

HANGZHOU HIKVISION DIGITAL  
TECHNOLOGY CO.,LTD



2017 Interim Report  
January to March 2017

April 2017

## **Section I Important Notes**

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.

Chen ZongNian, the Company's Chairman, Jin Yan, the head of accounting (Accounting Officer) hereby declare and warrant that the financial statements in the Report are authentic, accurate and complete.

Chen Zongnian, the Company’s Chairman, directors of the Company including Hu Yangzhong, Wu weiqi, and independent directors of the Company, including Cheng Tianzong, Lu Jianzhong, Wang Zhidong, and Hong Tianfeng attended the Board Meeting to review this Annual Report. Gong Hongjia, the Company’s vice chairman, did not attend the Board Meeting because of his trip oversea; Liu Xiang, the Company’s director, did not attend the Board Meeting because of his business trip; the Company’s chairman Chen Zongnian was authorized to attend the board meeting on behalf and exercise Mr. Gong and Mr. Liu’s voting rights instead.

## Section II Corporate Profile

### I. Key Accounting Data and Financial Indicators

Whether the Company performed a retroactive adjustment to or restatement of accounting data due to changes of accounting policies and correction of accounting errors

Yes  No

	2017 Q1	2016 Q1	YoY Change (%)
Operating income (RMB)	7,043,724,101.73	5,199,710,391.90	35.46%
Net profits attributable to shareholders of the Company (RMB)	1,480,816,885.32	1,143,615,399.83	29.49%
Net profits attributable to shareholders of the Company excluding non-recurring gains and losses (RMB)	1,440,574,125.37	1,133,528,590.60	27.09%
Net cash flows from operating activities (RMB)	-3,034,652,490.36	-1,432,111,768.75	-111.90%
Basic earnings per share (RMB/share)	0.245	0.190	28.95%
Diluted earnings per share (RMB/share)	0.242	0.189	28.04%
Weighted average ROE (%)	5.91%	5.76%	0.15%
	By the End of March 31 <sup>st</sup> 2017	By the End of March 31 <sup>st</sup> 2016	YoY Change (%)
Total assets (RMB)	42,657,819,050.45	41,339,007,814.83	3.19%
Net assets attributable to shareholders of the Company (RMB)	25,803,247,110.12	24,288,634,890.08	6.24%

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

Applicable  Inapplicable

Unit: RMB

Item	January 1 <sup>st</sup> – March 31 <sup>st</sup> 2017
Profit or loss from disposal of non-current assets (including the write-off for the impairment of assets)	-115,205.81
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.)	7,813,439.56
Held-to-maturity financial assets, profits and losses of fair value held-for-trading financial liabilities, and investment income in disposal of held-for-trading financial assets and liabilities and available-for sale financial assets excluding the effective hedging business related to the	30,921,209.86

regular business operation of the Company.	
Other non-operating income and expenditures except the items mentioned above	9,174,310.26
Less: Impact of income tax	7,169,063.08
The impact of the minority interests (after tax)	381,930.84
<b>Total</b>	<b>40,242,759.95</b>

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>, or classifies any non-recurring gain/loss item mentioned in the aforementioned note as a recurrent gain/loss item

**II. Total Number of Shareholders at the end of the reporting period and Information for Top 10 Shareholders**

**1. Total number of common shareholders and preferred shareholders with resumed voting rights at the end of the reporting period and information about top 10 shareholders**

Unit: Share

Total number of common shareholders at the end of the reporting period	72,835			
Particulars about shares held by Top 10 shareholders				
Name of shareholder	Nature of shareholder	Share-holding percentage (%)	Total shares held at the period-end	Number of restricted shares held
China Electronics Technology HIK Group Co., Ltd.	State-owned corporation	39.57%	2,435,783,304	0
Gong Hongjia	Foreign individual	16.16%	994,500,000	745,875,000
Xinjiang Weixun Investment Management Limited Partnership	Domestic non-state-owned corporation	5.95%	366,480,584	292,155,000
Hong Kong Securities Clearing Company Ltd.(HKSCC)	Foreign corporation	4.01%	247,095,807	0

Xinjiang Pukang Investment Limited Partnership	Domestic non-state-owned corporation	2.08%	128,231,250	96,173,437
The 52nd Research Institute at China Electronics Technology Group Corporation	State-owned corporation	1.96%	120,516,696	0
UBS AG	Foreign corporation	1.62%	99,703,534	0
Hu Yangzhong	Domestic Individual	1.33%	81,857,651	61,419,988
GIC PRIVATE LIMITED	Foreign corporation	0.80%	49,254,245	0
Citic Securities Co., Ltd.	Domestic non-state-owned corporation	0.73%	45,150,498	0
Particulars about shares held by the Top 10 shareholders holding shares not subject to trading restriction(s)				
Name of shareholder	Number of tradable shares held at the period-end	Type of shares		
		Type	Number	
China Electronics Technology HIK Group Co., Ltd.	2,435,783,304	RMB ordinary shares	2,435,783,304	
Gong Hongjia	248,625,000	RMB ordinary shares	248,625,000	
Hong Kong Securities Clearing Company Ltd. (HKSCC)	247,095,807	RMB ordinary shares	247,095,807	
The 52nd Research Institute at China Electronics Technology Group Corporation	120,516,696	RMB ordinary shares	120,516,696	
UBS AG	99,703,534	RMB ordinary shares	99,703,534	
Xinjiang Weixun Investment Management Limited Partnership	74,325,584	RMB ordinary shares	74,325,584	
GIC PRIVATE LIMITED	49,254,245	RMB ordinary shares	49,254,245	
Citic Securities Co., Ltd.	45,150,498	RMB ordinary shares	45,150,498	
Central Huijin Investment Ltd.	43,879,200	RMB ordinary shares	43,879,200	
New China Life Insurance Company Ltd. – individual share dividend payout - Shenzhen No. 018L-FH002	38,050,689	RMB ordinary shares	38,050,689	

<p>Explanation on associated relationship or/and persons acting in concert among the above-mentioned shareholders:</p>	<p>China Electronics Technology HIK Group Co., Ltd. and The 52nd Research Institute at China Electronics Technology Group Corporation are all subject to control of China Electronics Technology Group Corporation. Ms. Chen Chunmei, controlling shareholder 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 and whether they are acting-in-concert parties in accordance with the <i>Measures for Management of the Disclosure</i> (《上市公司股东持股变动信息披露管理办法》) of the Shareholding changes of shareholders of the listed Company.</p>
<p>Explanation on the Top 10 shareholders participating in the securities margin trading business (if any)</p>	<p>No</p>

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

Applicable  Inapplicable

No such cases in the reporting period.

**2. Total number of preferred shareholders and information about Top 10 preferred shareholders**

Applicable  Inapplicable

### III. Significant Events

#### 1. Information and explanation about variations in key financial statement items and financial indicators during the reporting period.

##### 1.1 Explanation for variations in balance sheet items

Item	March 31 <sup>st</sup> 2017 (RMB)	January 1 <sup>st</sup> 2017 (RMB)	YoY change (%)	Note of Significant change
Other Current Asset	738,727,811.37	4,153,992,276.78	-82.22%	Maturity of principal-guaranteed financial products
Long-term equity investment	80,000,000.00	35,000,000.00	128.57%	Increase of investment in associated companies
Construction in process	506,796,148.71	316,482,522.36	60.13%	Increase of investments in Tonglu Security Industrial Base Project Phase II & Internet Security Industry Base
Short-term loans	2,587,109,789.38	32,291,324.85	7911.78%	Increase of loan for temporary revolving capital
Payroll Payable	321,750,016.11	1,084,529,374.71	-70.33%	2016 year-end bonus were distributed in the current quarter
Dividends payable	11,709,186.49	20,105,831.16	-41.76%	Dividends paid for the first unlocking of 2014 Share Incentive Scheme
Non-current liabilities due within one year	0	15,340,813.03	-100.00%	Balance decreased by bank loan expiring reimbursements
Other payables	379,088,675.56	1,033,169,123.84	-63.31%	2016 Share Incentive Scheme was completed; capitals from granted employees were transferred to share capital and capital reserves, resulted in decrease of other payables, and increase of capital reserves.
Capital reserves	1,701,969,180.16	1,045,440,853.66	62.80%	
Other current liabilities	964,716,036.71	300,177,750.17	221.38%	2016 Share Incentive Scheme was completed, resulted in increase of shares which are subject to trading restriction(s)
Treasury stock	964,716,036.71	300,177,750.17	221.38%	

**1.2 Explanation for variations in income statement items**

	Q1 2017 (RMB)	Q1 2016 (RMB)	YoY (%)	Note of Significant change
Operating Income	7,043,724,101.73	5,199,710,391.90	35.46%	Operating Income increased with the steady increase of market demands.
operating costs	4,030,635,978.64	3,023,844,618.03	33.30%	Increase with the operating income growth
Business Taxes and Levies	66,178,321.29	47,522,585.77	39.26%	Increase with the operating income growth
Selling expenses	700,619,566.15	520,294,932.05	34.66%	Selling expenses increase with the Company's continuous increasing investments on domestic and overseas sales network
Administrative expenses	747,817,353.52	520,661,382.89	43.63%	The Company's increasing investments in R&D, in order to continuously enhance the products' competitiveness.
Financial expense	21,619,476.40	-10,047,261.86	-315.18%	Increase in foreign currency exchange losses
Impairment Losses of Assets	59,401,180.46	38,456,398.74	54.46%	Increase in A/R and Inventories resulted in increase in bad debt provisions and provisions for decline in value of inventories
Gains from changes in fair values (Losses are indicated by " - ")	4,304,484.96	-8,978,982.08	147.94%	Fair value variations for foreign currency hedging products
Investment income (Loss is indicated by " - ")	26,616,724.90	10,185,437.22	161.32%	Increase in investment gains for principal-guaranteed financial products
Non-operating Expenses	895,393.46	8,165,893.30	-89.03%	Water conservancy construction fund suspended
Income Tax Expenses	318,461,864.25	243,921,948.30	30.56%	Increase with the profit growth

**1.2 Explanation for variations in cash flow statement items**

	Q1 2017 (RMB)	Q1 2016 (RMB)	YoY (%)	Note of Significant change
Net Cash Flow from Operating Activities	-3,034,652,490.36	-1,432,111,768.75	-111.90%	Payments for material procurements, tax payables, and increase in 2016 year-end bonus
Net Cash Flow from Investment Activities	3,054,283,529.32	-1,472,218,989.67	307.46%	Maturity of principal-guaranteed financial products
Net Cash Flow from Financing Activities	2,324,978,732.03	2,010,293,010.41	15.65%	Increase of bank loans



## 2. Progress and influence of significant events, analysis and explanation of solutions.

□ Applicable √ Inapplicable

## 3. Incomplete commitments of the Company's Actual Controller, Shareholders, related parties, and acquirer(s) during the reporting period.

Commitments	Giver of commitments	Details of commitments	Date of commitments	Term of commitments	Performance
Commitments in offering documents or shareholding alterations	CETHIK Group Co., Ltd.	<p>1. Commitments in non-competition within the industry: In the period as controlling shareholders of the Hikvision, CETHIK and its controlling subsidiaries (excluding Hikvision and its subsidiaries, the same below) will not be engaged in such business that is competitive to Hikvision and its subsidiaries directly or indirectly.</p> <p>2. Commitments in decrease and regulation of transactions with related party: Zhejiang Haikang Group Co., Ltd (hereinafter referred to as Haikang Group or actual controller) as the controlling shareholders of Hangzhou Hikvision Digital Technology Co., Ltd (hereinafter referred to as "Hikvision" or "Listed Company") are committed as below for the transactions with Hikvision:</p> <p>(1) Haikang Group will not make use of the controlling power to offer more favorable conditions to Hikvision than those to any independent third party in any fair market transactions in the cooperation with Hikvision.</p> <p>(2) Haikang Group will not make use of the controlling power to obtain the prior right to complete the transaction with Hikvision.</p> <p>(3) Haikang Group will not deal with Hikvision in not fair terms comparing to the market prices to prejudice the Company's interests.</p> <p>For unavoidable related transactions, the Company will observe the principles of justice and fairness to determine prices according to the market on the basis of equality, voluntarily. The Company will obey the Articles of Association and other regulatory documents related to the avoiding of issues about related transactions. The related transactions will go through approval procedures in accordance with related rules and complete legal procedures, fulfilling the information disclosure obligations in respect to the related transactions</p> <p>3. Commitment to the maintenance of the independence of the listed Company</p> <p>3.1 Commitment to Personnel Independence of the listed Company</p> <p>(1) Commitment that our general manager, deputy general manager, chief financial officer, secretary of the board and other members of senior management shall not assume any positions other than</p>	October 29 <sup>th</sup> , 2013	Long-term	Strict performance

Commitments	Giver of commitments	Details of commitments	Date of commitments	Term of commitments	Performance
		<p>directors and supervisors or get any remuneration in CETHIK and/or any of its controlled entities;</p> <p>(2) Commitment in keeping the management of labor, human resources and issues related to remuneration of the listed Company independent from that of CETHIK;</p> <p>3.2 Commitment to the independence of the asset of the listed Company</p> <p>(1) Commitment to independent and complete asset of the listed Company</p> <p>(2) Commitment free of unlawful use of cash and asset of the listed Company by the controlling shareholders</p> <p>3.3 Commitment to financial independence of the listed Company</p> <p>(1) Commitment to an independent finance department with a team and accounting system;</p> <p>(2) Commitment to a regulated, independent accounting system and financial management system of the branches and subsidiaries</p> <p>(3) Commitment to maintaining accounts with banks independently of and not sharing any bank account with our controlling shareholders</p> <p>(4) Commitment that the financial staff shall not assume any positions in CETHIK</p> <p>(5) Commitment to paying taxes independently according to the law;</p> <p>(6) Commitment to implementing financial decisions independently</p> <p>3.4 The Company has set up an independent organizational structure which maintains its independent operations which is independent from that of CETHIK.</p> <p>3.5 Commitment to business Independence of the listed Company</p> <p>(1) The Company has the asset, personnel, aptitude and management capability for independent and complete business operation. The Company has the ability to operate independently in the market.</p> <p>(2) Commitment in independence in both business and operations</p> <p>4. Regarding plans for the development and relevant commitment for the listed Company, Haikang Group has committed as below for the subsequent development of Hikvsion according to the Securities Acts and relevant laws and rules,</p> <p>4.1 Currently the Company has no plan to change or make significant adjustments for principal business in the next 12 months;</p> <p>4.2 Currently the Company has no plan to sell, merge or operate with another Company for the assets and business of the listed Company or its subsidiaries in the next 12 months.</p> <p>4.3 Currently the Company has no plan to alter the Board of the Directors and senior management</p>			

Commitments	Giver of commitments	Details of commitments	Date of commitments	Term of commitments	Performance
		<p>and no agreement with other shareholders about the appointment and removal of the directors or senior management. The team of Board of Directors and senior management will remain unchanged for the foreseeable future.</p> <p>4.4 Currently the Company has no plan to make significant changes to the Articles of Association for the listed Company.</p> <p>4.5 Currently the Company has no plan to make significant changes to the existing employee recruitment for the listed Company.</p> <p>4.6 Currently the Company has no plan to make significant changes for the dividend distribution plan for the listed Company.</p> <p>4.7 Currently the Company has no plan to make significant changes for business and organizational structure for the listed Company.</p>			
Commitments in Initial Public Offering or re-financing	Hangzhou Weixun Investment Management Limited Partnership (later renamed as Xinjiang Weixun Investment Management Limited Partnership)	During Hu Yangzhong, Wu Weiqi, Jiang Haiqing, Zhou Zhiping, Xu Lirong, Cai Dingguo, He Hongli, Zheng Yibo, Hu Dan, Jiang Yufeng, Liu Xiang, Wang Ruihong, Chen Junke's tenure of the Company's board of directors, supervisors and senior management personnel, the annual transfer of Hikvision's total shares should not exceed 25% of total number of shares held under Weixun; within 6 months after abovementioned personnel's dismissal, should not transfer hikvision's shares held under Weixun.	May 17 <sup>th</sup> , 2010	Long term	Strict performance
	Hangzhou Pukang Investment Limited Partnership (later renamed as Xinjiang Pukang Investment Limited Partnership)	During Hu Yangzhong, Wu Weiqi, Gong Hongjia's tenure of the Company's board of directors, supervisors and senior management personnel, the annual transfer of Hikvision's total shares should not exceed 25% of total number of shares held under Pukang; within 6 months after abovementioned personnel's dismissal, should not transfer hikvision's shares held under Pukang.	May 17 <sup>th</sup> , 2010	Long term	Strict performance
	The Company's directors, supervisors and executive: Hu Yangzhong, Wu Weiqi, Jiang Haiqing, Zhou Zhiping, Xu Lirong, Cai Dingguo, He Hongli,	During their tenure of the Company's board of directors, supervisors and senior management personnel, the annual shares transfer should not exceed 25% of total number of shares held under Weixun; within 6 months after their dismissal, they should not transfer their shares held under Weixun.	May 17 <sup>th</sup> , 2010	Long term	Strict performance

Commitments	Giver of commitments	Details of commitments	Date of commitments	Term of commitments	Performance
	Zheng Yibo, Hu Dan, Jiang Yufeng, Liu Xiang, Wang Ruihong, Chen Junke				
	Directors, executive officers of the Company: Hu Yangzhong, Wu Weiqi	During their tenure of the Company's board of directors, supervisors and senior management personnel, the annual shares transfer should not exceed 25% of total number of shares held under Pukang; within 6 months after their dimission, they should not transfer their shares held under Pukang.	May 17 <sup>th</sup> , 2010	Long term	Strict performance
	The Company's director Gong Hongjia's spouse, Chen Chunmei	During Gong Hongjia's tenure of the Company's board of directors, supervisors and senior management personnel, Chen's annual shares transfer should not exceed 25% of total number of shares held under Pukang; within 6 months after the dimission of Gong Hongjia, Chen should not transfer her shares held under Pukang.	May 17 <sup>th</sup> , 2010	Long-term	Strict performance
	China Electronics Technology Group Corporation	To avoid any loss of the Company and other shareholders arising from any competing business, China Electronics Technology Group Corporation, the actual controller of the Company, issued Letters of non-competition on 18 September, 2008.	September 18 <sup>th</sup> , 2008	Long term	Strict performance
	Gong Hongjia; XinJiang WeiXun Investment Management Limited Partnership; XinJiang KangPu Investment Management Limited Partnership; ZheJiang Orient Holdings Co., Ltd.	To avoid any loss of the Company and other shareholders arising from any competing business, Gong Hongjia, Hangzhou WeiXun Investment Management Limited Partnership, ZheJiang Orient Holdings Co., Ltd and Hangzhou KangPu Investment Management Limited Partnership, the promoters of the Company, issued Letters of non-competition on 10 July, 2008.	July 10 <sup>th</sup> , 2008	Long term	Strict performance
Whether the undertaking is fulfilled in time	Yes				

## 4. Guidance on the Company's operational result from January 1<sup>st</sup> 2017 to June 30<sup>th</sup> 2017

Guidance on the Company's operational performance during January 1<sup>st</sup>, 2017 to June 30<sup>th</sup>, 2017: Net profits attributable to shareholders of the Company are positive, and situation of turning losses into gains is not applicable.

Estimated YoY change (%) of net profits attributable to shareholders of the Company from January 1 <sup>st</sup> , 2017 to June 30 <sup>th</sup> , 2017	15.00%	to	35.00%
Estimated variation interval of net profits attributable to shareholders of the Company from January 1 <sup>st</sup> , 2017 to June 30 <sup>th</sup> , 2017 (0,000 RMB)	299,787.35	to	351,924.28
Net profits attributable to shareholders of the Company from January 1 <sup>st</sup> , 2017 to June 30 <sup>th</sup> , 2017 (0,000 RMB)	260,684.64		
Note of change in operational results	The Company's operating performance continues to have a steady growth.		

## 5. Financial Assets measured at fair value

Applicable  Inapplicable

Unit: RMB

Category	Initial investment cost	Profits or losses on the changes in fair value in this period	Cumulative fair value change charged to equity	Purchase during the reporting period	Sales during the reporting period	Cumulative investment income	Closing balance	Source of funds
Derivative instruments	2,485,985,565.37	4,304,484.96	0.00	529,966,805.88	0.00	3,215,195.59	2,451,704,360.76	Company's own funds
<b>Total</b>	2,485,985,565.37	4,304,484.96	0.00	529,966,805.88	0.00	3,215,195.59	2,451,704,360.76	--

## 6. Illegal provision of guarantees for external parties

Applicable  Inapplicable

No such case in the reporting period.

## 7. The Company's funds used by the controlling shareholder or its related parties for non-operating purposes

Applicable  Inapplicable

No such case in the reporting period.

## 8. Schedule for the reception of activities including research, communication and interviews during the report period

Applicable  Inapplicable

### 8.1 Reception of research activities.

Time of reception	Method of reception	Type of reception object	Basic situation of the research
From January 3 <sup>rd</sup> , 2017 to January 20 <sup>th</sup> , 2017	Site Research	Institutional and individual investors	CNINF, <i>Investor Relations Activity Record: From January 3<sup>rd</sup>, 2017 to January 20<sup>th</sup>, 2017</i>
From February 6 <sup>th</sup> , 2017 to February 10 <sup>th</sup> , 2017	Site Research	Institutional and individual investors	CNINF, <i>Investor Relations Activity Record: From February 6<sup>th</sup>, 2017 to February 10<sup>th</sup>, 2017</i>
From February 13 <sup>th</sup> , 2017 to February 24 <sup>th</sup> , 2017	Site Research	Institutional and individual investors	CNINF, <i>Investor Relations Activity Record: From February 13<sup>th</sup>, 2017 to February 24<sup>th</sup>, 2017</i>
From February 27 <sup>th</sup> , 2017 to March 10 <sup>th</sup> , 2017	Site Research	Institutional and individual investors	CNINF, <i>Investor Relations Activity Record: From February 27<sup>th</sup>, 2017 to March 10<sup>th</sup>, 2017</i>

## 8.2 Participation of conferences for investor relationship activities

Time of conference	Location	Conference Name	Type of reception object	Method of reception
January 2017	Beijing	Morgan Stanley China Technology, Media & Telecoms Conference	Institutional and individual investors	One-on-One, One-on-multi, small group Meetings, and etc.
January 2017	Shanghai	UBS Greater China Conference 2017	Institutional and individual investors	One-on-One, One-on-multi, small group Meetings, and etc.
January 2017	Beijing	Deutsche Bank Access China Conference 2017	Institutional and individual investors	One-on-One, One-on-multi, small group Meetings, and etc.
February 2017	Hangzhou	ZhongTai Securities 2017 Capital Market Summit	Institutional and individual investors	One-on-One, One-on-multi, small group Meetings, and etc.
March 2017	Shanghai	GuangFa Securities Innovation and Recovery Summit	Institutional and individual investors	One-on-One, One-on-multi, small group Meetings, and etc.
March 2017	Taibei	BoA Merrill Lynch 2017 Asia Pacific Telecom, Media & Technology Conference	Institutional and individual investors	One-on-One, One-on-multi, small group Meetings, and etc.

## IV. Financial Reports

### 5.1 Financial Reports

#### 1. Consolidated Balance Sheet

Prepared by Hangzhou Hikvision Digital Technology Co., Ltd.

March 31<sup>st</sup>, 2017

Unit: RMB

Item	Closing balance	Opening balance
Current Assets:		
Cash and bank balances	16,208,936,779.62	13,634,993,154.18
Balances with clearing agencies		
Placements with banks and other financial institutions		
Financial assets at fair value through profit or loss	12,003,537.10	15,547,537.34
Derivative financial assets		
Notes receivable	3,360,649,361.42	2,843,404,415.52
Accounts receivable	12,046,663,764.80	11,242,812,902.86
Prepayments	325,551,312.26	278,971,025.67
Premiums receivable		
Amounts receivable under reinsurance contracts		
Reinsurer's share of insurance contract reserves		
Interests receivable		
Dividends receivable		
Other receivables	555,148,497.01	528,600,591.43
Financial assets purchased under resale agreements		
Inventories	4,422,171,233.18	3,825,159,212.28
Assets classified as held for sale		
Non-current assets due within one year		
Other current assets	738,727,811.37	4,153,992,276.78
Total Current Assets	37,669,852,296.76	36,523,481,116.06
Non-current Assets:		



Loans and advances to customers		
Available-for-sale financial assets	283,836,013.00	283,836,013.00
Held-to-maturity investments		
Long-term receivables	187,671,161.29	251,588,919.15
Long-term equity investment	80,000,000.00	35,000,000.00
Investment properties		
Fixed assets	2,850,265,592.73	2,853,743,612.67
Construction in progress	506,796,148.71	316,482,522.36
Materials for construction of fixed assets		
Disposal of fixed assets		
Bearer biological assets		
Oil and gas assets		
Intangible assets	407,172,194.65	410,256,469.09
Development expenditures		
Goodwill	248,364,401.47	248,364,401.47
Long-term prepaid expenses		
Deferred tax assets	375,255,076.61	375,255,076.61
Other non-current assets	48,606,165.23	40,999,684.42
Total Non-current Assets	4,987,966,753.69	4,815,526,698.77
Total Assets	42,657,819,050.45	41,339,007,814.83
Current Liabilities:		
Short-term borrowings	2,587,109,789.38	32,291,324.85
Loans from the central bank		
Customer deposits and deposits from banks and other financial institutions		
Taking from banks and other financial institutions		
Financial liabilities at fair value through profit or loss	61,897,855.66	69,789,502.97
Derivative financial liabilities		
Notes payable	615,155,449.06	876,804,536.72
Accounts payable	5,068,476,484.18	7,008,335,023.47
Receipts in advance	574,994,112.96	469,691,437.39
Financial assets sold under repurchase agreements		

Fees and commissions payable		
Payroll payable	321,750,016.11	1,084,529,374.71
Taxes payable	1,217,229,924.36	1,205,675,099.74
Interests payable		
Dividends payable	11,709,186.49	20,105,831.16
Other payables	379,088,675.56	1,033,169,123.84
Amounts payable under reinsurance contracts		
Insurance contract reserves		
Funds from securities trading agency		
Funds from underwriting securities agency		
Liabilities classified as held for sale		
Non-current liabilities due within one year		15,340,813.03
Other current liabilities	964,716,036.71	300,177,750.17
<b>Total Current Liabilities</b>	<b>11,802,127,530.47</b>	<b>12,115,909,818.05</b>
<b>Non-current Liabilities:</b>		
Long-term borrowings	1,844,041,516.86	1,722,207,584.33
Bonds payable	2,948,840,000.00	2,954,449,528.77
Including: Preferred share		
Perpetual bond		
Long-term payables	7,000,000.00	7,000,000.00
Long-term employee benefits payable		
Special payables		
Provisions	42,391,073.57	41,933,212.54
Deferred income	13,571,221.58	10,833,745.99
Deferred tax liabilities		
Other non-current liabilities		
<b>Total non-current liabilities</b>	<b>4,855,843,812.01</b>	<b>4,736,424,071.63</b>
<b>Total liabilities</b>	<b>16,657,971,342.48</b>	<b>16,852,333,889.68</b>
<b>OWNERS' EQUITY</b>		
Share capital	6,155,033,743.00	6,102,706,885.00
Other equity instruments		

Including: Preferred share		
Perpetual debt		
Capital reserves	1,701,969,180.16	1,045,440,853.66
Less: Treasury stock	964,716,036.71	300,177,750.17
Other comprehensive income	-37,431,437.12	-41,230,777.21
Special reserves		
Surplus reserve	2,615,437,822.15	2,615,437,822.15
General risk reserve		
Retained profits	16,332,953,838.64	14,866,457,856.65
Total owners' equity attributable to owner of the Company	25,803,247,110.12	24,288,634,890.08
Minority interests	196,600,597.85	198,039,035.07
Total owners' equity	25,999,847,707.97	24,486,673,925.15
Total liabilities and owners' equity	42,657,819,050.45	41,339,007,814.83

Legal Representative: Chen Zongnian      Person in Charge of the Accounting Organization: Jin Yan      Chief Accountant: Jin Yan

**2. Parent company balance sheet**

Unit: RMB

Item	Closing balance	Opening balance
Current Assets:		
Cash and bank balances	13,539,690,870.94	10,249,118,159.19
Financial assets at fair value through profit or loss	4,423,019.44	5,284,890.86
Derivative financial assets		
Notes receivable	173,616,306.02	221,542,747.41
Accounts receivable	11,738,602,571.37	10,128,753,520.42
Prepayments	2,094,439.54	8,256,040.04
Interests receivable		
Dividends receivable		
Other receivables	986,502,186.91	417,963,245.46
Inventories	587,011,058.03	566,168,466.17
Assets classified as held for sale		
Non-current assets due within one year		
Other current assets	526,891,450.07	3,889,519,711.57

Total Current Assets	27,558,831,902.32	25,486,606,781.12
Non-current Assets:		
Available-for-sale financial assets	283,221,700.00	283,221,700.00
Held-to-maturity investments		
Long-term receivables	65,384,193.15	72,153,363.60
Long-term equity investment	2,618,511,677.60	1,714,688,703.42
Investment properties		
Fixed assets	1,708,363,810.47	1,720,579,461.05
Construction in progress	329,218,659.02	248,447,641.34
Materials for construction of fixed assets		
Disposal of fixed assets		
Bearer biological assets		
Oil and gas assets		
Intangible assets	128,925,182.51	131,566,733.76
Development expenditure		
Goodwill		
Long-term prepaid expenses		
Deferred tax assets	177,568,964.27	177,568,964.27
Other non-current assets	10,932,858.00	10,782,858.00
Total Non-Current Assets	5,322,127,045.02	4,359,009,425.44
Total Assets	32,880,958,947.34	29,845,616,206.56
Current Liabilities:		
Short-term borrowings	300,000,000.00	
Financial liabilities at fair value through profit or loss	54,946,876.16	58,858,697.43
Derivative financial liabilities		
Notes payable		
Accounts payable	976,137,128.21	138,851,152.86
Receipts in advance	322,887,324.80	233,831,105.17
Payroll payable	312,256,115.61	811,701,475.85
Taxes payable	1,099,809,104.94	998,754,860.91
Interests payable		
Dividends payable	11,709,186.49	20,105,831.16
Other payables	762,845,884.41	787,861,780.95

Liabilities classified as held for sale		
Non-current liabilities due within one year		
Other current liabilities	964,716,036.71	300,177,750.17
<b>Total Current Liabilities</b>	<b>4,805,307,657.33</b>	<b>3,350,142,654.50</b>
<b>Non-Current Liabilities:</b>		
Long-term borrowings		
Bonds payable	2,948,840,000.00	2,954,449,528.77
Including: Preferred share		
Perpetual bond		
Long-term payables		
Long-term employee benefits payable		
Special payables		
Provisions	28,799,848.84	28,799,848.84
Deferred income		
Deferred tax liabilities		
Other non-current liabilities		
<b>Total non-current liabilities</b>	<b>2,977,639,848.84</b>	<b>2,983,249,377.61</b>
<b>Total liabilities</b>	<b>7,782,947,506.17</b>	<b>6,333,392,032.11</b>
<b>Owners' equity</b>		
Share capital	6,155,033,743.00	6,102,706,885.00
Other equity instruments		
Including: Preferred share		
Perpetual bond		
Capital reserves	1,613,479,314.31	955,687,875.52
Less: Treasury share	964,716,036.71	300,177,750.17
Other comprehensive income		
Special reserves		
Surplus reserve	2,615,437,822.15	2,615,437,822.15
Retained profits	15,678,776,598.42	14,138,569,341.95
<b>Total owners' equity</b>	<b>25,098,011,441.17</b>	<b>23,512,224,174.45</b>
<b>Total liabilities and owners' equity</b>	<b>32,880,958,947.34</b>	<b>29,845,616,206.56</b>

Legal Representative: Chen Zongnian    Person in Charge of the Accounting Organization: Jin Yan    Chief Accountant: Jin Yan

### 3. Consolidated income statement

Unit: RMB

Item	Amount for the current period	Amount for the prior period
I. Total operating income	7,043,724,101.73	5,199,710,391.90
Including: Operating income	7,043,724,101.73	5,199,710,391.90
Interest income		
Premiums earned		
Fee and commission income		
II. Total operating costs	5,626,271,876.46	4,140,732,655.62
Including: Operating cost	4,030,635,978.64	3,023,844,618.03
Interest expense		
Fee and commission expenses		
Surrenders		
Claims and policyholder benefits (net of amounts recoverable from reinsurers)		
Changes in insurance contract reserves (net of reinsurers' share)		
Insurance policyholder dividends		
Expenses for reinsurance accepted		
Business taxes and levies	66,178,321.29	47,522,585.77
Selling expenses	700,619,566.15	520,294,932.05
Administrative expenses	747,817,353.52	520,661,382.89
Financial expense	21,619,476.40	-10,047,261.86
Impairment losses of assets	59,401,180.46	38,456,398.74
Add: Gains from changes in fair values (Losses are indicated by "—")	4,304,484.96	-8,978,982.08
Investment income (Loss is indicated by "—")	26,616,724.90	10,185,437.22
Including: Income from investments in associates and joint ventures		
Foreign exchange gains (Losses are indicated by "—")		
III. Operating profit (Loss is indicated by "—")	1,448,373,435.13	1,060,184,191.42
Add: Non-operating income	351,393,720.60	332,421,874.03

Including: Gains from disposal of non-current assets	12,059.00	37,536.59
Less: Non-operating expenses	895,393.46	8,165,893.30
Including: Losses from disposal of non-current assets	127,264.81	22,641.69
IV. Total profit (total losses expressed with "-")	1,798,871,762.27	1,384,440,172.15
Less: Income tax expenses	318,461,864.25	243,921,948.30
V. Net profit (net loss expressed with "-")	1,480,409,898.02	1,140,518,223.85
Net profit attributable to owners of parent company	1,480,816,885.32	1,143,615,399.83
Profit or loss attributable to minority interests	-406,987.30	-3,097,175.98
VI. Other comprehensive income, net of income tax	2,767,890.17	-3,013,730.52
Other comprehensive income attributable to owners of the Company, net of tax	3,799,340.09	-6,798,248.30
(I) Items that will not be reclassified subsequently to profit or loss		
1. Changes in net liabilities or assets of remeasurement of defined benefit obligation		
2. Amounts of other comprehensive income attributes to investees that cannot be reclassified into profit or loss under equity method		
(II) Other comprehensive income to be reclassified to profit or loss in subsequent periods	3,799,340.09	-6,798,248.30
1. Amounts of other comprehensive income attributes to investees that are to be reclassified into profit or loss under equity method		
2. Fair values gain or losses on available-for-sale financial assets		
3. Gains or losses through held-to-maturity being reclassified to available-for-sale financial assets		
4. The effective part of the cash flow hedging gains and losses		
5. Exchange differences arising on conversion of financial statements denominated in foreign currencies	3,799,340.09	-6,798,248.30
6. Others		
Other comprehensive income attributable to minority interests, net of tax	-1,031,449.92	3,784,517.78

VII. Total comprehensive income	1,483,177,788.19	1,137,504,493.33
Total comprehensive income attributable to owners of the parent company	1,484,616,225.41	1,136,817,151.53
Total comprehensive income attributable to minority interests	-1,438,437.22	687,341.80
VIII. Earnings per share		
(I) Basic earnings per share	0.245	0.190
(II) Diluted earnings per share	0.242	0.189

Legal Representative: Chen Zongnian      Person in Charge of the Accounting Organization: Jin Yan      Chief Accountant: Jin Yan

#### 4. Parent company income statement

Unit: RMB

Item	Amount for the current period	Amount for the prior period
I. Total operating income	3,314,431,640.12	3,275,563,811.95
Less: Operating Cost	1,013,396,452.86	1,115,698,874.89
Business taxes and levies	41,140,628.13	43,752,460.43
Selling expenses	339,660,516.91	367,190,880.49
Administrative expenses	479,098,463.52	353,721,191.48
Financial expense	-23,589,269.29	-31,765,569.96
Impairment losses of assets		
Add: Gains from changes in fair values (Losses are indicated by "—")	3,049,949.85	
Investment income (Loss is indicated by "—")	16,021,809.69	9,489,561.65
Including: Income from investments in associates and joint ventures		
II. Operating profit (Loss is indicated by "—")	1,483,796,607.53	1,436,455,536.27
Add: Non-operating income	327,927,759.35	308,687,784.49
Including: Gains from disposal of non-current assets	12,611.69	19,270.80
Less: Non-operating expenses	491,918.69	2,423,889.28
Including: Losses from disposal of non-current assets	113,053.48	22,343.82
III. Total profit (Total loss is indicated by "—")	1,811,232,448.19	1,742,719,431.48
Less: Income tax expenses	256,704,288.39	241,704,605.86



IV. Net profit (Net loss is indicated by "—")	1,554,528,159.80	1,501,014,825.62
V. Other comprehensive income, net of income tax		
(I) Items that will not be reclassified subsequently to profit or loss not to be reclassified to profit or loss in subsequent periods		
1. Changes in net liabilities or assets of remeasurement of defined benefit obligation		
2. Amounts of other comprehensive income attributes to investees that cannot be reclassified into profit or loss under equity method		
(II) Other comprehensive income to be reclassified to profit or loss in subsequent periods		
1. Amounts of other comprehensive income attributes to investees that are to be reclassified into profit or loss under equity method		
2. Fair values gain or losses on available-for-sale financial assets		
3. Gains or losses through held-to-maturity being reclassified to available-for-sale financial assets		
4. The effective part of the cash flow hedging gains and losses		
5. Exchange differences arising on translation of financial statements denominated in foreign currencies		
6. Others		
VI. Total comprehensive income	1,554,528,159.80	1,501,014,825.62
VII. Earnings per share		
(I) Basic earnings per share		
(II) Diluted earnings per share		

Legal Representative: Chen Zongnian

Person in Charge of the Accounting Organization: Jin Yan

Chief Accountant: Jin Yan

**5. Consolidated Cash Flow Statement**

Unit: RMB

Item	Amount for the current period	Amount for the prior period
<b>I. Cash flows from operating activities:</b>		
Cash received from sale of goods or rendering of services	6,909,207,260.75	5,485,822,978.82
Net increase in customer deposits and deposits from banks and other financial institutions		
Net increase in borrowings from central bank		
Net increase in placements from other financial institutions		
Cash receipts from premiums under direct insurance contracts		
Net cash receipts from reinsurance business		
Net cash receipts from policyholders' deposits and investment contract liabilities		
Net cash receipts from disposal of financial assets at fair value through profit or loss		
Cash received from interests, fees and commissions		
Net increase in taking from banks		
Net increase in financial assets sold under repurchase arrangements		
Refund of tax and levies	780,612,675.68	682,616,397.13
Other cash received relating to operating activities	66,237,737.42	61,980,033.78
Sub-total of cash inflows from operating activities	7,756,057,673.85	6,230,419,409.73
Cash payments for goods purchased and services received	7,882,506,948.45	5,585,834,400.34
Net increase in loans and advances to customers		
Net increase in balance with the central bank and due from banks and other financial institutions		
Cash payments for claims and policyholders' benefits under direct insurance contracts		
Cash paid for interests, fees and		

commissions		
Cash payment for insurance policy dividends		
Cash paid to and on behalf of employees	1,532,543,739.35	1,063,252,704.05
Payments of various types of taxes	795,821,496.15	477,402,532.50
Other cash paid relating to operating activities	579,837,980.26	536,041,541.59
Sub-total of cash outflows from operating activities	10,790,710,164.21	7,662,531,178.48
Net Cash Flow from Operating Activities	-3,034,652,490.36	-1,432,111,768.75
II. Cash Flows from Investing Activities:		
Cash receipts from disposals and recovery of investments	3,370,000,000.00	
Cash receipts from investment income	26,573,562.79	10,107,425.33
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	2,082,829.96	241,199.88
Net cash receipts from disposals of subsidiaries and other business units		
Other cash received relating to investing activities		
Sub-total of cash inflows from investing activities	3,398,656,392.75	10,348,625.21
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	299,372,863.43	224,745,614.88
Cash paid to acquire investments		1,257,822,000.00
Net increase in pledged loans receivables		
Net cash payments for acquisitions of subsidiaries and other business units	45,000,000.00	
Other cash paid relating to investing activities		
Sub-total of cash outflows from investing activities	344,372,863.43	1,482,567,614.88
Net Cash Flow from Investment Activities	3,054,283,529.32	-1,472,218,989.67
III. Cash flows from financing activities:		
Cash receipts from capital contributions		5,695,283.18

Including: cash receipts from capital contributions from minority owners of subsidiaries		5,695,283.18
Cash receipts from borrowings	4,362,038,129.87	1,862,310,638.40
Cash receipts from bond issue		2,932,480,000.00
Other cash receipts relating to financing activities	437,630,760.68	685,007,227.46
Sub-total of cash inflows from financing activities	4,799,668,890.55	5,485,493,149.04
Cash repayments of amounts borrowed	1,700,387,852.71	2,581,972,280.99
Cash payments for distribution of dividends or profits or settlement of interest expenses	55,318,063.07	31,423,195.35
Including: payments for distribution of dividends or profits to minority owners of subsidiaries		
Other cash payments relating to financing activities	718,984,242.74	861,804,662.29
Sub-total of cash outflows from financing activities	2,474,690,158.52	3,475,200,138.63
Net Cash Flow from Financing Activities	2,324,978,732.03	2,010,293,010.41
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	-52,019,627.61	-20,261,073.95
V. Net Increase in Cash and Cash Equivalents	2,292,590,143.38	-914,298,821.96
Add: Opening balance of Cash and Cash Equivalents	13,519,252,711.90	10,033,033,476.30
VI. Closing Balance of Cash and Cash Equivalents	15,811,842,855.28	9,118,734,654.34

Legal Representative: Chen Zongnian

Person in Charge of the Accounting Organization: Jin Yan

Chief Accountant: Jin Yan

## 6. Parent Company Cash Flow Statement

Unit: RMB

Item	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	2,387,618,586.65	2,476,721,760.01

Refund of tax and levies	316,965,971.79	302,969,656.66
Other cash receipts relating to operating activities	53,688,774.13	54,223,661.45
Sub-total of cash inflows from operating activities	2,758,273,332.57	2,833,915,078.12
Cash payments for goods acquired and services received	413,238,143.37	496,195,151.34
Cash payments to and on behalf of employees	798,975,162.31	740,957,105.04
Payments of all types of taxes	505,480,479.78	582,133,858.46
Other cash payments relating to operating activities	442,942,578.47	448,126,612.77
Sub-total of cash outflows from operating activities	2,160,636,363.93	2,267,412,727.61
Net Cash Flow from Operating Activities	597,636,968.64	566,502,350.51
II. Cash Flows from Investing Activities:		
Cash receipts from disposals and recovery of investments	3,350,000,000.00	
Cash receipts from investment income	25,951,538.48	9,489,561.65
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	581,194.84	241,205.88
Net cash receipts from disposals of subsidiaries and other business units	70,271.21	
Other cash receipts relating to investing activities	612,698,996.79	364,602,027.84
Sub-total of cash inflows from investing activities	3,989,302,001.32	374,332,795.37
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	107,114,487.38	57,209,540.50
Cash payments to acquire investments		1,260,000,000.00
Net cash payments for acquisitions of subsidiaries and other business units	900,000,000.00	24,000,000.00
Other cash payments relating to investing activities	542,110,434.01	1,916,101,124.43
Sub-total of cash outflows from investing activities	1,549,224,921.39	3,257,310,664.93
Net Cash Flow from Investment Activities	2,440,077,079.93	-2,882,977,869.56
III. Cash Flows from Financing Activities		

Cash receipts from capital contributions		
Cash receipts from borrowings	300,000,000.00	1,450,000.00
Cash receipts from issue of bonds		2,932,480,000.00
Other cash receipts relating to financing activities		517,107,721.32
Sub-total of cash inflows from financing activities	300,000,000.00	3,451,037,721.32
Cash repayments of amounts borrowed		59,215,397.15
Cash payments for distribution of dividends or profits or settlement of interest expenses	41,637,259.22	20,337,231.48
Other cash payments relating to financing activities		510,859,009.84
Sub-total of cash outflows from financing activities	41,637,259.22	590,411,638.47
Net Cash Flow from Financing Activities	258,362,740.78	2,860,626,082.85
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-5,504,077.60	4,301,826.38
V. Net increase in cash and cash equivalents	3,290,572,711.75	548,452,390.18
Add: Beginning balance of cash and cash equivalents	10,245,969,003.13	6,548,073,680.91
VI. Closing Balance of Cash and Cash Equivalents	13,536,541,714.88	7,096,526,071.09

Legal Representative: Chen Zongnian

Person in Charge of the Accounting Organization: Jin Yan

Chief Accountant: Jin Yan

**5.2 Audit Report**

Whether audit has been performed on this interim financial report

Yes  No

The Company's 2017 Quarter 1 report has not been audited

**Note:** This document is a translated version of the Chinese 2017 Quarter 1 Financial Report (“2017 年度第一季度报告”), and the published announcements in the Chinese version shall prevail. The complete published Chinese 2017 Quarter 1 Financial Report document may be obtained at <http://www.cninfo.com>.

HANGZHOU HIKVISION DIGITAL TECHNOLOGY CO., LTD.

Chairman: Chen Zongnian

April 14<sup>th</sup>, 2017