Latest "Non-standard Auditor's Report"

Applicable Inapplicable

V. Explanation Given by the Board of Directors, Supervisory Committee and Independent Directors (if applicable) regarding the "Non-standard Auditor's Report" Issued by the CPA Firm for the Current Reporting Period

Applicable Inapplicable

VI. For Changes in Accounting Policies, Accounting Estimates or Correction of Significant Accounting Errors Compared with the Financial Report for the Prior Year

Applicable Inapplicable

For details, please refer to the Note (III) 35.

VII. Explanation for Changes in Scope of the Consolidated Financial Statements as Compared to the Financial Report for the Prior Year

Applicable Inapplicable

During the reporting period, the Company established three domestic subsidiaries and three overseas

subsidiaries, and acquired two subsidiaries. All of this result in changes in the scope of its consolidation scope. For details, please refer to changes in the consolidation scope in Note (VI) to the financial statements.

VIII. Engagement and Disengagement of the CPA firm

CPA firm engaged at present

Name of the domestic CPA firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Remuneration for the domestic CPA firm (RMB'0000)	420
Consecutive years of the audit service provided by the domestic CPA firm	8
Name of the certified public accountants from the domestic CPA firm	Chen Yan, Liu Ying
Consecutive years of the audit service provided by the certified public accountants from the domestic CPA firm	Chen Yan has provided audit service for 1 year; Liu Ying has provided audit service for 1 year.

Whether the CPA firm was changed in the current period

Yes No

Whether to reappoint a CPA firm during the audit

Yes No

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

Applicable Inapplicable

During the reporting period, the Company hired Deloitte Touche Tohmatsu Certified Public Accountants LLP as the internal control audit accounting firm, and paid a total of RMB 630,000 of internal control audit fees during the period.

IX. Delisting after Disclosure of this Annual Report

Applicable Inapplicable

X. Bankruptcy and Restructuring

Applicable Inapplicable

No such case during the reporting period.

XI. Material Litigations and Arbitration

Applicable Inapplicable

The Company had no material litigation or arbitration during the current reporting period.

XII. Punishments and Rectifications

Applicable Inapplicable

No such case during the reporting period.

XIII. Integrity of the Company and its Controlling Shareholders and Actual Controllers

Applicable Inapplicable

XIV. Significant Related-party Transaction

1. Related-party Transactions Arising from Routine Daily Operations

√ Applicable □ Inapplicable

Related party	Relationship	Type of related transaction	Content of related transaction	Pricing principles for related party transactions	Trading Amount (0'000 RMB)	Proportion to the amount of similar transactions.	Approved trading quota (0'000 RMB)	Whether exceed the approved quota	Settlement method	Disclosure date	Disclosure reference
Subsidiaries or research institutes of CETC	Under the common control of the Company's actual controller	Procurement	Purchasing of raw materials, receiving services	Reference market price agreed by both parties	241,106.58	5.18%	350,000	No	Payment on delivery	April 15, 2023	<i>Announcement on the forecast of daily related-party transactions in 2023 (No. 2023-015)</i>
Joint ventures	Joint ventures held by the Company	Procurement			283.97	0.01%	2,130	No	Payment on delivery		
Associated companies	Associated companies held by the Company	Procurement			27,103.98	0.58%	73,050	No	Payment on delivery		
Other related parties	See Note 1 for details	Procurement			128,661.34	2.76%	220,050	No	Payment on delivery		
Subsidiaries or research institutes of CETC	Under the common control of the Company's actual controller.	Sales	Providing services, selling products and commercial goods	Reference market price agreed by both parties	26,945.45	0.30%	70,000	No	Payment on delivery	April 15, 2023	<i>Announcement on the forecast of daily related-party transactions in 2023 (No. 2023-015)</i>
Joint ventures	Joint ventures held by the Company	Sales			6,905.60	0.08%	14,600	No	Payment on delivery		
Associated companies	Associated companies held by the Company	Sales			6,670.61	0.07%	20,450	No	Payment on delivery		
Other related parties	See Note 1 for details	Sales			2,412.21	0.03%	8,720	No	Payment on delivery		

Related party	Relationship	Type of related transaction	Content of related transaction	Pricing principles for related party transactions	Trading Amount (0'000 RMB)	Proportion to the amount of similar transactions.	Approved trading quota (0'000 RMB)	Whether exceed the approved quota	Settlement method	Disclosure date	Disclosure reference
Subsidiaries or research institutes of CETC	Under the common control of the Company's actual controller.	Lease	Renting house from related parties	Reference market price agreed by both parties	232.41	0.55%	500	No	Based on contract	April 15, 2023	<i>Announcement on the forecast of daily related-party transactions in 2023 (No. 2023-015)</i>
Total					440,322.15	-	759,500	-	-	-	-
Details on significant sales return			None								
Total amount of related transactions projected based on different categories, and the actual performance during the current reporting period (if any)			The above newly increased trading quotas include forecast quota amount of RMB300,000 for purchasing of raw materials and receiving services from joint ventures, the estimated newly increased amount of RMB5.5 million for purchasing of raw materials and receiving services from associated companies, the estimated newly increased amount of RMB2 million for providing services, selling products and commercial goods to associated companies, the estimated newly increased amount of RMB47.2 million for providing services, selling products and commercial goods to other related parties. Those forecast quota amount has been approved by the Chairman of the Company according to related regulations and the Company's <i>Management System of Related Transaction</i> .								
Reasons on significant difference between trading price and market referencing price (if applicable)			Not applicable								

Note 1: Enterprises controlled, jointly controlled or serving as directors or senior management personnel by affiliated natural persons of the Company (including directors, supervisors, senior management of the Company, shareholders holding more than 5% of the shares of the Company and their close family members).

Note 2: The data shown in the totals may differ slightly from the sum of the relevant individual data due to rounding.

2. Related-party Transactions regarding Purchase and Disposal of Assets or Equity

Applicable Inapplicable

No such case in the reporting period.

3. Significant Related-party Transactions Arising from Joint Investments on External Parties

Applicable Inapplicable

No such case in the reporting period.

4. Related Credit and Debt Transactions

Applicable Inapplicable

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

5. Transactions with Related Financial Companies

Applicable Inapplicable

Deposit business

Related Party	Relationship	Maximum daily deposit limit (0,000 RMB)	Deposit interest rate range	Opening Balance (0,000 RMB)	Amount incurred (0,000 RMB)		Closing Balance (0,000 RMB)
					Total deposit amount for the current period (0,000 RMB)	Total withdrawal amount for the current period (0,000 RMB)	
CETC Finance Co., Ltd.	Under the common control of the Company's ultimate controller	1,459,403.08	0.2%-2.0%	400,003.35	451,436.54	450,922.15	400,517.74

Credit or other financial services

Related Party	Relationship	Business Type	Total Amount (0,000 RMB)	Actual amount incurred (0,000 RMB)
CETC Finance Co., Ltd.	Under the common control of the Company's ultimate controller	Other financial services	600,000.00	252,300.00

Note: The above amount is the amount of entrusted loans issued by the Group to its subsidiaries through China Electronics

Technology Finance Co., Ltd. during the year.

Related Party	Relationship	Business Type	Total Amount (0,000 RMB)	Actual amount incurred (0,000 RMB)
CETC Finance Co., Ltd.	Under the common control of the Company's ultimate controller	Credit	500,000.00	-

6. Transactions between the Financial Company Controlled by the Company and Related Parties

Applicable Inapplicable

There is no deposit, loan, credit or other financial business between the financial company controlled by the Company and its related parties.

7. Other Significant Related Party Transactions

Applicable Inapplicable

There is no other significant related party transactions during the reporting period.

XV. Significant Contracts and Their Execution

1. Trusteeship, Contracting and Leasing

(1) Trusteeship

Applicable Inapplicable

No such case in the reporting period.

(2) Contracting

Applicable Inapplicable

No such case in the reporting period.

(3) Leasing

Applicable Inapplicable

2. Significant Guarantees

✓ Applicable □ Inapplicable

Unit: RMB'0000

Guarantees provided by the Company to its subsidiaries								
Guaranteed party	Disclosure date of announcement of the guarantee cap	Guarantee cap	Actual occurrence date	Actual guaranteed amount	Type of guarantee	Guarantee expiration date	Fulfilled or not	Guarantee for a related party or not
Hangzhou Hikvision Technology Ltd.	April 15, 2023	1,250,000.00	December 1, 2019	686,260.20	Joint guarantee	December 31, 2029	No	No
LuoPu HaiShi DingXin Electronic Technology Ltd.	April 15, 2023	29,000.00	March 26, 2019	20,560.00	Joint guarantee	March 26, 2035	No	No
PiShan HaiShi YongAn Electronic Technology Ltd.	April 15, 2023	28,000.00	March 26, 2019	19,678.00	Joint guarantee	March 26 2040	No	No
Urumqi HaiShi Xin' An Electronic Technology Ltd.	April 15, 2023	37,000.00	March 26, 2019	17,523.57	Joint guarantee	June 20, 2028	No	No
Moyu HaiShi Meitian Electronic Technology Ltd.	April 15, 2023	24,000.00	March 26, 2019	16,240.00	Joint guarantee	March 26, 2035	No	No
Hangzhou Hikvision System Technology Ltd.	April 15, 2023	80,000.00	March 23, 2021	15,103.46	Joint guarantee	November 28, 2025	No	No
Yutian HaiShi Meitian Electronic Technology Ltd.	April 15, 2023	30,000.00	March 26, 2019	9,480.00	Joint guarantee	March 26, 2034	No	No
Wuhan Haorong Technology Ltd.	April 15, 2023	30,000.00	December 4, 2023	5,543.48	Joint guarantee	July 30, 2025	No	No
Xi'an Hikvision Digital Technology Ltd.	April 15, 2023	24,000.00	September 29, 2022	4,421.14	Joint guarantee	July 31, 2025	No	No
Chongqing Hikvision Technology Ltd.	April 15, 2023	27,000.00	December 20,	4,131.14	Joint guarantee	March 30, 2024	No	No

Guarantees provided by the Company to its subsidiaries								
Guaranteed party	Disclosure date of announcement of the guarantee cap	Guarantee cap	Actual occurrence date	Actual guaranteed amount	Type of guarantee	Guarantee expiration date	Fulfilled or not	Guarantee for a related party or not
			2022					
Hangzhou Hikvision Electronic Ltd.	April 15, 2023	45,000.00	August 8, 2023	1,311.82	Joint guarantee	November 29, 2024	No	No
Nanjing Hikvision Digital Technology Ltd.	April 15, 2023	12,000.00	June 30, 2022	3,853.70	Joint guarantee	July 31, 2025	No	No
Chongqing Hikvision System Technology Ltd.	April 15, 2023	6,000.00	March 30, 2023	521.85	Joint guarantee	July 24, 2024	No	No
Shijiazhuang Hikvision Technology Ltd.	April 15, 2023	12,000.00	October 18, 2023	159.31	Joint guarantee	July 31, 2025	Yes	No
Zhengzhou Hikvision Digital Technology Ltd.	April 15, 2023	8,500.00	Not happened during the reporting period					
Nanchang Hikvision Digital Technology Ltd.	April 15, 2023	2,000.00	Not happened during the reporting period					
Hikvision Digital Technology (Shanghai) Ltd.	April 15, 2023	3,000.00	Not happened during the reporting period					
Hefei Hikvision Digital Technology Ltd.	April 15, 2023	3,500.00	Not happened during the reporting period					
Fuzhou Hikvision Digital Technology Ltd.	April 15, 2023	2,500.00	Not happened during the reporting period					
Chengdu Hikvision Digital Technology Ltd.	April 15, 2023	6,000.00	Not happened during the reporting period					
Wuhan Hikvision Technology Ltd.	April 15, 2023	1,000.00	Not happened during the reporting period					
Prama Hikvision India Private Ltd.	April 15, 2023	9,000.00	Not happened during the reporting period					
Hikvision International Co., Ltd..	April 15, 2023	151,200.00	Not happened during the reporting period					
HIKVISION UK LTD.	April 15, 2023	2,000.00	Not happened during the reporting period					
HIKVISION TECHNOLOGY PTE. LTD.	April 15, 2023	25,000.00	Not happened during the reporting period					
Total guarantee cap for subsidiaries approved during the reporting period(B1)			1,847,700.00	Total actual guarantee amount for subsidiaries during the reporting period(B2)				1,178,665.18

Guarantees provided by the Company to its subsidiaries								
Guaranteed party	Disclosure date of announcement of the guarantee cap	Guarantee cap	Actual occurrence date	Actual guaranteed amount	Type of guarantee	Guarantee expiration date	Fulfilled or not	Guarantee for a related party or not
Total approved guarantee cap for subsidiaries at the end of the reporting period(B3)		1,847,700.00		Total actual guarantee balance for subsidiaries at the end of the reporting period(B4)		804,787.67		
Guarantees provided by the Company's subsidiary to another subsidiary								
Guaranteed party	Disclosure date of announcement of the guarantee cap	Guarantee cap	Actual occurrence date	Actual guaranteed amount	Type of guarantee	Guarantee expiration date	Fulfilled or not	Guarantee for a related
Hangzhou Haikang Intelligent Technology Ltd.	April 15, 2023	80,000.00	March 14, 2022	19,693.02	Joint guarantee	2025.11.30	No	No
Hangzhou Haikang Machine Intelligence Ltd.	April 15, 2023	80,000.00	June 13, 2023	1,363.53	Joint guarantee	2024.04.12	No	No
Hangzhou Hikmicro Intelligent Technology Ltd.	April 15, 2023	92,000.00	November 2, 2022	957.53	Joint guarantee	2024.04.12	No	No
Chongqing EZVIZ Electronic Ltd.	April 15, 2023	30,000.00	September 11, 2023	800.00	Joint guarantee	2024.09.11	No	No
Wuhu Sensortech Intelligent Technology Ltd.	April 15, 2023	6,500.00	September 27, 2022	-	Joint guarantee	2024.01.16	No	No
Sensortech Hebei Technology Ltd.	April 15, 2023	12,000.00	July 28, 2022	-	Joint guarantee	2023.12.12	No	No
Hangzhou Hikmicro Software Ltd.	April 15, 2023	10,000.00	Not happened during the reporting period					
Hangzhou Hikstorage Technology Ltd.	April 15, 2023	10,000.00	Not happened during the reporting period					
Wuhan Hikfire Technology Ltd.	April 15, 2023	3,000.00	Not happened during the reporting period					
Zhangjiang Hikfire Technology Ltd.	April 15, 2023	3,000.00	Not happened during the reporting period					

Guarantees provided by the Company to its subsidiaries								
Guaranteed party	Disclosure date of announcement of the guarantee cap	Guarantee cap	Actual occurrence date	Actual guaranteed amount	Type of guarantee	Guarantee expiration date	Fulfilled or not	Guarantee for a related party or not
Total guarantee cap for subsidiaries approved during the reporting period (C1)			326,500.00	Total actual guarantee amount for subsidiaries during the reporting period (C2)				55,566.63
Total approved guarantee cap for subsidiaries at the end of the reporting period (C3)			326,500.00	Total actual guarantee balance for subsidiaries at the end of the reporting period (C4)				22,814.08
The total amount of Company's guarantees (that is, the total of the first three items)								
Total guarantee cap approved during the reporting period (A1+B1+C1)			2,174,200.00	Total actual guarantee amount during the reporting period (A2+B2+C2)				1,234,231.81
Total approved guarantee cap at the end of the reporting period (A3+B3+C3)			2,174,200.00	Total actual guarantee balance at the end of the reporting period (A4+B4+C4)				827,601.75
Portion of the total actual guarantee (A4+B4+C4) amount in net assets of the Company								10.84%
Of which:								
The balance of guarantee for shareholders, actual controllers and their affiliates. (D)								0.00
Amount of debt guarantees provided directly or indirectly for entities with a liability-to-asset ratio over 70% (E)								811,976.44
Total amount of guarantee exceeding 50% of net assets (F)								0.00
Total guarantee amount of the above-mentioned 3 kinds of								811,976.44

Guarantees provided by the Company to its subsidiaries								
Guaranteed party	Disclosure date of announcement of the guarantee cap	Guarantee cap	Actual occurrence date	Actual guaranteed amount	Type of guarantee	Guarantee expiration date	Fulfilled or not	Guarantee for a related party or not
guarantees (D+E+F)								

3. Entrusted Others to Manage Cash Assets

(1) Entrusted financial management

Applicable Inapplicable

No such case during the reporting period

(2) Entrusted loan management

Applicable Inapplicable

No such case during the reporting period

4. Other Significant Contracts

Applicable Inapplicable

No such case during the reporting period

XVI. Other Significant Events

Applicable Inapplicable

1. Repurchase of the Company's Public Shares

On September 15, 2022 and October 10, 2022, the Company held the 13th meeting of the 5th session of the Board of Directors and the second extraordinary general meeting of shareholders in 2022 respectively, deliberated and approved the *Proposal on the Plan of Repurchase Part of the Company's Public Shares*, approved the Company using its own fund to repurchase part of its RMB common shares (A shares) that have been issued domestically by means of centralized bidding through the trading system of the SZSE, the aggregate amount of repurchase funds shall not exceed RMB2.5 billion (inclusive) and not less than RMB 2 billion (inclusive), the repurchase price shall not exceed RMB40 per share (inclusive), the implementation period of the repurchase shall not exceed 12 months from the date of the general meeting of shareholders of the Company at which the proposal on the plan of repurchase part of the Company's public shares is reviewed and approved, and the Company will make repurchase decisions and implement them based on market conditions during the repurchase period. The shares repurchased by the Company will be cancelled for reducing the registered capital according to law. For details, please refer to the *Announcement on Resolutions of 13th Meeting of the 5th Session of the Board of Directors* (Announcement No.: 2022-049), the *Announcement on the Plan of Repurchase Part of the Company's Public Shares* (Announcement No.: 2022-050), the *Announcement on Resolutions of the Second Extraordinary General Meeting of Shareholders in 2022* (Announcement No.: 2022-056), the *Report on the Plan of Repurchase Part of the Company's Public Shares* (Announcement No.: 2022-057) published by the Company on cninfo website (www.cninfo.com.cn) on September 16, 2022 and October 11, 2022. On October 11, 2022, the Company first repurchased 6,820,968 shares of the Company by means of centralized bidding through a dedicated securities account for the repurchase, accounting for 0.0723% of the Company's total share capital at that time. The highest transaction price was RMB29.65 per share, the lowest transaction price was RMB28.71 per share, and the total transaction amount was RMB199,981,024.67 (excluding transaction fees). For details, please refer to the *Announcement on the Initial Repurchase of the Company's Shares* (Announcement No.: 2022-059) published by the Company on cninfo website (www.cninfo.com.cn) on October 12, 2022. During the repurchase period, the Company disclosed the progress of repurchase as of the end of last month within the first three trading days each month based on the regulation. For details, please refer to the *Announcement on the Progress of Repurchase* (Announcement No.: 2022-063) (Announcement No.: 2022-066) published by the Company on cninfo website (www.cninfo.com.cn) on November 2, 2022, December 3, 2022, respectively. As of December 30, 2022, the repurchase of shares had been completed, and the actual repurchase date was between October 11, 2022 and December 30, 2022, meet the requirement on implementation period of repurchase in repurchase plan. As of December 30, 2022, the Company used the dedicated securities account for share

repurchase to cumulatively repurchase shares with the total amount of 66,987,835 shares by means of centralized bidding, accounting for 0.7103% of the Company's total share capital at that time (9,430,920,624 shares). The highest transaction price was RMB35.13 per share, the lowest transaction price was RMB26.83 per share, and the total transaction amount was RMB2,043,476,488.53 (excluding transaction fees). The source of share-repurchase funding was from the Company's own fund, and the price of repurchase did not exceed the upper limit of the price (RMB40 per share) specified in the repurchase plan. The repurchase complies with relevant laws, regulations and rules from the disclosed repurchase plan. For details, please refer to the *Announcement on the Progress and Result of Repurchase of the Company's Shares and Changes in Shares* (Announcement No.: 2023-001) published by the Company on cninfo website (www.cninfo.com.cn) on January 4, 2023. On January 13, 2023, the Company had completed the cancellation procedures for the above shares at the Shenzhen branch of China Securities Depository and Clearing Corporation Ltd., with the total amount of 66,987,835 shares, accounting for 0.7103% of the Company's total share capital before the cancellation (9,430,920,624 shares), and the number of cancelled shares is equal to the number of actual repurchased shares. After the completion of the repurchase and cancellation of shares, the Company's total share capital changes from 9,430,920,624 shares to 9,363,932,789 shares. For details, please refer to the *Announcement on the Completion of the Cancellation of the Company's Repurchased Shares and Changes in Shares* (Announcement No.: 2023-002) published by the Company on cninfo website (www.cninfo.com.cn) on January 17, 2023.

2. Matters Relating to Capital Increase and Introduction of Strategic Investors for Wholly-Owned Subsidiary Shijiazhuang Sensortech

On February 15, 2023, the Company held the 16th meeting of the 5th session of the Board of Directors, reviewed and approved the *Proposal on Capital Increase and Introduction of Strategic Investors for Wholly-Owned Subsidiary Shijiazhuang Sensortech Intelligent Technology Co., Ltd.* (hereinafter referred to as "Shijiazhuang Sensortech") and agreed to increase the registered capital of Shijiazhuang Sensortech by RMB2,398,000,000. Hikvision intended to increase the registered capital of Shijiazhuang Sensortech by RMB1,345,200,000 to hold no less than 56.0969% equity in the subsidiary. Meanwhile, Shijiazhuang Sensortech planned to introduce one or more strategic investors via public listing with a total investment of RMB1,052,800,000 to obtain no more than 43.9031% equity. The final amount of capital increase and shareholding ratios will be subject to the results of the listing subscription. For details, please refer to the *Announcement on Capital Increase and Introduction of Strategic Investors for Wholly-Owned Subsidiary Shijiazhuang Sensortech Intelligent Technology Co., Ltd.* (Announcement No.: 2023-005) published by the Company

on cninfo website (www.cninfo.com.cn) on February 16, 2023.

On February 24, 2023, the capital increase of Shijiazhuang Sensortech was listed on the China Beijing Equity Exchange. Two potential investors were identified for the Shijiazhuang Sensortech Capital Increase Project at the end of the announcement period. They were Hangzhou Qianmo Qinghe Equity Investment Partnership (Limited Partnership) (hereinafter referred to as "Qianmo Qinghe") and a consortium of two investors: Qin Yi (a natural person) and Wuhu Sensi Yingwo Investment Center (Limited Partnership) (hereinafter referred to as "Sensi Yingwo"). The Company signed the Capital Increase Agreement (hereinafter referred to as "The Agreement") with Qianmo Qinghe, Sensi Yingwo and Qin Yi on March 28, 2023. Hikvision intended to use equity to subscribe a capital increase of RMB1,345,200,000 and hold 56.0969% equity in Shijiazhuang Sensortech through an agreement. The strategic investors participated in the capital increase through public delisting on the China Beijing Equity Exchange. They subscribed a capital increase of RMB1,052,800,000 to hold 43.9031% equity in Shijiazhuang Sensortech. Upon completion of the capital increase, the registered capital of Shijiazhuang Sensortech will increase from RMB10,000 to RMB2,398,010,000. Hikvision will hold 56.0969% equity, maintaining a controlling interest in Shijiazhuang Sensortech and shall consolidate the financial statements of this subsidiary. For details, please refer to the *Announcement on Progress of Capital Increase and Introduction of Strategic Investors for Wholly-Owned Subsidiary Shijiazhuang Sensortech Intelligent Technology Co., Ltd.* (Announcement No.: 2023-009) published by the Company on cninfo website (www.cninfo.com.cn) on March 29, 2023.

3. The Company's controlling shareholder disclosed and implemented the plan to increase the Company's shares

The Company received a notice from China Electronics Technology HIK Group Co., Ltd. (hereinafter referred to as "CETHIK"), the Company's controlling shareholder, on October 16, 2023 that CETHIK intended to increase its shareholdings of the Company's shares through the trading system of the Shenzhen Stock Exchange through centralized bidding, block trading or other trading methods permitted by laws and regulations within 6 months from October 17, 2023. The total amount of the increased shareholdings would not be less than RMB200 million and not more than RMB300 million, and the proposed price of increased shareholdings should not be higher than RMB40 per share (inclusive). The plan of increase shareholding would be implemented at the opportunity with the consideration of the fluctuation of Hikvision's stock price and the overall trend of the capital market. From January 4, 2024 to January 9, 2024, CETHIK increased its holdings of 6,271,400 shares of the Company through the trading system of the Shenzhen Stock Exchange through centralized bidding, accounting for 0.0672% of the Company's current total share capital, and the

amount of additional shares is 200,160,059.77 yuan (excluding transaction fees). The shareholding increase plan of CETHIK has been implemented. For details, please refer to the *Announcement on the Plan for the Company's Controlling Shareholders to Increase Their Shareholdings in the Company* (Announcement No.: 2023-033) and *Announcement on the Completion of the Implementation of the Company's Controlling Shareholders' Plan to Increase Their Shareholdings in the Company* (Announcement No.: 2024-001) published by the Company on cninfo website (www.cninfo.com.cn) on October 17, 2023 and January 10, 2024

4. The person acting in concert of the controlling shareholder of the Company disclosed and implemented the plan to increase the Company's shares

After the close of trading on January 16, 2024, the Company received a notice from CETC Investment Holdings Co., Ltd. (hereinafter referred to as "CETC Investment"), a person acting in concert of the CETHIK, the controlling shareholder of the Company, that on January 16, 2024, CETC Investment increased its holdings of 1,319,906 shares of the Company through centralized bidding through the trading system of the Shenzhen Stock Exchange, with the amount of RMB40,363,848.49. CETC Investment intends to continue to increase its holdings of the Company's shares within 6 months from January 16, 2024, with an increase of not less than RMB300 million and no more than RMB600 million (including the amount of increase on January 16, 2024). There is no fixed price range for this increase plan, and CETC Investment will implement the shareholding increase plan at the opportunity with the reasonable judgment of the Company's stock value. From January 16, 2024 to February 6, 2024, CETC Investment has increased its holdings of 12,853,665 shares of the Company through centralized bidding through the Shenzhen Stock Exchange trading system, accounting for 0.1378% of the Company's current total share capital, and the amount of additional shares is 400,027,006.81 yuan (excluding transaction FEEs). For details, please refer to the *Announcement on the Increase of the Company's Shares and the Subsequent Shareholding Increase Plan by the person acting in concert of the controlling shareholder of the Company* (Announcement No.: 2024-002) and the *Announcement on the Completion of the Company's Shareholding Increase Plan by the person acting in concert of the controlling shareholder of the Company* (Announcement No.: 2024-005) published by the Company on cninfo website (www.cninfo.com.cn) on January 17, 2024 and February 7, 2024.

XVII. Significant Events of the Company's Subsidiaries

√ Applicable Inapplicable

1. Matters Relating to Steady Promotion of the Spin-off of HikRobot to be Listed on the SZSE ChiNext Market

On March 7, 2023, Hangzhou Hikrobot Co., Ltd. (hereinafter referred to as "HikRobot") received Notice on Accepting the Application Documents for the Initial Public Offering of Shares and Listing on the SZSE ChiNext Market of Hangzhou Hikrobot Co., Ltd. (SZSE Listing Review [2023] No. 252) issued by Shenzhen Stock Exchange, and SZSE considered that application documents were completed and decided to accept. For details, please refer to the Announcement on the Application for the Initial Public Offering of Shares and Listing on the SZSE ChiNext Market of Hangzhou Hikrobot Co., Ltd., a Subsidiary of the Company, is Accepted by the SZSE (Announcement No.: 2023-008) published by the Company on cninfo website (www.cninfo.com.cn) on March 8, 2023. Shenzhen Stock Exchange issued the Inquiry Letter on the Review of Application Documents for the Initial Public Share Offering of Shares and Listing on the SZSE ChiNext Market of Hangzhou Hikrobot Co., Ltd. (Inquiry Letter (2023) No. 010121) on March 30, 2023, and HikRobot has submitted the Reply to the Inquiry Letter on the Review of Application Documents for the Initial Public Share Offering of Shares and Listing on the SZSE ChiNext Market of Hangzhou Hikrobot Co., Ltd. on May 17, 2023. Shenzhen Stock Exchange issued the Second Inquiry Letter on the Review of Application Documents for the Initial Public Share Offering of Shares and Listing on the SZSE ChiNext Market of Hangzhou Hikrobot Co., Ltd. (Inquiry Letter (2023) No. 010218) on June 30, 2023, and HikRobot has submitted the Reply to the Second Inquiry Letter on the Review of Application Documents for the Initial Public Share Offering of Shares and Listing on the SZSE ChiNext Market of Hangzhou Hikrobot Co., Ltd. on July 27, 2023

Section VII Changes in Shares and Information about Shareholders

I. Changes in Share Capital

1. Table of Changes in Share Capital

Unit: Share

	Before the change		Changes in the period (+, -)					After the change	
	Shares	Ratio	New Shares Issued	Bonus share	Share transferred from capital reserve	Others	Sub-total	Shares	Ratio
1. Shares subject to conditional restriction(s)	255,248,506	2.71%				-33,080,833	-33,080,833	222,167,673	2.38%
1) State holdings									
2) Shares held by state-owned corporates									
3) Shares held by other domestic investors	255,055,236	2.70%				-33,023,563	-33,023,563	222,031,673	2.38%
Including: held by domestic corporations									
held by domestic individuals	255,055,236	2.70%				-33,023,563	-33,023,563	222,031,673	2.38%
4) Shares held by overseas investors	193,270	0.00%				-57,270	-57,270	136,000	0.00%
Including: held by overseas corporations									
held by overseas individuals	193,270	0.00%				-57,270	-57,270	136,000	0.00%
2. Shares without restriction	9,175,672,118	97.29%				-67,238,860	-67,238,860	9,108,433,258	97.62%
1) RMB ordinary shares	9,175,672,118	97.29%				-67,238,860	-67,238,860	9,108,433,258	97.62%
2) Domestically listed foreign shares									

	Before the change		Changes in the period (+, -)					After the change	
	Shares	Ratio	New Shares Issued	Bonus share	Share transferred from capital reserve	Others	Sub-total	Shares	Ratio
3) Foreign shares listed overseas									
4) Others									
3. Total	9,430,920,624	100.00%				-100,319,693	-100,319,693	9,330,600,931	100.00%

Note: the tailing difference of the data in the table above is due to rounding to two decimal.

Reason for the changes in share capital

Applicable Inapplicable

(1) During the Reporting Period, the Company has completed the repurchase and cancellation of the Company's Public Shares

On December 30, 2022, the Company had completed the repurchase of parts of the Company's public shares. The Company used the dedicated securities account for share repurchase to cumulatively repurchase shares with the total amount of 66,987,835 shares by means of centralized bidding, accounting for 0.7103% of the Company's total share capital at that time (9,430,920,624 shares). The highest transaction price was RMB35.13 per share, the lowest transaction price was RMB26.83 per share, and the total transaction amount was RMB2,043,476,488.53 (excluding transaction fees).

On January 13, 2023, the Company had completed the cancellation procedures for the above shares at the Shenzhen branch of China Securities Depository and Clearing Corporation Limited, with the total amount of 66,987,835 shares, accounting for 0.7103% of the Company's total share capital before the cancellation (9,430,920,624 shares), and the number of cancelled shares is equal to the number of actual repurchased shares. After the completion of the repurchase and cancellation of shares, the Company's total share capital changes from 9,430,920,624 shares to 9,363,932,789 shares..

For details, please refer to *the Announcement on Resolutions of 13th Meeting of the 5th Session of the Board of Directors* (Announcement No.: 2022-049), *the Announcement on the Plan of Repurchase Part of the Company's Public Shares* (Announcement No.: 2022-050), *the Announcement on Resolutions of the Second*

Extraordinary General Meeting of Shareholders in 2022 (Announcement No.: 2022-056), *the Report on the Plan of Repurchase Part of the Company's Public Shares* (Announcement No.: 2022-057) published by the Company on cninfo website (www.cninfo.com.cn) on September 16, 2022 and October 11, 2022.

(2) During the reporting period, the Company has completed the third repurchase and cancellation of the 2018 restricted share incentive scheme.

On April 13, 2023 and May 9, 2023, the 17th meeting of the 5th session of the Board of Directors, the 15th meeting of the 5th session of the Board of Supervisors and 2022 Annual General Meeting reviewed and approved *the Proposal on the Unfulfilled Unlocking Conditions for the Third Unlocking Period of the 2018 Restricted Share Plan and the Repurchase of Restricted Shares Granted but Not Unlocked*. As the Company performance did not meet the unlocking conditions for the third unlocking period of the 2018 Restricted Stock Plan (Revised Draft), 33,331,858 restricted shares granted but not unlocked in the current period for all grantees of the 2018 Restricted Stock Plan were repurchased and cancelled. And the Company had completed the cancellation procedures for the above shares at the Shenzhen branch of China Securities Depository and Clearing Ltd. on July 5, 2023.

For details, please refer to *the Proposal on the Unfulfilled Unlocking Conditions for the Third Unlocking Period of the 2018 Restricted Share Plan and the Repurchase of Restricted Shares Granted but Not Unlocked* ((No. 2023-021) published by the Company on www.cninfo.com.cn on April 15, 2023 and *The Proposal of the Completed Cancellation of the Restricted Shares that have been Granted but not yet Unlocked for the Third Uncloning Period of the 2018 Restricted Plan* (2023-028) published by the Company on www.cninfo.com.cn on July 7, 2023, and the total share capital of the Company decreased from 9,363,932,789 shares to 9,330,600,931 shares.

As of the end of the current reporting period, the Company has a total of 97,402,605 granted but unvested shares, accounting for 1.04% of the Company's total share capital at the end of the reporting period, and the total share capital of the Company decreased by 2,288,095 shares from 9,433,208,719 shares to 9,430,920,624 shares.

Approval for changes in share capital

√ Applicable Inapplicable

(1) The Company has completed the repurchase and cancellation of the Company's Public Shares

On September 15, 2022 and October 10, 2022, the Company held the 13th meeting of the 5th session of the Board of Directors and the second extraordinary general meeting of shareholders in 2022 respectively, deliberated and approved *the Proposal on the Plan of Repurchase Part of the Company's Public Shares*, approved the Company using its own fund to repurchase part of its RMB common shares (A shares) that have been issued domestically by means of centralized bidding through the trading system of the SZSE, the aggregate amount of repurchase funds shall not exceed RMB2.5 billion (inclusive) and not less than RMB2 billion (inclusive), the repurchase price shall not exceed RMB40 per share (inclusive), the implementation period of the repurchase shall not exceed 12 months from the date of the general meeting of shareholders of the Company at which the proposal on the plan of repurchase part of the Company's public shares is reviewed and approved, and the Company will make repurchase decisions and implement them based on market conditions during the repurchase period. The shares repurchased by the Company will be cancelled for reducing the registered capital according to law. On January 13, 2023, the Company had completed the cancellation procedures for the above shares at the Shenzhen branch of China Securities Depository and Clearing Corporation Ltd.

(2) The Third Repurchase and Cancellation of the 2018 Restricted Share Incentive Scheme

On April 13, 2023 and May 9, 2023, the 17th meeting of the 5th session of the Board of Directors, the 15th meeting of the 5th session of the Board of Supervisors and 2022 Annual General Meeting reviewed and approved *the Proposal on the Unfulfilled Unlocking Conditions for the Third Unlocking Period of the 2018 Restricted Share Plan and the Repurchase of Restricted Shares Granted but Not Unlocked*. 33,331,858 restricted shares granted but not unlocked in the current period for all grantees of the 2018 Restricted Stock Plan were repurchased and cancelled. And the Company had completed the cancellation procedures for the above shares at the Shenzhen branch of China Securities Depository and Clearing Ltd. on July 5, 2023.

Transfer for changes in share capital

Applicable Inapplicable

(1) The Company has completed the repurchase and cancellation of the Company's Public Shares

On January 13, 2023, the Company completed the cancellation procedures for some of the Company's Public Shares at the Shenzhen branch of China Securities Depository and Clearing Ltd, and the cancelled shares amounted to 66,987,835 shares, accounting for 0.7103% of the total share capital of the Company (9,430,920,624 shares) before the cancellation. The number of shares cancelled this time is consistent with the number of shares actually repurchased by the Company. After the completion of this share repurchase cancellation procedure, the total share capital of the Company was changed from 9,430,920,624 shares to 9,363,932,789 shares.

(2) The Third Repurchase and Cancellation of the 2018 Restricted Share Incentive Scheme

On July 5, 2023, 33,331,858 restricted shares granted but not unlocked in the third period for all grantees of the 2018 Restricted Stock Plan were canceled at the Shenzhen branch of China Securities Depository and Clearing Ltd., and the total share capital of the Company decreased from 9,363,932,789 shares to 9,330,600,931 shares.

After the completion of the above matters, there has been no significant change in the shareholder structure, asset and liability structure of the Company.

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

Applicable Inapplicable

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

Applicable Inapplicable

2. Changes in Restricted Shares

√ Applicable □ Inapplicable

Unit: Share

Name of shareholder	Opening restricted shares	Increased in current period	Vested in current period	Closing restricted shares	Note for restricted shares	Vesting date
Grantees of restricted share incentive plan (consolidated)	130,734,463	0	33,331,858	97,402,605	Equity Incentive Restricted Shares	July 5, 2023, the third repurchase and cancellation of the 2018 restricted share incentive scheme
Qu Liyang	11,812	0	0	11,812	Restricted shares for senior executives	According to the relevant regulations on the management of executive shares
Wang Qiuchao	26,250	0	0	26,250	Restricted shares for senior executives	
Xu Lirong	227,250	0	0	227,250	Restricted shares for senior executives	
Hu Yangzhong	116,434,858	292,500	0	116,727,358	Restricted shares for senior executives	
Wu Weiqi	6,473,317	41,025	0	6,514,342	Restricted shares for senior executives	
He Hongli	248,625	0	0	248,625	Restricted shares for senior executives	
Cai Changyang	82,125	0	0	82,125	Restricted shares for senior executives	
Xu Ximing	66,150	0	0	66,150	Restricted shares for senior executive	
Bi Huijuan	167,850	0	0	167,850	Restricted shares for senior executives	
Pu Shiliang	169,425	0	0	169,425	Restricted shares for senior executives	
Jin Duo	82,125	0	0	82,125	Restricted shares for senior executives	
Jin Yan	180,000	0	0	180,000	Restricted shares for senior executives	
Huang Fanghong	248,875	0	0	248,875	Restricted shares for senior executives	
Xu Peng	1,811	0	0	1,811	Restricted shares for senior executives	
Guo Xudong	11,070	0	0	11,070	Restricted shares for senior executives	

Name of shareholder	Opening restricted shares	Increased in current period	Vested in current period	Closing restricted shares	Note for restricted shares	Vesting date
Total	255,166,006	333,525	33,331,858	222,167,673	--	--

Note:

- 1) Executives who are grantees under incentive restricted shares scheme, his/her holding incentive restricted shares are counted within the "Grantees of restricted share incentive plan (consolidated)" on the second row.
- 2) The total amount of vested shares of the "Grantees of restricted share incentive plan (consolidated)" in current period is 33,331,858 shares, which is the third repurchase and cancellation of restricted stock granted but not unlocked in the current period under the Company's 2018 restricted stock plan (Including the repurchase and cancellation of the corresponding restricted shares for equity incentives held by the above senior executives).
- 3) The directors of the Company, Hu Yangzhong and Wu weiqi, increased their holdings of the Company by 390,000 shares and 54,700 shares, respectively, which were partially included in the restricted shares for senior executives in accordance with the relevant rules for the restriction of shares for senior executives.

II. Issuance and Listing of Securities

1. Securities (exclude Preferred Share) Issued during the Reporting Period

Applicable Inapplicable

2. Explanation on Changes in Total Share Capital, the Structure of Shareholders, and the Structure of Assets and Liabilities of the Company

Applicable Inapplicable

(1) The repurchase and cancellation of the Company's Public Shares

On January 13, 2023, the Company completed the cancellation procedures for some of the Company's Public Shares at the Shenzhen branch of China Securities Depository and Clearing Ltd, and the cancelled shares amounted to 66,987,835 shares, accounting for 0.7103% of the total share capital of the Company (9,430,920,624 shares) before the cancellation. After the completion of this share repurchase cancellation procedure, the total share capital of the Company was changed from 9,430,920,624 shares to 9,363,932,789 shares.

(2) The Third Repurchase and Cancellation of the 2018 Restricted Share Incentive Scheme

On July 5, 2023, 33,331,858 restricted shares granted but not unlocked in the third period for all grantees of the 2018 Restricted Stock Plan were canceled at the Shenzhen branch of China Securities Depository and Clearing Ltd., and the total share capital of the Company decreased from 9,363,932,789 shares to 9,330,600,931 shares.

After the completion of the above matters, there has been no significant change in the shareholder structure, asset and liability structure of the Company.

3. Existent Shares Held by Internal Staff of the Company

Applicable Inapplicable

III. Particulars about the Shareholders and Actual Controller

1. Total Number of Shareholders and Their Shareholdings

Unit: Share

Total number of common shareholders at the end of the reporting period		324,840		The total number of ordinary shareholders at the end of the previous month before the disclosure date of the annual report			356,222	
Particulars about shares held by shareholders with a shareholding percentage over 5% or the Top 10 of them (Excluding shares lent through refinancing)								
Name of shareholder	Nature of shareholder	Share-holding percentage (%)	Total ordinary shares held at the end of the reporting period	Increase/decrease during the reporting period	The number of shares held with trading restrictions	The number of shares held without trading restrictions	Pledged or marked or frozen	
							Status	Amount
China Electronics Technology HIK Group Co., Ltd.	Domestic state-owned corporation	36.48%	3,403,879,509	-	-	3,403,879,509	Pledged	50,000,000
Gong Hongjia	Overseas individual	10.32%	962,504,814	-	-	962,504,814	Pledged	190,548,700
Hangzhou Weixun Equity Investment Partnership (Limited Partnership)	Domestic non-state-owned corporation	4.83%	450,795,176	-	-	450,795,176	Pledged	18,100,000

Shanghai Perseverance Asset Management Partnership (Limited Partnership) - Perseverance Adjacent Mountain 1 Yuanwang Fund	Other	4.58%	427,000,000	-5,000,000	-	427,000,000	-	-
CETC Investment Holdings Co., Ltd.	Domestic state-owned corporation	2.49%	232,307,903	-	-	232,307,903	-	-
Hangzhou Pukang Equity Investment Partnership (Limited Partnership)	Domestic non-state-owned corporation	1.96%	182,510,174	-	-	182,510,174	Pledged	48,300,000
The 52 nd Research Institute at China Electronics Technology Group Corporation	Domestic state-owned corporation	1.94%	180,775,044	-	-	180,775,044	-	-
Hu Yangzhong	Domestic individual	1.67%	155,636,477	390,000	116,727,358	38,909,119	-	-
Central Huijin Investment Co., Ltd.	Domestic state-owned corporation	0.69%	64,700,691	-	-	64,700,691	-	-
Hong Kong Securities Clearing Company Ltd.(HKSCC)	Overseas corporation	0.58%	53,720,436	2,256,602	-	53,720,436	-	-

Explanation on associated relationship or concerted actions among the above-mentioned shareholders:	China Electronics Technology HIK Group Co., Ltd., CETC Investment Holdings Co., Ltd., and the 52 nd Research Institute at China Electronics Technology Group Co., Ltd. are all subject to control of China Electronics Technology Group Corporation. Ms. Chen Chunmei, limited partner of Hangzhou Pukang Equity Investment Partnership (Limited Partnership), is the spouse of Mr. Gong Hongjia, overseas individual shareholder of the Company. Hu Yangzhong, domestic individual, is holding the capital contribution shares of both Hangzhou Weixun Equity Investment Partnership (Limited Partnership) and Hangzhou Pukang Equity Investment Partnership (Limited Partnership). Except for these, the Company does not know whether the other shareholders are related parties or whether they are acting-in-concert parties in accordance with the <i>Administrative Measures for Acquisitions of Listed Companies</i> .		
Particulars about shares held by the Top 10 shareholders holding shares that are not subject to trading restriction(s)			
Name of shareholder	Number of shares without trading restrictions held at the period-end	Type of shares	
		Type	Number
China Electronics Technology HIK Group Co., Ltd.	3,403,879,509	RMB ordinary shares	3,403,879,509
Gong Hongjia	962,504,814	RMB ordinary shares	962,504,814
Hangzhou Weixun Equity Investment Partnership (Limited Partnership)	450,795,176	RMB ordinary shares	450,795,176
Shanghai Perseverance Asset Management Partnership (Limited Partnership) - Perseverance Adjacent Mountain 1 Yuanwang Fund	427,000,000	RMB ordinary shares	427,000,000
CETC Investment Holdings Co., Ltd.	232,307,903	RMB ordinary shares	232,307,903
Hangzhou Pukang Equity Investment Partnership (Limited Partnership)	182,510,174	RMB ordinary shares	182,510,174
The 52 nd Research Institute at China Electronics Technology Group Co., Ltd.	180,775,044	RMB ordinary shares	180,775,044
Central Huijin Investment Co., Ltd.	64,700,691	RMB ordinary shares	64,700,691
Hong Kong Securities Clearing Company Ltd.(HKSCC)	53,720,436	RMB ordinary shares	53,720,436
Hu Yangzhong	38,909,119	RMB ordinary shares	38,909,119
Explanation on associated relationship and concerted actions among Top 10 shareholders holding shares without trading restrictions, and among Top 10 shareholders and Top 10 shareholders holding shares without trading restrictions	China Electronics Technology HIK Group Co., Ltd., China Electronics Technology Investment Holdings Co., Ltd. and The 52 nd Research Institute at China Electronics Technology Group Co., Ltd. are all subject to control of China Electronics Technology Group Co. Ltd. Ms. Chen Chunmei, limited partner of Xinjiang Pukang Investment Limited Partnership, is the spouse of Mr. Gong Hongjia, foreign individual shareholder of the Company. Hu Yangzhong, domestic individual, is holding the capital contribution shares of both Xinjiang Weixun Investment Management Limited Partnership and Xinjiang Pukang Investment Limited Partnership.		

	Except for these, the Company does not know whether the other shareholders are related parties or whether they are acting-in-concert parties in accordance with the <i>Measures for Management of the Disclosure of the Shareholding Changes of Shareholders of the Listed Company</i> .
--	--

Top 10 shareholders participate in refinancing business lending shares

Applicable Inapplicable

The top ten shareholders have changed from the previous period

Applicable Inapplicable

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

Yes No

No such case during the current reporting period.

2. Particulars about Controlling Shareholder of the Company

Nature of the controlling shareholder: Central State-owned

Type of the actual controller: Corporation

Name of controlling shareholder	Legal Representative /People in charge	Date of establishment	Organization code	Business scope
China Electronics Technology HIK Group Co., Ltd.	Chen Zongnian	November 29, 2002	9133000014306073XD	Industrial investment; R&D of environmental protection products, network products, intelligent products and electronic products; technology transfer, technical services, manufacturing and sales; business consulting services, rental services of self-owned real estate; import and export businesses.
Shares held by the controlling shareholder in other listed companies through controlling or holding during the reporting period	Directly holds 47.16% shares of domestic listed company Phoenix Optical Co. Ltd., and directly holds 13.50% shares of domestic listed company Anbang Guarding Group Co. and indirectly holds 17.51% shares of domestic listed company Hangzhou EZVIZ Network Co., Ltd. (China Electronics Technology HIK Group Co., Ltd.holds 36.48% shares of the Company and the Company holds 48.00% shares of Hangzhou EZVIZ Network Co., Ltd).			

Change of the controlling shareholder during the reporting period

Applicable Inapplicable

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

3. Particulars about the Company’s Actual Controller & Concerted Parties

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

Type of the actual controller: Corporation

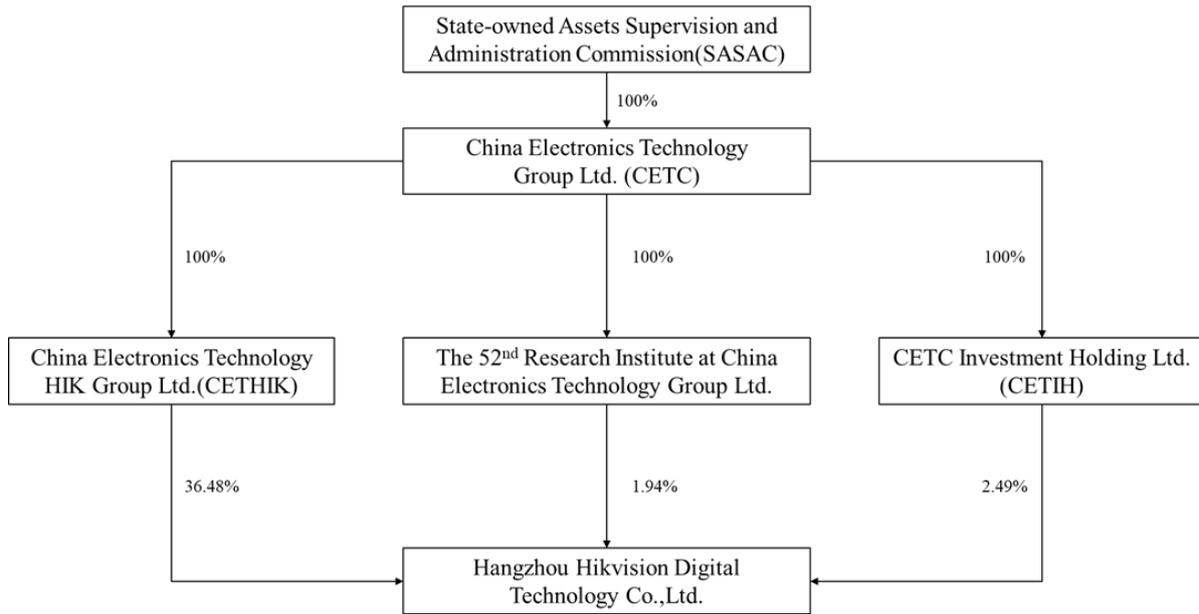
Name of the actual controller	Legal Representative /People in charge	Date of establishment	Organization code	Business scope
China Electronics Technology Group Ltd.	Wang Haibo	February 25, 2002	91110000710929498G	The Company is responsible for the development and manufacturing of military electronic equipment and systems integration, electronic equipment for weapon platform, military software and electronic basic products; and the construction of national defense electronic information infrastructure and safeguard conditions; construction of national major electronic information system; the research, development, production and sales of civil electronic information software, materials, components, equipment and system integration and related common technology; self-operated and agent import and export business of various commodities and technologies (except for goods and technologies that are restricted or restricted by the state-limited company); operating feed processing and "three comes one supplement" business; operating counter trade and entrepot trade; Industrial investment; asset management; engaged in e-commerce information services; organization of enterprises in the industry to go abroad, participate in exhibitions. (Market entities independently choose business projects and carry out business activities in accordance with the law; for projects subject to approval according to law, business activities are carried out according to the approved content after approval by relevant departments; the Company cannot engage in business activities of projects prohibited or restricted by national and municipal industrial policies.)
Shares held by the actual controlling shareholder in other listed companies through controlling or holding during the reporting period	China Electronics Technology Group Ltd. is the actual controller of 18 domestic listed companies including Sun Create Electronic Co., Ltd, CETC Digital Technology Co., Ltd, CETC Cyberspace Security Technology Co., Ltd., CETC Putian Technology Co., Ltd., Tai'ji Computer Corporation Limited, GLARUN Technology Co., Ltd. , Phoenix Optics Co., Ltd., Chengdu Tianao Electronic Co., Ltd., CETC Chip Technology Inc., Hebei Sinopack Electronic Technology Co., Ltd., Eastern Communications Co.,Ltd., Eastcompeace Technology Co.,Ltd., Nanjing Putian Telecommunications Co., Ltd., Chengdu Siwei Science and Technology Co., Ltd., Nanjingand Guobo Electronics Co., Ltd., Hangzhou EZVIZ Network Co., Ltd., Nanjing Les Information Technology Co., Ltd., Beijing E-hualu Information Technology Co., Ltd. and etc.			

Change of the actual controller during the reporting period

Applicable Inapplicable

No such change during the reporting period.

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



The actual controller controls the Company through trust or other asset management methods

Applicable Inapplicable

4. The Company's Controlling Shareholder or the Largest Shareholder and its Concerted Action Person's Cumulative Pledged Shares Account for 80% of the Company's Shares Held by Them

Applicable Inapplicable

5. Particulars about Other Corporate Shareholders with Shareholding Proportion over 10%

Applicable Inapplicable

6. Particulars on Shareholding Decrease Restrictions for the Controlling Shareholders, Actual Controller, Restructurer or Other Committing Parties

Applicable Inapplicable

IV. The Specific Implementation of Share Repurchase during the Reporting Period

Implementation progress of share repurchase

Applicable Inapplicable

Disclosure Date	Planned repurchase amount of shares	Proportion to total share capital	Planned amount of repurchase fund	Repurchase period	Use of repurchase	Amount of repurchased shares (share)	The number of repurchased shares as a proportion of the underlying stock covered by the share incentive scheme
September 16, 2022	Calculated based on that the repurchase price shall not exceed RMB40 per share. The amount shall not exceed 62,500,000 shares and not less than 50,000,000 share, and the final result is subject to the actual repurchase.	Calculated based on that the repurchase price shall not exceed RMB40 per share. The repurchased portion of shares shall not exceed 0.66% and not less than 0.53%, and final result is subject to the actual repurchase.	Shall not exceed RMB2.5 billion (inclusive) and not less than RMB 2 billion (inclusive)	October 11, 2022 – December 30, 2022	Cancel and reduce registered capital in accordance with law	66,987,835	Inapplicable

On September 15, 2022 and October 10, 2022, the Company held the 13th meeting of the 5th session of the Board of Directors and the second extraordinary general meeting of shareholders in 2022 respectively, deliberated and approved the *Proposal on the Plan of Repurchase Part of the Company's Public Shares*, approved the Company using its own fund to repurchase part of its RMB common shares (A shares) that have been issued domestically by means of centralized bidding through the trading system of the SZSE, the aggregate amount of repurchase funds shall not exceed RMB2.5 billion (inclusive) and not less than RMB 2 billion (inclusive), the repurchase price shall not exceed RMB40 per share (inclusive), the implementation period of the repurchase shall not exceed 12 months from the date of the general meeting of shareholders of the Company at which the proposal on the plan of repurchase part of the Company's public shares is reviewed and approved, and the Company will make repurchase decisions and implement them based on market conditions during the repurchase period. The shares repurchased by the Company will be cancelled for reducing the registered capital according to law. For details, please refer to the *Announcement on Resolutions of 13th Meeting of the 5th Session of the Board of Directors* (Announcement No.: 2022-049), the *Announcement on the Plan of Repurchase Part of the Company's Public Shares* (Announcement No.: 2022-050), the *Announcement on Resolutions of the Second Extraordinary General Meeting of Shareholders in 2022* (Announcement No.: 2022-056), the *Report on the Plan of Repurchase Part of the Company's Public Shares* (Announcement No.: 2022-057) published by the Company on cninfo website (www.cninfo.com.cn) on September 16, 2022 and October 11, 2022. On October 11, 2022, the Company first repurchased 6,820,968 shares of the Company by means of centralized bidding through a dedicated securities account for the repurchase, accounting for 0.0723% of the Company's total share capital at that time. The highest transaction price was RMB29.65 per share, the lowest transaction price was RMB28.71 per share, and the total transaction amount was RMB199,981,024.67 (excluding transaction fees). For details, please refer to the *Announcement on the Initial Repurchase of the Company's Shares* (Announcement No.: 2022-059) published by the Company on cninfo website (www.cninfo.com.cn) on October 12, 2022. During the repurchase period, the Company disclosed the progress of repurchase as of the end of last month within the first three trading days each month based on the regulation. For details, please refer to the *Announcement on the Progress of Repurchase* (Announcement No.: 2022-063) (Announcement No.: 2022-066) published by the Company

on cninfo website (www.cninfo.com.cn) on November 2, 2022, December 3, 2022, respectively. As of December 30, 2022, the repurchase of shares had been completed, and the actual repurchase date was between October 11, 2022 and December 30, 2022, meet the requirement on implementation period of repurchase in repurchase plan. As of December 30, 2022, the Company used the dedicated securities account for share repurchase to cumulatively repurchase shares with the total amount of 66,987,835 shares by means of centralized bidding, accounting for 0.7103% of the Company's total share capital at that time (9,430,920,624 shares). The highest transaction price was RMB35.13 per share, the lowest transaction price was RMB26.83 per share, and the total transaction amount was RMB2,043,476,488.53 (excluding transaction fees). The source of share-repurchase funding was from the Company's own fund, and the price of repurchase did not exceed the upper limit of the price (RMB40 per share) specified in the repurchase plan. The repurchase complies with relevant laws, regulations and rules from the disclosed repurchase plan. For details, please refer to the *Announcement on the Progress and Result of Repurchase of the Company's Shares and Changes in Shares* (Announcement No.: 2023-001) published by the Company on cninfo website (www.cninfo.com.cn) on January 4, 2023. On January 13, 2023, the Company had completed the cancellation procedures for the above shares at the Shenzhen branch of China Securities Depository and Clearing Ltd., with the total amount of 66,987,835 shares, accounting for 0.7103% of the Company's total share capital before the cancellation (9,430,920,624 shares), and the number of cancelled shares is equal to the number of actual repurchased shares. After the completion of the repurchase and cancellation of shares, the Company's total share capital changes from 9,430,920,624 shares to 9,363,932,789 shares. For details, please refer to the *Announcement on the Completion of the Cancellation of the Company's Repurchased Shares and Changes in Shares* (Announcement No.: 2023-002) published by the Company on cninfo website (www.cninfo.com.cn) on January 17, 2023.

Implementation progress of reduce holdings of repurchased shares by means of centralized bidding

Applicable Inapplicable

Section VIII Information of Preferred Shares

Applicable Inapplicable

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

Section IX Bonds

Applicable Inapplicable

Section X Financial Report

Audit Report

Audit Opinion	Standard unqualified audit opinion
Audit Report sign-off Date	April 18, 2024
Audit Institution Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Audit Report Number	Deloitte Auditors' Report (Audit) No. 24- P04366
Certified Public Accounts Name	Chen yan, Liu ying

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

1. Audit Opinion

We have audited the accompanying financial statements of Hangzhou Hikvision Digital Technology Co., Ltd. (hereinafter referred to as "Hikvision" or "The Group"), including consolidated and parent company's balance sheet as of December 31, 2023, consolidated and parent company's income statement, cash flow statement and statement of changes in owners' equity of 2023 as well as relevant financial notes to financial statements.

In our opinion, the financial statements annexed have been prepared in accordance with Accounting Standards for Business Enterprises in all material respects and they present fairly the consolidated and parent company's financial position of Hikvision as of December 31, 2023 and consolidated and parent company's financial performance and cash flows of 2023.

2. Basis of Opinion

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

3. Key Matters

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

1) Recognition of Sales Revenues

Description:

As shown in Note (V) 46, the operating revenue in the consolidated financial statements of the Group for the year ended December 31, 2023 is RMB89,339,856,855.68. The product sales revenue, a key performance indicator, reaches RMB84,971,000,242.56, accounting for 95.11% of the operating revenue, which is a significant indicator of the Group and has a significant influence on results of business operations. The product sales revenue include different sales models such as product domestic sales and product export sales by domestic companies and the overseas sales of overseas subsidiaries, and the revenue recognition is complicated. Therefore, we regard the occurrence of product sales revenue as a key audit matter.

Audit Measures:

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

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

2) Provision for Credit Loss of Accounts Receivable

Description:

As disclosed in Note (V) 4 to the consolidated financial statements of the Group, as of December 31, 2023, the balance of accounts receivable amounted to RMB39,006,606,967.83, and the balance of provision for credit losses of accounts receivable amounted to RMB3,191,433,456.39. The book value of the Group's accounts receivable is relatively high, and the provision for credit loss of accounts receivable has a significant impact on the financial statements. As shown in Note (III) 11.2, Note (III) 13 and Note (III) 34 of the financial statements, the Group makes provisions for credit losses for accounts receivable at an amount equivalent to expected credit losses during the entire duration. For accounts receivable with significant individual amount and when the debtor has major financial difficulties, etc., the Group recognizes its credit losses based on individual assets, and classifies other accounts receivable into different combinations based on common credit risk characteristics and calculates expected credit losses on a portfolio basis.

For accounts receivable classified into portfolios, the Group uses impairment matrix to determine the expected credit loss provision for accounts receivable. The expected credit loss provision ratio for each portfolio is determined based on the Group's historical overdue ratio and default and with reference to the forward-looking information of the industry. The

accounting estimates above are subject to a high level of uncertainties. Therefore, we identify the recognition of credit loss provision for accounts receivable on a portfolio basis as a key audit matter.

Audit Measures:

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

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

4. Other Information

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

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

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

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

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

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

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

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

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

Our objective is to obtain reasonable assurance as to whether the overall financial statements are free from material misstatement, whether due to fraud or error, and to issue audit report that contain audit opinions. Reasonable assurance is a high level of assurance, but could not guarantee that an audit performed in accordance with the Auditing Standards can always figure out any existing material misstatements. Misstatements may be caused by fraud or error. Misstatement is generally considered to be material if it is reasonably expected that the misstatement, alone or aggregated, may affect the users' financial decisions based on the financial statements.

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

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

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

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

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

On December 31, 2023

Consolidated Balance Sheet

Unit: RMB

Item	Notes	On December 31, 2023	On December 31, 2022(Restated)
Current Assets:			
Cash and bank balances	(V)1	49,629,469,654.46	40,011,863,999.94
Held-for-trading financial assets	(V)2	37,380.00	12,807,438.36
Notes receivable	(V)3	2,606,071,375.74	2,519,988,159.23
Accounts receivable	(V)4	35,815,173,511.44	29,906,294,410.40
Receivables for financing	(V)6	1,594,219,832.62	1,484,218,258.74
Prepayments	(V)7	508,151,405.92	534,780,120.52
Other receivables	(V)8	571,905,648.93	516,503,485.58
Inventories	(V)9	19,211,434,385.32	18,998,222,978.81
Contract assets	(V)5	1,173,312,415.20	2,118,223,370.98
Non-current assets due within one year	(V)10	1,079,721,006.23	996,902,343.27
Other current assets	(V)11	961,593,616.75	806,832,941.58
Total Current Assets		113,151,090,232.61	97,906,637,507.41
Non-current Assets:			
Long-term receivables	(V)12	538,698,618.76	540,647,965.30
Long-term equity investment	(V)13	1,151,104,887.85	1,252,033,513.41
Other non-current financial assets	(V)14	472,184,937.66	423,893,239.94
Fixed assets	(V)15	11,508,302,317.75	8,539,842,630.68
Construction in progress	(V)16	4,307,651,074.46	3,770,803,300.80
Right-of-use assets	(V)17	521,061,396.66	574,478,326.31
Intangible assets	(V)18	1,810,476,551.45	1,544,933,502.19
Goodwill	(V)19	311,353,640.88	217,386,531.28
Long-term deferred expenses	(V)20	177,361,533.93	177,277,742.41
Deferred tax assets	(V)21	1,978,373,012.15	1,471,197,578.26
Other non-current assets	(V)22	2,920,349,344.39	2,815,702,012.70
Total Non-current Assets		25,696,917,315.94	21,328,196,343.28
Total Assets		138,848,007,548.55	119,234,833,850.69

On December 31, 2023

Consolidated Balance Sheet-continued

Unit: RMB

Item	Notes	On December 31, 2023	On December 31, 2022 (Restated)
Current Liabilities:			
Short-term borrowings	(V)24	2,118,952,026.06	3,343,071,972.89
Held-for-trading financial liabilities	(V)25	38,079,755.04	68,299,685.57

Notes payable	(V)26	1,163,687,279.58	1,207,756,963.94
Accounts payable	(V)27	19,163,485,888.09	16,025,563,802.99
Contract liabilities	(V)28	2,977,990,775.40	2,644,496,508.36
Payroll payable	(V)29	6,120,254,492.28	4,837,302,455.95
Taxes payable	(V)30	1,622,401,214.96	1,234,032,138.37
Other payables	(V)31	3,911,612,841.06	3,203,308,686.31
Including: Dividends payables	(V)31.2	253,957,413.29	300,150,894.34
Non-current liabilities due within one year	(V)32	5,814,660,214.96	868,197,272.46
Other current liabilities	(V)33	1,481,222,044.19	923,721,593.78
Total Current Liabilities		44,412,346,531.62	34,355,751,080.62
Non-current Liabilities:			
Long-term borrowings	(V)34	8,940,122,961.01	7,522,315,341.60
Lease liabilities	(V)35	344,005,866.13	277,255,924.83
Long-term payables	(V)36	5,776,599.85	7,569,934.67
Provisions	(V)37	213,084,038.31	219,365,227.62
Deferred income	(V)38	966,259,592.34	933,260,426.12
Deferred tax liabilities	(V)21	129,866,978.18	116,479,475.98
Other non-current liabilities	(V)39	1,672,933,103.20	2,831,108,087.59
Total Non-current Liabilities		12,272,049,139.02	11,907,354,418.41
Total Liabilities		56,684,395,670.64	46,263,105,499.03
Owners' Equity			
Share capital	(V)40	9,330,600,931.00	9,430,920,624.00
Capital reserves	(V)41	7,864,903,763.52	10,141,153,435.32
Less: Treasury shares	(V)42	2,737,987,226.55	5,316,033,650.24
Other comprehensive income	(V)43	44,667,516.16	(42,587,158.81)
Surplus reserves	(V)44	4,715,460,312.00	4,715,460,312.00
Retained earnings	(V)45	57,136,620,244.01	49,460,423,962.05
Total Owners' Equity Attributable to Owner of the Company		76,354,265,540.14	68,389,337,524.32
Minority equity		5,809,346,337.77	4,582,390,827.34
Total Owners' Equity		82,163,611,877.91	72,971,728,351.66
Total Liabilities and Owners' Equity		138,848,007,548.55	119,234,833,850.69

The accompanying notes form part of the financial statements.

The financial statements were signed by the following:

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

Person in Charge of the Accounting Department: Zhan Junhua

On December 31, 2023

Balance Sheet of the Parent Company

Unit: RMB

Item	Notes	On December 31, 2023	On December 31, 2022 (Restated)
Current Assets:			
Cash and bank balances		36,366,610,163.17	27,826,883,144.97
Notes receivable		214,433,654.20	291,894,821.88
Accounts receivable	(XVI)1	19,016,777,665.77	24,375,815,151.52
Receivables for financing		44,650,466.33	1,380,237.21
Prepayments		53,649,708.62	78,220,424.69
Other receivables	(XVI)2	3,061,246,174.74	2,409,877,936.73
Including: Dividend receivables	(XVI)2.2	41,423,446.39	85,323,007.51
Inventories		199,049,157.84	287,356,998.22
Contract assets		10,490,078.61	2,070,526.66
Non-current assets due within one year		157,086,525.60	145,198,110.49
Other current assets		1,676,541,190.03	10,325,583.58
Total Current Assets		60,800,534,784.91	55,429,022,935.95
Non-current Assets:			
Long-term accounts receivable		3,633,588,076.55	544,335,046.78
Long-term equity investment	(XVI)3	8,681,387,048.75	7,735,758,795.50
Other non-current financial assets		338,767,764.24	336,896,766.52
Fixed assets		3,392,288,906.32	3,632,220,781.28
Construction in progress		17,377,463.50	31,536,529.55
Right-of-use assets		124,744,108.19	106,886,641.18
Intangible assets		96,021,508.25	108,027,048.91
Long-term deferred expenses		39,437,083.99	44,756,196.08
Deferred tax assets		322,869,398.52	170,615,439.85
Other non-current assets		146,216,939.94	20,271,638.61
Total Non-current Assets		16,792,698,298.25	12,731,304,884.26
Total Assets		77,593,233,083.16	68,160,327,820.21

On December 31, 2023

Balance Sheet of the Parent Company - continued

Unit: RMB

Item	Notes	On December 31, 2023	On December 31, 2022 (Restated)
Current Liabilities:			
Short-term borrowings		-	371,761,513.12
Accounts payable		1,050,518,329.53	871,899,603.98
Contract liabilities		218,875,534.52	252,386,307.55
Payroll payable		3,644,152,847.04	2,751,925,304.64
Taxes payable		944,807,901.59	371,935,883.41
Other payables		738,553,487.03	1,523,785,190.90
Non-current liabilities due within one year		1,523,328,743.28	280,431,699.90
Other current liabilities		1,134,059,460.70	504,448,226.96
Total Current Liabilities		9,254,296,303.69	6,928,573,730.46
Non-current Liabilities:			
Long-term borrowings		5,887,380,000.00	1,674,051,800.00
Lease liabilities		66,330,125.99	51,034,219.65
Provisions		97,586,882.51	112,936,131.57
Deferred Income		410,243,110.75	463,302,126.80
Other non-current liabilities		1,642,792,335.93	2,806,169,050.05
Total Non-current Liabilities		8,104,332,455.18	5,107,493,328.07
Total Liabilities		17,358,628,758.87	12,036,067,058.53
Owners' Equity			
Share capital		9,330,600,931.00	9,430,920,624.00
Capital reserves		5,776,371,174.04	8,264,384,780.30
Less: Treasury shares		2,737,987,226.55	5,316,033,650.24
Surplus reserves		4,715,460,312.00	4,715,460,312.00
Retained earnings		43,150,159,133.80	39,029,528,695.62
Total Owners' Equity		60,234,604,324.29	56,124,260,761.68
Total Liabilities and Owners' Equity		77,593,233,083.16	68,160,327,820.21

For the reporting period from January 1, 2023 to December 31, 2023

Consolidated Income Statement

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period (Restated)
I. Total Revenue	(V)46	89,339,856,855.68	83,166,321,681.14
Less: Total operating costs	(V)46	49,637,055,845.33	47,996,254,466.32
Business taxes and surcharges	(V)47	704,641,378.69	581,896,696.51
Selling expenses	(V)48	10,842,500,778.25	9,773,457,336.23
Administrative expenses	(V)49	2,769,731,410.40	2,642,113,372.00
Research and Development (R&D) expenses	(V)50	11,392,948,404.47	9,814,444,260.55
Financial expenses	(V)51	(749,780,213.12)	(990,401,533.32)
Including: Interest expenses		457,605,119.59	311,251,154.55
Interest income		1,067,148,666.93	921,912,411.61
Add: Other Income	(V)52	2,559,522,840.33	2,482,467,855.97
Investment income	(V)53	63,302,304.25	218,396,306.44
Including: Investment gains (Losses) in associated enterprise and joint-venture enterprise		(29,966,477.85)	106,498,595.01
Gains (losses) from changes in fair values	(V)54	22,679,257.89	(155,567,520.89)
Credit impairment gains (losses)	(V)55	(879,922,773.25)	(585,161,235.45)
Impairment gains (losses) of assets	(V)56	(463,382,275.12)	(508,453,828.82)
Asset disposal income (losses)		(5,674,511.78)	(17,578,905.00)
II. Operating Profit		16,039,284,093.98	14,782,659,755.10
Add: Non-operating income	(V)57	87,573,120.04	87,365,985.48
Less: Non-operating expenses	(V)58	27,933,016.91	15,074,113.11
III. Total Profit		16,098,924,197.11	14,854,951,627.47
Less: Income tax expenses	(V)59	943,241,010.15	1,296,821,531.79
IV. Net Profit		15,155,683,186.96	13,558,130,095.68
4.1 Classification by continuous operation			
(a) Net profit on continuous operation		15,155,683,186.96	13,558,130,095.68
(b) Net loss on terminated operation		-	-
4.2 Classification by attribution of ownership			
(a) Net profit attributable to owners of parent company		14,107,621,359.66	12,837,704,462.49
(b) Profit or loss attributable to minority shareholders		1,048,061,827.30	720,425,633.19
V. Other Comprehensive Income, Net of Income Tax	(V)43	183,798,707.05	88,691,088.90
Other comprehensive income attributable to owners of the Company, net of tax		87,254,674.97	34,596,966.48
(I) Items that will not be reclassified subsequently to profit or loss		-	-
(II) Other comprehensive income to be reclassified to profit or loss in subsequent periods		87,254,674.97	34,596,966.48
1. Exchange differences arising on conversion of financial statements denominated in foreign currencies		87,254,674.97	34,596,966.48
Other comprehensive income attributable to minority interests, net of tax		96,544,032.08	54,094,122.42
VI. Total Comprehensive Income		15,339,481,894.01	13,646,821,184.58

Item	Notes	Amount for the current period	Amount for the prior period (Restated)
Total comprehensive income attributable to owners of the parent company		14,194,876,034.63	12,872,301,428.97
Total comprehensive income attributable to minority shareholders		1,144,605,859.38	774,519,755.61
VII. Earnings per Share			
(I) Basic earnings per share (RMB/share)	(XVII)2	1.520	1.370
(II) Diluted earnings per share (RMB/share)	(XVII)2	1.520	1.370

For the reporting period from January 1, 2023 to December 31, 2023

Income Statement of the Parent Company

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period (Restated)
I. Total Revenue	(XV)4	25,547,794,166.85	24,284,505,338.35
Less: Total operating Cost	(XV)4	4,572,737,093.05	5,097,739,346.67
Business taxes and surcharges		315,430,824.67	282,765,774.49
Selling expenses		3,850,986,446.36	3,580,457,766.03
Administrative expenses		911,095,185.51	883,004,663.75
Research and Development (R&D) expenses		7,500,668,818.36	6,920,548,083.50
Financial expenses		(642,865,974.82)	(654,027,587.29)
Including : Interest expenses		161,668,592.71	103,549,530.55
Interest income		865,373,583.65	765,252,513.50
Add: Other income		1,634,201,874.22	1,747,068,413.89
Investment income	(XV)5	499,611,155.15	387,283,344.13
Including: Investment gains(Losses) in associated enterprise and joint-venture enterprise		(36,401,170.84)	118,900,466.08
Gains (losses) from changes in fair values		2,475,310.72	(74,432,284.58)
Credit impairment gains (losses)		(98,343,814.70)	(122,761,912.01)
Impairment gains (losses) of assets		2,652,989.00	(1,195,518.35)
Asset disposal income (losses)		1,072,329.19	(2,215,205.61)
II. Operating profit		11,081,411,617.30	10,107,764,128.67
Add: Non-operating income		15,820,653.67	18,830,134.69
Less: Non-operating expenses		1,821,528.02	1,205,910.50
III. Total profit		11,095,410,742.95	10,125,388,352.86
Less: Income tax expenses		543,355,227.07	527,999,275.46
IV. Net profit		10,552,055,515.88	9,597,389,077.40
V. Other comprehensive income, net of income tax		-	-
VI. Total comprehensive income		10,552,055,515.88	9,597,389,077.40

For the reporting period from January 1, 2023 to December 31, 2023

Consolidated Cash Flow Statement

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities:			
Cash receipts from sale of goods or rendering of services		93,594,226,079.25	86,798,776,609.53
Receipts of tax refunds		3,991,363,246.02	3,767,899,232.43
Other cash receipts relating to operating activities	(V)60(1)	1,806,465,988.05	2,102,400,537.73
Sub-total of ash inflows from operating activities		99,392,055,313.32	92,669,076,379.69
Cash payments for goods purchased and services received		52,008,656,087.35	54,179,038,046.40
Cash paid to and on behalf of employees		17,977,652,521.22	16,397,768,429.86
Payments of various types of taxes		6,494,574,848.75	5,947,034,037.02
Other cash payments relating to operating activities	(V)60(1)	6,287,917,550.08	5,981,100,484.03
Sub-total of cash outflows from operating activities		82,768,801,007.40	82,504,940,997.31
Net Cash Flows from Operating Activities	(V)61(1)	16,623,254,305.92	10,164,135,382.38
II. Cash Flows from Investing Activities:			
Cash receipts from recovery of investments	(V)60(2)	4,688,412,447.25	7,309,732,287.10
Cash receipts from investment income		67,123,840.33	51,892,209.92
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		30,738,410.30	12,978,200.27
Other cash receipts relating to investing activities	(V)60(2)	121,237,455.42	47,770,416.23
Sub-total of cash inflows from investing activities		4,907,512,153.30	7,422,373,113.52
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	(V)60(2)	4,047,816,024.05	3,755,680,900.22
Cash payments to acquire investments	(V)60(2)	4,803,003,467.44	7,392,073,275.54
Net cash paid for obtaining subsidiaries and other business units	(V)61(2)	43,992,651.82	-
Sub-total of cash outflows from investing activities		8,894,812,143.31	11,147,754,175.76
Net Cash Flows from Investing Activities		(3,987,299,990.01)	(3,725,381,062.24)
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		72,570,000.00	6,015,196,647.38
Including: cash receipts from capital contributions from minority owners of subsidiaries		72,570,000.00	3,121,365,252.83
Cash receipts from borrowings		11,032,367,859.61	8,360,333,394.08
Other cash receipts from financing activities	(V)60(3)	5,000,000.00	-
Sub-total of cash inflows from financing activities		11,109,937,859.61	14,375,530,041.46
Cash repayments of borrowings		6,174,788,332.85	4,786,252,322.38
Cash payments for distribution of dividends or profits or settlement of interest expenses		7,083,299,395.46	8,734,449,665.28
Including : Dividends and profits paid by subsidiaries to minority shareholders		194,009,629.27	3,050,502.27
Other cash payments relating to financing activities	(V)60(3)	997,281,629.42	2,310,746,266.55
Sub-total of cash outflows from financing activities		14,255,369,357.73	15,831,448,254.21
Net Cash Flows from Financing Activities		(3,145,431,498.12)	(1,455,918,212.75)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		113,365,015.34	228,609,977.98
V. Net Increase in Cash and Cash Equivalents	(V)61(1)	9,603,887,833.13	5,211,446,085.37
Add: Opening balance of Cash and Cash Equivalents	(V)61(3)	39,815,390,514.57	34,603,944,429.20
VI. Closing Balance of Cash and Cash Equivalents	(V)61(3)	49,419,278,347.70	39,815,390,514.57

For the reporting period from January 1, 2023 to December 31, 2023

Cash Flow Statements of the Parent Company

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities::			
Cash receipts from the sale of goods and the rendering of services		33,798,989,613.55	26,487,868,077.06
Receipts of tax refunds		1,484,786,334.10	1,436,480,287.99
Other cash receipts relating to operating activities		1,003,715,734.81	1,532,865,664.26
Sub-total of cash inflows from operating activities		36,287,491,682.46	29,457,214,029.31
Cash payments for goods acquired and services received		5,141,659,409.02	5,493,671,074.35
Cash paid to and on behalf of employees		7,743,837,239.02	7,512,557,371.10
Payments of various types of taxes		2,810,558,011.92	3,460,034,171.26
Other cash payments relating to operating activities		4,018,574,345.87	3,467,533,481.78
Sub-total of cash outflows from operating activities		19,714,629,005.83	19,933,796,098.49
Net Cash Flows from Operating Activities	(XV)8(1)	16,572,862,676.63	9,523,417,930.82
II. Cash Flows from Investing Activities:			
Cash receipts from recovery of investments		876,506,386.63	433,936,760.50
Cash receipts from investment income		559,285,378.22	199,427,999.55
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		59,072,378.14	70,976,304.99
Other cash receipts relating to investing activities		66,769,850,832.31	73,174,669,493.77
Sub-total of cash inflows from investing activities		68,264,714,975.30	73,879,010,558.81
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		319,040,089.07	830,581,107.94
Cash payments to acquire investments		3,569,972,354.33	53,320,000.00
Other cash payments relating to investing activities		70,028,455,422.77	74,151,979,147.50
Sub-total of cash outflows from investing activities		73,917,467,866.17	75,035,880,255.44
Net Cash Flows from Investing Activities		(5,652,752,890.87)	(1,156,869,696.63)
III. Cash Flows from Financing Activities			
Cash receipts from capital contributions		-	2,893,831,394.55
Cash receipts from borrowings		5,481,410,000.00	991,175,000.00
Other cash receipts relating to financing activities		11,356,826,127.58	10,877,860,127.00
Sub-total of cash inflows from financing activities		16,838,236,127.58	14,762,866,521.55
Cash repayments of borrowings		473,648,200.00	389,788,200.00
Cash payments for distribution of dividends or profits or settlement of interest expenses		6,590,228,195.38	8,466,387,329.97
Other cash payments relating to financing activities		12,107,588,596.15	13,134,864,230.77
Sub-total of cash outflows from financing activities		19,171,464,991.53	21,991,039,760.74
Net Cash Flows from Financing Activities		(2,333,228,863.95)	(7,228,173,239.19)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(3,379,613.83)	(6,756,445.09)
V. Net Increase in Cash and Cash Equivalents	(XV)8(1)	8,583,501,307.98	1,131,618,549.91
Add: Opening balance of cash and cash equivalents	(XV)8(2)	27,771,201,246.40	26,639,582,696.49
VI. Closing Balance of Cash and Cash Equivalents	(XV)8(2)	36,354,702,554.38	27,771,201,246.40

For the reporting period from January 1, 2023 to December 31, 2023

Consolidated Statement of Changes in Owners' Equity

Unit: RMB

Items	2023							
	Owner's equity attributable to the parent company						Minority interests	Total owners' equity
	Share capital	Capital reserves	Less: Treasury share	Other comprehensive income	Surplus reserve	Retained profits		
I. Closing balance of the prior year	9,430,920,624.00	10,141,153,435.32	5,316,033,650.24	(42,587,158.81)	4,715,460,312.00	49,460,240,986.49	4,580,999,418.82	72,970,153,967.58
Due to the changes in accounting policies	-	-	-	-	-	182,975.56	1,391,408.52	1,574,384.08
II. Opening balance of current year	9,430,920,624.00	10,141,153,435.32	5,316,033,650.24	(42,587,158.81)	4,715,460,312.00	49,460,423,962.05	4,582,390,827.34	72,971,728,351.66
III. Increase or decrease in the current period	(100,319,693.00)	(2,276,249,671.80)	(2,578,046,423.69)	87,254,674.97	-	7,676,196,281.96	1,226,955,510.43	9,191,883,526.25
(I) Total comprehensive income	-	-	-	87,254,674.97	-	14,107,621,359.66	1,144,605,859.38	15,339,481,894.01
(II) Owners' contributions and reduction in capital	(100,319,693.00)	(2,276,249,671.80)	(2,609,860,174.19)	-	-	-	243,095,948.04	476,386,757.43
1. Capital contribution from shareholders	-	-	-	-	-	-	72,570,000.00	72,570,000.00
2. Share-based payment recognized in owners' equity	-	169,682,759.53	-	-	-	-	37,934,118.40	207,616,877.93
3. Others	(100,319,693.00)	(2,445,932,431.33)	(2,609,860,174.19)	-	-	-	132,591,829.64	196,199,879.50
(III) Profit distribution	-	-	31,813,750.50	-	-	(6,431,425,077.70)	(160,746,296.99)	(6,623,985,125.19)
1. Transfer to surplus reserves	-	-	-	-	-	-	-	-
2. Distributions to shareholders	-	-	(91,514,124.10)	-	-	(6,554,752,952.30)	(160,746,296.99)	(6,623,985,125.19)
3. Others	-	-	123,327,874.60	-	-	123,327,874.60	-	-
III. Closing balance of the current period	9,330,600,931.00	7,864,903,763.52	2,737,987,226.55	44,667,516.16	4,715,460,312.00	57,136,620,244.01	5,809,346,337.77	82,163,611,877.91

For the reporting period from January 1, 2023 to December 31, 2023

Consolidated Statement of Changes in Owners' Equity-continued

Unit: RMB

Items	2022(Restated)							Minority interests	Total owners' equity
	Owner's equity attributable to the parent company								
	Share capital	Capital reserves	Less: Treasury share	Other comprehensive income	Surplus reserve	Retained profits			
I. Closing balance of the prior year	9,335,806,114.00	5,404,070,600.07	1,023,188,723.04	(77,184,125.29)	4,672,505,348.00	45,148,877,451.52	1,933,755,610.62	65,394,642,275.88	
Due to the changes in accounting policies	-	-	-	-	-	(179,425.86)	593,436.19	414,010.33	
II. Opening balance of current year	9,335,806,114.00	5,404,070,600.07	1,023,188,723.04	(77,184,125.29)	4,672,505,348.00	45,148,698,025.66	1,934,349,046.81	65,395,056,286.21	
III. Increase or decrease in the current period	95,114,510.00	4,737,082,835.25	4,292,844,927.20	34,596,966.48	42,954,964.00	4,311,725,936.39	2,648,041,780.53	7,576,672,065.45	
(I) Total comprehensive income	-	-	-	34,596,966.48	-	12,837,704,462.49	774,519,755.61	13,646,821,184.58	
(II) Owners' contributions and reduction in capital	95,114,510.00	4,737,082,835.25	4,412,565,229.40	-	-	-	1,876,759,941.16	2,296,392,057.01	
1. Capital contribution from shareholders	97,402,605.00	2,796,428,789.55	2,893,831,394.55	-	-	-	58,500,000.00	58,500,000.00	
2. Share-based payment recognized in owners' equity	-	601,605,075.24	-	-	-	-	49,386,376.03	650,991,451.27	
3. Others	(2,288,095.00)	1,339,048,970.46	1,518,733,834.85	-	-	-	1,768,873,565.13	1,586,900,605.74	
(III) Profit distribution	-	-	(119,720,302.20)	-	42,954,964.00	(8,525,978,526.10)	(3,237,916.24)	(8,366,541,176.14)	
1. Transfer to surplus reserves	-	-	-	-	42,954,964.00	(42,954,964.00)	-	-	
2. Distributions to shareholders	-	-	(119,720,302.20)	-	-	(8,483,023,562.10)	(3,237,916.24)	(8,366,541,176.14)	
III. Closing balance of the current period	9,430,920,624.00	10,141,153,435.32	5,316,033,650.24	(42,587,158.81)	4,715,460,312.00	49,460,423,962.05	4,582,390,827.34	72,971,728,351.66	

For the reporting period from January 1, 2023 to December 31, 2023

Statement of Changes in Owners' Equity of the Parent Company

Unit: RMB

Item	2023					
	Share capital	Capital reserves	Less: Treasury share	Surplus reserve	Retained profits	Total owners' equity
I. Closing balance of the prior year	9,430,920,624.00	8,264,384,780.30	5,316,033,650.24	4,715,460,312.00	39,030,437,901.96	56,125,169,968.02
Due to the changes in accounting policies	-	-	-	-	(909,206.34)	(909,206.34)
II. Opening balance of current year	9,430,920,624.00	8,264,384,780.30	5,316,033,650.24	4,715,460,312.00	39,029,528,695.62	56,124,260,761.68
III. Increase or decrease in the current period	(100,319,693.00)	(2,488,013,606.26)	(2,578,046,423.69)	-	4,120,630,438.18	4,110,343,562.61
(I) Total comprehensive income	-	-	-	-	10,552,055,515.88	10,552,055,515.88
(II) Owners' contributions and reduction in capital	(100,319,693.00)	(2,488,013,606.26)	(2,609,860,174.19)	-	-	21,526,874.93
1. Capital contribution from shareholders	-	-	-	-	-	-
2. Share-based payment recognized in owners' equity	-	73,548,755.72	-	-	-	73,548,755.72
3. Others	(100,319,693.00)	(2,561,562,361.98)	(2,609,860,174.19)	-	-	(52,021,880.79)
(III) Profit distribution	-	-	31,813,750.50	-	(6,431,425,077.70)	(6,463,238,828.20)
1. Transfer to surplus reserves	-	-	-	-	-	-
2. Distributions to shareholders	-	-	(91,514,124.10)	-	(6,554,752,952.30)	(6,463,238,828.20)
3. Others	-	-	123,327,874.60	-	123,327,874.60	-
III. Closing balance of the current period	9,330,600,931.00	5,776,371,174.04	2,737,987,226.55	4,715,460,312.00	43,150,159,133.80	60,234,604,324.29
Item	2022 (Restated)					
	Share capital	Capital reserves	Less: Treasury share	Surplus reserve	Retained profits	Total owners' equity
I. Closing balance of the prior year	9,335,806,114.00	4,937,523,553.84	1,023,188,723.04	4,672,505,348.00	37,958,561,319.89	55,881,207,612.69
Due to the changes in accounting policies	-	-	-	-	(443,175.57)	(443,175.57)
II. Opening balance of current year	9,335,806,114.00	4,937,523,553.84	1,023,188,723.04	4,672,505,348.00	37,958,118,144.32	55,880,764,437.12
III. Increase or decrease in the current period	95,114,510.00	3,326,861,226.46	4,292,844,927.20	42,954,964.00	1,071,410,551.30	243,496,324.56
(I) Total comprehensive income	-	-	-	-	9,597,389,077.40	9,597,389,077.40
(II) Owners' contributions and reduction in capital	95,114,510.00	3,326,861,226.46	4,412,565,229.40	-	-	(990,589,492.94)
1. Capital contribution from shareholders	97,402,605.00	2,796,428,789.55	2,893,831,394.55	-	-	-
2. Share-based payment recognized in owners' equity	-	507,562,719.42	-	-	-	507,562,719.42

3. Others	(2,288,095.00)	22,869,717.49	1,518,733,834.85	-	-	(1,498,152,212.36)
(III) Profit distribution	-	-	(119,720,302.20)	42,954,964.00	(8,525,978,526.10)	(8,363,303,259.90)
1. Transfer to surplus reserves	-	-	-	42,954,964.00	(42,954,964.00)	-
2. Distributions to shareholders	-	-	(119,720,302.20)	-	(8,483,023,562.10)	(8,363,303,259.90)
III. Closing balance of the current period	9,430,920,624.00	8,264,384,780.30	5,316,033,650.24	4,715,460,312.00	39,029,528,695.62	56,124,260,761.68

I. Basic Information about the Company

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

The main business activities of the Company and its subsidiaries (hereinafter referred to as "the Group") include the manufacture and sale of security equipment, network equipment and intelligent equipment, the manufacture and wholesale of auto parts and accessories, the sale of electronic products, the provision of construction projects, technical services, technology development, technical consulting, software development, information system integration services, data processing and storage support services, etc.

The Company's consolidated financial reports were approved for issuance by the 20th meeting of the 5th session of the Board of Directors of the Company on April 18, 2023.

II. Basis of Preparation of Financial Statements

Basis of preparation of financial statements

The Group have adopted the Accounting Standards for Business Enterprises ("ASBE") and relevant provisions issued by the Ministry of Finance ("MoF"). In addition, the Group has disclosed relevant financial information in accordance with *Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15 — General Provisions on Financial Reporting (revised in 2023)*.

Going concern

The Group has evaluated its going concern for 12 months going forward starting from December 31st 2023, and there is no factor that may cast significant doubt on the entity's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

Bookkeeping base and valuation principles

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

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

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

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

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

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

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

III. Significant Accounting Policies and Accounting Estimates

Specific accounting policies and accounting estimates suggests:

The Group has formulated specific accounting policies and accounting estimates for the method of determining materiality standards and the basis of selection, provision for credit losses on accounts receivable, provision for inventory depreciation, depreciation of fixed assets, revenue recognition and attribution of research and development expenses according to the actual production and operation characteristics. The significant judgements and accounting estimates and their key assumptions applied by the Group in identifying significant accounting policies are detailed in Notes (III), 34.

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

The financial statements of the Company have been prepared in accordance with ASBE, and present truly and completely, the Company's and consolidated financial position as of December 31, 2023; and the Company's and consolidated results of operations, and the Company's and consolidated changes in owners' equity, and the Company's and consolidated cash flows for 2023.

2. Accounting Period

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

3. Business Cycle

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

4. Functional Currency

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

5. Methodology for determining materiality criteria and basis for selection

Item	Materiality Criteria
Significant single-item receivables with bad debt provision	Single amount accounts for 10% of accounts receivable balance
Significant single-item contract assets with bad debt provision	Single amount accounts for 10% of contract asset balance
Significant construction in progress	Single amount of investment of construction in progress accounts for 2% of net assets balance
Significant accounts payable and other payables aged over 1 year	Accounts payable and other payables aged more than one year account for 5% of the balance of liabilities
Significant non-wholly owned subsidiaries	Minority interests representing 10% of consolidated shareholders' equity at the close of 2023
Significant joint ventures or associates	Investment income of individual joint ventures/associates accounts for 10% of consolidated net profit or the year-end balance of long-term equity investment in the enterprise accounts for 10% of the total consolidated assets
Cash received or paid in connection with significant investment activities	The amount of cash inflow or outflow from a single investing activity accounts for 10% of cash inflow or outflow from investing activities

6. The Accounting Treatment of Business Combinations Involving Enterprises under Common Control and Business Combinations Not Involving Enterprises under Common Control

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

6.1 Business combinations involving enterprises under common control

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

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

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

6.2 Business combinations not involving enterprises under common control and goodwill

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

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

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

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

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

7. Criteria for determining control right and Preparation Method of Consolidated Financial Statements

7.1 Criteria for determining control right

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

7.2 Preparation method of consolidated financial statements

The scope of consolidated financial statements shall be confirmed based on the control.

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

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

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

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

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

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

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

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

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

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

owner's equity accounted by the equity method, then it is transferred to income for the period in which it belongs at the date of purchase.

8. Joint Arrangement Classification and Joint Operation Accounting

Joint arrangements include joint operation and joint ventures. Such classification is defined based on the rights and obligations of the joint parties in the joint arrangement, taking into account the structure and legal form of such arrangement and also the contractual provisions.

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

9. Recognition Criteria of Cash and Cash Equivalents

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

10. Conversion of Transactions and Financial Statements Denominated in Foreign Currencies.

10.1 Transactions denominated in foreign currencies

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

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

When the consolidated financial statements include foreign operation(s), if there is foreign currency monetary item constituting a net investment in a foreign operation, exchange difference arising from changes in exchange rates are

recognized as "exchange differences arising on conversion of financial statements denominated in foreign currencies " in other comprehensive income, and in profit and loss for the period upon disposal of the foreign operation.

Foreign currency non-monetary items measured at historical cost are converted to the amounts in functional currency at the spot exchange rates on the dates of the transactions.

10.2 Conversion of financial statements denominated in foreign currencies

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

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

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

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

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

11. Financial Instruments

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

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

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

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

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

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

11.1 Classification, Confirmation and Measurement of Financial Assets

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

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

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

At the time of initial recognition, the Group may, on the basis of a single financial asset, irrevocably designate an investment in an equity instrument held for non-trading purpose recognized or without consideration in a business combination of enterprises not under the same control as a financial asset at fair value through other comprehensive income. This type of financial assets is presented as investment in other equity instruments.

Financial assets which have satisfied one of the following conditions indicate that such financial assets are held for trading purpose by the Group:

- The purpose of acquiring the relevant financial asset is mainly for sale in recent period.
- At the time of initial recognition, the relevant financial asset is a part of an identifiable portfolio of financial instruments under collective management, and there is objective evidence showing a recent and actual existence of short-term profitable mode.
- The relevant financial assets are derivatives.

Financial assets at fair value through profit and loss include financial assets which are classified as financial assets at fair value through profit and loss and financial assets designated at fair value through profit and loss:

- Financial assets which do not satisfy the conditions of being classified as financial assets measured at amortized cost or as financial assets at fair value through other comprehensive income, they will be classified as financial assets at fair

value through profit and loss.

- At the time of initial recognition, in order to eliminate or substantially reduce mismatch in accounting, the Group may irrevocably designate a financial asset as a financial asset measured at fair value with changes through profit and loss.

Financial assets at fair value through profit and loss will be presented as held-for-trading financial assets. If such financial assets have a maturity of more than one year from the balance sheet date (or without a fixed maturity) and which are expected to be held for more than one year, they will be presented under other non-current financial assets.

11.1.1 Financial assets measured at amortized cost

Financial assets measured at amortized cost adopt the effective interest rate method for subsequent measurement according to amortized cost, the profit or loss when impairment occurs or upon derecognition will be accounted in profit and loss of the current period.

The Group recognizes interest income by using effective interest rate method for financial assets measured at amortized cost. The Group determines interest income by multiplying the balance of book value of financial assets with the effective interest rate except under the following circumstances:

- For acquired or generated financial assets which incurred credit impairment already, their interest income will be determined by using the amortized cost of such financial asset calculated with the credit adjusted effective interest rate.
- For acquired or generated financial assets which have not incurred credit impairment but incur credit impairment in the subsequent period, the Group will determine their interest income by using the amortized cost of such financial assets multiplied with the effective interest rate in the subsequent period. If such financial asset ceases to have credit impairment due to improvement in credit risk in the subsequent period, then the Group should change to multiply the effective interest rate with the balance of book value of such financial asset instead to determine the interest income.

11.1.2 Financial asset at fair value through other comprehensive income

The impairment loss or profit, or interest income calculated by using the effective interest rate method, relating to financial asset at fair value through other comprehensive income should be accounted in the profit and loss of the current period, and other changes in fair value of such financial assets will be accounted in other comprehensive income. The amount charged by such financial asset to the profit and loss of each period is deemed to be equal to the amount which has been measured by amortized cost and charged to the profit and loss of each period. Upon derecognition of such financial asset, the accumulated profit or loss previously charged to other comprehensive income will be reversed from other comprehensive income and charged to profit and loss of the current period.

For non-trading equity instrument investment designated at fair value through other comprehensive income, its changes in fair value will be recognized in other comprehensive income. Upon derecognition of such financial asset, the

accumulated profit or loss charged to other comprehensive income will be reversed from other comprehensive income and charged to retained earnings. During the period when such investment in equity instruments for non-trading purpose are held by the Group, the right to receive dividends by the Group has been established, and economic benefits related to dividends are likely to flow into the Group, and if the amount of dividends may be measured reliably, the dividend income is recognized and accounted in the profit and loss of the current period.

11.1.3 Financial asset at fair value through profit and loss

For financial asset at fair value through profit and loss, subsequent measurement will be calculated at fair value, the profit or loss arising from changes in fair value and the dividend and interest income relating to such financial asset will be accounted in the profit and loss of the current period.

11.2 Impairment of Financial Assets

For financial assets measured at amortized cost, financial assets that are classified as financial asset at fair value through other comprehensive income, lease receivables and contract assets, the Group will handle impairment on the basis of expected credit loss and recognize loss provision.

The Group's consideration of contract assets, notes receivable and accounts receivable that are generated by transactions regulated by revenue standards and do not contain significant financing components or that do not consider financing components in contracts that are not more than one year old, as well as those lease receivables formed from transactions that are defined by the *Accounting Standards for Business Enterprises No. 21-Leasing*, the loss reserve shall be measured based on the amount of the expected credit loss during the entire duration.

For other financial instruments, other than acquired or generated financial assets which have incurred credit impairment already, the Group will assess on each balance sheet date the changes in credit risk of the relevant financial instruments since initial recognition. If the credit risk of such financial asset has significantly increased after initial recognition, the Group will calculate its loss provision based on the amount equivalent to the expected credit loss for the entire subsisting period. If the credit risk of such financial asset since initial recognition has not increased significantly, the Group will calculate its loss provision according to the expected credit loss amount of such financial asset for the next 12 months. The amount of increase or reversal in the provision for credit loss, apart from financial assets classified as financial asset at fair value through other comprehensive income, is accounted in the profit and loss of the current period. For financial asset classified as measured at fair value through other comprehensive income, the Group will recognize its credit loss provision in other comprehensive income and charged the impairment loss or gain to the profit and loss of the current period, and will not decrease the book value of such financial asset presented in the balance sheet.

The Group has calculated the loss provision equivalent to the expected credit loss amount for the entire subsisting period

of the financial instrument in the preceding accounting period, but at the balance sheet date of the current period, such financial instrument is no longer under the condition of significant increase in credit risk since initial recognition, the Group calculates the loss provision for such financial instrument on the balance sheet date of the current period according to an amount equivalent to the expected credit loss for the next 12 months, and the resulting loss provision reversal amount will be counted as impairment gain and booked into the profit and loss of the current period.

11.2.1 Significant increase in credit risk

The Group uses available and reasonable forward-looking information with justification, by comparing the default risk of the financial instrument at the balance sheet date with the default risk on the initial recognition date, to confirm whether the credit risk of the financial instrument has significantly increased after initial recognition.

The Group considers the following factors when assessing whether the credit risk has significantly increased:

- (1) Whether a significant change has been caused to the internal price indicator due to changes in credit risk.
- (2) Whether the external credit rating of financial instrument has actual or expected significant changes.
- (3) Whether the actual or expected internal credit rating of the debtor has been downgraded.
- (4) Whether adverse changes have occurred in the business, finance or economic conditions which are expected to cause significant changes in the capability of the debtor to perform debt repayment obligations.
- (5) Whether actual or expected significant changes have occurred in the operating results of the debtor.
- (6) Whether significant adverse changes have occurred in the supervision, economic or technical environment in which the debtor operates.
- (7) Whether significant changes have occurred in the value of security pledged for the debt or the quality of guarantee or credit enhancement provided by third parties. Such changes are expected to reduce the debtor's economic motivation of repayment according to contractual term or influence the probability of default.
- (8) Whether significant changes have occurred in the economic motivation which will lower the expectation of repayment by the borrower according to the contractual term.
- (9) Whether significant changes have occurred in the expected performance and repayment behavior of the debtor.

Whether or not the credit risks increase significantly after the foregoing assessments, if any contractual payment for any financial instrument that overdue for over (including) 30 days, it indicates the credit risks of that financial instrument have increased significantly.

On the balance sheet date, if the Group determines that the financial instrument only carries low credit risks, then it assumes that the credit risks of the financial instrument have not increased significantly since the initial recognition. If the risk of default on financial instruments is low, the borrower is highly able to perform its contractual cash flow obligations in the short term, and even if the economic situation and operating environment are adversely changed over a long period of time but not necessarily reducing the borrower's performance of its contractual cash obligations, the financial instrument is

considered as having a lower credit risk.

11.2.2 Financial assets which have incurred credit impairment already

When one or more events which will have adverse effect on the expected future cash flows from the financial asset of the Group have occurred, such financial asset will become a financial asset which have incurred credit impairment already.

The evidence of credit impairment occurred in a financial asset includes the following observable information:

- (1) Material financial difficulties have occurred in the issuer or debtor;
- (2) Breach of contract by the debtor, such as default or overdue for the payment of interest or repayment of principal;
- (3) Due to economic or contractual considerations relating to financial difficulties of the debtor, the creditor has granted concession to the debtor under no other circumstances;
- (4) The debtor is likely to go bankrupt or carry out other financial restructuring;
- (5) The financial difficulties of the issuer or debtor have caused the disappearance of the active market for the financial asset;
- (6) The purchase or generation of a financial asset at a large discount, such discount reflects the fact of occurrence of credit loss.

11.2.3 Confirmation of expected credit loss

The Group confirms the expected credit loss of the relevant financial instrument according to the following method:

- In respect of financial asset and lease receivables, the credit loss is the present value of the difference between the contractual cash flow that the group should receive and the cash flow that it expects to receive.
- In respect of financial assets with credit impairment on the balance sheet date but they are not acquired or generated financial assets with credit impairment, the credit loss represents the difference between the balance of the book value of such financial asset and the present value of the estimated future cash flows discounted by the original effective interest rate.

The factors reflected by the method used for calculating expected credit loss of financial instruments by the Group include: an unbiased weighted average amount determined by assessing a series of probable outcomes; time value of currency; reasonable and justifiable information relating to past events, prevailing conditions and forecast of future economic conditions obtained on the balance sheet date without incurring unnecessary additional cost or effort.

11.2.4 Write-off on financial asset

When the Group ceases to have reasonable expectation on the possible collection of all or part of the contractual cash flows from the financial asset, the balance of book value of such financial asset will be written off directly. Such a write-

off constitutes a derecognition of the relevant financial asset.

11.3 Transfer of financial asset

A financial asset that fulfills one of the following conditions will be de-recognized: (1) termination of contractual rights to receive cash flows from the financial asset; (2) upon transfer of such financial asset and transfer of substantially all the risks and rewards in respect of the ownership of such financial asset to the transferee; (3) upon transfer of such financial asset, though the Group has not transferred nor retained substantially all the risks and rewards in respect of the ownership of such financial asset, yet it has not retained the control over such financial asset.

If the Group has not transferred nor retained substantially all the risks and rewards in respect of the ownership of such financial asset, and has retained the control over such financial asset, then such transferred financial asset will continue to be recognized, and the relevant liabilities will continue to be recognized, according to the level of the Group's continuous involvement in such transferred financial asset. The relevant liabilities will be measured by the Group according to the following method:

- If the transferred financial asset is measured by amortized cost, the book value of the relevant liabilities is equivalent to the book value of the transferred asset of continuous involvement less the amortized cost of the rights retained by the Group (if the Group has retained the relevant rights due to transfer of the financial asset) and plus the amortized cost of the obligations undertaken by the Group (if the Group has undertaken the relevant obligations due to transfer of the financial asset), and the relevant liabilities are not designated as financial liabilities at fair value through profit and loss of the current period.
- If the transferred financial asset is measured by fair value, the book value of the relevant liabilities is equivalent to the book value of the transferred asset of continuous involvement less the fair value of the rights retained by the Group (if the Group has retained the relevant rights due to transfer of the financial asset) and plus the fair value of the obligations undertaken by the Group (if the Group has undertaken the relevant obligations due to transfer of the financial asset), and the fair value of the rights and obligations shall be measured at the fair value on a separate basis.

For full transfer, which satisfies the conditions of derecognition, of the financial assets, the difference between the sum of the book value of the transferred financial assets as at the date of derecognition and the consideration received from such transfer and the accumulated amount of change in fair value originally included in other comprehensive income, which corresponds to the amount in respect of derecognition, shall be recognized in the profit and loss for the current period. If the transfer of the financial assets by the Group is designated as investment in equity instrument held for non-trading purpose measured at fair value through other comprehensive income, the accumulated gains or losses previously included in other comprehensive income shall be transferred out from other comprehensive income and be included in retained earnings.

For transfer in part, which satisfies the conditions of derecognition, of the financial assets, the book value of the entire

financial assets before the transfer shall be shared between the derecognized portion and the continuous recognition portion at their respective relative fair value on the date of transfer, and the difference between the sum of the consideration received from derecognition and the accumulated amount of change in fair value originally included in other comprehensive income, which corresponds to the amount in respect of derecognition, and the book value of the derecognized portion as at the date of derecognition shall be included in the profit and loss of the current period. If the transfer of the financial assets by the Group is designated as investment in equity instrument for non-trading purpose measured at fair value through other comprehensive income, the accumulated gains or losses previously included in other comprehensive income shall be transferred out from other comprehensive income and be included in retained earnings.

For full transfer, which does not satisfy the conditions of derecognition, of the financial assets, the Group will continue to recognize the entire financial assets transferred and the consideration received as a result of the asset transfer is recognized as a liability when received.

11.4 Classification, confirmation and measurement of financial liabilities and equity instruments

Pursuant to the contractual terms of the issued financial instruments and the substantive economic condition as reflected, but not in legal terms only, combined with the definitions of financial liabilities and equity instruments, the Group has classified such financial instruments or the components thereof as financial liabilities or equity instruments upon initial recognition.

11.4.1 Classification, confirmation and measurement of financial liabilities

Financial liabilities are classified into financial liabilities at fair value through profit and loss of the current period and other financial liabilities upon initial recognition.

11.4.1.1 Financial liabilities at fair value through profit and loss of the current period

Financial liabilities at fair value through profit and loss of the current period comprise of financial liabilities held for trading purpose (including derivatives of financial liabilities) and financial liabilities designated as measured at fair value through profit and loss of the current period. Except for derivatives of financial liabilities, which are presented separately, financial liabilities at fair value through profit and loss of the current period are presented as financial liabilities held for trading.

Financial liabilities that fulfill one of the following conditions suggest that the Group assumes such financial liabilities for trading purpose:

- Assumption of the relevant financial liabilities is mainly for the purpose of the recent repurchases.
- The relevant financial liabilities, upon initial recognition, are part of a portfolio of identifiable financial instruments

under centralized management, and available objective evidence shows the recent and actual existence of a short-term profit-making model.

- The relevant financial liabilities are derivatives.

Financial liabilities can be designated, upon initial recognition, by the Group as financial liabilities at fair value through profit and loss of the current period, provided that they have satisfied one of the following conditions: (1) such designation can eliminate or substantially reduce accounting mismatches; (2) managing and evaluating the performance of portfolios of financial liabilities, or portfolios of financial assets and financial liabilities, on fair value basis and reporting internally to key personnel of the Group on this basis in accordance with the risk management or investment strategies specified in formal written documents of the Group; (3) hybrid contracts, with embedded derivatives, have satisfied the conditions.

Financial liabilities held for trading purpose use fair value for subsequent measurement, gains or losses arise from changes in fair value and the dividends or interest expenses relating to such financial liabilities are accounted in the profit and loss of the current period.

11.4.1.2 Other financial liabilities

Excluding transfer of financial assets not complying with derecognition conditions, or financial liabilities as a result of continuous involvement in transferred financial assets, as well as the financial guarantee contracts, the other financial liabilities will be classified as financial liabilities measured at amortized cost, subsequent measurement will be based on amortized cost, gains or losses on derecognition or amortization will be accounted in the profit and loss of the current period.

If the Group and the counterparty have revised or renegotiated the contract, this has not resulted in the derecognition of financial liabilities measured at amortized cost for subsequent measurement, but has caused changes in the contractual cash flows, then the Group should recalculate the book value of such financial liabilities, and the relevant gains or losses shall be accounted in the profit and loss of the current period. The recalculated book value of such financial liabilities will be determined by the Group by discounting the cash flows from the renegotiated or revised contract with the original effect interest rate of the financial liabilities. All costs or expenses incurred in the revision or renegotiation of the contract will be reflected in the adjusted book value of financial liabilities after such revision, and will be amortized during the remaining period of the revised financial liabilities.

11.4.2 Derecognition of financial liabilities

When the existing obligations of a financial liability have been wholly or partially discharged, such financial liability or such part of it will be derecognized. When the Group (as borrower) and the lender enter into an agreement to undertake

new financial liabilities for replacing the original financial liabilities, if substantive difference exists in the contractual terms between the new financial liabilities and the original financial liabilities, the Group should derecognize the original financial liabilities while at the same time recognizes the new financial liabilities.

When a financial liability is wholly or partially derecognized, the difference between the book value of the derecognized portion and the consideration paid (including non-cash asset transferred out or new financial liabilities undertaken) will be accounted in the profit and loss of the current period.

11.4.3 Equity instrument

Equity instrument refers to a contract which can prove the ownership of remainder interest in assets after deducting all liabilities of the Group. The Group issues (including refinances), repurchases, sells or cancels equity instruments for treatment of changes in equity. The Group will not recognize changes in the fair value of equity instruments. Trading expenses relating to equity transactions will be deducted from equity.

The Group's distribution to holder of equity instrument is treated as profit distribution, the share dividends paid out will not affect the total equity of shareholders.

11.5 Derivatives

Derivatives include foreign exchange forward contract, foreign exchange option contract and interest rate swap contract, etc. Derivatives are measured at fair value initially on the date of signing the relevant contract and will be measured at fair value for subsequent measurement.

11.6 Offsetting between financial assets and financial liabilities

When the Group has legal right to offset the recognized financial assets and financial liabilities, and such legal right is enforceable currently, while at the same time the Group plans to perform netting settlement, or to liquidate the financial asset and repay the financial liability at the same time, the amount after offsetting between the financial asset and financial liability will be presented in the balance sheet. Save as said above, the financial asset and financial liability are presented separately in the balance sheet without offsetting each other.

11.7 Reclassification of financial instruments

When the Group changes its business model for managing financial assets, all affected underlying financial assets will be reclassified. All financial liabilities are not reclassified.

The Group reclassifies financial assets and applies the prospective application method for relevant accounting treatment from the date of reclassification (i.e., the first day of the first reporting period after the change in the business model that led to the reclassification of financial assets).

If the Group reclassifies a financial asset measured at amortized cost to a financial asset at fair value through other comprehensive income, it is measured at the fair value of the financial asset at the date of reclassification. The difference between the original carrying amount and the fair value is recognized in other comprehensive income.

12. Notes receivable

12.1 Method of determining expected credit losses on notes receivable and its accounting treatment

The Group separately assesses the credit risk of the notes receivable with a single significant amount and the debtor with severe financial difficulties, and makes provision for credit losses on a portfolio basis for the remaining notes receivable based on the credit risk characteristics.The increase or reversal of the provision for expected credit losses of notes receivable is recognized in profit or loss as credit impairment gains or losses.

12.2 Combination category and determination basis of bad debt provision according to credit risk characteristics

The Group classifies notes receivable into different portfolios based on the nature of the acceptor.

Portfolio Categories	Determination basis
Bank acceptance bill	Notes receivable with acceptors are banks
Non-bank acceptance bill	Notes receivable with acceptors are non-banks

13. Accounts receivable, financial lease receivables and installment receivables in long-term receivables

13.1 Method of determining expected credit losses on accounts receivable/long-term receivables and their accounting treatment

The Group assesses the credit risk of accounts receivable with significant individual amounts and significant financial difficulties of debtors and financial lease receivables and installment receivables in long-term receivables individually, and determines the credit loss allowance on a portfolio basis using impairment matrix for the remaining parts. The increase or reversal of the provision for expected credit losses of accounts receivable is recognized in profit or loss as credit impairment gains or losses.

13.2 Combination category and determination basis of bad debt provision according to credit risk characteristics

For accounts receivables, the Group categorizes accounts receivable into Portfolio A, Portfolio B and Portfolio C based on shared risk characteristics. Common credit risk characteristics adopted by the Group include the geographical location and business object.

For long-term receivables, the common credit risk profile adopted by the Group includes business objects.

13.3 Calculation of ageing based on age-based recognition of a portfolio of credit risk characteristics

The Group uses the ageing as a credit risk characteristics, and use impairment matrix to determine the credit losses of its accounts receivable and long-term receivables related to the financial lease and installment collection business. The ageing is calculated from the end of the credit period. The ageing is calculated on a continuous basis when the terms and conditions of accounts receivables and long-term receivables are modified but do not result in derecognition of them.

14. Receivables Financing

14.1 Method of determining expected credit losses on receivables financing and its accounting treatment

The Group measures bad debt provisions based on expected credit losses over the entire duration, recognizes credit loss provisions for receivables financing in other comprehensive income, and recognizes credit impairment losses or gains in profit or loss for the period, without reducing the carrying amount of receivables financing presented in the balance sheet.

14.2 Combination category and determination basis of bad debt provision according to credit risk characteristics

The Group considers that there is no significant credit risk for the bank acceptance bills held by the Group, which are all bank acceptance bills and the possibility of significant losses due to bank default is low.

15. Other receivables

15.1 Method of determining expected credit losses on other receivables and its accounting treatment

The Group determines credit losses for other receivables on a portfolio basis. The increase or reversal of the provision for

expected credit losses of other receivables is recognized in profit or loss as credit impairment losses or gains.

15.2 Combination category and determination basis of bad debt provision according to credit risk characteristics

The Group categorizes other receivables into different groups according to the nature of the amounts.

15.3 Calculation of ageing based on age-based recognition of a portfolio of credit risk characteristics

The Ageing is calculated from the end of the credit period.

16. Inventories

16.1 Categories of inventories, valuation method, count system, amortization method for low cost and short-lived consumable items and packaging materials

16.1.1 Categories of inventories

The Group's inventory mainly includes finished products, products in process, raw materials and contract performance costs. Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

16.1.2 Valuation method of inventories upon delivery

The actual cost of inventories upon delivery is calculated using the moving weighted average method.

16.1.3 Inventory count system

The perpetual inventory system is maintained for stock system.

16.1.4 Amortization method for low cost and short-lived consumable items and packaging materials

Packaging materials and low cost and short-lived consumable items are amortized using the immediate write-off method.

16.2 The recognition standard and accounting method of inventory falling price reserves

At the balance sheet date, inventory is measured at the lower of cost or net realizable value. When the net realizable value is lower than the cost, the inventory falling price reserves is withdrawn.

Net realizable value is the amount of the estimated selling price of inventory in day-to-day activities less the estimated costs to be incurred at completion, estimated selling expenses and related taxes. The determination of net realizable value of inventories is based on firm evidence obtained, taking into account the purpose for which the inventories are held and the effect of events after the balance sheet date.

After the provision for inventory depreciation, if the factors affecting the previous reduction of inventory value have disappeared, resulting in the net realizable value of the inventory being higher than its carrying value, the amount of the original provision for inventory depreciation shall be reversed, and the amount of the reversal shall be included in the current profit or loss.

16.3 The combination category and the basis for determining the inventory falling price reserves, and the basis for determining the net realizable value of different categories of inventories

The Group makes provision for inventory falling price reserves by inventory category for inventories with a large quantity and low unit price. For inventories manufactured and sold in the same region, having the same or similar use or purpose, and difficult to measure separately from other items, provision for inventory depreciation shall be made on a consolidated basis. The Group makes provision for inventory falling price reserves according to the nature and status of inventories.

17. Contract Assets

17.1 Method and standard for determination of contract assets

Contract assets refer to the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time. The Group's unconditional (i.e., depending on the passage of time only) right to receive consideration from the customer is separately presented as receivables.

17.2 Determination and accounting treatment methods of expected credit loss of contract assets

Consistent with accounts receivable, except for contract assets with significant individual amounts and significant financial difficulties of debtors, the Group determines the credit loss for contract assets on a portfolio basis for other contract assets. The increase or reversal of expected credit loss provision for contract assets of this year is recognized as impairment loss or gain in current profit or loss.

17.3 Combination category and determination basis of bad debt provision according to credit risk characteristics

Consistent with accounts receivable, the Group provides for credit losses on a portfolio basis based on common risk characteristics. Common credit risk characteristics adopted by the Group include the geographical location and business object.

18. Long-term Equity Investment

18.1 Basis for determining joint control and significant influence over investee

Control is the power to govern an entity through participating in relevant activities of the investee; the investor is able to obtain variable benefits from its activities, and at same time, to use the control rights on the investee to influence the amount of returns. Joint control means that joint control for certain arrangement in accordance with relevant agreements; activities relevant to the arrangement cannot be decided until obtaining the unanimous consent of parties sharing control right. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee, such as current convertible debts, current executable warrants, etc., held by the investing enterprises or other parties shall be considered.

18.2 Determination of initial investment cost

For a long-term equity, investment acquired through a business combination involving enterprises under common control, the shares of merged party's book value of owners' equity in the final controlling party consolidated financial statements obtained on the merger date shall be considered as the initial investment cost of long-term equity investment. The differences between the initial investment cost of long-term equity investment and the paid cash, the transferred non-cash assets and the book value of the assumed debts are adjusted against the capital surplus; if the capital surplus is not sufficient to be offset, the remaining balance is adjusted against retained earnings. In the case of issued equity securities treated as consolidation consideration, share of book value of owner's equity of merged party in the final controlling party consolidated financial statements is regarded as initial investment cost of long-term equity investments on the date of consolidation; capital reserve shall be adjusted in accordance with taking total nominal value of issued share as capital

share, the difference between the initial investment cost of long-term equity investments and total book value of issued shares; In case the capital reserve is not enough for writing down, the retained earnings shall be adjusted.

For a long-term equity investment acquired through business combination not involving enterprises under common control, and the merging cost confirmed on the purchased date are regarded as the initial investment cost. In the case that the equity of the acquiree is obtained through multiple deals in stages to finally form the business combination not under the common control, the business combination shall be handled differently based on whether it is "package deal": where it is package deal, the Company accounts each deal as a deal to obtain the control. If the deal is not a "package deal", the sum of the carrying amount of the equity investment of the acquiree plus the cost of the new investment shall be used as the initial investment cost of the long-term equity investment calculated according to the cost method. The equity originally held is accounted for by the equity method, and the relevant other comprehensive income will not be accounted for the time being.

The intermediate expenses made by the combining party or purchaser for audit, legal service, assessment and other management related expenses during the business merger should be included into the current profit and loss as it happens.

Long-term equity investment obtained by other means other than long-term equity investment formed by business combination shall be initially measured at cost.

18.3 Subsequent measurement and recognition of profit or loss

18.3.1 Long-term equity investment accounted for using the cost method

Long-term equity investments in subsidiaries are accounted for using the cost method in the Company's financial statements. A subsidiary is an investee that is controlled by the Group.

The long-term equity investment accounted by the cost method shall be measured at its initial investment cost. If there are additional investments or disinvestments, the long-term equity investment cost shall be adjusted. Income from the investment in the current period shall be recognized in accordance with the cash dividends or profits declared and issued by the investee.

18.3.2 Long-term equity investment accounted for using the equity method

Except for investments in associates and joint ventures that are wholly or partly classified as holding assets for sale, the Group accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Group has significant influence and a joint venture is an entity over which the Group can only exercise joint control along with other investors on the investee's net assets.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognizes its share of the net profit or loss and other comprehensive income of the investee for the period as investment income or loss and comprehensive income for the period, meanwhile, the book value of the long-term equity investment shall be adjusted; The Group shall accordingly reduce the book value of the long-term equity investment in terms of the part that shall be enjoyed according to the profit or cash dividends declared by the invested unit to be distributed; For other changes in the owners' equity of the invested unit other than net profits and losses, other comprehensive incomes and the profit distribution, the book value of long-term equity investment shall be adjusted and be included into the capital reserves. The Group shall, on the ground of the fair value of all identifiable assets of the invested entity when it obtains the investment, recognize the attributable share of the net profits and losses of the invested entity after it adjusts the net profits of the invested entity. If the accounting policies and accounting periods adopted by the invested unit are different from those adopted by the Group, the adjustment shall be made for the financial statements of the invested unit in accordance with the accounting policies and accounting periods of the Group to recognize the investment income and other comprehensive incomes. For the transaction incurred between the group and associated enterprises and joint ventures, invested or sold assets don't constitute a business, the part that doesn't achieve internal transaction profit or loss or belongs to the Group calculated according to the enjoyed ratio will be offset, and the profit or loss on investment will be confirmed on this basis. But for the unrealized loss arising from the internal transaction between the Group and the invested unit, if such transaction loss is defined as the impairment loss of the transferred asset, they cannot be offset.

When the Group determines the net loss of the invested unit that shall be shared, it is necessary to write-down the book value of the long-term equity investment and other long-term equities substantially constituting the net investment of the invested unit to zero as a limit. Besides, if the Group is obliged to bear extra loss for the invested unit, it shall be necessary to determine provisions and record them to current investment loss in compliance with obligations expected to be assumed. If the invested unit realizes any net profits later, the Group shall, after the amount of its attributable share of profits offsets its attributable share of the un-confirmed losses, resume recognizing its attributable share of profits.

18.4 Disposal of long-term equity investments

On disposal of a long term equity investment, the difference between the proceeds actually received and the carrying amount is recognized in profit or loss for the period.

19. Fixed Assets

19.1 Recognition criteria for fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognized. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

19.2 Depreciation of each category of fixed assets

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The depreciation method, depreciation period, estimated residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Item	Depreciation method	Depreciation period	Residual value rate (%)	Annual depreciation rate (%)
Buildings and Constructions	Straight-line depreciation	20 years	10	4.5
General-purpose equipment	Straight-line depreciation	3-5 years	10	18.0-30.0
Special-purpose equipment	Straight-line depreciation	3-5 years	10	18.0-30.0
Transportation vehicles	Straight-line depreciation	5 years	10	18.0

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

19.3 Other explanations

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognized. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognized in profit or loss for the period.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

20. Construction in Process

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalized before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use. The standards and time points for carrying forward various types of projects under construction to fixed assets are as follows:

Item	Standards and timing of carry-over as fixed assets
Buildings and Constructions	The main construction project and supporting projects have been substantially completed and reached a state of practical usability.
Equipments to be installed and commissioned	Relevant equipment and other supporting facilities have been installed; after debugging, the equipment can maintain normal and stable operation for a period of time.

21. Borrowing Costs

Borrowing costs directly attributable to the acquisition & construction or production of assets eligible for capitalization shall be capitalized when assets expenditure, borrowing costs and necessary construction or production for bringing assets to expected conditions for use or marketing have taken place; when construction or production of assets ready for

capitalization reach to expected conditions for use or marketing, capitalization shall be ceased. Other borrowing expenses are recognized as expenses in the current period.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings. During the capitalization period, exchange differences related to a specific-purpose borrowing denominated in foreign currency are all capitalized. Exchange differences in connection with general-purpose borrowings are recognized in profit or loss in the period in which they are incurred.

22. Intangible Assets

22.1 Service life and its basis for determination, estimate, amortization method or review procedure

Intangible assets include land use right, intellectual property (IP), application software, and franchise, etc.

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost is amortized over its estimated useful life using the straight-line method. The amortization method, service life and net residual value of various intangible assets are shown as follows:

Class	Amortization method	Service life (year)	Determination basis	Salvage value rate (%)
Land use right	Straight-line method	40 or 50 years	Term of use of property rights	-
IP Right	Straight-line method	5-10 Years	Expected economic benefit life	-
Application Software	Straight-line method	5-10 years	Expected economic benefit life	-
Franchise	Straight-line method	Franchised operating period	Franchise contract duration	-

The fees charged by the Group to those who acquire public products and services during the project operation period do not constitute an unconditional right to receive cash. When the PPP project assets are ready for their intended use, the difference between the consideration amount of the relevant PPP project assets or the amount of confirmed construction income and the amount of cash (or other financial assets) that is entitled to receive a determinable amount will be recognized as intangible assets.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at the end of the year, and makes adjustments when necessary.

For the impairment test of intangible assets, please refer to Note (III), 20. Long-term asset impairment.

22.2 The accounting treatment methods and the collection scope of research and development expenditure

Expenditure during the research phase is recognized as an expense in the period in which it is incurred.

Expenditure during the development phase that meets all of the following conditions at the same time is recognized as intangible asset. Expenditure during development phase that does not meet the following conditions is recognized in profit or loss for the period.

- (1) It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (2) The Group has the intention to complete the intangible asset and use or sell it;
- (3) The Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- (4) The availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- (5) The expenditure attributable to the intangible asset during its development phase can be reliably measured.

If the expenditures cannot be distinguished between the research phase and development phase, the Group recognizes all of them in profit or loss for the period. The costs of the intangible assets generated by internal development activities only include the total expenditure incurred from the time point when the capitalization conditions are available to the point when the intangible assets are used for their intended purposes; for the expenditure that already becomes an expenditure in the profit and loss statement before the capitalization conditions are available during development of the same intangible asset, no adjustment will be made.

The aggregate scope of the Group's R & D expenses includes employee compensation for personnel directly engaged in R & D activities, materials and service fees directly consumed by R & D activities, depreciation expenses and amortization expenses of intangible assets for equipment and equipment used in R & D activities, rental expenses for R & D sites, intermediate testing expenses for R & D activities, new product design expenses, and travel, transportation and

communication expenses required for research and test development. The Group uses the passing of feasibility studies and the completion of R&D project projects after evaluation as the specific criteria for classifying R&D projects into research and development phases.

23. Long-term Assets Impairment

The Group assesses at each balance sheet date whether there is any indication that the long-term equity investment, fixed assets, construction in process, and intangible assets with a finite useful life may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. The recoverable amount is determined by the higher of 1) net amount of fair value of the asset or asset group deducted by the disposal expenses; or 2) the present value of the expected future cash flows of the asset or asset group.

If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted as an impairment provision and is recognized in profit or loss for the period.

Goodwill impairment test shall be conducted at the end of each year at least. Goodwill impairment test shall be conducted in accordance with the concerned asset group or asset portfolio. That is to allocate the book value of goodwill to the asset group or asset portfolio that is expected to benefit from the synergies of the combination in a reasonable way from the date of purchasing. When recoverable amount of apportion-included asset group or asset portfolio of goodwill is less than book value of goodwill, impairment loss shall be recognized. Firstly, amount of impairment loss shall be apportioned to the book value of goodwill of the said asset group or asset portfolio, and then book value of other assets, except for goodwill, in asset group or asset portfolio shall be abated in proportion.

Once the impairment loss of such assets is recognized, it cannot be reversed in any subsequent period.

24. Long-term Deferred Expenses

Long-term deferred expenses are the expenses that are already incurred but will be shared in the current reporting period and later periods with amortization term of more than one year, mainly for the expenses on betterment of leased fixed assets and employee housing loan deferred interest. Long-term deferred expenses are evenly amortized in installments in three to five years during the expected benefit period.

25. Contract Liabilities

Contract liabilities refer to the obligation of the Group to transfer goods or services to customers for consideration received or receivable from customers. Contract assets and contract liabilities under the same contract are presented in net terms.

26. Employee Compensation**26.1 Accountant Arrangement Method of Short-term Remuneration**

During accounting period when the Group's employees provide services, actual short-term remuneration shall be recognized as the liabilities and current profit and loss or relevant asset cost. The Group's employee benefits and welfare are included into current profit and loss or relevant asset cost according to actual amount occurred during the period. If the employee benefits and welfare is non-monetary, it shall be measured according to its fair value.

During the accounting period that the employees service the Group, the Group pays social insurance premiums such as medical insurance premium, industrial injury insurance premium, maternity insurance premium and housing accumulation fund for its employees, as well as labor union expenditure and employee education expenses calculated and withdrawn according to the regulations, corresponding employee remuneration amount shall be calculated and determined in accordance with specified calculation and withdrawal basis and proportion to recognize corresponding liabilities and included into the current profit and loss or relevant asset cost.

26.2 Accountant Arrangement Method of Post-employment Benefits

All post-employment benefits shall be considered as the defined contribution plan.

In the accounting period when the employee serves for the Group, the deposited amount calculated based on defined contribution plan shall be recognized as liabilities and included in the current profit and loss or relevant asset cost.

26.3 Accountant Arrangement Method of the Termination Benefits

Where the Group provides termination benefits, the employee remuneration liabilities caused by such termination benefits will be determined as the following date, whichever is earlier, and will be included in the current profit and loss: 1) When the Group cannot unilaterally withdraw the termination benefits provided due to labor relation cancellation plan or

employee lay-off suggestion; or 2) when the Group determines costs or expenses in relation with the restructuring of the paid termination benefits.

27. Provisions

Provisions are recognized when the Group has a present obligation related to a contingency such as products quality assurance, etc. And it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

The Group estimates product quality guarantee deposits based on expected claim rates, maintenance and replacement costs, etc.

28. Share-based Payment

Share-based payment refers to a transaction in which the Group grants the equity instruments or undertakes the equity-instrument-based liabilities in return for services from employees. The Group's share-based payment is an equity-settled share-based payment.

28.1 Equity-settled share-based payments

Equity-settled share-based payments in exchange for services rendered by employees are measured at the fair value of the equity instruments granted to employees at the grant date. Such amount is recognized as related costs or expenses on a straight-line basis over the vesting period, with a corresponding increase in capital reserve.

At each balance sheet date during the vesting period, the Group makes the best estimate according to the subsequent latest information of change in the number of employees who are granted with options that may vest, etc. and revises the number of equity instruments expected to vest. The effect of the above estimate is recognized as related costs or expenses, with a corresponding adjustment to capital reserve.

28.2. Accounting treatment related to implementation, modification and termination of share-based payment arrangement

In case the Group modifies a share-based payment arrangement, if the modification increases the fair value of the equity instruments granted, the Group will include the incremental fair value of the equity instruments granted in the measurement of the amount recognized for services received. If the modification increases the number of the equity instruments granted, the Group will include the fair value of additional equity instruments granted in the measurement of the amount recognized for services received. The increase in the fair value of the equity instruments granted is the difference between fair value of the equity instruments before and after the modification on the date of the modification. If the Group modifies the terms or conditions of the share-based payment arrangement in a manner that reduces the total fair value of the share-based payment arrangement, or is not otherwise beneficial to the employee, the Group will continue to account for the services received as if that modification had not occurred, other than a cancellation of some or all the equity instruments granted.

If cancellation of the equity instruments granted occurs during the vesting period, the Group will account for the cancellation of the equity instruments granted as an acceleration of vesting, and recognize immediately the amount that otherwise would have been recognized over the remainder of the vesting period in profit or loss for the period, with a corresponding recognition in capital reserve. When the employee or counterparty can choose whether to meet the non-vesting condition but the condition is not met during the vesting period, the Group treats it as a cancellation of the equity instruments granted.

29. Revenue

The Group's revenue consists of product sales revenue, engineering construction revenue and cloud services and other service revenue.

When (or as) a performance obligation in a contract was satisfied, i.e., when (or as) the customer obtains control of relevant goods or services, the Group recognizes as revenue the amount of the transaction price that is allocated to that performance obligation. A performance obligation is the Group's commitment to transfer to a customer a good or service (or a bundle of goods or services) that is distinct, in a contract with the customer.

The Group evaluates the contract on the commencement date of the contract, identifies the individual performance obligations contained in the contract and determines whether each individual performance obligation is to be performed over a certain period of time or at a certain point in time. Revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met: (1) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; (2) the Group's performance creates or enhances an asset that the customer controls as the Group performs; or (3) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to

payment for performance completed to date. Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

If the contract contains two or more performance obligations, the Group allocates the transaction price to each single performance obligation on the contract start date in accordance with the relative proportion of the individual selling price of the goods or services promised by each single performance obligation. However, if there is strong evidence that the contract discount or variable consideration is only related to one or more (but not all) performance obligations in the contract, the Group allocates the contract discount or variable consideration to the relevant one or more performances obligation. Individual selling price refers to the price at which the Group sells goods or services to customers separately. Where the individual selling price cannot be directly observed, the Group comprehensively considers all relevant information that can be reasonably obtained, and uses the observable input value to the maximum to estimate the individual selling price.

The Group judges whether the Group's identity is the principal or agent when engaging in transactions based on whether it has control over the goods or services before transferring the goods or services to customers. If the Group is able to control the goods or services before transferring them to customers, the Group is the principal responsible person, and revenue is recognized based on the total amount of consideration received or receivable. Otherwise, the Group acts as an agent and recognizes revenue based on the amount of commission or handling fee to which it is expected to be entitled, which is determined based on the net amount of the total consideration received or receivable less the consideration payable to other related parties, or based on a predetermined commission amount or proportion, etc.

29.1 Revenue from sale of products

Product sales revenue is the revenue from sales of video surveillance products, smart home products, robotics products and other products of the Group.

According to the contract, the Group recognizes revenue when the control of the product is transferred, that is, when the product is handed over to the agreed carrier or delivered to the place designated by the other party for receipt. As the delivery of the products to the customer represents the right to receive the contract consideration unconditionally, and the maturity of the payment is only subject to the passage of time, the Group recognises a receivable when the product is delivered to the customer. When a customer prepays for a purchase, the Group recognises the transaction amount received as a contractual liability until revenue is recognized when the product is delivered to the customer.

There is variable consideration in the product sales contracts between the Group and its distributors. The Group determines the best estimate of the variable consideration based on the expected delivery time, quantity and price of the products. The transaction price, including variable consideration, does not exceed the amount by which the accrued recognized revenue is unlikely to be materially reversed at the time the relevant uncertainty is eliminated. At each balance sheet date, the Group re-estimates the amount of variable consideration that should be included in the transaction price.

When the Group sells products to distributors, it provides an additional purchase option under sales incentives, i.e., the Group's distributors can accumulate sales rebates when purchasing specific products from the Group and use them to offset the price of goods in future purchases. These sales rebates provide resellers with discounts on their future purchases that are not available to similar customers. As a result, the commitment to provide the dealer with a credit for future purchases is a separate performance obligation that is recognized as a contractual liability at the time of the sale transaction at the transaction price apportioned to the fair value of the rebate, and revenue is recognized when the reseller uses the sales rebate offset.

The Group provides quality assurance for the products sold, and the quality assurance related to the products sold by the Group cannot be purchased separately, but is to assure customers that the products sold meet the established standards, so the Group carries out accounting treatment in accordance with the provisions of *Accounting Standard for Business Enterprises No. 13 - Contingencies*.

For product sales of the Group with sales return terms attached, as the customer obtains ownership of related products, the Group recognizes revenue in accordance with the consideration (excluding expected refund amounts due to sales returns) that the Group is expected to receive due to the transfer of products or services to the customer, and recognizes expected liabilities in accordance with expected refund amounts due to sales returns. The remaining amount, subsequent to deduction of expected costs from collecting the products (including the decrease in value of the returned products), is recognized as an asset in accordance with the carrying amount during the expected transfer of returned products after deducting the costs of the above net assets carried forward.

Some of the Group's product sales contracts have instalment payment clauses, and there is a significant financing component in the contract, the Group determines the transaction price based on the amount payable in cash when the customer assumes control of the products. The difference between the transaction price and the contract consideration is amortized using the effective interest rate method during the contract period. On the contract commencement date, the Group does not consider the significant financing components in the contract if the interval between the customer obtaining control of the products and the price being paid by the customer is not more than one year.

29.2 Project construction revenue

Project construction revenue is the revenue from constructions related to intelligent security solution projects and PPP Projects provided by the Group.

For project construction, the customer is able to control the assets under construction in the course of the Group's performance, and the Group regards them as a performance obligation to be performed within a certain period of time, and the revenue is recognized according to the performance progress, unless the performance progress cannot be reasonably determined.

The Group uses the output method to determine the progress of performance, which is to determine the progress of performance based on the value of engineering construction services transferred to customers. If the progress of performance cannot be reasonably determined and the costs incurred by the Group are expected to be compensated, revenue is recognized according to the amount of costs incurred until the progress of performance can be reasonably determined.

The Group's customers make milestone payments with the Group in respect of projects in accordance with the terms of the contract. The Group first recognizes the completed performance obligations as contract assets and reclassifies them as accounts receivable when the payment milestone is reached; if the contract price received or receivable by the Group exceeds the accumulated performance obligations completed, the excess part is recognized as a contract liability. The Group's contract assets and contractual liabilities under the same contract are presented on a net basis.

Some of the Group's construction contracts have long-term payment clauses, and there are significant financing elements in the contracts. The Group determines the transaction price on the basis of the amount payable in cash on the assumption that the customer will take control of the asset-building. The difference between the transaction price and the contract consideration is amortized over the life of the contract using the effective interest method. At the commencement date of the contract, the Group expects that the interval between the customer obtaining control of the service and the customer paying the price will not exceed one year, regardless of the significant financing component existing in the contract.

The Group, as a private capital, entered into a PPP project contract with the government and provided construction, operation, maintenance and other services. The Group identifies construction services, operation services and maintenance services as individual performance obligations in the contract, and allocates the transaction price to each performance obligation based on the relative proportion of the stand-alone selling price of each performance obligation. When providing construction services or outsourcing projects to other parties, The identity of the Group is the principal responsible person, and then accounting for construction revenue to confirm the contract assets is made. After the PPP project is ready for use, the Group recognizes revenue related to operation and maintenance services.

29.3 Cloud service and other service revenue

Revenue from cloud services and other services refers to cloud services such as storage services, video services, and telephone services provided by the Group, maintenance services related to security projects, and other services, etc.

For cloud services and other services, the economic benefits brought by the customer are obtained and consumed at the time of the Group's performance, and the Group regards them as a performance obligation to be performed within a certain period, and the revenue is recognized according to the performance progress during the period of providing services. The Group adopts the output approach to determine the performance progress, i.e. the performance progress is determined based on the value of the services transferred to the customer to the customer. The customer paid for the cloud services in advance at the time of purchase, so the Group recognized the cloud service payment received at the time of the transaction

as a contractual liability, and recognized the revenue according to the performance progress during the period of the provision of the services. The Group presents contract assets and contract liabilities under the same contract on a net basis.

For the provision of operation and maintenance services to customers, the economic benefits obtained and consumed by the customers at the same time as the performance of the contract by the Group shall be regarded as the performance obligation to be performed within a certain period of time, and the revenue shall be recognized according to the performance progress. The Group's customers make milestone payments with the Group for O&M services in accordance with the terms of the contract. The Group first recognizes completed performance obligations as contract assets and reclassifies them as accounts receivable when payment milestones are reached, and if the contract price received or receivable by the Group exceeds the accumulated performance obligations completed, the excess part is recognized as a contract liability. The Group's contract assets and contractual liabilities under the same contract are presented on a net basis.

For the provision of operation and maintenance services to customers, the economic benefits obtained and consumed by the customers at the same time as the performance of the contract by the Group shall be regarded as the performance obligation to be performed within a certain period of time, and the revenue shall be recognized according to the performance progress. The Group's customers make milestone payments with the Group for O&M services in accordance with the terms of the contract. The part of the Group that has obtained the unconditional right to receive payment is recognized as accounts receivable, and the remainder is recognized as contract assets, and if the contract price received or receivable by the Group exceeds the accumulated performance obligations completed, the excess part is recognized as a contract liability. The Group's contract assets and contractual liabilities under the same contract are presented on a net basis.

30. Cost of Contract

30.1 Cost of obtaining a contract

Incremental costs incurred by the Group to obtain a contract (that is, costs that would not have occurred without a contract) and expected to be recovered are recognized as an asset, and amortized using the same basis as revenue recognition for the goods or services to which the asset relates, and included in current profit or loss. If the amortization period of the asset does not exceed one year, it is included in current profit or loss when it occurs. Other expenses incurred by the Group in order to obtain the contract shall be included in current profit or loss when incurred, unless it is clearly borne by the customer.

30.2 Cost of contract fulfillment

The cost of the Group's performance of a contract that does not fall within the scope of accounting standards other than the revenue standard and meets the following conditions is recognized as an asset: (1) The cost is directly related to a

current or anticipated contract; (2) The cost increases the Group's resources for fulfilling performance obligations in the future; (3) The cost is expected to be recovered. The aforesaid assets are amortized on the same basis as the recognition of income from goods or services related to the assets, and are included in the current profit or loss.

The Group's asset in relation to contract costs are mainly contract performance costs, and they are included in inventories based on their current nature.

30.3 Impairment losses on assets related to contract costs

In determining impairment losses on assets related to contract costs, impairment losses are first determined for other assets recognized in accordance with other relevant ASBEs and related to the contract. Then, for assets related to contract costs whose carrying value is higher than the difference between the following two items, the Group makes provision for impairment for the excess to be recognized as asset impairment losses: (1) the remaining amount of consideration expected to be obtained by the Group for the transfer of goods or services related to the asset; (2) the estimated costs to be incurred in connection with the transfer of such relevant goods or services.

After provision for impairment is made for the asset related to contract costs, if the difference between the above two items is higher than the carrying value of the asset due to changes in the factors of impairment in previous periods, the original provision for impairment of the asset is reversed and included in the current profit or loss, but the carrying value of the asset after the reversal shall not exceed the carrying value of the asset on the reversal date assuming no provision for impairment is made.

31. Governmental Subsidies

Government subsidies refer to the monetary and non-monetary assets obtained by the Group from the government for free. Government subsidies are recognized when they can meet the conditions attached to the government subsidies and can be received.

If a government subsidy is a monetary asset, it shall be measured at the amount received or receivable.

31.1 Judgment basis and Accountant treatment of government subsidy related to assets

The government subsidies for some special subsidies and etc. are used for constructions and forms long-term assets, and therefore are categorized as government subsidy related to assets.

A government grant related to an asset is recognized as deferred income, and it should be evenly amortized to profit or loss over the useful life of the related asset.

31.2 Judgment basis and accountant treatment of government subsidy related to income

The Group receives government subsidies including subsidies for special projects and Value-Added-Tax refund, etc. which are used to compensate the group-related costs or losses, and therefore are categorized as government subsidy related to income.

For a government grant related to income, if the subsidy is a compensation for related expenses or losses to be incurred in subsequent periods, it is recognized as deferred income, and recognized in profit or loss over the periods in which the related costs or losses are recognized; If the subsidy, such as VAT refund, is a compensation for related expenses or losses already incurred, it is recognized immediately in profit or loss for the period.

For government subsidies related to the Group's daily operations shall be booked into other income; for those not related to the Group's daily operations, shall be booked into non-operating income/expense.

32. Lease

Lease refers to a contract that conveys the right to use an asset for a period of time in exchange for consideration.

The Group assesses whether a contract is, or contains, a lease at the inception date. The Group does not re-assess whether a contract contains a lease unless the terms and conditions of the contract are changed.

32.1 The Group as the lessee

32.1.1 Separating components of lease

In case the contract contains one or more lease and non-lease components, the Group separates each lease component and non-lease component, and allocates the consideration to the lease and non-lease components based on the proportion of relative stand-alone prices of the components.

32.1.2 Right-of-use assets

The Group recognizes the right-of-use assets for leases on the commencement date of the lease term, except for short-term lease and lease of low-value assets. The commencement date of the lease term refers to the date from which the lessor makes the leased assets available for use by the Group. Right-of-use assets are initially measured at cost. The cost includes:

- Initial measurement amount of lease liabilities;

- Amount of lease payment made at or before the commencement date of the lease, less any lease incentives received;
- Initial direct costs incurred by the Group;
- An estimate of any costs to be incurred by the Group in dismantling and removing the underlying asset, or restoring the site on which it is located, or restoring the leased assets to the conditions as agreed under the terms of the lease, excluding costs incurred to produce inventories.

The Group calculates depreciation of the right-of-use assets in accordance with the relevant depreciation provisions of *Accounting Standards for Business Enterprises No. 4 - Fixed Assets*. The right-of-use asset is depreciated over the shorter of the lease term and the useful life of the right-of-use asset, unless there is a transfer of ownership or purchase option which is reasonably certain to be exercised at the end of the lease term.

The Group determines whether the right-of-use assets are impaired and accounts for the identified impairment loss in accordance with the provisions of *Accounting Standards for Business Enterprises No. 8 - Impairment of Assets*.

32.1.3 Lease liabilities

The Group initially measures the lease liability on the commencement date at an amount equal to the present value of the lease payments during the lease term that are not paid at that date, except short-term lease and lease of low-value assets. In calculating the present value of the lease payments, the Group adopts the interest rate implicit in the lease as the discount rate. The Group uses its incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined.

Lease payments refer to the payments made by the Group to the lessor in connection with the right to use the leased asset during the lease term, including:

- Fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- The exercise price of a purchase option, if the Group is reasonably certain to exercise that option;
- Payments for terminating the lease, if the lease term reflects the lessee exercising the option to terminate the lease;
- Amounts expected to be payable by the Group under residual value guarantees.

After the commencement date of the lease term, the Group calculates interest expense of lease liabilities in each period of lease term at fixed periodic rate and recognizes in the current loss and profit or relevant asset costs.

After the commencement date of the lease term, the Group remeasures the lease liability and adjusts the corresponding right-of-use assets under the following circumstances. If the carrying value of the right-of-use assets has been reduced to zero while the lease liability needs to be further reduced, the Group will recognize the difference into the current loss and profit:

- In case of any change of the lease term or any change in the valuation of the purchase option, the Group remeasures the lease liability at the present value calculated based on the modified lease payments and the revised discount rate;

- In the event of any change in the amount expected to be payable based on the residual value guarantees, the Group remeasures the lease liability at the present value calculated based on the changed lease payments and the original discount rate.

32.1.4 Basis for judgment and accounting treatment of the lessee's simplified treatment of short-term leases and leases of low-value assets

The Group has elected not to recognize the right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. Short-term lease refers to lease with a term no more than 12 months from the commencement date of lease term and without purchase option. Lease of low-value assets refers to lease for single lease asset with low value when it is new. The Group recognizes lease payments under short-term leases and leases of low-value assets as the current loss and profit or the relevant asset costs on a straight-line basis over each period during the lease term.

32.1.5 Lease modification

In case of lease modification, the Group makes accounting treatment of such lease change as a separate lease if all of the following conditions are met:

- Such lease modification increases the scope of the lease by adding the right to use one or more lease assets;
- The increased consideration is commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to reflect the circumstances of the particular contract.

Where accounting treatment is not made for lease modification as a separate lease, at the effective date of lease modification, the Group reallocates the contract consideration after the modification, redetermines the lease term, and remeasures the lease liability based on the present value calculated according to the modified lease payments and the revised discount rate.

In the event that the lease scope is decreased or the lease term is shortened as a result of the lease modification, the Group reduces the carrying amount of the right-of-use assets, and recognizes the relevant gains or losses relating to the partial or full termination of the lease in the income statement; for the lease liabilities remeasured due to other lease modifications, the Group adjusts the carrying amount of the right-of-use assets accordingly.

32.2 The Group as the lessor

32.2.1 Separating components of lease

In case the contract contains both lease and non-lease components, the Group allocates the contract consideration in accordance with the provisions of Accounting Standards for Business Enterprises No. 14 - Revenue on portion of

transaction prices, based on the respective stand-alone prices of the lease component and the non-lease component.

32.2.2 Classification criteria and accounting treatment for leases as lessors

Finance lease is a lease that substantially transfers all the risks and rewards of incidental to ownership of an underlying asset. Operating lease refers to the leases other than finance lease.

32.2.2.1 The Group records the operating lease business as the lessor

The Group recognizes the lease payments from operating leases as rental income on a straight-line basis for all periods over the lease term. The Group's initial direct costs incurred in connection with operating leases is capitalized as incurred, recognized in the income statement over the lease term on the same basis as the lease income.

32.2.2.2 The Group records the finance lease business as the lessor

On the commencement date of the lease term, the Group uses the net lease investment as the carrying value of the finance lease receivables and derecognizes the finance lease assets. Net lease investment is the sum of present value of unguaranteed residual value and lease payments receivable discounted at the interest rate implicit in lease on the commencement date of the lease term.

Lease payments receivable, which refer to amounts receivable by the Group from the lessee for conveying the right to use the leased assets during the lease term, include:

- Fixed payment including in-substance fixed payments by the lessee, less any lease incentives payable;
- The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option;
- Payments for terminating the lease (if the lease term reflects the lessee exercising the option to terminate the lease);
- Residual value guarantees provided to the Group by the lessee, a party related to the lessee, or a third party unrelated to the lessor that is capable of discharging the obligations under the guarantee.

The Group calculates and recognizes the interest income in each period of the lease term according to the fixed periodic interest rate.

In financial leases in which the Group acts as a manufacturer or distributor as the lessor, on the commencement date of the lease term, the Group recognizes revenue based on the lower of the fair value of the leased assets and the present value of the lease receipts discounted at the market rate, and carries forward the cost of sales based on the balance of the carrying amount of the leased assets after deducting the present value of the unsecured residual value.

The costs incurred by the Group acting as a manufacturer or distributor as a lessor to obtain a financial lease are recognized in profit or loss for the current period on the commencement date of the lease term.

32.2.3 Lease modification

In case of modification of the operating lease, the Group accounts for it as a new lease as of the effective date of the modification, any prepaid or accrued lease payments relating to the original lease are considered as payments for the new lease .

In case of modification of the finance lease, the Group accounts for the modification of a finance lease as a separate lease if all of the following conditions are met:

- The modification increases the scope of the lease by adding the right to use one or more lease assets;
- The consideration for the lease increases by an amount that is commensurate with the stand-alone price for the increase in scope, and any appropriate adjustments to that price to reflect the circumstances of the particular contract.

If a modification of finance lease is not accounted for as a separate lease, the Group accounts for the changed lease under the following circumstances:

- If the modification becomes effective on the commencement date of the lease and the lease is classified as an operating lease, the Group accounts for it as a new lease from the effective date of the lease modification and measures as the net lease investment prior to the effective date of the lease modification as the carrying value of the leased asset.
- If the modification becomes effective on the commencement date of the lease and the lease is classified as a finance lease, the Group accounts for it in accordance with the provisions of Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments regarding the modification or renegotiation of contracts.

33. Deferred Tax Assets / Deferred Tax Liabilities

The income tax expenses include current income tax and deferred income tax.

33.1. Current Income Tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

33.2 Deferred Tax Assets and Deferred Tax Liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized through the balance sheet liability method.

In general, all temporary differences are recognized as the relevant deferred income tax. However, for deductible temporary differences, the Group recognizes the relevant deferred tax assets to the extent that it is likely to obtain the taxable income to offset the deductible temporary differences. In addition, deferred tax assets or liabilities relating to the initial recognition of goodwill, as well as those arising from transactions that are neither a business combination nor affect accounting profits and taxable income (or deductible losses) and do not result in equal taxable and deductible temporary differences, are not recognized.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

On the balance sheet date, the deferred income tax assets and deferred income tax liabilities are measured at the applicable tax rates in the period in which the related assets are recovered or the related liabilities are recovered in accordance with the tax laws.

Current and deferred tax expenses or income are recognized in profit or loss for the period, except when they arise from transactions or events that are directly recognized in other comprehensive income or in shareholders' equity, in which case they are recognized in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

33.3 Offset of Income Tax

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

34. Important Judgments while Applying Accounting Policy, and Key Assumptions and Uncertainty Factors Applied for Accounting Estimate

During the process of using accounting policy described in note (III), due to the uncertainty in operation activities, the group should judge, estimate and assume the book value of the report items which may not be metered reliably. These judgments, estimates and assumptions are based on the historical experience of the Group's management and other related factors. Differences may exist between the actual results and the Group's estimate.

The Group regularly reviews the above judgments, assumptions and estimations on the basis of continuous operation. If the changes of accounting estimate only influence current period, the influence amount will be affirmed during the changing period; if it influences the current period and subsequent periods, the influence amount will be recognized in the current period and future period.

- Key assumptions and uncertainties used in accounting estimate

On balance sheet date, key assumptions and uncertainties for performing accounting estimates on book value of assets and liabilities in subsequent future periods are:

Impairment provision for inventories

Except for contract performance costs, inventories are measured at the lower of cost or net realizable value. For raw materials, the latest or future actual purchase price is used as the basis for determining the net realizable value; For products in progress, the net realizable value is determined by the actual selling price of the most recent or post-period finished product, less the estimated costs of the current similar type at the time of completion of the product, the estimated sales expenses and related taxes; For finished products, the actual selling price of the latest or future finished product minus the

estimated selling expenses and related taxes will be incurred, is used as the basis for determining the net realizable value. The Group will regularly conduct a comprehensive stocktaking to review the impairment circumstances on defective, obsoleted or slow-moving inventory if any; in addition, the Group's management will regularly review the impairment circumstance of inventory with long storage time according to the inventory aging.. Based on the above procedure, the Group's management deems that the full provision amounts have been withdrawn for inventory. For details, please refer to Note (V) 9.

Impairment of accounts receivable

Except for accounts receivable whose credit losses are determined on the basis of individual basis, the Group adopts an impairment matrix on a portfolio basis to determine its expected credit loss of the relevant accounts receivable. The Group divides the risk characteristics according to the region and object of its business, and divides the relevant accounts receivable into different portfolios. Based on the historical loss rate and consider reasonable and well-founded forward-looking information in the industry, the Group determines the proportion of corresponding loss reserves for different portfolios of various types of accounts receivable. As of December 31, 2023, based on the historically loss rate and consider reasonable and well-founded forward-looking information in the industry, the Group determines the corresponding proportion of loss provision for accounts receivable. The amount of the provision for expected credit losses will change as the estimation of the Group. The details on the provision for expected credit losses of the accounts receivable of the Group are given in Note (V) 4.

Useful life and predicted net residual value of fixed asset

The Group's estimation of fixed assets useful life is based on the historical experience of actual usable term of fixed assets with similar properties and functions, the estimation of predicted net residual value is the amount obtained currently by the Group from the assets after deducting the anticipated disposal expense based on the anticipated status assuming the conditions that fixed assets' predicted useful life expires and fixed assets are at the end of useful life. The Group shall conduct the review on the predicted service life and predicted net residual value of fixed assets at least annually. For the current reporting period, the Group's management did not see signs either indicating a shortened or extended useful life of the Group's fixed asset or indicating a change in predicted net residual value.

Accrued liabilities of product quality warranty

Accrued liabilities of product quality assurance are costs and expenses incurred to meet the established standards of product quality assurance obligations to customers in accordance with the product contract; the Group made such an estimation according to the predicted claim rate, repair and replacement cost of relevant products. The management deems

that the current estimation on accrued liabilities of product quality warranty is reasonable, however, the Group will continue to review the conditions of product repairs, and will conduct adjustment if any sign indicating the need to make adjustments on accounting estimates.

Deferred tax assets and deferred tax liabilities

Deferred income tax assets and deferred income tax liabilities are measured at the applicable income tax rate during the period when the relevant asset is expected to be recovered or the relevant debt is expected to be paid off. The expected applicable income tax rate is determined according to the relevant current tax regulations and the actual situation of the Group. If the estimated income tax rate is different from the original estimate, the management of the Group will adjust it.

The realization of deferred income tax assets mainly depends on the actual future taxable income, taxable temporary differences, and the effective tax rate of temporary difference in the future applicable years. If the actual taxable income and taxable temporary differences in the future is less than the estimation, or actual tax rate is lower than the estimation, then the confirmed deferred income tax assets will be reversed and confirmed in the income statement during the corresponding period. If the actual taxable income and taxable temporary differences in the future is more than the estimation, or actual tax rate is higher than the estimation, then the deferred tax assets that are partially unrecognized deductible losses and deductible temporary differences will be recognized and confirmed in the income statement during the corresponding period.

Goodwill impairment

When testing goodwill for impairment, a pre-tax interest discount rate that appropriately reflects the current market time value of money and asset-specific risk is determined and the present value of the projected future cash flows of the relevant asset group or combination of asset groups containing goodwill is calculated. When the future actual result is different from the original estimation, the result of the goodwill impairment test will alter.

35. Significant Alternation in Accounting Policy and Accounting Estimations

Interpretation No. 16 of Accounting Standards for Business Enterprises

The Ministry of Finance issued the *Interpretation No. 16 of Accounting Standards for Business Enterprises* (the "Interpretation No. 16") on November 30, 2022. It specifies the accounting treatment of the income tax effects on dividends related to financial instruments classified as equity instruments by an issuer and the accounting treatment of the

modification of cash-settled share-based payments to equity-settled share-based payments by an enterprise. The Interpretation No. 16 amends the scope of the initial recognition exemption for deferred income tax in ASBE No. 18 – Income Tax. It clarifies that for single transaction that are not business combinations, where neither accounting profits nor taxable income (or deductible losses) are affected at the time of the transaction, and the assets and liabilities initially recognized result in equal taxable temporary differences and deductible temporary differences do not apply to the provisions of ASBE No. 18 – Income Tax on exemption from initial recognition of deferred tax liabilities and deferred tax assets. This regulation is effective as of January 1, 2023, and can be implemented in advance. The Group implemented this requirement on January 1, 2023, applied retrospective adjustment method for accounting treatment, and restated the financial statements for the comparative period. The specific impacts are listed below:

(1) The impact on the relevant items of the Group's consolidated balance sheet on January 1, 2022

Unit: RMB

Item	January 1, 2022	Adjustment	January 1, 2022
Deferred tax assets	1,210,877,575.24	461,934.26	1,211,339,509.50
Deferred tax liabilities	93,315,151.17	47,923.93	93,363,075.10
Retained earnings	45,148,877,451.52	(179,425.86)	45,148,698,025.66
Minority equity	1,933,755,610.62	593,436.19	1,934,349,046.81

(2) The impact on the relevant items of the Group's consolidated balance sheet on December 31, 2022

Unit: RMB

Item	December 31, 2022	Adjustment	December 31, 2022
Deferred tax assets	1,469,646,489.04	1,551,089.22	1,471,197,578.26
Deferred tax liabilities	116,502,770.84	(23,294.86)	116,479,475.98
Retained earnings	49,460,240,986.49	182,975.56	49,460,423,962.05
Minority equity	4,580,999,418.82	1,391,408.52	4,582,390,827.34

(3) The impact on the relevant items of the Group's 2022 consolidated income statement

Unit: RMB

Item	2022	Adjustment	2022
Income tax expenses	1,297,981,905.54	(1,160,373.75)	1,296,821,531.79
Net profit attributable to owners of parent company	12,837,342,061.07	362,401.42	12,837,704,462.49
Profit or loss attributable to minority shareholders	719,627,660.86	797,972.33	720,425,633.19

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

(4) The impact on the relevant items of the parent company's balance sheet on January 1, 2022

Unit: RMB

Item	January 1, 2022	Adjustment	January 1, 2022
Deferred tax assets	281,893,463.93	(443,175.57)	281,450,288.36
Retained earnings	37,958,561,319.89	(443,175.57)	37,958,118,144.32

(5) The impact on the relevant items of the parent company's balance sheet on December 31, 2022

Unit: RMB

Item	December 31, 2022	Adjustment	December 31, 2022
Deferred tax assets	171,524,646.19	(909,206.34)	170,615,439.85
Retained earnings	39,030,437,901.96	(909,206.34)	39,029,528,695.62

(6) The impact on the relevant items of the parent company's 2022 income statement

Unit: RMB

Item	2022	Adjustment	2022
Income tax expenses	527,533,244.69	466,030.77	527,999,275.46

IV. Taxes

Major Categories of Taxes and Tax Rates

Category of tax	Basis of tax computation	Tax rate
Enterprise income tax	Taxable income	25% (Note 1)
VAT	For the taxable product sales revenue or taxable labor revenue, the Company and its domestic subsidiaries are ordinary Value-added Tax payers; the VAT payable is the balance of input tax after deducting the deductible output tax.	6%, 9%, 13% and simple collection rate of 5%, 3% (Note 3)

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

City maintenance and construction tax	Actual payable turnover tax	7%, 5%
Education surcharges	Actual payable turnover tax	3%
Local education surcharges	Actual payable turnover tax	2%

Note 1: Except that this Company and subsidiaries in China are applicable to the following tax preference, this Company's other subsidiaries in China are applicable to 25% of enterprise income tax rate, the overseas subsidiaries are applicable to corresponding local tax rate.

- (1) In accordance with the *Letter of Reply on Publishing the List of Identified High-tech Enterprises of Zhejiang Province in 2020* (Guo Ke Huo Zi [2020] No. 251) issued by the Leading Group Office of National High-tech Enterprise Identification Management on December 29, 2020 and the *list of High-tech Enterprises Identified and Reported by the Zhejiang Provincial Accreditation Agency in 2023* issued by the Leading Group Office of National High-tech Enterprise Identification Management on December 28, 2023, the Company was identified as the high-tech enterprise, and valid terms for both are 3 years, and the preferential tax period is from 2020 to 2022 and from 2023 to 2025. Therefore, the enterprise income tax is calculated and paid on the basis of a reduced tax rate of 15% in the current reporting period (2022:15%).

According to the *Announcement on the Enterprise Income Tax Policies for Promoting the High-quality Development of Integrated Circuit Industry and Software Industry* (Ministry of Finance, State Administration of Taxation, National Development and Reform Commission, Ministry of Industry and Information Technology Announcement [2020] No. 45) (hereinafter referred to as "Preferential Tax Policies for Integrated Circuit and Software Industries"), the Company was approved by the tax authorities in May 2023 to pay the 2022 annual corporate income tax at the rate of 10%. As of the approval date of this report, the Company's preferential income tax in 2023 has not been verified and approved. Therefore, the Company's enterprise income tax in 2023 is still calculated and paid at the rate of 15% (2022: 10%).

- (2) According to the *Announcement on Continuation of the Corporate Income Tax Policy for the Western Development* (Ministry of Finance, State Administration of Taxation, National Development and Reform Commission Announcement [2020] No.23), the subsidiaries of the Company, Chongqing Hikvision Technology Co., Ltd. (hereinafter referred to as "Chongqing Technology"), Chongqing Hikvision System Technology Co., Ltd. (hereinafter referred to as "Chongqing System"), and Chongqing EZVIZ Electronics Ltd. have enjoyed preferential tax policies for the development of the western region. Therefore, the current enterprise income tax is calculated and paid on the basis of a reduced tax rate of 15% in the current reporting period (2022:15%).
- (3) According to the *Recording List of the First Batch of identified High-tech Enterprises of Zhejiang Province in 2021* issued by the Leading Group Office of National High-tech Enterprise Identification Management Work on January 24, 2022, Hangzhou Fuyang Haikang Baotai Surveillance Technology Service Ltd. (hereinafter referred to as "Fuyang Baotai") and Hangzhou Hikstorage Technology Ltd. ("Hikstorage Technology"), subsidiaries of the Company, are identified as high-tech enterprises, and the validity period of the identification is 3 years and the preferential tax period is from 2021 to 2023. Therefore, the enterprise income tax is calculated and paid on the basis of a reduced tax rate of 15% in the current reporting period (2022:15%).

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

- (4) In accordance with the *List of High-tech Enterprises Identified by the Zhejiang Provincial Accreditation Agency in 2022* issued by the leading group office of Zhejiang high-tech enterprise identification management work on January 17, 2022, the Company's subsidiaries, Hangzhou Hikvision System Technology Ltd. (hereinafter referred to as "Hangzhou System"), Hangzhou Kuangxin Technology Ltd. (hereinafter referred to as "Hangzhou Kuangxin"), Hangzhou Rayin Technology Co., Ltd. (hereinafter referred to as "Hangzhou Rayin Technology"), and Hangzhou Hikfire Technology Ltd. (hereinafter referred to as "HikFire Technology") were recognized as high-tech enterprises with a valid term of 3 years and the preferential tax period is from 2022 to 2024. Therefore, the enterprise income tax is calculated and paid on the basis of a reduced tax rate of 15% in the current reporting period (2022:15%).
- (5) In accordance with the *Notice on Publishing the List of Third Batch of Proposed Identified High-tech Enterprises of Shanghai in 2020* issued by Shanghai High-tech Enterprise Identification Office on November 20, 2020 and the *List of Second Batch of High-tech Enterprises Identified and Reported by Shanghai Accreditation Agency in 2023* issued by Shanghai High-tech Enterprise Identification Office on January 4, 2024, the Company's subsidiary, Shanghai Goldway Intelligent Transportation System Ltd. (hereinafter referred to as "Goldway Transportation") was identified as the high-tech enterprise, and valid term for both are 3 years, and the preferential tax period is from 2020 to 2022 and from 2023 to 2025. Therefore, the enterprise income tax is calculated and paid on the basis of a reduced tax rate of 15% in the current reporting period (2022:15%).
- (6) In accordance with the *Letter of Reply on Publishing the List of Identified High-tech Enterprises of Zhejiang Province in 2020* (Guo Ke Huo Zi [2020] No. 251) issued by the Leading Group Office of National High-tech Enterprise Identification Management on December 29, 2020 and the *list of High-tech Enterprises Identified and Reported by the Zhejiang Provincial Accreditation Agency in 2023* issued by the Leading Group Office of National High-tech Enterprise Identification Management on December 28, 2023, the Company's subsidiaries, Hangzhou Hikauto Software Ltd. (hereinafter referred to as "HikAuto Software") and Hangzhou Hikimaging Technology Ltd. (hereinafter referred to as "HikImaging Technology") were identified as the high-tech enterprise, and valid term for both are 3 years, and the preferential tax period is from 2020 to 2022 and from 2023 to 2025. Therefore, the enterprise income tax is calculated and paid on the basis of a reduced tax rate of 15% in the current reporting period (2022:15%).
- (7) In accordance with the *Letter of Reply on Publishing the List of Identified High-tech Enterprises of Zhejiang Province in 2020* (Guo Ke Huo Zi [2020] No. 251) issued by the Leading Group Office of National High-tech Enterprise Identification Management on December 29, 2020 and the *list of High-tech Enterprises Identified and Reported by the Zhejiang Provincial Accreditation Agency in 2023* issued by the Leading Group Office of National High-tech Enterprise Identification Management on December 28, 2023, the Company's subsidiary, Hangzhou Hikrobot Technology Co., Ltd. (formerly known as Hangzhou Hikrobot Technology Ltd. and hereinafter referred to as "HikRobot") was identified as the high-tech enterprises, and valid term for both are 3 years, and the preferential tax period is from 2020 to 2022 and from 2023 to 2025.

According to the preferential tax policies for the integrated circuit industry and the software industry and the *Announcement No. 10 of 2021 of the Ministry of Industry and Information Technology of the People's Republic of China, the National Development and Reform Commission, the Ministry of Finance and the State Administration of Taxation*, Hikrobot is a qualified software enterprise., and is exempted from enterprise income tax in the first and second years after start of profiting and pays enterprise income tax at half of the 25% statutory tax rate in the third to fifth years. The year of 2023 is the first year of HikRobot making profits and is exempted from enterprise income tax (2022: 15%).

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

- (8) In accordance with the *Announcement on the Filing of High-tech Enterprises Recognized by Zhejiang Provincial Identification Institution in 2022* issued by the Leading Group Office of National High-tech Enterprise Identification Management on January 17, 2023, the Company's subsidiary, Hangzhou Hikmicro Sensing Technology Co., Ltd. (hereinafter referred to as "Hikmicro Sensing") was identified as the high-tech enterprise with a valid term of 3 years and the preferential tax period is from 2022 to 2024.

In accordance with the Preferential Tax Policies for Integrated Circuit and Software Industries, Hikmicro Sensing is a qualified intergrated circuit company, and is exempted from enterprise income tax in the first and second years after start of profiting and pays enterprise income tax at half of the 25% statutory tax rate in the third to fifth years. The year of 2023 is the third year of Hikmicro Sensing making profits and enjoyed enterprise income tax at half of the 25% statutory tax rate (2022: tax-exempted).

- (9) In accordance with the *Announcement on the Filing of High-tech Enterprises Recognized by Zhejiang Provincial Identification Institution in 2022* issued by the Leading Group Office of National High-tech Enterprise Identification Management on January 17, 2023, the Company's subsidiary, Hangzhou Hikmicro Software Ltd. (hereinafter referred to as "Hangzhou Hikmicro Software") was identified as the high-tech enterprise with a valid term of 3 years and the preferential tax period is from 2022 to 2024.

In accordance with the Preferential Tax Policies for Integrated Circuit and Software Industries, Hangzhou Hikmicro Software is a qualified software enterprise, and is exempted from corporate income tax for the first year to the fifth year from the profitable year, and levied at a reduced rate of 10% in the subsequent years. The year of 2023 is the fourth year of Hikmicro Sensing making profits and is exempted from enterprise income tax (2022: tax-exempted).

- (10) In accordance with the *Recording List of the Second Batch of identified High-tech Enterprises of Hebei Province in 2022* issued by the Leading Group Office of Hebei Province's High-tech Enterprise Identification Management on December 26, 2022, the Company's subsidiary, Sensortech Hebei Technology Ltd. (hereinafter referred to as "Sensortech Hebei") was identified as the high-tech enterprises with a valid term of 3 years and the preferential tax period is from 2022 to 2024. Therefore, the enterprise income tax is calculated and paid on the basis of a reduced tax rate of 15% in the current reporting period.

- (11) In accordance with the *Letter of Reply on Publishing the List of Identified High-tech Enterprises of Zhejiang Province in 2020* (Guo Ke Huo Zi [2020] No. 251) issued by the Leading Group Office of National High-tech Enterprise Identification Management on December 29, 2020 and the *list of High-tech Enterprises Identified and Reported by the Zhejiang Provincial Accreditation Agency in 2023* issued by the Leading Group Office of National High-tech Enterprise Identification Management on December 28, 2023, the Company's subsidiary, Hangzhou EZVIZ Software Ltd. (hereinafter referred to as "EZVIZ Software") was identified as the high-tech enterprise, and valid term for both are 3 years, and the preferential tax period is from 2020 to 2022 and from 2023 to 2025.

According to the preferential tax policies for the integrated circuit industry and the software industry and the *Announcement No. 10 of 2021 of the Ministry of Industry and Information Technology of the People's Republic of China, the National Development and Reform Commission, the Ministry of Finance and the State Administration of Taxation*, EZVIZ Software is a qualified software enterprise, and is exempted from enterprise income tax in the first and second years after start of profiting and pays enterprise income tax at half of the 25% statutory tax rate in the third to fifth years. The year of 2023 is fourth year of EZVIZ Software making profits and enjoyed the preferential enterprise income tax at half of the 25%

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

statutory tax rate (2022: half of the 25% statutory tax rate).

Note 2: In accordance with the requirements of the *Notice on Software Product Value-added Tax Policy* (Cai Shui [2011] No. 100) promulgated by the Ministry of Finance and the State Administration of Taxation, as for self-developed software products sales of the Company, Hangzhou System, HikRobot, HikAuto Software, Hangzhou EZVIZ Software, Hikstorage Technology, Hikimaging Technology, HikFire Technology, Hangzhou Rayin Technology, Hangzhou Microimage Software, Henan Haikang Hua'An BaoQuan Electronics Co., Ltd. (hereinafter referred to as "Hua'An BaoQuan Electronics"), Hangzhou Kuangxin, Fuyang Baotai, Zhejiang Hailai Yunzhi Technology Co., Ltd., Sensortech Hebei, and Wuhu Sensortech Intelligent Technology Ltd., the VAT shall be calculated and paid with tax rate of 13% at first, then the portion with actual tax bearing excess 3% shall be refunded after State Administration of Taxation reviews.

Note 3: In accordance with the *Several Policies on Promoting the Recovery and Development of Difficult Industries in the Service Industry* Fa Gai Cai Jin [2022] No. 271, in 2022, taxpayers in the production and life service industries will be deducted by 10% and 15% respectively according to the deductible input tax deductible for the current period (hereinafter referred to as the "Additional Deduction Policy"). In accordance with the *Announcement on clarifying policies such as VAT reduction and exemption for small-scale taxpayers* (Ministry of Finance, State Administration of Taxation Announcement [2023] No. 1), In 2023, the current deductible input tax for production and living services taxpayers will continue to be deducted by 5% and 10% of the tax payable respectively.

The Company's subsidiaries, a part of Hangzhou Hikvision Technology Ltd.'s branches, Chongqing System, Hangzhou Hikvision Security Equipment Leasing Service Co., Ltd., Anhui Hikvision Urban Operation Service Co., Ltd., a part of Hangzhou EZVIZ Network Co., Ltd. (hereinafter referred to as "EZVIZ Network")'s branches, Zhejiang Haikang City Service Co., Ltd. Luliang Branch, Henan Hua'An Bao Quan Intelligent Development Co., Ltd. Luoyang Branch, Henan Hua'an Security Services Co., Ltd., and Guizhou Haikang Transportation Big Data Co., Ltd. are complying with the provisions of the Additional Deduction Policy and were entitled to additional deduction preferential tax policy of input tax since 2022. Some branches of the Company, subsidiaries such as Urumqi HaiShi Xin'An Electronic Technology Ltd., Chengdu Hikvision Digital Technology Ltd., Hangzhou EZVIZ Software, Hangzhou branch of Zhejiang Hikfire Technology Ltd., Henan Hua'An Bao Quan Intelligent Development Ltd, Wuhan Hikvision Technology Ltd., and some branches of Hangzhou Haikang Intelligent Technology Ltd. met the provisions of the VAT Additional Deduction Policy and were entitled to additional deduction preferential tax policy of input tax since 2023.

Note 4: In accordance with the *Notice of the Ministry of Finance and the State Administration of Taxation on the Additional VAT Deduction Policy for Integrated Circuit Enterprises* (Finance and Taxation [2023] No. 17), from January 1, 2023 to December 31, 2027, enterprises in integrated circuit design, production, packaging and testing, equipment and materials are allowed to deduct an additional 15% of the current deductible input tax to deduct the tax payable. The Company's subsidiary, Hikmicro Sensing complies with the provisions of the policy and additional deducts an additional 15% of the current deductible input tax to deduct the tax payable.

V. Notes to Items in the Consolidated Financial Statements

1. Cash and Bank Balances

Unit: RMB

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

Item	Closing Balance			Opening Balance		
	Foreign currency amount	Exchange rate for conversion	RMB amount	Foreign currency amount	Exchange rate for conversion	RMB amount
Cash:						
RMB	-	-	1,678.63	-	-	1,710.03
EUR	147,128.30	7.8592	1,156,310.77	43,514.50	7.4229	323,003.75
USD	30,104.54	7.0827	213,221.43	32,583.86	6.9646	226,933.53
Other currencies	-	-	414,544.09	-	-	658,417.85
Bank balance:						
RMB	-	-	45,204,054,391.90	-	-	35,604,295,321.02
USD	348,625,559.51	7.0827	2,469,210,250.34	369,237,191.93	6.9646	2,571,589,346.94
EUR	113,802,623.62	7.8592	894,397,579.52	116,323,339.53	7.4229	863,456,516.97
Other currencies	-	-	824,341,197.50	-	-	568,425,909.28
Other currency funds:						
RMB	-	-	179,985,499.57	-	-	361,751,169.54
USD	2,700,309.07	7.0827	19,125,479.05	1,623,544.38	6.9646	11,307,337.16
EUR	565,119.25	7.8592	4,441,385.18	713,664.81	7.4229	5,297,462.51
Other currencies	-	-	32,128,116.48	-	-	24,530,871.36
Total			49,629,469,654.46			40,011,863,999.94
Including: deposited in overseas banks			942,602,817.26			589,363,613.39

Details of other currency funds:

Unit: RMB

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

Item	Closing Balance			Opening Balance		
	Foreign currency amount	Exchange rate for conversion	RMB amount	Foreign currency amount	Exchange rate for conversion	RMB amount
Capitals with limitations:						
Deposits for letter of credit	-	-	5,807,814.00			-
Bank acceptance bill	-	-	5,729,976.08	-	-	9,477,411.92
Deposits for letter of guarantee	-	-	150,406,759.09	-	-	126,434,505.79
Other security deposits	-	-	17,821,752.36	-	-	13,666,564.66
Other capitals with limitations	-	-	30,425,005.23	-	-	46,895,003.00
Subtotal			210,191,306.76			196,473,485.37
Capitals without limitations:						
Deposit in payment instrument provided by third-party and in securities account	-	-	25,453,125.41	-	-	205,579,877.47
Other currency funds in USD	-	-	-	93,664.25	6.9646	652,334.03
Other currency funds in EUR	4,586.74	7.8592	36,048.11	24,403.36	7.4229	181,143.70
Subtotal			25,489,173.52			206,413,355.20
Total			235,680,480.28			402,886,840.57

2. Held-for-trading Financial Assets

Unit: RMB

Item	Closing Balance	Opening Balance
Derivative financial assets	37,380.00	12,807,438.36
Total	37,380.00	12,807,438.36

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

On December 31, 2023, derivative financial assets are forward foreign exchange contracts, and they are not designated as hedging instruments, and the gains or losses arising from changes in their fair values are directly included in the current profit and loss.

3. Notes Receivable

1) Categories of notes receivable

Unit: RMB

Category	Closing Balance	Opening Balance
Bank acceptance bill	2,199,710,776.69	2,047,876,364.66
Finance company acceptance bill	123,274,741.72	136,900,226.65
Commercial acceptance bill	283,085,857.33	335,211,567.92
Total	2,606,071,375.74	2,519,988,159.23

2) As of December 31, 2023, notes receivable pledged by the Group

Unit: RMB

Item	Amount pledged as of December 31, 2023
Bank acceptance bill	14,755,434.94
Total	14,755,434.94

3) At the end of the current reporting period, notes receivable endorsed or discounted by the Group but not yet due at the balance sheet day

Unit: RMB

Item	Amount not derecognized as of December 31, 2023
------	---

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

Bank acceptance bill	1,109,685,052.49
Finance company acceptance bill	47,808,575.05
Commercial acceptance bill	500,000.00
Total	1,157,993,627.54

As of December 31, 2023, the Group gave RMB1,075,118,808.52 (2022: RMB1,175,364,261.35) undue bank acceptance bills to suppliers for endorsement, RMB47,808,575.05 (2022: RMB7,048,955.85) undue acceptance bill of the finance company to suppliers for endorsement, RMB500,000.00 (2022: nil) undue commercial acceptance bill to suppliers for endorsement. Discounted RMB34,566,243.97 (2022: 59,466,804.99) undue bank acceptance to banks. Since the Group has not transferred almost all the risks and rewards of ownership of financial assets, the Group has not terminated its confirmation. For details, please refer to Note (V) 24 and Note (V) 31.3.

4) Classified disclosure by method of provision for bad debts.

Unit: RMB

Category	Closing balance				
	Carrying amount		Credit loss provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	Amount
Provision for bad debts of notes receivables by portfolios					
Including: Bank acceptance bill	2,199,710,776.69	84.33	-	-	2,199,710,776.69
Non-bank acceptance bill	408,852,989.70	15.67	2,492,390.65	0.61	406,360,599.05
Total	2,608,563,766.39	100.00	2,492,390.65	0.10	2,606,071,375.74

Provision for bad debts of notes receivables by portfolios

Bank acceptance bill portfolio:

The Group believes that there is no significant credit risk to the acceptors of bank acceptance bills held by the Group, so no loss provision is made.

Non-bank acceptance bill portfolio:

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

Unit: RMB

Item	Expected average loss ratio (%)	Closing balance		
		Carrying amount	Carrying amount	Carrying amount
Non-bank acceptance bill portfolio	0.61	408,852,989.70	2,492,390.65	406,360,599.05
Total	0.61	408,852,989.70	2,492,390.65	406,360,599.05

5) Provision for bad debts of notes receivables.

Provision for bad debts	Expected Credit loss for the entire duration (not incurred credit impairment)	Expected Credit loss for the entire duration (incurred credit impairment)	Total
Balance as of January 1, 2023	-	-	-
Balance as of January 1, 2023			
During 2023:			
-- Expected credit losses carried over to the entire duration (credit impairment incurred)	-	-	-
Accrued for the current year	2,492,390.65	-	2,492,390.65
Balance as at December 31, 2023	2,492,390.65	-	2,492,390.65

6) Situation of provision

Category	Opening balance	Amount of changes changed in the current reporting period		Difference due to foreign currency statement translation	Closing balance
		Provision /Recollect or Reverse	Recover or write-off		
Notes receivable	-	2,492,390.65	-	-	2,492,390.65
Total	-	2,492,390.65	-	-	2,492,390.65

4. Accounts Receivable

1) Disclosure by aging

Unit: RMB

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

Aging	Closing balance	Opening balance
Within credit period	21,237,108,394.91	17,802,665,327.45
Within 1 year after exceeding credit period	12,622,668,221.07	10,468,264,283.90
1-2 years after exceeding credit period	2,520,053,396.18	1,906,850,057.03
2-3 years after exceeding credit period	1,029,311,890.05	907,553,767.72
3-4 years after exceeding credit period	579,297,343.23	762,308,314.38
Over 4 years after exceeding credit period	1,018,167,722.39	557,358,170.53
Total	39,006,606,967.83	32,404,999,921.01
Less: Credit impairment provision	3,191,433,456.39	2,498,705,510.61
Carrying amount	35,815,173,511.44	29,906,294,410.40

2) Classified disclosure of credit loss by provision methods

Unit: RMB

Category	Closing Balance				
	Carrying amount		Credit loss provision		Book Value
	Amount	Proportion (%)	Amount	Proportion (%)	Amount
Provision for credit loss on a single basis	-	-	-	-	-
Provision for credit loss by portfolios	39,006,606,967.83	100.00	3,191,433,456.39	8.18	35,815,173,511.44
Total	39,006,606,967.83	100.00	3,191,433,456.39	8.18	35,815,173,511.44

Unit: RMB

Category	Beginning Balance				
	Carrying amount		Credit loss provision		Book Value
	Amount	Proportion (%)	Amount	Proportion (%)	Amount
Provision for credit loss on a single basis	-	-	-	-	-
Provision for credit loss by portfolios	32,404,999,921.01	100.00	2,498,705,510.61	7.71	29,906,294,410.40
Total	32,404,999,921.01	100.00	2,498,705,510.61	7.71	29,906,294,410.40

Provision for credit loss by portfolios for accounts receivable

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

Unit: RMB

Customer	Closing balance		
	Carrying amount	Credit loss provision	Proportion (%)
Portfolio A	4,676,680,000.49	67,836,989.17	1.45
Portfolio B	25,670,911,917.61	2,860,366,981.72	11.14
Portfolio C	8,659,015,049.73	263,229,485.50	3.04
Total	39,006,606,967.83	3,191,433,456.39	8.18

Description of credit loss provision by portfolios for accounts receivable

As part of the Group's credit risk management, the Group uses an impairment matrix to determine expected credit losses based on the ageing of accounts receivable beyond the credit period, and divides the risk characteristics account receivables into portfolio A, portfolio B and portfolio C according to the risk characteristics of business areas and objects. And the Company uses an impairment matrix to determine expected credit losses of each portfolio based on the ageing of accounts receivable beyond the credit period. These three portfolios involve a large number of customers with the same risk characteristics. Aging information is able to reflect the solvency of these three types of customers when the accounts receivable are due.

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

As of December 31, 2023 and January 1, 2023, the credit risk and expected credit losses during the duration of accounts receivable from portfolio A are as follows:

Unit: RMB

Age	Closing balance				Beginning balance			
	Expected average loss rate (%)	Carrying value	Bad debt provision	Book value	Expected average loss rate (%)	Carrying value	Bad debt provision	Book value
Within credit period	0.02	3,906,568,313.68	852,571.17	3,905,715,742.51	0.03	2,958,550,090.46	952,575.87	2,957,597,514.59
Within 1 year after exceeding credit period	1.90	676,630,538.84	12,829,329.20	663,801,209.64	2.02	672,866,835.07	13,604,729.18	659,262,105.89
1-2 years after exceeding credit period	30.36	50,103,162.12	15,213,054.67	34,890,107.45	48.47	27,091,133.84	13,129,835.35	13,961,298.49
2-3 years after exceeding credit period	63.25	12,070,966.60	7,635,014.88	4,435,951.72	77.48	23,880,801.35	18,503,703.14	5,377,098.21
3-4 years after exceeding credit period	100.00	20,084,869.22	20,084,869.22	-	100.00	13,340,404.86	13,340,404.86	-
Over 4 years after exceeding credit period	100.00	11,222,150.03	11,222,150.03	-	100.00	8,509,701.80	8,509,701.80	-
Total	1.45	4,676,680,000.49	67,836,989.17	4,608,843,011.32	1.84	3,704,238,967.38	68,040,950.20	3,636,198,017.18

As of December 31, 2023 and January 1, 2023, the credit risk and expected credit losses during the duration of accounts receivable from portfolio B are as follows:

Unit: RMB

Age	Closing balance				Beginning balance			
	Expected average loss rate (%)	Carrying value	Bad debt provision	Book value	Expected average loss rate (%)	Carrying value	Bad debt provision	Book value
Within credit period	0.80	10,001,831,444.99	80,372,286.33	9,921,459,158.66	0.76	8,531,459,822.34	65,085,907.08	8,466,373,915.26
Within 1 year after exceeding credit period	4.69	10,816,276,812.71	506,914,857.87	10,309,361,954.84	5.30	9,133,051,848.20	484,083,420.12	8,648,968,428.08
1-2 years after exceeding credit period	23.34	2,416,434,272.21	564,052,271.46	1,852,382,000.75	18.66	1,841,980,392.51	343,623,789.72	1,498,356,602.79
2-3 years after exceeding credit period	42.77	993,475,956.99	424,940,431.68	568,535,525.31	38.19	835,970,994.09	319,296,676.54	516,674,317.55
3-4 years after exceeding credit period	69.63	522,837,171.09	364,030,874.76	158,806,296.33	72.52	702,886,673.06	509,743,109.66	193,143,563.40
Over 4 years after exceeding credit period	100.00	920,056,259.62	920,056,259.62	-	100.00	500,527,605.77	500,527,605.77	-
Total	11.14	25,670,911,917.61	2,860,366,981.72	22,810,544,935.89	10.31	21,545,877,335.97	2,222,360,508.89	19,323,516,827.08

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

As of December 31, 2023 and January 1, 2023, the credit risk and expected credit losses during the duration of accounts receivable from portfolio C are as follows:

Unit: RMB

Age	Closing balance				Beginning balance			
	Expected average loss rate (%)	Carrying value	Bad debt provision	Book value	Expected average loss rate (%)	Carrying value	Bad debt provision	Book value
Within credit period	0.28	7,328,708,636.24	20,812,836.46	7,307,895,799.78	0.25	6,312,655,414.65	15,648,321.26	6,297,007,093.39
Within 1 year after exceeding credit period	6.19	1,129,760,869.52	69,879,355.77	1,059,881,513.75	5.72	662,345,600.63	37,905,044.12	624,440,556.51
1-2 years after exceeding credit period	50.85	53,515,961.85	27,212,412.79	26,303,549.06	48.19	37,778,530.68	18,205,757.98	19,572,772.70
2-3 years after exceeding credit period	92.83	23,764,966.46	22,060,264.82	1,704,701.64	88.35	47,701,972.28	42,142,828.74	5,559,143.54
3-4 years after exceeding credit period	100.00	36,375,302.92	36,375,302.92	-	100.00	46,081,236.46	46,081,236.46	-
Over 4 years after exceeding credit period	100.00	86,889,312.74	86,889,312.74	-	100.00	48,320,862.96	48,320,862.96	-
Total	3.04	8,659,015,049.73	263,229,485.50	8,395,785,564.23	2.91	7,154,883,617.66	208,304,051.52	6,946,579,566.14

3) Bad debt provision

Unit: RMB

Category	Beginning balance	Amount of changes changed in the current reporting period			Difference due to foreign currency statement translation	Closing balance
		Provision	Recollect or reverse	Recover or write-off		
Accounts receivable	2,498,705,510.61	771,705,436.37	(28,120,329.42)	(53,995,945.48)	3,138,784.31	3,191,433,456.39
Total	2,498,705,510.61	771,705,436.37	(28,120,329.42)	(53,995,945.48)	3,138,784.31	3,191,433,456.39

- 4) Top five debtors based on corresponding closing balance of accounts receivable and contract assets (including the part included in other non-current assets)

At the end of the current period, the aggregate amount of the Group's accounts receivable and contract assets (including the part included in other non-current assets) of top five companies amounted to RMB2,211,990,742.07, accounting for 5.26% of the total year-end balance of accounts receivable and contract assets (including the part included in other non-current assets), and the amount of provision for bad debts was RMB124,365,687.46.

5. Contract Assets

- 1) Details of contract assets:

Unit: RMB

Items	Closing Balance			Opening Balance		
	Carrying amount	Provisions for impairment	Book value	Carrying amount	Provisions for impairment	Book value
Constructions	2,847,993,321.71	21,993,021.25	2,826,000,300.46	4,088,650,761.92	26,189,172.06	4,062,461,589.86
Maintenance services	227,366,849.25	1,945,550.21	225,421,299.04	270,901,478.31	1,642,480.80	269,258,997.51
Less: Contract assets that are included in other non-current assets (Note (V) 22)	1,893,506,565.03	15,397,380.73	1,878,109,184.30	2,229,022,015.47	15,524,799.08	2,213,497,216.39
Total	1,181,853,605.93	8,541,190.73	1,173,312,415.20	2,130,530,224.76	12,306,853.78	2,118,223,370.98

- 2) The classification and disclosure of the method of provision for impairment of contract assets:

Unit: RMB

Items	Closing Balance				
	Carrying amount		Provisions for impairment		Book value
	Amount	Proportion (%)	Amount	Provision proportion (%)	Amount
Provision for impairment on a single item	-	-	-	-	-
Provision for impairment by portfolio	3,075,360,170.96	100.00	23,938,571.46	0.78	3,051,421,599.50
Total	3,075,360,170.96	100.00	23,938,571.46	0.78	3,051,421,599.50

Items	Opening Balance				
	Carrying amount		Provisions for impairment		Book value
	Amount	Proportion (%)	Amount	Provision proportion (%)	Amount
Provision for impairment on a single item	-	-	-	-	-
Provision for impairment by portfolio	4,359,552,240.23	100.00	27,831,652.86	0.64	4,331,720,587.37
Total	4,359,552,240.23	100.00	27,831,652.86	0.64	4,331,720,587.37

- 3) Provision for bad debts of contract assets (including the part included in other non-current assets) in the current period:

Unit: RMB

Category	Opening balance	Amount of changes changed in the current reporting period	Difference due to foreign	Closing balance
----------	-----------------	---	---------------------------	-----------------

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

		Provision /Recollect or Reverse	Recover or write-off	currency statement translation	
Contract assets	27,831,652.86	(3,893,081.40)	-	-	23,938,571.46
Total	27,831,652.86	(3,893,081.40)	-	-	23,938,571.46

6. Receivables for Financing

1) Receivables for financing by categories

Unit: RMB

Item	Closing Balance	Opening Balance
Bank acceptance bill	1,594,219,832.62	1,484,218,258.74
Total	1,594,219,832.62	1,484,218,258.74

2) At the end of the reporting period, the Group's pledged receivables for financing

Unit: RMB

Item	Amount pledged as of December 31, 2023
Bank acceptance bill	42,274,830.03
Total	42,274,830.03

3) At the end of the reporting period, receivables for financing endorsed or discounted by the Group that have not yet expired on the balance sheet date.

Unit: RMB

Item	Derecognized amount as of December 31, 2023
Bank acceptance bill	1,918,451,539.74
Total	1,918,451,539.74

4) The Group believes that the acceptance bank's credit rating of the bank acceptance bill held is high, and there is no significant credit risk, so no loss provision is made.

7. Prepayment

1) Prepayments by aging analysis

Unit: RMB

Aging	Closing Balance		Opening Balance	
	Carrying amount	Proportion (%)	Carrying amount	Proportion (%)
Within 1 year	439,229,846.71	86.44	467,175,741.37	87.36
1-2 years	54,598,580.98	10.74	60,041,088.41	11.23
2-3 years	9,132,956.08	1.80	4,732,310.18	0.88
Over 3 years	5,190,022.15	1.02	2,830,980.56	0.53
Total	508,151,405.92	100.00	534,780,120.52	100.00

2) Closing balances of top five prepayments parties

As of December 31, 2023, the Group's top five balances of prepayments amounted to RMB127,482,333.32, accounting for 25.09% of total closing balance of prepayments.

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

8. Other Receivables

1) Other receivables by aging

Unit: RMB

Aging	Closing balance	Opening balance
Within contract period	497,347,123.04	435,726,390.34
Within 1 year	58,190,602.54	74,536,873.66
1-2 years	20,606,423.68	6,501,889.62
2-3 years	4,357,328.94	5,758,160.62
3-4 years	3,216,083.19	8,938,449.42
Over 4 years	20,110,646.73	15,094,368.40
Total	603,828,208.12	546,556,132.06
Less: Credit impairment provision	31,922,559.19	30,052,646.48
Carrying amount	571,905,648.93	516,503,485.58

2) Other receivables by nature of the payment

Unit: RMB

Item	Closing Balance	Opening Balance
Guarantee deposits	217,477,539.62	262,305,393.59
Repurchase payments for restricted share	169,968,816.44	80,136,229.12
Temporary payments for receivables	109,935,025.72	73,826,738.90
Tax rebates	27,765,998.37	2,166,013.19
Others	78,680,827.97	128,121,757.26
Total	603,828,208.12	546,556,132.06

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

3) Accrual for bad debts of other receivables

Unit: RMB

Bad debts allowance	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses in the next 12 months	Expected credit loss for the entire duration (credit impairment has not incurred)	Expected credit loss for the entire duration (credit impairment has occurred)	
Balance on January 1, 2023	2,647,306.22	4,248,324.22	23,157,016.04	30,052,646.48
Balance on January 1, 2023				
In the current reporting period:				
--Transfer into stage 2	(353,543.76)	353,543.76	-	-
-- Transfer into stage 3	-	(770,375.76)	770,375.76	-
--Accrual/(reverse) in the current reporting period	(742,798.46)	1,878,354.49	318,419.47	1,453,975.50
Derecognition of financial assets (including direct write-downs) and transfer out	-	-	(194,870.21)	(194,870.21)
Other changes	610,807.42	-	-	610,807.42
Balance on December 31, 2023	2,161,771.42	5,709,846.71	24,050,941.06	31,922,559.19

4) Provision for bad debts of other receivables :

Unit: RMB

Category	Opening balance	Amount of changes in the current reporting period			Difference resulted from foreign currency statements conversion	Closing balance
		Provision	Recollect or reverse	Recover write off		
Other receivables	30,052,646.48	4,492,138.91	(3,038,163.41)	(194,870.21)	610,807.42	31,922,559.19
Total	30,052,646.48	4,492,138.91	(3,038,163.41)	(194,870.21)	610,807.42	31,922,559.19

5) Top five debtors based on corresponding closing balance of other receivables

At the end of current period, the aggregate amount of other receivables of the top five debtors of the Group was RMB52,010,738.44, accounting for 8.61% of the total balance of other receivables at the end of the year, and the provision for bad debts amounted to RMB170,901.46.

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

9. Inventories

1) Categories of inventories

Unit: RMB

Category	Closing Balance			Opening Balance		
	Carrying amount	Provision for decline in value of inventories/ Impairment provision for contract performance cost	Book value	Carrying amount	Provision for decline in value of inventories/ Impairment provision for contract performance cost	Book value
Raw materials	7,912,250,689.30	368,431,917.68	7,543,818,771.62	8,590,579,068.82	405,402,336.01	8,185,176,732.81
Work-in-progress	561,630,556.81	-	561,630,556.81	413,355,134.81	-	413,355,134.81
Finished goods	11,653,209,829.25	950,498,742.24	10,702,711,087.01	10,955,174,807.28	839,876,008.09	10,115,298,799.19
Contract performance cost	409,869,715.64	6,595,745.76	403,273,969.88	290,988,057.76	6,595,745.76	284,392,312.00
Total	20,536,960,791.00	1,325,526,405.68	19,211,434,385.32	20,250,097,068.67	1,251,874,089.86	18,998,222,978.81

2) Provision for decline in value of inventories

Unit: RMB

Category	Opening balance	The amount accrued in the current reporting period	The amount reversed or resold in the current reporting period	Effect on conversion of financial statements denominated in foreign currencies	Closing Balance
Raw materials	405,402,336.01	150,471,908.41	187,442,326.74	-	368,431,917.68
Finished goods	839,876,008.09	337,092,072.44	260,187,047.99	33,717,709.70	950,498,742.24
Contract performance cost	6,595,745.76	-	-	-	6,595,745.76
Subtotal	1,251,874,089.86	487,563,980.85	447,629,374.73	33,717,709.70	1,325,526,405.68

The write-offs of provision for inventories in the current reporting period are due to use or sale of inventories.

3) Descriptions of the amortization amount of the contract performance cost for the current reporting period

For the contract performance cost recognized as an asset, the Group adopts the same basis as the recognition of revenue related to the asset, and includes it in the profit or loss for the current period when the finished products of the project have been completed, installed and commissioned in accordance with the contract requirements and the acceptance certificate of the other party has been obtained. The amount included in profit or loss for the current period in 2023 is RMB581,435,596.91.

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

10. Non-current Assets Due within One Year

Unit: RMB

Item	Closing Balance	Opening Balance
Long-term receivables due within one year (Note (V) 12)	1,079,721,006.23	996,902,343.27
Total	1,079,721,006.23	996,902,343.27

11. Other Current Assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible VAT input	733,273,484.32	670,250,077.42
Prepaid corporate income tax	132,978,082.06	61,808,729.93
Prepaid tariff	32,945,213.90	17,113,351.36
Others	62,396,836.47	57,660,782.87
Total	961,593,616.75	806,832,941.58

Notes to Financial Statements ar

For the reporting period from January 1, 2023 to December 31, 2023

12. Long-term Receivables

1) Details of long-term receivables

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision for impairment	Book value	Carrying amount	Provision for impairment	Book value
Financial leases receivables	265,985,187.99	53,601,885.63	212,383,302.36	294,708,514.70	41,885,999.65	252,822,515.05
Including: Unrealized income from financing	7,730,078.24	-	7,730,078.24	8,548,939.32	-	8,548,939.32
Installments business	1,191,642,272.96	235,773,626.86	955,868,646.10	916,676,013.71	125,838,244.59	790,837,769.12
Including: Unrealized income from financing	26,937,454.05	-	26,937,454.05	32,175,399.92	-	32,175,399.92
Employee housing loan	450,167,676.53	-	450,167,676.53	493,890,024.40	-	493,890,024.40
Including: Unrealized income from financing	42,598,988.47	-	42,598,988.47	44,084,149.81	-	44,084,149.81
Subtotal	1,907,795,137.48	289,375,512.49	1,618,419,624.99	1,705,274,552.81	167,724,244.24	1,537,550,308.57
Less: Non-current assets due within one year (Note (V) 10)	1,367,395,229.26	287,674,223.03	1,079,721,006.23	1,163,050,529.25	166,148,185.98	996,902,343.27
Total	540,399,908.22	1,701,289.46	538,698,618.76	542,224,023.56	1,576,058.26	540,647,965.30

2) Disclosure by method of provision for bad debts

Item	Closing balance			Opening balance		
	Carrying amount	Provision for impairment	Book value	Carrying amount	Provision for impairment	Book value
Provision for bad debts by portfolio (including the portion due within one year)	1,907,795,137.48	289,375,512.49	1,618,419,624.99	1,705,274,552.81	167,724,244.24	1,537,550,308.57
Including: portfolio of employees	450,167,676.53	-	450,167,676.53	493,890,024.40	-	493,890,024.40
Portfolio of financial leasing and installment collection customers	1,457,627,460.95	289,375,512.49	1,168,251,948.46	1,211,384,528.41	167,724,244.24	1,043,660,284.17
Total	1,907,795,137.48	289,375,512.49	1,618,419,624.99	1,705,274,552.81	167,724,244.24	1,537,550,308.57

Portfolio of employees

The Group believes that the employees corresponding to the long-term receivable employee housing loans held by the Group all have labor relations with the Group and the Group assesses that the relevant debtors have good credit records, and the Group believes that there is no significant credit risk and therefore loss of provision is made.

Notes to Financial Statements ar
For the reporting period from January 1, 2023 to December 31, 2023

Portfolio of financial leasing and installment collection customers

As of December 31, 2023, the credit risk and expected credit losses of long-term receivables relevant to financial leasing and installment collection customers are as follows:

Unit: RMB

Age	Closing balance		
	Amounts	Credit loss provision	Estimated average loss rate (%)
Within credit period	586,838,996.39	4,056,119.29	0.69
Within 1 year after exceeding credit period	223,289,798.92	10,152,377.89	4.55
1-2 years after exceeding credit period	282,764,655.38	54,045,829.10	19.11
2-3 years after exceeding credit period	171,566,519.28	67,692,233.18	39.46
3-4 years after exceeding credit period	126,919,635.75	87,181,097.80	68.69
Over 4 years after exceeding credit period	66,247,855.23	66,247,855.23	100.00
Total	1,457,627,460.95	289,375,512.49	19.85

3) Provision for bad debts

Unit: RMB

Category	Opening balance	Amount of changes in the current reporting period			Difference resulted from foreign currency statements conversion	Closing balance
		Provision	Recollect or reverse	write off		
Long term receivables	167,724,244.24	132,765,741.94	(374,441.79)	(10,740,031.90)	-	289,375,512.49
Total	167,724,244.24	132,765,741.94	(374,441.79)	(10,740,031.90)	-	289,375,512.49

Notes to Financial Statements ar

For the reporting period from January 1, 2023 to December 31, 2023

13. Long-term Equity Investment

Unit: RMB

The invested entity	Opening Balance	Increase/Decrease in the current reporting period								Closing Balance	Closing balance for impairment provision
		Additional Investments	Investment reduction	Investment Profit (Loss) recognized under the equity Method	Adjustment to other comprehensive income	Other Changes in equity	Declaration of cash dividends or profit distribution	Impairment provision	others		
1. Joint venture companies											
Hangzhou Haikang Intelligent Industrial Equity Investment Fund Partnership (L.P.) (Note 1)	829,825,387.60	-	-	(47,428,857.55)	-	8,959,723.09	-	-	-	791,356,253.14	-
Zhejiang City Digital Technology Ltd.	26,341,510.80	-	-	3,293,974.81	-	-	-	-	-	29,635,485.61	-
Zhejiang Haishi Huayue Digital Technology Ltd.	13,382,016.23	-	-	685,265.42	-	-	-	-	-	14,067,281.65	-
Guangxi Haishi Urban Operation Management Ltd.	13,059,993.97	-	-	(609,658.09)	-	-	-	-	-	12,450,335.88	-
Xuzhou Kangbo Urban Operation Management Service Ltd.	10,385,566.88	-	-	666,781.48	-	-	-	-	-	11,052,348.36	-
Others	6,752,804.77	-	-	(1,580,417.62)	-	-	-	-	-	5,172,387.15	-
Subtotal	899,747,280.25	-	-	(44,972,911.55)	-	8,959,723.09	-	-	-	863,734,091.79	-
2. Associated companies											
Wuhu Sensortech Intelligent Technology Ltd. (Note 2)	98,094,380.52	-	-	(4,911,240.97)	-	-	-	-	(93,183,139.55)	-	-
Beijing Taifang Technology Co. Ltd. (Note 1)	39,695,050.60	-	-	(4,568,631.47)	-	1,815,791.56	-	-	-	36,942,210.69	-

Notes to Financial Statements ar

For the reporting period from January 1, 2023 to December 31, 2023

The invested entity	Opening Balance	Increase/Decrease in the current reporting period								Closing Balance	Closing balance for impairment provision
		Additional Investments	Investment reduction	Investment Profit (Loss) recognized under the equity Method	Adjustment to other comprehensive income	Other Changes in equity	Declaration of cash dividends or profit distribution	Impairment provision	others		
Jiaxin Haishi JiaAn Zhicheng Technology Ltd.	24,348,699.37	-	-	4,792,796.03	-	-	(1,200,000.00)	-	-	27,941,495.40	-
Zhiguang Hailian Big Data Technology Ltd.	22,425,370.08	-	-	820,002.92	-	-	-	-	-	23,245,373.00	-
Terapark (Nanjing) Ltd.	19,603,125.69	-	-	(1,345,340.17)	-	-	-	-	-	18,257,785.52	-
Others (Note 1)	148,119,606.90	-	-	20,218,847.36	-	12,645,477.19	-	-	-	180,983,931.45	-
Subtotal	352,286,233.16	-	-	15,006,433.70	-	14,461,268.75	(1,200,000.00)	-	(93,183,139.55)	287,370,796.06	-
Total	1,252,033,513.41	-	-	(29,966,477.85)	-	23,420,991.84	(1,200,000.00)	-	(93,183,139.55)	1,151,104,887.85	-

Note 1: Changes in other equities during the reporting period was due to the changes in equity caused by increasing capital of the investee by other shareholders.

Note 2: During the reporting period, the Group acquired control of Wuhu Sensortech Intelligent Technology Ltd., which was included in the scope of the consolidated financial statements and ceased to account for it as an associate. Please refer to Note (VI)(1) for details.

14. Other Non-current Financial Assets

Unit: RMB

Item	Closing balance	Opening balance
Investments in equity instruments (Note)	472,184,937.66	423,893,239.94
Total	472,184,937.66	423,893,239.94

Note: It refers to the Group's equity investments of private companies. The Group has no control, joint control or significant influence over the invested companies. During the current reporting period, the Company received a cash dividend of RMB65,923,840.33 from the investees. (2022: RMB51,892,209.92) and recognized it as current profit and loss. Please refer to Note (V) 53 for details.

15. Fixed Assets

1) Details of fixed assets

Unit: RMB

Item	Buildings and constructions	General-purpose equipment	Special-purpose equipment	Transportation vehicles	Total
I. Total original carrying amount					
1. Opening balance	7,452,114,917.55	1,795,698,464.97	2,966,436,208.66	101,263,567.44	12,315,513,158.62
2. Increase in the current reporting period	3,261,282,926.30	296,868,507.94	705,001,776.60	10,677,104.88	4,273,830,315.72
1) purchase	17,608,212.61	289,377,081.84	497,497,368.94	8,493,541.10	812,976,204.49
2) transferred from construction in progress	3,243,674,713.69	800,596.85	131,164,109.50	-	3,375,639,420.04
3) Increase due to business combinations	-	6,690,829.25	70,412,972.99	2,183,563.78	79,287,366.02
4) transferred from inventory	-	-	5,927,325.17	-	5,927,325.17
3. Decrease in the current reporting period	22,462,439.97	50,086,906.77	53,392,631.11	6,681,905.52	132,623,883.37
1) disposal or write-off	22,462,439.97	50,086,906.77	53,392,631.11	6,681,905.52	132,623,883.37
4. Effect on conversion of financial statements denominated in foreign currencies	27,309,309.28	20,742,356.01	3,090,423.15	1,703,795.12	52,845,883.56
5. Closing Balance	10,718,244,713.16	2,063,222,422.15	3,621,135,777.30	106,962,561.92	16,509,565,474.53
II. Accumulated depreciation					
1. Opening balance	1,509,685,892.00	760,815,155.19	1,440,166,642.10	65,002,838.65	3,775,670,527.94
2. Increase in the current reporting period	398,171,850.94	333,081,056.25	558,126,932.06	13,528,288.35	1,302,908,127.60
(1) accrual	398,171,850.94	333,081,056.25	558,126,932.06	13,528,288.35	1,302,908,127.60
3. Decrease in the current reporting period	10,237,378.36	37,027,365.79	38,971,781.87	6,032,200.40	92,268,726.42
(1) disposal or write-off	10,237,378.36	37,027,365.79	38,971,781.87	6,032,200.40	92,268,726.42
4. Effect on conversion of financial statements denominated in foreign currencies	2,591,190.18	9,824,041.43	1,870,617.87	667,378.18	14,953,227.66
5. Closing balance	1,900,211,554.76	1,066,692,887.08	1,961,192,410.16	73,166,304.78	5,001,263,156.78
III. Total book value					
Closing balance on book value	8,818,033,158.40	996,529,535.07	1,659,943,367.14	33,796,257.14	11,508,302,317.75
Opening balance on book value	5,942,429,025.55	1,034,883,309.78	1,526,269,566.56	36,260,728.79	8,539,842,630.68

2) As of December 31, 2023, the book value of the special-purpose equipment rent out through operating leasing by the Group is RMB79,633,944.01.

3) Fixed assets of which certificates of title have not been granted as of December 31, 2023:

Unit: RMB

Item	Carrying amount	Reason for certificates of title not granted
Office space for branch offices	11,993,190.22	In the process of obtaining the real estate certificates
Wuhan Intelligence Industrial Park (Phase I)	952,872,640.65	In the process of obtaining the real estate certificates
Shijiazhuang Science and Technology Park Project (Phase I)	288,123,484.13	In the process of obtaining the real estate certificates
Total	1,252,989,315.00	

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

16. Construction in Progress

1) Details of construction in progress

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision	Book value	Carrying amount	Provision	Book value
Xi'an Science and Technology Park Project	1,189,310,650.73	-	1,189,310,650.73	510,141,028.55	-	510,141,028.55
EZVIZ Intelligent Manufacturing Chongqing Base Project(Infrastructure Part)	628,214,692.80	-	628,214,692.80	72,173,018.20	-	72,173,018.20
Shijiazhuang Science and Technology Park Project (Phase II)	276,247,602.73	-	276,247,602.73	122,700,460.71	-	122,700,460.71
Chongqing Science and Technology Park Project-Phase III	257,682,402.52	-	257,682,402.52	88,837,517.21	-	88,837,517.21
Infrared Thermal Imaging Complete Machine Products Industrial Base	70,932,363.98	-	70,932,363.98	369,535.06	-	369,535.06
HikRobot Product Industrial Base Construction Project	61,417,606.81	-	61,417,606.81	375,915.30	-	375,915.30
HikRobot Intelligent Manufacturing (Tonglu) Base Project	20,299,490.56	-	20,299,490.56	658,673.77	-	658,673.77
Wuhan Intelligence Industry Park Project Hangzhou Innovation Industry Park (Phase II)	5,671,116.16	-	5,671,116.16	3,972,553.78	-	3,972,553.78
Chengdu Science and Technology Park Project	-	-	-	1,424,680,236.64	-	1,424,680,236.64
Wuhan Intelligence Industrial Park (Phase I)	-	-	-	362,495,271.16	-	362,495,271.16
Shijiazhuang Science and Technology Park Project (Phase I)	-	-	-	118,287,175.20	-	118,287,175.20
Hikvision Global Warehousing Logistics Center (Phase I)	-	-	-	21,838,347.13	-	21,838,347.13
Others	1,797,875,148.17	-	1,797,875,148.17	1,044,273,568.09	-	1,044,273,568.09
Total	4,307,651,074.46	-	4,307,651,074.46	3,770,803,300.80	-	3,770,803,300.80

2) Changes in significant construction in progress during the current reporting period

Unit: RMB

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

Item	Budget (RMB 0,000)	Opening balance	Increase in the current reporting period	Transferred to fixed assets during the current reporting period	Closing balance	Amount invested as a proportion of budget amount (%)	Construction in Progress (%)	Source of funds
Xi'an Science and Technology Park Project	162,269.00	510,141,028.55	679,169,622.18	-	1,189,310,650.73	73.29%	73.29%	Self-financing
EZVIZ Intelligent Manufacturing Chongqing Base Project (Infrastructure Part)	117,011.00	72,173,018.20	556,041,674.60	-	628,214,692.80	53.69%	53.69%	Self-financing/ raised fund
Shijiazhuang Science and Technology Park Project (Phase II)	44,868.00	122,700,460.71	153,547,142.02	-	276,247,602.73	61.57%	61.57%	Self-financing
Infrared Thermal Imaging Complete Machine Products Industrial Base	82,485.00	369,535.06	70,562,828.92	-	70,932,363.98	8.60%	8.60%	Self-financing
HikRobot Product Industrial Base Construction Project	101,346.00	375,915.30	61,041,691.51	-	61,417,606.81	6.06%	6.06%	Self-financing
HikRobot Intelligent Manufacturing (Tonglu) Base Project	107,105.00	658,673.77	19,640,816.79	-	20,299,490.56	1.90%	1.90%	Self-financing
Wuhan Intelligence Industry Park Project Hangzhou Innovation Industry Park (Phase II)	154,009.00	3,972,553.78	1,698,562.38	-	5,671,116.16	0.37%	0.37%	Self-financing
Chengdu Science and Technology Park Project	144,925.00	1,424,680,236.64	4,687,853.06	(1,429,368,089.70)	-	98.63%	100.00%	Self-financing
Wuhan Intelligence Industrial Park (Phase I)	98,398.00	362,495,271.16	597,753,883.32	(960,249,154.48)	-	97.59%	100.00%	Self-financing
Shijiazhuang Science and Technology Park Project (Phase I)	28,813.00	118,287,175.20	169,836,308.93	(288,123,484.13)	-	100.00%	100.00%	Self-financing
Hikvision Global Warehousing Logistics Center (Phase I)	10,846.00	21,838,347.13	84,761,013.93	(106,599,361.06)	-	98.28%	100.00%	Self-financing

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

17. Right-of-use Assets

Unit: RMB

Items	Building and construction	General-purpose equipment	Special-purpose equipment	Transportation vehicles	Total
I. Total original carrying amount					
1. Opening balance	861,163,145.37	298,882.81	91,934,144.20	24,869,131.92	978,265,304.30
2. Increased	229,123,382.15	10,324,662.94	25,866,583.99	2,782,146.50	268,096,775.58
(1) New Lease	224,832,007.58	10,324,662.94	25,866,583.99	2,782,146.50	263,805,401.01
(2) Increase due to business combination	4,291,374.57	-	-	-	4,291,374.57
3. Decreased	179,680,168.92	-	-	5,137,402.08	184,817,571.00
(1) The lease contract expires or terminates early	179,680,168.92	-	-	5,137,402.08	184,817,571.00
4. Effect on conversion of financial statements denominated in foreign currencies	12,632,916.21	807,872.37	-	1,304,255.96	14,745,044.54
5. Closing balance	923,239,274.81	11,431,418.12	117,800,728.19	23,818,132.30	1,076,289,553.42
II. Accumulated depreciation					
1. Opening balance	309,924,850.37	226,559.76	82,732,047.46	10,903,520.40	403,786,977.99
2. Increased	302,131,960.00	70,935.87	7,264,590.65	7,298,295.74	316,765,782.26
(1) Provisions	302,131,960.00	70,935.87	7,264,590.65	7,298,295.74	316,765,782.26
3. Decreased	167,472,776.16	-	-	4,909,882.86	172,382,659.02
(1) The lease contract expires or terminates early	167,472,776.16	-	-	4,909,882.86	172,382,659.02
4. Effect on conversion of financial statements denominated in foreign currencies	6,396,667.01	2,819.46	-	658,569.06	7,058,055.53
5. Closing balance	450,980,701.22	300,315.09	89,996,638.11	13,950,502.34	555,228,156.76
III. Total book value					
1. Closing balance on book value	472,258,573.59	11,131,103.03	27,804,090.08	9,867,629.96	521,061,396.66
2. Opening balance on book value	551,238,295.00	72,323.05	9,202,096.74	13,965,611.52	574,478,326.31

18. Intangible Assets

1) Details of construction in progress

Unit: RMB

Item	Land use right	Intellectual property right	Application Software	Franchise	Total
I. Total original carrying amount					
1. Opening balance	1,582,307,939.63	70,012,763.87	397,648,996.73	103,241,971.57	2,153,211,671.80
2. Increased	133,103,621.97	204,053,373.52	20,394,567.15	7,025,910.47	364,577,473.11
(1) Purchase	133,103,621.97	653,373.52	16,673,506.15	7,025,910.47	157,456,412.11
(2) Increase due to business combination	-	203,400,000.00	3,721,061.00	-	207,121,061.00
3. Decreased	-	13,972.73	3,227,312.38	-	3,241,285.11
(1) Disposal or write-off	-	13,972.73	3,227,312.38	-	3,241,285.11
4. Effect on conversion of financial statements denominated in foreign currencies	-	102,207.17	1,865,009.42	(22,154.29)	1,945,062.30
5. Closing balance	1,715,411,561.60	274,154,371.83	416,681,260.92	110,245,727.75	2,516,492,922.10

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

Item	Land use right	Intellectual property right	Application Software	Franchise	Total
II. Total accumulated amortization					
1. Opening balance	135,271,377.29	68,378,497.22	342,499,507.53	20,094,724.08	566,244,106.12
2. Increased	35,098,426.85	30,023,838.10	29,175,003.52	4,627,368.42	98,924,636.89
(1)Accrual	35,098,426.85	30,023,838.10	29,175,003.52	4,627,368.42	98,924,636.89
3. Decreased	-	3,027.46	3,133,019.98	-	3,136,047.44
(1)Disposal or write-off	-	3,027.46	3,133,019.98	-	3,136,047.44
4. Effect on conversion of financial statements denominated in foreign currencies	-	91,869.03	1,873,106.67	(15,364.11)	1,949,611.59
5. Closing balance	170,369,804.14	98,491,176.89	370,414,597.74	24,706,728.39	663,982,307.16
III. loss provision					
1. Opening balance	-	-	-	42,034,063.49	42,034,063.49
2. Closing balance	-	-	-	42,034,063.49	42,034,063.49
IV. Total book value					
1. Closing balance on book value	1,545,041,757.46	175,663,194.94	46,266,663.18	43,504,935.87	1,810,476,551.45
2. Opening balance on book value	1,447,036,562.34	1,634,266.65	55,149,489.20	41,113,184.00	1,544,933,502.19

- 2) At the end of the current reporting period, the land use right of the Group that has not completed the title certificate is nil.

19. Goodwill

1) Goodwill book value

Unit: RMB

The name of the investee or the matter that forming a goodwill	Opening balance	Increased	Decreased	Effect on conversion of financial statements denominated in foreign currencies	Closing balance
		Business combination not involving enterprises under common control	Liquidation & cancellation		
Wuhu Sensortech Intelligent Technology Ltd. and its subsidiaries (hereinafter referred to as the "Sensortech") (Note (VI), 1)	-	92,088,117.87	-	-	92,088,117.87
SISTEMAS Y SERVICIOS DE COMUNICACIÓN, S.A. DE C.V.	79,881,823.62	-	-	1,354,570.74	81,236,394.36
Henan HuaAn Baoquan Intelligence development Ltd. and its subsidiaries	61,322,871.63	-	-	-	61,322,871.63
Hangzhou Kuangxin Technology Ltd.	59,060,454.06	-	-	-	59,060,454.06
Zhejiang Zhiyuan Fire Safety Engineering Ltd.	8,199,253.77	-	-	-	8,199,253.77
BK EESTI AKTSAIASELTS	4,464,161.60	-	-	262,392.56	4,726,554.16
SIA "BK Latvia"	4,457,966.60	-	-	262,028.43	4,719,995.03
Total	217,386,531.28	92,088,117.87	-	1,878,991.73	311,353,640.88

- 2) Information about the asset group or asset group combination to which the goodwill belongs

Name	The composition and basis of the asset group or portfolio to which it belongs	Whether it is consistent with previous years
Sensortech		Not Applicable

SISTEMAS Y SERVICIOS DE COMUNICACIÓN, S.A. DE C.V.	The portfolio of the assets generates cash inflows independently.	Yes
Henan HuaAn Baoquan Intelligence development Ltd. and its subsidiaries		Yes
Hangzhou Kuangxin Technology Ltd.		Yes
Zhejiang Zhiyuan Fire Safety Engineering Ltd.		Yes
BK EESTI AKTIASELTS		Yes
SIA "BK Latvia"		Yes

3) Goodwill impairment provision

When the Group conducts impairment test on goodwill at the end of the reporting period, the key assumptions adopted and their basis are as follows:

The recoverable amount of asset group portfolios containing apportioned goodwill is determined according to the present value of the estimated future cash flow of the relevant asset group portfolios. The forecast period for future cash flows is 5 years. The projection of future cash flows is based on management's estimate of sales revenue, cost of sales and operating expenses for the expected period based on past performance and expectations of market developments. The cash flow growth rate over 5 years is 0-2%..

During the reporting period, the Group did not find that the recoverable amount of the relevant asset group portfolios including the apportioned goodwill was lower than its book value, so it is considered that there is no need to accrue impairment loss for goodwill.

20. Long-term Deferred Expenses

Unit: RMB

Invested unit	Opening Balance	Increased	Increased due to business combination	Amortized	Other decreased amount	Difference of foreign currency translation	Closing balance
Improvement expenditure for leased fixed asset	133,193,592.60	67,697,478.05	2,215,794.17	69,681,091.67	-	1,336,772.31	134,762,545.46
Employee housing loan deferred interest	44,084,149.81	13,639,910.90	-	14,463,336.10	661,736.14	-	42,598,988.47
Total	177,277,742.41	81,337,388.95	2,215,794.17	84,144,427.77	661,736.14	1,336,772.31	177,361,533.93

21. Deferred Tax Assets/Deferred Tax Liabilities

1) Deferred tax assets that are not presented on net off basis

Unit: RMB

Item	Closing balance		Opening balance (Restated)	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment losses of assets	1,127,769,340.63	278,268,231.18	1,244,117,898.85	303,398,701.08
Provision for credit loss	3,364,947,416.28	704,178,085.23	2,592,933,147.29	539,409,348.22
Share-based payments	93,168,926.31	16,404,683.77	102,865,533.19	18,154,808.30
Provisions	135,644,054.99	24,189,557.95	159,335,457.04	26,406,150.70
Accrued but unsettled liabilities	2,515,576,691.84	426,431,441.31	1,283,025,501.82	216,296,041.04
Unrealized profit from inter-group transactions	2,578,365,430.99	367,414,352.61	2,407,578,813.30	361,136,821.99
Changes in the fair value of	38,079,755.04	9,519,938.76	68,299,685.57	17,074,921.39

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

Item	Closing balance		Opening balance (Restated)	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
derivative financial instruments				
Deferred income	940,537,242.40	127,045,105.84	913,846,162.56	108,383,170.93
Changes in fair value of other non-current financial assets	32,396,750.76	4,859,512.61	32,701,261.48	4,905,189.22
Difference in depreciation of fixed assets and difference in amortization of intangible assets	199,086,488.75	32,012,352.33	305,795,669.55	13,305,393.19
Tax deductible losses	1,205,938,357.65	184,742,525.11	294,467,968.83	39,179,829.21
Lease liabilities	517,071,628.81	81,703,353.99	566,315,667.05	82,917,594.29
Others	79,735,281.12	23,121,972.50	-	-
Total	12,828,317,365.57	2,279,891,113.19	9,971,282,766.53	1,730,567,969.56

2) Deferred tax liabilities that are not presented on net off basis

Unit: RMB

Item	Closing balance		Opening balance (Restated)	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Difference in depreciation of fixed assets and difference in amortization of intangible assets	1,446,155,125.82	257,662,359.02	1,439,877,224.17	256,804,768.33
Long term investment – partnership accounted by the equity method	191,356,253.14	28,703,437.97	230,000,194.33	34,500,029.15
Changes in the fair value of derivative financial instruments	37,380.00	9,345.00	12,807,438.36	3,201,859.59
Changes in the fair value of other non-current financial assets	19,420,700.00	4,855,175.00	-	-
Right-of-use assets	521,061,396.66	80,828,988.24	574,478,326.31	81,343,210.21
Valuation and appreciation of assets of business combinations not under common control	174,342,857.16	43,585,714.29	-	-
Others	47,107,004.45	15,740,059.70	-	-
Total	2,399,480,717.23	431,385,079.22	2,257,163,183.17	375,849,867.28

3) Deferred tax assets or deferred tax liabilities that are presented at the net amount after offset

Unit: RMB

Item	Closing balance		Opening balance (Restated)	
	Offset amount at the end of the reporting period	Deferred tax assets or liabilities at the net amount after offset	Offset amount at the beginning of the reporting period	Deferred tax assets or liabilities at the net amount after offset
Deferred tax assets	301,518,101.04	1,978,373,012.15	259,370,391.30	1,471,197,578.26
Deferred tax liabilities	301,518,101.04	129,866,978.18	259,370,391.30	116,479,475.98

4) Details of unrecognized deferred tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible temporary differences	342,665,221.23	896,347,987.05

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

Deductible loss	3,281,013,576.44	2,279,586,556.97
Total	3,623,678,797.67	3,175,934,544.02

5) Deductible losses for unrecognized deferred tax assets will expire in the following years

Unit: RMB

Year	Closing balance	Opening balance
2023	-	23,615,749.83
2024	15,999,871.35	31,698,815.96
2025	6,519,258.67	16,588,829.27
2026	24,119,133.46	49,208,121.54
2027	38,699,273.23	99,525,057.16
2028 and beyond	3,195,676,039.73	2,058,949,983.21
Total	3,281,013,576.44	2,279,586,556.97

22. Other Non-current Assets

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision	Book value	Carrying amount	Provision	Book value
Contract assets	1,893,506,565.03	15,397,380.73	1,878,109,184.30	2,229,022,015.47	15,524,799.08	2,213,497,216.39
Prepayments for real estate	962,718,172.95	-	962,718,172.95	363,341,827.45	-	363,341,827.45
Prepayments for acquisition of land	1,049,973.59	-	1,049,973.59	127,079,348.02	-	127,079,348.02
Prepayments for equipment	68,421,659.50	-	68,421,659.50	70,134,950.70	-	70,134,950.70
Prepayments for infrastructure	8,032,635.16	-	8,032,635.16	39,467,612.18	-	39,467,612.18
Others	2,017,718.89	-	2,017,718.89	2,181,057.96	-	2,181,057.96
Total	2,935,746,725.12	15,397,380.73	2,920,349,344.39	2,831,226,811.78	15,524,799.08	2,815,702,012.70

23. Assets with Restriction in Ownership or Use Rights

Unit: RMB

Item	Book value at the end of the current reporting period	Cause of restriction
Cash and bank balances	210,191,306.76	Various guarantee deposits and other restricted funds
Notes receivable	1,172,749,062.48	Endorsed to the supplier, discounted to the bank, and pledged for issuing bank acceptance bills
Receivables for financing	42,274,830.03	Pledged for issuing bank acceptance bills
Accounts receivable	320,648,995.89	Pledged for long-term borrowings
Contract assets	129,223,004.39	Pledged for long-term borrowings
Fixed assets	79,633,944.01	Fixed assets leased out under operating leases
Intangible assets	37,374,930.65	Pledged and mortgage for long-term borrowings
Other non-current assets	1,500,999,221.99	Pledge for long-term borrowings
Total	3,493,095,296.20	

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

Item	Book value at the beginning of the current reporting period	Cause of restriction
Cash and bank balances	196,473,485.37	Various guarantee deposits and other restricted funds
Notes receivable	1,241,880,022.19	Endorsed to the supplier, discounted to the bank, and pledged for issuing bank acceptance bills
Receivables for financing	10,312.23	Pledged for issuing bank acceptance bills
Accounts receivable	344,585,345.01	Pledged for long-term borrowings
Contract assets	120,072,855.46	Pledged for long-term borrowings
Fixed assets	81,627,645.88	Fixed assets leased out under operating leases
Intangible assets	39,314,886.51	Pledged and mortgage for long-term borrowings
Other non-current assets	1,607,546,382.61	Pledge for long-term debts
Total	3,631,510,935.26	

24. Short-term Borrowings

1) Categories of short-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Credit loan	2,084,385,782.09	3,283,605,167.90
Discounted but not expired notes	34,566,243.97	59,466,804.99
Total	2,118,952,026.06	3,343,071,972.89

2) As of December 31, 2023, the Group did not have any overdue short-term loans that were failed to repay.

25. Held-for-trading Financial Liabilities

Unit: RMB

Item	Closing balance	Opening balance
Derivative financial liabilities	38,079,755.04	68,299,685.57
total	38,079,755.04	68,299,685.57

As of December 31, 2023, derivative financial liabilities are forward foreign exchange contracts, which are not designated as hedging instruments, measured at fair value and their changes are recognized in profit and loss for the current period.

26. Notes Payable

List of accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Bank acceptance bill	1,163,687,279.58	1,207,756,963.94
Total	1,163,687,279.58	1,207,756,963.94

As of December 31, 2023, the Group did not have any unpaid matured notes payable.

27. Accounts Payable

1) List of accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Payments for goods	18,669,058,955.74	15,803,616,247.96
Payables on project equipment	494,426,932.35	221,947,555.03
Total	19,163,485,888.09	16,025,563,802.99

2) As of December 31, 2023, the Group did not have any significant accounts payable with aging above one year.

28. Contract Liabilities

1) List of contract liabilities

Unit: RMB

Item	Closing balance	Opening balance
Advanced receipts from product sales	2,411,948,613.09	2,177,001,350.72
Advanced receipts from construction settlement payment	267,231,078.24	216,246,689.72
Advanced receipts from other services payment	328,951,851.34	276,187,505.46
Subtotal	3,008,131,542.67	2,669,435,545.90
Less: Contract liabilities included in other non-current liabilities (Note (V), 39)	30,140,767.27	24,939,037.54
Total	2,977,990,775.40	2,644,496,508.36

2) Qualitative and Quantitative Analysis on the Above Contract Liabilities:

Advanced receipts from product sales are prepayments for goods by customers and sales rebates provided to distributors. Revenue will be recognized when the goods are shipped to or delivered to the customer, and sales rebates provided to resellers will be recognized when resellers use sales rebates to offset the price.

Advanced receipts from construction settlement payment are the part of the contract price received or receivable from the customer for the construction project according to the contract according to the contract provisions in excess of the cumulative completed performance obligations, and the revenue will be recognized according to the performance progress during the contract period.

Advanced receipts from other services payment are the cloud service fees paid in advance by some customers and the part of the contract price received or receivable from customers for operation and maintenance according to the contract provisions that exceeds the cumulative completed performance obligations, and the revenue will be recognized according to the performance progress during the service period.

- 3) The carrying amount of contract liabilities amounted to RMB2,644,496,508.36 at the beginning of the period has been recognized as revenue during the current period, and it is expected that RMB24,939,037.54 will be recognized as revenue in 2024 and beyond. The carrying amount of contract liabilities amounted RMB2,977,990,775.40 at the end of the period will be recognized as revenue in the coming year, and it is expected that RMB30,140,767.27 will be recognized as revenue in 2025 and beyond.

29. Payroll Payable

1) Details of payroll payable

Unit: RMB

Item	Opening balance	Increase in the current reporting period	Decrease in the current reporting period	Closing balance
1. Short-term remuneration	4,709,892,590.60	18,001,049,804.45	16,679,876,818.99	6,031,065,576.06
2. Termination benefits – defined contribution scheme	127,409,865.35	1,192,491,826.12	1,230,712,775.25	89,188,916.22
Total	4,837,302,455.95	19,193,541,630.57	17,910,589,594.24	6,120,254,492.28

2) List of Short-term remuneration

Unit: RMB

Item	Opening balance	Increase in the current reporting period	Decrease in the current reporting period	Closing balance
1. Wages or salaries, bonuses, allowances and subsidies	4,364,544,911.02	15,583,272,827.79	14,384,319,619.39	5,563,498,119.42
2. Staff welfare	-	388,419,203.15	387,806,211.19	612,991.96
3. Social insurance contributions	67,666,467.66	667,823,973.44	696,729,006.77	38,761,434.33
Including:				
Medical insurance	64,600,517.79	637,023,906.26	664,815,124.67	36,809,299.38
Injury insurance	2,577,031.70	24,539,736.41	25,372,514.43	1,744,253.68
Maternity insurance	488,918.17	6,260,330.77	6,541,367.67	207,881.27
4. Housing funds	3,892,614.17	1,072,855,370.62	1,076,747,984.79	-
5. Labor union and education fund	273,788,597.75	288,678,429.45	134,273,996.85	428,193,030.35
Subtotal	4,709,892,590.60	18,001,049,804.45	16,679,876,818.99	6,031,065,576.06

3) List of defined contribution plan

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Basic pension insurance	125,140,923.68	1,148,680,658.64	1,186,545,710.54	87,275,871.78
2. Unemployment insurance	2,268,941.67	43,811,167.48	44,167,064.71	1,913,044.44
Subtotal	127,409,865.35	1,192,491,826.12	1,230,712,775.25	89,188,916.22

Note: The Group participates in pension insurance and unemployment insurance plans established by government agencies in accordance with regulations. According to these plans, the Group pays monthly fees to these plans in proportion to the payment base. The Group has no other material obligation for the payment of pension benefits beyond the contributions described above, and corresponding expenses were booked into current profits and losses or corresponding assets.

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

In 2023, the Group shall pay RMB1,148,680,658.64 and RMB43,811,167.48 to the pension insurance plan and unemployment insurance plan respectively (2022: RMB1,079,281,000.54 and RMB40,304,044.61). As of December 31, 2023, the Group had fees payables of RMB87,275,871.78 and RMB1,913,044.44 (December 31, 2022: RMB125,140,923.68 and RMB2,268,941.67), which were due but not paid during the reporting period for pension and unemployment insurance plans.

30. Taxes Payable

Unit: RMB

Item	Closing balance	Opening balance
Corporate income tax	990,162,395.70	648,624,680.00
Value-added tax	476,076,769.76	380,413,435.90
City construction and maintenance tax	28,555,595.11	29,362,098.03
Education surcharges	11,969,432.94	13,048,855.45
Local education surcharges	8,314,407.76	9,328,597.02
Others	107,322,613.69	153,254,471.97
Total	1,622,401,214.96	1,234,032,138.37

31. Other Payables

1) Categories

Unit: RMB

Item	Closing balance	Opening balance
Dividend payable	253,957,413.29	300,150,894.34
Other payables	3,657,655,427.77	2,903,157,791.97
Total	3,911,612,841.06	3,203,308,686.31

2) Dividends payable

Unit: RMB

Item	Closing balance	Opening balance
Dividends of incentive restricted shares	155,844,168.00	187,657,918.50
Dividends payable to minority shareholders	98,113,245.29	112,492,975.84
Total	253,957,413.29	300,150,894.34

3) Other payables

(1) List of other payables according to the nature of the payment

Unit: RMB

Item	Closing balance	Opening balance
Unexpired commercial acceptance bills that were endorsed (Note (V) 3)	1,123,427,383.57	1,182,413,217.20
Accrued expenses	1,682,496,005.40	988,937,734.54
Guarantee and deposit fees	445,461,469.36	401,628,843.74
Collection and payment on behalf	294,323,679.79	236,839,241.37
Other expense payable	111,946,889.65	93,338,755.12
Total	3,657,655,427.77	2,903,157,791.97

(2) As of December 31, 2023, the Group did not have any significant other payables aging over one year.

32. Non-current Liabilities Due within One Year

Unit: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within one year (Note (V) 34)	5,627,525,836.16	562,906,197.43
Lease liabilities due within one year (Note (V), 35)	184,722,447.43	303,328,658.06
Long-term payables due within one year (Note (V) 36)	2,411,931.37	1,962,416.97
Total	5,814,660,214.96	868,197,272.46

33. Other Current Liabilities

Unit: RMB

Item	Closing balance	Opening balance
Subscription payment of restricted shares	1,095,194,890.62	465,979,374.84
Output VAT to be transferred	386,027,153.57	457,742,218.94
Total	1,481,222,044.19	923,721,593.78

34. Long-term Borrowings

Unit: RMB

Item	Closing balance	Opening balance
Pledged loan (Note 1)	1,259,495,605.29	1,363,216,974.37
Mortgage loan (Note 2)	320,694,296.02	229,070,200.25
Credit loan (Note 3)	12,959,458,895.86	6,315,934,364.41
Other borrowing (Note 4)	28,000,000.00	177,000,000.00
Less: Long-term loans due within one year (Note (V) 33)	5,627,525,836.16	562,906,197.43
Total	8,940,122,961.01	7,522,315,341.60

Note 1: As of December 31, 2023, the pledged loan was mainly obtained by the Group with all the rights and benefits pledged under relevant PPP Projects. The maturity period is from June 20, 2028 to March 26, 2040, the above annual interest rate of the loan is variable interest rate, ranging from 3.795% to 4.90%.

Note 2: As of December 31, 2023, the mortgage loan was obtained by the Group with the use right of land as the mortgage. The maturity date is on August, 13, 2026 with the annual interest rate of 1-year LPR rate, which is adjusted each 12 months.

Note 3: At the end of the reporting period, the maturity period of credit loan is from June 27, 2024 to December 1, 2027, and the annual interest rate ranges from 1.75% to 3.70%

Note 4: During 2016, the Group and CDB Development Fund Ltd. (CDBDF) jointly injected capital into Hikvision Electronics Co., Ltd. ("Hangzhou Electronics"), a subsidiary of the Group. Pursuant to the capital injection agreement, CDBDF would not participate in senior management personnel such as directors, and it would either take part in decision-making or make significant influence on Hangzhou Electronics. The Group shall pay a 1.2% annualized return to CDBDF through dividends or interest payments, and the Group is required to redeem its equity holdings from CDBDF in installments each year from 2021 to 2024. Therefore, the capital injection by CDBDF is treated as a long-term loan. As the end of the reporting period, the cumulative amount of equity held by the Group in Hangzhou Electronics held by the Group from CDBDF is RMB 149 million, and the balance of the loan is 28 million (December 31, 2022: RMB 177 million).

35. Lease Liabilities

Unit: RMB

Item	Closing balance	Opening balance
Lease liabilities	528,728,313.56	580,584,582.89
Less : Lease liabilities due within one year (Note (V), 32)	184,722,447.43	303,328,658.06
Total	344,005,866.13	277,255,924.83

The Group's lease liabilities are analysed according to the maturity period of the remaining undiscounted contractual obligations as follows:

Unit: RMB

Item	Closing balance	Opening balance
------	-----------------	-----------------

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

Within 1 year	197,066,597.67	329,108,201.98
1- 5 years	324,095,420.30	232,457,044.47
Over 5 years	41,329,449.20	56,490,511.25
Total	562,491,467.17	618,055,757.70

36. Long-term Payables

Unit: RMB

Item	Closing balance	Opening balance
Purchase goods in installments	8,188,531.22	9,532,351.64
Less: Long-term payables due within one year (Note (V), 32)	2,411,931.37	1,962,416.97
Total	5,776,599.85	7,569,934.67

37. Provisions

Unit: RMB

Item	Closing balance	Opening balance
Product quality warranty	197,386,826.08	205,095,341.94
Return payment payable	15,697,212.23	14,269,885.68
Total	213,084,038.31	219,365,227.62

38. Deferred Income

Unit: RMB

Item	Opening balance	Increase in current reporting period	Decrease in current reporting period	Other changes	Closing balance
Government Subsidies (Note (VIII), 1)	933,260,426.12	267,425,591.35	263,561,416.75	29,134,991.62	966,259,592.34
Total	933,260,426.12	267,425,591.35	263,561,416.75	29,134,991.62	966,259,592.34

39. Other Non-current Liabilities

Unit: RMB

Item	Closing balance	Opening balance
Subscription for restricted stocks	1,642,792,335.93	2,806,169,050.05
Contract liabilities (Note (V), 28)	30,140,767.27	24,939,037.54
Total	1,672,933,103.20	2,831,108,087.59

40. Share Capital

Unit: RMB

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

	Opening balance	Changes for the current reporting period					Closing balance
		New issue of shares	Bonus issue	Transfer from Capital Reserve	Others	Subtotal	
Total shares	9,430,920,624.00	-	-		(100,319,693.00)	(100,319,693.00)	9,330,600,931.00

Note: According to the Proposal on the Unfulfilled Unlocking Conditions for the Third Unlocking Period of the 2018 Restricted Share Plan and the Repurchase of Restricted Shares Granted but Not Unlocked that is reviewed and approved by the 17th meeting of the 5th session of the Board of Directors, the 15th meeting of the 5th session of the Board of Supervisors and 2022 Annual General Meeting, as the Company performance did not meet the unlocking conditions for the third unlocking period of the 2018 Restricted Stock Plan (Revised Draft), 33,331,858 restricted shares granted but not unlocked in the current period for all grantees of the 2018 Restricted Stock Plan were agreed to be repurchased and cancelled. In 2023, the Company reduced its share capital by RMB33,331,858.00 and its capital reserve by RMB532,643,090.84. The Company completed the deregistration on July 5, 2023.

According to the resolutions of the 13th meeting of the 5th session of the Board of Directors of the Company and the second Extraordinary General Meeting of shareholders in 2022 and the revised Articles of Association, the Company has repurchased a total of 66,987,835 outstanding shares of the Company through a centralized bidding transaction through a special securities account for share repurchase, reducing the share capital by RMB66,987,835.00 and the capital reserve by RMB1,976,897,390.35. The company completed the deregistration on January 13, 2023.

41. Capital Reserves

Unit: RMB

Item	Opening balance	Increase in the current reporting period (Note 1)	Decrease in the current reporting period (Note 2)	Closing balance
Share capital premium	9,289,814,942.29	226,657,083.90	2,527,333,896.79	6,989,138,129.40
Other capital reserves	851,338,493.03	190,086,646.32	165,659,505.23	875,765,634.12
Total	10,141,153,435.32	416,743,730.22	2,692,993,402.02	7,864,903,763.52

Note 1: The increase of RMB165,659,505.23 in the share capital premium in the current period was due to the transfer of other capital reserves to share capital premiums due to the exercise of equity-settled share-based payments.

The increase of RMB6,300,234.59 in share capital premium in the current period was due to the transfer of an asset portfolio of business held by the Company to its subsidiary, Micro Sensing.

During the current period, Hikrobot, a subsidiary of the Group, received a subsidy of RMB5,000,000.00 for the robot R&D and industrialization project from the parent company of the Company, CETHIK Group Co., Ltd. (hereinafter referred to as "CETHIK"), increasing the Group's share capital premium by RMB3,000,000.00 and minority interests of RMB2,000,000.00. Please refer to Note (XI), 5(4) for details.

The increase of RMB1,067,943.25 in the share capital premium in the current period was the portion of the equity-settled share-based payment to be shared by minority shareholders during the current period.

The increase of RMB50,629,400.83 in share capital premium in the current period was due to the Group's additional investments in Shijiazhuang Sensortech Intelligent Technology Co., Ltd. (hereinafter referred to as "Shijiazhuang Sensortech"), a subsidiary of the Group, by using equities held by the Group of Hangzhou Hikauto Technology Co., Ltd. (hereinafter referred to as "Auto Technology") and its subsidiaries and Sensortech, Please refer to Note (VII), 2.

The increase in other capital reserves in the current reporting period of RMB168,614,816.28 is due to the equity-settled share-based payment; RMB21,471,830.04 was due to changes in other equity of the investees in the long-term equity investments accounted for by the equity method.

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

Note 2: The decrease of RMB1,976,897,390.35 in share capital premium in the current reporting period was due to the repurchase and cancellation of 66,987,835 outstanding shares by the Company; RMB532,643,090.84 was due to the repurchase and cancellation of 33,331,858 restricted shares by the Company. Please refer to Note (V), 40 for details. RMB17,793,415.60 was due to the change in the Group's shareholding ratio in Hangzhou Kuangxin, a subsidiary, from 80% to 100.00%, as detailed in Note (VII), 2.

42. Treasury Shares

Unit: RMB

Item	Opening Balance	Increase in the current reporting period	Decrease in the current reporting period	Closing balance
Restricted shares incentive scheme	3,272,148,424.89	-	534,161,198.34	2,737,987,226.55
Outstanding shares	2,043,885,225.35	-	2,043,885,225.35	-
Total	5,316,033,650.24	-	2,578,046,423.69	2,737,987,226.55

Note: Among the decrease in treasury shares during the current reporting period, the Company reduced treasury shares by RMB2,043,885,225.35 due to the repurchase and cancellation of 66,987,835 outstanding shares, and the total decrease in treasury shares by RMB534,161,198.34 due to the provision of cash dividends on restricted stocks, the repurchase and cancellation of 33,331,858 shares of restricted shares of restricted shares under the 2018 equity incentive plan and the reversal of the corresponding cash dividends of restricted stocks. For details, see Note (V), 40.

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

43. Other Comprehensive Income

Unit: RMB

Item	Opening balance	Amounts occurred in the current reporting period					Closing balance
		The before-income-tax amount incurred during the current reporting period	Less: transfer to current period P/L from previous other comprehensive income	Less: income tax expense	Attributable to the parent company (after tax)	Attributable to minority shareholders (after tax)	
Other incomes that may be reclassified subsequently to profit or loss	(42,587,158.81)	183,798,707.05	-	-	87,254,674.97	96,544,032.08	44,667,516.16
Including: Effect on conversion of financial statements denominated in foreign currencies	(42,587,158.81)	183,798,707.05	-	-	87,254,674.97	96,544,032.08	44,667,516.16
Other comprehensive income	(42,587,158.81)	183,798,707.05	-	-	87,254,674.97	96,544,032.08	44,667,516.16

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

44. Surplus Reserves

Unit: RMB

Item	Opening balance	Increase in the current reporting period	Decrease in the current reporting period	Closing balance
Statutory surplus reserves	4,715,460,312.00	-	-	4,715,460,312.00
Total	4,715,460,312.00	-	-	4,715,460,312.00

Note: According to the *Company Law of the People's Republic of China* and the *Articles of Association* of the Company, The Company shall withdraw the statutory surplus reserve fund at 10% of the annual net profit of the parent company, and when the accumulated amount of the statutory surplus reserve fund reaches more than 50% of the registered capital, it may not be withdrawn. The statutory surplus reserve can be used to make up for losses or increase the share capital after approval.

45. Retained Earnings

Unit: RMB

Item	2023	2022 (Restated)
Retained Earnings at the close of the prior reporting period before adjustments	49,460,240,986.49	45,148,877,451.52
Adjustments on retained earnings at the open of the current reporting period	182,975.56	(179,425.86)
Retained Earnings at the close of current he reporting period after adjustments	49,460,423,962.05	45,148,698,025.66
Add: Net profit attributable to the parent company for the reporting period	14,107,621,359.66	12,837,704,462.49
Less: withdraws on the statutory surplus reserve	-	42,954,964.00
Dividends payable on common shares (Note)	6,431,425,077.70	8,483,023,562.10
Retained earnings at the end of the current reporting period	57,136,620,244.01	49,460,423,962.05

Note: According to the resolution of 2022 Annual General Meeting dated on May 10, 2023, based upon the total capital share of the Company on the equity distribution date, for each 10 ordinary shares, the Company distributed cash dividends of RMB 7 (tax inclusive), the rest of retained earnings were all carried forward for future distributions.

46. Revenue/cost of sales and services

46.1 Revenue and cost of sales and services

Unit: RMB

Item	2023		2022	
	Revenue	Cost	Revenue	Cost
Major business	88,735,530,906.73	49,244,429,307.10	82,542,204,243.66	47,602,859,697.82
Other business	604,325,948.95	392,626,538.23	624,117,437.48	393,394,768.50
Total	89,339,856,855.68	49,637,055,845.33	83,166,321,681.14	47,996,254,466.32

46.2 Revenue (By product or business type)

Unit: RMB

Item	2023	2022
Products and services for main business (Note)	68,779,757,950.20	65,873,570,961.21
Constructions of main business	2,007,188,913.81	2,222,876,059.14
Innovative businesses	18,552,909,991.67	15,069,874,660.79
Including: Robotic business	4,940,495,688.57	3,916,176,952.59

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

Smart home business	4,686,023,001.37	4,077,290,933.03
Thermal imaging business	3,284,778,727.13	2,790,033,744.03
Auto electronics business	2,706,680,020.16	1,905,289,927.53
Storage business	1,931,387,706.41	1,616,267,518.08
Other innovative businesses	1,003,544,848.03	764,815,585.53
Total	89,339,856,855.68	83,166,321,681.14

Note: Main business refers to the business parts other than the innovative businesses.

46.3 Major business (by business type)

Unit: RMB

Item	2023	
	Revenue	Cost
Product sales	84,971,000,242.56	47,055,941,178.02
Construction contract	2,007,188,913.81	1,529,858,191.39
Provide services	1,757,341,750.36	658,629,937.69
Total	88,735,530,906.73	49,244,429,307.10

46.4 Major business (by the time of revenue recognition)

Unit: RMB

Item	2023	
	Revenue	Cost
Recognized at a point in time	84,971,000,242.56	47,055,941,178.02
Recognized over time	3,764,530,664.17	2,188,488,129.08
Total	88,735,530,906.73	49,244,429,307.10

47. Business Taxes and Surcharges

Unit: RMB

Items	2023	2022
City construction and maintenance tax	314,257,068.06	261,890,379.68
Education surcharges	136,548,924.16	114,135,419.82
Local education surcharges	91,032,619.45	76,090,687.28
Stamp duty	83,472,191.23	69,797,920.71
Real estate tax	68,387,163.53	50,840,111.92
Tax on use of land	7,973,676.69	7,492,257.10
Vehicle and vessel tax	142,212.47	144,621.51
Others	2,827,523.10	1,505,298.49
Total	704,641,378.69	581,896,696.51

48. Selling Expenses

Unit: RMB

Items	2023	2022
Payroll	6,810,618,419.65	6,373,360,098.93
Marketing Expenses	1,547,002,657.18	1,327,140,202.21
Shipping, transportation, and vehicle expense	399,732,317.41	397,419,186.30

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

Travelling expenses	535,865,115.05	392,884,475.16
Office expenses	292,733,211.13	265,238,884.68
Business hospitality expenses	299,654,749.49	267,086,429.99
Rental expenses	97,873,220.30	72,212,549.78
Professional Intermediary expenses	204,146,036.74	202,590,077.82
Depreciation and amortization expenses	278,842,930.03	262,935,078.67
Others	376,032,121.27	212,590,352.69
Total	10,842,500,778.25	9,773,457,336.23

49. Administrative Expenses

Unit: RMB

Items	2023	2022
Payroll	1,694,010,419.43	1,621,419,524.98
Office expenses	300,566,514.26	295,789,889.76
Depreciation and amortization expenses	331,431,645.25	237,858,482.96
Professional Intermediary expenses	109,041,879.81	96,942,652.20
Travelling expenses	48,698,135.31	36,736,435.95
Shipping, transportation, car expense	62,205,098.49	62,093,258.21
Rental expenses	11,603,089.54	5,262,993.41
Business hospitality expenses	12,101,649.04	8,369,231.08
Others	200,072,979.27	277,640,903.45
Total	2,769,731,410.40	2,642,113,372.00

50. R&D Expenses

Unit: RMB

Items	2023	2022
Payroll	9,106,625,103.96	7,813,245,802.96
Consumables and service fees	827,535,055.34	786,747,111.47
Depreciation and amortization expenses	396,521,961.36	318,021,624.81
Office expenses	294,212,819.79	251,800,832.86
Intermediate testing fees	279,447,277.60	264,433,773.09
Travelling expenses	197,702,784.59	169,736,403.69
New product design fees	186,837,407.75	132,053,314.05
Rental expenses	8,832,413.30	8,122,851.03
Others	95,233,580.78	70,282,546.59
Total	11,392,948,404.47	9,814,444,260.55

51. Financial Expenses

Unit: RMB

Items	2023	2022
Interest expenses	443,682,056.79	296,404,671.30
Interest expense on lease liabilities	20,277,211.42	20,907,764.05

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

Less: Interest income	1,067,148,666.93	921,912,411.61
Foreign exchange losses (gains)	(201,813,404.51)	(428,082,371.67)
Less: Capitalized specific loan interests and foreign exchange differences on specific loan	6,354,148.62	(2,660,111.75)
Others	61,576,738.73	39,620,702.86
Total	(749,780,213.12)	(990,401,533.32)

52. Other Income

Unit: RMB

Items	2023	2022
VAT refund	1,905,727,477.36	1,753,740,330.32
Special subsidies	594,438,518.34	707,753,385.13
Tax reduction	59,356,844.63	20,974,140.52
Total	2,559,522,840.33	2,482,467,855.97

53. Investment Income

Unit: RMB

Items	2023	2022
Long-term equity investment gains (losses) based on the equity method	(29,966,477.85)	106,498,595.01
Investment income from other non-current financial assets during the holding period	65,923,840.33	51,892,209.92
Investment income from disposal of non-current financial assets	-	1,260,000.00
Investment income (losses) from disposal of held-for-trading financial assets	(90,195,333.19)	55,194,649.80
Income (losses) from multi-transactions business combination of enterprises not under the same control (Note (VI)1(4))	116,433,610.45	-
Investment income from disposal of subsidiaries and other business units	-	3,550,851.71
Others	1,106,664.51	-
Total	63,302,304.25	218,396,306.44

54. Gains (Losses) from Changes in Fair Values

Unit: RMB

Sources of gains (losses) from changes in fair values	2023	2022
Held-for-trading financial assets	(12,770,058.36)	(21,549,304.93)
Including: gains on the changes in fair value of derivative financial instruments	(12,770,058.36)	(21,549,304.93)
Gains (Losses) from changes in fair value of other non-current financial assets	5,229,385.72	(69,793,177.28)
Held-for-trading financial liabilities	30,219,930.53	(64,225,038.68)
Including: gains (losses) on the changes in fair value of derivative financial instruments	30,219,930.53	(64,225,038.68)
Total	22,679,257.89	(155,567,520.89)

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

55. Credit Impairment Gains (Losses)

Unit: RMB

Items	2023	2022
Credit impairment gains (losses) on notes receivable	(2,492,390.65)	-
Credit impairment gains (losses) on accounts receivable	(743,585,106.95)	(532,337,205.31)
Credit impairment reverses gains (losses) on other receivables	(1,453,975.50)	(4,552,362.71)
Credit impairment gains (losses) on long-term receivables	(132,391,300.15)	(48,271,667.43)
Total	(879,922,773.25)	(585,161,235.45)

56. Impairment Gains (Losses) of Assets

Unit: RMB

Items	2023	2022
Gains (losses) on inventory depreciation	(467,275,356.52)	(473,766,927.68)
Gains (losses) on impairment of intangible assets	-	(42,034,063.49)
Gains on contract assets impairment	3,893,081.40	7,347,162.35
Total	(463,382,275.12)	(508,453,828.82)

57. Non-operating Income

Unit: RMB

Items	2023	2022	The amount booked into current period non-recurring profits and losses
Fines and confiscations	71,548,457.58	65,172,834.46	71,548,457.58
Government subsidies	630,722.79	884,540.66	630,722.79
Others	15,393,939.67	21,308,610.36	15,393,939.67
Total	87,573,120.04	87,365,985.48	87,573,120.04

58. Non-operating Expenses

Unit: RMB

Items	2023	2022	The amount booked into current period non-recurring profits and losses
Losses on disposal of non-current assets	4,832,681.02	1,038,677.10	4,832,681.02
Local water conservancy construction fund	2,682,863.47	2,055,980.46	-
Donation expenses	2,078,792.44	1,575,092.28	2,078,792.44
Others	18,338,679.98	10,404,363.27	18,338,679.98
Total	27,933,016.91	15,074,113.11	25,250,153.44

59. Income Tax Expenses

59.1 Details of income tax expenses

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

Unit: RMB

Items	2023	2022 (Restated)
Income tax for the current reporting period	1,839,065,829.64	1,829,079,291.07
Deferred income tax expenses	(535,918,231.15)	(243,141,372.78)
Differences in filing and payment of income tax in previous reporting years	(359,906,588.34)	(289,116,386.50)
Total	943,241,010.15	1,296,821,531.79

59.2 Reconciliation of income tax expenses to the accounting profit

Unit: RMB

Unit: RMB Item	2023	2022 (Restated)
Total profit	16,098,924,197.11	14,854,951,627.47
Income tax expenses calculated at applicable tax rates of 15%	2,414,838,629.55	2,228,242,744.12
Impact of non-deductible costs, expenses and losses	34,413,929.90	53,248,187.90
Tax effect of non-taxable income	(98,174,019.29)	(2,963,187.15)
Impact of deductible temporary differences or deductible losses for which no deferred income tax assets is recognized for the current period	172,197,460.01	105,389,667.58
Impact of using deductible temporary differences or deductible losses for which no deferred income tax assets was recognized for the prior periods	(117,780,210.38)	(127,946,065.51)
Differences of income tax annual filing	(359,906,588.34)	(289,116,386.50)
Impact by different tax rates applicable to different subsidiaries	184,249,925.30	163,817,215.68
Impact of additional deduction of R&D expenses	(1,272,836,446.36)	(920,031,766.64)
Others	(13,761,670.24)	86,181,122.31
Income tax expenses	943,241,010.15	1,296,821,531.79

60. Notes to Consolidated Cash Flow Statement Items

60.1 Cash flow from operating activities

Other cash receipts relating to operating activities

Unit: RMB

Items	2023	2022
Interest income	938,138,655.67	769,911,170.27
Government subsidies	598,933,415.73	903,309,813.09
Withdrawal of restricted currency funds	115,110,998.04	334,647,085.86
Others	154,282,918.61	94,532,468.51
Total	1,806,465,988.05	2,102,400,537.73

Other cash payments relating to operating activities

Unit: RMB

Item	2023	2022
Advertising and Selling services	1,100,850,473.21	1,094,845,870.81
Office expenses and business expenses	1,714,208,976.51	1,357,207,317.97
Shipping and transportation expense	461,937,415.90	459,512,444.51
R&D expense	1,310,339,918.88	1,276,697,213.62

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

Item	2023	2022
Travelling expense	771,400,658.11	561,674,225.16
Outsourcing service fees, fees for hiring intermediaries, etc.	457,158,581.72	473,912,644.83
Rental expense	118,308,723.14	85,598,394.22
Deposits to restricted monetary funds	123,808,399.08	256,100,102.65
Others	229,904,403.53	415,552,270.26
Total	6,287,917,550.08	5,981,100,484.03

60.2 Cash flow from investing activities

Cash receipts relating to important investing activities

Unit: RMB

Item	2023	2022
Forward foreign exchange contract payments	4,687,808,134.25	7,278,782,403.07
Total	4,687,808,134.25	7,278,782,403.07

Cash payments relating to important investing activities

Unit: RMB

Item	2023	2022
Forward foreign exchange contract payments	4,778,003,467.44	7,223,587,753.27
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets	4,047,816,024.05	3,755,680,900.22
Total	8,825,819,491.49	10,979,268,653.49

Other cash receipts relating to investing activities

Unit: RMB

Item	2023	2022
Receipts of financing lease payments	121,237,455.42	47,587,599.27
Net cash receipts from acquiring subsidiaries and other business units	-	182,816.96
Total	121,237,455.42	47,770,416.23

60.3 Cash flow from financing activities

Other cash receipts relating to financing activities

Unit: RMB

Item	2023	2022
Cash receipts from CETHIK's project fund (refer to XI 5(4) for details)	5,000,000.00	-

Other cash payments relating to financing activities

Unit: RMB

Item	2023	2022
Repurchase of outstanding shares	-	2,043,885,225.35
Repurchase of restricted shares	655,807,536.16	38,851,853.10
Repayment of lease liabilities	285,474,093.26	228,009,188.10
Consideration paid for the acquisition of minority shareholder equity	56,000,000.00	-
Total	997,281,629.42	2,310,746,266.55

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

Influence of financing activities on liabilities

Unit: RMB

Item	31 Dec. 2022	2023		31 Dec. 2023
		Cash influence	Non-cash influence	
Lease liabilities (including lease liabilities due within one year)	580,584,582.89	(285,474,093.26)	233,617,823.93	528,728,313.56
Long-term borrowings (including loan due within one year) and short-term loan	11,428,293,511.92	4,431,528,588.77	826,778,722.54	16,686,600,823.23
Dividends payable	300,150,894.34	(6,657,248,457.47)	6,611,054,976.42	253,957,413.29
Total	12,309,028,989.15	(2,511,193,961.96)	7,671,451,522.89	17,469,286,550.08

61. Supplementary Information about Cash Flow Statement

61.1 Supplementary information about cash flow statement

Unit: RMB

Supplementary information	2023	2022 (Restated)
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	15,155,683,186.96	13,558,130,095.68
Add: Impairment of assets	463,382,275.12	508,453,828.82
Provision for credit losses	879,922,773.25	585,161,235.45
Fixed assets depreciation	1,302,908,127.60	928,114,412.10
Amortization of right-of-use assets	316,765,782.26	246,373,656.24
Amortization of intangible assets	98,924,636.89	79,676,213.21
Long-term deferred expenses amortization	84,144,427.77	81,486,526.31
Losses on disposal of fixed assets, intangible assets and other long-term assets	5,674,511.78	17,578,905.00
Fixed asset scrapping losses	4,832,681.02	1,038,677.10
Losses (gains) from changes in fair value	(22,679,257.89)	155,567,520.89
Financial expenses	325,040,311.15	165,311,194.01
Investment income	(63,302,304.25)	(218,396,306.44)
Share-based payment based on equity settlement	207,616,877.93	620,309,681.65
Decrease (increase) of restricted funds	(8,697,401.04)	(78,546,983.21)
Decrease (increase) in deferred income tax assets	(507,175,433.89)	(259,857,130.93)
Decrease (increase) in deferred income tax liabilities	(54,853,902.30)	20,899,178.93
Increase (decrease) in inventories	(365,476,343.55)	(1,510,338,683.95)
Decrease of other operating non-current assets	340,718,688.36	560,599,677.46
Decrease (increase) in operating receivables	(6,131,432,357.74)	(4,921,967,123.64)
Increase (decrease) in operating payables	4,587,392,851.89	(570,133,160.37)
Increase in deferred income	3,864,174.60	194,673,968.07
Net cash flows from operating activities	16,623,254,305.92	10,164,135,382.38
2. Net changes in cash and cash equivalents:		
Closing balance of cash	49,419,278,347.70	39,815,390,514.57
Less: Opening balance of cash	39,815,390,514.57	34,603,944,429.20
Add: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

Supplementary information	2023	2022 (Restated)
Net Increase (decrease) in cash and cash equivalents	9,603,887,833.13	5,211,446,085.37

61.2 Net cash paid for obtaining subsidiaries during the current year

Unit: RMB

	Amounts
Cash or cash equivalents paid for the business combination in this year	56,297,070.00
Including: Sensortech	56,297,070.00
Less: Cash and cash equivalents held by subsidiaries of the Company on the acquisition date	12,304,418.18
Including: Sensortech	12,304,418.18
Net cash paid for obtaining the subsidiary	43,992,651.82

61.3 Constituents of cash and cash equivalents

Unit: RMB

Item	Closing balance	Opening balance
Cash	49,419,278,347.70	39,815,390,514.57
Including: Cash on hand	1,785,754.92	1,210,065.16
Bank deposit for payment at any time	49,392,003,419.26	39,607,767,094.21
Other monetary capital for payment at any time	25,489,173.52	206,413,355.20
Cash equivalents	-	-
Closing balance of cash and cash equivalents	49,419,278,347.70	39,815,390,514.57

62. Monetary Items of Foreign Currencies

Unit: RMB

Items	Balance in foreign currency at the end of the reporting period	Exchange rate for conversion	Balance of RMB converted at the end of the reporting period
Cash and bank balances			
Including: USD	345,102,648.21	7.0827	2,444,258,526.49
EUR	99,421,307.43	7.8592	781,371,939.39
Accounts receivable			
Including: EUR	291,000,515.77	7.8592	2,287,031,253.54
USD	143,302,128.57	7.0827	1,014,965,986.02
Short-term borrowings			
Including: EUR	100,118,494.44	7.8592	786,851,271.50
USD	9,104,951.02	7.0827	64,487,636.60
Accounts payable			
Including: USD	36,895,825.04	7.0827	261,322,060.01
EUR	681,400.79	7.8592	5,355,265.09
Non-current liabilities due within one year - Long-term borrowings			
Including: EUR	142,034,711.11	7.8592	1,116,279,201.56

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

63. Lease

63.1 As lessee

The company leases a number of assets, including houses and buildings, general equipment, special purpose equipment and transport vehicles, ranging from 1 month to 13 years. Such assets cannot be used for loan, mortgage, guarantee and other purposes.

The total amount of short-term lease expenses and lease expenses of low-value assets included in profit or loss for the period was RMB133,767,688.72 (2022: RMB99,598,934.33).

Total lease-related cash outflows for the year is RMB 419,241,781.98 (2022: RMB 327,608,122.43)

63.2 As a lessor

Operating lease as a lessor

,Unit: RMB

Item	Lease income	Among which: income related to variable lease payments not included in lease collections
Special equipment lease	101,525,163.21	
Total	101,525,163.21	

The company's operating leases as a lessor relate to special equipment.

Financial lease as a lessor

,Unit: RMB

Item	Profit or loss on sales	Financing proceeds	Income related to variable lease payments that are not included in net lease investments
Special equipment lease	19,182,712.36	7,238,000.91	
Total	19,182,712.36	7,238,000.91	

As a lessor, the Group entered into financial lease contracts with customers in relation to special equipment.

63.3 Gains and losses on finance lease as a manufacturer

,Unit: RMB

Item	Sales	Costs	Gains or loss on finance lease
Special equipment finance lease	50,557,589.47	31,374,877.11	19,182,712.36
Total	50,557,589.47	31,374,877.11	19,182,712.36

VI. Changes in Consolidation Scope

1. Business Combination of Enterprises Not under the Same Control

1.1 Business combination of enterprises not under the same control

Sensortech

The company held 35% shares of Wuhu Sensortech Intelligent Technology Ltd., and accounted it as an associate. In January 2023, the Company and the original shareholder of Wuhu Sensortech signed the Equity Acquisition Agreement, agreed to acquire 9.40% equity of Wuhu Sensortech held by the original shareholder for RMB56,297,070.00. On February 28, 2023, the delivery of Sensortech Equity was completed and the Group has acquired 44.40% equity of Sensortech. Meanwhile, as some shareholders of Wuhu Sensortech Intelligent Technology Ltd. issued a waiver of voting rights, the Company obtained more than half of Sensortec's voting rights, and therefore included it in the scope of consolidation. At the close of 2023, the Company had completed the payment of equity transfer.

Unit: RMB

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

Name of the acquiree	Time of equity acquisition	Equity acquisition cost	Equity acquisition ratio (%)	Equity acquisition method	Date of acquisition	Basis for determining the acquisition date	Income of acquiree from acquisition data to the end of the reporting period	Net profit of acquiree from acquisition data to the end of the reporting period
Sensortec	February 28, 2023	56,297,070.00	9.40	Cash Payments	February 28, 2023	obtained control	589,748,080.19	15,559,734.36

1.2 Cost of business combination and goodwill

Unit: RMB

Cost of business combination	Sensortec
- Cash	56,297,070.00
- Fair value of equity held prior to the purchase date at the purchase date	209,616,750.00
Total cost of business combination	265,913,820.00
Less: The fair value share of identifiable net assets obtained	173,825,702.13
Goodwill	92,088,117.87

1.3 The assets and liabilities of the acquiree can be identified on the date of purchase

Unit: RMB

	Sensortech (Note)	
	Fair value on the date of acquisition	Fair value on the date of acquisition
Assets:		
Cash and bank balances	17,324,838.53	17,324,838.53
Accounts receivable	191,923,998.93	191,923,998.93
Inventories	354,659,691.82	303,058,398.74
Fixed assets	79,287,366.02	79,287,366.02
Intangible assets	207,121,061.00	3,721,061.00
Other assets	100,292,827.66	100,292,827.66
Total assets	950,609,783.96	695,608,490.88
Liabilities:		
Short-term borrowings	327,277,293.17	327,277,293.17
Accounts payable	86,533,455.87	86,533,455.87
Deferred tax payable	66,897,446.03	3,147,122.76
Other payables	78,402,259.76	78,402,259.76
Total liabilities	559,110,454.83	495,360,131.56
Net assets:	391,499,329.13	200,248,359.32
Less: Minority equity	217,673,627.00	111,338,087.78
Net assets acquired	173,825,702.13	88,910,271.54

Note: The fair value of intangible assets is valued using the income method and the fair value of other identifiable assets and liabilities is valued using the asset basis method. The company has no contingent liabilities of the purchase to be assumed.

1.4 Fair value of the purchased equity prior to the purchase day

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

Name of the acquiree	Book value of the purchased equity prior to the purchase day	Fair value of the purchased equity prior to the purchase day	Gain or loss of the purchased equity from reassessment using fair value	Methods of using fair value to assess the purchased equity prior to the purchase day	Other comprehensive income related to the purchased equity prior to the purchase day that can be transferred into investment income
Sensortec	93,183,139.55	209,616,750.00	116,433,610.45	Income approach	-

2. Changes of Consolidation Scope due to Other Causes

The subsidiaries newly established and incorporated in the consolidation scope during the current reporting period as follows:

Company Name	Time of establishment	Registered capital
Zhejiang Haishi Luyue Technology. Ltd.	August 2023	RMB 20 million
LLC VIETNAM HIKVISION TECHNOLOGY COMPANY LIMITED	August 2023	USD 0.3 million
Shijiazhuang Haishi Digital Technology. Ltd.	November 2023	RMB 5 million
Hikrobot Europe B.V. (Note)	November 2023	USD 0.8 million
Hikrobot Singapore Pte. Ltd. (Note)	November 2023	USD 0.5 million
Zhengzhou Hikvision Technology. Ltd. (Note)	December 2023	RMB 300 million

Note: As of the end of this year, Hikrobot Europe B.V., Hikrobot Singapore Pte. Ltd., Zhengzhou Hikvision Technology. Ltd. have not yet completed their paid-in capital.

VII. Interest in Other Entities

1. Equity in Subsidiaries

(1) Composition of the corporate group

Name	Location of operation	Place of registration	Nature of business	Acquisition Method
Hangzhou Hikvision System Technology Ltd.	Hangzhou	Hangzhou, Zhejiang	System integration, Technology development	Establishment
Hangzhou Hikvision Technology Co., Ltd.	Hangzhou	Hangzhou, Zhejiang	Manufacture	Establishment
Hangzhou EZVIZ Network Co., Ltd.	Hangzhou	Hangzhou, Zhejiang	Technology development	Establishment
Hangzhou EZVIZ Software Ltd.	Hangzhou	Hangzhou, Zhejiang	Technology development	Establishment
Hangzhou Hikrobot Technology Co., Ltd.	Hangzhou	Hangzhou, Zhejiang	Technology development	Establishment
Hangzhou Hikrobot Intelligence Ltd.	Hangzhou	Hangzhou, Zhejiang	Technology development	Establishment

2. Changes in the share of owners' equity in subsidiaries and still controls the transactions of subsidiaries.

(1) Description of the change in the share of owners' equity in subsidiaries

Capital increase for Shijiazhuang Sensortech

On March 28, 2023, the Company entered into the Capital Increase Agreement with external strategic investors. It is agreed that Shijiazhuang Sensortech, a subsidiary of the Company, will increase the registered capital by RMB2,398,000,000, in which the Company will increase the capital by RMB1,078,800,000 with 60.00% equity of HikAuto, a subsidiary of the Company, and RMB266,400,000 with 44.40% equity of Sensortech, a subsidiary of the Company, with a total equity price of RMB1,345,200,000. Upon completion of the capital increase, the Company's direct shareholding in Shijiazhuang Sensortech was diluted from 100% to 56.0969%, the Company's direct shareholding in HikAuto was changed from direct holdings of 60.00% to indirect holding of 56.0969%, and the Company's direct holding of Sensortech changed from 44.40% to indirect holding of 56.0969%. The Group's control over the three subsidiaries remains unchanged.

(2) The impact of the transaction on minority equity and owners' equity attributable to owner of the Company

Unit: RMB

Project	Shijiazhuang Sensortech	HikAuto	Sensortec	
Share of the subsidiary's net assets as a percentage of increased equity	/	/	44,867,715.32	44,867,715.32
Share of a subsidiary's net assets (net liabilities) as a percentage of reduced equity	(259,000.35)	(5,502,685.16)	/	(5,761,685.51)
Increase in capital reserves	259,000.35	5,502,685.16	44,867,715.32	50,629,400.83

Acquisition of a minority stake of Hangzhou Kuangxin.

On May 22, 2023, the Company and the former minority shareholders of its subsidiary, Hangzhou Kuangxin, signed the Equity Transfer Agreement in respect of Hangzhou Kuangxin Technology Co., Ltd. It is agreed to purchase 20.00% minority equity of Hangzhou Kuangxin held by the original shareholder at RMB56 million. After purchase, the Company holds 100% shares of Hangzhou Kuangxin in total. On June 30, 2023, the equity delivery of Hangzhou Kuangxin completed. At the close of 2023, the Company had completed the payment of equity transfer.

Unit: RMB

Cost of purchase	Hangzhou Kuangxin
Cash	56,000,000.00
Total cost of purchase	56,000,000.00
Less: net assets of subsidiaries according to the proportion of equity acquired	38,206,584.40
Decrease in capital reserves	17,793,415.60

3. Equity in Joint Ventures or Associates

(1) Aggregated financial information of insignificant joint-ventures and associates

Unit: RMB

	Closing balance / Amount for 2023	Opening balance / Amount for 2022
Associates:		
The aggregate carrying amount of investments in associates	287,370,796.06	352,286,233.16
The aggregate amount of the following items calculated based on the Company's equity share percentage of the associates		
- Net income (loss)	15,006,433.70	(11,985,343.35)
- Other comprehensive income	-	-
--Total comprehensive income (loss)	15,006,433.70	(11,985,343.35)
Joint Ventures:		
Total investment book value	863,734,091.79	899,747,280.25
The sum of the following items calculated according to the shareholding ratio		
- Net income	(44,972,911.55)	118,483,938.36

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

	Closing balance / Amount for 2023	Opening balance / Amount for 2022
- Other comprehensive income	-	-
- Total comprehensive losses	(44,972,911.55)	118,483,938.36

(2) There are no significant restrictions on the ability of the joint ventures or associates to transfer funds to the Group.

(3) Unrecognized commitments relating to investments in joint ventures

Unit: 1000 RMB

Joint Venture	Capital Commitment (Note)
Shenzhen Haishi Urban Service Operation Co., Ltd.	10,500.00
Guangxi Haishi Urban Operation Management Co., Ltd.	2,440.00

Note: The above capital commitments are the capital amounts that the Group has subscribed but not paid in to the above joint ventures.

(4) The Group has no contingent liabilities related to investments in joint ventures or associates.

VIII. Government subsidy

1. Liabilities relating to government subsidy

Unit: RMB

Liabilities	Amount at the open of 2023	Increase in 2023	Other income 2023	Other changes	Amount at the close of 2023	Asset-related /revenue-related
Special subsidy	659,589,058.05	129,398,427.90	76,115,713.34	28,250,000.00	741,121,772.61	Asset-related
Special subsidy	273,671,368.07	138,027,163.45	187,445,703.41	884,991.62	225,137,819.73	Revenue-related
Total	933,260,426.12	267,425,591.35	263,561,416.75	29,134,991.62	966,259,592.34	

2. Government subsidy recognized as gain or loss in the reporting period

Unit: RMB

Liabilities	2023	2022
VAT collected and refunded	1,905,727,477.36	1,753,740,330.32
Special subsidy	595,069,241.13	708,635,845.02
tax refund	-	20,976,221.29
Total	2,500,796,718.49	2,483,352,396.63

IX. Risks Associated with Financial Instrument

The Company's principal financial instruments include cash and bank balances, other non-current financial assets, notes receivable, accounts receivable, receivables for financing, other receivables, long-term receivables, part of the other non-current assets, borrowings, notes payable, accounts payable, other payables, part of the other current liabilities, long-term payables, part of other non-current liabilities, derivative financial instruments, etc. Details of these financial instruments are set out in Note (V). Below are the risks associated with such financial instruments and the risk management policies

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

adopted by the Group to mitigate such risks. The management of the Group manages and monitors such risk exposures to ensure such risks are contained within a prescribed scope.

Unit: RMB

Items	Closing balance of 2023	Closing balance of 2022
Financial assets:		
Measured at fair value through current profit and loss		
Held –for-trading financial assets	37,380.00	12,807,438.36
Other non-current financial assets	472,184,937.66	423,893,239.94
Measured at fair value through other comprehensive income		
Receivables for financing	1,594,219,832.62	1,484,218,258.74
Measured at amortized cost		
Cash and bank balances	49,629,469,654.46	40,011,863,999.94
Notes receivable	2,606,071,375.74	2,519,988,159.23
Accounts receivable	35,815,173,511.44	29,906,294,410.40
Other receivables	571,905,648.93	516,503,485.58
Other non-current assets	2,017,718.89	2,181,057.96
Long-term receivables (including those due within one year)	1,618,419,624.99	1,537,550,308.57
Financial liabilities		
Measured at fair value through current profit and loss		
Held-for-trading financial liabilities	38,079,755.04	68,299,685.57
Measured at amortized cost		
Short-term borrowings	2,118,952,026.06	3,343,071,972.89
Notes payable	1,163,687,279.58	1,207,756,963.94
Accounts payable	19,163,485,888.09	16,025,563,802.99

Other payables	3,911,612,841.06	3,203,308,686.31
Other current liabilities	1,095,194,890.62	465,979,374.84
Long-term borrowings (including those due within one year)	14,567,648,797.17	8,085,221,539.03
Long-term payables (including those due within one year)	8,188,531.22	9,532,351.64
Other non-current liabilities	1,642,792,335.93	2,806,169,050.05

The Group adopts sensitivity analysis techniques to analyze the possible effects of rational and probable changes in risk variables to profit or loss for the period or to the interests of shareholders. Since risk variables seldom change on a stand-alone basis, while the correlation between variables may have significant influence to the ultimate amount of change effected by the change in a single risk variable, the analysis below is based on the assumption that the changes in each variable occurred separately.

1. Objectives, Policies and Procedures of Risk Management, and changes in the reporting period

The Group engages in risk management with the aim of achieving an appropriate balance between risk and return, where the negative effects of risks against the Group’s operating results are minimized, in order to maximize the benefits of shareholders and other stakeholders. Based on such objective in risk management, the underlying strategy of the Group’s risk management is to ascertain and analyze all types of risks exposures of the Group, establish appropriate risk tolerance thresholds, carry out risk management procedures and perform risk monitoring on all kinds of risks in a timely and reliable manner, thus containing risk exposures within a prescribed scope.

1.1 Market risks

1.1.1 Foreign exchange risks

Foreign exchange risks refer to the risk that losses will occur because of changes in foreign exchange rates. The Company is primarily exposed to risks relating to the currencies such as USD, EUR and etc. The Group’s subsidiaries in the mainland of China whose procurement, sales and financing are denominated in RMB, USD and EUR. Other principal activities are settled in RMB. The Group’s subsidiaries in Hong Kong and outside China are principally engaged in procurement, sales, financing and other major business activities in local currencies such as USD, EUR and etc.

As of December 31, 2023, except for monetary items of foreign currencies set out in Note (V) 62, the Group mainly adopted the functional currency of each of its subsidiary to present the balance of its assets and liabilities. The foreign exchange risks arising from assets and liabilities denominated in USD and EUR (which has been converted into RMB) as follows may generate significant impact on the operating results of the Group.

Unit: RMB

Currencies	Assets	Liabilities
------------	--------	-------------

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

	Closing balance	Opening balance	Closing balance	Opening balance
USD	3,459,224,512.51	3,241,969,531.76	325,809,696.61	655,023,052.11
EUR	3,068,403,192.93	2,951,284,991.71	1,908,485,738.15	2,200,890,176.03

The Group has been paying close attention to the effect of fluctuation in exchange rate on the foreign exchange risks of the Group, and has purchased various financial derivative instruments, such as forward foreign exchange contracts to mitigate the foreign exchange risk exposure.

Sensitivity analysis on exchange rate risk

The sensitivity analysis of the Group's foreign exchange risk includes only monetary items denominated in foreign currencies and does not consider the impact of the purchased derivative financial instruments.

With other variables unchanged, the exchange rate might float within a reasonable range, and has the following before-tax effect on profit or loss and shareholders' equity for the current period:

Unit: RMB

Change in foreign exchange rates	2023		2022	
	Effect on profit	Effect on shareholders' equity	Effect on profit	Effect on shareholders' equity
5% appreciation of USD against functional currency	156,670,740.8	156,670,740.80	129,347,323.98	129,347,323.98
5% depreciation of USD against functional currency	(156,670,740.)	(156,670,740.80)	(129,347,323.98)	(129,347,323.98)
5% appreciation of EUR against functional currency	57,995,872.74	57,995,872.74	37,519,740.78	37,519,740.78
5% depreciation of EUR against functional currency	(57,995,872.7)	(57,995,872.74)	(37,519,740.78)	(37,519,740.78)

1.1.2. Interest rate risk

The risk of changes in cash flow of financial instruments due to changes in interest rates exposed to the Group are primarily related to bank borrowings bearing floating interest rate (please refer to Note (V) 34) and bank deposits bearing floating interest rate. The Group's risks of changes in the fair value of financial instruments due to changes in interest rates are related to fixed-rate bank borrowings (please refer to Note (V) 24 and Note (V) 34) and fixed-rate bank deposits.

The Group determines the relative proportion of fixed interest rate contracts and floating interest rate contracts based on the prevailing market environment. On December 31, 2023, the Group's total long-term and short-term interest-bearing debts bearing fixed interest rates amounted to RMB 11,105,877,902.09 (December 31, 2022: RMB 9,106,539,532.31) (Note (V) 24 and Note (V) 34). The total amount of long-term and short-term interest-bearing debts bearing floating interest rates is RMB 5,546,156,677.17 (December 31, 2022: RMB2,262,287,174.62) (Note (V) 34).

At present, the Group does not have any interest rate swap arrangements and will continue to pay close attention to the impact of changes in borrowing interest rates on the interest rate risk of the Group, and will make timely adjustments according to the latest market conditions.

The Group expects that the exposure to cash flow risk arising from floating-rate bank deposits and the exposure to changes in fair value arising from fixed-rate bank deposits are not significant.

1.1.3. Other price risks

The Group's price risk mainly arises from investments in held-for-trading equity instruments and derivative financial instruments. Held-for-trading equity instrument investments are all investments in unlisted held-for-trading equity instruments.

The Group is exposed to price risk due to the holding of financial assets measured at fair value. The fair value of certain financial instruments is determined by the general pricing model based on discounted future cash flow method or other valuation techniques, while the valuation techniques are based on certain valuation assumptions. Therefore, the valuation results are highly sensitive to valuation assumptions. However, at the end of the current reporting period, the amount of

investment in held-for-trading equity instruments and derivative financial instruments is not significant, and the changes of the amount due to changes in price of financial instruments as a result of change in valuation assumptions is limited, accordingly, no sensitivity analysis is conducted.

1.2 Credit Risk

As of December 31, 2023, the largest credit risk exposure that may result in financial losses of the Group is mainly due to the loss of the Group's financial assets arising from the failure of the counterparty to perform its obligations, including: cash and bank balances (Note (V) 1), notes receivable (Note (V) 3), accounts receivable (Note (V) 4), receivables for financing (Note (V) 6), other receivables (Note (V) 8), contract assets (Note (V) 5 and Note (V) 22), non-current assets due within one year (Note (V) 10), long-term receivables (Note (V) 12), etc., and derivative financial assets that are not included in the scope of impairment assessment and are measured at fair value through current profit or loss (Note (V) 2). As of the balance sheet date, the book value of the Group's financial assets represents its maximum credit risk exposure.

In order to reduce credit risk, the Group has arranged a team to determine the credit limit, conduct credit approval, and implement other monitoring procedures to ensure that necessary measures are taken to recover over-due debt. In addition, the Group reviews the recovery of financial assets on each balance sheet date to ensure that sufficient credit loss provisions are made for relevant financial assets. Therefore, the management of the Group believes that the credit risk exposure of the Group has been reduced significantly.

The credit risk on cash and bank balances of the Group is low as they are deposited with banks with high credit ratings.

For accounts receivable, contract assets and long-term receivables, the Group has put in place relevant policies to control credit risk exposure. The Group assesses credit quality of customers and sets corresponding credit period based on the customer's financial status, the possibility of obtaining guarantees from third parties, credit history and other factors such as current market conditions. The Group will regularly monitor the credit history of its customers. For customers with poor credit history, the Group takes various measures, such as written payment reminders, shorten or cancel the credit period, to ensure that the overall credit risk of the Group is maintained in a controllable range. For accounts receivable, contract assets, and long-term receivables related to financial leasing and installment collection business, the Group uses a simplified method, that is, to measure the loss provision based on the amount equivalent to the expected credit loss for the entire duration. For details of the relevant expected credit loss measurement, see (Note (V) 4 & Note (V) 5). For remaining long-term receivables, the Group calculates the expected credit losses based on the expected credit loss rate in the next 12 months or the entire duration based on the default risk exposure. For details of the related expected credit loss measurement, see (Note (V) 12).

With respect to bank acceptance bills and receivables financing, the Company believes that there is no significant credit risk and will not incur any significant losses due to the default of the counterparty as the acceptors are mainly banks with higher credit ratings. For financial company acceptance bills and commercial acceptance bills, the Company has set relevant policies to control credit risk exposure. The Company evaluates the credit status of the acceptor based on its financial position, credit history and other factors, such as current market conditions, and sets an internal credit rating for the acceptor. The Company regularly monitors the credit records of the acceptors, and for the acceptors with bad credit records, the Company adopts written reminders and other means to ensure that the overall credit risk is within a controllable range. For the acceptance bills and commercial acceptance bills receivable from financial companies, the Group calculates the expected credit loss based on the default risk exposure based on the expected credit loss ratio in the entire duration, and the relevant expected credit loss measurement is detailed in (Note (V) 3).

For other receivables, the Group regularly monitors the debtor's credit history. For debtors with poor credit history, the Group takes various measures such as written payment reminders to ensure that the Group's overall credit risk is maintained in a controllable range. For other receivables, the Group calculates the expected credit loss based on the expected credit loss ratio in the next 12 months or the entire duration based on the default risk exposure. For details of the relevant expected credit loss measurement, see (Note (V) 8).

The Group's risk exposure is distributed among multiple contractors and multiple customers, so the Group has no significant credit concentration risk.

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

1.3. Liquidity risk

The Group maintains and monitors a level of cash and cash equivalents deemed adequate by the management to meet the operation needs of the Group and to reduce the effect of cash flow movements when managing liquidity risk. The management of the Group monitors the usage of bank borrowings, and ensures compliance with borrowing agreements.

According to the term to maturity of non-discounted and remaining contract obligations, the financial liabilities held by the Group are analyzed as below:

Unit: RMB

December 31, 2023				
	Within one year	1-5 years	More than 5 years	Total
Non-derivative financial liabilities				
Short-term borrowings	2,143,916,039.71	-	-	2,143,916,039.71
Notes payable	1,163,687,279.58	-	-	1,163,687,279.58
Accounts payable	19,163,485,888.09	-	-	19,163,485,888.09
Other payables	3,911,612,841.06	-	-	3,911,612,841.06
Other current liabilities	1,095,194,890.62	-	-	1,095,194,890.62
Other non-current liabilities	-	1,642,792,335.93	-	1,642,792,335.93
Long-term borrowings (including those due within one year)	5,933,400,372.89	8,526,366,272.08	769,181,586.13	15,228,948,231.10
Long-term payables (including those due within one year)	2,673,997.26	6,141,020.06	-	8,815,017.32
Derivative financial instruments				
Forward foreign exchange contracts - settled in the gross amount				
- Cash inflow	1,761,339,224.80	-	-	1,761,339,224.80
- Cash outflow	1,799,381,599.84	-	-	1,799,381,599.84
- Net cash inflow	38,042,375.04	-	-	38,042,375.04

X. Fair Value Disclosure

1. The Financial Assets and Financial Liabilities Measured at Fair Value at the end of the Reporting Period

Unit: RMB

Items	Closing fair value			
	Level 1	Level 2	Level 3	Total
I. Continuous fair value measurement	-	1,556,177,457.58	472,184,937.66	2,028,362,395.24
(I) Financial Assets held-for-trading	-	37,380.00	-	37,380.00
1. Financial Assets measured at fair value through profit and loss	-	37,380.00	-	37,380.00
(II) Other non-current financial assets	-	-	472,184,937.66	472,184,937.66
1. Financial assets at fair value through profit or loss	-	-	472,184,937.66	472,184,937.66
(III) Receivables for financing	-	1,594,219,832.62	-	1,594,219,832.62
1. Financial assets at fair value through other comprehensive income	-	1,594,257,212.62	-	2,066,442,150.28
Total assets measured continuously at fair value	-	1,594,257,212.62	472,184,937.66	2,066,442,150.28
(IV) Held-for-trading Financial Liabilities	-	38,079,755.04	-	38,079,755.04
1. Held-for-trading Financial Liabilities measured at fair value through profit and loss	-	38,079,755.04	-	38,079,755.04
Total liabilities measured continuously at fair value	-	38,079,755.04	-	38,079,755.04

2. Information on the Estimation Technique and Important Parameters Adopted as for Continuous Level 2 Fair Value Measurement Items

Unit: RMB

	Fair value at December 31, 2023	Estimation technique	Inputs
Forward Foreign Exchange Contracts (Assets)	37,380.00	Discounted cash flow approach	Forward exchange rate Discounted rate that reflects the credit risk of counterparty
Forward Foreign Exchange Contracts (Liabilities)	(38,079,755.04)	Discounted cash flow approach	Forward exchange rate Discounted rate that reflects the credit risk of counterparty
Receivables for financing	1,594,219,832.62	Discounted cash flow approach	Discounted rate that reflects the credit risk of counterparty

3. The Third Level of Fair Value Measurement Item, the Valuation Techniques and Important Parameters Used

Unit: RMB

Items	Fair value on December 31, 2023	Valuation techniques	Inputs
Other non-current financial assets-- Investment in equity instruments of private companies	472,184,937.66	Market approach /Income approach	Comparable public companies' PB (price/book value) ratio within the same industry /Future cash flows, Discount rate

4. The Third Level of Fair Value Measurement Item, Adjustment Information between the Opening and Closing Book Value

Unit: RMB

	Amount
Other non-current financial assets	
Book value on January 1, 2023	423,893,239.94
Increase in the current reporting period	25,000,000.00
Increase in merge	18,666,625.00
Decrease in the current reporting period	604,313.00

Changes in fair value booked into profit and loss during the current reporting period	5,229,385.72
Book value on December 31, 2023	472,184,937.66

The total amount of profit or loss in 2023 includes unrealized gains related to financial assets measured at fair value at the end of the year is RMB 5,229,385.72(2022 unrealized losses: RMB 69,793,177.28)and such gains or losses are included in changes in fair value; the realized gains of financial assets measured at fair value at the end of the current reporting period which were included in investment income was RMB65,923,840.33 (2022: RMB 51,892,209.92).

5. Items Measured at Continuous Fair Value. There Were No Transfers between Levels for the Current Reporting Period. There was No Estimation Technique Change for the Current Reporting Period

6. Fair Values of Financial Assets and Financial Liabilities that not Measured at Fair Value

The Group's management team believes that financial assets and financial liabilities measured at amortized cost mainly include cash and bank balances, notes receivable, accounts receivable, other receivables, some other non-current assets, non-current assets due within one year, long-term receivables, short-term borrowings, notes payable, accounts payable, other payables, part of other current liabilities, non-current liabilities due within one year, long-term borrowings, long-term payables and part of other non-current liabilities, etc., carrying value of which approximates to its fair value.

XI. Related Party Relationships and Transactions

1. Information on Parent Company of the Company

Name	Place of registration	Nature of business	Registered capital	Shareholding ratio of parent company in the Company (%)	Percentage of voting rights of parent company to the Company (%)
China Electronics Technology HIK Group Co., Ltd. (CETHIK)	Hangzhou, Zhejiang	Industrial investment	RMB 660 million	36.48	36.48

The ultimate controlling party of the Company is China Electronics Technology Group Co., Ltd. (hereinafter referred to as "CETC").

2. Information on the Subsidiaries of the Company

For details of the main subsidiaries of the Company, see Note ((VII)1).

3. Information on the Joint Ventures and Associated Companies of the Company

Joint ventures and associates that had related party transactions with the Group in the current reporting period, or in the prior periods and formed balances are as follows:

Name of the associates or joint ventures	Relationship with the Company
Sensortech (Note1)	Associated company
Maxio Technology (Hangzhou) Co., Ltd. and its subsidiaries (Note2)	Associated company
Zhiguang Hailian Big Data Technology Ltd. and its subsidiaries (Note2)	Associated company
Jiixin Haishi JiaAn Zhicheng Technology Ltd. (Note2)	Associated company
Sanmenxia Xiaoyun Vision Technology Ltd. (Note2)	Associated company
Beijing Taifang Technology Ltd. (Note2)	Associated company
Guangxi Haishi Operation Management Ltd. and its subsidiaries (Note3)	Joint venture
Shenzhen Haishi Urban Service Operation Ltd. and its subsidiaries (Note3)	Joint venture
Xuzhou Kangbo Operation Management Service Ltd. (Note3)	Joint venture

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

Yunnan Yinghai Parking Service Ltd. (Note3)	Joint venture
Zhejiang City Digital Technology Ltd. (Note3)	Joint venture
Zhejiang Haishi Huayue Digital Technology Ltd. (Note3)	Joint venture

Note 1: During the period from December 2016 to February 2023, Sensortech was an associate of the Company. On February 28, 2023, the Company acquired control right of Senstech and included it in the scope of the consolidated financial statements. The amount of the Company's transactions with the Group for the period from January 2023 to February 2023 and in 2022, and the balance of transactions with the Group as at 31 December 2022 are summarized in the following related party transactions and related party receivables and payables under "Associates".

Note 2: Those companies are collectively referred to as "associated companies" in the following disclosures of related party transactions, receivables from related parties, and payable from related parties.

Note 3: Those companies are collectively referred to as "joint ventures" in the following disclosures of related party transactions, receivables from related parties, and payable from related parties.

4. Information on Other Related Parties

Name (Note1)	Relationship
Shanghai Fullhan Microelectronics Co., Ltd. and its subsidiaries	The related close family members of shareholder(s) that hold(s) more than 5% shares of the Company act in concert with the actual controller of the Company
Shenzhen Guotengan Vocational Education Technology Ltd.	Shareholder(s) that hold(s) more than 5% shares of the Company was(were) the director(s) of this company
Confirmware Technology (Hangzhou) Co., Ltd.	The Group's senior management serve(s) as director(s) of this company
Zhejiang Fast Line data fusion Information Technology Co., Ltd. and its subsidiaries	The Group's senior management serve(s) as director(s) of this company
Chengdu Guoshengtianfeng Network Technology Ltd. and its subsidiaries	The Group's senior management serve(s) as director(s) of this company
Ningbo Industrial Internet Research Institute Co., Ltd.	The Group's independent director(s) serve(s) as director(s) of this company
INESA (Group) Ltd. and its subsidiaries	The Group's supervisor(s) serve(s) as director(s) of this company
Shanghai Vico Precision Mold & Plastics Co.,Ltd.	The Group's supervisor(s) serve(s) as independent director(s) of this company
Bank of Tianjin Co., Ltd. and its subsidiaries	The Group's supervisor(s) serve(s) as independent director(s) of this company
Aurotek CORP. and its subsidiaries (Note2)	The Group's former independent director(s) serve(s) as director(s) of this company (Note 1)
Shenzhen Zhongtu Instrument Co., Ltd. (Note3)	The Group's chairman(chairmen) of Board of the Supervisors was(were) he director(s) of this company
Suzhou Ximeng Technology Co., Ltd.	The Group's chairman(chairmen) of Board of the Supervisors was(were) he director(s) of this company
Subsidiaries of CETC (Note 4)	Under common control of the ultimate controlling party of the Company

Note 1: Those companies (excluding subsidiaries of CETC) are collectively referred to as "other related parties" in the following disclosures of related party transactions, receivables from related parties, and payable from related parties.

Note 2: Cheng Tianzong, a former independent director of the Company, once served as a director of the corresponding company. As he resigned as an independent director of the Company upon expiration of the term of the Company in March 2021, the corresponding company was recognized as a related party of the Company during the period between January 2022 and March 2022.

Note 3: Hong Tianfeng, the chairman of Board of the Supervisors of the Company, once served as a director of the corresponding company. As he departed the Company in April 2022, the corresponding company was recognized as a related party of the Company during 2022 and between January 2023 and April 2023.

Note 4: Subsidiaries and affiliated research institutes of CETC, excluding Hikvision and its subsidiaries.

5. Related Party Transactions

(1) Related party transactions regarding sales and purchases of goods, provision of services and receiving services

Purchase of commodities / receiving of services:

Unit: RMB

Related party	Transaction type	Amount occurred in 2023	Amount occurred in 2022
Subsidiaries of CETC	Purchase of materials and receiving of services	2,411,065,827.96	2,234,524,161.20
Joint ventures	Purchase of materials and receiving of services	2,839,703.41	5,071,741.36
Associated companies	Purchase of materials and receiving of services	271,039,815.54	417,989,556.67
Other related parties	Purchase of materials and receiving of services	1,286,613,375.22	1,598,406,260.25
Total		3,971,558,722.13	4,255,991,719.48

Sales of commodities / rendering of services:

Unit: RMB

Related party	Transaction content	Amount occurred in 2023	Amount occurred in 2022
Subsidiaries of CETC	Sales of products and rendering of services	269,454,480.67	447,186,616.90
Joint ventures	Sales of products and rendering of services	69,056,009.44	77,751,276.48
Associated companies	Sales of products and rendering of services	66,706,135.61	87,149,633.74
Other related parties	Sales of products and rendering of services	24,122,066.41	11,233,785.52
Total		429,338,692.13	623,321,312.64

(2) Related party lease

Unit: RMB

Lessor	Type of leased assets	Rental fee confirmed in 2023	Rental fee confirmed in 2022
Subsidiaries of CETC	Equipment	10,375,908.82	13,913,056.77
Subsidiaries of CETC	House	2,324,068.08	-
Joint ventures	House	-	542,554.11
Total		12,699,976.90	14,455,610.88

(3) Compensation for key managers

Unit: RMB

Item	2023	2022
Compensation for key managers	42,555,350.07	38,836,690.44

(4) Other related party transactions

Statement of capital deposits:

Unit: RMB

Related Party	Content of related party transaction	Amount occurred in 2023	Balance at the end of the current reporting period	Amount occurred in 2022	Opening Balance
Subsidiaries of CETC	Deposit into (withdraw from) current deposits	3,005,143,927.06	3,005,177,445.74	(499,973,215.52)	33,518.68
Subsidiaries of CETC	Deposit into (withdraw from) fixed deposits	(3,000,000,000.00)	1,000,000,000.00	-	4,000,000,000.00
Total		5,143,927.06	4,005,177,445.74	(499,973,215.52)	4,000,033,518.68

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

Note: For the deposit deposited by the Group with China Electronics Technology Finance Co., Ltd., the deposit interest income during the reporting period was RMB81,941,576.31 (2022: RMB 80,026,784.06).

Information on notes discounted:

In 2023, The Company had no bank acceptance discounted to China Electronics Technology Finance Co., Ltd. (2022: RMB33,564,209.39), no bank acceptance matured at discount (2022: RMB33,564,209.39), no interest expense arising from discounting bank acceptance (2022: RMB241,747.39).

Information on entrusted loans:

In 2023, the Company issued entrusted loans to its subsidiaries through China Electronics Technology Finance Co., Ltd. in the amount of RMB2,523,000,000.00, and the amount of handling fees confirmed to China Electronics Technology Finance Co., Ltd. was RMB277,300.00.

Others:

During the reporting year, Hikrobot, a subsidiary of the Company, received a subsidy of RMB5,000,000.00 from CETHIK, the parent company of the Company. The subsidy was designated for robot R&D and industrialization projects to be carried out by Hikrobot from 1 January 2022 to 31 December 2023.

6. Receivables from Related Parties and Payables to Related Parties

(1) Receivables from related parties

Unit: RMB

Item	Related Party	Closing balance		Opening balance	
		Carrying balance	Credit loss provision	Carrying balance	Credit loss provision
Accounts receivable	Subsidiaries of CETC	640,493,055.77	220,124,781.15	703,246,712.68	226,247,765.93
Accounts receivable	Joint ventures	59,425,217.10	1,625,142.58	33,380,436.75	1,573,681.64
Accounts receivable	Associated companies	72,319,683.18	8,556,237.95	101,753,693.78	5,670,312.45
Accounts receivable	Other related parties	7,442,685.65	154,865.50	3,849,485.72	79,488.44
Total		779,680,641.70	230,461,027.18	842,230,328.93	233,571,248.46

Unit: RMB

Item	Related Party	Closing balance		Opening balance	
		Carrying balance	Credit loss provision	Carrying balance	Credit loss provision
Notes receivable	Subsidiaries of CETC	176,267,380.85	1,197,255.34	170,543,239.65	-
Notes receivable	Joint ventures	400,000.00	-	2,500,000.00	-
Notes receivable	Associated companies	22,277,196.50	-	2,358,308.70	-
Notes receivable	Other related parties	1,215,030.00	-	281,113.19	-
Total		200,159,607.35	1,197,255.34	175,682,661.54	-

Unit: RMB

Item	Related Party	Closing balance		Opening balance	
		Carrying balance	Credit loss provision	Carrying balance	Credit loss provision
Other receivables	Subsidiaries of CETC	1,649,910.00	561,932.90	1,720,917.15	240,722.93
Other receivables	Joint ventures	191,713.33	6,768.82	374,619.85	2,472.49
Other	Associated companies	4,387,500.00	30,273.75	-	-

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

receivables					
Total		6,229,123.33	598,975.47	2,095,537.00	243,195.42

Unit: RMB

Item	Related Party	Closing balance		Opening balance	
		Carrying balance	Credit loss provision	Carrying balance	Credit loss provision
Long-term receivables (including those due within one year)	Subsidiaries of CETC	47,210.22	325.75	300,478.44	1,983.16
Long-term receivables (including those due within one year)	Joint ventures	35,381,700.20	1,144,327.88	43,800,876.33	973,106.36
Total		35,428,910.42	1,144,653.63	44,101,354.77	975,089.52

Unit: RMB

Item	Related Party	Closing balance	Opening balance
Prepayments	Subsidiaries of CETC	7,831,067.74	6,707,516.94
Prepayments	Associated companies	118,402.50	-
Total		7,949,470.24	6,707,516.94

(2) Payables to related parties

Unit: RMB

Item	Related Party	Closing balance	Opening balance
Accounts payable	Subsidiaries of CETC	877,667,364.69	759,760,264.93
Accounts payable	Joint ventures	4,068,366.04	966,037.73
Accounts payable	Associated companies	43,869,241.50	88,750,828.96
Accounts payable	Other related parties	410,242,953.80	240,030,055.22
Total		1,335,847,926.03	1,089,507,186.84

Unit: RMB

Item	Related Party	Closing balance	Opening balance
Notes Payable	Subsidiaries of CETC	1,224,954.15	7,561,539.70
Notes Payable	Other related parties	4,390,639.49	31,994,311.07
Total		5,615,593.64	39,555,850.77

Unit: RMB

Item	Related Party	Closing balance	Opening balance
Contract liabilities	Subsidiaries of CETC	6,277,318.83	8,673,665.99
Contract liabilities	Joint ventures	1,300,172.80	2,558,659.59
Contract liabilities	Other related parties	30,042.00	-
Total		7,607,533.63	11,232,325.58

Unit: RMB

Item	Related Party	Closing balance	Opening balance
Other payables	Subsidiaries of CETC	8,230,611.43	56,652,471.09
Other payables	Joint ventures	-	10,000.00
Other payables	Associated companies	20,527,386.00	236,000.00
Other payables	Other related parties	250,000.00	250,000.00

Total		29,007,997.43	57,148,471.09
-------	--	---------------	---------------

Unit: RMB

Item	Related Party	Closing balance	Opening balance
Lease liabilities (including those due within one year)	Subsidiaries of CETC	5,215,883.84	16,863,126.87
Total		5,215,883.84	16,863,126.87

XII. Share-based Payments

1. Overview of Share-based Payments

Restrictive Share Incentive Scheme

According to the *Approval of the Implementation of the Restrictive Share Incentive Scheme of Hangzhou Hikvision Digital Technology Co., Ltd.* (Guo Zi Fen Pei [2012] No. 426) issued by the State-owned Assets Supervision and Administration Commission of the State Council and the *Opinion the Restrictive Share Incentive Scheme of Hangzhou Hikvision Digital Technology Co., Ltd.* (Shang Shi Bu Han [2012] No. 353) issued by China Securities Regulatory Commission, the Company convened the ninth meeting of the second session of the Board of Directors on July 25, 2012 and the first extraordinary general meeting for 2012 on August 13, 2012, whereat the Proposal Relating to the Restrictive Share Scheme (Amendments to the Draft) of the Company and Highlights was reviewed and passed. The purpose of the Share Incentive Scheme is to: further improve the Company's governance structure to establish a good and balanced value allocation system; establish a profit-sharing and restriction mechanism among shareholders, the Company and its employees, so as to provide shareholders with sustainable return; fully mobilize the positivity of core employees to support the Company in realizing its strategies and long-term sustainable development; attract and retain core employees to ensure the Company's long-term development.

The Scheme shall be effective for a term of 10 years commencing from the date of approval by general meeting of the Company, during which the Company may grant restricted shares to grantees under the Scheme. In principle, each grant should be at an interval of two years. After the expiry of the Scheme, no restricted shares could be granted to grantees under the Scheme. However, all the provisions of the Scheme remain valid to the restricted shares granted under the Scheme.

Each batch of restricted shares shall not be unlocked unless fulfilling, each time, by the Company its unlock performance criteria (including net asset yield, revenue growth rate, and economic value added), and by grantees' individual performance criteria simultaneously. Where, during the unlocking period, any one or more unlock criteria for the Company or individuals is or are not fulfilled, such portion of subject shares shall be cancelled. The cancelled restricted shares will be repurchased by the Company based on the relevant regulations under the scheme.

On December 20, 2018, authorized by the 2nd extraordinary general meeting of 2018 and reviewed by the Board of Directors, the Company granted 121,195,458 restricted shares to grantees at a grant price of RMB 16.98 per share ("2018 Share Incentive Scheme"). The Lock-up Period of the Subject Shares shall last for a period of 24 months commencing on the grant date, during which the Subject Shares granted to grantees under the scheme shall be subject to lock-up and are not transferable. The Unlocking Period shall be the 24 to 60 months following the grant of restricted shares (including Lock-up Period), during which grantees may, subject to unlocking conditions stipulated by the scheme being satisfied, apply for unlocking in 3 tranches: the first unlocking period shall be the 24 to 36 months following the grant date and the number of shares to be unlocked shall be 40% of the aggregate number of the Subject Shares granted; the second unlocking period shall be the 36 to 48 months following the grant date and the number of shares to be unlocked shall be 30% of the aggregate number of the Subject Shares granted; the third unlocking period shall be the 48 to 60 months following the grant date and the number of shares to be unlocked shall be 30% of the aggregate number of the Subject Shares granted. The Company has completed the equity registration work in January 2019.

In accordance with the authorization by the Company's second Extraordinary General Meeting in 2018, approved by the 17th meeting of the 5th session of the Board of Directors on April 13, 2023 and the 2022 Annual General Meeting, and also in accordance with the revised Articles of Association, the Company repurchased in cash and cancelled the granted

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

33,331,858 restricted RMB treasury shares that have not been unlocked. The Company completed the deregistration on July 5, 2023, and thus the implementation of the 2018 Restricted Stock Plan was completed.

On January 18, 2022, authorized by the 1st extraordinary general meeting of 2022 and reviewed by the Board of Directors, the Company granted 97,402,605 restricted shares to grantees at a grant price of RMB29.71 per share ("2021 Share Incentive Scheme"). The Lock-up Period of the Subject Shares shall last for a period of 24 months commencing on the grant date, during which the Subject Shares granted to grantees under the scheme shall be subject to lock-up and are not transferable. The Unlocking Period shall be the 24 to 60 months following the grant of restricted shares (including Lock-up Period), during which grantees may, subject to unlocking conditions stipulated by the scheme being satisfied, apply for unlocking in 3 tranches: the first unlocking period shall be the 24 to 36 months following the grant date and the number of shares to be unlocked shall be 40% of the aggregate number of the Subject Shares granted; the second unlocking period shall be the 36 to 48 months following the grant date and the number of shares to be unlocked shall be 30% of the aggregate number of the Subject Shares granted; the third unlocking period shall be the 48 to 60 months following the grant date and the number of shares to be unlocked shall be 30% of the aggregate number of the Subject Shares granted. The Company has completed the equity registration work in February 2022.

Unit: share

2018 Share Incentive Scheme	2023	2022
Total of equity instruments outstanding at the beginning of the reporting period	-	68,762,683
Total of equity instruments granted (share dividend) during the current reporting period	-	-
Total of equity instruments vested during the current reporting period	-	33,142,730
Total of equity instruments forfeited during the current reporting period (Note)	-	35,619,953
Total of equity instruments outstanding at the end of the reporting period	-	-
The exercise price (ex-rights) of the outstanding Share-based payments of the Company at the end of the reporting period and the remaining period of the contract	Inapplicable	Inapplicable

2021 Share Incentive Scheme	2023	2022
Total of equity instruments outstanding at the beginning of the reporting period	97,402,605	-
Total of equity instruments granted (share dividend) during the current reporting period	-	97,402,605
Total of equity instruments vested during the current reporting period	-	-
Total of equity instruments forfeited during the current reporting period (Note)	38,961,042	-
Total of equity instruments outstanding at the end of the reporting period	58,441,563	97,402,605
The exercise price (ex-rights) of the outstanding Share-based payments of the Company at the end of the reporting period and the remaining period of the contract	RMB29.71 /share and 36 months	RMB29.71 /share and 48 months

According to the relevant provisions of the *2021 Restricted Stock Plan (Revised Draft)*, the unlocking conditions for the first unlocking period of restricted shares in 2021 did not meet the goal, and the corresponding number of restricted shares granted but not unlocked totaled 38,961,042 shares became invalid during the year.

Share Incentive Scheme of Staff Co-Investment in Innovative Businesses

On October 22, 2015, the Company considered and approved *Management Measures for Core Staff Co-Investment in Innovative Businesses (Draft)* (hereafter referred to as "Management Measures") at the 2nd extraordinary general meeting. On March 7, 2016, representative congress of labor union of Hikvision passed *Implementation Provisions for Management Measures for Core Staff Investment in Innovative Businesses* (hereafter referred to as "Provisions"), to initiate and implement the incentive mechanism of staff co-investment (hereafter referred to as "Staff Co-Investment Plan") in innovative business subsidiaries. Staff who participate in the Staff Co-Investment Plan (hereafter referred to as "Co-Investment Staff") signed an *Entrusted Investment Agreement* with the labor union committee of Hikvision (hereafter referred to as "Hikvision Labor Union"), to entrust Hikvision Labor Union to make investments. Hikvision Labor Union,

as a principal, shall cooperate with a trust company, which shall be a limited partner (LP) of a partnership enterprise, to establish a trust plan, and to invest trust funds into innovative business subsidiaries. (Investment form described above is referred to as "Co-Investment Platform").

Staff Investment Plan is classified as plan A and plan B according to applicable grantees. Grantees of plan A are comprised of medium-and-senior level management personnel and core competent staff from the Company and its subsidiaries are able to invest in all innovative businesses. Grantees of plan B are comprised of core and full-time staff from innovative business subsidiaries, and could participate in investment on innovative business subsidiaries and their subsidiaries where they serve. The Co-Investment Platform will increase capitals annually, the corresponding increased equity of which will be distributed to core staff who meets investment conditions pursuant to particular rules. The waiting period shall be five years after equity of Co-Investment Platform is held by the staff. Within the waiting period, if the labor relationship between the grantees and the Company or its subsidiaries is released or terminated, equity of Co-Investment Platform held by the grantees shall be refunded and settled by the labor union at an agreed price pursuant to the Provisions.

The Co-Investment Platform grants Co-Investment Staff additional equity annually. The Company determines whether share-based payment shall be constituted based on the fair value of equity instruments newly obtained by the Group's staff in Co-Investment Platform on each granting date. On December 25, 2020, the Company held the 20th meetings of 4th session of the Board of Directors, which reviewed and approved the *Proposal on Revising Management Measures for Core Staff Co-Investment in Innovative Businesses*. The updated version of *Management Measures for Core Staff Co-Investment in Innovative Businesses* (hereinafter referred to as "updated version of *Management Measures*"), The new version adds rules relating to the confirmation of shares held directly by employees under Staff Co-Investment Plan and equities of innovative business subsidiaries held indirectly by employees, clarifies the treatment of shares under Co-Investment Plan after the disqualification about co-investment of employees, adds rules of management committee.

On December 31, 2020, the Executive management committee of the Co-Investment Plan approved the *Provisions for Management Measures for Core Staff Investment in Innovative Businesses* (hereafter referred to as "New Provisions". In accordance of the New Provisions, for the confirmed Plan A shares, the waiting period is five years since the employee has worked for the Company or its subsidiaries and for the confirmed share of Plan B, the waiting period is five years since the employee has worked for the innovative business subsidiary corresponding to the Plan B or its subsidiaries.

2. Information of the Share-based Payment through Equity Settlements

Restrictive Share Incentive Scheme

Unit: RMB

	2021 Share Incentive Scheme
Method of determine the fair value of equity instruments at the grant date	Determined based on stock price at the grant date and the costs of restricted shares during Lock-up Period
Recognition basis of the number of the equity instruments qualified for vesting	Determined based on the results estimation of each vesting period and turnover rate
Reasons of the significant difference between the estimates of the current reporting period with that of the prior year	None
Accumulative amount of share-based payment through equity settlement and further included in the capital reserve	584,850,306.40
Total amount of the expenses recognized according to share-based payment through equity settlement in the current reporting period	(44,951,095.37)

Share Incentive Scheme of Staff Co-Investment in Innovative Businesses

Unit: RMB

	Share Incentive Scheme of Staff Co-Investment in Innovative Businesses
Method of determining the fair value of equity instruments at the grant date	Evaluated and determined based on income method at the grant date
Recognition basis of the number of the equity instruments qualified for vesting	Estimated based on the turnover rate of each vesting period
Accumulative amount of share-based payment through equity settlement and further included in the capital reserve	695,972,415.25
Total amount of the expenses recognized according to share-based payment	252,567,973.30

through equity settlement in the current reporting period	
---	--

RMB37,934,118.40 of the total expenses of paid and confirmed by equity settlements was shared by minority shareholders.

3. There is no share-based payment through cash settlements

4. There is no modification or termination of share-based payment during the current reporting period.

XIII. Commitments and Contingencies

1. Significant Commitments

(1) Capital commitments

Unit: RMB'000

	Closing balance	Opening balance
Contracted but not yet recognized in financial statements		
- Commitment on construction of long-term assets	12,527,408	16,521,850
- Commitment on external investments	12,940	12,940
Total	12,540,348	16,534,790

2. Contingencies

There are no material contingencies that need to be disclosed by the Group.

XIV. Events after the Balance Sheet Date

1. Significant Unadjusted Events

Restricted Stock Incentive Plan

The Company's 20th meeting of the 5th session of the board of directors held on April 18, 2024, deliberated and approved the *Proposal on Terminating the Implementation of the 2021 Restricted Stock Plan and Repurchasing and Canceling Relevant Restricted Shares*, which intends to repurchase and cancel all the restricted shares granted but not unlocked in the *2021 Restricted Stock Plan*. After the completion of this repurchase and cancellation, the Company's *2021 Restricted Stock Plan* will be terminated. The proposal is subject to the approval of the Company's general meeting of shareholders.

2. Profit Distribution

Pursuant to the proposal of the 20th meeting of the 5th session of the Board of Directors on April 18, 2024, the Company proposed to distribute cash dividend of RMB9 (tax inclusive) per each 10 shares to all shareholders. The above dividend distribution plan is still subject to the approval of the general meeting of shareholders.

XV. Other Significant Events

1. Segment Information

1.1 Report segment determining and accounting policy

According to the Group's internal organization structure, management requirements and internal report principles, the Group has only one operating segment, which is the research and development, production and sales of AIoT products and services.

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

External revenue by geographical area & non-current assets by geographical location

Unit: RMB

Item	2023	2022
External revenue generated in domestic area	60,372,251,251.28	56,890,890,769.45
External revenue generated in overseas area	28,967,605,604.40	26,275,430,911.69
Total	89,339,856,855.68	83,166,321,681.14

Unit: RMB

Item (Note)	On December 31, 2023	On January 1, 2023
Non-current assets in domestic area	20,706,528,578.27	16,808,935,279.10
Non-current assets in overseas area	850,027,281.25	831,488,767.27
Total	21,556,555,859.52	17,640,424,046.37

Note: the non-current assets above did not include other non-current financial assets, long-term receivables, long-term equity investment, and deferred tax assets.

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

XVI. Notes to Major Items of Financial Statements of the Parent Company

1. Accounts Receivable

(1) Disclosure by age

Unit: RMB

	Book balance on December 31, 2023	Book balance on January 1, 2023
Within credit period	9,090,405,506.46	7,024,926,501.10
Within 1 year after exceeding credit period	9,384,300,440.80	16,771,801,690.71
1-2 years after exceeding credit period	508,157,816.90	513,230,879.82
2-3 years after exceeding credit period	311,172,302.13	312,592,580.10
3-4 years after exceeding credit period	177,209,156.93	180,224,406.31
Over 4 years after exceeding credit period	215,593,619.38	164,982,539.08
Subtotal	19,686,838,842.60	24,967,758,597.12
Less: bad debts provisions	670,061,176.83	591,943,445.60
Book value	19,016,777,665.77	24,375,815,151.52

(2) Classification and disclosure of by bad debts provision methods

Unit: RMB

Category	Closing balance					Opening balance				
	Carrying balance		Credit loss provision		Book value	Carrying balance		Credit loss provision		Book value
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Amount	Percentage (%)	Amount	Percentage (%)	Amount
Provision for bad debts on a single basis	-	-	-	-	-	-	-	-	-	-
Provision for bad debts by portfolios	19,686,838,842.60	100.00	670,061,176.83	3.40	19,016,777,665.77	24,967,758,597.12	100.00	591,943,445.60	2.37	24,375,815,151.52
Total	19,686,838,842.60	100.00	670,061,176.83	3.40	19,016,777,665.77	24,967,758,597.12	100.00	591,943,445.60	2.37	24,375,815,151.52

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

Accounts receivable provision for bad debts by portfolios

Unit: RMB

Customer	Closing balance		
	Carrying balance	Bad debts provision	Proportion (%)
Subsidiaries in the Group	15,710,430,253.38	-	-
Portfolio A	376,849.67	179,867.03	47.73
Portfolio B	3,975,808,542.43	669,658,112.68	16.84
Portfolio C	223,197.12	223,197.12	100.00
Total	19,686,838,842.60	670,061,176.83	3.40

Description of accounts receivable for bad debts provision by portfolios

As part of the Company's credit risk management, the Company's accounts receivable are divided into portfolio A, portfolio B and portfolio C according to the regional and object risk characteristics of the business, and the impairment matrix is used to determine the expected credit loss of each portfolio based on the aging of accounts receivable over credit period. For the accounts receivable generated by the Group's related parties, because the payment time is arranged by the Group according to the cash flow of the companies in the Group, the Company believes that the credit risk is low and no provision for bad debts is required. The aging information can reflect the solvency of these three types of customers when the accounts receivable are due.

(3) Bad debts provision

Unit: RMB

Item	Amount at the opening balance	Changes in the year			Translation differences for foreign currency statements	Amount at the closing balance
		Accrual	Provision /Recollect or Reverse	Recover or write-off		
Account receivables	591,943,445.60	99,200,771.50	-	(21,083,040.27)	-	670,061,176.83
Total	591,943,445.60	99,200,771.50	-	(21,083,040.27)	-	670,061,176.83

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

(4) Top five debtors and contract assets (including those included in other non-current assets) based on corresponding closing balance of accounts receivable

At the end of the year, the aggregate amount of the Company's top five accounts receivable and contract assets was RMB15,759,511,992.08, accounting for 79.92% of the total balance of accounts receivable and contract assets at the end of the year, and the provision for bad debts amounted to RMB65,926,097.62.

2. Other Receivables

2.1 By categories

Unit: RMB

Category	Closing balance	Opening balance
Dividends receivable	41,423,446.39	85,323,007.51
Other receivables	3,019,822,728.35	2,324,554,929.22
Total	3,061,246,174.74	2,409,877,936.73

2.2 Dividends receivable

Unit: RMB

Investees	Closing balance	Opening balance
Subsidiaries of Hikvision	41,423,446.39	85,323,007.51
Total	41,423,446.39	85,323,007.51

2.3 Other receivables

(1) Other receivables by aging

Unit: RMB

Age	Closing balance	
	Other receivables	Credit loss provision
Within contract period	2,989,035,526.46	2,291,096,654.42
Within 1 year	24,581,596.42	33,503,835.61
1-2 years	8,955,049.99	2,112,945.32

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

2-3 years	1,282,544.62	341,396.88
3-4 years	120,699.57	946,880.46
Over 4 years	961,843.47	646,571.70
Subtotal	3,024,937,260.53	2,328,648,284.39
Less: bad debts provision	5,114,532.18	4,093,355.17
Book value	3,019,822,728.35	2,324,554,929.22

(2) Other receivables by nature of the payment

Unit: RMB

Nature	Closing balance	Opening balance
Payments of subsidiaries within the Group	2,761,272,567.36	2,137,185,066.96
Restricted stock repurchase payments	169,968,816.44	80,136,229.12
Temporary payments for receivables	24,622,620.38	29,809,325.81
Guarantee deposit	54,134,994.62	69,392,171.01
Others	14,938,261.73	12,125,491.49
Total	3,024,937,260.53	2,328,648,284.39

(3) Provision for bad debts of other receivables

Unit: RMB

Item	Amount at the opening balance	Changes in the year			Translation differences for foreign currency	Amount at the closing balance
		Accrual	Provision /Recollect	Recover or write-off		

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

			or Reverse k		statements	
Other receivables	4,093,355.17	1,041,177.01	-	(20,000.00)	-	5,114,532.18
total	4,093,355.17	1,041,177.01	-	(20,000.00)	-	5,114,532.18

The actual write-off of other receivables in the current reporting period was RMB 20,000.00.

(4) Top 5 debtors of other receivables in terms of closing balance

At the end of the year, the total amount of the top five other receivables of the Company was RMB2,154,682,457.36, accounting for 71.23% of the total balance of other receivables at the end of the year, without provision for bad debts.

3. Long-term Equity Investment

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying balance	Provisions	Book value	Carrying balance	Provisions	Book value
Investment in subsidiaries	7,687,757,432.17	-	7,687,757,432.17	6,629,092,230.54	-	6,629,092,230.54
Investments in associated enterprises and joint ventures	993,629,616.58	-	993,629,616.58	1,106,666,564.96	-	1,106,666,564.96
Total	8,681,387,048.75	-	8,681,387,048.75	7,735,758,795.50	-	7,735,758,795.50

(1) Investment in main subsidiaries

Unit: RMB

Name of investee	Opening balance	Increase during the current reporting period	Decrease during the current reporting period	Closing balance	Write-off of impairment provision during the current reporting period	Balance of impairment loss provision at the end of the current reporting period
Hangzhou Hikvision System	873,470,130.37	-	2,460,087.09	871,010,043.28	-	-

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

Name of investee	Opening balance	Increase during the current reporting period	Decrease during the current reporting period	Closing balance	Write-off of impairment provision during the current reporting period	Balance of impairment loss provision at the end of the current reporting period
Technology Ltd.						
Hangzhou Hikvision Technology Ltd.	1,099,649,009.63	-	5,253,484.62	1,094,395,525.01	-	-
Hangzhou EZVIZ Network Co., Ltd.	60,631,166.55	70,991.92	-	60,702,158.47	-	-
Hangzhou EZVIZ Software Ltd.	32,365,508.28	-	2,378.24	32,363,130.04	-	-
Hangzhou Hikrobot Technology Co., Ltd.	137,606,813.93	148,095.01	-	137,754,908.94	-	-
Hangzhou Haikang Intelligence Ltd.	8,398,458.69	147,909.39	-	8,546,368.08	-	-

(2) Investments in associated enterprises and joint ventures

Unit: RMB

Name of investee	Opening balance									Closing balance	Balance of impairment loss provision at the end of the current reporting period
		Additional investments	Reduced investments	Investment income (losses) recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declared cash dividends or profit distribution	Provision for impairment	Others		
1. Joint Ventures											

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

Name of investee	Opening balance									Closing balance	Balance of impairment loss provision at the end of the current reporting period
		Additional investments	Reduced investments	Investment income (losses) recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declared cash dividends or profit distribution	Provision for impairment	Others		
Hangzhou Haikang Intelligent Industrial Equity Investment Fund Partnership (L.P.)	829,825,387.60	-	-	(47,428,857.55)	-	8,959,723.09	-	-	-	791,356,253.14	-
Zhejiang City Digital Technology Ltd.	26,341,510.80	-	-	3,293,974.81	-	-	-	-	-	29,635,485.61	-
Zhejiang Haishi Huayue Digital Technology Ltd.	13,382,016.23	-	-	685,265.42	-	-	-	-	-	14,067,281.65	-
Guangxi Haishi Operation Management Ltd.	13,059,993.97	-	-	(609,658.09)	-	-	-	-	-	12,450,335.88	-
Xuzhou Kangbo Operation Management Service Ltd.	10,385,566.88	-	-	666,781.48	-	-	-	-	-	11,052,348.36	-
Others	6,752,804.77			(1,580,417.62)						5,172,387.15	
Subtotal	899,747,280.25	-	-	(44,972,911.55)	-	8,959,723.09	-	-	-	863,734,091.79	-
2. Associated Companies											
Wuhu Sensortech Intelligent Technology	98,094,380.52	-	-	(4,911,240.97)	-	-	-	-	(93,183,139.55)	-	-

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

Name of investee	Opening balance									Closing balance	Balance of impairment loss provision at the end of the current reporting period
		Additional investments	Reduced investments	Investment income (losses) recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declared cash dividends or profit distribution	Provision for impairment	Others		
Co., Ltd (Note(V)13 note 2)											
Zhiguang Hailian Big Data Technology Ltd.	22,425,370.08	-	-	820,002.92	-	-	-	-	-	23,245,373.00	-
Others	86,399,534.11			12,662,978.76		7,587,638.92	-	-	-	106,650,151.79	
Subtotal	206,919,284.71	-	-	8,571,740.71	-	7,587,638.92	-	-	(93,183,139.55)	129,895,524.79	-
Total	1,106,666,564.96	-	-	(36,401,170.84)	-	16,547,362.01	-	-	(93,183,139.55)	993,629,616.58	-

(3) As of December 31, 2023, there were no restrictions on the capability of transferring fund to the Company from investees in which the Company held long-term equity investment.

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

4. Revenue/cost of sales and services

Unit: RMB

Item	2023		2022	
	Revenue	Cost	Revenue	Cost
Major business	21,953,642,926.65	4,405,677,506.76	21,018,811,109.28	4,962,133,305.77
Other business	3,594,151,240.20	167,059,586.29	3,265,694,229.07	135,606,040.90
Total	25,547,794,166.85	4,572,737,093.05	24,284,505,338.35	5,097,739,346.67

5. Investment Income

Unit: RMB

Item	2023	2022
Long-term equity investment income calculated by the cost method	424,509,196.39	205,293,907.63
Long-term equity investment income(losses) measured by the equity method	(36,401,170.84)	118,900,466.08
Investment income from disposal of long-term equity investments	-	1,709,563.80
Investment income of other non-current financial assets during the holding period	65,923,840.33	51,892,209.92
Investment income from disposal of trading financial assets	-	8,227,196.70
Investment income from disposal of other non-current financial assets	-	1,260,000.00
Investment income from debt investments	30,076,287.42	-
Investment income from the disposal of the business asset group	15,902,073.63	-
Others	(399,071.78)	-
Total	499,611,155.15	387,283,344.13

6. Related Party Transactions

(1) Sales and purchase of goods, provision of services and receiving services

Purchase of goods/receiving of services:

Unit: RMB

Related party	Transaction type	2023	2022
Subsidiaries of Hikvision (Note)	Purchase of materials and receiving of services	5,307,205,803.18	6,144,557,450.80
Subsidiaries of CETC	Purchase of materials and receiving of services	51,579,706.89	115,654,935.67
Joint ventures	Purchase of materials and receiving of services	547,169.80	-
Associated companies	Purchase of materials and receiving of services	71,939,278.00	76,150,000.00
Other related parties	Purchase of materials and receiving of services	20,000,000.00	20,744,901.95
Total		5,451,271,957.87	6,357,107,288.42

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

Note: Subsidiaries of Hikvision are subsidiaries of the Company.

Sales of goods/rendering of services:

Unit: RMB

Related party	Transaction type	2023	2022
Subsidiaries of Hikvision	Sales of products and rendering of services	20,445,938,282.22	18,556,146,320.10
Subsidiaries of CETC	Sales of products and rendering of services	53,550,416.34	39,345,286.87
Joint ventures	Sales of products and rendering of services	7,910,493.83	6,434,024.76
Associated companies	Sales of products and rendering of services	-	250,870.35
Other related parties	Sales of products and rendering of services	5,660,404.06	4,824,922.37
Total		20,513,059,596.45	18,607,001,424.45

(2) Related party lease

Lessor	Lease type	Lease fee recognized in 2023	Lease fee recognized in 2022
Subsidiaries of CETC	House	2,324,068.08	-
Total		2,324,068.08	-

(3) Guarantees with related parties

In the current reporting period, the Company has provided guarantees for its 31 subsidiaries in an amount not exceeding an equivalent of RMB21.742 billion (2022: RMB17.90 billion), including the joint liability guarantee for the payment obligations on purchase from suppliers in an amount not exceeding an equivalent of RMB250 million (2022: RMB320 million), and the joint liability guarantee for the general credit limit applied from commercial banks and other financial institutions or other financing methods through agreed methods in an amount not exceeding an equivalent of RMB21.492billion (2022: RMB17.58 billion).

(4) Funding to related parties

In April 2023, the Company held the 17th Meeting of the 5th Session of the Board of Directors, which considered and approved the Proposal on Providing Financial Assistance to Subsidiaries. Under this proposal, the Company will offer a loan of up to RMB600 million, RMB600 million, RMB400 million, RMB200 million, and RMB500 million, to Hikvision Imaging Technology, Hangzhou Rayin Technology, HikFire Technology, Zhejiang Hikfire Technology Ltd., Wuhu Sensortech Intelligence Technology Co., Ltd., respectively. It will be used for each innovative business subsidiary to supplement the operating capital needs, and the specific loan amount will be

provided according to the actual business needs of each innovative business subsidiary. The proposal was deliberated and approved by the Company's General Meeting of Shareholders on April 15, 2023, and the validity period of the related party loan limit is 3 years from the date of deliberation and approval by the Company's General Meeting of Shareholders, and the amount (balance) can be recycled in batches during the validity period. The annual borrowing interest rate of financial assistance shall be determined through negotiation between the parties to the agreement without violating relevant laws and regulations, and the borrowing interest rate shall be determined in accordance with the principle of marketization, and the specific contract shall prevail. When the above proposal took effect, the unused amount of the 2022 related party borrowing quota for Hikvision Imaging Technology, Hangzhou Rayin Technology, and HikFire Technology, automatically become invalid. In 2023, the Company lent a total of RMB2,371,482,198.39 for various innovation business subsidiaries, recovered RMB3,247,963,256.59, and received a total interest income of RMB17,756,318.06.

In April 2022, the Company held the 9th Meeting of the 5th Session of the Board of Directors, which considered and approved the Proposal on Providing Financial Assistance to Innovative Subsidiaries. Under this proposal, the Company will offer a loan of up to RMB1200 million, RMB1500 million, RMB300 million, RMB700 million, RMB200 million, RMB300 million, and RMB300 million, to HikAuto Technology, Wuhan HikSemi Technology Co., Ltd., HikFire Technology, HikMicro Sensing, HikImaging Technology, Rayin Technology and HikAuto Software, respectively. The loans are intended to meet the operating capital needs of these innovative subsidiaries and the specific amount of a loan will be provided based on the actual business needs of each subsidiary. The proposal was considered and approved by the shareholders' meeting of the Company on May 13, 2022. The validity period of the loan is 3 years from the date of proposal consideration and approval by the shareholders' meeting of the Company, and the loan (balance) can be taken out several times during the validity period. The annual loan interest rate shall be determined by the parties to the agreement in accordance with the market-based principles without violating the relevant laws and regulations, and shall be subject to the specific contract. In 2022, the Company lent a total of RMB4,058,597,035.23 to these innovative subsidiaries, and recovered RMB3,969,815,977.03 with interest income totaling RMB31,573,270.34.

In order to meet the R&D funding needs et al., the Company along with its subsidiaries, including Hangzhou Systems, Hangzhou Rayin Technology, HikStorage Technology, HikMicro Sensing, HikRobot and HikAuto Software (hereinafter referred to as "loan recipient"), signed long-term loan-and-repayment contracts with some banks. Under these loan-and-repayment contracts, the Company is regard as the borrower, a loan recipient is regard as the recipient, and these banks are regard as lenders. Associated with the loan recipient's R&D project progress and funding needs, the loan recipients will apply for the loan via the Company. After approval by the corresponding bank, the loan will be allocated to the loan recipient via the Company. The contract period is from December 31, 2021 to December 2, 2026. RMB3,427,994,954.00 (2022: RMB287,020,000.00) of the Company's long-term

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

receivables represented the actual borrowings applied by the loan recipients as of December 31, 2023, and interest income of RMB75,642,852.46 was recognized in 2023 (2022: RMB5,118,686.47).

(5) Other related party transactions

Statement of capital deposits

Unit: RMB

Related Party (Note)	Content of related party transaction	Amount occurred during the current reporting period	Closing balance at the end of the current reporting period	Amount occurred during the prior reporting period	Opening Balance at the beginning of the current reporting period
Subsidiaries of CETC	Deposit into (withdraw from) current deposits	3,004,985,831.20	3,005,019,349.88	(499,973,215.52)	33,518.68
Subsidiaries of CETC	Deposit (withdraw from) into fixed deposits	(3,000,000,000.00)	1,000,000,000.00	-	4,000,000,000.00
Total		4,985,831.20	4,005,019,349.88	(499,973,215.52)	4,000,033,518.68

Note: For the deposit that the Company deposited into China Electronics Technology Finance Co., Ltd., the deposit interest income was RMB 81,941,288.77 in 2023 (2022: RMB 80,026,784.06).

Statement of discounted note

Please refer to note (XI), 5(4) Statement of discounted note

In 2023, the Company issued entrusted loans to its subsidiaries through China Electronics Technology Finance Co., Ltd. in the amount of RMB 2,523,000,000.00, recognized investment income for entrusted loans in the amount of RMB 30,076,287.42, and confirmed the fee for China Electronics Technology Finance Co., Ltd. in the amount of RMB 277,300.00. At the end of the year, the Company granted entrusted loans of RMB1,663,000,000.00 to its subsidiaries through China Electronics Technology Finance Co., Ltd

Purchase of business asset group

In May 2023, the Company and its subsidiary, Hikrobot, entered into an acquisition agreement for the business asset group, stipulating that the Company would purchase a business asset group of Hikrobot for RMB77,431,660.60, including but not limited to assets and corresponding personnel, business, contractual rights and interests, etc., and the transaction would be completed on May 31, 2023. As of the end of the year, the Company has completed the payment for the transfer of the business asset group.

Disposition of business asset group

On March 31, 2023, the Company and its subsidiary, HikSensor, signed a business asset group transfer agreement, stipulating that the subsidiary, HikSensor, would purchase a business asset group held by the Company for RMB16,845,844.15, including but not limited to assets and corresponding personnel, business, contractual rights and interests, etc., and the transaction was completed on March 31, 2023. The Company recognized an investment income of RMB15,902,073.63 As of the end of the year, the Company has received the payment for the disposal of the business asset group.

7. Receivables from Related Parties and Payables to Related Parties

(1) Receivables from related parties

Unit: RMB

Item	Related party	Closing balance		Opening balance	
		Carrying balance	Bad debts provision	Carrying balance	Bad debts provision
Accounts receivable	Subsidiaries of Hikvision	15,710,430,253.38	-	20,790,257,807.56	-
Accounts receivable	Subsidiaries of CETC	239,193,519.53	93,713,214.14	245,305,306.90	98,031,982.92
Accounts receivable	Joint ventures	8,035,455.55	368,023.86	2,379,952.00	101,147.96
Accounts receivable	Associated companies	8,012,788.72	4,626,280.98	8,072,547.52	2,436,481.82
Accounts receivable	Other related parties	2,789,778.82	54,524.86	1,902,966.26	44,955.65
Total		15,968,461,796.00	98,762,043.84	21,047,918,580.24	100,614,568.35

Unit: RMB

Item	Related party	Closing balance		Opening balance	
		Carrying balance	Bad debts provision	Carrying balance	Bad debts provision
Notes receivable	Subsidiaries of Hikvision	78,686,478.44	-	35,619,298.47	-
Notes receivable	Subsidiaries of CETC	30,036,696.08	207,253.20	1,681,429.40	-
Total		108,723,174.52	207,253.20	37,300,727.87	-

Unit: RMB

Item	Related party	Closing balance		Opening balance	
		Carrying balance	Bad debts provision	Carrying balance	Bad debts provision

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

Other receivables	Subsidiaries of Hikvision	2,761,272,567.36	-	2,137,185,066.96	-
Other receivables	Subsidiaries of CETC	1,149,910.00	218,482.90	1,190,907.15	49,197.51
Other receivables	Joint ventures	16,837.13	116.18	228,543.65	1,508.39
Other receivables	Associates	1,012,500.00	6,986.25	-	-
Total		2,763,451,814.49	225,585.33	2,138,604,517.76	50,705.90

Unit: RMB

Item	Related party	Closing balance	Opening balance
Prepayments	Subsidiaries of Hikvision	1,849,870.06	772,949.48
Prepayments	Subsidiaries of CETC	2,023,660.38	625,681.13
Total		3,873,530.44	1,398,630.61

Unit: RMB

Item	Related party	Closing balance		Opening balance	
		Carrying balance	Bad debts provision	Carrying balance	Bad debts provision
Long-term receivables (including those due within one year)	Subsidiaries of Hikvision	3,427,994,954.00	-	287,020,000.00	-
Long-term receivables (including those due within one year)	Subsidiaries of CETC	47,210.22	325.75	300,478.44	1,983.16
Total		3,428,042,164.22	325.75	287,320,478.44	1,983.16

Unit: RMB

Item	Related party	Closing balance		Opening balance	
		Carrying balance	Bad debts provision	Carrying balance	Bad debts provision
Dividends receivable	Subsidiaries of Hikvision	41,423,446.39	-	85,323,007.51	-
Total		41,423,446.39	-	85,323,007.51	-

Unit: RMB

Item	Related party	Closing balance	Opening balance
------	---------------	-----------------	-----------------

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

Other current assets	Subsidiaries of Hikvision	1,663,000,000.00	-
Total		1,663,000,000.00	-

(2) Payables to related parties

Unit: RMB

Item	Related party	Closing balance	Opening balance
Accounts payable	Subsidiaries of Hikvision	723,182,432.60	516,915,904.84
Accounts payable	Subsidiaries of CETC	9,360,219.51	6,494,664.60
Total		732,542,652.11	523,410,569.44

Unit: RMB

Item	Related party	Closing balance	Opening balance
Contract liabilities	Subsidiaries of Hikvision	6,294,170.87	8,000,394.52
Contract liabilities	Subsidiaries of CETC	382,321.75	273,933.15
Contract liabilities	Other related parties	2,052.00	-
Total		6,678,544.62	8,274,327.67

Unit: RMB

Item	Related party	Closing balance	Opening balance
Other payables	Subsidiaries of Hikvision	105,286,603.62	667,461,756.46
Other payables	Subsidiaries of CETC	640,040.00	278,540.00
Other payables	Joint ventures	-	10,000.00
Other payables	Associates	19,996,880.00	2,040.00
Other payables	Other related parties	100,000.00	100,000.00
Total		126,023,523.62	667,852,336.46

Unit: RMB

Item	Related party	Closing balance	Opening balance
Lease liabilities (including those due within one year)	Subsidiaries of CETC	5,215,883.84	7,379,632.09
Total		5,215,883.84	7,379,632.09

8. Supplementary Information to the Cash Flow Statement

(1) Supplementary information to the cash flow statement

Unit: RMB

Supplementary information	2023	2022(Restated)
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	10,552,055,515.88	9,597,389,077.40

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

Supplementary information	2023	2022(Restated)
Add: Assets impairment provision	(2,652,989.00)	1,195,518.35
Credit loss provision	98,343,814.70	122,761,912.01
Depreciation of fixed assets	394,552,937.63	352,312,160.94
Amortization of intangible assets	19,203,854.89	30,908,858.01
Depreciation of right of use assets	60,032,344.15	51,303,066.27
Amortization of long-term deferred expenses	18,328,579.31	33,629,517.18
Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets	(1,072,329.19)	2,215,205.61
Financial expenses	113,727,235.45	49,308,908.32
Losses (gains) from change in fair value	(2,475,310.72)	74,432,284.58
Investment losses (gains)	(499,611,155.15)	(387,283,344.13)
Share-based payment through equity settlement	87,813,763.64	334,727,555.19
Decrease (increase) in restricted funds	43,774,289.78	(38,774,781.68)
Decrease (increase) in deferred income tax assets	(152,253,958.67)	108,618,564.42
Decrease of inventories	91,007,632.42	58,285,769.30
Decrease (increase) in operating receivables	4,966,174,990.63	(676,508,556.07)
Increase (decrease) in operating payables	838,972,476.93	(288,706,205.97)
Increase (decrease) in deferred income	(53,059,016.05)	97,602,421.09
Net cash flow from operating activities	16,572,862,676.63	9,523,417,930.82
2. Net change in cash and cash equivalents:		
Closing balance of cash	36,354,702,554.38	27,771,201,246.40
Less: Opening balance of cash	27,771,201,246.40	26,639,582,696.49
Add: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
Net increase in cash and cash equivalents	8,583,501,307.98	1,131,618,549.91

(2) Composition of cash and cash equivalents

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	36,354,702,554.38	27,771,201,246.40
Including: Cash on hand	311,652.18	360,563.22
Bank deposit for payment at any time	36,354,378,020.77	27,609,458,740.05
Other currency funds for payment at any time	12,881.43	161,381,943.13

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

Item	Closing balance	Opening balance
II. Cash equivalents	-	-
III. Closing balance of cash and cash equivalents	36,354,702,554.38	27,771,201,246.40

On December 31, 2023, the Company's closing balance of other currency funds was RMB 11,920,490.22 (December 31, 2022: RMB 217,063,841.70), of which RMB 11,907,608.79 were various guarantee deposits (December 31, 2022: RMB 55,681,898.57), not cash or cash equivalents.

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

XVII. Supplementary Information

1. Details of Non-Recurring Profit or Loss

Unit: RMB

Item	Amount	Description
Profit or loss from disposal of non-current assets	(10,507,192.80)	/
The government subsidies included in the current profits and losses (Except for government subsidies that are closely related to the normal business of the enterprise, comply with national policies and regulations, and enjoy the quota or quota in accordance with the standards determined by the state, and have a continuous impact on the Company's profit and loss)	518,953,527.79	/
In addition to the Company's normal business related to the effective hedging business, gains and losses on changes in fair value arising from holding derivative financial assets, derivative financial liabilities, other non-current financial assets, and investment gains from the disposal of the above-mentioned financial assets/financial liabilities and receivables financing (losses)	(67,516,075.30)	/
Profit from business combinations not under common control and that are realized by multiple transactions	116,433,610.45	/
Other non-operating income and expense except the items mentioned above	69,942,462.96	/
Other profit or loss items that meet the definition of non-recurring profit or loss	1,106,664.51	/
Impact of income tax	(64,745,616.43)	/
The impact of minority equity	(122,008,347.17)	/
Total	441,659,034.01	/

Note: according to the *Explanatory Announcement No. 1 on Information Disclosure of Companies Offering Securities to the Public - Non-recurring Gains and Losses*, as amended in 2023, the government subsidy of RMB61,397,772.47 in 2022 that is closely related to the Company's normal business and complies with national policies and regulations, and which has a continuous impact on the Company's profit and loss, is not included in non-recurring gains and losses.

2. Return on Net Assets and Earnings per Share

The return on net assets and earnings per share have been prepared by Hangzhou Hikvision Digital Technology Co., Ltd. in accordance with the *Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revised in 2010)* issued by China Securities Regulatory Commission.

Unit: RMB

Profit for the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	19.64	1.520	1.520
Net profit excluding non-recurring items of profit or loss attributable to ordinary shareholders of the Company	19.02	1.472	1.472

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

3. Supplementary information related to retrospective application of accounting policies/retrospective restatement/reclassification of financial statement items

Unit: RMB

items	31, December, 2023	31, December, 2022	1, January, 2022
Current assets			
Cash and bank balances	49,629,469,654.46	40,011,863,999.94	34,721,870,931.36
Held-for-trading financial assets	37,380.00	12,807,438.36	34,320,010.83
Notes receivables	2,606,071,375.74	2,519,988,159.23	1,522,760,905.30
Accounts receivables	35,815,173,511.44	29,906,294,410.40	26,174,773,100.42
Receivables for financing	1,594,219,832.62	1,484,218,258.74	1,316,035,122.06
Prepayments	508,151,405.92	534,780,120.52	505,798,253.35
Other receivables	571,905,648.93	516,503,485.58	359,620,445.88
Inventories	19,211,434,385.32	18,998,222,978.81	17,974,112,407.60
Contract assets	1,173,312,415.20	2,118,223,370.98	1,411,372,624.91
Non-current assets due within one year	1,079,721,006.23	996,902,343.27	975,960,437.14
Other current assets	961,593,616.75	806,832,941.58	1,022,600,377.78
Total Current Assets	113,151,090,232.61	97,906,637,507.41	86,019,224,616.63
Non-current assets			
Long-term receivables	538,698,618.76	540,647,965.30	613,067,944.97
Long-term equity investments	1,151,104,887.85	1,252,033,513.41	982,165,546.45
Other non-current financial assets	472,184,937.66	423,893,239.94	438,724,172.22
Fixed assets	11,508,302,317.75	8,539,842,630.68	6,695,590,671.27
Construction in progress	4,307,651,074.46	3,770,803,300.80	2,323,336,098.68
Right-of-use assets	521,061,396.66	574,478,326.31	566,393,672.75
Intangible assets	1,810,476,551.45	1,544,933,502.19	1,304,247,415.07
Goodwill	311,353,640.88	217,386,531.28	202,381,895.37
Long-term amortized expenses	177,361,533.93	177,277,742.41	158,007,174.90
Deferred tax assets	1,978,373,012.15	1,471,197,578.26	1,211,339,509.50
Other non-current assets	2,920,349,344.39	2,815,702,012.70	3,350,526,411.63
Total Non-Current Assets	25,696,917,315.94	21,328,196,343.28	17,845,780,512.81
Total Assets	138,848,007,548.55	119,234,833,850.69	103,865,005,129.44

Unit: RMB

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

Items	31, December, 2023	31, December, 2022	1, January, 2022
Current liabilities			
Short-term borrowing	2,118,952,026.06	3,343,071,972.89	4,074,962,469.97
Held-for-trading financial liabilities	38,079,755.04	68,299,685.57	4,062,317.57
Notes payables	1,163,687,279.58	1,207,756,963.94	1,339,998,383.34
Accounts payables	19,163,485,888.09	16,025,563,802.99	15,889,694,981.12
Contract liabilities	2,977,990,775.40	2,644,496,508.36	2,580,894,226.59
Payroll Payable	6,120,254,492.28	4,837,302,455.95	4,595,552,073.12
Taxes payables	1,622,401,214.96	1,234,032,138.37	1,461,470,029.69
Other payables	3,911,612,841.06	3,203,308,686.31	1,830,626,583.03
Non-current liabilities due within one year	5,814,660,214.96	868,197,272.46	596,915,360.58
Other current liabilities	1,481,222,044.19	923,721,593.78	917,479,922.61
Total Current Liabilities	44,412,346,531.62	34,355,751,080.62	33,291,656,347.62
Non-current liabilities			
Long-term borrowings	8,940,122,961.01	7,522,315,341.60	3,284,371,642.52
Lease liabilities	344,005,866.13	277,255,924.83	317,951,879.21
Long-term payables	5,776,599.85	7,569,934.67	9,009,331.50
Provisions	213,084,038.31	219,365,227.62	200,675,950.96
Deferred income	966,259,592.34	933,260,426.12	738,586,458.05
Deferred tax liabilities	129,866,978.18	116,479,475.98	93,363,075.10
Other non-current liabilities	1,672,933,103.20	2,831,108,087.59	534,334,158.27
Total Non-current Liabilities	12,272,049,139.02	11,907,354,418.41	5,178,292,495.61
Total Liabilities	56,684,395,670.64	46,263,105,499.03	38,469,948,843.23
Shareholders' equity			
Owners' Equity	9,330,600,931.00	9,430,920,624.00	9,335,806,114.00
Capital reserves	7,864,903,763.52	10,141,153,435.32	5,404,070,600.07
Less: Treasury shares	2,737,987,226.55	5,316,033,650.24	1,023,188,723.04
Other comprehensive income	44,667,516.16	(42,587,158.81)	(77,184,125.29)
Surplus Reserves	4,715,460,312.00	4,715,460,312.00	4,672,505,348.00
Retained earnings	57,136,620,244.01	49,460,423,962.05	45,148,698,025.66
Total Owners' Equity Attributable to Owner of the Company	76,354,265,540.14	68,389,337,524.32	63,460,707,239.40
Minority equity	5,809,346,337.77	4,582,390,827.34	1,934,349,046.81

Notes to Financial Statements

For the reporting period from January 1, 2023 to December 31, 2023

Items	31, December, 2023	31, December, 2022	1, January, 2022
Total Owners' Equity	82,163,611,877.91	72,971,728,351.66	65,395,056,286.21
Total Liabilities and Owners' Equity	138,848,007,548.55	119,234,833,850.69	103,865,005,129.44

Section XI Documents Available for Reference

1. The financial report was signed and sealed by the person in charge of the Company, the person in charge of accounting work and person in charge of accounting organization (Accounting Supervisor);
2. The original audit report containing the seal of the accounting firm and the signature and seal of the certified public accountant;
3. Original versions and copies of all the Company's documents and announcements that were publicly disclosed on the website designated by CSRC during the reporting period.

The above documents are completely placed at the Company's board of directors' office.

Hangzhou Hikvision Digital Technology Co., Ltd.

Chairman: Chen Zongnian

April 20, 2024

Note:

This document is a translated version of the Chinese version 2023 Annual Report ("2023 年年度报告"), and the published announcements in the Chinese version shall prevail. The complete published Chinese 2023 Annual Report may be obtained at www.cninfo.com.cn.