

Hangzhou Hikvision Digital Technology Co., Ltd.

2021 Half Year Report

January to June 2021

**HIKVISION**

July 24<sup>th</sup> 2021

## Section I Important Notes, Contents and Definitions

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

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

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

The half year proposal of profit distribution or share distribution from capital reserve passed upon deliberation at the meeting of the Board of Directors (not applicable): The Company will not distribute cash dividend, distribute bonus shares, or distribute shares from capital reserve during the current reporting period.

### **Note:**

This document is a translated version of the Chinese version 2021 Half Year Report (“2021 年半年度报告”), and the published announcements in the Chinese version shall prevail. The complete published Chinese 2021 Half Year Report may be obtained at [www.cninfo.com.cn](http://www.cninfo.com.cn).

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

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

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

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

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## Definitions

Term	Definition
Reporting Period	From January 1 <sup>st</sup> 2021 to June 30 <sup>th</sup> 2021
Articles of Associations	<i>Articles of Associations for Hangzhou Hikvision Digital Technology Co., Ltd</i>
Hikvision, our Company, the Company	Hangzhou Hikvision Digital Technology Co., Ltd
CETC	China Electronics Technology Group Ltd., the actual controller of the Company
CETHIK	CETHIK Group Co., Ltd. Controlling Shareholder of the Company
Qianmo Jiaying	Hangzhou Qianmo Jiaying Equity Investment Partnership (Limited Partnership) (formerly Hangzhou Hikvision Equity Investment Partnership (Limited Partnership))
EZVIZ, EZVIZ Network, Smart Home	Hangzhou EZVIZ Network Co., Ltd.(According to the context, also refers to the corresponding business)
HikRobot	Hangzhou Hikrobot Technology Co., Ltd. (According to the context, also refers to the corresponding business)
HikAuto	Hangzhou HikAuto Technology Co., Ltd. (According to the context, also refers to the corresponding business)
HikMicro	Hangzhou Hikmicro Sensing Technology Co., Ltd. (According to the context, also refers to the corresponding business)
HikSemi, Hikstorage	Wuhan Hikstorage Technology Co., Ltd. (According to the context, also refers to the corresponding business)
HikImaging	Hangzhou Hikimaging Technology Co., Ltd. (According to the context, also refers to the corresponding business)
HikFire	Hangzhou Hikfire Technology Co., Ltd. (According to the context, also refers to the corresponding business)
HikSecurityCheck, HikRayin	Hangzhou Rayin Technology Co., Ltd. (According to the context, also refers to the corresponding business)
Hangzhou Innovation Industry Park	Located in Hangzhou, Zhejiang Province, the planned use is for R&D, office space and supporting facilities.
Chengdu Science and Technology Park	Located in Chengdu, Sichuan Province, the planned use is for R&D, office space and supporting facilities.
Chongqing Science and Technology Park	Located in Chongqing, the planned use is for production plants, warehouses and supporting facilities.
Xi'an Science and Technology Park	Located in Xi'an, Shaanxi Province, the planned use is for R&D, office space and supporting facilities.
Shijiazhuang Science and Technology Park	Located in Shijiazhuang City, Hebei Province, the planned use is R&D, office space and supporting facilities.

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

## Section II Corporate Profile & Key Financial Data

### I. Corporate Information

Stock abbreviation	HIKVISION	Stock code	002415
Stock exchange where the shares of the Company are listed	Shenzhen Stock Exchange		
Name of the Company in Chinese	杭州海康威视数字技术股份有限公司		
Abbr. of the Company name in Chinese (if any)	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		

### II. Contacts and contact information

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

### III. Other Relevant Information

#### 1. Company's contact information

Whether there is any change in the Company's registered address, office address, zip code, company website or company email address during the reporting period.

Applicable Inapplicable

There is no change in the Company's registered address, office address, zip code, company website or company email address during the reporting period. Please refer to 2020 Annual Report for details.

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

Whether there is alteration in information disclosure and place of the report during the current reporting period.

Applicable Inapplicable



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

### 3. Other relevant information

Whether other relevant information has changed during the current reporting period

Applicable  Not applicable

### IV. Key accounting data and Financial Indicators

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

Yes  No

Unit: RMB

	First half year of 2021	First half year of 2020	YoY Change (%)
Operating income (RMB)	33,902,098,368.10	24,271,159,243.76	39.68%
Net profit attributable to shareholders of the Company (RMB)	6,481,424,653.39	4,623,972,830.87	40.17%
Net profit attributable to shareholders of the Company excluding non-recurring gains and losses (RMB)	6,221,476,627.98	4,463,498,377.68	39.39%
Net cash flows from operating activities (RMB)	1,962,853,772.15	69,966,340.57	2,705.43%
Basic earnings per share (RMB/share)	0.695	0.493	40.97%
Diluted earnings per share (RMB/share)	0.695	0.493	40.97%
Weighted average ROE	11.62%	9.75%	1.87%
	On June 30 <sup>th</sup> 2021	On December 31 <sup>st</sup> 2020	Change(%) between December 31 <sup>st</sup> 2020 and June 30 <sup>th</sup> 2021
Total assets (RMB)	87,118,829,064.12	88,701,682,384.20	-1.78%
Net assets attributable to shareholders of the Company (RMB)	52,905,875,478.79	53,794,311,162.05	-1.65%

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

The total share capital of the Company as of the previous trading day of the annual report disclosure (share)	9,335,806,114
Fully diluted earnings per share (RMB/share) calculated with the latest share capital	0.6943

**V. Differences in Accounting Data between Domestic and Overseas Accounting Standards**
**1. Difference in the financial report of net profits and net assets according to the disclosure of International Financial Reporting Standards and China Accounting Standards**
 Applicable  Inapplicable

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

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

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

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

**VI. Items and Amounts of Non-recurring Gains and Losses**
 Applicable  Inapplicable

Unit: RMB

Item	Amount
Profit or loss from disposal of non-current assets (including the write-off for the impairment provision of assets)	-1,805,042.17
The government subsidies included in the current profits and losses (excluding the government subsidy closely related to regular course of business of the Company and government subsidy based on standard quota or quantitative continuous application according to the state industrial policy.)	224,341,379.44
Profits and losses attributed to change in fair value for held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, and derivative financial liabilities; and investment income from disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investments, excluding the effective hedging business related to the regular business operation of the Company.	45,938,231.46
Other non-operating income and expenditures except the items mentioned above	28,546,193.64
Less: Impact of income tax	12,489,507.02
Impact of the minority interests (after tax)	24,583,229.94
Total	259,948,025.41

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

Applicable  Inapplicable

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

## Section III Management Discussion and Analysis

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

There was no significant change for the principal business of the Company during the current reporting period. Please refer to 2020 Annual Report for details.

### II. Core Competitiveness Analysis

There was no significant change in the Company's core competitiveness during the current reporting period. For details, Please refer to 2020 Annual Report for details.

### III. Core business analysis

Whether consistent with the Company's core business disclosure during the current reporting period

yes  no

In the first half year of 2021, some countries and regions continued to suffer periodical economic stagnation and recession as the outbreak of COVID-19 epidemic was not effectively controlled. At the same time, the U.S. government continued to put pressure on Chinese science-and-technology enterprises, which further affected global supply chains and market conditions. In the face of the conflicts and changes in the global environment, the Company has always taken technological innovation as the most important means for its survival and development, and has continued to promote its sound development.

During the reporting period, the Company achieved a total operating income of RMB 33.90 billion, with year over year growth of 39.68%; the net profits attributable to shareholders of the listed company was RMB 6.48 billion, with year over year growth of 40.17%. The Company's overall gross profit margin for the first half year of 2021 was 46.30%.

#### (1) Increase inputs in R&D and consolidate basic capabilities to embrace opportunities and challenges

During the reporting period, the Company continued to adhere to technological innovation and maintained inputs in research and development (R&D). In the first half year of 2021, the Company invested RMB 3.88 billion

in R&D, which accounted for 11.44% of the Company's operating income, representing a further increase of the R&D expense ratio. In terms of hardware, the Company continued to strengthen its dominant position in the field of video products, and actively implemented intellectualized upgrade of non-video products. In terms of software, the Company continued to build its supporting capacities for large system software so as to support the rapid development and iteration of industry applications. Hikvision continues to improve its technology system with IoT perception, artificial intelligence and big data as the core, and its comprehensive competitiveness is further enhanced.

### **(2) Forge ahead with determination, innovative businesses is creating a new pattern**

During the reporting period, the spin-off of smart home business was steadily and orderly rolled out, and EZVIZ Network as a whole was changed to a limited liability company by shares and entered the stage of pre-listing counseling period. With solid accumulation of algorithm and strong hardware and software development capabilities, Hikrobot focused on mobile robot and machine vision business, and continued to help the development of global intelligent manufacturing. Other innovative businesses continued to develop rapidly and gradually opening up new opportunities. The innovative businesses as a whole accounted for 16.46% of the Company's revenue in the first half year of 2021 and is gradually becoming a new driving force for the Company's further development.

### **(3) Conduct prudent operation and ensure supply chain security**

During the reporting period, the Company worked closely with its supplier partners and continued the high inventory strategy for raw materials, continuously promoting the replenishment and optimization of raw materials to cope with the uncertainty of overseas political and epidemic situations and to safeguard the supply chain. Meanwhile, the Company strengthened the fine management of supply chain, optimized delivery efficiency, and ensured stable delivery of products and solutions.

### **(4) Improve operations and continue to promote the construction of a compliance system**

Hikvision has always adhered to the business philosophy of "professionalism, integrity and honesty". Facing external pressure, the Company has strengthened its cost control and optimization efforts and strived to improve its internal operation. Meanwhile, the Company continues to promote the construction of a global compliance system

to further drive internationalization of the Company's governance system and control level, and to ensure a healthy and sustainable business development.

### Year-over-Year Changes in Key financial data

Unit: RMB

	First half year of 2021	First half year of 2020	YoY (%)	Note of Change
Operating Income	33,902,098,368.10	24,271,159,243.76	39.68%	Market demand has grown steadily, and operating income has grown accordingly
Operating costs	18,205,195,764.46	12,193,719,945.38	49.30%	Increase in accordance with operating income growth
Selling expenses	4,190,678,349.80	3,420,291,518.42	22.52%	No significant change
Administrative expenses	880,577,747.56	864,959,489.94	1.81%	No significant change
Financial expenses	-122,524,438.07	-227,972,206.73	46.25%	Affected by fluctuation in foreign exchange rate, increase in foreign currency exchange losses
Income Tax Expenses	427,530,365.26	952,552,145.97	-55.12%	The evaluation and appraisal time period of key software company for the Company was inconsistent (the evaluation and appraisal time period of the previous year was in the third quarter), led to inconsistent confirmation and recognition time period for income tax settlement and tax difference, resulting in fluctuations
R&D investments	3,877,769,884.09	3,063,423,679.69	26.58%	No significant change
Net cash flows from Operating Activities	1,962,853,772.15	69,966,340.57	2705.43%	Increase in sales collection in this period
Net cash flows from Investment Activities	-1,093,875,260.68	-1,494,484,813.41	26.81%	No significant change
Net cash flows from Financing Activities	-8,179,553,539.73	-3,478,066,296.84	-135.18%	Increase in net outflow of borrowings and dividend payments during the current reporting period
Net increase in cash and cash equivalents	-7,384,873,758.46	-4,892,161,050.91	-50.95%	Affected by the increase in financing expenditures in the current reporting period

Whether there is significant change in Company's profit structure or profit source during the reporting period

Applicable  Inapplicable

There is no such case during the reporting period.

## Operating income structure

Unit: RMB

	First half year of 2021		First half year of 2020		YoY Change (%)
	Amount	Proportion to operating income	Amount	Proportion to operating income	
Total operating income	33,902,098,368.10	100.00%	24,271,159,243.76	100.00%	39.68%
Classified by industry					
Video products and video services	33,902,098,368.10	100.00%	24,271,159,243.76	100.00%	39.68%
Classified by product/business					
Products and Services	27,912,531,793.59	82.33%	21,460,287,527.81	88.42%	30.07%
Constructions	411,198,176.84	1.21%	300,094,975.52	1.24%	37.02%
<b>Subtotal</b>	28,323,729,970.43	83.54%	21,760,382,503.33	89.66%	30.16%
Smart home business	1,871,108,774.85	5.52%	1,179,170,706.81	4.86%	58.68%
Robotic business	1,220,189,435.48	3.60%	542,724,420.13	2.23%	124.83%
Other innovative businesses <small>Note</small>	2,487,070,187.34	7.34%	788,881,613.49	3.25%	215.27%
<b>Subtotal</b>	5,578,368,397.67	16.46%	2,510,776,740.43	10.34%	122.18%
Classified by region					
Domestic	24,434,618,189.74	72.07%	16,728,998,825.16	68.93%	46.06%
Overseas	9,467,480,178.36	27.93%	7,542,160,418.60	31.07%	25.53%

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

## Composition of operating income of the three major business groups in China<sup>Note</sup>

Unit: 100mn

	First half year of 2021	First half year of 2020	YoY Change (%)
PBG	77.17	59.68	29.31%
EBG	72.19	59.14	22.07%
SMBG	61.74	30.00	105.80%
Total	211.10	148.82	41.85%

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

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

Applicable  Inapplicable

Unit: RMB

	Operating income	Operating cost	Gross margin	YoY Change (%) of operating income	YoY Change (%) of operating cost	YoY Change (%) of gross margin
Classified by industry						
Video products and video services	33,902,098,368.10	18,205,195,764.46	46.30%	39.68%	49.30%	-3.46%
Classified by product/business						
Products and Services	27,912,531,793.59	14,658,060,589.78	47.49%	30.07%	40.72%	-3.98%
Constructions	411,198,176.84	291,842,825.70	29.03%	37.02%	24.06%	7.42%
<b>Subtotal</b>	<b>28,323,729,970.43</b>	<b>14,949,903,415.48</b>	<b>47.22%</b>	<b>30.16%</b>	<b>40.35%</b>	<b>-3.83%</b>
Smart home business	1,871,108,774.85	1,172,850,667.99	37.32%	58.68%	58.16%	0.21%
Robotic business	1,220,189,435.48	642,233,986.43	47.37%	124.83%	136.14%	-2.52%
Other innovative businesses	2,487,070,187.34	1,440,207,694.56	42.09%	215.27%	172.60%	9.06%
<b>Subtotal</b>	<b>5,578,368,397.67</b>	<b>3,255,292,348.98</b>	<b>41.64%</b>	<b>122.18%</b>	<b>111.13%</b>	<b>3.05%</b>
Classified by region						
Domestic	24,434,618,189.74	13,251,763,818.92	45.77%	46.06%	49.62%	-1.28%
Overseas	9,467,480,178.36	4,953,431,945.54	47.68%	25.53%	48.46%	-8.08%

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

## Operating cost structure

Classified by industry

Unit: RMB

Industry	Item	First half year of 2021		First half year of 2020		Increase/decrease over previous year
		Amount	Proportion to operating cost	Amount	Proportion to operating cost	
Video products and video services	Operating cost	18,205,195,764.46	100.00%	12,193,719,945.38	100.00%	49.30%



**Classified by product/business**

Unit: RMB

Product/business	Item	First half year of 2021		First half year of 2020		YoY Change (%)
		Amount	Proportion to operating cost	Amount	Proportion to operating cost	
Products and Services	Operating cost	14,658,060,589.78	80.52%	10,416,612,740.28	85.43%	40.72%
Constructions	Operating cost	291,842,825.70	1.60%	235,236,267.84	1.93%	24.06%
<b>Subtotal</b>	Operating cost	14,949,903,415.48	82.12%	10,651,849,008.12	87.36%	40.35%
Smart home business	Operating cost	1,172,850,667.99	6.44%	741,575,630.80	6.08%	58.16%
Robotic business	Operating cost	642,233,986.43	3.53%	271,967,778.00	2.23%	136.14%
Other innovative businesses	Operating cost	1,440,207,694.56	7.91%	528,327,528.46	4.33%	172.60%
<b>Subtotal</b>	Operating cost	3,255,292,348.98	17.88%	1,541,870,937.26	12.64%	111.13%

**Explanations on relevant data changed for more than 30% on a year-over-year base**

Applicable Inapplicable

Affected by the COVID-19 epidemic in the first half year of 2020, the Company's performance had been significantly impacted. In 2021, the economy is recovering, and various business sectors are growing rapidly, while various innovative businesses have also maintained rapid growth.

**IV. Non-Core Business Analysis**

Applicable Inapplicable

**V. Analysis of assets and liabilities**

**1. Material changes of asset items**

Unit: RMB

	June 30 <sup>th</sup> 2021		December 31 <sup>st</sup> 2020		YoY Change (%)	Note of significant change
	Amount	Percentage of total assets	Amount	Percentage of total assets		
Cash and bank balances	27,732,252,975.47	31.83%	35,459,729,108.27	39.98%	-8.15%	Cash dividend distributions lead to a decrease in monetary funds
Accounts receivable	23,802,312,768.61	27.32%	21,979,380,716.86	24.78%	2.54%	No significant change
Contract assets	184,239,074.35	0.21%	245,754,510.98	0.28%	-0.07%	No significant change

	June 30 <sup>th</sup> 2021		December 31 <sup>st</sup> 2020		YoY Change (%)	Note of significant change
	Amount	Percentage of total assets	Amount	Percentage of total assets		
Inventories	15,094,505,445.05	17.33%	11,477,906,040.70	12.94%	4.39%	Expansion of production and sales scale led to increased procurement and stocking
Long-term equity investment	861,206,603.12	0.99%	864,026,710.23	0.97%	0.02%	No significant change
Fixed assets	6,258,625,760.95	7.18%	5,876,007,536.60	6.62%	0.56%	No significant change
Construction in process	1,705,622,399.38	1.96%	1,425,235,193.72	1.61%	0.35%	Increase in construction investments on Science and Technology Parks in various locations
Right-of-use assets	379,766,223.73	0.44%	-	-	0.44%	Impact of the implementation of the new lease standard in 2021
Short-term borrowings	3,142,918,040.93	3.61%	3,999,246,634.59	4.51%	-0.90%	decrease in demands for temporary capital turnover
Contract liabilities	2,490,674,992.63	2.86%	2,161,166,671.26	2.44%	0.42%	No significant change
Long-term borrowings	1,911,015,151.08	2.19%	1,961,167,761.30	2.21%	-0.02%	No significant change
Lease liabilities	199,494,520.78	0.23%	-	-	0.23%	Impact of the implementation of the new lease standard in 2021

## 2. Main overseas assets

Applicable  Inapplicable

**3. Assets and liabilities measured at fair value**

Applicable  Inapplicable

Unit: RMB

Item	Opening balance	Profit or loss from change in fair value during the current reporting period	Cumulative changes in fair value included in equity	Provision for decline in value during the current reporting period	Purchased amount during the period	Sales during the period	Closing balance
<b>Financial assets</b>							
Derivative financial assets	22,679,846.77	9,989,549.68					32,620,061.54
Other non-current financial assets	491,939,067.27	-23,277,319.84					468,661,747.43
Receivables for financing	1,959,601,195.25						1,120,170,492.09
Subtotal of financial assets	2,474,220,109.29	-13,287,770.16					1,621,452,301.06
<b>Financial Liabilities</b>	7,405,771.15	3,738,240.76					3,651,541.77

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

Yes  No

**4. Assets right restrictions as of the end of reporting period**

Unit: RMB

Item	Closing Book Value (RMB)	Reasons for being restricted
Cash and bank balance	92,288,855.62	Various cash deposits and other restricted funds
Notes receivable	610,856,089.84	Endorsed to suppliers
Right-of-use assets	34,568,644.07	Right-of-use assets resulted from sale and leaseback
Long-term receivables	1,812,883,463.06	Pledge for long-term borrowings
Total	2,550,597,052.59	

**VI. Analysis of Investments**

**1. Overview**

Applicable  Inapplicable

Investment during the first half year of 2021 (RMB)	Investment during the first half year of 2020 (RMB)	YoY (%)
1,097,198,077.60	1,309,423,538.62	-16.21%

**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	Video product and video service	128,026,667.79	649,653,461.12	Self-fund	32.99%	None	September 23 <sup>rd</sup> 2017	<i>Announcement on Investment and Construction of Chengdu Science and Technology Park Project in Chengdu (No. 2017-033)</i>
Chongqing Science and Technology Park Project-phase 2	Self-built	YES	Video product and video service	144,149,199.63	393,959,450.42	Self-fund	100.00%	None	September 23 <sup>rd</sup> 2017	<i>Announcement on Investment and Construction of Chongqing Science and Technology Park in Chongqing (No. 2017-035)</i>
Hangzhou Innovation Industry Park	Self-built	YES	Video product and video service	24,816,079.94	362,637,782.43	Specific Loan	35.34%	None	September 23 <sup>rd</sup> 2017	<i>Announcement on Investment and Construction of Hangzhou Innovation Industry Park Project in Hangzhou (No. 2017-034)</i>
Xi'an Science and Technology Park Project	Self-built	YES	Video product and video service	115,889,658.76	128,568,833.69	Self-fund	5.64%	None	September 23 <sup>rd</sup> 2017	<i>Announcement on Investment and Construction of Xi'an Science and Technology Park in Xi'an (2017-031)</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)
Shijiazhuang Science and Technology Park Project	Self-built	YES	Video product and video service	46,522,461.29	48,583,014.75	Self-fund	5.41%	None	March 22 <sup>nd</sup> 2018	<i>Announcement on Investment and Construction of Shijiazhuang Science and Technology Park in Shijiazhuang (2018-016)</i>
EZVIZ Industry Park	Self-built	YES	Video product and video service	41,416,910.43	43,748,977.51	Self-fund	5.48%	None	-	-
Zhengzhou Science and Technology Park Project	Self-built	YES	Video product and video service	4,800,801.74	18,330,211.27	Self-fund	3.78%	None	-	-
Wuhan Intelligence Industry Park Project	Self-built	YES	Video product and video service	-	4,339,622.64	Self-fund	0.15%	None	September 23rd 2017	<i>Announcement on Investment and Construction of Wuhan Intelligence Industry Park in Wuhan (2017-036)</i>
Wuhan Science and Technology Park Project	Self-built	YES	Video product and video service	2,043,915.61	4,414,462.50	Self-fund	0.34%	None	September 23rd 2017	<i>Announcement on Investment and Construction of Wuhan Science and Technology Park Project in Wuhan (2017-032)</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)
<b>Total</b>	--	--	--	507,665,695.19	1,654,235,816.33	--	--			

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

#### 4. Financial asset investment

##### (1) Securities Investments

Applicable  Inapplicable

There no such case in the reporting period.

## (2) Derivatives Investments

√ Applicable □ Inapplicable

Unit: 0,000 RMB

Operation party of derivatives investment	Whether Related party	Whether related transaction	Type of derivatives investment	Initial investment amount of derivatives investment	Initial date	Termination date	Opening investment amount	Purchased amount during the reporting period	Sold amount during the reporting period	Impairment provisions (if any)	Closing investment amount	Proportion of closing investment amount to the Company's net assets at the end of the reporting period	Actual gain or loss during the reporting period
Commercial bank	No	No	foreign exchange contract	351,670.38	October 21 <sup>st</sup> 2020	December 20 <sup>th</sup> 2021	351,670.38	295,153.42			269,295.04	4.99%	7,044.03
Total				351,670.38	--	--	351,670.38	295,153.42			269,295.04	4.99%	7,044.03
Capital source of derivatives investment				Company's own fund									
Prosecution (if applicable)				Nil									
Announcement date for approvals of derivatives investment from the board of directors (if any)				December 25 <sup>th</sup> 2019/April 17 <sup>th</sup> 2021									
Announcement date for approvals of derivatives investment from the general meeting of shareholders (if any)				May 16 <sup>th</sup> 2020									



<p>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</p>	<p>For details of the risk analysis and control measures, please refer to the <i>Announcement on Conducting Foreign Exchange Hedging Transactions in 2020</i> (NO. 2019-065) dated December 25<sup>th</sup> 2019 and the <i>Announcement on Conducting Foreign Exchange Hedging Transactions in 2021</i> (NO. 2021-030) dated April 17<sup>th</sup> 2021 of the Company</p>
<p>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</p>	<p>The Company's accounting of derivatives' fair value is mainly about the outstanding contracts signed with banks for forward exchange settlement during the reporting period. Held-for-trading financial assets/liabilities are determined with difference between the quoted price and forward exchange price in outstanding forward exchange contracts at the end of the period.</p>
<p>During the current reporting period, whether there was significant changes of accounting policies and accounting principles of the Company's derivatives comparing to the prior reporting period</p>	<p>Nil</p>
<p>Specific opinions on the Company's derivatives investments and risk control from independent directors</p>	<p>Nil</p>

## VII. Disposal of significant assets and equity

### 1. Disposal of significant assets:

Applicable  Inapplicable

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

### 2. Sale of significant equity:

Applicable  Inapplicable

**VIII. Analysis of major subsidiaries and holding companies**

√Applicable □Inapplicable

Information about major subsidiaries, and holding companies that contribute above 10% of the Company's net profit

Company name	Company type	Principal business	Registered capital	Total assets	Net assets	Net profit
Hangzhou Hikvision Technology Co., Ltd.	Subsidiary	<b>General projects:</b> technical services, technology development, technical consultation, technical exchanges, technology transfer, technology promotion; digital video surveillance system manufacturing; digital video surveillance system sales; security equipment manufacturing; security equipment sales; computer software, hardware and peripheral equipment manufacturing; computers Wholesale of software, hardware and auxiliary equipment; Electronic components manufacturing; electronic components wholesale; Internet of Things equipment manufacturing; Internet of Things equipment sales; mobile terminal equipment manufacturing; mobile terminal equipment sales; communication equipment manufacturing; communication equipment sales; Production of special labor protection products; sales of special labor protection products; manufacturing of refrigeration and air-conditioning equipment; sales of refrigeration and air-conditioning equipment; Manufacturing of electrical machinery and equipment; sales of electrical machinery and equipment; manufacturing of transformers, rectifiers and inductors; Research and development of power distribution switch control equipment; sales of power distribution switch control equipment; sales of batteries; sales of electronic products; Artificial intelligence hardware sales; software development; computer system services;	1,000 million	39,935,834,510.78	4,542,786,482.29	42,871,317.85

	<p>security system monitoring services; information technology consulting services; information system integration services; information system operation and maintenance services; Big data services; Internet data services; data processing and storage support services; Internet of Things technical services; Internet of Things application services; marketing planning (except for projects that must be approved in accordance with the law, carry out business activities independently according to law with business license).</p> <p><b>Licensed items:</b> import and export of goods; import and export of technology (items that are subject to approval in accordance with the law can only be carried out after approval by the relevant departments, and the specific business items are subject to the approval results).</p>				
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**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
Shanghe Smart City Technology Co., Ltd.	Cash contribution	Business development
Chongqing EZVIZ Electronics Co., Ltd.	Cash contribution	Business development
Hangzhou EZVIZ Technology Co., Ltd.	Releasing the entrustment agreement	Reorganization
Hundure Technology (Shanghai) Co., Ltd.	Liquidation & cancellation	Reorganization

**IX. Structural entities controlled by the Company**

Applicable  Inapplicable

**X. Risks of the Company and risk response solutions**

During the reporting period, there was no material change in the risk exposure of the Company. For details, please refer to Section I - Important Notes. The Company has been striving to identify various risk exposures, and actively adopting countermeasures to avoid and reduce risks:

**(1) Risk of global epidemic outbreak:** The Company strengthened epidemic control and strove to protect the health of its employees at home and abroad. Meanwhile, the Company relied on its own technical reserves and product capabilities to help control the epidemic outbreak. The Company will keep on paying close attention to the impact of the outbreak and make active adjustments to cope with the outbreak.

**(2) Supply chain risk:** The Company made its best efforts to make appropriate arrangements for supply chain, reasonably regulated and controlled its inventory, and formulated effective alternative solutions in a timely manner. In the meantime, the Company reinforced its R&D efforts in basic areas and enhanced the accumulation of underlying fundamental technologies.

**(3) Risk of technological upgrading:** the Company maintained its investments in R&D, explored cutting-edge technologies in depth, and held the lead in core and key technologies; The Company has formed effective and market-oriented R&D through stable and reliable R&D management, kept its products and technologies constantly responsive to market demands and achieved sustainable development of its business.

**(4) Internal management risk:** The Company continued to implement management reforms and learn from outstanding companies, learned successful management practices and continuously optimized its organizational capabilities.

**(5) Global business risk:** The Company proactively studied and researched policies, trade laws, regulations and relevant substantial changes of various countries around the world, and developed countermeasures to reduce various potential trade compliance risks.

**(6) Legal compliance risk:** The Company continued to strengthen the construction of compliance and risk control system, conducted immediate and full-cycle risk supervision and control of business, and improved its legal compliance capability.

**(7) Exchange rate fluctuation risk:** The Company attached great importance to the control of exchange rate risk, and hedged and avoided exchange rate risk by various means while ensuring security and liquidity. For exchange rate risk exposure, the Company actively adopted financial hedging tools (e.g., hedging), not taking speculation as the purpose, and conducted risk management in a reasonable manner.

**(8) Network security risk:** The Company has always attached great importance to and actively taken measures to improve the security performance of its products and systems, established the product security system by setting up a professional information security team, integrated product security requirements, security design, security development, security testing and other links into the product development process, ensured continuous improvement of product and system security and provided customers with more secure products and solutions in the Internet/IoT application environment.

**(9) Risk of intellectual property rights:** The Company has set up a professional team for intellectual property rights which is responsible for the daily management and maintenance of intellectual property rights (e.g., trademarks and patents) and for combating infringement against the Company's intellectual property rights by various legal means (e.g., administrative investigation and court litigation).

## Section IV Corporate Governance

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

#### 1. Annual General Meeting convened during the reporting period

Meeting	Nature	Proportion of participating investors	Convened Date	Disclosure Date	Resolution of the Meeting
The first Extraordinary General Meeting of Shareholders in 2021	Extraordinary General Meeting of Shareholders	70.0131%	March 5 <sup>th</sup> 2021	March 6 <sup>th</sup> 2021	9 proposals including the <i>Proposal on Election of Non-Independent Directors of the Fifth Session of the Board of Directors</i> were reviewed and voted. For details, please refer to the Company's announcement: No. 2021-020.
2020 Annual General Meeting	Annual General Meeting	70.2837%	May 14 <sup>th</sup> 2021	May 15 <sup>th</sup> 2021	20 proposals including the <i>2020 Annual Report and Summary</i> were reviewed and voted. For details, please refer to the Company's announcement: No. 2021-039.

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

Applicable  Inapplicable

### II. Changes of directors, supervisors and senior management personnel

Applicable  Inapplicable

Name	Position	Types of change	Data	Reason
Gong Hongjia	Director	Left the position after the expiry of his tenure	March 5 <sup>th</sup> 2021	General election
Cheng Tianzong	Independent Director	Left the position after the expiry of his tenure	March 5 <sup>th</sup> 2021	General election
Wang Zhidong	Independent Director	Left the position after the expiry of his tenure	March 5 <sup>th</sup> 2021	General election
Wang Qiuchao	Director	Appointment and dismissal	March 5 <sup>th</sup> 2021	General election
Wu Xiaobo	Independent Director	Elected	March 5 <sup>th</sup> 2021	General election
Hu Ruimin	Independent Director	Elected	March 5 <sup>th</sup> 2021	General election
Li Shuhua	Independent Director	Elected	March 5 <sup>th</sup> 2021	General election
Guan Qingyou	Independent Director	Elected	March 5 <sup>th</sup> 2021	General election
Chneg Huifang	Chairman of the Supervisory Board	Left the position after the expiry of his tenure	March 5 <sup>th</sup> 2021	General election
Hong Tianfeng	Chairman of the Supervisory Board	Appointment and dismissal	March 5 <sup>th</sup> 2021	General election
Lu Jianzhong	Supervisor	Appointment and dismissal	March 5 <sup>th</sup> 2021	General election
Gong Hongjia	Vice Chairman	Left the position after the expiry of his tenure	March 12 <sup>th</sup> 2021	General election
Fu Baijun	Senior deputy general manager	Left the position after the expiry of his tenure	March 12 <sup>th</sup> 2021	General election
Jiang Yufeng	Senior deputy general manager	Left the position after the expiry of his tenure	March 12 <sup>th</sup> 2021	General election
Xu Peng	Senior deputy general manager	Hired	March 12 <sup>th</sup> 2021	General election
Guo Xudong	Senior deputy general manager	Hired	March 12 <sup>th</sup> 2021	General election

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

Applicable  Inapplicable

The Company did not plan to distribute cash dividends, send bonus shares, or convert capital reserve into share capital during the first half of 2021.

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

Applicable Inapplicable

During the reporting period, the Company has completed the third vesting, repurchase and cancellation of the 2016 Restricted Share Incentive Scheme and the first vesting, repurchase and cancellation of the 2018 Restricted Share Incentive Scheme

On December 25<sup>th</sup> 2020, the *Proposal on Vesting Conditional Achievements for the Third Vesting Period of the 2016 Restricted Share Incentive Scheme*, the *Proposal on the Third Repurchase and Cancellation of the Granted but Unvested Restricted Shares under the Restricted Share Incentive Scheme of 2016*, the *Proposal on Vesting Conditional Achievements for the First Vesting Period of the 2018 Restricted Share Incentive Scheme*, and the *Proposal on the First Repurchase and Cancellation of Granted but Unvested Restricted Shares under the Restricted Share Incentive Scheme of 2018* were deliberated and adopted by the 20<sup>th</sup> Meeting of the fourth session of the Board of Directors and the 17<sup>th</sup> Meeting of the fourth session of the Board of Supervisors of the Company. According to the authorization of the 2<sup>nd</sup> Extraordinary General Meeting of 2016 and the 2<sup>nd</sup> Extraordinary General Meeting of 2018 of the Company, The Company handled the vesting of a total of 66,796,439 restricted shares for 5,937 incentive grantees. The restricted shares were listed for circulation on January 20<sup>th</sup> 2021; at the same time, 7,611,076 granted but unvested shares that did not meet the incentive conditions were repurchased and cancelled, and the repurchase and cancellation procedures were completed as of June 30<sup>th</sup> 2021.

For details, please refer to the *Indicative Announcement on Vesting, Listing and Circulation of Shares in the Third Vesting Period of the 2016 Restricted Share Incentive Scheme* (Announcement No.: 2021-004), *Indicative Announcement on Vesting, Listing and Circulation of Shares in the First Vesting Period of the 2018 Restricted Share Incentive Scheme* (Announcement No. 2021-005), and *Announcement on the Completion of the Third Repurchase and Cancellation of the Granted but Unvested Restricted Shares under the 2016 Restricted Share Incentive Scheme and the First Repurchase and Cancellation of the Granted but Unvested Restricted Shares under the 2018 Restricted Share Incentive Scheme* (Announcement No.: 2021-042) issued by the Company on January 18<sup>th</sup> 2021 and July 2<sup>nd</sup> 2021, respectively.

As of the end of the current reporting period, the Company has a total of 68,762,683 granted but unvested shares, accounting for 0.74% of the Company's total share capital.

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 2018 Restricted Share Incentive Scheme is amortized during the vesting period.

During the reporting period, the amortization cost of the Company's 2018 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 (XI)-Share-based Payment.

## **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 national environmental protection department

Yes No.

### **II. Social responsibilities**

During the reporting period, the Company has not yet carried out poverty alleviation and rural revitalization.

## Section VI Significant Events

**I. Complete and incomplete commitments of the Company and its actual controller, shareholders, related parties, acquirers, and other related parties for the commitments during the current reporting period.**

Applicable  Inapplicable

No such case during the current reporting period.

**II. The Company's funds used by the controlling shareholder or its 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. Engagement and disengagement of the CPA firm**

Has the half year report been audited?

Yes  No

The Company's half year report has not been audited.

**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. Explanation given by the board of directors regarding the “non-standard auditor’s report” for the prior reporting period**

Applicable  Inapplicable

**VII. Bankruptcy and restructuring**

Applicable  Inapplicable

No such case during the reporting period.

**VIII. Material litigations**

Material litigation and arbitration

Applicable  Inapplicable

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

Other litigation matters

Applicable  Inapplicable

**IX. Punishments and rectifications**

Applicable  Inapplicable

No such case during the reporting period.

**X. Integrity of the Company and its controlling shareholders and actual controllers**

Applicable  Inapplicable

**XI. 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	Procurement, receiving services	Reference market price; Agreed on price	95,404.99	4.25%	150,000	No	Payment on delivery	March 13 <sup>th</sup> 2021	<i>Announcement on the forecast of daily related-party transactions in 2021 (No. 2021-024)</i>
Shanghai Fullhan Micro Co., Ltd. and its subsidiaries	The Company's shareholder who holds more than 5% of the Company's shares, Gong Hongjia is the director of the related party	Procurement			43,502.85	1.94%	90,000	No	Payment on delivery		
Maxio Technology (Hangzhou) Co., Ltd. and its subsidiaries	Wu Weiqi, director of the Company, served as director of this company	Procurement			9,276.50	0.41%	20,000	No	Payment on delivery		
Wuhu Sensor Technology Co., Ltd. and its subsidiaries	Wu Weiqi, director of the Company, served as director of this company	Procurement			5,364.45	0.24%	15,000	No	Payment on delivery		
Zhiguang Hailian Big Data Technology Co., Ltd. and its subsidiaries	An associated company held by the company	Procurement			-	0.00%	500	No	Payment on delivery		

Related party	Relationship	Type of related transaction	Content of related transaction	Pricing principles for related party transactions	Trading Amount (0'000 RMB)	Proportion to the amount of similar transactions.	Approved trading quota (0'000 RMB)	Whether exceed the approved quota	Settlement method	Disclosure date	Disclosure reference
Zhejiang Haishi Huayue Digital Technology Co., Ltd.	A joint venture company held by the company; The Company's senior management is appointed as this company's chairman	Procurement			-	0.00%	500	No	Payment on delivery		
Shenzhen Hikvision City Service Operation Co., Ltd. and its subsidiaries	A joint venture company held by the company	Procurement			3.10	0.00%	500	No	Payment on delivery		
Subsidiaries or research institutes of CETC	Under the common control of the Company's actual controller.	Sales			23,576.67	0.70%	70,000	No	Payment on delivery		
Daishan Hailai Yunzhi Technology Co., Ltd.	A joint venture company held by the company	Sales	Providing services,	Reference market price;	1,685.88	0.05%	5,000	No	Payment on delivery		
Wuhu Sensor Technology Co., Ltd. and its subsidiaries	Wu Weiqi, director of the Company, served as director of this company	Sales	selling products, commercial goods	Agreed on price	46.55	0.00%	1,000	No	Payment on delivery	March 13 <sup>th</sup> 2021	<i>Announcement on the forecast of daily related-party transactions in 2021 (No. 2021-024)</i>
Zhejiang Haishi Huayue Digital Technology Co., Ltd.	A joint venture company held by the company; The Company's senior management is	Sales			757.13	0.02%	5,000	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
	appointed as this company's chairman										
Sanmenxia Xiaoyun Vision Technology Co., Ltd.	An associated company held by the company	Sales			-	0.00%	1,000	No	Payment on delivery		
Shenzhen Wanyu Security Service Technology Co., Ltd. and its subsidiaries	The Company's senior management is appointed as directors of this company	Sales			-	0.00%	500	No	Payment on delivery		
Maxio Technology (Hangzhou) Co., Ltd. and its subsidiaries	Wu Weiqi, director of the Company, served as director of this company	Sales			10.84	0.00%	1,000	No	Payment on delivery		
Qinghai Qingtang Big Data Co., Ltd.	An associated company held by the company	Sales			52.37	0.00%	1,000	No	Payment on delivery		
Zhiguang Hailian Big Data Technology Co., Ltd. and its subsidiaries	An associated company held by the company	Sales			2,307.94	0.07%	5,000	No	Payment on delivery		
Jiaxin Haishi JiaAn Zhicheng Technology Co., Ltd.	An associated company held by the company	Sales			809.85	0.02%	7,000	No	Payment on delivery		
Xuzhou Kangbo Urban Operation	A joint venture company held by the company	Sales			1.17	0.00%	1,000	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
Management Service Co., Ltd.											
Guangxi Haishi Urban Operation Management Co., Ltd. and its subsidiaries	A joint venture company held by the company	Sales			34.74	0.00%	2,000	No	Payment on delivery		
Zhejiang City Digital Technology Co., Ltd.	A joint venture company held by the company	Sales			1,276.85	0.04%	6,000	No	Payment on delivery		
Shenzhen Hikvision City Service Operation Co., Ltd. and its subsidiaries	A joint venture company held by the company	Sales			1,097.71	0.03%	6,000	No	Payment on delivery		
Yunnan Yinghai Parking Service Co., Ltd.	A joint venture company held by the company	Sales			-	0.00%	4,000	No	Payment on delivery		
Total					<b>185,209.59</b>	-	<b>392,000</b>	-	-	-	-
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)			None								
Reasons on significant difference between trading price and market referencing price (if applicable)			Not applicable								



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

Applicable Inapplicable

No such case in the reporting period.

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

Applicable Inapplicable

No such case in the reporting period.

**4. Related credit and debt transactions**

Applicable Inapplicable

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

**5. Deals with related-party financial companies and financial companies controlled by the Company**

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)
CETC Finance Co., Ltd.	Under the common control of the Company's ultimate controller	1,089,594.87	2.00%	400,000.00	-	400,000.00

**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	Credit	300,000.00	-

**6. Other significant related party transactions**

Applicable Inapplicable

On April 18<sup>th</sup> 2019, the *Proposal on Entering into the Entrusted Management Agreement and Related-Party Transaction with the Controlling Shareholder* was deliberated and adopted by the 10<sup>th</sup> Meeting of the fourth session of the Board of Directors of the Company. On April 19<sup>th</sup> 2019, the Company entered into the *Entrusted Management Agreement* with CETHIK and Hangzhou EZVIZ Technology Co., Ltd. (hereinafter referred to as "EZVIZ Technology"), agreeing that CETHIK shall entrust EZVIZ Network to enforce the actual operation and management rights over its wholly-owned subsidiary EZVIZ Technology. On March 27<sup>th</sup> 2021, to further optimize the business process of EZVIZ Network, based on the actual production and operation needs of EZVIZ Network, and upon consensus of the three parties through amicable and full negotiation, EZVIZ Network signed the *Termination Agreement of the Entrusted Management Agreement* with CETHIK and EZVIZ Technology. EZVIZ Network will no longer exercise the actual operation and management rights over EZVIZ Technology or be responsible for the production, operation and management of EZVIZ Technology.

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

Title of provisional repo/rts	Disclosure date	Disclosure website
<i>Announcement on the Signing of the Entrusted Management Agreement" and Related Party Transactions with the Controlling Shareholders</i> (Announcement No. 2019-026)	April 20 <sup>th</sup> 2019	<a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
<i>Announcement on the Signing of the Entrusted Management Agreement" Termination Agreement and Related Party Transactions Progress</i> (Announcement No. 2021-025)	March 30 <sup>th</sup> 2021	<a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>

**XII. Significant contracts and their execution**

**1. Trusteeship, contracting and leasing**

**(1) Trusteeship**

Applicable  Inapplicable  
No such case in the reporting period.

**(2) Contracting**

Applicable  Inapplicable  
No such case in the reporting period.

**(3) Leasing**

Applicable  Inapplicable

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

**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	Term of guarantee	Fulfilled or not	Guarantee for a related party or not
Hangzhou Hikvision Technology Co., Ltd.	April 17 <sup>th</sup> 2021	1,010,000.00	October 24 <sup>th</sup> 2019	415,499.35	Joint guarantee	2019.10.24-2025.09.25	No	Yes
Urumqi HaiShi Xin'An Electronic Technology Co., Ltd.	April 17 <sup>th</sup> 2021	40,000.00	March 29 <sup>th</sup> 2019	26,307.14	Joint guarantee	2019.03.29-2028.06.20	No	Yes
Luo Pu HaiShi Ding Xin Electronic Technology Co., Ltd.	April 17 <sup>th</sup> 2021	30,000.00	March 26 <sup>th</sup> 2019	22,240.00	Joint guarantee	2019.03.26-2035.06.26	No	Yes
Pi Shan HaiShi Yong An Electronic Technology Co., Ltd.	April 17 <sup>th</sup> 2021	30,000.00	March 26 <sup>th</sup> 2019	21,978.00	Joint guarantee	2019.03.26-2040.06.26	No	Yes
Mo Yu HaiShi Electronic Technology Co., Ltd.	April 17 <sup>th</sup> 2021	25,000.00	March 26 <sup>th</sup> 2019	17,980.00	Joint guarantee	2019.03.26-2035.03.26	No	Yes
Hangzhou Hikvision System Technology Co., Ltd.	April 17 <sup>th</sup> 2021	46,000.00	November 29 <sup>th</sup> 2019	14,558.33	Joint guarantee	2019.11.29-2023.11.17	No	Yes
Yu Tian HaiShi Mei Tian Electronic Technology Co., Ltd.	April 17 <sup>th</sup> 2021	30,000.00	March 26 <sup>th</sup> 2019	9,560.00	Joint guarantee	2019.03.26-2034.03.26	No	Yes
Hikvision Singapore Pte. Ltd.	April 17 <sup>th</sup> 2021	78,900.00	September 15 <sup>th</sup> 2020	6,354.75	Joint guarantee	2020.09.15-2023.12.31	No	Yes
Chongqing Hikvision Technology Co., Ltd.	April 17 <sup>th</sup> 2021	82,250.00	March 23 <sup>rd</sup> 2020	2,955.08	Joint guarantee	2020.03.23-2022.3.22	No	Yes
Hangzhou Hikvision Electronics Co., Ltd.	April 17 <sup>th</sup> 2021	25,000.00	March 6 <sup>th</sup> 2021	2,019.09	Joint guarantee	2021.03.06-2022.3.05	No	Yes

Hikvision International Co., Ltd.	April 17 <sup>th</sup> 2021	33,000.00	May 10 <sup>th</sup> 2018	1,957.13	Joint guarantee	2018.05.10- 2022.5.31	No	Yes
Wuhan Hikvision Technology Co., Ltd.	April 17 <sup>th</sup> 2021	20,000.00	Not happened during the reporting period					
Shijiazhuang Hikvision Technology Co., Ltd.	April 17 <sup>th</sup> 2021	20,000.00	Not happened during the reporting period					
Xi'an Hikvision Digital Technology Co., Ltd.	April 17 <sup>th</sup> 2021	20,000.00	Not happened during the reporting period					
Chengdu Hikvision Digital Technology Co., Ltd.	April 17 <sup>th</sup> 2021	20,000.00	Not happened during the reporting period					
Shanghe Smart City Technology Co., Ltd.	April 17 <sup>th</sup> 2021	20,000.00	Not happened during the reporting period					
Zhenping Haikang Juxin Digital Technology Co., Ltd.	April 17 <sup>th</sup> 2021	18,000.00	Not happened during the reporting period					
Hefei Hikvision Digital Technology Co., Ltd.	April 17 <sup>th</sup> 2021	10,000.00	Not happened during the reporting period					
Nanchang Hikvision Digital Technology Co., Ltd.	April 17 <sup>th</sup> 2021	10,000.00	Not happened during the reporting period					
Zhengzhou Hikvision Digital Technology Co., Ltd.	April 17 <sup>th</sup> 2021	10,000.00	Not happened during the reporting period					
Nanjing Hikvision Digital Technology Co., Ltd.	April 17 <sup>th</sup> 2021	10,000.00	Not happened during the reporting period					
Chongqing Hikvision System Technology Co., Ltd.	April 17 <sup>th</sup> 2021	10,000.00	Not happened during the reporting period					
Prama Hikvision India Private Limited	April 17 <sup>th</sup> 2021	6,000.00	Not happened during the reporting period					

Hikvision USA Inc.	April 17 <sup>th</sup> 2021	2,100.00	Not happened during the reporting period					
Hikvision Europe B.V.	April 17 <sup>th</sup> 2021	2,000.00	Not happened during the reporting period					
PT. Hikvision Technology Indonesia	April 17 <sup>th</sup> 2021	1,400.00	Not happened during the reporting period					
Hikvision Turkey Technology And Security Systems Commerce JSC	April 17 <sup>th</sup> 2021	350.00	Not happened during the reporting period					
Total guarantee cap for subsidiaries approved during the reporting period(B1)		1,610,000.00	Total actual guarantee amount for subsidiaries during the reporting period(B2)		781,997.72			
Total approved guarantee cap for subsidiaries at the end of the reporting period(B3)		1,610,000.00	Total actual guarantee balance for subsidiaries at the end of the reporting period(B4)		541,408.87			
<b>Guarantees provided by the Company's subsidiary to another subsidiary</b>								
Guaranteed party	Disclosure date of announcement of the guarantee cap	Guarantee Cap	Actual occurrence date	Actual guaranteed amount	Type of guarantee	Term of guarantee	Fulfilled or not	Guarantee for a related party or not
Hangzhou Haikang Intelligent Technology Co., Ltd.	April 17 <sup>th</sup> 2021	50,000.00	Not happened during the reporting period					
Hangzhou Hikmicro Intelligent Technology Co., Ltd.	April 17 <sup>th</sup> 2021	30,000.00	Not happened during the reporting period					
Hangzhou Hikstorage Technology Co., Ltd.	April 17 <sup>th</sup> 2021	10,000.00	Not happened during the reporting period					
Total guarantee cap for subsidiaries approved during the reporting period (C1)		90,000.00	Total actual guarantee amount for subsidiaries during the reporting period (C2)		-			
Total approved guarantee cap for subsidiaries at the end of the reporting period (C3)		90,000.00	Total actual guarantee balance for subsidiaries at the end of the reporting period(C4)		-			

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)	1,700,000.00	Total actual guarantee amount during the reporting period (A2+B2+C2)	781,997.72
Total approved guarantee cap at the end of reporting period (A3+B3+C3)	1,700,000.00	Total actual guarantee balance at the end of the reporting period (A4+B4+C4)	541,408.87
Portion of the total actual guarantee (A4+B4+C4) amount in net assets of the Company			10.23%
Of which:			
The balance of guarantee for shareholders, actual controllers and their affiliates. (D)			0
Amount of debt guarantees provided directly or indirectly for entities with a liability-to-asset ratio over 70% (E)			508,916.69
Total amount of guarantee exceeding 50% of net assets (F)			0
Total guarantee amount of the above-mentioned 3 kinds of guarantees (D+E+F)			508,916.69

#### Illustration of compound method guarantee

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

### 3. Entrusted financial management

Applicable  Inapplicable

No such case during the reporting period

### 4. Significant contracts for daily operations

Applicable  Inapplicable

### 5. Other significant contracts

Applicable  Inapplicable

## XIII. Other significant events

Applicable  Inapplicable

On January 8<sup>th</sup> 2021, the *Proposal on Adjustment of Domestic Listing Board for the Spin-off of the Company's Subsidiary Hangzhou EZVIZ Network Co., Ltd.*, the *Proposal on the Spin-off of the Subsidiary Hangzhou EZVIZ Network Co., Ltd. to be Listed on the Science and Technology Innovation Board* and other related proposals were deliberated and adopted by the 21<sup>st</sup> Meeting of the fourth session of the Board of Directors and the 18<sup>th</sup> Meeting of the fourth session of the Board of Supervisors of the Company, agreeing the initial public offering of ordinary shares (A shares) in RMB of EZVIZ Network after the shareholding reform and listing of EZVIZ Network on the science and technology innovation board of Shanghai Stock Exchange. For details, please refer to the *Proposal of Hangzhou Hikvision Digital Technology Co., Ltd. on the Spin-off of its Subsidiary Hangzhou EZVIZ Network Co., Ltd. to be Listed on the Science and Technology Innovation Board* issued by the Company on January 9<sup>th</sup> 2021.

## XIV. Significant events of the Company's subsidiaries

Applicable  Inapplicable

During the reporting period, the Company steadily promoted the spin-off of EZVIZ Network to be listed on the Science and Technology Innovation Board of Shanghai Stock Exchange. On January 8<sup>th</sup> 2021, the *Proposal on*



*the Spin-off of the Company's Subsidiary Hangzhou EZVIZ Network Co., Ltd. to be Listed on the Science and Technology Innovation Board* was deliberated and adopted by the 21<sup>st</sup> Meeting of the fourth session of the Board of Directors and the 18<sup>th</sup> Meeting of the fourth session of the Board of Supervisors of the Company. On June 23<sup>rd</sup> 2021, *the Proposal on the Overall Restructuring of the the Company's Holding Subsidiary Hangzhou EZVIZ Network Co., Ltd. as Limited Liability Company by Shares* was deliberated and adopted by the 3<sup>rd</sup> Meeting of the Strategy Committee in 2021 of the fifth session of the Board of Directors of the Company. On June 24<sup>th</sup> 2021, EZVIZ Network as a whole was restructured and changed to a limited liability company by shares. On July 2<sup>nd</sup> 2021, Zhejiang Securities Regulatory Bureau of China Securities Regulatory Commission accepted the application filed by EZVIZ Network for initial public offering of A shares and pre-listing counseling for listing on the Science and Technology Innovation Board.

## 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)	1,248,025,260	13.36%				-55,138,469	-55,138,469	1,192,886,791	12.78%
1)State holdings									
2)Shares held by State-owned corporate									
3) Other domestic shares	306,488,295	3.28%				-76,220,858	-76,220,858	230,267,437	2.47%
Including: held by domestic corporates									
held by domestic natural person	306,488,295	3.28%				-76,220,858	-76,220,858	230,267,437	2.47%
4) Foreign shares	941,536,965	10.08%				21,082,389	21,082,389	962,619,354	10.31%

	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
Including:held by overseas corporates									
held by overseas natural person	941,536,965	10.08%				21,082,389	21,082,389	962,619,354	10.31%
2. Shares without restriction	8,095,391,930	86.64%				47,527,393	47,527,393	8,142,919,323	87.22%
1) RMB ordinary shares	8,095,391,930	86.64%				47,527,393	47,527,393	8,142,919,323	87.22%
2) Domestically listed foreign shares									
3) Foreign shares listed overseas									
4) Others									
3. Total	9,343,417,190	100.00%				-7,611,076	-7,611,076	9,335,806,114	100.00%

### Reason for the changes in share capital

Applicable Inapplicable

#### Partial Repurchase and Cancellation of the Restricted Share Plan

On December 25<sup>th</sup> 2020, the *Proposal on the Third Repurchase and Cancellation of the Granted but Unvested Restricted Shares under the Restricted Share Incentive Scheme of 2016* and the *Proposal on the First Repurchase and Cancellation of Granted but Unvested Restricted Shares under the Restricted Share*

*Incentive Scheme of 2018* were deliberated and adopted by the 20<sup>th</sup> Meeting of the fourth session of the Board of Directors and the 17<sup>th</sup> Meeting of the fourth session of the Board of Supervisors of the Company. According to the authorization of the 2<sup>nd</sup> Extraordinary General Meeting of 2016 and the 2<sup>nd</sup> Extraordinary General Meeting of 2018 of the Company, the Board of Directors agreed to repurchase and cancel some of the granted but unvested restricted share that did not meet the conditions for share incentive. On March 5<sup>th</sup> 2021, the *Proposal on the Third Repurchase and Cancellation of Granted but Unvested Restricted Shares under the Restricted Share Incentive Scheme of 2016* and the *Proposal on the First Repurchase and Cancellation of Granted but Unvested Restricted Shares under the Restricted Share Incentive Scheme of 2018* were deliberated and adopted by the 1<sup>st</sup> Extraordinary General Meeting in 2021. On June 30<sup>th</sup> 2021, the Company has completed the repurchase and cancellation procedures for the above 7,611,076 restricted shares. The total share capital of the Company was reduced by 7,611,076 shares from 9,343,417,190 shares to 9,335,806,114 shares.

**Approval for changes in share capital**

Applicable Inapplicable

On December 25<sup>th</sup> 2020, the *Proposal on the Third Repurchase and Cancellation of Granted but Unvested Restricted Shares under the Restricted Share Incentive Scheme of 2016* and the *Proposal on the First Repurchase and Cancellation of Granted but Unvested Restricted Shares under the Restricted Share Incentive Scheme of 2018* were deliberated and adopted by the 20<sup>th</sup> Meeting of the fourth session of the Board of Directors and the 17<sup>th</sup> Meeting of the fourth session of the Board of Supervisors of the Company. According to the authorization of the 2<sup>nd</sup> Extraordinary General Meeting of 2016 and the 2<sup>nd</sup> Extraordinary General Meeting of 2018 of the Company, the Board of Directors agreed to repurchase and cancel 7,611,076 shares of the granted but unvested restricted shares that did not meet the conditions for share incentive. On March 5<sup>th</sup> 2021, the *Proposal on the Third Repurchase and Cancellation of Granted but Unvested Restricted Shares under the Restricted Share Incentive Scheme of 2016* and the *Proposal on the First Repurchase and Cancellation of Granted but Unvested Restricted Shares under the Restricted Share Incentive Scheme of 2018* were deliberated and adopted by the 1<sup>st</sup> Extraordinary General Meeting in 2021.

**Transfer for changes in share capital**

Applicable Inapplicable

On June 30<sup>th</sup> 2021, the third repurchase and cancellation under the Restricted Share Incentive Scheme of 2016 and the first repurchase and cancellation under the Restricted Share Incentive Scheme of 2018 were completed, and the total share capital of the Company was reduced by 7,611,076 shares from 9,343,417,190 shares to 9,335,806,114 shares.

**Information about the implementation of share repurchase**

Applicable Inapplicable

**The implementation progress of reducing and repurchasing shares by centralized bidding**

Applicable Inapplicable

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

Applicable Inapplicable

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

Applicable Inapplicable

**2. Changes in restricted shares**

Applicable Inapplicable

Name of shareholder	Opening restricted shares	Increased in current period	Vested in current period	Closing restricted shares	Note for restricted shares	Date of unlocking
Gong Hongjia	762,461,110	200,043,704		962,504,814	Restricted shares for senior executives	According to the relevant provisions of shares management for senior executives
Hu Yangzhong	136,591,708	48,150		136,639,858	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	
Grantees of restricted share incentive plan (consolidated)	143,170,198	0	66,796,439	68,762,683	Equity Incentive Restricted Shares	January 20 <sup>th</sup> 2021
Jiang Haiqing	7,718,761	36,900		7,755,661	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	According to the relevant provisions of shares management for senior executives
Wu Weiqi	8,483,992	44,550		8,528,542	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	
Jia Yonghua	3,303,858	32,850		3,336,708	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	
Li Pan	3,184,688	32,850		3,217,538	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	
Huang Fanghong	191,875	44,000		235,875	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	
Fu Baijun	266,250	165,750		432,000	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for	

Name of shareholder	Opening restricted shares	Increased in current period	Vested in current period	Closing restricted shares	Note for restricted shares	Date of unlocking
					senior executives	
Jiang Yufeng	207,225	118,275		325,500	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	
Xu Lirong	194,400	32,850		227,250	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	
He Hongli	207,225	41,400		248,625	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	
Pu Shiliang	77,105	84,820		161,925	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	
Jin Yan	50,800	96,200		147,000	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	
Bi Huijuan	36,750	94,200		130,950	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	
Jin Duo	49,275	32,850		82,125	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	
Cai Changyang	49,275	32,850		82,125	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for	

Name of shareholder	Opening restricted shares	Increased in current period	Vested in current period	Closing restricted shares	Note for restricted shares	Date of unlocking
					senior executives	
Xu Ximing	0	29,550		29,550	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	
Wang Qiuchao	26,250	0		26,250	Restricted shares for senior executives	
Qu Liyang	11,812	0		11,812	Restricted shares for senior executives	
<b>Total</b>	1,066,282,557	201,011,749	66,796,439	1,192,886,791	--	--

Note:

1. Executives who are grantees under incentive restricted shares scheme, his/her holding incentive restricted shares are counted within the total incentive restricted shares (consolidated statistics) on the second row.
2. The difference of 7,611,076 shares between ending balance of restricted shares of *total incentive restricted shares (consolidated) for grantees* and the *calculated balance (opening balance + increased restricted shares - unlocked shares)* was due to repurchasing and cancelling of 7,611,076 shares on June 30<sup>th</sup> 2021.
3. The three executives Jiang Haiqing, Jia Yonghua and Li Pan have left office on October 25<sup>th</sup> 2019. The original term of office expires on March 20<sup>th</sup> 2021, and the shares held by them are kept restricted in accordance with the relevant regulations.
4. Gong Hongjia left the position as a director of the Company on March 5<sup>th</sup> 2021 as his term of office expires, and Fu Baijun and Jiang Yufeng left the position as senior executives of the Company on March 12<sup>th</sup> 2021 as their terms of office expires. The shares held by them were locked up in accordance with relevant regulations.

## II. Issuance and listing of securities

Applicable Inapplicable



**III. Total number of shareholders and their shareholdings**

Unit: Share

Total number of common shareholders at the end of the reporting period		219,924		Total number of preferred shareholders with voting rights restored at the end of the current reporting period (if any)			0	
Particulars about shares held by common shareholders with a shareholding percentage over 5% or the Top 10 of them								
Name of shareholder	Nature of shareholder	Share-holding percentage (%)	Total common shares held at the end of the reporting period	Increase/decrease during the reporting period	The number of common shares held with trading restrictions	The number of shares held without trading restrictions	Pledged or frozen	
							Status	Amount
China Electronics Technology HIK Group Co., Ltd.	State-owned corporation	38.91%	3,632,897,256	0	0	3,632,897,256	Pledged	50,000,000
Gong Hongjia	Overseas individual	10.31%	962,504,814	-54,110,000	962,504,814	0	Pledged	202,100,000
Xinjiang Weixun Investment Management Limited Partnership	Domestic non-state-owned corporation	4.83%	450,795,176	0	0	450,795,176	Pledged	17,810,000
Shanghai Gaoyi Asset Management Partnership (Limited Partnership) - Gaoyi Adjacent Mountain 1 Yuanwang Fund	Other	2.30%	215,000,000	-35,000,000	0	215,000,000	-	-
Xinjiang Pukang Investment Limited Partnership	Domestic non-state-owned corporation	1.95%	182,510,174	0	0	182,510,174	Pledged	35,630,000
The 52nd Research	State-owned	1.94%	180,775,044	0	0	180,775,044	-	-

Institute at China Electronics Technology Group Corporation	corporation							
Hu Yangzhong	Domestic Individual	1.66%	155,246,477	-26,940,000	136,639,858	18,606,619	-	-
Hong Kong Securities Clearing Company Ltd.(HKSCC)	Overseas corporation	1.08%	100,546,982	-235,883,008	0	100,546,982	-	-
Bank of China Co., Ltd. - Efund Blue Chip Select Hybrid Securities Investment Fund	Other	0.96%	90,000,160	20,000,135	0	90,000,160	-	-
Guo Minfang	Domestic Individual	0.72%	66,936,698	45,954,340	0	66,936,698	-	-
Explanation on associated relationship or concerted actions among the above-mentioned shareholders:	<p>China Electronics Technology HIK Group Co., Ltd. and The 52nd Research Institute at China Electronics Technology Group Co., Ltd. are all subject to control of China Electronics Technology Group Co. Ltd.. Ms. Chen Chunmei, limited partner of Xinjiang Pukang Investment Limited Partnership, is the spouse of Mr. Gong Hongjia, foreign individual shareholder of the Company. Hu Yangzhong, domestic individual, is holding shares in both Xinjiang Weixun Investment Management Limited Partnership and Xinjiang Pukang Investment Limited Partnership.</p> <p>Except for these, the Company does not know whether the other shareholders are related parties or whether they are acting-in-concert parties in accordance with the <i>Measures for Management of the Disclosure of the Shareholding Changes of Shareholders of the Listed Company</i>.</p>							
Particulars about shares held by the Top 10 common shareholders holding shares that are not subject to trading restriction(s)								
Name of shareholder	Number of common shares without trading restrictions held at the period-end	Type of shares						
		Type	Number					
China Electronics Technology HIK Group Co., Ltd.	3,632,897,256	RMB common shares	3,632,897,256					
Xinjiang Weixun Investment Management Limited Partnership	450,795,176	RMB common shares	450,795,176					

Shanghai Gaoyi Asset Management Partnership (Limited Partnership) - Gaoyi Adjacent Mountain 1 Yuanwang Fund	215,000,000	RMB common shares	215,000,000
Xinjiang Pukang Investment Limited Partnership	182,510,174	RMB common shares	182,510,174
The 52nd Research Institute at China Electronics Technology Group Co. Ltd.	180,775,044	RMB common shares	180,775,044
Hong Kong Securities Clearing Company Ltd.(HKSCC)	100,546,982	RMB common shares	100,546,982
Bank of China Co., Ltd. - Efunds Blue Chip Select Hybrid Securities Investment Fund	90,000,160	RMB common shares	90,000,160
Guo Minfang	66,936,698	RMB common shares	66,936,698
Central Huijin Investment Co., Ltd.	65,818,800	RMB common shares	65,818,800
CITIC Securities Company Limited	58,796,352	RMB common shares	58,796,352
Explanation on associated relationship and concerted actions among top ten common shareholders holding shares without trading restrictions, and among top ten common shareholders and top ten common shareholders holding shares without trading restrictions	<p>China Electronics Technology HIK Group Co., Ltd. and The 52nd Research Institute at China Electronics Technology Group Co., Ltd. are all subject to control of China Electronics Technology Group Co. Ltd. Ms. Chen Chunmei, limited partner of Xinjiang Pukang Investment Limited Partnership, is the spouse of Mr. Gong Hongjia, foreign individual shareholder of the Company. Hu Yangzhong, domestic individual, is holding shares in both Xinjiang Weixun Investment Management Limited Partnership and Xinjiang Pukang Investment Limited Partnership.</p> <p>Except for these, the Company does not know whether the other shareholders are related parties or whether they are acting-in-concert parties in accordance with the <i>Measures for Management of the Disclosure of the Shareholding Changes of Shareholders of the Listed Company</i>.</p>		

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

Applicable  Inapplicable

No such case during the current reporting period.

#### IV.Shareholding changes of directors, supervisors, senior management personnel

Applicable  Inapplicable

Name	Title	Tenure status	Shares held at the beginning of the current reporting period (shares)	Shares increased during the current reporting period (shares)	Shares decreased during the current reporting period (shares)	Shares held at the end of the current reporting period (Shares)	Number of restricted stocks held at the beginning of the current reporting period (shares)	Number of restricted stocks granted in the current reporting period (shares)	Number of restricted stocks held at the end of the current reporting period (shares)
Chen Zongnian	Chairman	Incumbent	0	0	0	0	0	0	0
Qu Liyang	Director	Incumbent	15,750	0	0	15,750	0	0	0
Wang Qiuchao	Director	Incumbent	35,000	0	0	35,000	0	0	0
Hu Yangzhong	Director, General Manager (CEO)	Incumbent	182,186,477	0	26,940,000	155,246,477	48,150	0	0
Wu Weiqi	Director, Standing Deputy General Manager	Incumbent	11,371,389	0	2,740,300	8,631,089	44,550	0	0
Wu Xiaobo	Independent Director	Incumbent	0	0	0	0	0	0	0
Hu Ruimin	Independent Director	Incumbent	0	0	0	0	0	0	0
Li Shuhua	Independent Director	Incumbent	0	0	0	0	0	0	0
Guan Qingyou	Independent Director	Incumbent	0	0	0	0	0	0	0
Hong Tianfeng	Supervisor Chairman	Incumbent	0	0	0	0	0	0	0
Lu Jianzhong	Supervisor	Incumbent	0	0	0	0	0	0	0
Xu Lirong	Supervisor	Incumbent	303,000	0	0	303,000	32,850	0	0

Name	Title	Tenure status	Shares held at the beginning of the current reporting period (shares)	Shares increased during the current reporting period (shares)	Shares decreased during the current reporting period (shares)	Shares held at the end of the current reporting period (Shares)	Number of restricted stocks held at the beginning of the current reporting period (shares)	Number of restricted stocks granted in the current reporting period (shares)	Number of restricted stocks held at the end of the current reporting period (shares)
He Hongli	Senior Deputy General Manager	Incumbent	331,500	0	0	331,500	41,400	0	0
Cai Changyang	Senior Deputy General Manager	Incumbent	109,500	0	0	109,500	32,850	0	0
Xu Ximing	Senior Deputy General Manager	Incumbent	197,000	0	0	197,000	197,000	0	118,200
Bi Huijuan	Senior Deputy General Manager	Incumbent	273,000	0	0	273,000	168,000	0	73,800
Pu Shiliang	Senior Deputy General Manager	Incumbent	295,900	0	0	295,900	144,820	0	60,000
Jin Duo	Senior Deputy General Manager	Incumbent	109,500	0	0	109,500	32,850	0	0
Jin Yan	Senior Deputy General Manager, Person in charge of finance	Incumbent	284,000	0	0	284,000	162,200	0	66,000

Name	Title	Tenure status	Shares held at the beginning of the current reporting period (shares)	Shares increased during the current reporting period (shares)	Shares decreased during the current reporting period (shares)	Shares held at the end of the current reporting period (Shares)	Number of restricted stocks held at the beginning of the current reporting period (shares)	Number of restricted stocks granted in the current reporting period (shares)	Number of restricted stocks held at the end of the current reporting period (shares)
Huang Fanghong	Senior Deputy General Manager, Board Secretary	Incumbent	402,500	0	0	402,500	110,000	0	66,000
Chen Junke	Senior Deputy General Manager	Incumbent	0	0	0	0	0	0	0
Xu Peng	Senior Deputy General Manager	Incumbent	128,740	0	51,496	77,244	128,740	0	77,244
Guo Xudong	Senior Deputy General Manager	Incumbent	73,800	0	29,520	44,280	73,800	0	44,280
Gong Hongjia	Vice Chairman	Left the position	1,016,614,814	0	54,110,000	962,504,814	0	0	0
Cheng Tianzhong	Independent Director	Left the position	0	0	0	0	0	0	0
Wang Zhidong	Independent Director	Left the position	0	0	0	0	0	0	0
Cheng Huifang	Supervisor Chairman	Left the position	0	0	0	0	0	0	0

Name	Title	Tenure status	Shares held at the beginning of the current reporting period (shares)	Shares increased during the current reporting period (shares)	Shares decreased during the current reporting period (shares)	Shares held at the end of the current reporting period (Shares)	Number of restricted stocks held at the beginning of the current reporting period (shares)	Number of restricted stocks granted in the current reporting period (shares)	Number of restricted stocks held at the end of the current reporting period (shares)
Fu Baijun	Senior Deputy General Manager	Left the position	495,000	0	0	495,000	163,950	0	63,000
Jiang Yufeng	Senior Deputy General Manager	Left the position	325,500	0	0	325,500	36,900	0	0
Total	--	--	1,213,552,370	0	83,871,316	1,129,681,054	1,418,060	0	568,524

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

## V. Changes in controlling shareholders or actual controllers

Change of the controlling shareholder during the reporting period

Applicable  Inapplicable

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

Change of the actual controller during the reporting period

Applicable  Inapplicable

No such change during the reporting period.

## 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

### I. Audit report

Whether audit has been performed on the half year report

Yes  No

The Company's 2021 Half Year Report has not been audited

**Consolidated Balance Sheet**

Unit: RMB

Item	Notes	On June 30 <sup>th</sup> 2021	On December 31 <sup>st</sup> 2020
<b>Current Assets:</b>			
Cash and bank balances	(V)1	27,732,252,975.47	35,459,729,108.27
Held-for-trading financial assets	(V)2	32,620,061.54	22,679,846.77
Notes receivable	(V)3	1,125,257,592.27	1,303,252,705.19
Accounts receivable	(V)4	23,802,312,768.61	21,979,380,716.86
Receivables for financing	(V)5	1,120,170,492.09	1,959,601,195.25
Prepayments	(V)6	388,106,182.29	296,334,689.86
Other receivables	(V)7	802,820,545.50	519,143,350.82
Inventories	(V)8	15,094,505,445.05	11,477,906,040.70
Contract assets	(V)9	184,239,074.35	245,754,510.98
Non-current assets due within one year	(V)10	1,150,804,899.71	1,001,208,813.83
Other current assets	(V)11	856,896,820.26	497,914,506.64
<b>Total Current Assets</b>		<b>72,289,986,857.14</b>	<b>74,762,905,485.17</b>
<b>Non-current Assets:</b>			
Long-term receivables	(V)12	1,914,155,006.05	2,105,570,004.53
Long-term equity investment	(V)13	861,206,603.12	864,026,710.23
Other non-current financial assets	(V)14	468,661,747.43	491,939,067.27
Fixed assets	(V)15	6,258,625,760.95	5,876,007,536.60
Construction in progress	(V)16	1,705,622,399.38	1,425,235,193.72
Right-of-use assets	(V)17	379,766,223.73	
Intangible assets	(V)18	1,231,275,229.76	1,251,317,923.69
Goodwill	(V)19	258,727,796.75	274,203,665.20
Long-term deferred expenses	(V)20	99,951,903.09	108,584,686.85
Deferred tax assets	(V)21	885,071,819.69	820,380,954.86
Other non-current assets	(V)22	765,777,717.03	721,511,156.08
<b>Total Non-current Assets</b>		<b>14,828,842,206.98</b>	<b>13,938,776,899.03</b>
<b>Total Assets</b>		<b>87,118,829,064.12</b>	<b>88,701,682,384.20</b>

**Consolidated Balance Sheet-continued**

Unit: RMB

Item	Notes	On June 30 <sup>th</sup> 2021	On December 31 <sup>st</sup> 2020
<b>Current Liabilities:</b>			
Short-term borrowings	(V)23	3,142,918,040.93	3,999,246,634.59
Held-for-trading financial liabilities	(V)24	3,651,541.77	7,405,771.15
Notes payable	(V)25	1,209,714,255.88	1,036,920,229.85
Accounts payable	(V)26	12,448,273,747.80	13,593,884,790.19
Contract liabilities	(V)27	2,490,674,992.63	2,161,166,671.26
Payroll payable	(V)28	2,825,271,298.77	2,877,786,430.71
Taxes payable	(V)29	1,630,608,808.16	1,770,057,908.62
Other payables	(V)30	2,047,386,116.59	1,525,053,355.95
Non-current liabilities due within one year	(V)31	3,520,220,816.79	3,507,680,339.78
Other current liabilities	(V)32	747,671,171.39	745,711,579.57
<b>Total Current Liabilities</b>		<b>30,066,390,790.71</b>	<b>31,224,913,711.67</b>
<b>Non-current Liabilities:</b>			
Long-term borrowings	(V)33	1,911,015,151.08	1,961,167,761.30
Lease liabilities	(V)34	199,494,520.78	
Long-term payables	(V)35	8,389,432.79	39,595,459.35
Provisions	(V)36	159,098,659.69	151,443,871.02
Deferred income	(V)37	190,729,918.28	190,878,987.69
Deferred tax liabilities	(V)21	90,172,303.25	92,979,823.89
Other non-current liability	(V)38	511,594,361.52	560,959,368.74
<b>Total non-current liabilities</b>		<b>3,070,494,347.39</b>	<b>2,997,025,271.99</b>
<b>Total liabilities</b>		<b>33,136,885,138.10</b>	<b>34,221,938,983.66</b>
<b>Owners' Equity</b>			
Share capital	(V)39	9,335,806,114.00	9,343,417,190.00
Capital reserves	(V)40	5,183,088,784.77	5,178,777,462.09
Less: Treasury shares	(V)41	1,023,188,723.04	1,121,918,737.47
Other comprehensive income	(V)42	(92,227,117.80)	(84,993,926.94)
Surplus reserves	(V)43	4,672,505,348.00	4,672,505,348.00
Retained earnings	(V)44	34,829,891,072.86	35,806,523,826.37
<b>Total owners' equity attributable to owner of the Company</b>		<b>52,905,875,478.79</b>	<b>53,794,311,162.05</b>
Minority equity		1,076,068,447.23	685,432,238.49
<b>Total owners' equity</b>		<b>53,981,943,926.02</b>	<b>54,479,743,400.54</b>
<b>Total liabilities and owners' equity</b>		<b>87,118,829,064.12</b>	<b>88,701,682,384.20</b>

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

**Balance sheet of the parent company**

Unit: RMB

Item	Notes	On June 30 <sup>th</sup> 2021	On December 31 <sup>st</sup> 2020
<b>Current Assets:</b>			
Cash and bank balances		22,705,834,693.65	23,476,606,330.08
Notes receivable		370,004,721.44	107,411,912.35
Accounts receivable	(XV)1	23,907,902,986.24	24,193,392,179.36
Receivables for financing		21,579,977.87	12,216,215.65
Prepayments		72,051,251.61	62,946,087.75
Other receivables	(XV)2	1,198,721,134.79	726,703,133.65
Inventories		325,074,405.29	204,216,250.73
Contract assets		3,563,131.57	3,311,250.08
Non-current assets due within one year		70,471,164.31	71,208,685.76
Other current assets		24,586,583.85	10,110,869.86
<b>Total Current Assets</b>		<b>48,699,790,050.62</b>	<b>48,868,122,915.27</b>
<b>Non-current Assets:</b>			
Long-term accounts receivable		35,746,795.12	47,762,348.01
Long-term equity investment	(XV)3	6,920,188,651.76	6,727,373,453.97
Other non-current financial assets		465,777,527.43	489,054,847.27
Fixed assets		2,742,544,667.09	2,762,700,997.83
Construction in progress		401,652,840.56	388,903,828.81
Right-of-use assets		75,012,711.54	
Intangible assets		150,740,259.56	158,917,438.86
Long-term deferred expenses		36,014,031.88	43,264,691.73
Deferred tax assets		127,239,937.72	110,066,596.99
Other non-current assets		14,073,185.02	2,740,576.47
<b>Total Non-current Assets</b>		<b>10,968,990,607.68</b>	<b>10,730,784,779.94</b>
<b>Total Assets</b>		<b>59,668,780,658.30</b>	<b>59,598,907,695.21</b>

**Balance sheet of the parent company - continued**

Unit: RMB

Item	Notes	On June 30 <sup>th</sup> 2021	On December 31 <sup>st</sup> 2020
<b>Current Liabilities:</b>			
Short-term borrowings		-	1,431,233,375.00
Accounts payable		373,452,615.01	540,664,512.60
Contract liabilities		305,078,391.27	240,629,015.92
Payroll payable		1,804,466,802.62	1,618,357,135.99
Taxes payable		1,458,059,455.50	1,539,095,196.97
Other payables		3,475,728,776.12	659,214,959.62
Non-current liabilities due within one year		3,121,270,737.26	3,219,794,958.37
Other current liabilities		554,919,670.37	589,167,743.26
<b>Total Current Liabilities</b>		<b>11,092,976,448.15</b>	<b>9,838,156,897.73</b>
<b>Non-current Liabilities:</b>			
Long-term borrowings		-	-
Lease liabilities		35,664,046.98	
Provisions		74,510,513.83	85,230,299.84
Deferred Income		103,943,615.85	122,455,935.44
Other non-current liabilities		511,594,361.52	560,959,368.74
<b>Total non-current liabilities</b>		<b>725,712,538.18</b>	<b>768,645,604.02</b>
<b>Total liabilities</b>		<b>11,818,688,986.33</b>	<b>10,606,802,501.75</b>
<b>Owners' Equity</b>			
Share capital		9,335,806,114.00	9,343,417,190.00
Capital reserves		4,762,676,910.92	4,770,210,334.16
Less: Treasury shares		1,023,188,723.04	1,121,918,737.47
Surplus reserves		4,672,505,348.00	4,672,505,348.00
Retained earnings		30,102,292,022.09	31,327,891,058.77
<b>Total owners' equity</b>		<b>47,850,091,671.97</b>	<b>48,992,105,193.46</b>
<b>Total liabilities and owners' equity</b>		<b>59,668,780,658.30</b>	<b>59,598,907,695.21</b>

**Consolidated Income Statement**

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
<b>I. Total operating income</b>	(V)45	<b>33,902,098,368.10</b>	<b>24,271,159,243.76</b>
Less: Total operating costs	(V)45	18,205,195,764.46	12,193,719,945.38
Business taxes and surcharges	(V)46	280,470,004.15	168,072,165.25
Selling expenses		4,190,678,349.80	3,420,291,518.42
Administrative expenses		880,577,747.56	864,959,489.94
Research and Development (R&D) expenses		3,877,769,884.09	3,063,423,679.69
Financial expenses	(V)47	(122,524,438.07)	(227,972,206.73)
Including: Interest expenses		110,613,426.61	94,137,084.05
Interest income		411,998,029.35	306,973,066.18
Add: Other Income	(V)48	1,076,047,292.02	994,778,394.15
Investment income	(V)49	169,311,455.72	150,219,709.56
Including: Investment losses in associated enterprise and joint-venture enterprise		(1,821,107.11)	(8,942,717.69)
Losses from changes in fair values	(V)50	(9,549,529.40)	(20,436,436.96)
Credit impairment losses	(V)51	(311,905,460.79)	(152,772,469.77)
Impairment losses of assets	(V)52	(258,336,972.38)	(165,394,158.33)
Asset disposal income		3,760,896.87	21,554.99
<b>II. Operating profit</b>		<b>7,259,258,738.15</b>	<b>5,595,081,245.45</b>
Add: Non-operating income	(V)53	42,002,720.90	31,721,207.08
Less: Non-operating expenses	(V)54	18,855,336.72	7,378,765.56
<b>III. Total profit</b>		<b>7,282,406,122.33</b>	<b>5,619,423,686.97</b>
Less: Income tax expenses	(V)55	427,530,365.26	952,552,145.97
<b>IV. Net profit</b>		<b>6,854,875,757.07</b>	<b>4,666,871,541.00</b>
4.1 Classification by continuous operation			
(a) Net profit on continuous operation		6,854,875,757.07	4,666,871,541.00
(b) Net loss on terminated operation			-
4.2 Classification by attribution of ownership			
(a) Profit or loss attributable to minority shareholders		373,451,103.68	42,898,710.13
(b) Net profit attributable to owners of parent company		6,481,424,653.39	4,623,972,830.87
<b>V. Other comprehensive income, net of income tax</b>	(V)42	<b>(8,260,441.80)</b>	<b>(26,796,178.37)</b>
Other comprehensive income attributable to owners of the Company, net of tax		(7,233,190.86)	(24,482,915.47)
(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		(7,233,190.86)	(24,482,915.47)

Item	Notes	Amount for the current period	Amount for the prior period
1. Exchange differences arising on conversion of financial statements denominated in foreign currencies		(7,233,190.86)	(24,482,915.47)
Other comprehensive income attributable to minority interests, net of tax		(1,027,250.94)	(2,313,262.90)
<b>VI. Total comprehensive income</b>		<b>6,846,615,315.27</b>	<b>4,640,075,362.63</b>
Total comprehensive income attributable to owners of the parent company		6,474,191,462.53	4,599,489,915.40
Total comprehensive income attributable to minority shareholders		372,423,852.74	40,585,447.23
<b>VII. Earnings per share</b>			
(I) Basic earnings per share	(XVI)2	0.695	0.493
(II) Diluted earnings per share	(XVI)2	0.695	0.493



**Income statement of the parent company**

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
<b>I. Total operating income</b>	(XV)4	12,917,726,385.73	11,584,268,085.23
Less: Total operating Cost	(XV)4	2,509,299,575.74	2,922,006,997.48
Business taxes and surcharges		150,551,978.92	127,523,350.50
Selling expenses		1,783,224,294.68	1,378,570,165.20
Administrative expenses		314,616,473.56	382,045,872.60
Research and Development (R&D) expenses		2,720,506,560.34	2,190,386,100.23
Financial expenses		(343,124,665.61)	(200,603,140.91)
Including : Interest expenses		10,397,669.93	13,789,744.18
Interest income		308,600,906.50	215,501,593.83
Add: Other income		814,486,093.98	797,244,362.60
Investment income	(XV)5	111,957,469.10	192,706,003.20
Including: Investment losses in associated enterprise and joint-venture enterprise		(3,799,685.50)	(3,628,950.89)
Losses from changes in fair values		(23,277,319.84)	(13,017,332.26)
Credit impairment losses		(40,842,757.19)	(15,105,661.89)
Gains (losses) on asset impairment		(78,025.86)	1,095,084.66
Asset disposal income		3,833,547.49	2,863.84
<b>II. Operating profit</b>		<b>6,648,731,175.78</b>	<b>5,747,264,060.28</b>
Add: Non-operating income		3,802,072.88	8,749,908.65
Less: Non-operating expenses		9,890,999.61	1,267,522.90
<b>III. Total profit</b>		<b>6,642,642,249.05</b>	<b>5,754,746,446.03</b>
Less: Income tax expenses		410,183,878.83	812,649,281.30
<b>IV. Net profit</b>		<b>6,232,458,370.22</b>	<b>4,942,097,164.73</b>
<b>V. Other comprehensive income, net of income tax</b>		-	-
<b>VI. Total comprehensive income</b>		<b>6,232,458,370.22</b>	<b>4,942,097,164.73</b>

**Consolidated Cash Flow Statement**

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
<b>I. Cash flows from operating activities:</b>			
Cash received from sale of goods or rendering of services		36,645,553,356.23	27,244,048,844.95
Receipts of tax refunds		1,948,391,576.36	1,718,589,299.56
Other cash receipts relating to operating activities	(V)56(1)	1,110,525,511.10	707,923,092.38
<b>Sub-total of cash inflows from operating activities</b>		<b>39,704,470,443.69</b>	<b>29,670,561,236.89</b>
Cash payments for goods purchased and services received		25,383,102,780.25	19,503,212,062.93
Cash paid to and on behalf of employees		6,909,644,086.23	5,587,456,744.73
Payments of various types of taxes		2,538,596,422.62	2,463,618,915.37
Other cash payments relating to operating activities	(V)56(2)	2,910,273,382.44	2,046,307,173.29
<b>Sub-total of cash outflows from operating activities</b>		<b>37,741,616,671.54</b>	<b>29,600,594,896.32</b>
<b>Net Cash flows from Operating Activities</b>	(V)57(1)	<b>1,962,853,772.15</b>	<b>69,966,340.57</b>
<b>II. Cash flows from Investing Activities:</b>			
Cash receipts from recovery of investments		3,831,776,958.90	967,045,868.90
Cash receipts from investment income		116,643,801.97	150,000,000.00
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		6,017,061.25	2,855,619.32
Other cash receipts relating to investing activities	(V)56(3)	6,182,818.55	14,990,732.87
<b>Sub-total of cash inflows from investing activities</b>		<b>3,960,620,640.67</b>	<b>1,134,892,221.09</b>
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		1,285,789,284.17	1,397,220,231.04
Cash paid to acquire investments		3,761,350,647.76	1,232,156,803.46
Net cash paid for disposal of subsidiaries and other business units	(VI)1(1)	7,355,969.42	-
<b>Sub-total of cash outflows from investing activities</b>		<b>5,054,495,901.35</b>	<b>2,629,377,034.50</b>
<b>Net cash flows from Investing Activities</b>		<b>(1,093,875,260.68)</b>	<b>(1,494,484,813.41)</b>
<b>III. Cash flows from financing activities:</b>			
Cash receipts from capital contributions		5,750,000.00	154,264,987.03
Including: cash receipts from capital contributions from minority owners of subsidiaries		5,750,000.00	154,264,987.03
Cash receipts from borrowings		1,439,276,251.61	3,445,980,000.00
Cash receipts from issuance of bonds and SCP		-	999,500,000.00
<b>Sub-total of cash inflows from financing activities</b>		<b>1,445,026,251.61</b>	<b>4,599,744,987.03</b>
Cash repayments of borrowings		2,352,226,510.55	1,459,216,468.29
Cash payments for distribution of dividends or profits or settlement of interest expenses		7,064,746,308.01	6,554,304,815.58
Including : Dividends and profits paid by subsidiaries to minority shareholders		1,500,000.00	-
Other cash payments relating to financing activities	(V)56(4)	207,606,972.78	64,290,000.00
<b>Sub-total of cash outflows from financing activities</b>		<b>9,624,579,791.34</b>	<b>8,077,811,283.87</b>
<b>Net cash flows from Financing Activities</b>		<b>(8,179,553,539.73)</b>	<b>(3,478,066,296.84)</b>
<b>IV. Effect of foreign exchange rate changes on Cash and Cash Equivalents</b>		<b>(74,298,730.20)</b>	<b>10,423,718.77</b>
<b>V. Net Decrease in Cash and Cash Equivalents</b>	(V)57(1)	<b>(7,384,873,758.46)</b>	<b>(4,892,161,050.91)</b>
Add: Opening balance of Cash and Cash Equivalents	(V)57(1)	35,024,837,878.31	26,515,668,008.40
<b>VI. Closing Balance of Cash and Cash Equivalents</b>	(V)57(2)	<b>27,639,964,119.85</b>	<b>21,623,506,957.49</b>

**Cash Flow Statements of the parent company**

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
<b>I. Cash flows from Operating Activities::</b>			
Cash receipts from the sale of goods and the rendering of services		14,695,266,847.20	10,102,563,972.01
Receipts of tax refunds		737,640,128.60	751,843,296.77
Other cash receipts relating to operating activities		810,301,539.46	375,348,009.24
<b>Sub-total of cash inflows from operating activities</b>		<b>16,243,208,515.26</b>	<b>11,229,755,278.02</b>
Cash payments for goods acquired and services received		3,146,599,060.27	3,428,323,188.51
Cash payments to and on behalf of employees		3,533,262,244.48	3,021,694,357.17
Payments of various types of taxes		1,854,362,234.39	1,820,418,512.27
Other cash payments relating to operating activities		1,193,441,671.96	1,332,281,567.50
<b>Sub-total of cash outflows from operating activities</b>		<b>9,727,665,211.10</b>	<b>9,602,717,625.45</b>
<b>Net Cash flows from Operating Activities</b>		<b>6,515,543,304.16</b>	<b>1,627,037,652.57</b>
<b>II. Cash flows from Investing Activities:</b>			
Cash receipts from recovery of investments		-	2,800,000.00
Cash receipts from investment income		120,143,801.97	150,000,000.00
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		6,720,944.51	1,142,724.61
Other cash receipts relating to investing activities		7,834,524,088.17	1,698,134,887.49
<b>Sub-total of cash inflows from investing activities</b>		<b>7,961,388,834.65</b>	<b>1,852,077,612.10</b>
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		189,587,482.90	294,745,004.28
Cash payments to acquire investments		205,000,000.00	725,748,730.00
Other cash payments relating to investing activities		8,126,886,684.35	-
<b>Sub-total of cash outflows from investing activities</b>		<b>8,521,474,167.25</b>	<b>1,020,493,734.28</b>
<b>Net Cash flows from Investing Activities</b>		<b>(560,085,332.60)</b>	<b>831,583,877.82</b>
<b>III. Cash flows from Financing Activities</b>			
Cash receipts from borrowings		-	2,480,000,000.00
Cash receipts from issuance of bonds and SCP		-	999,500,000.00
Other cash receipts relating to financing activities		9,731,292,792.85	-
<b>Sub-total of cash inflows from financing activities</b>		<b>9,731,292,792.85</b>	<b>3,479,500,000.00</b>
Cash repayments of borrowings		1,430,000,000.00	1,000,000,000.00
Cash payments for distribution of dividends or profits or settlement of interest expenses		6,966,343,191.95	6,455,560,277.48
Other cash payments relating to financing activities		7,859,321,152.86	-
<b>Sub-total of cash outflows from financing activities</b>		<b>16,255,664,344.81</b>	<b>7,455,560,277.48</b>
<b>Net Cash flows from Financing Activities</b>		<b>(6,524,371,551.96)</b>	<b>(3,976,060,277.48)</b>
<b>IV. Effect of foreign exchange rate changes on Cash and Cash Equivalents</b>		<b>(7,549,854.62)</b>	<b>32,767,298.25</b>
<b>V. Net decrease in cash and cash equivalents</b>		<b>(576,463,435.02)</b>	<b>(1,484,671,448.84)</b>
Add: Opening balance of cash and cash equivalents		23,264,693,578.70	16,656,028,410.72
<b>VI. Closing Balance of Cash and Cash Equivalents</b>		<b>22,688,230,143.68</b>	<b>15,171,356,961.88</b>

**Consolidated Statement of Changes in Owners' Equity**

Unit: RMB

Items	Amount for the first half of 2021							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			
<b>I. Closing balance of the prior year</b>	9,343,417,190.00	5,178,777,462.09	1,121,918,737.47	(84,993,926.94)	4,672,505,348.00	35,806,523,826.37	685,432,238.49	54,479,743,400.54	
<b>II. Increase or decrease in the current period</b>	(7,611,076.00)	4,311,322.68	(98,730,014.43)	(7,233,190.86)	-	(976,632,753.51)	390,636,208.74	(497,799,474.52)	
(I) Total comprehensive income	-	-	-	(7,233,190.86)	-	6,481,424,653.39	372,423,852.74	6,846,615,315.27	
(II) Owners' contributions and reduction in capital	(7,611,076.00)	4,311,322.68	(37,631,007.23)	-	-	-	19,712,356.00	54,043,609.91	
1. Capital contribution from shareholders	-	-	-	-	-	-	5,750,000.00	5,750,000.00	
2. Share-based payment recognized in owners' equity	-	119,354,237.28	-	-	-	-	14,754,392.73	134,108,630.01	
3. Others	(7,611,076.00)	(115,042,914.60)	(37,631,007.23)	-	-	-	(792,036.73)	(85,815,020.10)	
(III) Profit distribution	-	-	(61,099,007.20)	-	-	(7,458,057,406.90)	(1,500,000.00)	(7,398,458,399.70)	
1. Transfer to surplus reserves	-	-	-	-	-	-	-	-	
2. Distributions to shareholders	-	-	(61,099,007.20)	-	-	(7,458,057,406.90)	(1,500,000.00)	(7,398,458,399.70)	
3. Others	-	-	-	-	-	-	-	-	
<b>III. Closing balance of the current period</b>	9,335,806,114.00	5,183,088,784.77	1,023,188,723.04	(92,227,117.80)	4,672,505,348.00	34,829,891,072.86	1,076,068,447.23	53,981,943,926.02	

**Consolidated Statement of Changes in Owners' Equity-continued**

Unit: RMB

Items	Amount for the first half of 2020							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			
<b>I. Closing balance of the prior year</b>	9,345,010,696.00	4,126,943,698.96	2,148,273,864.36	(53,541,146.99)	4,672,505,348.00	28,961,389,145.22	568,825,008.31	45,472,858,885.14	
<b>II. Increase or decrease in the current period</b>	-	449,550,562.28	(101,334,592.80)	(24,482,915.47)	-	(1,917,534,656.33)	164,628,787.73	(1,226,503,628.99)	
(I) Total comprehensive income	-	-	-	(24,482,915.47)	-	4,623,972,830.87	40,585,447.23	4,640,075,362.63	
(II) Owners' contributions and reduction in capital	-	449,550,562.28	-	-	-	-	121,593,340.50	571,143,902.78	
1. Capital contribution from shareholders	-	-	-	-	-	-	154,264,987.03	154,264,987.03	
2. Share-based payment recognized in owners' equity	-	460,632,426.68	-	-	-	-	20,536,489.07	481,168,915.75	
3. The amount formed by the acquisition of minority shareholders' equity	-	(33,016,354.85)	-	-	-	-	(31,273,645.15)	(64,290,000.00)	
4. The amount formed by transferring the shares of the subsidiary	-	2,380,508.81	-	-	-	-	(2,380,508.81)	-	
5. The amount formed by the disposal of asset group	-	19,553,981.64	-	-	-	-	(19,553,981.64)	-	
(III) Profit distribution	-	-	(101,334,592.80)	-	-	(6,541,507,487.20)	2,450,000.00	(6,437,722,894.40)	
1. Transfer to surplus reserves	-	-	-	-	-	-	-	-	
2. Distributions to shareholders	-	-	(101,334,592.80)	-	-	(6,541,507,487.20)	2,450,000.00	(6,437,722,894.40)	
3. Others	-	-	-	-	-	-	-	-	
<b>III. Closing balance of the current period</b>	<b>9,345,010,696.00</b>	<b>4,576,494,261.24</b>	<b>2,046,939,271.56</b>	<b>(78,024,062.46)</b>	<b>4,672,505,348.00</b>	<b>27,043,854,488.89</b>	<b>733,453,796.04</b>	<b>44,246,355,256.15</b>	

 At June 30<sup>th</sup> 2021

**Statement of Changes in Owners' Equity of the parent company**

Unit: RMB

Item	Amount for the first half of 2021					
	Share capital	Capital reserves	Less: Treasury share	Surplus reserve	Retained profits	Total owners' equity
<b>I. Closing balance of the prior year</b>	9,343,417,190.00	4,770,210,334.16	1,121,918,737.47	4,672,505,348.00	31,327,891,058.77	48,992,105,193.46
<b>II. Increase or decrease in the current period</b>	(7,611,076.00)	(7,533,423.24)	(98,730,014.43)	-	(1,225,599,036.68)	(1,142,013,521.49)
(I) Total comprehensive income	-	-	-	-	6,232,458,370.22	6,232,458,370.22
(II) Owners' contributions and reduction in capital	(7,611,076.00)	(7,533,423.24)	(37,631,007.23)	-	-	22,486,507.99
1. Capital contribution from shareholders	-	-	-	-	-	-
2. Share-based payment recognized in owners' equity	-	107,499,558.04	-	-	-	107,499,558.04
3. Others	(7,611,076.00)	(115,032,981.28)	(37,631,007.23)	-	-	(85,013,050.05)
(III) Profit distribution	-	-	(61,099,007.20)	-	(7,458,057,406.90)	(7,396,958,399.70)
1. Transfer to surplus reserve	-	-	-	-	-	-
2. Distributions to shareholders	-	-	(61,099,007.20)	-	(7,458,057,406.90)	(7,396,958,399.70)
3. Others	-	-	-	-	-	-
<b>III. Closing balance of the current period</b>	<b>9,335,806,114.00</b>	<b>4,762,676,910.92</b>	<b>1,023,188,723.04</b>	<b>4,672,505,348.00</b>	<b>30,102,292,022.09</b>	<b>47,850,091,671.97</b>

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

Unit: RMB

Item	Amount for the first half of 2020					
	Share capital	Capital reserves	Less: Treasury share	Surplus reserve	Retained profits	Total owners' equity
<b>I. Closing balance of the prior year</b>	9,345,010,696.00	4,064,833,739.52	2,148,273,864.36	4,672,505,348.00	25,196,894,651.27	41,130,970,570.43
<b>II. Increase or decrease in the current period</b>	-	481,168,915.75	(101,334,592.80)	-	(1,599,410,322.47)	(1,016,906,813.92)
(I) Total comprehensive income	-	-	-	-	4,942,097,164.73	4,942,097,164.73
(II) Owners' contributions and reduction in capital	-	481,168,915.75	-	-	-	481,168,915.75
1. Capital contribution from shareholders	-	-	-	-	-	-
2. Share-based payment recognized in owners' equity	-	481,168,915.75	-	-	-	481,168,915.75
3. Others	-	-	-	-	-	-
(III) Profit distribution	-	-	(101,334,592.80)	-	(6,541,507,487.20)	(6,440,172,894.40)
1. Transfer to surplus reserve	-	-	-	-	-	-
2. Distributions to shareholders	-	-	(101,334,592.80)	-	(6,541,507,487.20)	(6,440,172,894.40)
3. Others	-	-	-	-	-	-
<b>III. Closing balance of the current period</b>	<b>9,345,010,696.00</b>	<b>4,546,002,655.27</b>	<b>2,046,939,271.56</b>	<b>4,672,505,348.00</b>	<b>23,597,484,328.80</b>	<b>40,114,063,756.51</b>

## 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<sup>th</sup> 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<sup>th</sup> 2008, with approval of document No. 598 [2008] issued by the MOFCOM (The Ministry of Commerce of the People's Republic of China), the company was renamed as "Hangzhou Hikvision Digital Technology Co., Ltd.", headquartered in Hangzhou, and obtained the business license of enterprise No.91330000733796106P. On May 28<sup>th</sup> 2010, the Company was listed on the Shenzhen Stock Exchange.

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

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

On December 17<sup>th</sup> 2020, authorized by the Company's second Extraordinary General Meeting in 2016, the Company completed procedures of repurchase and cancellation of some of the 1,593,506 restricted stocks that did not meet the incentive conditions, and the total share capital of the Company was adjusted to 9,343,417,190 shares.

On June 30<sup>th</sup> 2021, authorized by the Company's second Extraordinary General Meeting in 2016 and the second Extraordinary General Meeting in 2018, the Company completed procedures of repurchase and cancellation of some of the 7,611,076 restricted stocks that did not meet the incentive conditions, and the total share capital of the Company was adjusted to 9,335,806,114 shares. For details of the share capital, please refer to Note (V), 39.

As of June 30<sup>th</sup> 2021, the Company's total registered capital is RMB 9,335,806,114, with total capital shares of 9,335,806,114 shares (face value RMB 1 per share), of which restricted A-shares were 1,192,886,791 shares, A-shares without restriction are 8,142,919,323 shares.

The Company is involved in the sector of other electronic equipment manufacturing of the electronic industry. The main business activities of the Company are licensed business items as follows: Class II and Class III ray device production; Class II and Class III ray device sales; Radioisotope production (except for short-half-life radiopharmaceuticals for medical use); Class II, Class III, Class IV and Class V radioactive sources sales; all kinds of engineering and construction activities; goods import and export, and technology import and export( as for the items subject to the approval of laws, business activities can be carried out only after being approved by the relevant departments, and the specific operation items shall be in accordance with the approved norms.) General items: digital video surveillance system manufacturing; digital video surveillance system sales; security equipment manufacturing; security equipment sales; manufacturing of IoT equipment; sales of IoT equipment; manufacturing of intelligent unmanned aerial vehicles; sales of intelligent unmanned aerial vehicles; manufacturing of service consumption robots; manufacturing of industrial robots; manufacturing of robots for special operations; sales of intelligent robots; 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 on-board equipment; sales of intelligent on-board equipment; manufacturing of auto parts and accessories; wholesale of auto parts and accessories; manufacturing of electric signal appliance and device; sales of electric signal appliance and device; manufacturing of mechanical and electrical equipment; sales of mechanical and electrical equipment; manufacturing of special labor protective supplies; sales of special labor protective supplies; sales of electronic products; sales of digital cultural and creative technology equipment;



technical services, technical development, technical consultation, technical exchange, technical transfer and technical promotion; software development; 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 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; for-profit private training institution engaged in science and technology training (excluding discipline and language cultural education and training for primary and secondary school students). For details about business scope of the Company and its subsidiaries, please refer to Note (VII) 1.

The Company's and consolidated financial reports were approved for issuance by the 3<sup>rd</sup> meeting of the 5<sup>th</sup> session Board of Directors of the Company on July 23<sup>rd</sup> 2021.

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

## **II. Basis of preparation of financial statements**

### **Basis of preparation of financial statements**

The Company and its subsidiaries (hereinafter referred to as "the Group") have adopted the Accounting Standards for Business Enterprises ("ASBE") and relevant provisions issued by the Ministry of Finance ("MoF"). In addition, the Group has disclosed relevant financial information in accordance with *Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reporting (revised in 2014)*.

### **Going concern**

The Group has evaluated its going concern for 12 months going forward starting from June 30<sup>th</sup> 2021, and there is no factor that may cast significant doubt on the entity's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

### **Bookkeeping base and valuation principles**

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

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

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

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

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

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

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

### **III. Significant accounting policies and accounting estimates**

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

The financial statements of the Company have been prepared in accordance with ASBE, and present truly and completely, the Company's and consolidated financial position as of June 30<sup>th</sup> 2021; and the Company's and consolidated results of operations, the Company's and consolidated changes in shareholders' equity, and the Company's and consolidated cash flows for the first half of 2021.

#### **2. Accounting Period**

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

#### **3. Business Cycle**

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

#### **4. Functional currency**

Renminbi (“RMB”) is the currency in the primary economic environments in which the Company and its domestic subsidiaries are operated. The Company and its domestic subsidiaries take RMB as their functional currency. Overseas subsidiaries of the Company determine their functional currency on the basis of the primary economic environment in which it operates. For functional currency of overseas subsidiaries of the Company, see Note (V) 59. The Group adopts RMB to prepare its financial statements.

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

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

### 5.1 Business combinations involving enterprises under common control

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

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

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

### 5.2 Business combinations not involving enterprises under common control and goodwill

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

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

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

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

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

## **6. Preparation method of consolidated financial statements**

### 6.1 Preparation method of consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

## **7. Joint arrangement classification and joint operation accounting**

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

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

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

## **8. Recognition criteria of cash and cash equivalents**

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

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

### 9.1 Transactions denominated in foreign currencies

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

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

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

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

## 9.2 Conversion of financial statements denominated in foreign currencies

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

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

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

On disposal of the Group's entire interest in a foreign operation, or upon a loss of control over a foreign operation due to disposal of certain interest in it or other reasons, the Group transfers the accumulated exchange differences arising on

conversion of financial statements of this foreign operation attributable to the owners' equity of the Company and presented under shareholders' equity, to profit or loss in the period in which the disposal occurs.

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

## **10. Financial Instruments**

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

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

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

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

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

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

### 10.1 Classification, Confirmation and Measurement of Financial Assets

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



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

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

At the time of initial recognition, the Group may, on the basis of a single financial asset, irrevocably designate an investment in an equity instrument held for non-trading purpose recognized or without consideration in a business merger not under common control as a financial asset at fair value through other comprehensive income. This type of financial assets is presented as investment in other equity instruments.

Financial assets which have satisfied one of the following conditions indicate that such financial assets are held for trading purpose by the Group:

- The purpose of acquiring the relevant financial asset is mainly for sale in recent period.
- At the time of initial recognition, the relevant financial asset is a part of an identifiable portfolio of financial instruments under collective management, and there is objective evidence showing a recent and actual existence of short-term profitable mode.
- The relevant financial assets are derivatives, excluding derivatives which satisfy the definition under financial guarantee contracts and derivatives which are designated as effective hedging instruments.

Financial assets at fair value through profit and loss include financial assets which are classified as financial assets at fair value through profit and loss and financial assets designated at fair value through profit and loss:

- Financial assets which do not satisfy the conditions of being classified as financial assets measured at amortized cost or as financial assets at fair value through other comprehensive income, they will be classified as financial assets at fair value through profit and loss.
- At the time of initial recognition, in order to eliminate or substantially reduce mismatch in accounting, the Group may irrevocably designate a financial asset as a financial asset measured at fair value with changes through profit and loss.

Financial assets at fair value through profit and loss will be presented as held-for-trading financial assets. If such financial assets have a maturity of more than one year from the balance sheet date (or without a fixed maturity) and which are expected to be held for more than one year, they will be presented under other non-current financial assets.



### 10.1.1 Financial assets measured at amortized cost

Financial assets measured at amortized cost adopt the effective interest rate method for subsequent measurement according to amortized cost, the profit or loss when impairment occurs or upon derecognition will be accounted in profit and loss of the current period.

The Group recognizes interest income by using effective interest rate method for financial assets measured at amortized cost. The Group determines interest income by multiplying the balance of book value of financial assets with the effective interest rate except under the following circumstances:

- For acquired or generated financial assets which incurred credit impairment already, their interest income will be determined by using the amortized cost of such financial asset calculated with the credit adjusted effective interest rate.
- For acquired or generated financial assets which have not incurred credit impairment but incur credit impairment in the subsequent period, the Group will determine their interest income by using the amortized cost of such financial assets multiplied with the effective interest rate in the subsequent period. If such financial asset ceases to have credit impairment due to improvement in credit risk in the subsequent period, then the Group should change to multiply the effective interest rate with the balance of book value of such financial asset instead to determine the interest income.

### 10.1.2 Financial asset at fair value through other comprehensive income

The impairment loss or profit, or interest income calculated by using the effective interest rate method, relating to financial asset at fair value through other comprehensive income should be accounted in the profit and loss of the current period, and other changes in fair value of such financial assets will be accounted in other comprehensive income. The amount charged by such financial asset to the profit and loss of each period is deemed to be equal to the amount which has been measured by amortized cost and charged to the profit and loss of each period. Upon derecognition of such financial asset, the accumulated profit or loss previously charged to other comprehensive income will be reversed from other comprehensive income and charged to profit and loss of the current period.

For non-trading equity instrument investment designated at fair value through other comprehensive income, its changes in fair value will be recognized in other comprehensive income. Upon derecognition of such financial asset, the accumulated profit or loss charged to other comprehensive income will be reversed from other comprehensive income and charged to retained earnings. During the period when such investment in equity instruments for non-trading purpose are held by the Group, the right to receive dividends by the Group has been established, and economic benefits related to dividends are likely to flow into the Group, and if the amount of dividends may be measured reliably, the dividend income is recognized and accounted in the profit and loss of the current period.

### 10.1.3 Financial asset at fair value through profit and loss

For financial asset at fair value through profit and loss, subsequent measurement will be calculated at fair value, the profit or loss arising from changes in fair value and the dividend and interest income relating to such financial asset will be accounted in the profit and loss of the current period.

## 10.2 Impairment of Financial Assets

For financial assets measured at amortized cost, financial assets that are classified as financial asset at fair value through other comprehensive income, contract assets, lease receivables, and financial guarantee contracts that do not meet the

conditions for termination of recognition due to the transfer of financial assets or continue to be involved in financial liabilities formed by the transferred financial assets, the Group will handle impairment on the basis of expected credit loss and recognize loss provision.

The Group's consideration of contract assets, notes receivable and accounts receivable that are generated by transactions regulated by revenue standards and do not contain significant financing components or that do not consider financing components in contracts that are not more than one year old, as well as those operating lease receivables formed from transactions that are defined by the *Accounting Standards for Business Enterprises No. 21-Leasing*, the loss reserve shall be measured based on the amount of the expected credit loss during the entire duration.

For other financial instruments, other than acquired or generated financial assets which have incurred credit impairment already, the Group will assess on each balance sheet date the changes in credit risk of the relevant financial instruments since initial recognition. If the credit risk of such financial asset has significantly increased after initial recognition, the Group will calculate its loss provision based on the amount equivalent to the expected credit loss for the entire subsisting period. If the credit risk of such financial asset since initial recognition has not increased significantly, the Group will calculate its loss provision according to the expected credit loss amount of such financial asset for the next 12 months. The amount of increase or reversal in the provision for credit loss, apart from financial assets classified as financial asset at fair value through other comprehensive income, is accounted in the profit and loss of the current period. For financial asset classified as measured at fair value through other comprehensive income, the Group will recognize its credit loss provision in other comprehensive income and charged the impairment loss or gain to the profit and loss of the current period, and will not decrease the book value of such financial asset presented in the balance sheet.

The Group has calculated the loss provision equivalent to the expected credit loss amount for the entire subsisting period of the financial instrument in the preceding accounting period, but at the balance sheet date of the current period, such financial instrument is no longer under the condition of significant increase in credit risk since initial recognition, the Group calculates the loss provision for such financial instrument on the balance sheet date of the current period according to an amount equivalent to the expected credit loss for the next 12 months, and the resulting loss provision reversal amount will be counted as impairment gain and booked into the profit and loss of the current period.

#### 10.2.1 Significant increase in credit risk

The Group uses available and reasonable forward-looking information with justification, by comparing the default risk of the financial instrument at the balance sheet date with the default risk on the initial recognition date, to confirm whether the credit risk of the financial instrument has significantly increased after initial recognition. When using the financial instrument impairment rules for loan commitment and financial guarantee contracts, the date when the Group becomes a party of an irrevocable commitment is deemed as the initial recognition date.

The Group considers the following factors when assessing whether the credit risk has significantly increased:

- (1) Whether a significant change has been caused to the internal price indicator due to changes in credit risk.
- (2) Whether the external credit rating of financial instrument has actual or expected significant changes.
- (3) Whether the actual or expected internal credit rating of the debtor has been downgraded.
- (4) Whether adverse changes have occurred in the business, finance or economic conditions which are expected to cause significant changes in the capability of the debtor to perform debt repayment obligations.
- (5) Whether actual or expected significant changes have occurred in the operating results of the debtor.
- (6) Whether significant adverse changes have occurred in the supervision, economic or technical environment in which the debtor operates.
- (7) Whether significant changes have occurred in the value of security pledged for the debt or the quality of guarantee

or credit enhancement provided by third parties. Such changes are expected to reduce the debtor's economic motivation of repayment according to contractual term or influence the probability of default.

- (8) Whether significant changes have occurred in the economic motivation which will lower the expectation of repayment by the borrower according to the contractual term.
- (9) Whether significant changes have occurred in the expected performance and repayment behavior of the debtor.

Whether or not the credit risks increase significantly after the foregoing assessments, if any contractual payment for any financial instrument that overdue for over (including) 30 days, it indicates the credit risks of that financial instrument have increased significantly.

On the balance sheet date, if the Group determines that the financial instrument only carries low credit risks, then it assumes that the credit risks of the financial instrument have not increased significantly since the initial recognition. If the risk of default on financial instruments is low, the borrower is highly able to perform its contractual cash flow obligations in the short term, and even if the economic situation and operating environment are adversely changed over a long period of time but not necessarily reducing the borrower's performance of its contractual cash obligations, the financial instrument is considered as having a lower credit risk.

### 10.2.2 Financial assets which have incurred credit impairment already

When one or more events which will have adverse effect on the expected future cash flows from the financial asset of the Group have occurred, such financial asset will become a financial asset which have incurred credit impairment already. The evidence of credit impairment occurred in a financial asset includes the following observable information:

- (1) Material financial difficulties have occurred in the issuer or debtor;
- (2) Breach of contract by the debtor, such as default or overdue for the payment of interest or repayment of principal;
- (3) Due to economic or contractual considerations relating to financial difficulties of the debtor, the creditor has granted concession to the debtor under no other circumstances;
- (4) The debtor is likely to go bankrupt or carry out other financial restructuring;
- (5) The financial difficulties of the issuer or debtor have caused the disappearance of the active market for the financial asset;
- (6) The purchase or generation of a financial asset at a large discount, such discount reflects the fact of occurrence of credit loss.

### 10.2.3 Confirmation of expected credit loss

The Group's accounts receivable, other receivables (except for tax refund receivables), contract assets, lease receivables and long-term receivables, that are individually significant and the debtor has serious financial difficulties, are determined on the basis of individual for its credit loss. For the remaining accounts receivable, other receivables (except for tax refund receivables), contract assets, lease receivables and long-term receivables, an impairment matrix is used to determine the credit losses of relevant financial instruments on a portfolio basis. The Group determines credit losses by assessing the probability of breach and loss given default based on the credit ratings on a portfolio basis of notes receivable and receivables. On the basis of common risk characteristics, the Group places financial instruments in different groups. The common credit risk characteristics adopted by the Group include: financial instrument type, credit risk rating, initial recognition date, remaining contract period, industry of debtor, geographic location of debtor, and etc.

The Group confirms the expected credit loss of the relevant financial instrument according to the following method:

- In respect of a financial asset, the credit loss is the present value of the difference between the contractual cash

flow that the group should receive and the cash flow that it expects to receive.

- In respect of lease receivables, the credit loss is the present value of the difference between the contractual cash flow that the group should receive and the cash flow that it expects to receive.
- In respect of a financial guarantee contract (for specific accounting policies, please refer to Note (III), 10.4.1.2.1), the credit loss is the present value of the difference between Group's expected payment amount for the compensation made to the contract holder due to the occurrence of credit loss and the amount expected to be received by the Group from such contract holder, debtor or any other parties.
- In respect of financial assets with credit impairment on the balance sheet date but they are not acquired or generated financial assets with credit impairment, the credit loss represents the difference between the balance of the book value of such financial asset and the present value of the estimated future cash flows discounted by the original effective interest rate.

The factors reflected by the method used for calculating expected credit loss of financial instruments by the Group include: an unbiased weighted average amount determined by assessing a series of probable outcomes; time value of currency; reasonable and justifiable information relating to past events, prevailing conditions and forecast of future economic conditions obtained on the balance sheet date without incurring unnecessary additional cost or effort.

#### 10.2.4 Write-off on financial asset

When the Group ceases to have reasonable expectation on the possible collection of all or part of the contractual cash flows from the financial asset, the balance of book value of such financial asset will be written off directly. Such a write-off constitutes a de-recognition of the relevant financial asset.

#### 10.3 Transfer of financial asset

A financial asset that fulfills one of the following conditions will be de-recognized: (1) termination of contractual rights to receive cash flows from the financial asset; (2) upon transfer of such financial asset and transfer of substantially all the risks and rewards in respect of the ownership of such financial asset to the transferee; (3) upon transfer of such financial asset, though the Group has not transferred nor retained substantially all the risks and rewards in respect of the ownership of such financial asset, yet it has not retained the control over such financial asset.

If the Group has not transferred nor retained substantially all the risks and rewards in respect of the ownership of such financial asset, and has retained the control over such financial asset, then such transferred financial asset will continue to be recognized, and the relevant liabilities will continue to be recognized, according to the level of the Group's continuous involvement in such transferred financial asset. The relevant liabilities will be measured by the Group according to the following method:

- If the transferred financial asset is measured by amortized cost, the book value of the relevant liabilities is equivalent to the book value of the transferred asset of continuous involvement less the amortized cost of the rights retained by the Group (if the Group has retained the relevant rights due to transfer of the financial asset) and plus the amortized cost of the obligations undertaken by the Group (if the Group has undertaken the relevant obligations due to transfer of the financial asset), and the relevant liabilities are not designated as financial liabilities at fair value through profit and loss of the current period.
- If the transferred financial asset is measured by fair value, the book value of the relevant liabilities is equivalent to the book value of the transferred asset of continuous involvement less the fair value of the rights retained by the Group (if the Group has retained the relevant rights due to transfer of the financial asset) and plus the fair value of the obligations undertaken by the Group (if the Group has undertaken the relevant obligations due to transfer of the financial asset), and the fair value of the rights and obligations shall be measured at the fair value on a separate basis.

For full transfer, which satisfies the conditions of derecognition, of the financial assets, the difference between the sum of the book value of the transferred financial assets as at the date of derecognition and the consideration received from such transfer and the accumulated amount of change in fair value originally included in other comprehensive income, which corresponds to the amount in respect of derecognition, shall be recognized in the profit and loss for the current period. If the transfer of the financial assets by the Group is designated as investment in equity instrument held for non-trading purpose measured at fair value through other comprehensive income, the accumulated gains or losses previously included in other comprehensive income shall be transferred out from other comprehensive income and be included in retained earnings.

For transfer in part, which satisfies the conditions of derecognition, of the financial assets, the book value of the entire financial assets before the transfer shall be shared between the derecognized portion and the continuous recognition portion at their respective relative fair value on the date of transfer, and the difference between the sum of the consideration received from derecognition and the accumulated amount of change in fair value originally included in other comprehensive income, which corresponds to the amount in respect of derecognition, and the book value of the derecognized portion as at the date of derecognition shall be included in the profit and loss of the current period. If the transfer of the financial assets by the Group is designated as investment in equity instrument for non-trading purpose measured at fair value through other comprehensive income, the accumulated gains or losses previously included in other comprehensive income shall be transferred out from other comprehensive income and be included in retained earnings.

For full transfer, which does not satisfy the conditions of derecognition, of the financial assets, the Group will continue to recognize the entire financial assets transferred and the consideration received as a result of the asset transfer is recognized as a liability when received.

#### 10.4 Classification, confirmation and measurement of financial liabilities and equity instruments

Pursuant to the contractual terms of the issued financial instruments and the substantive economic condition as reflected, but not in legal terms only, combined with the definitions of financial liabilities and equity instruments, the Group has classified such financial instruments or the components thereof as financial liabilities or equity instruments upon initial recognition.

##### 10.4.1 Classification, confirmation and measurement of financial liabilities

Financial liabilities are classified into financial liabilities at fair value through profit and loss of the current period and other financial liabilities upon initial recognition.

###### 10.4.1.1 Financial liabilities at fair value through profit and loss of the current period

Financial liabilities at fair value through profit and loss of the current period comprise of financial liabilities held for trading purpose (including derivatives of financial liabilities) and financial liabilities designated as measured at fair value through profit and loss of the current period. Except for derivatives of financial liabilities, which are presented separately, financial liabilities at fair value through profit and loss of the current period are presented as financial liabilities held for trading.

Financial liabilities that fulfill one of the following conditions suggest that the Group assumes such financial liabilities for trading purpose:

- Assumption of the relevant financial liabilities is mainly for the purpose of the recent repurchases.

- The relevant financial liabilities, upon initial recognition, are part of a portfolio of identifiable financial instruments under centralized management, and available objective evidence shows the recent and actual existence of a short-term profit-making model.
- The relevant financial liabilities are derivatives, except derivatives which satisfy the definition of financial guarantee contract and derivatives designated as effective hedging instruments.

Financial liabilities can be designated, upon initial recognition, by the Group as financial liabilities at fair value through profit and loss of the current period, provided that they have satisfied one of the following conditions: (1) such designation can eliminate or substantially reduce accounting mismatches; (2) managing and evaluating the performance of portfolios of financial liabilities, or portfolios of financial assets and financial liabilities, on fair value basis and reporting internally to key personnel of the Group on this basis in accordance with the risk management or investment strategies specified in formal written documents of the Group; (3) hybrid contracts, with embedded derivatives, have satisfied the conditions.

Financial liabilities held for trading purpose use fair value for subsequent measurement, gains or losses arise from changes in fair value and the dividends or interest expenses relating to such financial liabilities are accounted in the profit and loss of the current period.

For financial liabilities designated at fair value through profit and loss of the current period, changes in fair value of such financial liabilities caused by changes in the Group's own credit risks shall be included in other comprehensive income, and other changes in fair value shall be included in the profit and loss of the current period. On derecognition of such financial liabilities, the accumulated amount of changes in fair value as a result of changes in our own credit risk included previously in other comprehensive income shall be transferred to retained earnings. Dividends or interest expenses relating to such financial liabilities shall be included in the profit and loss of the current period. If handling the effect of changes in credit risk of such financial liabilities according to the aforesaid method would cause or magnify the accounting mismatches in profit and loss, the Group will include all gains or losses of those financial liabilities (including the amount affected by changes in their own credit risk) in the profit and losses of the current period.

#### 10.4.1.2 Other financial liabilities

Excluding transfer of financial assets not complying with derecognition conditions, or financial liabilities as a result of continuous involvement in transferred financial assets, as well as the financial guarantee contracts, the other financial liabilities will be classified as financial liabilities measured at amortized cost, subsequent measurement will be based on amortized cost, gains or losses on derecognition or amortization will be accounted in the profit and loss of the current period.

If the Group and the counterparty have revised or renegotiated the contract, this has not resulted in the derecognition of financial liabilities measured at amortized cost for subsequent measurement, but has caused changes in the contractual cash flows, then the Group should recalculate the book value of such financial liabilities, and the relevant gains or losses shall be accounted in the profit and loss of the current period. The recalculated book value of such financial liabilities will be determined by the Group by discounting the cash flows from the renegotiated or revised contract with the original effect interest rate of the financial liabilities. All costs or expenses incurred in the revision or renegotiation of the contract will be reflected in the adjusted book value of financial liabilities after such revision, and will be amortized during the remaining period of the revised financial liabilities.

##### 10.4.1.2.1 Financial guarantee contract

Financial guarantee contract refers to a contract that requests the issuer to provide a specific amount of compensation to the contract holder who suffers losses when a specific debtor fails to repay the debt on due date according to the initial or revised terms of the debt instrument. In respect of financial liabilities which are not designated at fair value through profit



and loss of the current period, or in respect of financial guarantee contract for financial liabilities arising from transfer of financial assets not complying with derecognition conditions or continuous involvement in the transferred financial assets, the measurement after initial recognition will be based on the amount of provision for losses, or the balance of initial recognized amount after deducting the accumulated amortized amount confirmed in accordance with the relevant provisions of the Revenue Standard, whichever the higher.

#### 10.4.2 Derecognition of financial liabilities

When the existing obligations of a financial liability have been wholly or partially discharged, such financial liability or such part of it will be derecognized. When the Group (as borrower) and the lender enter into an agreement to undertake new financial liabilities for replacing the original financial liabilities, if substantive difference exists in the contractual terms between the new financial liabilities and the original financial liabilities, the Group should derecognize the original financial liabilities while at the same time recognizes the new financial liabilities.

When a financial liability is wholly or partially derecognized, the difference between the book value of the derecognized portion and the consideration paid (including non-cash asset transferred out or new financial liabilities undertaken) will be accounted in the profit and loss of the current period.

#### 10.4.3 Equity instrument

Equity instrument refers to a contract which can prove the ownership of remainder interest in assets after deducting all liabilities of the Group. The Group issues (including refinances), repurchases, sells or cancels equity instruments for treatment of changes in equity. The Group will not recognize changes in the fair value of equity instruments. Trading expenses relating to equity transactions will be deducted from equity.

The Group's distribution to holder of equity instrument is treated as profit distribution, the share dividends paid out will not affect the total equity of shareholders.

#### 10.5 Derivatives and embedded derivatives

Derivatives include foreign exchange forward contract and foreign exchange option contract, etc. Derivatives are measured at fair value initially on the date of signing the relevant contract and will be measured at fair value for subsequent measurement.

For a hybrid contract constituted by an embedded derivative and a master contract, if the master contract is in respect of a financial asset, the Group will not split the embedded derivative from the hybrid contract, but will consider such hybrid contract as a whole unit to which the accounting standards and rules for classification of financial assets are applicable.

If the master contract included in the hybrid contract is not in respect of a financial asset, and fulfills the following conditions at the same time, the Group will split the embedded derivative from the hybrid contract to be treated as a separate subsisting derivative.

- (1) The economic characteristics and risks of the embedded derivative are not closely connected to the economic characteristics and risks of the master contract.
- (2) A separate instrument containing the same terms as the embedded derivative fits the definition of a derivative.
- (3) The hybrid contract is not measured at fair value and changes in fair value are accounted through profit and loss of the current period.

If an embedded derivative is split from the hybrid contract, the accounting treatment adopted by the Group for the master contract within the hybrid contract will be in accordance with the applicable accounting standards and rules. If the Group is unable to measure the fair value of the embedded derivative reliably according to the terms and conditions of the embedded derivative, the fair value of such embedded derivative will be determined by the difference between the fair value of the hybrid contract and the fair value of the master contract. After adoption of the above method, if the fair value of such embedded derivative is still unable to be measured separately on the acquisition date or subsequent balance sheet date, the Group will designate the entire hybrid contract as a financial instrument measured at fair value through profit and loss of the current period.

#### 10.6 Offsetting between financial assets and financial liabilities

When the Group has legal right to offset the recognized financial assets and financial liabilities, and such legal right is enforceable currently, while at the same time the Group plans to perform netting settlement, or to liquidate the financial asset and repay the financial liability at the same time, the amount after offsetting between the financial asset and financial liability will be presented in the balance sheet. Save as said above, the financial asset and financial liability are presented separately in the balance sheet without offsetting each other.

### **11. Receivables for financing**

Among the notes receivable measured at fair value through other comprehensive income, the ones with a term of less than (including) one year since they are acquired will be listed as receivables for financing; the ones with a term of more than (including) one year since they are acquired will be listed as other debt investment. The relevant accounting policy is explained in Note (III), 10.1, 10.2 and 10.3.

### **12. Inventories**

#### 12.1 Categories of inventories

The Group's inventory mainly includes finished products, products in process and raw materials held in daily activities. Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

#### 12.2 Valuation method of inventories upon delivery

The actual cost of inventories upon delivery is calculated using the moving weighted average method.

#### 12.3 Basis for determining net realizable value of inventories

The inventory is measured according to cost and net realizable value, whichever is lower, on the date of balance sheet. When the net realizable value is lower than cost, withdraw inventory impairment reserves.

The net realizable value refers to the amount derived by deducting the potential cost, estimated selling expense and relative taxes to the completion date from the estimated sales price of inventory in daily activities. When determining net realizable value of inventories, take the obtained conclusive evidence as basis and consider the purposes of holding inventories and influence of events after the balance sheet date.



For the low-price stocks in large quantity, provision for the inventory price drops will be made based on the categories of stocks; for the stocks that are related to the products manufactured and sold in the same region, that have identical or similar ultimate use or purpose and that are hard to separate from other items when being measured, they are consolidated for provision for the inventory price drops; for other stocks, the provision for the inventory price drops will be made based on the cost of a single stock item in excess of the net realizable value.

After provision for inventory depreciation reserves is made, if the factors resulting in the write-down of inventory impairment have disappeared and causing the net realizable value higher than its book value, such inventory impairment provision are recovered and reversed, and the reversed amount recorded in profits and losses of the current period.

#### 12.4 Inventory count system

The perpetual inventory system is maintained for stock system.

#### 12.5 Amortization method for low cost and short-lived consumable items and packaging materials

Packaging materials and low cost and short-lived consumable items are amortized using the immediate write-off method.

### **13. Contract Assets**

#### 13.1 Method and standard for determination of contract assets

Contract assets refer to the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time. The Group's unconditional (i.e., depending on the passage of time only) right to receive consideration from the customer is separately presented as receivables.

#### 13.2 Methods for determining and accounting of expected credit loss of contract assets

For details of methods for determining and accounting of expected credit loss of contract assets, please refer to Note (III)-10.2 Impairment of financial instruments.

### **14. Assets held for sale**

Non-current assets and disposal groups are classified as held for sale category when the Group recovers the book value through a sale (including an exchange of non-monetary assets that has commercial substance) rather than continuing use.

Non-current assets or disposal groups classified as held for sale are required to satisfy the following conditions at the same time: (1) the asset or disposal group is available for immediate sale in its present condition subject to terms that are usual and customary for sales of such asset or disposal group; (2) the sale is highly probable, i.e. the Group has made a resolution about a selling plan and obtained a confirmed purchase commitment and the sale is expected to be completed within one year.

Non-current assets or disposal groups classified as held for sale are measured at the lower of the book value and the net amount of the fair value less the cost of disposal. Where the carrying amount is higher than the net amount of fair value less the cost of disposal, the carrying amount should be reduced to the net amount of fair value less the cost of disposal, and such reduction is recognized as impairment loss of assets and included in profit or loss for the period. In the meantime, provision for impairment of held-for-sale assets is made. When there is an increase in the net amount of fair value of non-current assets held for sale less the cost of disposal at the subsequent balance sheet date, the original deduction should be reversed from impairment loss of assets recognized after the classification as held for sale, and the reversed amount is included in profit or loss for the period. The impairment loss of assets recognized before the classification as held for sale is not reversed.

Non-current assets or non-current assets within disposal groups classified as held for sale are not depreciated or amortized, and the interests and other costs of liabilities of disposal group classified as held for sale continue to be recognized.

All or part of equity investments in an associate or joint venture are classified as held-for-sale assets. For the part that is classified as held for sale, it is no longer accounted through equity method since the date of the classification.

## **15. Long-term Equity Investment**

### 15.1 Basis for determining joint control and significant influence over investee

Control is the power to govern an entity through participating in relevant activities of the investee; the investor is able to obtain variable benefits from its activities, and at same time, to use the control rights on the investee to influence the amount of returns. Joint control means that joint control for certain arrangement in accordance with relevant agreements; activities relevant to the arrangement cannot be decided until obtaining the unanimous consent of parties sharing control right. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee, such as current convertible debts, current executable warrants, etc., held by the investing enterprises or other parties shall be considered.

### 15.2 Determination of initial investment cost

For a long-term equity, investment acquired through a business combination involving enterprises under common control, the shares of merged party's book value of owners' equity in the final controlling party consolidated financial statements obtained on the merger date shall be considered as the initial investment cost of long-term equity investment. The differences between the initial investment cost of long-term equity investment and the paid cash, the transferred non-cash assets and the book value of the assumed debts are adjusted against the capital surplus; if the capital surplus is not sufficient to be offset, the remaining balance is adjusted against retained earnings. In the case of issued equity securities treated as consolidation consideration, share of book value of owner's equity of merged party in the final controlling party consolidated financial statements is regarded as initial investment cost of long-term equity investments on the date of consolidation; capital reserve shall be adjusted in accordance with taking total nominal value of issued share as capital share, the difference between the initial investment cost of long-term equity investments and total book value of issued shares; In case the capital reserve is not enough for writing down, the retained earnings shall be adjusted.

For a long-term equity investment acquired through business combination not involving enterprises under common control, and the merging cost confirmed on the purchased date are regarded as the initial investment cost.

The intermediate expenses made by the combining party or purchaser for audit, legal service, assessment and other management related expenses during the business merger should be included into the current profit and loss as it happens.

Long-term equity investment obtained by other means other than long-term equity investment formed by business combination shall be initially measured at cost.

### 15.3 Subsequent measurement and recognition of profit or loss

#### 15.3.1 Long-term equity investment accounted for using the cost method

Long-term equity investments in subsidiaries are accounted for using the cost method in the Company's financial statements. A subsidiary is an investee that is controlled by the Group.

The long-term equity investment accounted by the cost method shall be measured at its initial investment cost. If there are additional investments or disinvestments, the long-term equity investment cost shall be adjusted. Income from the investment in the current period shall be recognized in accordance with the cash dividends or profits declared and issued by the investee.

#### 15.3.2 Long-term equity investment accounted for using the equity method

Except for investments in associates and joint ventures that are wholly or partly classified as holding assets for sale, the Group accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Group has significant influence and a joint venture is an entity over which the Group can only exercise joint control along with other investors on the investee's net assets.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognizes its share of the net profit or loss and other comprehensive income of the investee for the period as investment income or loss and comprehensive income for the period, meanwhile, the book value of the long-term equity investment shall be adjusted; The Group shall accordingly reduce the book value of the long-term equity investment in terms of the part that shall be enjoyed according to the profit or cash dividends declared by the invested unit to be distributed; For other changes in the owners' equity of the invested unit other than net profits and losses, other comprehensive incomes and the profit distribution, the book value of long-term equity investment shall be adjusted and be included into the capital reserves. The Group shall, on the ground of the fair value of all identifiable assets of the invested entity when it obtains the investment, recognize the attributable share of the net profits and losses of the invested entity after it adjusts the net profits of the invested entity. If the accounting policies and accounting periods adopted by the invested unit are different from those adopted by the Group, the adjustment shall be made for the financial statements of the invested unit in accordance with the accounting policies and accounting periods of the Group to recognize the

investment income and other comprehensive incomes. For the transaction incurred between the group and associated enterprises and joint ventures, invested or sold assets don't constitute a business, the part that doesn't achieve internal transaction profit or loss or belongs to the Group calculated according to the enjoyed ratio will be offset, and the profit or loss on investment will be confirmed on this basis. But for the unrealized loss arising from the internal transaction between the Group and the invested unit, if such transaction loss is defined as the impairment loss of the transferred asset, they cannot be offset.

When the Group determines the net loss of the invested unit that shall be shared, it is necessary to write-down the book value of the long-term equity investment and other long-term equities substantially constituting the net investment of the invested unit to zero as a limit. Besides, if the Group is obliged to bear extra loss for the invested unit, it shall be necessary to determine provisions and record them to current investment loss in compliance with obligations expected to be assumed. If the invested unit realizes any net profits later, the Group shall, after the amount of its attributable share of profits offsets its attributable share of the un-confirmed losses, resume recognizing its attributable share of profits.

15.4 Disposal of long-term equity investments

On disposal of a long term equity investment, the difference between the proceeds actually received and the carrying amount is recognized in profit or loss for the period.

**16. Fixed Assets**

16.1 Recognition criteria for fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognized. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

16.2 Depreciation of each category of fixed assets

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Class	Depreciation period (years)	Residual value rate (%)	Annual depreciation rate (%)
Buildings and Constructions	20 years	10	4.5
General-purpose equipment	3-5 years	10	18.0-30.0

Special-purpose equipment	3-5 years	10	18.0-30.0
Means of transportation	5 years	10	18.0

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

### 16.3 Other explanations

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognized. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognized in profit or loss for the period.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

## **17. Construction in Process**

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalized before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use.

## **18. Borrowing Costs**

Borrowing costs directly attributable to the acquisition & construction or production of assets eligible for capitalization shall be capitalized when assets expenditure, borrowing costs and necessary construction or production for bringing assets to expected conditions for use or marketing have taken place; when construction or production of assets ready for capitalization reach to expected conditions for use or marketing, capitalization shall be ceased. Other borrowing expenses are recognized as expenses in the current period.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings. During the capitalization period, exchange differences related to a specific-purpose borrowing denominated in foreign currency are all capitalized. Exchange differences in connection with general-purpose borrowings are recognized in profit or loss in the period in which they are incurred.

## **19. Intangible Assets**

## 19.1 Intangible Assets Valuation Method and Service Life

Intangible assets include land use right, intellectual property (IP), application software, and 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 useful life and predicted net residual value of various intangible assets are shown as follows:

Class	Service life (year)	Salvage value rate (%)
Land use right	40 or 50 years	-
IP Right	10 Years	-
Application Software	5-10 years	-
Franchise	Franchised operating period	-

After the construction of the relevant infrastructure, the Group has the right to collect fees from the service recipients within a certain period of operation, but if the amount of the fees is uncertain, the Group will use the fair value of the consideration receivable for construction services as the initial intangible assets confirmed. The amortization of the franchise is accrued on an average basis in installments using the straight-line method during its operating period.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at the end of the period, and makes adjustments when necessary.

For the impairment test of intangible assets, please refer to Note (III), 20. Long-term asset impairment.

## 19.2 Internal Research and Development Expenditure

Expenditure during the research phase is recognized as an expense in the period in which it is incurred.

Expenditure during the development phase that meets all of the following conditions at the same time is recognized as intangible asset. Expenditure during development phase that does not meet the following conditions is recognized in profit or loss for the period.

- (1) It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (2) The Group has the intention to complete the intangible asset and use or sell it;
- (3) The Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- (4) The availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- (5) The expenditure attributable to the intangible asset during its development phase can be reliably measured.

If the expenditures cannot be distinguished between the research phase and development phase, the Group recognizes all of them in profit or loss for the period. The costs of the intangible assets generated by internal development activities only include the total expenditure incurred from the time point when the capitalization conditions are available to the point when the intangible assets are used for their intended purposes; for the expenditure that already becomes an expenditure in the profit and loss statement before the capitalization conditions are available during development of the same intangible asset, no adjustment will be made.

## **20. Long-term Assets Impairment**

The Group assesses at each balance sheet date whether there is any indication that the long-term equity investment, fixed assets, construction in process, right-of-use assets and intangible assets with a finite useful life may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. The recoverable amount is determined by the higher of 1) net amount of fair value of the asset or asset group deducted by the disposal expenses; or 2) the present value of the expected future cash flows of the asset or asset group.

If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted as an impairment provision and is recognized in profit or loss for the period.

Goodwill impairment test shall be conducted at the end of each year at least. Goodwill impairment test shall be conducted in accordance with the concerned asset group or asset portfolio. That is to allocate the book value of goodwill to the asset group or asset portfolio that is expected to benefit from the synergies of the combination in a reasonable way from the date of purchasing. When recoverable amount of apportion-included asset group or asset portfolio of goodwill is less than book value of goodwill, impairment loss shall be recognized. Firstly, amount of impairment loss shall be apportioned to the book value of goodwill of the said asset group or asset portfolio, and then book value of other assets, except for goodwill, in asset group or asset portfolio shall be abated in proportion.

Once the impairment loss of such assets is recognized, it can not be reversed in any subsequent period.

## **21. Long-term deferred expenses**

Long-term deferred expenses are the expenses that are already incurred but will be shared in the current reporting period and later periods with amortization term of more than one year, mainly for the expenses on betterment of leased fixed assets. Long-term deferred expenses are evenly amortized in installments in three years during the expected benefit period.

## **22. Contract liabilities**



Contract liabilities refer to the obligation of the Group to transfer goods or services to customers for consideration received or receivable from customers. Contract assets and contract liabilities under the same contract are presented in net terms.

## **23. Employee compensation**

### 23.1 Accountant Arrangement Method of Short-term Remuneration

During accounting period when the Group's employees provide services, actual short-term remuneration shall be recognized as the liabilities and current profit and loss or relevant asset cost. The Group's employee benefits and welfare are included into current profit and loss or relevant asset cost according to actual amount occurred during the period. If the employee benefits and welfare is non-monetary, it shall be measured according to its fair value.

During the accounting period that the employees service the Group, the Group pays social insurance premiums such as medical insurance premium, industrial injury insurance premium, maternity insurance premium and housing accumulation fund for its employees, as well as labor union expenditure and employee education expenses calculated and withdrawn according to the regulations, corresponding employee remuneration amount shall be calculated and determined in accordance with specified calculation and withdrawal basis and proportion to recognize corresponding liabilities and included into the current profit and loss or relevant asset cost.

### 23.2 Accountant Arrangement Method of Post-employment Benefits

All post-employment benefits shall be considered as the defined contribution plan.

In the accounting period when the employee serves for the Group, the deposited amount calculated based on defined contribution plan shall be recognized as liabilities and included in the current profit and loss or relevant asset cost.

### 23.3 Accountant Arrangement Method of the Termination Benefits

Where the Group provides termination benefits, the employee remuneration liabilities caused by such termination benefits will be determined as the following date, whichever is earlier, and will be included in the current profit and loss: 1) When the Group cannot unilaterally withdraw the termination benefits provided due to labor relation cancellation plan or employee lay-off suggestion; or 2) when the Group determines costs or expenses in relation with the restructuring of the paid termination benefits.

## **24. Provisions**

Provisions are recognized when the Group has a present obligation related to a contingency such as products quality assurance, etc. And it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.



The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

## **25. Share-based Payment**

Share-based payment refers to a transaction in which the Group grants the equity instruments or undertakes the equity-instrument-based liabilities in return for services from employees. The Group's share-based payment is an equity-settled share-based payment.

A share-based payment is a transaction which the Group grants equity instruments, or incurs liabilities for amounts that are determined based on the price of equity instruments, in return for services rendered by employees. The Group's share-based payments are equity-settled share-based payments.

### 25.1 Equity-settled share-based payments

Grants to employees are equity-settled share-based payments.

Equity-settled share-based payments in exchange for services rendered by employees are measured at the fair value of the equity instruments granted to employees at the grant date. Such amount is recognized as related costs or expenses on a straight-line basis over the vesting period, with a corresponding increase in capital reserve.

At each balance sheet date during the vesting period, the Group makes the best estimate according to the subsequent latest information of change in the number of employees who are granted with options that may vest, etc. and revises the number of equity instruments expected to vest. The effect of the above estimate is recognized as related costs or expenses, with a corresponding adjustment to capital reserve.

### 25.2. Accounting treatment related to implementation, modification and termination of share-based payment arrangement

In case the Group modifies a share-based payment arrangement, if the modification increases the fair value of the equity instruments granted, the Group will include the incremental fair value of the equity instruments granted in the measurement of the amount recognized for services received. If the modification increases the number of the equity instruments granted, the Group will include the fair value of additional equity instruments granted in the measurement of the amount recognized for services received. The increase in the fair value of the equity instruments granted is the difference between fair value of the equity instruments before and after the modification on the date of the modification. If the Group modifies the terms or conditions of the share-based payment arrangement in a manner that reduces the total fair value of the share-based payment arrangement, or is not otherwise beneficial to the employee, the Group will continue to account for the services received as if that modification had not occurred, other than a cancellation of some or all the equity instruments granted.

If cancellation of the equity instruments granted occurs during the vesting period, the Group will account for the cancellation of the equity instruments granted as an acceleration of vesting, and recognize immediately the amount that otherwise would have been recognized over the remainder of the vesting period in profit or loss for the period, with a corresponding recognition in capital reserve. When the employee or counterparty can choose whether to meet the non-

vesting condition but the condition is not met during the vesting period, the Group treats it as a cancellation of the equity instruments granted.

## 26. Revenue

### 26.1 Accounting policies applied in revenue recognition and measurement

The revenue of the Group is mainly generated from business types as follows:

#### (1) Revenue from sale of products

Product sales revenue is the revenue from sales of video surveillance products, smart home products, robotics products and other products of the Group.

#### (2) Project construction revenue

Project construction revenue is the revenue from constructions related to intelligent security solution projects provided by the Group.

#### (3) Cloud service and other service revenue

Revenue from cloud services and other services refers to cloud services such as storage services, video services, and telephone services provided by the Group, maintenance services related to security projects, and other services, etc.

When (or as) a performance obligation in a contract was satisfied, i.e., when (or as) the customer obtains control of relevant goods or services, the Group recognizes as revenue the amount of the transaction price that is allocated to that performance obligation. A performance obligation is the Group's commitment to transfer to a customer a good or service (or a bundle of goods or services) that is distinct, in a contract with the customer. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and amounts that the Group expects to refund to the customer.

Revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met: (1) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; (2) the Group's performance creates or enhances an asset that the customer controls as the Group performs; or (3) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

The Group adopts the output method to determine the progress of performance, that is, the progress of contract performance is determined according to the value of the goods or services that have been transferred to the customer in the view of the customer. When the performance progress cannot be reasonably determined, and the costs incurred can be expected to be compensated, the Group recognizes revenue based on the amount of costs incurred until the performance progress can be reasonably determined.

If the contract contains two or more performance obligations, the Group allocates the transaction price to each single performance obligation on the contract start date in accordance with the relative proportion of the individual selling price of the goods or services promised by each single performance obligation. However, if there is strong evidence that the contract discount or variable consideration is only related to one or more (but not all) performance obligations in the contract, the Group allocates the contract discount or variable consideration to the relevant one or more performances obligation. Individual selling price refers to the price at which the Group sells goods or services to customers separately. Where the individual selling price cannot be directly observed, the Group comprehensively considers all relevant

information that can be reasonably obtained, and uses the observable input value to the maximum to estimate the individual selling price.

If there is variable consideration in the contract, the Group determines the best estimate of variable consideration based on the expected value or the most likely amount. The transaction price including variable consideration shall not exceed the amount that is likely to cause no significant reversal of accumulated recognized revenue when the relevant uncertainty is eliminated. At each balance sheet date, the Group re-estimates the amount of variable consideration that should be included in the transaction price.

For sales with sales return terms attached, as the customer obtains ownership of related goods, the Group recognizes revenue in accordance with the consideration (excluding expected refund amounts due to sales returns) that the Group is expected to receive due to the transfer of goods or services to the customer, and recognizes expected liabilities in accordance with expected refund amounts due to sales returns. The remaining amount, subsequent to deduction of expected costs from collecting the goods (including the decrease in value of the returned goods), is recognized as an asset in accordance with the carrying amount during the expected transfer of returned goods after deducting the costs of the above net assets carried forward.

For sales with quality assurance clauses, if the quality assurance provides a separate service beyond the assurance to the customer that the goods or services sold meet established standards, the quality assurance constitutes a single performance obligation. Otherwise, the Group conducts accounting for quality assurance responsibilities in accordance with the *Accounting Standards for Business Enterprises No. 13-Contingencies*.

The additional purchase option of customers includes customer reward incentives. With respect to the additional purchase option with material rights provided to customers, the Group regards it as a single performance obligation, and recognizes relevant revenue upon obtaining the control over relevant goods or services by the customers who exercise the purchase option in future or upon lapse of such option. If a stand-alone selling price of the additional purchase option of customers is not directly observable, the Group shall consider all relevant information including the difference in discount obtained with and without the exercise of such option by customers and the possibility of exercising such option by customers during estimation.

If there is a significant financing component in the contract, the Group determines the transaction price based on the amount payable in cash when the customer assumes control of the goods or services. The difference between the transaction price and the contract consideration is amortized using the effective interest rate method during the contract period. On the contract commencement date, the Group does not consider the significant financing components in the contract if the interval between the customer obtaining control of the goods or services and the price being paid by the customer is not more than one year.

The Group judges whether the Group's identity is the principal or agent when engaging in transactions based on whether it has control over the goods or services before transferring the goods or services to customers. If the Group is able to control the goods or services before transferring them to customers, the Group is the principal responsible person, and revenue is recognized based on the total amount of consideration received or receivable; otherwise, the Group is an agent and recognizes revenue based on the amount of commissions or fees which the Group is expected to be entitled to charge. The amount of commissions or fees is determined based on the total amount of consideration received or receivable net of the amount payable to other parties.

When the Group collects amounts of sold goods or services in advance from the customer, the Group will firstly recognize the amounts as a liability and then transfer to revenue until satisfying relevant performance obligations. When the advances from customers is non-refundable and the customer may give up all or part of contract right, and the Group is expected to be entitled to obtain amounts associated with contract rights given up by the customer, the above amounts shall be proportionally recognized as revenue in accordance with the model of exercising contract rights by the customer; otherwise, the Group will transfer the relevant balance of the above liability to revenue only when the probability is extremely low

for the customer to satisfy remaining performance obligations.

## **27. Cost of contract**

### 27.1 Cost of obtaining a contract

Incremental costs incurred by the Group to obtain a contract (that is, costs that would not have occurred without a contract) and expected to be recovered are recognized as an asset, and amortized using the same basis as revenue recognition for the goods or services to which the asset relates, and included in current profit or loss. If the amortization period of the asset does not exceed one year, it is included in current profit or loss when it occurs. Other expenses incurred by the Group in order to obtain the contract shall be included in current profit or loss when incurred, unless it is clearly borne by the customer.

### 27.2 Cost of contract fulfillment

The cost of the Group's performance of a contract that does not fall within the scope of accounting standards other than the revenue standard and meets the following conditions is recognized as an asset: (1) The cost is directly related to a current or anticipated contract; (2) The cost increases the Group's resources for fulfilling performance obligations in the future; (3) The cost is expected to be recovered. The aforesaid assets are amortized on the same basis as the recognition of income from goods or services related to the assets, and are included in the current profit or loss.

The Group's asset in relation to contract costs are mainly contract performance costs, and they are included in inventories based on their current nature.

### 27.3 Impairment of contract costs

In determining impairment losses on assets related to contract costs, impairment losses are first determined for other assets recognized in accordance with other relevant ASBEs and related to the contract; then, for assets related to contract costs whose carrying value is higher than the difference between the following two items, the Group makes provision for impairment for the excess to be recognized as asset impairment losses: (1) the remaining amount of consideration that the Group expects to receive as a result of transfer of goods or services to which the asset relates; (2) the estimated costs to be incurred in connection with the transfer of relevant goods or services.

After the provision for impairment for the asset related to contract costs is made, if the difference between the above two items is higher than the carrying amount of the asset due to changes in the factors of impairment in previous periods, the original provision for impairment of the asset is reversed and included in the current profit or loss, but the carrying amount of the asset after the reversal shall not exceed the carrying amount of the asset on the reversal date assuming no provision for impairment is made.

## **28. Types of governmental subsidies and accounting treatment methods**

Government subsidies refer to the monetary and non-monetary assets obtained by the Group from the government for free. Government subsidies are recognized when they can meet the conditions attached to the government subsidies and can be received.

If a government subsidy is a monetary asset, it shall be measured at the amount received or receivable.

### 28.1 Judgment basis and Accountant treatment of government subsidy related to assets

The government subsidies for Chongqing Manufacture Base construction and etc. are used for constructions and forms long-term assets, and therefore are categorized as government subsidy related to assets.

A government grant related to an asset is recognized as deferred income, and it should be evenly amortized to profit or loss over the useful life of the related asset.

## 28.2 Judgment basis and accountant treatment of government subsidy related to income

The Group receives government subsidies including subsidies for Value-Added-Tax rebate (VAT rebate), subsidies for special projects, tax refunds, and Value-Added-Tax deductions, etc. which are used to compensate the group-related costs or losses, and therefore are categorized as government subsidy related to income.

For a government grant related to income, if the subsidy is a compensation for related expenses or losses to be incurred in subsequent periods, it is recognized as deferred income, and recognized in profit or loss over the periods in which the related costs or losses are recognized; If the subsidy, such as VAT Rebate, is a compensation for related expenses or losses already incurred, it is recognized immediately in profit or loss for the period.

For government subsidies related to the Group's daily operations shall be booked into other income; for those not related to the Group's daily operations, shall be booked into non-operating income/expense.

For the policy-backed preferential subsidized loan, if the Ministry of Finance will appropriate the subsidy amount to the lending bank, who will grant the loan to the Group at the policy-backed preferential interest rate, the actually received loan amount will be the entry value of the loan and the loan-related expenses will be calculated based on the loan principal and policy-backed preferential interest rate.

## **29. Deferred Tax Assets / Deferred Tax Liabilities**

The income tax expenses include current income tax and deferred income tax.

### 29.1. Current Income Tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

### 29.2 Deferred Tax Assets and Deferred Tax Liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized through the balance sheet liability method.

Deferred tax is generally recognized for all temporary differences. Deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

On the balance sheet date, the deferred income tax assets and deferred income tax liabilities are measured at the applicable tax rates in the period in which the related assets are recovered or the related liabilities are recovered in accordance with the tax laws.

Current and deferred tax expenses or income are recognized in profit or loss for the period, except when they arise from transactions or events that are directly recognized in other comprehensive income or in shareholders' equity, in which case they are recognized in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

### 29.3 Offset of Income Tax

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

## **30. Lease**

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.

### 30.1 The Group as the lessee

#### 30.1.1 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.

#### 30.1.2 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*.

#### 30.1.3 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;
- Variable lease payments that depend on an index or rate;
- 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.

Variable lease payments based on an index or a rate are initially measured using the index or the rate at the commencement date. Variable lease payments that are not included in the measurement of lease liabilities are recognized in the current loss and profit or related asset costs when actually incurred.

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 or any change of the index or proportion adopted to determine the lease payments, the Group remeasures the lease liability at the present value calculated based on the changed lease payments and the original discount rate. In the event of any modification in lease payments resulting from the change in floating interest rate, the present value is calculated using the revised discount rate.

### 30.1.4 Short-term lease and lease 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 in connection with building and construction, machinery equipment, transportation facilities, office equipment and other equipment. 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.

### 30.1.5 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.

## 30.2 The Group as the lessor

### 30.2.1 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.

### 30.2.2 Classification of lease

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.

#### 30.2.2.1 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.

Variable lease payments acquired by the Group in connection with operating leases that are not included in the lease payments are recognized in the current loss and profit when they are actually incurred.

### 30.2.2.2 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;
- Variable lease payments that depend on an index or rate;
- 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 variable lease payments that are not included in the measurement of the net lease investment are included in the current loss and profit when actually incurred.

The Group calculates and recognizes the interest income in each period of the lease term according to the fixed periodic interest rate.

### 30.2.3 Lease modification

In case of a 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 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.

### 30.3 Sale and leaseback transaction

#### 30.3.1 The Group as the seller-lessee

The Group assesses and determines whether the transfer of the asset in sale and leaseback transaction qualifies as a sale in accordance with the provisions of *Accounting Standards for Business Enterprises No. 14 - Revenue*. If the transfer does not qualify as a sale, the Group continues to recognize the transferred asset and at the same time recognize a financial liability equal to the transfer proceeds and account for the financial liability in accordance with the provisions of *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*. If the transfer of the asset qualifies as a sale, the Group measures the right-of-use asset arising from the leaseback as the proportion of the previous carrying amount of the asset that relates to the right of use retained. The gain or loss recognised is limited to the proportion of the total gain or loss that relates to the rights transferred to the buyer-lessor.

#### 30.3.2 The Group as the buyer-lessor

If the transfer of the asset in a sale and leaseback transaction does not qualify as a sale, the Group does not recognize the transferred asset, but recognizes a financial asset equal to the transfer proceeds and account for the financial asset in accordance with the provisions of *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments*. If the transfer of the asset qualifies as a sale, the Group accounts for the purchase of the asset in accordance with other applicable Accounting Standards for Business Enterprises and account for the lease of the asset.

### **31. Important judgments while applying accounting policy, and key assumptions and uncertainty factors applied for accounting estimate**

During the process of using accounting policy described in note (III), due to the uncertainty in operation activities, the group should judge, estimate and assume the book value of the report items which may not be metered reliably. These judgments, estimates and assumptions are based on the historical experience of the Group's management and other related factors. Differences may exist between the actual results and the Group's estimate.

The Group regularly reviews the above judgments, assumptions and estimations on the basis of continuous operation. If the changes of accounting estimate only influence current period, the influence amount will be affirmed during the changing period; if it influences the current period and subsequent periods, the influence amount will be recognized in the current period and future period.

#### **- Key assumptions and uncertainties used in accounting estimate**

On balance sheet date, key assumptions and uncertainties for performing accounting estimates on book value of assets and liabilities in subsequent future periods are:

#### Impairment provision for inventories

Except for contract performance costs, inventories are measured at the lower of cost or net realizable value. For raw materials, the latest or future actual purchase price is used as the basis for determining the net realizable value; For products in progress, the actual selling price of the latest or future finished product minus the estimated costs and costs that will be incurred when similar products are completed in the current period, the estimated selling expenses and related taxes to be incurred, is used as the basis for determining the net realizable value; For finished products, the actual selling price of the latest or future finished product minus the estimated selling expenses and related taxes will be incurred, is used as the basis for determining the net realizable value. The Group will regularly conduct a comprehensive stocktaking to review the

impairment circumstances on defective, obsoleted or slow-moving inventory if any; in addition, the Group's management will regularly review the impairment circumstance of inventory with long storage time according to the inventory aging list. The review procedure includes the comparison between book value of defective, obsoleted or slow-moving inventories and inventory with long storage time and its corresponding net realizable value in order to determine whether to withdraw provisions on the defective, obsoleted or slow-moving inventory and inventory with long storage time. Based on the above procedure, the Group's management deems that the full provision amounts have been withdrawn for inventory.

#### Impairment of accounts receivable

Except for accounts receivable whose credit losses are determined on the basis of individual basis, the Group adopts an impairment matrix to determine its expected credit loss provision. Based on the historical loss rate, the Group determines the proportion of corresponding loss reserves for various types of accounts receivable with similar risk characteristics. The impairment matrix is determined based on the historical overdue ratio and default of the Group, taking into account reasonable and well-founded industry forward-looking information. As of June 30<sup>th</sup> 2021, the Group has reassessed the historically observable overdue ratio and considered changes in forward-looking information. The amount of the provision for expected credit losses will change as the estimation of the Group. The details on the provision for expected credit losses of the accounts receivable of the Group are given in Note (V). 4.

#### Useful life and predicted net residual value of fixed asset

The Group's estimation of fixed assets useful life is based on the historical experience of actual usable term of fixed assets with similar properties and functions, the estimation of predicted net residual value is the amount obtained currently by the Group from the assets after deducting the anticipated disposal expense based on the anticipated status assuming the conditions that fixed assets' predicted useful life expires and fixed assets are at the end of useful life. The Group shall conduct the review on the predicted service life and predicted net residual value of fixed assets at least annually. For the current reporting period, the Group's management did not see signs either indicating a shortened or extended useful life of the Group's fixed asset or indicating a change in predicted net residual value.

#### Accrued liabilities of product quality warranty

Accrued liabilities of product quality assurance are costs and expenses incurred to meet the established standards of product quality assurance obligations to customers in accordance with the product contract; the Group made such an estimation according to the predicted repair and replacement cost of relevant products. The estimation considers the product claim rate trend, historic defect rate, industry practice and other major estimations. The management deems that the current estimation on accrued liabilities of product quality warranty is reasonable, however, the Group will continue to review the conditions of product repairs, and will conduct adjustment if any sign indicating the need to make adjustments on accounting estimates.

#### Deferred tax assets and deferred tax liabilities

Deferred income tax assets and deferred income tax liabilities are measured at the applicable income tax rate during the period when the relevant asset is expected to be recovered or the relevant debt is expected to be paid off. The expected applicable income tax rate is determined according to the relevant current tax regulations and the actual situation of the Group. If the estimated income tax rate is different from the original estimate, the management of the Group will adjust it.

The realization of deferred income tax assets mainly depends on the actual future profits and the effective tax rate of temporary difference in the future applicable years. If the actual profit in the future is less than the estimation, or actual tax rate is lower than the estimation, then the confirmed deferred income tax assets will be reversed and confirmed in the income statement during the corresponding period. If the actual profit in the future is more than the estimation, or actual tax rate is higher than the estimation, then the corresponding deferred income tax assets might be adjusted and confirmed in the income statement during the corresponding period.

#### Goodwill impairment

When performing impairment test on goodwill, the predicted present value of future cash flows of relevant asset group or asset group portfolio included the goodwill need to be calculated, the future cash flows of relevant asset group or asset group portfolio need to be estimated, and the proper pretax rate that fairly reflects the current market time value of money and specific asset risk need to be determined. When the future actual result is different from the original estimation, the goodwill impairment loss will alter.

#### Fair value measurement and valuation process

Held-for-trading financial assets, receivables for financing, and other non-current financial assets of the Group are measured at fair value in the financial statement. When valuating the fair value of these assets, the Group preferably uses obtainable and observable market data. If no observable data is available, the Group will organize an internal evaluation panel or hire qualified third-party valuers to conduct valuation. The Finance Department and evaluation panel of the Group will work closely with the hired valuers to determine appropriate valuation techniques and the input values of the valuation model. The valuation techniques and input values used for valuating the fair value of various assets are disclosed in Note (IX).

## 32. Significant alternation in accounting policy and accounting estimations

### 32.1 Significant changes in accounting policies

Changes in accounting policies and reasons	Approval Procedures	Notes
<p><b><i>New Lease Standards</i></b></p> <p>From January 1<sup>st</sup>, 2021, the Group implements the <i>Accounting Standard for Business Enterprises No. 21 - Leases</i> revised by the Ministry of Finance in 2018 (hereinafter referred to as the "New Lease Standards" and the lease standards before the revision as the "Original Lease Standards"). The New Lease Standards have improved the definition of leases and added the identification, separation, combination and other contents of leases. The New Lease Standards have cancelled the classification of lessee's operating leases and finance leases and required the recognition of right-of-use assets and lease liabilities and separate recognition of depreciation and interest expense for all leases (except short-term leases and leases of low-value assets) on the commencement date of the lease term; The subsequent measurement of lease by the lessee has been improved, the accounting treatment in the case of option re-assessment and lease modification has been added, and relevant disclosure requirements have been added. In addition, it also enriches the disclosure by the lessor. Please refer to Note (III) 30 for details of the revised accounting policies of the Group for recognition and measurement of leases as lessee and lessor.</p> <p>For contracts existing before the date of initial application, the Group chose not to reassess whether it is a lease or contains a lease on the date of initial execution.</p> <p><u>The Group as the lessee</u></p> <p>The Group adjusts the amount of retained earnings and the amount of relevant items in the financial statements on the initial application date according to the cumulative impact of the initial application of the New Lease Standards, in which the information of the comparable is not be adjusted.</p> <p>For operating lease other than low-value lease prior to the date of initial adoption, the Group elects to apply one or more of the following simplified approach depending on each lease:</p> <ul style="list-style-type: none"> <li>• Any lease that will be completed within 12 months of the date of initial execution shall be treated as short-term lease;</li> <li>• The same discount rate shall be used for leases with similar characteristics when measuring the lease liability;</li> <li>• The measurement of right-of-use assets does not include initial direct costs;</li> <li>• In case of any extension option or termination option, the Group may determine the lease term according to the actual exercise of the option before the first adoption date and other latest conditions;</li> <li>• If a lease is modified occurs before the date of initial adoption, the Group will account for it according to the final arrangement of the lease modification.</li> </ul> <p>On the date of initial adoption, the Group makes the following adjustments as a result of the implementation of the New Lease Standards:</p> <ul style="list-style-type: none"> <li>• For finance lease prior to the date of initial adoption, the Group will respectively measure the right-of-use asset and lease liability based on the original carrying values of the finance lease assets and finance lease payables on the date of initial adoption.</li> <li>• For operating lease prior to the date of initial adoption, the Group shall measure the lease liability on the date of initial adoption based on the current value of the remaining lease payments discounted according to the lessee's incremental</li> </ul>	<p>Such alternations in accounting policy were approved by the Group at board of director general meeting.</p>	<p>None</p>

borrowing rate on the date of initial adoption, and measure the right-of-use asset at an amount equal to the lease liability, with necessary adjustments to prepaid rent.

The Group recognizes lease liabilities (including those due within one year) of RMB 386,475,961.59 and right-of-use assets of RMB 392,997,553.30 as of January 1<sup>st</sup>, 2021. For operating leases before the date of initial adoption, the Group shall use the present value discounted by the incremental borrowing rate on the first adoption day to measure the lease liabilities. The range of incremental borrowing rate is from 1.14% to 9.50%.

Information on the difference between the Group's lease liability recognized as of January 1<sup>st</sup>, 2021 and the significant operating lease commitments disclosed in the financial statements of the fiscal year of 2020 is as follows:

Unit: RMB

Item	January 1 <sup>st</sup> 2021
I. Operating lease commitments as of December 31 <sup>st</sup> 2020	408,812,072.84
Lease liabilities discounted at the incremental borrowing rate on the date of initial adoption	377,897,839.67
Less: Recognition of exemptions - short-term leases and leases of low-value assets	33,777,484.74
Lease liabilities recognized in connection with the original operating lease upon implementation of the new lease standards	344,120,354.93
Add: Finance lease payables as of December 31 <sup>st</sup> 2020	42,355,606.66
Including: Non-current liabilities due within one year	19,302,613.39
II. Lease liabilities as of January 1 <sup>st</sup> 2021	386,475,961.59
Including: Non-current liabilities due within one year	156,420,687.89
Lease liabilities	230,055,273.70

The components of the carrying value of right-of-use assets as of January 1<sup>st</sup> 2021 are as follows:

Unit: RMB

Item	January 1 <sup>st</sup> 2021
Right-of-use assets:	
Right-of-use assets recognized under operating leases prior to the date of initial adoption	344,120,354.93
Reclassified prepaid rent	3,546,860.62
Finance leased assets recognized as fixed assets under the Original Lease Standards	45,330,337.75
Total	392,997,553.30

On January 1<sup>st</sup> 2021, right-of-use assets are disclosed by category as follows:

Unit: RMB

□ Item	January 1 <sup>st</sup> 2021
Building and construction	333,243,923.96
Special-purpose equipment	45,330,337.75
Transportation vehicles	14,423,291.59
Total	392,997,553.30

<p>The impact of the Group's adoption of the New Lease Standards as of January 1<sup>st</sup> 2021 is detailed in Note (III), 32.2.</p> <p><u>The Group as the lessor</u></p> <p>The Group does not adjust leases as lessor in accordance with the convergence provisions and accounts for those leases in accordance with the New Lease Standards from the date of initial adoption.</p>		
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**32.2 The impact of the implementation of the New Lease Standards on the relevant items in the consolidated balance sheet at the beginning of the period is shown below:**

Unit: RMB

Item	Original Lease Standard	Reclassified (Note)	New Lease Standard
<b>Current Assets:</b>			
Prepayments	296,334,689.86	(2,952,118.77)	293,382,571.09
Other receivables	519,143,350.82	(117,288.00)	519,026,062.82
Other current assets	497,914,506.64	(477,453.85)	497,437,052.79
<b>Non-current Assets:</b>			
Fixed assets	5,876,007,536.60	(45,330,337.75)	5,830,677,198.85
Right-of-use assets		392,997,553.30	392,997,553.30
<b>Current Liabilities:</b>			
Non-current liabilities due within one year	3,507,680,339.78	137,118,074.50	3,644,798,414.28
<b>Non-current Liabilities:</b>			
Long-term payables	39,595,459.35	(23,052,993.27)	16,542,466.08
Lease Liabilities		230,055,273.70	230,055,273.70

Note: Due to the implementation of the New Lease Standards, the Group reclassifies financial lease assets of RMB 45,330,337.75 previously included in fixed assets to right-of-use assets; Finance lease payments of RMB 42,355,606.66 originally included in long-term payables (including those due within one year) is reclassified into lease liabilities (including those due within one year); The Group reclassifies prepaid rents totaling RMB 3,546,860.62, which were previously included in prepayments, other receivables and other current assets to right-of-use assets; The Group recognizes right-of-use assets of RMB 344,120,354.93 and lease liabilities (including those due within one year) of RMB 344,120,354.93.

**The impact of the implementation of the new lease standards on the relevant items of the parent company's balance sheet at the beginning of the period is set out below:**

Unit: RMB

Item	Original Lease Standard	Reclassified (Note)	New Lease Standard
<b>Current Assets:</b>			
Right-of-use assets		66,446,154.01	66,446,154.01
<b>Current Liabilities:</b>			
Non-current liabilities due within one year	3,219,794,958.37	29,999,165.05	3,249,794,123.42
<b>Non-current Liabilities:</b>			
Lease Liabilities		36,446,988.96	36,446,988.96

Notes to Financial Statements

For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

Note: Due to the implementation of the new lease standards, the Company recognizes right-of-use assets of RMB 66,446,154.01 and lease liabilities (including those due within one year) of RMB 66,446,154.01.



## IV. Taxes

### 1. Major categories of taxes and tax rates

Category of tax	Basis of tax computation	Tax rate
Enterprise income tax	Taxable income	25% (Note 1)
VAT	For the taxable product sales revenue or taxable labor revenue, the Company and its domestic subsidiaries are ordinary Value-added Tax payers; the VAT payable is the balance of input tax after deducting the deductible output tax.	6%, 9%, 13% and simple collection rate of 5%, 3% (Note 3)
City maintenance and construction tax	Actual payable turnover tax	7%
Education surcharges	Actual payable turnover tax	3%
Local education surcharges	Actual payable turnover tax	2%

Note 1: Except that this Company and subsidiaries in China are applicable to the following tax preference, this Company's other subsidiaries in China are applicable to 25% of enterprise income tax rate, the overseas subsidiaries are applicable to corresponding local tax rate.

- (1) In accordance with the *Letter of Reply on Publishing the List of Identified High-tech Enterprises of Zhejiang Province in 2020* (Guo Ke Huo Zi [2020] No. 251) issued by the Leading Group Office of National High-tech Enterprise Identification Management on December 29<sup>th</sup> 2020, the Company was identified as the high-tech enterprise with a valid term of 3 years, from 2020 to 2022. Therefore, the Company's enterprise income tax rate is at a reduced rate of 15% for the current reporting period. (2020:15%)

In accordance with the *Notice on Printing and Distributing the List of Key Software Enterprises and IC Design Enterprises in the National Planning Layout for 2013-2014* (Fa Gai Gao Ke [2013] No. 2458), the Company was recognized as a national key software enterprise in 2013. According to the *Notice on Issues Related to Enterprise Income Tax Preferential Policies for Software and Integrated Circuit Industry* (Cai Shui [2016] No. 49), the Company was approved by the tax authorities in May 2021 to pay the 2020 annual corporate income tax at the rate of 10%.

- (2) In accordance with Finance and Taxation [2011] No. 58 Document of Ministry of Finance, State Administration of Taxation (SAT) and General Administration of Customs, the wholly-owned subsidiaries, Chongqing Hikvision Technology Co., Ltd. and Chongqing Hikvision System Technology Co., Ltd., are qualified to enjoy the west development preferential tax policy from 2011 to 2020. According to the Announcement No. 23 (2020) of the Ministry of Finance, the State Administration of Taxation, and the National Development and Reform Commission, *Announcement on Continuation of the Corporate Income Tax Policy for the Western Development*, the preferential policies for the Western Development will be postponed to the end of 2030. Therefore, the current corporate income tax shall be calculated and paid on the basis of a reduced tax rate of 15% in the current reporting period. (2020:15%)
- (3) In accordance with the *Replies on Publishing the List of First Batch of identified High-tech Enterprises of Zhejiang Province in 2018* (GuoKeHuoZi [2019] No. 70) issued by the leading group office of Zhejiang high-tech enterprise identification management work on February 20<sup>th</sup> 2019, the Company's joint venture subsidiary, Hangzhou Fuyang Baotai Security Technology Service Co., Ltd. (Fuyang Baotai), was recognized as a high-tech enterprise and was valid for 3 years from 2018 to 2020. As of the approval date of this report, it is still in the 2021 high-tech enterprise qualification review and declaration stage. According to the *Announcement of the State Administration of Taxation on Issues Concerning the Implementation of the High-tech Enterprise Income Tax Preferential Policy*, the high-tech enterprise qualification will be re-identified within the year after the expiration of the qualification period. Before passing the recertification, the corporate income tax can be prepaid at the 15% tax rate temporarily, so the corporate income tax shall be calculated and paid on the basis of a reduced tax rate of 15% in the current reporting period. (2020:15%)

- (4) In accordance with the *Replies on Publishing identified High-tech Enterprises of Zhejiang Province in 2019* (GuoKeHuoZi [2020] No. 32) issued by the leading group office of Zhejiang high-tech enterprise identification management work on January 20<sup>th</sup> 2020, the Company's wholly-owned subsidiary, Hangzhou Hikvision System Technology Co., Ltd. (Hangzhou System) and the Company's joint venture subsidiary Hangzhou Kuangxin Technology Co., Ltd. (Hangzhou Kuangxin), was recognized as a high-tech enterprise and was valid for 3 years from 2019 to 2021. Therefore, the enterprise income rate shall be calculated and paid on the basis of a reduced tax rate of 15% in the current reporting period. (2020:15%)
- (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<sup>th</sup> 2020, the Company's wholly-owned subsidiary, Shanghai Goldway Intelligent Transportation System Co., Ltd. ("Shanghai Goldway") was identified as the high-tech enterprise with a valid term of 3 years, from 2020 to 2022. Therefore, its corporate income tax is at a reduced rate of 15% in the current reporting period. (2020:15%)
- (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<sup>th</sup> 2020, the Company's joint-venture subsidiary, Hangzhou Hikrobot Technology Co., Ltd. ("Hangzhou Robotic Technology") were identified as the high-tech enterprises with a valid term of 3 years, from 2020 to 2022. Therefore, the enterprise income tax in the current reporting period is at a reduced rate of 15%. (2020:15%)
- (7) In accordance with the *Letter of Reply on Publishing the List of Identified High-tech Enterprises of Zhejiang Province in 2020* (Guo Ke Huo Zi [2020] No. 32) issued by the Leading Group Office of National High-tech Enterprise Identification Management on January 20<sup>th</sup> 2020, the Company's joint-venture subsidiary, Hangzhou Hikmicro Sensing Technology Co., Ltd. ("Hangzhou Hikmicro") were identified as the high-tech enterprises with a valid term of 3 years, from 2019 to 2021.

According to the Ministry of Finance, the State Administration of Taxation, the National Development and Reform Commission, and the Ministry of Industry and Information Technology Announcement No. 45 of 2020 *Announcement on the Corporate Income Tax Policy for Promoting the High-quality Development of the Integrated Circuit Industry and Software Industry*, the state encourages integrated circuit design, equipment, materials, packaging, testing companies and software companies will be exempted from corporate income tax for the first year to the second year from the profitable year, and levied half of the corporate income tax at a statutory tax rate of 25% from the third year to the fifth year. Hangzhou Hikmicro is a qualified integrated circuit design company and is expected to enter into a profitable year this year.

- (8) In accordance with the *Announcement on Promoting the Income Tax Policies of High-quality Developed Enterprises in the Integrated Circuit Industry and the Software Industry* (Announcement [2020] No. 45 jointly by the MOF, SAT, NDRC and MIIT), enterprises engaging in integrated circuit design, equipment, materials, packaging, testing and software encouraged by the state are entitled to exemption from enterprise income tax in the first and second years after start of profiting and pays enterprise income tax at half of the 25% statutory tax rate in the third to fifth years. The Company's joint venture subsidiaries, Hangzhou EZVIZ Software Co., Ltd. ("EZVIZ Software") and Hangzhou Microimage Software Co., Ltd. ("Microimage Software"), are qualified software companies and are entitled to exemption from enterprise income tax in the current reporting period (2020: tax-exempted).

Note 2: In accordance with the requirements of the *Notice on Software Product Value-added Tax Policy* (Cai Shui [2011] No. 100) promulgated by the Ministry of Finance and the State Administration of Taxation, as for self-developed software products sales of the Company, Hangzhou System, the Company's joint-venture subsidiaries such as Hangzhou HikRobotic Technology, Hangzhou HikAuto Software Co., Ltd. ("HikAuto"), Hangzhou EZVIZ Software, Wuhan Hik Storage Technology Co., Ltd., Hangzhou HikStorage Technology Ltd. ("HikStorage"), Hangzhou Hikimaging Technology Co., Ltd., Hangzhou Hikfire Technology Co., Ltd. ("Hikfire"), Hangzhou Rayin Technology Co., Ltd. ("Rayin"), Microimage Software and Hangzhou Kuangxin, the VAT shall be calculated and paid with tax rate of 17% at first, then the portion with actual tax bearing excess 3% shall be refunded after State Administration of Taxation reviews.

## Notes to Financial Statements

For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

Note 3: In accordance with the *Announcement on Relevant Policies for Deepening the Value-Added Tax Reform* (Joint Announcement [2019] No. 39) jointly issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs, from April 1<sup>st</sup> 2019 to December 31<sup>st</sup> 2021, taxpayers in the production and living services industry are allowed to deduct an additional 10% of the current deductible input tax to deduct the tax payable (“Additional Deduction Policy”), the Company’s joint venture subsidiaries, Henan Hua’An Bao Quan Intelligent Development Co., Ltd. (“Hua’an Baoquan Intelligent”), Henan Hua’an Security Services Co., Ltd. (“Hua’an Security Services”), and Henan Haikang Hua’an BaoQuan Electronics Co., Ltd. (“Hua’an BaoQuan Electronics”), engaging in information technology service industry, and their sales of information technology services accounted for more than 50% of its total sales, are complying with the provisions of the Additional Deduction Policy and were entitled to additional deduction preferential tax policy of input tax since April 1<sup>st</sup> 2019.

Based on the Joint Announcement [2019] No. 39, since April 1<sup>st</sup> 2019, taxpayers are subject to VAT taxable sales or imported goods, the VAT rates had been adjusted from 16% and 10% to 13% and 9% respectively.

The VAT rate for the services provided by the Company’s taxpayers is 6%, and part of taxable service income is applicable to the simple collection rate of 5% and 3%.

## V. Notes to items in the consolidated financial statements

### 1. Cash and bank balances

Item	Closing Balance			Opening Balance		
	Foreign currency amount	Exchange rate for conversion	RMB amount	Foreign currency amount	Exchange rate for conversion	RMB amount
<b>Cash:</b>						
RMB	-	-	17,711.11	-	-	17,959.62
EUR	28,897.50	7.6862	222,111.95	71,638.34	8.0250	574,897.70
INR	2,226,484.70	0.0869	193,481.52	2,504,019.19	0.0891	223,108.11
USD	37,184.53	6.4601	240,215.80	32,776.72	6.5249	213,864.82
GBP	6,338.38	8.9410	56,671.46	6,341.78	8.8903	56,380.33
Other currencies	-	-	19,819.64	-	-	18,836.93
<b>Bank balance:</b>						
RMB	-	-	24,516,667,961.16	-	-	27,789,108,210.05
USD	200,480,296.15	6.4601	1,295,122,761.15	941,351,972.89	6.5249	6,142,227,487.92
EUR	144,296,760.60	7.6862	1,109,093,761.32	52,026,066.91	8.0250	417,509,186.97
GBP	19,928,672.85	8.9410	178,182,263.98	11,204,897.40	8.8903	99,614,899.38
INR	1,120,810,944.76	0.0869	97,398,471.10	1,203,270,539.96	0.0891	107,211,405.11
RUB	621,594,434.80	0.0888	55,197,585.81	1,742,132,380.50	0.0877	152,785,009.77
BRL	61,024,191.76	1.3028	79,502,317.02	54,535,451.03	1.2551	68,447,444.59
CAD	7,868,875.11	5.2097	40,994,478.65	5,383,485.44	5.1161	27,542,449.88
JPY	594,440,839.55	0.0584	34,715,345.03	336,505,067.09	0.0632	21,267,120.24
AED	18,367,690.42	1.7580	32,290,399.76	36,263,518.29	1.7761	64,407,634.83
THB	124,548,137.22	0.2015	25,096,449.65	14,687,508.85	0.2328	3,419,252.06
HKD	28,052,675.20	0.8321	23,342,631.03	13,632,862.61	0.8416	11,473,417.17
AUD	3,576,171.25	4.8528	17,354,443.86	2,279,274.45	5.0163	11,433,524.41
ZAR	34,576,247.06	0.4501	15,562,768.80	14,765,683.20	0.4458	6,582,541.57
PLN	7,282,882.13	1.7009	12,387,454.21	12,359,893.85	1.7520	21,654,534.02
KRW	1,799,856,117.54	0.0057	10,259,179.87	855,655,685.00	0.0060	5,133,934.11
Other currencies	-	-	37,517,328.32	-	-	18,195,337.35
<b>Other currency funds:</b>						
RMB	-	-	92,736,731.47	-	-	463,887,119.07
USD	6,915,610.24	6.4601	44,675,533.72	3,101,420.39	6.5249	20,236,457.90
EUR	774,356.27	7.6862	5,951,857.16	465,821.33	8.0250	3,738,216.17
Other currencies	-	-	7,453,240.92	-	-	2,748,878.19
<b>Total</b>			<b>27,732,252,975.47</b>			<b>35,459,729,108.27</b>
Including: deposited in overseas banks			766,732,314.21			782,389,029.81

Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

## Details of other currency funds:

Item	Closing Balance			Opening Balance		
	Foreign currency amount	Exchange rate for conversion	RMB amount	Foreign currency amount	Exchange rate for conversion	RMB amount
<b>Capitals with limitations:</b>						
Bank acceptance bill	-	-	443,250.07	-	-	8,484.61
Deposits for letter of guarantee	-	-	50,699,985.96	-	-	44,417,713.65
Deposits for letter of Credit in BRL	274,141.18	1.3028	357,151.13	283,313.18	1.2551	355,586.37
Tax Operation Margin for India	120,305.98	0.0869	10,454.59	120,305.95	0.0891	10,719.26
Deposits for letter of Credit in RMB	-	-	21,540,000.00	-	-	-
Other security deposit	-	-	2,253,376.24	60,000.00	4.7050	282,300.00
Other capitals with limitations	-	-	16,984,637.63	-	-	389,816,426.07
<b>Subtotal</b>			92,288,855.62			434,891,229.96
<b>Capitals without limitations:</b>						
Deposit in Alipay, Tenpay, etc.			23,865,469.36	-	-	25,263,562.38
Other currency funds in USD	5,365,712.34	6.4601	34,663,038.29	4,662,441.59	6.5249	30,421,965.14
Other currency funds in ZAR	-	-	-	23,875.03	0.0877	2,093.84
Other currency funds in EUR	-	-	-	3,965.11	8.0250	31,820.01
<b>Subtotal</b>			58,528,507.65			55,719,441.37
<b>Total</b>			150,817,363.27			490,610,671.33

## 2. Held-for-trading financial assets

Unit: RMB

Item	Closing Balance	Opening Balance
Financial assets measured at fair value through current gain and loss	32,620,061.54	22,679,846.77
Including: derivative financial assets	32,620,061.54	22,679,846.77
<b>Total</b>	32,620,061.54	22,679,846.77

## 3. Notes receivable

### 3.1 Categories of notes receivable

Unit: RMB

Category	Closing Balance	Opening Balance
Bank acceptance bill	893,082,402.65	1,003,388,157.28
Commercial acceptance bill	232,175,189.62	299,864,547.91
<b>Total</b>	1,125,257,592.27	1,303,252,705.19

**3.2 As of June 30<sup>th</sup> 2021, the pledged notes receivable by the Group is nil.**

**3.3 At the end of the current reporting period, notes receivable endorsed by the Group but not yet due at the balance sheet day**

Unit: RMB

Category	Derecognized amount as of June 30 <sup>th</sup> 2021	Amount not derecognized as of June 30 <sup>th</sup> 2021
Bank acceptance bill Note (V)-30.3	-	610,856,089.84
Total	-	610,856,089.84

Note: Transfer of financial assets

As of June 30<sup>th</sup> 2021, the Group gave RMB 610,856,089.84 (2020: RMB 482,454,604.99) undued bank acceptance bills to suppliers for endorsement. Since the Group has not transferred almost all the risks and rewards of ownership of financial assets, the Group has not terminated its confirmation. For details, please refer to Note (V) 30.3.

**3.4 As of June 30<sup>th</sup> 2021, the Group transferred the defaulted notes receivable into accounts receivable.**

Unit: RMB

Category	Amounts transferred into accounts receivable as of June 30 <sup>th</sup> 2021
Commercial Acceptance Bill	29,886,894.42
Total	29,886,894.42

3.5 The Group believes, except for bills that are transferred to accounts receivable due to the failure of the drawer to perform the contract, The bank acceptance bills and commercial acceptance bills held by the Group do not have significant credit risks and will not cause major losses due to the counterparty's default. Therefore, no loss provision is made.

**4. Accounts receivable**

**4.1 Disclosure by aging**

Unit: RMB

Item	Closing Balance		
	Accounts receivable	Credit loss provision	Proportion (%)
Within credit period	13,908,017,211.24	67,892,012.25	0.49
Within 1 year after exceeding credit period	8,650,470,382.80	342,217,169.16	3.96
1-2 years after exceeding credit period	1,423,179,116.77	338,705,918.34	23.80
2-3 years after exceeding credit period	1,072,722,797.05	574,960,931.68	53.60
3-4 years after exceeding credit period	326,461,889.47	254,762,597.29	78.04
Over 4 years after exceeding credit period	227,463,105.31	227,463,105.31	100.00
Subtotal	25,608,314,502.64	1,806,001,734.03	7.05

## 4.2 Classified disclosure of credit loss provision by methods

Unit: RMB

Category	Closing Balance				
	Carrying amount		Credit loss provision		Book Value
	Amount	Proportion (%)	Amount	Proportion (%)	Amount
Provision for credit loss on a single basis	-	-	-	-	-
Provision for credit loss by portfolios	25,608,314,502.64	100.00	1,806,001,734.03	7.05	23,802,312,768.61
<b>Total</b>	<b>25,608,314,502.64</b>	<b>100.00</b>	<b>1,806,001,734.03</b>	<b>7.05</b>	<b>23,802,312,768.61</b>
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	23,491,775,903.07	100.00	1,512,395,186.21	6.44	21,979,380,716.86
<b>Total</b>	<b>23,491,775,903.07</b>	<b>100.00</b>	<b>1,512,395,186.21</b>	<b>6.44</b>	<b>21,979,380,716.86</b>

## Provision for credit loss by portfolios for accounts receivable

Unit: RMB

Customer	Closing balance		
	Carrying amount	Credit loss provision	Proportion (%)
Portfolio A	3,888,424,720.21	113,031,569.59	2.91
Portfolio B	16,073,854,190.90	1,526,870,959.69	9.50
Portfolio C	5,646,035,591.53	166,099,204.75	2.94
<b>Total</b>	<b>25,608,314,502.64</b>	<b>1,806,001,734.03</b>	<b>7.05</b>

## Description of credit loss provision by portfolios for accounts receivable

As part of the Group's credit risk management, the Group uses the ageing of accounts receivable to assess the expected credit losses of accounts receivable formed by domestic and overseas sales business, and divides the risk characteristics into portfolio A, portfolio B and portfolio C, according to the business area and object. These three portfolios involve a large number of customers with the same risk characteristics. Aging information is able to reflect the solvency of these three types of customers when the accounts receivable are due.

## Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

 As of June 30<sup>th</sup> 2021 and January 1<sup>st</sup> 2021, the credit risk and expected credit losses of accounts receivable from portfolio A are as follows:

Unit: RMB

Age	Estimated average loss rate (%)	Closing balance			Estimated average loss rate (%)	Beginning balance		
		Carrying value	Credit loss provision	Book value		Carrying value	Credit loss provision	Book value
Within credit period	0.02	2,920,681,186.29	719,059.43	2,919,962,126.86	0.02	2,971,260,488.09	604,959.50	2,970,655,528.59
Within 1 year after exceeding credit period	1.32	803,386,839.63	10,638,186.66	792,748,652.97	2.02	640,220,646.55	12,955,798.75	627,264,847.80
1-2 years after exceeding credit period	36.05	79,565,557.66	28,679,492.96	50,886,064.70	51.50	82,533,903.30	42,503,136.38	40,030,766.92
2-3 years after exceeding credit period	83.46	71,304,021.35	59,507,715.26	11,796,306.09	90.10	40,717,280.97	36,686,603.66	4,030,677.31
3-4 years after exceeding credit period	100.00	12,431,662.09	12,431,662.09	-	100.00	5,809,507.07	5,809,507.07	-
Over 4 years after exceeding credit period	100.00	1,055,453.19	1,055,453.19	-	100.00	830,934.85	830,934.85	-
Total	2.91	3,888,424,720.21	113,031,569.59	3,775,393,150.62	2.66	3,741,372,760.83	99,390,940.21	3,641,981,820.62

 As of June 30<sup>th</sup> 2021 and January 1<sup>st</sup> 2021, the credit risk and expected credit losses of accounts receivable from portfolio B are as follows:

Unit: RMB

Age	Estimated average loss rate (%)	Closing balance			Estimated average loss rate (%)	Beginning balance		
		Carrying value	Credit loss provision	Book value		Carrying value	Credit loss provision	Book value
Within credit period	1.03	6,077,420,279.44	62,861,159.97	6,014,559,119.47	0.76	6,294,425,956.16	48,017,503.05	6,246,408,453.11
Within 1 year after exceeding credit period	4.12	7,273,471,475.34	299,403,299.11	6,974,068,176.23	3.77	5,727,639,925.20	216,155,232.48	5,511,484,692.72
1-2 years after exceeding credit period	20.16	1,253,426,402.15	252,735,318.10	1,000,691,084.05	20.69	1,426,493,413.08	295,122,043.56	1,131,371,369.52
2-3 years after exceeding credit period	49.33	959,076,761.29	473,111,202.01	485,965,559.28	57.51	665,262,321.85	382,616,768.44	282,645,553.41
3-4 years after exceeding credit period	76.24	301,757,205.55	230,057,913.37	71,699,292.18	83.09	238,233,041.29	197,947,096.87	40,285,944.42
Over 4 years after exceeding credit period	100.00	208,702,067.13	208,702,067.13	-	100.00	146,749,340.78	146,749,340.78	-
Total	9.50	16,073,854,190.90	1,526,870,959.69	14,546,983,231.21	8.87	14,498,803,998.36	1,286,607,985.18	13,212,196,013.18



Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

 As of June 30<sup>th</sup> 2021 and January 1<sup>st</sup> 2021, the credit risk and expected credit losses of accounts receivable from portfolio C are as follows:

Unit: RMB

Age	Closing balance				Beginning balance			
	Estimated average loss rate (%)	Carrying value	Credit loss provision	Book value	Estimated average loss rate (%)	Carrying value	Credit loss provision	Book value
Within credit period	0.09	4,909,915,745.51	4,311,792.85	4,905,603,952.66	0.20	4,736,831,208.62	9,676,562.96	4,727,154,645.66
Within 1 year after exceeding credit period	5.61	573,612,067.83	32,175,683.39	541,436,384.44	6.84	391,071,518.27	26,753,464.86	364,318,053.41
1-2 years after exceeding credit period	63.52	90,187,156.96	57,291,107.28	32,896,049.68	51.18	69,085,009.97	35,354,825.98	33,730,183.99
2-3 years after exceeding credit period	100.00	42,342,014.41	42,342,014.41	-	100.00	28,016,950.72	28,016,950.72	-
3-4 years after exceeding credit period	100.00	12,273,021.83	12,273,021.83	-	100.00	11,470,715.01	11,470,715.01	-
Over 4 years after exceeding credit period	100.00	17,705,584.99	17,705,584.99	-	100.00	15,123,741.29	15,123,741.29	-
Total	2.94	5,646,035,591.53	166,099,204.75	5,479,936,386.78	2.41	5,251,599,143.88	126,396,260.82	5,125,202,883.06

### 4.3 Credit loss provision

Provision, re-collection, or reverse of the credit loss provision in the current reporting period

Unit: RMB

Credit loss provision	Total
Balance on January 1 <sup>st</sup> 2021	1,512,395,186.21
Provision/(reverse) during the current reporting period	302,443,301.79
Derecognition of financial assets (including direct write-downs) and transfer out	(7,437,696.81)
Difference arised from foreign currency statement translation	(1,399,057.16)
Balance on June 30 <sup>th</sup> 2021	1,806,001,734.03

## Actual write-off of accounts receivable during current reporting period:

In the current reporting period, the amount of actual accounts receivable write-off is RMB 8,321,415.61, and RMB 883,718.80 is recollected after writing-off.

### 4.4 Top five debtors based on corresponding closing balance of accounts receivable

				Unit: RMB
Name of the Party	Relationship with the Company	Book value balance of accounts receivable	Closing balance for credit loss provision	Proportion (%) of the total balance of accounts receivable at the end of the current reporting period
CETC's subsidiary company A (Note)	Related Party	385,903,069.21	124,699,227.90	1.51
Third Party A	Third party	307,412,691.27	3,079,948.14	1.20
Third Party B	Third party	246,281,362.97	487,108.46	0.96
Third Party C	Third party	144,073,830.98	276,671.42	0.56
Third Party D	Third party	96,859,002.40	3,934,633.09	0.38
Total		1,180,529,956.83	132,477,589.01	4.61

Note: A subsidiary of CETC is a subsidiary of China Electronics Technology Group Co., Ltd., the Company's ultimate controller.

4.5 As of June 30<sup>th</sup> 2021, there is no termination of accounts receivable booking due to transfer of a financial asset.

4.6 As of June 30<sup>th</sup> 2021, the Group has no assets/liabilities booked due to transferred accounts receivable that the Group still continue to be involved in.

## 5. Receivables for financing

### 5.1 Receivables for financing by categories

			Unit: RMB
Item	Closing Balance	Opening Balance	
Bank acceptance bill	1,120,170,492.09	1,959,601,195.25	
Total-	1,120,170,492.09	1,959,601,195.25	

5.2 At the end of the current reporting period, the Group had no pledged financing of receivables.

5.3 At the end of the reporting period, receivables for financing endorsed or discounted by the Group that have not yet expired on the balance sheet date.

			Unit: RMB
Item	Derecognized amount as of June 30 <sup>th</sup> 2021 (note)	Amount not derecognized as of June 30 <sup>th</sup> 2021	
Bank acceptance bill	1,742,762,080.69	-	
Total-	1,742,762,080.69	-	

5.4 The Group believes that the acceptance bank's credit rating of the bank acceptance bill held is high, and there is no significant credit risk, so no loss provision is made.

**6. Prepayments**

**6.1 Prepayments by aging analysis**

Unit: RMB

Aging	Closing Balance		Opening Balance	
	Carrying amount	Proportion (%)	Carrying amount	Proportion (%)
Within 1 year	299,556,093.13	77.18	261,740,350.78	89.22
1-2 years	67,210,259.92	17.32	20,302,314.17	6.92
2-3 years	10,779,307.27	2.78	9,021,070.25	3.07
Over 3 years	10,560,521.97	2.72	2,318,835.89	0.79
<b>Total</b>	<b>388,106,182.29</b>	<b>100.00</b>	<b>293,382,571.09</b>	<b>100.00</b>

**6.2 Closing balances of top five prepayments parties**

As of June 30<sup>th</sup> 2021, the Group's top five balances of prepayments amounted to RMB 110,158,922.03, accounting for 28.38% of total closing balance of prepayments.

Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

## 7. Other receivables

### 7.1 Other receivables by aging

Unit: RMB

Item	Closing Balance		
	Other receivables	Bad debt provision	Proportion (%)
Within contract period	699,964,008.04	2,551,178.13	0.36
Within 1 year	78,649,546.76	2,361,636.27	3.00
1-2 years	9,467,840.34	1,985,358.99	20.97
2-3 years	27,274,454.15	11,133,432.18	40.82
3-4 years	17,810,085.16	12,356,524.48	69.38
Over 4 years	11,290,239.81	11,247,498.71	99.62
Subtotal	844,456,174.26	41,635,628.76	4.93

### 7.2 Other receivables by nature of the payment

Unit: RMB

Item	Closing Balance	Opening Balance
Temporary payments for receivables	628,024,719.34	294,409,377.31
Guarantee deposits	189,605,664.05	173,447,240.76
Investment intention fund	1,000,000.00	1,000,000.00
Tax rebates	310,191.78	67,714,444.77
Others	25,515,599.09	33,758,132.77
Total	844,456,174.26	570,329,195.61

Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

**7.3 Provision for credit loss**

Unit: RMB

Category	Opening balance	Amount of changes in the current reporting period			Difference resulted from foreign currency statements Conversion	Closing balance
		Provision or reverse	Recollect	Resell or write off		
Other receivables	51,303,132.79	(9,417,803.41)	-	-	(249,700.62)	41,635,628.76
Total	51,303,132.79	(9,417,803.41)	-	-	(249,700.62)	41,635,628.76

**Changes in credit loss provisions for other receivables**

Unit: RMB

bed debts allowance	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses in the next 12 months	Expected credit loss for the entire duration (credit impairment has not incurred)	Expected credit loss for the entire duration (credit impairment has occurred)	
Balance on January 1 <sup>st</sup> 2021	3,092,760.15	9,818,044.78	38,392,327.86	51,303,132.79
The book balance of other receivables on January 1 <sup>st</sup> 2021 in the current reporting period				
--Transfer into stage 2	(3,092,760.15)	3,092,760.15	-	-
-- Transfer into stage 3		(9,818,044.78)	9,818,044.78	-
--provision/(reverse) in the current reporting period	2,800,878.75	1,254,235.11	(13,472,917.27)	(9,417,803.41)
-- Derecognition of financial assets (including direct write-down) and transfer out	-	-	-	-
Other changes	(249,700.62)	-	-	(249,700.62)
Balance on June 30 <sup>th</sup> 2021	2,551,178.13	4,346,995.26	34,737,455.37	41,635,628.76

7.4 The actual write-off of other receivables during the current reporting period is nil.

Notes to Financial Statements

For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

**7.5 Top five debtors based on corresponding closing balance of other receivables**

Unit: RMB

Entities	Relationship with the Company	Nature	Closing balance	Aging	Proportion of total closing balance for other receivables (%)	Closing balance for credit loss provision
Third party E	Third party	Temporary payments for receivables	7,018,264.26	With in the contract period	0.83	76,499.08
Third party F	Third party	Guarantee deposits	6,927,179.05	Within 1 year	0.82	288,863.37
Third party G	Third party	Temporary payments for receivables	5,513,580.00	With in the contract period	0.65	60,098.02
Third party H	Third party	Guarantee deposits	3,738,423.66	With in the contract period	0.44	40,748.82
Third party I	Third party	Guarantee deposits	3,500,000.00	With in the contract period	0.41	38,150.00
<b>Total</b>			<b>26,697,446.97</b>		<b>3.15</b>	<b>504,359.29</b>

7.6 As of June 30<sup>th</sup> 2021, the Group does not have other receivables related to government subsidies.

7.7 As of June 30<sup>th</sup> 2021, there is no termination of other receivables booking due to transfer of a financial asset.

7.8 As of June 30<sup>th</sup> 2021, the Group has no assets/liabilities booked due to any transferred other receivable that the Group continues to be involved in.

Notes to Financial Statements

For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

**8. Inventories**

**8.1 Categories of inventories**

Unit: RMB

Category	Closing Balance			Opening Balance		
	Carrying amount	Provision for decline in value of inventories/ Impairment provision for contract performance cost	Book value	Carrying amount	Provision for decline in value of inventories/ Impairment provision for contract performance cost	Book value
Raw materials	6,915,560,569.62	194,526,225.36	6,721,034,344.26	5,307,099,264.63	96,173,520.97	5,210,925,743.66
Work-in-progress	638,385,039.92	-	638,385,039.92	364,831,525.62	-	364,831,525.62
Finished goods	7,629,308,362.10	654,681,758.24	6,974,626,603.86	5,863,464,370.61	516,926,580.56	5,346,537,790.05
Contract performance cost	760,459,457.01	-	760,459,457.01	555,610,981.37	-	555,610,981.37
<b>Total</b>	<b>15,943,713,428.65</b>	<b>849,207,983.60</b>	<b>15,094,505,445.05</b>	<b>12,091,006,142.23</b>	<b>613,100,101.53</b>	<b>11,477,906,040.70</b>

**8.2 Provision for decline in value of inventories**

Unit: RMB

Category	Opening balance	Increase in the current reporting period	Decrease in the current reporting period		Effect on conversion of financial statements denominated in foreign currencies	Closing Balance
			Reversals	Write-off		
Raw materials	96,173,520.97	98,613,564.09	-	260,859.70	-	194,526,225.36
Finished goods	516,926,580.56	153,987,401.28	-	13,864,740.86	(2,367,482.74)	654,681,758.24
<b>Subtotal</b>	<b>613,100,101.53</b>	<b>252,600,965.37</b>	<b>-</b>	<b>14,125,600.56</b>	<b>(2,367,482.74)</b>	<b>849,207,983.60</b>

The write-offs of provision for inventories in the current reporting period are due to use or sale of inventories.

For contract performance cost recognized as an asset, the Company recognizes it into current profit or loss on the same basis as the revenue from goods relating to such asset, and is recognized at the point of time when the goods are delivered to and accepted by the counterparty; there was an amount of RMB 237,433,009.27 recognized during the current reporting period.

Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

**9. Contract assets**
**9.1 Details of contract assets:**

Unit: RMB

Items	Closing Balance			Opening Balance		
	Carrying amount	Provisions for impairment	Book value	Carrying amount	Provisions for impairment	Book value
Constructions	120,801,235.95	6,843,535.66	113,957,700.29	179,392,556.16	1,363,383.44	178,029,172.72
Maintenance services	71,055,883.20	774,509.14	70,281,374.06	68,243,992.61	518,654.35	67,725,338.26
<b>Total</b>	<b>191,857,119.15</b>	<b>7,618,044.80</b>	<b>184,239,074.35</b>	<b>247,636,548.77</b>	<b>1,882,037.79</b>	<b>245,754,510.98</b>

**9.2 The classification and disclosure of the method of provision for impairment of contract assets during the current reporting period:**

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	191,857,119.15	100.00	7,618,044.80	3.97	184,239,074.35
<b>Total</b>	<b>191,857,119.15</b>	<b>100.00</b>	<b>7,618,044.80</b>	<b>3.97</b>	<b>184,239,074.35</b>

**Provision, re-collection, or reverse in the current reporting period:**

Unit: RMB

Credit loss provision	Expected credit loss during the whole duration (No credit impairment occurred)	Expected credit loss during the whole duration (Credit impairment occurred)	Total
Balance on January 1 <sup>st</sup> 2021	1,882,037.79	-	1,882,037.79
Provision during the current reporting period	5,736,007.01	-	5,736,007.01
Balance on June 30 <sup>th</sup> 2021	7,618,044.80	-	7,618,044.80

Impairment provision for the current reporting period amounted to RMB 5,736,007.01, with no reversal, write-off or recovery of impairment provision during the current reporting period.

Contract assets arise from the Group's construction works business as well as maintenance services relating to security projects. The Group provides construction works and maintenance services based on contracts with customers, and recognizes revenue based on the performance progress during the term of the contracts. The Group's customers make milestone payments for the construction works and maintenance services of the Group as provided in the contracts. For the portion where the Group has obtained an unconditional right to the payment, it will be recognized as accounts receivable, while the remaining portion will be recognized as contract assets; where the contract price received or receivable by the Group exceeds the performance obligation completed to date, the excess portion will be recognized as contract liabilities. The Group presents contract assets and contract liabilities under the same contract on a net basis.

**10. Non-current assets due within one year**

Unit: RMB

Item	Closing Balance	Opening Balance
Long-term receivables due within one year (Note (V) 12)	1,150,804,899.71	1,001,208,813.83
<b>Total</b>	<b>1,150,804,899.71</b>	<b>1,001,208,813.83</b>



Notes to Financial Statements

For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

**11. Other current assets**

Unit: RMB

Item	Closing balance	Opening balance
Deductible VAT input	705,088,455.51	391,898,131.26
Prepaid corporate income tax	45,361,243.85	41,520,799.46
Prepaid tariff	32,329,062.36	22,446,422.69
Others	74,118,058.54	41,571,699.38
<b>Total</b>	<b>856,896,820.26</b>	<b>497,437,052.79</b>

Notes to Financial Statements ar  
For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

**12. Long-term receivables**

12.1 Details of long-term receivables

Unit: RMB

Item	Closing balance			Opening balance			Range of discount rate
	Carrying amount	Provision for credit loss	Book value	Carrying amount	Provision for credit loss	Book value	
Financial leases receivables	331,157,010.38	29,130,391.03	302,026,619.35	332,860,621.51	21,387,061.50	311,473,560.01	0.13%-10.52%
Including: Unrealized income from financing	16,009,607.90	-	16,009,607.90	20,751,939.07	-	20,751,939.07	-
Installments for selling goods	2,869,171,328.65	106,238,042.24	2,762,933,286.41	2,890,406,667.71	95,101,409.36	2,795,305,258.35	3.85%-5.62%
Including: Unrealized income from financing	689,702,955.21	-	689,702,955.21	738,142,438.88	-	738,142,438.88	-
Less: Non-current assets due within one year (Note (V) 10)	1,265,079,116.45	114,274,216.74	1,150,804,899.71	1,092,345,496.98	91,136,683.15	1,001,208,813.83	-
Total	1,935,249,222.58	21,094,216.53	1,914,155,006.05	2,130,921,792.24	25,351,787.71	2,105,570,004.53	-

12.2 Credit loss provision

As part of the Group's credit risk management, the Group uses the aging of long-term receivables to assess the expected credit losses of long-term receivables formed by financial leasing and installment collection business. The customers involved in financial leasing and installment collection business are mainly government department and state-owned enterprises. There a large number of customers and have the same risk characteristics. The aging information is able to reflect the repayment capability of these customers when the long-term receivables are due.

Notes to Financial Statements ar

For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

As of June 30<sup>th</sup> 2021, the credit risk and expected credit losses of long-term receivables of these customers are as follows:

Unit: RMB

Age	Closing balance		
	Amounts	Credit loss provision	Estimated average loss rate (%)
Within credit period	2,526,073,126.75	27,410,017.06	1.09
Within 1 year after exceeding credit period	404,148,057.87	16,852,965.89	4.17
1-2 years after exceeding credit period	172,046,784.54	33,876,050.25	19.69
2-3 years after exceeding credit period	54,999,223.73	22,450,683.12	40.82
3-4 years after exceeding credit period	27,470,743.58	19,188,314.39	69.85
Over 4 years after exceeding credit period	15,590,402.56	15,590,402.56	100.00
Total	3,200,328,339.03	135,368,433.27	4.23

The changes in the Group's long-term receivables' expected credit loss provision for the current reporting period are as follows:

Unit: RMB

Credit loss provision	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses in the next 12 months	Expected credit losses for the entire duration (No credit impairment occurred)	Expected credit losses for the entire duration (Credit impairment has occurred)	
Balance on January 1 <sup>st</sup> 2021	31,592,759.56	43,368,646.94	41,527,064.36	116,488,470.86
On January 1 <sup>st</sup> 2021, the book balance of long-term accounts receivable in the current reporting period				
Transfer into stage 2	(31,592,759.56)	31,592,759.56	-	-
Transfer into stage 3	-	(15,702,335.71)	15,702,335.71	-
Provision/(reverse) during the current reporting period	27,410,017.06	(8,530,054.65)	-	18,879,962.41
Balance on June 30 <sup>th</sup> 2021	27,410,017.06	50,729,016.14	57,229,400.07	135,368,433.27

12.3 As of June 30<sup>th</sup> 2021, there is no termination of long-term receivables booking due to transfer of a financial asset.

12.4 As of June 30<sup>th</sup> 2021, the Group has no assets/liabilities booked due to any transferred long-term receivable that the Group continue to be involved in.

Notes to Financial Statements ar

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

### 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: Other comprehensive income	Other Changes in equity	Declaration of cash dividends or profit distribution	Impairment provision	others		
<b>1. Joint venture companies</b>											
Hangzhou Haikang Intelligent Industrial Equity Investment Fund Partnership (L.P.)	612,479,371.62	-	-	(12,551,789.97)	-	-	-	-	-	599,927,581.65	-
Daishan Hailai Yunzhi Technology Co., Ltd.	15,253,091.76	-	-	641,313.41	-	-	(999,000.00)	-	-	14,895,405.17	-
Zhejiang City Digital Technology Co., Ltd.	11,864,018.37	-	-	(159,024.43)	-	-	-	-	-	11,704,993.94	-
Zhejiang Haishi Huayue Digital Technology Co., Ltd.	9,985,577.32	-	-	828,972.15	-	-	-	-	-	10,814,549.47	-
Shenzhen Hikvision Urban Service Operation Co., Ltd.	6,029,569.69	-	-	(2,392,706.11)	-	-	-	-	-	3,636,863.58	-
Guangxi Haishi Urban Operation Management Co., Ltd.	5,296,695.36	-	-	(2,055,245.77)	-	-	-	-	-	3,241,449.59	-
Yunnan Yinghai Parking Service Co., Ltd.	4,841,060.76	-	-	8,854.38	-	-	-	-	-	4,849,915.14	-
Xuzhou Kangbo Urban Operation Management Service Co., Ltd.	4,631,286.58	-	-	(459,987.17)	-	-	-	-	-	4,171,299.41	-
Subtotal	670,380,671.46	-	-	(16,139,613.51)	-	-	(999,000.00)	-	-	653,242,057.95	-

Notes to Financial Statements ar

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

The invested entity	Opening Balance	Increase/Decrease in the current reporting period								Closing Balance	Closing balance for impairment provision
		Additional Investments	Investment reduction	Investment Profit (Loss) recognized under the equity Method	Adjustment: Other comprehensive income	Other Changes in equity	Declaration of cash dividends or profit distribution	Impairment provision	others		
<b>2. Associated Companies</b>											
Wuhu Sensor Technology Co., Ltd.	58,491,264.42	-	-	5,507,128.76	-	-	-	-	-	63,998,393.18	-
Maxio Technology (Hangzhou) Co., Ltd.	91,955,638.61	-	-	11,326,714.57	-	-	-	-	-	103,282,353.18	-
Zhiguang Hailian Big Data Technology Co., Ltd.	21,253,058.87	-	-	(540,524.81)	-	-	-	-	-	20,712,534.06	-
Sanmenxia Xiaoyun Vision Technology Co., Ltd.	3,671,496.93	-	-	(934,201.11)	-	-	-	-	-	2,737,295.82	-
Jiaxin Haishi JiaAn Zhicheng Technology Co., Ltd.	8,479,131.27	-	-	(1,061,192.51)	-	-	-	-	-	7,417,938.76	-
Qinghai Qingtang Big Data Co., Ltd.	9,795,448.67	-	-	20,581.50	-	-	-	-	-	9,816,030.17	-
Subtotal	193,646,038.77	-	-	14,318,506.40	-	-	-	-	-	207,964,545.17	-
Total	<b>864,026,710.23</b>	-	-	<b>(1,821,107.11)</b>	-	-	<b>(999,000.00)</b>	-	-	<b>861,206,603.12</b>	-

## 14. Other non-current financial assets

Unit: RMB

Invested Entity (Note 1)	Shareholding %	Opening balance	Additional investment during the current reporting period	Investment recovery during the current reporting period	Changes in fair value during the current reporting period	Closing balance
CETC Finance Co., Ltd. (Note 2)	3.83%	423,435,737.20	-	-	(14,474,296.26)	408,961,440.94
Hangzhou Confirmware Technology Co., Ltd.	9.52%	31,092,032.62	-	-	(6,623,948.55)	24,468,084.07
Zhejiang Tuxun Technology Co., Ltd. (Zhejiang Tuxun)	8.13%	32,222,764.45	-	-	(2,179,075.03)	30,043,689.42
Zhengzhou Guokong Smart City Technology Co., Ltd.	7.00%	700,000.00	-	-	-	700,000.00
Guangxi Jilian Haibao Technical Service Co., Ltd.	5.10%	2,884,220.00	-	-	-	2,884,220.00
Shenzhen Wanyu Security Service Technology Co., Ltd.	5.00%	1,000,000.00	-	-	-	1,000,000.00
Nanwang Information Industry Group Co., Ltd.	0.25%	604,313.00	-	-	-	604,313.00
<b>Total</b>		<b>491,939,067.27</b>	<b>-</b>	<b>-</b>	<b>(23,277,319.84)</b>	<b>468,661,747.43</b>

Note 1: it refers to the Group's equity investments of private companies. The Group has no control, joint control or significant influence over the invested company.

Note 2: It is an enterprise controlled by CETC, the ultimate controlling party of the Group. During the current reporting period, the Company received a cash dividend of RMB 115,644,801.97 from China Electronic Technology Finance Co., Ltd. (2020: RMB 150,000,000.00) and recognized it as current profit and loss. Please refer to Note (V), 49 for details.

## 15. Fixed Assets

### 15.1 Details of fixed assets

Unit: RMB

Items	Building and construction	General-purpose equipment	Special-purpose equipment	Transportation vehicles	Total
<b>I. Total original carrying amount</b>					
1. Opening balance	5,100,087,402.39	942,058,072.93	2,045,680,662.52	96,077,396.86	8,183,903,534.70
2. Increase in the current reporting period	571,684,990.60	150,526,825.40	74,323,636.44	3,179,247.08	799,714,699.52
1) purchase	19,647,303.10	148,863,146.75	56,386,090.80	3,179,247.08	228,075,787.73
2) transferred from construction in progress	552,037,687.50	1,663,678.65	17,937,545.64	-	571,638,911.79
3. Decrease in the current reporting period	4,004,642.66	6,382,897.79	37,144,204.94	2,933,276.26	50,465,021.65
1) disposal or write-off	4,004,642.66	6,382,897.79	37,144,204.94	2,933,276.26	50,465,021.65
4. Effect on conversion of financial statements denominated in foreign currencies	(704,992.96)	(2,644,292.66)	(1,231,524.73)	(60,110.60)	(4,640,920.95)
5. Closing Balance	5,667,062,757.37	1,083,557,707.88	2,081,628,569.29	96,263,257.08	8,928,512,291.62

## Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

Items	Building and construction	General-purpose equipment	Special-purpose equipment	Transportation vehicles	Total
<b>II. Accumulated depreciation</b>					
1. Opening balance	992,312,042.71	368,166,922.57	937,726,505.61	55,020,864.96	2,353,226,335.85
2. Increase in the current reporting period	118,417,107.80	82,987,945.72	153,088,959.47	5,823,963.60	360,317,976.59
(1) accrual	118,417,107.80	82,987,945.72	153,088,959.47	5,823,963.60	360,317,976.59
3. Decrease in the current reporting period	2,221,567.66	5,291,282.67	31,514,132.13	2,567,655.46	41,594,637.92
(1) disposal or write-off	2,221,567.66	5,291,282.67	31,514,132.13	2,567,655.46	41,594,637.92
4. Effect on conversion of financial statements denominated in foreign currencies	(135,423.02)	(1,476,565.78)	(406,015.55)	(45,139.50)	(2,063,143.85)
5. Closing balance	1,108,372,159.83	444,387,019.84	1,058,895,317.40	58,232,033.60	2,669,886,530.67
<b>III. Provision for decline in value</b>					
1. Opening balance	-	-	-	-	-
2. Increase in the current reporting period	-	-	-	-	-
3. Decrease in the current reporting period	-	-	-	-	-
4. Closing balance	-	-	-	-	-
<b>IV. Total book value</b>					
Closing balance on book value	4,558,690,597.54	639,170,688.04	1,022,733,251.89	38,031,223.48	6,258,625,760.95
Opening balance on book value	4,107,775,359.68	573,891,150.36	1,107,954,156.91	41,056,531.90	5,830,677,198.85

15.2 As of June 30<sup>th</sup> 2021, the Group did not have any significant idle fixed assets.

15.3 As of June 30<sup>th</sup> 2021, the Group had not rent out any fixed asset through operating leasing

15.4 Fixed assets of which certificates of title have not been granted as of June 30<sup>th</sup> 2021.

Unit: RMB

Item	Carrying amount	Reason for certificates of title not granted
Office building for branches	16,054,560.00	In the process of obtaining the real estate certificates
Fuzhou High-tech Zone Innovation Park	104,644,180.00	In the process of obtaining the real estate certificates after transferred to fixed assets
<b>Total</b>	<b>120,698,740.00</b>	

Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

## 16. Construction in progress

### 16.1 Details of construction in progress

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision	Book value	Carrying amount	Provision	Book value
Chengdu Science and Technology Park Project	649,653,461.12	-	649,653,461.12	521,626,793.33	-	521,626,793.33
Hangzhou Innovation Industry Park	362,637,782.43	-	362,637,782.43	337,821,702.49	-	337,821,702.49
Xi'an Science and Technology Park Project	128,568,833.69	-	128,568,833.69	12,679,174.93	-	12,679,174.93
Shijiazhuang Science and Technology Park Project	48,583,014.75		48,583,014.75	2,060,553.46		2,060,553.46
Chongqing Science and Technology Park Phase II Project	-	-	-	249,810,250.79	-	249,810,250.79
Others	516,179,307.39	-	516,179,307.39	301,236,718.72	-	301,236,718.72
<b>Total</b>	<b>1,705,622,399.38</b>	<b>-</b>	<b>1,705,622,399.38</b>	<b>1,425,235,193.72</b>	<b>-</b>	<b>1,425,235,193.72</b>

### 16.2 Changes in significant construction in progress during the current reporting period

Unit: RMB

Item	Budget (RMB 0,000)	Opening balance	Increase in the current reporting period	Transferred to fixed assets during the current reporting period	Effect on conversion of financial statements denominated in foreign currencies	Other Reductions (Note 1)	Closing balance	Amount invested as proportion of budget amount (%)	Construction in Progress (%)	Accumulated capitalized interest and profit/loss on exchange (Note 2)	Including: capitalized interest and profit/loss on exchange for the current reporting period	Capitalization rate for interest in the current reporting period (%)	Source of funds
Chengdu Science and Technology Park Project	196,900.00	521,626,793.33	128,026,667.79	-	-	-	649,653,461.12	32.99%	32.99%	-	-	-	Self-financing
Hangzhou Innovation Industry Park	102,600.00	337,821,702.49	24,816,079.94	-	-	-	362,637,782.43	35.34%	35.34%	5,113,014.05	(48,573,001.14)	0.85%	Special loan



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 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

Item	Budget (RMB 0,000)	Opening balance	Increase in the current reporting period	Transferred to fixed assets during the current reporting period	Effect on conversion of financial statements denominated in foreign currencies	Other Reductions (Note 1)	Closing balance	Amount invested as a proportion of budget amount (%)	Construction in Progress (%)	Accumulated capitalized interest and profit/loss on exchange (Note 2)	Including: capitalized interest and profit/loss on exchange for the current reporting period	Capitalization rate for interest in the current reporting period (%)	Source of funds
Xi'an Science and Technology Park project	227,800.00	12,679,174.93	115,889,658.76	-	-	-	128,568,833.69	5.64%	5.64%	-	-	-	Self-financing
Shijiazhuang Science and Technology Park Project	89,800.00	2,060,553.46	46,522,461.29	-	-	-	48,583,014.75	5.41%	5.41%	-	-	-	Self-financing
EZVIZ Industry Park	79,800.00	2,332,067.08	41,416,910.43	-	-	-	43,748,977.51	5.48%	5.48%	-	-	-	Self-financing
Zhengzhou Science and Technology Park Project	48,500.00	13,529,409.53	4,800,801.74	-	-	-	18,330,211.27	3.78%	3.78%	-	-	-	Self-financing
Chongqing Science and Technology Park project-phase 2	40,000.00	249,810,250.79	144,149,199.63	393,959,450.42	-	-	-	100.00%	100.00%	-	-	-	Self-financing
Others	-	285,375,242.11	349,370,657.32	177,679,461.37	(1,080,606.45)	1,885,713.00	454,100,118.61	-	-	-	-	-	Self-financing
<b>Total</b>	<b>785,400.00</b>	<b>1,425,235,193.72</b>	<b>854,992,436.90</b>	<b>571,638,911.79</b>	<b>(1,080,606.45)</b>	<b>1,885,713.00</b>	<b>1,705,622,399.38</b>	<b>-</b>	<b>-</b>	<b>5,113,014.05</b>	<b>(48,573,001.14)</b>		

Note 1: Other reductions during the the current reporting period were the completed decoration project that transferred to the long-term deferred expenses.

Note 2: This amount is calculated by interest expense for specific foreign currency borrowings, less interest income for unused borrowing fund and profit/loss on exchange rate difference.

As of June 30<sup>th</sup> 2021, the Group did not have any sign of impairment of projects under construction; therefore, no provision for impairment loss was booked.

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## 17. Right-of-use assets

Unit:RMB

Items	Houses and Buildings	General Equipment	Dedicated Equipment	Transportation Facility	Total
<b>I. Total original carrying amount</b>					
1. Opening balance	333,243,923.96	-	92,164,518.65	14,423,291.59	439,831,734.20
2. Increased	68,151,993.38	-	-	3,282,584.49	71,434,577.87
(1)New Lease	68,151,993.38	-	-	3,282,584.49	71,434,577.87
3. Decreased	2,329,019.32	-	-	-	2,329,019.32
(1) The lease contract expires or terminates early	2,329,019.32	-	-	-	2,329,019.32
4. Effect on conversion of financial statements denominated in foreign currencies	(3,903,177.22)	-	-	(638,394.71)	(4,541,571.93)
5. Ending balance	395,163,720.80	-	92,164,518.65	17,067,481.37	504,395,720.82
<b>II. Accumulated depreciation</b>					
1. Opening balance	-	-	46,834,180.90	-	46,834,180.90
2. Increased	64,816,040.75	-	10,761,693.68	3,032,484.93	78,610,219.36
(1) Provisions	64,816,040.75	-	10,761,693.68	3,032,484.93	78,610,219.36
3. Decreased	397,017.82	-	-	-	397,017.82
(1) The lease contract expires or terminates early	397,017.82	-	-	-	397,017.82
4. Effect on conversion of financial statements denominated in foreign currencies	(354,812.23)	-	-	(63,073.12)	(417,885.35)
5. Ending balance	64,064,210.70	-	57,595,874.58	2,969,411.81	124,629,497.09
<b>III. Provision for decline in value</b>					
1. Opening balance	-	-	-	-	-
2. Increased	-	-	-	-	-
3. Decreased	-	-	-	-	-
4. Ending balance	-	-	-	-	-
<b>IV. Total book value</b>					
1. Closing balance on book value	331,099,510.10	-	34,568,644.07	14,098,069.56	379,766,223.73
2. Opening balance on book value	333,243,923.96	-	45,330,337.75	14,423,291.59	392,997,553.30

In the current reporting period, the short-term lease and low-value asset lease expenses that the Group included in the current profit and loss with simplified processing were RMB 57,316,442.89. In the current reporting period, the Group's total cash outflow related to leases was RMB 142,279,358.39.

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 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

## 18. Intangible assets

### 18.1 Details of Intangible assets

Unit: RMB

Item	Land use right	Intellectual property right	Application Software	Franchise	Total
<b>I. Total original carrying amount</b>					
1. Opening balance	1,224,893,932.49	70,044,034.88	298,812,867.42	13,091,615.51	1,606,842,450.30
2. Increased	1,049,256.40	-	13,400,485.18	679,111.39	15,128,852.97
(1) Purchase	1,049,256.40	-	13,400,485.18	679,111.39	15,128,852.97
3. Decreased	-	-	885,704.45	-	885,704.45
(1) Disposal or write-off	-	-	885,704.45	-	885,704.45
4. Effect on conversion of financial statements denominated in foreign currencies	-	1,832.65	(1,163,339.57)	1,345.85	(1,160,161.07)
5. Closing balance	1,225,943,188.89	70,045,867.53	310,164,308.58	13,772,072.75	1,619,925,437.75
<b>II. Total accumulated amortization</b>					
1. Opening balance	76,612,562.29	60,718,480.10	217,067,323.75	1,126,160.47	355,524,526.61
2. Increased	13,374,944.47	2,212,337.53	18,566,322.13	906,062.01	35,059,666.14
(1) Accrual	13,374,944.47	2,212,337.53	18,566,322.13	906,062.01	35,059,666.14
3. Decreased	-	-	788,876.70	-	788,876.70
(1) Disposal or write-off	-	-	788,876.70	-	788,876.70
4. Effect on conversion of financial statements denominated in foreign currencies	-	(3,733.05)	(1,141,518.77)	143.76	(1,145,108.06)
5. Closing balance	89,987,506.76	62,927,084.58	233,703,250.41	2,032,366.24	388,650,207.99
<b>III. Provision for decline in value</b>					
1. Opening balance	-	-	-	-	-
2. Increased	-	-	-	-	-
3. Decreased	-	-	-	-	-
4. Closing balance	-	-	-	-	-
<b>IV. Total book value</b>					
1. Closing balance on book value	1,135,955,682.13	7,118,782.95	76,461,058.17	11,739,706.51	1,231,275,229.76
2. Opening balance on book value	1,148,281,370.20	9,325,554.78	81,745,543.67	11,965,455.04	1,251,317,923.69

**18.2 At the end of the current reporting period, the intangible assets of the Group that have not completed the title certificate are as follows:**

Unit: RMB

Item	Carrying value	Reasons for not getting the title certificate
Land use right of Nanchang Science and Technology Park	103,874,856.90	The land certificate is still in process
<b>Total</b>	<b>103,874,856.90</b>	

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 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

## 19. Goodwill

### 19.1 Goodwill book value

Unit: RMB

The name of the investee or the matter that forming a goodwill	Opening balance	Increased	Decreased	Effect on conversion of financial statements denominated in foreign currencies	Closing balance
		Business combination not involving enterprises under common control	Liquidation & cancellation		
Secure Holdings Limited (SHL)	130,320,174.19	-	-	(1,294,233.98)	129,025,940.21
HuaAn Baoquan Intelligence and its subsidiaries	61,322,871.63	-	-	-	61,322,871.63
Hangzhou Kuangxin Technology Co., Ltd.	59,060,454.06	-	-	-	59,060,454.06
Hundure Technology (Shanghai) Co., Ltd.	13,774,405.88	-	13,774,405.88	-	-
BK EESTI AKTSIASELTS	4,826,266.94	-	-	(203,755.67)	4,622,511.27
SIA "BK Latvia"	4,819,569.44	-	-	(203,472.92)	4,616,096.52
ZAO Hikvision	67,349.64	-	-	-	67,349.64
Hangzhou Haikang Zhicheng Investment and Development Co., Ltd.	12,573.42	-	-	-	12,573.42
<b>Total</b>	<b>274,203,665.20</b>	<b>-</b>	<b>13,774,405.88</b>	<b>(1,701,462.57)</b>	<b>258,727,796.75</b>

## 20. Long-term deferred expenses

Unit: RMB

Invested unit	Opening Balance	Increased	Amortized	Difference of foreign currency translation	Closing balance
Improvement expenditure for leased fixed asset	108,584,686.85	18,066,543.34	26,104,715.70	(594,611.40)	99,951,903.09
<b>Total</b>	<b>108,584,686.85</b>	<b>18,066,543.34</b>	<b>26,104,715.70</b>	<b>(594,611.40)</b>	<b>99,951,903.09</b>

## 21. Deferred tax assets/deferred tax liabilities

### 21.1 Deferred tax assets that are not presented on net off basis

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment losses of assets	619,743,698.69	165,036,649.43	439,119,363.43	118,145,320.66
Provision for credit loss	1,826,388,333.68	375,744,721.05	1,539,163,635.55	317,826,951.61
Payroll payables	340,995,206.97	67,364,166.74	340,995,206.97	67,364,166.74
Share-based payment	481,007,150.91	76,607,409.18	395,569,612.03	63,817,274.43
Provisions	116,834,580.56	17,346,673.52	125,721,860.51	20,746,514.91
Expenditure without invoice	165,341,805.58	34,963,772.08	343,485,705.59	79,499,747.08
Unrealized profit from intergroup transactions	1,362,398,463.76	204,683,716.45	1,332,036,632.93	203,654,079.47
Changes in the fair value of derivative financial instruments	3,342,073.74	835,518.44	4,862,446.50	1,215,611.63
Deferred income	142,894,727.35	22,580,305.74	175,339,879.57	28,307,816.27
<b>Total</b>	<b>5,058,946,041.24</b>	<b>965,162,932.63</b>	<b>4,696,294,343.08</b>	<b>900,577,482.80</b>

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For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

**21.2 Deferred tax liabilities that are not presented on net off basis**

Unit: RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Difference in accelerated depreciation/amortization of assets	823,144,399.91	153,669,507.40	794,946,638.24	155,500,598.94
Changes in the fair value of derivative financial instruments	28,126,415.53	7,031,603.88	18,487,400.00	4,621,850.00
Changes in fair value of other non-current financial assets	63,748,699.43	9,562,304.91	87,026,019.27	13,053,902.89
<b>Total</b>	<b>915,019,514.87</b>	<b>170,263,416.19</b>	<b>900,460,057.51</b>	<b>173,176,351.83</b>

**21.3 Deferred tax assets or deferred tax liabilities that are presented at the net amount after offset**

Unit: RMB

Item	Closing balance		Opening balance	
	Offset amount at the end of the reporting period	Deferred tax assets or liabilities at the net amount after offset	Offset amount at the beginning of the reporting period	Deferred tax assets or liabilities at the net amount after offset
Deferred tax assets	80,091,112.94	885,071,819.69	80,196,527.94	820,380,954.86
Deferred tax liabilities	80,091,112.94	90,172,303.25	80,196,527.94	92,979,823.89

**22. Other non-current assets**

Unit: RMB

Item	Closing balance	Opening balance
Contract assets	522,238,731.65	600,392,481.02
Prepayments for equipment	146,685,635.87	26,838,623.06
Prepayments for acquisition of land	79,938,875.22	79,046,571.00
Prepayments for infrastructure	16,914,474.29	15,233,481.00
<b>Total</b>	<b>765,777,717.03</b>	<b>721,511,156.08</b>

**23. Short-term borrowings**

**23.1 Categories of short-term borrowings**

Unit: RMB

Item	Closing balance	Opening balance
Fiduciary loan	3,142,918,040.93	3,999,246,634.59
<b>Total</b>	<b>3,142,918,040.93</b>	<b>3,999,246,634.59</b>

23.2 As of June 30<sup>th</sup> 2021, the Group did not have any overdue short-term loans that were failed to repay.

**24. Held-for-trading financial liabilities**

Unit: RMB

Item	Closing balance	Opening balance
Financial liabilities measured at fair value through current profits and losses	3,651,541.77	7,405,771.15
Including: derivative financial liabilities	3,651,541.77	7,405,771.15
<b>total</b>	<b>3,651,541.77</b>	<b>7,405,771.15</b>

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 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

## 25. Notes payable

Unit: RMB

Item	Closing balance	Opening balance
Bank acceptance Bill	1,209,714,255.88	1,036,920,229.85
Total	1,209,714,255.88	1,036,920,229.85

As of June 30<sup>th</sup> 2021, the Group did not have any unpaid matured notes payable.

## 26. Accounts payable

### 26.1 List of accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Payments for goods	12,304,461,476.16	13,461,766,461.74
Payables on equipment	143,812,271.64	132,118,328.45
Total	12,448,273,747.80	13,593,884,790.19

26.2 As of June 30<sup>th</sup> 2021, the Group did not have any significant accounts payable with aging above one year.

## 27. Contract liabilities

### 27.1 List of contract liabilities

Unit: RMB

Item	Closing balance	Opening balance
Advanced receipts from sales of products	1,883,864,456.98	1,605,290,145.88
Advanced receipts for construction settlement payment	356,004,365.61	401,866,195.59
Advanced receipts from services	250,806,170.04	154,010,329.79
Total	2,490,674,992.63	2,161,166,671.26

### 27.2 Qualitative and Quantitative Analysis on the Above Contract Liabilities:

Advanced receipts for product sales include prepayments for goods by customers and sales rebates provided to distributors. Product sales revenue of the Group is recognized when the control of such product is transferred to the customers. During the transaction, prepayments for goods by customers are recognized as a contract liability till the goods are shipped or delivered to the customers. Sales rebates to distributors of the Group may be accumulated when they purchase products from the Group, and are deductible for payments for goods to be purchased in the future. Such sales rebates enable distributors to enjoy discounts in their future purchase of goods, which are not available to the same type of customers. Therefore, the commitment to offer such discounts to distributors on their future purchase prices is a separate performance obligation. Such commitment is recognized as a contract liability based on the transaction price allocated on the basis of the fair value of rebates when the sales transaction takes place, and is recognized as revenue when distributors use the sales rebates for deduction of purchase prices.

The Group provides construction works and maintenance services based on the construction works and maintenance service contracts with customers, and recognizes revenue based on the performance progress during the term of the contracts. The Group's customers make milestone payments for the construction works and maintenance services of the Group as provided in the contracts. For the portion where the Group has obtained an unconditional right to the payment, it will be recognized as accounts receivable, while the remaining portion will be recognized as contract assets; where the contract price received or receivable by the Group exceeds the performance obligation completed to date, the excess portion will be recognized as contract liabilities. The Group presents contract assets and contract liabilities under the same contract on a net basis.

The Group provides cloud services including storage service, video service, and telephone service to its customers. Such services are performance obligations to be satisfied during a period of time, and revenue is recognized based on the performance progress over the period in which such services are rendered. As customers have prepaid for cloud services at the time of purchase, at the time of transaction, the Group recognizes as a contract liability for the payments that would be received for cloud services, and recognizes revenue based on the performance progress over the period in which such

Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

services are rendered.

## 28. Payroll payable

### 28.1 Details of payroll payable

Unit: RMB

Item	Opening balance	Increase in the current reporting period	Decrease in the current reporting period	Closing balance
1.Short-term remuneration	2,858,597,482.49	6,449,497,859.69	6,545,612,764.54	2,762,482,577.64
2. Termination benefits – defined contribution scheme	19,188,948.22	407,631,094.60	364,031,321.69	62,788,721.13
<b>Total</b>	<b>2,877,786,430.71</b>	<b>6,857,128,954.29</b>	<b>6,909,644,086.23</b>	<b>2,825,271,298.77</b>

### 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	2,671,062,392.28	5,813,722,297.06	5,897,873,744.93	2,586,910,944.41
2.Staff welfare	14,300.82	90,298,417.48	90,298,251.48	14,466.82
3.Social insurance contributions	11,227,541.93	244,066,969.48	223,057,781.09	32,236,730.32
Including:				
Medical insurance	10,852,343.07	233,971,668.95	214,082,443.10	30,741,568.92
Injury insurance	330,255.63	6,971,949.60	6,246,317.09	1,055,888.14
Maternity insurance	44,943.23	3,123,350.93	2,729,020.90	439,273.26
4.Housing funds	146,194.01	257,834,706.10	257,881,712.21	99,187.90
5.Labor union and education fund	176,147,053.45	43,575,469.57	76,501,274.83	143,221,248.19
<b>Subtotal</b>	<b>2,858,597,482.49</b>	<b>6,449,497,859.69</b>	<b>6,545,612,764.54</b>	<b>2,762,482,577.64</b>

### 28.3 Defined Contribution Plan

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1.Basic pension insurance	18,665,404.09	394,163,208.63	352,020,520.81	60,808,091.91
2.Unemployment insurance	523,544.13	13,467,885.97	12,010,800.88	1,980,629.22
<b>Subtotal</b>	<b>19,188,948.22</b>	<b>407,631,094.60</b>	<b>364,031,321.69</b>	<b>62,788,721.13</b>

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.

## 29. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Enterprise income tax	1,001,851,547.52	1,403,744,369.98
Value-added tax	365,711,957.54	294,728,811.39
City construction and maintenance tax	24,629,195.29	17,924,699.09
Education surcharges	17,349,795.66	7,547,297.38
Local education surcharges	11,854,439.47	5,437,435.12
Others	209,211,872.68	40,675,295.66

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 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

Item	Closing balance	Opening balance
Total	1,630,608,808.16	1,770,057,908.62

### 30. Other payables

#### 30.1 Categories

Unit: RMB

Item	Closing balance	Opening balance
Dividend payable	651,635,862.26	205,898,523.84
Other payables	1,395,750,254.33	1,319,154,832.11
Total	2,047,386,116.59	1,525,053,355.95

#### 30.2 Dividends payable

Unit: RMB

Item	Closing balance	Opening balance
Dividends of incentive restricted shares	144,401,634.30	205,898,523.84
Dividends of non-restricted shares	507,234,227.96	-
Total	651,635,862.26	205,898,523.84

#### 30.3 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)	610,856,089.84	482,454,604.99
Guarantee and deposit fees	385,198,228.33	298,869,865.03
Collection and payment on behalf	201,771,898.24	157,485,875.39
Accrued expenses	130,492,655.46	337,678,697.37
Other expense payable	67,431,382.46	42,665,789.33
Total	1,395,750,254.33	1,319,154,832.11

(2) As of June 30<sup>th</sup> 2021, the Group did not have any significant other payables aging over one year.

### 31. Non-current liabilities due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within one year (Note (V) 33)	3,342,160,117.94	3,486,243,087.91
Lease liabilities due within one year (Note (V), 34)	174,958,269.90	156,420,687.89
Long-term payables due within one year (Note (V) 35)	3,102,428.95	2,134,638.48
Total	3,520,220,816.79	3,644,798,414.28

### 32. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Subscription payment of restricted shares	511,594,361.52	560,959,368.73
Output VAT to be transferred	236,076,809.87	184,752,210.84
Total	747,671,171.39	745,711,579.57



Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

**33. Long-term borrowings**

Unit: RMB

Item	Closing balance	Opening balance
Pledged loan (Note 1)	1,498,890,006.05	1,556,927,316.08
Fiduciary loan (Note 2)	3,564,285,262.97	3,700,483,533.13
Other borrowing (Note 3)	190,000,000.00	190,000,000.00
Less: Long-term loans due within one year (Note (V) 31)	3,342,160,117.94	3,486,243,087.91
Total	1,911,015,151.08	1,961,167,761.30

Note 1: As of June 30<sup>th</sup> 2021, RMB 263,071,428.56 of the pledged loan was obtained by the Group with all the rights and benefits pledged under the *Urumqi High-tech Zone (New Urban Area) Safe City & Surveillance system for Social Comprehensive Management -- PPP Project Agreement*; the maturity date is June 20<sup>th</sup> 2028, the annual interest rate is 4.31%.

RMB 179,800,000.00 of the pledged loan was obtained by the Group with all the rights and benefits pledged under the *MoYu Security Protection and Prevention Control System-- PPP Project Agreement*; the maturity date is March 26<sup>th</sup> 2035, the annual interest rate of the loan is 4.345%

RMB 219,780,000.00 of the pledged loan was obtained by the Group with all the rights and benefits pledged under the *PiShan Security Protection and Prevention Control System-- PPP Project Agreement*; the maturity date is March 26<sup>th</sup> 2040, among them, the annual interest rate of RMB 169,600,000.00 of the loan is 4.345%, the annual interest rate of RMB 50,180,000.00 of the loan is 4.245%.

RMB 224,800,000.00 of the pledged loan was obtained by the Group with all the rights and benefits pledged under the *LuoPu Security Protection and Prevention Control System-- PPP Project Agreement*; the maturity date is March 26<sup>th</sup> 2035, among them, the annual interest rate of RMB 137,600,000.00 of the loan is 4.345%, the annual interest rate of RMB 87,200,000.00 of the loan is 4.245%.

RMB 95,600,000.00 of the pledged loan was obtained by the Group with all the rights and benefits pledged under the *YuTian Safe City-- PPP Project Agreement*; the maturity date is March 26<sup>th</sup> 2034, the annual interest rate is 4.245%.

RMB 514,000,000.00 of the pledged loan was obtained by the Group with all the rights and benefits pledged under the *Xi'an Public Security Video Surveillance Construction Network Application Construction--Public-Private Partnership (PPP) Project Agreement*; the maturity date is November 5<sup>th</sup> 2031, the annual interest rate of the loan is 4.345%.

Note 2: As of June 30<sup>th</sup> 2021, the credit loan with a book value of RMB 3,074,480,000.00 was 400 million euros in credit loans, which was mainly used for the investment and construction of the Company's Hangzhou Innovation Industrial Park project and Xi'an Science and Technology Park project, the maturity date is December 14<sup>th</sup> 2021, and the interest rate is 0.85%.

The book value of the credit loan is RMB 479,970,000.00, which is mainly used for the acquisition of the thermal imaging division asset group in the year of 2020 by Hangzhou HikMicro Sensing Technology Co., Ltd., a subsidiary of the Group, and the maturity dates are September 28<sup>th</sup> 2022 and September 27<sup>th</sup> 2023, respectively, and the annual interest rate is 3.20%.

Note 3: During 2016, the Group entered into an agreement with CDB Development Fund Ltd. (CDBDF) to jointly inject capital into Hikvision Electronics Co., Ltd. ("Hangzhou Electronics"), a subsidiary of the Group. Pursuant to the capital injection agreement, CDBDF would not participate in senior management personnel such as directors, and it would either take part in decision-making or make significant influence on Hangzhou Electronics. The Group shall pay a 1.2% annualized return to CDBDF through dividends or interest payments, and the Group is required to redeem the CDBDF's equity investment in the current reporting period by installments each year from 2021 to 2024. Therefore, the capital injection by CDBDF is treated as a long-term loan. As of June 30<sup>th</sup> 2021, CDBDF has aggregately invested RMB 190 million (December 31<sup>st</sup> 2020: RMB 190 million).

Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

**34. Lease liabilities**

Unit: RMB

Item	Closing balance	Opening balance
Lease liabilities	374,452,790.68	386,475,961.59
Less : Lease liabilities due within one year (Note (V), 31)	174,958,269.90	156,420,687.89
<b>Total</b>	<b>199,494,520.78</b>	<b>230,055,273.70</b>

**35. Long-term payables**

Unit: RMB

Item	Closing balance	Opening balance
Purchase goods in installments	11,491,861.74	10,677,104.56
Borrowing	-	8,000,000.00
Less: Long-term payables due within one year (Note (V), 31)	3,102,428.95	2,134,638.48
<b>Total</b>	<b>8,389,432.79</b>	<b>16,542,466.08</b>

**36. Provisions**

Unit: RMB

Item	Closing balance	Opening balance
Product quality warranty	159,098,659.69	151,443,871.02
<b>Total</b>	<b>159,098,659.69</b>	<b>151,443,871.02</b>

**37. Deferred income**

Unit: RMB

Item	Opening balance	Increase in current reporting period	Decrease in current reporting period	Closing balance	Details
Government Subsidies	190,878,987.69	69,654,000.00	69,803,069.41	190,729,918.28	Note
<b>Total</b>	<b>190,878,987.69</b>	<b>69,654,000.00</b>	<b>69,803,069.41</b>	<b>190,729,918.28</b>	

**As of June 30<sup>th</sup> 2021, the deferred income related to government subsidies:**

Unit: RMB

Liability Items	Opening Balance	Increase in current reporting period	Amounts booked into other income during the current reporting period	Other changes	Closing Balance	Related to assets/related to incomes
Chongqing Manufacture Park construction	76,835,135.44	-	34,907,015.44	-	41,928,120.00	Related to assets
Other special subsidies	32,815,600.80	11,340,500.00	5,455,672.03	-	38,700,428.77	Related to assets
Other special subsidies	81,228,251.45	58,313,500.00	29,440,381.94	-	110,101,369.51	Related to incomes
<b>Subtotal</b>	<b>190,878,987.69</b>	<b>69,654,000.00</b>	<b>69,803,069.41</b>	<b>-</b>	<b>190,729,918.28</b>	

Note 1: Refer to government subsidies received by the Group for projects such as Chongqing Manufacture Park construction and other projects; Actual expenses occurred in the current reporting period for special subsidies related to incomes were recognized in other income; and relevant assets for Chongqing Manufacture Park construction and other special subsidies related to assets were amortized averagely in other income within the assets' useful lives.

Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

### 38. Other non-current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Subscription for restricted stocks	511,594,361.52	560,959,368.74
Total	511,594,361.52	560,959,368.74

### 39. Share capital

Unit: RMB

	Opening balance	Changes for the current reporting period					Closing balance
		New issue of shares	Bonus issue	Transfer from Capital Reserve	Others (Note)	Subtotal	
2021.06.30							
Total shares	9,343,417,190.00	-	-	-	(7,611,076.00)	(7,611,076.00)	9,335,806,114.00

Note: On December 17<sup>th</sup> 2020, in accordance with the authorization of the Company's 2021 first extraordinary general meeting and the resolutions of the 20<sup>th</sup> meeting of the fourth board of directors and the revised articles of association, the Company repurchased and cancelled the granted 7,611,076.00 restricted RMB treasury shares that have not been unlocked, reducing the share capital by RMB 7,611,076.00 and the capital reserve by RMB 115,032,981.28. The Company had completed the repurchase cancellation registration on June 30<sup>th</sup> 2021.

### 40. 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
2021.06.30				
Share premium	4,747,808,907.38	-	120,076,361.59	4,627,732,545.79
Other capital reserves	430,968,554.71	124,387,684.27	-	555,356,238.98
Total	5,178,777,462.09	124,387,684.27	120,076,361.59	5,183,088,784.77

Note 1: The increase of RMB 124,387,684.27 in other capital reserves in the current fiscal year was calculated with equity-settled share-based payments which were included in the capital reserve. Please refer to Note (XI) for details.

Note 2: The decrease of RMB 115,032,981.28 in share capital premium during the current reporting period was due to the Company's repurchase of 7,611,076 granted but unlocked RMB treasury shares by cash, please refer to Note (V) 39; The decrease of RMB 5,033,446.99 in share capital premium during the current reporting period was due to share distributions by equity settlements to minority shareholders; The decrease of RMB 9,933.32 in share capital premium was due to the disposal of subsidiary during the current reporting period. For details, please refer to Note (VII) 1(1) Note 4.

### 41. Treasury shares

Unit: RMB

Item	Opening Balance	Increase in the current reporting period	Decrease in the current reporting period (Note 1)	Closing balance
2021.06.30				
Restricted shares incentive scheme	1,121,918,737.47	-	98,730,014.43	1,023,188,723.04
Total	1,121,918,737.47	-	98,730,014.43	1,023,188,723.04

Note 1: During the current reporting period, the decreased amounts of treasury shares includes a decrease of RMB 37,631,007.23 due to the repurchase and cancellation of restricted shares of 2016 and 2018 Restricted Share Incentive Scheme; a decrease of RMB 61,099,007.20 in treasury shares was due to provision of cash dividend allocated to restricted shares.

Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

## 42. 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)	
2021.06.30							
Other incomes that may be reclassified subsequently to profit or loss	(84,993,926.94)	(8,260,441.80)	-	-	(7,233,190.86)	(1,027,250.94)	(92,227,117.80)
Included: Effect on conversion of financial statements denominated in foreign currencies	(84,993,926.94)	(8,260,441.80)	-	-	(7,233,190.86)	(1,027,250.94)	(92,227,117.80)
Other comprehensive income	(84,993,926.94)	(8,260,441.80)	-	-	(7,233,190.86)	(1,027,250.94)	(92,227,117.80)

## 43. Surplus reserves

Unit: RMB

Item	Opening balance	Increase in the current reporting period	Decrease in the current reporting period	Closing balance
2021.06.30				
Statutory surplus reserves (Note)	4,672,505,348.00	-	-	4,672,505,348.00
Total	4,672,505,348.00	-	-	4,672,505,348.00

## 44. Retained earnings

Unit: RMB

Item	First half year of 2021	First half year of 2020
Retained Earnings at the close of the prior reporting period	35,806,523,826.37	28,961,389,145.22
Add: Net profit attributable to the parent company for the current reporting period	6,481,424,653.39	4,623,972,830.87
Subtract: Statutory surplus reserves	-	-
Dividends payable on common shares (Note)	7,458,057,406.90	6,541,507,487.20
Retained earnings at the end of the current reporting period	34,829,891,072.86	27,043,854,488.89

Note: According to the resolution of 2020 Annual General Meeting dated on May 14<sup>th</sup> 2021, 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 8 (tax inclusive), the rest of retained earnings were all carried forward for future distributions.

## 45. Operating income/operating cost

### 45.1 Operating income and operating cost

Unit: RMB

Item	First half year of 2021		First half year of 2020	
	Revenue	Cost	Revenue	Cost
Operating income	33,662,102,661.75	18,023,388,922.41	24,068,056,071.82	12,100,735,573.06
Other operating income	239,995,706.35	181,806,842.05	203,103,171.94	92,984,372.32
Total	33,902,098,368.10	18,205,195,764.46	24,271,159,243.76	12,193,719,945.38

Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

## 45.2 Operating business (by business type)

Unit: RMB

Item	First half year of 2021	
	Revenue	Cost
Product sales	32,693,068,598.93	17,565,104,081.49
Construction contract	411,198,176.84	291,842,825.70
Provide services	557,835,885.98	166,442,015.22
<b>Total</b>	<b>33,662,102,661.75</b>	<b>18,023,388,922.41</b>

## 45.3 Operating business (by the time of revenue recognition)

Unit: RMB

Item	First half year of 2021	
	Revenue	Cost
Recognized at some point	32,693,068,598.93	17,565,104,081.49
Recognition took place within a certain period of time	969,034,062.82	458,284,840.92
<b>Total</b>	<b>33,662,102,661.75</b>	<b>18,023,388,922.41</b>

## 45.4 Operating business (By product or business type)

Unit: RMB

Item	First half year of 2021	
	Revenue	Cost
Products and Services	27,672,536,087.24	14,476,253,747.73
Constructions	411,198,176.84	291,842,825.70
<b>Subtotal</b>	<b>28,083,734,264.08</b>	<b>14,768,096,573.43</b>
Smart home business	1,871,108,774.85	1,172,850,667.99
Robotic business	1,220,189,435.48	642,233,986.43
Other innovative businesses	2,487,070,187.34	1,440,207,694.56
<b>Subtotal</b>	<b>5,578,368,397.67</b>	<b>3,255,292,348.98</b>
<b>Total</b>	<b>33,662,102,661.75</b>	<b>18,023,388,922.41</b>

### Descriptions of Performance obligations:

The Group sells video surveillance products, smart home products, robotic products, and other products and related accessories. For sales of goods to customers, the Group recognizes revenue when the control of the goods is transferred, i.e. when the goods are delivered to the location designated by other party, or delivered to the carrier designated by other party, or delivered to the other party for acceptance. Since the delivery of the goods to the customer represents the right to unconditionally receive the contract consideration, and the maturity of the payment only depends on the passage of time, the Group recognizes a receivable when the goods are delivered to the customer. When the customer prepays for the goods, the Group recognizes the transaction amount received as a contract liability, and recognizes revenue until the goods are delivered to the customer.

For projects constructed for customers, since the customers could control the assets under construction during the performance of the Group, the Group recognizes revenue according to the performance progress by treating them as the obligations within certain period, except that the performance progress cannot be reasonably determined. The Group applies the output method to determine the performance progress, which is based on the value to the customers of the goods or services that have been transferred to them. Where the performance progress cannot be reasonably determined, and the costs incurred by the Group are expected to be compensated, the revenue shall be recognized according to the amount of the costs already incurred until the performance progress can be reasonably determined. The customers of the Group pay the Group for the construction works by milestone payments in accordance with the contract. For the portion where the Group has obtained an unconditional right to the payment, it will be recognized as accounts receivable, while the remaining portion will be recognized as contract assets; where the contract price received or receivable by the Group

exceeds the performance obligation completed to date, the excess portion will be recognized as contract liabilities. The Group presents contract assets and contract liabilities under the same contract on a net basis.

The Group provides customers with operation and maintenance services. Since customers obtain and consume the economic benefits generated by the performance of the Group at the same time when the Group performs its obligations, the Group recognizes revenue according to the performance progress by treating them as the obligations within certain period.

The customers of the Group pay the Group for the maintenance services by milestone payments in accordance with the contract. For the portion where the Group has obtained an unconditional right to the payment, it will be recognized as accounts receivable, while the remaining portion will be recognized as contract assets; where the contract price received or receivable by the Group exceeds the performance obligation completed to date, the excess portion will be recognized as contract liabilities. The Group presents contract assets and contract liabilities under the same contract on a net basis.

The Group provides cloud services including storage service, video service, and telephone service to its customers. Such services are performance obligations to be satisfied during a period of time, and revenue is recognized based on the performance progress over the period in which such services are rendered. As customers have prepaid for cloud services at the time of purchase, the Group recognizes the payments for cloud services received at the time of transaction as a contract liability, and recognizes revenue based on the performance progress over the period in which such services are rendered.

Sales rebates to distributors of the Group may be accumulated when they purchase products from the Group, and are deductible for payments for goods to be purchased in the future. Such sales rebates enable distributors to enjoy discounts in their future purchase of goods, which are not available to the same type of customers. Therefore, the commitment to offer such discounts to distributors on their future purchase prices is a separate performance obligation. Such commitment is recognized as a contract liability based on the transaction price allocated on the basis of the fair value of rebates when the sales transaction takes place, and is recognized as revenue when distributors use the sales rebates for deduction of purchase prices.

The Group provides quality assurance for the sold video surveillance products, smart home products, robotic products and other products and related accessories, as well as the assets constructed. The quality assurance related to the products sold by the Group cannot be purchased separately, and is a guarantee to customers that the products sold meet the established standards, therefore, the Group conducts accounting treatment in accordance with the Accounting Standards for Business Enterprises No. 13 - Contingencies, please refer to Note (III), 24 and Note (V), 36 for details.

For sales to end consumers through the online trading platform, a 7-day or 30-day right of return is provided accordingly. At the time of revenue recognition, a return payable is recognized for the goods expected to be returned according to the amount expected to be returned due to the sales return; in addition, a return cost receivable is recognized according to the balance of the book value of the goods expected to be returned at the time of transfer net of the estimated cost of recovering the goods, and carrying over costs according to net amount of book value of the transferred goods at the time of transfer net of the cost of the aforementioned assets. The Group estimates the number of returns at the portfolio level with its accumulated historical experience and adopting the expected value method. In view of the stable return rate in previous years, it is most unlikely that there will be a significant reversal for the accumulated recognized revenue.

**Descriptions of allocation to the remaining performance obligations:**

As of June 30<sup>th</sup> 2021, all the remaining performance obligations are part of the contracts with original expected contract term not exceeding one year. The Group expects to recognize all of them as revenue within the next year.

Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

## 46. Business Taxes and Surcharges

Unit: RMB

Items	First half year of 2021	First half year of 2020
City construction and maintenance tax	134,355,040.58	79,448,007.54
Education surcharges	58,455,669.70	34,694,864.30
Local education surcharges	38,968,756.10	23,124,847.79
Real estate tax	24,311,814.02	8,518,237.11
Stamp duty	21,686,242.96	11,993,613.72
Tax on use of land	2,495,394.98	1,810,901.96
Vehicle and vessel tax	97,409.94	93,490.92
Others	99,675.87	8,388,201.91
<b>Total</b>	<b>280,470,004.15</b>	<b>168,072,165.25</b>

## 47. Financial Expenses

Unit: RMB

Items	First half year of 2021	First half year of 2020
Interest expenses	113,369,214.89	117,407,704.24
Less: Interest income	411,998,029.35	306,973,066.18
Interest expense on lease liabilities	7,517,245.71	-
Foreign exchange losses	99,472,543.57	2,749,318.63
Less : Capitalized specific loan interests and foreign exchange differences on specific loan	(48,573,001.14)	50,688,176.68
Others	20,541,585.97	9,532,013.26
<b>Total</b>	<b>(122,524,438.07)</b>	<b>(227,972,206.73)</b>

## 48. Other income

Unit: RMB

Items	First half year of 2021	First half year of 2020
VAT Rebates	852,085,468.02	784,320,169.82
Special subsidies	212,725,665.41	180,572,947.23
Tax relief	11,236,158.59	29,885,277.10
<b>Total</b>	<b>1,076,047,292.02</b>	<b>994,778,394.15</b>

## 49. Investment income

Unit: RMB

Items	First half year of 2021	First half year of 2020
Long-term equity investment losses based on equity method	(1,821,107.11)	(8,942,717.69)
Investment losses from disposal of subsidiaries and other business units	(14,952,528.43)	-
Investment income from other non-current financial assets during the holding period	115,644,801.97	150,000,000.00
Investment income from disposal of held-for-trading financial assets	70,440,289.29	9,162,427.25
<b>Total</b>	<b>169,311,455.72</b>	<b>150,219,709.56</b>

## 50. Losses from changes in fair values

Unit: RMB

Sources of losses from changes in fair values	First half year of 2021	First half year of 2020
<b>Held-for-trading financial assets</b>	<b>9,989,549.68</b>	<b>849,343.33</b>
Including: gains on the changes in fair value of derivative financial instruments	9,989,549.68	849,343.33
Losses from changes in fair value of other non-current financial assets	(23,277,319.84)	(13,017,332.26)
<b>Held-for-trading financial liabilities</b>	<b>3,738,240.76</b>	<b>(8,268,448.03)</b>
Including: gains (losses) on the changes in fair value of derivative financial instruments	3,738,240.76	(8,268,448.03)
<b>Total</b>	<b>(9,549,529.40)</b>	<b>(20,436,436.96)</b>



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 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

## 51. Credit impairment loss

Unit: RMB

Items	First half year of 2021	First half year of 2020
Credit impairment losses of accounts receivable	(302,443,301.79)	(124,133,185.36)
Credit impairment reverses (losses) of other receivables	9,417,803.41	(10,010,654.15)
Credit impairment losses of long-term receivables	(18,879,962.41)	(18,628,630.26)
Total	(311,905,460.79)	(152,772,469.77)

## 52. Impairment losses of assets

Unit: RMB

Items	First half year of 2021	First half year of 2020
Losses on inventory devaluation	(252,600,965.37)	(165,394,158.33)
Contract assets impairment loss	(5,736,007.01)	-
Total	(258,336,972.38)	(165,394,158.33)

## 53. Non-operating income

Unit: RMB

Items	First half year of 2021	First half year of 2020	The amount booked into current period non-recurring profits and losses
Fines and confiscations	37,237,863.29	21,590,256.57	37,237,863.29
Special subsidies	699,538.62	5,094,743.17	699,538.62
Others	4,065,318.99	5,036,207.34	4,065,318.99
Total	42,002,720.90	31,721,207.08	42,002,720.90

## 54. Non-operating expenses

Unit: RMB

Items	First half year of 2021	First half year of 2020	The amount booked into current period non-recurring profits and losses
Local water conservancy construction fund	532,409.04	572,889.30	-
Others	18,322,927.68	6,805,876.26	18,322,927.68
Total	18,855,336.72	7,378,765.56	18,322,927.68

## 55. Income tax expenses

Unit: RMB

Items	First half year of 2021	First half year of 2020
Income tax for the current reporting period	1,069,559,057.65	1,081,938,656.65
Deferred income tax expenses	(67,498,385.47)	(129,343,124.91)
Differences in filing and payment of income tax in previous reporting years	(574,530,306.92)	(43,385.77)
Total	427,530,365.26	952,552,145.97



Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

## 56. Notes to consolidated cash flow statement items

### 56.1 Other cash receipts relating to operating activities

Unit: RMB

Items	First half year of 2021	First half year of 2020
Interest income	411,998,029.35	306,973,066.18
Government subsidies	213,276,134.62	211,985,670.32
Others	485,251,347.13	188,964,355.88
<b>Total</b>	<b>1,110,525,511.10</b>	<b>707,923,092.38</b>

### 56.2 Other cash payments relating to operating activities

Unit: RMB

Item	First half year of 2021	First half year of 2020
Advertising and Selling services	639,292,692.68	557,200,285.44
Office expenses and business expenses	451,237,280.55	370,845,812.71
Shipping and transportation expense	361,571,642.21	322,420,666.54
R&D expense	488,010,595.94	457,282,381.38
Travelling expense	177,869,752.82	141,639,591.57
Rental expense	47,709,562.38	101,520,803.75
Others	744,581,855.86	95,397,631.90
<b>Total</b>	<b>2,910,273,382.44</b>	<b>2,046,307,173.29</b>

### 56.3 Other cash receipts relating to investing activities

Unit: RMB

Item	First half year of 2021	First half year of 2020
Receipts of financing lease payments	6,182,818.55	14,990,732.87
<b>Total</b>	<b>6,182,818.55</b>	<b>14,990,732.87</b>

### 56.4 Other cash payments relating to financing activities

Unit: RMB

Item	First half year of 2021	First half year of 2020
The consideration paid for the acquisition of minority shareholders' equity	-	64,290,000.00
Repurchase of restricted shares	122,644,057.28	-
Repayment of lease liabilities	84,962,915.50	-
<b>Total</b>	<b>207,606,972.78</b>	<b>64,290,000.00</b>

## 57. Supplementary information about cash flow statement

### 57.1 Supplementary information about cash flow statement

Unit: RMB

Supplementary information	First half year of 2021	First half year of 2020
<b>1. Reconciliation of net profit to cash flows from operating activities:</b>		
<b>Net profit</b>	<b>6,854,875,757.07</b>	<b>4,666,871,541.00</b>
Add: Impairment of assets	258,336,972.38	165,394,158.33
Provision for credit losses	311,905,460.79	152,772,469.77
Fixed assets depreciation	360,317,976.59	367,971,970.82
Amortization of intangible assets	35,059,666.14	77,059,953.77

## Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

Supplementary information	First half year of 2021	First half year of 2020
Right-of-use assets depreciation	78,610,219.36	-
Long-term deferred expenses amortization	26,104,715.70	19,788,072.87
Gains on disposal of fixed assets, intangible assets and other long-term assets	(3,760,896.87)	(21,554.99)
Obsolescence losses of fixed assets, intangible assets and other long-term assets	5,565,939.04	1,112,772.90
Losses from changes in fair value	9,549,529.40	20,436,436.96
Financial expenses	144,968,551.48	64,849,445.01
Investment income	(169,311,455.72)	(150,219,709.56)
Share-based payment based on equity settlement	134,108,630.01	481,168,915.75
Decrease of restricted funds	342,602,374.34	89,281,783.26
Increase in deferred income tax assets	(64,690,864.83)	(172,723,276.65)
Increase (decrease) in deferred income tax liabilities	(2,807,520.64)	43,380,151.74
Increase in inventories	(3,866,832,886.98)	(107,946,257.22)
Increase in operating receivables	(1,752,934,304.33)	(355,309,356.48)
Decrease in operating payables	(738,665,021.37)	(5,320,219,156.63)
Increase (decrease) in deferred income	(149,069.41)	26,317,979.92
<b>Net cash flows from operating activities</b>	<b>1,962,853,772.15</b>	<b>69,966,340.57</b>
2. Significant investing and financing activities not involving cash receipts and payments:		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	27,639,964,119.85	21,623,506,957.49
Less: Opening balance of cash	35,024,837,878.31	26,515,668,008.40
Add: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
<b>Net decrease in cash and cash equivalents</b>	<b>(7,384,873,758.46)</b>	<b>(4,892,161,050.91)</b>

## 57.2 Constituents of cash and cash equivalents

Unit: RMB

Item	Closing balance	Opening balance
Cash	27,639,964,119.85	35,024,837,878.31
Including: Cash on hand	750,011.48	1,105,047.51
Bank deposit for payment at any time	27,580,685,600.72	34,968,013,389.43
Other monetary capital for payment at any time	58,528,507.65	55,719,441.37
Cash equivalents	-	-
Closing balance of cash and cash equivalents	27,639,964,119.85	35,024,837,878.31

Among the total balance of RMB 150,817,363.27 of the other monetary fund(s) at the end of the reporting period (December 31<sup>st</sup> 2020: RMB 490,610,671.33), RMB 92,288,855.62 are various guarantee deposits and other restricted funds, etc. (December 31<sup>st</sup> 2020: RMB 434,891,229.96), not cash and cash equivalents.

Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

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

Unit: RMB

Item	Book value at the end of the current reporting period	Cause of restriction
Monetary fund(s)	92,288,855.62	Various guarantee deposits and other restricted funds
Notes receivable	610,856,089.84	Endorsed to suppliers
Right-of-use assets	34,568,644.07	Sale and leaseback leased right-of-use assets
Long-term receivables	1,812,883,463.06	Pledged for long-term borrowings
<b>Total</b>	<b>2,550,597,052.59</b>	

## 59. Monetary items of foreign currencies

### 59.1 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
<b>Monetary funds</b>			
Including: USD	195,279,784.69	6.4601	1,261,526,937.09
EUR	134,796,197.72	7.6862	1,036,070,534.91
GBP	12,974,201.91	8.9410	116,002,339.32
JPY	563,961,856.34	0.0584	32,935,372.41
AED	18,367,690.42	1.7580	32,290,399.76
RUB	307,737,703.83	0.0888	27,327,108.10
HKD	27,233,714.97	0.8321	22,661,174.23
AUD	2,343,767.65	4.8528	11,373,835.67
PLN	6,125,795.54	1.7009	10,419,365.63
KRW	1,508,183,198.25	0.0057	8,596,644.23
SGD	1,448,679.42	4.8027	6,957,572.65
NZD	469,170.73	4.5153	2,118,446.58
ZAR	8,571.36	0.4501	3,857.97
TRY	358.98	0.7397	265.54
INR	1,701.73	0.0869	147.88
<b>Accounts receivable</b>			
Including: EUR	217,143,356.67	7.6862	1,669,007,268.00
USD	108,385,139.92	6.4601	700,178,842.37
HKD	37,214,645.30	0.8321	30,966,306.35
<b>Short-term borrowings</b>			
Including: EUR	8,217,927.84	7.6862	63,164,637.00
GBP	2,009,398.78	8.9410	17,966,034.49
<b>Accounts payable</b>			
Including: USD	253,958,760.31	6.4601	1,640,598,987.48
HKD	754,452,712.22	0.8321	627,780,101.84
EUR	2,039,154.77	7.6862	15,673,351.39
<b>Long-term borrowings due within one year</b>			

Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

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
Including: EUR	402,397,777.78	7.6862	3,092,909,799.57

## 59.2 Details of Overseas Operational Entities

Name of overseas subsidiaries	Main overseas operational office	Recording Currency	Basis of selection
HDT International Ltd.	Hongkong China	HKD	Selection based on local economic environment
Hikvision Europe BV	Netherlands	USD	Selection based on local economic environment
Prama Hikvision Indian Private Limited	India	INR	Selection based on local economic environment
Hikvision UK Limited	UK	GBP	Selection based on local economic environment
Hikvision Italy (S.R.L.)	Italy	EUR	Selection based on local economic environment
Hikvision International Co., Limited	Hongkong China	USD	Selection based on local economic environment
Hikvision Australia PTY Ltd.	Australia	AUD	Selection based on local economic environment
Hikvision Spain, S.L.	Spain	EUR	Selection based on local economic environment
Hikvision France SAS	France	EUR	Selection based on local economic environment
Hikvision Singapore Pte. Ltd	Singapore	SGD	Selection based on local economic environment
Hikvision South Africa (Pty) Ltd.	South Africa	ZAR	Selection based on local economic environment
Hikvision FZE	Dubai	USD	Selection based on local economic environment
Hikvision Poland Spolka Z ograniczona Odpowiedzialnoscia.	Poland	PLN	Selection based on local economic environment
Hikvision do Brasil Comercio de Equipamentos de Seguranca Ltda.	Brazil	BRL	Selection based on local economic environment
Hikvision LLC	Russia	RUB	Selection based on local economic environment
EZVIZ Inc.	USA	USD	Selection based on local economic environment
Cooperative Hikvision Europe U.A.	Netherlands	USD	Selection based on local economic environment
Hikvision Korea Limited	Korea	KRW	Selection based on local economic environment
Hikvision Colombia SAS	Columbia	COP	Selection based on local economic environment
Hikvision Kazakhstan limited liability partnership	Kazakhstan	KZT	Selection based on local economic environment
Pyronix Ltd	UK	GBP	Selection based on local economic environment
Microwave Solutions Limited	UK	GBP	Selection based on local economic environment
Secure Holdings limited	UK	GBP	Selection based on local economic environment
Hikvision Turkey Technology And Security Systems Commerce Corporation	Turkey	TRY	Selection based on local economic environment
ZAO Hikvision	Russia	RUB	Selection based on local economic environment
Hikvision Hungary Limited	Hungary	HUF	Selection based on local economic environment
Hikvision New Zealand Limited	New Zealand	NZD	Selection based on local economic environment
Hikvision Czech s.r.o.	Czech	CZK	Selection based on local economic environment
Hikvision Deutschland GmbH	Germany	EUR	Selection based on local economic environment
Hikvision Kenya (Pty) Ltd	Kenya	KES	Selection based on local economic environment
LLC Hikvision Tashkent	Uzbekistan	UZS	Selection based on local economic environment
Hikvision (Malaysia) SDN. BHD	Malaysia	MYR	Selection based on local economic environment
Hikvision USA, Inc.	USA	USD	Selection based on local economic environment
Hikvision Canada INC.	Canada	CAD	Selection based on local economic environment
Hikvision Mexico S.A. de C.V.	Mexico	MXN	Selection based on local economic environment
Hikvision Panama Commercial S.A.	Panama	USD	Selection based on local economic environment
Hikvision Pakistan (SMC-Private) Limited	Pakistan	PKR	Selection based on local economic environment
Hikvision Peru Closed Stock Company	Peru	PEN	Selection based on local economic environment
Hikvision Central America S.A.	Panama	USD	Selection based on local economic environment

## Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

Name of overseas subsidiaries	Main overseas operational office	Recording Currency	Basis of selection
Hikvision Technology Egypt JSC	Egypt	EGP	Selection based on local economic environment
PT. Hikvision Technology Indonesia	Indonesia	IDR	Selection based on local economic environment
Hikvision Technologies S.R.L.,	Romania	RON	Selection based on local economic environment
Hikvision IOT (Thailand) Co.,Ltd.	Thiland	THB	Selection based on local economic environment
Hikvision West Africa Limited	Nigeria	NGN	Selection based on local economic environment
EZVIZ International Limited	Honkong China	HKD	Selection based on local economic environment
Hikvision Azerbaijan Limited Liability	Azerbaijan	AZN	Selection based on local economic environment
Hikvision Japan K.K.	Japan	JPY	Selection based on local economic environment
Hikvision Argentina S.R.L.	Argentina	ARS	Selection based on local economic environment
HIKVISION Morocco LLC	Morocco	MAD	Selection based on local economic environment
Hikvision Technology Israel Ltd	Israel	ILS	Selection based on local economic environment
EZVIZ Europe B.V.	Netherlands	EUR	Selection based on local economic environment
BK Grupė UAB	Lithuania	EUR	Selection based on local economic environment
BK EESTI AKTSIASELTS	Estonia	EUR	Selection based on local economic environment
SIA "BK Latvia"	Latvia	EUR	Selection based on local economic environment

## 60 Government Subsidies

### 60.1 Categories

Unit: RMB

Category	Amount	Financial Report Items	Amount booked in current profit and loss
VAT Rebate	852,085,468.02	Other Income	852,085,468.02
Special subsidies	404,155,122.31		
Including: other special subsidies	327,319,986.87	Deferred income / Other income/ Non-operating income	178,518,188.59
Chongqing Manufacture Park construction subsidies	76,835,135.44	Deferred income / Other income	34,907,015.44
Tax Reduction	11,236,158.59	Other income/ Non-operating income	11,236,158.59
<b>Total</b>	<b>1,267,476,748.92</b>		<b>1,076,746,830.64</b>

60.2 There was no refund of government subsidies during the current reporting period.

Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

## VI. Changes in consolidation scope

### 1. Disposal of a subsidiary

#### 1.1 Loss of control of a subsidiary due to a single disposal of investment in the subsidiary

Unit: RMB

Name of the subsidiary	Equity disposal ratio (%)	Equity disposal method	Point of loss of control	The basis for determining the point of loss of control	The difference between the disposal price and the disposal investment corresponding to the consolidated financial statement level of the subsidiary's net asset share	Percentage of remaining equity on the date of loss of control	Book value of remaining equity on the date of loss of control	The fair value of the remaining equity on the date of loss of control	Re-measure the gains or losses arising from the remaining equity at fair value	The method and main assumptions for determining the fair value of the remaining equity on the date of loss of control
Hangzhou EZVIZ Technology Co., Ltd. (EZVIZ Technology)	60.00	Releasing the entrusted management agreement	2021/3/27	Transfer of control	1,178,122.55	0.00	-	-	-	-

In March 2021, Hangzhou EZVIZ Network Co., Ltd. (EZVIZ Network), a subsidiary of the Company, and China Electronics Technology HIK Group Co., Ltd. (CETHIK), and Hangzhou EZVIZ Technology Co., Ltd. (EZVIZ Technology) signed the *Entrusted Management Agreement Termination Agreement*, all parties agreed that the *Entrusted Management Agreement* will be terminated on March 27<sup>th</sup> 2021. After the termination of the *Entrusted Management Agreement*, the Group no longer controls the business of EZVIZ Technology, so the business of EZVIZ Technology is no longer be included in the consolidation scope of the consolidated financial statements. Please refer to Note (VII), 1, (1) Note 4 for details.

Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

**EZVIZ Network's losses on disposal of EZVIZ Technology:**

Unit: RMB

	Amount
Consideration received for disposal of the subsidiary (Note 1)	8,000,000.00
Less: net assets disposed	9,963,537.59
Net losses of the disposal	(1,963,537.59)
Cash and cash equivalents received from disposal of the subsidiary	-
Less: cash and cash equivalents held by the subsidiary	7,355,969.42
Net cash received from disposal of the subsidiary	(7,355,969.42)

Note 1: EZVIZ Networks uses debt clearance as the consideration for disposal, and the corresponding book value of long-term payables cleared is RMB 8,000,000.

**2. Changes of consolidation scope due to other causes**
**The subsidiaries newly established and incorporated in the consolidation scope during the current reporting period as follows:**

Company Name	Time of establishment	Registered capital	Amount of contribution of the Group	Ratio of contribution (%)
Shanghe Smart City Technology Co., Ltd. ("Shanghe Smart City") (Note 1)	April 2021	RMB 44.0571 mn	RMB 41.8542 mn	95
Chongqing EZVIZ Electronics Co., Ltd. ("Chongqing EZVIZ") (Note 2)	June 2021	RMB 100 mn	RMB 60.00 mn	60

Note 1: At the end of the current reporting period, Shanghe Smart City's paid-in capital was RMB 5,000,000.00, of which RMB 4,750,000.00 was paid up by the Group and RMB 250,000.00 was contributed by the minority shareholder, Shanghe Urban-Rural Integration Construction Co., Ltd.

Note 2: At the end of the current period, Chongqing EZVIZ has not yet completed the paid-in capital, so there is no paid-in capital.

**The subsidiaries cancelled in the current reporting period and no longer included in the scope of consolidation are as follows:**

Company Name	Date of equity disposition	Proportion of shareholding (%)
Hundure Technology (Shanghai) Co., Ltd.	April 2021	100

Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

## VII. Interest in other entities

### 1. Equity in subsidiaries

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

Name	Location of operation	Place of registration	Nature of business	Shareholding ratio (%)		Acquisition Method
				Direct	Indirect	
Hangzhou Hikvision System Technology Co., Ltd.	Hangzhou	Hangzhou, Zhejiang	System integration, Technology development	100.00	-	Establishment
Hangzhou Hikvision Technology Co., Ltd.	Hangzhou	Hangzhou, Zhejiang	manufacture	100.00	-	Establishment
Hangzhou Hikvision Security Equipment Leasing Services Co., Ltd.	Hangzhou	Hangzhou, Zhejiang	Finance lease	100.00	-	Establishment
Chongqing Hikvision System Technology Co., Ltd.	Chongqing	Chongqing	System integration	100.00	-	Establishment
Hikvision USA, Inc.	USA	Los Angeles	Sales	100.00	-	Establishment
HDT International Ltd.	Hong Kong China	Hong Kong China	Sales	95.00	5.00	Establishment
Prama Hikvision Indian Private Limited	India	Mumbai	Sales	58.00	-	Business combination not involving enterprises under common control
Hikvision Europe B.V.	Europe	Amsterdam	Sales	-	100.00	Establishment
Hikvision FZE	Dubai	Dubai	Sales	100.00	-	Establishment
Hikvision Singapore Pte. Ltd	Singapore	Singapore	Sales	100.00	-	Establishment
Chongqing Hikvision Technology Co., Ltd.	Chongqing	Chongqing	Manufacture	100.00	-	Establishment
Hangzhou Fuyang Hik Baotai Security Technology Services Co., Ltd. (Note 1)	Hangzhou	Hangzhou, Zhejiang	Construction	-	51.00	Establishment
Hikvision South Africa (Pty) Co., Ltd.	South Africa	South Africa	Sales	100.00	-	Establishment
Hikvision Italy S.R.L.	Italy	Milan	Sales	-	100.00	Establishment
Hikvision do Brasil Comercio de Equipamentos de Segurança Ltda.	Brazil	Brazil	Sales	95.00	5.00	Establishment
Hikvision Australia PTY Co., Ltd.	Australia	Australia	Sales	100.00	-	Establishment
Hikvision International Co., Limited	Hong Kong China	Hong Kong China	Sales	100.00	-	Establishment
Hikvision France SAS	France	France	Sales	-	100.00	Establishment
Hikvision Spain,S.L.	Spain	Spain	Sales	-	100.00	Establishment
Shanghai Goldway Intelligent Transportation System Co., Ltd.	Shanghai	Shanghai	Manufacture	100.00	-	Business combination not involving enterprises



## Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

Name	Location of operation	Place of registration	Nature of business	Shareholding ratio (%)		Acquisition Method
				Direct	Indirect	
						under common control
ZAO Hikvision	Russia	St. Peterburg	Sales	-	100.00	Business combination not involving enterprises under common control
Henan Hua'an Baoquan Intelligent Development Co., Ltd.	Zhengzhou	Zhengzhou Henan	Construction	93.86	-	Business combination not involving enterprises under common control
Henan Hua'an Security Services Co., Ltd.	Zhengzhou	Zhengzhou Henan	Services	-	84.47	Business combination not involving enterprises under common control
Hundure Technology (Shanghai) Co., Ltd. (Note 2)	Shanghai	Shanghai	Manufacture	100.00	-	Business combination not involving enterprises under common control
Hikvision UK Limited	UK	UK	Sales	-	100.00	Establishment
Hikvision Poland Spolka Z Ograniczona Odpowiedzialnoscia	Poland	Poland	Sales	-	100.00	Establishment
Hangzhou Hikvision Electronics Co., Ltd. (Note 3)	Hangzhou	Hangzhou Zhejiang	Manufacture	71.30	-	Establishment
Cooperative Hikvision Europe U.A.	Netherlands	Netherlands	Sales	99.00	1.00	Establishment
Hikvision Canada Inc.	Canada	Canada	Sales	100.00	-	Establishment
Hikvision LLC	Moscow	Moscow	Sales	100.00	-	Establishment
Hikvision Korea Limited	Korea	Korea	Sales	100.00	-	Establishment
Hangzhou EZVIZ Network Co., Ltd. (Note 5)	Hangzhou	Hangzhou Zhejiang	Technology development	60.00	-	Establishment
EZVIZ Inc.	USA	Los Angeles	Sales	-	60.00	Establishment
Hangzhou Haikang Zhicheng Investment Development Ltd	Hangzhou	Hangzhou Zhejiang	System integration	80.00	-	Business combination not involving enterprises under common control
Hangzhou Hikrobot Technology Co., Ltd.	Hangzhou	Hangzhou Zhejiang	Technology development	60.00	-	Establishment
Hangzhou HikAuto Technology Co., Ltd.	Hangzhou	Hangzhou Zhejiang	Technology development	60.00	-	Establishment
Hangzhou Hikvision Communication Technology Co., Ltd.	Hangzhou	Hangzhou Zhejiang	Technology development	70.00	-	Establishment
Hangzhou Hikmicro Sensing Technology Co., Ltd.	Hangzhou	Hangzhou Zhejiang	Technology development	60.00	-	Establishment
Hikvision Turkey Technology And Security Systems Commerce Corporation	Turkey	Istanbul	Sales	100.00	-	Establishment

## Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

Name	Location of operation	Place of registration	Nature of business	Shareholding ratio (%)		Acquisition Method
				Direct	Indirect	
Hikvision Colombia SAS	Columbia	Santa Fe Bogota	Sales	100.00	-	Establishment
Hikvision Kazakhstan limited liability partnership	Kazakhstan	Astana	Sales	100.00	-	Establishment
Secure Holding Limited	British	Sheffield	Manufacture	-	100.00	Business combination not involving enterprises under common control
Pyronix Limited	British	Sheffield	Manufacture	-	100.00	Business combination not involving enterprises under common control
Microwave Solutions Limited	British	Sheffield	Manufacture	-	100.00	Business combination not involving enterprises under common control
Hikvision Hungary Limited	Hungary	Hungary	Sales	-	100.00	Establishment
Hikvision New Zealand Limited	New Zealand	Auckland	Sales	-	100.00	Establishment
Urumqi HaiShi Xin'An Electronic Technology Co., Ltd.	Urumqi	Urumqi, Xinjiang	Construction	-	90.00	Establishment
Hangzhou Ximu Intelligent Technology Co., Ltd.	Hangzhou	Hangzhou, Zhejiang	Manufacture	-	60.00	Business combination involving enterprises under common control
LLC Hikvision Tashkent	Uzbekistan	Tashkent	Sales	100.00	-	Establishment
Hikvision Kenya (Pty) Ltd	Kenya	Kenya	Sales	-	100.00	Establishment
Hangzhou HikAuto Software Co., Ltd.	Hangzhou	Hangzhou, Zhejiang	Technology Development	-	60.00	Establishment
Hangzhou Hikrobot Intelligent Technology Co., Ltd.	Hangzhou	Hangzhou, Zhejiang	Technology Development	-	60.00	Establishment
Wuhan HikStorage Technology Co., Ltd.	Wuhan	Wuhan Hubei	Technology development	60.00	-	Establishment
Chengdu Hikvision Digital Technology Co., Ltd.	Chengdu	Chengdu Sichuan	Technology development	100.00	-	Establishment
MoYuHaiShi Electronic Technology Co., Ltd.	Hetian	Hetian Xinjiang	Construction	-	85.00	Establishment
Hangzhou EZVIZ Software Co., Ltd.	Hangzhou	Hangzhou Zhejiang	Technology development	-	60.00	Establishment
PiShan HaiShi YongAn Electronic Technology Co., Ltd.	Hetian	Hetian Xinjiang	System integration	-	90.00	Establishment

## Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

Name	Location of operation	Place of registration	Nature of business	Shareholding ratio (%)		Acquisition Method
				Direct	Indirect	
Henan Haikang Hua'an BaoQuan Electronics Co., Ltd.	Zhengzhou	Zhengzhou Henan	Construction	93.86	-	Establishment
Hikvision Czech s.r.o.	Czech	Czech	Sales	-	100.00	Establishment
Hikvision (Malaysia) SDN. BHD	Malaysia	Malaysia	Sales	-	100.00	Establishment
Hikvision Deutschland GmbH	Germany	Germany	Sales	-	100.00	Establishment
Hikvision Xi'an Xueliang Construction Project Management Co., Ltd.	Xi'an	Xi'an Shanxi	Construction	-	99.00	Establishment
Luo Pu District HaiShi Ding Xin Electronic Technology Co., Ltd.	Hetian	Hetian Xinjiang	System integration	-	90.00	Establishment
Yu Tian HaiShi Mei Tian Electronic Technology Co., Ltd.	Hetian	Hetian Xinjiang	System integration	-	98.00	Establishment
Xi'An Hikvision Digital Technology Co., Ltd.	Xi'An	Xi'an Shanxi	Technology development	100.00	-	Establishment
Wuhan Hikvision Technology Co., Ltd.	Wuhan	Wuhan Hubei	Technology development	100.00	-	Establishment
Wuhan Hikvision Science and Technology Co., Ltd.	Wuhan	Wuhan Hubei	Sales	100.00	-	Establishment
Wuhan Hiksafety Technology Co., Ltd.	Wuhan	Wuhan Hubei	Sales	-	60.00	Establishment
Hangzhou Hikimaging Technology Co., Ltd.	Hangzhou	Hangzhou, Zhejiang	Technology development	60.00	-	Establishment
Hikvision Mexico S.A.de C.V.	Mexico	Mexico	Sales	-	100.00	Establishment
Guizhou Hikvision Transportation Big Data Co., Ltd.	Guiyang	Guiyang, Guizhou	Technology development	55.00	-	Establishment
Xinjiang CET Yihai Information Technology Co., Ltd.	Urumqi	Urumqi, Xinjiang	System integration	60.00	-	Establishment
Hikvision Panama Commercial S.A	Panama	Panama	Sales	-	100.00	Establishment
Hikvision Pakistan (SMC-Private) Limited	Pakistan	Pakistan	Sales	-	100.00	Establishment
Hikvision Peru Closed Stock Company	Peru	Peru	Sales	95.00	5.00	Establishment
Hikvision Technology Israel Co., Ltd.	Israel	Israel	Sales	-	100.00	Establishment
Nanjing Hikvision Digital Technology Co., Ltd.	Nanjing	Nanjing, Jiangsu	Sales	100.00	-	Establishment
Shijiazhuang Hikvision Technology Co., Ltd.	Shijiazhuang	Shijiazhuang Hebei	Technology development	100.00	-	Establishment
Zhengzhou Hikvision Digital Technology Co., Ltd.	Zhengzhou	Zhengzhou Henan	Sales	100.00	-	Establishment
Hikvision Central America S.A.	Panama	Panama	Sales	-	100.00	Establishment
Hikvision West Africa Limited	Nigeria	Nigeria	Sales	94.00	6.00	Establishment
Hikvision Technology Egypt JSC	Egypt	Egypt	Sales	-	100.00	Establishment

## Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

Name	Location of operation	Place of registration	Nature of business	Shareholding ratio (%)		Acquisition Method
				Direct	Indirect	
Hangzhou EZVIZ Technology Co., Ltd. (Note 4)	Hangzhou	Hangzhou Zhejiang	Sales	-	60.00	Business merger under the common control
Hangzhou Kuangxin Technology Co., Ltd.	Hangzhou	Hangzhou Zhejiang	Technology development	80.00	-	Business merger not involving enterprises under the common control
Hikvision Digital Technology (Shanghai) Co., Ltd.	Shanghai	Shanghai	Technology development, sales	100.00	-	Establishment
Nanchang Hikvision Digital Technology Co., Ltd.	Nanchang	Nanchang Jiangxi	Technology development	100.00	-	Establishment
Zhejiang Hiksafety Technology Co., Ltd.	Jiangshan	Jiangshan Zhejiang	Technology development	-	60.00	Establishment
Zhenping County Haikang Juxin Digital Technology Co., Ltd.	Zhenping	Zhenping Henan	System integration	-	90.00	Establishment
Hefei Hikvision Digital Technology Co., Ltd.	Hefei	Hefei Anhui	Technology development	100.00	-	Establishment
Tianjin Hikvision Information Technology Co., Ltd.	Tianjin	Tianjin	Technology development	100.00	-	Establishment
Fuzhou Hikvision Digital Technology Co., Ltd.	Fuzhou	Fuzhou Fujian	System integration	100.00	-	Establishment
Anhui Hikvision Urban Operation Service Co., Ltd.	Xuancheng	Xuancheng Anhui	System integration	-	100.00	Establishment
Ningbo Haikang Parking System Operation Co., Ltd.	Ningbo	Ningbo Zhejiang	Technology development	70.00	-	Establishment
Guangzhou Hikvision Technology Co., Ltd.	Guangzhou	Guangzhou Guangdong	Technology development	100.00	-	Establishment
Hangzhou Hikfire Technology Co., Ltd.	Hangzhou	Hangzhou Zhejiang	Technology development	60.00	-	Establishment
PT. Hikvision Technology Indonesia	Indonesia	Indonesia	Sales	-	100.00	Establishment
EZVIZ International Limited	Hongkong	Hongkong China	Sales	-	60.00	Establishment
Hikvision Technologies S.R.L.,	Romania	Romania	Sales	-	100.00	Establishment
Hikvision Azerbaijan Limited Liability	Azerbaijan	Azerbaijan	Sales	-	100.00	Establishment
Hikvision IOT (Thailand) CO.,LTD.	Thailand	Thailand	Sales	-	100.00	Establishment
Hikvision Japan K.K.	Japan	Japan	Sales	-	100.00	Establishment
Hikvision Argentina S.R.L.	Argentina	Argentina	Sales	95.00	5.00	Establishment
Hangzhou HikStorage Technology Co., Ltd.	Hangzhou	Hangzhou Zhejiang	Technology development	-	60.00	Establishment

## Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

Name	Location of operation	Place of registration	Nature of business	Shareholding ratio (%)		Acquisition Method
				Direct	Indirect	
Hangzhou Rayin Technology Co., Ltd.	Hangzhou	Hangzhou Zhejiang	Technology development	60.00	-	Establishment
Kunming Hikvision Digital Technology Co., Ltd.	Kunming	Kunming Yunnan	Sales	100.00	-	Establishment
Hangzhou Microimage Software Co., Ltd.	Hangzhou	Hangzhou Zhejiang	Technology development	-	60.00	Establishment
Hangzhou Microimage Intelligent Technology Co., Ltd.	Hangzhou	Hangzhou Zhejiang	Technology development	-	60.00	Establishment
Jinan Hikvision Digital Technology Co., Ltd.	Jinan	Jinan Shandong	Sales	100.00	-	Establishment
Hikvision Morocco LLC	Morocco	Morocco	Sales	-	100.00	Establishment
EZVIZ Europe B.V.	Netherland	Netherland	Sales	-	60.00	Establishment
BK Grupè UAB	Lithuania	Lithuania	Sales	-	100.00	Business merger not involving enterprises under the common control
BK EESTI AKTSIASELTS	Estonia	Estonia	Sales	-	100.00	Business merger not involving enterprises under the common control
SIA "BK Latvia"	Latvia	Latvia	Sales	-	100.00	Business merger not involving enterprises under the common control
Shanghe Smart City Technology Co., Ltd.	Ji`nan	Ji`nan	System integration	-	95.00	Establishment
Chongqing EZVIZ Electronics Co., Ltd.	Chongqing	Chongqing	Manufacture	-	60.00	Establishment

Note 1: Fuyang Baotai is a subsidiary controlled by Hangzhou System, who holds 51% equity interests. According to the *Articles of Association* of the Company, Hangzhou System has a 50% dividend payout ratio in the said company (Fuyang Baotai).

Note 2: Hundure Technology (Shanghai) Co., Ltd. has been cancelled by the Industry and Commerce in 2021.

Note 3: The remaining 28.70% equity interests of Hangzhou Hikvision Electronics Co., Ltd. is held by China Development Bank Fund. Please refer to Note (V) 33 for details.

Note 4: In April 2019, EZVIZ Network (a holding subsidiary of the Company) signed a entrusted management agreement with CETHIK and EZVIZ Technology. According to the agreement, CETHIK entrusted EZVIZ Network to exercise the actual operation and management rights of EZVIZ Technology and be fully responsible for the production, operation and management of EZVIZ Technology. EZVIZ Network shall not charge CETHIK a fixed fee for the entrusted management but shall be entitled to 100% of the distributable profit generated by EZVIZ Technology before and after the entrusted management; meanwhile, EZVIZ Network shall pay a capital possession fee to CETHIK based on the paid-in capital amount of

## Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

EZVIZ Technology and at a rate 1% above the interest rate for loans over five years announced by the People's Bank Of China. EZVIZ Network has the right to unilaterally decide to extend or early terminate the entrusted management relationship. Upon termination of the entrusted management, EZVIZ Network can only handle the matter in one of the following two ways (EZVIZ Network has the right to decide on the choice of these two ways): (I) EZVIZ Technology shall be liquidated, and CETHIK shall only be entitled to recover the actual capital contribution and the unpaid capital possession fee payable; (II) The equity of EZVIZ Technology shall be transferred from CETHIK to EZVIZ Network or any third party designated by EZVIZ Network, and the equity acquisition price shall be equal to the actual capital contribution and the unpaid capital possession fee payable. As a result, EZVIZ Network has achieved the control of EZVIZ Technology. As CETHIK is the controlling shareholder of both the Company and EZVIZ Technology, therefore, this entrusted management of EZVIZ Technology constitutes a business combination under the common control.

In 2021, EZVIZ Network intends to terminate the entrusted management of EZVIZ Technology. In March 2021, EZVIZ Network signed the *Termination Agreement of the Entrusted Management Agreement* with HIKCET and EZVIZ Technology, agreeing that the *Entrusted Management Agreement* shall be terminated on March 27<sup>th</sup> 2021. After the termination of the *Entrusted Management Agreement*, EZVIZ Network will no longer exercise the actual operation and management rights over EZVIZ Technology, be responsible for the production, operation and management of EZVIZ Technology and enjoy other rights over EZVIZ Technology as agreed in the *Entrusted Management Agreement*. The Group ceased to control EZVIZ Technology with effect from March 27, 2021 and therefore ceased to include the operations of EZVIZ Technology in the scope of consolidation of the consolidated financial statements.

Note 5: On June 23<sup>rd</sup> 2021, the Proposal on the Overall Restructuring of the the Company's Holding Subsidiary Hangzhou EZVIZ Network Co., Ltd. as Limited Liability Company by Shares was deliberated and adopted by the 3<sup>rd</sup> Meeting of the Strategy Committee in 2021 of the fifth session of the Board of Directors of the Company. On June 24<sup>th</sup> 2021, EZVIZ Network as a whole was restructured and changed to a limited liability company by shares, and its name was changed to Hangzhou EZVIZ Networks Co., Ltd.

## 2. Equity in joint ventures or associates

### (1) Aggregated financial information of insignificant joint-ventures and associates

Unit: RMB

	Closing balance / Amount for the first half of 2021	Opening balance / Amount for the first half of 2020
<b>Associates:</b>		
The aggregate carrying amount of investments in associates	207,964,545.17	193,646,038.77
The aggregate amount of the following items calculated based on the Company's equity share percentage of the associates		
- Net income (loss)	14,318,506.40	(11,409,841.26)
- Other comprehensive income	-	-
--Total comprehensive income (loss)	14,318,506.40	(11,409,841.26)
<b>Joint Ventures:</b>		
Total investment book value	653,242,057.95	670,380,671.46
The sum of the following items calculated according to the shareholding ratio		

## Notes to Financial Statements

For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

	Closing balance / Amount for the first half of 2021	Opening balance / Amount for the first half of 2020
- Net income	(16,139,613.51)	2,467,123.57
- Other comprehensive income	-	-
- Total comprehensive income (loss)	(16,139,613.51)	2,467,123.57

The Group uses the equity method to account for the aforementioned associates and joint ventures.

**VIII. Risks associated with financial instrument**

The Group's principal financial instruments include cash and bank balances, notes receivable, accounts receivable, receivables for financing, other receivables (except for tax refund receivable), other non-current financial assets, long-term receivables, borrowings, notes payable, accounts payable, other payables, part of the other current liabilities, lease liabilities, long-term payables, derivative financial instruments, etc. Details of these financial instruments are set out in Note (V). Below are the risks associated with such financial instruments and the risk management policies adopted by the Group to mitigate such risks. The management of the Group manages and monitors such risk exposures to ensure such risks are contained within a prescribed scope.

**1. Classification of financial instruments**

Unit: RMB

Items	Ending balance of the current reporting period	Ending balance of the prior year (on December 31 <sup>st</sup> 2020)
<b>Financial assets:</b>		
<b>Measured at fair value through current profit and loss</b>		
Held –for-trading financial assets	32,620,061.54	22,679,846.77
Other non-current financial assets	468,661,747.43	491,939,067.27
<b>Measured at fair value through other comprehensive income</b>		
Receivables for financing	1,120,170,492.09	1,959,601,195.25
<b>Measured at amortized cost</b>		
Cash and bank balances	27,732,252,975.47	35,459,729,108.27
Notes receivable	1,125,257,592.27	1,303,252,705.19
Accounts receivable	23,802,312,768.61	21,979,380,716.86
Other receivables (except for tax refund receivable)	802,510,353.72	451,428,906.05
Long-term receivables	1,914,155,006.05	2,105,570,004.53
<b>Financial liabilities</b>		
<b>Measured at fair value through current profit and loss</b>		
Held-for-trading financial liabilities	3,651,541.77	7,405,771.15
<b>Measured at amortized cost</b>		
Short-term borrowings	3,142,918,040.93	3,999,246,634.59
Notes payable	1,209,714,255.88	1,036,920,229.85
Accounts payable	12,448,273,747.80	13,593,884,790.19
Other payables	2,047,386,116.59	1,525,053,355.95
Non-current liabilities due within one year	3,520,220,816.79	3,507,680,339.78
Other current liabilities	511,594,361.52	560,959,368.73
Long-term borrowings	1,911,015,151.08	1,961,167,761.30
Lease liabilities	199,494,520.78	-
Long-term payables	8,389,432.79	39,595,459.35
Other non-current liabilities	511,594,361.52	560,959,368.74

The Group adopts sensitivity analysis techniques to analyze the possible effects of rational and probable changes in risk variables to profit or loss for the period or to the interests of shareholders. Since risk variables seldom change on a stand-alone basis, while the correlation between variables may have significant influence to the ultimate amount of change effected by the change in a single risk variable, the analysis below is based on the assumption that the changes in each variable occurred separately.



**2. Objectives and policies of risk management**

The Group engages in risk management with the aim of achieving an appropriate balance between risk and return, where the negative effects of risks against the Group’s operating results are minimized, in order to maximize the benefits of shareholders and other stakeholders. Based on such objective in risk management, the underlying strategy of the Group’s risk management is to ascertain and analyze all types of risks exposures of the Group, establish appropriate risk tolerance thresholds, carry out risk management procedures and perform risk monitoring on all kinds of risks in a timely and reliable manner, thus containing risk exposures within a prescribed scope.

**2.1 Market risks**

*2.1.1 Foreign exchange risks*

Foreign exchange risks refer to the risk that losses will occur because of changes in foreign exchange rates. The Company is primarily exposed to risks relating to the currencies such as USD, EUR, HKD and etc. The Group’s subsidiaries in the mainland of China whose procurement, sales and financing are denominated in RMB, USD, EUR, and HKD. other principal activities are settled in RMB. The Group’s subsidiaries in Hong Kong and outside China are principally engaged in procurement, sales, financing and other major business activities in local currencies such as USD, EUR, GBP, RUB, and etc.

As of June 30<sup>th</sup> 2021, except for monetary items of foreign currencies set out in Note (V) 59, 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, EUR and HKD (which has been converted into RMB) as follows may generate significant impact on the operating results of the Group.

Unit: RMB

Currencies	Assets		Liabilities	
	Closing balance	Opening balance	Closing balance	Opening balance
USD	1,961,705,779.46	7,122,984,916.85	1,640,598,987.48	1,886,490,280.88
EUR	2,705,077,802.91	1,480,297,345.67	3,171,747,787.96	3,284,414,031.21
HKD	53,627,480.58	14,808,404.16	627,780,101.84	134,884,213.28

The Group has been paying close attention to the effect of fluctuation in exchange rate on the foreign exchange risks of the Group, and has purchased various financial derivative instruments, such as forward foreign exchange contracts and foreign exchange options and etc., to mitigate the foreign exchange risk exposure.

*Sensitivity analysis on exchange rate risk*

With other variables unchanged, the exchange rate might float within a reasonable range, and has the following before-tax effect on profit or loss and shareholders’ equity for the current period:

Unit: RMB

Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

Change in foreign exchange rates	First half year of 2021		First half year of 2020	
	Effect on profit	Effect on shareholders' equity	Effect on profit	Effect on shareholders' equity
5% appreciation of USD against functional	16,055,339.60	16,055,339.60	360,638,240.99	360,638,240.99
5% depreciation of USD against functional	(16,055,339.60)	(16,055,339.60)	(360,638,240.99)	(360,638,240.99)
5% appreciation of EUR against functional	(23,333,499.25)	(23,333,499.25)	(119,861,226.89)	(119,861,226.89)
5% depreciation of EUR against functional	23,333,499.25	23,333,499.25	119,861,226.89	119,861,226.89
5% appreciation of HKD against functional	(28,707,631.06)	(28,707,631.06)	(1,402,595.54)	(1,402,595.54)
5% depreciation of HKD against functional	28,707,631.06	28,707,631.06	1,402,595.54	1,402,595.54

### 2.1.2. Interest rate risk

The risk of changes in cash flow of financial instruments due to changes in interest rates exposed to the Group are primarily related to bank borrowings bearing floating interest rate and bank deposits bearing floating interest rate.

At the end of the current reporting period, the amount of borrowings of the Group bearing floating interest rate is not significant, and the risk of changes in cash flow of financial instruments due to changes in interest rates is expected to be insignificant.

The Group expects that the risk exposure of cash flow generated from bank deposits bearing floating interest rate is insignificant.

The Group determines the relative proportion of fixed interest rate contracts and floating interest rate contracts based on the prevailing market environment. The Group's interest-bearing debts bearing floating interest rates were mainly RMB-denominated PPP pledged long-term borrowing contracts with an amount of RMB 1,498,890,006.05 (Note (V), 33) (December 31<sup>st</sup> 2020: RMB-denominated PPP pledged long-term borrowings with an amount of RMB 1,556,927,316.08 (Note (V), 33)).

The headquarter finance department of the Group continuously monitors the level of interest rate of the Group. Rising interest rates will increase the cost of newly incurred interest-bearing debts and the Group's interest expenses on outstanding interest-bearing debts with floating interest rates, and have a significant adverse impact on the financial performance of the Group. The management team would make adjustments on a timely basis based on the latest market conditions, including arrangements for interest rate swaps to reduce interest rate risk. The Group did not have any interest rate swap arrangement in the year of 2021 or 2020.

### 2.1.3. Other price risks

The Group's price risk mainly arises from investments in held-for-trading equity instruments and derivative financial instruments. Held-for-trading equity instrument investments are all investments in unlisted held-for-trading equity instruments.

The Group is exposed to price risk due to the holding of financial assets measured at fair value. The fair value of certain financial instruments is determined by the general pricing model based on discounted future cash flow method or other valuation techniques, while the valuation techniques are based on certain valuation assumptions. Therefore, the valuation results are highly sensitive to valuation assumptions. However, at the end of the current reporting period, the amount of investment in held-for-trading equity instruments and derivative financial instruments is not significant, and the risk exposure due to changes in price of financial instruments as a result of change in valuation assumptions is low, accordingly, no sensitivity analysis is conducted.

## 2.2 Credit Risk

As of June 30<sup>th</sup> 2021, the largest credit risk exposure that may result in financial losses of the Group is mainly due to the loss of the Group's financial assets arising from the failure of the counterparty to perform its obligations, including: cash and bank balance (Note (V). 1), notes receivable (Note (V). 3), accounts receivable (Note (V). 4), receivables for financing

(Note (V). 5), other receivables (Note (V). 7), non-current assets due within one year (Note (V). 10), long-term receivables (Note (V). 12), etc., and derivative financial assets that are not included in the scope of impairment assessment and are measured at fair value through current profit or loss (Note (V). 2). As of the balance sheet date, the book value of the Group's financial assets represents its maximum credit risk exposure.

In order to reduce credit risk, the Group has formed a team to determine the credit limit, conduct credit approval, and implement other monitoring procedures to ensure that necessary measures are taken to recover over-due debt. In addition, the Group reviews the recovery of financial assets on each balance sheet date to ensure that sufficient credit loss provisions are made for relevant financial assets. Therefore, the management of the Group believes that the credit risk exposure of the Group has been reduced significantly.

The credit risk on cash and bank balances of the Group is low as they are deposited with banks with high credit ratings.

For accounts receivable, contract assets and long-term receivables, the Group has put in place relevant policies to control credit risk exposure. The Group assesses credit quality of customers and sets corresponding credit period based on the customer's financial status, the possibility of obtaining guarantees from third parties, credit history and other factors such as current market conditions. The Group will regularly monitor the credit history of its customers. For customers with poor credit history, the Group takes various measures, such as written payment reminders, shorten or cancel the credit period, to ensure that the overall credit risk of the Group is maintained in a controllable range. For accounts receivable and contract assets, the Group uses a simplified method, that is, to measure the loss provision based on the amount equivalent to the expected credit loss for the entire duration. For details of the relevant expected credit loss measurement, see (Note (V). 4 & Note (V)-9). For long-term receivables, the Group calculates the expected credit losses based on the expected credit loss rate in the next 12 months or the entire duration based on the default risk exposure. For details of the related expected credit loss measurement, see (Note (V). 12).

The Group's notes receivable and receivables for financing are mainly bank acceptance notes and commercial acceptance notes with high credit ratings of the counterparties, which the Group does not consider to be subject to significant credit risk and will not incur any material loss due to default by the counterparties.

For other receivables (except for tax refund receivable), the Group regularly monitors the debtor's credit history. For debtors with poor credit history, the Group takes various measures such as written payment reminders to ensure that the Group's overall credit risk is maintained in a controllable range. For other receivables (except for tax refund receivable), the Group calculates the expected credit loss based on the expected credit loss ratio in the next 12 months or the entire duration based on the default risk exposure. For details of the relevant expected credit loss measurement, see (Note (V). 7).

The Group's risk exposure is distributed among multiple contractors and multiple customers, so the Group has no significant credit concentration risk.

### 2.3. Liquidity risk

The Group maintains and monitors a level of cash and cash equivalents deemed adequate by the management to meet the operation needs of the Group and to reduce the effect of cash flow movements when managing liquidity risk. The management of the Group monitors the usage of bank borrowings, and ensures compliance with borrowing agreements.

According to the term to maturity of non-discounted and remaining contract obligations, the financial liabilities held by the Group are analyzed as below:

Unit: RMB

June 30 <sup>th</sup> 2021				
	Within one year	1-5 years	More than five years	Total
<b>Non-derivative financial liabilities</b>				
Short-term borrowings	3,194,236,819.88	-	-	3,194,236,819.88
Notes payable	1,209,714,255.88	-	-	1,209,714,255.88

Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

June 30 <sup>th</sup> 2021				
	Within one year	1-5 years	More than five years	Total
Accounts payable	12,448,273,747.80	-	-	12,448,273,747.80
Other payables	2,047,386,116.59	-	-	2,047,386,116.59
Other current liabilities	511,594,361.52	-	-	511,594,361.52
Other non-current liabilities	-	511,594,361.52	-	511,594,361.52
Long-term borrowings (including those due within one year)	3,428,730,462.73	1,142,161,021.50	1,191,123,170.53	5,762,014,654.76
Lease liabilities (including those due within one year)	187,422,302.07	209,661,103.48	-	397,083,405.55
Long-term payables (including those due within one year)	10,129,742.13	3,178,350.15	-	13,308,092.28
<b>Derivative financial instruments</b>				
Forward foreign exchange contracts- settled in the gross amount				
- Cash inflow	1,571,859,381.19	-	-	1,571,859,381.19
- Cash outflow	1,546,891,010.77	-	-	1,546,891,010.77
- Net cash outflow	(24,968,370.42)	-	-	(24,968,370.42)

## IX. Fair value disclosure

### 1. The financial assets and financial liabilities measured at fair value at the end of the reporting period

Unit: RMB

Items	Closing fair value			
	Level 1	Level 2	Level 3	Total
<b>I. Continuous fair value measurement</b>	-	1,149,139,011.86	468,661,747.43	1,617,800,759.29
(I) Financial assets measured at fair value through profit and loss				
1. Held-for-trading Financial Assets	-	32,620,061.54	-	32,620,061.54
-- Derivative financial assets	-	32,620,061.54	-	32,620,061.54
2. Other non-current financial assets	-	-	468,661,747.43	468,661,747.43
(II) Receivables for financing	-	1,120,170,492.09	-	1,120,170,492.09
<b>Total assets measured continuously at fair value</b>	-	1,152,790,553.63	468,661,747.43	1,621,452,301.06
(III) Financial liabilities measured at fair value through profit and loss				
1. Held-for-trading Financial Liabilities	-	3,651,541.77	-	3,651,541.77
- Derivative financial liabilities	-	3,651,541.77	-	3,651,541.77
<b>Total liabilities measured continuously at fair value</b>	-	3,651,541.77	-	3,651,541.77

### 2. Information on the estimation technique and important parameters adopted as for continuous Level 2 fair value measurement items

Unit: RMB

	Fair value at June 30 <sup>th</sup> 2021	Estimation technique	Inputs
Forward Foreign Exchange Contracts (Assets)	32,620,061.54	Discounted cash flow approach	Forward exchange rate Discounted rate that reflects the credit risk of counterparty
Forward Foreign Exchange Contracts (Liabilities)	(3,651,541.77)	Discounted cash flow approach	Forward exchange rate Discounted rate that reflects the credit risk of counterparty
Receivables for financing	1,120,170,492.09	Discounted cash flow approach	Discounted rate that reflects the credit risk of counterparty

### 3. The third level of fair value measurement item, the valuation techniques and important parameters used

Unit: RMB

Items	Fair value at June 30 <sup>th</sup> 2021	Valuation techniques	Inputs
Other non-current financial assets-- Investment in equity instruments of private companies	468,661,747.43	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

Other non-current financial assets	Amount
Book value on January 1 <sup>st</sup> 2021	491,939,067.27
Increase in the current reporting period	-
Decrease in the current reporting period	-
Changes in fair value booked into profit and loss during the current reporting period	(23,277,319.84)
Book value on June 30 <sup>th</sup> 2021	468,661,747.43

The total amount included in profit or loss in the first half of 2021 includes unrealized losses of RMB 23,277,319.84 (June 30<sup>th</sup> 2020: RMB 13,017,332.26) related to financial assets measured at fair value at the end of the current reporting period, and such gains or losses are included in the gains or losses from changes in fair value; The realized gains of financial assets measured at fair value at the end of the current reporting period which were included in investment income was RMB 115,644,801.97 (June 30<sup>th</sup> 2020: RMB 150,000,000.00).

### 5. Items measured at continuous fair value. There were no transfers between levels for the current reporting period. There was no estimation technique change for the current reporting period

### 6. Fair values of financial assets and financial liabilities that not measured at fair value

The Group's management team believes that financial assets and financial liabilities measured at amortized cost mainly include monetary fund, notes receivable, accounts receivable, other receivables (other than tax refund receivables), non-current assets due within one year, long-term receivables, short-term borrowings, notes payable, accounts payable, other payables, other current liabilities (other than Output VAT To-be-Transferred), non-current liabilities due within one year, long-term borrowings, lease liabilities, long-term payables and other non-current liabilities, etc., carrying value of which approximates to its fair value.

## X. Related party relationships and transactions

### 1. Information on parent company of the Company

Name	Place of registration	Nature of business	Registered capital	Shareholding ratio of parent company in the Company (%)	Percentage of voting rights of parent company to the Company (%)
China Electronics Technology HIK Group Co., Ltd. (CETHIK)	Hangzhou, Zhejiang	Industrial investment	RMB 660 million	38.91	38.91

The ultimate controlling party of the Company is China Electronics Technology Group Co., Ltd. ("CETE").

### 2. Information on the subsidiaries of the Company

For details of the subsidiaries of the Company, see Note (VII).

### 3. Information on the joint ventures and associated companies of the Company

For details of the associates and joint ventures of the Company, see Note (V) 13.

Other joint ventures and associates that had related party transactions with the Group in the current reporting period, or in the prior periods and formed balances are as follows:

Name of the associates or joint ventures	Relationship with the Company
Wuhu Sensor-Tech Intelligent Technology Co., Ltd. (Wuhu SensorTech) and its subsidiaries	Associated company
Maxio Technology (Hangzhou) Co., Ltd. and its subsidiaries (Maxio Technology) and its subsidiaries	Associated company
Zhiguang Hailian Big Data Technology Co., Ltd. (Zhiguang Hailian) and its subsidiaries	Associated company
Jiaxin Haishi JiaAn Zhicheng Technology Co., Ltd. (Haishi JiaAn)	Associated company
Qinghai Qingtang Big Data Co., Ltd. (Qingtang Big Data)	Associated company
Sanmenxia Xiaoyun Vision Technology Co., Ltd. (Xiaoyun Vision Technology)	Associated company
Daishan Hailai Yunzhi Technology Co., Ltd. (Daishan Hailai)	Joint venture
Guangxi Haishi City Operation Management Co., Ltd. (hereinafter referred to as Guangxi Haishi) and its subsidiaries	Joint venture
Shenzhen Hikvision City Service Operation Co., Ltd. (hereinafter referred to as Shenzhen City Service) and its subsidiaries	Joint venture
Xuzhou Kangbo City Operation Management Service Co., Ltd. (Xuzhou Kangbo)	Joint venture
Yunnan Yinghai Parking Service Co., Ltd. (Yunnan Yinghai)	Joint venture
Zhejiang City Digital Technology Co., Ltd. (Zhejiang City Digital Technology)	Joint venture
Zhejiang Haishi Huayue Digital Technology Co., Ltd. (Haishi Huayue)	Joint venture

### 4. Information on other related parties

Name	Relationship
Gong Hongjia	Major shareholder of the company that holds more than 5% of the share of the Company
Shanghai Fullhan Microelectronics Co., Ltd. (Shanghai Fullhan Micro) and its subsidiaries	Gong Hongjia or his relative(s) serve(s) as the director(s)
Shenzhen Wanyu Security Service Technology Co., Ltd. (Shenzhen Wanyu Security Service) and its subsidiaries	The Group's senior management serve(s) as director(s) of this company
Confirmware Technology(Hangzhou) Co., Ltd. (Hangzhou Confirmware)	The Group's senior management serve(s) as director(s) of this company (Note 1)
Subsidiaries of CETE (Note 2)	Under common control of the ultimate controlling party of the Company

Note 1: Due to the departure of the senior management of the Group in 2019, the prior year was one year after he/she left the position, therefore, Hangzhou Confirmware was still recognized as a related party of the Group in the prior year, and it was not recognized as a related party of the Group in the current reporting period.

Note 2: Subsidiaries of CETC, excluding Hikvision and its subsidiaries.

### 5. Related party transactions

(1) Related party transactions regarding sales and purchases of goods, provision of services and receiving services

#### Purchase of commodities / receiving of services:

Unit: RMB

Related party	Transaction type	Amount occurred in the first half of 2021	Amount occurred in the first half of 2020
Subsidiaries of CETE	Purchase of materials and receiving of services	954,049,928.17	323,746,490.02
Shanghai Fullhan Micro and its subsidiaries	Purchase of materials and receiving of services	435,028,505.73	118,628,840.93



## Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

Related party	Transaction type	Amount occurred in the first half of 2021	Amount occurred in the first half of 2020
Maxio Technology and its subsidiaries	Purchase of materials and receiving of services	92,764,981.98	19,810,600.40
Wuhu SensorTech	Purchase of materials and receiving of services	53,644,520.05	14,756,006.59
Shenzhen City Service and its subsidiaries	Purchase of materials and receiving of services	31,026.60	-
Zhiguang Hailian and its subsidiaries	Purchase of materials and receiving of services	-	135,782.26
Total		1,535,518,962.53	477,077,720.20

**Sales of commodities / rendering of services:**

Unit: RMB

Related party	Transaction content	Amount occurred in the first half of 2021	Amount occurred in the first half of 2020
Subsidiaries of CETE	Sales of products and rendering of services	235,766,661.73	101,516,082.64
Zhiguang Hailian and its subsidiaries	Sales of products and rendering of services	23,079,409.79	7,162,512.65
Daishan Hailai	Sales of products and rendering of services	16,858,777.71	10,415,978.76
Zhejiang City Digital Technology	Sales of products and rendering of services	12,768,503.75	-
Shenzhen City Service and its subsidiaries	Sales of products and rendering of services	10,977,086.27	-
Haishi JiaAn	Sales of products and rendering of services	8,098,509.33	7,210,092.95
Haishi Huayue	Sales of products and rendering of services	7,571,255.78	654,410.58
Qingtang Big Data	Sales of products and rendering of services	523,744.57	3,008.85
Wuhu Sensor Tech and its subsidiaries	Sales of products and rendering of services	465,469.78	788,831.51
Guangxi Haishi and its subsidiaries	Sales of products and rendering of services	347,360.64	-
Maxio Technology and its subsidiaries	Sales of products and rendering of services	108,371.68	106,463.72
Xuzhou Kangbo	Sales of products and rendering of services	11,672.59	684,022.41
Hangzhou Confirmware	Sales of products and rendering of services	Not applicable	297,876.12
Xiaoyun Vision Technology	Sales of products and rendering of services	-	518,530.99
Wanyu Security and its subsidiaries	Sales of products and rendering of services	-	198,230.06
Total		316,576,823.62	129,556,041.24

**Statement of capital deposits:**

Unit: RMB

Related Party	Content of related party transaction	Amount occurred in the first half of 2021	Balance at the end of the current reporting period	Amount occurred in the first half of 2020	Opening Balance
Subsidiaries of CETE (Note)	Deposit into fixed deposits	-	4,000,000,000.00	-	4,000,000,000.00
Total		-	4,000,000,000.00	-	4,000,000,000.00

Note: the fixed deposits that the Group deposited into China Electronic Technology Finance Co., Ltd.

The above transactions are executed at market prices.

## (2) Guaranteed by the related party

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

## (3) Other related party transactions

### Financial Leasing

Pursuant to resolution of the Company’s 7<sup>th</sup> meeting of the fourth session of the Board of Directors held on December 3<sup>rd</sup> 2018, the Group’s subsidiary Hangzhou Hikmicro signed a financial leasing contract with a subordinate company of CETC, HikMicro will carry out sale and leaseback business of part of its self-owned equipment with the CETC’s subordinate company. The new financing amount in 2019 was RMB 70 million, with lease term of 48 months, and the annual lease rate is 3.8%.

### Entrusted management of the interest expenditure of borrowed funds

On April 19<sup>th</sup> 2019, CETHIK signed an entrusted management agreement with the holding subsidiary of the Company, Hangzhou EZVIZ Network Ltd. (“EZVIZ Network”) to entrust EZVIZ Network to exercise the actual operating management right over Hangzhou EZVIZ Technology Ltd. (“EZVIZ Technology”), and be fully responsible for the production, operation and management of EZVIZ Technology, and EZVIZ Network shall not charge fixed entrusted management fees from CETHIK while EZVIZ Network is entitled to the 100% distributable profits generated by EZVIZ Technology prior to or after the entrusted management. At the same time, EZVIZ Network shall make a payment to CETHIK as occupying fund fees at the basis of paid-in capital of EZVIZ Technology of RMB 8,000,000.00 and at an interest rate up by 1% for loans over five years in the Central Bank. In 2021, EZVIZ Network intends to terminate the entrusted management of EZVIZ Technology. In March 2021, EZVIZ Network signed the *Termination Agreement of the Entrusted Management Agreement* with CETHIK and EZVIZ Technology, agreeing that the *Entrusted Management Agreement* shall be terminated on March 27<sup>th</sup> 2021. After the termination of the *Entrusted Management Agreement*, EZVIZ Network will no longer exercise the actual operation and management rights over EZVIZ Technology, or be responsible for the production, operation and management of EZVIZ Technology, or enjoy other rights over EZVIZ Technology as agreed in the *Entrusted Management Agreement*. The Group ceased to control EZVIZ Technology since March 27<sup>th</sup> 2021 and therefore ceased to include the operations of EZVIZ Technology in the scope of consolidation of the consolidated financial statements. The interest expenses on the above-mentioned capital possession incurred in the current reporting period amounts to RMB 131,659.87.

## 6. Receivables from related parties and payables to related parties

### (1) Receivables from related parties

Unit: RMB

Item	Related Party	Closing balance		Opening balance	
		Carrying balance	Credit loss provision	Carrying balance	Credit loss provision
Accounts receivable	Subsidiaries of CETE	807,312,606.88	282,285,697.99	694,163,118.90	108,859,842.53
Accounts receivable	Haishi JiaAn	38,934,270.11	2,379,088.95	29,762,113.04	975,776.51
Accounts receivable	Daishan Hailai	26,482,758.72	1,104,331.04	16,387,257.40	194,920.07
Accounts receivable	Zhiguang Hailian and its subsidiaries	19,309,417.97	805,360.02	9,436,662.00	111,434.71
Accounts receivable	Zhejiang City Digital Technology	15,838,908.55	660,482.49	12,427,421.59	561,604.39



## Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

Item	Related Party	Closing balance		Opening balance	
		Carrying balance	Credit loss provision	Carrying balance	Credit loss provision
Accounts receivable	Xiaoyun Vision Technology	9,437,647.51	2,332,836.52	10,929,211.22	412,855.37
Accounts receivable	Haishi Huayue	7,892,207.73	329,105.06	2,112,591.44	42,509.22
Accounts receivable	Shenzhen City Service and its subsidiaries	3,617,345.50	150,843.31	-	-
Accounts receivable	Qingtang Big Data	981,086.50	40,911.31	660,000.00	29,832.00
Accounts receivable	Wuhu Sensor Tech and its subsidiaries	821,865.40	9,564.48	823,165.40	37,207.08
Accounts receivable	Maxio Technology and its subsidiaries	25,553.08	1,065.56	45,667.50	538.88
Accounts receivable	Xuzhou Kangbo	-	-	786,702.90	35,558.97
Accounts receivable	Hangzhou Confirmware	Not applicable	Not applicable	83,150.00	981.17
<b>Total</b>		<b>930,653,667.95</b>	<b>290,099,286.73</b>	<b>777,617,061.39</b>	<b>111,263,060.90</b>

Unit: RMB

Item	Related Party	Closing balance		Opening balance	
		Carrying balance	Credit loss provision	Carrying balance	Credit loss provision
Notes receivable	Subsidiaries of CETE (Note 1)	59,647,280.05	-	78,876,284.35	-
Notes receivable	Zhiguang Hailian and its subsidiaries (Note 2)	5,300,000.00	-	1,120,000.00	-
Notes receivable	Zhejiang City Digital Technology	3,744,385.00	-	-	-
Notes receivable	Haishi JiaAn	700,000.00	-	9,147,466.00	-
<b>Total</b>		<b>69,391,665.05</b>	<b>-</b>	<b>89,143,750.35</b>	<b>-</b>

Note 1: Among them, the RMB 4,728,475.25 (2020: RMB 4,000,000.00) notes receivable are the acceptance bills of which the drawer is the related party, and the former endorsers are unrelated third parties.

Note 2: Among them, the RMB 5,300,000.00 (2020: nil) notes receivable are the acceptance bills of which the drawer is the related party, and the former endorsers are unrelated third parties.

Unit: RMB

Item	Related Party	Closing balance		Opening balance	
		Carrying balance	Credit loss provision	Carrying balance	Credit loss provision
Other receivables	Subsidiaries of CETE	407,459.00	12,987.04	132,459.00	1,563.02
Other receivables	Shenzhen City Service and its subsidiaries	140,000.00	1,526.00	140,000.00	1,652.00
Other receivables	Wuhu Sensor Tech and its subsidiaries	55,150.31	620.02	-	-
Other receivables	Haishi Huayue	-	-	279,452.11	3,297.53
<b>Total</b>		<b>602,609.31</b>	<b>15,133.06</b>	<b>551,911.11</b>	<b>6,512.55</b>

## Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

Unit: RMB

Item	Related Party	Closing balance		Opening balance	
		Carrying balance	Credit loss provision	Carrying balance	Credit loss provision
Long-term receivables (including those due within one year)	Subsidiaries of CETE	72,400,514.95	2,957,165.61	73,512,305.64	2,015,923.07
Long-term receivables (including those due within one year)	Yunnan Yinghai	21,682,324.62	243,674.77	21,444,096.16	253,040.33
Long-term receivables (including those due within one year)	Shenzhen City Service and its subsidiaries	6,596,792.86	90,764.07	-	-
Long-term receivables (including those due within one year)	Xuzhou Kangbo	1,541,554.20	16,901.90	1,581,135.63	29,277.25
Long-term receivables	Xiaoyun Vision Technology	2,295.00	25.02	2,295.00	103.73
<b>Total</b>		<b>102,223,481.63</b>	<b>3,308,531.37</b>	<b>96,539,832.43</b>	<b>2,298,344.38</b>

Unit: RMB

Item	Related Party	Closing balance		Opening balance	
		Carrying balance	Credit loss provision	Carrying balance	Credit loss provision
Prepayments	Subsidiaries of CETE	9,445,570.82	-	4,339,675.60	-
Prepayments	Wuhu Sensor Tech and its subsidiaries	677,070.05	-	-	-
<b>Total</b>		<b>10,122,640.87</b>	<b>-</b>	<b>4,339,675.60</b>	<b>-</b>

## (2) Payables to related parties

Unit: RMB

Item	Related Party	Closing balance	Opening balance
Accounts payable	Subsidiaries of CETE	429,754,644.57	360,026,227.41
Accounts payable	Shanghai Fullhan Micro and its subsidiaries	325,836,826.73	117,676,674.67
Accounts payable	Maxio Technology and its subsidiaries	21,596,194.44	545,124.36
Accounts payable	Wuhu Sensor Tech and its subsidiaries	2,526,478.80	6,286,164.42
<b>Total</b>		<b>779,714,144.54</b>	<b>484,534,190.86</b>

Unit: RMB

Item	Related Party	Closing balance	Opening balance
Notes Payable	Shanghai Fullhan Micro and its subsidiaries	25,421,749.08	3,648,820.00
Notes Payable	Subsidiaries of CETE	6,421,083.48	17,301,547.82
<b>Total</b>		<b>31,842,832.56</b>	<b>20,950,367.82</b>

Unit: RMB

Item	Related Party	Closing balance	Opening balance
Contract liabilities	Subsidiaries of CETE	4,668,876.96	10,507,934.92
Contract liabilities	Maxio Technology and its subsidiaries	872,640.00	-
Contract liabilities	Xuzhou kangbo	438,321.27	201,887.56
Contract liabilities	Zhiguang Hailian and its	8,168.00	57,630.00

## Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

Item	Related Party	Closing balance	Opening balance
	subsidiaries		
Contract liabilities	Daishan Hailai	-	688.00
Total		5,988,006.23	10,768,140.48

Unit: RMB

Item	Related Party	Closing balance	Opening balance
Other payables	Subsidiaries of CETE	53,983,406.39	47,056,334.07
Other payables	Shanghai Fullhan Micro and its subsidiaries	200,000.00	100,000.00
Other payables	Wuhu Sensor Tech and its subsidiaries	52,040.00	-
Other payables	Zhejiang City Digital Technology	10,000.00	-
Other payables	Zhiguang Hailian and its subsidiaries	2,000.00	-
Total		54,247,446.39	47,156,334.07

Unit: RMB

Item	Related Party	Closing balance	Opening balance
Long-term payables (including those due within one year)	Subsidiaries of CETE	-	8,000,000.00
Total		-	8,000,000.00

Unit: RMB

Item	Related Party	Closing balance	Opening balance
Lease liabilities (including those due within one year)	Subsidiaries of CETE	32,031,556.07	41,213,376.81
Total		32,031,556.07	41,213,376.81

## XI. Share-based payments

### 1. Overview of share-based payments

#### Restrictive Share Incentive Scheme

According to the *Approval of the Implementation of the Restrictive Share Incentive Scheme of Hangzhou Hikvision Digital Technology Co., Ltd.* (关于杭州海康威视数字技术股份有限公司实施限制性股票激励计划的批复) (Guo Zi Fen Pei [2012] No. 426) issued by the State-owned Assets Supervision and Administration Commission of the State Council and the *Opinion the Restrictive Share Incentive Scheme of Hangzhou Hikvision Digital Technology Co., Ltd.* (关于杭州海康威视数字技术股份有限公司限制性股票激励计划的意见) (Shang Shi Bu Han [2012] No. 353) issued by China Securities Regulatory Commission, the Company convened the ninth meeting of the second session of the Board of Directors on July 25<sup>th</sup> 2012 and the first extraordinary general meeting for 2012 on August 13<sup>th</sup> 2012, whereat the Proposal Relating to the Restrictive Share Scheme (Amendments to the Draft) of the Company and Highlights was reviewed and passed. The purpose of the Share Incentive Scheme is to: further improve the Company's governance structure to establish a good and balanced value allocation system; establish a profit-sharing and restriction mechanism among shareholders, the Company and its employees, so as to provide shareholders with sustainable return; fully mobilize the positivity of core employees to support the Company in realizing its strategies and long-term sustainable development; attract and retain core employees to ensure the Company's long-term development.

The Scheme shall be effective for a term of 10 years commencing from the date of approval by general meeting of the Company, during which the Company may grant restricted shares to grantees under the Scheme. In principle, each grant should be at an interval of two years. After the expiry of the Scheme, no restricted shares could be granted to grantees under the Scheme. However, all the provisions of the Scheme remain valid to the restricted shares granted under the Scheme.

Each batch of restricted shares shall not be unlocked unless fulfilling, each time, by the Company its unlock performance criteria (including net asset yield and operating income growth rate), and by grantees' individual performance criteria simultaneously. Where, during any year of the unlocking period, any one or more unlock criteria for the Company or individuals is or are not fulfilled, such portion of subject shares shall be cancelled, and no grantees shall be entitled to make another application for unlocking those subject shares in the future years. The cancelled restricted shares will be repurchased by the Company based on the grant price.

On December 23<sup>rd</sup> 2016, after consideration and approval by the general meeting, the Company granted 52,326,858 restricted shares to grantees at a grant price of RMB 12.63 per share ("2016 Share Incentive Scheme"). The Lock-up Period of the Subject Shares shall last for a period of 24 months commencing on the grant date, during which the Subject Shares granted to grantees under the scheme shall be subject to lock-up and shall not be transferable. The Unlocking Period shall be the 24 to 60 months following the grant of restricted shares (including Lock-up Period), during which grantees may, subject to unlocking conditions stipulated by the scheme being satisfied, apply for unlocking in 3 tranches: the first unlocking period shall be the 24 to 36 months following the grant date and the number of shares to be unlocked shall be 40% of the aggregate number of the Subject Shares granted; the second unlocking period shall be the 36 to 48 months following the grant date and the number of shares to be unlocked shall be 30% of the aggregate number of the Subject Shares granted; the third unlocking period shall be the 48 to 60 months following the grant date and the number of shares to be unlocked shall be 30% of the aggregate number of the Subject Shares granted. As of December 31<sup>st</sup> 2020, all restricted shares awarded in 2016 have been closed.

On December 20<sup>th</sup> 2018, authorized by the 2<sup>nd</sup> 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.

The 2018 share incentive performance evaluation indicators were revised at the 2019 annual general meeting convened on May 15<sup>th</sup> 2020 by approval of the *Proposal on Revision to the Company's Performance Evaluation Indicators for the 2018 Restricted Share Incentive Scheme*. The historical comparison value of the compounded operating income growth rate and the benchmark companies' comparison value over the same period will be used as alternative evaluation indicators, that is, if either of the two indicators were satisfied, the Company's performance evaluation indicator for the current unlocking period is considered to be satisfied. The particulars of the revision are set out as follows: the performance evaluation indicators set out in the *Company's 2018 Restricted Share Incentive Scheme (Revision to the Draft)* that "the compounded operating income growth rate at the year before the time of unlocking is no less than 20% and no less than 75<sup>th</sup> percentiles level of growth rate of the benchmark companies at the same period as compared to those at the year before the time of grant" was revised to be that "the compounded operating income growth rate at the year before the time of unlocking is no less than 20% or no less than 75<sup>th</sup> percentiles level of growth rate of benchmark companies at the same period as compared to those at the year before the time of grant".

Unit: share

2016 Share Incentive Scheme	First half year of 2021	2020
Total of equity instruments outstanding at the beginning of the reporting period	-	21,974,740
Total of equity instruments granted during the current reporting period	-	-
Total of equity instruments vested during the current reporting period	-	21,204,645
Total of equity instruments forfeited during the current reporting period (Note)	-	770,095
Total of equity instruments outstanding at the end of the reporting period	-	-

## Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

2016 Share Incentive Scheme	First half year of 2021	2020
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	-	-

Note:

On December 25<sup>th</sup> 2020, pursuant to the revised *Articles of Association* and resolution of the 20<sup>th</sup> general meeting of 4<sup>th</sup> session of the Board, and approved by the second extraordinary general meeting of 2018, the Company repurchased and cancelled 770,095 granted and unvested restricted RMB treasury shares in cash. The Company has completed the registration procedures of equity changes as of June 30<sup>th</sup> 2021.

Unit: share

2018 Share Incentive Scheme	First half year of 2021	2020
Total of equity instruments outstanding at the beginning of the reporting period	68,762,683	121,195,458
Total of equity instruments granted (share dividend) during the current reporting period	-	-
Total of equity instruments vested during the current reporting period	-	45,591,794
Total of equity instruments forfeited during the current reporting period	-	6,840,981
Total of equity instruments outstanding at the end of the reporting period	68,762,683	68,762,683
The exercise price (ex-rights) of the outstanding Share-based payments of the Company at the end of the reporting period and the remaining period of the contract	RMB 16.98/share & 30 months	RMB 16.98/share & 36 months

Note: On December 25<sup>th</sup> 2020, authorized by the Company's second extraordinary shareholders' meeting in 2018 and according to the resolutions and the revised *Articles of Association* of the 20<sup>th</sup> meeting of the fourth board of directors, the Company repurchased and cancelled the granted and unvested 6,840,981 restricted RMB treasury shares in cash. The Company has completed the registration procedures of equity changes as of June 30<sup>th</sup> 2021.

Share Incentive Scheme of Staff Co-Investment in Innovative Businesses

On October 22<sup>nd</sup> 2015, Hikvision considered and approved *Management Measures for Core Staff Co-Investment in Innovative Businesses (Draft)* (hereafter referred to as "Management Measures") at the 2<sup>nd</sup> extraordinary general meeting. On March 7<sup>th</sup> 2016, representative congress of labor union of Hikvision passed *Implementation Provisions for Management Measures for Core Staff Investment in Innovative Businesses* (hereafter referred to as "Provisions"), to initiate and implement the incentive mechanism of staff co-investment (hereafter referred to as "Staff Co-Investment Plan") in innovative business subsidiaries. Staff who participate in the Staff Co-Investment Plan (hereafter referred to as "Co-Investment Staff") signed an *Entrusted Investment Agreement* with the labor union committee of Hikvision (hereafter referred to as "Hikvision Labor Union"), to entrust Hikvision Labor Union to make investments. Hikvision Labor Union, as a principal, shall cooperate with a trust company, which shall be a limited partner (LP) of a partnership enterprise, to establish a trust plan, and to invest trust funds into innovative business subsidiaries. (Investment form described above is referred to as "Co-Investment Platform").

Staff Investment Plan is classified as plan A and plan B according to applicable grantees. Grantees of plan A are comprised of medium-and-senior level management personnel and core competent staff from Hikvision, its wholly-owned subsidiaries, and innovative business subsidiaries, and are able to invest in all innovative businesses. Grantees of plan B are comprised of core and full-time staff from innovative business subsidiaries, and could participate in investment on innovative business subsidiaries where they serve. The Co-Investment Platform will increase capitals annually, the corresponding increased equity of which will be distributed to core staff who meets investment conditions pursuant to particular rules. The lock-up period shall be five years after equity of Co-Investment Platform is held by the staff, which will be unlocked in one-off manner when due. Within the lock-up period, if the labor relationship between the grantees and the Company or its subsidiaries is released or terminated, equity of Co-Investment Platform held by the grantees shall be refunded and settled by the labor union at an agreed price pursuant to the Provisions.

To adapt to the new changes brought by the proposed spin-off of a subsidiary, EZVIZ Network for its listing, from



Hikvision, Co-Investment Staff and Hikvision Labor Union executed the *Supplemental Agreement* to the *Entrusted Investment Agreement* (hereafter referred to as “*Supplemental Agreement*”) in December 2020. On December 25<sup>th</sup> 2020, Hikvision convened the 20<sup>th</sup> meeting of the 4<sup>th</sup> session of the Board to consider and approve the *Proposal on Revision to Management Measures for Core Staff Co-Investment in Innovative Businesses*. The new version of *Management Measures for Core Staff Co-Investment in Innovative Businesses* (hereafter referred to as “*Management Measures (New Version)*”) has added the authentic right for equity shares of co-investment plan held by staff and equity shares of innovative business subsidiaries indirectly held by them, specified the processing measures of investment equity shares held by staff after they lose the qualification or are cancelled to be qualified for co-investment, and added the systems of management committee, and etc.

On December 31<sup>st</sup> 2020, co-investment plan execution and management committee approved the *Implementation Provisions for Management Measures for Core Staff Co-Investment in Innovative Businesses* (hereafter referred to as “*Provisions (New Version)*”). Pursuant to the *Management Measures (New Version)* and *Provisions (New Version)*, the Lock-up Period in respect of plan A’s equity shares with the authentic right shall last for a period of a full-five years during which the staff has served for the Company or its subsidiaries; the Lock-up Period in respect of plan B’s equity with the authentic right shall last for a period of a full-five years during which the staff has served for the corresponding innovative business subsidiary or its subsidiaries.

The Co-Investment Platform grants Co-Investment Staff additional equity annually. The Group determines whether share-based payment shall be constituted based on the fair value of equity instruments newly obtained by the Group’s staff in Co-Investment Platform on each granting date. During the current reporting period, the Group recognized share-based payment of RMB 34,331,085.41 in aggregate based on the fair value of services obtained by the Group.

## 2. Information of the share-based payment through equity settlements

### Restrictive Share Incentive Scheme

Unit: RMB

	2016 Share Incentive Scheme	2018 Share Incentive Scheme
Method of determine the fair value of equity instruments at the grant date	Determined based on stock price at the grant date and the costs of restricted shares during Lock-up Period	Determined based on stock price at the grant date and the costs of restricted shares during Lock-up Period
Recognition basis of the number of the equity instruments qualified for vesting	Determined based on the results estimation of each vesting period	Determined based on the results estimation of each vesting period
Reasons of the significant difference between the estimates of the current reporting period with that of the prior year	None	None
Accumulative amount of share-based payment through equity settlement and further included in the capital reserve	345,213,163.42	952,525,929.29
Total amount of the expenses recognized according to share-based payment through equity settlement in the current reporting period	-	99,777,544.60

### Share Incentive Scheme of Staff Co-Investment in Innovative Businesses

Unit: RMB

	Share Incentive Scheme of Staff Co-Investment in Innovative Businesses
Method of determining the fair value of equity instruments at the grant date	Evaluated and determined based on income method at the grant date
Recognition basis of the number of the equity instruments qualified for vesting	Estimated and determined based on the performance result conditions of each vesting period
Accumulative amount of share-based payment through equity settlement and further included in the capital reserve	141,218,467.27
Total amount of the expenses recognized according to share-based payment through equity settlement in the current reporting period	34,331,085.41

Among total amount of the expenses recognized according to share-based payment through equity settlement during the current reporting period, amount of RMB 9,720,945.74 was due to share distributions to minority shareholders; As of June

Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

30<sup>th</sup> 2021, accumulative amount of share-based payment through equity settlement of RMB 45,355,945.94 was included in the equity of minority shareholders.

### 3. There is no share-based payment through cash settlements

### 4. There is no termination of share-based payment or modification or termination of equity incentive plan for co-investment in innovative businesses during the current reporting period.

## XII. Commitments and contingencies

### 1. Significant commitments

#### (1) Capital commitments

Unit: RMB'000

	Closing balance	Opening balance
Contracted but not yet recognized in financial statements		
- Commitment on construction of long-term assets	9,363,845	9,573,577
- Commitment on external investments	42,400	42,400
<b>Total</b>	<b>9,406,245</b>	<b>9,615,977</b>

(2) As of June 30<sup>th</sup> 2021, the Group has no other significant commitments need to be disclosed.

### 2. Contingencies

The Group has no significant contingencies to be disclosed.

## XIII. Events after the balance sheet date

### 1. Significant unadjusted events

As of the date of completion of this report, the Company has no events after the balance sheet date that need to be disclosed.

## XIV. Other significant events

### 1. Segment information

#### 1.1 Report segment determining and accounting policy

According to the Group's internal organization structure, management requirements and internal report principles, the Group has only one operating segment, which is the research and development, production and sales of video products and video services.

#### 1.2 Segment financial reporting

#### External revenue by geographical area & non-current assets by geographical location

Unit: RMB

Item	First half year of 2021	First half year of 2020
External revenue generated in domestic area	24,434,618,189.74	16,728,998,825.16
External revenue generated in overseas area	9,467,480,178.36	7,542,160,418.60
<b>Total</b>	<b>33,902,098,368.10</b>	<b>24,271,159,243.76</b>

Unit: RMB

Item (Note)	On June 30 <sup>th</sup> 2021	On January 1 <sup>st</sup> 2021
Non-current assets in domestic area	10,030,658,958.45	9,366,029,699.84
Non-current assets in overseas area	669,088,072.24	683,828,015.60

## Notes to Financial Statements

For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

Total	10,699,747,030.69	10,049,857,715.44
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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<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

**XV. Notes to major items of financial statements of the parent company**

**1. Accounts receivable**

**1.1 Disclosure by age**

Unit: RMB

Aging	Closing Balance		
	Accounts receivable	Credit loss provision	Proportion (%)
Within credit period	10,044,845,328.59	12,667,712.11	0.13
Within 1 year after exceeding credit period	13,440,134,969.21	80,836,756.57	0.60
1-2 years after exceeding credit period	476,157,367.58	93,789,656.21	19.70
2-3 years after exceeding credit period	193,983,415.33	79,184,030.14	40.82
3-4 years after exceeding credit period	63,882,997.89	44,622,937.33	69.85
Over 4 years after exceeding credit period	98,478,012.10	98,478,012.10	100.00
Subtotal	24,317,482,090.70	409,579,104.46	1.68

**1.2 Classification and disclosure of by credit loss provision methods**

Unit: RMB

Category	Closing balance					Opening balance				
	Carrying balance		Credit loss provision		Book value	Carrying balance		Credit loss provision		Book value
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Amount	Percentage (%)	Amount	Percentage (%)	Amount
Provision for credit loss on a single basis	-	-	-	-	-	-	-	-	-	-
Provision for credit loss by portfolios	24,317,482,090.70	100.00	409,579,104.46	1.68	23,907,902,986.24	24,550,291,739.99	100.00	356,899,560.63	1.45	24,193,392,179.36
Total	24,317,482,090.70	100.00	409,579,104.46	1.68	23,907,902,986.24	24,550,291,739.99	100.00	356,899,560.63	1.45	24,193,392,179.36

Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

**Accounts receivable provision for credit loss by portfolios**

Unit: RMB

Customer	Closing balance		
	Carrying balance	Credit loss provision	Proportion (%)
Subsidiaries' customers	20,381,978,651.77	-	-
Portfolio A	2,853,418.50	269,130.60	9.43
Portfolio B	3,932,446,443.30	409,106,396.73	10.40
Portfolio C	203,577.13	203,577.13	100.00
Total	24,317,482,090.70	409,579,104.46	1.68

**Description of accounts receivable for credit loss provision by portfolios**

As part of the Company's credit risk management, the Company uses the ageing of accounts receivable to assess the expected credit losses of accounts receivable formed by domestic and overseas sales businesses, and the risk characteristics are divided according to different business area and target into portfolio A, portfolio B and portfolio C. For the accounts receivable generated by the Group's related parties, because the payment time is arranged by the Group according to the cash flow of the companies in the Group, the Company believes that the credit risk is low and no provision for credit loss is required. The aging information can reflect the solvency of these three types of customers when the accounts receivable are due.

**1.3 Credit loss provision**

The provision for credit loss in the current reporting period is RMB 52,679,543.83.

The actual write-off of accounts receivable for the current reporting period is nil.

Notes to Financial Statements

For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

**1.4 Top five debtors based on corresponding closing balance of accounts receivable**

Unit: RMB

Name of the Party	Relationship with the Company	Book value balance of accounts receivable	Closing balance for credit loss provision	Proportion (%) of the total balance of accounts receivable at the end of the current reporting period
Subsidiary A	Subsidiary	20,310,799,871.11	-	83.52
CETC's subsidiary company A	Related party	107,188,293.34	12,278,929.18	0.44
Third party J	Third party	94,685,424.77	3,616,529.85	0.39
Third party C	Third party	81,027,333.17	2,474,020.60	0.33
Third party K	Third party	60,110,711.53	2,506,616.67	0.25
Total		20,653,811,633.92	20,876,096.30	84.93

1.5 As of June 30<sup>th</sup> 2021, there is no termination of accounts receivable booking due to transfer of a financial asset.

1.6 As of June 30<sup>th</sup> 2021, the Company has no assets/liabilities booked due to transferred accounts receivable that the Company still continue to be involved in.

**2. Other receivables**

**2.1 By categories**

Unit: RMB

Category	Closing balance	Opening Balance
Dividends receivable	22,910,404.14	22,910,404.14
Other receivables	1,175,810,730.65	703,792,729.51
Total	1,198,721,134.79	726,703,133.65

**2.2 Dividends receivable**

Unit: RMB

Investees	Closing balance	Opening Balance
Subsidiaries of CETE	22,910,404.14	22,910,404.14
Total	22,910,404.14	22,910,404.14

Notes to Financial Statements

For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

**2.3 other receivables**

**(1) Other receivables by aging**

Unit: RMB

Item	Closing Balance		
	Other receivables	Credit loss provision	Proportion (%)
Within contract period	1,155,646,315.54	1,161,268.09	0.10
Within 1 year	16,083,095.83	670,698.87	4.17
1-2 years	1,179,608.56	228,661.66	19.38
2-3 years	4,459,430.84	1,820,339.67	40.82
3-4 years	7,285,860.94	5,005,353.87	68.70
Over 4 years	3,965,059.03	3,922,317.93	98.92
Subtotal	1,188,619,370.74	12,808,640.09	1.08

**(2) Other receivables by nature of the payment**

Unit: RMB

Nature	Closing balance	Opening balance
Payments by related parties within the Group	746,108,383.58	454,474,087.76
Temporary payments for receivables	378,394,848.41	219,103,746.42
Guarantee deposit	58,923,847.65	47,835,041.47
Others	5,192,291.10	3,797,396.93
Total	1,188,619,370.74	725,210,272.58

**2.3 Provision for credit losses**

The amount of credit loss provision reversed in the current period was RMB 8,608,902.98.

2.4 The actual write-off of other receivables in the current reporting period was nil.

Notes to Financial Statements

For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

2.5 Top 5 debtors of other receivables in terms of closing balance

Unit: RMB

The name of entity	Relationship with the Company	Nature	Closing balance	Aging	Percentage to total other receivables (%)	Closing balance for credit loss provision
Subsidiary B	Subsidiary	Internal Payment	317,627,502.35	Within contract period	26.72	-
Subsidiary C	Subsidiary	Internal Payment	78,815,021.00	Within contract period	6.63	-
Subsidiary D	Subsidiary	Internal Payment	50,142,126.67	Within contract period	4.22	-
Subsidiary E	Subsidiary	Internal Payment	45,372,931.99	Within contract period	3.82	-
Subsidiary F	Subsidiary	Internal Payment	44,491,239.07	Within contract period	3.74	-
Total			536,448,821.08		45.13	-

2.6 At the end of the current reporting period, the Company had no other receivables involving government subsidies.

2.7 At the end of the current reporting period, there were no other receivables derecognized due to the transfer of financial assets.

2.8 At the end of the current reporting period, there were no assets or liabilities formed by continuing involvement in transferred other receivables

Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

### 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	6,110,445,091.30	-	6,110,445,091.30	5,912,831,208.01	-	5,912,831,208.01
Investments in associated enterprises and joint ventures	809,743,560.46	-	809,743,560.46	814,542,245.96	-	814,542,245.96
Total	6,920,188,651.76	-	6,920,188,651.76	6,727,373,453.97	-	6,727,373,453.97

#### 3.1 Investment in subsidiaries

Unit: RMB

Name of investee	Opening balance	Increase during the current reporting period	Decrease during the current reporting period	Closing balance	Write-off of impairment provision during the current reporting period	Balance of impairment loss provision at the end of the current reporting period
Hangzhou Hikvision System Technology Co., Ltd.	848,272,492.62	8,641,258.60	-	856,913,751.22	-	-
Hangzhou Hikvision Security Equipment Leasing Services Co., Ltd.	200,000,000.00	-	-	200,000,000.00	-	-
Shanghai Goldway Intelligent Transportation System Co., Ltd.	23,000,000.00	-	-	23,000,000.00	-	-
Chongqing Hikvision System Technology Co., Ltd.	700,000,000.00	-	-	700,000,000.00	-	-
Hundure Technology (Shanghai) Co., Ltd.	37,247,790.28	-	37,247,790.28	-	-	-
Hangzhou EZVIZ Network Co., Ltd.	61,742,747.98	1,262,275.86	-	63,005,023.84	-	-
Hangzhou Haikang Zhicheng Investment and Development Co.,	24,000,000.00	-	-	24,000,000.00	-	-

## Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

Name of investee	Opening balance	Increase during the current reporting period	Decrease during the current reporting period	Closing balance	Write-off of impairment provision during the current reporting period	Blance of impairment loss provision at the end of the current reporting period
Ltd.						
Hangzhou Hikrobot Technology Co., Ltd.	138,957,632.99	2,264,319.14	-	141,221,952.13	-	-
Hangzhou HikAuto Technology Co., Ltd.	186,488,555.60	525,422.22	-	187,013,977.82	-	-
Hangzhou Hikvision Communication Technology Co., Ltd.	7,000,000.00	-	-	7,000,000.00	-	-
Hangzhou Hikmicro Sensing Technology Co., Ltd.	182,201,437.54	256,834.42	-	182,458,271.96	-	-
HDT International Ltd.	87,786.14	-	-	87,786.14	-	-
Prama Hikvision Indian Private Limited	1,585,696.80	-	-	1,585,696.80	-	-
Hikvision International Co., Limited	79,423.52	-	-	79,423.52	-	-
Hikvision Australia Pty Ltd.	2,866,850.00	-	-	2,866,850.00	-	-
Hikvision Singapore Pte. Ltd.	1,900,590.00	-	-	1,900,590.00	-	-
Hikvision South Africa (Pty) Ltd.	1,578,650.00	-	-	1,578,650.00	-	-
Hikvision Dubai FZE	1,870,351.40	-	-	1,870,351.40	-	-
Hikvision Brazil Participacoes Ltda.	4,579,750.50	-	-	4,579,750.50	-	-
Hikvision Limited Liability Company	647,249.19	-	-	647,249.19	-	-
Coöperatief Hikvision Europe U.A.	65,485.53	-	-	65,485.53	-	-
Hikvision Korea Limited	1,535,850.00	-	-	1,535,850.00	-	-
Hikvision Colombia SAS	1,337,440.00	-	-	1,337,440.00	-	-

## Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

Name of investee	Opening balance	Increase during the current reporting period	Decrease during the current reporting period	Closing balance	Write-off of impairment provision during the current reporting period	Blance of impairment loss provision at the end of the current reporting period
Hikvision Kazakhstan limited liability partnership	4,758.69	-	-	4,758.69	-	-
Hikvision Turkey Technology And Security Systems Commerce Corporation	1,148,115.83	-	-	1,148,115.83	-	-
Chongqing Hikvision Technology Co., Ltd.	102,318,598.74	270,503.22	-	102,589,101.96	-	-
Hikvision USA, Inc.	1,546,160.00	-	-	1,546,160.00	-	-
Hikvision Canada, Inc.	994,442.54	-	-	994,442.54	-	-
Henan Hua'An Bao Quan Intelligent Development Co., Ltd.	98,334,200.00	-	-	98,334,200.00	-	-
Henan Haikang Hua'An Bao Quan Electronics Co., Ltd.	33,940,800.00	-	-	33,940,800.00	-	-
Hangzhou Hikvision Technology Co., Ltd.	1,066,917,232.70	4,809,775.59	-	1,071,727,008.29	-	-
Hangzhou Hikvision Electronics Co., Ltd.	411,410,425.15	1,463,492.82	-	412,873,917.97	-	-
Wuhan HikStorage Technology Co., Ltd.	60,869,464.15	-	-	60,869,464.15	-	-
Chengdu Hikvision Digital Technology Co., Ltd.	540,086,104.32	96,562.79	-	540,182,667.11	-	-
Hangzhou HikAuto Software Co., Ltd.	14,536,174.60	1,364,269.52	-	15,900,444.12	-	-
Hangzhou Haikang Intelligent Technology Co., Ltd.	8,689,143.96	1,061,396.50	-	9,750,540.46	-	-
Hangzhou EZVIZ Software Co., Ltd.	35,084,155.82	3,326,480.96	-	38,410,636.78	-	-
LLC Hikvision Tashkent	833,014.00	-	-	833,014.00	-	-
Xi'An Hikvision Digital Technology Co., Ltd.	85,000,000.00	115,000,000.00	-	200,000,000.00	-	-



## Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

Name of investee	Opening balance	Increase during the current reporting period	Decrease during the current reporting period	Closing balance	Write-off of impairment provision during the current reporting period	Blance of impairment loss provision at the end of the current reporting period
Wuhan Hikvision Technology Co., Ltd.	12,600,000.00	-	-	12,600,000.00	-	-
Wuhan Hikvision Science and Technology Co., Ltd.	150,250,000.00	-	-	150,250,000.00	-	-
Hangzhou Hikimaging Technology Co., Ltd.	50,948,433.82	343,984.00	-	51,292,417.82	-	-
Guizhou Haikang Transportation Big Data Co., Ltd.	22,000,000.00	-	-	22,000,000.00	-	-
Xinjiang CET Yihai Information Technology Co., Ltd.	24,000,000.00	-	-	24,000,000.00	-	-
Nanjing Hikvision Digital Technology Co., Ltd.	80,000,000.00	-	-	80,000,000.00	-	-
Hangzhou Kuangxin Technology Co., Ltd.	112,000,000.00	-	-	112,000,000.00	-	-
Zhengzhou Hikvision Digital Technology Co., Ltd.	65,000,000.00	15,000,000.00	-	80,000,000.00	-	-
Nanchang Hikvision Digital Technology Co., Ltd.	80,000,000.00	-	-	80,000,000.00	-	-
Hikvision Digital Technology (Shanghai) Co., Ltd.	80,000,000.00	-	-	80,000,000.00	-	-
Hefei Hikvision Digital Technology Co., Ltd.	35,000,000.00	-	-	35,000,000.00	-	-
Tianjin Hikvision Information Technology Co., Ltd.	50,348,846.40	311,770.88	-	50,660,617.28	-	-
Ningbo Hikvision Parking System Operation Co., Ltd.	35,000,000.00	-	-	35,000,000.00	-	-
Hikvision Peru Closed Stock Company	1,598,042.50	-	-	1,598,042.50	-	-
Hangzhou HikStorage Technology Co., Ltd.	2,843,875.79	433,223.10	-	3,277,098.89	-	-
Shijiazhuang Hikvision Technology Co., Ltd.	45,000,000.00	5,404,525.03	-	50,404,525.03	-	-
Zhejiang Haikang Fire Protection and Control Co., Ltd.	84,004.82	36,218.00	-	120,222.82	-	-

## Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

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
Hikvision Argentina S.R.L	1,793,559.15	-	-	1,793,559.15	-	-
Fuzhou Hikvision Digital Technology Co., Ltd.	50,814,676.49	242,991.50	-	51,057,667.99	-	-
Hangzhou Hikfire Technology Co., Ltd.	61,871,362.21	534,041.46	-	62,405,403.67	-	-
Hangzhou Rayin Technology Co., Ltd.	60,702,536.80	212,153.88	-	60,914,690.68	-	-
Hangzhou Microimage Software Co., Ltd.	2,090,633.38	930,785.30	-	3,021,418.68	-	-
Kunming Hikvision Digital Technology Co., Ltd.	126,666.06	50,107,696.34	-	50,234,362.40	-	-
Jinan Hikvision Digital Technology Co., Ltd.	-	20,929,479.32	-	20,929,479.32	-	-
Hangzhou Hikmicro Intelligent Technology Co., Ltd.	-	32,213.12	-	32,213.12	-	-
<b>Total</b>	<b>5,912,831,208.01</b>	<b>234,861,673.57</b>	<b>37,247,790.28</b>	<b>6,110,445,091.30</b>	-	-

Notes to Financial Statements

For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

**3.2 Investments in associated enterprises and joint ventures**

Unit: RMB

Name of investee	Opening balance	Increase/Decrease during the current reporting period							Closing Balance	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	Declared cash dividends or profit distribution	Provision for impairment	Others		
1. Joint Ventures										
Haikang Intelligent Fund	612,479,371.62	-	-	(12,551,789.97)	-	-	-	-	599,927,581.65	-
Daishan Hailai	15,253,091.76	-	-	641,313.41	-	(999,000.00)	-	-	14,895,405.17	-
Haishi Huayue	9,985,577.32	-	-	828,972.15	-	-	-	-	10,814,549.47	-
Xuzhou Kangbo	4,631,286.58	-	-	(459,987.17)	-	-	-	-	4,171,299.41	-
Shenzhen City Service	6,029,569.69	-	-	(2,392,706.11)	-	-	-	-	3,636,863.58	-
Yunnan Yinghai	4,841,060.76	-	-	8,854.38	-	-	-	-	4,849,915.14	-

## Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

Name of investee	Opening balance	Increase/Decrease during the current reporting period							Closing Balance	Balance of impairment loss provision at the end of the current reporting period
		Additional Investments	Reduced Investments	Investment income (losses) recognized under the equity method	Other comprehensive income adjustment	Declared cash dividends or profit distribution	Provision for impairment	Others		
Zhejiang City Digital Technology	11,864,018.37	-	-	(159,024.43)	-	-	-	-	11,704,993.94	-
Guangxi Haishi	5,296,695.36	-	-	(2,055,245.77)	-	-	-	-	3,241,449.59	-
<b>Subtotal</b>	<b>670,380,671.46</b>	-	-	<b>(16,139,613.51)</b>	-	<b>(999,000.00)</b>	-	-	<b>653,242,057.95</b>	-
<b>2. Associated Enterprises</b>										
Wuhu Sensor Tech	58,491,264.42	-	-	5,507,128.76	-	-	-	-	63,998,393.18	-
Maxio Technology	54,621,802.54	-	-	7,352,742.56	-	-	-	-	61,974,545.10	-
Zhiguang Hailian	21,253,058.87	-	-	(540,524.81)	-	-	-	-	20,712,534.06	-
Qingtang Big Data	9,795,448.67	-	-	20,581.50	-	-	-	-	9,816,030.17	-

## Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

Name of investee	Opening balance	Increase/Decrease during the current reporting period							Closing Balance	Balance of impairment loss provision at the end of the current reporting period
		Additional Investments	Reduced Investments	Investment income (losses) recognized under the equity method	Other comprehensive income adjustment	Declared cash dividends or profit distribution	Provision for impairment	Others		
Subtotal	<b>144,161,574.50</b>	-	-	<b>12,339,928.01</b>	-	-	-	-	<b>156,501,502.51</b>	-
Total	<b>814,542,245.96</b>	-	-	<b>(3,799,685.50)</b>	-	<b>(999,000.00)</b>	-	-	<b>809,743,560.46</b>	-

3.3 As of June 30<sup>th</sup> 2021, 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<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

#### 4. Operating income and operating cost

Unit: RMB

Item	First half year of 2021		First half year of 2020	
	Income	Cost	Income	Cost
Operating income	11,407,122,363.03	2,425,620,927.40	10,618,881,901.13	2,861,919,283.95
Other operating income	1,510,604,022.70	83,678,648.34	965,386,184.10	60,087,713.53
<b>Total</b>	<b>12,917,726,385.73</b>	<b>2,509,299,575.74</b>	<b>11,584,268,085.23</b>	<b>2,922,006,997.48</b>

#### 5. Investment income

Unit: RMB

Item	First half year of 2021	First half year of 2020
Long-term equity investment income (losses) calculated by cost method	3,500,000.00	(2,550,000.00)
Long-term equity investment losses measured by equity method	(3,799,685.50)	(3,628,950.89)
Investment losses from disposal of asset group	(3,387,647.37)	-
Investment income of other non-current financial assets during the holding period	115,644,801.97	150,000,000.00
Proceeds from the disposal of asset groups	-	48,884,954.09
<b>Total</b>	<b>111,957,469.10</b>	<b>192,706,003.20</b>

### XVI. Supplementary information

#### 1. Details of current non-recurring gains and losses

Unit: RMB

Item	Amount	Description
Profit or loss from disposal of non-current assets	(1,805,042.17)	/
The government subsidies included in the current profits and losses (excluding the government subsidy closely related to regular course of business of the Company and government subsidy based on standard quota or quantitative continuous enjoyment according to the state industrial policy)	224,341,379.44	/
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	45,938,231.46	/
Other non-operating income and expense except the items mentioned above	28,546,193.64	/
Impact of income tax	(12,489,507.02)	/
The impact of minority equity	(24,583,229.94)	/
<b>Total</b>	<b>259,948,025.41</b>	/

Notes to Financial Statements

 For the reporting period from January 1<sup>st</sup> 2021 to June 30<sup>th</sup> 2021

## 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	11.62%	0.695	0.695
Net profit excluding non-recurring items of profit or loss attributable to ordinary shareholders of the Company	11.15%	0.667	0.667

## **Section XI Documents Available for Reference**

1. The financial report was signed by the Company's legal representative.
2. 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.
3. Original copy of all the Company's documents and announcements were published on the newspapers designated by CSRC within the reporting period.

The above documents are completely placed at the Company's board of directors' office.



## Section XII Other Disclosure Information

### I. Other major social security issues

Whether there is any other major social security issues for the listed company and its subsidiaries

Yes  No  Not applicable

Whether the company was administratively punished during the reporting period

Yes  No  Not applicable

### II. 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
December 22 <sup>nd</sup> 2020 to January 11 <sup>th</sup> 2021	Headquarters meeting room of the Company	Site Research and telephone communication	Institutional investors	106 investors including China Asset Management-Zhang Fan, etc.	The Company's operating conditions and future prospects	CNINF, <i>Investor Relations Activity Record: From December 22<sup>nd</sup> 2020 to January 11<sup>th</sup> 2021</i>
January 12 <sup>th</sup> 2021 to January 29 <sup>th</sup> 2021	Headquarters meeting room of the Company	Site Research and telephone communication	Institutional investors	138 investors including Huachuang Securities-Meng Can, etc.	The Company's operating conditions and future prospects	CNINF, <i>Investor Relations Activity Record: From January 12<sup>th</sup> 2021 to January 29<sup>th</sup> 2021</i>
February 1 <sup>st</sup> 2021 to March 2 <sup>nd</sup> 2021	Headquarters meeting room of the Company	Site Research and telephone communication	Institutional investors	56 investors including Haitong self-operated - Wang Jing, etc.	The Company's operating conditions and future prospects	CNINF, <i>Investor Relations Activity Record: From February 1<sup>st</sup> 2021 to March 2<sup>nd</sup> 2021</i>
March 3 <sup>rd</sup> 2021 to March 17 <sup>th</sup> 2021	Headquarters meeting room of the Company	Site Research and telephone communication	Institutional investors	145 investors including Orient Securities-Kuai Jian, etc.	The Company's operating conditions and future prospects	CNINF, <i>Investor Relations Activity Record: From March 3<sup>rd</sup> 2021 to March 17<sup>th</sup> 2021</i>
April 17 <sup>th</sup> 2021	Headquarters meeting room of the Company	Performance result conference call	Institutional investors and individual investors	928 investors including E Fund-Ni Chunyao etc.	The Company's operating conditions in 2020 and the first quarter of 2021	CNINF, <i>Investor Relations Activity Record: April 17<sup>th</sup> 2021</i>
April 18 <sup>th</sup> 2021 to April 30 <sup>th</sup> 2021	Headquarters meeting room of the Company	Site Research and telephone communication	Institutional investors	220 investors including Ping An Fund-Zhu Chunyu etc.	The Company's operating conditions and future prospects	CNINF, <i>Investor Relations Activity Record: From April 18<sup>th</sup> 2021 to April 30<sup>th</sup> 2021</i>
May 10 <sup>th</sup> 2021 to May 21 <sup>st</sup>	Headquarters meeting room of	Site Research and telephone	Institutional investors	95 investors including Boshi Fund-Chen	The Company's operating conditions	CNINF, <i>Investor Relations Activity Record:</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
2021	the Company	communication		Pengyang etc.	and future prospects	<i>From May 10<sup>th</sup> 2021 to May 21<sup>st</sup> 2021</i>
May 24 <sup>th</sup> 2021 June 11 <sup>th</sup> 2021	Headquarters meeting room of the Company	Site Research and telephone communication	Institutional investors	79 investors including Dongzheng Asset Management-Zhang Mingyu etc.	The Company's operating conditions and future prospects	<i>Investor Relations Activity Record: From May 24<sup>th</sup> 2021 June 11<sup>th</sup> 2021</i>
June 15 <sup>th</sup> 2021 to June 25 <sup>th</sup> 2021	Headquarters meeting room of the Company	Site Research and telephone communication	Institutional investors	39 investors including Shen Wan Hongyuan Asset Management-Qin Qing etc.	The Company's operating conditions and future prospects	<i>Investor Relations Activity Record: From June 15<sup>th</sup> 2021 to June 25<sup>th</sup> 2021</i>

### III. Capital exchanges between the listed company and its controlling shareholders and their related parties

Applicable Inapplicable

Hangzhou Hikvision Digital Technology Co., Ltd.

Chairman: Chen Zongnian

July 24<sup>th</sup> 2021