

HANGZHOU HIKVISION DIGITAL TECHNOLOGY CO., LTD.



2015 Annual Report

SECURITIES ABBREVIATION: HIKVISION

SECURITIES CODE: 002415.SZ

April 2016

To Shareholders

In 2015, the global security industry was still rapidly upgrading products, involving new technology and product development. The market shares of Chinese security enterprises are further increasing in the global market. Under the circumstances of global macroeconomic volatility and domestic economy downturn, the Company achieved a rapid growth of 46.6% increase in revenue and 25.8% increase in net profits, compared with previous year's operating results. Since the establishment of the Company, we have maintained a growth over 20% annually in revenue and net profits over the past 13 consecutive years, and a quarter-over-quarter increase in both revenue and net profits.

It is known to us that the development of the Company is our long term objective, which means that we need to consider both short-term profits and long-term development and keep a good balance among revenue, profits and operation capabilities. We are firmly committed to the client-centered business philosophy, to create value for clients, and to bring long-term investment returns to our shareholders. We have complete confidence in the Company's future development.

Our confidence is based on our customers' demands and trust, our commitment to the Company's original management principle and concept, as well as all the supports received from our shareholders. It is a milestone in the development of the Company that *Management Measures for Core Staff's Investment in Innovative Business* (《核心员工跟投创新业务管理办法》) has been approved by the shareholders' meeting. This innovative business mechanism is meant to transform the Company's long-term development to a "relay race" among our employees, and integrate the professional aspirations of the employees with the innovative business of the Company, with the ultimate goal to utilize our employees' passion for innovation in the direction the industry is going. Thus, we can build upon a long-term effective and guaranteed mechanism to maintain a sustainable healthy development of the Company.

Video surveillance is becoming more digital, network oriented and intelligence focused. We believe that the video surveillance intelligence would open up new market opportunities for the security industry. Hikvision has gained a significant achievement in cloud storage technology, cloud computing and Big Data for the video surveillance market, with the ability to lead further development of video surveillance industry. Based on the internet-oriented "EZVIZ" cloud platform

and products, the Company has explored the consumer market to stay abreast of the market development trend. Based on the surveillance technology, the Company is expanding to the new areas of machine vision and robotics. Video surveillance technology can be applied to many potential fields, and we are committed to making the best business decisions accordingly.

Hikvision is in the progress of becoming a medium-scale enterprise. During the past few years, the Company has learned from the comparable enterprises and adopted the outstanding management instruments to establish and improve the operation flow and management processes, in order to drive the management system revolution. We will take deliberate steps to persistently promote the continuous improvement in management processes to ensure a steady and healthy development of the Company to bring long-term investment returns to our shareholders.

In 2016, the global macro economy is still under turmoil, and the domestic economy remains uncertain. However, we are still looking forward to the growth of our business and have strong confidence in the Company's future development.

We are grateful for the consistent supports and trust in the Company's management team from all of the shareholders.

Hangzhou Hikvision Digital Technology Co., Ltd.

Board of Directors

April 2016

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.

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.

All directors of the Company attended the Board meeting to review this Annual Report.

The profit distribution proposal passed upon deliberation at the meeting of the Board of Directors is set out as follows: Based on the total share capital of 4,068,772,253 shares of the Company, all shareholders will receive a cash dividend of RMB 7 (tax included) per each 10 shares. The Company proposed bonus issue of 3 shares for each 10 ordinary shares to the existing shareholders by way of debiting retained profit and share distribution of 2 shares for each 10 ordinary shares to the existing shareholders through the way of capitalization of premium shares.

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

Risk of technology upgrade: With the development of cloud computing, big data, artificial intelligence, augmented reality/virtual reality and other technologies, the demand and business models of the industry will change accordingly. If the Company cannot follow the changes in the cutting-edge technologies to realize the business innovation rapidly, the risks of future development uncertainties will increase.

Risk of foreign exchange: The overseas sales ratio increased continuously as a result of the rapid development abroad. Exporting transactions mostly settled in United States Dollars ("USD"). Meanwhile, the Company has to carry out operations in different countries with various currencies, as the Company has many wholly-owned or controlled subsidiaries. Therefore, the fluctuation of the foreign exchange rate has a potential to affect the profits of the Company.

Risk of product information security: Although the Company has dedicated resources to prevent the cybersecurity risk for our products, there is still a possibility of deliberate third-party (including viruses, malicious software, hacker and similar disruptions) attempts to damage our systems or products, causing the security issues for storage and information transmission. Although there was no material adverse effect incurred from attacks or accidents on our products or systems in the past, there is no guarantee that there is no risk in the future.

Risk of uncertain profitability of new business: Our Internet-based video business, machine vision and other emerging businesses, which are in the exploration process, are still in the early development stage. This will deliver substantial uncertainties as we explore technology development paths, business models and market development options.

Contents

Section I Important Notes and Definitions	4
Section II Corporate Profile and Substantial Financial Indicators	8
Section III Corporate Business Summary	12
Section IV Management Discussion and Analysis.....	17
Section V Significant Events	37
Section VI Changes in Shares and Information about Shareholders.....	49
Section VII Information on Preferred Shares	58
Section VIII Information on Directors, Supervisors, Senior Management and Employees	59
Section IX Corporate Governance	74
Section X Financial Report	85
Section XI Documents Available for Reference	175

Definitions

Term	Definition
Hikvision, our Company, Company	Hangzhou Hikvision Digital Technology Co., Ltd
The actual controller, CETC	China Electronics Technology Group Corporation
Controlling Shareholders, CETHIK	CETHIK Group Co., Ltd.
52nd Institute	The 52nd Research Institute at China Electronics Technology Group Corporation
CSRC	The China Securities Regulatory Commission
SASAC	The State-owned Assets Supervision and Administration Commission of the State Council
Shenzhen Stock Exchange	The Shenzhen Stock Exchange
Company Law	The Company Law of the PRC
Securities Acts	The Securities Acts of the PRC
Articles of Association of the Company	Articles of Association of Hangzhou Hikvision Digital Technology Co., Ltd

Section II Corporate Profile and Substantial Financial Indicators

I. Corporate Information

Stock abbreviation	HIKVISION	Stock code	002415
Stock exchange where the shares of the Company are listed	Shenzhen Stock Exchange		
Name of the Company in Chinese	杭州海康威视数字技术股份有限公司		
Abbr. of the Company name in Chinese	海康威视		
Name of the Company in English (if any)	HANGZHOU HIKVISION DIGITAL TECHNOLOGY CO., LTD		
Abbr. of the Company name in English (if any)	HIKVISION		
Legal representative	Chen Zongnian		
Registered address	No. 555 Qianmo Road, Binjiang District, Hangzhou		
Postal code of Registered address	310051		
Business address	No. 555 Qianmo Road, Binjiang District, Hangzhou		
Postal code of Business address	310051		
Company website	www.hikvision.com		
E-mail	market@hikvision.com		

II. Contacts and contact information

	Board Secretary	Securities Affairs Representative
Name	Zheng Yibo	Li Yi
Address	No. 555 Qianmo Road, Binjiang District, Hangzhou	No. 555 Qianmo Road, Binjiang District, Hangzhou
Tel.	0571-89710492	0571-89710492
Fax	0571-89986895	0571-89986895
E-mail	hikvision@hikvision.com	hikvision@hikvision.com

III. Information disclosure and place of the report

Newspaper designated by the Company for information disclosure	Securities Times, Shanghai Securities News and Securities Daily
Website specified by CSRC for release of the Annual Report	www.cninfo.com
Place where the Annual Report is available for inspection	Office of the Board of Directors of the Company

IV. Company Registration and Alteration

Organization code	91330000733796106P
Changes in principle business activities since the Company was listed (if any)	None
Changes of controlling shareholders of the Company (if any)	None

V. Other Relevant Information

Accounting firm engaged by the Company

Name of the accounting firm	Pan-China Certified Public Accountants Co., Ltd. (Special General Partnership)
Business address of the accounting firm	No. 128 Xixi Road, Hangzhou
Name of accountants for writing signature	Cheng Zhigang, Zhang Lin

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

☐ Applicable ☒ Inapplicable

Financial advisor engaged by the Company to continuously perform its supervisory function during the Reporting Period

☐ Applicable ☒ Inapplicable

VI. 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

	2015	2014	Increase/decrease (%)	2013
Operating income (RMB)	25,271,390,273.42	17,233,114,021.70	46.64%	10,745,907,038.84
Net profits attributable to shareholders of the Company (RMB)	5,869,049,646.23	4,665,368,689.94	25.80%	3,066,648,532.90
Net profits attributable to shareholders of the Company excluding non-recurring gains and losses (RMB)	5,604,890,259.09	4,474,975,306.54	25.25%	2,977,541,251.73
Net cash flows from operating activities (RMB)	3,216,722,169.17	3,706,420,782.04	-13.21%	1,863,365,811.63
Basic earnings per share (RMB/share)	1.46	1.17	24.79%	0.77
Diluted earnings per share (RMB/share)	1.45	1.16	25.00%	0.77
Weighted average ROE	35.28%	36.27%	-0.99%	31.21%
	At the end of 2015	At the end of 2014	Increase/decrease (%)	2013
Total assets (RMB)	30,316,442,436.17	21,290,520,311.29	42.39%	14,071,528,034.19
Net assets attributable to shareholders of the Company (RMB)	19,253,803,738.78	14,842,243,666.05	29.72%	11,086,638,189.27

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

1. Difference in the financial report of net profits and net assets according to the disclosure of International 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 International Financial Reporting Standards 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.

VIII. Key Quarterly Financial Indicators

Unit: RMB

	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
Operating income	4,287,946,779.70	5,508,434,871.12	6,881,256,828.58	8,593,751,794.02
Net profit attributable to shareholders of the Company	1,044,641,900.05	1,161,879,834.68	1,563,465,066.72	2,099,062,844.78
Net profit attributable to shareholders of the Company excluding non-recurring gains and losses	999,673,189.96	1,112,638,880.64	1,521,246,146.03	1,971,332,042.46
Net cash flows from operating activities	-2,610,480,167.95	691,321,041.75	1,233,973,661.78	3,901,907,633.59

Significant difference between the above financial indicators or sum of it with disclosed quarterly report, half-year report

☐ Yes ☒ No

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

☒ Applicable ☐ Inapplicable

Unit: RMB

Item	2015	2014	2013
Profit or loss from disposal of non-current assets (including the write-off for the impairment of assets)	1,715,423.04	-467,280.37	-205,710.43
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.)	169,279,486.81	48,953,698.71	39,034,330.35
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 regular business operation of the Company.	132,518,794.00	154,461,038.78	39,128,924.43
Other non-operating income and expenditures except the items mentioned above	15,481,300.69	9,898,857.59	22,252,198.36
Less: Impact of income tax	54,882,891.58	22,458,098.06	9,864,481.46
The impact of the minority interests (after tax)	-47,274.18	-5,166.75	1,237,980.08
Total	264,159,387.14	190,393,383.40	89,107,281.17

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

Section III Corporate Business Summary

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

1. Main business

As the world's leading supplier of video surveillance products and video content services, the Company has provided excellent video products, professional industry solutions and content services all around the world. The Company actively explores the emerging markets and new businesses, and has developed various Internet-based video products and cloud service platforms for families and SMBs. Following years of development, video surveillance systems have entered the era of intelligence and the Company has explored a series of machine vision products and integrated solutions.

2. Main Products and Applications

The Company's products consist of all major video surveillance system equipment options, including the front-end collection equipment, back-end storage equipment, centralized controlling display, management and storage equipment. The front-end equipment for a typical video surveillance system primarily consists of cameras for collecting video and audio signals and DVSs for compressing and encoding video and audio signals. The back-end equipment for a typical video surveillance system primarily consists of recorders for recording and storing the video and audio signals. The controlling center equipment for a typical video surveillance system primarily consists of transmission and control devices for the control, retrieval and display of video and audio signals, VMS software and centralized storage devices. In addition, the Company also has access control, alarm, video intercom and other security products.

In the domestic market, the Company has combined the accumulated expertise in video surveillance technologies with deep understanding of the needs from end-users in various industries, and established seven industry-focused departments, which include Public Security, Transportation, Judicial System, Education and Healthcare, Financial Institutions, Energy, as well as Smart Building, and has designed and developed over 200 specific industry-customized video surveillance applications for various industries. The Company also provides standardized products and solutions to the SME market through distributors. In the overseas market, the Company mainly utilizes distributors or dealers to sell products.

In 2013, the Company launched Internet-based video business under the brand of "EZVIZ". The "EZVIZ" business mainly provides Internet-based video applications and content services to small to medium enterprises ("SMEs"), families and individuals through intelligent video products, sensors, cloud-based intelligent video service platform and mobile Apps. By now, the "EZVIZ" cloud platform has already accumulated a large number of users and the Company will further invest in this area and provide a series of related value-added services based on value of video usage. The "EZVIZ" cloud platform carries an important mission for Hikvision to become a leading supplier of video content services.

Relying on years of in-depth research in the field of video surveillance, the Company now possesses a wealth of technical know-how in video image processing technology, video and audio codec technology, video

analysis technology, video and audio data storage technology, big data and cloud computing technology and other areas. This know-how has created a firm foundation for the Company to extend its business to intelligent manufacturing and other areas. During the reporting period, the Company has announced several industrial cameras and a number of products and designs of industry-class drones. At the beginning of 2016, the Company launched the “QIANMO” intelligent warehouse management system. With the development of a comprehensive range of products in the field of machine vision, the Company will form a complete solution of machine vision to serve the intelligent industrial manufacturing applications. Constant exploration of new business opportunities and new markets will provide strong driving force for the continuous development of the Company.

3. Main Drivers

On one hand, governments globally are emphasizing the great importance to the anti-terrorism, and the social development that urgently requires an improvement of public security and safety, which would continue to fuel the growth of global demand for security products. In the field of video surveillance, traditional safety solutions are rapidly extending into comprehensive management, such as remote monitoring, video evidence, interactive video and other visual management. The potential markets for video content applications are exhibiting gradual growth.

On the other hand, the rising demand for intelligence, information mining and data services from the government and industrial customers, the security surveillance and other industry business are showing an accelerated tendency to integrate, which increases the barrier of entry for the security industry. The Company’s consistent investment in technology Research and Development (“R&D”) has brought the competitive advantages in products, technologies, industrial solutions and other areas, which further strengthens the driving force of technology in industrial applications. At the same time, the growing global marketing network and the increasing service support capabilities will ensure the swift and efficient service delivery for our customers.

In addition, the consolidation trend in the security industry is beneficial to the development of leading enterprises. Currently, global video surveillance industry is still fragmented and the industry resources are dispersed. With the development of the market and the significant improvement of global competitive abilities of Chinese enterprises, the consolidation trend in technology, brand and capital begins to appear. The integrated influence of research, manufacturing, sales, systems integration and services has been enhanced, and the market resources are mainly occupied by mainstream manufacturers. The market efficiency derived from brand strategy also promotes the expansion of leading enterprises in the security industry and drives the consolidation process of global market.

II. Major Changes in Main Assets

1. Major Changes in Main Assets

Main Assets	Explanation on Major Changes
Equity Assets	Increased by 9172.27%, mainly due to investment to Zhejiang Topinfo Technology Co., Ltd. and Confirmware Technology (Hangzhou) Co. Ltd. with a total amount of RMB56 million.

Fixed Assets	No significant changes
Intangible Assets	Increased by 255.46%, mainly due to purchase of the land for Hikvision Tonglu Security Industrial Base
Construction in Progress	Increased by 2816.90%, mainly due to the investment on construction of Hikvision Tonglu Security Industrial Base and Internet Security Industrial Base.

2. Major Overseas Assets

☐ Applicable ☒ Inapplicable

III. Core Competitiveness

1. Strong Technology Accumulation and Sustainable Research and Development ("R&D") Capability

The Company has maintained consistent investment in R&D, and has reached the advanced level on video image processing technology, video and audio codec technology, video analysis technology, streaming media network transmission and control technology, embedded system development technology, video and audio data storage technology and other core technologies. In addition, the Company has been actively exploring the area of cloud computing, big data, faces recognition, deep-learning, video structure and other cutting-edge technologies, and has developed strong technical know-how and sustainable R&D capability. The Company can apply various existing and developing technologies to the products about to enter the market, and continue to lead the development of the industry.

The Hikvision Research Institute focuses on the innovative research on basic technology, key technology and prospective technology, and continues to improve the Company's technical strengths and provide significant support to develop core products and new businesses, which has become the powerful driver for both the Company's existing and prospective innovative business. In 2015, during the KITTI evaluation, Hikvision Research Institute got world's No.1 ranking in two areas, including the Object Detection Evaluation and Orientation Estimation Evaluation. As a part of Multiple Object Tracking Benchmark in the MOT Challenge Algorithm Evaluation, Hikvision Research Institute also ranked world's No.1, which has shown the Company's strong R&D strengths in computer vision algorithm area.

2. Comprehensive Product Line and Industry Solution Capability

The Company has expanded the product lines to encompass video, access control, alarm systems and other security products, and has established seven industry-focused departments, including Public Security, Transportation, Judicial System, Education and Healthcare, Financial Institutions, Energy, as well as Smart Building. Through leveraging the deep understanding of the needs from end-users in various industries, the Company develops various industry-standardized solutions, and provides over 200 specific video surveillance solutions relevant to the specific customer needs. The Company constantly improves the applicability of industry solutions by combining the video applications with industry management, and applies new technologies and new products to the solutions. In addition, the Company owns a separate production line which is developed to meet

the customized needs of the overseas markets. Currently, the Company's capabilities in R&D, production and implementation of products and solutions have reached the advanced level in the security industry.

3. Global Marketing Service System and Branding

The Company has established one of the most universal sales and marketing networks in video surveillance industry, which comprised of 35 sales branches and more than 200 liaison offices based on the branches throughout China mainland, which ensures effective communication with our customers and partners. The Company has established 21 overseas subsidiaries and a three-tier vertical service system in Hangzhou and major overseas areas, which is comprised of Structured Global Customer Service Center, Subsidiary Customer Service Department and Authorized Customer Service Station. The localized comprehensive service has effectively brought the Company and the end-users closer together, and as a result, boosted the Company's sales in the overseas markets. The Company adheres to promoting its own brand overseas, and after years of continuous efforts, the "HIKVISION" brand has gradually become the global top-class security brand.

In 2015, the "HIKVISION" brand was recognized as Chinese Famous Brand by the State Administration for Industry & Commerce of the PRC, Trademark Review and Adjudication Board. The Company also ranked No.2 position in the global security market and No.1 position in Asia, with the announcement of A&S Magazine's 2015 Security Industry Top-50 Rankings. The Company was also nominated as one of the 18 shortlisted Chinese technology brands in "Top 100 Technology Brand in 2016", initiated by a UK based branding evaluation institute Brand Finance. The "HIKVISION" brand is increasing its popularity throughout the world.

4. Talented Employees and Incentive Mechanism

The Company is in the progress of rapid growth, based on the value of "employee-focused, growing together", the Company continues to strengthen the talent team and has built the largest professional R&D organization in the security industry. Currently, the personnel structure and the human resources availability are at optimal level.

The talent-focused approach is becoming one of the most important strategies and the core driver of innovation and development for the Company. The Company has built the three-tier training system and created a comprehensive qualification assessment system for employees. The Company has built the on-line college, for employees to learn and improve themselves by utilizing the platform; the Company has set up an assessment center to recruit and cultivate top talent in the industry; at the same time, the Company undertakes a series of specific training and improvement activities, customized for different characteristic of employees and assists them with their professional development. Integrating all the above human resource strategies together, the Company has established a comprehensive system of cultivating effective human resources, which continuously meets the Company's demand for core talent during the rapid growth stage.

On May 26, 2015, Chairman Xi provided essential direction during the visit at Hikvision, he specifically said that "talent is the most valuable resource" and inspired the Company to continuously improve the innovation management mechanism to encourage talent development. The Company has carried out various incentives to inspire innovation and to develop a win-win relationship between the Company and employees. Presently, the Company has set up the "Special Contribution Award", "Technology Innovation Award" and other 20 awards to inspire the talented employees. In September 2015, the Company's general shareholders' meeting has approved the *Management Measures for Core Staff's Investment in Innovative Business (Draft)* (《核心员工跟投创新业务

管理办法(草案)》), and the co-investment mechanism is slated to become the long-term incentive to promote innovation and development of new business.

5. Significant Scale Advantages

The Company leverages its leading market position and economies of scale to optimize its supply chain system and maintains substantial capacity of new products supply through organic market demand, product R&D and manufacturing and delivery service, which effectively shortened the production and supply cycles, improved the capability of developing new products, and brought more market opportunities for product upgrade demand.

The Company is already one of the largest providers of video surveillance solutions in the world in terms of revenue, and it has significant scale advantage which allows the Company to have clear competitive advantages in providing high-quality products, managing cost control, realizing large-scale production and timely delivery of products.

Section IV Management Discussion and Analysis

I. Overview

In 2015, impacted by the global economic downturn, the growth rate of our industry has slowed down. However, challenged by the global terrorism and security concerns, the market demand had still increased steadily. Driven by the integration of video applications, industry management concepts and smart city projects, the market demand of video surveillance and applications kept growing, and the global security industry still maintained a growth rate of more than 10%.

Domestically, a series of essential policies and guidance have been released by the State Council and relevant ministries, such as “Guidelines on Strengthening the Construction of Social Security Prevention and Control System” released by the General Office and the State Council, “Some Opinions on Strengthening the Network Application of Public Safety Video Surveillance” and “National Plan on New Urbanization(2014-2020)”, “the Guidelines on promoting the healthy development of smart city”, the “Made in China 2025” plan, “Guidance on Promotion of Internet Plus”, “Notification on Release of Plan to Promote Big Data Development” and “Guidance on Expediting Build-up Platform on Innovation and Pioneering” and others released by nine Governmental Departments. These policies not only guide the development of security industry in China but also offer the basis and guarantees for the future sustainable development and standardized management of the industry. With rapid construction of “Smart City”, further application of “Safe City”, the visual management of security technologies, “Smart Home” and other extended applications in various fields, the entire security industry still shows a rapid growth trend in the future.

Relying on the leading technology innovation capability, the comprehensive product lines and capability in providing integrated solutions, and the increasingly sound marketing network both domestically and overseas, the Company has sustained a great momentum of development in both domestic and overseas markets. During the reporting period, the total sales revenue was RMB 25.27 billion, indicating an increase of 46.64% compared with the previous year; the total profit was RMB 6.75 billion, indicating an increase of 29.65% compared with the previous year.

II. Main business analysis

1. Overview

1.1 The stable and sustained growth of domestic industry market

During the reporting period, the Company has persistently promoted the organic integration of technology, products and industry demand, further developed the industrial application of video information, continuously introduced and improved comprehensive solutions to meet the demand of industrial management, promoted the integration of security industry and business management, and significantly increased the application value of video management. The Company has been exploring the application demand of the subdivided industries to deeply integrate the surveillance technology with the industrial applications and Internet-of-Things (IoT)

technologies, realizing the efficient collaboration of video applications and industry information management systems, and as a result, the Company has created great value for the clients and achieved good market performance. In 2015, the market share of the Company has grown further and maintained the leading market position.

1.2 The good performance and rapid growth of domestic channel market

During the reporting period, relying on the nationwide network of sale branches, the Company has continued to optimize its structure of channel market and the authorized distributor system, and the sales to small and medium sized enterprises have grown rapidly. Thanks to the optimization of authorized distributor system, branding advantages, remarkable product performance and excellent after-sale customer service, the Company has seized the rapid growth of the demand from low-end video surveillance market, and further expanded its market share.

1.3 The effective localization policy and rapid growth of overseas market

In overseas market, the Company has insisted on the localization of team-building, sales and services, which continuously strengthened its localized service capability. Simultaneously, the strategy of promoting the Company's own brand has begun to take effect, the "HIKVISION" brand has gained influence and customer recognition. During the reporting period, the Company has expanded its overseas market presence and established new subsidiaries in South Korea, Canada and Russia adding to a total number of 21 overseas subsidiaries, further improving the global sales and service network to in response to the demand for video applications. At present, the overseas business has maintained a rapid growth trend, the proportion of overseas sales has increased year over year.

1.4 Continuously high investment in R&D, breakthrough in products and technology

The Company has continued high investment in R&D, and the R&D expenditure was 1.72 billion RMB in 2015. Through integration of intelligent analysis, cloud computing, 4K and H.265 technology, the R&D team has developed high performance products and solutions to meet the diverse needs in the market. During the reporting period, the Company has launched Smart series, mobile monitoring system, Hawkeye series starlight level panoramic camera, Eagle series drones and industrial cameras, and other innovative products, receiving positive market feedback. Simultaneously, for R&D in basic technologies, Hikvision Research Institute has ranked the world NO.1 in KITTI Object Detection Evaluation and Orientation Estimation Evaluation, which has demonstrated the Company's R&D capability in visual algorithm and provided a strong foundation for the Company's leading position in the industry.

1.5 Continuously exploring prospective new business areas

In the field of internet video, the Company continued to invest in R&D based on products, cloud platform and content services. Relying on the advanced audio & video image processing technology, cloud computing, intelligent analysis technology, and other relevant know-how, the Company has launched C2C, W1 and X2 to meet the needs of small and medium sized enterprises and consumers. During the reporting period, the number

of users of EZVIZ APP has increased consistently, which a solid foundation for the Company's offering of video content services.

In the field of intelligent manufacturing, based on the technology accumulation of video image processing, the Company has built an independent R&D team and launched the machine vision business to expand into the new applications market. During the reporting period, the Company has launched machine vision products like industrial cameras, drones and others. At the beginning of 2016, the Company has launched "QIANMO" Intelligent Warehouse Management System. With the development of a full range of machine vision products, the Company will have comprehensive machine vision solutions for intelligent manufacturing.

2. Operating incomes and operating costs

2.1 Operating income structure

Unit: RMB

	2015		2014		Increase/ decrease over previous year
	Amount	Proportion to operating income	Amount	Proportion to operating income	
Total operating income	25,271,390,273.42	100%	17,233,114,021.70	100%	46.64%
Classified by industry					
Video products and video content services	25,271,390,273.42	100.00%	17,233,114,021.70	100.00%	46.64%
Classified by product					
Front-end equipment	13,514,982,486.43	53.48%	9,067,727,546.65	52.62%	49.04%
Back-end equipment	4,368,111,525.75	17.28%	3,510,344,480.20	20.37%	24.44%
Central control equipment	2,350,221,006.31	9.30%	1,638,795,890.88	9.51%	43.41%
Construction projects	1,690,863,504.02	6.69%	806,525,030.55	4.68%	109.65%
Others	3,347,211,750.91	13.25%	2,209,721,073.42	12.82%	51.48%
Classified by region					
Domestic	18,614,982,772.42	73.66%	13,003,196,737.94	75.45%	43.16%
Overseas	6,656,407,501.00	26.34%	4,229,917,283.76	24.55%	57.36%

2.2 Industries, products or regions' occupied more than 10% of the Company's operating income or operating profit

☐ Applicable ☒ Inapplicable

Unit: RMB

	Operating income	Operating cost	Gross margin	Increase/ decrease of operating income over previous year	Increase/ decrease of operating cost over previous year	Increase/ decrease of gross margin over previous year
Classified by industry						
Video products and video content services	25,271,390,273.42	15,136,793,517.44	40.10%	46.64%	58.03%	-4.32%
Classified by product						
Front-end equipment	13,514,982,486.43	7,174,377,888.42	46.92%	49.04%	56.06%	-2.39%
Back-end equipment	4,368,111,525.75	2,371,784,190.54	45.70%	24.44%	34.70%	-4.14%
Central control equipment	2,350,221,006.31	1,225,692,801.65	47.85%	43.41%	72.66%	-8.84%
Construction projects	1,690,863,504.02	1,588,821,153.01	6.03%	109.65%	113.77%	-1.81%
Others	3,347,211,750.91	2,776,117,483.82	17.06%	51.48%	57.08%	-2.96%
Classified by region						
Domestic	18,614,982,772.42	11,449,376,769.32	38.49%	43.16%	55.34%	-4.82%
Overseas	6,656,407,501.00	3,687,416,748.12	44.60%	57.36%	67.04%	-3.21%

Adjusted operating income if the operating income statistics caliber has been changed during the reporting period

☐ Applicable ☒ Inapplicable

2.3 Comparison between revenue from physical products service revenue

√ Yes □ No

Industry	Item	Unit	2015	2014	Increase/ decrease over previous year
Video products and video content services	Sales volume	Per unit	47,778,446	28,906,868	65.28%
	Output volume	Per unit	48,643,670	29,749,118	63.51%
	Inventory	Per unit	3,423,146	2,557,922	33.83%

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

□ Applicable √ Inapplicable

During the reporting period, the Company's sales volume, output volume and inventory grow with the increase of the operating performance.

2.4 Fulfillment of signed significant sales contracts by the reporting period

□ Applicable √ Inapplicable

2.5 Operating cost structure

Category of industry and products

Unit: RMB

Industry	Item	2015		2014		Increase/ decrease over previous year
		Amount	Proportion to operating cost	Amount	Proportion to operating cost	
Video products and vedio content services	Operating cost	15,136,793,517.44	100.00%	9,578,266,693.28	100.00%	0.00%

Unit: RMB

Category	Item	2015		2014		Increase/ decrease over previous year
		Amount	Proportion to operating cost	Amount	Proportion to operating cost	
Front-end equipment	Operating cost	7,174,377,888.42	47.40%	4,597,057,844.08	47.99%	-0.59%
Back-end equipment	Operating cost	2,371,784,190.54	15.67%	1,760,826,981.58	18.38%	-2.71%
Central control equipment	Operating cost	1,225,692,801.65	8.10%	709,874,596.87	7.41%	0.69%
Construction projects	Operating cost	1,588,821,153.01	10.50%	743,232,751.54	7.76%	2.74%
Others	Operating cost	2,776,117,483.82	18.33%	1,767,274,519.22	18.46%	-0.13%

2.6 Changes in consolidation scope during the reporting period

☒ Yes ☐ No

Details of new subsidiaries included in the consolidated financial statements:

Company name	Equity acquisition way	Time of equity acquisition	Amount of contribution	Ratio of contribution
Cooperative Hikvision Europe U.A.	Establishment	April 2015	EUR 10,000	100%
Hikvision Canada INC.	Establishment	April 2015	CAD 200,000	100%
OOO Hikvision.	Establishment	March 2015	RUB 6 million	100%
Hikvision Korea Limited	Establishment	May 2015	KRW 270 million	100%
Hangzhou EZVIZ Network Inc.	Establishment	March 2015	RMB 1 million	100%
EZVIZ Inc.	Establishment	July 2015	USD 10,000	100%

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

☐ Applicable ☒ Inapplicable

2.8 Major customers and suppliers:

Sales to top customers of the Company

Sales to top five customers(RMB)	778,616,838.38
Total sales to top five customers as a percentage of the total sales for the year (%)	3.08%

Information on top five customers

NO.	Client	Sales Amount(RMB)	Portion of total sales for the year
1	First	207,960,045.53	0.82%
2	Second	183,489,136.07	0.73%
3	Third	151,784,059.84	0.60%
4	Fourth	123,742,879.86	0.49%
5	Fifth	111,640,717.08	0.44%
Total	--	778,616,838.38	3.08%

Other information of major customers:

☐ Applicable ☒ Inapplicable

Major suppliers of the Company

Total purchases from top five suppliers(RMB)	4,950,827,039.17
Total purchases from top five suppliers as a percentage of the total purchases for the year	30.27%

Information on top five suppliers of the Company

NO.	Supplier Name	Purchase Amount (RMB)	Portion of total purchase for the year
1	First	2,752,918,495.99	16.83%
2	Second	808,306,273.40	4.94%
3	Third	608,511,569.39	3.72%
4	Fourth	467,864,585.21	2.86%
5	Fifth	313,226,115.18	1.92%
Total	--	4,950,827,039.17	30.27%

Other information on major suppliers:

☐ Applicable ☒ Inapplicable

3. Expense

Unit: RMB

	2015	2014	Increase/decrease over previous year	Note of significant change
Sales expense	2,179,045,314.71	1,533,250,114.26	42.12%	Improve sales network, increase personnel contribution
Administrative expense	2,211,221,871.15	1,645,518,222.73	34.38%	Increase of R&D expense
Financial expense	-152,896,391.70	-82,029,433.48	86.39%	Increase of exchange gains

4. R&D Investment

☒ Applicable ☐ Inapplicable

	2015	2014	Increase/decrease over previous year
Number of R&D headcount	7,181	5,333	34.65%
Portion of Total headcount	47.18%	44.51%	2.67%
Amount of R&D expenses	1,722,638,163.98	1,300,703,869.14	32.44%
Portion of operating sales	6.82%	7.55%	-0.73%
Capitalized R&D expenses	0.00	0.00	0.00%
Portion of capitalised R&D expenses	0.00%	0.00%	0.00%

Reason of significant change of the R&D expenses account for the portion of operating sales:

☐ Applicable ☒ Inapplicable

Reason of significant change of the capitalized R&D expenses:

☐ Applicable ☒ Inapplicable

5. Cash flow

Unit: RMB

Item	2015	2014	Increase/decrease over previous year
Subtotal of cash inflow from operating activities	25,304,603,442.59	18,418,834,034.96	37.38%
Subtotal of cash outflow from operating activities	22,087,881,273.42	14,712,413,252.92	50.13%
Net cash flow from operating activities	3,216,722,169.17	3,706,420,782.04	-13.21%
Subtotal of cash inflow from investing activities	3,125,701,099.57	5,170,941,339.28	-39.55%
Subtotal of cash outflow from investing activities	3,200,901,506.74	6,211,574,180.74	-48.47%
Net cash flows from investing activities	-75,200,407.17	-1,040,632,841.46	92.77%
Subtotal of cash inflows from financing activities	2,794,211,998.69	3,864,502,876.04	-27.70%
Subtotal of cash outflows from financing activities	2,913,002,779.73	3,984,155,899.36	-26.89%
Net cash flows from financing activities	-118,790,781.04	-119,653,023.32	0.72%
Net increase in cash and cash equivalents	2,921,778,750.70	2,527,121,906.39	15.62%

Explanation of why the related data varied significantly

☒ Applicable ☐ Inapplicable

The increase of the inflow and outflow of cash flows from operating activities are mainly due to the increase of sales and purchasing activity; the decrease of the inflow and outflow of cash flows from investing activities are mainly due to less investment in principle guaranteed financial assets.

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

☐ Applicable ☒ Inapplicable

III. Non- core business analysis:

☐ Applicable ☒ Inapplicable

IV. Analysis of assets and liabilities

1. Material changes of asset items

Unit: RMB

	End of 2015		End of 2014		Increase/Decrease	Note of significant change
	Amount	Portion to total assets	Amount	Portion to total assets		
Cash and bank balances	10,106,500,588.53	33.34%	7,199,658,946.19	33.82%	-0.48%	Increase in payment collection
Accounts receivable	8,125,932,742.98	26.80%	4,281,526,957.05	20.11%	6.69%	Increase with the increase in operating sales
Inventory	2,818,665,737.11	9.30%	2,291,934,275.76	10.77%	-1.47%	Inapplicable
Fixed assets	1,887,240,766.08	6.23%	1,500,415,628.08	7.05%	-0.82%	Inapplicable
Construction in process	844,631,051.21	2.79%	28,956,418.82	0.14%	2.65%	Increase investment in Hikvision Tonglu Security Industrial Base
Short-term loan	876,600,473.94	2.89%	362,317,989.11	1.70%	1.19%	Increase of temporary revolving loan
Long-term loan	675,753,935.00	2.23%	244,760,000.00	1.15%	1.08%	Increase of US dollar loan

2. Assets and liabilities measured at fair value

√ Applicable □ Inapplicable

Unit: RMB

Item	Opening balance	Profit or loss from change in fair value during the period	Cumulative fair value change charged to equity	Impairment provided during the period	Purchase during the period	Sales during the period	Closing balance
Financial assets							
1. Financial assets measured at their fair values and of which the changes are recorded into the current profits and losses(exclude derivative financial assets)	3,032,932.74	3,127,346.44					6,160,279.18
3. Available-for-sale financial assets	604,313.00				55,429,200.00		56,033,513.00

Subtotal of financial assets	3,637,245.74	3,127,346.44			55,429,200.00		62,193,792.18
Subtotal of the above	3,637,245.74	3,127,346.44			55,429,200.00		62,193,792.18
Financial liabilities	0.00	-19,281,989.69					19,281,989.69

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

☐ Yes ☒ No

V. Analysis of Investments

1. Overview

☒ Applicable ☐ Inapplicable

Investment during the reporting period(RMB)	Investment during the prior reporting period(RMB)	Fluctuation
1,469,102,728.38	613,061,824.15	239.63%

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 reporting period	Cumulative amount of investment by the end of reporting period	Source of funds	Project schedule	expected income	Cumulative income by the end of reporting period	Reasons of the unreach ed project progress and expected profit
Hikvision Tonglu Security Industrial Base	Self-built	YES	Video product and service	601,189,618.41	601,189,618.41	Company's own funds	46.00%	NA	NA	NA

Internet Security Industry Base	Self-built	YES	Video product and service	171,073,900.62	171,073,900.62	Company's own funds	17.00%	NA	NA	NA
Total	--	--	--	772,263,519.03	772,263,519.03	--	--	NA	NA	--

4. Financial assets measured at their fair values

√ 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	625,436,100.00	-16,154,643.25	0.00	2,721,690,378.66	0.00	6,165,969.68	1,701,837,006.10	Company's own funds
Total	625,436,100.00	-16,154,643.25	0.00	2,721,690,378.66	0.00	6,165,969.68	1,701,837,006.10	--

5. Use of funds raised

√ Applicable □ Inapplicable

5.1 Overview of the use of raised funds

√ Applicable □ Inapplicable

Unit: RMB'0000

Year of funds raising	Method of funds raising	Total amount of funds raised	Total amount of raised funds used in this period	Total amount of raised funds used accumulatively	Total amount of raised funds changes the purpose of use during the reporting period	Total amount of raised funds changes the purpose of use accumulatively	The percentage of raised funds changes the purpose of use accumulatively	Total amount of unused raised funds	Total amount of unused raised funds and usage	Raised funds not used for over two years
2010	IPO	334,202.11	62,776.34	355,294.36	0	13,489	4.04%	0	NA	0
Total	--	334,202.11	62,776.34	355,294.36	0	13,489	4.04%	0	--	0
General description of use of funds raised										

In previous years, the accumulated total amount of the raised funds used was RMB 2.925 million, the bank interest and investment income net of bank charges was RMB 201 million; in 2015, the raised funds used was RMB 628 million and the bank interest and investment income net of bank charges was RMB 9 million; cumulative raised funds used is RMB 3,553 million and the cumulative bank interest net of fee is RMB 210 million. The balance of raised fund is nil on 31st Dec. 2015, including bank interest net of bank charges.

5.2 Committed project of funds raised

√ Applicable □ Inapplicable

Unit: RMB'0000

Committed and over raised funds investment project	whether the project has been changed(including partly changed)	The total amount of committed investment project	The amount of investment after adjustment(1)	Investment during the reporting period	Cumulative amount of investment by year end (2)	Completion of the investment by the year end(3)=(2)/(1)	Date of project ready for use	Income realized during the reporting period	Achieve the expected benefit or not	The feasibility of the project has changed significantly or not
Committed investment project										
1.Video surveillance equipment industrialization project	NO	56,367	46,933.47		46,933.47	100.00%		94,391.95	YES	NO
2.Digital surveillance camera industrialization project	NO	40,424	38,735.62		38,735.62	100.00%		422,999.61	YES	NO
3.R&D Center Construction Project	NO	16,327	16,527.28		16,527.28	100.00%			YES	NO
4.Los Angeles Logistics & Technology Service Center	YES	6,650							NO	YES
5.Belgium Logistics & Technology Service Center	YES	6,839							NO	YES
6.Construction and Expansion of the Domestic Branches Project	NO		73,872.24	14,515.24	59,811.75	80.97%	30th November 2015		YES	NO
Subtotal of committed investment project	--	126,607	176,068.61	14,515.24	162,008.12	--	--	517,391.56	--	--
Over raised investment project										
1.Chongqing social public video information management system	YES	175,000	68,774.15	27,715.47	74,090.43	100.08%	30th November 2015			NO

project										
2.Headquarters office building	NO	32,145.1	41,126	0	38,650.18	93.98%				NO
3.Permanent working capital supplement			80,514.31	20,545.63	80,545.63					NO
Subtotal of over raised investment project	--	207,145.1	190,414.46	48,261.1	193,286.24	--	--		--	--
Total	--	333,752.1	366,483.07	62,776.34	355,294.36	--	--	517,391.56	--	--
Reason of not reach excepted schedule or not achieve the expected benefit	NA									
Notes on the significant change of the feasibility of the project	Influenced by the unclear international political and economic situation, the overseas real estate market is still fluctuating this period. According to the 2010 annual general meeting of shareholders, the Los Angeles and Belgium Logistics & Technology Service Centers are suspended.									
The amount, use and progress of over raised funds	Applicable									
	According to the “The proposal on using raised funds to undertake the Chongqing social public video information management system project” and “The proposal on using raised funds to undertake the Headquarters office building “approved by the first special general meeting for 2010, RMB 1,750.00 million of RMB 2,071.45 million over raised funds are used for the Chongqing social public video information management system project and the rest of the funds are used for the Headquarters office building; according to “The proposal on changing a part of the investment purpose of super raised funds” approved by the first special meeting for 2013, the Company was approved to use RMB 500 million of Chongqing social public video information management system project to construct and expand the Domestic Branches; according to “The proposal on using raised funds to supplement permanent working capital”, the Company was approved to use RMB 600 million of Chongqing social public video information management system project to supplement the permanent working capital.									
Change of the place of investment	Inapplicable									
Adjustment of the method of investing	Inapplicable									
Preliminary investment and replacement of funds raised	Inapplicable									
Temporarily supplement working capital with idle raised funds	Inapplicable									
The amount and reason of unused raised funds	Applicable									
	(a) Until 31 st Dec. 2011, Video surveillance equipment industrialization project, Digital surveillance camera industrialization project and R&D Center Construction Project have been completed. During the construction process, the Company has combined its own business resources and needs, taken advantage of its own technology and experience and considered the existing business resources. By rational resource allocation, strict expenditure control and bank interests from raised funds, the raised funds were not used up. Details of these three projects as below:									
	Unit: RMB*0000									
	Project				Committed investment	Cumulative interest income	Cumulative investment	Balance		
	Video surveillance equipment industrialization project				56,367.00	947.96	46,933.47	10,381.49		

	Digital surveillance camera industrialization project	40,424.00	906.24	38,735.62	2,594.62
	R&D Center Construction Project	16,327.00	1,490.21	16,527.28	1,289.93
	Total	113,118.00	3,344.41	102,196.37	14,266.04
	According to the resolution passed at the third meeting of the second session of the Board of Directors of the Company, the unused raised fund RMB 142.66 million is used for over raised fund projects and the investment projects after changing.				
	(b) Until 31st December 2014, the Headquarters office building project has been completed. During the construction process, starting from ground up, the Company has moved through the construction progress reasonably and effectively. Meanwhile, bank interests from raised funds and the raised funds were not used up. Details of the project are below:				
	Unit: RMB'0000				
	Project	Committed investment	Cumulative interest income	Cumulative investment	Balance
	Headquarters office building	41,126.00	6,396.42	38,650.18	8,872.24
	According to the resolution passed at the first meeting of the third session of the Board of Directors of the Company, the unused raised fund RMB 88.72 million is used for the construction and expansion of the Domestic Branches Project.				
Plan for unused raised funds	NA				
Problems in the usage and disclosure of raised funds	NA				

5.3 Change of funds raised

√ Applicable □ Inapplicable

Unit: RMB'0000

Project after change	Original committed project	Projected raised fund after the change(1)	Investment during the reporting period	Cumulative amount of investment by year end (2)	Completion of the investment by the year end(3)=(2)/(1)	Date of project ready for use	Income realized during the reporting period	Achieve the expected benefit or not	The feasibility of the project has changed significantly or not
Construction and Expansion of the Domestic Branches Project	Los Angeles and Belgium Logistics & Technology Service Centers	73,872.24	14,515.24	59,811.75	80.97%	30th November 2015	0	NO	NO
Total	--	73,872.24	14,515.24	59,811.75	--	--	0	--	--
Notes on reason, decision-making process and disclosure of changes(by project)			Influenced by the unclear international political and economic conditions, the overseas real estate market was still fluctuating this period. According to the 2010 annual general meeting of shareholders on 9 th April 2011, the overseas raised fund investment projects were suspended, simultaneously, the office of domestic branches can no longer meet the need of the rapid growth of employees. To improve the external image and work efficiency, building the first-class marketing system in security industry, the Company had changed the Los Angeles and Belgium Logistics & Technology Service Centers Project into the						

	Construction and Expansion of the Domestic Branches Project. After the change, the Company intended to invest RMB134.89 million from the original project before the change; according to the resolution passed at the first special general meeting on 19th January 2012, the Company would invest RMB15.11 million unused raised funds in the Construction and Expansion of the Domestic Branches Project; according to “The proposal on changing part of the investment purpose of over raised funds” approved by the first special meeting for 2013, the Company was approved to use RMB 500 million of Chongqing social public video information management system project to construct and expand the Domestic Branches; According to the resolution passed at the first meeting of the third session of the Board of Directors of the Company, the unused raised funds RMB 88.72 million is used for the construction and expansion of the Domestic Branches Project.
Reason of not reach excepted schedule or not achieve the expected benefit(by project)	NA
Notes on the significant change of the feasibility of the project	NA

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

Major subsidiaries and investees accounts for 10% net profit or above

Unit: RMB

Company name	Company type	Principal business	Registered capital	Total assets	Net assets	Revenue from operation	Operating profit	Net profit
Hangzhou Hikvision System Technology Co., Ltd.	Subsidiary	Technology development and service: computer system integration, electronic product, communication product; service: the installation of electric security engineering, the design, construction and maintenance of intelligent system; manufacturing: video surveillance system, selling its own products, import and export its own products and technology.	150 million	1,160,409,415.66	575,605,384.93	1,533,630,798.11	124,370,115.99	144,069,409.39
Hangzhou Hikvision Science and Technologies Co. Ltd.	Subsidiary	Manufacturing: security electronic product, intelligent hardware products, explosion-proof electric products., IC card and IC card RW device, mobile phone, cordless phone, handheld wireless terminal, hand held mobile police terminal; import and export business	100 million	13,536,512,730.27	426,073,398.20	22,462,655,795.17	260,075,245.10	187,529,071.31
Chongqing Hikvision Science and Technologies Co., Ltd.	Subsidiary	The R&D, production, sale, technical service of electronic products and software; the installation of electronic devices, the design, construction and maintenance of intelligent system; import and export products and technology.	100 million	660,264,652.95	131,071,428.60	966,469,306.64	-12,975,134.75	-5,123,757.99

Acquisition and disposal of subsidiaries during the reporting period

☒ Applicable ☐ Inapplicable

Company name	Equity acquisition and disposal mode	Impact on overall production results
Cooperative Hikvision Europe U.A.	Cash contribution	Expand overseas sales channels
Hikvision Canada INC.	Cash contribution	Expand overseas sales channels
OOO Hikvision.	Cash contribution	Expand overseas sales channels
Hikvision Korea Limited	Cash contribution	Expand overseas sales channels
Hangzhou EZVIZ Network Inc.	Cash contribution	Business development
EZVIZ Inc.	Cash contribution	Expand overseas sales channels

VIII. Structural entities Controlled by the Company:

☐ Applicable ☒ Inapplicable

IX. Outlook for the future development of the Company

1. Industry developing trends

1.1 The consistent increase of industry demand and market scale

With the consistent development of new urbanization and the construction of Safe City and Smart City, video surveillance increased steadily as an important infrastructure and data source of city management. Meanwhile, as an important method of visual management, video integrated with business management, forming new application needs, and the market scale continues to grow consistently.

1.2 The obvious globalized competition and the accelerated internationalization

On one hand, with the global expansion of technology and capital, the development of the security industry and the rise of security companies, R&D of security production and manufacturing have extended to emerging markets such as in China, and the trend toward internationalization is obvious; on the other hand, with the improvement in technologies, products, and capabilities in providing integrated solutions, the gap between Chinese video surveillance enterprises and top-tier overseas manufacturers continued to narrow, and Chinese enterprises already have the strength to participate in international competitions. Chinese enterprises have entered the international market and become gradually recognized by overseas markets. The rise of Chinese security companies is changing the pattern of the world security industry.

1.3 Capability of providing integrated solutions becomes core competitive advantage, and the degree of market consolidation continues to increase

With the innovation of technological transformation, product updates and system integration, the demand for video applications is no longer only the demand for devices and services, but also the demand for

comprehensive integrated solutions and services. The demand for integrated video solutions and services is leading equipment suppliers to transform into solution and video content service providers. The capability to provide solutions and video content services has become the new market benchmark. Through integration of core factors like products, technologies, brand, and capital, enterprises with a comprehensive range of product lines and the capability to provide integrated solutions will acquire new competitive advantages and gain larger market shares.

1.4 Consistent innovation of video related technologies, developing and integrating multiple technologies

The consistent innovation of new generation video and audio codec technology, image processing, intelligent analysis, video storage, streaming media network transmission, and control technology has rapidly prompted the security industry to move towards “digitalization, networking and intellectualization”, leading the growth of the video surveillance market. Moreover, the maturity and wide application of IT, cloud computing and big data technology also greatly impacts the security industry. The security industry has shown a trend toward multi-technology integration and development, which further raises the industry entry barriers. Multi-technology integration will become the key to expand application areas of video surveillance.

1.5 The continuous expansion of video application and the fuzzification of industry boundaries

With the application of artificial intelligence, VR/AR, cloud computing, and big data technology, the Internet of Things (IOT) and security technology become more and more compatible, which leads to new business models and the fuzzification of industry boundaries. Video applications are no longer limited to the purpose of surveillance, more and more valuable video data are being mined and utilized – such as emerging applications like people-counting through video data, customer behavior analysis, parking guidance and reverse vehicle seeking system – extending visual applications beyond the traditional security areas.

2. Development strategy of the Company

As one of the world’s leading video product, content, and service providers, Hikvision’s mission is to develop video technology that serves real people. The Company is dedicated to becoming a respected high-tech enterprise.

The Company adheres to a philosophy of “Professionalism, Steadfastness, and Integrity”, continually “customer-oriented, human-oriented, and striving for excellence” according to our core values. Through consistent innovations in technology, automation, modulation, and management, the Company will provide high-quality, high-tech products and services and create greater value for our customers, worldwide.

3. Key operation emphases in year 2016

3.1 Continuous R&D investment to maintain technology leadership.

The Company continuously expands its investments in key technologies, such as video image processing technology, video structuring, intelligent analysis, and Big Data, in order to maintain technological leadership.

The Company will advance the transformation of prospective technologies to drive the development of the industry. Meanwhile, driven by the needs of industry applications, the Company will further synergize R&D and manufacturing, establishing multi-layer R&D systems for both baseline products and customized products, and form leading R&D capabilities in software and hardware development and integrated solution development.

3.2 In-depth study on industrial applications, continuously creating value for customers.

Based on the development of video processing technologies, the Company will consistently analyze applications in particularized industries. Driven by customers' demands, the Company will further innovative capabilities of its software platform products, and improve the Video Big Data platform's comprehension and video content analysis abilities. The Company will strengthen the capability of its video content services, improve the value of video data, and deeply integrate video applications with industry-leading management.

3.3 Accelerate internationalization, and promote localization of overseas business.

The Company will consistently implement its Internationalization 2.0 Strategy, providing better localized support and service through intelligent marketing structures and marketing channel optimization. Simultaneously, the Company will accelerate product promotion in overseas markets, maintaining a sustainable development by expanding from product sales to integrated solution offerings, and from branding in low- to mid-level markets to medium- to high-end markets.

3.4 Optimizing the internal operation process to support collectivized development.

The Company will consistently promote its excellent Performance Management System, introducing leading business modules to establish an integrated business system uniting product, industry, and market. Through in-depth understanding of markets, distinguishing products, and promotion of market-driven product development, the Company will consistently optimize its internal operation process in market management, marketing planning, competition analysis, and demand management. The Company will accelerate the construction of a decentralized, flat organization, promoting excellent performance management and enhancing the enterprise's culture. In addition, the company will also continuously improve operating quality and efficiency, which will make Hikvision a company with stronger creativity, cohesiveness, and executive power.

3.5 Upgrading manufacturing systems to improve production efficiency.

Supported by comprehensive information systems and advanced automation equipment, the Company will make its Tonglu Security Industrial Base the world's leading flexible production and supply base for both basic and customized video products, so as to improve the Company's production efficiency. Meanwhile, the Company will hold the leading manufacturing and service capacity to meet the various demands arising from multiple industries.

3.6 The cultivation of new markets and business.

The Company will set up an innovative business investment plan to cultivate an internet video service business and its “machine vision” business on the basis of risk-sharing and benefit-sharing. Along with that, the Company will still cultivate emerging markets and business ventures to maintain its sustainable development power.

X. Reception of activities including research, communication and interviews

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

√ Applicable □ Inapplicable

Time of reception	Method of reception	Type of reception object	Basic situation of the research
March 2 nd , 2015	Telephone Communication	Institutional and individual investors	Disclosure website: CNINF, Investor relations activity record
April 15 th , 2015	Site Research	Institutional and individual investors	Disclosure website: CNINF, Investor relations activity record
October 22 nd , 2015	Site Research	Institutional and individual investors	Disclosure website: CNINF, Investor relations activity record

Section V Significant Events

I. Profit distribution of ordinary shares and capitalization of share premium

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

☐ Applicable ☒ Inapplicable

Profit Appropriation and Capitalizing of Capital Reserves Plan or Proposal in Last Three Years

(1) Profit distribution plan for the year 2013: Based on the total share capital of 4,017,223,222 shares at the end of 2013, a final cash dividend of RMB2.5 per 10 ordinary shares (tax inclusive), that is of RMB 0.25 per ordinary share (tax inclusive), was declared to all shareholders.

(2) Profit distribution plan for the year 2014: Based on the total share capital of 4,069,128,026 shares at the end of 2014, a final cash dividend of RMB4 per 10 ordinary shares (tax inclusive), that is of RMB 0.4 per ordinary share (tax inclusive), was declared to all shareholders.

(3) Profit distribution plan for the year 2015: Based on the total share capital of 4,068,772,253 shares of the Company at the end of 2015, all shareholders will be distributed a cash dividend of RMB 7 (tax inclusive) per 10 ordinary shares. The Company proposed bonus issue of 3 shares for each 10 ordinary shares to all shareholders by way of debiting retained profit and share distribution of 2 shares for each 10 ordinary shares to all shareholders by way of capitalization of share premium.

Cash dividend of ordinary shares in recent 3 years (including reporting period)

Unit: RMB

Year	Cash dividends (including tax)	Net profit attributable to shareholders of listed Company in consolidated statements	Ratio of net profit attributable to shareholder of Company in consolidated financial statements (%)	Amount or ratio of cash dividends in other ways
2015	2,848,140,577.10	5,869,049,646.23	48.53%	None
2014	1,627,651,210.40	4,665,368,689.94	34.89%	None
2013	1,004,305,805.50	3,066,648,532.90	32.75%	None

The Company does not propose the cash dividend of ordinary shares although the Company is profitable for the reporting period and achieves positive distributable profits for dividend distribution for the holders of ordinary shares.

☐ Applicable ☒ Inapplicable

II. Profit distribution and Capitalizing of Capital Reserves Plan or Proposal for the reporting period

☒ Applicable ☐ Not Applicable

Bonus issue per 10 shares (share)	3
Cash dividend per 10 shares (RMB) (tax inclusive)	7
Additional shares converted from capital reserves for every 10 shares (share)	2
Total shares as the basis for the distribution plan (share)	4,068,772,253
Total cash dividend (RMB) (tax inclusive)	2,848,140,577.10
Distributable profits (RMB)	11,881,681,998.50
Percentage of cash dividends in the total distributed profit (%)	70%
Cash dividend policy:	
The Company is in the development stage and has a substantial plan of cash expenditure. In profit distribution, cash dividends shall account for at least 20%.	
Details about the plan for profit distribution and capitalizing capital reserves into share capital	
As audited by Pan-China Certified Public Accountants (LLP), the Company achieved net profits attributable to the shareholders of the Company of RMB5,869,049,646.23 and the Company (excluding subsidiaries) achieved net profits of RMB5,554,634,200.66 in 2015. Plus undistributed profit at the beginning of the year of RMB8,510,162,428.31, the total distributable profit is RMB14,064,796,628.97. It provided 10% as statutory surplus reserves, RMB555,463,420.07 deducting the distributed dividend of RMB1,627,651,210.40 so the actual distributable profit would be RMB11,881,681,998.50. Based on the total share capital of 4,068,772,253 ordinary shares of the Company at the end of 2015, all shareholders will be distributed a cash dividend of RMB 7 (tax inclusive) per 10 ordinary shares. The Company proposed bonus issue of 3 shares for each 10 ordinary shares to all shareholders by way of debiting retained profit and share distribution of 2 shares for each 10 ordinary shares to all shareholders by way of capitalization of share premium. From the above plan, total cash dividend is RMB2,848,140,577.10. The remaining undistributed profit shall be carried forward for future distribution. Total capitalizing shares are 2,034,386,126, so the total share capital will be 6,103,158,379 shares from 4,068,772,253 shares originally.	

III. Performance of commitments

1. Complete and incomplete commitments of the Company, Shareholders, Actual Controller, Acquirer, Directors, Supervisor, Senior Executives or other related parties

√ Applicable □ Inapplicable

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.	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. 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: (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. (2) Haikang Group will not make use of the controlling power to obtain the prior right to complete the transaction with Hikvision. (3) Haikang Group will not deal with Hikvision in not fair terms comparing to the market prices to prejudice the Company's interests. 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 3. Commitment to the maintenance of the independence of the listed Company 3.1 Commitment to Personnel Independence of the listed Company	29 October, 2013	Long-term	Strict performance

		(1) Commitment that our general manager, deputy general manager, chief financial officer, secretary of the board and other members of senior management shall not assume any positions other than directors and supervisors or get any remuneration in CETHIK and/or any of its controlled entities; (2) Commitment in keeping the management of labor, human resources and issues related to remuneration of the listed Company independent from that of CETHIK; 3.2 Commitment to the independence of the asset of the listed Company (1) Commitment to independent and complete asset of the listed Company (2) Commitment free of unlawful use of cash and asset of the listed Company by the controlling shareholders 3.3 Commitment to financial independence of the listed Company (1) Commitment to an independent finance department with a team and accounting system; (2) Commitment to a regulated, independent accounting system and financial management system of the branches and subsidiaries (3) Commitment to maintaining accounts with banks independently of and not sharing any bank account with our controlling shareholders (4) Commitment that the financial staff shall not assume any positions in CETHIK (5) Commitment to paying taxes independently according to the law; (6) Commitment to implementing financial decisions independently 3.4 The Company has set up an independent organizational structure which maintains its independent operations which is independent from that of CETHIK. 3.5 Commitment to business Independence of the listed Company (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. (2) Commitment in independence in both business and operations 4. Regarding plans for the development and relevant commitment for the listed Company, Haikang Group has committed as below for the subsequent development of Hikvision according to the Securities Acts and relevant laws and rules, 4.1 Currently the Company has no plan to change or make significant adjustments for principal business in the next 12 months; 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			
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		months. 4.3 Currently the Company has no plan to alter the Board of the Directors and senior management and no agreement with other shareholders about the appointment and removal of the directors or senior management. The team of Board of Directors and senior management will remain unchanged for the foreseeable future. 4.4 Currently the Company has no plan to make significant changes to the Articles of Association for the listed Company. 4.5 Currently the Company has no plan to make significant changes to the existing employee recruitment for the listed Company. 4.6 Currently the Company has no plan to make significant changes for the dividend distribution plan for the listed Company. 4.7 Currently the Company has no plan to make significant changes for business and organizational structure for the listed Company.			
Commitments in Initial Public Offering or re-financing	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.	18 September, 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.	10 July, 2008	Long term	Strict performance
Whether the undertaking is fulfilled in time	Yes				
Specific reasons for failure to fulfill any undertaking and plan for the next step (if any)	None				

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

☐ Applicable ☒ Inapplicable

IV. 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.

V. Explanation given by the board of directors, supervisory committee and independent directors (if applicable) regarding the "non-standard auditor's report" issued by the CPA firm for the reporting period

☐ Applicable ☒ Inapplicable

VI. For changes in accounting policies, accounting estimates and accounting methods as compared to the financial report for the prior year

☐ Applicable ☒ Inapplicable

No such case in the reporting period.

VII. Reason for retrospective restatement of major accounting errors during the reporting period

☐ Applicable ☒ Inapplicable

No such case in the reporting period.

VIII. Reason for changes in scope of the consolidated financial statements as compared to the financial report for the prior year

☒ Applicable ☐ Inapplicable

The scope of the consolidated has expanded as follows:

Name	Equity acquisition mode	Time of equity acquisition	Amount of contribution	Ratio of contribution
Cooperative Hikvision Europe U.A.	Establishment	April 2015	EUR10,000.00	100%
Hikvision Canada INC.	Establishment	April 2015	CAD200,000.00	100%
OOO Hikvision.	Establishment	March 2015	RUB 6 million	100%
Hikvision Korea Limited	Establishment	May 2015	KRW 270 million	100%
Hangzhou EZVIZ Network Inc.	Establishment	March 2015	RMB1 million	100%
EZVIZ Inc.	Establishment	July 2015	USD 10,000.00	100%

IX. Engagement and disengagement of the CPA firm

CPA firm engaged at present

Name of the domestic CPA firm	Tianjian Accounting Firm (special general partnership)
Remuneration for the domestic CPA firm (RMB'0000)	125
Consecutive years of the audit service provided by the domestic CPA firm	9
Name of the certified public accountants from the domestic CPA firm	Cheng Zhigang and Zhang Lin

Whether the CPA firm was changed in the current period

☐ YES ☒ NO

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

☐ Applicable ☒ Inapplicable

X. Listing suspension and termination after disclosure of this annual report

☐ Applicable ☒ Inapplicable

XI. Bankruptcy and restructuring

☐ Applicable ☒ Inapplicable

No such case in the reporting period.

XII. Material litigation and arbitration

☐ Applicable ☒ Inapplicable

No such case in the reporting period.

XIII. Punishments and rectifications

☐ Applicable ☒ Inapplicable

No such case in the reporting period.

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

☐ Applicable ☒ Inapplicable

XV. The implementation of an Equity Incentive Plan, Employee Stock Ownership Plan, or other incentive plan

During the reporting period, the Company has for the second time unlocked, repurchased and written-off shares for the 2012 Restricted Share Incentive Plan.

On August 24th, 2015, “Resolution for the fulfillment of the unlocking conditions of the second unlock period for the first batch of Restricted Share Incentive Schemes” and the “Resolution for the repurchase and cancelation of a portion of locked shares that already granted to personnel not fulfilling the incentive conditions in the year” were approved by the fourth meeting of the third board. Authorized by the first special general meeting for 2012, the total amount of 5,236,468 restricted shares of 548 grantees was unlocked and circulated on 14th September 2015. Meanwhile, 355,773 unlocked restricted shares held by unqualified grantees were repurchased and cancelled. On November 23rd, 2015, repurchase and cancelation of restricted shares was completed.

Details refer to in the “Indicative notice of the unlocking conditions of the second unlock period for the first batch of Restricted Share Incentive Schemes” (No. 2015-054) and “Notice of the completion of repurchase and cancelation of a portion of locked shares that already granted to personnel not fulfilling the incentive conditions in the year” (No. 2015-064) disclosure in CNINF.

XVI. Significant related-party transaction**1. Related-party transactions arising from routine operation**

☐ Applicable ☒ Inapplicable

No such case in the reporting period.

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 with external parties

☐ Applicable ☒ Inapplicable

No such case in the reporting period.

4. Related-parties' creditor's rights and debts

☐ Applicable ☒ Inapplicable

No such case in the reporting period.

5. Other significant related party transactions

☐ Applicable ☒ Inapplicable

No such case in the reporting period.

XVII. Significant contracts and their execution**1. Trusteeship, contracting and leasing****1.1 Trusteeship**

☐ Applicable ☒ Inapplicable

No such case in the reporting period.

1.2 Contracting

☐ Applicable ☒ Inapplicable

No such case in the reporting period.

1.3 Leasing

☐ Applicable ☒ Inapplicable

No such case in the reporting period.

2. Significant guarantees

☒ Applicable ☐ Inapplicable

2.1 Details of guarantees

Unit: RMB'0000

Guarantees provided by the Company for subsidiaries								
Guaranteed party	Announcement date of disclosure of the guarantee cap	Guarantee	Actual occurrence date(date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related party or not
Hangzhou Hikvision Science and Technologies Co. Ltd.	23 December 2015	650,000	9 January 2015	109,967.9	Joint guarantee	2015.1.9-2018.2.28	NO	YES
Hikvision International Co., LTD	23 December 2015	51,600	12 August 2015	3,808.22	Joint guarantee	2015.8.12-2016.2.15	NO	YES
Total guarantee cap for subsidiaries approved during the reporting period(B1)		901,600		Total actual guarantee amount for subsidiaries during the reporting period(B2)		220,458.01		
Total approved guarantee cap for subsidiaries at the end of the reporting period(B3)		901,600		Total actual guarantee balance for subsidiaries at the end of the reporting period(B4)		113,776.12		
Guarantees provided between subsidiaries								
Guaranteed party	Announcement date of disclosure of the guarantee cap	Guarantee	Actual occurrence date(date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for a related party or not
COÖPERATIEF HIKVISION EUROPE U.A.	23 December 2015	6,450	8 April 2015	5,852.49	Joint guarantee	2015.4.8-2016.6.21	NO	YES
Total guarantee cap for subsidiaries approved during the reporting period (C1)		6,450		Total actual guarantee amount for subsidiaries during the reporting period (C2)		5,852.49		
Total approved guarantee cap for subsidiaries at the end of the reporting period (C3)		6,450		Total actual guarantee balance for subsidiaries at the end of the reporting period (C4)		5,852.49		
Total guarantee amount provided by the Company (total of the above-mentioned kinds of guarantees)								
Total guarantee cap approved during the reporting period (A1+B1+C1)		908,050		Total actual guarantee amount during the reporting period (A2+B2+C2)		226,310.5		
Total approved guarantee cap at the end of reporting period (A3+B3+C3)		908,050		Total actual guarantee balance at the end of the reporting period (A4+B4+C4)		119,628.61		
Portion of the total actual guarantee amount (A4+B4+C4) in net assets of the Company				6.21%				

Of which	
Amount of guarantees provided for shareholders, the actual controller and their related parties (D)	0
Amount of debt guarantees provided directly or indirectly for entities with a liability-to-asset ratio over 70% (E)	226,310.5
Portion of the total guarantee amount in excess of 50% of net assets (F)	0
Total guarantee amount (D+E+F)	226,310.5

Illustration of compound method guarantee

As required by the project owner, China Electronics Technology Group Corporation has provided a joint guarantee to responsibility and duties of 41 construction projects of “Safe Chongqing, Emergency Control System Digital Construction Project,” signed by Chongqing Hikvision System Technology Co., Ltd. Meanwhile, the Company provides a counter guarantee to China Electronics Technology Group Corporation.

2.2 Illegal provision of guarantees for external parties

☐ Applicable ☒ Inapplicable

No such case in the reporting period.

3. Entrusting others to execute any cash asset management

3.1 Entrust finances

☐ Applicable ☒ Inapplicable

No such case in the reporting period.

3.2 Entrusted loans

☐ Applicable ☒ Inapplicable

No such case in the reporting period.

4. Other significant contracts

☐ Applicable ☒ Inapplicable

No such case in the reporting period.

XVIII. Other significant events

☐ Applicable ☒ Inapplicable

No such case in the reporting period.

XIX. Significant events of subsidiaries

☐ Applicable ☒ Inapplicable

XX. Social responsibility

☒ Applicable ☐ Not Applicable

Based on innovative technology and professional experience, the Company is committed to building a harmonious society, and continues to work on the development of sustainable socioeconomics and environment. The Company devotes itself to providing public safety and quality and offers employees a platform to realize their own value and achieve success. The Company has taken a strict compliance with laws and regulations both at home and abroad, fulfilling its duty to pay taxes and import and export duties. The Company has established an international image of responsibility and integrity. The Company has adhered to the notion of social returns, encouraging employees to take care of the society. Besides these, the Company has focused on environmental protection and sustainable development, with concern about the health of employees, providing “green” products to customers. For details, please refer to its “Annual Social Responsibility Report 2015” disclosed in CNINFO (www.cninfo.com.cn) on April 9th, 2015.

Whether the listed Company and its subsidiaries are critical pollutant enterprises regulated by national environmental protection department

☐ YES ☒ NO ☐ Inapplicable

XXI. Issue of corporate bonds

Whether there are undue or due but failure to fully pay corporate bonds listed in stock exchange until the publication of annual report.

NO

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	Shares newly issued	Bonus share	Share transferred from reserve	Others	Sub-total	Shares	Ratio
1. Shares subject to conditional restriction(s)	865,746,838	21.56%	52,910,082			-5,292,241	47,617,841	913,364,679	22.45%
(3) Other domestic shares	307,859,338	7.66%	52,810,082			-5,292,241	47,517,841	355,377,179	8.73%
Including: held by domestic nonstate-owned enterprises	296,885,625	7.39%					0	296,885,625	7.30%
Including: held by domestic natural person	10,973,713	0.27%	52,810,082			-5,292,241	47,517,841	58,491,554	1.44%
(4) Foreign shares	557,887,500	13.89%	100,000				100,000	557,987,500	13.71%
Including: held by foreign enterprises							0	0	0.00%
Including: held by foreign natural person	557,887,500	13.89%	100,000				100,000	557,987,500	13.71%
2. Shares without restriction	3,150,471,106	78.44%				4,936,468	4,936,468	3,155,407,574	77.55%
(1) RMB ordinary shares	3,150,471,106	78.44%				4,936,468	4,936,468	3,155,407,574	77.55%
3. Total	4,016,217,944	100.00%	52,910,082			-355,773	52,554,309	4,068,772,253	100.00%

Reason for the changes in share capital

☒ Applicable ☐ Inapplicable

(1) 2014 Restricted Share Incentive Scheme

On October 24th, 2014, at the 27th Session of the Second Board of Directors of the Company, the Board

reviewed and approved the *Resolution for Adjusting the Target List and Grant Number of the 2014 Restricted Share Incentive Scheme* (关于调整2014年限制性股票计划激励对象名单及授予数量的议案), the *Resolution for Granting Restricted Shares to the Participants of the 2014 Restricted Shares Incentive Scheme* (关于向2014年限制性股票计划激励对象授予限制性股票的议案). As mandated by the 1st Extraordinary General Meeting of 2014, the Board of Directors considered that the conditions of the grant had already been met and agreed to grant Restricted Shares to the Participants. The grant price was RMB9.25 per share and the grant date was on October 24th, 2014.

During the confirmation of fund payment and shares registered on the grant date, as some participants were disqualified because of resignation and some participants voluntarily gave up the subscription or just subscribed to part of the granted Restricted Shares, the actual number of participants was 1,128 and a total number of 52,910,082 Restricted Shares were granted. On December 29th, 2014 the Company completed the business registration change. On January 8th, 2015 the Restricted Shares were listed after the completion of registration in the China Securities Depository and Clearing Corporation, Ltd., Shenzhen Branch, and the total share capital of the Company increased to 4,069,128,026 Shares from 4,016,217,944 Shares. (Note: According to the changed date of business registration, the actual number of registered capital was 4,069,128,026 shares at the beginning of the reporting period, different from the number registered in the settlement Company, 4,016,217,944 Shares.)

(2) The Second Repurchase and Cancellation of the 2012 Restricted Share Incentive Scheme

On August 24th, 2015, at the 4th Session of the Third Board of Directors of the Company, the Board reviewed and approved the *Resolution for the repurchase and cancelation of a portion of locked shares that were already granted to personnel not fulfilling the incentive conditions in the year* (关于回购注销部分已不符合激励条件的激励对象已获授但尚未解锁的限制性股票的议案). As mandated by the 1st Extraordinary General Meeting of 2012, the Board of Directors agreed to repurchase and cancell 355,733 shares already granted to the participant who was no longer eligible to be a participant under the 2012 Restricted Shares Incentive Scheme. On November 23rd, 2015, after the completion of cancelation procedures in the China Securities Depository and Clearing Corporation, Ltd., Shenzhen Branch, the total share capital of the Company decreased to 4,068,772,253 Shares from 4,069,128,026 Shares.

Approval for changes in share capital

☒ Applicable ☐ Inapplicable

(1) 2014 Restricted Share Incentive Scheme

On October 24th, 2014, at the 27th Session of the Second Board of Directors of the Company, the Board reviewed and approved the *Resolution for Adjusting the Target List and Grant Number of the 2014 Restricted Share Incentive Scheme* (关于调整2014年限制性股票计划激励对象名单及授予数量的议案), the *Resolution for Granting Restricted Shares to the Participants of the 2014 Restricted Shares Incentive Scheme* (关于向2014年限制性股票计划激励对象授予限制性股票的议案). As mandated by the 1st Extraordinary General Meeting of 2014, the Board of Directors considered that the conditions of the grant had already been met and agreed to grant Restricted Shares to the Participants. The grant price was RMB9.25 per Share and the grant date was on October 24th, 2014.

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disqualified because of resignation and some participants voluntarily gave up their subscription or just subscribed to part of the granted Restricted Shares, the actual number of participants was 1,128 and a total number of 52,910,082 Restricted Shares were granted.

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Transfer for changes in share capital

☒ Applicable ☐ Inapplicable

(1) 2014 Restricted Share Incentive Scheme

On January 8th, 2015, the Restricted Shares were listed after the completion of registration in the China Securities Depository and Clearing Corporation, Ltd., Shenzhen Branch, and the total share capital of the Company increased to 4,069,128,026 Shares from 4,016,217,944 Shares.

(2) The Second repurchase and cancelation of the 2012 Restricted Share Incentive Scheme

On November 23rd, 2015, after the completion of cancelation procedures in the China Securities Depository and Clearing Corporation Ltd., Shenzhen Branch, the total share capital of the Company decreased to 4,068,772,253 Shares from 4,069,128,026 Shares.

Effects of changes in share capital on the basic earning 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	Unlocked in current period	Increased in current period	Closing restricted shares	Reason for unlocking	Date of unlocking
Gong Hongjia	557,887,500	0	0	557,887,500	Executives locked shares	According to the relevant provisions of executives shares management
Xinjiang Weixun Investment Management Limited Partnership	224,520,000	0	0	224,520,000	Institution restricted share before IPO	According to the relevant provisions of executives shares management
Xinjiang Pukang Investment Limited Partnership	72,365,625	0	0	72,365,625	Institution restricted share before IPO	According to the relevant provisions of executives shares management
Targets of restricted share incentive plan	10,973,713	5,236,468	52,910,082	58,291,554	Restricted shares of equity incentive plan	According to the relevant provisions of executives shares management and share incentive plan
Li Pan	-	-	300,000	300,000	Executives locked shares (new)	According to the relevant provisions of executives shares management
Total	865,746,838	5,236,468	53,210,082	913,364,679	--	--

II. Issuance and listing of securities

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

√ Applicable □ Inapplicable

Names of the stock and derivative securities	Issuing date	Issuing price (or interest rate)	Number of shares issued	Listing date	Number approved for listing	Ending date of trade
Shares						
Restricted share	January 8, 2015	9.25	52,910,082	January 8, 2015	0	-

Explanation on securities (exclude preferred share) issued during the reporting period

The Company reviewed and approved the *Resolution for 2014 Restricted Shares Incentive Scheme (Revised Draft) and Its Abstract* (关于〈2014年限制性股票计划(草案修订稿)〉及摘要的议案) during the 1st Extraordinary General Meeting of 2014. At the 27th Session of the Second Board of Directors of the Company, the Board reviewed and approved the *Resolution for Granting Restricted A Shares to the Participants of the 2014 Restricted Shares Incentive Scheme* (关于向2014年限制性股票计划激励对象授予限制性股票的议案) and confirmed the grant date was on October 24th, 2014. During the confirmation of funds payment and shares registered on the grant date, as some participants were disqualified because of resignation and some participants

voluntarily gave up the subscription or just subscribed to part of the granted Restricted Shares, the actual number of participants was 1,128 and a total number of 52,910,082 Restricted Shares were granted. The Restricted Shares were listed on January 8th, 2015.

2. Explanation on changes in share capital & the structure of shareholders, the structure of assets and liabilities

√ Applicable □ Inapplicable

2.1 2014 Restricted Share Incentive Scheme

On October 24th, 2014, at the 27th Session of the Second Board of Directors of the Company, the Board reviewed and approved the *Resolution for Adjusting the Target List and Grant Number of the 2014 Restricted Share Incentive Scheme* (关于调整2014年限制性股票计划激励对象名单及授予数量的议案), the *Resolution for Granting Restricted Shares to the Participants of the 2014 Restricted Shares Incentive Scheme* (关于向2014年限制性股票计划激励对象授予限制性股票的议案). As mandated by the 1st Extraordinary General Meeting of 2014, the Board of Directors considered that the conditions of grant had already been met and agreed to grant Restricted Shares to the Participants. The grant price was RMB9.25 per Share and the grant date was on October 24th, 2014.

During the confirmation of fund payment and shares registered on the grant date, as some participants were disqualified because of resignation and some participants voluntarily gave up the subscription or just subscribed to part of the granted Restricted Shares, the actual number of participants was 1,128 and a total number of 52,910,082 Restricted Shares were granted. On December 29th, 2014, the Company completed the business registration change. On January 8th, 2015, the Restricted Shares were listed after the completion of registration in the China Securities Depository and Clearing Corporation, Ltd., Shenzhen Branch, and the total share capital of the Company increased to 4,069,128,026 Shares from 4,016,217,944 Shares. (Note: According to the time of business registration change, the actual number of registered capital was 4,069,128,026 Shares at the beginning of the reporting period, different from the number registered in the settlement Company, 4,016,217,944 Shares.)

2.2 The Second repurchase and cancell of the 2012 Restricted Share Incentive Scheme

On October 24th, 2015, at the 4th Session of the Third Board of Directors of the Company, the Board reviewed and approved the *Resolution for the repurchase and cancelation of a portion of locked shares that were already granted to personnel not fulfilling the incentive conditions in the year* (关于回购注销部分已不符合激励条件的激励对象已获授但尚未解锁的限制性股票的议案). As mandated by the 1st Extraordinary General Meeting of 2012, the Board of Directors agreed to repurchase and cancell 355,733 Shares already granted to the Participant who was no longer eligible to be a Participant under the 2012 Restricted Shares Incentive Scheme. On November 23rd, 2015, after the completion of cancelation procedures in the China Securities Depository and Clearing Corporation, Ltd., Shenzhen Branch, the total share capital of the Company decreased to 4,068,772,253 Shares from 4,069,128,026 Shares.

3. Existent shares held by internal staff of the Company

□ Applicable √ Inapplicable

III. Particulars about the shareholders and actual controller

1. Total number of shareholders and their shareholdings

Unit: Share

Total number of common shareholders at the end of the reporting period	108,944			Total number of common shareholders at the end of the previous month before the disclosure date of the annual report			102,467	
Particulars about shares held by shareholders with a shareholding percentage over 5% or the Top 10 of them								
Name of shareholder	Nature of shareholder	Share-holding percentage (%)	Total shares held at the period-end	Increase/ decrease during the reporting period	Number of non-tradable shares held	Number of tradable shares held	Pledged or frozen shares	
							Status of shares	Number of shares
China Electronics Technology HIK Group Co., Ltd.	State-owned corporation	39.91%	1,623,855,536	0	0	1,623,855,536		
Gong Hongjia	Foreign individual	18.28%	743,850,000	0	557,887,500	185,962,500		
Xinjiang Weixun Investment Management Limited Partnership	Domestic non-state-owned corporation	7.09%	288,360,000	-11,000,000	224,520,000	63,840,000		
Xinjiang Pukang Investment Limited Partnership	Domestic non-state-owned corporation	2.10%	85,487,500	-11,000,000	72,365,625	13,121,875		
The 52nd Research Institute at China Electronics Technology Group Corporation	State-owned corporation	1.97%	80,344,464	0	0	80,344,464		
Zhejiang Orient Holdings Co., Ltd.	Domestic non-state-owned corporation	1.26%	51,069,288	-28,381,490	0	51,069,288		
Central Huijin Investment Ltd.	State-owned corporation	0.72%	29,252,800	-	0	29,252,800		
MORGAN STANLEY & CO. INTERNATIONAL PLC.	Foreign corporation	0.55%	22,227,853	-	0	22,227,853		
BNP Paribas-own capital	Foreign corporation	0.54%	21,787,126	-	0	21,787,126		
E-Fund Management(HK)	Foreign	0.51%	20,946,400	-	0	20,946,400		

Co., Ltd.-client funds	corporation							
Strategic investor or general corporation becoming a Top 10 shareholder due to placing of new shares (if any) (see note 3)		No						
Explanation on associated relationship or/and persons acting in concert among the above-mentioned shareholders:		Ms. Chen Chunmei, controlling shareholder of Xinjiang Pukang Investment Limited Partnership, is the spouse of Mr. Gong Hongjia, foreign individual shareholder of the Company. 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. 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 Measures for Management of the Disclosure of the Shareholding changes of shareholders of the listed Company.						
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.				1,623,855,536	RMB ordinary shares	1,623,855,536		
Gong Hongjia				185,962,500	RMB ordinary shares	185,962,500		
The 52nd Research Institute at China Electronics Technology Group Corporation				80,344,464	RMB ordinary shares	80,344,464		
Xinjiang Weixun Investment Management Limited Partnership				63,840,000	RMB ordinary shares	63,840,000		
Zhejiang Orient Holdings Co., Ltd.				51,069,288	RMB ordinary shares	51,069,288		
Central Huijin Investment, Ltd.				29,252,800	RMB ordinary shares	29,252,800		
MORGAN STANLEY & CO. INTERNATIONAL PLC.				22,227,853	RMB ordinary shares	22,227,853		
BNP Paribas-own Capital				21,787,126	RMB ordinary shares	21,787,126		
E-Fund Management (HK) Co., Ltd. - client funds				20,946,400	RMB ordinary shares	20,946,400		
New China Life Insurance Company Ltd. - dividend-individual bonuses - Shenzhen No. 018L-FH002				20,601,308	RMB ordinary shares	20,601,308		
Explanation on associated relationship or/and persons acting in concert among the top ten tradable shareholders and between the top ten tradable shareholders and the top ten shareholders				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. Except for these, the Company does not know whether the other shareholders are related parties and whether they are acting-in-concert parties in according to the Measures for Management of the Disclosure of the Shareholding changes of shareholders of the listed Company.				
Explanation on the Top 10 shareholders participating in the margin trading business (if any)(see note 4)				No				

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

☐ Applicable ☒ Inapplicable

No such cases in the reporting period.

2. Particulars about the controlling shareholder

Nature of the controlling shareholder: Central State-owned

Type of the actual controller: Corporation

Name of controlling shareholder	Legal Representative / Company Principal	Date of establishment	Organization code	Business scope
China Electronics Technology HIK Group Co., Ltd.	Chen Zongnian	November 29 th , 2002	14306073-X	Industrial investment, R&D of environmental protection products, network products, intelligent products and electronic products, technology transfer, technical services, manufacturing and sales, business consulting services, rental services of own real estate.
Shares held by the controlling shareholder in other listed companies by controlling or holding during the reporting period	No			

Change of the controlling shareholder during the reporting period

☐ Applicable ☒ Inapplicable

No such cases in the reporting period.

3. Particulars about the actual controller

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

Type of the actual controller: Corporation

Name of the actual controller	Legal Representative / Company Principal	Date of establishment	Organization code	Business scope
China Electronics Technology Group Corporation	Xiong Qunli	January 1 st , 2002	71092949-8	Mainly engaged in construction of important national large-scale electronic information systems for civil-military use, development and production of major equipment, communication and electronic equipment, software and key components.
Shares held by the actual controlling shareholder in other listed companies by controlling or holding	Indirect control of Anhui Sun Create Electronic Co., Ltd, Shanghai East China Computer Co., Ltd, Chengdu Westone Information Industry Co., Ltd., GCI Science & Technology Co., Ltd., Taiji Computer Corporation Limited, and so on.			

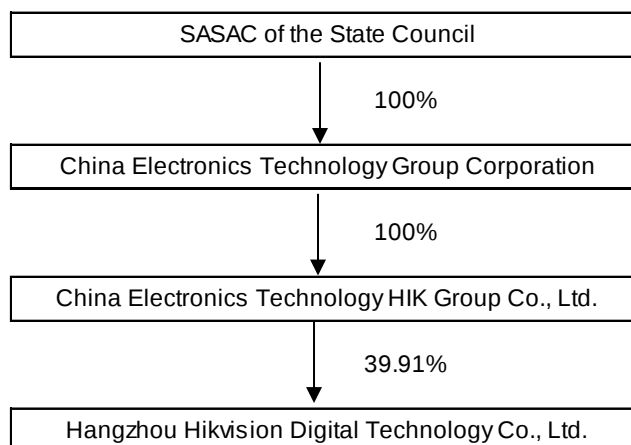
during the reporting period

Change of the actual controller during the reporting period

☐ Applicable ☒ Inapplicable

No such cases in the reporting period.

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



The actual controller controls the Company via trust or other ways of asset management

☐ Applicable ☒ Inapplicable

4. Particulars about other corporate shareholders with shareholding proportion over 10%

☐ Applicable ☒ Inapplicable

5. Particulars on shareholding decrease plan during the reporting period proposed or implemented by the controlling shareholders, actual controller, restructurer or other parties

☐ Applicable ☒ Inapplicable

Section VII Information of Preferred Shares

☐ Applicable ☒ Inapplicable

No such cases in the Reporting Period.

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

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

Name	Title	Tenure status	Gender	Age	Commencement of term of office	Termination of term of office	Shares held at the beginning of the Period (Shares) (note 1)	Shares increased during the Period (Shares)	Shares decreased during the Period (Shares) (note 1)	Other changes (note 2)	Shares held at the end of the Period (Shares) (note 3)
Chen Zongnian	Chairman	Incumbent	M	51	June 19 th , 2008		0	0	0	0	0
Gong Hongjia	Vice Chairman	Incumbent	M	51	June 19 th , 2008		743,850,000	0	0	0	743,850,000
Liu Xiang	Director	Incumbent	M	44	May 24 th , 2014		2,993,600	0	110,000	0	2,883,600
Hu Yangzhong	Director, General Manager	Incumbent	M	51	December 28 th , 2001		102,286,077	0	4,653,055	130,000	97,763,022
Wu Weiqi	Director, Standing Deputy General Manager	Incumbent	M	52	March 1 st , 2003		28,833,759	0	1,655,863	116,000	27,293,896
Cheng Tianzong	Independent Director	Incumbent	M	64	March 6 th , 2015		0	0	0	0	0
Lu Jianzhong	Independent Director	Incumbent	M	62	March 6 th , 2015		0	0	0	0	0
Wang Zhidong	Independent Director	Incumbent	M	49	March 6 th , 2015		0	0	0	0	0
Cheng Huifang	Supervisor Chairman	Incumbent	F	63	March 6 th , 2015		0	0	0	0	0
Wang Qiuchao	Supervisor	Incumbent	M	65	March 6 th , 2015		0	0	0	0	0
Chen Junke	Supervisor	Incumbent	M	45	June 19 th , 2008		8,445,844	0	310,343	0	8,135,501
Jiang Haiqing	Deputy General Manager	Incumbent	M	47	March 1 st , 2003		21,114,759	0	775,863	100,000	20,438,896
Zheng Yibo	Deputy General Manager,	Incumbent	M	54	June 3 th , 2004		4,645,169	0	170,687	90,000	4,564,482

	Secretary of the board										
Cai Dingguo	Deputy General Manager	Incumbent	M	49	December 18 th , 2005		8,445,844	0	310,343	90,000	8,225,501
He Hongli	Deputy General Manager	Incumbent	F	43	December 18 th , 2005		4,645,169	0	170,687	86,000	4,560,482
Fu Baijun	Deputy General Manager	Incumbent	M	44	January 20 th , 2009		0	0	0	86,000	86,000
Xu Lirong	Deputy General Manager	Incumbent	M	53	March 1 st , 2007		8,445,844	0	310,343	86,000	8,221,501
Zhou Zhiping	Deputy General Manager	Incumbent	M	51	December 18 th , 2005		21,114,759	0	775,863	86,000	20,424,896
Jiang Yufeng	Deputy General Manager	Incumbent	M	45	December 18 th , 2005		10,557,529	0	387,937	90,000	10,259,592
Jin Duo	Deputy General Manager	Incumbent	M	51	March 10 th , 2015		N/A	-	-	-	3,254,143
Jin Yan	Deputy General Manager, Chief Finance	Incumbent	F	37	July 22 th , 2015		N/A	-	-	-	0
Jia Yonghua	Deputy General Manager	Incumbent	M	39	July 22 th , 2015		N/A	-	-	-	10,169,592
Li Pan	Deputy General Manager	Incumbent	M	38	July 22 th , 2015		N/A	-	-	-	8,535,501
Xu Wencai	Independent Director	Former	M	50	June 19 th , 2008	06 March 2015	0	0	0	0	0
Cheng Huifang	Independent Director	Former	F	63	June 19 th , 2008	06 March 2015	0	0	0	0	0
Jiang Hua	Independent Director	Former	M	53	June 19 th , 2008	06 March 2015	0	0	0	0	0
Ding Wei	Independent Director	Former	M	56	March 06 th , 2015	21 December 2015	0	0	0	0	0
Xuan Yinfei	Supervisor Chairman	Former	F	42	December 13 th , 2011	6 March 2015	0	0	0	0	0
Wang Ruihong	Supervisor	Former	F	52	June 19 th , 2008	6 March 2015	2,111,386	0	77,583	0	2,033,803

Total	--	--	--	--	--	--	967,489,739	0	9,708,567	960,000	980,700,408
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Note:

- (1). Among the items of shares held at the beginning of the period and shares decreased during the period, all directors, supervisors, senior management personnel held shares through indirect holdings other than Mr. Gong Hongjia;
- (2). Other changes listed above are the number of restricted shares granted to directors, supervisors, senior management personnel and employees in the 2014 restricted share incentive schemes (which has listed in January 2015);
- (3). Among the item of shares held at the end of the Period, Mr. Jia Yonghua holds shares through indirect holdings, and Mr. Li Pan holds shares of total amount of direct (400,000 shares) and indirect holdings. Number of shares held by the rest of personnel is calculated based on number of shares held at the beginning of the period plus or minus all changes in the period.

Actual controller controls the Company through trust schemes or other asset management schemes

☐ Yes ☒ No

II. Changes of directors, supervisors and senior management personnel

Name	Title	Status	Termination date	Reason
Xu Wencai	Independent Director	Left due to expiration of the term	March 6 th , 2015	Through election
Cheng Huifang	Independent Director	Left due to expiration of the term	March 6 th , 2015	Through election
Jiang Hua	Independent Director	Left due to expiration of the term	March 6 th , 2015	Through election
Xuan Yinfei	Supervisor Chairman	Left due to expiration of the term	March 6 th , 2015	Through election
Wang Ruihong	Supervisor	Left due to expiration of the term	March 6 th , 2015	Through election
Ding Wei	Independent Director	Former	December 21 st , 2015	Resigned due to working reasons

III. Positions of directors, supervisors and senior management personnel

1. Directors

Mr. Chen Zongnian (陈宗年), born in 1965, Chinese nationality with no overseas residence permission, PhD in management, senior engineer, has been appointed as a director of the Company. He has been working for the 52nd Research Institute at China Electronics Technology Group Corporation (中国电子科技集团公司第五十二所, the 52nd Institute) since July 1986. He served as a deputy general manager of Shenzhen Gold Corolla Electronics Co., Ltd. (深圳高科潤電子有限公司), a director and the general manager of Zhejiang Haikang Information, a director and the general manager of Haikang Group, a deputy head and assistant to the head of the 52nd Institute, etc. Chen currently serves as the head of 52nd Institute, the chairman and the Communist Party secretary of China Electronics Technology HIK Group Co., Ltd. (中电海康集团, CETHIK) and chairman of the Company.

Mr. Gong Hongjia (龚虹嘉), born in 1965, foreign shareholder of the Company, permanent resident of HKSAR of People's Republic of China, has been appointed as a vice chairman of the Company. He took part in the establishment of the Company in 2011 and served as a director and a vice chairman of Hikvision. Gong currently serves as a vice chairman of the Company.

Mr. Liu Xiang (刘翔), born in 1972, Chinese nationality with no overseas residence permission, master of management, economist, has been appointed as a director of the Company. He served as a deputy general manager, secretary of the board and finance chief of Hikvision since June 2007. He also served as a director of the Company since May 2015. Liu currently serves as a director of the Company and a deputy general manager of CETHIK.

Mr. Hu Yangzhong (胡扬忠), born in 1965, Chinese nationality with no overseas residence permission, master of engineering, senior engineer with institute grade, has been appointed as a director of the Company. He served as an engineer and a head engineer of the 52nd Institute from June 1989 to December 2001. Hu currently serves as a director and the general manager of the Company since January 2001.

Mr. Wu Weiqi (邬伟琪), born in 1964, Chinese nationality with no overseas residence permission, bachelor's degree, senior engineer, has been appointed a director of the Company. Prior to joining the Company, he held various positions at the 52nd Institute, including technician, assistant manager, engineer and senior engineer, from July 1986 to December 2001. He served as a deputy general manager, a standing deputy general manager, and a director of Hikvision since January 2002. Wu currently serves as a director and standing deputy general manager of the Company.

Mr. Cheng Tianzhong (程天纵), born in 1952 with nationality of Taiwan, China, has been appointed as an independent director of the Company. He graduated from the department of electronic engineering from national Chiao Tung University (国立交通大学) in Taiwan and obtained a master's degree in business administration from Santa Clara University in the USA. Prior to joining the Company, Mr. Cheng joined Hewlett-Packard Development Company, L.P. (Taiwan) in March 1979 and held various positions, including the president and a director of the PRC branch, from 1992 to 1997. He also served as the president of the Asia Pacific of Texas Instruments Incorporated (德州仪器) from 1997 to 2007, a vice-president of Foxconn Technology Group from July 2007 to 2012, and the chief executive officer of FIH Mobile Limited, a subsidiary of Hon Hai Corporation (鸿海集团), a company listed on the Hong Kong Stock Exchange in 2011. He retired in June 2012 and devoted himself to China Maker Campaign (中国创客运动) to help and guide those start-up companies. Cheng currently served as an independent director of the Company.

Mr. Wang Zhidong, born in 1967, permanent resident of HKSAR of People's Republic of China, graduated from the Department of Radio Electronics of Peking University (北京大学无线电电子学系), has been appointed as an independent director of the Company. Prior to joining the Company, in May 1989, he was invited into the Institute of Computer Technology of Peking University to develop systems of "Chinese Multi-window graphical supporting environment" (中文多窗口图形支撑环境). In June 1990, he served as a software engineer of Peking University Founder Group Co., Ltd. and took part in the R&D work of products. In June 1991, he developed independently and launched the first practical Chinese Windows Environment, which is DBWin 3.0. In April 1992, he founded and served as a deputy general manager and chief engineer of Suntendy Electronic Technology and Research Institute (新天地电子信息技术研究), developed and launched a Chinese office platform named "Chinese Star". In December 1993, he founded and served as a general manager of Richwin Information Technology Co., Ltd. (四通利方信息技术有限公司). In December 1998, Mr. Wang led the acquisition of Sinanet (美国华渊资讯网) and combined it with Richwin (四通利方在线), founded and served as the chief executive officer of SINA Corporation (新浪网) as a result. SINA Corporation then became the largest Chinese web portal and listed on NASDAQ in April 2000. Mr. Wang also founded and served as chief executive officer of Beijing Dianji Technology, Ltd. (北京点击科技有限公司) in December 2001, and served as a chairman since January 2001. Mr. Wang currently serves as the chairman and chief executive officer of Beijing Yilian Yisheng Technology Co., Ltd.* (北京易连忆生科技有限公司), a founding director of Peking University Entrepreneurs Club and an independent director of the Company.

Mr. Lu Jianzhong (陆建忠), born in 1954, Chinese nationality, obtained a bachelor's degree in economics from the Shanghai University of Finance and Economics (上海财经大学), has been appointed as an independent director of the Company. Prior to joining the Company, Mr. Lu worked on staff of the finance department at Shanghai Household Metalwares Industrial Co., Ltd. (上海市日用五金工业公司), from January 1983 to August 1986, served as a lecturer and an associate professor of finance and accounting at the Shanghai Maritime University (上海海事大学), from September 1986 to September 1997, a partner and a chartered accountant of the auditing department of PricewaterhouseCoopers, from October 1997 to June 2012, a director of marketing development and a chartered accountant of Shanghai De'an Certified Public Accountants LLP (上海德安会计师事务所), from July 2012 to July 2013, and a chartered accountant of the Shanghai branch of PKF Daxin Certified

Public Accountants LLP (大信会计师事务所上海分所), from August 2013 to July 2014, a partner and a chartered accountant of Zhongxinghua Certified Public Accountants LLP (中兴华会计师事务所) since August 2014 to date. Mr. Lu also served as an MPAcc/MAud business mentor of Antai College of Economics & Management of Shanghai Jiao Tong University, and a member of The Jiu San Society (九三学社). Lu currently serves as an independent director of the Company.

Mr. Ding Wei (丁玮), born in 1960, permanent resident of HKSAR of People's Republic of China, was appointed as an independent director of the Company. Mr. Ding obtained a bachelor's degree in finance from the Renmin University of China (中国人民大学), undertook graduate study in the PhD program in economics from the University of Texas at Austin, the United States (美国奥斯丁德克萨斯大学), from 1984 to 1987, and completed the executive development program at Business School of Harvard University, the United States in 1998. Prior to joining the Company, Mr. Ding held various positions at the head office of World Bank Group in Washington (华盛顿世界银行), including economist, project manager and divisional manager, from November 1987 to February 1999. He was also seconded to the International Monetary Fund as a senior economist and the chief representative in Albania (国际货币基金组织驻阿尔巴尼亚首席代表), from March 1993 to March 1995. Mr. Ding also served as the chairman of China region of Deutsche Bank Group (德意志银行) from March 1999 to September 2002. From October 2010 to December 2012, Mr. Ding held various positions in China International Capital Corporation Limited (中国国际金融有限公司), including the executive general manager, the managing director, and the executive chairman of the investment banking committee and the head of investment banking division since 2006. Mr. Ding also served as the senior managing director and the chairman of PRC region of Temasek Holdings Pte Limited (淡马锡投资控股), from February 2011 to December 2013. From 2014 to 2015, Mr. Ding served as a director of Huabao Investment Group Co., Ltd. (华宝投资有限公司) and First-Trust Fund Management Co., Ltd. (泰信基金管理公司), a director and the chairman of Shenzhen Zero-Seven Co., Ltd. (深圳市零七股份有限公司). Mr. Ding was appointed as an independent director of the Company since March 2015 and resigned for working reasons on December 22nd, 2015.

2. Supervisors

Ms. Cheng Huifang (程惠芳), born in 1953, member of China Communist Party, PhD in finance from Fudan University (复旦大学), has been appointed as an independent supervisor of the Company. Ms. Cheng is the principal and professor of the Zhejiang Institute of Innovation Management of Zhejiang University of Technology (浙江工业大学浙商创新管理研究院), a member of the 8th and 9th Zhejiang CPPCC (浙江省政协), an advisory member and specialist of the Zhejiang Government Economic Construction Consultative Committee (浙江省政府经济建设咨询委员会), the president of the Zhejiang Financial Engineering Society (浙江省金融工程学会), a vice president of the Zhejiang Entrepreneur Association (浙江省企业家协会), deputy director of the China Finance Society Financial Engineering Committee (中国金融学会金融工程专业委员会), a representative of the 11th NPC (全国人民代表大会) and has a title of Zhejiang Top Specialist. Ms. Cheng currently serves as an independent supervisor of the Company.

Mr. Wang Qiuchao (王秋潮), born in 1951, Chinese nationality, has been appointed as an independent supervisor of the Company. Mr. Wang obtained a bachelor degree in History from Jiangxi Normal University (江西师范大学) in 1982 and a master degree from Southwest University of Political Science and Law (西南政法大学) in 1998. Prior to joining the Company, Mr. Wang founded and served as the chairman of Hangzhou Foreign Economic Law Firm (杭州市对外经济律师事务所) in 1986, which had been transformed into Zhejiang T&C Law Firm (天册律师事务所) in 1994, and served as a partner after the transformation. He was appointed as the

chairman of the Zhejiang Lawyers Association (浙江省律师协会) and vice-president of the Zhejiang Law Society (浙江省法学会). Mr. Wang currently serves as an arbitrator of the China International Economic and Trade Arbitration Commission (中国国际经济贸易仲裁委员会, “CIETAC”), a member of Shanghai Branch of the 15th expert consultative committee of CIETAC, a member of the Strategy Committee of the China Lawyers Association (全国律协战略委员会), a committee member of the Hangzhou People’s Congress Legislative Advisory Committee (杭州市人大常委会立法咨询委员会), an arbitrator of Shanghai International Arbitration Center (上海国际仲裁中心) and South China International Economic and Trade Arbitration Commission (华南国际仲裁中心), and serves as independent directors of numerous listed companies. Mr. Wang also currently serves as a supervisor of the Company.

Mr. Chen Junke (陈军科), born in 1971, Chinese nationality with no overseas residence permission, a bachelor’s graduate, senior engineer, has been appointed as supervisor of employee-representative of the Company. Mr. Chen began to work since 1994 and held various positions in the 52nd Institute, including assistant engineer, engineer and senior engineer. He joined the Company in 2001 and has been appointed as the technical director of the Digital Video Recorder (DVR) Division of the Technology Management Centre. Mr. Chen currently served as a supervisor of the Company and the general manager of the supply chain management center.

3. Senior management personnel

Mr. Hu Yangzhong (胡扬忠), a Director and the General Manager of our Company. Please refer to “— 3.1 Directors” in this section for his profile.

Mr. WU Weiqi (邬伟琪), a Director and a Standing Deputy General Manager of our Company. Please refer to “— 3.1 Directors” in this section for his profile.

Mr. Jiang Haiqing (蒋海清), born in 1969, Chinese nationality with no overseas residence permission, a bachelor’s graduate in engineering, senior engineer, has been appointed as a Deputy General Manager of our Company. He joined Hikvision in November 2001 and served as an assistant of the general manager and a deputy general manager. Mr. Jiang currently serves as a deputy general manager of the Company.

Mr. Zheng Yibo (郑一波), born in 1962, Chinese nationality with no overseas residence permission, a bachelor’s graduate in engineering, senior engineer, has been appointed as a Deputy General Manager of our Company. He joined Hikvision in July 2004 and served as a deputy general manager. Mr. Zheng currently serves as a deputy general manager of the Company and a secretary of the Board.

Mr. Cai Dingguo (蔡定国), born in 1967, Chinese nationality with no overseas residence permission, a master’s graduate in business administration, has been appointed as a Deputy General Manager of our Company. He joined Hikvision in May 2002 and served as a manager of the Marketing Division, an assistant to the general manager and a deputy general manager. Mr. Cai currently serves as a deputy general manager of the Company.

Ms. He Hongli (何虹丽), born in 1973, Chinese nationality with no overseas residence permission, a master’s graduate in business administration, has been appointed as a Deputy General Manager of our Company. She joined Hikvision in January 2003 and served as a manager of the Human Resource Division, an assistant to the general manager and a deputy general manager. Ms. He currently serves as a deputy general manager of the Company.

Mr. Fu Baijun (傅柏军), born in 1972, Chinese nationality with no overseas residence permission, a bachelor’s graduate in economics, Chinese Certificated Public Accountant, senior accountant, has been appointed as a Deputy General Manager of our Company. He served as an accountant of the Financial Division of the 52nd Institute, from July 1996 to January 2009, and a deputy general manager of Zhejiang Haikang Information. He joined Hikvision in January 2009. Mr. Fu currently serves as a deputy general manager of the Company.

Mr. Xu Lirong (徐礼荣), born in 1963, Chinese nationality with no overseas residence permission, a master's graduate in engineering, senior engineer, has been appointed as a Deputy General Manager of our Company. He joined Hikvision in January 2002 and served as a manager of the R&D Centre, a secretary of the Board and a deputy general manager. Mr. Xu currently serves as a deputy general manager of the Company and the secretary of Communist Party of the Company Division.

Mr. Zhou Zhiping (周治平), born in 1965, Chinese nationality with no overseas residence permission, a master's graduate in engineering, senior engineer, has been appointed as a Deputy General Manager of our Company. He joined Hikvision in January 2002 and served as the chief technical officer and a deputy general manager. Mr. Zhou currently serves as a deputy general manager of the Company.

Mr. Jiang Yufeng (蒋玉峰), born in 1971, Chinese nationality with no overseas residence permission, a bachelor's graduate in engineering, engineer, has been appointed as a Deputy General Manager of our Company. He joined Hikvision in January 2005 and held various positions in our Beijing branch, including assistant to the general manager, director of marketing, deputy general manager and general manager. Mr. Jiang currently serves as a deputy general manager of the Company.

Mr. Jin Duo (金铎), born in 1965, Chinese nationality with no overseas residence permission, a bachelor's graduate in engineering, senior engineer, has been appointed as a Deputy General Manager of our Company. He served as a technical officer, assistant to engineers, an engineer and a senior engineer of the 52nd Institute, from July 1986 to June 2004. He joined Hikvision in July 2004 and served as the general manager of our Hangzhou Branch. Mr. Jin currently serves as a deputy general manager of the Company.

Ms. Jin Yan (金艳), born in 1979, Chinese nationality with no overseas residence permission, a master's graduate in management, accountant, has been appointed as a Deputy General Manager and chief finance officer of our Company. She joined Hikvision in 2004 and held various positions at the Company, including cashier, accountant, financial manager and the general manager of the Financial Management Centre. Mr. Jin currently serves as a deputy general manager and chief financial officer of the Company.

Mr. Jia Yonghua (贾永华), born in 1977, Chinese nationality with no overseas residence permission, a bachelor's graduate in engineering, senior engineer, has been appointed as a Deputy General Manager of our Company. He joined Hikvision in January 2002 and held various positions at the Company, including the president to the Image Process and Analysis Division of the R&D Centre, the president to the Strategy and Marketing Division, a deputy general manager of the Supply Chain Management Centre. Mr. Jia currently serves as a deputy general manager of the Company.

Mr. Li Pan (礼攀), born in 1978, Chinese nationality with no overseas residence permission, a master's graduate in engineering, senior engineer, has been appointed as a Deputy General Manager of our Company. He served as an engineer of the 52nd Institute, from August 2000 to December 2001. He joined Hikvision in December 2001 and held various positions at the Company, including engineer, product manager, R&D manager, the general manager of the Transport Division, the general manager of our Hangzhou Branch. Mr. Li currently serves as a deputy general manager of the Company.

Position held in shareholders entities

√ Applicable □ Inapplicable

Name	Shareholder's entity	Position	Remuneration from the shareholders' entity
Chen Zongnian	China Electronics Technology HIK Group Co., Ltd.	Chairman, Party Secretary	Y
Hu Yangzhong	China Electronics Technology HIK Group Co., Ltd.	Director	N
Zheng Yibo	China Electronics Technology HIK Group Co., Ltd.	Party member	N
Liu Xiang	China Electronics Technology HIK Group Co., Ltd.	Deputy General Manager	Y
Xu Lirong	China Electronics Technology HIK Group Co., Ltd.	Supervisor, Member of Commission for Discipline Inspection	N

Post held in other entities

√ Applicable □ Inapplicable

Name	Shareholder's entity	Position	Remuneration from the shareholders' entity
Cheng Zongnian	The 52nd Institutes	Head	N
Cheng Zongnian	Zhejiang Periodical Office	Legal Representative	N
Cheng Zongnian	Director of CETC Finance Co., Ltd.	Director	N
Cheng Zongnian	Shanghai Fuel Cell Vehicle Powertrain Co., Ltd.	Director	N
Gong Hongjia	Guangzhou Funian Electronic Technology Co., Ltd.	Chairman	N
Gong Hongjia	Beijing Funian Technology Co., Ltd.	Chairman	Y
Gong Hongjia	FunVio Co., Ltd.	Chairman	N
Gong Hongjia	Shanghai Fullhan Microelectronics Co., Ltd.	Director	N
Gong Hongjia	Beijing Woqi Co., Ltd.	Director	N
Gong Hongjia	Fuce Holdings Co., Ltd.	Director	N
Gong Hongjia	Chuangjia Chuangtou Co., Ltd	Director	N
Gong Hongjia	Shenzhen Jiadao Gongcheng Equity Investment Fund (Limited Partnership)	Representative of Executive Partner	N
Gong Hongjia	Shenzhen Jiadao Valley Investment Management Co., Ltd.*	General Manager	N
Gong Hongjia	Shenzhen Innovative Valley Investment Management Co., Ltd	Director	N
Gong Hongjia	Beijing Zhongjian Yikang Technology Co., Ltd.	Director	N
Gong Hongjia	Shanghai Pukun Information Technology Co., Ltd	Director	N
Liu Xiang	Xinjiang Weixun Investment Management Limited Partnership	Excutive Partner	N
Liu Xiang	Henan Hua'an Intelligence Development Co., Ltd.	Director	N
Liu Xiang	Phenix Optics Co., Ltd.	Chairman	N
Liu Xiang	Phenix Optics Co., Ltd.	Chairman	N
Hu Yangzhong	Hangzhou Hikvision System Technology Co., Ltd.	Director	N

Hu Yangzhong	Hangzhou Hikvision Science and Technologies Co., Ltd.	Director	N
Hu Yangzhong	Chongqing Hikvision System Technology Co., Ltd.	Chairman	N
Hu Yangzhong	Chongqing Hikvision Science and Technologies Co., Ltd	Director	N
Wang Zhidong	Beijing Yilian Yisheng Technology Co., Ltd.	Chairman, CEO	Y
Wang Zhidong	Peking University Entrepreneurs Club	Founding Director	N
Lu Jianzhong	Zhongxinhua Certified Public Accountants LLP	Chartered Accountant, Partner	Y
Lu Jianzhong	Antai School of Management of Shanghai Jiaotong University	Business Mentor	Y
Ding Wei	CAR Inc.	Independent Director	Y
Ding Wei	Hundsun Technologies Inc.	Independent Director	Y
Cheng Huifang	Zhejiang Institute of Innovation Management of Zhejiang University of Technology	Principal	Y
Cheng Huifang	Zhejiang Technology Development Strategy Research Institute	Deputy Head	N
Cheng Huifang	Yangtze Delta Region Institute of Tsinghua University	Principal	N
Cheng Huifang	Hangzhou Iron & Steel Co., Ltd.	Independent Director	Y
Cheng Huifang	Zhejiang Furun Company Limited	Independent Director	Y
Cheng Huifang	China Kings Resources Group Co., Ltd	Independent Director	Y
Cheng Huifang	Zhejiang JIULI Hi-Tech Metals Co., Ltd	Independent Director	Y
Wang Qiuchao	China International Economic and Trade Arbitration Commission	Arbitrator	Y
Wang Qiuchao	Business Rules Committee and Foreign Affairs Committee of the All China Lawyers Association	Committee member	N
Wang Qiuchao	Hangzhou People's Congress Legislative Advisory Committee	Committee member	N
Wang Qiuchao	Sanbian Sci-Tech Co., Ltd.	Supervisor	Y
Wang Qiuchao	Zhejiang Kaishan Compressor Co., Ltd.	Independent Director	Y
Wang Qiuchao	Zhejiang Jingsheng Mechanical & Electrical Co.,ltd	Independent Director	Y
Wang Qiuchao	Zhejiang Hanjia Design Co., Ltd. Independent Director	Independent Director	Y
Wang Qiuchao	Shanghai International Arbitration Center	Arbitrator	Y
Wang Qiuchao	South China International Economic and Trade Arbitration Commission	Arbitrator	Y
Wu Weiqi	Xinjiang Pukang Investment Limited Partnership	Executive Partner	N
Wu Weiqi	Hangzhou Hikvision Science and Technologies Co., Ltd.	Chairman	N
Wu Weiqi	Hangzhou Hikvision Science and Technologies Co., Ltd.	Director, General Manager	N
Wu Weiqi	Hangzhou Hikvision Security Equipment Leasing Services Ltd.	Excutive Director	N
Wu Weiqi	Chongqing Hikvision Science and Technology Co., Ltd.	Director	N

Wu Weiqi	Hangzhou Hikvision Electronics Co. Ltd.	Director	N
Wu Weiqi	Beijing Hikvision Security Technology Service Co., Ltd.	Executive Director	N
Jiang Yufeng	Chongqing Hikvision System Technology Co., Ltd.	Director, General Manager	N
Xu Lirong	Hangzhou Hikvision Science and Technologies Co., Ltd.	Supervisor	N
Xu Lirong	Hangzhou Hikvision Science and Technologies Co., Ltd.	Chairman	N
Xu Lirong	Hangzhou Hikvision Security Equipment Leasing Services Ltd.	Supervisor	N
Xu Lirong	Shanghai Goldway Intelligent Traffic Systems Co., Ltd.	Supervisor	N
Xu Lirong	Fuyang Hikvision Bao Tai Security Technology Service Co., Ltd.	Supervisor	N
Xu Lirong	Chongqing Hikvision System Technology Co., Ltd.	Supervisor	N
Xu Lirong	Chongqing Hikvision Science and Technology Co., Ltd.	Supervisor	N
Xu Lirong	Beijing Hikvision Security Technology Service Co., Ltd.	Supervisor	N
Xu Lirong	Wuhan Hivision Systems Technologies Co., Ltd.	Supervisor	N
Xu Lirong	Hundure Technology (Shanghai) Co., Ltd.	Supervisor	N
Xu Lirong	Hangzhou Hikvision Electronics Co. Ltd.	Chairman, General Manager	N
Jiang Haiqing	Henan HuaAn Intelligence Development Co., Ltd.	Chairman	N
Jiang Haiqing	Hangzhou EZVIZ Network Inc.	Executive Director	N
Zheng Yibo	Beijing Brainaire Storage Technology Co., Ltd.	Supervisor	N
Zheng Yibo	HDT International Limited	Director	N
Zheng Yibo	Hikvision Italy S.R.L	Director	N
Zheng Yibo	HIKVISION Korea Limited	Director	N
Zhou Zhiping	Hangzhou Hikvision Security Equipment Leasing Services Ltd.	General Manager	N
He Hongli	Hangzhou Hikvision Science and Technologies Co., Ltd.	Supervisor	N
He Hongli	Hikvision Europe B.V.	Director	N
He Hongli	Hikvision FZE	Director	N
He Hongli	Hikvision USA, Inc.	Director	N
He Hongli	Hikvision Singapore PTE. LTD.	Director	N
He Hongli	Hikvision Italy S.R.L	Chairman	N
He Hongli	Hikvision International Co., Limited	Director	N
He Hongli	Hikvision Australia PTY. LTD.	Director	N
He Hongli	HIKVISION FRANCE SAS	Chairman	N
He Hongli	HIKVISION UK LIMITED	Director	N
He Hongli	Cooperative Hikvision Europe U.A.	Director	N
He Hongli	Prama Hikvision India Private Limited	Director	N
Fu Baijun	Hangzhou Hikvision System Technology Co., Ltd.	Director	N

Fu Baijun	Chongqing Hikvision System Technology Co., Ltd.	Director	N
Fu Baijun	Hundure Technology (Shanghai) Co., Ltd.	Executive Director	N
Jin Yan	Hangzhou Hikvision Electronics Co. Ltd.	Supervisor	N
Jin Yan	Hangzhou EZVIZ Network Inc.	Supervisor	N
Li Pan	Fuyang Hikvision Bao Tai Security Technology Service Co., Ltd.	Director	N

Incumbent or Outgoing Directors, Supervisors and Senior management personnel in the reporting period that have been imposed administrative penalties by the CSRC during the last three years

☐ Applicable ☒ Inapplicable

IV. Remuneration of directors, supervisors and senior management personnel

The following describes the decision-making program, determination basis and actual remuneration payment of directors, supervisors and senior management personnel.

The remuneration of directors, supervisors and senior management personnel will be received preliminarily by the Remuneration and Appraisal Committee of the Board, then submitted to the Board for further review and finally approved by the shareholders at a general meeting. As for those directors, supervisors and senior management personnel who receive remuneration from the Company directly, they will receive according to the existing Salary Management System and Performance Appraisal Policies.

Remuneration of directors, supervisors and senior management personnel

Unit: RMB'0,000

Name	Title	Gender	Age	Tenure status	Total remuneration from the Company (RMB'0,000)	Remuneration from related parties (Y/N)
Chen Zongnian	Chairman	M	51	Incumbent	0	Y
Gong Hongjia	Vice Chairman	M	51	Incumbent	0	Y
Liu Xiang	Director	M	44	Incumbent	0	Y
Hu Yangzhong	Director, General Manager	M	51	Incumbent	324	N
Wu Weiqi	Director, Standing Deputy General Manager	M	52	Incumbent	299.5	N
Cheng Taizong	Independent Director	M	64	Incumbent	11.25	N
Lu Jianzhong	Independent Director	M	62	Incumbent	11.25	N
Wang Zhidong	Independent Director	M	49	Incumbent	11.25	N
Cheng Huifang	Supervisor Chairman	F	63	Incumbent	7.5	N
Wang Qiuchao	Supervisor	M	65	Incumbent	7.5	N
Chen Junke	Supervisor	M	45	Incumbent	145.2	N
Jiang Haiqing	Deputy General Manager	M	47	Incumbent	253.5	N
Zheng Yibo	Deputy General Manager, Secretary of the Board	M	54	Incumbent	232	N
Cai Dingguo	Deputy General Manager	M	49	Incumbent	243	N

He Hongli	Deputy General Manager	F	43	Incumbent	279.5	N
Fu Baijun	Deputy General Manager	M	44	Incumbent	267.5	N
Xu Lirong	Deputy General Manager	M	53	Incumbent	235.5	N
Zhou Zhiping	Deputy General Manager	M	51	Incumbent	219.5	N
Jiang Yufeng	Deputy General Manager	M	45	Incumbent	249.5	N
Jin Duo	Deputy General Manager	M	51	Incumbent	202.25	N
Jin Yan	Deputy General Manager, CFO	F	37	Incumbent	42.54	N
Jia Yonghua	Deputy General Manager	M	39	Incumbent	55.23	N
Li Pan	Deputy General Manager	M	38	Incumbent	54.06	N
Xu Wencai	Independent Director	M	50	Former	3.13	N
Cheng Huifang	Independent Director	F	63	Former	3.13	N
Jiang Hua	Independent Director	M	53	Former	3.13	N
Ding Wei	Independent Director	M	56	Former	11.25	N
Xuan Yinfei	Supervisor Chairman	F	42	Former	0	Y
Wang Ruihong	Supervisor	F	52	Former	10.12	N
Total	--	--	--	--	3,182.28	--

Note: Total remuneration listed above is the remuneration received by directors, supervisors and senior management personnel during their tenure.

Share incentives for directors, supervisors and senior executives in the Reporting Period

√ Applicable □ Inapplicable

Unit: stock

Name	Title	Restricted Shares held at year-begin	Shares unlocked in the current period	Shares granted in the current period	Price for restricted shares granted (RMB per share)	Restricted Shares held at year-end
Hu Yangzhong	General Manager	130,000	0	0	9.25	130,000
Wu Weiqi	Standing Deputy General Manager	116,000	0	0	9.25	116,000
Jiang Haiqing	Deputy General Manager	100,000	0	0	9.25	100,000
Zheng Yibo	Deputy General Manager	90,000	0	0	9.25	90,000
Cai Dingguo	Deputy General Manager	90,000	0	0	9.25	90,000
Jiang Yufen	Deputy General Manager	90,000	0	0	9.25	90,000

He Hongli	Deputy General Manager	86,000	0	0	9.25	86,000
Zhou Zhiping	Deputy General Manager	86,000	0	0	9.25	86,000
Fu Baijun	Deputy General Manager	86,000	0	0	9.25	86,000
Xu Lirong	Deputy General Manager	86,000	0	0	9.25	86,000
Total	--	960,000	0	0	--	960,000
Remark		1. Grant date of restricted shares as above is 24 October 2014. Listing date is 8 January 2015; 2. Restricted shares that granted to personnel listed above are restricted.				

V. Staff in the Company

1. Professional structure of the staff

Number of incumbent employees in the Company	8,601
Number of incumbent employees in major subsidiaries	6,621
Number of incumbent employees	15,222
Number of employees with salaries in current period	15,222
Number of retired employees requiring the Company and its subsidiaries to bear costs	0
Professional structure	
Tier	Number of employees
Administrative staff	246
R&D staff	7,181
Sales staff	3,554
Functional staff	411
Production staff	3,830
Total	15,222
Educational background structure	
Education background	Number of employees
Master and/or doctor	1,893
Bachelor	8,366
College, technical secondary school	1,650
Other	3,313
Total	15,222

2. Staff remuneration policy

Pursuant to *Law of The People's Republic of China on Employment Contracts* (《中华人民共和国劳动合同法》) and relevant regulations related to labor, the Company offers employees the steady remunerations with competitive advantages, in order to maintain staff cohesion, solidarity, and increased staff enthusiasm and creativity.

3. Staff training plans

The management continuously focuses on staff training and education, and regards the staff training program as one of the most important parts of the long-term development strategy for the Company. Hikvision has built a core mechanism for talent training and has designed a comprehensive training practice with various training programs, including the “New hiring camp”, “eagle plan”, “peacock plan”, etc. In the reporting period of 2015, the Company invested a total amount of RMB8 million in staff training programs, which consist of 105,000 participating course-hours. Moreover, finding a proper balance among the objectives for long-term development strategies, the requirements for improving and promoting performance, and the demands of the staff’s self-learning and development, prompts the enterprise to achieve its objectives and meet the needs of staff, leading to a win-win result. For purposes of leading the development of staff and improving core profitability, Hikvision has established a qualification system covered by the three channels of R&D, Marketing and Supply Chain Management, establishing the promotion channel between management and technology; as a result, Hikvision combined the demands of its enterprise with personal needs.

4. Labor outsourcing

☐ Applicable ☒ Inapplicable

Section IX Corporate Governance

I. Basic situation of corporate governance

During the reporting period, strictly in accordance with the *Company Law*, *Securities Acts*, *Code of Corporate Governance for Listed Companies in China*, *Shenzhen Stock Exchange Stock Listing Rules*, *Instructions on Standardized Operation of Companies Listed on the SME board of Shenzhen Stock Exchange* and related regulation, the Company is constantly improving its corporate governance, optimizing the organizational structure, and establishing the internal control systems, in order to advance a standardized operation.

During the reporting period, in view of the actual operating situation of the Company, the management approved *Management Measures for Core Staff's Investment in Innovative Business (Draft)* (《核心员工跟投创新业务管理办法(草案)》) and revised a series of rules.

Rules formulated or revised by the Company in the Reporting Period:

Rules	Disclosure date	Disclosure website
Management Measures for Core Staff's Investment in Innovative Business (Draft)	9 September 2015	www.cninfo.com.cn
Regulations for the work of Independent Directors (revised in July 2015)	23 July 2015	www.cninfo.com.cn
Detail Rules for the work of the General Manager (Revised in July 2015)	23 July 2015	www.cninfo.com.cn
Rules for Procedures of the General Meetings of Shareholders (Revised in July 2015)	23 July 2015	www.cninfo.com.cn
Management Methods for Authorization (Revised in July 2015)	23 July 2015	www.cninfo.com.cn
Management Methods for Funds Raised (Revised in July 2015)	23 July 2015	www.cninfo.com.cn
Management Methods for Related Parties Transactions (Revised in July 2015)	23 July 2015	www.cninfo.com.cn
Management Methods for Foreign Exchange Hedging (Revised in April 2015)	11 April 2015	www.cninfo.com.cn
Management Methods for Idle Funds (Revised in 2014)	22 April 2014	www.cninfo.com.cn
Implementation and Appraisal Methods for the 2014 Restricted Share Incentive Scheme	22 April 2014	www.cninfo.com.cn
Management Methods for Foreign Exchange Hedging	12 October 2013	www.cninfo.com.cn
Management Methods for Idle Funds (Revised in 2013)	2 March 2013	www.cninfo.com.cn
Implementation and Appraisal Methods for the Restricted Share Incentive Scheme	24 April 2012	www.cninfo.com.cn
Management Methods for External Information Users	27 March 2012	www.cninfo.com.cn
Management Methods of Information Insiders (Revised in March 2012)	27 March 2012	www.cninfo.com.cn
Internal Audit System	29 September 2011	www.cninfo.com.cn
Rules for Audit Committee of the Board in work of Annual Report	18 January 2011	www.cninfo.com.cn

Rules for Independent Directors in work of Annual Report	18 January 2011	www.cninfo.com.cn
Rules for Behavior and Information Inquiries of Controlling Shareholders and Actual Controllers	18 January 2011	www.cninfo.com.cn
Rules for Accountability of Significant Errors in Disclosure of Annual Report	18 January 2011	www.cninfo.com.cn
Management Methods for Information Insiders	18 January 2011	www.cninfo.com.cn
Emergency Handling System	18 January 2011	www.cninfo.com.cn
Management Methods for Investor Relations	27 October 2010	www.cninfo.com.cn
Management Methods for Shares and Changes in Shares Held by Directors, Supervisors and Senior Management Personnel	13 August 2010	www.cninfo.com.cn
Management Methods for Idle Funds	13 August 2010	www.cninfo.com.cn
Articles of Association	25 June 2010	www.cninfo.com.cn
Management Methods for Funds Raised	5 June 2010	www.cninfo.com.cn
Management Methods for Information Disclosure	5 June 2010	www.cninfo.com.cn

Rules and regulations, which were formulated before the list of the Company, and performed and applied to date, include: Rules for Procedures of the General Meetings of Shareholders, Rules for Procedures of the Board, Rules for Procedures of the Supervisory Committee, Detailed Rules for the Work of the Strategy Committee of the Board, Detailed Rules for the Work of the Audit Committee of the Board, Detailed Rules for the Work of the Nomination Committee of the Board, Detailed Rules for the Work of the Remuneration and Appraisal Committee of the Board, Regulations for the Work of Independent Directors, Detailed Rules for the Work of the General Manager, Detailed Rules for the Work of the Secretary of the Board, Management Methods for External Guarantee, Management Methods for External Investment, Management Methods for Authorization, Management Methods for Related Parties Transactions, etc.

Any incompliance of relevant requirements of China Securities Regulatory Commission in respect of corporate governance:

☐ Yes ☒ No

Corporate governance was not significantly against relevant standardized documents related to governance of the listed Company released by China Securities Regulatory Commission.

II. Company's Independence in Businesses, Management, Assets, Institutions and Finance from Controlling Shareholders

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

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

(2) Asset independence: The property rights of assets are explicitly between the Company and the controlling

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

(3) Management Independence: The Company has independent personnel. The management has set up various independent departments, including administration, finance and operation management divisions, etc., and established complete management methods for labor, personnel, and salary management.

Personnel of the Company is independent from controlling shareholders, e.g. the Chairman is elected through the general meetings of the Board. In addition, the General Manager, Deputy General Managers, the Secretary of the Board, CFO, and other senior management personnel of the Company are only employed and remunerated by the Company, and do not hold any position in controlling shareholders and is not remunerated by controlling shareholders. Directors, Supervisors and Senior Management Personnel are appointed through legal procedures strictly in accordance with relevant regulations stipulated in *Company Law* and *Articles of Association*. There is no controlling shareholder intervention in the Company's personnel decisions in general meetings of the Board or shareholders.

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

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

III. Competing Business

☐ Applicable ☒ Inapplicable

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

1. Annual General Meeting convened during the Reporting Period

Meeting	Nature	Proportion of participating investors	Convened Date	Disclosure Date	Disclosure Index
2015 First Extraordinary General Meeting	Extraordinary General Meeting	0.00%	6 March 2015	7 March 2015	No. 2015-010, www.cninfo.com.cn
2014 Annual General Meeting	Annual General Meeting	0.00%	2 April 2015	3 April 2015	No. 2015-063, www.cninfo.com.cn
2015 Second Extraordinary General Meeting	Extraordinary General Meeting	0.00%	22 October 2015	23 October	No. 2015-063, www.cninfo.com.cn

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

☐ Applicable ☒ Inapplicable

V. Performance of duties by independent directors during the Reporting Period

1. Attendance of independent directors in board meetings and general meetings

Attendance of independent directors in Board meetings						
Name of Independent Director	Presence due in the Reporting Period (times)	Presence on site (times)	Presence by telecommunication (times)	Presence through a proxy (times)	Absence (times)	Absence for two consecutive times
Cheng Huifang (note)	1	0	1	0	0	N
Xu Wencai (note)	1	0	1	0	0	N
Jiang Hua (note)	1	0	1	0	0	N
Cheng Tianzong	8	2	6	0	0	N
Wang Zhidong	8	2	6	0	0	N
Lu Jianwei	8	2	6	0	0	N
Ding Wei	8	2	6	0	0	N
Presence of independent directors in general meetings (times)	0					

Note: The Company held the election of the Board in March 2015, in which 3 independent directors (Cheng Huifang, Xu Wencai, and Jiang Hua) ended their tenures. Therefore, presence due of these 3 independent directors in the Reporting Period is 1 time.

2. Objections from independent directors on related issues of the Company

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

☐ Yes ☒ No

No such cases in the Reporting Period.

3. Other details about the performance of duties by independent directors

Were there any suggestions from independent directors accepted by the Company?

☒ Yes ☐ No

During the Reporting Period, independent directors strictly followed related rules, regulations and *the Articles Association*. They focused on the Company operation, carried out their duties independently and imparted considerable professional advice on improving the Company's systems, daily operations and decision making. They provided fair advice during the Reporting Period and played an effective role in improving the Company supervisory systems and protecting the legal rights of the Company and the shareholders as a whole.

VI. Performance of duties by special committees under the Board during the Reporting Period

1. Strategy Committee

The Committee convened eight meetings during the year 2015. Resolutions and reports passed are as follow:

- Resolution for the investment on establishing a Hikivison Korea subsidiary
- Resolution for the establishment of a logistics base in The Netherlands
- Resolution for the acquisition of proprietary technological achievements of Hangzhou Yunpai Technology
- 2014 Annual working report of the strategy committee
- Resolution for the equity transfer of Hikvision Europe B.V.
- Resolution for the transfer of investment products
- Resolution for the investment establishing Hikivison EZVIZ Inc. in the USA
- Resolution for the purchase of investment products (No. 2015-01)
- Resolution for the investment establishing a wholly-owned subsidiary in Republic of Kazakhstan
- Resolution for the investment establishing an office in Thailand
- Resolution for the investment on Confirmware Technology (Hangzhou) Co., Ltd.
- Resolution for the investment on Zhejiang Topinfo Technology Co., Ltd.
- Resolution for the capital increase for Hangzhou Haikang Zhicheng Investment and Development Co., Ltd.
- Resolution for the investment establishing Hikvision Columbia Corporation
- Resolution for the investment establishing Hikvision Turkey Company

2. Audit Committee

The Committee convened one meeting during the year 2015. Resolutions and reports passed are as follows:

- 2014 Annual working report on the audit committee
- 2014 Annual report on financial account report
- Audited financial statement for the year ending 31 December 2014
- 2014 Internal audit report and working plan for the 2015 internal audit
- 2014 Self-evaluation report on internal control

- 2014 Special report on deposit and usage of raised funds
- Summary report on the work of PAN-CHINA Certified Public Accountants LLP's 2014 audit by the audit committee under the 3rd Board
- Resolution for the appointment of the responsible person of internal audit
- Resolution for the appointment of the Certified Public Accountants Firm

3. Nomination Committee

The Committee convened three meetings during the year 2015. Resolutions passed are as follow:

- Resolution for the nomination of candidates of Directors of the 3rd Board
- Resolution for the appointment of Senior Management Personnel
- Resolution for the appointment of New Senior Management Personnel

4. Remuneration and Appraisal Committee

The Committee convened four meetings during the year 2015. Resolutions, reports and plans passed are as follows:

- Resolution for the allowance to Independent Directors of the 3rd Board
- 2014 Bonus plan and Result of comprehensive performance assessment (Draft)
- 2014 Bonus plan and Result of comprehensive performance assessment (Finalized)
- Methods for the remuneration and appraisal for the year 2015
- 2014 Annual report and the Abstract
- Resolution for the fulfillment of the unlocking conditions of the second unlock period for the first batch of Restricted Share Incentive Schemes
- Resolution for the repurchase and cancelation of a portion of locked shares that were already granted to personnel not fulfilling the incentive conditions in the year
- Resolution for the appraisal to qualification of personnel with locked shares in the second unlock period for the first batch of Restricted Share Incentive Schemes
- Management Measures for Core Staff's Investment in Innovative Business (Draft)

VII. Performance of duties by the Supervisory Committee

Were there any risks to the Company identified by Supervisory Committee when performing its duties during the Reporting Period?

☐ Yes ☒ No

The Supervisory Board of the Company had no objection to the matters of supervision during the Reporting Period.

During the Report Period, the Board of Supervisors of the Company carefully performed the duties and strictly followed *the Company Law*, *the Articles of Association* and *Rules for Procedures of the Supervisory Committee*, and other related rules and regulations. Members of the Board of Supervisors attended the Board of the Director and the General Meetings of the Shareholders, supervised procedures of voting and formulation of significant decisions, inspected the Company's operations and secured the Company's standardized operations.

The Supervisory Committee convened four meetings during the year 2015. Details of the meetings are as follow:

1. The 20th meeting of the 2nd Supervisory Committee was convened with telecommunication vote on 12 February 2015, passing the Resolution for nomination of candidates of Independent Supervisors of the 3rd Supervisory Committee, the Resolution for the formulation of “Rules for Procedures of the Supervisory Committee after H shares listing (Draft)”, and Resolution for the allowance to Independent Supervisors of the 3rd Supervisor Committee;
2. The 1st meeting of the 3rd Supervisory Committee was convened in the meeting room of the Company on 10 March 2015, passing the Resolution for the vote of chairmen of the 3rd Supervisor Committee, the 2014 Annual report and the Abstract, the 2014 Annual working report on the supervisory committee, the 2014 Annual report on final account report, the Proposal of 2014 profit distribution, the 2014 Special report on deposit and usage of raised funds, the 2014 self-evaluation report on internal control, the Resolution for the investment in structured deposits using a portion of idle raised funds, the Resolution for the guarantee for 4 wholly owned subsidiaries, and the Resolution for the appointment of the Certified Public Accountants;
3. The 2nd meeting of the 3rd Supervisory Committee was convened with telecommunication vote on 10 April 2015, passing the 2015 First Quarter Report and the Abstract;
4. The 3rd meeting of the 3rd Supervisory Committee was convened in the meeting room of the Company on 22 July 2015, passing the 2015 half-year report and its abstract, the 2015 half-year special report on despoit and usage of raised funds, and the resolution for the addition of guarantee and guarantee for 2 wholly owned subsidiaries;
5. The 4th meeting of the 3rd Supervisory Committee was convened with telecommunication vote on 24 August 2015, passing the Resolution for the fulfillment of the unlocking conditions of the second unlock period for the first batch of Restricted Share Incentive Schemes, Resolution for the repurchase and cancelation of a portion of locked shares that were already granted to personnel not fulfilling the incentive conditions in the year, and Resolution for the appraisal to qualification of personnel with locked shares in the second unlock period for the first batch of Restricted Share Incentive Schemes;
6. The 5th meeting of the 3rd Supervisory Committee was convened with telecommunication vote on 8 September 2015, passing the Management Measures for Core Staff’s Investment in Innovative Business (Draft);
7. The 6th meeting of the 3rd Supervisory Committee was convened with telecommunication vote on 19 October 2015, passing the 2015 Third Quarter Report and the Abstract;
8. The 7th meeting of the 3rd Supervisory Committee was convened with telecommunication vote on 22 December 2015, passing the Resolution for the supplement for current funds through the rest of raised funds and the Resolution for the guarantee for 5 wholly owned subsidiaries.

The independent opinions on the relevant matters of 2015 by Supervisory Committee:

(1). Legality of the Company operation

The Supervisory Board agreed that the Board of the Company has complied with *the Company Law, Code of Corporate Governance for Listed Companies, Articles of Association* and other regulated laws to perform standardized operations. The Board strictly implemented the resolutions of the general meetings and properly performed its duties, assumed its authorities and followed scientific and legitimate decision-making procedures. The Company has established an all-round, reasonable and efficient internal control system. The senior management of the Company, including directors and managers carried out their duties honestly, discharged their duties with diligence, ventured into development, complied with the laws and performed

their duties with integrity and honesty, without any violation to the laws and regulations and *Articles of Association* or any act that would prejudice the interests of the Company or shareholders.

(2). Examination of the financial position of the Company

The Supervisory Board of the Company examined the financial system and financial position of the Company in accordance with laws. The Supervisory Board agreed that the Company has a sound financial system, stable financial operation and good financial position, and that the unqualified audit report issued by Pan-China Certified Public Accountants LLP for the 2015 financial report is true and fair.

(3). Usage of raised funds

The Supervisory Board of the Company agreed that all use of raised funds devotes to increasing the efficiency of the use of raised funds, which is in accordance with the Company's strategy of business development and benefits of the Company or investors, and relevant decision-making procedure is scientific and legitimate.

(4). Opinions on the self-evaluation report on internal control

The Supervisory Committee of the Company agreed that the self-evaluation report on internal control truly and fairly reflects the construction and operation of the Company's internal systems, and the formulated rectification plans is targeted and operable that benefits to increase the environment, management and efficiency of the internal control.

(5). Acquisition and disposal of assets

During the Reporting Period, the Company acquired assets with fair price. There was no insider trading, which did not prejudice the interests of shareholders or cause the losses of the Company's assets.

(6). Related Parties' transactions

During the Reporting Period, the decision-making procedure for related parties' transactions followed the relevant rules, regulations and *Articles of Association*. There were related parties transactions fairly and reasonably carried out with related parties at fair pricing, which did not prejudice the interests of the Company and non-controlling shareholders.

(7). Implementation of the resolutions of the general meeting

During the Reporting Period, the Supervisory Committee of the Company agreed that the Board strictly implemented the resolutions of the general meeting.

(8). Provision of guarantee to external parties

During the Reporting Period, the Company had no external guarantees other than the counter-guarantee for Ping'an Chongqing Construction Project of China Electronics Technology Group Corporation, which is the actual controller of the Company. The Supervisory Committee of the Company agreed that all external guarantee(s) strictly followed approved procedures and completely fulfilled disclosing obligations.

(9). Management methods for information insiders

The Company formulated the Management Methods of Information Insiders (the Method) in the 19th meeting of the 1st Board in 17 January 2011, and revised the Method in the 5th meeting of the 2nd Board pursuant to the Rules for the formulation of the management methods of information insiders by the Company.

(10). Restricted Shares Incentive Scheme

During the Reporting Period, the Restricted Shares Incentive Scheme helped to improve the corporate governance structure of the Company, promoting the establishment and improvement of the incentive system. It also maintained staff cohesion and solidarity, increased staff enthusiasm and creativity, combined the demands of enterprise with personal needs, improved performance, and promoted the long-term development

of the Company.

During the Reporting Period, the Company strictly followed relevant rules and regulations, strengthened management of information insiders in preparation of the report, resolution and disclosure, and announcement of significant affairs, and other matters related to inside information. The Company respectfully submitted the registration form for information insiders, and reported to Shenzhen Stock Exchange and Zhejiang Securities Regulatory Bureau in time.

VIII. Assessment and incentive mechanism for the senior management

The Company established a complete appraisal system on the basis of its target-oriented responsibility system and adopted an appraisal mechanism for senior management members, which determines the appraisal criterion, appraisal method, and measures taken based on the appraisal result. The Company has carried out appraisals of senior management members on the basis of its target-oriented responsibility system and the appraisal result was reflected in the annual performance-based incentive rewards. The Board carried out appraisals of the general manager and the general manager carried out appraisals of other senior management members with the duty, capacity and performance of operation and management objectives.

In the year 2015, senior management personnel discharged their duties with good performance, and completed their objectives and missions set at the beginning of the year.

IX. Evaluation report on internal control

1. Any significant internal control deficiencies during the reporting period

☐ Yes ☒ No

2. Self-evaluation report on internal control

Disclosure date of full text of self-evaluation report on internal control		9 April 2016
Disclosure index of full text of self-evaluation report on internal control		www.cninfo.com.cn
Proportion of assets evaluated in total assets		100.00%
Proportion of revenue evaluated in total revenue per consolidated financial statement		100.00%
Recognition standard of deficiencies		
Nature	Financial report level	Non-financial report level
Qualitative criteria	Significant deficiency: A deficiency or a combination of deficiencies in internal control may prevent significant errors in financial reports from being identified or prevented, e.g.: A. Invalid internal control environment; B. Fraud of directors, supervisors and senior	Internal control deficiencies at non-financial report level are mainly identified by the likelihood of occurrence and the extent of impacts on operating effective in business. Significant deficiency: the high likelihood leading to significant reduction of working efficiency, or significant increase of uncertainty, or significant

	management personnel on the financial report ; C. Significant errors identified by external auditors but not identified during the Company is operating; D. Invalid supervision of audit committee and internal audit system; E. Other deficiencies that may lead to the wrong judgement of financial statement reporter. Important deficiency: A deficiency or a combination of deficiencies in internal control may prevent errors in financial report from being identified or prevented, although such deficiency is not significant, but require attention of the Board and Management, e.g.: A. Application of accounting policies does not follow the enterprise accounting standard; B. No internal control systems for fraud; C. No control systems or system not effective for unusual or special transactions or no compensatory relevant control; D. One or more deficiencies which prevent the preparation of true and fair financial statements. Normal deficiency: Not significant and not important deficiency.	deviation from the expected target; Important deficiency: a higher likelihood leading to remarkable reduction of working efficiency, or remarkable increase of uncertainty, or remarkable deviation from the expected target; Normal deficiency: a low likelihood leading to reduction of working efficiency, or increase of uncertainty, or deviation from the expected target;
Quantitative criteria	Significant deficiency: potential errors 5% or more of total profits Important deficiency: potential errors 2% or more but below 5% of total profits Normal deficiency: potential errors is 2% or less of total profits	Significant deficiency: direct losses of assets is 5% or more of total profits Important deficiency: direct losses of assets is over 2% but below 5% of total profits Normal deficiency: direct losses of assets is below 2% of total profits
Number of significant deficiencies in financial report level	0	
Number of significant deficiencies in non-financial report level	0	
Number of important deficiencies in financial report level	0	
Number of important deficiencies in non-financial report level	0	

X. Auditor's report on internal control

Auditor's report on internal control

Opinion paragraph in the auditor's report on internal control	
On 31 December 2015, Hikvision maintained an effective internal control of a financial report in all significant aspects based on the <i>General Specifications of Company Internal Control</i> and relevant specifications.	
Disclosure of auditor's report on internal control	Yes
Disclosure date of full text of auditor's report on internal control	9 April 2016
Disclosure index of full text of auditor's report on internal control	www.cninfo.com.cn
Opinion of auditors report on internal control	Unqualified opinion report
Any significant deficiencies in non-financial report level	No

Non-standard audit report on internal control issued by certified public accountants

☐ Yes ☒ No

Opinion of auditor's report on internal control is in accordance with self-evaluation report on internal control

☒ Yes ☐ No

Section X Financial Report

I. Audit report

Audit Opinion	Unmodified unqualified audit opinion
Audit Report sign-off Date	8 April 2016
Audit Institution Name	Pan-China Certified Public Accountants LLP
Audit Report Number	Tian Jian Shen (2016) No. 1818
Certified Public Accounts Name	Cheng Zhigang, Zhang Lin

Auditor's Report

To the shareholders of Hangzhou Hikvision Digital Technology Co., Ltd.

We have audited the accompanying financial statements of Hangzhou Hikvision Digital Technology Co., Ltd. (the "Company"), which comprise the Company's and consolidated balance sheets as of 31 December 2015, and the Company's and consolidated income statements, the Company's and consolidated statements of changes in shareholders' equity, and the Company's and consolidated cash flow statements for the year then ended, and the notes to the financial statements.

1. Management's responsibility for the financial statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation of the financial statements; (2) designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error

2. Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. China Standards on Auditing require that we comply with the Code of Ethics for Chinese Certified Public Accountants, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether

due to fraud or error. In making those risk assessments, Certified Public Accountants consider the internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3. Opinion

In our opinion, the financial statements of the Company present fairly, in all material respects, the company's and consolidated financial position as of 31 December 2015, and the company's and consolidated results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

II. Financial Statements

Monetary unit of notes to financial statements: RMB Yuan

1. Consolidated Balance Sheet

31 December 2015

Prepared by Hangzhou Hikvision Digital Technology Co., Ltd.

Unit: RMB

Item	Closing balance	Opening balance
Current Assets:		
Cash and bank balances	10,106,500,588.53	7,199,658,946.19
Balances with clearing agencies		
Placements with banks and other financial institutions		
Financial assets at fair value through profit or loss	6,160,279.18	3,032,932.74
Derivative financial assets		
Notes receivable	3,044,148,064.81	1,875,769,464.99
Accounts receivable	8,125,932,742.98	4,281,526,957.05
Prepayments	132,662,264.81	65,305,741.00
Premiums receivable		
Amounts receivable under reinsurance contracts		
Reinsurer's share of insurance contract reserves		
Interests receivable		

Dividends receivable		
Other receivables	335,274,098.54	255,289,608.70
Financial assets purchased under resale agreements		
Inventories	2,818,665,737.11	2,291,934,275.76
Assets classified as held for sale		
Non-current assets due within one year		
Other current assets	2,113,013,249.46	3,135,369,069.66
Total Current Assets	26,682,357,025.42	19,107,886,996.09
Non-current Assets:		
Loans and advances to customers		
Available-for-sale financial assets	56,033,513.00	604,313.00
Held-to-maturity investments		
Long-term receivables	105,903,265.79	87,321,837.17
Long-term equity investment		
Investment properties		
Fixed assets	1,887,240,766.08	1,500,415,628.08
Construction in progress	844,631,051.21	28,956,418.82
Materials for construction of fixed assets		
Disposal of fixed assets		
Bearer biological assets		
Oil and gas assets		
Intangible assets	343,200,704.36	96,550,166.58
Development expenditures		
Goodwill	117,860,200.59	117,860,200.59
Long-term prepaid expenses		
Deferred tax assetsts	261,215,909.72	96,083,495.82
Other non-current assets	18,000,000.00	254,841,255.14
Total Non-current Assets	3,634,085,410.75	2,182,633,315.20
Total Assets	30,316,442,436.17	21,290,520,311.29
Current Liabilities:		
Short-term borrowings	876,600,473.94	362,317,989.11
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	19,281,989.69	
Derivative financial liabilities		

Notes payable	209,741,787.71	274,000,000.00
Accounts payable	5,869,739,370.78	3,318,309,615.91
Receipts in advance	395,510,795.73	503,067,411.07
Financial assets sold under repurchase agreements		
Fees and commissions payable		
Payroll payable	788,069,735.32	656,094,975.85
Taxes payable	822,299,350.08	394,514,782.17
Interests payable	4,668,652.09	
Dividends payable	24,128,481.48	4,402,278.98
Other payables	159,857,666.08	51,569,365.92
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	586,430,847.08	
Other current liabilities	518,074,596.90	547,853,280.23
Total Current Liabilities	10,274,403,746.88	6,112,129,699.24
Non-current Liabilities:		
Long-term borrowings	675,753,935.00	244,760,000.00
Bonds payable		
Including: Preferred share		
Perpetual bond		
Long-term payables	7,000,000.00	3,000,000.00
Long-term employee benefits payable		
Special payables		
Provisions	61,833,874.59	36,661,164.79
Deferred income		14,812,900.00
Deferred tax liabilities		
Other non-current liabilities		
Total non-current liabilities	744,587,809.59	299,234,064.79
Total liabilities	11,018,991,556.47	6,411,363,764.03
OWNERS' EQUITY		
Share capital	4,068,772,253.00	4,069,128,026.00
Other equity instruments		
Including: Preferred share		

Perpetual debt		
Capital reserves	1,639,607,652.22	1,480,046,325.41
Less: Treasury stock	518,074,596.90	547,853,280.23
Other comprehensive income	-27,660,017.70	-8,837,417.46
Special reserves		
Surplus reserve	1,895,061,004.09	1,339,597,584.02
General risk reserve		
Retained profits	12,196,097,444.07	8,510,162,428.31
Total owners' equity attributable to owner of the Company	19,253,803,738.78	14,842,243,666.05
Minority interests	43,647,140.92	36,912,881.21
Total owners' equity	19,297,450,879.70	14,879,156,547.26
Total liabilities and owners' equity	30,316,442,436.17	21,290,520,311.29

Legal Representative: Chen Zongnian

Person in Charge of the Accounting Organization: Jin Yan

Chief Accountant: Jin Yan

2. Balance sheet of the Company

Unit: RMB

Item	Closing balance	Opening balance
Current Assets:		
Cash and bank balances	6,554,624,806.82	5,127,429,847.01
Financial assets at fair value through profit or loss		
Derivative financial assets		
Notes receivable	285,916,430.68	146,216,889.10
Accounts receivable	9,120,541,604.04	3,856,388,675.31
Prepayments	3,975,968.87	3,343,662.93
Interests receivable		
Dividends receivable		
Other receivables	344,944,956.54	1,183,978,154.32
Inventories	354,607,355.65	322,929,339.42
Assets classified as held for sale		
Non-current assets due within one year		
Other current assets	1,475,771,382.66	2,906,701,107.65
Total Current Assets	18,140,382,505.26	13,546,987,675.74
Non-current Assets:		
Available-for-sale financial assets	55,429,200.00	
Held-to-maturity investments		
Long-term receivables	27,000,000.00	36,000,000.00
Long-term equity investment	1,175,799,927.25	1,133,786,286.83
Investment properties		

Fixed assets	1,759,900,661.47	1,420,555,430.24
Construction in progress	179,392,535.51	2,827,983.79
Materials for construction of fixed assets		
Disposal of fixed assets		
Bearer biological assets		
Oil and gas assets		
Intangible assets	137,328,714.00	85,782,315.43
Development expenditure		
Goodwill		
Long-term prepaid expenses		
Deferred tax assets	153,437,862.78	79,582,207.72
Other non-current assets		217,171,255.14
Total Non-Current Assets	3,488,288,901.01	2,975,705,479.15
Total Assets	21,628,671,406.27	16,522,693,154.89
Current Liabilities:		
Short-term borrowings	432,500,194.74	153,967,030.88
Financial liabilities at fair value through profit or loss		
Derivative financial liabilities		
Notes payable		
Accounts payable	116,211,859.13	108,422,838.27
Receipts in advance	171,072,708.07	144,217,073.11
Employee benefits payable	633,419,309.99	530,966,587.84
Taxes payable	642,749,926.57	277,528,510.19
Interests payable		
Dividends payable	24,128,481.48	4,402,278.98
Other payables	91,301,389.43	37,417,948.69
Liabilities classified as held for sale		
Non-current liabilities due within one year	162,340,000.00	
Other current liabilities	518,074,596.90	547,853,280.23
Total Current Liabilities	2,791,798,466.31	1,804,775,548.19
Non-Current Liabilities:		
Long-term borrowings		
Bonds payable		
Including: Preferred share		
Perpetual bond		
Long-term payables		
Long-term employee benefits payable		
Special payables		

Provisions	56,788,335.77	36,661,164.79
Deferred income		14,812,900.00
Deferred tax liabilities		
Other non-current liabilities		
Total non-current liabilities	56,788,335.77	51,474,064.79
Total liabilities	2,848,586,802.08	1,856,249,612.98
Owners' equity		
Share capital	4,068,772,253.00	4,069,128,026.00
Other equity instruments		
Including: Preferred share		
Perpetual bond		
Capital reserves	1,647,623,212.04	1,490,388,050.35
Less: Treasury share	518,074,596.90	547,853,280.23
Other comprehensive income		
Special reserves		
Surplus reserve	1,895,061,004.09	1,339,597,584.02
Retained profits	11,686,702,731.96	8,315,183,161.77
Total owners' equity	18,780,084,604.19	14,666,443,541.91
Total liabilities and owners' equity	21,628,671,406.27	16,522,693,154.89

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	25,271,390,273.42	17,233,114,021.70
Including: Operating income	25,271,390,273.42	17,233,114,021.70
Interest income		
Premiums earned		
Fee and commission income		
II. Total operating costs	19,909,915,583.46	13,009,607,137.92
Including: Operating cost	15,136,793,517.44	9,578,266,693.28
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	196,876,622.43	151,694,130.11
Selling expenses	2,179,045,314.71	1,533,250,114.26
Administrative expenses	2,211,221,871.15	1,645,518,222.73
Financial expense	-152,896,391.70	-82,029,433.48
Impairment losses of assets	338,874,649.43	182,907,411.02
Add: Gains from changes in fair values (Losses are indicated by "—")	-16,154,643.25	3,032,932.74
Investment income (Loss is indicated by "—")	148,673,437.25	151,024,364.74
Including: Income from investments in associates and joint ventures		
Foreign exchange gains (Losses are indicated by "—")		
III. Operating profit (Loss is indicated by "—")	5,493,993,483.96	4,377,564,181.26
Add: Non-operating income	1,293,978,970.29	856,469,990.44
Including: Gains from disposal of non-current assets	2,829,117.71	375,095.86

Less: Non-operating expenses	37,930,721.86	27,691,800.93
Including: Losses from disposal of non-current assets	1,113,694.67	842,376.23
IV. Total profit (total losses expressed with "-")	6,750,041,732.39	5,206,342,370.77
Less: Income tax expenses	867,643,887.69	525,641,134.11
V. Net profit (net loss expressed with "-")	5,882,397,844.70	4,680,701,236.66
Net profit attributable to owners of parent company	5,869,049,646.23	4,665,368,689.94
Profit or loss attributable to minority interests	13,348,198.47	15,332,546.72
VI. Other comprehensive income, net of income tax	-17,989,248.27	-11,660,354.45
Other comprehensive income attributable to owners of the Company, net of tax	-18,822,600.24	-10,756,871.56
(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	-18,822,600.24	-10,756,871.56
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	-18,822,600.24	-10,756,871.56
6. Others		
Other comprehensive income attributable to minority interests, net of tax	833,351.97	-903,482.89
VII. Total comprehensive income	5,864,408,596.43	4,669,040,882.21
Total comprehensive income attributable to owners of the parent	5,850,227,045.99	4,654,611,818.38

company		
Total comprehensive income attributable to minority interests	14,181,550.44	14,429,063.83
VIII. Earnings per share		
(I) Basic earnings per share	1.46	1.17
(II) Diluted earnings per share	1.45	1.16

Legal Representative: Chen Zongnian
Yan

Person in Charge of the Accounting Organization: Jin Yan

Chief Accountant: Jin

4. Income statement of the Company

Unit: RMB

Item	Amount for the current period	Amount for the prior period
I. Total operating income	14,247,382,172.06	11,970,170,158.20
Less: Operating Cost	5,635,878,721.53	5,232,536,655.19
Business taxes and levies	163,525,293.31	130,014,043.02
Selling expenses	1,560,498,015.69	1,180,463,436.24
Administrative expenses	1,824,491,151.65	1,316,528,584.85
Financial expense	-66,657,382.50	-94,487,797.34
Impairment losses of assets	310,847,916.44	225,924,139.53
Add: Gains from changes in fair values (Losses are indicated by "—")		
Investment income (Loss is indicated by "--")	346,511,489.93	131,219,913.93
Including: Income from investments in associates and joint ventures		
II. Operating profit (Loss is indicated by "—")	5,165,309,945.87	4,110,411,010.64
Add: Non-operating income	1,201,709,022.19	820,006,157.25
Including: Gains from disposal of non-current assets	2710672.80	47,349.47
Less: Non-operating expenses	11,191,064.63	9,375,103.07
Including: Losses from disposal of non-current assets	2710672.80	323,841.85
III. Total profit (Total loss is indicated by "—")	6,355,827,903.43	4,921,042,064.82
Less: Income tax expenses	801,193,702.77	443,529,819.62
IV. Net profit (Net loss is indicated by "—")	5,554,634,200.66	4,477,512,245.20
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	5,554,634,200.66	4,477,512,245.20
VII. Earnings per share		
(I) Basic earnings per share		
(II) Diluted earnings per share		

Legal Representative: Chen Zongnian
Yan

Person in Charge of the Accounting Organization: Jin Yan

Chief Accountant: Jin

5. Consolidated Cash Flow Statement

Unit: RMB

Item	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	22,777,510,666.14	16,841,500,091.63

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	2,001,179,512.70	1,352,419,910.58
Other cash received relating to operating activities	525,913,263.75	224,914,032.75
Sub-total of cash inflows from operating activities	25,304,603,442.59	18,418,834,034.96
Cash payments for goods purchased and services received	15,694,627,971.95	10,097,337,799.31
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	2,501,048,931.40	1,864,814,790.77
Payments of various types of taxes	2,455,175,034.68	1,717,478,192.52
Other cash paid relating to operating activities	1,437,029,335.39	1,032,782,470.32
Sub-total of cash outflows from operating	22,087,881,273.42	14,712,413,252.92

activities		
Net Cash Flow from Operating Activities	3,216,722,169.17	3,706,420,782.04
II. Cash Flows from Investing Activities:		
Cash receipts from disposals and recovery of investments	2,928,000,000.00	4,992,499,865.00
Cash receipts from investment income	148,673,437.25	151,428,106.04
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	13,030,975.34	5,877,980.44
Net cash receipts from disposals of subsidiaries and other business units		
Other cash received relating to investing activities	35,996,686.98	21,135,387.80
Sub-total of cash inflows from investing activities	3,125,701,099.57	5,170,941,339.28
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	1,330,084,112.50	610,826,390.46
Cash paid to acquire investments	1,870,817,394.24	5,600,747,790.28
Net increase in pledged loans receivables		
Net cash payments for acquisitions of subsidiaries and other business units		
Other cash paid relating to investing activities		
Sub-total of cash outflows from investing activities	3,200,901,506.74	6,211,574,180.74
Net Cash Flow from Investment Activities	-75,200,407.17	-1,040,632,841.46
III. Cash flows from financing activities:		
Cash receipts from capital contributions		489,418,258.50
Including: cash receipts from capital contributions from minority owners of subsidiaries		
Cash receipts from borrowings	2,790,211,998.69	3,375,084,617.54
Cash receipts from bond issue		
Other cash receipts relating to financing activities	4,000,000.00	
Sub-total of cash inflows from financing activities	2,794,211,998.69	3,864,502,876.04
Cash repayments of amounts borrowed	1,258,504,731.78	2,948,806,426.63
Cash payments for distribution of dividends or profits or settlement of interest expenses	1,652,404,056.80	1,029,796,867.17

Including: payments for distribution of dividends or profits to minority owners of subsidiaries	5,121,125.61	
Other cash payments relating to financing activities	2,093,991.15	5,552,605.56
Sub-total of cash outflows from financing activities	2,913,002,779.73	3,984,155,899.36
Net Cash Flow from Financing Activities	-118,790,781.04	-119,653,023.32
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	-100,952,230.26	-19,013,010.87
V. Net Increase in Cash and Cash Equivalents	2,921,778,750.70	2,527,121,906.39
Add: Opening balance of Cash and Cash Equivalents	7,111,254,725.60	4,584,132,819.21
VI. Closing Balance of Cash and Cash Equivalents	10,033,033,476.30	7,111,254,725.60

Legal Representative: Chen Zongnian

Person in Charge of the Accounting Organization: Jin Yan

Chief Accountant: Jin

Yan

6. Cash Flow Statements of the Company

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	10,803,039,228.70	12,746,544,923.59
Refund of tax and levies	1,074,852,534.11	919,726,334.87
Other cash receipts relating to operating activities	324,140,950.48	202,866,356.43
Sub-total of cash inflows from operating activities	12,202,032,713.29	13,869,137,614.89
Cash payments for goods acquired and services received	6,903,906,913.83	6,216,741,553.30
Cash payments to and on behalf of employees	1,584,444,500.81	1,191,131,517.56
Payments of all types of taxes	2,032,510,607.05	1,560,241,968.49
Other cash payments relating to operating activities	1,239,471,585.53	902,294,322.55
Sub-total of cash outflows from operating activities	11,760,333,607.22	9,870,409,361.90
Net Cash Flow from Operating Activities	441,699,106.07	3,998,728,252.99
II. Cash Flows from Investing Activities:		
Cash receipts from disposals and recovery of investments	2,858,000,000.00	4,220,752,338.93
Cash receipts from investment	347,490,333.16	140,138,618.22

income		
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	9,847,896.80	41,706,144.56
Net cash receipts from disposals of subsidiaries and other business units	6.77	3,778,317.11
Other cash receipts relating to investing activities	2,344,996,750.40	3,508,241,414.39
Sub-total of cash inflows from investing activities	5,560,334,987.13	7,914,616,833.21
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	502,365,875.50	523,545,111.55
Cash payments to acquire investments	1,482,672,227.26	5,180,567,150.61
Net cash payments for acquisitions of subsidiaries and other business units		
Other cash payments relating to investing activities	1,366,590,091.86	4,331,833,940.75
Sub-total of cash outflows from investing activities	3,351,628,194.62	10,035,946,202.91
Net Cash Flow from Investment Activities	2,208,706,792.51	-2,121,329,369.70
III. Cash Flows from Financing Activities		
Cash receipts from capital contributions		489,418,258.50
Cash receipts from borrowings	600,084,089.00	1,424,622,308.37
Cash receipts from issue of bonds		
Other cash receipts relating to financing activities	518,560,000.00	598,000,000.00
Sub-total of cash inflows from financing activities	1,118,644,089.00	2,512,040,566.87
Cash repayments of amounts borrowed	159,210,925.14	1,424,395,572.43
Cash payments for distribution of dividends or profits or settlement of interest expenses	1,616,845,537.75	1,023,624,069.92
Other cash payments relating to financing activities	531,454,491.15	610,088,413.80
Sub-total of cash outflows from financing activities	2,307,510,954.04	3,058,108,056.15
Net Cash Flow from Financing Activities	-1,188,866,865.04	-546,067,489.28
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-28,926,650.38	3,224,240.48
V. Net increase in cash and cash equivalents	1,432,612,383.16	1,334,555,634.49
Add: Beginning balance of cash and cash equivalents	5,115,461,297.75	3,780,905,663.26

VI. Closing Balance of Cash and Cash Equivalents	6,548,073,680.91	5,115,461,297.75
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Legal Representative: Chen Zongnian

Person in Charge of the Accounting Organization: Jin Yan

Chief Accountant: Jin Yan

7. Consolidated Statement of Changes In Owners' Equity

For the Year 2015

Unit: RMB

Item	Amount for the current period												
	Attributable to owners of the Company											Minority interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury share	Other comprehensive income	Special reserves	Surplus reserve	General risk provisions	Retained profits		
		Preferred share	Perpetual bond	Others									
I. Closing balance of the preceding year	4,069,128,026.00				1,480,046,325.41	547,853,280.23	-8,837,417.46		1,339,597,584.02		8,510,162,428.31	36,912,881.21	14,879,156,547.26
Add: Changes in accounting policies													
Corrections of prior period errors													
Busines mergers under the common control													
Others													
II. Opening balance of the current year	4,069,128,026.00				1,480,046,325.41	547,853,280.23	-8,837,417.46		1,339,597,584.02		8,510,162,428.31	36,912,881.21	14,879,156,547.26
III. Increase or decrease in the current year (decrease indicated with “-”)	-355,773.00				159,561,326.81	-29,778,683.33	-18,822,600.24		555,463,420.07		3,685,935,015.76	6,734,259.71	4,418,294,332.44
(I) Total comprehensive income							-18,822,600.24				5,869,049,646.23	14,181,550.44	5,864,408,596.43
(II) Owners’ contributions and reduction in capital	-355,773.00				157,235,161.69	-29,778,683.33							186,658,072.02
1. Capital													

contribution from owners													
2. Capital increased by holders of other equity instruments													
3. Share-based payment recognised in owners' equity					158,773,879.84								158,773,879.84
4. Others	-355,773.00				-1,538,718.15	-29,778,683.33							27,884,192.18
(III) Profit distribution									555,463,420.07		-2,183,114,630.47	-5,121,125.61	-1,632,772,336.01
1. Transfer to surplus reserve									555,463,420.07		-555,463,420.07		
2. Transfer to general reserve													
3. Distributions to owners (or shareholders)											-1,627,651,210.40	-5,121,125.61	-1,632,772,336.01
4. Others													
(IV) Transfers within owners' equity													
1. Capitalisation of capital reserve													
2. Capitalisation of surplus reserve													
3. Loss offset by surplus reserve													
4. Others													
(V) Special reserve													
1. Transfer to special reserve in the period													

2. Amount utilised in the period													
(VI) Others					2,326,165.12							-2,326,165.12	
IV. Closing balance of the current year	4,068,772,253.00				1,639,607,652.22	518,074,596.90	-27,660,017.70		1,895,061,004.09		12,196,097,444.07	43,647,140.92	19,297,450,879.70

For the Year 2014

Unit: RMB

Item	Amount for the same period of last year												
	Attributable to owners of the Company											Minority interests	Total owners' equity
	share capital	Other equity instruments			Capital reserves	Less: Treasury share	Other comprehensive income	Special reserves	Surplus reserve	General risk provisions	Retained profits		
		Preferred share	Perpetual bond	Others									
I. Closing balance of the preceding year	4,017,223,222.00				970,512,042.43	91,713,657.15	1,919,454.10		891,846,359.50		5,296,850,768.39	26,051,336.58	11,112,689,525.85
Add: Changes in accounting policies													
Corrections of prior period errors													
Business mergers under the common control													
Others													
II. Opening balance of the current year	4,017,223,222.00				970,512,042.43	91,713,657.15	1,919,454.10		891,846,359.50		5,296,850,768.39	26,051,336.58	11,112,689,525.85
III. Increase or decrease in the current year (decrease indicated with “-”)	51,904,804.00				509,534,282.98	456,139,623.08	-10,756,871.56		447,751,224.52		3,213,311,659.92	10,861,544.63	3,766,467,021.41
(I) Total comprehensive income							-10,756,871.56				4,665,368,689.94	14,429,063.83	4,669,040,882.21

(II) Owners' contributions and reduction in capital	51,904,804.00				507,208,117.87	456,139,623.08							102,973,298.79
1. Capital contribution from owners	52,910,082.00				436,508,176.50	489,418,258.50							
2. Capital increased by holders of other equity instruments													
3. Share-based payment recognised in owners' equity						75,047,768.93							75,047,768.93
4. Others	-1,005,278.00				-4,347,827.56	-33,278,635.42							27,925,529.86
(III) Profit distribution									447,751,224.52		-1,452,057,030.02	-1,241,354.09	-1,005,547,159.59
1. Transfer to surplus reserve									447,751,224.52		-447,751,224.52		
2. Transfer to general reserve													
3. Distributions to owners or shareholders											-1,004,305,805.50	-1,241,354.09	-1,005,547,159.59
4. Others													
(IV) Transfers within owners' equity													
1. Capitalisation of capital reserve													
2. Capitalisation of surplus reserve													
3. Loss offset by surplus reserve													
4. Others													

(V) Special reserve													
1. Transfer to special reserve in the period													
2. Amount utilised in the period													
(VI) Others					2,326,165.11							-2,326,165.11	
IV. Closing balance of the current year	4,069,128,026.00				1,480,046,325.41	547,853,280.23	-8,837,417.46		1,339,597,584.02		8,510,162,428.31	36,912,881.21	14,879,156,547.26

Legal Representative: Chen Zongnian

Person in Charge of the Accounting Organization: Jin Yan

Chief Accountant: Jin Yan

8. Statement of Changes In Owners' Equity of the Company

For the Year 2015

Unit: RMB

ITEM	Amount for the current period										
	share capital	Other equity instruments			Capital reserves	Less: Treasury share	Other comprehensive income	Special reserves	Surplus reserve	Retained profits	Total owners' equity
		Preferred share	Perpetual bond	Others							
I. Closing balance of the preceding year	4,069,128,026.00				1,490,388,050.35	547,853,280.23			1,339,597,584.02	8,315,183,161.77	14,666,443,541.91
Add: Changes in accounting policies											
Corrections of prior period errors											
Others											
II. Opening balance of the current year	4,069,128,026.00				1,490,388,050.35	547,853,280.23			1,339,597,584.02	8,315,183,161.77	14,666,443,541.91
III. Changes for the year(decrease indicated with “-”)	-355,773.00				157,235,161.69	-29,778,683.33			555,463,420.07	3,371,519,570.19	4,113,641,062.28
(I) Total comprehensive income										5,554,634,200.66	5,554,634,200.66
(II) Owners’ contributions and reduction in capital	-355,773.00				157,235,161.69	-29,778,683.33					186,658,072.02
1. Capital contribution from owners											
2. Capital increased by holders of other equity instruments											
3. Share-based payment recognised in owners’ equity					158,773,879.84						158,773,879.84
4. Others	-355,773.00				-1,538,718.15	-29,778,683.33					27,884,192.18
(III) Profit distribution									555,463,420.07	-2,183,114,630.47	-1,627,651,210.40
1. Transfer to surplus reserve									555,463,420.07	-555,463,420.07	
2. Distributions to owners or shareholders										-1,627,651,210.40	-1,627,651,210.40
3. Others											
(IV) Transfers within owners’ equity											
1. Capitalisation of capital reserve											

2. Capitalisation of surplus reserve											
3. Loss offset by surplus reserve											
4. Others											
(V) Special reserve											
1. Transfer to special reserve in the period											
2. Amount utilised in the period											
(VI) Others											
IV. Closing balance of the current year	4,068,772,253.00				1,647,623,212.04	518,074,596.90			1,895,061,004.09	11,686,702,731.96	18,780,084,604.19

For the Year 2014

Unit: RMB

Item	Amount for the same period of last year										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury share	Other comprehensive income	Special reserves	Surplus reserve	Retained profits	Total owners' equity
		Preferred share	Perpetual bond	Others							
I. Closing balance of the preceding year	4,017,223,222.00				983,179,932.48	91,713,657.15			891,846,359.50	5,289,727,946.59	11,090,263,803.42
Add: Changes in accounting policies											
Corrections of prior period errors											
Others											
II. Opening balance of the current year	4,017,223,222.00				983,179,932.48	91,713,657.15			891,846,359.50	5,289,727,946.59	11,090,263,803.42
III. Changes for the year(decrease indicated with "-")	51,904,804.00				507,208,117.87	456,139,623.08			447,751,224.52	3,025,455,215.18	3,576,179,738.49
(I) Total comprehensive income										4,477,512,245.20	4,477,512,245.20
(II) Owners' contributions and reduction in capital	51,904,804.00				507,208,117.87	456,139,623.08					102,973,298.79
1. Capital contribution from owners	52,910,082.00				436,508,176.50	489,418,258.50					
2. Capital increased by holders of other equity instruments											
3. Share-based payment recognised in owners' equity					75,047,768.93						75,047,768.93

4. Others	-1,005,278.00				-4,347,827.56	-33,278,635.42					27,925,529.86
(III) Profit distribution									447,751,224.52	-1,452,057,030.02	-1,004,305,805.50
1. Transfer to surplus reserve									447,751,224.52	-447,751,224.52	
2. Distributions to owners (or shareholders)										-1,004,305,805.50	-1,004,305,805.50
3. Others											
(IV) Transfers within owners' equity											
1. Capitalisation of capital reserve											
2. Capitalisation of surplus reserve											
3. Loss offset by surplus reserve											
4. Others											
(V) Special reserve											
1. Transfer to special reserve in the period											
2. Amount utilised in the period											
(VI) Others											
IV. Closing balance of the current year	4,069,128,026.00				1,490,388,050.35	547,853,280.23			1,339,597,584.02	8,315,183,161.77	14,666,443,541.91

Legal Representative: Chen Zongnian

Person in Charge of the Accounting Organization: Jin Yan

Chief Accountant: Jin Yan

III. Notes on Financial Statements**Hangzhou Hikvision Digital Technology Co., Ltd.****Notes on Financial Statements for the Year 2015**

Unit: RMB

1. Basic Information About the Company

Hangzhou Hikvision Digital Technology Co., Ltd. (hereinafter referred to as "the Company" or "Company"), is a Sino-foreign Equity Joint Venture Company, formerly known as "Hangzhou Hikvision Digital Technology Ltd", established on 30 December 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 25 June 2008, with approval of Shang Zi No. 598[2008] issued by the MOFCOM, the company was renamed as "Hangzhou Hikvision Digital Technology Co., Ltd.", and it obtained the business license of enterprise No.91330000733796106P and has the registered capital of RMB 4,068,772,253.00. The Company has issued RMB 4,068,772,253.00 ordinary shares (A-share) at a par value of RMB1.00 per share, including 913,364,679 restricted shares (A-share) and 3,155,407,574 unrestricted shares (A-share). On 28 May 2010, the Company was listed on the Shenzhen Stock Exchange.

The Company is engaged in electronic equipment manufacturing business mainly including development, production and sales of security products. Business scope includes manufacturing and distribution of NVRs, encoders, digital video servers, surveillance cameras, speed domes, road bayonets and other video surveillance products, providing security project construction services and more.

This financial report was approved for issue by the Board of Directors of the Company as of April 8, 2015.

The Company incorporated over 36 subsidiaries such as Hangzhou Hikvision System Technology Co., Ltd., Hangzhou Hikvision Science and Technology Co., Ltd. and Hangzhou Hikvision Security Equipment Leasing Services Ltd. in the coverage of the financial statements consolidated in the current period. For details, please refer to the Notes about "Changes of the Consolidation Scope" and "Interest in Other Entities".

2. Basis of preparation of financial statements**2.1 Basis of preparation**

The Company's consolidated financial statements have been prepared on the basis that it will continue as a going concern.

2.2 Evaluation of the ability of going concern

There was no significant doubt on the Company's ability to operate on a going concern basis for the next twelve months since the end of reporting period.

3. The company's significant accounting policies and estimates

3.1 Statement of compliance with the 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, and the Company's and consolidated results of operations and cash flows.

3.2 Accounting period

The Company has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

3.3 Operating cycle

The Company uses 12 months as the liquidity classification criteria for assets and liabilities as its operating cycle of business is relatively short.

3.4 Functional currency

The Company chose RMB as its functional currency.

3.5 The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control

3.5.1 The accounting treatment of business combinations involving enterprises under common control

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 / the aggregate face value of shares issued as consideration 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.

3.5.2 The accounting treatment of business combinations not involving enterprises under common control

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquirer's identifiable net assets, the difference is treated as an asset and recognised as goodwill. Where the cost of combination is less than the acquirer's interest in the fair value of the acquirer's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquirer'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 acquirer's identifiable net assets, the acquirer recognizes the difference immediately in profit or loss for the current period.

3.6 Preparation of consolidated financial statements

The Company includes all the subsidiaries that are under control of the Company within the scope of consolidation. The consolidated financial statements of the Company are prepared by the Company according to the Accounting Standard for Business Enterprises No. 33 – Consolidated Financial Statements based on the financial statements of the Company and subsidiaries based on other relevant information.

3.7 The classification of joint arrangements and the treatment for joint operations

3.7.1 Joint arrangement is classified as either a joint operation or a joint venture.

3.7.2 The Company recognizes the following items related to the shared interest when the Company is a

joint party of the joint operation

- (1) Independently held assets, as well as the jointly held assets to be recognized according to the share of the Company;
- (2) Independently assumed liabilities, as well as the jointly assumed liabilities to be recognized according to the share of the Company;
- (3) Revenue generated by selling the output share of joint operation that is shared by the Company
- (4) Revenue generated by selling the output share of joint operation that is shared by the Company;
- (5) Independently incurred expense, as well as the expense incurred by joint operation and recognized according to the share of the Company

3.8 Recognition criteria of cash and cash equivalents

Cash presented in cash flows comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Company's short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value.

3.9 Translation of transactions and financial statements denominated in foreign currencies

3.9.1 Translation of transactions denominated in foreign currencies

A foreign currency transaction is recorded, on initial recognition, by applying the spot exchange rate on the date of the transaction. 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 that 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; Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions and the amounts in functional currency remain unchanged; Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated 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 included in capital reserve.

3.9.2 Translation of financial statements denominated in foreign currencies

Assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; shareholders' equity items except for retained earnings are translated at the spot exchange rates at the dates on which such items arose; Revenue and expenses in the income statement are translated at the spot exchange rates at the dates on which such items arose. The exchange differences arising on above translation of financial statements denominated in foreign currencies are recognized as other comprehensive income.

3.10 Financial Instruments

3.10.1 Classification of financial assets and liabilities

On initial recognition, financial assets are classified into one of four categories, including financial assets at fair value through profit or loss (including financial assets held for trading and the financial assets which are initially measured at fair value through profit or loss ("FVTPL")), held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

On initial recognition, financial liabilities are classified into the following two categories, including the financial

liabilities at fair value through profit or loss (including financial liabilities held for trading and the financial liabilities that are initially measured at fair value through profit or loss) and other financial liabilities.

3.10.2 Recognition, measurement and derecognition of financial assets and liabilities

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognized in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognized amounts.

Financial assets are subsequently measured at fair value and not net of transaction cost of future disposal, exclude the following conditions, (1) held-to-maturity investments and loan and receivables measured at amortized cost using effective interest method (2) for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivative financial assets that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost.

Financial liabilities are subsequently measured at amortized cost using effective interest method, exclude the following conditions:

- (1) The financial liabilities measured at fair value through profit or loss ("FVTPL") are measured at fair value and not net of the settlement of possible transaction costs;
- (2) For investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivative financial liabilities that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost;
- (3) Financial guarantee contracts that are not designated as financial liabilities at FVTPL, or loan commitments to provide a loan at a below-market interest rate, which are not designated at FVTPL, are initially measured at their fair values less the directly attributable transaction costs. Subsequent to initial recognition, they are measured at the higher of:
 - (i) the amount determined in accordance with Accounting Standard for Business Enterprises No. 13 – Contingencies; and
 - (ii) the amount initially recognised less cumulative amortization recognised in accordance with the principles set out in Accounting Standard for Business Enterprises No. 14 – Revenue.

Gains or losses arising from changes in the fair value of financial assets or liabilities, except when relative to hedging accounting, shall be accounted for in the following ways, (1) Gains or losses arising from changes in the fair value of financial assets or liabilities at FVTPL are recognized in gains from changes in fair values; Interests obtained and the dividends declared by the investee during the period in which the financial assets are held, are recognised in investment gains; On disposal of a financial asset, the difference between the proceeds actually received and receivable and the initial carrying amount is recognised in investment income. (2) Gains from changes in fair values of available-for-sale financial assets are recognized in other comprehensive income; Interests calculated in effective interest method during the period in which the available-for-sale financial assets are held are recognized in investment income; On disposal of the available-for-sale financial asset, the differences between the proceeds actually received and receivable and the carrying amounts net of accumulated gains from changes in fair values that are directly recognised in other comprehensive income are recognized in investment income.

The Company derecognises a financial asset when the contractual rights to the cash flow from the financial asset

expire or the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; The Company derecognises a financial liability or part of it only when the underlying present obligation or part of it is discharged.

3.10.3 Basis of recognition and measurement method of the transfer of financial assets

The Company derecognizes the financial assets when the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; When the Company has retained substantially all the risks and rewards of ownership of a financial asset, it shall continue to recognise the transfer of the financial asset and recognise the consideration received in a financial liability. If the Company neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it shall be accounted for in the following ways, (1) It does not retain control of the financial asset: derecognizes the financial asset; (2) It retains control of the financial asset: it recognises the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria and recognizes the following differences in profit or loss, (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised in other comprehensive income. If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the respective fair values of those parts. The difference between (1) the carrying amount allocated to the part derecognised; and (2) the sum of the consideration received for the part derecognised and any cumulative gain or loss allocated to the part derecognised that has been previously recognised in other comprehensive income, is recognised in profit or loss.

3.10.4 Method used to determine the fair value of financial assets and financial liabilities

The Company adopted the valuation techniques supported by applicable data and other information to determine the fair values of relative financial assets and liabilities. The Company distinguishes the input used by the valuation techniques to following levels and uses successively,

- (1) level I input value refers to unadjusted price in active market obtaining same assets or liabilities on measurement date;
- (2) level II input value refers to direct or indirect observable input value related to relevant assets or liabilities except level I input value, including quotation of similar assets or liabilities in active markets; quotation of same or similar assets or liabilities in inactive markets; and other observable input value besides quotation, such as observable interest rate and yield curve in normal quotation interval and market verified input value;
- (3) level III input value refers to unobservable input value of relevant assets or liabilities, including unobservable interest rate or interest rate not verified by observable market data, stock volatility, future cash flow undertaken by enterprises in the merger and financial forecasting from own data, etc.

3.10.5 Impairment testing and methods of determining impairment provision of financial assets

- (1) The Company assesses at each balance sheet date the carrying amounts of financial assets other than those at fair value through profit or loss. If there is objective evidence that a financial asset is impaired, the Group determines the amount of any impairment loss.
- (2) Impairment test to the held-to-maturity investment and loan and receivables is as follows.

For a financial asset that is individually significant, the Company assesses the asset individually for impairment. For a financial asset that is not individually significant, the Company assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

(3) Available-for-sale financial assets

Objective evidence that an investment in an equity instrument is impaired includes the following observable events:

- ① Significant financial difficulty of the issuer or obligor;
- ② Breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- ③ The Company, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;
- ④ It becoming probable that the borrower will enter bankruptcy or other financial reorganizations;
- ⑤ The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
- ⑥ Other objective evidence indicating there is an impairment of a financial asset

A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost and significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor.

The Company assesses at the balance sheet date the carrying amounts of investment in equity instruments. Impairment of available-for-sale equity instruments that are measured at fair values should be considered when the fair value of such instruments falls below 50% (including 50%) of their original investment or the fair value of such instruments falls below their original investment for longer than 12 months (including 12 months). If the fair value of such instruments falls below 20% but not up to 50% (including 20%) of their original investment or the fair value of such instruments falls below their original investment for longer than 6 months (including 6 months) and fewer than 12 months, the impairment should be determined by the analysis of relevant information like price volatility etc. to determine the impairment of such equity instruments. For the equity instruments measured at cost, the Company should comprehensively consider whether the significant adverse changes in the technological, market, economic or legal environment of the investee to determine the impairment of such equity instruments.

When an available-for-sale financial asset measured at the fair value is impaired, the cumulative loss arising from decline in fair value previously recognized directly in other comprehensive income is reclassified from the capital reserve to profit or loss. If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets that can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognized as other comprehensive income and included in the capital reserve, while the amount of reversal of impairment loss on

available-for-sale debt instruments is recognized in profit or loss.

If an impairment loss has been incurred on an investment in equity instrument at cost, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognized as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognized.

3.11 Accounts receivable

3.11.1 Receivables that are individually significant and for which bad debt provision is individually assessed

Basis for determining an individually significant receivable	A receivable that exceeds RMB 400 million is deemed as an individually significant receivable by the Company.
Method of determining provision for receivables that are individually significant and for which bad debt provision is individually assessed	The Company assessing the significant receivables individually, If the current value of the expected future cash flow is less than its carrying amount, the deficit is accounted for as an impairment loss.

3.11.2 Receivables for which bad debt provision is collectively assessed on a portfolio basis

(1) Specific portfolio and method of bad debt provision

Method of bad debt provision is collectively assessed on a portfolio basis

Aging combination	Aging analysis
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(2) Aging analysis method

Aging	Provision as a proportion of accounts receivables (%)	Provision as a proportion of other receivables (%)
Within 1 year (including 1 year, same below)	5	5
More than 1 year but not exceeding 2 years	10	10
More than 2 year but not exceeding 3 years	30	30
More than 3 year but not exceeding 4 years	50	50
More than 4 year but not exceeding 5 years	80	80
More than 5 years	100	100

3.11.3 Receivables that are individually not significant but for which bad debt provision is individually assessed

Reasons for determining individual provision for receivables	There is an obvious difference between the current value of the expected future cash flow of account receivables and account receivables on an aging portfolio basis
Method of determining provision for receivables	The Company assesses the receivables individually; if the current value of the expected future cash flow is less than its carrying amount, the deficit is accounted for as an impairment loss.

The Company assesses the note receivables, interest receivables, long-term receivables and other receivables; if the current value of the expected future cash flow is less than its carrying amount, the deficit is accounted for as an impairment loss.

3.12 Inventory

3.12.1 Categories of inventories

The Company's inventories mainly include finished goods for sale, work in progress, raw materials in the process of production, or supply of goods or services.

3.12.2 Valuation method of inventories upon delivery

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

3.12.3 Basis for determining net realizable value of inventories and provision methods for decline in value of inventories

At the balance sheet date, inventories are measured at either the cost or net realizable value, whichever is lower. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made. Net realizable value for inventories to sales is the estimated selling price in the ordinary course of business less the estimated selling expenses and relevant taxes. Net realizable value inventories for inventories to be processed is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale, selling expenses and relevant taxes. At the balance sheet date, the Company should determine the net realizable value separately for the same category of inventories of which one part has contract prices and other not, comparing the net realizable value to corresponding costs to determine inventory provision or reversal.

3.12.4 Inventory count system

The perpetual inventory system is maintained for stock system.

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

(1) Low cost and short-lived consumable items

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

(2) Packaging materials

Packaging materials are amortized using the immediate write-off method.

3.13 Non-current assets held for sale

The Company determines the assets to the non-current assets held for sale when all the following conditions are satisfied: 1) the component can be immediately sold according to the normal and conventional terms in the current condition and 2) the Company has determined to dispose of the asset and 3) the Company has entered into an irrevocable transfer agreement with the transferee and 4) it is highly probable that the transfer will be completed within one year.

3.14 Long-term equity investments

3.14.1 Criteria of determinating joint control and significant influence over the investee

Joint control is defined as the contractually agreed sharing of control of an arrangement. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Significant influence is defined as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

3.14.2 Determination of investment cost

- (1) The initial investment cost is the attributable share of the carrying amount of the shareholder's equity at the date of combination, on the condition that a long-term equity investment acquired through a business combination involving enterprises under common control and the consideration for the combination is settled in cash, by way of non-cash asset, assumption of liabilities or issuance of equity securities. The difference between the initial investment cost and the carrying amount of the consideration or the aggregate face value of shares issued as consideration 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.

As for the long-term equity investment formed by the enterprises combination under the common control which realized step by step multiple transactions, the Company should determine whether attributes to the "package deal". As for those belonging to "package deal", should be regarded each transaction as a transaction which obtains the control for accounting treatment. As for those not belonging to "package deal", the initial investment cost is the attributable share of carrying amount of the shareholder's net assets. The differences between the initial investment cost at date of combination and the sum of the carrying amount of the long-term equity investment before reaching the combination and newly paid consideration of the further obtained shares are adjusted to share premium in capital reserve. If the share premium is not sufficient to absorb the differences, any excess shall be adjusted to the retained earnings.

- (2) For a long-term equity investment acquired through business combination not involving enterprises under common control, the investment cost of the long-term equity investment is fair value of the consideration for combination at the date of acquisition.

Accounting respectively to individual financial statements and consolidated financial statements when the Company obtained the long-term equity investment through step-by-step multiple transactions.

- a) In the individual financial statements, the initial investment cost is determined by the combination of the equity carrying amount of the combining party before the combination date and the new investment cost at the combination date.
- b) Determine whether it belongs to the "package deal" in the consolidated financial statements.

As for those belonging to the "package deal", each transaction should be regarded as a transaction that obtains the control right for accounting treatment. As for those not belonging to the "package deal", for the equities held by the acquirers before the purchase date, the remeasurement should be executed according to the fair value of the equity on the purchase date and the difference between the fair value and the book value should be included into the current investment income; if the equities held by the acquirers before the purchase date are involved with the other comprehensive income under the measurement of the equity method, the other comprehensive income and income related to such should be transferred as the current revenues belong to the purchase date. The exception is when the other comprehensive income occurs from the remeasurement of the net liabilities of the defined benefit plans of the investees or the changes of the net assets.

- c) If the long-term equity investment is obtained by means other than a business combination, the initial

investment cost is the actual consideration settled in cash and the fair value of the equity securities issued; if the investment is obtained by issuing equity securities and determined according to No. 12 of ABSE-Debt Restructuring restricted; if the investment is obtained by debt restructuring and determined according to No. 7 of ASBE-Exchange of Non-monetary assets exchanged; if the investment is settled by exchanging the non-monetary assets.

3.14.3 Subsequent measurement and recognition of profit or loss

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

The Company accounts for investment in associates and joint ventures using the equity method.

3.14.4 Method of using multiple transactions to deal with loss of control over the subsidiary investment

(1) Separate financial statement

As for the disposed equities, they should account for the difference between the carrying amounts and the actual gained cost to profit or loss for the period. As for the residual equities, because they still possess significant influence or execute joint control with other parties on the investees, they should be transferred for measurement by the equity method; for those that no longer execute control, join control, or significant influence on the investees, should be determined as available-for-sale financial assets and measured in the fair value.

(2) Consolidated financial statement

a) Step-by-step disposal of the investment of the subsidiaries until the control right is lost through multiple transactions and does not belong to the “package deal”

Before losing control, the difference between the disposed cost and the attributable share of the net assets will be constantly calculated since the purchase date or the merger date correspondingly enjoyed by the subsidiaries of disposing the long-term equity investment should be adjusted in the share premium in capital reserve. If the share premium is not sufficient to absorb the differences, the retained earnings shall be written down.

When losing control on the original subsidiaries, the remaining equity should be re-measured according to the fair value at the date of losing control. The difference should be included into the investment income for the period of losing control and the goodwill should be written down at the same time, which is defined as the value of equity disposal consideration plus the remaining equity fair value and less the share of assets of the original subsidiary calculated by the original ownership share since the acquisition day. Other comprehensive income related to the equity investment of the original subsidiary should transfer into the investment income for the period when the control power is lost.

b) Step-by-step disposal of the investment of the subsidiaries until the control right is lost through multiple transactions and belongs to the “package deal”

Each transaction should be regarded as a transaction conducted to deal with a subsidiary out of control power. However, the balance of shared net assets of the subsidiary corresponding to each disposal cost and investment before control power loss should be defined as other comprehensive income in the consolidated financial statements, and should be transferred into the current investment income when the control power is lost.

3.15 Fixed assets

3.15.1 Recognition criteria of fixed assets

Fixed assets represent the tangible assets held for production or supply of goods or services, rental, or for administrative purposes with useful life of over one accounting year. Fixed assets will be recognized when the economic interests inflow and the cost can be reliably measured.

3.15.2 Depreciation of each category of fixed assets

Category	Depreciation method	Depreciation period(years)	Residual value rate (%)	Annual depreciation rate (%)
Buildings	Straight-line method	20	10	4.50
Machinery and equipment	Straight-line method	3-5	10	18.00-30.00
Electronic equipment	Straight-line method	3-5	10	18.00-30.00
Transportation vehicles	Straight-line method	5	10	18.00

3.16 Construction in progress

- (1) Construction-in-progress is recognized when the inflow of economic benefits is probable and the cost can be reliably measured, and is measured by the actual cost incurred before it is ready for intended use.
- (2) Construction-in-progress is transferred into fixed assets when it is ready for intended use based on the actual cost. For a completed project ready for intended use but with final account unsettled, the asset is transferred into fixed assets based on estimated value. After the final account of the project has been settled, the Company shall make adjustment on the previous estimated value based on actual cost, but does not need to adjust the depreciation retrospectively.

3.17 Borrowing costs

3.17.1 Capitalization of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or origination of assets qualified for capitalization are capitalized as part of the cost of those assets. Other borrowing costs are expensed and charged to current profit or loss when incurred.

3.17.2 Capitalization period of borrowing costs

- (1) Borrowing costs shall be capitalized if the following conditions are met at the same time: 1) Capital expenditures have been incurred. 2) Borrowing costs have been incurred. 3) Construction or production activities that are necessary to prepare the asset for intended use or sale have commenced.
- (2) Capitalization of borrowing costs should be suspended during periods in which abnormal interruption has lasted for more than three months during the process of construction or production of assets qualified for capitalization. The borrowing cost incurred during interruption is recognized as current expenses until the construction or production activities resume.
- (3) The capitalization of borrowing costs ceases when the assets qualified for capitalization are constructed or produced and ready for intended use or sale.

3.17.3 Capitalization rate and capitalized amount of borrowing costs

For specific borrowings used to acquire, construct or produce assets qualified for capitalization, the amount of interest costs (including amortization of discount or premium determined using the effective interest method) actually incurred on such borrowings for the period shall be capitalized after deducting any interest earned from depositing the unused borrowings in the bank or any investment income arising from the temporary investment of those borrowings during the capitalization period. For general borrowings used to construct or produce assets

qualified for capitalization, the capitalized amount of interests on general borrowings shall be determined on the basis that the weighted average (of the excess of cumulative assets expenditures over the specific borrowings) times capitalization rate (of used general borrowings).

3.18 Intangible assets

3.18.1 Intangible assets, including land use rights, non-patented technologies etc., are initially measured based on cost

3.18.2 Intangible assets with definite useful lives are reasonably amortized over their useful lives based on the anticipated realization pattern of related economic benefits. Intangible assets whose economic benefits realization pattern cannot be reliably anticipated are amortized using the straight-line method over the useful life specified in the following table:

Category of intangible assets	Useful life (year)
Software	5-10
Land use rig	50
Intellectual property	10

3.18.3 The research expenditures for internal research and development projects are recorded into the profits and losses of the current period in which they are incurred; the development expenditures for internal research and development projects can be recognized as intangible assets when they satisfy all the following conditions:

- (1) It is feasible technically to finish intangible assets for use or sale;
- (2) It is intended to finish and use or sell the intangible assets;
- (3) Methods for intangible assets to generate economic benefits is proved useful, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or for the intangible assets itself, or that the intangible assets will be used internally;
- (4) With the support of sufficient technology, financial resources and other resources, intangible assets can be developed and used or sold;
- (5) Expenditures attributable to intangible asset development can be reliably measured.

3.19 Part long-term assets impairment

If long-term equity investments, fixed assets, construction in progress, intangible assets with limited service life and other long-term assets are impaired on the balance sheet with obvious evidence, the recoverable amount should be estimated. For business goodwill from business merger and intangible assets with uncertain service life, no matter there is obvious evidence indicating impairment, impairment test should be conducted every year. The business goodwill shall, together with the related asset group or combination of asset group, be subject to the impairment test.

If the recoverable amount of the above long-term assets is lower than the book value of assets, the carrying amounts of the assets are reduced to the recoverable amount. The amount of reduction is recognised as an

impairment loss in profit or loss and provided for impairment losses of assets accordingly.

3.20 Long-term prepaid expenses

The expenses for more than 1 year (excluding one year exactly) in the amortization period are accounted for in the long-term prepaid expenses. Long-term unamortized expenses shall be accounted for according to the actual amount and amortized on average during the benefit period or the defined period. If the long-term prepaid expenses do not benefit the future accounting period, the amortized mortgage value shall be included in current profits and losses.

3.21 Employee benefit

3.21.1 Employee compensation including short-term employee benefits, post-employment benefits, termination benefits and other long-term employee compensation.

3.21.2 Accounting treatment for short-term employee benefits

In an accounting period in which an employee has rendered service to the Company, the Company recognizes the employee benefits for that service as a liability and be included in the current profits and losses or the relevant capital cost.

3.21.3 Accounting treatment for post-employment benefits

The post-employment benefits are divided as defined contribution plans and defined benefit plans.

- (1) In an accounting period in which an employee has rendered service to the Company, the contribution payable to a defined contribution plan is recognized as a liability with a corresponding charge to the profit or loss for the current period or the cost of a relevant asset.
- (2) The accounting treatment process of defined benefit plans includes:
 - a) According to expected accumulative welfare unit method, unbiased and consistent actuarial assumptions are adopted to estimate demographic variables and financial variables, measure obligations for defined benefit plans and determine the obligation period. Meanwhile, obligations for defined benefit plans should be discounted to determine the present value for defined benefit plans and current service costs.
 - b) If assets exist for defined benefit plans, the deficit or surplus from obligation present value, deducting asset fair value, is determined as net liabilities or net assets. If surplus exists for defined benefit plans, the lower of surplus of defined benefit plans or asset toplimit is measured as net assets of defined benefit plans.
 - c) At the end of the term, payroll cost generated from defined benefit plans is determined as service cost, net liabilities of defined benefit plans or net interest amount of assets and net liabilities of remeasured defined benefit plans or changes in net assets. The service cost and net interest of net liabilities or assets of defined benefit plans is included in current profits and losses or relevant capital cost. Changes in net liabilities or net assets of remeasured defined benefit plans are included in other comprehensive income and not allowed to be transferred to profits and losses in subsequent accounting period, but the determined amount of other comprehensive income could be transferred within the scope of interest.

3.21.4 Accounting treatment for termination benefits

Termination benefits provided to employees can be considered compensation liabilities for termination benefits in the following items to be included in current profits and losses: (1) the company could not unilaterally withdraw the termination benefits due to termination of labor relations or personnel cutback; (2) the Company confirms costs or expenses related to reorganization of termination benefits.

3.21.5 Accounting treatment other long-term employee benefit

The long-term benefits provided to employees meeting the defined contribution plans should be used in accounting treatment according to defined contribution plans. Besides the long-term benefits, it should be treated in accounting according to regulations of defined benefit plans. In order to simplify other accounting treatment, the payroll cost is determined as service cost, net liabilities of other long-term employee benefits or net interest of net assets and changes from other remeasured net liabilities or net assets of long-term employee benefits. The net amount is included in current profits and losses or related asset cost.

3.22 Provisions

- (1) Provisions are recognized when the Company has a present obligation as a result of contingencies such as provision of external guarantee, litigation, quality warranty, or onerous contract, and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation expenditure can be reliably measured.
- (2) Provisions are initially measured at the best estimate of the expenditure required to settle the present obligation. Carrying amounts of all estimated liabilities are reviewed at each balance sheet date.

3.23 Share-based payments and equity

3.23.1 Types of share-based payments

It includes equity-settled share-based payment and cash-settled share-based payment.

3.23.2 Accounting treatment related to implementation, modification and termination of share-based payment arrangement

- (1) Equity-settled share-based payment

For equity-settled share-based payment made in return for the rendering of employee services that may be exercised immediately after the grant, the fair value of such instrument shall, on the date of the grant, be recognized in relevant costs or expenses with the adjustment in the capital reserve accordingly. For equity-settled share-based payment made in return for the rendering of employee services that cannot be exercised until the services are fully rendered during vesting period or specified performance targets are met, on each balance sheet date within the vesting period, the services acquired in the current period shall, based on the best estimate of the number of exercisable instruments, be recognized in relevant costs or expenses and the capital reserves shall be adjusted accordingly at the fair value of such instruments on the date of the grant.

For equity-settled share-based payment made in return of other parties' services and the fair value of the other parties' services that can be reliably measured, it will be measured based on the fair value of the other parties' services on the date of grant; if the fair value of the other parties' services cannot be reliably measured but the fair value of equity instruments can be reliably measured, it will be recognized in relevant costs or expenses and the capital reserves shall be adjusted accordingly at the fair value of such instruments on the date of the grant.

- (2) Cash-settled share-based payment

For the cash-settled share-based payment made in return for the rendering of employee services that may be exercised immediately after the grant, the fair value of the liability incurred by the Company shall, on the date of the grant, be recognized in relevant costs or expenses and the liabilities shall be increased accordingly. For cash-settled share-based payment made in return for the rendering of employee services that cannot be exercised until the services are fully provided during the vesting period or specified performance targets are

met, on each balance sheet date within the vesting period, the services acquired in the current period shall, based on the best estimate of the number of exercisable instruments, be recognized in relevant costs or expenses and the corresponding liabilities at the fair value of the liability incurred by the Company.

(3) Modification and termination of share-based payment arrangement

If the modification results in an increase in the fair value of the equity instruments granted, the Company shall recognize the increase in the services rendered accordingly at the increased fair value of the equity instruments. If the modification results in an increase in the number of equity instruments granted, the Company will recognize the increase in the services rendered accordingly at the fair value of the increased number of equity instruments. If the Company revises the vesting conditions on terms favorable to the employees, the Company will take into consideration of the revised vesting conditions when dealing with the vesting conditions.

If the modification results in a decrease in the fair value of the equity instruments granted, the Company shall continue recognize the amount of services rendered accordingly at the fair value of the equity instruments on the date of grant without considering the decrease in the fair value of the equity instruments. If the modification results in a decrease in the number of equity instruments granted, the Company will account for such decrease by reducing part of the cancellation of equity instruments granted. If the Company modifies the vesting conditions on terms not favorable to the employees, the Company will not take into consideration of the revised vesting conditions when dealing with the vesting conditions.

If the Company cancels the equity instruments granted or settles the equity instruments granted during the vesting period (other than cancellation as a result of failure to satisfy the vesting conditions), such cancellation or settlement will be treated as accelerated exercisable rights and the original amount in the remaining vesting period will be recognized immediately.

3.24 Revenue

3.24.1 Revenue recognition principles

(1) Sales of goods

Revenue from sale of goods is recognised when (1) the Company has transferred to the buyer the significant risks and rewards of ownership of the goods; (2) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (3) the amount of revenue can be measured reliably; (4) it is probable that the associated economic benefits will flow to the Group; and (5) the associated costs incurred or to be incurred can be measured reliably.

(2) Rendering of services

For the revenue of rendering of services that may be measured reliably on the balance sheet date (if at the same time, the amount of revenue can be measured reliably; it is probable that related economic benefits will flow to the Company; the completion schedule may be identified reliably; and related costs incurred or to be incurred can be measured reliably), it will be recognized upon completion of service and the stage of completion of a transaction for rendering for services is determined based on the proportion that costs incurred to date bear to the estimated total costs of the transaction.

For the revenue of rendering of services that may not be measured On the balance sheet date, if related service costs incurred are estimated to be compensated, it will be confirmed as the service costs incurred and be transferred to service costs based on the same amounts; if related service costs incurred are estimated to be uncompensated, it will be recorded into the profit and loss of the current period and cannot be recognized.

(3) Transfer of asset use rights

Revenue from transfer of asset use rights is recognized when the relevant economic benefits will probably flow to the Company, and the amount of revenue can be measured reliably. Interest income is recognized based on the length of time for which the Company's monetary funds are used by others and the effective interest rate. Income from usage fee is recognized based on timing and method agreed under relevant contracts or agreements

(4) Construction contracts

- a) Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised using the percentage of completion method at the balance sheet date. Where the outcome of a construction contract cannot be estimated reliably, (1) if contract costs are expected to be recoverable, contract revenue is recognised to the extent of contract costs that are expected to be recoverable; and contract costs are recognised as expenses in the period in which they are incurred; (2) if contract costs are not expected to be recoverable, they are recognised as expenses immediately when incurred and contract revenue is not recognised.
- b) Fixed price contracts can be estimated reliably if all the following conditions are satisfied: (1) total amount of contract revenue can be measured reliably and (2) the economic benefits related to the contract will probably flow to the Company and (3) the actual contract costs can be clearly distinguished and measured reliably and (4) the stage of completion and the costs to be incurred for completion of the contract can be measured reliably. Cost plus contracts can be estimated reliably if all the following conditions are satisfied, (1) the economic benefits related to the contract will probably flow to the Company and (2) the actual contract costs can be clearly distinguished and measured reliably.
- c) The stage of completion of a transaction for construction contract is determined based on the proportion that cumulative costs of contract incurred to date bear to the estimated total costs of the contract.
- d) At the balance sheet date, if the estimated total contract costs exceed total contract revenue, the expected loss is recognised immediately as an expense for the period. For onerous contracts in the process of performing, the Company should regard the differences to the inventory provision. For onerous contracts to be performed, the Company should regard the differences to provision.

3.24.2 Revenue recognition methods

The Company mainly sells video surveillance products. Domestic revenue recognition should satisfy the following conditions, (1) the Company has transferred the goods to the buyer according to agreed contracts and (2) the revenue of sales of goods has been confirmed and (3) the Company has received payments or receipt vouchers; and the relevant economic benefits may flow in and (4) cost relevant to products can be measured reliably. Overseas revenue recognition should satisfy the following conditions, (1) the Company has finished the customs declaration, transportation and receipt of bill of lading and (2) the revenue of sales of goods has been confirmed and (3) the Company has received the payment or receipt vouchers, and the associated economic benefits may flow in.

3.25 Government

3.25.1 Judgment basis of the asset-related government grants and the accounting treatment

Long-term assets used for construction and production or formed in other ways are recognized as asset-related government grants. The asset-related government grants should be recognized as deferred income and be average distributed within the useful life of the relevant assets as well as be included in profit and loss for the period. However, as for the government grants measured according to the nominal amount, should be directly included in

profit and loss for the period.

3.25.2 Judgment basis of the income-related government grants and the accounting treatment

The government grants other than the asset-related ones are divided as income-related government grants. Income-related government grants are applied to reimbursement of related costs or losses in subsequent periods are recognized as deferred income and taken to the profit or loss for the period when the related costs are recognized. Government grants applied to reimbursement of related costs or losses already incurred are directly recognized in the profit or loss for the period.

3.26 Deferred tax assets/ deferred tax liabilities

Deferred tax assets or deferred tax liabilities are calculated based on the difference between the carrying amounts of the assets or liabilities and their tax bases (or the difference between the tax base and the carrying amount for items which cannot be recognized as assets or liabilities but whose tax base can be determined under tax laws), and are calculated at the tax rates expected to apply to the period when assets are recovered or liabilities are settled.

Deferred tax assets are recognized for all deductible temporary differences if it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. At the balance sheet date, deferred tax assets unrecognized in prior periods are recognized if there is obvious evidence that it has become probable that sufficient taxable profit will be available in subsequent periods against which the deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the balance sheet date and written down if it is no longer probable that sufficient taxable profit will be available against which the deferred tax asset can be utilized. Such amount is written back if it has become probable that sufficient taxable profit will be available.

The Company's current and deferred income taxes are recognized in the profit or loss for the period as tax expense or profit, excluding income tax arising from business combination or transactions or items directly recognized in equity.

3.27. Lease

3.27.1 Accounting treatment of operating leases

When the company acts as the lessee, rental expenses under operating leases are recognized as relevant asset costs or in current profit or loss using the straight-line method over the lease term, with any initial direct cost incurred directly recognized to current profit or loss. Contingent rental is charged to current profit or loss when incurred.

When the Company acts as the lessor, rental under operating leases are recognized in current profit or loss using the straight-line method over the lease term, with any initial direct cost incurred directly charged to current profit or loss, excepting for significant amount which will be capitalized and included in profit or loss in installments. Contingent rental is charged to current profit or loss when incurred.

3.27.2 Accounting treatment of finance leases

When the Company acts as the lessee, at the commencement of the lease term, the Company records the leased asset at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments at the inception of the lease, and recognises a long-term payable at an amount equal to the minimum lease payments. The difference between the recorded amounts is accounted for as unrecognised finance

charge, with any initial direct cost incurred directly recognized to the leased asset. Over the lease term, the Company recognizes the current finance charge using the effective interest rate.

When the Company acts as the lessor, 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 recognised 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 recognised as unearned finance income. Over the lease term, the Company recognizes the current finance income using the effective interest rate.

3.28 Accounting treatment of repurchasing of share capital

When repurchasing the shares for the purpose of reducing registered capital or rewarding employees, the actual payment is accounted for as treasury shares, which is recorded for reference simultaneously. If the Company cancels the repurchased shares, the differences between the total par value of shares calculated by par value of the cancelled stock and the number of cancelled shares and actual consideration paid are recorded to reduce the capital reserve, and then reduced retained earnings when the capital reserve is not sufficient. If the repurchased shares are rewarded to the employees of the Company as equity-settled share-based payment, when the Company receives the consideration of shares when the employees exercise the shares, the treasury stock cost and the accumulated other capital reserve in the capital reserve during the vesting period shall be written down, and the differences are transferred to the share premium in the capital reserve.

IV. TAXES

1. Major categories of taxes and tax rates

Category of tax	Basis of tax computation	Tax rate
Value-added tax	General goods and services and taxable services	17%, 6%, export refund tax rate 17%, 13%
Business tax	Taxable turnover	5%, 3%
City maintenance and construction tax	Actual turnover tax	7%, 1%
Education supplementary tax	Actual turnover tax	3%
Local education supplementary tax	Actual turnover tax	2%
Enterprise income tax	Taxable income	12.5%, 15%, 25%

2. Branches and subsidiaries pay their income tax separately and applicable income tax rate is as follow

Entities being taxed	Income tax rate
Hangzhou Hikvision System Technology. Co., Ltd.	12.5%
Hangzhou Hikvision Digital Technology. Co., Ltd.	15%
Shanghai Goldway Intelligent Traffic Systems Co., Ltd.	
Hundure Technology (Shanghai) Co., Ltd.	
Chongqing Hikvision Science and Technology Co., Ltd.	
Chongqing Hikvision System Technology Co., Ltd.	

Domestic entities other than the above	25%
Overseas entities	Applicable local income tax rate

3. Tax incentive and approval

3.1 Value-added Tax

According to the *Regulation of Value-added Tax for Software Products* (《关于软件产品增值税政策的通知》, Caishui [2011] No.100) published on 13 October 2011, the Company and its wholly-owned subsidiaries, Shanghai Goldway Intelligent Traffic Systems Co., Ltd., Hangzhou Hikvision System Technology Co., Ltd., Hundure Technology (Shanghai) Co., Ltd., Beijing Brainaire Storage Technology Co., Ltd., shall pay the value-added tax for income arising from self-developed and self-researched software product at tax rate of 17%. Moreover, amount over 3% of value-added tax payables will be refunded after the assessment and approval by competent tax authorities.

3.2 Enterprise income tax

- (1) According to the *Announcement about the First Batch of the “new high-technology enterprise” identification in Zhejiang Province for 722 Companies in 2014*(《关于公示浙江省 2014 年第一批 722 家拟认定高新技术企业名单的通知》, Zhegaoqiren [2014] No.03), published on 19 September 2014 by Zhejiang High and New Technology Identification Commission, the company is qualified as a “new high-technology enterprise” and enjoys a preferential enterprise income tax rate of 15% from the year ending December 31, 2014 to the year ending December 31, 2016.
- (2) According to the identification by Zhejiang Economic and Information Technology Commission, Hangzhou Hikvision System Technology Co., Ltd., a wholly-owned subsidiary of the company, is exempted from the PRC enterprise income tax for two years starting from its first profitable year, followed by a 50% reduction over the following three years due to its qualification as an entity engaged in the software industry. Accordingly, it enjoyed a 50% reduction of income tax, which is a tax rate of 12.5%, in the year ending December 31, 2015, which is the forth profitable year.
- (3) According to the *Announcement about the First Batch of the “new high- technology enterprise” identification in Shanghai in 2014*(《关于公示 2014 年上海市第一批复审拟认定高新技术企业名单》), published by Shanghai High and New Technology Identification Commission, Shanghai Goldway Intelligent Traffic Systems Co., Ltd., a wholly-owned subsidiary of the company, is qualified as a “new high-technology enterprise” and enjoys a preferential enterprise income tax rate of 15% from the year ending December 31, 2014 to the year ending December 31, 2016.
- (4) According to the *Announcement about the Second Batch of the “new high- technology enterprise” identification in Shanghai in 2013*(《关于公示 2013 年上海市第二批拟认定高新技术企业名单的通知》), published by Shanghai High and New Technology Identification Commission, Hundure Technology (Shanghai) Co., Ltd., a wholly-owned subsidiary of the company, is qualified as a “new high-technology enterprise” and enjoys a preferential enterprise income tax rate of 15% from the year ending December 31, 2013 to the year ending December 31, 2015.
- (5) According to the relevant laws and regulations in the PRC (Caishui [2011] No.58) approved by the Ministry of Finance, State Administration of Taxation and General Administration of Customs, Chongqing Hikvision Science and Technology Co., Ltd. and Chongqing Hikvision System Technology Co., Ltd. are qualified to enjoy preferential enterprise income tax rate of 15% from the year ending 31 December 2011 to the year ending 31 December 2020 due to their location in western China as supported by the "Go West" policy in China.

V. Notes to items in the consolidated financial statements

1. Notes to items in the consolidated balance sheet

1.1 Cash and bank balances

Item	Closing Balance	Opening Balance
Cash	883,558.94	1,166,682.71
Bank balance	10,028,344,131.69	7,110,088,042.89
Other currency funds	77,272,897.90	88,404,220.59
Total	10,106,500,588.53	7,199,658,946.19
including: deposited in overseas banks	331,732,952.04	233,148,076.48

As of 31 December 2015, other currency funds of the Group consist of cash deposit guaranteed for letter of credit of RMB 519,349.35, cash deposit guaranteed for letter of guarantee of RMB 13,638,274.27, cash deposit guaranteed for forward foreign exchange transaction of RMB 19,643,521.37, and cash deposit guaranteed for bank acceptance bill of RMB 39,665,967.24.

1.2 Financial assets as fair value through profit and loss

Item	Closing Balance	Opening Balance
Held-for-trading financial assets	6,160,279.18	3,032,932.74
including: derivative financial assets	6,160,279.18	3,032,932.74
Total	6,160,279.18	3,032,932.74

1.3 Notes receivable

1.3.1 Categories of notes receivable

Category	Closing Balance			Opening Balance		
	Carrying amount	Provision	Carrying value	Carrying amount	Provision	Carrying value
Bank acceptance	2,962,863,236.66		2,962,863,236.66	1,797,383,285.91		1,797,383,285.91
Commercial acceptance	81,284,828.15		81,284,828.15	78,386,179.08		78,386,179.08
Total	3,044,148,064.81		3,044,148,064.81	1,875,769,464.99		1,875,769,464.99

1.3.2 Notes receivable pledged at the closing of the year

Category	Pledged amount
Bank acceptance	219,755,691.77
Subtotal	219,755,691.77

1.3.3 Notes receivable discounted or endorsed at the closing of the year

Category	Derecognised amount	Not Derecognised amount
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Bank acceptance	2,466,224,527.52	
Subtotal	2,466,224,527.52	

The acceptors for bank acceptance bills are commercial banks with high credit reputation, and the risk of default in payment at expiry dates is remote, therefore, all discounted and endorsed bank acceptance bills have been derecognised by the Group. However, if the commercial banks do not pay for these bills at expiry dates, the Group will bear joint and several liabilities to the acceptance holders.

1.4 Accounts receivable

(1) Disclosure of accounts receivable by categories

Category	Closing Balance				
	Carrying amount		Bad debt provision		Carrying Value
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually					
Accounts receivable with provision accrued collectively on a portfolio basis	8,742,595,008.97	100.00	616,662,265.99	7.05	8,125,932,742.98
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually					
Total	8,742,595,008.97	100.00	616,662,265.99	7.05	8,125,932,742.98
Category	Opening Balance				
	Carrying amount		Bad debt provision		Carrying Value
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually					
Accounts receivable with provision accrued collectively on a portfolio basis	4,591,028,367.20	100.00	309,501,410.15	6.74	4,281,526,957.05
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually					
Total	4,591,028,367.20	100.00	309,501,410.15	6.74	4,281,526,957.05

The aging analysis of bad debt provision in portfolio basis

Aging	Closing Balance		
	Carrying amount	Bad debt provision	Proportion (%)
Within 1 year	7,695,735,129.43	384,786,756.47	5.00
More than 1 year but not exceeding 2 years	603,847,721.61	60,384,772.16	10.00
More than 2 year but not exceeding 3 years	283,100,338.85	84,930,101.66	30.00

More than 3 year but not exceeding 4 years	140,006,222.99	70,003,111.50	50.00
More than 4 year but not exceeding 5 years	16,740,359.43	13,392,287.54	80.00
More than 5 years	3,165,236.66	3,165,236.66	100.00
Subtotal	8,742,595,008.97	616,662,265.99	-

(2) For the year, the Company recorded a bad debt allowance of RMB309,597,679.81, reversed bad debt allowance or recovered bad debts of RMB nil.

(3) For the year, the amount of accounts receivable write-off is RMB 2,436,823.97.

(4) Top five customers with the largest balances

For the period ending December 31 2015, the largest five debtors hold the Accounts Receivable balance of RMB 554,565,728.92, which accounts for 6.34% of the total Accounts Receivable balance. The bad debt provision is RMB 103,891,112.02.

1.5 Prepayments

(1) Aging analysis of prepayments is as follows

Aging	Closing Balance				Opening Balance			
	Carrying amount	Proportion (%)	Bad debt provision	Carrying value	Carrying amount	Proportion (%)	Bad debt provision	Carrying value
Within 1 year	120,408,286.44	90.76		120,408,286.44	52,434,031.21	80.29		52,434,031.21
More than 1 year but not exceeding 2 years	5,340,047.37	4.03		5,340,047.37	4,372,968.59	6.70		4,372,968.59
More than 2 year but not exceeding 3 years	452,917.80	0.34		452,917.80	4,445,898.00	6.81		4,445,898.00
More than 3 years	6,461,013.20	4.87		6,461,013.20	4,052,843.20	6.20		4,052,843.20
Total	132,662,264.81	100.00		132,662,264.81	65,305,741.00	100.00		65,305,741.00

(2) Top five advanced payments to suppliers

As of December 31, 2015, the top five balances of advanced payment to suppliers amounted to RMB 30,313,564.84, accounting for 22.85% of total advanced payments to suppliers.

1.6 Other receivables

(1) Disclosure of other receivables by categories

Category	Closing Balance				
	Carrying amount		Bad debt provision		Carrying Value
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables that are individually significant and for which bad debt provision has been assessed individually					
Other receivables with provision accrued collectively on a portfolio basis	374,811,641.46	100.00	39,537,542.92	10.55	335,274,098.54

Other receivables that are not individually significant but for which bad debt provision has been assessed individually					
Total	374,811,641.46	100.00	39,537,542.92	10.55	335,274,098.54
Category	Opening Balance				
	Carrying amount		Bad debt provision		Carrying Value
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables that are individually significant and for which bad debt provision has been assessed individually					
Other receivables with provision accrued collectively on a portfolio basis	280,022,419.73	100.00	24,732,811.03	8.83	255,289,608.70
Other receivables that are not individually significant but for which bad debt provision has been assessed individually					
Total	280,022,419.73	100.00	24,732,811.03	8.83	255,289,608.70

The aging analysis of bad debt provision in portfolio basis

Aging	Closing Balance		
	Carrying amount	Bad debt provision	Proportion (%)
Within 1 year	236,734,251.76	11,836,712.59	5.00
More than 1 year but not exceeding 2 years	85,302,677.30	8,530,267.73	10.00
More than 2 year but not exceeding 3 years	38,946,766.51	11,684,029.95	30.00
More than 3 year but not exceeding 4 years	12,199,874.29	6,099,937.15	50.00
More than 4 year but not exceeding 5 years	1,207,380.50	965,904.40	80.00
More than 5 years	420,691.10	420,691.10	100.00
Subtotal	374,811,641.46	39,537,542.92	-

(2) For the year, the Company recorded a bad debt allowance of RMB 14,804,731.89, reversed bad debt allowance or recovered bad debt of RMB nil.

(3) Nature of other receivables

Nature	Closing Balance	Opening Balance
Guarantee deposits	75,198,326.73	37,104,163.16
Prepaid expenses	267,265,944.95	153,620,526.79
Export tax refund	22,671,403.61	54,160,275.53
Others	9,675,966.17	35,137,454.25
Total	374,811,641.46	280,022,419.73

(4) Top five entities with the largest balances of other receivables

Entities	Nature	Carrying amount	Aging	Proportion of total (%)	Bad debt Provision
Export tax refund	Value-added Tax recoverable and receivables	22,671,403.61	Within 1 year	6.05	1,133,570.18

The second	Guarantee deposits	9,951,880.00	Within 4 years	2.66	1,037,344.00
The third	Prepaid expenses	8,837,230.40	Within 1 year	2.36	441,861.52
The forth	Prepaid expenses	8,029,334.00	Within 1 year	2.14	401,466.70
The fifth	Prepaid expenses	5,916,782.68	Within 1 year	1.58	295,839.13
Subtotal		55,406,630.69		14.79	3,310,081.53

1.7 Inventories

(1) Categories of inventories

Category	Closing Balance			Opening Balance		
	Carrying amount	Provision	Carrying value	Carrying amount	Provision	Carrying value
Raw materials	494,856,446.00	2,975,568.73	491,880,877.27	416,248,044.16	404,185.26	415,843,858.90
Work-in-progress	227,201,050.82		227,201,050.82	156,626,249.36		156,626,249.36
Finished goods	1,695,797,278.32	59,955,612.35	1,635,841,665.97	1,531,076,362.13	82,298,972.77	1,448,777,389.36
Consigned inventories in progress	463,742,143.05		463,742,143.05	270,686,778.14		270,686,778.14
Total	2,881,596,918.19	62,931,181.08	2,818,665,737.11	2,374,637,433.79	82,703,158.03	2,291,934,275.76

(2) Provision for decline in value of inventories

Category	Opening balance	Increase in the current period		Decrease in the current period		Closing Balance
		Accrual	Others	Reversals or write-off	Others	
Raw materials	404,185.26	5,488,546.17		2,917,162.70		2,975,568.73
Finished goods	82,298,972.77	8,983,691.56		31,327,051.98		59,955,612.35
Subtotal	82,703,158.03	14,472,237.73		34,244,214.68		62,931,181.08

At the closing of the year, the Company determined provision for inventory on a divididual basis, based on the differences between net realizable value and cost of inventories, with net realizable value calculated based on estimated selling price for finished goods and estimated selling price less all estimated cost of completion and costs necessary to make the sale for raw materials and work-in-progress.

For the year, the Company reverses provision for inventories of RMB 34,244,214.68 due to those inventories used or sold.

1.8 Other current assets

Item	Closing balance	Opening balance
Principal-protected trust products	295,000,000.00	2,750,000,000.00
Deductible VAT input	328,407,108.19	276,206,522.97

Principal-protected bank products	1,450,212,000.00	108,000,000.00
Prepaid income tax	39,394,141.27	1,162,546.69
Total	2,113,013,249.46	3,135,369,069.66

1.9 Available-for-sale financial assets

(1) Available-for-sale financial assets

Item	Closing Balance			Opening Balance		
	Carrying amount	Provision	Carrying Value	Carrying amount	Provision	Carrying Value
Available-for-sale equity instruments	56,033,513.00		56,033,513.00	604,313.00		604,313.00
Cost method	56,033,513.00		56,033,513.00	604,313.00		604,313.00
Total	56,033,513.00		56,033,513.00	604,313.00		604,313.00

(2) Closing balance of available-for-sale financial assets using cost method

The invested entity	Carrying Balance			
	Opening balance	Increase	Decrease	Closing Balance
Zhejiang Topinfo Technology Co., Ltd.		28,800,000.00		28,800,000.00
Confirmware Technology (Hangzhou) Co., Ltd.		26,629,200.00		26,629,200.00
Nanwang Group Co., Ltd	604,313.00			604,313.00
Subtotal	604,313.00	55,429,200.00		56,033,513.00

The invested entity	Provision				Proportion in the invested entity (%)	Cash bonus
	Opening balance	Increase	Decrease	Closing balance		
Zhejiang Topinfo Technology Co., Ltd.					8.1292	
Confirmware Technology (Hangzhou) Co., Ltd.					10.00	
Nanwang Group Co., Ltd					0.252	
Subtotal						

1.10 Long-term receivables

Item	Closing balance			Opening balance			Range of discounted rate
	Carrying amount	Provision	Carrying value	Carrying amount	Provision	Carrying value	
Financial leases receivables	78,903,265.79		78,903,265.79	51,321,837.17		51,321,837.17	0.17%-0.39%
including: Unrealized finance income	2,935,532.33		2,935,532.33	2,981,574.07		2,981,574.07	
Borrowings for project	27,000,000.00		27,000,000.00	36,000,000.00		36,000,000.00	
Total	105,903,265.79		105,903,265.79	87,321,837.17		87,321,837.17	

1.11 Fixed assets

(1) Fixed assets

Items	Building	Office and other equipment	Machinery and Equipment	Transportation vehicles	Total
Total original carrying amount					
Opening balance	1,453,043,133.93	82,794,596.41	160,748,378.80	61,233,546.84	1,757,819,655.98
Increased	382,890,112.27	31,391,408.95	128,248,800.59	5,376,540.11	547,906,861.92
1) purchase	381,464,359.08	30,859,976.27	111,879,993.93	5,151,387.11	529,355,716.39
2) transferred from construction in progress	1,425,753.19	531,432.68	16,368,806.66	225,153.00	18,551,145.53
Decreased	3,577,840.35	13,273,141.39	34,683,682.17	5,434,842.76	56,969,506.67
disposal	3,577,840.35	13,273,141.39	34,683,682.17	5,434,842.76	56,969,506.67
Closing balance	1,832,355,405.85	100,912,863.97	254,313,497.22	61,175,244.19	2,248,757,011.23
Total Accumulated depreciation					
Opening Closing	125,479,254.13	38,539,369.19	54,774,314.38	38,611,090.20	257,404,027.90
Increased	61,208,219.58	14,707,808.46	50,191,857.17	6,506,610.52	132,614,495.73
provided	61,208,219.58	14,707,808.46	50,191,857.17	6,506,610.52	132,614,495.73
Decreased	1,115,785.24	9,152,709.43	15,537,046.26	2,696,737.55	28,502,278.48
disposal	1,115,785.24	9,152,709.43	15,537,046.26	2,696,737.55	28,502,278.48
Closing balance	185,571,688.47	44,094,468.22	89,429,125.29	42,420,963.17	361,516,245.15
Total provision for impairment losses					
Opening balance					
Increased					
provided					
Decreased					
disposal					
Closing balance					
Total carrying amount					
Closing balance	1,646,783,717.38	56,818,395.75	164,884,371.93	18,754,281.02	1,887,240,766.08
Opening balance	1,327,563,879.80	44,255,227.22	105,974,064.42	22,622,456.64	1,500,415,628.08

(2) Fixed assets of which certificates of title have not been obtained

Item	Carrying amount	Reason for certificates of title not be obtained
Office building for branches	179,232,722.72	Certificates for newly purchased real estates are in process
Subtotal	179,232,722.72	

1.12 Construction in progress

(1) Details of construction in progress

Item	Closing balance			Opening balance		
	Carrying amount	Provision	Carrying value	Carrying amount	Provision	Carrying value
Security industrial base	601,189,618.41		601,189,618.41			
Internet video industrial base	171,073,900.62		171,073,900.62			
Building for Coop in Netherland	46,742,574.64		46,742,574.64			
Construction for security monitor project	7,521,288.04		7,521,288.04	6,408,906.21		6,408,906.21
Others	18,103,669.50		18,103,669.50	22,547,512.61		22,547,512.61
Total	844,631,051.21		844,631,051.21	28,956,418.82		28,956,418.82

Item	Budget amount (RMB'0,000)	Opening amount	Increase in the current period	Transfer to fixed assets	Other decreases	Closing balance
Security industrial base	129,800.00		601,189,618.41			601,189,618.41
Internet video industrial base	100,000.00		171,073,900.62			171,073,900.62
Building for Coop in Netherland			46,742,574.64			46,742,574.64
Construction for security monitor project		6,408,906.21	57,800,791.88	6,596,375.98	50,092,034.07	7,521,288.04
Others		22,547,512.61	7,510,926.44	11,954,769.55		18,103,669.50
Total		28,956,418.82	884,317,811.99	18,551,145.53	50,092,034.07	844,631,051.21

(2) Changes in significant construction in progress

Item	Amount injected as a proportion of budget amount (%)	Construction Progress (%)	Amount of accumulated capitalized interest	Including: Capitalized interest for the period	Including: capitalization rate for the period (%)	Source of funds
Security industrial base	46.32	46.00				Self-financing
Internet video industrial base	17.11	17.00				Self-financing
Building for Coop in Netherland						Self-financing
Construction for security monitor project						Self-financing
Others						Self-financing
Total						Self-financing

1.13 Intangible assets

(1) Intangible assets

Item	Software	Land use right	Intellectual property right	Total
Total original carrying amount				
Opening balance	84,102,335.28	32,195,570.00	12,128,205.16	128,426,110.44
Increased	42,147,170.28	217,155,188.88	10,264,957.44	269,567,316.60
purchase	42,147,170.28	217,155,188.88	10,264,957.44	269,567,316.60
Decreased	92,914.96			92,914.96
disposal	92,914.96			92,914.96
Closing balance	126,156,590.60	249,350,758.88	22,393,162.60	397,900,512.08
Total accumulated amortization				
Opening balance	22,641,596.68	3,984,014.15	5,250,333.03	31,875,943.86
Increased	19,417,719.74	2,746,610.66	699,999.96	22,864,330.36
provided	19,417,719.74	2,746,610.66	699,999.96	22,864,330.36
Decreased	40,466.50			40,466.50
disposal	40,466.50			40,466.50
Closing balance	42,018,849.92	6,730,624.81	5,950,332.99	54,699,807.72
Total provision for impairment				
Opening balance				
Increased				
provided				
Decreased				
disposal				
Closing balance				
Total carrying amount				
Closing balance	84,137,740.68	242,620,134.07	16,442,829.61	343,200,704.36
Opening balance	61,460,738.60	28,211,555.85	6,877,872.13	96,550,166.58

(2) Intangible assets of which certificates of title have not been obtained

Item	Carrying amount	Reasons for certificates of title not being obtained
Tonglu land use right	86,981,966.67	Certificates for newly purchased land use right are in process
Subtotal	86,981,966.67	

1.14 Goodwill

(1) Goodwill

The investee entity	Opening balance	Increased from business combination	Decreased		Closing balance
			Disposal	Others	
Hikivision LLC	67,349.64				67,349.64

Beijing Brainaire Storage Technology Co., Ltd.	42,695,573.44				42,695,573.44
Henan HuaAn Intelligence Development Co., Ltd. and its subsidiaries	61,322,871.63				61,322,871.63
Hundure Technology (Shanghai) Co., Ltd.	13,774,405.88				13,774,405.88
Total	117,860,200.59				117,860,200.59

(2) Impairment test on goodwill

The recoverable amount of goodwill is determined based on the present value of projected future cash flows, which is inferred based on financial budgets approved by management covering a certain year period, a discount rate, and an estimated growth rate for future cash flows. This growth rate used is based in accordance with the average long-term growth rate for relevant industry.

Key assumptions of cash flow projections include: estimated selling price, forecasted sales, expected cost of revenue and other operating expenses expected during the budget period.

The company defines these key assumptions based on historical performance and management's expectations for the market development, and the discount rate used is the pre-tax rate that reflects the specific risk of currency's time values and relevant asset portfolios in current market.

Projection of the recoverable amount above indicated there were no impairment losses on goodwill in the current period.

1.15 Deferred tax assets/deferred tax liabilities

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

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment losses of assets	621,958,693.00	116,738,792.78	360,491,239.81	65,789,920.91
Share-based compensation	215,174,074.10	31,717,007.59	98,382,045.20	14,448,547.75
Payroll payables	98,503,043.33	14,775,456.50	74,027,237.56	11,104,085.63
Provisions	56,788,335.77	8,518,250.37	36,661,164.79	5,499,174.72
Unrealized profit from inter-group transactions	606,709,815.23	91,006,472.28		
Total	1,599,133,961.43	262,755,979.52	569,561,687.36	96,841,729.01

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

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax liabilities	Deductible temporary differences	Deferred tax liabilities

Changes in the fair value of derivative financial instruments	6,160,279.18	1,540,069.80	3,032,932.74	758,233.19
Total	6,160,279.18	1,540,069.80	3,032,932.74	758,233.19

(3) Deferred tax assets and deferred tax liabilities that are presented at the net amount after offset

Item	Closing balance		Opening balance	
	Offset amount	Deferred tax assets or liabilities	Offset amount	Deferred tax assets or liabilities
Deferred tax assets	1,540,069.80	261,215,909.72	758,233.19	96,083,495.82
Deferred tax liabilities	1,540,069.80		758,233.19	

(4) Details of unrecognized deferred tax asset

Item	Closing balance	Opening balance
Deductible temporary differences	62,680,292.86	4,477,514.13
Deductible losses	20,829,758.80	22,187,608.05
Subtotal	83,510,051.66	26,665,122.18

(5) Deductible tax losses, for which no deferred tax assets are recognized, will expire in the following years

Year	Closing balance	Opening balance	Remarks
2015		498,937.24	
2016	2,975,163.34	2,975,163.34	
2017	9,029,371.83	9,029,371.83	
2018	4,063,278.80	4,063,278.80	
2019	1,125,886.45	5,620,856.84	
2020	3,636,058.38		
Subtotal	20,829,758.80	22,187,608.05	

1.16 Other non-current assets

Item	Closing balance	Opening balance
Prepayments for acquisition of real estate		190,201,255.14
Prepayments for land use right	18,000,000.00	64,640,000.00
Total	18,000,000.00	254,841,255.14

1.17 Short-term loans

Item	Closing balance	Opening balance
Secured loans		31,421,001.00
Guaranteed loans		176,929,957.23
Unsecured and non-guaranteed loans	876,600,473.94	153,967,030.88
Total	876,600,473.94	362,317,989.11

1.18 Financial liabilities at fair value through profit or loss

Item	Closing balance	Opening balance
Financial liabilities designated at fair value through profit or loss	19,281,989.69	
Total	19,281,989.69	

1.19 Notes payable

Item	Closing balance	Opening balance
Bank acceptance	209,741,787.71	274,000,000.00
Total	209,741,787.71	274,000,000.00

1.20 Accounts payable

Item	Closing balance	Opening balance
Payment for purchase of materials	5,739,694,866.97	3,300,785,929.97
Payment for construction	130,044,503.81	17,523,685.94
Total	5,869,739,370.78	3,318,309,615.91

1.21 Receipts in advance

Item	Closing balance	Opening balance
Sales of goods	209,906,293.91	235,727,951.64
Advanced from construction contracts	185,604,501.82	267,339,459.43
Total	395,510,795.73	503,067,411.07

1.22 Employee benefits payable

(1) Details of employee benefits payable

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Short-term benefits	655,755,030.74	2,482,824,514.95	2,351,444,083.82	787,135,461.87
Retirement benefits – defined contribution scheme	339,945.11	152,680,295.03	152,085,966.69	934,273.45
Total	656,094,975.85	2,635,504,809.98	2,503,530,050.51	788,069,735.32

(2) Details of Short-term benefits

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Wages or salaries, bonuses, allowances and subsidies	637,363,807.33	2,150,021,916.87	2,024,997,982.56	762,387,741.64
Staff welfare	3,147,214.08	101,555,150.17	101,279,168.47	3,423,195.78
Social fund contributions	879,589.23	107,795,313.19	108,144,071.03	530,831.39
Including: medical insurance	868,847.38	92,854,406.67	93,203,377.18	519,876.87
injury insurance	4,269.56	5,164,399.42	5,163,024.52	5,644.46
maternity insurance	6,472.29	9,776,507.10	9,777,669.33	5,310.06
Housing funds	146,153.66	82,341,911.19	82,306,632.35	181,432.50
Labor union and education fund	14,218,266.44	41,110,223.53	34,716,229.41	20,612,260.56
Subtotal	655,755,030.74	2,482,824,514.95	2,351,444,083.82	787,135,461.87

(3) Details of Retirement benefits

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Basic pension insurance	329,070.91	140,449,058.43	139,888,612.86	889,516.48
Unemployment insurance	10,874.20	12,231,236.60	12,197,353.83	44,756.97
Subtotal	339,945.11	152,680,295.03	152,085,966.69	934,273.45

1.23 Taxes payable

Item	Closing balance	Opening balance
Enterprise income tax	589,856,504.15	221,238,777.77
Value-added tax	190,693,283.18	141,244,717.87
City construction and maintenance tax	13,750,953.28	8,990,831.86
Local water conservancy construction funds	8,021,565.14	7,162,260.04

Individual income tax	7,246,835.92	5,322,059.91
Education surcharges	5,914,984.60	3,917,281.85
Local education surcharges	3,944,121.49	2,591,386.17
Stamp tax	1,080,256.07	1,745,715.41
Property tax	983,320.29	455,534.33
Business tax	796,904.72	1,715,818.74
Land use tax	10,621.24	130,398.22
Total	822,299,350.08	394,514,782.17

1.24 Interest payable

Item	Closing balance	Opening balance
Interest payable on short-term borrowings	4,668,652.09	
Total	4,668,652.09	

1.25 Dividends payable

Item	Closing balance	Opening balance
Dividends of restricted shares	24,128,481.48	4,402,278.98
Total	24,128,481.48	4,402,278.98

1.26 Other payables

Item	Closing balance	Opening balance
Guarantee and deposit fees	98,303,864.14	34,896,171.20
Collection and payment on behalf	52,790,947.67	15,579,642.78
Others	8,762,854.27	1,093,551.94
Total	159,857,666.08	51,569,365.92

1.27 Non-current liabilities due within one year

Item	Closing balance	Opening balance
Long-term borrowings due within one year	586,430,847.08	
Total	586,430,847.08	

1.28 Other current liabilities

Item	Closing balance	Opening balance
Payment for subscription of restricted shares	518,074,596.90	547,853,280.23
Total	518,074,596.90	547,853,280.23

1.29 Long-term borrowings

Item	Closing balance	Opening balance
Guaranteed loans		244,760,000.00
Unsecured and non-guaranteed loans	623,385,600.00	
Secured loans	52,368,335.00	
Total	675,753,935.00	244,760,000.00

1.30 Long-term payables

Item	Closing balance	Opening balance
Other borrowings	7,000,000.00	3,000,000.00
Total	7,000,000.00	3,000,000.00

1.31 Provisions

Item	Closing balance	Opening balance	Remarks
Sales warranty	61,833,874.59	36,661,164.79	Provision for repairing fee
Total	61,833,874.59	36,661,164.79	

1.32 Deferred income

(1) Details of deferred income

Item	Opening balance	Increased in the current period	Decreased in the current period	Closing balance	Remarks
Government subsidies	14,812,900.00	14,900,000.00	29,712,900.00		Assets related
Total	14,812,900.00	14,900,000.00	29,712,900.00		

(2) Details of government subsidies

Item	Opening balance	Increased in the current period	Recognized in non-operating income	Others	Closing balance	Assets related/ Income related
Researching project involving core new and high technology (核高基补助)	14,812,900.00	14,900,000.00	29,712,900.00			Assets related
Subtotal	14,812,900.00	14,900,000.00	29,712,900.00			

1.33 Share capital

(1) Details of share capital

Item	Opening balance	Changes for the period ("-" represents decrease)					Closing balance
		New issue of shares	Bonus issue	Capitalization of surplus reserve	Others	Subtotal	
Total shares	4,069,128,026.00				-355,773.00	-355,773.00	4,068,772,253.00

(2) Description of changes in share capital

Pursuant to the Articles of Association of the Company revised by the resolution of the 24th meeting of the 2nd Board of Directors authorized in the first Extraordinary General Meeting in 2012, 355,773 locked restricted A shares that were granted to Mr. Li Jinyi and other 207 natural persons were repurchased in cash by the company, reducing the paid-up capital of RMB 355,773 and capital reserve of RMB 1,538,718.15. PAN-CHINA Certified Public Accountants LLP verifies the change in share capital. According to the Capital Verification Report (Tianjianyan [2015] No.448) issued by PAN-CHINA Certified Public Accountants LLP, registration procedure was completed in 3 December 2015.

1.34 Capital reserves

(1) Details of capital reserves

Item	Opening balance	Increased in the current period	Decreased in the current period	Closing balance
Share premium	1,325,885,993.32		1,538,718.15	1,324,347,275.17
Other capital reserves	154,160,332.09	161,100,044.96		315,260,377.05
Total	1,480,046,325.41	161,100,044.96	1,538,718.15	1,639,607,652.22

(2) Other descriptions

For the year, share premium decreased by RMB 1,538,718.15 due to the repurchase of company's shares.

For the year, other capital reserves increased by RMB 158,773,879.84 due to the recognized costs and expenses of Restricted Share Incentive Scheme, and increased by RMB 2,326,165.12 due to the acquisition of minority interest of the company's sub-subsidiary.

1.35 Treasury shares

(1) Details of treasury shares

Item	Opening balance	Increased in the current period	Decreased in the current period	Closing balance
Restricted shares	547,853,280.23		29,778,683.33	518,074,596.90
Total	547,853,280.23		29,778,683.33	518,074,596.90

(2) Other descriptions

For the year, treasury shares decreased of RMB 29,778,683.33 including a decrease of RMB 355,773 due to the repurchase of 355,773 locked Restricted A shares granted to Mr. Li Jinyi and other 207 natural people, and a decrease of RMB 27,884,192.10 due to the unlocking of 5,236,468 A shares granted in Restricted A Share Incentive Scheme during the second unlock period.

1.36 Other comprehensive income

Item	Opening balance	Change for the period				Closing balance
		Before tax balance	Less: income tax expense	Attributable to the owner of the company (after tax)	Minority interest (after tax)	
Items that may be reclassified subsequently to profit or loss	-8,837,417.46	-17,989,248.27		-18,822,600.24	833,351.97	-27,660,017.70
Included: Differences arising on translation of financial statements denominated in foreign currencies	-8,837,417.46	-17,989,248.27		-18,822,600.24	833,351.97	-27,660,017.70
Other comprehensive income	-8,837,417.46	-17,989,248.27		-18,822,600.24	833,351.97	-27,660,017.70

1.37 Surplus reserve

Item	Opening balance	Increased in the current period	Decreased in the current period	Closing balance
Statutory surplus reserve	1,339,597,584.02	555,463,420.07		1,895,061,004.09
Total	1,339,597,584.02	555,463,420.07		1,895,061,004.09

1.38 Retained earnings

Item	Closing balance	Opening balance
Retained earnings at the beginning of the year	8,510,162,428.31	5,296,850,768.39
Add: Net profit attributable to owners of the Company for the period	5,869,049,646.23	4,665,368,689.94
Less: Appropriation to statutory surplus reserve	555,463,420.07	447,751,224.52
Dividends on ordinary shares	1,627,651,210.40	1,004,305,805.50
Retained earnings at the end of the year	12,196,097,444.07	8,510,162,428.31

2. Notes to items in the consolidated income statements

2.1 Operating income and operating cost

Items	Amount recognized in the current period		Amount recognized in the prior period	
	Revenue	Cost	Revenue	Cost
Operating income	24,904,906,357.72	14,923,684,371.21	16,995,628,015.91	9,434,117,891.60
Other operating income	366,483,915.70	213,109,146.23	237,486,005.79	144,148,801.68
Total	25,271,390,273.42	15,136,793,517.44	17,233,114,021.70	9,578,266,693.28

2.2 Business taxes and levies

Items	Amount recognized in the current period	Amount recognized in the prior period
Business tax	10,358,293.68	12,624,774.92
City construction and maintenance tax	108,520,043.75	80,760,732.99
Education surcharges	46,369,832.12	35,087,203.95
Local education surcharges	31,628,452.88	23,221,418.25
Total	196,876,622.43	151,694,130.11

2.3 Selling expenses

Items	Amount recognized in the current period	Amount recognized in the prior period
Payroll	932,721,054.77	636,901,376.28

Sales service expense	412,626,103.85	292,002,071.40
Shipping and transportation expense	255,783,844.00	169,190,993.78
Advertising expenses	132,169,700.29	53,495,791.77
Office expenses	119,290,840.12	102,053,790.75
Travelling expenses	112,622,885.66	85,753,227.69
Business entertainment	84,988,494.49	101,473,856.03
Depreciation and amortization expenses	43,558,983.17	39,412,465.04
Rental expenses	43,221,123.58	33,450,995.67
Others	42,062,284.78	19,515,545.85
Total	2,179,045,314.71	1,533,250,114.26

2.4 Administrative expenses

Items	Amount recognized in the current period	Amount recognized in the prior period
Research and development expenses	1,722,638,163.98	1,300,703,869.14
Payroll	268,762,872.47	194,671,411.30
Office expenses	43,570,661.37	35,240,778.81
Professional parties expenses	42,544,328.08	15,359,871.64
Depreciation and amortization expenses	22,476,104.17	15,299,974.91
Property rental expenses	18,532,592.63	11,187,673.40
Shipping and transportation expense	14,950,639.38	15,182,225.00
Travelling expenses	13,799,325.65	9,100,212.83
Business entertainment	3,546,690.91	6,834,592.88
Others	60,400,492.51	41,937,612.82
Total	2,211,221,871.15	1,645,518,222.73

2.5 Financial expense

Items	Amount recognized in the current period	Amount recognized in the prior period
Interest expenses	44,359,075.38	26,240,984.81

Interest on discounted bills	31,474,798.95	28,705,864.81
Interest income	-159,433,094.76	-154,426,330.33
Exchange differences	-86,990,601.69	8,256,139.31
Others	17,693,430.42	9,193,907.92
Total	-152,896,391.70	-82,029,433.48

2.6 Impairment losses of assets

Items	Amount recognized in the current period	Amount recognized in the prior period
Bad debt provision	324,402,411.70	140,575,162.39
Inventory provision	14,472,237.73	42,332,248.63
Total	338,874,649.43	182,907,411.02

2.7 Gains from changes in fair values

Items	Amount recognized in the current period	Amount recognized in the prior period
Financial assets measured by fair value and their changes recognized in the gains and losses during the current period	3,127,346.44	3,032,932.74
Including: Profits or losses on the changes in fair value of derivative financial asset	3,127,346.44	3,032,932.74
Financial liabilities measured at their fair values and of which the changes are recorded into the current profits and losses	-19,281,989.69	
Total	-16,154,643.25	3,032,932.74

2.8 Investment income

Items	Amount recognized in the current period	Amount recognized in the prior period
Long-term equity investment income measured by equity method		-403,741.30
Investment income from disposal of financial assets measured at their fair values and of which the changes are recorded into the current profits and losses	6,165,969.68	-923,068.78
Investment income from disposal of held-to-maturity investment	142,507,467.57	152,351,174.82

Total	148,673,437.25	151,024,364.74
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2.9 Non-operating income

(1) Details of non-operating income

Item	Amount recognized in the current period	Amount recognized in the prior period	Amount incurred in nonrecurring gains and loss in the current period
Profits from disposal of non-current assets	2,829,117.71	375,095.86	2,829,117.71
Including: Gains from disposal of fixed assets	2,829,117.71	375,095.86	
Government subsidies	1,274,249,562.08	844,526,976.70	169,279,486.81
Fines and confiscations	15,774,511.98	10,595,271.47	15,774,511.98
Others	1,125,778.52	972,646.41	1,125,778.52
Total	1,293,978,970.29	856,469,990.44	189,008,895.02

(2) The schedule of government subsidies

Item	Amount for the current period	Amount for the prior period	Pertinent to assets or Pertinent to incomes
VAT Refund	1,104,970,075.27	795,573,277.99	Pertinent to assets
Grants and subsidies	131,114,119.17	41,963,758.15	Pertinent to incomes
Amortization of deferred revenue	29,712,900.00	6,467,100.00	Pertinent to assets
Refund of tax and levies	8,452,467.64	522,840.56	Pertinent to incomes
Subtotal	1,274,249,562.08	844,526,976.70	

2.10 Non-operating expenses

Item	Amount for the current period	Amount for the prior period	Amount recorded into the current non-recurring profit
Total losses from disposal of	1,113,694.67	842,376.23	1,113,694.67

non-current assets			
Including: Losses from disposal of fixed asset	1,113,694.67	560,935.96	
Losses from disposal of intangible asset		281,440.27	
Local water conservancy construction fund	35,398,037.38	25,180,364.41	
Others	1,418,989.81	1,669,060.29	1,418,989.81
Total	37,930,721.86	27,691,800.93	2,532,684.48

2.11 Income tax expenses

(1) Details

Item	Amount for the current period	Amount for the prior period
Current income tax	1,032,776,301.59	558,049,867.08
Deferred income tax	-165,132,413.90	-32,408,732.97
Total	867,643,887.69	525,641,134.11

(2) Reconciliation of accounting profits and income tax expenses

Item	Amount for the current period	Amount for the prior period
Total profit	6,750,041,732.26	5,206,342,370.77
Income tax expenses calculated by the applicable tax rate (2015: 15%, 2014: 10%)	1,012,506,259.84	520,634,237.08
Impact by different tax rates applicable to subsidiaries	33,535,330.76	40,043,586.94
Impact of additional deduction of R&D expenses	-114,430,437.11	-57,024,277.74
Overprovision in prior years	15,753,361.47	3,823,544.07
Others	-79,720,627.27	18,164,043.76
Income tax expenses	867,643,887.69	525,641,134.11

2.12 Other comprehensive income, net of tax

Details of other comprehensive income, net of tax, is disclosed in the notes to other comprehensive income.

3. Notes to consolidated cash flow statement

3.1 Other cash receipts relating to operating activities

Item	Amount for the current period	Amount for the prior period
Interest income	159,433,094.76	154,426,330.33
Government subsidies	153,047,857.74	50,473,758.15
Collection of the guarantee deposit	88,376,720.59	8,446,026.39
Collection of the performance guarantee deposit	61,871,491.75	
Increase of temporary payables	46,283,808.41	
Others	16,900,290.50	11,567,917.88
Total	525,913,263.75	224,914,032.75

3.2 Other cash payments relating to operating activities

Item	Amount for the current period	Amount for the prior period
Office expenses and business entertainment	251,396,686.89	238,571,303.73
Advertising and Selling services	212,619,040.28	153,446,507.24
R&D expense	204,578,023.31	145,620,705.97
Shipping and transportation expense	270,734,483.38	184,373,218.78
Travelling expense	126,422,211.31	94,853,440.52
Others	110,706,720.90	82,901,904.42
Increase of temporary receivables	94,535,910.34	
Rental expense	61,753,716.21	44,638,669.07
Guarantee deposit payment	73,439,612.23	88,376,720.59
Performance guarantee deposit payment	30,842,930.54	
Total	1,437,029,335.39	1,032,782,470.32

3.3 Other cash receipts relating to investing activities

Item	Amount for the current period	Amount for the prior period
Receipts of finance leases	26,996,686.98	12,135,387.80
Receipts of project loan	9,000,000.00	9,000,000.00

Total	35,996,686.98	21,135,387.80
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3.4 Other cash receipts relating to financing activities

Item	Amount for the current period	Amount for the prior period
Receipts of other borrowing	4,000,000.00	
Total	4,000,000.00	

3.5 Other cash receipts relating to financing activities

Item	Amount for the current period	Amount for the prior period
Repurchase of shares	1,894,491.15	5,353,105.56
Payment of interest on other borrowing	199,500.00	199,500.00
Total	2,093,991.15	5,552,605.56

3.6 Supplementary information about cash flow statement

(1) Supplementary information about cash flow statement

Supplementary information	Amount for the current period	Amount for the prior period
Reconciliation of net profit to cash flows from operating activities:		
Net profit	5,882,397,844.70	4,680,701,236.66
Add: Assets impairment	338,874,649.43	182,907,411.02
Fixed assets depreciation, oil and gas assets accumulated depreciation, productive biological assets accumulated depreciation	132,614,495.73	96,713,691.32
Amortization of intangible assets	22,864,330.36	12,662,696.57
Amortization of long-term deferred expenses		
Losses on disposal of fixed assets, intangible assets and other long-term assets (incomes expressed with “-”)	-1,679,868.58	467,280.37
Losses on disposal of fixed assets (incomes expressed with “-”)	-35,554.46	
Losses from changes in fair value (incomes expressed with “-”)	16,154,643.25	-3,032,932.74

Financial expenses (incomes expressed with “-”)	-42,631,526.31	34,497,124.12
Investment losses (incomes expressed with “-”)	-148,673,437.25	-151,024,364.74
Decrease in deferred income tax assets (increase expressed with “-”)	-165,132,413.90	-32,408,732.97
Increase in deferred income tax liabilities (decrease expressed with “-”)		
Decrease of inventories (increase expressed with “-”)	-541,203,699.08	-905,598,767.37
Decrease in operating receivables (increase expressed with “-”)	-5,385,319,432.61	-2,857,902,731.86
Increase in operating payables (decrease expressed with “-”)	2,952,796,637.27	2,573,833,132.14
Others	155,695,500.62	74,605,739.52
Net cash flow from operating activities	3,216,722,169.17	3,706,420,782.04
Major investing and financing activities not involving cash receipts and payment:		
Conversion of debt into capital		
Convertible bonds expiring within one year		
Fixed assets acquired under finance leases		
Net changes in cash and cash equivalents:		
Ending balance of cash	10,033,033,476.30	7,111,254,725.60
Less: Beginning balance of cash	7,111,254,725.60	4,584,132,819.21
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	2,921,778,750.70	2,527,121,906.39

(2) Cash and cash equivalents

Item	Amount for the current period	Amount for the prior period
Cash	10,033,033,476.30	7,111,254,725.60
Including: Cash on hand	883,558.94	1,166,682.71
Bank deposit for payment at any time	10,028,344,131.69	7,110,088,042.89
Other monetary capital for payment at any time	3,805,785.67	
Cash equivalents		
Including: Bond investments maturing within three months		

Ending balance of cash and cash equivalents	10,033,033,476.30	7,111,254,725.60
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(3) Supplementary information to the cash flow statement

A total of RMB 73,467,112.23 of the balance of other monetary fund(s) at the end of the period are various guarantee deposits, not cash and cash equivalents.

4. Others Notes

4.1 Assets with restriction in ownership or use rights

Item	Amount	Cause of restriction
Cash and bank balances	73,467,112.23	Various guarantee deposits
Notes receivable	218,555,691.80	Collateral of bank acceptance bill
Notes receivable	1,200,000.00	Collateral as letter of credit
Accounts receivable	109,943,473.98	Collateral for obtaining long-term borrowing
Total	403,166,278.01	

4.2 Monetary items of foreign currencies

Item	Balance in foreign currency at the end of period	Exchange rate for conversion	Balance of RMB converted at the end of period
Monetary funds			1,662,214,130.50
Including: USD	233,097,284.16	6.4936	1,513,640,524.42
EUR	11,008,007.74	7.0952	78,104,016.52
HKD	247,198.58	0.83778	207,098.03
GBP	941,466.67	9.6159	9,053,049.35
AUD	91,861.63	4.7276	434,285.04
AED	1,837.50	1.7684	3,249.44
ZAR	1,446,641.29	0.4177	604,262.07
BRL	178,201.98	1.64454	293,060.28
RUB	410,601,129.93	0.0884	36,297,139.89
SGD	1,655.21	4.4426	7,353.44
INR	203,992,559.00	0.09771	19,932,112.94
PLN	1,047,350.78	1.5841	1,659,108.37
KRW	359,794,675.00	0.0055	1,978,870.71
Accounts receivable			4,275,362,326.96
Including: USD	597,137,441.29	6.4936	3,877,571,688.76
EUR	37,255,380.31	7.0952	264,334,374.38
HKD	7,457,171.13	0.83778	6,247,468.83

GBP	33,711.23	9.6159	324,163.82
AED	2,228,269.29	1.7684	3,940,471.41
BRL	823,527.54	1.64454	1,354,323.98
RUB	232,106,736.87	0.0884	20,518,235.54
SGD	4,111.68	4.4426	18,266.55
INR	1,034,216,904.00	0.09771	101,053,333.69
Other current assets			292,212,000.00
Including: USD	45,000,000.00	6.4936	292,212,000.00
Short-term borrowing			671,587,152.16
Including: USD	94,416,077.67	6.4936	613,100,241.96
EUR	8,243,165.83	7.0952	58,486,910.20
Accounts Payable			787,858,463.28
Including: USD	62,400,596.77	6.4936	405,204,515.19
EUR	713,283.36	7.0952	5,060,888.10
HKD	341,971,020.33	0.83778	286,496,481.41
GBP	12,283.58	9.6159	118,117.68
AED	6,108,972.10	1.7684	10,803,106.26
ZAR	17,140.44	0.4177	7,159.56
BRL	2,075,500.08	1.64454	3,413,242.90
RUB	860,020,282.07	0.0884	76,025,792.93
INR	7,410,577.81	0.09771	724,087.56
CAD	1,083.37	4.6814	5,071.69
Non-current liabilities due within one year			586,430,847.08
Including: USD	90,309,050.00	6.4936	586,430,847.08
Long-term borrowing			623,385,600.00
Including: USD	96,000,000.00	6.4936	623,385,600.00

VI. Changes in the consolidation scope

Changes of consolidation scope due to other causes

Company Name	Equity acquisition mode	Time of equity acquisition	Amount of contribution (ten thousand yuan)	Ratio of contribution (%)
Cooperative Hikvision Europe U.A.	New Establishment	April 2015	EUR 1.00	100%
Hikvision Canada INC.	New Establishment	April 2015	CAD 20.00	100%
OOO Hikvision.	New Establishment	March 2015	RUB 600.00	100%
Hikvision Korea Limited	New Establishment	May 2015	KRW 27,000.00	100%
Hangzhou EZVIZ Network Co.Ltd.	New	March 2015	RMB 100.00	100%

	Establishment			
EZVIZ Inc.	New Establishment	July 2015	USD 1.00	100%

VII. Interest in other entities

1. Equity in significant subsidiaries

Basic information:

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 Science and Technology Co., Ltd.	Hangzhou	Hangzhou, Zhejiang	Manufacturing	100.00		Establishment
Hangzhou Hikvision Security Equipment Leasing Services 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	Hong Kong	Sales	95.00	5.00	Establishment
Prama Hikvision Indian Private Limited	India	Mumbai	Sales	58.00		Business Combination not 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 Science and Technology Co., Ltd.	Chongqing	Chongqing	Manufacturing	100.00		Establishment
Beijing Hikvision Security Technology Services Co., Ltd.	Beijing	Beijing	Services	100.00		Establishment
Fuyang Hikvision Baotai Security Technology Services Co., Ltd.	Hangzhou	Hangzhou, Zhejiang	Construction		51.00	Establishment
Hikvision South Africa (Pty) Ltd.	South Africa	South Africa	Sales	100.00		Establishment
Hikvision Italy (S.R.L.)	Italy	Milan	Sales		100.00	Establishment
Hikvision do Brazil Comercio de Equipamentos de Segurança Ltda.	Brazil	Brazil	Sales	95.00	5.00	Establishment
Hikvision Australia PTY Ltd.	Australia	Australia	Sales	100.00		Establishment
Hikvision International Co., Limited	Hong Kong	Hong Kong	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	Manufacturing	100.00		Business Combination not under common control
ZAO Hikvision	Russia	St. Peterburg	Sales		100.00	Business Combination not under common control
Beijing Brainaire Storage Technology Co., Ltd.	Beijing	Beijing	Manufacturing	100.00		Business Combination not under common control
Wuhan Hikvision System Technology Co., Ltd.	Wuhan	Wuhan, Hubei	Technology development	100.00		Business Combination not under common control
Henan Hua'an Intelligence Development Co., Ltd.	Zhengzhou	Zhengzhou	Construction	51.00		Business Combination not under common control
Henan Hua'an Security Services Co., Ltd.	Zhengzhou	Zhengzhou	Services		90.00	Business Combination not under common control
Hundure Technology (Shanghai) Co., Ltd.	Shanghai	Shanghai	Manufacturing	100.00		Business Combination not 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.	Hangzhou	Hangzhou	Manufacturing	100.00		Establishment
Cooperative Hikvision Europe U.A.	Netherlands	Netherlands	Sales	99.00	1.00	Establishment
Hikvision Canada Inc.	Canada	Canada	Sales	100.00		Establishment
OOO Hikvision.	Moscow	Moscow	Sales	100.00		Establishment
Hikvision Korea Limited	Korea	Korea	Sales	100.00		Establishment
Hangzhou EZVIZ Network Co., Ltd.	Hangzhou	Hangzhou	Technology development	100.00		Establishment
EZVIZ Inc.	USD	Los Angeles	Sales		100.00	Establishment

Note: Hangzhou Hikvision System Technology Co., Ltd. directly holds 51% of total equity of Fuyang Hikvision Baotai Security Technology Services Co., Ltd. According to the articles of association of Fuyang Hikvision Baotai Security Technology Services Co., Ltd., Hangzhou Hikvision System Technology Co., Ltd. shares 50% of the dividends.

2. The transaction of changes in equity interest of subsidiary but still controlling the subsidiary

2.1 Note to equity interest changed in subsidiary

Name	Time point of change	Shareholding ratio (%) before change	Shareholding ratio (%) after change
ZAO Hikvision	January 2015	87.40%	100.00%

2.2 Impact on equity interest of minority shareholders and attributable to the owner's equity

Item	ZAO Hikvision
Purchase of cost consideration	
Cash	
Total of purchase of cost consideration	
Less: Net assets proportion of subsidiary calculated by equity proportion obtain	2,326,165.12
Balance	-2,326,165.12
Including: Capital reserves adjusted	2,326,165.12

3. Equity in joint venture

3.1 Aggregated financial information of insignificant joint ventures or associates

Item	Closing balance/ Amount for the current period	Opening balance / Amount for the prior period
Joint ventures		
The aggregate carrying amount of investments in joint ventures		
The aggregate amount of its share of the joint ventures		
Net profit	-341,313.98	-403,741.30
Total comprehensive income	-341,313.98	-403,741.30

3.2 Excess loss of the joint venture

Entity name	Not recognized share of loss for the prior period	Not recognized share of loss for the current period	Not recognized share of loss by the end of current period
Henan Jindun Hua'an Security Technology Co., Ltd.	194,776.45	341,313.98	536,090.43

VIII. Financial instruments and risk management

The Company's risk management objectives are to achieve a proper balance between risks and yield, minimize the adverse impacts of risks on the Group's operation performance, and maximize the benefits of the shareholders and other stakeholders. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyze the Group's exposure to various risks, establish an appropriate maximum tolerance to risk, implement risk management, and monitor regularly and effectively these exposures to ensure the risks are monitored at a certain level.

The major risks for financial instruments held by the Company are credit risk, liquidity risk and market risk. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

1. Credit risk

Credit risks refer to financial losses suffered by one party to the financial instrument due to the other party's inability to fulfill obligations.

The Company's exposure to credit risk is arising from bank deposits, bank structured products, investment in trust, accounts receivables, other receivables and notes receivables. In order to ensure the risks are monitored at a certain level, the company takes follow-up actions.

1.1 Bank deposits, bank structured products, and investment in trust

There is no significant credit risk and losses on bank deposits, bank structured products, and investment in trust because the majority of the counterparties are large commercial banks and state-owned banks in the PRC with good reputations.

1.2 Accounts receivables and notes receivables

In order to control the credit risks, the company conducts transactions with authorized well-recognized third parties. In accordance with the company's policy, all customers who need credit sales are required to be assessed under credit review. In addition, the company performs ongoing monitoring on accounts receivable balance to ensure that the company will not be exposed to significant risks of bad debts.

As at 31 December 2015, 6.34% of the receivables were due from the top five debtors, the company is not found to be exposed to significant concentration credit risks.

1.3 Other receivables

The company's other receivables mainly consist of export tax refundable, temporary prepayments, guaranteed deposits, etc. The company performs ongoing monitoring on receivable balance to ensure that the company will not be exposed to significant risks of bad debts.

Analysis on accounts receivable not impaired but overdue, or not impaired or overdue is as follow.

Analysis on accounts receivable not impaired but overdue, or not impaired or overdue is as follow:					
Item	Closing balance				
	Not impaired and not overdue	Not impaired but overdue			Total
		Within 1 year	1-2 years	Over 2 years	
Notes receivable	3,044,148,064.81				3,044,148,064.81
Subtotal	3,044,148,064.81				3,044,148,064.81

Item	Opening balance		
	Not impaired and not	Not impaired but overdue	Total

	overdue	Within 1 year	1-2 years	Over 2 years	
Notes receivables	1,875,769,464.99				1,875,769,464.99
Subtotal	1,875,769,464.99				1,875,769,464.99

2. Liquidity risk

Liquidity risks refer to risks of fund shortage when the enterprise settles the obligation of payable accounts by cash payment or other financial assets. It may result from various situations, e.g:

- The company is unable to sell its financial assets at fair value immediately;
- The counterparty is unable to fulfill debt obligations in due course;
- The company is required to fulfill debt obligations in advance;
- The company is unable to generate cash flows as expected.

In order to minimize liquidity risk, the Company conducts transactions and operating activities with different financing instruments – such as settlement by acceptance bills, bank loans, etc. – a combination of short term and long term financing to optimize the financing structure and to achieve a proper balance between sustainability and flexibility. The company has obtained sufficient credit facilities from many commercial banks to meet the needs of capital for operating activities and capital expenditures.

Set out below are the Company's financial liabilities with expiry dates:

Item	Closing balance				
	Carrying amount	Undiscounted amount	Within 1 year	1-3 years	More than 3 years
Financial liabilities					
Bank loans	2,138,785,256.02	2,180,295,771.19	1,479,411,584.10	700,884,187.09	
Notes payables	209,741,787.71	209,741,787.71	209,741,787.71		
Accounts payables	5,869,739,370.78	5,869,739,370.78	5,869,739,370.78		
Other payables	159,857,666.08	159,857,666.08	159,857,666.08		
Other current liabilities	518,074,596.90	518,074,596.90	518,074,596.90		
Long-term payables	7,000,000.00	7,340,516.44	7,340,516.44		
Subtotal	8,903,198,677.49	8,945,049,709.10	8,244,165,522.01	700,884,187.09	

Item	Opening balance				
	Carrying amount	Undiscounted amount	Within 1 year	1-3 years	Carrying amount
Financial liabilities					
Bank loans	607,077,989.11	632,096,698.06	374,468,196.30	257,628,501.76	
Notes payables	274,000,000.00	274,000,000.00	274,000,000.00		
Accounts payables	3,318,309,615.91	3,318,309,615.91	3,318,309,615.91		
Other payables	51,569,365.92	51,569,365.92	51,569,365.92		
Other current liabilities	547,853,280.23	547,853,280.23	547,853,280.23		

Long-term payables	3,000,000.00	3,206,680.33	3,206,680.33		
Subtotal	4,801,810,251.17	4,827,035,640.45	4,569,407,138.69	257,628,501.76	

3. Market risk

Market risks refer to fluctuation risks of the fair value or future cash flow of financial instruments due to changes in the market price, including foreign currency risk and interest rate risk.

3.1 Interest rate risk

Interest rate risks refer to the risk that the fair value of financial instruments or future cash flow fluctuates due to changes in interest rate. The risk of the interest rate that the company is exposed to mainly relates to the debt whose interest is on a floating basis. The company is capable of controlling the scale of loans and borrowings due to its relatively sufficient funds. Therefore, the company is not exposed to a significant interest rate risk.

3.2 Foreign exchange risk

Foreign currency risks refer to the risk that losses will occur because of changes in foreign exchange rates. The exchange currency risk which the company is exposed to mainly results from foreign currency denominated assets and liabilities held by the Company. When foreign currency denominated assets and liabilities temporarily unbalance, the Company will control the exposure to exchange risk within an acceptable level by sales or purchase of foreign currencies according to fluctuations in the market exchange rate. The Company has fixed the impact of fluctuation of foreign exchange by entering into foreign currency forward contracts with banks.

The details of company's foreign currency assets and liabilities at 31 December 2015 are disclosed in "Note. Foreign currency items".

IX. Fair value disclosure

The financial assets and financial liabilities measured at fair value at the balance sheet date:

Items	Closing balance			
	Level 1	Level 2	Level 3	Total
Continuous fair value measurement		-13,121,710.51		-13,121,710.51
(1) Financial assets designated as fair value through profit and loss		6,160,279.18		6,160,279.18
Financial assets available for sale		6,160,279.18		6,160,279.18
Derivative financial assets		6,160,279.18		6,160,279.18
(2) Financial liabilities designated as fair value through profit and loss		19,281,989.69		19,281,989.69
Financial liabilities available for sale		19,281,989.69		19,281,989.69
Derivative financial liabilities		19,281,989.69		19,281,989.69

X. Related parties and related transactions

1. Related parties

1.1 Information related to parent company of the Company

(1) 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	Investment and asset management	RMB 660 million	40.42	40.42

(2) The ultimate controlling party of the Company is China Electronics Technology Group Corporation ("CETE")

1.2 For details of the subsidiaries of the company, see note 7.1 Interest in other entities.

1.3 Information on other related parties of the Company

Name	Relationship
Gong Hongjia	Director of the company, holds 18.52% of the share of the Company
Shanghai Fullhan Microelectronics Co., Ltd.	Gong Hongjia serves as the director.
Beijing Woqi Co., Ltd.	Gong Hongjia serves as the director.
The 52nd Institute	Under control of actual controller
Subsidiaries of the Parent Company	Under control of actual controller

2. Related party transactions

2.1 Sales and purchases of goods, provision of services and receiving services

Purchase of commodities/receiving of services

Related party	Transaction type	Amount for the current period	Amount for the prior period
Subsidiaries of CETE	Purchase of materials and receiving of services	RMB 234,499,687.16	RMB 207,590,300.40
Shanghai Fullhan	Purchase of materials and receiving of services	RMB 58,420,461.61	RMB 33,431,465.30
Beijing Woqi	Purchase of materials	RMB 510,256.42	RMB 1,506,177.35

Sales of commodities/rendering of services

Related party	Transaction content	Amount for the current period	Amount for the prior period
Subsidiaries of CETE	Sales of goods	87,703,472.80	61,049,616.55

2.2 Rent from a related party

Lessor	Type of leasing asset	Amount for the current period	Amount for the prior period

The 52nd Institute	Properties		579,180.00
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2.3 Guaranteed by the Parent Company

The CETE (as guarantor) and the wholly-owned subsidiary of the Company, Chongqing Hikvision System Technology Co., Ltd. (as contractor) entered into a principal contractor agreement (the “Chongqing Framework Agreement”) with Chongqing Municipal Public Security Bureau in respect of the projects carried out in that location (the “Chongqing Project”). Pursuant to the Chongqing Framework Agreement, the CETE provided joint liability guarantee for the total responsibilities and obligations of the contractor under the Chongqing Principal Contractor Agreement. The Company, therefore, provided counter-guarantee to CETE for the before mentioned guarantee.

2.4 Remuneration of key management personnel

Item	Amount for the current period (RMB'0,000)	Amount for the prior period (RMB'0,000)
Compensation of key management personnel	3,182.28	2,529.88

3. Amounts due from & to related parties/subsidiaries

3.1 Amounts due from related parties

Item	Related Party	Closing balance		Opening balance	
		Carrying balance	Provision	Carrying balance	Provision
Accounts receivable					
	Subsidiaries of the Parent Company	74,575,642.07	4,162,116.30	26,783,177.08	1,339,158.85
Total		74,575,642.07	4,162,116.30	26,783,177.08	1,339,158.85

3.2 Amounts due to related parties

Item	Related party	Closing balance	Opening balance
Accounts payable			
	Subsidiaries of CETE	47,605,386.38	39,465,660.81
	Shanghai Fullhan Microelectronics Co., Ltd.	41,807,051.41	4,441,640.00
	Beijing Woqi Co., Ltd.	515,564.11	280,500.00
Subtotal		89,928,001.90	44,187,800.81
Receipts in advance			
	Subsidiaries of CETE	280,421.80	
Subtotal		280,421.80	
Other payables			
	Subsidiaries of CETE	11,185,580.98	5,092,020.55
	Shanghai Fullhan Microelectronics Co., Ltd.		100,000.00
Total		11,185,580.98	5,192,020.55

XI. Share-based payments

1. Overview of share-based payments

Total of equity instruments granted in this period	
Total of equity instruments exercised in this period	5,236,468.00
Total of equity instruments forfeited in this period	355,773.00
The scope and the remaining period of the contract of the exercise price of the outstanding share option issued at the period-end of the Company	
The scope and the remaining period of the contract of the exercise price of the other outstanding equity instruments issued at the period-end of the Company	All shares granted on 23 August 2012 were at an exercise price of RMB10.65 per share. 1/3, 1/3, 1/3 of the shares vested and exercisable after the 24 months, 36 months and 48 months since the grant date. All shares granted on 24 October 2014 were at an exercise price of RMB9.25 per share. 40%, 30%, 30% of the shares vested and exercisable after the 24 months, 36 months and 48 months since the grant date.

2. Information of the equity settled share-based payment

Method of determining the fair value of equity instruments at the grant date	Refer to B-S model
Recognition basis of the number of the vested equity instruments	The number of restricted shares available for the period is the number of the end of this period.
Reasons of the significant difference between the estimates of the current period with that of the last period	N/A
Accumulative amount of the equity settled share-based payment and included in the capital reserve	158,773,879.84
Total amount of the expenses recognized according to the equity settled share-based payment in the current period	158,773,879.84

XII. Commitments and contingencies

At the end of reporting period, there was no significant commitment or contingency to be disclosed.

XIII. Events after the balance sheet date

1. Profits distribution after the balance sheet date

The Company proposed a final cash dividend of RMB 7 (including tax) per each 10 ordinary share in respect of the year ending on 31 December 2015. Concurrently, the Company proposed share distribution of 2 shares for each 10 ordinary shares to the existing shareholders by way of capitalization of share premium, and bonus issue of 3 shares (including tax) for each 10 ordinary shares to the existing shareholders by way of debiting retained profit.

2. The offshore bond issuance

Pursuant to “the proposal about offshore foreign currency bond issuance” approved by the first extraordinary general meeting of the Company held on 8 January 2016, the Company issued the bond with nominal value no

more than EURO 600 million (or USD with equivalent amount) and a period of 3 years. On 2 February 2016, the Company completed the issue of bond with nominal value of EURO 400 million at issuance price of 99.959% of the nominal value, due on 18 February 2019. The bonds were listed and traded on the Irish Stock Exchange on 18 February 2016.

3. Fund investment of China Development Bank (CDB)

Pursuant to the contract named "China Development Fund Investment Contract" entered between the Company, China Development Fund Co., Ltd. ("China Development Fund") and Hangzhou Hikvision Electronics Co. Ltd ("Hikvision Electronics"), China Development Fund will inject capital of RMB110 million to Hikvision Electronics, among which RMB 63.11 million is paid in capital. The investment will be used for the "Internet Security Industry Base" project with investment period of 8 years. During the investment period, China Development Fund will obtain the investment return at 1.2% per annum by way of profit distribution or redeem at a premium. The Company plans to redeem China Investment Fund's investment in March of 2022 and 2023 in consideration of RMB 55 million for each.

XIV. Other significant events

1. Management Measures for Core Staff's Investment in Innovative Business

According to *Management Measures for Core Staff's Investment in Innovative Business (Draft)* approved by The fifth meeting of the third board and the second provisional shareholders' meeting in 2015, core employees can invest at most 40% of the innovation business of subsidiaries, via an investment platform.

2. Segment information

2.1 Report segment determining and accounting policy

According to the Group's internal organization structure, management requirements, and internal report principles, the company determines the operating segments. The company's operating segments should match the following conditions at the same time:

- (1) The segment can generate revenue and cost in daily activities.
- (2) The management can evaluate the operating results of each segment to determine its resource allocation and result evaluation.
- (3) Related accounting information such as financial situation, operating results, cash flow, etc., can be obtained by analyzing the segment.

Reporting segments are determined on the basis of categories of products. Operating income and COGS are divided by categories of products.

2.2 Segment reporting

Item	Operating income	Operating cost
Front-end equipment	13,514,982,486.43	7,174,377,888.42
Back-end equipment	4,368,111,525.75	2,371,784,190.54
Central control equipment	2,350,221,006.31	1,225,692,801.65
Construction project(s)	1,690,863,504.02	1,588,821,153.01
Others	2,980,727,835.21	2,563,008,337.59
Total	24,904,906,357.72	14,923,684,371.21

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

1. Notes to major items of balance sheet of the parent company

1.1 Accounts receivable

(1) Details

Details by category:

Category	Balance at the end of the year				
	Carrying amount		Bad debt provision		Carrying value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually					
Accounts receivable with provision accrued collectively on a portfolio basis	9,788,537,454.70	100.00	667,995,850.66	6.82	9,120,541,604.04
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually					
Total	9,788,537,454.70	100.00	667,995,850.66	6.82	9,120,541,604.04

Category	Balance at the beginning of the year				
	Carrying amount		Bad debt provision		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually					
Accounts receivable with provision accrued collectively on a portfolio basis	4,150,380,948.76	100.00	293,992,273.45	7.08	3,856,388,675.31
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually					
Total	4,150,380,948.76	100.00	293,992,273.45	7.08	3,856,388,675.31

Accounts receivable with bad debt provision provided by aging analysis on portfolio basis

Aging	Amount at the end of the period		
	Carrying amount	Bad debt provision	Percentage of appropriation (%)
Within 1 year	8,921,570,467.97	446,078,523.40	5.00
1–2 years	401,996,011.59	40,199,601.16	10.00
2–3 years	275,778,380.23	82,733,514.07	30.00
2–3 years	174,881,479.66	87,440,739.83	50.00
4–5 years	13,838,215.25	11,070,572.20	80.00
Over 5 years	472,900.00	472,900.00	100.00
Subtotal	9,788,537,454.70	667,995,850.66	

(2) The amount of bad debt provision provided by the Company in the current period was RMB 375,659,551.07, and there was no recovered or reversed bad debt provision.

(3) The Company's accounts receivable actually written off in this period was RMB 1,655,973.86.

(4) Top 5 debtors in the balance of accounts receivable

The aggregate balance amount of accounts receivable for the Company's top 5 debtors at the end of the year was RMB7,439,571,424.75, accounting from 76.00% of the total balance of accounts receivable at the end of the year, and the aggregate balance amount of bad debt provision provided accordingly at the end of the year was RMB440,565,118.57.

1.2 Other receivables

(1) Details

Details by category:

Category	Amount at the end of the period				
	Carrying amount		Bad debt provision		Carrying value
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables that are individually significant and for which bad debt provision has been assessed individually					
Other receivables with provision accrued collectively on a portfolio basis	384,713,774.78	100.00	39,768,818.24	10.34	344,944,956.54
Other receivables that are not individually significant but for which bad debt provision has been assessed individually					
Total	384,713,774.78	100.00	39,768,818.24	10.34	344,944,956.54

Category	Amount at the beginning of the period				
	Carrying amount		Bad debt provision		Carrying value
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables that are individually significant and for which bad debt provision has been assessed individually					
Other receivables with provision accrued collectively on a portfolio basis	1,295,867,832.09	100.00	111,889,677.77	8.63	1,183,978,154.32
Other receivables that are not individually significant but for which bad debt provision has been assessed individually					
Total	1,295,867,832.09	100.00	111,889,677.77	8.63	1,183,978,154.32

Other receivable with bad debt provision provided by aging analysis on portfolio basis

Aging	Amount at the end of the period
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	Carrying amount	Bad debt provision	Percentage of appropriation (%)
Within 1 year	231,127,285.08	11,556,364.25	5.00
1–2 years	101,350,775.99	10,135,077.60	10.00
2–3 years	42,272,981.45	12,681,894.44	30.00
2–3 years	8,836,806.94	4,418,403.47	50.00
4–5 years	744,234.22	595,387.38	80.00
Over 5 years	381,691.10	381,691.10	100.00
Subtotal	384,713,774.78	39,768,818.24	

(2) The amount of bad debt provision provided by the Company in the current period was RMB 72,120,859.53, and there was no recovered or reversed bad debt provision.

(3) Other receivable by nature

Nature	Closing balance	Opening balance
Guarantee deposit	22,791,711.87	9,604,398.90
Other lending	160,656,207.98	1,141,467,720.44
Temporary receivables	184,614,836.14	103,747,904.75
Others	16,651,018.79	41,047,808.00
Total	384,713,774.78	1,295,867,832.09

(4) Top 5 debtors in the balance of other receivables

The Name of entity	Nature	Book balance	Aging	Percentage to total other receivables (%)	Bad debt provision
The First	Current account	99,024,159.10	Within 3 years	25.74	9,786,520.99
The Second	Current account	19,984,919.90	Within 2 years	5.19	1,998,491.99
The Third	Current account	17,994,303.00	Within 1 year	4.68	899,715.15
The Fourth	Temporary receivables	8,837,230.40	Within 1 year	2.30	441,861.52
The Fifth	Temporary receivables	8,029,334.00	Within 1 year	2.09	401,466.70
Subtotal		153,869,946.40		40.00	13,528,056.35

1.3 Long-term equity investment

(1) Details

Item	Closing balance			Opening balance		
	Carrying amount	Provision for impairment	Carrying value	Carrying amount	Provision for impairment	Carrying value
Investments in subsidiaries	1,175,799,927.25		1,175,799,927.25	1,133,786,286.83		1,133,786,286.83
Total	1,175,799,927.25		1,175,799,927.25	1,133,786,286.83		1,133,786,286.83

(2) Investment in subsidiaries

Name of investee	Opening balance	Increase	Decrease	Closing balance	Provision for impairment losses	Provision for impairment losses for the period
Hikvision System Technology Co. Ltd.	171,831,235.66	34,485,304.36		206,316,540.02		
Hangzhou Hikvision Science and Technologies Co. Ltd.	100,675,712.68	4,264,158.80		104,939,871.48		
Hangzhou Hikvision Security Equipment Leasing Services Ltd.	200,000,000.00			200,000,000.00		
Chongqing Hikvision System Technology Co., Ltd.	200,000,000.00			200,000,000.00		
Hikvision USA, Inc.	1,546,160.00			1,546,160.00		
HDT International Ltd.	87,786.14			87,786.14		
Prima Hikvision Indian Private Limited	1,585,696.80			1,585,696.80		
Hikvision Europe BV	978,850.00		978,850.00			
Hikvision Dubai FZE	1,870,351.40			1,870,351.40		
Hikvision Singapore Pte. Ltd	1,900,590.00			1,900,590.00		
Chongqing Hikvision Science and Technologies Co., Ltd.	100,000,000.00			100,000,000.00		
Beijing Hikvision Security Technology Services Co., Ltd.	10,000,000.00			10,000,000.00		
Shanghai Goldway Intelligent Traffic System Co., Ltd.	23,000,000.00			23,000,000.00		
Beijing Brainaire Storage Technology Co., Ltd.	96,482,439.85			96,482,439.85		
Hikvision South Africa (Pty) Ltd.	1,578,650.00			1,578,650.00		
Wuhan Hikvision System Technologies Co., Ltd.	10,000,000.00			10,000,000.00		

Henan Hua'an Intelligence Development Co., Ltd.	67,475,000.00			67,475,000.00		
Hikvision Brazil Participacoes Ltda.	4,579,750.50			4,579,750.50		
Hikvision Australia PTY Ltd.	2,866,850.00			2,866,850.00		
Hikvision International Co., Limited	79,423.52			79,423.52		
Hundure Technology (Shanghai) Co., Ltd.	37,247,790.28			37,247,790.28		
Hangzhou Hikvision Electronics Co. Ltd.	100,000,000.00			100,000,000.00		
Cooperative Hikvision Europe U.A.		65,485.53		65,485.53		
Hikvision Canada Inc.		994,442.54		994,442.54		
OOO Hikvision.		647,249.19		647,249.19		
HIKVISION Korea Limited		1,535,850.00		1,535,850.00		
Hangzhou EZVIZ Network Co.Ltd.		1,000,000.00		1,000,000.00		
Subtotal	1,133,786,286.83	42,992,490.42	978,850.00	1,175,799,927.25		

2. Notes to income statements of the parent company

2.1 Operating income / Operating cost

Item	Amount for the current period		Amount for the previous period	
	Income	Cost	Income	Cost
Operating income	13,683,833,283.76	5,484,902,791.62	11,074,432,628.16	4,758,390,518.66
Other operating income	563,548,888.30	150,975,929.91	895,737,530.04	474,146,136.53
Total	14,247,382,172.060	5,635,878,721.53	11,970,170,158.20	5,232,536,655.19

2.2 Investment income

Item	Amount for the current period	Amount for the previous period
Long-term equity investment income measured by cost method	205,259,854.04	21,202,230.63
Investment income from disposal of long-term equity investment		-30,301,574.59
Investment income from disposal of financial assets measured at fair values and of which the changes are recorded into the current profits and losses	659,100.00	-3,843,956.05
Investment income from disposal of held-to-maturity investments	140,592,535.89	144,163,213.94
Total	346,511,489.93	131,219,913.93

XVI. Supplementary information

1. Reconciliation of extraordinary items of profit and loss for the year

Item	Amount	Description
Profit or loss from disposal of non-current assets, including the write-off for the impairment of assets	1,715,423.04	
Tax refunds or reductions with ultra vires approval or without official approval documents		
The government subsidies included in the current profits and losses (excluding the government subsidy closely related with normal course of business of the Company and government subsidy based on standard quota or quantitative continuous enjoyment according to the state industrial policy.)	169,279,486.81	
Income earned from lending funds to non-financial institutions and recognized in profit or loss		
The excess of attributable fair value of identifiable net assets over the consideration paid for the acquisition of subsidiaries, associates and joint ventures		
Profit or loss on exchange of non-monetary assets		
Profit or loss on entrusted investments or assets management		
Impairment losses on assets due to force majeure events, e.g. natural disasters		
Profit or loss on debt restructuring		
Entity restructuring expenses, e.g., expenditure for layoff of employees, integration expenses, etc.		
Profit or loss attributable to the evidently unfair portion of transaction price, being transacted at a price in excess of fair transaction price		
Net profit or loss of subsidiaries from the beginning of the period up to the business combination date recognized as a result of business combination of enterprises under common control		
Profit or loss arising from contingencies other than those related to normal operating business		
Profit or loss on changes in the fair value of financial assets and liabilities at fair value through profit or loss and investment income on disposal of financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets excluding the effective hedging business related with the normal operation of business of the Company.	132,518,794.00	
Reversal of provision for accounts receivable that are tested for impairment losses individually		
Profit or loss on entrusted loans		
Profit or loss on changes in the fair value of investment properties that are subsequently measured using the fair value model		
Effects on profit or loss of one-off adjustment to profit or loss for the period according to the requirements of tax laws and accounting laws and regulations		
Custodian fees earned from entrusted operations		
Other non-operating income and expenditure excluding the items mentioned above	15,481,300.69	
Other profit or loss that meets the definition of non-recurring items of profit or loss		

Subtotal	318,995,004.54	
Less: Impact of income tax (“-” represents decrease)	54,882,891.58	
The impact of the minority interests (after tax)	-47,274.18	
Total non-recurring profit or loss attributable to owner of the Company	264,159,387.14	

2. Return on net assets and earnings per share

2.1 Details

Profit for the reporting period	Weighted average return on net assets (%)	EPS (RMB/Share)	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	35.28%	1.46	1.45
Net profit excluding non-recurring items of profit or loss attributable to ordinary shareholders of the Company	33.69%	1.40	1.39

2.2 Calculating process of weighted average return on net assets

Items		Serial Number	Amount for the current period
Net profit attributable to ordinary shareholders of the Company		A	5,869,049,646.23
Non-recurring items of profit or loss for the year		B	264,159,387.14
Net profit attributable to ordinary shareholders of the Company excluding Non-recurring items of profits or losses		C=A-B	5,604,890,259.09
Net assets attributable to ordinary shareholders of the Company		D	14,842,243,666.05
The increased net assets attributable to ordinary shareholders of the Company by issuance of new shares or debt-equity swap during the report period		E	27,884,192.10
The number of months from the next month after increase of net assets to the end of the report period		F	3
The decreased net assets attributable to ordinary shareholders of the Company by repurchase during the report period		G	
The number of months from the next month after decrease of net assets to the end of the report period		H	
The decreased net assets attributable to ordinary shareholders of the Company by cash dividend during the report period		I	1,627,651,210.40
The number of months from the next month after decrease of net assets to the end of the report period		J	9
Others	Share-based incentive scheme	K1	158,773,879.84
	The number of months from the next month after increase of net assets to the end of the report period	L1	6
	Purchase of the minority equities of the subsidiaries	K2	2,326,165.12
	The number of months from the next month after increase of net assets to the end of the report period	L2	12
	Translation differences arising on translation of financial statements denominated in foreign currencies	K3	-18,822,600.24

	The number of months from the next month after increase of net assets to the end of the report period	L3	6
	The number of months of the report period	M	12
	Weighted average net assets	$N = D + A/2 + E \times F/M - G \times H/M - I \times J/M + K \times L/M$	16,635,302,934.31
	Weighted average return on net assets	$O = A/M$	35.28%
	Weighted average return on net assets excluding non-recurring items of profits or losses	$P = C/M$	33.69%

2.3 Calculating process of basic earnings per share and diluted earnings per share

(1) Basic earnings per share

Items	Serial Number	Amount for the current period
Net profit attributable to ordinary shareholders of the Company	A	5,869,049,646.23
Non-recurring items of profit or loss for the year	B	264,159,387.14
Net profit attributable to ordinary shareholders of the Company excluding non-recurring items of profits or losses	$C = A - B$	5,604,890,259.09
Total shares at the beginning of the period	D	4,005,244,231.00
The increased shares by capitalization of capital reserves or distribution of dividend during the report period	E	
The increased shares by issuance of new shares or debt-equity swap during the report period	F	5,236,468.00
The number of months from the next month after increase of shares to the end of the report period	G	3
The decreased shares by repurchase during the report period	H	
The number of months from the next month after decrease of shares to the end of the report period	I	
The number of share combinations during the report period	J	
The number of months of the report period	K	12
The weighted average number of outstanding ordinary shares	$L = D + E + F \times G/K - H \times I/K - J$	4,006,553,348.00
Basic earnings per share	$M = A/L$	1.46
Basic earnings per share excluding non-recurring items of profit or loss for the year	$N = C/L$	1.40

(2) Diluted earnings per share

Items	Serial Number	Amount for the current period
Net profit attributable to shareholders of ordinary shares of the Company	A	5,869,049,646.23
Impact on net profits by dilutive potential ordinary shares	B	
Net profit attributable to shareholders of ordinary shares of the Company after dilution	$C = A - B$	5,869,049,646.23

Non-recurring items of profit or loss for the year	D	264,159,387.14
Net profit attributable to shareholders of ordinary shares of the Company after dilution and deduction of Extraordinary items of profit or loss for the year	$E=C-D$	5,604,890,259.09
The weighted average number of outstanding ordinary shares	F	4,006,553,348.00
Weighted average amount of the increased ordinary shares owing to the share warrant, the share option and the convertible bonds	G	32,822,359.50
The weighted average number of outstanding ordinary shares	$H=F+G$	4,039,375,707.50
Diluted earnings per share	$M=C/H$	1.45
Diluted earnings per share after deduction of Extraordinary items of profit or loss for the year	$N=E/H$	1.39

Section XI Documents Available for Reference

1. The financial statements signed and sealed by the Company's legal representative, responsible person in charge of accounting work and person in-charge of accounting organization.
2. The original copy of the auditor's report with the seal of the Certified Public Accountants Firm, and signed and stamped by Certified Public Accountants.
3. Original copy of all the Company's documents and announcements 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.

HANGZHOU HIKVISION DIGITAL TECHNOLOGY CO., LTD.

Chairman: Chen Zongnian

9 April 2016