

Hangzhou Hikvision Digital Technology Co., Ltd.

2020 Interim Report

January to June 2020

HIKVISION

July 25th 2020

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 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 share, or distribute shares from capital reserve during the current reporting period.

Note:

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

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

- 1) **Global COVID-19 epidemic risk:** Amidst the sustained transmission of COVID-19 epidemic around the world, and the heightened uncertainties in economic development, if the epidemic situation in the area where the Company's business is located intensifies, the Company's business operations may be adversely affected.
- 2) **Global business risks:** The Company operates in more than 150 countries and regions around the world. As the potential risks of pandemic, 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.
- 3) **Legal and compliance risk:** The world's multilateral trading system is facing an impact. The local laws and regulations that business activities need to comply with are very complicated. The worldwide data protection regulations are stricter, which require higher compliance requirements. If the Company's compliance ability cannot keep up with the situation, it will bring risks to the Company's operations.
- 4) **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, purchase and financing, which can likely affect the profitability level of the Company.
- 5) **Supply chain risks:** The global supply system is suffering from an array of adverse impacts. The Company has been making efforts to enhance arrangements 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.
- 6) **Risk of technology upgrade:** Technologies such as artificial intelligence (AI), big data, cloud computing, and edge computing are developing rapidly, facing accelerating technology iterations. If the Company is unable to adapt to the changes in cutting-edge technologies, or fails to quickly realize business innovation, the risks of ongoing uncertainties will increase.
- 7) **Risk of internal management:** The continual expansion of business scale, the continuous increase of new products and new businesses, the continuous growth in total number of employees, and the significant rise of internal management complexity have posed challenges to the Company's management work and raised higher requirements on the Company's management capability. The Company's sustainable

development will face certain risks if the management level fails to proportionally address the Company's business expansion.

- 8) **Capital risk arising from the decline in customers' ability to pay:** The liquidity of different business links is subject to economic conditions. Despite the cash reserves accumulated from the Company's historically healthy operation and low financing costs, accounts receivable of the Company will be adversely affected once liquidity risks increase.
- 9) **Risk of cybersecurity:** The Company has always attached 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.
- 10) **Risk of intellectual property (IP) rights:** The Company continues to maintain a relatively large scale of R&D investment, and produces considerable technical milestones. At the same time, the Company implements well-organized intellectual property right (IPR) protection measures. However, the risk of intellectual property disputes and the risk of intellectual property rights violations still exist.

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

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Definitions

Term	Definition
Reporting Period	From January 1 st 2020 to December 31 th 2020
Articles of Associations	<i>Articles of Associations for Hangzhou Hikvision Digital Technology Co., Ltd</i>
Hikvision, our Company, the Company	Hangzhou Hikvision Digital Technology Co., Ltd
CETC	China Electronics Technology Group Ltd., the actual controller of the Company
CETHIK	CETHIK Group Co., Ltd. Controlling Shareholder of the Company
Innovative Co-investment Partnership	Hangzhou Hikvision Equity Investment Partnership (Limited Partnership)
EZVIZ, EZVIZ Network	Hangzhou Ezviz Network Co., Ltd.(According to the context, also refers to the corresponding business)
HikRobot	Hangzhou Hikrobot Technology Co., Ltd. (According to the context, also refers to the corresponding business)
HikAuto	Hangzhou HikAuto Technology Co., Ltd. (According to the context, also refers to the corresponding business)
HikMicro	Hangzhou Hikmicro Sensing Technology Co., Ltd. (According to the context, also refers to the corresponding business)
HikSemi	Wuhan Hikstorage Technology Co., Ltd. (According to the context, also refers to the corresponding business)
HikImaging	Hangzhou Hikmed Imaging Technology Co., Ltd. (According to the context, also refers to the corresponding business)
HikFire, HikSafety	Hangzhou Hikfire Technology Co., Ltd. (According to the context, also refers to the corresponding business)
HikSecurityCheck, Rayin	Hangzhou Rayin Technology Co., Ltd. (According to the context, also refers to the corresponding business)
Hangzhou Innovation Industrial Base	Located in Binjiang District, Hangzhou, Zhejiang Province, the planned use is for R&D, office space and supporting facilities. It was first disclosed in the Company's <i>Announcement on Investment and Construction of Hangzhou Innovation Industrial Base Project in Hangzhou</i> (No: 2017-034).
Chengdu Science and Technology Park	Located in Chengdu, Sichuan Province, the planned use is for R&D, office space and supporting facilities. It was first disclosed in the Company's <i>Announcement on Investment and Construction of Chengdu Science and Technology Park Project in Chengdu</i> (No: 2017-033).
Chongqing Science and Technology Park	Located in Chongqing, the planned use is for production plants, warehouses and supporting facilities. It was first disclosed in the Company's <i>Announcement on Investment and Construction of Chongqing Science and Technology Park Project in Chongqing</i> (No. 2017-035).
Chongqing Manufacture Base	Located in Chongqing, purposes for manufacturing facility, initially disclosed in <i>Announcement about Resolution of the 20th Meeting of the 3rd Session Board</i> (No:

Term	Definition
	2016-068)
Xi'an Science and Technology Park	Located in Xi'an, Shaanxi Province, the planned use is for R&D, office space and supporting facilities. It was first disclosed in the Company's <i>Announcement on Investment and Construction of Xi'an Science and Technology Park Project in Xi'an</i> (No: 2017-031).
Wuhan Science and Technology Park	Located in Wuhan, Hubei Province, the planned use is for R&D, office space and supporting facilities. It was first disclosed in the Company's <i>Announcement on Investment and Construction of Wuhan Science and Technology Park Project in Wuhan</i> (No. 2017-032).
Wuhan Intelligence Industry Park	Located in Wuhan, Hubei Province, the planned use is for production plants, warehouses and supporting facilities. First disclosed in the Company's <i>Announcement on Investment and Construction of Wuhan Intelligence Industry Park Project in Wuhan</i> (No. 2017-036).
Innovative Business	<p>A long investment cycle, business prospects uncertain, has the high risk and uncertainty, in need for direct or indirect investment in exploration, in order for the Company to timely enter into new areas of business. Initially disclosed in <i>Announcement about Management Measures for Core Staff Investment in Innovative Business</i> (《核心员工跟投创新业务管理办法》) (www.cninfo.com.cn).</p> <p>In this report, innovative business also refers to EZVIZ, HikvisionRobot, HikAuto, HikMicro, HikSemi, HikImaging, HikFire, Rayin and their related business or products.</p>

Section II Corporate Profile & Key Financial Data

I. Corporate Information

Stock abbreviation	HIKVISION	Stock code	002415
Stock exchange where the shares of the Company are listed	Shenzhen Stock Exchange		
Name of the Company in Chinese (if any)	杭州海康威视数字技术股份有限公司		
Abbr. of the Company name in Chinese	海康威视		
Name of the Company in English (if any)	HANGZHOU HIKVISION DIGITAL TECHNOLOGY CO., LTD		
Abbr. of the Company name in English (if any)	HIKVISION		
Legal representative	Chen Zongnian		

II. Contacts and contact information

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

III. 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 2019 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 reporting period.

Applicable Inapplicable

The newspaper designated by the Company for information disclosure, website specified by CSRC for release of the half-year report, and the place where the half-year report is available for inspection have not changed during the reporting period, Please refer to 2019 Annual Report for details.

3. Other relevant information

Whether other relevant information has changed during the 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

	The first half of 2020	The first half of 2019	YoY Change (%)
Operating income (RMB)	24,271,159,243.76	23,923,273,424.50	1.45%
Net profits attributable to shareholders of the Company (RMB)	4,623,972,830.87	4,216,755,210.24	9.66%
Net profits attributable to shareholders of the Company excluding non-recurring gains and losses (RMB)	4,463,498,377.68	4,122,195,529.03	8.28%
Net cash flows from operating activities (RMB)	69,966,340.57	-431,063,793.18	116.23%
Basic earnings per share (RMB/share)	0.493	0.444	11.04%
Diluted earnings per share (RMB/share)	0.493	0.444	11.04%
Weighted average ROE	9.75%	10.86%	-1.11%
	At June 30 th 2020	At December 31 st 2019	YoY Change (%)
Total assets (RMB)	71,938,322,381.28	75,358,000,240.29	-4.54%
Net assets attributable to shareholders of the Company (RMB)	43,512,901,460.11	44,904,033,876.83	-3.10%

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)	9,345,010,696
Fully diluted earnings per share (RMB/share) calculated with the latest share capital	0.495

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)	21,554.99
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.)	215,000,303.92
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.	-11,274,009.71
Other non-operating income and expenditures except the items mentioned above	20,025,782.33
Less: Impact of income tax	51,090,433.75
Impact of the minority interests (after tax)	12,208,744.59
Total	160,474,453.19

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

Applicable Inapplicable

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

Section III Corporate Business Summary

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

There was no significant change for the principal business of the Company during the reporting period. Please refer to 2019 Annual Report for details.

II. Significant changes in main assets

1. Major Changes in Main Assets

Major assets	Explanation on Major Changes
Equity Assets	The increase of 44.7% was mainly due to investments in Hangzhou Haikang Intelligent Industrial Equity Investment Fund Partnership (Limited Partnership), Zhejiang Haishi Huayue Digital Technology Co., Ltd., Xuzhou Kangbo Urban Operation and Management Service, Zhiguang Hailian Big Data Technology Co., Ltd., and other companies.
Fixed Assets	No significant change
Intangible Assets	No significant change
Construction in Progress	Increased by 60.55%, mainly due to increased investment in the construction of Chengdu Science and Technology Park, Hangzhou Innovation Industry Base, and Chongqing Science and Technology Park

2. Major Overseas Assets

Applicable Inapplicable

III. Analysis of core competitiveness

There was no significant change for the core competitiveness of the Company during the reporting period. Please refer to 2019 Annual Report for details.

Section IV Discussion and Analysis on Business Operation

I. Overview

During the first half of 2020, the unanticipated outbreak of the COVID-19 epidemic caused disruption to the normal social order and placed significant impact on the real economy; the further escalated trade conflict between China and the United States exacerbated the international situation, posing unprecedented challenges to global industrial chain. Amid significant uncertainties in the business environment at home and abroad, the Company has responded prudently and flexibly, and continued to facilitate its steady and healthy growth by upholding the customer-demand-oriented guiding principle and insisting on technological innovations as its driving force.

During the reporting period, the Company realized a total operating revenue of RMB 24.27 billion, representing a year-over-year growth of 1.45%. Net profits attributable to shareholders of the listed company was RMB 4.62 billion, representing a growth of 9.66% as compared to the corresponding period of the previous year. The Company's gross profit margin was 49.76% during the first half of 2020, representing an increase of 3.43 percentage points as compared to the corresponding period of the previous year.

1. Increasing investment in R&D and continuing to take technological innovation as the core driving force

The Company continued to increase investment in R&D by stressing on the accumulation of underlying fundamental technologies, optimizing capabilities of system design and upgrading products and solutions, with a view to establishing the comprehensive competitiveness of the Company's businesses.

2. Big data-AI fusion to promote intelligence upgrade for the industry

In its great efforts to advance the "big data-AI fusion", the Company further integrated AI with perceptive big data and multi-dimensional big data to promote the application of intelligent management measures and facilitate digital transformation for users in various industries.

3. Synergistic development of traditional and innovative businesses to create new opportunities for the Company

The Company commenced the preparation for the spin-off and listing of the smart home business, while the other innovative businesses such as HikRobot, HikAuto, HikSemi and HikMicro continued to develop rapidly. In addition, with the inclusion of the innovative businesses such as HikFire and Rayin into the innovative business segment, the development echelon of innovative businesses was gradually taking shape. The synergistic

development of traditional and innovative businesses will create new opportunities for the Company.

4. Regulating operations to continuously stimulate the establishment of global compliance system

The Company continues to promote the establishment of global compliance system. Particularly, it formulated compliance-related rules in accordance with the laws, regulations, and business of respective country/region, to achieve the better alignment of the Company’s governance system and management level with the international standards.

5. Adjusting strategies to cope with external uncertainties

In response to the significant changes in the macro environment, the Company has stepped up efforts to control expenses, enhance internal operational efficiency and conduct business prudently and flexibly to maintain smooth and healthy operations.

II. Core business analysis

Overview

Whether consistent with the overview disclosure under Operation Discussion and Analysis

yes no

Please refer to details in Section IV Operation Discussion and Analysis-I. Overview

Year-over-Year Changes in Key financial data

Unit: RMB

	2020 First Half Year	2019 First Half Year	YoY Change (%)	Note of Change
Operating Income	24,271,159,243.76	23,923,273,424.50	1.45%	No significant change
Operating costs	12,193,719,945.38	12,840,506,333.68	-5.04%	No significant change
Selling expenses	3,420,291,518.42	3,213,260,109.16	6.44%	No significant change
Administrative expenses	864,959,489.60	731,110,243.76	18.31%	No significant change
Financial expenses	-227,972,206.73	-129,943,427.26	-75.44%	Affected by fluctuation in foreign exchange rate, increase in foreign currency exchange gains
Income Tax Expenses	952,552,145.97	933,920,656.68	1.99%	No significant change
R&D investments	3,063,423,679.69	2,504,800,049.71	22.30%	No significant change

	2020 First Half Year	2019 First Half Year	YoY Change (%)	Note of Change
Net cash flows from Operating Activities	69,966,340.57	-431,063,793.18	116.23%	Increase in sales collection
Net cash flows from Investment Activities	-1,494,484,813.41	-684,730,771.16	-118.26%	Increase in equity investment and infrastructure project expenditures
Net cash flows from Financing	-3,478,066,297.20	-3,567,621,483.18	2.51%	No significant change
Net increase in cash and cash	-4,892,161,050.91	-4,769,810,219.18	-2.57%	No significant change

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

	2020 First Half Year		2019 First Half Year		YoY Change (%)
	Amount	Proportion to operating income	Amount	Proportion to operating income	
Total operating income	24,271,159,243.76	100%	23,923,273,424.50	100%	1.45%
Classified by industry					
Video products and video services	24,271,159,243.76	100%	23,923,273,424.50	100%	1.45%
Classified by product					
Front-end equipment	12,125,236,914.65	49.96%	11,399,609,062.38	47.65%	6.37%
Back-end equipment	2,404,613,230.54	9.91%	3,196,070,064.43	13.36%	-24.76%
Central control equipment	3,421,976,609.49	14.10%	3,486,737,083.16	14.57%	-1.86%
Construction contracts	300,094,975.52	1.24%	477,564,284.57	2.00%	-37.16%
Others	3,508,460,773.13	14.45%	3,575,048,602.41	14.95%	-1.86%
Subtotal	21,760,382,503.33	89.66%	22,135,029,096.95	92.53%	-1.69%
Smart home business	1,179,170,706.81	4.86%	1,139,058,349.43	4.76%	3.52%
Robotic business	542,724,420.13	2.24%	370,499,077.30	1.55%	46.48%
Other innovative businesses Note	788,881,613.49	3.24%	278,686,900.82	1.16%	183.07%
Subtotal	2,510,776,740.43	10.34%	1,788,244,327.55	7.47%	40.40%

	2020 First Half Year		2019 First Half Year		YoY Change (%)
	Amount	Proportion to operating income	Amount	Proportion to operating income	
Classified by region					
Domestic	16,728,998,825.16	68.93%	16,980,210,416.78	70.98%	-1.48%
Overseas	7,542,160,418.60	31.07%	6,943,063,007.72	29.02%	8.63%

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

Composition of operating income of the three major business groups in China^{Note}

Unit: 100mn

	2020 First Half Year	2019 First Half Year	YoY Change (%)
PBG	59.68	62.93	-5.16%
EBG	59.14	49.22	20.15%
SMBG	30.00	41.04	-26.90%
Total	148.82	153.19	-2.85%

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	24,271,159,243.76	12,193,719,945.38	49.76%	1.45%	-5.04%	3.43%
Classified by product						
Front-end equipment	12,125,236,914.65	4,828,656,372.00	60.18%	6.37%	-12.43%	8.55%
Back-end equipment	2,404,613,230.54	1,254,053,775.83	47.85%	-24.76%	-22.70%	-1.39%
Central control equipment	3,421,976,609.49	1,827,320,658.46	46.60%	-1.86%	17.95%	-8.97%
Construction contracts	300,094,975.52	235,236,267.84	21.61%	-37.16%	-32.57%	-5.34%
Others	3,508,460,773.13	2,506,581,933.99	28.56%	-1.86%	-7.66%	4.49%
Subtotal	21,760,382,503.33	10,651,849,008.12	51.05%	-1.69%	-9.34%	4.13%

	Operating income	Operating cost	Gross margin	YoY Change (%) of operating income	YoY Change (%) of operating cost	YoY Change (%) of gross margin
Smart home business	1,179,170,706.81	741,575,630.80	37.11%	3.52%	5.96%	-1.45%
Robotic business	542,724,420.13	271,967,778.00	49.89%	46.48%	51.74%	-1.74%
Other innovative businesses	788,881,613.49	528,327,528.46	33.03%	183.07%	149.04%	9.15%
Subtotal	2,510,776,740.43	1,541,870,937.26	38.59%	40.40%	41.29%	-0.39%
Classified by region						
Domestic	16,728,998,825.16	8,857,173,150.49	47.05%	-1.48%	-1.98%	0.27%
Overseas	7,542,160,418.60	3,336,546,794.89	55.76%	8.63%	-12.30%	10.55%

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	2020 First Half Year		2019 First Half Year		Increase/decrease over previous year
		Amount	Proportion to operating cost	Amount	Proportion to operating cost	
Video products and video services	Operating cost	12,193,719,945.38	100.00%	12,840,506,333.68	100.00%	-5.04%

Classified by products

Unit: RMB

Product	Item	2020 First Half Year		2019 First Half Year		Increase/decrease over previous year
		Amount	Proportion to operating cost	Amount	Proportion to operating cost	
Front-end equipment	Operating cost	4,828,656,372.00	39.60%	5,514,282,317.87	42.94%	-12.43%
Back-end equipment	Operating cost	1,254,053,775.83	10.28%	1,622,327,866.91	12.63%	-22.70%
Central control equipment	Operating cost	1,827,320,658.46	14.99%	1,549,258,451.92	12.07%	17.95%
Construction contracts	Operating cost	235,236,267.84	1.93%	348,868,121.15	2.72%	-32.57%
Others	Operating cost	2,506,581,933.99	20.56%	2,714,505,626.31	21.14%	-7.66%
Subtotal	Operating cost	10,651,849,008.12	87.36%	11,749,242,384.16	91.50%	-9.34%
Smart home business	Operating cost	741,575,630.80	6.08%	699,890,662.72	5.45%	5.96%

Product	Item	2020 First Half Year		2019 First Half Year		Increase/ decrease over previous year
		Amount	Proportion to operating cost	Amount	Proportion to operating cost	
Robotic business	Operating cost	271,967,778.00	2.23%	179,227,186.56	1.40%	51.74%
Other innovative businesses	Operating cost	528,327,528.46	4.33%	212,146,100.24	1.65%	149.04%
Subtotal	Operating cost	1,541,870,937.26	12.64%	1,091,263,949.52	8.50%	41.29%

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

Applicable Inapplicable

	YoY Change (%) of operating income	YoY Change (%) of operating cost	Note on YoY change (%) above 30%
Robotic business	46.48%	51.74%	The robotic business is developing rapidly.
Other innovative businesses	183.07%	149.04%	Rayin and HikSemi are growing rapidly

III. Non-Core Business Analysis

Applicable Inapplicable

IV. Analysis of assets and liabilities

1. Material changes of asset items

Unit: RMB

	June 30 th 2020		January 1 st 2020		YoY Change (%)	Note of significant change
	Amount	Percentage of total assets	Amount	Percentage of total assets		
Cash and bank balances	22,090,506,085.61	30.71%	27,071,948,919.78	35.92%	-5.21%	Dividends reduce monetary funds
Accounts receivable	21,449,479,247.87	29.82%	21,272,964,582.56	28.23%	1.59%	No significant change
Inventory	11,212,408,913.89	15.59%	10,756,027,592.41	14.27%	1.32%	No significant change
Long-term equity investment	520,322,603.80	0.72%	252,165,321.49	0.33%	0.39%	Mainly to increase investment in Hangzhou Haikang Intelligent Industrial Equity Investment Fund Partnership (Limited Partnership).
Fixed assets	6,005,536,637.71	8.35%	5,791,218,720.87	7.68%	0.67%	No significant change
Construction in process	1,013,956,457.06	1.41%	631,555,479.06	0.84%	0.57%	Increase in construction investment on Chengdu

	June 30 th 2020		January 1 st 2020		YoY Change (%)	Note of significant change
	Amount	Percentage of total assets	Amount	Percentage of total assets		
						Science and Technology Base, Hangzhou Innovation Industry Base and Chongqing Science and Technology Base Phase 2
Short-term loans	4,447,276,972.89	6.18%	2,640,082,485.15	3.50%	2.68%	Increase in demands for temporary capital turnover
Long-term loans	4,771,375,714.28	6.63%	4,604,168,571.43	6.11%	0.52%	No significant change
Other current liabilities	1,813,013,618.43	2.52%	913,534,538.26	1.21%	1.31%	The Company issued 1 billion RMB of short-term commercial paper (SCP) in the current reporting period.

2. Assets and liabilities measured at fair value

√ Applicable □ Inapplicable

Unit: RMB

Item	Opening balance	Profit or loss from change in fair value during the period	Difference on translation of financial statements dominated in foreign currency	Cumulative changes in fair value included in equity	Provision for decline in value during the current period	Purchased amount during the period	Amount sold during the period	Other changes	Closing balance
Financial assets									
1. Derivative financial assets	181.76	849,343.33	3,600.37						853,125.46
2. Other non-current financial assets	312,398,267.44	-13,017,332.26						-2,800,000.00	296,580,935.18
3. Receivables for financing	1,257,385,053.02							-73,811,242.43	1,183,573,810.59
Subtotal of financial assets	1,569,783,502.22	-12,167,988.93	3,600.37					-76,611,242.43	1,481,007,871.23
Financial Liabilities	652,428.18	-8,268,448.03	30,238.56						8,951,114.77

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

Yes No

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

Unit: RMB

Item	Closing Book Value (RMB)	Reasons for being restricted
Monetary fund	466,999,128.12	Various cash deposits and other restricted funds
Notes receivable	326,970,323.42	Endorsed to suppliers
Notes receivable	2,606,950.00	Pledge for issuance of bank acceptance
Receivables for financing	90,566,739.34	Pledge for issuance of bank acceptance
Accounts receivable	4,749,676.59	Pledge for short-term borrowings
Fixed assets	53,502,842.70	Sale and leaseback of fixed assets
Long-term receivables	1,158,287,191.19	Pledge for long-term debts
Total	2,103,682,851.36	

V. Analysis of Investments

1. Overview

Applicable Inapplicable

Investment during the first half of 2020 (RMB)	Investment during the first half of 2019 (RMB)	Fluctuation (%)
1,309,423,538.62	794,447,793.06	64.82%

2. Significant equity investment during the reporting period

Applicable Inapplicable

3. Significant non-equity investment during the reporting period

√ Applicable □ Inapplicable

Unit: RMB

Project name	Invest method	Fixed assets investment or not	Project industry	Investment during the current reporting period	Cumulative amount of investment by the end of reporting period	Source of funds	Project schedule	Reasons for not reaching planned progress and expected benefits	Disclosure Date (if applicable)	Disclosure Index (if applicable)
Hangzhou Innovation Industry Base	Self-built	YES	Video product and video service	123,512,394.15	237,051,028.73	Specific Loan	23.10%	无	September 23rd 2017	<i>Announcement on Investment and Construction of Hangzhou Innovation Industry Base Project in Hangzhou (No. 2017-034)</i>
Chengdu Science and Technology Park Project	Self-built	YES	Video product and video service	126,466,478.57	369,398,026.23	Self-fund	20.30%	None	September 23rd 2017	<i>Announcement on Investment and Construction of Chengdu Science and Technology Base Project in Chengdu (No. 2017-033)</i>
Chongqing Science and Technology Park Project-phase 2	Self-built	YES	Video product and video service	74,800,198.49	185,866,637.47	Self-fund	24.39%	None	September 23rd 2017	<i>Announcement on Investment and Construction of Chongqing Science and Technology Base in Chongqing (No. 2017-035)</i>
Xi'an Science and Technology Park Project	Self-built	YES	Video product and video service	1,032,758.02	7,204,329.92	Self-fund	0.32%	None	September 23rd 2017	<i>Announcement on Investment and Construction of Xi'an Science and Technology Base 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 reporting period	Source of funds	Project schedule	Reasons for not reaching planned progress and expected benefits	Disclosure Date (if applicable)	Disclosure Index (if applicable)
Wuhan Science and Technology 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 Science and Technology Base in Wuhan (2017-032)</i>
Wuhan Intelligence Industry Park Project	Self-built	YES	Video product and video service	-	2,370,546.89	Self-fund	0.10%	None	September 23rd 2017	<i>Announcement on Investment and Construction of Wuhan Intelligence Industry Base in Wuhan (2017-036)</i>
Total	--	--	--	325,811,829.23	806,230,191.88	--	--			

4. Financial assets measured at fair values

Applicable Inapplicable

Unit: RMB

Category	Initial investment cost	Current profits or losses on the changes in fair value	Accumulated fair value changes included in equity	Purchase during the reporting period	Amount sold during the reporting period	Cumulative investment income	Closing balance	Source of funds
Derivative instruments	984,893,221.62	-7,419,104.70		1,322,723,876.30		9,162,427.25	1,322,979,201.41	Company's own funds
Other non-current financial assets	312,398,267.44	-13,017,332.26		-		-	296,580,935.18	Company's own funds
Receivables for financing	1,257,385,053.02	-		-		-	1,183,573,810.59	Company's own funds
Total	2,554,676,542.08	-20,436,436.96		1,322,723,876.30		9,162,427.25	2,803,133,947.18	--

5. Financial asset investment

(1) Securities Investments

Applicable Inapplicable

There no such case in the reporting period.

(2) Derivatives Investments

√ Applicable □ Inapplicable

Unit: 0,000 RMB

Operation party of derivatives investment	Whether Related party	Whether related transaction	Type of derivatives investment	Initial investment amount of derivatives investment	Initial date	Termination date	Opening investment amount	Purchased amount during the reporting period	Sold amount during the reporting period	Impairment provisions (if any)	Closing investment amount	Proportion of closing investment amount to the Company's net assets at the end of the reporting period	Actual gain or loss during the reporting period
Commercial bank	No	No	foreign exchange contract	98,489.32	December 5 th 2019	September 1 st 2020	98,489.32	132,272.39			132,297.92	2.99%	916.24
Total				98,489.32	--	--	98,489.32	132,272.39			132,297.92	2.99%	916.24
Capital source of derivatives investment				Company's own fund									
Prosecution (if applicable)				Nil									
Announcement date for approvals of derivatives investment from the board of directors (if any)				April 20 th 2019/December 25 th 2019									
Announcement date for approvals of derivatives investment from the general meeting (if any)				May 16 th 2020									
Risk analysis and control measures (including but not limited to, market risk, liquidity risk, credit risk, operational risk, legal risk, etc.) of holding derivatives during the reporting period				For details of the risk analysis and control measures, please refer to the <i>Announcement on Conducting Foreign Exchange Hedging Transactions in 2019</i> (NO. 2019-021) dated April 20 th 2019 and the <i>Announcement on Conducting Foreign Exchange Hedging Transactions in 2020</i> (NO. 2019-065) dated December 25 th 2019 of the Company									

<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 was mainly about the outstanding contracts signed with banks for forward exchange settlement during the reporting period. Held-for-trading financial assets/liabilities were determined with difference between the quoted price and forward exchange price in outstanding forward exchange contracts at the end of the period.</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>

6. Use of raised funds

Applicable Inapplicable

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

7. Major projects invested by non-raised funds

Applicable Inapplicable

During the reporting period, there was no major projects invested by non-raised funds

VI. Disposal of significant assets and equity

1. Disposal of significant assets:

Applicable Inapplicable

During the reporting period, there was no disposal of significant assets

2. Sale of significant equity:

Applicable Inapplicable

VII. Analysis of major subsidiaries and investees

Applicable Inapplicable

Information about major subsidiaries, and investees that contribute above 10% of the Company's Net Profit

Unit: RMB

Company name	Company type	Principal business	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Hangzhou Hikvision Technology Co., Ltd.	Subsidiary	Technology development, technology consulting, results transferring; computer software, electronic product, communication product, digital security product, fire-control products; production and sales: security electronic product and its auxiliary equipment, intelligent hardware electronic product, explosion-proof electrics, security electronic product and its auxiliary equipment, intelligent hardware electronic product, explosion-proof electrics, fire-control products, IC card and IC card RW device, mobile phone, cordless phone, handheld wireless police terminal, hand held mobile police terminal; labor protection articles (including special labor protection articles); import or export of goods or technology	1000 million	37,493,807,565.10	4,339,394,001.81	22,942,782,260.98	741,113,184.73	603,963,564.51

Information about obtaining and disposal of subsidiaries during the reporting period

Applicable Inapplicable

Company name	Equity acquisition and disposal method during the reporting period	Impact on overall production results
Hangzhou Rayin Technology Co., Ltd.	Cash contribution	Business development
Hikvision Morocco LLC	Cash contribution	Expand overseas sales channels

VIII. Structural entities controlled by the Company

Applicable Inapplicable

IX. Guidance on the Company's operational result from January 1st 2020 to September 30th 2020

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 COVID-19 epidemic: The Company strengthened the prevention and control of the epidemic and endeavored to secure the health of its employees. Meanwhile, relying on its own accumulated advantage in technologies and product development capabilities, the Company made contribution to prevent and control the epidemic. The Company will continue to pay close attention to the impact of the epidemic, and actively adjust the countermeasures.

(2) Risk of global operations: The Company actively carried out studies and researches on global policies and trade laws and regulations and related significant changes, and formulated countermeasures to reduce various trade compliance risks that may arise.

(3) Legal compliance risk: The Company continued to strengthen the establishment of the compliance risk control system to carry out instant and full-cycle risk supervision and control on businesses, in order to enhance the legal compliance capability of the Company.

(4) Risk of foreign exchange fluctuation: The Company cared a lot about the management of foreign exchange risk, making best efforts to hedge and avoid exchange rate risk through various means under the premise of ensuring

safety and liquidity. For foreign exchange risk exposure, the Company actively applied non-speculative financial hedging tools such as hedging, to realize reasonable risk management.

(5) Supply chain risk: The Company endeavored to properly manage the supply chain arrangements, reasonably regulate inventory, and develop effective alternative solutions in a timely manner. Meanwhile, it stimulated research and development in basic and fundamental areas to enhance the accumulation of underlying technologies.

(6) Risk of technology upgrading: The Company continued to maintain R&D investments, conduct in-dept exploration of frontier technologies and maintain its leadership in core technologies. Through steady and reliable R&D management, the Company has developed an efficient R&D system that addresses market needs, with perseverant response to the market demands for products and technologies, thus achieving sustainable development.

(7) Risk of internal management: The Company continued to implement management reforms, learn from top enterprises by referring to their successful management practices and experience to optimize its organizing capabilities.

(8) Financial risk due to the customers' deteriorating solvency: the Company continued to increase its focus on the security of its funds, stress on the quality of its businesses and ensure the effectiveness of its business activities.

(9) Risk of cybersecurity: The Company has always attached importance to enhancing the security of its products and systems. The Company built a professional cybersecurity team, and instituted a complete product security assurance system. To ensure continuous improvements on product and system security, and provide more secured products and solutions for customers using the Internet/IoT applications, the Company integrated product security requirements, cybersecurity design, cybersecurity development, cybersecurity testing and other links into its product development procedure.

(10) Risk of intellectual property (IP) rights: The Company has built a professional IP rights team to carry out routine management and IP rights protection work for trademarks, patents, and etc. Leveraging on various legal means, such as administrative investigation, court proceedings and so on, the Company would combat violations of its IP rights.

Section V Significant Events

I. Annual General Meeting and Extraordinary General Meetings convened during the reporting period

1. Annual General Meeting convened during the current reporting period

Meeting	Nature	Proportion of participating investors	Convened Date	Disclosure Date	Disclosure Index
2019 Annual General Meeting of Shareholders	Annual General Meeting of Shareholders	71.59%	May 15 th 2020	May 16 th 2020	No. 2020-032; www.cninfo.com.cn

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

Applicable Inapplicable

II. Profit distribution and capitalization of capital reserves plan or proposal 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 2019.

III. Unfulfilled and overdue commitments from the related committed parties such as the Company’s actual controller, shareholders, related parties, acquirer(s), and the Company during the current reporting period.

Applicable Inapplicable

No such case during the reporting period.

IV. Engagement and disengagement of the CPA firm

Whether the half year report was audited

Yes No

The Company’s half year report was not audited.

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

Applicable Inapplicable

VI. Explanation given by the board of directors regarding the “non-standard auditor’s report” issued by the CPA firm for the prior year.

Applicable Inapplicable

VII. Bankruptcy and restructuring

Applicable Inapplicable

No such case during the reporting period.

VIII. Litigations

Material litigation and arbitration

Applicable Inapplicable

No such case during the reporting period.

Other litigations

Applicable Inapplicable

IX. Media queries

Applicable Inapplicable

There was no prevalent media query during the reporting period.

X. Punishments and rectifications

Applicable Inapplicable

No such case during the reporting period.

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

Applicable Inapplicable

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

Applicable Inapplicable

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

On December 26th 2019, *Resolution for the Fulfillment of the Unlocking Conditions of the Second Unlock Period for the 2016 Restricted Share Incentive Schemes* was approved by the 14th meeting of the fourth Board. Authorized by the second extraordinary general meeting for 2016, a total of 21,836,266 restricted shares of 2,726 grantees were vested, the vested shares were circulated on January 20th 2020.

For details, please refer to the *Indicative Notice of Listing the Unlocked Shares for the Second Unlocking Period of 2016 Restricted Share Incentive Schemes* (No. 2020-002) issued on January 17th 2020.

By the end of the current reporting period, the Company has a total of 144,763,704 granted and restricted shares, accounts for 1.55% of the Company's total share capital.

XIII. Significant related-party transaction

1. Related-party transactions arising from routine operation

√Applicable □Inapplicable

Related party	Relationship	Type of related transaction	Content of related transaction	Pricing principles for related party transactions	Trading Amount (0'000 RMB)	Proportion to the amount of similar transactions.	Approved trading quota (0'000 RMB)	Whether exceed the approved quota	Settlement method	Disclosure date	Disclosure reference
Subsidiaries or research institutes of CETC	Under the common control of the Company's actual controller.	Procurement	Procurement, receiving services	Reference market price; Agreed on price	32,374.65	2.38%	60,000	No	Payment on delivery	April 25 th 2020	Announcement on projections on 2020 related-party transactions (No: 2020-017)
Shanghai Fullhan Micro Co., Ltd.	The Company's director, Gong Hongjia is the director of the related party	Procurement			11,862.88	0.87%	50,000	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			1,981.06	0.15%	13,000	No	Payment on delivery		
Wuhu Sensor Technology Co., Ltd.	Wu Weiqi, director of the Company, served as director of this company	Procurement			1,475.60	0.11%	14,000	No	Payment on delivery		
Zhiguang Hailian Big Data	An associated	Procurement			13.58	0.00%	1,000	No	Payment		

Technology Co., Ltd. and its subsidiaries	companies held by the company								on delivery		
Subsidiaries or research institutes of CETC	Under the common control of the Company's actual controller.	Sales			10,151.61	0.42%	75,000	No	Payment on delivery	April 25 th 2020	Announcement on projections on 2020 related-party transactions (No: 2020-017)
Daishan Hailai Yunzhi Technology Co., Ltd.	The Company's senior management is appointed as this company's chairman	Sales			1,041.60	0.04%	4,000	No	Payment on delivery		
Zhiguang Hailian Big Data Technology Co., Ltd. and its subsidiaries	An associated companies held by the company	Sales			716.25	0.03%	1,500	No	Payment on delivery		
Wuhu Sensor Technology Co., Ltd.	Wu Weiqi, director of the Company, served as director of this company	Sales	Providing services, selling products, commercial goods	Reference market price; Agreed on price	78.88	0.00%	2,000	No	Payment on delivery		
Zhejiang Haishi Huayue Digital Technology Co., Ltd.	The Company's senior management is appointed as this company's chairman	Sales			65.44	0.00%	1,000	No	Payment on delivery		
Sanmenxia Xiaoyun Vision Technology Co., Ltd.	An associated companies held by the company	Sales			51.85	0.00%	1,500	No	Payment on delivery		
Hangzhou Comfirmware Technology Co., Ltd.	The former executive of the Company, Jia Yonghua, served as the director of this	Sales			29.79	0.00%	500	No	Payment on delivery		

	company. Jia Yonghua resigned in October 2019. Within 12 months after his departure, Hangzhou Comfirmware was still recognized as the Company's related legal person.										
Shenzhen Wanyu Security Service Technology Co., Ltd.	Senior executives of the Company serve as directors of this company	Sales			19.82	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			10.65	0.00%	500	No	Payment on delivery		
Qinghai Qingtang Big Data Co., Ltd.	An associated companies held by the company	Sales			0.30	0.00%	1,000	No	Payment on delivery		
Jiaxin Haishi JiaAn Zhicheng Technology Co., Ltd.	An associated companies held by the company	Sales			721.01	0.03%	500	Yes	Payment on delivery		
Xuzhou Kangbo Urban Operation Management Service Co., Ltd.	A joint ventures held by the company	Sales			68.40	0.00%	1,000	No	Payment on delivery	-	-
Total					60,663.37	-	227,000				
Details on significant sales return				None							

<p>Total amount of related transactions projected based on different categories, actual performance during the current reporting period (if any)</p>	<ol style="list-style-type: none"> 1) The amount of related purchases with Zhiguang Hailian Big Data Technology Co., Ltd. and its subsidiaries, and the amount of related sales with Xuzhou Kongbo Urban Operation Management Service Co., Ltd., are subject to approval by the chairman of the board in accordance with the Company's <i>Related-Party Transaction Management System</i>. 2) The part of the related-party transactions with Jiaxing Haishi Jiaan Zhicheng Technology Co., Ltd. that exceeds the approved quota has been submitted to the 18th meeting of the fourth board of directors for confirmation. For details, please refer to the <i>Announcement on increasing the projections on daily related-party transactions in 2020</i> (No. 2020-045).
<p>Reasons on significant difference between trading price and market referencing price (if applicable)</p>	<p>Not applicable</p>

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

Applicable Inapplicable

No such case in the reporting period.

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

Applicable Inapplicable

No such case in the reporting period.

4. Related credit and debt transactions

Applicable Inapplicable

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

5. Other significant related party transactions

Applicable Inapplicable

On April 23rd 2020, the *Resolution on the Commencement of Financial Leasing Business and Related-Party Transactions with China Electronics Technology Leasing Co. Ltd.* was considered and approved by the Company at the seventeenth meeting of the fourth session of the Board, agreeing that the Company enters into a financial leasing contract with China Electronics Technology Leasing Co. Ltd. to commence financial leasing related-party transactions. The aforesaid related-party transactions mainly included the design of financing solutions, financial leasing and other consulting services relating to procurement, taxation, finance and asset management in connection with financial leasing, with the total amount of financing not exceeding RMB 500 million (excluding tax). On May 15th 2020, the Company entered into a financial leasing contract with China Electronics Technology Leasing Co. Ltd., effective for 1 year from the effective date.

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

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

Title of provisional repo/rts	Disclosure date	Disclosure website
<i>Announcement on Carrying out Financial Leasing Business and Related-party Transactions with CLP Leasing Co., Ltd. (No. 2020-022)</i>	April 25 th 2020	www.cninfo.com.cn
<i>Announcement on Capital Increase of China Electronic Technology Finance Co., Ltd. and Related Party Transactions (No. 2020-023)</i>	April 25 th 2020	www.cninfo.com.cn

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

Applicable Inapplicable
 No such case during the reporting period.

XV. Significant contracts and their execution

1. Trusteeship, contracting and leasing

(1) Trusteeship

Applicable Inapplicable
 No such case in the reporting period.

(2) Contracting

Applicable Inapplicable
 No such case in the reporting period.

(3) Leasing

Applicable Inapplicable
 No such case during the reporting period.

2. Significant guarantees

√Applicable □ Inapplicable

(1) Details of guarantees

Unit: RMB'0000

Guarantees provided by the Company for subsidiaries								
Guaranteed party	Disclosure date of announcement of the guarantee cap	Guarantee Cap	Actual occurrence date	Actual guaranteed amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related party or not
Hangzhou Hikvision Technology Co., Ltd.	April 25 th 2020	1,437,500	January 18 th 2019	189,711.92	Joint guarantee	2019.01.18-2021.01.18	No	Yes
Hangzhou Hikvision Electronics Co., Ltd.	April 25 th 2020	287,500	May 1 st 2020	146.65	Joint guarantee	2020.05.01-2021.04.30	No	Yes
Hikvision International Co., Ltd.	April 25 th 2020	462,500	December 20 th 2017	8,665.95	Joint guarantee	2017.12.20-2020.12.20	No	Yes
Chongqing Hikvision Technology Co., Ltd.	April 25 th 2020	155,000	July 5 th 2019	51,340.26	Joint guarantee	2019.07.05-2020.08.08	No	Yes
Hangzhou Hikvision System Technology Co., Ltd.	April 25 th 2020	190,000	May 1 st 2020	1,007.60	Joint guarantee	2020.05.01-2021.04.30	No	Yes
Urumqi HaiShi Xin'An Electronic Technology Co., Ltd.	April 25 th 2020	40,000	March 29 th 2019	15,844.57	Joint guarantee	2019.03.29-2028.06.20	No	Yes
Mo Yu HaiShi Electronic Technology Co., Ltd.	April 25 th 2020	25,000	March 26 th 2019	18,560.00	Joint guarantee	2019.03.26-2035.03.26	No	Yes
Pi Shan HaiShi Yong An Electronic Technology Co., Ltd.	April 25 th 2020	30,000	March 26 th 2019	22,778.00	Joint guarantee	2019.03.26-2040.06.26	No	Yes

Guarantees provided by the Company for subsidiaries								
Guaranteed party	Disclosure date of announcement of the guarantee cap	Guarantee Cap	Actual occurrence date	Actual guaranteed amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related party or not
Luo Pu HaiShi Ding Xin Electronic Technology Co., Ltd.	April 25 th 2020	30,000	March 26 th 2019	14,400.00	Joint guarantee	2019.03.26-2035.06.26	No	Yes
Yu Tian HaiShi Mei Tian Electronic Technology Co., Ltd.	April 25 th 2020	30,000	March 26 th 2019	23,840.00	Joint guarantee	2019.03.26-2034.03.26	No	Yes
Chongqing Hikvision System Technology Co., Ltd.	April 25 th 2020	60,000	Not happened during the reporting period					
Chengdu Hikvision Digital Technology Co., Ltd.	April 25 th 2020	50,000	Not happened during the reporting period					
Hangzhou Haikang Zhicheng Investment and Development Co., Ltd.	April 25 th 2020	20,000	Not happened during the reporting period					
Wuhan Hikvision Technology Co., Ltd.	April 25 th 2020	50,000	Not happened during the reporting period					
Wuhan Hikvision Science and Technology Co., Ltd.	April 25 th 2020	50,000	Not happened during the reporting period					
Xi'an Hikvision Digital Technology Co., Ltd.	April 25 th 2020	30,000	Not happened during the reporting period					
Pyronix Limited	April 25 th 2020	11,000	Not happened during the reporting period					
Zhenping Haikang Juxin Digital Technology Co., Ltd.	April 25 th 2020	23,000	Not happened during the reporting period					
Hikvision Singapore Pte. Ltd	April 25 th 2020	100,000	Not happened during the reporting period					

Guarantees provided by the Company for subsidiaries								
Guaranteed party	Disclosure date of announcement of the guarantee cap	Guarantee Cap	Actual occurrence date	Actual guaranteed amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related party or not
Hikvision Limited Liability Company	April 25 th 2020	50,000						Not happened during the reporting period
Hikvision USA Inc.	April 25 th 2020	2,000						Not happened during the reporting period
Prama Hikvision India Private Limited	April 25 th 2020	50,000						Not happened during the reporting period
Hikvision South Africa (Pty) Ltd	April 25 th 2020	20,000						Not happened during the reporting period
HIKVISION DO BRASIL COMÉRCIO DE EQUIPAMENTOS DE SEGURANÇA LTDA	April 25 th 2020	20,000						Not happened during the reporting period
Hikvision (Malaysia) SDN BHD.	April 25 th 2020	2,000						Not happened during the reporting period
Hikvision Australia Pty Ltd.	April 25 th 2020	2,000						Not happened during the reporting period
Hikvision FZE	April 25 th 2020	2,000						Not happened during the reporting period
Hikvision Europe B.V.	April 25 th 2020	50,000						Not happened during the reporting period
Total guarantee cap for subsidiaries approved during the reporting period(B1)			3,279,500	Total actual guarantee amount for subsidiaries during the reporting period(B2)				425,195.95
Total approved guarantee cap for subsidiaries at the end of the reporting period(B3)			3,279,500	Total actual guarantee balance for subsidiaries at the end of the reporting period(B4)				346,294.94
Total guarantee amount provided by the Company (total of the above-mentioned 3 kinds of guarantees)								

Guarantees provided by the Company for subsidiaries								
Guaranteed party	Disclosure date of announcement of the guarantee cap	Guarantee Cap	Actual occurrence date	Actual guaranteed amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related party or not
Total guarantee cap approved during the reporting period (A1+B1+C1)		3,279,500		Total actual guarantee amount during the reporting period (A2+B2+C2)		425,195.95		
Total approved guarantee cap at the end of reporting period (A3+B3+C3)		3,279,500		Total actual guarantee balance at the end of the reporting period (A4+B4+C4)		346,294.94		
Portion of the total actual guarantee (A4+B4+C4) amount in net assets of the Company				7.83%				
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)				329,296.13				
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)				329,296.13				

Illustration of compound method guarantee

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

(2) Illegal provision of guarantees for external parties

Applicable Inapplicable

No such case in the reporting period.

3. Entrusted financial management

Applicable Inapplicable

No entrusted finance during the reporting period

4. Other significant contracts

Applicable Inapplicable

No such case in the reporting period.

XVI. Social responsibility

1. Significant environmental problems

Whether the Company or the Company's subsidiaries are critical pollutant enterprises disclosed by national environmental protection department

No

2. Fulfillment of the social responsibility of targeted poverty alleviation

Applicable Inapplicable

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

XVII. Other significant events

Applicable Inapplicable

On March 13th 2020, Mr. Gong Hongjia and Mr. Hu Yangzhong, Directors of the Company, received the *Case Closure Notice from the China Securities Regulatory Commission* and the *Decision Letter regarding Administrative Regulatory Measures from the Zhejiang Securities Regulatory Bureau of the China Securities Regulatory Commission* ([2020] No. 16). The Zhejiang Securities Regulatory Bureau took the supervisory and administrative

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

On April 23rd 2020, the 17th meeting of the 4th session of the Board of the Company considered and approved the *Proposal on Authorizing the Company's Management to Initiate the Preliminary Preparatory Work for the Domestic Listing of Spin-off Subsidiaries*, and agreed to authorize the Company's management to initiate the preliminary preparatory work for the spin-off of Hangzhou EZVIZ Network Co., Ltd. to the Shenzhen Stock Exchange for listing, including but not limited to the demonstration of feasibility plan, the preparation of the listing plan, the signing of relevant agreements involved in the planning process and other listing-related matters, and upon the formulation of the spin-off plan, the submission of relevant listing plan and other listing-related matters to the Board and the general meeting of shareholders of the Company respectively for consideration and approval. For details, please refer to the *Prompt Announcement on the Authorization of the Management of the Company to Initiate the Preliminary Preparatory Work for the Domestic Listing of Spin-off Subsidiaries* (Announcement No.: 2020-028) published by the Company on April 25th 2020.

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

XVIII. Significant events of the Company's subsidiaries

Applicable Inapplicable

Section VI Changes in Shares and Information about Shareholders

I. Changes in Share Capital

1. Table of changes in share capital

Unit: Share

	Before the change		Changes in the period (+, -)					After the change	
	Shares	Ratio	New Shares Issued	Bonus share	Share transferred from capital reserve	Others	Sub-total	Shares	Ratio
1. Shares subject to conditional restriction(s)	1,276,701,961	13.66%				-27,083,195	-27,083,195	1,249,618,766	13.37%
1)State holdings									
2)Shares held by State-owned corporate									
3) Other domestic shares	335,144,656	3.59%				-27,062,855	-27,062,855	308,081,801	3.30%
Including: held by domestic corporates									
held by domestic natural person	335,144,656	3.59%				-335,144,656	-335,144,656	308,081,801	3.30%
4) Foreign shares	941,557,305	10.07%				-20,340	-20,340	941,536,965	10.07%

Including:held by overseas corporates									
held by overseas natural person	941,557,305	10.07%				-20,340	-20,340	941,536,965	10.07%
2. Shares without restriction	8,068,308,735	86.34%				27,083,195	27,083,195	8,095,391,930	86.63%
1) RMB ordinary shares	8,068,308,735	86.34%				27,083,195	27,083,195	8,095,391,930	86.63%
2) Domestically listed foreign shares									
3) Foreign shares listed overseas									
4) Others									
3. Total	9,345,010,696	100.00%				0	0	9,345,010,696	100.00%

Reason for the changes in share capital

Applicable Inapplicable

Approval for changes in share capital

Applicable Inapplicable

Transfer for changes in share capital

Applicable Inapplicable

Information about the implementation of share repurchase

Applicable Inapplicable

The implementation progress of reducing and repurchasing shares by centralized bidding

Applicable Inapplicable

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

Applicable Inapplicable

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

Applicable Inapplicable

2. Changes in restricted shares

Applicable Inapplicable

Unit: Share

Name of shareholder	Opening restricted shares	Increased in current period	Vested in current period	Closing restricted shares	Note for restricted shares	Date of unlocking
Gong Hongjia	941,292,525	0	0	941,292,525	Restricted shares for senior executives	According to the relevant provisions of shares management for senior executives
Grantees of restricted share incentive plan (consolidated)	166,599,970	0	21,836,266	144,763,704	Equity Incentive Restricted Shares	January 20 th 2020
Hu Yangzhong	136,543,558	48,150	0	136,591,708	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	According to the relevant provisions of shares management for senior executives
Jiang Haiqing	11,317,082	0	2,810,821	8,506,261	Restricted shares for senior executives +	

Name of shareholder	Opening restricted shares	Increased in current period	Vested in current period	Closing restricted shares	Note for restricted shares	Date of unlocking
					partial of the unlocked restricted shares turning into restricted shares for senior executives	
Wu Weiqi	8,439,442	44,550	0	8,483,992	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	
Jia Yonghua	5,635,544	0	1,392,461	4,243,083	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	
Li Pan	5,634,368	0	1,377,167	4,257,201	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	
Fu Baijun	272,100	32,700	0	304,800	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	
Huang Fanghong	219,375	0	27,500	191,875	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	
Jiang Yufeng	170,325	36,900	0	207,225	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior	

Name of shareholder	Opening restricted shares	Increased in current period	Vested in current period	Closing restricted shares	Note for restricted shares	Date of unlocking
					executives	
He Hongli	165,825	41,400	0	207,225	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	
Xu Lirong	161,550	32,850	0	194,400	Restricted shares for senior executives + partial of the unlocked restricted shares turning into restricted shares for senior executives	
Pu Shiliang	130,785	19,820	0	150,605	Partial of the unlocked restricted shares turning into restricted shares for senior executives	
Wang Qiuchao	26,250	0	0	26,250	Restricted shares for senior executives	
Jin Yan	26,100	24,700	0	50,800	Partial of the unlocked restricted shares turning into restricted shares for senior executives	
Bi Huijuan	22,500	14,250	0	36,750	Partial of the unlocked restricted shares turning into restricted shares for senior executives	
Jin Duo	16,425	32,850	0	49,275	Partial of the unlocked restricted shares turning into restricted shares for senior executives	
Cai Changyang	16,425	32,850	0	49,275	Partial of the unlocked restricted shares turning into restricted shares for senior	

Name of shareholder	Opening restricted shares	Increased in current period	Vested in current period	Closing restricted shares	Note for restricted shares	Date of unlocking
					executives	
Qu Liyang	11,812	0	0	11,812	Restricted shares for senior executives	
Total	1,276,701,961	361,020	27,444,215	1,249,618,766	--	--

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 three executives Jiang Haiqing, Jia Yonghua and Li Pan have left office on October 25th 2019. According to relevant regulations, the shares held by them still need to be kept restricted.

II. Issuance and listing of securities

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

Applicable Inapplicable

III. Total number of shareholders and their shareholdings

Unit: Share

Total number of common shareholders at the end of the reporting period		317,713		Total number of preferred shareholders (if any) whose voting rights have been recovered at the end of the reporting period			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	38.88%	3,632,897,256	-	-	3,632,897,256	Pledged	50,000,000
Gong Hongjia	Overseas individual	13.43%	1,255,056,700	-	941,292,525	313,764,175	Pledged	490,240,000
Hong Kong Securities Clearing Company Ltd.(HKSCC)	Overseas corporation	5.95%	556,442,594	-32,151,596	-	556,442,594	-	-
Xinjiang Weixun Investment Management Limited Partnership	Domestic non-state-owned corporation	4.82%	450,795,176	-	-	450,795,176	Pledged	114,758,998
Xinjiang Pukang Investment Limited Partnership	Domestic non-state-owned corporation	1.95%	182,510,174	-	-	182,510,174	Pledged	127,700,000
Hu Yangzhong	Domestic Individual	1.95%	182,186,477	-	136,639,858	45,546,619	Pledged	54,550,000
The 52nd Research Institute at China Electronics Technology Group Corporation	State-owned corporation	1.93%	180,775,044	-	-	180,775,044	-	-

CITIC Securities Company Limited	Domestic non-state-owned corporation	1.10%	103,176,837	6,578,774	-	103,176,837	-	-
Central Huijin Investment Co., Ltd.	State-owned corporation	0.70%	65,818,800	-	-	65,818,800	-	-
GOLDMAN, SACHS & CO.LLC	Overseas corporation	0.49%	46,227,207	46,227,207	-	46,227,207	-	-
Explanation on associated relationship or concerted actions among the above-mentioned shareholders:	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. 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> .							
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 ordinary shares	3,632,897,256					
Hong Kong Securities Clearing Company Ltd.(HKSCC)	556,442,594	RMB ordinary shares	556,442,594					
Xinjiang Weixun Investment Management Limited Partnership	450,795,176	RMB ordinary shares	450,795,176					
Gong Hongjia	313,764,175	RMB ordinary shares	313,764,175					
Xinjiang Pukang Investment Limited Partnership	182,510,174	RMB ordinary shares	182,510,174					
The 52nd Research Institute at China Electronics Technology Group Co. Ltd.	180,775,044	RMB ordinary shares	180,775,044					

CITIC Securities Company Limited	103,176,837	RMB ordinary shares	103,176,837
Central Huijin Investment Co., Ltd.	65,818,800	RMB ordinary shares	65,818,800
GOLDMAN, SACHS & CO.LLC	46,227,207	RMB ordinary shares	46,227,207
Hu Yangzhong	45,546,619	RMB ordinary shares	45,546,619
Explanation on associated relationship and concerted actions among top ten common shareholders without trading restrictions, and among top ten common shareholders and top ten common shareholders 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.Particulars about change in controlling shareholder or actual controller

Change of the controlling shareholder during the current reporting period

Applicable Inapplicable

No such cases in the reporting period.

Change of the actual controller during the reporting period

Applicable Inapplicable

No such cases in the current reporting period

Section VII Information of Preferred Shares

Applicable Inapplicable

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

Section VIII Information about Convertible Corporate Bonds

Applicable Inapplicable

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

Section IX Information about Directors, Supervisors, Senior Management

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

√Applicable □ Inapplicable

Name	Title	Tenure status	Shares held at the beginning of the Period (Shares)	Shares increased during the Period (shares)	Shares decreased during the Period (Shares)	Shares held at the end of the Period (Shares)	Number of restricted shares held at the beginning of the period (shares)	Number of restricted shares granted during the period (shares)	Number of restricted shares held at the end of the period (shares)
Chen Zongnian	Chairman	Incumbent	0			0	0		0
Gong Hongjia	Vice Chairman	Incumbent	1,255,056,700			1,255,056,700	0		0
Qu Liyang	Director	Incumbent	15,750			15,750	0		0
Hu Yangzhong	Director, General Manager (CEO)	Incumbent	182,186,477			182,186,477	96,300		48,150
Wu Weiqi	Director, Standing Deputy	Incumbent	11,371,389			11,371,389	89,100		44,550
Cheng Tianzong	Independent Director	Incumbent	0			0	0		0
Lu Jianzhong	Independent Director	Incumbent	0			0	0		0
Wang Zhidong	Independent Director	Incumbent	0			0	0		0
Hong Tianfeng	Independent Director	Incumbent	0			0	0		0
Cheng Huifang	Supervisor Chairman	Incumbent	0			0	0		0
Wang Qiuchao	Supervisor	Incumbent	35,000			35,000	0		0
Xu Lirong	Supervisor; person in charge of	Incumbent	303,000			303,000	65,700		32,850
He Hongli	Senior Deputy General	Incumbent	331,500			331,500	82,800		41,400

Name	Title	Tenure status	Shares held at the beginning of the Period (Shares)	Shares increased during the Period (shares)	Shares decreased during the Period (Shares)	Shares held at the end of the Period (Shares)	Number of restricted shares held at the beginning of the period (shares)	Number of restricted shares granted during the period (shares)	Number of restricted shares held at the end of the period (shares)
Fu Baijun	Senior Deputy General	Incumbent	495,000			495,000	222,900		163,950
Cai Changyang	Senior Deputy General	Incumbent	109,500			109,500	65,700		32,850
Xu Ximing	Senior Deputy General	Incumbent	197,000			197,000	197,000		197,000
Bi Huijuan	Senior Deputy General	Incumbent	273,000			273,000	213,000		168,000
Jiang Yufeng	Senior Deputy General	Incumbent	325,500			325,500	73,800		36,900
Pu Shiliang	Senior Deputy General	Incumbent	393,900			393,900	189,640		144,820
Jin Duo	Senior Deputy General	Incumbent	109,500			109,500	65,700		32,850
Jin Yan	Senior Deputy General Manager	Incumbent	284,000			284,000	214,400		162,200
Huang Fanghong	Senior Deputy General	Incumbent	402,500			402,500	110,000		110,000
Chen Junke	Senior Deputy General	Incumbent	0			0			
Total	--	--	1,451,889,716			1,451,889,716	1,686,040		1,215,520

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.

II. Changes of directors, supervisors and senior management personnel

Applicable Inapplicable

The Company's directors, supervisors and senior management personnel did not change during the current reporting period. For details, please refer to the 2019 annual report.

Section X Corporate Bonds

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

Yes No

Section XI Financial Report

I. Audit report

Whether audit has been performed on this interim financial report

Yes No

The Company's 2020 Half Year Report has not been audited

Half year ended on June 30th 2020

Consolidated Balance Sheet

Unit: RMB

Item	Notes	On June 30 th 2020	On December 31 st 2019
Current Assets:			
Cash and bank balances	(V)1	22,090,506,085.61	27,071,948,919.78
Held-for-trading financial assets	(V)2	853,125.46	181.76
Notes receivable	(V)3	810,252,938.16	973,236,789.02
Accounts receivable	(V)4	21,449,479,247.87	21,307,927,200.28
Receivables for financing	(V)5	1,183,573,810.59	1,257,385,053.02
Prepayments	(V)6	405,067,235.70	309,685,733.32
Other receivables	(V)7	474,236,839.64	555,246,545.48
Inventories	(V)8	11,212,408,913.89	11,267,986,843.11
Contract assets	(V)9	111,392,631.57	-
Non-current assets due within one year	(V)10	781,587,087.34	528,469,701.75
Other current assets	(V)11	673,906,905.00	754,456,821.72
Total Current Assets		59,193,264,820.83	64,026,343,789.24
Non-current Assets:			
Long-term receivables	(V)12	1,576,950,814.85	1,382,536,761.22
Long-term equity investment	(V)13	520,322,603.80	252,165,321.49
Other non-current financial assets	(V)14	296,580,935.18	312,398,267.44
Fixed assets	(V)15	6,005,536,637.71	5,791,218,720.87
Construction in progress	(V)16	1,013,956,457.06	631,555,479.06
Intangible assets	(V)17	1,027,651,035.49	1,046,122,507.64
Goodwill	(V)18	275,619,227.98	273,611,961.96
Long-term deferred expenses	(V)19	95,391,183.98	87,611,490.75
Deferred tax assets	(V)20	861,572,540.35	688,849,263.70
Other non-current assets	(V)21	1,071,476,124.05	865,586,676.92
Total Non-current Assets		12,745,057,560.45	11,331,656,451.05
Total Assets		71,938,322,381.28	75,358,000,240.29

Half year ended on June 30th 2020

Consolidated Balance Sheet-continued

Unit: RMB

Item	Notes	On June 30 th 2020	On December 31 st 2019
Current Liabilities:			
Short-term borrowings	(V)22	4,447,276,972.89	2,640,082,485.15
Held-for-trading financial liabilities	(V)23	8,951,114.77	652,428.18
Notes payable	(V)24	1,222,676,114.77	1,239,584,016.70
Accounts payable	(V)25	7,297,949,959.60	12,700,075,307.70
Contract liabilities	(V)26	1,172,844,148.91	-
Receipts in advance		-	1,020,989,460.61
Payroll payable	(V)27	1,806,262,267.93	2,359,674,640.12
Taxes payable	(V)28	1,376,692,090.42	991,342,805.91
Other payables	(V)29	1,912,704,151.68	1,568,744,599.94
Non-current liabilities due within one year	(V)30	155,035,558.24	86,123,154.06
Other current liabilities	(V)31	1,813,013,618.43	913,534,538.26
Total Current Liabilities		21,213,405,997.64	23,520,803,436.63
Non-current Liabilities:			
Long-term borrowings	(V)32	4,771,375,714.28	4,604,168,571.43
Long-term payables	(V)33	40,625,618.86	50,181,416.72
Provisions	(V)34	84,693,948.33	90,570,669.01
Deferred income	(V)35	252,658,264.22	333,589,831.30
Deferred tax liabilities	(V)20	94,468,255.70	51,088,103.96
Other non-current liabilities	(V)36	1,234,739,326.10	1,234,739,326.10
Total non-current liabilities		6,478,561,127.49	6,364,337,918.52
Total liabilities		27,691,967,125.13	29,885,141,355.15
Owners' Equity			
Share capital	(V)37	9,345,010,696.00	9,345,010,696.00
Capital reserves	(V)38	4,576,494,261.24	4,126,943,698.96
Less: Treasury shares	(V)39	2,046,939,271.56	2,148,273,864.36
Other comprehensive income	(V)40	(78,024,062.46)	(53,541,146.99)
Surplus reserves	(V)41	4,672,505,348.00	4,672,505,348.00
Retained earnings	(V)42	27,043,854,488.89	28,961,389,145.22
Total owners' equity attributable to owner of the Company		43,512,901,460.11	44,904,033,876.83
Minority equity		733,453,796.04	568,825,008.31
Total owners' equity		44,246,355,256.15	45,472,858,885.14
Total liabilities and owners' equity		71,938,322,381.28	75,358,000,240.29

The accompanying notes form part of the financial statements.

The financial statements were signed by the following:

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

Person in Charge of the Accounting Department: Zhan Junhua

Half year ended on June 30th 2020

Balance sheet of the parent company

Unit: RMB

Item	Notes	On June 30 th 2020	On December 31 st 2019
Current Assets:			
Cash and bank balances		15,366,157,034.76	16,851,590,525.05
Notes receivable		99,447,853.10	149,703,073.98
Accounts receivable	(XV)1	27,882,589,962.64	25,107,965,925.08
Receivables for financing		83,893,478.71	84,839,695.67
Prepayments		121,487,841.52	160,688,588.99
Other receivables	(XV)2	1,488,158,636.58	921,275,388.15
Inventories		211,790,683.91	171,243,815.97
Contract assets		4,880,231.89	-
Non-current assets due within one year		55,861,259.90	4,513,795.81
Other current assets		33,810,615.59	23,117,398.50
Total Current Assets		45,348,077,598.60	43,474,938,207.20
Non-current Assets:			
Other non-current financial assets		293,686,715.18	309,504,047.44
Long-term accounts receivable		81,505,791.91	681,568.43
Long-term equity investment	(XV)3	5,934,231,347.64	5,074,018,030.44
Fixed assets		2,853,968,748.87	2,831,295,145.61
Construction in progress		285,297,616.77	153,416,054.28
Intangible assets		173,696,502.86	188,362,883.75
Long-term prepaid expenses for amortization		39,503,103.61	34,199,446.06
Deferred tax assets		176,930,540.34	126,357,792.34
Other non-current assets		18,388,245.60	21,619,464.07
Total Non-current Assets		9,857,208,612.78	8,739,454,432.42
Total Assets		55,205,286,211.38	52,214,392,639.62

Half year ended on June 30th 2020

Balance sheet of the parent company - continued

Unit: RMB

Item	Notes	On June 30 th 2020	On December 31 st 2019
Current Liabilities:			
Short-term borrowings		3,482,751,236.09	2,001,781,388.89
Accounts payable		388,484,821.08	450,983,270.08
Contract liabilities		236,895,197.55	-
Receipts in advance		-	227,242,328.23
Payroll payable		1,220,893,104.84	1,564,304,003.49
Taxes payable		967,834,022.75	796,890,945.83
Other payables		2,314,123,394.86	533,325,191.05
Non-current liabilities due within one year		9,601,850.55	9,539,251.98
Other current liabilities		1,813,013,618.53	913,534,538.26
Total Current Liabilities		10,433,597,246.25	6,497,600,917.81
Non-current Liabilities:			
Long-term borrowings		3,184,400,000.00	3,126,200,000.00
Provisions		51,992,619.17	62,863,096.83
Deferred Income		186,493,263.45	162,018,728.45
Other non-current liabilities		1,234,739,326.00	1,234,739,326.10
Total non-current liabilities		4,657,625,208.62	4,585,821,151.38
Total liabilities		15,091,222,454.87	11,083,422,069.19
Owners' Equity			
Share capital		9,345,010,696.00	9,345,010,696.00
Capital reserves		4,546,002,655.27	4,064,833,739.52
Less: Treasury shares		2,046,939,271.56	2,148,273,864.36
Surplus reserves		4,672,505,348.00	4,672,505,348.00
Retained earnings		23,597,484,328.80	25,196,894,651.27
Total owners' equity		40,114,063,756.51	41,130,970,570.43
Total liabilities and owners' equity		55,205,286,211.38	52,214,392,639.62

Half year ended on June 30th 2020

Consolidated Income Statement

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Total operating income	(V)43	24,271,159,243.76	23,923,273,424.50
Less: Total operating costs	(V)43	12,193,719,945.38	12,840,506,333.68
Business taxes and surcharges	(V)44	168,072,165.25	167,547,905.92
Selling expenses		3,420,291,518.42	3,213,260,109.16
Administrative expenses		864,959,489.94	731,110,243.76
Research and Development (R&D) expenses		3,063,423,679.69	2,504,800,049.71
Financial expenses	(V)45	(227,972,206.73)	(129,943,427.26)
Including: Interest expenses		94,137,084.05	93,002,377.62
Interest income		306,973,066.18	293,012,529.35
Add: Other Income	(V)46	994,778,394.15	722,566,221.54
Investment income	(V)47	150,219,709.56	21,224,355.97
Including: Investment losses in associated enterprise and joint-venture enterprise		(8,942,717.69)	(4,215,155.62)
Gains (losses) from changes in fair values	(V)48	(20,436,436.96)	1,866,394.46
Credit impairment losses	(V)49	(152,772,469.77)	(134,526,432.57)
Impairment losses of assets	(V)50	(165,394,158.33)	(80,143,742.65)
Asset disposal income		21,554.99	810,043.90
II. Operating profit		5,595,081,245.45	5,127,789,050.18
Add: Non-operating income	(V)51	31,721,207.08	38,307,078.60
Less: Non-operating expenses	(V)52	7,378,765.56	8,414,181.91
III. Total profit		5,619,423,686.97	5,157,681,946.87
Less: Income tax expenses	(V)53	952,552,145.97	933,920,656.68
IV. Net profit		4,666,871,541.00	4,223,761,290.19
4.1 Classification by continuous operation			
(a) Net profit on continuous operation		4,666,871,541.00	4,223,761,290.19
4.2 Classification by attribution of ownership			
(a) Profit or loss attributable to minority shareholders		42,898,710.13	7,006,079.95
(b) Net profit attributable to owners of parent company		4,623,972,830.87	4,216,755,210.24
V. Other comprehensive income, net of income tax	(V)40	(26,796,178.37)	5,491,667.93
Other comprehensive income attributable to owners of the Company, net of tax		(24,482,915.47)	4,922,806.84
(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		(24,482,915.47)	4,922,806.84
1. Gains and losses from changes in fair value of other current assets		-	14,124,975.09

Item	Notes	Amount for the current period	Amount for the prior period
2. Exchange differences arising on conversion of financial statements denominated in foreign currencies		(24,482,915.47)	(9,202,168.25)
Other comprehensive income attributable to minority interests, net of tax		(2,313,262.90)	568,861.09
VI. Total comprehensive income		4,640,075,362.63	4,229,252,958.12
Total comprehensive income attributable to owners of the parent company		4,599,489,915.40	4,221,678,017.08
Total comprehensive income attributable to minority shareholders		40,585,447.23	7,574,941.04
VII. Earnings per share			
(I) Basic earnings per share	(XVI)2	0.493	0.444
(II) Diluted earnings per share	(XVI)2	0.493	0.444

Half year ended on June 30th 2020

Income statement of the parent company

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Total operating income	(XV)4	11,584,268,085.23	10,434,243,978.59
Less: Total operating Cost	(XV)4	2,922,006,997.48	3,079,780,648.92
Business taxes and surcharges		127,523,350.50	111,602,431.74
Selling expenses		1,378,570,165.20	1,500,387,153.95
Administrative expenses		382,045,872.60	346,843,922.68
Research and Development (R&D) expenses		2,190,386,100.23	1,779,985,365.59
Financial expenses		(200,603,140.91)	(74,584,512.33)
Including : Interest expenses		13,789,744.18	61,705,246.69
Interest income		215,501,593.83	268,165,821.94
Add: Other income		797,244,362.60	635,767,724.45
Investment income	(XV)5	192,706,003.20	17,050,928.15
Including: Investment losses in associated enterprise and joint-venture enterprise		(3,628,950.89)	(2,874,991.72)
Gains (losses) from changes in fair values		(13,017,332.26)	2,153,238.50
Credit impairment gains (losses)		(15,105,661.89)	653,420,471.92
Gains on asset impairment		1,095,084.66	49,569,282.84
Asset disposal income		2,863.84	181,748.65
II. Operating profit		5,747,264,060.28	5,048,372,362.55
Add: Non-operating income		8,749,908.65	8,215,858.64
Less: Non-operating expenses		1,267,522.90	5,237,082.32
III. Total profit		5,754,746,446.03	5,051,351,138.87
Less: Income tax expenses		812,649,281.30	845,566,584.68
IV. Net profit		4,942,097,164.73	4,205,784,554.19
V. Other comprehensive income, net of income tax		-	1,163,229.41
VI. Total comprehensive income		4,942,097,164.73	4,206,947,783.60

Half year ended on June 30th 2020

Consolidated Cash Flow Statement

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		27,244,048,844.95	25,100,138,387.74
Receipts of tax refunds		1,718,589,299.56	1,342,631,486.14
Other cash receipts relating to operating activities	(V)54(1)	707,923,092.38	584,492,082.01
Sub-total of cash inflows from operating activities		29,670,561,236.89	27,027,261,955.89
Cash payments for goods purchased and services received		19,503,212,062.93	18,092,259,319.13
Cash paid to and on behalf of employees		5,587,456,744.73	4,629,022,309.36
Payments of various types of taxes		2,463,618,915.37	2,602,541,375.69
Other cash payments relating to operating activities	(V)54(2)	2,046,307,173.29	2,134,502,744.89
Sub-total of cash outflows from operating activities		29,600,594,896.32	27,458,325,749.07
Net Cash flows from Operating Activities	(V)55(1)	69,966,340.57	(431,063,793.18)
II. Cash flows from Investing Activities:			
Cash receipts from recovery of investments		967,045,868.90	-
Cash receipts from investment income		150,000,000.00	8,076,808.70
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		2,855,619.32	84,652,360.44
Other cash receipts relating to investing activities	(V)54(3)	14,990,732.87	-
Sub-total of cash inflows from investing activities		1,134,892,221.09	92,729,169.14
Net cash paid to acquire subsidiaries and other business units		-	44,095,782.07
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		1,397,220,231.04	730,479,938.23
Cash paid to acquire investments		1,232,156,803.46	2,884,220.00
Sub-total of cash outflows from investing activities		2,629,377,034.50	777,459,940.30
Net cash flows from Investing Activities		(1,494,484,813.41)	(684,730,771.16)
III. Cash flows from financing activities:			
Cash receipts from capital contributions		154,264,987.03	18,220,262.17
Including: cash receipts from capital contributions from minority owners of subsidiaries		154,264,987.03	18,220,262.17
Cash receipts from issuance of bonds		999,500,000.00	-
Cash receipts from borrowings		3,445,980,000.00	6,827,958,906.73
Sub-total of cash inflows from financing activities		4,599,744,987.03	6,846,179,168.90
Cash repayments of borrowings		1,459,216,468.29	1,598,774,442.94
Cash payments for bond repayment		-	3,079,240,000.00
Cash payments for distribution of dividends or profits or settlement of interest expenses		6,554,304,815.58	5,704,495,352.39
Including : Dividends and profits paid by subsidiaries to minority shareholders		-	600,000.00
Other cash payments relating to financing activities	(V)54(4)	64,290,000.00	31,290,856.75
Sub-total of cash outflows from financing activities		8,077,811,283.87	10,413,800,652.08
Net cash flows from Financing Activities		(3,478,066,296.84)	(3,567,621,483.18)
IV. Effect of foreign exchange rate changes on Cash and Cash Equivalents		10,423,718.77	(86,394,171.66)
V. Net Increase in Cash and Cash Equivalents	(V)55(1)	(4,892,161,050.91)	(4,769,810,219.18)
Add: Opening balance of Cash and Cash Equivalents	(V)55(1)	26,515,668,008.40	26,031,011,733.89
VI. Closing Balance of Cash and Cash Equivalents	(V)55(3)	21,623,506,957.49	21,261,201,514.71

Half year ended on June 30th 2020

Cash Flow Statements of the parent company

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Cash flows from Operating Activities::			
Cash receipts from the sale of goods and the rendering of services		10,102,563,972.01	8,172,744,128.12
Receipts of tax refunds		751,843,296.77	587,302,186.13
Other cash receipts relating to operating activities		375,348,009.24	363,699,162.54
Sub-total of cash inflows from operating activities		11,229,755,278.02	9,123,745,476.79
Cash payments for goods acquired and services received		3,428,323,188.51	3,620,127,267.15
Cash payments to and on behalf of employees		3,021,694,357.17	2,711,649,012.33
Payments of various types of taxes		1,820,418,512.27	1,427,332,880.19
Other cash payments relating to operating activities		1,332,281,567.50	849,540,447.05
Sub-total of cash outflows from operating activities		9,602,717,625.45	8,608,649,606.72
Net Cash flows from Operating Activities		1,627,037,652.57	515,095,870.07
II. Cash flows from Investing Activities:			
Cash receipts from recovery of investments		2,800,000.00	-
Cash receipts from investment income		150,000,000.00	2,568,699.00
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		1,142,724.61	3,679,476.09
Other cash receipts relating to investing activities		1,698,134,887.49	2,561,153,903.93
Sub-total of cash inflows from investing activities		1,852,077,612.10	2,567,402,079.02
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		294,745,004.28	148,098,627.08
Cash payments to acquire investments		725,748,730.00	-
Net cash paid to acquire subsidiaries and other business units		-	171,600,000.00
Other cash payments relating to investing activities		-	45,079,102.37
Sub-total of cash outflows from investing activities		1,020,493,734.28	364,777,729.45
Net Cash flows from Investing Activities		831,583,877.82	2,202,624,349.57
III. Cash flows from Financing Activities			
Cash receipts from capital contributions		-	-
Cash receipts from issuance of bonds		999,500,000.00	-
Cash receipts from borrowings		2,480,000,000.00	3,679,240,000.00
Sub-total of cash inflows from financing activities		3,479,500,000.00	3,679,240,000.00
Cash repayments of borrowings		1,000,000,000.00	-
Cash payments for bond repayment		-	3,079,240,000.00
Cash payments for distribution of dividends or profits or settlement of interest expenses		6,455,560,277.48	5,643,872,935.64
Other cash payments relating to financing activities		-	2,095,080.00
Sub-total of cash outflows from financing activities		7,455,560,277.48	8,725,208,015.64
Net Cash flows from Financing Activities		(3,976,060,277.48)	(5,045,968,015.64)
IV. Effect of foreign exchange rate changes on Cash and Cash Equivalents		32,767,298.25	(34,135,897.31)
V. Net increase in cash and cash equivalents		(1,484,671,448.84)	(2,362,383,693.31)
Add: Opening balance of cash and cash equivalents		16,656,028,410.72	18,998,934,287.59
VI. Closing Balance of Cash and Cash Equivalents		15,171,356,961.88	16,636,550,594.28

Half year ended on June 30th 2020

Consolidated Statement of Changes in Owners' Equity

Unit: RMB

Item	Amount for the first half of 2020							
	Owner's equity attributable to owners of the Company						Minority interests	Total owners' equity
	Share capital	Capital reserves	Less: Treasury share	Other comprehensive income	Surplus reserve	Retained profits		
I. Closing balance of the prior year	9,345,010,696.00	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
Add: Business merger under common control	-	-	-	-	-	-	-	-
II. Opening balance of the current period	9,345,010,696.00	4,126,943,698.96	2,148,273,864.36	(53,541,146.99)	4,672,505,348.00	28,961,389,145.22	568,825,008.31	45,472,858,885.14
III. Increase or decrease in the current period	-	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 the transfer of the equity of the subsidiary	-	2,380,508.81	-	-	-	-	(2,380,508.81)	-
5. Amount formed by 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	-	-	-	-	-	-	-	-
III. Closing balance of the current period	9,345,010,696.00	4,576,494,261.24	2,046,939,271.56	(78,024,062.46)	4,672,505,348.00	27,043,854,488.89	733,453,796.04	44,246,355,256.15

Half year ended on June 30th 2020

Consolidated Statement of Changes in Owners' Equity-continued

Unit: RMB

Item	Amount for the first half of 2019							
	Owner's equity attributable to owners of the Company						Minority interests	Total owners' equity
	Share capital	Capital reserves	Less: Treasury share	Other comprehensive income	Surplus reserve	Retained profits		
I. Closing balance of the prior year	9,227,270,473.00	1,956,139,660.52	364,984,759.94	(49,576,351.10)	4,460,712,358.45	22,360,593,257.53	373,981,737.96	37,964,136,376.42
Add: Changes in accounting policies	-	-	-	(26,488,816.57)	-	-	-	(26,488,816.57)
Business merger under common control	-	4,800,000.00	-	-	-	(736,986.11)	2,708,675.93	6,771,689.82
II. Opening balance of the current period	9,227,270,473.00	1,960,939,660.52	364,984,759.94	(76,065,167.67)	4,460,712,358.45	22,359,856,271.42	376,690,413.89	37,944,419,249.67
III. Increase or decrease in the current period	120,685,833.00	2,166,797,515.76	1,955,865,753.84	4,922,806.84	-	(1,389,068,647.86)	40,475,844.97	(1,012,052,401.13)
(I) Total comprehensive income	-	-	-	4,922,806.84	-	4,216,755,210.24	7,574,941.04	4,229,252,958.12
(II) Owners' contributions and reduction in capital	120,685,833.00	2,166,797,515.76	1,955,865,753.84	-	-	-	33,500,903.93	365,118,498.85
1. Capital contribution from shareholders	121,195,458.00	1,936,703,418.84	2,057,898,876.84	-	-	-	23,254,887.07	23,254,887.07
2. Share-based payment recognized in owners' equity	-	231,679,551.92	-	-	-	-	10,246,016.86	241,925,568.78
3. others	(509,625.00)	(1,585,455.00)	(102,033,123.00)	-	-	-	-	99,938,043.00
(III) Profit distribution	-	-	-	-	-	(5,605,823,858.10)	(600,000.00)	(5,606,423,858.10)
1. Transfer to surplus reserves	-	-	-	-	-	-	-	-
2. Distributions to shareholders	-	-	-	-	-	(5,605,823,858.10)	(600,000.00)	(5,606,423,858.10)
3. Others	-	-	-	-	-	-	-	-
III. Closing balance of the current period	9,347,956,306.00	4,127,737,176.28	2,320,850,513.78	(71,142,360.83)	4,460,712,358.45	20,970,787,623.56	417,166,258.86	36,932,366,848.54

Half year ended on June 30th 2020

Statement of Changes in Owners' Equity of the parent company

Unit: RMB

Item	Amount for the first half of 2020						
	Share capital	Capital reserves	Less: Treasury share	Other comprehensive income	Surplus reserve	Retained profits	Total owners' equity
I. Closing balance of the prior year	9,345,010,696.00	4,064,833,739.52	2,148,273,864.36	-	4,672,505,348.00	25,196,894,651.27	41,130,970,570.43
Add: changes in accounting policies	-	-	-	-	-	-	-
II. Opening balance of the current period	9,345,010,696.00	4,064,833,739.52	2,148,273,864.36	-	4,672,505,348.00	25,196,894,651.27	41,130,970,570.43
III. Increase or decrease in the current period	-	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	-	-	-	-	-	-	-
III. Closing balance of the current period	9,345,010,696.00	4,546,002,655.27	2,046,939,271.56	-	4,672,505,348.00	23,597,484,328.80	40,114,063,756.51

Half year ended on June 30th 2020

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

Unit: RMB

Item	Amount for the first half of 2019						
	Share capital	Capital reserves	Less: Treasury share	Other comprehen sive income	Surplus reserve	Retained profits	Total owners' equity
I. Closing balance of the prior year	9,227,270,473.00	1,883,262,407.46	364,984,759.94	-	4,460,712,358.45	19,327,533,457.91	34,533,793,936.88
Add: changes in accounting policies	-	-	-	(2,178,538.52)	-	-	(2,178,538.52)
II. Opening balance of the current period	9,227,270,473.00	1,883,262,407.46	364,984,759.94	(2,178,538.52)	4,460,712,358.45	19,327,533,457.91	34,531,615,398.36
III. Increase or decrease in the current period	120,685,833.00	2,185,246,553.18	1,955,865,753.84	1,163,229.41	-	(1,400,039,303.91)	(1,048,809,442.16)
(I) Total comprehensive income	-	-	-	1,163,229.41	-	4,205,784,554.19	4,206,947,783.60
(II) Owners' contributions and reduction in capital	120,685,833.00	2,185,246,553.18	1,955,865,753.84	-	-	-	350,066,632.34
1. Capital contribution from shareholders	121,195,458.00	1,936,703,418.84	2,057,898,876.84	-	-	-	-
2. Share-based payment recognized in owners' equity	-	250,128,589.34	-	-	-	-	250,128,589.34
3. Others	(509,625.00)	(1,585,455.00)	(102,033,123.00)	-	-	-	99,938,043.00
(III) Profit distribution	-	-	-	-	-	(5,605,823,858.10)	(5,605,823,858.10)
1. Transfer to surplus reserve	-	-	-	-	-	-	-
2. Distributions to shareholders	-	-	-	-	-	(5,605,823,858.10)	(5,605,823,858.10)
3. Others	-	-	-	-	-	-	-
III. Closing balance of the current period	9,347,956,306.00	4,068,508,960.64	2,320,850,513.78	(1,015,309.11)	4,460,712,358.45	17,927,494,154.00	33,482,805,956.20

I. Basic Information about the Company

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

On March 27th 2018, according to the authorization of the Company's first extraordinary shareholders meeting in 2014, the Company completed the procedures of repurchase and cancellation of some of the 1,594,641 restricted stocks that did not meet the incentive conditions, and the share capital of the Company was changed to 9,227,270,473 shares.

On December 20th 2018, pursuant to the Articles of Association of the Company revised by the resolution of 8th Meeting of the fourth session Board of Directors authorized by the 2nd extraordinary general meeting in 2018, the company was approved to issue additional 126,518,281 shares of RMB common stock (adjusted to 121,195,458 shares) to 6,341 (adjusted to 6,095) incentive personnels. The Company completed the registration of shares on January 17th 2019, adjusted the Company's total capital share to 9,348,465,931 shares.

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

On September 3rd 2019, authorized by the Company's second Extraordinary General Meeting in 2016, the Company completed procedures of repurchase and cancellation of some of the 2,945,610 restricted stocks that did not meet the incentive conditions, and the total share capital of the Company was adjusted to 9,345,010,696 shares. Please refer to Note (V)-37 for share capital details.

As of June 30th 2020, the Company's total registered capital is RMB 9,345,010,696, with total capital shares of 9,345,010,696 shares (face value RMB 1 per share), of which restricted A-shares were 1,249,618,766.00 shares, A-shares without restriction are 8,095,391,930.00 shares.

The Company is engaged in other electronic equipment manufacturing business under electronics industry. Business scope of the Company includes development and production of electronic products (including explosion-proof electrical products, tele-communication equipment and its ancillary equipment, multimedia equipment), transmission and display equipment, fire protection products, big data and IoT software and hardware products, aircraft, robot, intelligent equipment and intelligent system, real-time communication system, auto parts and accessories, and electrical signal equipment for

vehicle, and servers and supporting hardware and software products ; sales of self-manufactured products; technical service, electronic technology consulting service, training service (excluding class training), electronic equipment installation, electronic engineering, and design, construction and maintenance of intelligent systems. For details about business scope of the Company and its subsidiaries, please refer to Note (VII) 1.

The Company's and consolidated financial reports were approved for issuance by the 18th meeting of the fourth session Board of Directors of the Company on July 24th 2020.

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 30th 2020, and there is no factor that may cast significant doubt on the entity's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

Bookkeeping base and valuation principles

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

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

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

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

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

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

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

III. Significant accounting policies and accounting estimates

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

The financial statements of the Company have been prepared in accordance with ASBE, and present truly and completely, the Company's and consolidated financial position as of June 30th 2020; and the Company's and consolidated results of operations, the Company's and consolidated changes in shareholders' equity, and the Company's and consolidated cash flows for the first half year of 2020.

2. Accounting Period

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

3. Business Cycle

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

4. Functional currency

Renminbi ("RMB") is the currency in the primary economic environments in which the Company and its domestic subsidiaries are operated. The Company and its domestic subsidiaries take RMB as their functional currency. Overseas

subsidiaries of the Company determine their functional currency on the basis of the primary economic environment in which it operates. For functional currency of overseas subsidiaries of the Company, see Note (V) 57. 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) "14.3.2 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 opening balances and the comparative figures of previous year are presented at the converted amounts of the previous 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 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, some of the other receivables 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, and contract assets, the Group will handle impairment on the basis of expected credit loss and recognize loss provision.

For the receivables in the contracts that are generated by the transactions governed by revenue standards and that do not contain any major financial components or the financial components in the contracts that are valid for more than one year, and as well as contract assets, the loss reserve will be measured based on the amount of the expected credit loss in the entire life.

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, the Group Management comprehensively assesses the payment cycles of the customer base and the transaction practices traditionally formed. If any contractual payment for any financial instrument that exceeds the credit period 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 exceeding the credit period 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 uses the impairment matrix to identify the credit losses of the financial instruments on a portfolio basis of accounts receivable, contract assets, other receivables and long-term receivables; and the Group determines credit losses by assessing their probability of breach and loss given default based on their credit rating 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 flows receivable and the cash flows expected to receive by the Group.
- 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 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 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, 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, currency exchange rate swap 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 inventories mainly include finished goods or commodities held for sale in the daily activities, completed outstanding assets formed in the construction contract, products in the production process, materials and supplies used in the production process or in the process of providing labor service. 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. Long-term Equity Investment

14.1 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.

14.2 Determination of initial investment cost

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

For a long-term equity investment acquired through business combination not involving enterprises under common control, and the merging cost confirmed on the purchased date are regarded as the initial investment cost. In the case that the equity of the acquiree is obtained through multiple deals 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 a "package deal": where it is a package deal, the Company accounts each deal as a deal to obtain the control. Otherwise, the Group shall measure the initial investment cost of long-term equity investment accounted using cost method at the sum of book value of equity investment of the combined part originally held and investment cost additionally paid.

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.

Conduct initial measurement according the cost for other equity investment other than the long-term equity investment formed in business merger. In case that the investor may post a significant impact on the investee or execute joint control but not constitute the control right, long-term equity investment cost is the sum of fair value of original-held equity investment plus newly-added investment cost in accordance with *No. 22 Accounting Standards for Business Enterprises---Recognition and Measure of the Financial Instruments*.

14.3 Subsequent measurement and recognition of profit or loss

14.3.1 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.

14.3.2 Long-term equity investment accounted for using the equity method

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

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.

14.4 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.

15. Fixed Assets

15.1 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.

15.2 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.

15.3 Identification basis and valuation methods for fixed assets acquired under finance leases

On the commencement date of the lease term, record the lower of the fair value of the leasing asset or the present value of the minimum lease payments on the lease commencement date as the entry book value of the leased asset, and book the amount of the minimum lease payments as the entry book value of long-term account payable, and recognize the difference between the entry value of the leased asset and that of the long-term account payables as unrecognized financing expenses. In addition, the initial direct costs directly attributable to the leased item incurred during the process of negotiating the lease and signing the leasing agreement shall be included into the value of the leased assets.

The Group adopts a depreciation policy for a fixed asset held under a finance lease which is consistent with that for its owned fixed asset. If there is reasonable certainty that the Group will obtain ownership of the leased asset at the end of the lease term, the leased asset is depreciated over its useful life. If there is no reasonable certainty that the Group will obtain ownership of the leased asset at the end of the lease term, the leased asset is depreciated over the shorter of the lease term and its useful life.

15.4 Other explanations

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

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

16. 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.

17. 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.

18. Intangible Assets

18.1 Intangible Assets Valuation Method and Service Life

Intangible assets include land use right, intellectual property (IP) and application software, 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	8 years	-

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), 19. Long-term asset impairment.

18.2 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.

19. Long-term Assets Impairment

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

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

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

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

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

20. Long-term unamortized expenses

Long-term unamortized 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, including the expenses on betterment of leased

fixed assets. Long-term unamortized expenses are evenly amortized in installments in three years during the expected benefit period.

21. Employee compensation

21.1 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.

21.2 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.

21.3 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.

22. Contract liabilities

Contract liabilities refer to the Group's obligation to transfer goods or services to a customer for which the Group has received consideration or the amount is due from the customer. The Group will present the net amount of contract assets and contract liabilities under the same contract.

23. 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.

24. 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.

24.1 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.

24.2. 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.

25. Revenue

25.1 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 goods
- (2) revenue from rendering of services
- (3) construction contract

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 input method to determine the progress of performance, that is, to determine the progress of performance based on the Group's investment in fulfilling its performance obligations. 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.

Where a customer pays non-cash consideration, the Group determines the transaction price based on the fair value of the non-cash consideration. If the fair value of the non-cash consideration cannot be reasonably estimated, the Group indirectly determines the transaction price by referring to the individual selling price of the goods or services promised to transfer to the customer.

There is a consideration payable to the customer in the contract, unless the consideration is to obtain other clearly distinguishable goods or services from the customer. The Group offsets the payable consideration by the transaction price, and offsets the current income at the later point of time of recognizing relevant revenue or paying (or promising to pay) the customer's consideration.

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.

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 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, or determined based on the amount or proportion of the commission.

26. Cost of contract

26.1 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.

26.2 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.

27. Governmental Subsidy

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.

27.1 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.

27.2 Judgment basis and accountant treatment of government subsidy related to income

The Group receives government subsidies including subsidies for Core Electronic Devices, High-end Universal Chip and Basic Software Product Projects, Value-Added-Tax rebate (VAT rebate), subsidies for special projects, and tax refunds, etc., which are not used for constructions and forms long-term assets in other ways, and therefore are categorized as government subsidy related to income.

For a government grant related to income, for example subsidy for Core Electronic Devices, High-end Universal Chip and Basic Software Product Projects, since 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.

28. Deferred Income Tax Assets / Deferred Income Tax Liabilities

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

28.1. 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.

28.2 Deferred Income Tax Assets and Deferred Income 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.

28.3 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.

29. Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

29.1 Accounting treatment of operating Lease

29.1.1 The Group as lessee under operating leases

Operating lease payments are recognized on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the period. Contingent rents are charged to profit or loss in the period in which they are actually incurred.

29.1.2 The Group as lessor under operating leases

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs with more than an insignificant amount are capitalized when incurred, and are recognized in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred. Contingent rents are charged to profit or loss in the period in which they actually arise.

29.2. Accounting treatment of the finance lease

29.2.1 The Group as lessee under finance leases

For relevant accounting treatment, refer to Note (III) *15.3 Identification basis, valuation and depreciation method of finance lease of fixed assets*.

Unrecognized finance charges are recognized as finance charge for the period using the effective interest method over the lease term. Contingent rents are credited to profit or loss in the period in which they are actually incurred. The net amount of minimum lease payments less unrecognized finance charges is separated into long-term liabilities and the portion of long-term liabilities due within one year for presentation.

29.2.2 The Group as lessor under finance leases

At the commencement of the lease term, the aggregate of the minimum lease receivable at the inception of the lease and the initial direct costs is recognized as a finance lease receivable, and the unguaranteed residual value is recorded at the same time. The difference between the aggregate of the minimum lease receivable, the initial direct costs and the unguaranteed residual value, and the aggregate of their present values is recognized as unearned finance income.

Unearned finance income is recognized as finance income for the period using the effective interest method over the lease term. Contingent rents are credited to profit or loss in the period in which they are actually incurred.

The net amount of financial lease receivables less unearned finance income is separated into long-term debts receivable and the portion of long-term debts receivable due within one year for presentation.

30. 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

Inventories are measured at the lower of cost and net realizable value. For raw materials, the latest actual purchase price is used as the basis for determining the net realizable value; for in-process products, the estimated selling price of the finished product minus the estimated cost to be incurred to completion, estimated sales expenses and related taxes is used as the basis for determining the net realizable value; for the finished product, the estimated selling price minus the estimated sales expenses and related taxes 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 receivables

The Group uses the impairment matrix to determine the provision for expected credit loss of accounts receivable. By considering the historical loss rates, the Group will determine the proportions in the provision for loss for the accounts receivable with similar risk characteristics. The impairment matrix is determined based on the Group's historical ratio of which exceeding the credit period and in the default situation, and considers reasonable and forward-looking industry information. As of June 30th 2020, the Group has reassessed the historically observable percentage of excess credit periods, while taking into account the changes of prospective 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 an estimation made by the Group 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 income tax assets and deferred income tax liabilities

Deferred income tax assets and deferred income tax liabilities are measured at the applicable income tax rate during the period when the asset is expected to be recovered or the debt is 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 will 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).

31. Significant alternation in accounting policy and accounting estimations

31.1 Significant changes in accounting policies

Changes in accounting policies and reasons	Approval Procedures	Notes
<p><i>New revenue standard</i></p> <p>Starting from January 1st 2020, the Group has adopted the <i>Accounting Standards for Business Enterprises No. 14 – Revenue</i> (hereinafter referred to as the “New Revenue Standard”) modified by the Ministry of Finance in 2017.</p> <p>The New Revenue Standard has introduced the 5-step method for recognition and measurement of revenue and added more instructions on specific transactions (or events). For details of the accounting policies for recognition and measurement of revenue of the Group, please refer to Note (III). 25. The New Revenue Standard requires the entity to adjust the retained earnings and the amounts of other relative items in the financial statements at the beginning of initial adoption (i.e. January 1st 2020) of the new standards for the cumulative amount of impact, and not to adjust information in comparable period. In adopting the New Revenue Standard, the Group adjusts only the cumulative impact of contracts that have not been completed as at January 1st 2020. For changes in contract incurred before the beginning of adoption of New Revenue Standard, the Group will make simplified treatment, namely, the Group will identify the fulfilled and unfulfilled performance obligations, determine transaction price and allocate the transaction price between the fulfilled and unfulfilled performance obligations according to the final arrangement of contract changes. For details of the impact of the Group’s adoption of the New Revenue Standard on January 1st 2020, please refer to Note (III). 31.2.</p>	<p>Such alternations in accounting policy were approved by the Group at board of director general meeting.</p>	<p>None</p>

31.2 Adjustment to relevant items in financial statement at the beginning of the year of first implementation upon first implementation of the New Revenue Standards.

Consolidated Balance Sheet

Unit: RMB

Consolidated Report Items	December 31 st 2019	January 1 st 2020	Adjusted amounts
Assets:			
Accounts receivable	21,307,927,200.28	21,272,964,582.56	(34,962,617.72)
Inventories	11,267,986,843.11	10,756,027,592.41	(511,959,250.70)
Contract assets	-	546,921,868.42	546,921,868.42
Other non-current assets-Completed but unsettled assets formed by construction contracts	751,457,739.44	-	(751,457,739.44)
Other non-current assets-Contract assets	-	751,457,739.44	751,457,739.44
Liabilities:			
Receipts in advance	1,020,989,460.61	-	(1,020,989,460.61)
Contract liabilities	-	1,128,239,007.61	1,128,239,007.61
Deferred income	333,589,831.30	226,340,284.30	(107,249,547.00)

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

Explanation of the adjustment of each item:
A summary of the impact of the first implementation of the new revenue standards on January 1th 2020:

Unit: RMB

Items	Book value as stated under the original standard December 31 st 2019	Impact of the implementation of the new revenue standards		Book value as stated under the new standard January 1 st 2020
		Reclassified		
		Transfer from items that originally classified as completed but unsettled assets formed by construction contracts and accounts receivable (Note 1)	Transfer from items that originally classified as receipts in advance/deferred income (Note 2)	
Assets:				
Accounts receivable	21,307,927,200.28	(34,962,617.72)	-	21,272,964,582.56
Inventories	11,267,986,843.11	(511,959,250.70)	-	10,756,027,592.41
Contract assets	-	546,921,868.42	-	546,921,868.42
Other non-current assets- Completed but unsettled assets formed by construction contracts	751,457,739.44	(751,457,739.44)	-	-
Other non-current assets-Contract assets	-	751,457,739.44	-	751,457,739.44
Liabilities:				
Receipts in advance	1,020,989,460.61	-	(1,020,989,460.61)	-
Contract liabilities	-	-	1,128,239,007.61	1,128,239,007.61
Deferred income	333,589,831.30	-	(107,249,547.00)	226,340,284.30

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

Note 1: Transferred from items originally classified as completed but unsettled assets and accounts receivable:

The construction contracts undertaken by the Group were performance obligations to be fulfilled over a period of time, and the Group recognized revenue based on the progress of fulfillment of the contract. The amount of revenue recognized by the Group based on the progress of fulfillment of the project in excess of the progress billings for contracts in progress is reclassified as contract assets. Accordingly, as at January 1st 2020, the Group's completed but unsettled assets of RMB 1,263,416,990.14 and accounts receivable of RMB 34,962,617.72 formed by construction contracts previously presented under inventory and other non-current asset were reclassified as contract assets, of which amounts expected to be recovered over 1 year were presented under other non-current assets.

Note 2: Transferred from item originally classified as receipts in advance / deferred income:

Receipts in advance received by the Group for sales of goods and services rendered were reclassified as contract liabilities as at January 1st 2020. The Group's obligations to provide services to customers in consideration for the provision of cloud storage and other services were reclassified to contract liabilities as at January 1st 2020.

Balance Sheet of Parent Company

Unit: RMB

Items on the Parent Company's report	December 31 st 2019	January 1 st 2020	Adjusted amounts
Assets:			
Inventories	171,243,815.97	160,419,083.27	(10,824,732.70)
Contract assets	-	10,824,732.70	10,824,732.70
Liabilities:			
Receipts in advance	227,242,328.23	-	(227,242,328.23)
Contract liabilities	-	227,242,328.23	227,242,328.23

Explanation of the adjustment of each item:

Unit: RMB

Items	Book value as stated under the original standard December 31 st 2019	Impact of the implementation of the new revenue standards		Book value as stated under the new standard January 1 st 2020
		Reclassified		
		Transfer from items that originally classified as completed but unsettled assets formed by construction contracts (Note1)	Transfer from items that originally classified as receipts in advance (Note 2)	
Assets:				
Inventories- completed but unsettled assets formed by construction contracts	171,243,815.97	(10,824,732.70)	-	160,419,083.27
Contract assets	-	10,824,732.70	-	10,824,732.70
Liabilities:				
Receipts in advance	227,242,328.23	-	(227,242,328.23)	-
Contract liabilities	-	-	227,242,328.23	227,242,328.23

Notes to Financial Statements

For the reporting period from January 1st 2020 to June 30th 2020

Note 1: Transferred from items originally classified as completed but unsettled assets:

The construction contracts undertaken by the Company were performance obligations to be fulfilled over a period of time, and the Company recognized revenue based on the progress of fulfillment of the contract. The amount of revenue recognized by the Company based on the progress of fulfillment of the project in excess of the progress billings for contracts in progress is reclassified as contract assets. Accordingly, as at January 1st 2020, the Company's completed but unsettled assets of RMB 10,824,732.70 from construction contracts previously presented under inventory were reclassified as contract assets.

Note 2: Transferred from items originally classified as receipts in advance:

Receipts in advance received by the Company for the sales of goods and services rendered were reclassified to contract liabilities as at January 1st 2020.

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%, 10%, 11%, 13%, 16%, 17% and simple collection rate of 5%, 3% (Note 2)
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 First Batch of identified High-tech Enterprises of Zhejiang Province in 2017* (GuoKeHuoZi [2017] No. 201) issued by the leading group office of Zhejiang high-tech enterprise identification management work on December 15th 2017, the Company was identified as the high-tech enterprise with a valid term of 3 years, from 2017 to 2019. The current reporting period is still in the stage of application for re-examination of high-tech enterprise qualifications. According to the *Announcement of the State Administration of Taxation on the Implementation of the High-Tech Enterprise Income Tax Preferential Policies*, during the period of expiration of the high-tech enterprise qualification, before the re-certification was obtained, the enterprise income tax could be temporarily paid at the rate of 15%, so the Company's current corporate income tax shall be calculated and paid according to a reduced tax rate of 15%. (2019:15%)
- (2) According to the *Notice on Publishing the List of Second Batch of Proposed Identified High-tech Enterprises of Shanghai in 2017* issued by Shanghai High-tech Enterprise Identification Office, the Company's wholly-owned subsidiary, Shanghai Goldway Intelligent Traffic System Co., Ltd. (Shanghai Goldway) was identified as the high-tech enterprise with a valid term of 3 years, from 2017 to 2019. The current reporting period is still in the stage of application for re-examination of high-tech enterprise qualifications. According to the *Announcement of the State Administration of Taxation on the Implementation of the High-Tech Enterprise Income Tax Preferential Policies*, during the period of expiration of the high-tech enterprise qualification, before the re-certification was obtained, the enterprise income tax could be temporarily paid at the rate of 15%, so the Company's current corporate income tax shall be calculated and paid according to a reduced tax rate of 15%. (2019:15%)
- (3) In accordance with the *Replies on Publishing the List of First Batch of identified High-tech Enterprises of Zhejiang Province in 2017* (GuoKeHuoZi [2017] No. 201) issued by the leading group office of Zhejiang high-tech enterprise identification management work on December 15th 2017, 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 2017 to 2019. The current reporting period is still in the stage of application for re-examination of high-tech enterprise qualifications. According to the *Announcement of the State Administration of Taxation on the Implementation of the High-Tech Enterprise Income Tax Preferential Policies*, during the period of expiration of the high-tech enterprise qualification, before the re-certification was obtained, the enterprise income tax could be temporarily paid at the rate of 15%, so the Company's current corporate income tax shall be calculated and paid according to a reduced tax rate of 15%. (2019:15%)
- (4) In accordance with Finance and Taxation [2011] No. 58 Document of Ministry of Finance, State Administration of Taxation (SAT) and General Administration of Customs, the wholly-owned subsidiaries, Chongqing Hikvision

Technology Co., Ltd. and Chongqing Hikvision System Technology Co., Ltd., are qualified to enjoy the west development preferential tax policy from 2011 to 2020, therefore, the enterprise income rate shall be calculated and paid on the basis of a reduced tax rate of 15% in the current reporting period. (2019:15%)

- (5) In accordance with the *Replies on Publishing the List of First Batch of identified High-tech Enterprises of Zhejiang Province in 2018* (GuoKeHuoZi [2019] No. 70) issued by the leading group office of Zhejiang high-tech enterprise identification management work on February 20th 2019, the Company's joint venture subsidiary, Hangzhou Fuyang Baotai Security Technology Service Co., Ltd. (Fuyang Baotai), was recognized as a high-tech enterprise and was valid for 3 years from 2018 to 2020. Therefore, the enterprise income rate shall be calculated and paid on the basis of a reduced tax rate of 15% in the current reporting period. (2019:15%)
- (6) In accordance with the *Replies on Publishing identified High-tech Enterprises of Zhejiang Province in 2019* (GuoKeHuoZi [2020] No. 32) issued by the leading group office of Zhejiang high-tech enterprise identification management work on January 20th 2020, the Company's wholly-owned subsidiary, Hangzhou Hikvision System Technology Co., Ltd. (Hangzhou System), was recognized as a high-tech enterprise and was valid for 3 years from 2019 to 2021. Therefore, the enterprise income rate shall be calculated and paid on the basis of a reduced tax rate of 15% in the current reporting period. (2019:15%)
- (7) According to the *Notice of State Administration of Taxation and Ministry of Finance on the Corporate Income Policy for Further Incentivizing Software Industry and Integrated Circuit Industry* (Finance and Taxation [2012] No. 27) and *Notice on Issues Related to Enterprise Income Tax Preferential Policies for Software and Integrated Circuit Industry* (Finance and Taxation [2016] No. 49), HikMicro is an integrated circuit manufacturer that was founded before December 31st 2017 and has not made profit and that produces the integrated circuit with line width <0.8 micrometers (incl.), so it is exempted from corporate income tax in the first and second years after start of profiting and pays corporate income tax at half of the 25% statutory tax rate in the third to fifth years until the preferential treatment expires. HikMicro enjoyed the preferential corporate income tax exemption in the current reporting period (2019: 15%).
- (8) In accordance with the *Replies on Publishing identified High-tech Enterprises of Zhejiang Province in 2019* (GuoKeHuoZi [2020] No. 32) issued by the leading group office of Zhejiang high-tech enterprise identification management work on January 20th 2020, the Company's joint venture subsidiary Hangzhou Kuangxin Technology Co., Ltd. ("Hangzhou Kuangxin") was recognized as a high-tech enterprise with a validity period of 3 years, from 2019 to 2021. Therefore, the current corporate income tax of Hangzhou Kuangxin is calculated and paid at a tax rate of 15% (2019: 15%).

Note 2: In accordance with the *Notice on Software Product Value-added Tax Policy* (Finance and Taxation [2011] No. 100) of Ministry of Finance and State Administration of Taxation (SAT), as for the self-developed software product sales of the Company, Hangzhou System, the Company's joint-venture subsidiaries such as Hangzhou HikRobot Technology, Hangzhou HikAuto Software, Hangzhou Eziviz Software, Hangzhou HIKStorage, and Hangzhou Hikmed Imaging, Hangzhou Hikfire, and Hangzhou Rayin, 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 (SAT) reviews.

According to Finance and Tax [2018] No. 32, since May 1st 2018, taxpayers are subject to VAT taxable sales or imported goods, and the VAT rates have been adjusted from 17%, 11% and 6% to 16%, 10% and 6% respectively.

According to the State Administration of Taxation Announcement No. 39 of 2019, since April 1st 2019, taxpayers are subject to VAT taxable sales or imported goods, and the VAT rates have been adjusted from 16%, 10% and 6% to 13%, 9%, and 6%, respectively.

The Group chooses to apply a simple collection rate of 5% for part of taxable service income.

V. Notes to items in the consolidated financial statements

1. Cash and bank balances

Item	Closing Balance			Opening Balance		
	Foreign currency amount	Exchange rate for conversion	RMB amount	Foreign currency amount	Exchange rate for conversion	RMB amount
Cash:						
RMB	-	-	21,643.12	-	-	26,573.64
INR	2,002,499.47	0.0936	187,433.95	2,522,598.05	0.0975	245,953.31
USD	4,777.60	7.0795	33,823.03	18,379.06	6.9762	128,216.03
EUR	7,875.19	7.9610	62,694.42	9,121.04	7.8155	71,285.50
GBP	6,093.38	8.7144	53,100.15	6,402.60	9.1501	58,584.43
Total other currencies			21,537.74			26,816.77
Bank balance:						
RMB	-	-	14,794,794,542.43	-	-	18,788,528,237.06
USD	853,438,663.73	7.0795	6,041,919,019.85	961,564,878.01	6.9762	6,708,068,901.97
EUR	55,644,155.82	7.9610	442,983,124.52	52,283,961.33	7.8155	408,625,299.77
INR	248,886,706.20	0.0936	23,295,795.70	1,970,579,846.87	0.0975	192,131,535.07
GBP	12,259,927.22	8.7144	106,837,909.80	10,626,622.96	9.1501	97,234,662.71
Total other currencies			200,049,617.40			252,919,797.33
Other currency funds:						
RMB	-	-	463,501,070.55	-	-	552,442,631.48
USD	1,844,430.04	7.0795	13,057,642.48	9,370,708.66	6.9762	65,371,937.73
EUR	344,797.40	7.9610	2,744,932.10	601,625.37	7.8155	4,702,003.07
GBP	-	-	-	67,710.77	9.1501	619,560.32
INR	120,305.98	0.0936	11,260.64	120,305.95	0.0975	11,729.83
Total other currencies			930,937.73			735,193.76
Total			22,090,506,085.61			27,071,948,919.78
Including: deposited in overseas banks			808,042,436.30			1,045,878,239.66

Details of other currency funds:

Item	Closing Balance			Opening Balance		
	Foreign currency amount	Exchange rate for conversion	RMB amount	Foreign currency amount	Exchange rate for conversion	RMB amount
Capitals with limitations:						
Bank acceptance bill	-	-	24,474,795.27	-	-	121,763,423.06
Deposits for letter of guarantee	-	-	70,112,214.19	-	-	60,758,739.37
Deposits for letter of Credit in BRL	262,540.34	1.3086	343,560.29	271,326.91	1.7312	469,721.15
Tax Operation Margin for India	120,305.98	0.0936	11,260.64	120,306.05	0.0975	11,729.83
Other security deposit	-	-	506,497.73	-	-	505,730.42
Other capitals with limitations	-	-	371,550,800.00	-	-	372,771,567.55
Subtotal			466,999,128.12			556,280,911.38
Capitals without limitations:						
Deposit in Alipay, Tenpay, etc.	-	-	12,867,235.27	-	-	65,519,585.97
Other currency funds in USD	-	-	-	298,523.39	6.9762	2,082,558.84
Other capitals without limitations	-	-	379,480.11	-	-	-
Subtotal			13,246,715.38			67,602,144.81
Total			480,245,843.50			623,883,056.19

2. Held-for-trading financial assets

Unit: RMB

Item	Closing Balance	Opening Balance
Financial assets measured at fair value through current gain and loss	853,125.46	181.76
Including: derivative financial assets	853,125.46	181.76
Total	853,125.46	181.76

Derivative financial assets, including forward foreign exchange contracts, currency swaps, and foreign exchange option contracts that are not designated as hedging instruments, and gains or losses arising from changes in fair value are recognised directly in current profit or loss.

3. Notes receivable

3.1 Categories of notes receivable

Unit: RMB

Category	Closing Balance	Opening Balance
Bank acceptance bill	513,913,208.52	696,453,713.94
Commercial acceptance bill	296,339,729.64	276,783,075.08
Total	810,252,938.16	973,236,789.02

3.2 The pledged notes receivable by the Group at the closing of the current reporting period

Unit: RMB

Category	Pledged amount at the end of the current reporting period
Bank acceptance bill	2,606,950.00
Total	2,606,950.00

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

Unit: RMB

Category	Derecognized amount by June 30 th 2020	Amount not derecognized by June 30 th 2020
Bank acceptance bill Note (V)-29.3	-	326,970,323.42
Total	-	326,970,323.42

Note: Transfer of financial assets

As of June 30th 2020, the Group gave RMB 326,970,323.42 (2019: RMB 329,309,522.17) undued bank acceptance bills to suppliers for endorsement. Since the Group has not transferred almost all the risks and rewards of ownership of financial assets, the Group has not terminated its confirmation. For details, please refer to Note (V) 29.3.

3.4 As of June 30th 2020, the Group transferred the defaulted notes receivable into accounts receivable.

Unit: RMB

Category	Amounts transferred into accounts receivable by June 30 th 2020
Bank acceptance bill	233,200,000.00
Total	233,200,000.00

3.5 The Group believes that the acceptors of the bank acceptance bills and commercial acceptance bills held by the Group have a high credit rating and there is no significant credit risk, so no loss provision is made.

4. Accounts Receivable

4.1 Disclosure by aging

Unit: RMB

Item	Closing Balance		
	Accounts receivable	Bad debt provision	Proportion (%)
Within credit period	11,639,453,523.87	38,525,172.09	0.33
Within 1 year after exceeding credit period	8,637,366,711.30	395,878,536.30	4.58
1-2 years after exceeding credit period	1,877,507,580.55	529,687,110.41	28.21
2-3 years after exceeding credit period	503,854,294.38	288,808,481.26	57.32
3-4 years after exceeding credit period	191,762,076.08	147,565,638.25	76.95
Over 4 years after exceeding credit period	154,168,393.12	154,168,393.12	100.00
Subtotal	23,004,112,579.30	1,554,633,331.43	6.76

4.2 Classification and disclosure of by bad debt provision methods

Unit: RMB

Category	Closing Balance				
	Carrying amount		Bad debt provision		Book Value
	Amount	Proportion (%)	Amount	Proportion (%)	Amount
Provision for bad debts on a single basis	-	-	-	-	-
Provision for bad debts by portfolios	23,004,112,579.30	100.00	1,554,633,331.43	6.76	21,449,479,247.87
Total	23,004,112,579.30	100.00	1,554,633,331.43	6.76	21,449,479,247.87
Category	Beginning Balance				
	Carrying amount		Bad debt provision		Book Value
	Amount	Proportion (%)	Amount	Proportion (%)	Amount
Provision for bad debts on a single basis	-	-	-	-	-
Provision for bad debts by portfolios	22,705,464,020.53	100.00	1,432,499,437.97	6.31	21,272,964,582.56
Total	22,705,464,020.53	100.00	1,432,499,437.97	6.31	21,272,964,582.56

Provision for bad debts by portfolios

Unit: RMB

Customer	Closing balance		
	Carrying amount	Bad debt provision	Proportion (%)
Portfolio A	3,720,979,297.39	121,530,291.45	3.27
Portfolio B	14,261,042,967.80	1,279,307,711.61	8.97
Portfolio C	5,022,090,314.11	153,795,328.37	3.06
Total	23,004,112,579.30	1,554,633,331.43	6.76

Description of accounts receivable for bad debt provision by portfolios

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 types of business involve a large number of customers with the same risk characteristics. Aging information is able to reflect the solvency of these three types of customers when the accounts receivable are due.

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

 As of June 30th 2020 and January 1st 2020, the credit risk and expected credit losses of accounts receivable from portfolio A are as follows:

Unit: RMB

Age	Estimated average loss rate (%)	Closing balance			Estimated average loss rate (%)	Beginning balance		
		Carrying value	Bad debt provision	Book value		Carrying value	Bad debt provision	Book value
Within credit period	0.02	2,583,861,124.78	511,133.26	2,583,349,991.52	0.02	3,012,605,457.25	597,158.52	3,012,008,298.73
Within 1 year after exceeding credit period	1.63	923,369,296.04	15,078,391.89	908,290,904.15	6.11	624,571,039.13	38,185,783.11	586,385,256.02
1-2 years after exceeding credit period	42.59	186,477,467.29	79,424,988.19	107,052,479.10	52.96	42,580,562.72	22,551,710.14	20,028,852.58
2-3 years after exceeding credit period	96.68	22,759,975.06	22,004,343.89	755,631.17	100.00	10,567,300.34	10,567,300.34	-
3-4 years after exceeding credit period	100.00	3,244,269.79	3,244,269.79	-	100.00	361,945.19	361,945.19	-
Over 4 years after exceeding credit period	100.00	1,267,164.43	1,267,164.43	-	100.00	970,003.96	970,003.96	-
Total	3.27	3,720,979,297.39	121,530,291.45	3,599,449,005.94	1.98	3,691,656,308.59	73,233,901.26	3,618,422,407.33

 As of June 30th 2020 and January 1st 2020, the credit risk and expected credit losses of accounts receivable from portfolio B are as follows:

Unit: RMB

Age	Estimated average loss rate (%)	Closing balance			Estimated average loss rate (%)	Beginning balance		
		Carrying value	Bad debt provision	Book value		Carrying value	Bad debt provision	Book value
Within credit period	0.62	5,106,544,176.55	31,495,672.98	5,075,048,503.57	0.80	6,293,299,884.71	50,248,953.36	6,243,050,931.35
Within 1 year after exceeding credit period	4.55	6,734,910,386.43	306,239,344.33	6,428,671,042.10	5.56	5,693,144,197.77	316,684,963.73	5,376,459,234.04
1-2 years after exceeding credit period	25.35	1,633,832,076.85	414,204,900.73	1,219,627,176.12	33.24	1,204,463,575.15	400,380,049.11	804,083,526.04
2-3 years after exceeding credit period	53.65	465,460,881.81	249,733,270.93	215,727,610.88	69.87	359,638,419.88	251,294,454.87	108,343,965.01
3-4 years after exceeding credit period	75.76	176,003,818.80	133,342,895.28	42,660,923.52	88.54	111,524,139.09	98,742,193.82	12,781,945.27
Over 4 years after exceeding credit period	100.00	144,291,627.36	144,291,627.36	-	100.00	86,854,139.13	86,854,139.13	-
Total	8.97	14,261,042,967.80	1,279,307,711.61	12,981,735,256.19	8.76	13,748,924,355.73	1,204,204,754.02	12,544,719,601.71

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

 As of June 30th 2020 and January 1st 2020, the credit risk and expected credit losses of accounts receivable from portfolio C are as follows:

Unit: RMB

Age	Estimated average loss rate (%)	Closing balance			Estimated average loss rate (%)	Beginning balance		
		Carrying value	Bad debt provision	Book value		Carrying value	Bad debt provision	Book value
Within credit period	0.17	3,949,147,468.41	6,519,476.34	3,942,627,992.07	0.25	4,542,156,207.09	11,532,655.19	4,530,623,551.90
Within 1 year after exceeding credit period	7.62	979,087,028.83	74,560,850.08	904,526,178.75	11.63	607,354,998.31	70,646,073.52	536,708,924.79
1-2 years after exceeding credit period	63.04	57,198,036.41	36,057,221.49	21,140,814.92	50.83	86,416,837.18	43,926,740.35	42,490,096.83
2-3 years after exceeding credit period	100.00	17,070,866.44	17,070,866.44	-	100	12,516,916.97	12,516,916.97	-
3-4 years after exceeding credit period	100.00	10,978,473.18	10,978,473.18	-	100	10,418,437.21	10,418,437.21	-
Over 4 years after exceeding credit period	100.00	8,608,440.84	8,608,440.84	-	100	6,019,959.45	6,019,959.45	-
Total	3.06	5,022,090,314.11	153,795,328.37	4,868,294,985.74	2.95	5,264,883,356.21	155,060,782.69	5,109,822,573.52

4.3 Bad det provision

Provision, re-collection, or reverse of the bad debt allowance in the current reporting period

Unit: RMB

Bed debt provision	Expected credit losses for the entire duration (No credit impairment occurred)	Expected credit losses for the entire duration (Credit impairment has occurred)	Total
Balance on January 1 st 2020	487,895,587.43	944,603,850.54	1,432,499,437.97
The book balance of accounts receivable on January 1 st 2020 is in the current reporting period			
-- Transfer into credit impairment that has occurred	(175,202,491.49)	175,202,491.49	-
Provision during the current reporting period	124,133,185.36	-	124,133,185.36
Derecognition of financial assets (including direct write-downs) and transfer out	-	423,281.01	423,281.01
Other changes	(2,422,572.91)	-	(2,422,572.91)
Balance on June 30 th 2020	434,403,708.39	1,120,229,623.04	1,554,633,331.43

In the current reporting period, the Group accrued a bad debt allowance of RMB 124,133,185.36, and the decrease of bad debt allowance amount of RMB 2,422,572.91 was due to conversion of financial reports prepared in foreign currency; no reversal of bad debts during the current reporting period.

Actual write-off of account receivable during current reporting period:

In the current reporting period, the amount of actual accounts receivable write-off is RMB 347,418.33, and RMB 770,699.34 is recollected after writing-off.

4.4 Top five debtors based on corresponding closing balance of account receivables

Unit: RMB

Name of the Party	Relationship with the Company	Book value balance of accounts receivable	Closing balance for bad debt provision	Proportion (%)
Related party A	Related Party	518,946,371.75	79,874,659.33	2.26
Company A	Third party	457,966,940.28	2,793,598.34	1.99
Company B	Third party	150,943,543.00	1,582,304.39	0.66
Company C	Third party	67,778,846.15	2,174,038.55	0.29
Company D	Third party	65,530,920.73	5,654,941.40	0.28
Total		1,261,166,621.91	92,079,542.01	5.48

4.5 As of June 30th 2020, there is no termination of accounts receivable booking due to transfer of a financial asset.

4.6 As of June 30th 2020, the Group has no assets/liabilities booked due to transferred accounts receivable that the Group still continue to be involved in.

5. Receivables for financing

5.1 Receivables for financing by categories

Unit: RMB

Item	Closing Balance	Opening Balance
Bank acceptance bill	1,183,573,810.59	1,257,385,053.02
Total-	1,183,573,810.59	1,257,385,053.02

5.2 At the end of the reporting period, the Group's pledged receivables for financing

Unit: RMB

Item	Pledged amounts at the end of the reporting period
Bank acceptance bill	90,566,739.34
Total-	90,566,739.34

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

Unit: RMB

Item	Derecognized amount at June 30 th 2020 (note)	Amount not derecognized at June 30 th 2020
Bank acceptance bill	873,723,227.50	-
Total-	873,723,227.50	-

Note:

As of June 30th 2020, the Group has discounted the RMB 873,723,227.50 (2019: RMB 1,601,320,610.86) undue bank acceptance to banks or other financial institutions or endorsed them to suppliers. According to the discount agreement and applicable laws, if the issuing bank does not fulfill the payment, the holder of the receivable notes has the right to claim for recovery from the Group. The Group Management believes that the Group has transferred such receivable notes and the vast majority of the risks and benefits related to such receivable notes and ownership, therefore the Group could stop recognizing the book value of these receivable notes and relevant payables when the receivable notes are discounted ~

endorsed to the bank or suppliers. The maximum risk exposure of the Group continues to be involved in for these endorsed or discounted receivable notes is equivalent to their book value. The Group Management believes that the receivable notes which the Group has stopped recognizing but continues to be involved in do not have significant fair value.

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	353,752,268.57	87.34	288,005,514.00	93.00
1-2 years	34,836,409.65	8.60	15,571,671.02	5.03
2-3 years	15,250,057.38	3.76	5,931,322.30	1.92
Over 3 years	1,228,500.10	0.30	177,226.00	0.05
Total	405,067,235.70	100.00	309,685,733.32	100.00

6.2 Closing balances of top five prepayments parties

As of June 30th 2020, the Group's top five balances of prepayments amounted to RMB 128,471,901.10, accounting for 31.72% of total closing balance of prepayments.

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

7. Other receivables

7.1 Summary of other receivables

Unit: RMB

	Closing Balance	Opening Balance
Other receivables	474,236,839.64	555,246,545.48
Total	474,236,839.64	555,246,545.48

7.2 Other receivables

(1) Other receivables by aging

Unit: RMB

Item	Closing Balance		
	Other receivables	Bad debt provision	Proportion (%)
Within credit period	312,760,117.17	1,364,051.15	0.44
Within 1 year after exceeding credit period	89,271,869.95	4,687,025.35	5.25
1-2 years after exceeding credit period	50,274,306.43	5,346,792.20	10.64
2-3 years after exceeding credit period	31,903,443.89	8,419,795.26	26.39
3-4 years after exceeding credit period	20,252,553.30	10,407,787.14	51.39
Over 4 years after exceeding credit period	4,671,115.20	4,671,115.20	100.00
Subtotal	509,133,405.94	34,896,566.30	6.85

(2) Other receivables by nature of the payment

Unit: RMB

Item	Closing Balance	Opening Balance
Temporary payments for receivables	301,424,480.16	289,318,820.48
Guarantee deposits	182,890,516.51	189,230,714.51
Tax rebates	861,624.66	63,470,351.07
Investment intention fund	-	2,968,783.82
Others	23,956,784.61	36,238,521.79

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

Item	Closing Balance	Opening Balance
Total	509,133,405.94	581,227,191.67

(3) Provision for bed debts

Unit: RMB

Category	Opening balance	Amount of changes in the current reporting period			Difference resulted from foreign currency statements Conversion	Closing balance
		Provision	Recollect or reverse	Resell or write off		
Other receivables	25,980,646.19	10,010,654.15	-	930,819.43	(163,914.61)	34,896,566.30
Total	25,980,646.19	10,010,654.15	-	930,819.43	(163,914.61)	34,896,566.30

Changes in bed debt provisions for other receivables

Unit: RMB

bed debts allowance	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses in the next 12 months	Expected credit loss for the entire duration (credit impairment has not incurred)	Expected credit loss for the entire duration (credit impairment has occurred)	
Balance on January 1 st 2020	1,212,041.34	4,892,634.45	19,875,970.40	25,980,646.19
The book balance of other receivables on January 1 st 2020 in the current reporting period				
--Transfer into stage 2	(267,815.61)	267,815.61	-	-
-- Transfer into stage 3	-	(2,584,099.35)	2,584,099.35	-
--Transfer back to stage 2	-	-	-	-
-- Transfer back to stage 1	-	-	-	-
Provisions for the current reporting period	583,740.03	2,110,674.64	7,316,239.48	10,010,654.15
Recollection or reversal in the current reporting period	-	-	-	-
Write-off or re-write in the current reporting period	-	-	(930,819.43)	(930,819.43)
Other changes	(163,914.61)	-	-	(163,914.61)
Balance on June 30 th 2020	1,364,051.15	4,687,025.35	28,845,489.80	34,896,566.30

(4) The actual write-off of other receivables during the current reporting period is RMB 930,819.43.

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

(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 bad debt provision
Third party A	Third party	Guarantee deposits	6,158,813.80	Within 4 years exceeding credit period	1.21	3,165,014.41
Third party B	Third party	Temporary payments for receivables	5,996,878.80	Within 4 years after exceeding credit period	1.18	3,081,796.02
Third party C	Third party	Guarantee deposits	3,738,423.66	Within 2 year after exceeding credit period	0.73	397,768.28
Third party D	Third party	Guarantee deposits	3,500,000.00	Within 3 year after exceeding credit period	0.69	1,120,350.00
Third party E	Third party	Guarantee deposits	3,287,781.43	Within 2 year after exceeding credit period	0.65	349,375.98
Total			22,681,897.69		4.46	8,114,304.69

(6) As of June 30th 2020, the Group does not have other receivables related to government subsidies.

(7) As of June 30th 2020, there is no termination of other receivables booking due to transfer of a financial asset.

(8) As of June 30th 2020, the Group has no assets/liabilities booked due to any transferred other receivable that the Group continues to be involved in.

8. Inventories

(1) Categories of inventories

Unit: RMB

Category	Closing Balance			Opening Balance		
	Carrying amount	Provision for decline in value of inventories/ Impairment provision for contract performance cost	Book value	Carrying amount	Provision for decline in value of inventories/ Impairment provision for contract performance cost	Book value
Raw materials	5,132,169,849.49	49,762,170.04	5,082,407,679.45	4,900,229,585.04	36,718,275.26	4,863,511,309.78
Work-in-progress	469,770,079.15	-	469,770,079.15	280,637,734.52	-	280,637,734.52
Finished goods	4,854,348,964.89	501,746,705.57	4,352,602,259.32	5,292,845,473.70	405,129,709.25	4,887,715,764.45
Contract performance cost	1,307,628,895.97	-	1,307,628,895.97	724,162,783.66	-	724,162,783.66
Total	11,763,917,789.50	551,508,875.61	11,212,408,913.89	11,197,875,576.92	441,847,984.51	10,756,027,592.41

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

(2) Provision for decline in value of inventories

Unit: RMB

Category	Opening balance	Increase in the current reporting period	Decrease in the current reporting period		Effect on conversion of financial statements denominated in foreign currencies	Closing Balance
			Reversals	Write-off		
Raw materials	36,718,275.26	15,533,523.19	-	2,489,628.41	-	49,762,170.04
Finished goods	405,129,709.25	149,860,635.14	-	51,373,666.93	(1,869,971.89)	501,746,705.57
Subtotal	441,847,984.51	165,394,158.33	-	53,863,295.34	(1,869,971.89)	551,508,875.61

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

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

9. Contract assets

(1) Details of contract assets:

Unit: RMB

Items	Closing Balance			Opening Balance		
	Carrying amount	Provisions for impairment	Book value	Carrying amount	Provisions for impairment	Book value
Completed but unsettled assets formed by construction contracts	93,401,952.55	-	93,401,952.55	546,921,868.42	-	546,921,868.42
Maintenance services	17,990,679.02	-	17,990,679.02	-	-	-
Total	111,392,631.57	-	111,392,631.57	546,921,868.42	-	546,921,868.42

(2) Completed but unsettled assets formed by construction contracts at June 30th 2020

Unit: RMB

Item	Amount
Accumulated occurred costs of construction	2,783,514,715.98
Accumulated booked gross profit margin	487,904,817.48
Less: estimated losses	-
Settled amounts	2,245,694,164.58
Completed but unsettled assets formed by construction contracts	1,025,725,368.88
Including: booked in other non-current assets (Note (V) 21)	932,323,416.33
Booked in contract assets	93,401,952.55

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)	781,587,087.34	528,469,701.75
Total	781,587,087.34	528,469,701.75

11. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible VAT input	547,293,910.53	616,239,842.99
Prepaid corporate income tax	51,289,122.65	80,344,406.42
Prepaid tariff	18,848,472.17	16,702,795.64
Others	56,475,399.65	41,169,776.67
Total	673,906,905.00	754,456,821.72

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

12. Long-term receivables

(1) Details of long-term receivables

Unit: RMB

Item	Closing balance			Opening balance			Range of discount rate
	Carrying amount	Provision for decline in value	Book value	Carrying amount	Provision for decline in value	Book value	
Financial leases receivables	355,555,388.97	25,793,545.42	329,761,843.55	361,658,264.68	16,387,726.08	345,270,538.60	0.54%-6.05%
Including: Unrealized income from financing	8,205,399.48	-	8,205,399.48	17,093,256.64	-	17,093,256.64	-
Installments for selling goods	2,085,254,006.45	56,477,947.81	2,028,776,058.64	1,612,991,061.26	47,255,136.89	1,565,735,924.37	4.24%-6.45%
Including: Unrealized income from financing	497,903,351.98	-	497,903,351.98	399,492,567.10	-	399,492,567.10	-
Less: Non-current assets due within one year (Note (V) 10)	853,381,556.84	71,794,469.50	781,587,087.34	580,682,032.92	52,212,331.17	528,469,701.75	-
Total	1,587,427,838.58	10,477,023.73	1,576,950,814.85	1,393,967,293.02	11,430,531.80	1,382,536,761.22	-

(2) Bad debt provision

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

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

As of June 30th 2020, the credit risk and expected credit losses of long-term receivables of these customers are as follows:

Unit: RMB

Age	Closing balance		
	Amounts	Bed debt provision	Estimated average loss rate (%)
Within credit period	2,092,779,901.24	12,986,277.33	0.62
Within 1 year after exceeding credit period	195,112,291.32	8,897,120.48	4.56
1-2 years after exceeding credit period	95,898,525.87	21,088,085.83	21.99
2-3 years after exceeding credit period	28,917,511.16	16,315,259.79	56.42
3-4 years after exceeding credit period	21,827,713.41	16,711,297.38	76.56
Over 4 years after exceeding credit period	6,273,452.42	6,273,452.42	100.00
Total	2,440,809,395.42	82,271,493.23	3.37

The changes in the Group's long-term receivables' expected credit loss provision for the first half of 2020 are as follows:

Unit: RMB

Bed debt provision	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses in the next 12 months	Expected credit losses for the entire duration (No credit impairment occurred)	Expected credit losses for the entire duration (Credit impairment has occurred)	
Balance on January 1 st 2020	13,978,436.59	10,724,421.18	38,940,005.20	63,642,862.97
Transfer into credit impairment that has occurred	(992,159.26)	(20,455,930.96)	21,448,090.22	-
Provision during the current reporting period	-	18,628,630.26	-	18,628,630.26
Balance on June 30 th 2020	12,986,277.33	8,897,120.48	60,388,095.42	82,271,493.23

- (3) As of June 30th 2020, there is no termination of long-term receivables booking due to transfer of a financial asset.
- (4) As of June 30th 2020, 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

 For the reporting period from January 1st 2020 to June 30th 2020

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		
1. Joint venture companies											
Hangzhou Haikang Intelligent Industrial Investment Fund Partnership (L.P.)	50,000,000.00	250,000,000.00	-	2,571,332.72	-	-	-	-	-	302,571,332.72	-
Daishan Hailai Yunzhi Technology Co., Ltd.	13,320,000.00	-	-	(127,149.41)	-	-	-	-	-	13,192,850.59	-
Zhejiang Haishi Huayue Digital Technology Co., Ltd. (Note 1)	-	10,200,000.00	-	23,214.14	-	-	-	-	-	10,223,214.14	-
Xuzhou Kangbo Urban Operation Management Service Co., Ltd. (Note 2)	-	4,900,000.00	-	(273.88)	-	-	-	-	-	4,899,726.12	-
Subtotal	63,320,000.00	265,100,000.00	-	2,467,123.57	-	-	-	-	-	330,887,123.57	-
2. Associated Companies											
Wuhu Sensor Technology Co., Ltd.	48,420,966.46	-	-	(1,006,663.84)	-	-	-	-	-	47,414,302.62	-
Maxio Technology (Hangzhou) Co., Ltd.	109,929,732.09	-	-	(9,871,957.98)	-	-	-	-	-	100,057,774.11	-
Zhiguang Hailian Big Data Technology Co., Ltd.	8,684,859.27	10,000,000.00	-	913,298.13	-	-	-	-	-	19,598,157.40	-

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

The invested entity	Opening Balance	Increase/Decrease in the current reporting period								Closing Balance	Closing balance for impairment provision
		Additional Investments	Investment reduction	Investment Profit (Loss) recognized under the equity Method	Adjustment: Other comprehensive income	Other Changes in equity	Declaration of cash dividends or profit distribution	Impairment provision	others		
Sanmenxia Xiaoyun Vision Technology Co., Ltd.	4,317,157.18	-	-	(253,514.88)	-	-	-	-	-	4,063,642.30	-
Jiixin Haishi JiaAn Zhicheng Technology Co., Ltd.	7,699,011.20	-	-	(1,103,156.76)	-	-	-	-	-	6,595,854.44	-
Qinghai Qingtang Big Data Co., Ltd.	9,793,595.29	-	-	58,897.93	-	-	-	-	-	9,852,493.22	-
Shenzhen Hikvision City Service Operation Co., Ltd. (Note 3)	-	2,000,000.00	-	(146,743.86)	-	-	-	-	-	1,853,256.14	-
Subtotal	188,845,321.49	12,000,000.00	-	(11,409,841.26)	-	-	-	-	-	189,435,480.23	-
Total	252,165,321.49	277,100,000.00	-	(8,942,717.69)	-	-	-	-	-	520,322,603.80	-

Note 1: During the period, the Group entered into an agreement with independent third parties, Taizhou Huangyan Broadcasting and Television Network Co., Ltd. (Huangyan Broadcasting and Television) and Taizhou Huangyan Technology Innovation Investment Co., Ltd. (Huangyan Technology Innovation), in relation to the establishment of the joint venture, Zhejiang Haishi Huayue Digital Technology Co., Ltd. (Haishi Huayue). The Group made a capital contribution of RMB 10.20 million, which was fully paid up as at the end of the current reporting period, and the proportion of equity interest acquired was 51%, which was consistent with the voting rights enjoyed by the Group at the general meeting of Haishi Huayue. According to the articles of association of Haishi Huayue, major issues involving the company's development strategy and long-term planning must be approved by shareholders with more than 2/3 of the voting rights at the general meeting. The board of directors of Haishi Huayue consists of 5 directors, and 3 of whom are appointed by the Group. According to the articles of association of Haishi Huayue, major issues involving the company's operating decisions must be approved by more than 2/3 of the members of the board of directors. Therefore, the Group, Huangyan Broadcasting and Television and Huangyan Technology Innovation jointly control Haishi Huayue.

Notes to Financial Statements

For the reporting period from January 1st 2020 to June 30th 2020

Note 2: During the period, the Group entered into an agreement with independent third parties, Xuzhou Parking Technology Co., Ltd. (Xuzhou Parking Technology) and Xuzhou Citizen Card Co., Ltd. (Xuzhou Citizen Card), in relation to the establishment of the joint venture, Xuzhou Kangbo Urban Operation and Management Service Co., Ltd. (Xuzhou Urban Operation). The Group has contributed RMB 9.80 million and has paid RMB 4.90 million as at the end of the current reporting period, and the proportion of equity interest acquired was 49%, which was consistent with the voting rights enjoyed by the Group at the general meeting of Xuzhou Urban Operation. According to the articles of association of Xuzhou Urban Operation, major issues involving the company's development strategy and long-term planning must be approved by shareholders with more than 2/3 of the voting rights at the general meeting. The board of directors of Xuzhou Urban Operation consists of 5 directors, of which 2 are appointed by the Group and 2 are appointed by Xuzhou Parking Technology. According to the articles of association of Xuzhou Urban Operation, major issues involving the company's operating decisions must be approved by more than 2/3 of the members of the board of directors. Therefore, the Group and Xuzhou Parking Technology jointly control Xuzhou Urban Operation.

Note 3: During the current reporting period, the Group entered into an agreement with independent third party Shenzhen Huazun Borui Technology Co., Ltd. (Huazun Borui Technology) for jointly establishing Shenzhen Hikvision Urban Service Operation Co., Ltd. (Shenzhen Urban Operation). The Group has contributed RMB 20.00 million and has paid RMB 2.00 million as at the end of the period, and the proportion of equity interest acquired was 40%. The board of directors of Shenzhen Urban Operation consists of 3 directors, of which 1 director is appointed by the Group to exert significant influence over Shenzhen Urban Operations.

14. Other non-current financial assets

Unit: RMB

Invested Entity (Note 1)	Shareholding %	Opening balance	Additional investment during the current reporting period	Investment recovery during the current reporting period	Changes in fair value during the current reporting period	Closing balance
CETC Finance Co., Ltd. (Note 2)	3.83%	247,308,906.45	-	-	(14,197,198.59)	233,111,707.86
Hangzhou Confirmware Technology Co., Ltd.	9.52%	28,732,009.18	-	-	1,497,260.32	30,229,269.50
Zhejiang Tuxun Technology Co., Ltd. (Zhejiang Tuxun)	8.13%	28,358,818.81	-	-	(317,393.99)	28,041,424.82
Zhengzhou Guokong Smart City Technology Co., Ltd.	7.00%	3,500,000.00	-	(2,800,000.00)	-	700,000.00
Guangxi Jilian Haibao Technical Service Co., Ltd.	10.00%	2,884,220.00	-	-	-	2,884,220.00
Shenzhen Wanyu Security Service Technology Co., Ltd.	5.00%	1,000,000.00	-	-	-	1,000,000.00
Nanwang Information Industry Group Co., Ltd.	0.25%	604,313.00	-	-	-	604,313.00
Hangzhou Hikvision Equity Investment Partnership (Limited Partnership)	0.0017%	10,000.00	-	-	-	10,000.00
Total		312,398,267.44	-	(2,800,000.00)	(13,017,332.26)	296,580,935.18

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.

15. Fixed Assets

(1) Details of fixed assets

Unit: RMB

Items	Building and construction	General-purpose equipment	Special-purpose equipment	Transportation vehicles	Total
Total original carrying amount					
1. Opening balance	4,816,088,804.95	773,020,682.47	1,857,736,384.58	91,486,364.54	7,538,332,236.54
2. Increase in the current reporting period	211,568,093.89	149,968,632.17	223,141,721.49	7,314,204.79	591,992,652.34
1) purchase	101,950,414.18	149,486,353.48	172,969,381.69	7,314,204.79	431,720,354.14
2) transferred from construction in progress	109,617,679.71	482,278.69	50,172,339.80	-	160,272,298.20
3. Decrease in the current reporting period	183,184.39	5,809,483.18	6,757,037.66	1,990,471.41	14,740,176.64
1) disposal or write-off	183,184.39	5,809,483.18	6,757,037.66	1,990,471.41	14,740,176.64
4. Effect on conversion of financial statements denominated in foreign currencies	(1,409,159.10)	(3,411,448.02)	(4,182,355.51)	(277,930.31)	(9,280,892.94)

Items	Building and construction	General-purpose equipment	Special-purpose equipment	Transportation vehicles	Total
5. Closing Balance	5,026,064,555.35	913,768,383.44	2,069,938,712.90	96,532,167.61	8,106,303,819.30
Accumulated depreciation					
1. Opening balance	763,668,628.26	224,369,283.55	713,167,782.03	45,907,821.83	1,747,113,515.67
2. Increase in the current reporting period	114,165,750.30	89,366,901.69	155,463,715.38	8,975,603.45	367,971,970.82
(1) accrual	114,165,750.30	89,366,901.69	155,463,715.38	8,975,603.45	367,971,970.82
3. Decrease in the current reporting period	27,486.96	4,759,639.78	4,336,488.83	1,570,245.77	10,693,861.34
(1) disposal or write-off	27,486.96	4,759,639.78	4,336,488.83	1,570,245.77	10,693,861.34
4. Effect on conversion of financial statements denominated in foreign currencies	(358,061.63)	(1,740,751.36)	(1,342,487.38)	(183,143.19)	(3,624,443.56)
5. Closing balance	877,448,829.97	307,235,794.10	862,952,521.20	53,130,036.32	2,100,767,181.59
Provision for decline in value					
1. Opening balance	-	-	-	-	-
2. Increase in the current reporting period	-	-	-	-	-
3. Decrease in the current reporting period	-	-	-	-	-
4. Closing balance	-	-	-	-	-
Total book value					
Closing balance on book value	4,148,615,725.38	606,532,589.34	1,206,986,191.70	43,402,131.29	6,005,536,637.71
Opening balance on book value	4,052,420,176.69	548,651,398.92	1,144,568,602.55	45,578,542.71	5,791,218,720.87

(2) As of June 30th 2020, the Group did not have any significant idle fixed assets.

(3) Fixed assets leased through financial lease.

Unit: RMB

Item	Original book value	Accumulated depreciation	Provision for impairment	Carrying value
Fixed assets	76,842,631.49	23,339,788.79	-	53,502,842.70

(4) As of June 30th 2020, the Group had not rent out any fixed asset through operating leasing

(5) Fixed assets of which certificates of title have not been granted as of June 30th 2020.

Unit: RMB

Item	Carrying amount	Reason for certificates of title not granted
Office building for branches	19,906,399.28	In the process of obtaining the real estate certificates
Chongqing Production Base-Phase 1 plant	286,687,284.22	In the process of obtaining the real estate certificates after transferred to fixed assets
Fuzhou High-tech Zone Innovation Park	94,923,791.72	In the process of obtaining the real estate certificates after transferred to fixed assets
Total	401,517,475.22	

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

16. Construction in progress

(1) Details of construction in progress

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision	Book value	Carrying amount	Provision	Book value
Public Security Monitoring Site Project	48,706,874.94	-	48,706,874.94	29,514,953.03	-	29,514,953.03
Hangzhou Innovation Industry Base	237,051,028.73	-	237,051,028.73	113,538,634.58	-	113,538,634.58
Chengdu Science and Technology Base Project	369,398,026.23	-	369,398,026.23	242,931,547.66	-	242,931,547.66
Chongqing Science and Technology Base Phase II Project	185,866,637.47	-	185,866,637.47	111,066,438.98	-	111,066,438.98
Others	172,933,889.69	-	172,933,889.69	134,503,904.81	-	134,503,904.81
Total	1,013,956,457.06	-	1,013,956,457.06	631,555,479.06	-	631,555,479.06

(2) Changes in significant construction in progress during the current reporting period

Unit: RMB

Item	Budget (RMB 0,000)	Opening balance	Increase in the current reporting period	Transferred to fixed assets during the current reporting period	Effect on conversion of financial statements denominated in foreign currencies	Other Reductions (Note 1)	Closing balance	Amount invested as a proportion of budget amount (%)	Construction in Progress (%)	Accumulated capitalized interest and profit/loss on exchange (Note 2)	Including: capitalized interest and profit/loss on exchange for the current reporting period	Capitalization rate for interest in the current reporting period (%)	Source of funds
Chengdu Science and Technology Base Project	182,000.00	242,931,547.66	126,466,478.57	-	-	-	369,398,026.23	20.30%	20.30%	-	-	-	Self-financing
Hangzhou Innovation Industry Base	102,600.00	113,538,634.58	123,512,394.15	-	-	-	237,051,028.73	23.10%	23.10%	32,777,912.50	37,918,104.79	0.65%	Special loan

Notes to Financial Statements

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Item	Budget (RMB 0,000)	Opening balance	Increase in the current reporting period	Transferred to fixed assets during the current reporting period	Effect on conversion of financial statements denominated in foreign currencies	Other Reductions (Note 1)	Closing balance	Amount invested as a proportion of budget amount (%)	Construction in Progress (%)	Accumulated capitalized interest and profit/loss on exchange (Note 2)	Including: capitalized interest and profit/loss on exchange for the current reporting period	Capitalization rate for interest in the current reporting period (%)	Source of funds
Chongqing Science and Technology Base project-phase 2	76,200.00	111,066,438.98	74,800,198.49	-	-	-	185,866,637.47	24.39%	24.39%	-	-	-	Self-financing
Xi'an Science and Technology Base project	227,800.00	6,171,571.90	1,032,758.02	-	-	-	7,204,329.92	0.32%	0.32%	-	-	-	Self-financing
Wuhan Science and Technology Base project	280,600.00	4,339,622.64	-	-	-	-	4,339,622.64	0.15%	0.15%	-	-	-	Self-financing
Wuhan Intelligent Industry Base project	238,700.00	2,370,546.89	-	-	-	-	2,370,546.89	0.10%	0.10%	-	-	-	Self-financing
Others	-	151,137,116.41	218,744,421.65	160,272,298.20	267,632.29	2,150,606.97	207,726,265.18	-	-	-	-	-	Self-financing
Total	1,107,900.00	631,555,479.06	544,556,250.88	160,272,298.20	267,632.29	2,150,606.97	1,013,956,457.06	-	-	32,777,912.50	37,918,104.79		

Note 1: The other reductions in the current reporting period was completed decoration projects that were transferred into 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 30th 2020, the Group did not have any sign of impairment of projects under construction; therefore, no provision for impairment loss was booked.

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

17. Intangible assets

(1) Details of Intangible assets

Unit: RMB

Item	Land use right	Intellectual property right	Application Software	Franchise	Total
Total original carrying amount					
1. Opening balance	973,043,453.70	66,993,435.51	280,896,635.94	-	1,320,933,525.15
2. Increased	818,200.00	-	49,197,703.37	8,831,030.23	58,846,933.60
(1) Purchase	818,200.00	-	49,197,703.37	8,831,030.23	58,846,933.60
3. Decreased	-	-	188,227.36	-	188,227.36
(1) Disposal or write-off	-	-	188,227.36	-	188,227.36
4. Effect on conversion of financial statements denominated in foreign currencies	-	(126,763.72)	(210,543.70)	-	(337,307.42)
5. Closing balance	973,861,653.70	66,866,671.79	329,695,568.25	8,831,030.23	1,379,254,923.97
Total accumulated amortization					
1. Opening balance	53,291,064.90	51,532,190.15	169,987,762.46	-	274,811,017.51
2. Increased	10,589,910.68	3,425,317.04	62,854,811.42	189,914.63	77,059,953.77
(1) Accrual	10,589,910.68	3,425,317.04	62,854,811.42	189,914.63	77,059,953.77
3. Decreased	-	-	187,705.21	-	187,705.21
(1) Disposal or write-off	-	-	187,705.21	-	187,705.21
4. Effect on conversion of financial statements denominated in foreign currencies	-	(51,561.56)	(27,816.03)	-	(79,377.59)
5. Closing balance	63,880,975.58	54,905,945.63	232,627,052.64	189,914.63	351,603,888.48
Provision for decline in value					
1. Opening balance	-	-	-	-	-
2. Increased	-	-	-	-	-
3. Decreased	-	-	-	-	-
4. Closing balance	-	-	-	-	-
Total book value					
Closing balance on book value	909,980,678.12	11,960,726.16	97,068,515.61	8,641,115.60	1,027,651,035.49
Opening balance on book value	919,752,388.80	15,461,245.36	110,908,873.48	-	1,046,122,507.64

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

18. Goodwill

(1) Goodwill book value

Unit: RMB

The invested entity	Opening balance	Increased	Decreased	Effect on conversion of financial statements denominated in foreign currencies	Closing balance
		Business combination not involving enterprises under common control	Liquidation & cancellation		
Secure Holdings Limited (SHL)	139,374,307.33	-	-	2,007,266.02	141,381,573.35
Henan HuaAn Baoquan Intelligence Development Co., Ltd. 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
ZAO Hikvision	67,349.64	-	-	-	67,349.64
Hangzhou Haikang Zhicheng Investment and Development Co., Ltd.	12,573.42	-	-	-	12,573.42
Total	273,611,961.96	-	-	2,007,266.02	275,619,227.98

19. Long-term deferred expenses

Unit: RMB

Invested unit	Opening Balance	Increased	Amortized	Difference of foreign currency translation	Closing balance
Improvement expenditure for leased fixed asset	87,611,490.75	29,354,267.40	19,788,072.87	(1,786,501.30)	95,391,183.98
Total	87,611,490.75	29,354,267.40	19,788,072.87	(1,786,501.30)	95,391,183.98

20. Deferred tax assets/deferred tax liabilities

(1) Deferred tax assets that are not presented on net off basis

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment losses of assets	440,719,434.56	108,352,489.38	272,015,493.85	72,480,367.65
Provision for credit loss	1,548,475,179.99	317,344,792.83	1,409,847,170.59	292,275,236.58
Payroll payables	353,810,837.41	55,990,855.40	353,810,837.41	55,990,855.40
Share-based payment	768,091,431.42	115,213,714.71	273,114,847.21	43,340,918.66
Provisions	70,059,231.54	11,871,480.55	78,353,085.64	15,477,040.83
Expenditure without invoice	178,143,900.00	26,721,585.00	228,359,902.54	52,419,606.75
Unrealized profit from inter-group transactions	1,461,445,877.63	219,216,881.64	1,157,820,970.68	187,268,546.98
Changes in the fair value of derivative financial instruments	5,812,489.99	1,453,122.50	652,428.18	163,107.05
Deferred income	359,257,097.77	62,152,351.64	288,449,840.21	51,155,882.21
Total	5,185,815,480.31	918,317,273.65	4,062,424,576.31	770,571,562.11

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

(2) Deferred tax liabilities that are not presented on net off basis

Unit: RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Difference in fixed asset depreciation	717,253,533.41	143,731,936.90	680,837,730.59	129,970,264.62
Difference in amortization of intangible assets	2,077,910.54	311,686.58	1,386,714.30	208,007.14
Changes in the fair value of derivative financial instruments	853,125.46	213,281.37	181.76	45.44
Changes in fair value of other non-current financial assets	46,373,894.32	6,956,084.15	17,547,234.44	2,632,085.17
Total	766,558,463.73	151,212,989.00	699,771,861.09	132,810,402.37

(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	56,744,733.30	861,572,540.35	81,722,298.41	688,849,263.70
Deferred tax liabilities	56,744,733.30	94,468,255.70	81,722,298.41	51,088,103.96

21. Other non-current assets

Unit: RMB

Item	Closing balance	Opening balance
Contract assets	932,323,416.33	751,457,739.44
Prepayments for acquisition of land	91,981,842.90	818,200.00
Prepayments for equipment	33,183,431.32	85,573,983.95
Prepayments for infrastructure	13,987,433.50	13,942,203.53
Prepayments for equity investment	-	13,794,550.00
Total	1,071,476,124.05	865,586,676.92

22. Short-term borrowings

(1) Categories of short-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Fiduciary loan-principal	4,441,240,874.66	2,637,513,739.48
Fiduciary loan-interest	3,336,098.23	2,568,745.67
Pledged loans	2,700,000.00	-
Total	4,447,276,972.89	2,640,082,485.15

(2) As of June 30th 2020, the Group did not have any overdue short-term loans that were failed to repay.

23. Held-for-trading financial liabilities

Unit: RMB

Item	Closing balance	Opening balance
Financial liabilities measured at fair value through current profits and losses	8,951,114.77	652,428.18
Including: derivative financial liabilities	8,951,114.77	652,428.18
total	8,951,114.77	652,428.18

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

Derivative financial liabilities include forward foreign exchange contracts, currency swaps, foreign exchange option contracts, and etc., not designated as a hedging instrument, gains or losses due to changes in fair value is directly included in the current period profits and losses.

24. Notes payable

Unit: RMB

Item	Closing balance	Opening balance
Bank acceptance Bill	1,222,676,114.77	1,239,584,016.70
Total	1,222,676,114.77	1,239,584,016.70

As of June 30th 2020, the Group did not have any unpaid matured notes payable.

25. Accounts payable

(1) List of accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Payments for goods	7,049,636,573.22	12,526,135,911.98
Payables on equipment	248,313,386.38	173,939,395.72
Total	7,297,949,959.60	12,700,075,307.70

(2) As of June 30th 2020, the Group did not have any significant accounts payable with aging above one year.

26. Contract liabilities

(1) List of contract liabilities

Unit: RMB

Item	Closing balance	Opening balance
Advanced receipts from sales of goods (Note1)	515,383,375.49	535,145,418.68
Advanced receipts from construction contracts (Note 2)	543,022,982.09	485,844,041.93
Service contract (Note3)	114,437,791.33	107,249,547.00
Total	1,172,844,148.91	1,128,239,007.61

Note 1: On June 30th 2020, some of the Group's sales contracts were handed over for acceptance later than the point at which the customer made payment, resulting in a contract liabilities related to sales contracts.

Note 2: On June 30th 2020, the Group's contract liabilities related to construction contracts were the excess of the progress billings over the revenue recognized by the Group based on the progress of fulfillment.

Note 3: On June 30th 2020, the Group's contract liabilities related to service contracts were the excess of service fees paid by customers over the revenue recognized by the Group based on the progress of fulfillment.

Note 4: The carrying value of the contract liabilities at the beginning of the reporting period was RMB 408,407,826.58, which was recognized as revenue in the current reporting period.

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

27. Payroll payable

(1) Details of payroll payable

Unit: RMB

Item	Opening balance	Increase in the current reporting period	Decrease in the current reporting period	Closing balance
1.Short-term remuneration	2,350,226,309.38	4,842,900,962.90	5,404,001,351.89	1,789,125,920.39
2. Termination benefits – defined contribution scheme	9,448,330.74	211,303,175.59	203,615,158.79	17,136,347.54
Total	2,359,674,640.12	5,054,204,138.49	5,607,616,510.68	1,806,262,267.93

(2) List of Short-term remuneration

Unit: RMB

Item	Opening balance	Increase in the current reporting period	Decrease in the current reporting period	Closing balance
1.Wages or salaries, bonuses, allowances and subsidies	2,194,538,939.13	4,355,194,083.06	4,957,135,568.90	1,592,597,453.29
2.Staff welfare	74,284.72	48,073,645.43	48,075,725.43	72,204.72
3.Social insurance contributions	746,726.43	145,815,575.28	141,077,928.93	5,484,372.78
Including:				
Medical insurance	671,240.08	136,559,620.72	132,193,552.84	5,037,307.96
Injury insurance	24,637.32	3,913,989.16	3,649,372.65	289,253.83
Maternity insurance	50,849.03	5,341,965.40	5,235,003.44	157,810.99
4.Housing funds	132,910.00	222,590,244.32	222,589,688.78	133,465.54
5.Labor union and education fund	154,733,449.10	71,227,414.81	35,122,439.85	190,838,424.06
Subtotal	2,350,226,309.38	4,842,900,962.90	5,404,001,351.89	1,789,125,920.39

(3) Defined contribution scheme (Note)

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1.Basic pension insurance	9,009,304.85	203,988,931.76	196,416,381.33	16,581,855.28
2.Unemployment insurance	439,025.89	7,314,243.83	7,198,777.46	554,492.26
Subtotal	9,448,330.74	211,303,175.59	203,615,158.79	17,136,347.54

Note:

During the reporting periods, the employees of the Group are the members of state-managed retirement benefit plan, and unemployment insurance plan, operated by the respective governments of these jurisdictions. The Group is required to contribute specified percentage out of payroll costs to the retirement benefit schemes and unemployment insurance schemes to fund the benefits. The Group has no other material obligation for the payment of pension benefits beyond the contributions described above, and corresponding expenses were booked into profits and losses of related assets during the current period.

28. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Enterprise income tax	798,047,576.17	553,486,554.42
Value-added tax	473,711,572.20	331,490,538.56
City construction and maintenance tax	15,233,618.75	21,992,627.00
Education surcharges	6,598,969.38	9,283,542.86
Local education surcharges	4,493,527.21	6,385,473.76
Others	78,606,826.71	68,704,069.31

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

Item	Closing balance	Opening balance
Total	1,376,692,090.42	991,342,805.91

29. Other payables

29.1 Categories

Unit: RMB

Item	Closing balance	Opening balance
Dividend payable	207,013,978.04	108,129,385.24
Other payables	1,705,690,173.64	1,460,615,214.70
Total	1,912,704,151.68	1,568,744,599.94

29.2 Dividends payable

Unit: RMB

Item	Closing balance	Opening balance
Dividends of incentive restricted shares	207,013,978.04	105,679,385.24
Dividends of common shares	-	2,450,000.00
Total	207,013,978.04	108,129,385.24

29.3 Other payables

(1) List of other payables according to the nature of the payment

Unit: RMB

Item	Closing balance	Opening balance
Accrued expenses	876,154,251.09	608,136,188.75
Unexpired commercial acceptance bills that were endorsed (Note (V)-3)	326,970,323.42	329,309,522.17
Guarantee and deposit fees	262,444,520.57	240,507,892.79
Collection and payment on behalf	179,553,154.01	220,858,972.11
Investment payable	12,400,000.00	12,400,000.00
Other expense payable	48,167,924.55	49,402,638.88
Total	1,705,690,173.64	1,460,615,214.70

(2) As of June 30th 2020, the Group did not have any significant other payables aging over one year.

30. Non-current liabilities due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within one year (Note (V) 32)	135,866,310.70	69,893,081.33
Long-term payables due within one year (Note (V) 33)	19,169,247.54	16,230,072.73
Total	155,035,558.24	86,123,154.06

31. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Subscription payment of restricted shares	812,199,945.56	913,534,538.26
Short-term commercial paper (SCP)	1,000,000,000.00	-
Interests on SCP	813,672.87	-
Total	1,813,013,618.43	913,534,538.26

During the period, the Company issued "Hangzhou Hikvision Digital Technology Co., Ltd. 2020 Phase I Short-term commercial paper (SCP), with product abbreviation "20 Hikvision SCP001", product code "012002014", with an issuance period of 180 days, value date of June 4th 2020 and maturity date of December 1st 2020. The SCP were issued at a par value of RMB 100, with a total issue amount of RMB 1 billion and an issuance interest rate of 1.75%. The principal and interest will be repaid in one lump sum at maturity.

32. Long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Pledged loan (Note 1)	1,522,975,239.25	1,348,034,851.48
Fiduciary loan (Note 2)	3,194,266,785.73	3,136,026,801.28
Other borrowing (Note 3)	190,000,000.00	190,000,000.00
Less: Long-term loans due within one year (Note (V) 30)	135,866,310.70	69,893,081.33
Total	4,771,375,714.28	4,604,168,571.43

Note 1: As of June 30th 2020, RMB 158,445,714.28 of the pledged loan was obtained by the Group with all the rights and benefits pledged under the *Urumqi High-tech Zone (New Urban Area) Safe City & Surveillance system for Social Comprehensive Management -- PPP Project Agreement*; the maturity date is June 20th 2028, the annual interest rate is 4.41%.

RMB 185,600,000.00 of the pledged loan was obtained by the Group with all the rights and benefits pledged under the *MoYu Security Protection and Prevention Control System-- PPP Project Agreement*; the maturity date is March 26th 2035, the annual interest rate is 4.445%.

RMB 227,780,000.00 of the pledged loan was obtained by the Group with all the rights and benefits pledged under the *PiShan Security Protection and Prevention Control System-- PPP Project Agreement*; the maturity date is March 26th 2040, the annual interest rate is 4.445%.

RMB 144,000,000.00 of the pledged loan was obtained by the Group with all the rights and benefits pledged under the *LuoPu Security Protection and Prevention Control System-- PPP Project Agreement*; the maturity date is March 26th 2035, the annual interest rate is 4.445%.

RMB 238,400,000.00 of the pledged loan was obtained by the Group with all the rights and benefits pledged under the *YuTian Safe City-- PPP Project Agreement*; the maturity date is March 26th 2034, the annual interest rate is 4.445%.

RMB 567,000,000.00 of the pledged loan was obtained by the Group with all the rights and benefits pledged under the *Xi'an Public Security Video Surveillance Construction Network Application Construction--Public-Private Partnership (PPP) Project Agreement*; the maturity date is November 5th 2031, the annual interest rate is 4.445%.

Note 2: As of June 30th 2020, the credit loan with a book value of RMB 3,184,400,000.00 was 400 million euros in credit loans, which was mainly used for the investment and construction of the Company's Hangzhou Innovation Industrial Base project and Xi'an Science and Technology Base project, the maturity date is December 14th 2021, and the interest rate is 0.65%.

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

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

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 30th 2020, CDBDF has aggregately invested RMB 190 million (December 31st 2019: RMB 190 million).

33. Long-term payables

Unit: RMB

Item	Closing balance	Opening balance
Payables for financial leasing	32,625,618.86	42,181,416.72
Borrowing	8,000,000.00	8,000,000.00
Total	40,625,618.86	50,181,416.72

Unit: RMB

Details of financial lease payables in long-term payables	Closing balance	Opening balance
1 st year after the balance sheet date	21,781,072.49	19,265,287.22
2 nd year after the balance sheet date	21,160,727.89	21,387,869.19
3 rd year after the balance sheet date	10,457,384.48	14,137,481.89
Future years	3,619,911.68	10,420,815.85
Total minimum lease payments	57,019,096.54	65,211,454.15
Unrecognized financing costs	5,224,230.14	6,799,964.70
Finance lease payable	51,794,866.40	58,411,489.45
Including: Finance lease payable due within 1 year	19,169,247.54	16,230,072.73
Finance lease payable due after 1 year	32,625,618.86	42,181,416.72

34. Provisions

Unit: RMB

Item	Closing balance	Opening balance
Product warranty	84,693,948.33	90,570,669.01
Total	84,693,948.33	90,570,669.01

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 For the reporting period from January 1st 2020 to June 30th 2020

35. Deferred income

Unit: RMB

Item	Opening balance	Increase in current reporting period	Decrease in current reporting period	Closing balance	Details
Government Subsidies	226,340,284.30	35,179,000.00	8,861,020.08	252,658,264.22	Note 1
Total	226,340,284.30	35,179,000.00	8,861,020.08	252,658,264.22	

As of June 30th 2020, the deferred income related to government subsidies:

Unit: RMB

Liability Items	Opening Balance	Increase in current reporting period	Amounts booked into other income during the current reporting period	Other changes	Closing Balance	Related to assets/related to incomes
Chongqing Manufacture Base construction	79,254,065.44	-	1,209,465.00	-	78,044,600.44	Related to assets
Projects of core electronic devices, high-end universal chips and basic software products	62,827,863.01	-	-	-	62,827,863.01	Related to incomes
Other special subsidies	43,466,515.09	30,904,000.00	5,325,458.06	-	69,045,057.03	Related to assets
Other special subsidies	40,791,840.76	4,275,000.00	2,326,097.02	-	42,740,743.74	Related to incomes
Subtotal	226,340,284.30	35,179,000.00	8,861,020.08	-	252,658,264.22	

Note 1: Refer to government subsidies received by the Group for projects of Core Electronic Devices, High-end Universal Chip and Basic Software Products, Chongqing Manufacture Base construction, and other projects; Actual expenses occurred in the current reporting period for projects of core electronic devices, high-end universal chips and basic software products and other special subsidies related to incomes were recognized in other income; and relevant assets for Chongqing Manufacture Base construction and other special subsidies related to assets were amortized averagely in other income within the assets' useful lives.

36. Other non-current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Subscription for restricted stocks	1,234,739,326.10	1,234,739,326.10
Total	1,234,739,326.10	1,234,739,326.10

37. Share capital

Unit: RMB

	Opening balance	Changes for the current reporting period					Closing balance
		New issue of shares	Bonus issue	Transfer from Capital Reserve	Others	Subtotal	
2020.06.30							
Total shares	9,345,010,696.00	-	-	-	-	-	9,345,010,696.00

38. 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
2020.06.30				
Share premium	3,834,418,853.06	21,934,490.45	53,552,843.92	3,802,800,499.59
Other capital reserves	292,524,845.90	481,168,915.75	-	773,693,761.65
Total	4,126,943,698.96	503,103,406.20	53,552,843.92	4,576,494,261.24

Note 1: The increase of RMB 21,934,490.45 in the share premium for the current reporting period was due to the Group's integration of the fire control business, and 100% equity of the asset group of the Intelligent Fire Control Business Department as well as Wuhan Hiksafety and Zhejiang Hiksafety were transferred to the holding subsidiary, Hangzhou Hikfire, such that the shareholding ratios in the two companies were changed from direct 100% to indirect 60%, respectively. For details, please refer to Note (VII) 2.

The increase in other capital reserves for the current reporting period was due to equity-settled share-based payments and included in the capital reserves of RMB 481,168,915.75. For details, please refer to Note (XI).

Note 2: RMB 20,536,489.07 of the share premium reduction for the current reporting period is the portion of the equity-settled share-based payment shared by minority shareholders in the current reporting period; the Company acquired 42.86% of the minority interests in each of its subsidiaries i.e. Henan Hua'an Baoquan Intelligence Development Co., Ltd. and Henan Haikang Hua'an Baoquan Electronics Co., Ltd., respectively, at a consideration of RMB 33,016,354.85. For details of the difference between the payment of the consideration and the share of identifiable net assets calculated based on the newly-added shareholding ratio, please refer to Note (VII) 2.

39. Treasury shares

Unit: RMB

Item	Opening Balance	Increase in the current reporting period	Decrease in the current reporting period (Note 1)	Closing balance
2020.06.30				
Restricted shares incentive scheme	2,148,273,864.36	-	101,334,592.80	2,046,939,271.56
Total	2,148,273,864.36	-	101,334,592.80	2,046,939,271.56

Note 1: Treasury shares decreased by RMB 101,334,592.80 in the current reporting period, which is due to the reduction of treasury shares by the Company's provision of cash dividends on restricted shares.

40. Other comprehensive income

Unit: RMB

Item	Opening balance	Amounts occurred in the current reporting period					Closing balance
		The before-income-tax amount incurred during the current reporting period	Less: transfer to current period P/L from previous other comprehensive income	Less: income tax expense	Attributable to the parent company (after tax)	Attributable to minority shareholders (after tax)	
2020.06.30:							
Other incomes that may be reclassified subsequently to profit or loss	(53,541,146.99)	(26,796,178.37)	-	-	(24,482,915.47)	(2,313,262.90)	(78,024,062.46)
Included: Effect on conversion of financial statements denominated in foreign currencies	(53,541,146.99)	(26,796,178.37)	-	-	(24,482,915.47)	(2,313,262.90)	(78,024,062.46)
Other comprehensive income	(53,541,146.99)	(26,796,178.37)	-	-	(24,482,915.47)	(2,313,262.90)	(78,024,062.46)

41. Surplus reserves

Unit: RMB

Item	Opening balance	Increase in the current reporting period	Decrease in the current reporting period	Closing balance
2020.06.30				
Statutory surplus reserves	4,672,505,348.00	-	-	4,672,505,348.00
Total	4,672,505,348.00	-	-	4,672,505,348.00

42. Retained earnings

Unit: RMB

Item	First half of 2020	First half of 2019
Undistributed profit at the end of the previous reporting period	28,961,389,145.22	22,360,593,257.53
Business merger under the common control	-	(736,986.11)
Retained Earnings at the close of the prior reporting period	28,961,389,145.22	22,359,856,271.42
Add: Net profit attributable to the parent company for the current reporting period	4,623,972,830.87	4,216,755,210.24
Dividends payable on common shares (Note)	6,541,507,487.20	5,605,823,858.10
Retained earnings at the end of the current reporting period	27,043,854,488.89	20,970,787,623.56

Note: According to the resolution of 2019 annual General Meeting dated on May 16th 2020, based upon the total capital share of the Company on the equity distribution date, for each 10 ordinary shares, the Company distributed cash dividends of RMB 7 (tax inclusive), the rest of retained earnings were all carried forward for future distributions.

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

43. Operating income/operating cost

Unit: RMB

Item	First half of 2020		First half of 2019	
	Revenue	Cost	Revenue	Cost
Operating income	24,068,056,071.82	12,100,735,573.06	23,693,888,435.21	12,727,511,306.82
Other operating income	203,103,171.94	92,984,372.32	229,384,989.29	112,995,026.86
Total	24,271,159,243.76	12,193,719,945.38	23,923,273,424.50	12,840,506,333.68

44. Business Taxes and Surcharges

Unit: RMB

Items	First half of 2020	First half of 2019
City construction and maintenance tax	79,448,007.54	81,858,061.74
Education surcharges	34,694,864.30	36,071,455.51
Local education surcharges	23,124,847.79	23,308,866.59
Stamp duty	11,993,613.72	11,130,199.34
Real estate tax	8,518,237.11	11,123,190.25
Tax on use of land	1,810,901.96	1,340,324.67
Vehicle and vessel tax	93,490.92	98,624.36
Others	8,388,201.91	2,617,183.46
Total	168,072,165.25	167,547,905.92

45. Financial Expenses

Unit: RMB

Items	First half of 2020	First half of 2019
Interest expenses	117,407,704.24	102,317,635.94
Less: Interest income	306,973,066.18	300,644,265.63
Foreign exchange losses	2,749,318.63	52,456,277.58
Less : Capitalized specific loan interests and foreign exchange differences on specific loan	50,688,176.68	(5,817,000.63)
Others	9,532,013.26	10,109,924.22
Total	(227,972,206.73)	(129,943,427.26)

46. Other income

Unit: RMB

Item	First half of 2020	First half of 2019
VAT Rebates	784,320,169.82	632,531,286.98
Special subsidies	180,572,947.23	84,928,005.35
Tax relief	29,885,277.10	5,106,929.21
Total	994,778,394.15	722,566,221.54

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

47. Investment income

Unit: RMB

Item	First half of 2020	First half of 2019
Long-term equity investment losses based on equity method	(8,942,717.69)	(4,215,155.62)
Investment income from disposal of held-for-trading financial assets	9,162,427.25	8,082,291.28
Investment income from other non-current financial assets during the holding period	150,000,000.00	17,357,220.31
Total	150,219,709.56	21,224,355.97

48. Profits (losses) from changes in fair values

Unit: RMB

Sources of gains/losses from changes in fair values	First half of 2020	First half of 2019
Held-for-trading financial assets	849,343.33	586,934.12
Including: gains on the changes in fair value of derivative financial instruments	849,343.33	586,934.12
Gains (losses) from changes in fair value of other non-current financial assets	(13,017,332.26)	2,153,238.50
Held-for-trading financial liabilities	(8,268,448.03)	(873,778.16)
Including: losses on the changes in fair value of derivative financial instruments	(8,268,448.03)	(873,778.16)
Total	(20,436,436.96)	1,866,394.46

49. Credit impairment loss

Unit: RMB

Items	First half of 2020	First half of 2019
Credit bad debt losses of accounts receivable	(124,133,185.36)	(115,422,011.62)
Gains (losses) on credit bad debt of other receivables	(10,010,654.15)	39,530,792.03
Credit bad debt losses of long-term receivable	(18,628,630.26)	(58,635,212.98)
Total	(152,772,469.77)	(134,526,432.57)

50. Impairment losses of assets

Unit: RMB

Items	First half of 2020	First half of 2019
Losses on inventory devaluation	(165,394,158.33)	(80,143,742.65)
Total	(165,394,158.33)	(80,143,742.65)

51. Non-operating income

Unit: RMB

Item	First half of 2020	First half of 2019	The amount booked into current period non-recurring profits and losses
Special subsidies	5,094,743.17	471,298.57	5,094,743.17
Fines and confiscations	21,590,256.57	18,790,241.63	21,590,256.57
Tax refunds	-	5,049.70	-
Others	5,036,207.34	19,040,488.70	5,036,207.34
Total	31,721,207.08	38,307,078.60	31,721,207.08

52. Non-operating expenses

Unit: RMB

Item	First half of 2020	First half of 2019	The amount booked into current period non-recurring profits and losses
Local water conservancy construction fund	572,889.30	326,266.15	-
Others	6,805,876.26	8,087,915.76	6,805,876.26
Total	7,378,765.56	8,414,181.91	7,378,765.56

53. Income tax expenses

Unit: RMB

Item	First half of 2020	First half of 2019
Income tax for the current reporting period	1,081,938,656.65	989,900,141.38
Deferred income tax expenses	(129,343,124.91)	(68,182,595.96)
Differences in filing and payment of income tax in previous reporting years	(43,385.77)	12,203,111.26
Total	952,552,145.97	933,920,656.68

54. Notes to consolidated cash flow statement items

(1) Other cash receipts relating to operating activities

Unit: RMB

Item	First half of 2020	First half of 2019
Interest income	306,973,066.18	300,644,265.63
Government subsidies	211,985,670.32	123,235,083.95
Others	188,964,355.88	160,612,732.43
Total	707,923,092.38	584,492,082.01

(2) Other cash payments relating to operating activities

Unit: RMB

Item	First half of 2020	First half of 2019
Office expenses and business expenses	370,845,812.71	358,952,495.22
Advertising and Selling services	557,200,285.44	546,661,309.37
R&D expense	457,282,381.38	467,463,033.83
Shipping and transportation expense	322,420,666.54	348,864,517.36
Travelling expense	141,639,591.57	211,860,989.63
Deposits to restricted monetary funds	-	56,039,040.44
Rental expense	101,520,803.75	105,938,464.34
Others	95,397,631.90	38,722,894.70

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

Item	First half of 2020	First half of 2019
Total	2,046,307,173.29	2,134,502,744.89

(3) Other cash receipts relating to investing activities

Unit: RMB

Item	First half of 2020	First half of 2019
Receipts of financing lease payments	14,990,732.87	-
Total	14,990,732.87	-

(4) Other cash payments relating to financing activities

Unit: RMB

Item	First half of 2020	First half of 2019
Repurchase of restricted shares	-	31,290,856.75
The consideration paid for the acquisition of minority shareholders' equity	64,290,000.00	-
Total	64,290,000.00	31,290,856.75

55. Supplementary information about cash flow statement

(1) Supplementary information about cash flow statement

Unit: RMB

Supplementary information	First half of 2020	First half of 2019
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	4,666,871,541.00	4,223,761,290.19
Add: Impairment of assets	165,394,158.33	80,143,742.65
Provision for credit impairment losses	152,772,469.77	134,526,432.57
Fixed assets depreciation	367,971,970.82	269,340,120.34
Amortization of intangible assets	77,059,953.77	40,228,458.41
Long-term deferred expenses amortization	19,788,072.87	6,022,357.25
Gains on disposal of fixed assets, intangible assets and other long-term assets	(21,554.99)	(810,043.90)
Losses of retirement of fixed assets, intangible assets and other long-term assets	1,112,772.90	4,464,360.56
Losses (Gains) from changes in fair value	20,436,436.96	(1,866,394.46)
Financial expenses	64,849,445.01	157,920,883.55
Investment income	(150,219,709.56)	(21,224,355.97)
Share-based payment based on equity settlement	481,168,915.75	250,128,589.34
Changes in other currency funds	89,281,783.26	(56,039,040.44)
Increase in deferred income tax assets	(172,723,276.65)	(68,182,595.96)
Increase in deferred income tax liabilities	43,380,151.74	-
Increase in inventories	(107,946,257.22)	(2,953,673,953.50)
Increase in operating receivables	(355,309,356.48)	(2,693,537,605.46)
Increase (decrease) in operating payables	(5,320,219,156.63)	196,409,532.04
Increase in deferred income	26,317,979.92	1,324,429.61
Net cash flows from operating activities	69,966,340.57	(431,063,793.18)
2. Significant investing and financing activities not involving cash receipts and payments:		
3. Net changes in cash and cash equivalents:		
Ending balance of cash	21,623,506,957.49	21,261,201,514.71

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

Supplementary information	First half of 2020	First half of 2019
Less: Opening balance of cash	26,515,668,008.40	26,031,011,733.89
Add: Ending balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
Net decrease in cash and cash equivalents	(4,892,161,050.91)	(4,769,810,219.18)

(2) Constituents of cash and cash equivalents

Unit: RMB

Item	Closing balance	Opening balance
Cash	21,623,506,957.49	26,515,668,008.40
Including: Cash on hand	380,232.41	557,429.68
Bank deposit for payment at any time	21,609,880,009.7	26,447,508,433.91
Other monetary capital for payment at any time	13,246,715.38	67,602,144.81
Cash equivalents	-	-
Closing balance of cash and cash equivalents	21,623,506,957.49	26,515,668,008.40

Among the total balance of RMB 480,245,843.50 of the other monetary fund(s) at the end of the reporting period (December 31st 2019: RMB 623,883,056.19), RMB 466,999,128.12 are various guarantee deposits and other restricted funds, etc. (December 31st 2019: RMB 556,280,911.38), not cash and cash equivalents.

56. 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)	466,999,128.12	Various guarantee deposits and other restricted funds
Notes receivable	326,970,323.42	Endorsed to suppliers
Notes receivable	2,606,950.00	Pledged for issuing bank acceptance bills
Receivables for financing	90,566,739.34	Pledged for issuing bank acceptance bill
Accounts receivable	4,749,676.59	Pledged for short-term borrowings
Fixed assets	53,502,842.70	Sale and leaseback of fixed assets
Long-term receivables	1,158,287,191.19	Pledged for long-term borrowings
Total	2,103,682,851.36	

57. Monetary items of foreign currencies

(1) foreign currencies

Unit: RMB

Item	Balance in foreign currency at the end of the reporting period	Exchange rate for conversion	Balance of RMB converted at the end of the reporting period
Monetary funds			
Including: USD	840,956,677.16	7.0795	5,953,552,795.94
EUR	48,567,036.11	7.9610	386,642,174.46
GBP	283,167.09	8.7144	2,467,631.25
Accounts receivable			
Including: USD	316,977,846.51	7.0795	2,244,044,664.37
EUR	51,518,042.75	7.9610	410,135,138.37

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 For the reporting period from January 1st 2020 to June 30th 2020

Item	Balance in foreign currency at the end of the reporting period	Exchange rate for conversion	Balance of RMB converted at the end of the reporting period
Short-term borrowing			
Including: GBP	9,577,501.93	8.7144	83,462,182.78
Accounts Payable			
Including: USD	139,110,479.64	7.0795	984,832,640.60
Non-current liabilities due within one year			
Including: EUR	1,206,111.11	7.9610	9,601,850.55
Long-term borrowings			
Including: EUR	400,000,000.00	7.9610	3,184,400,000.00

(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

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

Name of overseas subsidiaries	Main overseas operational office	Recording Currency	Basis of selection
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 Technology Israel Ltd.	Israel	ILS	Selection based on local economic environment
Hikvision Central America S.A.	Panama	USD	Selection based on local economic environment
Hikvision Technology Egypt JSC	Egypt	EGP	Selection based on local economic environment
PT. Hikvision Technology Indonesia	Indonesia	IDR	Selection based on local economic environment
Hikvision Technologies S.R.L.,	Romania	RON	Selection based on local economic environment
Hikvision IOT (Thailand) CO.,LTD.	Thailand	THB	Selection based on local economic environment
Hikvision West Africa Limited	Nigeria	NGN	Selection based on local economic environment
Ezviz International Limited	Hongkong 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

58. Government Subsidies

(1) Categories

Unit: RMB

Category	Amount	Financial Report Items	Amount booked in current profit and loss
VAT Rebate	784,320,169.82	Other Income	784,320,169.82
Special subsidies	438,325,954.62		
Including: other special subsidies	296,244,026.17	Deferred income / Other income/ Non-operating income	184,458,225.40
core electronic devices, high-end universal chip and basic software product projects	62,827,863.01	Deferred income / Other income	-
Chongqing Manufacture Base construction subsidies	79,254,065.44	Deferred income / Other income	1,209,465.00
Tax Refund/Reduction	29,885,277.10	Other income/ Non-operating income	29,885,277.10
Total	1,252,531,401.54		999,873,137.32

(2) There was no refund of government subsidies during the current reporting period.

VI. Changes in consolidation scope

1. Changes of consolidation scope due to other causes

The subsidiaries newly established and incorporated in the consolidation scope during the current reporting period as follows:

Company Name	Time of establishment	Registered capital	Amount of contribution of the Group	Ratio of contribution (%)
Hangzhou Rayin Technology Co., Ltd. (Note 1)	January 2020	RMB 100 mn	RMB 60 mn	60
Hikvision Morocco LLC (Note 2)	March 2020	MAD 1,800,000	MAD 1,800,000	100

Note 1: At the end of the reporting period, the actual paid-up capital of Hangzhou Rayin Technology Co., Ltd. was RMB 100,000,000.00, among them, RMB 60,000,000.00 was paid by the Group and RMB 40,000,000.00 was invested by minority shareholder of Hangzhou Hikvision Equity Investment Partnership (Limited Partnership)

Note 2: At the end of the reporting period, Hikvision Morocco LLC has not yet completed the paid-in capital, so there is no paid-in capital.

None of the subsidiaries was cancelled in the current reporting period.

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 BV	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	Brazil	Brazil	Sales	95.00	5.00	Establishment

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Name	Location of operation	Place of registration	Nature of business	Shareholding ratio (%)		Acquisition Method
				Direct	Indirect	
Equipamentos de Segurança Ltda.						
Hikvision Australia PTY Co., Ltd.	Australia	Australia	Sales	100.00	-	Establishment
Hikvision International Co., Limited	Hong Kong China	Hong Kong China	Sales	100.00	-	Establishment
Hikvision France SAS	France	France	Sales	-	100.00	Establishment
Hikvision Spain,S.L.	Spain	Spain	Sales	-	100.00	Establishment
Shanghai Goldway Intelligent Traffic System Co., Ltd.	Shanghai	Shanghai	Manufacture	100.00	-	Business combination not involving enterprises under common control
ZAO Hikvision	Russia	St. Peterburg	Sales	-	100.00	Business combination not involving enterprises under common control
Henan Hua'an Intelligence Development Co., Ltd. (Note 2)	Zhengzhou	Zhengzhou Henan	Construction	93.86	-	Acquisition of minority shareholders
Henan Hua'an Security Services Co., Ltd. (Note 2)	Zhengzhou	Zhengzhou Henan	Services	-	84.47	Acquisition of minority shareholders
Hundure Technology (Shanghai) Co., Ltd.	Shanghai	Shanghai	Manufacture	100.00	-	Business combination not involving enterprises under common control
Hikvision UK Limited	UK	UK	Sales	-	100.00	Establishment
Hikvision Poland Spolka Z Ograniczona Odpowiedzialnoscia	Poland	Poland	Sales	-	100.00	Establishment
Hangzhou Hikvision Electronics Co., Ltd. (Note 3)	Hangzhou	Hangzhou Zhejiang	Manufacture	71.30	-	Establishment
Cooperative Hikvision Europe U.A.	Netherlands	Netherlands	Sales	99.00	1.00	Establishment
Hikvision Canada Inc.	Canada	Canada	Sales	100.00	-	Establishment
Hikvision LLC	Moscow	Moscow	Sales	100.00	-	Establishment
Hikvision Korea Limited	Korea	Korea	Sales	100.00	-	Establishment
Hangzhou EZVIZ Network Co., Ltd.	Hangzhou	Hangzhou Zhejiang	Technology development	60.00	-	Establishment
EZVIZ Inc.	USA	Los Angeles	Sales	-	60.00	Establishment
Hangzhou Haikang Zhicheng Investment Development Ltd	Hangzhou	Hangzhou Zhejiang	System integration	80.00	-	Business combination not involving enterprises under common control
Hangzhou Hikrobot Technology Co., Ltd.	Hangzhou	Hangzhou Zhejiang	Technology development	60.00	-	Establishment
Hangzhou Hikvision Investment Management Co., Ltd.	Hangzhou	Hangzhou Zhejiang	Investment Management	100.00	-	Establishment
Hangzhou HikAuto Technology Co., Ltd.	Hangzhou	Hangzhou Zhejiang	Technology development	60.00	-	Establishment
Hangzhou Hikvision Communication Technology Co., Ltd.	Hangzhou	Hangzhou Zhejiang	Technology development	70.00	-	Establishment
Hangzhou Hikmicro Sensing Technology Co., Ltd.	Hangzhou	Hangzhou Zhejiang	Technology development	60.00	-	Establishment

Notes to Financial Statements

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Name	Location of operation	Place of registration	Nature of business	Shareholding ratio (%)		Acquisition Method
				Direct	Indirect	
Hikvision Turkey Technology And Security Systems Commerce Corporation	Turkey	Istanbul	Sales	100.00	-	Establishment
Hikvision Colombia SAS	Columbia	Santa Fe Bogota	Sales	100.00	-	Establishment
Hikvision Kazakhstan limited liability partnership	Kazakhstan	Astana	Sales	100.00	-	Establishment
Secure Holding Limited	British	Sheffield	Manufacture	-	100.00	Business combination not involving enterprises under common control
Pyronix Limited	British	Sheffield	Manufacture	-	100.00	Business combination not involving enterprises under common control
Microwave Solutions Limited	British	Sheffield	Manufacture	-	100.00	Business combination not involving enterprises under common control
Hikvision Hungary Limited	Hungary	Hungary	Sales	-	100.00	Establishment
Hikvision New Zealand Limited	New Zealand	Auckland	Sales	-	100.00	Establishment
Urumqi HaiShi Xin'An Electronic Technology Co., Ltd.	Urumqi	Urumqi, Xinjiang	Construction	-	90.00	Establishment
Hangzhou Ximu Intelligent Technology Co., Ltd.	Hangzhou	Hangzhou, Zhejiang	Manufacture	-	60.00	Business combination involving enterprises under common control
LLC Hikvision Tashkent	Uzbekistan	Tashkent	Sales	100.00	-	Establishment
Hikvision Kenya (Pty) Ltd	Kenya	Kenya	Sales	-	100.00	Establishment
Hangzhou HikAuto Software Co., Ltd.	Hangzhou	Hangzhou, Zhejiang	Technology Development	-	60.00	Establishment
Hangzhou Intelligent Technology Co., Ltd.	Hangzhou	Hangzhou, Zhejiang	Technology Development	-	60.00	Establishment
Chengdu Hikvision Digital Technology Co., Ltd.	Chengdu	Chengdu Sichuan	Technology development	100.00	-	Establishment
MoYuHaiShi Electronic Technology Co., Ltd.	Hetian	Hetian Xinjiang	Construction	-	85.00	Establishment
Hangzhou EZVIZ Software Co., Ltd.	Hangzhou	Hangzhou Zhejiang	Technology development	-	60.00	Establishment
PiShan HaiShi YongAn Electronic Technology Co., Ltd.	Hetian	Hetian Xinjiang	System integration	-	90.00	Establishment
Henan Haikang Hua'an BaoQuan Electronics Co., Ltd. (Note 2)	Zhengzhou	Zhengzhou Henan	Construction	93.86	-	Acquisition of minority shareholders
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

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

Name	Location of operation	Place of registration	Nature of business	Shareholding ratio (%)		Acquisition Method
				Direct	Indirect	
Hikvision Xi'an Xueliang Construction Project Management Co., Ltd.	Xi'an	Xi'an Shanxi	Construction	-	99.00	Establishment
Luo Pu District HaiShi Ding Xin Electronic Technology Co., Ltd.	Hetian	Hetian Xinjiang	System integration	-	90.00	Establishment
Yu Tian HaiShi Mei Tian Electronic Technology Co., Ltd.	Hetian	Hetian Xinjiang	System integration	-	98.00	Establishment
Xi'An Hikvision Digital Technology Co., Ltd.	Xi'An	Xi'an Shanxi	Technology development	100.00	-	Establishment
Wuhan Hikvision Technology Co., Ltd.	Wuhan	Wuhan Hubei	Technology development	100.00	-	Establishment
Wuhan Hikvision Science and Technology Co., Ltd.	Wuhan	Wuhan Hubei	Sales	100.00	-	Establishment
Wuhan Hiksafety Technology Co., Ltd. (Note 4)	Wuhan	Wuhan Hubei	Sales	-	60.00	Establishment
Hainan Hikvision System Technology Co., Ltd.	Hainan	Lingshui Hainan	System integration	100.00	-	Establishment
Hangzhou Hikmed Imaging Technology Co., Ltd.	Hangzhou	Hangzhou, Zhejiang	Technology development	60.00	-	Establishment
Hikvision Mexico S.A.de C.V.	Mexico	Mexico	Sales	-	100.00	Establishment
Guizhou Hikvision Transportation Big Data Co., Ltd.	Guiyang	Guiyang, Guizhou	Technology development	55.00	-	Establishment
Xinjiang CET Yihai Information Technology Co., Ltd.	Urumqi	Urumqi, Xinjiang	System integration	60.00	-	Establishment
Hikvision Panama Commercial S.A	Panama	Panama	Sales	-	100.00	Establishment
Hikvision Pakistan (SMC-Private) Limited	Pakistan	Pakistan	Sales	-	100.00	Establishment
Hikvision Peru Closed Stock Company	Peru	Peru	Sales	95.00	5.00	Establishment
Hikvision Technology Israel Co., Ltd.	Israel	Israel	Sales	-	100.00	Establishment
Nanjing Hikvision Digital Technology Co., Ltd.	Nanjing	Nanjing, Jiangsu	Sales	100.00	-	Establishment
Shijiazhuang Hikvision Technology Co., Ltd.	Shijiazhuang	Shijiazhuang Hebei	Technology development	100.00	-	Establishment
Zhengzhou Hikvision Digital Technology Co., Ltd.	Zhengzhou	Zhengzhou Henan	Sales	100.00	-	Establishment
Hikvision Central America S.A.	Panama	Panama	Sales	-	100.00	Establishment
Hikvision West Africa Limited	Nigeria	Nigeria	Sales	94.00	6.00	Establishment
Hikvision Technology Egypt JSC	Egypt	Egypt	Sales	-	100.00	Establishment
Hangzhou EZVIZ Technology Co., Ltd.	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	R&D, sales	100.00	-	Establishment
Nanchang Hikvision Digital Technology Co., Ltd.	Nanchang	Nanchang Jiangxi	Technology development	100.00	-	Establishment
Zhejiang Hiksafety Technology Co., Ltd. (Note 4)	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

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 For the reporting period from January 1st 2020 to June 30th 2020

Name	Location of operation	Place of registration	Nature of business	Shareholding ratio (%)		Acquisition Method
				Direct	Indirect	
Fuzhou Hikvision Digital Technology Co., Ltd.	Fuzhou	Fuzhou Fujian	System integration	100.00	-	Establishment
Anhui Hikvision Urban Operation Service Co., Ltd. (Note 5)	Anhui	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. (Note 4)	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
Hangzhou Rayin Technology Co., Ltd.	Hangzhou	Hangzhou Zhejiang	Technology development	60.00	-	Establishment
Hikvision Morocco LLC	Morocco	Morocco	Sales	100.00	-	Establishment

Note 1: Hangzhou Fuyang HIK Baotai Security Technology Services Co., Ltd. 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: During the period, the Group acquired 42.86% of the minority interests in each of its subsidiaries i.e. Henan Hua'an Baoquan Intelligence Development Co., Ltd. and Henan Haikang Hua'an Baoquan Electronics Co., Ltd., respectively, such that the shareholding ratios in the two companies were changed from 51% to 93.86%, and the shareholding ratio in Henan Hua'an Security Services Co., Ltd., a subsidiary of Henan Hua'an Baoquan Intelligence Development Co., Ltd., was changed from indirect 45.9% to 84.47%. For details, please refer to Note (VII) 2.

Note 3: The remaining 28.70% equity interests of Hangzhou Hikvision Electronics Co., Ltd. is held by China Development Bank Fund. Please refer to Note (V) 32 for details.

Note 4: Wuhan Hikvision Fire Control Technology Co., Ltd. has been renamed to Wuhan Hiksafety Technology Co., Ltd. (Wuhan Hiksafety) in 2020, while Zhejiang Hikvision Fire Control Technology Co., Ltd. has been renamed as Zhejiang Hiksafety Technology Co., Ltd. (Zhejiang Hiksafety) in 2020. During the current reporting period, the Group carried out the integration of the fire control businesses and transferred 100% of the equity of Wuhan Hiksafety and Zhejiang Hiksafety to its holding subsidiary, Hangzhou Hikfire Technology Co., Ltd. (Hangzhou Hikfire), such that the shareholding ratios in the two companies were changed from direct 100% to indirect 60%, respectively. For details, please refer to Note (VII) 2.

Note 5: Ningguo Hikvision Urban Operation Service Co., Ltd. has been renamed as Anhui Hikvision Urban Operation Service Co., Ltd. in 2020.

2. Transaction in which the share of owner's equity in the subsidiaries has been changed and the subsidiaries are still under control

(1) Description of changes in the share of owner's equity in the subsidiaries

During the period, the Company entered into an equity transfer agreement with four shareholders (natural persons) including Feng Jianwen to acquire 42.86% equity of Henan Hua'an Baoquan Intelligence Development Co., Ltd. (Hua'an Baoquan Intelligence), and 42.86% equity of Henan Haikang Hua'an Baoquan Electronics Co., Ltd. (Hua'an Baoquan Electronics) held in aggregate by four shareholders (natural persons) including Feng Jianwen at a consideration of RMB 30,859,200.00 and RMB 33,430,800.00, respectively. The Company's shareholding ratios in the two companies were both changed from 51% to 93.86%, and the shareholding ratio in Henan Hua'an Security Services Co., Ltd. (Hua'an Security Services), a subsidiary of Hua'an Baoquan Intelligence, was changed from indirect 45.90% to 84.47%. As of June 30th 2020, the equity transfer payment has been made by the Company and the acquisition has been completed.

In April 2020, the Company entered into an equity transfer agreement with the holding subsidiary, Hangzhou Hikfire Technology Co., Ltd. (Hangzhou Hikfire) to transfer 100.00% equity of Wuhan Hiksafety Technology Co., Ltd. (Wuhan Hiksafety) and Zhejiang Hiksafety Technology Co., Ltd. (Zhejiang Hiksafety), at a consideration of RMB 0.00. Upon the completion of the transfer, the Company's shareholding ratios in Wuhan Hiksafety and Zhejiang Hiksafety were changed to indirect 60.00%. As of June 30th 2020, the transfer has been completed.

In May 2020, the Company signed an asset group transfer agreement with Hangzhou Hikfire to transfer the asset group of the Intelligent Fire Control Business Department at a consideration of RMB 49,770,000.00. As of June 30th 2020, the transfer of the asset group has been completed.

(2) The impact of the transactions on minority shareholders' equity and the owner's equity attributable to the parent company

Unit: RMB

	Hua'an Baoquan Intelligence and its subsidiaries	Hua'an Baoquan Electronics
Purchase cost		
-Cash	30,859,200.00	33,430,800.00
Total purchase cost	30,859,200.00	33,430,800.00
Less: the difference of the subsidiary's net asset share calculated according to the proportion of the acquired equity	26,501,971.03	4,771,674.12
Of which: adjusted capital reserve	4,357,228.97	28,659,125.88

Unit: RMB

	Wuhan Hiksafety	Zhejiang Hiksafety	Intelligent Fire Control Business Department Asset Group
Disposal consideration			
-other receivables	-	-	49,770,000.00
Total disposal consideration	-	-	49,770,000.00
Less: the difference of the subsidiary's net assets (liabilities) share calculated based on the proportion of the disposed equity	(795.98)	(2,379,712.83)	30,216,018.36
Of which: adjusted capital reserve	795.98	2,379,712.83	19,553,981.64

3. Equity in joint ventures or associates

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

Unit: RMB

	Closing balance / Amount for first half of 2020	Opening balance / Amount for first half of 2019
Associates:		
The aggregate carrying amount of investments in associates	189,435,480.23	188,845,321.49

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

	Closing balance / Amount for first half of 2020	Opening balance / Amount for first half of 2019
The aggregate amount of the following items calculated based on the Company's equity share percentage of the associates		
--Net losses and total comprehensive losses	(11,409,841.26)	(4,215,155.62)
Joint Ventures:		
Total investment book value	330,887,123.57	63,320,000.00
The sum of the following items calculated according to the shareholding ratio		
- Net income and comprehensive income	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, other non-current financial assets, notes receivable, accounts receivable, receivables for financing, some of the other receivables, long-term receivables, borrowings, notes payable, accounts payable, other payables, other current liabilities, long-term payables, derivative financial instruments, etc. Details of these financial instruments are set out in Note (V). Below are the risks associated with such financial instruments and the risk management policies adopted by the Group to mitigate such risks. The management of the Group manages and monitors such risk exposures to ensure such risks are contained within a prescribed scope.

1. Classification of financial instruments

Unit: RMB

Items	Ending balance of the current reporting period	Ending balance of the prior year (on December 31 st 2019)
Financial assets:		
Measured at fair value through current profit and loss		
Held –for-trading financial assets	853,125.46	181.76
Other non-current financial assets	296,580,935.18	312,398,267.44
Measured at fair value through other comprehensive income		
Receivables for financing	1,183,573,810.59	1,257,385,053.02
Measured at amortized cost		
Cash and bank balances	22,090,506,085.61	27,071,948,919.78
Notes receivable	810,252,938.16	973,236,789.02
Accounts receivable	21,449,479,247.87	21,307,927,200.28
Other receivable	473,375,214.98	491,776,194.41
Long-term receivables	1,576,950,814.85	1,382,536,761.22
Financial liabilities		
Measured at fair value through current profit and loss		
Held-for-trading financial liabilities	8,951,114.77	652,428.18
Measured at amortized cost		
Short-term borrowings	4,447,276,972.89	2,640,082,485.15
Notes payable	1,222,676,114.77	1,239,584,016.70
Accounts payable	7,297,949,959.60	12,700,075,307.70
Other payables	1,912,704,151.68	1,568,744,599.94
Non-current liabilities due within one year	155,035,558.24	86,123,154.06

Other current liabilities	1,813,013,618.43	913,534,538.26
Long-term debt	4,771,375,714.28	4,604,168,571.43
Long-term payables	40,625,618.86	50,181,416.72
Other non-current liabilities	1,234,739,326.10	1,234,739,326.10

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

2. Objectives and policies of risk management

The Group engages in risk management with the aim of achieving an appropriate balance between risk and return, where the negative effects of risks against the Group's operating results are minimized, in order to maximize the benefits of shareholders and other stakeholders. Based on such objective in risk management, the underlying strategy of the Group's risk management is to ascertain and analyze all types of risks exposures of the Group, establish appropriate risk tolerance thresholds, carry out risk management procedures and perform risk monitoring on all kinds of risks in a timely and reliable manner, thus containing risk exposures within a prescribed scope.

2.1 Market risks

2.1.1 Foreign exchange risks

Foreign exchange risks refer to the risk that losses will occur because of changes in foreign exchange rates. The Company is primarily exposed to risks relating to the currencies such as USD and EUR. The Group's subsidiaries in the mainland of China whose procurement, sales and financing are denominated in RMB, USD and EUR, other principal activities are settled in RMB. The Group's subsidiaries in Hong Kong and outside China are principally engaged in procurement, sales, financing and other major business activities in local currencies such as USD, EUR, GBP, RUB, and etc.

As of June 30th 2020, except for monetary items of foreign currencies set out in Note (V) 57, the Group mainly adopted the functional currency of each of its subsidiary to present the balance of its assets and liabilities. The foreign exchange risks arising from assets and liabilities denominated in USD and EUR (which has been converted into RMB) as follows may generate significant impact on the operating results of the Group.

Unit: RMB

Currencies	Assets		Liabilities	
	Closing balance	Opening balance	Closing balance	Opening balance
USD	8,197,597,460.31	8,990,808,097.16	984,832,640.60	2,680,807,278.88
EUR	796,777,312.83	396,683,098.55	3,194,001,850.55	3,135,739,251.94

The Group has been paying close attention to the effect of fluctuation in exchange rate on the foreign exchange risks of the Group, and has purchased various financial derivative instruments, such as forward foreign exchange contracts, currency swaps, and foreign exchange options and etc., to mitigate the foreign exchange risk exposure.

Sensitivity analysis on exchange rate risk

With other variables unchanged, the exchange rate might float within a reasonable range, and has the following before-tax effect on profit or loss and shareholders' equity for the current period:

Unit: RMB

Change in foreign exchange rates	First half of 2020		First half of 2019	
	Effect on profit	Effect on shareholders' equity	Effect on profit	Effect on shareholders' equity
5% appreciation of USD against functional	360,638,240.99	360,638,240.99	211,535,093.49	211,535,093.49
5% depreciation of USD against functional	(360,638,240.99)	(360,638,240.99)	(211,535,093.49)	(211,535,093.49)
5% appreciation of EUR against functional	(119,861,226.89)	(119,861,226.89)	(145,882,455.26)	(145,882,455.26)
5% depreciation of EUR against functional	119,861,226.89	119,861,226.89	145,882,455.26	145,882,455.26

2.1.2. Interest rate risk

The interest rate risk of the Group mainly arises from interest-bearing debts such as long-term bank borrowings and short-term bank borrowings. The Group exposes to cash flow interest rate risk arising from financial liabilities bearing variable interest rate, and exposes to fair value interest rate risk arising from financial liabilities bearing fixed interest rate.

The Group determines the relative proportion of fixed interest rate contracts and variable interest rate contracts based on prevailing market environment. As of June 30th 2020, the Group's long-term interest-bearing debts bearing fixed interest rates were mainly Euro-denominated borrowing contracts bearing fixed interest rate with an amount of RMB 3,184,400,000.00 (Note (V), 32) (December 31st 2019: RMB 3,126,200,000.00)

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 variable interest rates, and have a significant adverse impact on the financial performance of the Group. The management will 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 first half of 2020 and the year of 2019.

At the end of the current reporting period, the amount of borrowings of the Group bearing variable interest rate is not significant, and the risk of changes in cash flow of financial instruments due to changes in interest rates is low. Therefore, no interest rate sensitivity analysis is conducted.

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 30th 2020, the largest credit risk exposure that may result in financial losses of the Group is mainly due to the loss of the Group's financial assets arising from the failure of the counterparty to perform its obligations, including: cash and bank balance (Note (V). 1), notes receivable (Note (5). 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-credit period 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 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, 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). 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, the Group regularly monitors the debtor's credit history. For debtors with poor credit history, the Group takes various measures such as written payment reminders to ensure that the Group's overall credit risk is maintained in a controllable range. For other receivables, the Group calculates the expected credit loss based on the expected credit loss ratio in the next 12 months or the entire duration based on the default risk exposure. For details of the relevant expected credit loss measurement, see (Note (V). 7).

The Group's risk exposure is distributed among multiple contractors and multiple customers, so the Group has no significant credit concentration risk.

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 For the reporting period from January 1st 2020 to June 30th 2020

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 th 2020				
	Within one year	1-5 years	More than five years	Total
Non-derivative financial liabilities				
Short-term borrowings	4,525,013,895.06	-	-	4,525,013,895.06
Notes payable	1,222,676,114.77	-	-	1,222,676,114.77
Accounts payable	7,297,949,959.60	-	-	7,297,949,959.60
Other payables	1,912,704,151.68	-	-	1,912,704,151.68
Other current liabilities	1,820,830,082.55	-	-	1,820,830,082.55
Other non-current liabilities	-	1,234,739,326.10	-	1,234,739,326.10
Long-term debt (including those due within one year)	213,723,739.03	4,181,705,960.60	1,018,616,196.30	5,414,045,895.93
Long-term payables (including those due within one year)	21,781,072.49	35,238,024.05	8,000,000.00	65,019,096.54
Derivative financial liabilities				
Forward foreign exchange contracts- settled in the gross amount				
- Cash inflow	350,411,284.74	-	-	350,411,284.74
- Cash outflow	359,362,399.51	-	-	359,362,399.51
- Net cash outflow	8,951,114.77	-	-	8,951,114.77

IX. Fair value disclosure

1. The financial assets and financial liabilities measured at fair value at the end of the reporting period

Unit: RMB

Items	Closing fair value			
	Level 1	Level 2	Level 3	Total
I. Continuous fair value measurement				
(I) Financial assets measured at fair value through profit and loss				
1. Held-for-trading Financial Assets				
-- Derivative financial assets	-	853,125.46	-	853,125.46
2. Other non-current financial assets	-	-	296,580,935.18	296,580,935.18
(II) Receivables for financing	-	1,183,573,810.59	-	1,183,573,810.59
Total assets measured continuously at fair value	-	1,184,426,936.05	296,580,935.18	1,481,007,871.23
(III) Financial liabilities measured at fair value through profit and loss				
1. Held-for-trading Financial Liabilities				
- Derivative financial liabilities	-	8,951,114.77	-	8,951,114.77
Total liabilities measured continuously at fair value	-	8,951,114.77	-	8,951,114.77

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 th 2020	Estimation technique	Inputs
Forward Foreign Exchange Contracts (Assets)	853,125.46	Discounted cash flow approach	Forward exchange rate Discounted rate that reflects the credit risk of counterparty
Forward Foreign Exchange Contracts (Liabilities)	(8,951,114.77)	Discounted cash flow approach	Forward exchange rate Discounted rate that reflects the credit risk of counterparty
Receivables for financing	1,183,573,810.59	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 th 2020	Valuation techniques	Inputs
Other non-current financial assets-- Investment in equity instruments of private companies	296,580,935.18	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 st 2020	312,398,267.44
Increase in the current reporting period	-
Decrease in the current reporting period	(2,800,000.00)
Changes in fair value booked into profit and loss during the current reporting period	(13,017,332.26)
Book value on June 30 th 2020	296,580,935.18

The total amount included in profit or loss in the first half of 2020 includes unrealized losses of RMB 13,017,332.26 (June 30th 2019: unrealized gains of RMB 2,153,238.50) related to financial assets measured at fair value at the end of the 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 period which were included in investment income in the current reporting period was RMB 150,000,000.00 (June 30th 2019: RMB 17,357,220.31).

5. Items measured at continuous fair value. There were no transfers between levels for the current reporting period. There was no estimation technique change for the current reporting period

6. Fair values of financial assets and financial liabilities that not measured at fair value

The Group's management believes that the carrying amounts of financial assets and financial liabilities stated in current assets and current liabilities in financial statements, which are not subsequently measured at fair values by the Group, approximate to their respective fair values.

The Group's financial assets which are not subsequently measured at fair values by the Group include long-term receivables, has insignificant difference between their book value and fair value.

The financial liabilities which are not subsequently measured at fair values by the Group include long-term borrowings, long-term payables, and other non-current liabilities, has insignificant difference between their book value and fair value.

X. Related parties and related-party transactions

1. Information on parent company of the Company

Name	Place of registration	Nature of business	Registered capital	Shareholding ratio of parent company in the Company (%)	Percentage of voting rights of parent company to the Company (%)
China Electronics Technology HIK Group Co., Ltd. (CETHIK)	Hangzhou, Zhejiang	Industrial investment	RMB 660 million	38.88	38.88

The ultimate controlling party of the Company is China Electronics Technology Group Co., Ltd. ("CETE").

2. Information on the subsidiaries of the Company

For details of the subsidiaries of the Company, see Note (VII).

3. Information on the joint ventures and associated companies of the Company

For details of the associates and joint ventures of the Company, see Note (V) 13.

Other joint ventures and associates that had related party transactions with the Group in the current reporting period, or in the prior periods and formed balances are as follows:

Name of the associates or joint ventures	Relationship with the Company
Wuhu Sensor Technology Co., Ltd. (Wuhu SensorTech)	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
Sanmenxia Xiaoyun Vision Technology Co., Ltd. (Xiaoyun Vision Technology)	Associated company
Jiixin Haishi JiaAn Zhicheng Technology Co., Ltd. (Haishi JiaAn)	Associated company
Daishan Hailai Yunzhi Technology Co., Ltd. (Daishan Hailai)	Joint venture
Zhejiang Haishi Huayue Digital Technology Co., Ltd. (Haishi Huayue)	Joint venture
Xuzhou Kangbo Urban Operation Management Service Co., Ltd. (Xuzhou Kangbo)	Joint venture
Qinghai Qingtang Big Data Co., Ltd. (Qinghai Qingtang)	Associated company

4. Information on other related parties

Name	Relationship
Gong Hongjia	Major shareholder and director of the company that holds more than 5% of the share of the Company
Shanghai Fullhan Microelectronics Co., Ltd. (Shanghai Fullhan Micro)	Gong Hongjia or his relative(s) serve(s) as the director(s)
Zhejiang Tuxun Technology Co., Ltd. (Zhejiang Tuxun)	The Group's senior management serve(s) as director(s) of this company (Note 1)
Confirmware Technology(Hangzhou) Co., Ltd. (Hangzhou Confirmware)	The Group's senior management serve(s) as director(s) of this company (Note 2)
Subsidiaries of CETE (Note 3)	Under common control of the ultimate controlling party of the Company
Shenzhen Wanyu Security Service Technology Co., Ltd. (Shenzhen Wanyu Security Service)	The Group's senior management serve(s) as director(s) of this company

Note 1: the senior management of the Group had left the post, and 2019 was one year after his departure, therefore, Zhejiang Tuxun was still identified as a related party of the Group in 2019, and was no longer recognized as a related party of the Company in the current reporting period.

Note 2: Due to the departure of the senior management of the Group, the current reporting period was within one year after he/she left the position, therefore, Hangzhou Confirmware was still recognized as a related party of the Group in the current reporting period.

Note 3: Subsidiaries of CETC, excluding Hikvision and its subsidiaries.

5. Related party transactions

(1) Related party transactions regarding sales and purchases of goods, provision of services and receiving services

Purchase of commodities / receiving of services:

Unit: RMB

Related party	Transaction type	Amount occurred in the first half of 2020	Amount occurred in the first half of 2019
Subsidiaries of CETE	Purchase of materials and receiving of services	323,746,490.02	101,307,210.65
Shanghai Fullhan Micro	Purchase of materials and receiving of services	118,628,840.93	142,526,819.64
Maxio Technology and its subsidiaries	Purchase of materials and receiving of services	19,810,600.40	7,445,856.29
Wuhu SensorTech	Purchase of materials and receiving of services	14,756,006.59	27,029,115.54
Zhiguang Hailian and its subsidiaries	Purchase of materials and receiving of services	135,782.26	-
Total		477,077,720.20	278,309,002.12

Sales of commodities / rendering of services:

Unit: RMB

Related party	Transaction content	Amount occurred in the first half of 2020	Amount occurred in the first half of 2019
Subsidiaries of CETE	Sales of products and rendering of services	101,516,082.64	259,100,324.49
Daishan Hailai	Sales of products and rendering of services	10,415,978.76	-
Haishi Jia'an	Sales of products and rendering of services	7,210,092.95	81,415.93
Zhiguang Hailian and its subsidiaries	Sales of products and rendering of services	7,162,512.65	320,293.75
Wuhu Sensor Tech	Sales of products and rendering of services	788,831.51	262,495.39
Xuzhou Kangbo	Sales of products and rendering of services	684,022.41	-
Haishi Huayue	Sales of products and rendering of services	654,410.58	-
Xiaoyun Vision Technology	Sales of products and rendering of services	518,530.99	5,973,121.16
Hangzhou Confirmware	Sales of products and rendering of services	297,876.12	23,854.33
Shenzhen Wanyu Security Service	Sales of products and rendering of services	198,230.06	-
Maxio Technology and its subsidiaries	Sales of products and rendering of services	106,463.72	-
Qinghai Qingtang	Sales of products and rendering of services	3,008.85	-
Zhejiang Tuxun	Sales of products and rendering of services	Not applicable	23,144.73
Total		129,556,041.24	265,784,649.78

Statement of capital deposits:

Unit: RMB

Related Party	Content of related party transaction	Amount occurred in the first half of 2020	Balance at the end of the current reporting period	Amount occurred in the first half of 2019	Opening Balance
Subsidiaries of CETE (Note)	Deposit into fixed deposits	-	4,000,000,000.00	-	4,000,000,000.00
Total		-	4,000,000,000.00	-	4,000,000,000.00

Note: the fixed deposits and call 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

Pursuant to resolution of the Company’s 7th meeting of the fourth session of the Board of Directors held on December 3rd 2018, the Group’s subsidiary Hangzhou Hikmicro signed a financial leasing contract with a subordinate company of CETC, HikMicro will carry out sale and leaseback business of part of its self-owned equipment with the CETC’s subordinate company. The new financing amount in 2019 was RMB 70 million, with lease term of 48 months, and the annual lease rate is 3.8%. In the first half of 2020, the relevant rent paid was RMB 7,211,993.57.

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	Bad debt provision	Carrying balance	Bad debt provision
Accounts receivable	Subsidiaries of CETE	705,277,676.44	92,470,970.59	761,252,308.57	54,524,384.59
Accounts receivable	Xiaoyun Vision Technology	7,482,517.21	316,510.48	6,896,577.22	382,760.04
Accounts receivable	Wuhu Sensor Tech	4,682,120.12	198,053.68	4,486,674.99	249,010.46
Accounts receivable	Zhiguang Hailian and its subsidiaries	4,512,230.97	27,541.51	4,270,910.00	47,006.81
Accounts receivable	Haishi JiaAn	8,326,716.84	112,039.28	541,468.80	21,296.76
Accounts receivable	Maxio Technology and its subsidiaries	100,510.00	2,023.10	158,025.60	1,295.81
Accounts receivable	Zhejiang Tuxun	Not Applicable		130,838.99	1,072.88
Accounts receivable	Hangzhou Confirmware	136,600.00	833.26	-	-
Accounts receivable	Daishan Hailai	9,688,415.97	209,802.43	-	-
Accounts receivable	Haishi Huayue	739,484.00	31,280.17	-	-
Total		740,946,271.55	93,369,054.50	777,736,804.17	55,226,827.35
Notes receivable	Subsidiaries of CETE (Note)	122,889,807.70	-	162,553,909.93	-
Notes receivable	Zhiguang Hailian and its subsidiaries	2,137,744.00	-	244,719.00	-
Total		125,027,551.70	-	162,798,628.93	-

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

Item	Related Party	Closing balance		Opening balance	
		Carrying balance	Bad debt provision	Carrying balance	Bad debt provision
Receivables for financing	Subsidiaries of CETE	6,513,782.05	-	-	-
Total		6,513,782.05	-	-	-
Other receivables	Wuhu Sensor Tech	84,649.61	372.46	-	-
Total		84,649.61	372.46	-	-
Long-term receivables	Subsidiaries of CETE	74,262,466.35	854,427.29	20,000,000.00	164,000.00
Total		74,262,466.35	854,427.29	20,000,000.00	164,000.00
Prepayments	Subsidiaries of CETE	917,221.82	-	1,399,872.38	-
Total		917,221.82	-	1,399,872.38	-

Note: Among them, the RMB 20,877,611.05 (2019: RMB 32,697,400.57) notes receivable are the acceptance bills of which the drawer is the related party, and the former endorsers are unrelated third parties.

(2) Payables to related parties

Unit: RMB

Item	Related Party	Closing balance	Opening balance
Accounts payable	Subsidiaries of CETE	167,179,676.71	226,498,160.40
Accounts payable	Shanghai Fullhan Micro	11,528,375.54	143,284,053.29
Accounts payable	Maxio Technology and its subsidiaries	70,125.02	12,763,683.98
Accounts payable	Wuhu Sensor Tech	1,985,947.03	9,203,484.14
Total		180,764,124.30	391,749,381.81
Notes Payable	Subsidiaries of CETE	15,764,013.94	13,054,828.27
Notes Payable	Shanghai Fullhan Micro	21,535,491.00	7,110,446.00
Total		37,299,504.94	20,165,274.27
Contract liabilities	Subsidiaries of CETE	5,487,710.31	7,172,635.75
Contract liabilities	Xuzhou Kangbo	33,129.88	-
Total		5,520,840.19	7,172,635.75
Other payables	Subsidiaries of CETE	54,819,638.40	56,022,589.40
Other payables	Shanghai Fullhan Micro	100,000.00	100,000.00
Other payables	Wuhu Sensor Tech	51,200.00	51,200.00
Total		54,970,838.40	56,173,789.40
Non-current liabilities due within one year	Subsidiaries of CETE	18,100,154.66	14,601,376.90
Long-term payables	Subsidiaries of CETE	32,447,444.95	41,213,376.82
Total		50,547,599.61	55,814,753.72

XI. Share-based payments
1. Overview of share-based payments

According to the *Approval of the Implementation of the Restrictive Share Incentive Scheme of Hangzhou Hikvision Digital Technology Co., Ltd.* (关于杭州海康威视数字技术股份有限公司实施限制性股票激励计划的批复) (Guo Zi Fen Pei

[2012] No. 426) issued by the State-owned Assets Supervision and Administration Commission of the State Council and the *Opinion the Restrictive Share Incentive Scheme of Hangzhou Hikvision Digital Technology Co., Ltd.* (关于杭州海康威视数字技术股份有限公司限制性股票激励计划的意见) (Shang Shi Bu Han [2012] No. 353) issued by China Securities Regulatory Commission, the Company convened the ninth meeting of the second session of the Board of Directors on July 25th 2012 and the first extraordinary general meeting for 2012 on August 13th 2012, whereat the Proposal Relating to the Restrictive Share Scheme (Amendments to the Draft) of the Company and Highlights was reviewed and passed. The purpose of the Share Incentive Scheme is to: further improve the Company's governance structure to establish a good and balanced value allocation system; establish a profit-sharing and restriction mechanism among shareholders, the Company and its employees, so as to provide shareholders with sustainable return; fully mobilize the positivity of core employees to support the Company in realizing its strategies and long-term sustainable development; attract and retain core employees to ensure the Company's long-term development.

The Scheme shall be effective for a term of 10 years commencing from the date of approval by general meeting of the Company, during which the Company may grant restricted shares to grantees under the Scheme. In principle, each grant should be at an interval of two years. After the expiry of the Scheme, no restricted shares could be granted to grantees under the Scheme. However, all the provisions of the Scheme remain valid to the restricted shares granted under the Scheme.

The total number of subject Shares related to the Restricted Shares granted under the Scheme (excluding lapsed restricted shares) and the total number of subject Shares related to other effective share incentive schemes of the Company (if any) in aggregate shall not exceed 10% of the total issued share capital of the Company. Unless approval is obtained at the general meeting by way of special resolution, the total number of Restricted Shares granted or to be granted to any Participant under this Scheme or other effective share incentive schemes of the Company (if any) in aggregate shall not exceed 1% of the total issued share capital of the Company.

The grant price for restricted shares, being the purchase price by staff, shall be determined by the Board of Directors. The grant price shall not be lower than 50% of the following price, whichever is the highest:

- (I) The closing price of the subject shares of the Company for one trading day prior to publication of the summary Share Incentive Scheme draft;
- (II) The average closing price of the subject shares of the Company for 30 trading days prior to publication of the summary Share Incentive Scheme draft;
- (III) The average price of the subject shares of the Company for 20 trading days prior to publication of the summary Share Incentive Scheme draft; or
- (IV) The unit nominal value of the subject shares of the Company.

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 October 24th 2014, after consideration and approval by the general meeting, the Company granted 52,910,082 restricted shares to grantees at a grant price of RMB 9.25 per share ("2014 Share Incentive Scheme"). The Lock-up Period of the Subject Shares shall last for a period of 24 months commencing on the grant date, during which the Subject Shares granted to grantees under the scheme shall be subject to lock-up and shall not be transferable. The Unlocking Period shall be the 24 to 60 months following the grant of restricted shares (including Lock-up Period), during which grantees may, subject to unlocking conditions stipulated by the scheme being satisfied, apply for unlocking in 3 tranches: the first unlocking period shall be the 24 to 36 months following the grant date and the number of shares to be unlocked shall be 40% of the aggregate number of the Subject Shares granted; the second unlocking period shall be the 36 to 48 months following the grant date and the number of shares to be unlocked shall be 30% of the aggregate number of the Subject Shares granted; the third unlocking period shall be the 48 to 60 months following the grant date and the number of shares to be unlocked shall be 30% of the aggregate number of the Subject Shares granted. As of December 31st 2019, the restricted stock granted in 2014 has all vested.

On December 23rd 2016, after consideration and approval by the general meeting, the Company granted 52,326,858 restricted shares to grantees at a grant price of RMB 12.63 per share ("2016 Share Incentive Scheme"). The Lock-up Period of the Subject Shares shall last for a period of 24 months commencing on the grant date, during which the Subject

Shares granted to grantees under the scheme shall be subject to lock-up and shall not be transferable. The Unlocking Period shall be the 24 to 60 months following the grant of restricted shares (including Lock-up Period), during which grantees may, subject to unlocking conditions stipulated by the scheme being satisfied, apply for unlocking in 3 tranches: the first unlocking period shall be the 24 to 36 months following the grant date and the number of shares to be unlocked shall be 40% of the aggregate number of the Subject Shares granted; the second unlocking period shall be the 36 to 48 months following the grant date and the number of shares to be unlocked shall be 30% of the aggregate number of the Subject Shares granted; the third unlocking period shall be the 48 to 60 months following the grant date and the number of shares to be unlocked shall be 30% of the aggregate number of the Subject Shares granted.

On December 20th 2018, authorized by the 2nd extraordinary general meeting of 2018 and reviewed by the board of directors, the Company granted 121,195,458 restricted shares to grantees at a grant price of RMB 16.98 per share ("2018 Share Incentive Scheme"). The Lock-up Period of the Subject Shares shall last for a period of 24 months commencing on the grant date, during which the Subject Shares granted to grantees under the scheme shall be subject to lock-up and are not transferable. The Unlocking Period shall be the 24 to 60 months following the grant of restricted shares (including Lock-up Period), during which grantees may, subject to unlocking conditions stipulated by the scheme being satisfied, apply for unlocking in 3 tranches: the first unlocking period shall be the 24 to 36 months following the grant date and the number of shares to be unlocked shall be 40% of the aggregate number of the Subject Shares granted; the second unlocking period shall be the 36 to 48 months following the grant date and the number of shares to be unlocked shall be 30% of the aggregate number of the Subject Shares granted; the third unlocking period shall be the 48 to 60 months following the grant date and the number of shares to be unlocked shall be 30% of the aggregate number of the Subject Shares granted. The Company has completed the equity registration work in January 2019.

Unit: share

2016 Share Incentive Scheme	First half of 2020	2019
Total of equity instruments outstanding at the beginning of the reporting period	21,974,740	45,404,512
Total of equity instruments granted during the current reporting period	-	-
Total of equity instruments vested during the current reporting period	-	21,836,266
Total of equity instruments forfeited during the current reporting period (Note)	-	1,593,506
Total of equity instruments outstanding at the end of the reporting period	21,974,740	21,974,740
The exercise price (ex-rights) of the outstanding Share-based payments of the Company at the end of the reporting period and the remaining period of the contract	RMB 8.42 per share & 18 months	RMB 8.42 per share & 24 months

Note: On December 24th 2019, authorized by the Company's second extraordinary shareholders' meeting in 2016 and according to the resolutions and the revised articles of association of the 14th meeting of the fourth board of directors, the Company repurchased and cancelled the granted but not yet unlocked 1,593,506 restricted RMB treasury shares in cash. As of the reporting date, the Company has not completed the equity registration procedures.

Unit: share

2018 Share Incentive Scheme	First half of 2020	2019
Total of equity instruments outstanding at the beginning of the reporting period	121,195,458	121,195,458
Total of equity instruments granted (share dividend) during the current reporting period	-	-
Total of equity instruments vested during the current reporting period	-	-
Total of equity instruments forfeited during the current reporting period	-	-
Total of equity instruments outstanding at the end of the reporting period	121,195,458	121,195,458
The exercise price (ex-rights) of the outstanding Share-based payments of the Company at the end of the reporting period and the remaining period of the contract	RMB 16.98 per share & 42 months	RMB 16.98 per share & 48 months

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

2. Information of the share-based payment through equity settlements

Unit: RMB

	2014 Share Incentive Scheme	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	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 release period	Determined based on the results estimation of each release period
Reasons of the significant difference between the estimates of the current reporting period with that of the prior year	None	None	None
Accumulative amount of share-based payment through equity settlement and further included in the capital reserve	363,191,911.52	334,961,272.80	678,315,828.99
Total amount of the expenses recognized according to share-based payment through equity settlement in the current reporting period	-	13,884,678.00	467,284,237.75

3. There is no share-based payment through cash settlements

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	10,570,008	10,905,300
- Commitment on external investments	300,000	550,000
Total	10,870,008	11,455,300

(2) Operating lease commitments

As of the balance sheet date, the Group had the following external commitments in respect of non-cancellable operating leases:

Unit: RMB'000

	Closing balance	Opening balance
Minimum lease payments under non-cancellable operating leases:		
First year subsequent to the balance sheet date	184,825	235,585
Second year subsequent to the balance sheet date	110,078	154,430
Third year subsequent to the balance sheet date	60,986	92,851
Subsequent years	84,392	129,063
Total	440,281	611,929

(3) As of June 30th 2020, the Group has no other significant commitments need to be disclosed.

2. Contingencies

The Group has no significant contingencies to be disclosed.

XIII. Events after the balance sheet date

1. Significant unadjusted events

1.1 Assessment of the impact of the COVID-19 epidemic

In January 2020, the outbreak of COVID-19 Epidemic (the “Epidemic”) broke out across China, which had an adverse impact on the macro-economic conditions. The Group expects that the Epidemic may have certain impact on future sales, collection of accounts receivable, borrowings and etc., while the degree of which will depend on the progress and duration of global Epidemic prevention and control as well as the implementation of prevention and control policies in various places. As of the approval date of the financial statements disclosure, the epidemic situation in China has been basically controlled, and the order of production and life has been basically restored. However, the situation of epidemic prevention and control in some overseas regions is still severe, and the Group will closely monitor the development of epidemic situation, continue to assess and respond to the possible impact of the epidemic situations on the Group’s performance and operations.

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 product or business segments

Unit: RMB

Item		The first half of 2020	
		Operating income	Operating cost
Video Surveillance	Front-end equipment	12,125,236,914.65	4,828,656,372.00
	Back-end equipment	2,404,613,230.54	1,254,053,775.83
	Central control equipment	3,421,976,609.49	1,827,320,658.46
	Construction contract	300,094,975.52	235,236,267.84
	Other	3,508,460,773.13	2,506,581,933.99
Innovative Business	Smart home business	1,179,170,706.81	741,575,630.80
	Robotic business	542,724,420.13	271,967,778.00
	Other innovative business	788,881,613.49	528,327,528.46
Total		24,271,159,243.76	12,193,719,945.38

Unit: RMB

Item		The first half of 2019	
		Operating income	Operating cost
Video Surveillance	Front-end equipment	11,399,609,062.38	5,514,282,317.87
	Back-end equipment	3,196,070,064.43	1,622,327,866.91
	Central control equipment	3,486,737,083.16	1,549,258,451.92
	Construction contract	477,564,284.57	348,868,121.15
	Other	3,575,048,602.41	2,714,505,626.31
Innovative Business	Smart home business	1,139,058,349.43	699,890,662.72
	Robotic business	370,499,077.30	179,227,186.56
	Other innovative business	278,686,900.82	212,146,100.24
Total		23,923,273,424.50	12,840,506,333.68

External revenue by geographical area & non-current assets by geographical location

Unit: RMB

Item	The first half of 2020	The first half of 2019
External revenue generated in domestic area	16,728,998,825.16	16,980,210,416.78
External revenue generated in overseas area	7,542,160,418.60	6,943,063,007.72
Total	24,271,159,243.76	23,923,273,424.50

Unit: RMB

Item (Note)	At June 30 th 2020	At January 1 st 2020
Non-current assets in domestic area	9,068,008,660.19	8,401,009,239.65
Non-current assets in overseas area	421,622,006.08	294,697,597.55
Total	9,489,630,666.27	8,695,706,837.20

Note: the non-current assets above did not include other non-current financial assets, long-term receivables, long-term equity investment, and deferred tax assets.

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

XV. Notes to major items of financial statements of the parent company

1. Accounts receivable

(1) Disclosure by age

Unit: RMB

Aging	Closing Balance		
	Accounts receivable	Bad debt provision	Proportion (%)
Within credit period	8,813,221,234.86	7,895,095.09	0.09
Within 1 year after exceeding credit period	18,774,666,701.65	88,337,789.67	0.47
1-2 years after exceeding credit period	420,298,480.39	85,826,033.37	20.42
2-3 years after exceeding credit period	96,794,473.49	50,710,624.66	52.39
3-4 years after exceeding credit period	35,900,248.04	25,521,633.00	71.09
Over 4 years after exceeding credit period	97,221,459.99	97,221,459.99	100.00
Subtotal	28,238,102,598.42	355,512,635.78	1.26

(2) Classification and disclosure of by bad debt provision methods

Unit: RMB

Category	Closing balance					Opening balance				
	Carrying balance		Bad debt provision		Book value	Carrying balance		Bad debt provision		Book value
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Amount	Percentage (%)	Amount	Percentage (%)	Amount
Provision for bad debts on a single basis	-	-	-	-	-	-	-	-	-	-
Provision for bad debts by portfolios	28,238,102,598.42	100	355,512,635.78	1.26	27,882,589,962.64	25,454,740,943.40	100	346,775,018.32	1.36	25,107,965,925.08
Total	28,238,102,598.42	100	355,512,635.78	1.26	27,882,589,962.64	25,454,740,943.40	100	346,775,018.32	1.36	25,107,965,925.08

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

Accounts receivable provision for bad debts by portfolios

Unit: RMB

Customer	Closing balance		
	Carrying balance	Bad debt provision	Proportion (%)
Subsidiaries' customers	24,203,087,503.31	-	-
Portfolio A	3,729,392.28	216,083.49	5.79
Portfolio B	4,031,062,606.54	355,073,456.00	8.81
Portfolio C	223,096.29	223,096.29	100.00
Total	28,238,102,598.42	355,512,635.78	1.26

Description of accounts receivable for bad debt 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.

(3) Bad debt provision

The provision for bad debts in the current reporting period is RMB 8,732,007.47.

There was no significant recollection or reversal of bad debt provision during the current reporting period.

(4) Top five debtors based on corresponding closing balance of account receivables

Unit: RMB

Name of the Party	Relationship with the Company	Book value balance of accounts receivable	Closing balance for bad debt provision	Proportion (%)
Subsidiary A	Subsidiary	24,143,433,132.08	-	85.50
Company A	Related party	176,545,416.37	14,067,406.80	0.63
Company B	Third party	63,829,643.35	2,128,516.24	0.23
Company C	Third party	55,596,998.23	1,588,520.88	0.20
Company D	Third party	35,331,789.82	4,011,666.29	0.13
Total		24,474,736,979.85	21,796,110.21	86.69

(5) As of June 30th 2020, there is no termination of accounts receivable booking due to transfer of a financial asset.

(6) As of June 30th 2020, the Company has no assets/liabilities booked due to transferred accounts receivable that the Group still continue to be involved in.

2. Other receivables

2.1 By categories

Unit: RMB

Category	Closing balance	Opening Balance
Dividends receivable	-	2,550,000.00
Other receivables	1,488,158,636.58	918,725,388.15
Total	1,488,158,636.58	921,275,388.15

2.2 Dividends receivable

Unit: RMB

Invested company	Closing balance	Opening Balance
Subsidiaries of CETE	-	2,550,000.00
Total	-	2,550,000.00

2.3 other receivables

(1) Other receivables by aging

Unit: RMB

Item	Closing Balance		
	Other receivables	Bad debt provision	Proportion (%)
Within credit period	1,419,056,233.01	1,052,778.21	0.07
Within 1 year after exceeding credit period	46,056,765.28	2,548,807.71	5.53
1-2 years after exceeding credit period	15,416,651.97	1,637,937.77	10.62
2-3 years after exceeding credit period	16,169,023.05	5,137,292.28	31.77
3-4 years after exceeding credit period	3,733,418.21	1,896,638.97	50.80
Over 4 years after exceeding credit period	3,025,243.27	3,025,243.27	100.00
Subtotal	1,503,457,334.79	15,298,698.21	1.02

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

(2) Other receivables by nature of the payment

Unit: RMB

Nature	Closing balance	Opening balance
Payments by related parties within the Group	1,185,213,157.61	678,798,902.79
Temporary payments for receivables	212,442,107.55	196,954,698.49
Guarantee deposit	52,811,631.20	45,527,954.39
Acquisition of asset group	49,885,056.06	-
Others	3,105,382.37	7,240,271.59
Total	1,503,457,334.79	928,521,827.26

(3) Provision for bad debts

The provision for bad debts in the current reporting period is RMB 5,502,259.10.

There was no significant recollection or reversal of bad debt provision during the current reporting period.

(4) The actual write-off of other receivables in the current reporting period was nil.

(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 bad debt provision
Subsidiary B	Subsidiary	Internal Payment	458,831,401.49	Within credit period	30.52	-
Subsidiary C	Subsidiary	Internal Payment	268,229,108.63	Within credit period	17.84	-
Subsidiary D	Subsidiary	Internal Payment	135,962,113.29	Within credit period	9.04	-
Subsidiary E	Subsidiary	Internal Payment	91,688,306.80	Within credit period	6.10	-
Subsidiary F	Subsidiary	Internal Payment	72,841,062.51	Within credit period	4.84	-
Total			1,027,551,992.72		68.34	-

(6) At the end of the current reporting period, the Company had no other receivables involving government subsidies.

(7) At the end of the current reporting period, there were no other receivables derecognized due to the transfer of financial assets.

(8) At the end of the current reporting period, there were no assets or liabilities formed by continuing involvement in transferred other receivables

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

3. Long-term equity investment

Unit: RMB

Item	Closing Balance			Opening Balance		
	Carrying Balance	Provisions	Book Value	Carrying Balance	Provisions	Book Value
Investment in subsidiaries	5,465,142,950.49	-	5,465,142,950.49	4,878,400,682.40	-	4,878,400,682.40
Investments in associated enterprises and joint ventures	469,088,397.15	-	469,088,397.15	195,617,348.04	-	195,617,348.04
Total	5,934,231,347.64	-	5,934,231,347.64	5,074,018,030.44	-	5,074,018,030.44

(1) Investment in subsidiaries

Unit: RMB

Name of investee	Opening balance	Increase during the current reporting period	Decrease during the current reporting period	Closing balance	Write-off of impairment provision during the current reporting period	Balance of impairment loss provision at the end of the current reporting period
Hangzhou Hikvision System Technology Co., Ltd.	776,276,512.41	52,814,104.72	-	829,090,617.13	-	-
Hangzhou Hikvision Security Equipment Leasing Services Co., Ltd.	200,000,000.00	-	-	200,000,000.00	-	-
Shanghai Goldway Intelligent Traffic System Co., Ltd.	23,000,000.00	-	-	23,000,000.00	-	-
Chongqing Hikvision System Technology Co., Ltd.	700,000,000.00	-	-	700,000,000.00	-	-
Hundure Technology (Shanghai) Co., Ltd.	37,247,790.28	-	-	37,247,790.28	-	-
Hangzhou EZVIZ Network Co., Ltd.	9,150,235.55	49,640,713.23	-	58,790,948.78	-	-
Hangzhou Haikang Zhicheng Investment and Development Co.,	24,000,000.00	-	-	24,000,000.00	-	-

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

Name of investee	Opening balance	Increase during the current reporting period	Decrease during the current reporting period	Closing balance	Write-off of impairment provision during the current reporting period	Blance of impairment loss provision at the end of the current reporting period
Ltd.						
Hangzhou Hikrobot Technology Co., Ltd.	123,598,406.81	11,653,016.37	-	135,251,423.18	-	-
Hangzhou Hikvision Investment Management Co., Ltd.	100,000.00	-	-	100,000.00	-	-
Hangzhou HikAuto Technology Co., Ltd.	183,723,427.59	1,578,926.10	-	185,302,353.69	-	-
Hangzhou Hikvision Communication Technology Co., Ltd.	7,000,000.00	-	-	7,000,000.00	-	-
Hangzhou Hikmicro Sensing Technology Co., Ltd.	120,513,668.74	61,137,409.40	-	181,651,078.14	-	-
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	-	-

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

Name of investee	Opening balance	Increase during the current reporting period	Decrease during the current reporting period	Closing balance	Write-off of impairment provision during the current reporting period	Blance of impairment loss provision at the end of the current reporting period
Hikvision Colombia SAS	1,337,440.00	-	-	1,337,440.00	-	-
Hikvision Kazakhstan limited liability partnership	4,758.69	-	-	4,758.69	-	-
Hikvision Turkey Technology And Security Systems Commerce Corporation	1,148,115.83	-	-	1,148,115.83	-	-
Chongqing Hikvision Technology Co., Ltd.	100,541,006.38	1,197,942.68	-	101,738,949.06	-	-
Hikvision USA, Inc.	1,546,160.00	-	-	1,546,160.00	-	-
Hikvision Canada, Inc.	994,442.54	-	-	994,442.54	-	-
Henan Hua'An Bao Quan Intelligent Development Co., Ltd.	67,475,000.00	30,859,200.00	-	98,334,200.00	-	-
Henan Haikang Hua'An Bao Quan Electronics Co., Ltd.	510,000.00	33,430,800.00	-	33,940,800.00	-	-
Hangzhou Hikvision Technology Co., Ltd.	1,034,004,725.85	24,485,609.25	-	1,058,490,335.10	-	-
Hangzhou Hikvision Electronics Co., Ltd.	401,092,310.36	7,465,908.74	-	408,558,219.10	-	-
Wuhan HikStorage Technology Co., Ltd.	60,869,464.15	-	-	60,869,464.15	-	-
Chengdu Hikvision Digital Technology Co., Ltd.	300,000,000.00	-	-	300,000,000.00	-	-
Hangzhou HikAuto Software Co., Ltd.	5,483,004.52	6,996,457.16	-	12,479,461.68	-	-
Hangzhou Haikang Intelligent Technology Co., Ltd.	2,726,015.34	4,546,509.92	-	7,272,525.26	-	-
Hangzhou EZVIZ Software Co., Ltd.	12,535,758.31	15,793,218.66	-	28,328,976.97	-	-

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

Name of investee	Opening balance	Increase during the current reporting period	Decrease during the current reporting period	Closing balance	Write-off of impairment provision during the current reporting period	Blance of impairment loss provision at the end of the current reporting period
LLC Hikvision Tashkent	833,014.00	-	-	833,014.00	-	-
Xi'An Hikvision Digital Technology Co., Ltd.	75,000,000.00	-	-	75,000,000.00	-	-
Wuhan Hikvision Technology Co., Ltd.	12,600,000.00	-	-	12,600,000.00	-	-
Wuhan Hikvision Science and Technology Co., Ltd.	65,250,000.00	-	-	65,250,000.00	-	-
Hangzhou Hikmed Technology Co., Ltd.	48,769,806.64	1,704,571.84	-	50,474,378.48	-	-
Guizhou Haikang Transportation Big Data Co., Ltd.	16,500,000.00	5,500,000.00	-	22,000,000.00	-	-
Xinjiang CET Yihai Information Technology Co., Ltd.	24,000,000.00	-	-	24,000,000.00	-	-
Nanjing Hikvision Digital Technology Co., Ltd.	35,000,000.00	-	-	35,000,000.00	-	-
Hangzhou Kuangxin Technology Co., Ltd.	112,000,000.00	-	-	112,000,000.00	-	-
Zhengzhou Hikvision Digital Technology Co., Ltd.	55,000,000.00	-	-	55,000,000.00	-	-
Nanchang Hikvision Digital Technology Co., Ltd.	20,000,000.00	60,000,000.00	-	80,000,000.00	-	-
Hikvision Digital Technology (Shanghai) Co., Ltd.	80,000,000.00	-	-	80,000,000.00	-	-
Hefei Hikvision Digital Technology Co., Ltd.	35,000,000.00	-	-	35,000,000.00	-	-
Tianjin Hikvision Information Technology Co., Ltd.	50,000,000.00	-	-	50,000,000.00	-	-
Ningbo Hikvision Parking System Operation Co., Ltd.	35,000,000.00	-	-	35,000,000.00	-	-
Hikvision Peru Closed Stock Company	1,598,042.50	-	-	1,598,042.50	-	-
Hangzhou HikStorage Technology Co., Ltd.	173,892.83	2,310,290.48	-	2,484,183.31	-	-

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

Name of investee	Opening balance	Increase during the current reporting period	Decrease during the current reporting period	Closing balance	Write-off of impairment provision during the current reporting period	Blance of impairment loss provision at the end of the current reporting period
Shijiazhuang Hikvision Technology Co., Ltd.	-	45,000,000.00	-	45,000,000.00	-	-
Fuzhou Hikvision Digital Technology Co., Ltd.	-	50,000,000.00	-	50,000,000.00	-	-
Hangzhou Hikfire Technology Co., Ltd.	-	60,627,589.54	-	60,627,589.54	-	-
Hangzhou Rayin Technology Co., Ltd.	-	60,000,000.00	-	60,000,000.00	-	-
Total	4,878,400,682.40	586,742,268.09	-	5,465,142,950.49	-	-

(2) Inestments in associated enterprises and joint ventures

Unit: RMB

Name of investee	Opening balance	Increase/Decrease during the current reporting period								Closing Balance	Blance of impairment loss provision at the end of the current reporting period
		Additional Investments	Reduce Investments	Investment income recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declared cash dividends or profits	Provision for impairment	Others		
1. Joint Ventures											
Hangzhou Haikang Intelligent Industry Equity Investment Fund Partnership (Limited Partnership)	50,000,000.00	250,000,000.00	-	2,571,332.72	-	-	-	-	-	302,571,332.72	-
Daishan Hailai Yunzhi Technology Co., Ltd.	13,320,000.00	-	-	(127,149.41)	-	-	-	-	-	13,192,850.59	-

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

Name of investee	Opening balance	Increase/Decrease during the current reporting period								Closing Balance	Blance of impairment loss provision at the end of the current reporting period
		Additional Investments	Reduce Investments	Investment income recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declared cash dividends or profits	Provision for impairment	Others		
Zhejiang Haishi Huayue Digital Technology Co., Ltd.	-	10,200,000.00	-	23,214.14	-	-	-	-	-	10,223,214.14	-
Xuzhou Kangbo Urban Operation Management Service Co., Ltd.	-	4,900,000.00	-	(273.88)	-	-	-	-	-	4,899,726.12	-
Subtotal	63,320,000.00	265,100,000.00	-	2,467,123.57	-	-	-	-	-	330,887,123.57	-
2. Associated Enterprises											
Wuhu Sensor Tech Intelligent Technology Co., Ltd.	48,420,966.46	-	-	(1,006,663.84)	-	-	-	-	-	47,414,302.62	-
Maxio Technology (Hangzhou) Co., Ltd.	65,397,927.02	-	-	(5,914,862.82)	-	-	-	-	-	59,483,064.20	-
Zhiguang Hailian Big Data Technology Co., Ltd.	8,684,859.27	10,000,000.00	-	913,298.13	-	-	-	-	-	19,598,157.40	-
Qinghai Qingtang Big Data Co., Ltd.	9,793,595.29	-	-	58,897.93	-	-	-	-	-	9,852,493.22	-
Shenzhen Hikvision Urban Service Operation Co., Ltd.	-	2,000,000.00	-	(146,743.86)	-	-	-	-	-	1,853,256.14	-
Subtotal	132,297,348.04	12,000,000.00	-	(6,096,074.46)	-	-	-	-	-	138,201,273.58	-

Notes to Financial Statements

For the reporting period from January 1st 2020 to June 30th 2020

Name of investee	Opening balance	Increase/Decrease during the current reporting period								Closing Balance	Blance of impairment loss provision at the end of the current reporting period
		Additional Investments	Reduce Investments	Investment income recognized under the equity method	Other comprehensive income adjustment	Other changes in equity	Declared cash dividends or profits	Provision for impairment	Others		
Total	195,617,348.04	277,100,000.00	-	(3,628,950.89)	-	-	-	-	-	469,088,397.15	-

(3) As of June 30th 2020, there were no restrictions on the capability of transferring fund to the Company from investees in which the Company held long-term equity investment.

Notes to Financial Statements

 For the reporting period from January 1st 2020 to June 30th 2020

4. Operating income and operating cost

Unit: RMB

Item	First half of 2020		First half of 2019	
	Income	Cost	Income	Cost
Operating income	10,618,881,901.13	2,861,919,283.95	8,967,800,195.36	2,954,372,023.48
Other operating income	965,386,184.10	60,087,713.53	1,466,443,783.23	125,408,625.44
Total	11,584,268,085.23	2,922,006,997.48	10,434,243,978.59	3,079,780,648.92

5. Investment income

(1) Details of investment income

Unit: RMB

Item	First half of 2020	First half of 2019
Long-term equity investment income (losses) calculated by cost method	(2,550,000.00)	1,400,000.00
Long-term equity investment losses measured by equity method	(3,628,950.89)	(2,874,991.72)
Investment income of other non-current financial assets during the holding period	150,000,000.00	17,357,220.31
Investment income from disposal of asset group	48,884,954.09	-
Investment income from disposal of long-term equity investments	-	0.56
Investment income from disposal of held-for-trading financial assets	-	1,168,699.00
Total	192,706,003.20	17,050,928.15

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	21,554.99	/
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)	215,000,303.92	/
Net profit or loss of the subsidiary from the beginning of the reporting period to the merger date, for business combination involving enterprises under common control	-	/
Held- for-trading financial assets, profits and losses from change in fair value of held-for-trading financial liabilities, and investment income from disposal of held-for-trading financial assets and liabilities and available-for-sale financial assets excluding the effective hedging business related to the regular business operation of the Company	(11,274,009.71)	/
Other non-operating income and expense except the items mentioned above	20,025,782.33	/
Impact of income tax	(51,090,433.75)	/

Notes to Financial Statements

For the reporting period from January 1st 2020 to June 30th 2020

Item	Amount	Description
The impact of minority equity	(12,208,744.59)	/
Total	160,474,453.19	/

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	9.75%	0.493	0.493
Net profit excluding non-recurring items of profit or loss attributable to ordinary shareholders of the Company	9.41%	0.476	0.476

Section XII 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 XIII 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

(1) Reception of research activities during the reporting period.

Time of reception	Location of reception	Method of reception	Type of reception object	Index of basic situation of the research
From December 23 rd 2019 to January 3 rd 2020	Headquarters meeting room of the Company	Site Research and telephone communication	Institutional investors	CNINF, <i>Investor Relations Activity Record: From December 23rd 2019 to January 3rd 2020</i>
From January 6 th 2020 to January 17 th 2020	Headquarters meeting room of the Company	Site Research and telephone communication	Institutional investors	CNINF, <i>Investor Relations Activity Record: From January 6th 2020 to January 17th 2020</i>
From February 10 th 2020 to February 21 st 2020	Headquarters meeting room of the Company	Telephone communication	Institutional investors	CNINF, <i>Investor Relations Activity Record: From February 10th 2020 to February 21st 2020</i>
From February 24 th 2020 to March 6 th 2020	Headquarters meeting room of the Company	Telephone communication	Institutional investors	CNINF, <i>Investor Relations Activity Record: From February 24th 2020 to March 6th 2020</i>
From March 9 th 2020 to March 25 th 2020	Headquarters meeting room of the Company	Telephone communication	Institutional investors	CNINF, <i>Investor Relations Activity Record: From March 9th 2020 to March 25th 2020</i>
April 25 th 2020	Headquarters meeting room of the Company	Performance result conference call	Institutional investors; individuals	CNINF, <i>Investor Relations Activity Record: April 25th 2020</i>
April 27 th 2020 to May 9 th 2020	Headquarters meeting room of the Company	Telephone communication	Institutional investors	CNINF, <i>Investor Relations Activity Record: From April 27th 2020 to May 9th 2020</i>
May 11 th 2020 to May 22 nd 2020	Headquarters meeting room of the Company	Site Research and telephone communication	Institutional investors	CNINF, <i>Investor Relations Activity Record: From May 11th 2020 to May 22nd 2020</i>
May 23 rd 2020 to June 5 th	Headquarters	Site Research and	Institutional	CNINF, <i>Investor Relations Activity Record: From</i>

Time of reception	Location of reception	Method of reception	Type of reception object	Index of basic situation of the research
2020	meeting room of the Company	telephone communication	investors	May 23 rd 2020 to June 5 th 2020
June 8 th 2020 to June 24 th 2020	Headquarters meeting room of the Company	Site Research and telephone communication	Institutional investors	CNINE, Investor Relations Activity Record: From June 8 th 2020 to June 24 th 2020

(2) Participation of conferences for investor relationship activities during the reporting period.

Time of conference	Location	Conference Name	Type of reception object	Method of reception
January 2020	Beijing	Morgan Stanley 2020 China New Economy Summit	All kinds of investors	One-on-One, One-on-multi, small group Meetings, and etc.
January 2020	Beijing	NDR- GF Securities	All kinds of investors	One-on-One, One-on-multi, small group Meetings, and etc.
January 2020	Shanghai	NDR- GF Securities	All kinds of investors	One-on-One, One-on-multi, small group Meetings, and etc.
January 2020	Shanghai	UBS 20 th Greater China Conference 2020	All kinds of investors	One-on-One, One-on-multi, small group Meetings, and etc.
February 2020	Online meeting	JP Morgan China Opportunities Forum	All kinds of investors	One-on-One, One-on-multi, small group Meetings, and etc.
March 2019	Online meeting	2020 Daiwa Securities Tokyo Investment Seminar	All kinds of investors	One-on-One, One-on-multi, small group Meetings, and etc.
March 2019	Online meeting	Huatai Securities Spring Online Investment Conference	All kinds of investors	One-on-One, One-on-multi, small group Meetings, and etc.
March 2019	Online meeting	Guotai Junan Securities Spring Investment Strategy-Online Conference	All kinds of investors	One-on-One, One-on-multi, small group Meetings, and etc.
March 2019	Online meeting	Shenwan Hongyuan Securities Spring TMT Online Investment Strategy Conference	All kinds of investors	One-on-One, One-on-multi, small group Meetings, and etc.
May 2020	Online meeting	Credit Suisse 7th China A-Shares Virtual Conference	All kinds of investors	One-on-One, One-on-multi, small group Meetings, and etc.
May 2020	Online meeting	2020 Orient Securities Spring Conference	All kinds of investors	One-on-One, One-on-multi, small group Meetings, and etc.
May 2020	Online meeting	Huachuang Securities Online Conference	All kinds of investors	One-on-One, One-on-multi, small group Meetings, and etc.
May 2020	Online meeting	HSBC 7th Annual China Conference	All kinds of investors	One-on-One, One-on-multi, small group Meetings, and etc.
May 2020	Online	2020 Daiwa Securities A-Share Summit	All kinds of investors	One-on-One, One-on-multi, small

Time of conference	Location	Conference Name	Type of reception object	Method of reception
	meeting		investors	group Meetings, and etc.
May 2020	Online meeting	Goldman Sachs TechNet Conference Asia Pacific 2020	All kinds of investors	One-on-One, One-on-multi, small group Meetings, and etc.
May 2020	Online meeting	CICC Investment Conference for the Second Half of 2020-TMT	All kinds of investors	One-on-One, One-on-multi, small group Meetings, and etc.
May 2020	Online meeting	Morgan Stanley Virtual China BEST Conference	All kinds of investors	One-on-One, One-on-multi, small group Meetings, and etc.
May 2020	Online meeting	Citi Regional Tech Investor Conference 2020	All kinds of investors	One-on-One, One-on-multi, small group Meetings, and etc.
June 2020	Online meeting	Nomura Investment Forum Asia 2020	All kinds of investors	One-on-One, One-on-multi, small group Meetings, and etc.
June 2020	Online meeting	Jefferies Virtual Industrial Days 2020	All kinds of investors	One-on-One, One-on-multi, small group Meetings, and etc.
June 2020	Online meeting	Guotai Junan Online Annual Mid-term Conference	All kinds of investors	One-on-One, One-on-multi, small group Meetings, and etc.
June 2020	Online meeting	CITIC Securities 2020 Capital Market Forum	All kinds of investors	One-on-One, One-on-multi, small group Meetings, and etc.
June 2020	Online meeting	Morgan Stanley Virtual Asia BEST Conference	All kinds of investors	One-on-One, One-on-multi, small group Meetings, and etc.
June 2020	Online meeting	Cinda Securities 2020 Interim Conference	All kinds of investors	One-on-One, One-on-multi, small group Meetings, and etc.
June 2020	Online meeting	Huatai Securities 2020 Summer Online Conference	All kinds of investors	One-on-One, One-on-multi, small group Meetings, and etc.
June 2020	Online meeting	J.P. Morgan China Investor Conference	All kinds of investors	One-on-One, One-on-multi, small group Meetings, and etc.
June 2020	Online meeting	Everbright Securities 2020 Mid-term Online Conference	All kinds of investors	One-on-One, One-on-multi, small group Meetings, and etc.
June 2020	Online meeting	Daiwa Securities China A-Share Summit	All kinds of investors	One-on-One, One-on-multi, small group Meetings, and etc.
June 2020	Online meeting	Macquarie Asia Tech Virtual Conference	All kinds of investors	One-on-One, One-on-multi, small group Meetings, and etc.

(3) Investor relations activity statistics during the current year

Number of daily research received (On-site and telephone conference, times)	120
Number of institutional investors received (ppl)	1904
Number of individual investors received (ppl)	26
Number of investor relations conference participated	29

Hangzhou Hikvision Digital Technology Co., Ltd.

Chairman: Chen Zongnian

July 25th 2020

Note:

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