

Zhejiang Dahua Technology Co., Ltd.

2018 Interim Report



August 2018

Section I Important Notes, Contents and Definitions

The Board of Directors, Board of Supervisors, Directors, Supervisors and Senior Management of Zhejiang Dahua Technology Co., Ltd. (hereinafter referred to as the "Company") hereby guarantee that the information presented in this interim report shall be authentic, accurate and complete and free of any false records, misleading statements or material omissions, and they will bear joint and several liabilities for such information.

Fu Liquan, the Company's legal representative, Wei Meizhong, chief accountant, and Xu Qiaofen, person in charge of accounting institution (Accounting Officer) hereby declare and warrant that the financial statements in this interim report are authentic, accurate and complete.

All directors attended the meeting of the Board of Directors for deliberation of this interim report.

The Company describes the significant risks that may be faced with by the Company in its future operations in “X. Risks of the Company and Risk Response Solutions” in Section IV “Operation Discussion and Analysis” of this report, and the investors are requested to pay attention to the risks.

The Company plans not to distribute cash dividends, send bonus shares, and not to convert capital reserves to share capital.

The Company invites each investor to carefully read the interim report and pay particular attention to the following risk factors:

1. Risk of technology upgrade

The video surveillance industry is a typical technology-intensive industry, which is changing extremely fast. The Company has always attached importance to technical innovation and R&D of new products, with a strong ability of continuous innovation. If the Company is unable to keep up with development trends in the industry's technology, to pay full attention to customers' diversified individual needs, and to be followed by sufficient R&D investments, it will still face the risk of losing market competitiveness due to discontinuous innovation.

2. Risk of business model transformation

With the development of network communications, cloud computing, and big data, as well as the popularity of smart phones, the business model in the IoT era may have an impact on the traditional industry development model. If an enterprise cannot timely grasp opportunities brought about by the business model transformation, it may face the risk that the original market structure becomes broken.

3. Risk of product information security

The Company attaches great importance to and continuously strengthens resource investment to ensure safe and reliable operations of the security system so as to respond to the product information security risks on the Internet. However, there may still exist hackers, computer viruses, physical security vulnerabilities, natural disasters, accidents, power interruptions, telecommunications failures, and other terrorism or warfare events, which exert influences such as security vulnerabilities, system failures, or service interruptions.

4. Risk of intellectual property rights

The acceleration of the Company's globalization and self-owned brand strategy will likely bring intellectual property risks such as IP rights protection and patent infringement. Preventions of and responses to the above risk such as rights claims or lawsuits, whether active or passive, all feature high costs, long cycles and high uncertainty, and may bring about risks such as fluctuations in business relations and public opinions environment, increased legal litigations and rising costs.

5. Risk of exchange rate

The Company's export transactions are mostly settled in United States Dollars ("USD"), while overseas sales

have increased continuously. Therefore, fluctuations in the foreign exchange rate have the potential to affect the profits of the Company.

6. Risk of decline in local fiscal spending power

At present, local fiscal earnings are declining, while debt is relatively high. If the local fiscal spending power falls, it may lead to a slowdown in the growth of industry demand, extensions to project time, long periods needed for companies to withdraw capital, and delays in customer' payments.

7. Risk of international operation

The Company's products and solutions cover as many as over one hundred countries and regions and international business may face the protectionism risk there, which may bring adverse impact on the Company's local business development.

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Definitions

Term	Definition
Reporting Period	January 1, 2018 to June 30, 2018
Dahua, Company, This Company	Zhejiang Dahua Technology Co., Ltd.
Dahua System Engineering, System Engineering Company	Zhejiang Dahua System Engineering Co., Ltd.
Dahua Vision Technology	Zhejiang Dahua Vision Technology Co., Ltd.
Dahua Security Network, Operation Company	Zhejiang Dahua Security Network Operation Service Co., Ltd.
Dahua Ju'an	Zhejiang Dahua Ju'an Technology Co., Ltd.
Guangxi Dahua Information	Guangxi Dahua Information Technology Co., Ltd.
Dahua Security	Zhejiang Dahua Security Service Co., Ltd.
Wuxi Ruide, Wuxi Dahua	Wuxi Dahua Ruide Electronic Technology Co., Ltd.
Guangxi Security	Guangxi Dahua Security Service Co., Ltd.
Huatu Microchip	Zhejiang Huatu Microchip Technology Co., Ltd.
Dahua Zhongzhi	Guangxi Dahua Zhongzhi Technology Co., Ltd.
Xiaohua Technology, Hangzhou Xiaohua	Hangzhou Xiaohua Technology CO., LTD.
Dahua Zhilian	Zhejiang Dahua Zhilian Co., Ltd.
Tecomore Technology	Hangzhou Tecomore Technology Co., Ltd.
Yancheng Zhongchuang	Yancheng Zhongchuang Dahua IoT Technology Co., Ltd.
Dahua Investment	Zhejiang Dahua Investment Management Co., Ltd.
South North United	South North United Information Technology Co., Ltd.
Guangxi Zhicheng, Dahua Zhicheng	Guangxi Dahua Zhicheng Co., Ltd.
Hangzhou Huacheng, Huacheng Network	Hangzhou Huacheng Network Technology Co., Ltd.
Xinjiang Information	Xinjiang Dahua Zhixin Information Technology Co., Ltd.
HuaRay Technology	Zhejiang HuaRay Technology Co., Ltd.
Fuyang Hua'ao	Hangzhou Fuyang Hua'ao Technology Co., Ltd.
Huafei Intelligent	Zhejiang Huafei Intelligent Technology CO., LTD.
Huachuang Vision	Zhejiang Huachuang Vision Technology Co., Ltd.
Guizhou Huayi	Guizhou Huayi Shixin Technology Co., Ltd.
Hunan System Technology	Hunan Dahua System Technology Co., Ltd.

Xinjiang Dahua Information	Xinjiang Dahua Information Technology Co., Ltd.
Xinjiang Intelligence	Xinjiang Dahua Intelligence Technology Co., Ltd.
Guizhou Intelligence	Guizhou Dahua Intelligence Technology Co., Ltd.
Xinjiang Zhihe	Xinjiang Dahua Zhihe Information Technology Co., Ltd.
China Standard Intelligent Security	China Standard Intelligent Security Technology Co., Ltd.
Guangxi Huacheng	Guangxi Huacheng Technology Co., Ltd.
Meitan Dahua Technology	Guizhou Meitan Dahua Information Technology Co., Ltd.
Inner Mongolia Zhimeng	Inner Mongolia Dahua Zhimeng Information Technology Co., Ltd.
Xinjiang Zhitian	Xinjiang Dahua Zhitian Information Technology Co., Ltd.
Xinjiang Xinzhi	Xinjiang Dahua Xinzhi Information Technology Co., Ltd.
Xinjiang Huayue	Xinjiang Dahua Huayue Information Technology Co., Ltd.
Dahua HK	Dahua Technology (HK) Limited
Dahua Intelligence (IoT) Industrial Park	Dahua Intelligence (IoT) Industrial Park Construction Project
Leapmotor Technology	Zhejiang Leapmotor Technology Co., Ltd.
Leapmotor Automobile	Leapmotor Automobile Co., Ltd.
Tianjin Dahua Information	Tianjin Dahua Information Technology Co., Ltd.
Hunan Dahua Zhilong	Hunan Dahua Zhilong Information Technology Co., Ltd.
Huaxiao Technology	Zhejiang Huaxiao Technology Co., Ltd.
Vision Technology	Zhejiang Vision Technology Co., Ltd.
Beijing Dahua Zhongcheng	Beijing Dahua Zhongcheng Technology Co., Ltd.
Xi'an Dahua Zhilian	Xi'an Dahua Zhilian Technology Co., Ltd.
Dahua USA	Dahua Technology USA Inc.
Dahua Europe	Dahua Europe B.V.
Dahua Middle East	Dahua Technology Middle East FZE
Dahua Mexico	Dahua Technology Mexico S.A. DE C.V
Dahua Chile	Dahua Technology Chile SpA
Dahua Malaysia	Dahua Security Malaysia SDN. BHD.
Dahua Korea	Dahua Technology Korea Company Limited
Dahua Indonesia	PT. Dahua Vision Technology Indonesia
Dahua Colombia	Dahua Technology Colombia S.A.S
Dahua Australia	Dahua Technology Australia PTY LTD
Dahua Singapore	Dahua Technology Singapore Pte. Ltd.
Dahua South Africa	Dahua Technology South Africa Proprietary Limited
Dahua Peru	Dahua Technology Perú S.A.C

Dahua Russia	Dahua Technology Rus Limited Liability Company
Dahua Brazil	Dahua Technology Brasil Comercio Serv Em Seguranca Eletronica Ltda
Dahua Canada	Dahua Technology Canada INC.
Dahua Panama	Dahua Technology Panama S.A.
Dahua Hungary	Dahua Technology Hungary Kft
Dahua Poland	Dahua Technology Poland Sp. z o.o.
Dahua Italy	Dahua Italy S.R.L.
Dahua Tunisia	Dahua Technology Tunisia
Dahua Kenya	Dahua Technology Kenya Limited
Dahua UK	Dahua Technology UK Limited
Dahua Bulgaria	Dahua Technology Bulgaria EOOD
Dahua Germany	Dahua Technology GmbH
Dahua Serbia	Dahua Technology SRB d.o.o.
Dahua India	Dahua Technology India Private Limited
Dahua Turkey	Dahua Guvenlik Teknolojileri Sanayi ve Ticaret A.S.
Dahua Czech	Dahua Technology Czech s.r.o.
Dahua Argentina	Dahua Argentina S.A.
Dahua Spain	Dahua Iberia, S.L.
Dahua Kazakhstan	Dahua Technology Kazakhstan LLP
Dahua Denmark	Dahua Technology Denmark Aps.
Dahua France	Dahua Technology France
American Lechange	Lorex Corporation
Dahua Technology Holdings	Dahua Technology Holdings Limited
Dahua New Zealand	Dahua Technology New Zealand Limited
Dahua Netherlands	Dahua Technology Netherlands B.V.
Dahua Morocco	Dahua Technology Morocco SARL
Dahua Romania	Dahua Technology S.R.L
Dahua Uzbekistan	DAHUA VISION LLC
Dahua Technology Italy	Dahua Technology Italy S.R.L.
Dahua Lorex	Lorex Technology Inc.

Section II Corporate Profile and Key Financial Indicators

I. Corporate Information

Stock Abbreviation	Dahua	Stock Code	002236
Stock Exchange Where the Shares of the Company are Listed	Shenzhen Stock Exchange		
Company Name in Chinese	浙江大华技术股份有限公司		
Abbr. of the Company Name in Chinese (If Any)	大华股份		
Company Name in English (If Any)	ZHEJIANG DAHUA TECHNOLOGY CO.,LTD		
Legal Representative	Fu Liquan		

II. Contacts and Contact Information

	Board Secretary	Securities Affairs Representative
Name	Wu Jian	Lou Qiongyu
Address	No. 1199, Bin'an Road, Binjiang District, Hangzhou City, Zhejiang Province	No. 1199, Bin'an Road, Binjiang District, Hangzhou City, Zhejiang Province
Tel.	0571-28939522	0571-28939522
Fax	0571-28051737	0571-28051737
E-mail	zqsw@dahuatech.com	zqsw@dahuatech.com

III. Other Relevant Information

1. Contact information of the Company

Are there any changes in the registered address, office address, postal code, website and email of the Company during the reporting period

Applicable Not applicable

There are no changes in the registered address, office address, postal code, website and email of the Company during the reporting period. For details, refer to 2017 Annual Report.

2. Information disclosure and place of the report

Are there any changes in the information disclosure and place for report preparation during the reporting period

Applicable Not applicable

There are no changes in the newspaper designated by the Company for information disclosure, website specified by CSRC for release of the interim report and place for interim report preparation during the reporting period. For details, refer to 2017 Annual Report.

IV. Key Accounting Data and Financial Indicators

Whether the Company needs performed retroactive adjustment or restatement of accounting data in prior years or not

Yes No

	The current reporting period	The corresponding period of last year	YoY Change(%)
Operating Revenue (RMB)	9,814,041,352.48	7,464,664,934.38	31.47%
Net Profit Attributable to Shareholders of the Listed Company (RMB)	1,081,916,886.52	983,001,211.23	10.06%
Net Profit Attributable to Shareholders of the Llisted Company after Deducting Non-recurring Gains and Losses (RMB)	1,107,484,389.00	970,581,936.99	14.11%
Net Cash Flow Generated by Operational Activities (RMB)	-1,096,356,837.00	-921,403,890.23	-18.99%
Basic Earnings per Share (RMB/Share)	0.37	0.34	8.82%
Diluted Earnings per Share (RMB/Share)	0.37	0.34	8.82%
Weighted Average ROE	9.91%	11.29%	-1.38%
	At June 30, 2018	At December 31, 2017	YoY Change (%)
Total Assets (RMB)	22,227,058,009.68	21,333,478,563.97	4.19%
Net Assets Attributable to Shareholders of the Listed Company (RMB)	10,976,288,947.34	10,466,434,375.19	4.87%

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

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

Applicable Not applicable

There are no differences of net profits and net assets in the financial reports disclosed according to the international accounting standards and Chinese accounting standards during 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 Not applicable

There are no differences of net profits and net assets in the financial reports disclosed according to the overseas accounting standards and Chinese accounting standards during the reporting period.

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

Applicable Not applicable

Unit: RMB

Item Name	Amount	Note
Profits or Losses From Disposal of Non-Current Assets (Including the Write-Off for the Accrued Impairment of Assets)	-268,972.91	
The Government Subsidies Included in The Current Profits and Losses (Excluding the Government Subsidies Closely Related to Regular Businesses of The Company and Issued in the Quota or Quantity Based on the National Standards)	3,694,113.32	
Profits and Losses Resulting From the Changes in Fair Value for Holding Trading Financial Assets and Trading Financial Liabilities, and Investment Income from Disposal of Trading Financial Assets, Trading Financial Liabilities, and Financial Assets Available for Trading, Excluding the Effective Hedging Businesses Related to the Regular Business Operation of the Company	-37,233,326.63	
Non-operating Revenue and Expenses Other Than the Above	3,277,285.64	
Other Gains and Losses Items that Fit the Definition of Non-recurring Gains and Losses	599,965.97	
Less: Impact of Income Tax	-4,631,091.16	
Impact of Minority Equity (after tax)	267,659.03	
Total	-25,567,502.48	--

For items defined as non-recurring gains and losses according to the No. 1 Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to Public - Non-recurring Gains and Losses, or non-recurring gains and losses items listed in the said document defined as recurring ones, please specify the reasons.

Applicable Not applicable

In the reporting period, the Company did not define any non-recurring gains and losses items defined and listed in the No. 1 Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to Public - Non-recurring Gains and Losses, as recurring gains and losses items.

Section III Corporate Business Summary

I. The Principal Business of the Company during the Reporting Period

There are no significant changes in the principal business of the Company during the reporting period. For details, refer to 2017 Annual Report.

II. Major Changes in Main Assets

1. Major changes in main assets

Major Assets	Explanation of Material Changes
Equity Assets	Decrease by 55.25% compared with the beginning of the year mainly due to equity transfer of joint-stock companies and confirmation of investment gains and losses by joint-stock companies
Fixed Assets	No Significant Change
Intangible Assets	No Significant Change
Construction in Progress	No Significant Change

2. Major overseas assets

Applicable Not applicable

III. Core Competitiveness

There are no significant changes in the core competitiveness of the Company during the reporting period. For details, refer to 2017 Annual Report.

Section IV. Operation Discussion and Analysis

I. Overview

During the first half year of 2018, despite geopolitical headwinds overseas, the Company has been focusing on technological innovation as its foundation, customer demands as its guidance and customer success as its objective. Supported by its constant technological innovation, extensive industry experience and wide customer coverage, the Company unceasingly improves its video-centric smart IoT solutions and actively grasps the market and industry trends to promote its stable growth of business performance. During the reporting period, the Company has achieved RMB 9.814 billion in operating revenue, a year-over-year increase of 31.47% and RMB 1.082 billion in net profits attributable to shareholders of the listed company, a year-over-year increase of 10.06%.

Main business strategies of the Company include:

1. Strengthening the precise investment of R&D, and continuously improving the ability of core technologies and end to end comprehensive solutions

The Company gains deep insight into the industry and technology trends, strengthens the precise investment of R&D, and continuously improves and completes the ability of core technologies, platforms, products and end to end comprehensive solutions. During the reporting period, the Company has actively implemented its AI strategy of "intelligence computing, ecosystem, and ecosystem sensing", focused on customers' business scenarios and enriched the cooperative ecosystem, forming full range of AI products and solutions for actual practice.

2. Further developing customer interface, and gaining insight into customers' business demands to create value for customers

The Company continuously takes customers' demands as the orientation, and deeply explores the market and the customers' business demands to provide customers with better value. Based on the properties and business values of different customer groups, the Company has formed tiered and hierarchical customer management strategies and refined customer management mechanisms, and provided targeted products and solutions by getting closer to customers and deeply exploring and segmenting customer groups' demands to support customers' business success.

3. Optimizing the construction of the global marketing network and continuously expanding domestic and foreign markets

In the domestic market, the Company actively promotes refined channel operation to improve channel quality and efficiency, and explores city and industry markets to improve the ability to offer solutions closer to customer's business scenarios. In the overseas market, the Company continues to optimize construction of the global marketing network, expand overseas markets, gradually improve overseas subsidiaries' ability in localized operation and service to optimize the revenue structure; at the same time, the Company continuously perfects the compliance operation system and the management and control mechanism, and deepens the management of intellectual property rights to lower the operational risks

4. Continuously promoting systematic management optimization and improving organizational ability and operation efficiency

The Company takes customer success as the goal, continuously carries out systematic management reforms, and improves internal management level and operation efficiency by carrying out LTC, IPD, ISD and ITR and other core business process reform projects to lay the foundation for subsequent high-quality development.

II. Core Business Analysis

Overview

The same as the overview disclosed in "Discussion and Analysis of Business Circumstance"

Yes No

See "I. Overview" in "Discussion and Analysis of Business Circumstance".

Changes in key financial data over the corresponding period of last year

Unit: RMB

	Current Reporting Period	Corresponding Period of Last Year	YoY Change (%)	Reason of Changes
Operating Revenue	9,814,041,352.48	7,464,664,934.38	31.47%	Sales grow as market demands steadily increase.
Operating Cost	6,230,120,445.06	4,520,040,801.14	37.83%	Costs grow as sales increase.
Sales Expenses	1,252,741,900.83	946,818,977.03	32.31%	Due to growth of fees such as market charges as sales revenue increases.
Management Fees	1,134,328,456.62	1,018,690,379.20	11.35%	
Financial Expenses	-22,880,395.85	48,639,551.95	-147.04%	Mainly due to exchange gain growth in the current period as a result of exchange rate fluctuation.
Income Tax Expense	165,721,533.63	153,360,669.71	8.06%	
R&D Investment	865,129,052.09	796,493,894.36	8.62%	
Net Cash Flow Generated by Operational Activities	-1,096,356,837.00	-921,403,890.23	-18.99%	
Net Cash Flow Generated by Investment Activities	-349,648,911.60	-236,542,897.00	-47.82%	Mainly due to increase in asset buyout in the current period.
Net Cash Flow Generated by Financing Activities	233,280,496.68	673,997,688.77	-65.39%	Mainly due to repayment of bank loans and increase in distributed dividend in the current period compared with the corresponding period of last year.
Net Additions to Balance of Equivalents	-1,197,623,717.25	-506,029,390.46	-136.67%	Mainly due to increase in asset buyout, loan repayment and distributed dividend in the current period.

Significant changes in the profit structure or profit source of the Company in the reporting period

Applicable Not applicable

There are no significant changes in the profit structure or profit source of the Company during the reporting period.

Operating revenue structure

Operating revenue structure

Unit: RMB

	Current Reporting Period	Corresponding Period of Last Year	YoY Change (%)
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	Amount	Proportion to Operating Revenue	Amount	Proportion to Operating Revenue	
Total Operating Revenue	9,814,041,352.48	100%	7,464,664,934.38	100%	31.47%
Classified by Industry					
Security Industry	9,814,041,352.48	100.00%	7,464,664,934.38	100.00%	31.47%
Classified by Product					
Solutions	5,018,508,530.50	51.13%	3,744,380,956.32	50.16%	34.03%
Product	4,054,905,104.84	41.32%	3,179,984,475.04	42.60%	27.51%
Other	740,627,717.14	7.55%	540,299,503.02	7.24%	37.08%
Classified by Region					
Domestic	6,375,294,969.60	64.96%	4,783,576,921.83	64.08%	33.27%
Overseas	3,438,746,382.88	35.04%	2,681,088,012.55	35.92%	28.26%

The industry, product, or region that accounts for over 10% of the Company's operating revenue or profit

√ Applicable □ Not applicable

Unit: RMB

	Operating Revenue	Operating Cost	Gross Profit Margin	Increase or Decrease of Operating Revenue over the Corresponding Period of the Last Year	Increase or Decrease of Operating Cost over the Corresponding Period of the Last Year	Increase or Decrease of Gross Profit over the Corresponding Period of the Last Year
Classified by Industry						
Security Industry	9,814,041,352.48	6,230,120,445.06	36.52%	31.47%	37.83%	-2.93%
Classified by Product						
Solutions	5,018,508,530.50	2,911,635,789.84	41.98%	34.03%	36.48%	-1.04%
Product	4,054,905,104.84	2,603,756,661.09	35.79%	27.51%	39.02%	-5.31%
Classified by Region						
Domestic	6,375,294,969.60	4,051,920,136.45	36.44%	33.27%	28.26%	-1.06%
Overseas	3,438,746,382.88	2,178,200,308.61	36.66%	28.26%	42.32%	-6.26%

When the statistical caliber of the Company's main business data is adjusted during the reporting period, the Company's main business data should be subject to the one after the statistical caliber at the end of the reporting period is adjusted in the most recent year

□ Applicable √ Not applicable

Reasons for over 30% changes in related data on year-on-year basis

√ Applicable □ Not applicable

See details in "II Analysis of Main Business, Changes in Key Financial Data over the Corresponding Period of Last Year" in this section.

III. Non-core Business Analysis

Applicable Not applicable

IV. Analysis of Assets and Liabilities

1. Major changes in assets

Unit: RMB

	At the End of the Current Reporting Period		At the End of the Corresponding Period of Last Year		Proportion Change	Note on Significant Changes
	Amount	Proportion to Total Assets	Amount	Proportion to Total Assets		
Cash and Bank Balances	2,382,180,540.73	10.72%	3,612,937,164.14	16.94%	-6.22%	No Significant Change
Accounts Receivable	9,081,550,539.87	40.86%	7,539,944,756.69	35.34%	5.52%	Grow as the Company expands and revenue increases.
Inventory	3,386,228,156.72	15.23%	2,806,142,598.65	13.15%	2.08%	Mainly due to company expansion and increased stock.
Investment Property	176,630,008.83	0.79%	181,050,142.29	0.85%	-0.06%	No Significant Change
Long-term Equity Investment	27,418,099.40	0.12%	61,272,885.41	0.29%	-0.17%	Mainly due to equity transfer of joint-stock companies and confirmation of investment gains and losses by the joint-stock companies in the current period.
Fixed Assets	1,269,148,988.00	5.71%	1,248,305,165.77	5.85%	-0.14%	No Significant Change
Construction in Progress	67,137,899.76	0.30%	58,779,225.41	0.28%	0.02%	No Significant Change
Short-term Loans	2,541,402,275.54	11.43%	1,770,924,255.90	8.30%	3.13%	Mainly due to increase in bank loans.
Long-term Loans	179,500,000.00	0.81%	230,000,000.00	1.08%	-0.27%	No Significant Change

2. Assets and liabilities measured at fair value√ Applicable Not applicable

Unit: RMB

Item Name	At the Beginning of the Reporting Period	Changes in Fair Value Gains and Losses in the Current Period	Cumulative Fair Value Changes in Equity	Impairment Loss of the Reporting Period	Purchase Amount of the Reporting Period	Sales Amount of the Reporting Period	At the End of the Reporting Period
Financial Assets							
Financial Liabilities	62,450,000.00	41,332,765.27					103,782,765.27

Are there any significant changes in the measurement attributes of the company's main assets during the reporting period?

 Yes No**3. Assets right restrictions as of the end of reporting period**

As of June 30, 2018, the Company has pledged money funds amounting to RMB 517,125,264.10 for bank borrowings and issuance of L/G, notes receivable amounting to RMB 1,592,282,191.90 for issuance of bank acceptance and long-term account receivable amounting to RMB 351,064,980.00 for bank borrowings.

V. Analysis of Investments**1. Overview**√ Applicable Not applicable

Investment during the Reporting Period (RMB)	Investment over the Corresponding Period of Last Year	Fluctuation (%)
433,638,796.38	923,706,452.54	-53.05%

2. Significant equity investments acquired during the reporting period Applicable Not applicable**3. Major non-equity investments underway during the reporting period**√ Applicable Not applicable

Unit: RMB

Project Name	Investment Method	Fixed Assets Investme	Project industry	Investment during the	Cumulative Actual	Source of funds	Project Progress	Anticipated Income	Cumulative Income	Reasons for Unreach	Date of Disclosure (If	Disclosure Index (If Any)
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		nt or not		Current Reporting Period	Investment by the End of Reporting Period				by the End of the Reporting Period	ed Planned Progress and Anticipated Income	Any)	
Dahua Intelligence (IoT) Industrial Park	Self-construction	Yes	Video surveillance industry	24,760,122.04	842,801,701.88	Self-raised funds	42.14%			N/A	December 2, 2014	Juchao Information Website http://cninfo.com.cn/
Total	--	--	--	24,760,122.04	842,801,701.88	--	--			--	--	--

4. Financial assets measured at fair value

Applicable Not applicable

5. Securities investments

Applicable Not applicable

There are no securities investment during the current reporting period.

6. Derivatives investments

Applicable Not applicable

Unit: ten thousand RMB

Name of the Operator of Derivative Investment	Association	Affiliated Transaction or Not	Type of Derivative Investment	Initial Amount of Derivative Investment	Starting Date	Expiry Date	Opening Investment Amount	Provision for Impairment Accrued (If Any)	Closing Investment Amount	Ratio of Closing Investment Amount over the Company's Closing Net Asset at the End of the Reporting Period	Actual Amount of Gain or Loss during the Reporting Period
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Bank	Non-associated	No	Exchange contract		May 29, 2018	June 17, 2019			165,415.00	15.07%	-3,823.83
Total					--	--			165,415.00	15.07%	-3,823.83
Source of Derivative Investment Fund				Equity Fund							
Legal Actions (If Applicable)				N/A							
Disclosure Date of Derivative Investment Approval Announcement by Board of Directors (If Any)				May 9, 2018							
Disclosure Date of Derivative Investment Approval Announcement by Board of Shareholders (If Any)				May 29, 2018							
Analysis of Derivatives Position Risk and Control Measure Explanation during the Reporting Period (Including but Not Limited to Market Risk, Liquidity Risk, Credit Risk, Operation Risk, Legal Risk and so on)				Please see Announcement on Adjusting Foreign Exchange Hedging Transactions (announcement No.: 2018-040) disclosed on May 9, 2018 for details of risk analysis and control measures							
As for Variations in Market Prices or Fair Values of the Invested Derivatives during the Reporting Period, Detailed Method Used and Related Presumptions and Indicator Settings Should Be Disclosed in the Analysis of Fair Value of Derivatives				The Company's accounting of derivatives' fair value is mainly based on the unexpired future foreign exchange settlement contract between the Company and the bank during the reporting period and the transactional financial assets or transactional financial liabilities are confirmed by the difference between the closing contract price and future foreign exchange rate.							
Is There Any Material Change in Accounting Policies and Specific Principles of Accounting Policies for the Company's Derivatives during the Reporting Period Compared with the Previous Reporting Period				N/A							
Independent Director's Opinion of the Company's Derivative Investment and Risk Control				N/A							

7. Use of raised funds

Applicable Not applicable

No use of funds in the reporting period of the Company

8. Significant non-fundraising investment during the reporting period

Applicable Not applicable

Unit: ten thousand RMB

Item Name	Total Planned Investment	Amount Invested In The Current Reporting Period	Cumulative Actual Investment As Of The End Of Reporting Period	Project Progress	Project Profit	Disclosing Date (If Any)	Disclosing Index (If Any)
Dahua Intelligence (IoT) Industrial Park	200,000	2,476.01	84,280.17	42.14%	Not applicable.	Tuesday, December 2, 2014	Announcement on Investing in Constructing Smart (Internet of Things) Industrial Park in Fuyang, Juchao information website http://www.cninfo.com.cn
Total	200,000	2,476.01	84,280.17	--	--	--	--

VI. Major Assets and Equity Sales

1. Major assets sales

Applicable Not applicable

No major assets sales in the reporting period of the Company

2. Major equity sales

Applicable Not applicable

VII. Analysis of Major Subsidiaries and Investees

Applicable Not applicable

Major subsidiaries and joint-stock companies with a net profit impact of over 10%.

Unit: RMB

Company Name	Company Type	Main Business	Registered Capital	Total Assets	Net Assets	Operating Revenue	Operating Profit	Net Profit
Zhejiang Dahua System Engineering Co., Ltd.	Subsidiary Company	The development, production, installation and sales of electronic and communication products; the design, construction and installation of computer system	500,000,000.00	3,090,517,925.08	1,177,782,652.03	593,924,044.97	-27,865,022.59	-23,883,776.79

		integration and automated control engineering						
Zhejiang Dahua Vision Technology Co., Ltd.	Subsidiary Company	The development, sales, and technical services related to computer software, as well as the design, development, production and sales of security equipment, electronic products and communications products	646,810,000.00	15,836,190,423.08	936,528,476.52	8,714,821,756.14	230,367,871.68	173,389,531.85
Zhejiang Dahua Zhilian Co., Ltd.	Subsidiary Company	Production and sales of electronic products and auxiliary equipment; technological development, technical consultation and services, achievement transference of computer software, electronic products, communications products, and digital security products; self-owned house lease; catering service; import and export of goods.	1,110,000,000.00	2,849,688,414.76	978,253,012.88	235,219,679.35	20,569,939.02	15,535,000.52

Acquisition and disposal of subsidiaries during the reporting period

√ Applicable □ Not applicable

Company Name	Method of Acquisition and Disposal of Subsidiaries during the Reporting Period	Impact on Overall Production Management and Performance
Tianjin Dahua Information Technology Co., Ltd.	Established with investment	No significant impact on overall production and performance

Hunan Dahua Zhilong Information Technology Co., Ltd.	Established with investment	No significant impact on overall production and performance
Zhejiang Huaxiao Technology Co., Ltd.	Established with investment	No significant impact on overall production and performance
Zhejiang Vision Technology Co., Ltd.	Established with investment	No significant impact on overall production and performance
Beijing Dahua Zhongcheng Technology Co., Ltd.	Established with investment	No significant impact on overall production and performance
Dahua Technology New Zealand Limited	Established with investment	No significant impact on overall production and performance
Dahua Technology Netherlands B.V.	Established with investment	No significant impact on overall production and performance
Dahua Technology Morocco SARL	Established with investment	No significant impact on overall production and performance
Dahua Technology S.R.L	Established with investment	No significant impact on overall production and performance
DAHUA VISION LLC	Established with investment	No significant impact on overall production and performance
Xi'an Dahua Zhilian Technology Co., Ltd.	Established with investment	No significant impact on overall production and performance
Dahua Technology Italy S.R.L.	Equity acquisition	No significant impact on overall production and performance
Lox Technology Inc.	Equity acquisition	No significant impact on overall production and performance
Jiangsu Dahua Zhiyun Information Technology Co., Ltd.	Deregistration	No significant impact on overall production and performance
1151551 B.C.LTD	Established with investment and deregistered	No significant impact on overall production and performance

VIII. Structured Entities Controlled by the Company

Applicable Not applicable

IX. Guidance on Company's Business Performance from January 1, 2018 to September 30, 2018

Forecast of operation performance in January - September 2018: net profits attributable to shareholders of the Company is positive and this is not returning to profitability.

Variation in Net Profits Attributable to Shareholders of the Company in January - September 2018	0%	to	15%
Variation Scope in Net Profits Attributable to Shareholders of the Company (Ten Thousand RMB) in January - September 2018	144,449.38	to	166,116.79
Net Profits Attributable to Shareholders of the Company (Ten Thousand RMB) in January - September 2017	144,449.38		
Reasons for Changes in Performance	With the Company's sales and operation revenue growing, it is forecasted that the net profits attributable to the owner of the parent company increases by 0%-15% compared with the corresponding period of last year.		

X. Risks of the Company and Risk Response Solutions

In the reporting period, there are no changes in the risks faced with by the Company, and the Company has always been striving to identify all the risks, and actively taking the countermeasures to avoid and lower the risks:

1. Risk of technology upgrade: The video surveillance industry is a typical technology-intensive industry, which is changing extremely fast. If the Company is unable to keep up with development trends in the industry's technology, to pay full attention to customers' diversified individual needs, and to be followed by sufficient R&D investments, it will still face the risk of losing market competitiveness due to discontinuous innovation. The Company continuously enhances researches on core technologies in AI, video cloud, chip design and other fields by enhancing R&D investment, reserves product, technology, management and talent resources to gear to the broader market in the future, thus realizing sustained and steady development of the Company's businesses.

2. Risk of business model transformation: With the development of network communications, cloud computing, and big data, as well as the popularity of smart phones, the business model in the IoT era may have an impact on the traditional industry development model. If an enterprise cannot timely grasp opportunities brought about by the business model transformation, it may face the risk that the original market structure becomes broken. The Company pays constant attention to and studies the significant changes in the global economy, industry and technological fields, analyzes the development logics of the industry, continuously integrates the evolution and video technologies in the global security industry and IoT industry with the information communication technologies and digital technologies, pre-judges diversification and uncertainty of customers' demands, consolidates the original advantage markets, actively explores and conducts experiments on new businesses and new business models, and makes layouts in businesses and technologies.

3. Risk of product information security: The Company attaches great importance to and continuously strengthens resource investment to ensure safe and reliable operations of the security system so as to respond to the product information security risks on the Internet. However, there may still exist hackers, computer viruses, physical security vulnerabilities, natural disasters, accidents, power interruptions, telecommunications failures, and other terrorism or warfare events, which exert influences such as security vulnerabilities, system failures, or service interruptions. The Company has set up a network security committee and a professional network security team as well as developed product security programs at the company level, ensuring safety across the whole process including demand, design, coding and testing. At the same time, actively carry out technical exchanges and cooperation with external mainstream security manufacturers, security evaluation institutions and corresponding industry security associations to ensure the provision of security products and solutions for customers.

4. Risk of intellectual property rights: The acceleration of the Company's globalization and self-owned brand strategy will likely bring intellectual property risks such as IP rights protection and patent infringement. The Company attaches great importance to technical innovation and has established the mechanisms for protection and management of innovation achievements, private brands,

trade secrets and other intangible assets to constantly concentrate advantageous intellectual property right assets; established the system for compliance and risk control of the intellectual property rights to constantly enhance the Company's ability in understanding and grasping the intellectual property right laws and regulations and administrative judicial environments in the region where the Company's businesses are located.

5. Risk of exchange rate: The Company's export transactions are mostly settled in United States Dollars ("USD"), while overseas sales have increased continuously. Therefore, fluctuations in the foreign exchange rate have the potential to affect the profits of the Company. The Company, considering that US dollars is mainly adopted as the settlement currency, hedges and avoids risks of exchange rate by centralized management of foreign exchange funds, procurement payment hedging and other approaches.

6. Risk of decline in local fiscal spending power: At present, local fiscal earnings are declining, while debt is relatively high. If the local fiscal spending power falls, it may lead to a slowdown in the growth of industry demand, extensions to project time, long periods needed for companies to withdraw capital, and delays in customer' payments. The Company continuously perfects internal control system and optimizes project review methods, and reduces the risks of delay in payment by prudently selecting local engineering projects and systematically evaluating the project risks and reasonably conducting risk management and control.

7. Risk of international operation: The Company's products and solutions cover as many as over one hundred countries and regions and international business may face the protectionism risk there, which may bring adverse impact on the Company's local business development. The Company actively prevents and deals with international operation risks, establishes overseas compliance and risk control system and continuously advances understanding and adaptability of laws and regulations as well as political and economical environment in the regions where the Company's business is involved.

Section V Significant Events

I. Annual General Meetings and Extraordinary General Meetings Convened during the Reporting Period

1. Annual general meetings convened during the reporting period

Meeting	Nature	Proportion of Participating Investors	Convened Date	Date of Disclosure	Disclosure Index
First Extraordinary General Meeting in 2018	Extraordinary General Meeting	45.25%	March 6, 2018	March 7, 2018	Juchao Information Website http://www.cninfo.com.cn/
2017 Annual General Meeting	Annual General Meeting	49.53%	April 27, 2018	April 28, 2018	Juchao Information Website http://www.cninfo.com.cn/
Second Extraordinary General Meeting in 2018	Extraordinary General Meeting	42.05%	May 28, 2018	May 29, 2018	Juchao Information Website http://www.cninfo.com.cn/

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

Applicable Not applicable

II. Proposals for Profit Distribution or Capitalization of Capital Reserves during the Reporting Period

Applicable Not applicable

The Company plans not to distribute cash dividends, send bonus shares, or convert capital reserves to share capital for the first half year.

III. Complete and Incomplete Commitments of the Company and Its Actual Controller, Shareholders, Related parties, Acquirers, and Other Related Parties by the End of the Reporting Period

Applicable Not applicable

Commitments	Giver of Commitments	Commitments Type	Details	Time	Term	Performance
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Commitments Made during Initial Public Offerings or Refinancing	Fu Liquan, Zhu Jiangming, Chen Ailing, Wu Jun	Commitment on restricted shares	The number of shares transferred each year during his/her term of service shall not exceed 25 percent of the total number of shares he/she holds in the Company; he/she shall not transfer his/her shares in the Company within half a year after he/she leaves the Company; within the next twelve months, the number of shares sold through the stock exchange listing transactions shall not exceed 50% of the total shares he/she holds.	July 15, 2007	Long-term	As of the disclosure date of this announcement, the aforementioned commitments are still in strict execution.
Other Commitments to Minority Shareholders of the Company	Fu Liquan, Chen Ailing	Commitment on horizontal competition	(1) He/she will not directly engage in operational activities that constitute horizontal competition with the stock company's business; (2) for companies he/she held or indirectly held, he/she will fulfill the obligations under this commitment through agencies and personnel (including but not limited to directors and managers); (3) if the stock company further expands its range of products and business scope, he/she and the company held by him/her will not compete with the expanded range of products or businesses of the stock company.	June 30, 2007	Long-term	As of the disclosure date of this announcement, the aforementioned commitments are still in strict execution.
Whether the Commitment Is Fulfilled on Time	Yes					

IV. Engagement and Dismissal of the CPA Firm

Whether the interim report has been audited

Yes No

The interim report of the Company has not been audited.

V. Explanation Given by the Board of Directors and Supervisory Committee Regarding the “Non-standard Auditor’s Report” Issued by the CPA Firm for the Reporting Period

Applicable Not applicable

VI. Explanation Given by the Board of Directors Regarding the “Non-standard Auditor’s Report” Issued by the CPA Firm for the Prior Year

Applicable Not applicable

VII. Bankruptcy and Restructuring

Applicable Not applicable

No such case as bankruptcy and reorganization related event during the reporting period.

VIII. Material Litigation

Significant litigation and arbitrations

Applicable Not applicable

No such case as significant lawsuit or arbitration during the reporting period.

Other lawsuits

Applicable Not applicable

IX. Media Queries

Applicable Not applicable

No such case as common challenge from media during the reporting period.

X. Punishments and Rectifications

Applicable Not applicable

No such case as penalty and rectification during the reporting period.

XI. Integrity of the Company and Its Controlling Shareholder and Actual Controllers

Applicable Not applicable

XII. Implementation of the Company's Equity Incentive Plan, Employee Stock Incentive Plan or Other Incentive Plans

Applicable Not applicable

On May 16, 2017, the Company's 2016 Annual General Meeting of Shareholders reviewed and approved the Zhejiang Dahua Technology Co., Ltd. Phase III Employee Stock Ownership Plan (Draft) and its summary, and decided to implement the Phase III Employee Stock Ownership Plan. On June 1, 2017, the Company's Phase III Employee Stock Ownership Plan completed the purchase of the shares through the Caitong Securities Asset Management Dahua No. 3 Directed Asset Management Plan, with an average purchase price of RMB16.83 per share and a purchase volume of 47,000,000 shares. As of June 2, 2018, the lock-up period of the Company's Phase III Employee Stock Ownership Plan expired.

XIII. Significant Related-Party Transactions

1. Related-party transactions arising from routine operation

Applicable Not applicable

No such case as related-party transactions connected with daily operations.

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

Applicable Not applicable

No such case as related-party transactions arising from the acquisition or sale of assets or equity.

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

Applicable Not applicable

For details, see "5. Other Significant Related-party Transactions" in this section.

4. Related-party creditor's rights and debts

Applicable Not applicable

There are no related credits and debts during the reporting period.

5. Other significant related-party transactions

Applicable Not applicable

1) On January 25, 2018, the Company's 5th session of the 6th Board of Directors' meeting reviewed and approved the Proposal on Adjustment of Joint Investment Plan with Related Persons and Related-party Transactions (I). It's agreed to adjust the contributions to Zhejiang Huaan Technology Co., Ltd. (temporary name) with the related legal person Zhejiang Huashi Investment Management Co., Ltd., the related natural person Wei Meizhong and 15 unrelated natural persons. After the adjustment, the Company will contribute RMB 25.5 million with its own funds, accounting for 51% of the registered capital. In March 2018, the project company was established and the name of the company approved by the industrial and commercial bureau is Zhejiang Huaxiao Technology Co., Ltd.

2) On January 25, 2018, the Company's 5th session of the 6th Board of Directors' meeting reviewed and approved the Proposal on Adjustment of Joint Investment Plan with Related Persons and Related-party Transactions (II). It's agreed to adjust the contributions to Zhejiang Huazhi Technology Co., Ltd. (renamed as Zhejiang Dahua Robot Technology Co., Ltd.) with the related legal person Zhejiang Huashi Investment Management Co., Ltd. and the unrelated persons. After the adjustment, the Company will contribute RMB 25.5 million with its own funds, accounting for 51% of the registered capital; Huashi Investment will contribute RMB 24.5 million in cash, accounting for 49% of the registered capital. In August 2018, the project company was established.

3) On January 25, 2018 the Company's 5th session of the 6th Board of Directors' meeting reviewed and approved the Proposal on Giving up the Shareholding Company's Right to Increase Capital with the Same Percentage and Related-party Transactions. It is agreed to give up the right of 8 investors including Ningbo Jinghang Equity Investment Partnership, Ningbo Gulin Equity Investment Partnership and Hangzhou Yixun Investment Management Partnership to increase the capital of Zhejiang Leapmotor Technology Co., Ltd. with the same percentage. The total amount of related-party transactions involved in giving up the right to increase the capital with the same percentage is RMB 41,948,300. The change of industrial and commercial registrations for the above matter was completed in March 2018.

4) On April 17, 2018, the Company's 8th session of the 6th Board of Directors' meeting reviewed and approved the Proposal on Increasing Capital in Holding Subsidiaries and Related-party Transactions. The Company and the related person Mr. Fu Liquan increased capital in holding subsidiary Hangzhou Huacheng Network Technology Co., Ltd. with the same percentage. Among them, the Company increased the capital by RMB 20.4 million. Upon completion of the capital increase, the registered capital of Huacheng Network was increased from RMB19.6 million. Upon completion of the capital increase, the registered capital of Huacheng Network was increased from RMB 10 million to RMB 50 million. The change of industrial and commercial registrations for the above matter

was completed in April 2018.

5). On May 31, 2018, the Company's 11th session of the 6th Board of Director's meeting reviewed and approved the Proposal on Accepting Transfer of Part of the Equity of the Company and Giving up the Priority to Accept Transfer and Related-party Transactions. It is agreed to: (1) Accept transfer of 6% equity in HuaRay Technology held by the related legal person Zhejiang Huashi Investment Management Co., Ltd., and give up the priority to accept transfer of 49% equity in HuaRay Technology by the related legal person Huashi Investment, the related natural person Zhang Xingming and other unrelated persons to the related legal persons and the core employee venture capital investment new business shareholding platform Ningbo Huayu Investment Management Partnership Enterprise (hereinafter referred to as "Ningbo Huayu"); (2) Give up the priority to accept transfer of 49% equity in Zhejiang Huachuang Vision Technology Co., Ltd. held by the related legal person Huashi Investment and other unrelated natural persons to Ningbo Huayu; (3) Give up the priority to accept proposed transfer of 49% equity in Zhejiang Dahua Security Network Operation Service Co., Ltd. held by the related legal person Huashi Investment, the related natural person Wu Jun and other unrelated persons to Ningbo Huayu. In July 2018, the above three matters about equity transfer were completed.

6). On May 31, 2018, the Company's 11th session of the 6th Board of Director's meeting reviewed and approved the Proposal on Making Joint Investment with the Related Persons and Related-party Transactions. It is agreed to jointly fund the establishment of Wuxi Dahua Ruipin Technology Co., Ltd. with the related legal person Huashi Investment. Among them, the Company contributed RMB 25.5 million with its own funds, accounting for 51% of the registered capital. Huashi Investment contributed RMB 24.5 million by cash, accounting for 49% of the registered capital. In June 2018, the project company was established.

7). On June 21, 2018, the Company's 12th session of the 6th Board of Director's meeting reviewed and approved the Proposal on Giving up the Priority to Accept Transfer and Related-party Transactions. It is agreed to give up the priority to accept the proposed transfer of 49% equity in Hangzhou Huacheng Network Technology Co., Ltd. held by the Company's controlling shareholder Fu Liquan to the related legal persons and the core employee venture capital investment new business shareholding platform Ningbo Huayu. In July 2018, this equity transfer was completed.

Website for disclosing the interim report on significant related-party transactions

Announcement Name	Date of Disclosure	Website for the Disclosure
Announcement on adjustment of joint investment plan with related persons and related-party transactions (I)	January 26, 2018	Juchao Information Website http://www.cninfo.com.cn/
Announcement on adjustment of joint investment plan with related persons and related-party transactions (II)	January 26, 2018	Juchao Information Website http://www.cninfo.com.cn/
Announcement on giving up the shareholding company's right to increase capital with the same percentage and related-party transactions	January 26, 2018	Juchao Information Website http://www.cninfo.com.cn/
Announcement on increasing capital in holding subsidiaries and related-party transactions	April 18, 2018	Juchao Information Website http://www.cninfo.com.cn/
Announcement on accepting transfer of part of the equity of the Company and giving up the priority to accept transfer and related-party transactions	June 1, 2018	Juchao Information Website http://www.cninfo.com.cn/
Announcement on joint investment with related persons and related-party transactions	June 1, 2018	Juchao Information Website http://www.cninfo.com.cn/
Announcement on giving up the priority to accept transfer and related-party transactions	June 22, 2018	Juchao Information Website http://www.cninfo.com.cn/

XIV. Significant Contracts and Their Execution

1. Trusteeship, contracting and leasing

(1) Trusteeship

Applicable Not applicable

No such case as custody during the reporting period.

(2) Contracting

Applicable Not applicable

No such case as contracting during the reporting period.

(3) Leasing

Applicable Not applicable

Explanations on leases

During the current reporting period, the Company used part of the properties located at No. 369, IoT Street, Binjiang District, Hangzhou for rental, and the leased property was used for office, warehouse and production workshops. There were no other significant property leases.

Cases that brought the profit and loss accounted for more than 10% of the Company's total profit during the reporting period

Applicable Not applicable

No such leases that brought the profit and loss accounted for more than 10% of the Company's total profit during the reporting period.

2. Significant guarantees

Applicable Not applicable

(1) Guarantees

Unit: ten thousand RMB

External Guarantees from the Company (Excluding Guarantees to the Subsidiaries)								
Guaranteed Party	Announcement Date of Disclosure of the Guarantee Cap	Guarantee Amount	Actual Occurrence Date (Date of Agreement Signing)	Actual Guarantee Amount	Type of Guarantee	Term of Guarantee	Due or Not	Guarantee for Related Parties or Not
Company's Guarantees to Subsidiaries								
Guaranteed Party	Announcement Date of	Guarantee	Actual Occurrence	Actual Guarantee	Type of	Term of	Due or	Guarantee for

	Disclosure of the Guarantee Cap	Amount	Date (Date of Agreement Signing)	Amount	Guarantee	Guarantee	Not	Related Parties or Not
Zhejiang Dahua Vision Technology Co., Ltd.	Friday, March 9, 2018	500,000	Thursday, November 30, 2017	50,000	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	No
			Tuesday, March 27, 2018	50,000	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	No
			Tuesday, November 28, 2017	5,000	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	No
			Friday, October 13, 2017	22,000	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	No
			Tuesday, May 23, 2017	20,000	Joint liability guarantee	Two years after the maturity of the debts in the master contract	Yes	No
			Monday, January 15, 2018	11,000	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	No
			Friday, July 21, 2017	8,000	Joint liability	Two years after the	No	No

		guarantee	maturity of the debts in the master contract		
Sunday, July 9, 2017	10,000	Joint liability guarantee	Two years after the maturity of the debts in the master contract	Yes	No
Thursday, November 30, 2017	20,000	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	No
Thursday, August 10, 2017	60,000	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	No
Friday, November 24, 2017	30,000	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	No
Monday, December 4, 2017	30,000	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	No
Monday, June 6, 2016	29,000	Joint liability guarantee	June 6, 2016 to January 15, 2020	No	No
Friday, April 13, 2018	24,000	Joint liability guarantee	Two years after the maturity of the debts in the master	No	No

						contract		
			Wednesday, May 17, 2017	30,000	Joint liability guarantee	Two years after the maturity of the debts in the master contract	Yes	No
			Friday, May 4, 2018	30,000	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	No
			Monday, May 7, 2018	25,357.2	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	No
			Wednesday, January 3, 2018	30,000	Joint liability guarantee	Two years after the maturity of the debts in the master contract	Yes	No
Zhejiang Dahua Zhilian Co., Ltd.	Friday, March 9, 2018	50,000	Monday, June 6, 2016	20,000	Joint liability guarantee	June 6, 2016 to June 30, 2020	No	No
Zhejiang Dahua System Engineering Co., Ltd.	Friday, March 9, 2018	100,000	Monday, June 6, 2016	10,000	Joint liability guarantee	June 6, 2016 to June 30, 2020	No	No
			Tuesday, October 10, 2017	6,000	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	No
Dahua Technology (HK) Limited	Friday, March 9, 2018	200,000	December 15, 2017	32,671	Joint liability guarantee	December 15, 2017 to December 15, 2020	No	No

			Thursday, August 24, 2017	20,000	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	No
			Monday, April 9, 2018	20,000	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	No
			Monday, May 7, 2018	25,357.2	Joint liability guarantee	May 7, 2018 to May 6, 2019	No	No
Guangxi Dahua Information Technology Co., Ltd.	Friday, March 9, 2018	30,000	No such case during the reporting period					
Dahua Technology USA Inc	Friday, March 9, 2018	350	No such case during the reporting period					
Dahua Europe B.V.	Friday, March 9, 2018	30,000	No such case during the reporting period					
Dahua Technology Singapore Pte. Ltd	Friday, March 9, 2018	200	No such case during the reporting period					
Dahua Technology UK Limited	Friday, March 9, 2018	200	No such case during the reporting period					
Dahua Technology Poland sp.zo.o.	Friday, March 9, 2018	500	No such case during the reporting period					
Dahua Technology Hungary Kft	Friday, March 9, 2018	500	No such case during the reporting period					
Dahua Technology India Private Limited	Friday, March 9, 2018	1,000	No such case during the reporting period					
Dahua Technology Brasil Comercio Serv	Friday, March 9,	1,000	No such case during the reporting period					

Em Seguranca Eletronica Ltda	2018							
Dahua italy s.r.l.	Friday, March 9, 2018	3,000	No such case during the reporting period					
Total Amount of Guarantees to Subsidiaries Approved during the Reporting Period (B1)		916,750	Total Amount of Guarantees to Subsidiaries Actually Occurred during the Reporting Period (B2)					215,714.40
Total Amount of Guarantees to Subsidiaries Approved by the End of the Reporting Period (B3)		916,750	Total Balance of Guarantees Actually Paid to Subsidiaries at the End of the Reporting Period (B4)					528,385.40
Subsidiaries' Guarantees to Subsidiaries								
Guaranteed Party	Announcement Date of Disclosure of the Guarantee Cap	Guarantee Amount	Actual Occurrence Date (Date of Agreement Signing)	Actual Guarantee Amount	Type of Guarantee	Term of Guarantee	Due or Not	Guarantee for Related Parties or Not
The Total Amount of the Company's Guarantees (The Total of the Above Three Items)								
Total Amount of Guarantees Approved during the Reporting Period (A1+B1+C1)		916,750	Total Amount of Guarantees Actually Occurred during the Reporting Period (A2+B2+C2)					215,714.40
Total Amount of Guarantees Approved by the End of the Reporting Period (A3+B3+C3)		916,750	Total Balance of Guarantees Actually Paid at the End of the Reporting Period (A4+B4+C4)					528,385.40
Total Amount of Actual Guarantees (A4+B4+C4) as a Percentage of the Company's Net Assets								48.14%
Including:								
Balance of Guarantees to the Shareholders, Actual Controllers and Their Related Parties (D)								
Balance of Debt Guarantees Directly or Indirectly Offered to Guaranteed Objects with Asset-liability Ratio Exceeding 70% (E)								492,385.40

Total Amount of the Above Three Guarantees (D+E+F)	492,385.40
Notes on Possible Joint and Several Repayment Liability for Unexpired Guarantees (If Any)	N/A
Notes on Providing External Guarantees in Violation of Specified Procedures (If Any)	N/A

Notes on details of synthetic guarantees

(2) External guarantees in violation of laws and regulations

Applicable Not applicable

There are no external guarantees in violation of laws and regulations during the reporting period.

3. Other significant contracts

Applicable Not applicable

No such case as other significant contract during the reporting period.

XV. Social Responsibility

1. Significant environmental problems

Whether the listed company and its subsidiaries belong to the key pollutant discharging units announced by the environmental protection department

No

2. Fulfillment of the social responsibility of targeted poverty alleviation

In the first half reporting year of the Company, there has been no targeted poverty alleviation activity, or follow-up targeted poverty alleviation plan.

XVI. Explanation of Other Significant Events

1. On January 24, 2017, the Company's holding sub-subsidiary South North United Information Technology Co., Ltd. and its wholly-owned subsidiary Zhejiang Dahua System Engineering Co., Ltd. signed a Cooperation Agreement on PPP Investment in Safe City Project of Shache County with the People's Government of Shache County in Kashgar, Xinjiang, which is just a framework agreement on the PPP project. The agreement stipulates that the service content is the pre-feasibility study of the project and the design of the project, etc. For the implementation of the specific project, it still needs to fulfill related decision-making and approval procedures, such as government procurement.

On July 21, 2017, the Company received the Notification of Award issued by the project purchasing unit, which confirmed that the wholly-owned subsidiary Zhejiang Dahua System Engineering Co., Ltd. (the consortium leader), with the holding sub-subsidiary South North United Information Technology Co., Ltd. (member of the consortium) was the winning bidder for the Safe City Construction Project (PPP) in Shache County. The winning bid amount of the project is RMB 4,314,790,000 (the final amount is based on the signed contract), which is the total amount for construction and operation within 10 years project cooperation period.

On August 4, 2017, the Company's 34th session of the 5th Board of Directors' meeting reviewed and approved the Proposal on Investing to Establish a PPP Project Company in Shache County, Xinjiang, and the Company submitted a bid based on the requirements for the Shache County City Construction Project (PPP). The winning consortium jointly funded the establishment of the project company, with a registered capital of RMB 335,567,200. Among them, Zhejiang Dahua System Engineering Co., Ltd. contributed RMB 234,897,040, accounting for 70% of the total contribution; South North United Information Technology Co., Ltd. contributed RMB 100,670,160, accounting for 30%. In August 2017, the project company was established and the name of the company approved by the industrial and commercial bureau was Xinjiang Dahua Xinzhi Information Technology Co., Ltd.

On April 18, 2018, the winning bidder received the requirements of Shache Public Security Bureau to stop implementation of Safe City Construction Project (PPP) in Shache County. Near a half of the construction progress in the project construction period has been completed, but no expenses for subsequent equipment replacement, operation and maintenance have been incurred. The actual investment in the construction period will be further accounted and confirmed with the government.

The various activities and construction of this project engaged in by the winning bidder are in compliance with the requirements in PPP-related laws and regulations, but the risk exists that the project will not be furthered and the identifiable income of the Company in the future may be reduced. The Company will actively cooperate with relevant government departments in their work, and timely perform the obligation of information disclosure in accordance with the subsequent progress of the project and the provisions in relevant laws and regulations and the Articles of Association.

2. On February 24, 2018, the Company disclosed the Announcement on Subsidiary's Release of External Guarantees. The Company's subsidiaries, System Engineering, Dahua Zhicheng and Yunnan International Trust Co., Ltd. signed the Pledge Contract on December 6, 2017. System Engineering and Dahua Zhicheng as a pledger provided a pledge guarantee for the debt under the Trust Loan Contract signed between Guangxi Baixing Holdings Co., Ltd. as a debtor and Yunnan International Trust Co., Ltd. as a creditor (with the trust loan principal of RMB 0.23 billion). The collateral in this guarantee was System Engineering and Dahua Zhicheng's accounts receivable income rights. This guarantee responsibility was released on February 22, 2018.

3. On May 17, 2017, the Company's 31st session of the 5th Board of Director's meeting reviewed and approved the Proposal on Increasing Capital in Holding Subsidiaries, and it's agreed that the Company will increase its capital in Dahua Zhilian by RMB 610 million with its own funds. In this capital increase, China Development Bank Development Fund Co., Ltd. gives up the right to increase the capital with the same percentage. Upon completion of the capital increase, the registered capital of Dahua Zhilian will be increased from RMB 500 million to RMB 1.11 billion. The proportion of equity held by the Company will be 90.09%. This capital increase was completed on June 26, 2018.

4. On March 6, 2018, the Company's First Extraordinary General Meeting of Shareholders in 2018 reviewed and approved the Management Measures for Core Employee Venture Capital Investment New Businesses (Draft), and decided to implement the core employee venture capital investment new business plan of the Company.

XVII. Significant Events of the Company's Subsidiaries

Applicable Not applicable

Section VI Changes in Shares and Information about Shareholders

I. Changes in Shares

1. Changes in shares

Unit: share

	Before the Change		Changes in the Period (+, -)					After the Change	
	Shares	Ratio	New Shares Issued	Bonus Share	Shares Transferred from Capital Reserves	Others	Sub-total	Shares	Ratio
I. Shares Subject to Conditional Restrictions	1,196,864,751	41.29%				-133,537,978	-133,537,978	1,063,326,773	36.68%
3. Other Domestic Shares	1,196,864,751	41.29%				-133,537,978	-133,537,978	1,063,326,773	36.68%
II. Shares without Restrictions	1,701,891,379	58.71%				133,537,978	133,537,978	1,835,429,357	63.32%
1. RMB Ordinary Shares	1,701,891,379	58.71%				133,537,978	133,537,978	1,835,429,357	63.32%
III. Total	2,898,756,130	100.00%				0	0	2,898,756,130	100.00%

Reasons for changes in shares

 Applicable Not applicable

1. The number of shares locked by executives of the Company shall be reverified according to 75% of the total number of shares held by executives.

Approval for changes in shares

 Applicable Not applicable

Transfer for changes in shares

 Applicable Not applicable

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

 Applicable Not applicable

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

 Applicable Not applicable

2. Changes in restricted shares

√ Applicable □ Not applicable

Unit: share

Name of Shareholder	Opening Restricted Shares	Vested in Current Period	Increased in Current Period	Closing Restricted Shares	Note on Restricted Shares	Date of Unlocking
Fu Liquan	919,748,180	77,786,195	0	841,961,985	According to the relevant provisions of executives shares management	According to the relevant provisions of executives shares management
Wu Jun	54,267,937	8,674,773	0	45,593,164	According to the relevant provisions of executives shares management	According to the relevant provisions of executives shares management
Zhu Jiangming	145,096,117	28,425,000	0	116,671,117	According to the relevant provisions of executives shares management	According to the relevant provisions of executives shares management
Chen Ailing	71,262,376	17,815,266	0	53,447,110	According to the relevant provisions of executives shares management	According to the relevant provisions of executives shares management
Wu Jian	999,250	249,749	0	749,501	According to the relevant provisions of executives shares management	According to the relevant provisions of executives shares management
Wei Meizhong	1,078,351	103,351	0	975,000	According to the relevant provisions of executives shares management	According to the relevant provisions of executives shares management
Zhang Xingming	938,560	90,000	0	848,560	According to the relevant provisions of executives shares management	According to the relevant provisions of executives shares management
Zhang Wei	140,625	0	0	140,625	According to the relevant provisions of executives shares management	According to the relevant provisions of executives shares management
Chen Yuqing	1,181,963	0	0	1,181,963	According to the relevant provisions of executives shares management	According to the relevant provisions of executives shares management
Ying Yong	999,250	249,813	0	749,437	According to the relevant provisions of executives shares management	According to the relevant provisions of executives shares management
Wu Yunlong	496,710	120,000	0	376,710	According to the relevant provisions of executives shares management	According to the relevant provisions of executives shares management

Yan Gang	276,262	69,000	0	207,262	According to the relevant provisions of executives shares management	According to the relevant provisions of executives shares management
Zhu Jiantang	0	0	45,169	45,169	According to the relevant provisions of executives shares management	According to the relevant provisions of executives shares management
Shen Huiliang	379,170	0	0	379,170	According to the relevant provisions of executives shares management	According to the relevant provisions of executives shares management
Total	1,196,864,751	133,583,147	45,169	1,063,326,773	--	--

3. Issuance and listing of securities

II. Total Number of Shareholders and Their Shareholdings

Unit: share

Total Number of Common Shareholders at the End of the Reporting Period		69,840		Total Number of Preferred Shareholders (If Any) (Refer to Note 8) Whose Voting Rights Have Been Recovered at the End of the Reporting Period			0	
Particulars about Shares Held by Shareholders with a Shareholding Percentage over 5% or Top Ten Common Shareholders								
Name of Shareholder	Nature of Shareholder	Shareholding Percentage	Total Shares Held at the End of the Reporting Period	Increase/Decrease during the Reporting Period	Number of Common Shares Held with Trading Restrictions	Number of Common Shares Held without Trading Restrictions	Pledged or Frozen	
							Status	Amount
Fu Liquan	Domestic Natural Person	38.68%	1,121,181,880	-1434100	841,961,985	279,219,895	Pledge	81,602,000
Zhu Jiangming	Domestic Natural Person	5.37%	155,561,490	0	116,671,117	38,890,373	Pledge	13,654,000
Chen Ailing	Domestic Natural Person	2.46%	71,262,813	0	53,447,110	17,815,703	Pledge	7,170,000
Hong Kong Securities Clearing Co. Ltd.	Overseas Legal Person	2.10%	60,803,094	29512822	0	60,803,094		0
Wu Jun	Domestic Natural Person	2.10%	60,790,886	0	45,593,164	15,197,722		0
China Securities Finance Co., Ltd.	Domestic Non-state-owned Legal	1.35%	39,095,384	3545427	0	39,095,384		0

	Person							
Central Huijin Asset Management Co., Ltd.	State-owned Legal Person	1.08%	31,448,750	0	0	31,448,750		0
Zhejiang Dahua Technology Co., Ltd. - Phase III Employee Stock Ownership Plan	Other	0.98%	28,519,828	-18480172	0	28,519,828		0
Four One Eight Combination of National Social Security Fund	Other	0.70%	20,430,417	1588243	0	20,430,417		0
Citic Securities - China Citic Bank - Dynamic Growth Stock Collection Asset Management Plan Of Citic Securities	Other	0.67%	19,341,563	8580865	0	19,341,563		0
Information about Strategic Investors' or General Legal Persons' Becoming Top Ten Common Shareholders for Placement of New Shares (If Any) (Refer to Note 3)	N/A							
Explanation on Associated Relationship or Concerted Actions among the Above-Mentioned Shareholders	Mr. Fu Liquan And Ms. Chen Ailing Are Husband And Wife. The Company Is Unaware Of Whether Other Shareholders Have Associated Relationship Or Are Persons Acting In Concert.							
Particulars about Shares Held by Top Ten Common Shareholders Holding Shares That Are Not Subject to Trading Restrictions								
Name of Shareholder	Number of Common Shares Held without Restrictions at the End of the Reporting Period	Type of shares						
		Type	Number					
Fu Liquan	279,219,895	RMB common stock	279,219,895					
Hong Kong Securities Clearing Co. Ltd.	60,803,094	RMB common stock	60,803,094					
China Securities Finance Co., Ltd.	39,095,384	RMB common stock	39,095,384					
Zhu Jiangming	38,890,373	RMB common stock	38,890,373					

Central Huijin Asset Management Co., Ltd.	31,448,750	RMB common stock	31,448,750
Zhejiang Dahua Technology Co., Ltd. - Phase III Employee Stock Ownership Plan	28,519,828	RMB common stock	28,519,828
Four One Eight Combination of National Social Security Fund	20,430,417	RMB common stock	20,430,417
Citic Securities - China Citic Bank - Dynamic Growth Stock Collection Asset Management Plan Of Citic Securities	19,341,563	RMB common stock	19,341,563
BOC - Core Growth Stock Type Security Investment Fund of China International Fund Management	19,227,168	RMB common stock	19,227,168
One Zero Six Combination of National Social Security Fund	18,688,071	RMB common stock	18,688,071
Explanation of Associated Relationship or Concerted Actions among Top Ten Common Shareholders without Trading Restrictions, and among Top Ten Common Shareholders without Trading Restrictions and Top Ten Common Shareholders	Mr. Fu Liquan And Ms. Chen Ailing Are Husband And Wife. The Company Is Unaware Of Whether Other Shareholders Have Associated Relationship Or Are Persons Acting In Concert.		
Explanation of Top Ten Common Shareholders' Participation in Securities Margin Trading (If Any) (Refer to Note 4)	N/A		

Whether the Company's top ten common shareholders or top ten common shareholders without limited shares agree on any repurchase transaction in the reporting period

Yes No

None of the Company's top ten common shareholders or top ten common shareholders without limited shares agreed on repurchase in the reporting period.

III. Changes in Controlling Shareholders and Actual Controllers

There are no changes in controlling shareholder and actual controller during the reporting period.

Section VII Information of Preferred Shares

Applicable Not applicable

There are no preferred shares in the reporting period.

Section VIII Information about Directors, Supervisors and Senior Management

I. Shareholding Changes of Directors, Supervisors and Senior Management

Name	Title	Tenure Status	Shares Held at the Beginning of the Period (Shares)	Shares Increased during the Period (Shares)	Shares Decreased during the Period (Shares)	Shares Held at the End of the Period (Shares)	Number of Restricted Shares Held at the Beginning of the Period (Shares)	Number of Restricted Shares Held during the Current Period (Shares)	Number of Restricted Shares Held at the End of the Period (Shares)
Fu Liquan	Chairman	Incumbent	1,122,615,980		-1,434,100	1,121,181,880			
Wu Jun	Vice Chairman, Vice President	Incumbent	60,790,886		0	60,790,886			
Li Ke	Director, President	Incumbent	0	1,620,000		1,620,000			
Zhu Jiangming	Director, Executive Vice President	Incumbent	155,561,490		0	155,561,490			
Chen Ailing	Director	Incumbent	71,262,813		0	71,262,813			
He Chao	Independent Director	Incumbent	0		0	0			
Wang Zexia	Independent Director	Incumbent	0		0	0			
Huang Siying	Independent Director	Incumbent	0		0	0			
Song Maoyuan	Supervisor	Incumbent	0		0	0			
Song Ke	Supervisor	Incumbent	0		0	0			

Zuo Pengfei	Supervisor	Incumbent	0		0	0			
Wu Jian	Secretary of the Board, Vice President	Incumbent	999,335		0	999,335			
Wei Meizhong	CFO, Vice President	Incumbent	1,300,000		-50,000	1,250,000			
Zhang Xingming	Vice President	Incumbent	1,131,413		-190,000	941,413			
Zhang Wei	Vice President	Incumbent	187,500		0	187,500			
Chen Yuqing	Vice President	Incumbent	1,575,951		0	1,575,951			
Ying Yong	Vice President	Incumbent	999,250		0	999,250			
Wu Yunlong	Vice President	Incumbent	502,280		0	502,280			
Yan Gang	Vice President	Incumbent	276,349		0	276,349			
Xu Zhicheng	Vice President	Incumbent	0		0	0			
Zhao Yuning	Vice President	Incumbent	0		0	0			
Zhu Jiantang	Vice President	Incumbent	60,225		0	60,225			
Shen Huiliang	Vice President	Resigned	379,170		0	379,170			
Total	--	--	1,417,642,642	1,620,000	-1,674,100	1,417,588,542	0	0	0

Note: Mr. Li Ke increased its holding of the Company by 1,620,000 shares on July 9, 2018 through centralized competitive bidding in the trading system of Shenzhen Stock Exchange

II. Changes of Directors, Supervisors and Senior Management

Name	Title	Type	Date	Reasons
Xu Zhicheng	Vice President	Appointed	March 22, 2018	Appointed As Vice President

Zhao Yuning	Vice President	Appointed	March 22, 2018	Appointed As Vice President
Zhu Jiantang	Vice President	Appointed	March 22, 2018	Appointed As Vice President
Shen Huiliang	Vice President	Resigned	January 1, 2018	Resigned voluntarily as vice president but still undertook work in management of the Company

Section IX Corporate Bonds

Whether the Company has corporate bonds which have been publicly issued and listed at the stock exchange, and are unexpired or expired but not honored in full on the date approved for issuance of the interim report

No

Section X Financial Reports

I. Audit Reports

The interim report has been audited or not

Yes No

The Company's interim financial report hasn't been audited.

II. Financial Statements

Units of financial reports in the notes: RMB

1. Consolidated Balance Sheet

Prepared by: Zhejiang Dahua Technology Co., Ltd.

Saturday, June 30, 2018

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Current Assets:		
Cash and Bank Balances	2,382,180,540.73	3,612,937,164.14
Deposit Reservation for Balance		
Loans to Banks and Other Financial Institutions		
Financial Assets at Fair Value through Profit or Loss		
Derivative Financial Assets		
Notes Receivable	1,785,576,387.90	2,431,296,170.58
Accounts Receivable	9,081,550,539.87	7,539,944,756.69
Prepayments	173,464,285.83	154,357,171.13
Premium Receivable		
Reinsurance Accounts Receivable		
Reinsurance Contract Reserves Receivable		
Interest Receivable	8,229,227.29	9,219,422.61
Dividends Receivable		
Other Receivables	380,598,257.84	283,058,785.41
Buying Back the Sale of Financial Assets		
Inventories	3,386,228,156.72	2,806,142,598.65

Assets Held for Sale		
Non-current Assets Due within 1 Year	496,698,290.79	367,302,811.80
Other Current Assets	327,435,863.79	352,055,656.65
Subtotal of Current Assets	18,021,961,550.76	17,556,314,537.66
Non-current Assets:		
Loans and Advances		
Financial Assets Available for Sale	77,970,227.00	77,970,227.00
Held-to-maturity Investments		
Long-term Receivables	1,667,975,490.69	1,480,947,137.80
Long-term Equity Investment	27,418,099.40	61,272,885.41
Investment Property	176,630,008.83	181,050,142.29
Fixed Assets	1,269,148,988.00	1,248,305,165.77
Projects under Construction	67,137,899.76	58,779,225.41
Construction Materials		
Disposal of Fixed Asset		
Productive Biological Assets		
Oil and Gas Assets		
Intangible Assets	248,859,705.63	253,357,254.66
Development Expenditure		
Goodwill	96,540,278.38	71,083,281.09
Long-term Prepaid Expenses	27,653,672.81	
Deferred Income Tax Assets	340,756,450.52	251,453,971.05
Other Non-current Assets	205,005,637.90	92,944,735.83
Subtotal of Non-current Assets	4,205,096,458.92	3,777,164,026.31
Total Assets	22,227,058,009.68	21,333,478,563.97
Current Liabilities:		
Short-term Borrowings	2,541,402,275.54	1,770,924,255.90
Borrowings from the Central Bank		
Deposit Taking and Interbank Deposit		
Borrowings from Banks and Other Financial Institutions		
Financial Liabilities Measured at Fair Value with Changes Recorded into Current Profit and Loss	103,782,765.27	62,450,000.00
Derivative Financial Liabilities		
Notes Payable	3,556,883,216.28	3,434,822,334.46

Accounts Payable	2,671,866,224.34	2,701,785,054.57
Received Prepayments	335,014,892.23	461,715,422.38
Financial Assets Sold for Repurchase		
Service Charge and Commission Payable		
Employee Compensation Payable	343,428,173.69	851,146,379.97
Tax Payable	473,933,576.38	479,536,571.45
Interest Payable	6,806,258.42	3,694,476.25
Dividends Payable		
Other Payables	113,282,109.29	104,297,163.85
Reinsurance Accounts Payable		
Insurance Contract Reserves		
Receiving from Vicariously Traded Securities		
Receiving from Vicariously Sold Securities		
Liabilities Held for Sale		
Non-current Liabilities Due within 1 Year	25,500,000.00	
Other Current Liabilities	59,670,217.72	45,941,962.85
Subtotal of Current Liabilities	10,231,569,709.16	9,916,313,621.68
Non-current Liabilities:		
Long-term Borrowings	179,500,000.00	230,000,000.00
Bonds Payable		
Including: Preferred Stocks		
Perpetual Bonds		
Long-term Payables		
Long-term Employee Compensation Payable		
Special Payables		
Expected Liabilities	174,205,449.70	127,998,889.61
Deferred Income	60,279,845.14	61,866,156.88
Deferred Income Tax Liabilities	53,698,630.66	45,468,946.77
Other Non-current Liabilities	390,395,461.44	358,600,936.54
Subtotal of Non-current Liabilities	858,079,386.94	823,934,929.80
Total Liabilities	11,089,649,096.10	10,740,248,551.48
Shareholders' Equity:		
Share Capital	2,898,756,130.00	2,898,756,130.00
Other Equity Instruments		

Including: Preferred Stocks		
Perpetual Bonds		
Capital Reserves	592,635,903.13	593,340,751.52
Less: Treasury Share		
Other Comprehensive Incomes	15,053,949.06	6,660,189.04
Special Reserves		
Surplus Reserves	971,547,268.36	971,547,268.36
General Risk Reserves		
Undistributed Profits	6,498,295,696.79	5,996,130,036.27
Total Shareholders' Equity Attributable to the Parent Company	10,976,288,947.34	10,466,434,375.19
Minority Shareholders' Equity	161,119,966.24	126,795,637.30
Total Shareholders' Equity	11,137,408,913.58	10,593,230,012.49
Total Liabilities and Shareholders' Equity	22,227,058,009.68	21,333,478,563.97

Legal representative: Fu Liquan Person in charge of accounting: Wei Meizhong Person in charge of the accounting institution: Xu Qiaofen

2. Balance Sheet of the Parent Company

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Current Assets:		
Cash and Bank Balances	78,202,040.09	528,918,086.71
Financial Assets at Fair Value through Profit or Loss		
Derivative Financial Assets		
Notes Receivable	527,615,971.01	28,625,396.43
Accounts Receivable	3,855,064,173.75	5,932,561,350.82
Prepayments	24,328,386.80	60,553,036.53
Interest Receivable		171,583.35
Dividends Receivable		
Other Receivables	5,437,876,107.27	2,745,786,953.01
Inventories	187,535,948.99	155,981,228.49
Assets Held for Sale		
Non-current Assets Due within 1 Year	15,810,318.15	721,747.17
Other Current Assets	561,921.39	613,008.35

Subtotal of Current Assets	10,126,994,867.45	9,453,932,390.86
Non-current Assets:		
Financial Assets Available for Sale	75,496,000.00	75,496,000.00
Held-to-maturity Investments		
Long-term Receivables	52,970,533.03	2,900,649.67
Long-term Equity Investment	2,748,981,515.28	2,492,439,607.09
Investment Property	184,254,554.26	188,865,490.54
Fixed Assets	472,910,089.77	457,103,573.22
Projects under Construction	31,800,331.09	32,179,351.04
Construction Materials		
Disposal of Fixed Asset		
Productive Biological Assets		
Oil and Gas Assets		
Intangible Assets	179,163,779.09	183,721,662.56
Development Expenditure		
Goodwill		
Long-term Prepaid Expenses	24,088,562.65	
Deferred Income Tax Assets	42,251,770.32	36,986,523.59
Other Non-current Assets	3,358,627.84	3,611,195.07
Subtotal of Non-current Assets	3,815,275,763.33	3,473,304,052.78
Total Assets	13,942,270,630.78	12,927,236,443.64
Current Liabilities:		
Short-term Borrowings	1,250,000,000.00	700,000,000.00
Financial Liabilities Measured at Fair Value with Changes Recorded into Current Profit and Loss		
Derivative Financial Liabilities		
Notes Payable	267,736,159.25	337,673,745.47
Accounts Payable	604,981,686.81	186,514,626.79
Received Prepayments	47,485,587.62	87,898,434.50
Employee Compensation Payable	241,575,394.06	632,166,128.79
Tax Payable	363,121,905.81	346,992,152.22
Interest Payable	3,750,054.52	678,835.62
Dividends Payable		
Other Payables	129,303,491.21	136,344,314.93

Liabilities Held for Sale		
Non-current Liabilities Due within 1 Year		
Other Current Liabilities	1,916,650.38	67,347.75
Subtotal of Current Liabilities	2,909,870,929.66	2,428,335,586.07
Non-current Liabilities:		
Long-term Borrowings		
Bonds Payable		
Including: Preferred Stocks		
Perpetual Bonds		
Long-term Payables		
Long-term Employee Compensation Payable		
Special Payables		
Expected Liabilities	866,100.00	925,500.00
Deferred Income		
Deferred Income Tax Liabilities	929,522.41	43,435.80
Other Non-current Liabilities	7,037,435.01	452,397.55
Subtotal of Non-current Liabilities	8,833,057.42	1,421,333.35
Total Liabilities	2,918,703,987.08	2,429,756,919.42
Shareholders' Equity:		
Share Capital	2,898,756,130.00	2,898,756,130.00
Other Equity Instruments		
Including: Preferred Stocks		
Perpetual Bonds		
Capital Reserves	589,258,331.39	589,895,836.49
Less: Treasury Share		
Other Comprehensive Incomes		
Special Reserves		
Surplus Reserves	971,547,268.36	971,547,268.36
Undistributed Profits	6,564,004,913.95	6,037,280,289.37
Total Shareholders' Equity	11,023,566,643.70	10,497,479,524.22
Total Liabilities and Shareholders' Equity	13,942,270,630.78	12,927,236,443.64

3. Consolidated Income Statement

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
I. Total Operating Revenue	9,814,041,352.48	7,464,664,934.38
Including: Operating Revenue	9,814,041,352.48	7,464,664,934.38
Interest Income		
Earned Premiums		
Service Charge and Commission Income		
II. Total Operating Cost	8,785,298,691.03	6,677,841,591.33
Including: Operating Cost	6,230,120,445.06	4,520,040,801.14
Interest Expenditures		
Service Charge and Commission Expenses		
Surrender Value		
Net Claims Paid		
Net Amount Withdrawn for Insurance Contract Reserves		
Policyholder Dividend Expense		
Reinsurance Cost		
Taxes and Surcharges	62,692,261.97	54,023,359.42
Sales Expenses	1,252,741,900.83	946,818,977.03
Management Fees	1,134,328,456.62	1,018,690,379.20
Financial Expenses	-22,880,395.85	48,639,551.95
Losses on Assets Impairment	128,296,022.40	89,628,522.59
Add: Incomes from Changes in Fair Value (Mark "-" for Losses)	-41,332,765.27	
Investment Income (Mark "-" for Loss)	-20,867,876.31	-14,018,542.65
Including: Investment Income from Affiliates and Joint Ventures	-25,567,280.91	-18,719,464.17
Exchange Gains (Mark "-" for Losses)		
Asset Disposal Income (Mark "-" for Loss)	-13,024.74	234,565.47
Other Incomes	284,916,998.93	344,410,303.28
III. Operating Profit (Mark "-" for Loss)	1,251,445,994.06	1,117,449,669.15
Add: Non-operating Revenues	5,234,299.09	17,443,567.01
Less: Non-operating Expenses	2,194,887.35	1,708,841.06
IV. Total Profit (Mark "-" for Total Loss)	1,254,485,405.80	1,133,184,395.10
Less: Income Tax Expense	165,721,533.63	153,360,669.71

V. Net Profit (Mark "-" for Net Loss)	1,088,763,872.17	979,823,725.39
(I) Net Profit as a Going Concern (Mark "-" for Net Loss)	1,088,763,872.17	979,823,725.39
(II) Net Profit of Discontinued Operation (Mark "-" for Net Loss)		
Net Profit Attributable to the Parent Company's Owner	1,081,916,886.52	983,001,211.23
Minority Shareholders' Profit and Loss	6,846,985.65	-3,177,485.84
VI. Net Amount of Other Comprehensive Incomes after Tax	8,393,760.02	366,120.29
Net Amount of Other Comprehensive Incomes after Tax Attributable to the Parent Company's Owner	8,393,760.02	366,120.29
(I) Other Comprehensive Incomes that cannot be Subsequently Reclassified as P/L		
1. Changes Arising from Remeasurement of Net Liabilities or Net Assets in Defined Benefit Plans		
2. Share in Other Comprehensive Incomes of the Investee that cannot be Reclassified as P/L under the Equity Method		
(II) Other Comprehensive Incomes that will be Subsequently Reclassified as P/L	8,393,760.02	366,120.29
1. Share in Other Comprehensive Incomes of the Investee that will be Subsequently Reclassified as P/L under the Equity Method		
2. Profit or Loss Arising from Changes in the Fair Value of Financial Assets Available for Sale		
3. Profit or Loss Arising from Reclassifying Investments Held to Maturity as Financial Assets Available for Sale		
4. Effective Part of Profit or Loss From Cash Flow Hedging		
5. Currency Translation Difference	8,393,760.02	366,120.29
6. Others		
Net Amount of Other Comprehensive Incomes after Tax Attributable to Minority Shareholders		
VII. Total Comprehensive Income	1,097,157,632.19	980,189,845.68
Total Comprehensive Income Attributable to the Parent Company's Owner	1,090,310,646.54	983,367,331.52
Total Comprehensive Income Attributable to Minority Shareholders	6,846,985.65	-3,177,485.84
VIII. Earnings per Share:		
(I) Basic Earnings per Share	0.37	0.34

(II) Diluted Earnings per Share	0.37	0.34
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For consolidation under the same control in this period, the net profit realized by the consolidated party before consolidation is: 0.00 RMB. The net profit realized by the consolidated party in previous period is: 0.00 RMB.

Legal representative: Fu Liquan Person in charge of accounting: Wei Meizhong Person in charge of the accounting institution: Xu Qiaofen

4. Income Statement of the Parent Company

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
I. Operating Revenue	3,784,147,825.87	2,557,921,578.64
Less: Operating Cost	1,167,353,125.94	196,545,410.39
Taxes and Surcharges	44,911,616.72	43,972,070.19
Sales Expenses	684,873,752.77	612,842,981.09
Administrative Expenses	883,017,961.09	849,686,568.86
Financial Expenses	-10,918,444.75	13,988,727.95
Losses on Assets Impairment	11,200,169.56	11,193,190.65
Add: Incomes from Changes in Fair Value (Mark "-" for Losses)		
Investment Income (Mark "-" for Loss)	-23,467,410.68	-13,038,601.16
Including: Investment Income from Affiliates and Joint Ventures	-24,852,586.71	-18,582,462.42
Asset Disposal Income (Mark "-" for Loss)	-13,523.79	150,179.65
Other Incomes	272,484,387.90	327,068,292.21
II. Operating Profit (Mark "-" for Loss)	1,252,713,097.97	1,143,872,500.21
Add: Non-operating Revenues	2,920,994.67	12,499,056.55
Less: Non-operating Expenses	328,747.03	293,648.71
III. Total Profit (Mark "-" for Total Loss)	1,255,305,345.61	1,156,077,908.05
Less: Income Tax Expense	148,829,495.03	128,115,404.08
IV. Net Profit (Mark "-" for Net Loss)	1,106,475,850.58	1,027,962,503.97
(I) Net Profit as a Going Concern (Mark "-" for Net Loss)	1,106,475,850.58	1,027,962,503.97
(II) Net Profit of Discontinued Operation (Mark "-" for Net Loss)		
V. Net Amount of Other Comprehensive Incomes after Tax		
(I) Other Comprehensive Incomes that cannot be Subsequently		

Reclassified as P/L		
1. Changes Arising from Remeasurement of Net Liabilities or Net Assets in Defined Benefit Plans		
2. Share in Other Comprehensive Incomes of the Investee that cannot be Reclassified as P/L under the Equity Method		
(II) Other Comprehensive Incomes that will be Subsequently Reclassified as P/L		
1. Share in Other Comprehensive Incomes of the Investee that will be Subsequently Reclassified as P/L under the Equity Method		
2. Profit or Loss Arising from Changes in the Fair Value of Financial Assets Available for Sale		
3. Profit or Loss Arising from Reclassifying Investments Held to Maturity as Financial Assets Available for Sale		
4. Effective Part of Profit or Loss From Cash Flow Hedging		
5. Currency Translation Difference		
6. Others		
VI. Total Comprehensive Income	1,106,475,850.58	1,027,962,503.97
VII. Earnings per Share:		
(I) Basic Earnings per Share	0.38	0.35
(II) Diluted Earnings per Share	0.38	0.35

5. Consolidated Cash Flow Statement

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
I. Cash Flow from Operational Activities:		
Cash from Sales of Merchandise and Provision of Services	9,194,169,425.67	6,660,197,246.65
Net Increase in Customer's Bank Deposits and Interbank Deposits		
Net Increase in Borrowings from the Central Bank		
Net Increase in Borrowings from Other Financial Institutions		
Cash Arising from Receiving Premiums for the Original Insurance Contract		
Net Amount Arising from Reinsurance Business		

Net Increase in Deposits and Investments from Policyholders		
Net Additions to Financial Assets from Disposal at Fair Value Measurement and Its Inclusion in Current Profit or Loss		
Cash Arising from Interests, Service Charges and Commissions		
Net Increase in Borrowings from Banks and Other Financial Institutions		
Net Increase in Repurchase Business Funds		
Tax Refund	721,443,953.84	590,974,678.21
Other Received Cashes Related to Operational Activities	69,273,319.56	31,444,512.12
Subtotal of Operational Activities Free Cash Inflow	9,984,886,699.07	7,282,616,436.98
Cash Paid for Merchandise and Services	7,190,765,894.34	5,102,571,198.61
Net Increase in Loans and Advances to Customers		
Net Increase in Deposits with Central Bank and Other Financial Institutions		
Cash Paid for Original Insurance Contract Claims		
Cash Paid for Interests, Service Charges and Commissions		
Cash Paid for Policy Dividends		
Cash Paid to and for Employees	2,120,130,137.36	1,527,842,972.72
Cash Paid for Taxes and Surcharges	722,939,607.07	671,609,480.53
Other Paid Cashes Related to Operational Activities	1,047,407,897.30	901,996,675.35
Subtotal of Operational Activities Free Cash Outflow	11,081,243,536.07	8,204,020,327.21
Net Cash Flow from Operational Activities	-1,096,356,837.00	-921,403,890.23
II. Cash Flow from Investment Activities:		
Cash Arising from Disposal of Investments	140,950,000.00	46,000,000.00
Cash Arising from Investment Incomes	1,604,974.66	5,698,233.87
Net Cash Arising from Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets	330,762.69	714,022.92
Net Cash Arising from Disposal of Subsidiaries and Other Business Units		
Other Received Cashes Related to Investment Activities	2,404,123.87	1,592,642.22
Investment Activities Free Cash Inflow Subtotal	145,289,861.22	54,004,899.01
Cash Paid for Purchase and Construction of Fixed Assets, Intangible Assets and Other Long-term Assets	223,433,215.10	187,854,034.66
Cash Paid for Investments	139,300,000.00	101,696,449.00
Net Increase in Pledge Loans		

Net Cash Paid for Acquisition of Subsidiaries and Other Business Units	56,408,605.39	
Other Paid Cashes Related to Investment Activities	75,796,952.33	997,312.35
Investment activities free cash outflow subtotal	494,938,772.82	290,547,796.01
Net Amount of Cash Flow from Investment Activities	-349,648,911.60	-236,542,897.00
III. Cash Flow from Financing Activities:		
Cash Arising from Absorbing Investments	28,410,000.00	33,003,538.00
Including: Cash Arising from Subsidiaries Absorbing Investments by Minority Shareholders	28,410,000.00	33,003,538.00
Cash Arising from Borrowings	2,967,492,895.90	2,887,563,340.81
Cash Arising from Bonds Issue		
Other Received Cashes Related to Financing Activities	619,391,279.99	272,942,900.00
Financing Activities Free Cash Inflow Subtotal	3,615,294,175.89	3,193,509,778.81
Cash Paid for Debts Repayment	2,210,534,089.02	1,569,019,325.26
Cash Paid for Distribution of Dividends and Profits or Payment of Interests	624,264,590.19	327,598,418.98
Including: Dividends and Profits Paid to Minority Shareholders by Subsidiaries		
Other Paid Cashes Related to Financing Activities	547,215,000.00	622,894,345.80
Financing Activities Free Cash Outflow Subtotal	3,382,013,679.21	2,519,512,090.04
Net Amount of Cash Flow from Financing Activities	233,280,496.68	673,997,688.77
IV. Impact of Fluctuation in Exchange Rate on Cash and Cash Equivalents	15,101,534.67	-22,080,292.00
V. Net Increase in Cash and Cash Equivalents	-1,197,623,717.25	-506,029,390.46
Add: Cash and Cash Equivalents at the Start of the Period	3,062,678,993.88	2,075,176,785.56
VI. Cash and Cash Equivalents at the End of the Period	1,865,055,276.63	1,569,147,395.10

6. Cash Flow Statement of the Parent Company

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
I. Cash Flow from Operational Activities:		
Cash from Sales of Merchandise and Provision of Services	5,620,171,988.98	1,823,558,684.64
Tax Refund	271,139,112.45	327,068,292.21
Other Received Cashes Related to Operational Activities	5,648,274.89	8,312,567.58

Subtotal of Operational Activities Free Cash Inflow	5,896,959,376.32	2,158,939,544.43
Cash Paid for Merchandise and Services	974,190,280.44	68,721,278.76
Cash Paid to and for Employees	1,369,457,901.39	1,078,207,624.24
Cash Paid for Taxes and Surcharges	538,414,539.67	520,430,109.13
Other Paid Cashes Related to Operational Activities	544,751,757.29	467,741,676.05
Subtotal of Operational Activities Free Cash Outflow	3,426,814,478.79	2,135,100,688.18
Net Cash Flow from Operational Activities	2,470,144,897.53	23,838,856.25
II. Cash Flow from Investment Activities:		
Cash Arising from Disposal of Investments	107,950,000.00	33,000,000.00
Cash Arising from Investment Incomes	1,385,176.03	5,543,861.26
Net Cash Arising from Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets	65,609,157.24	288,280.57
Net Cash Arising from Disposal of Subsidiaries and Other Business Units		
Other Received Cashes Related to Investment Activities	28,221,407.92	1,592,642.22
Investment Activities Free Cash Inflow Subtotal	203,165,741.19	40,424,784.05
Cash Paid for Purchase and Construction of Fixed Assets, Intangible Assets and Other Long-term Assets	35,814,739.74	88,733,875.40
Cash Paid for Investments	389,982,000.00	731,085,000.00
Net Cash Paid for Acquisition of Subsidiaries and Other Business Units		
Other Paid Cashes Related to Investment Activities		
Investment Activities Free Cash Outflow Subtotal	425,796,739.74	819,818,875.40
Net Amount of Cash Flow Generated by Investment Activities	-222,630,998.55	-779,394,091.35
III. Cash Flow from Financing Activities:		
Cash Arising from Absorbing Investments		
Cash Arising from Borrowings	850,000,000.00	834,655,000.00
Cash Arising from Bonds Issue		
Other Received Cashes Related to Financing Activities	110,534,201.15	152,942,750.22
Financing Activities Free Cash Inflow Subtotal	960,534,201.15	987,597,750.22
Cash Paid for Debts Repayment	300,000,000.00	544,655,000.00
Cash Paid for Distribution of Dividends and Profits or Payment of Interests	592,580,560.69	304,409,943.88
Other Paid Cashes Related to Financing Activities	2,768,689,582.54	106,310,488.88
Financing Activities Free Cash Outflow Subtotal	3,661,270,143.23	955,375,432.76

Net Amount of Cash Flow from Financing Activities	-2,700,735,942.08	32,222,317.46
IV. Impact of Fluctuation in Exchange Rate on Cash and Cash Equivalents	-130,404.43	-69,866.25
V. Net Increase in Cash and Cash Equivalents	-453,352,447.53	-723,402,783.89
Add: Cash and Cash Equivalents at the Start of the Period	524,670,812.68	792,226,544.55
VI. Cash and Cash Equivalents at the End of the Period	71,318,365.15	68,823,760.66

7. Consolidated Statement of Changes in Owners' Equity

Amount of this period

Unit: RMB

Item Name	Current Period												
	Shareholders' Equity Attributable to the Parent Company's Owner										Minority Shareholders' Equity	Total Shareholders' Equity	
	Share Capital	Other Equity Instruments			Capital Reserves	Less: Treasury Shares	Other Comprehensive Incomes	Special Reserves	Surplus Reserves	General Risk Reserves			Undistributed Profits
Preferred Stocks		Perpetual Bonds	Other										
I. Balance at the End of Last Year	2,898,756,130.00				593,340,751.52		6,660,189.04		971,547,268.36		5,996,130,036.27	126,795,637.30	10,593,230,012.49
Add: Changes in Accounting Policies													
Correction of Errors in the Previous Period													
Consolidated under the Same Control													
Others													
II. Balance at the Beginning of This Year	2,898,756,130.00				593,340,751.52		6,660,189.04		971,547,268.36		5,996,130,036.27	126,795,637.30	10,593,230,012.49
III. Increases or Decreases in This					-704,84		8,393,7				502,165	34,324,	544,178

Period (Mark "-" for Decreases)					8.39		60.02				,660.52	328.94	,901.09
(I) Total Comprehensive Income							8,393,760.02				1,081,916,886.52	6,846,985.65	1,097,157,632.19
(II) Shareholders' Contributions and Reduction in Capital												27,410,000.00	27,410,000.00
1. Ordinary Shares Invested by Shareholders												27,410,000.00	27,410,000.00
2. Capital Invested by Holders of Other Equity Instruments													
3. Amount of Share-based Payments Recorded into Shareholders' Equity													
4. Others													
(III) Profit Distribution											-579,751,226.00		-579,751,226.00
1. Appropriation of Surplus Reserves													
2. Appropriation of General Risk Reserves													
3. Distribution to Owners (or Shareholders)											-579,751,226.00		-579,751,226.00
4. Others													
(IV) Internal Carry-forward of Shareholders' Equity													

1. Capital Reserves Transferred into Capital (or Share Capital)													
2. Surplus Reserves Transferred into Capital (or Share Capital)													
3. Surplus Reserves Covering Losses													
4. Others													
(V) Special Reserves													
1. Withdrawal in This Period													
2. Used in This Period													
(VI) Others					-704,848.39							67,343.29	-637,505.10
IV. Balance at the End of This Period	2,898,756,130.00				592,635,903.13		15,053,949.06		971,547,268.36		6,498,295,696.79	161,119,966.24	11,137,408,913.58

Amount of last year

Unit: RMB

Item Name	Last Reporting Period												Minority Shareholders' Equity	Total Shareholders' Equity
	Shareholders' Equity Attributable to the Parent Company's Owner													
	Share Capital	Other Equity Instruments			Capital Reserves	Less: Treasury Shares	Other Comprehensive Incomes	Special Reserves	Surplus Reserves	General Risk Reserves	Undistributed Profits			
Preferred Stocks		Perpetual Bonds	Other											
I. Balance at the End of Last Year	2,899,411,405.00				589,582,012.29	133,001,534.15	2,295,121.72		717,707,331.98		4,161,017,062.96	188,773,235.48	8,425,784,635.28	
Add: Changes in														

Accounting Policies													
Correction of Errors in the Previous Period													
Consolidated under the Same Control													
Others													
II. Balance at the Beginning of This Year	2,899,411,405.00				589,582,012.29	133,001,534.15	2,295,121.72		717,707,331.98		4,161,017,062.96	188,773,235.48	8,425,784,635.28
III. Increases or Decreases in This Period (Mark "-" for Decreases)	-655,275.00				7,414,929.21	-133,001,534.15	366,120.29				693,227,300.70	-80,744,377.88	752,610,231.47
(I) Total Comprehensive Income							366,120.29				983,001,211.23	-3,177,485.84	980,189,845.68
(II) Shareholders' Contribution and Reduction in Capital	-655,275.00				7,418,499.17	-131,475,684.92						-76,996,462.00	61,242,447.09
1. Ordinary Shares Invested by Shareholders	-655,275.00				-4,697,011.20	-131,475,684.92						-76,996,462.00	49,126,936.72
2. Capital Invested by Holders of Other Equity Instruments													
3. Amount of Share-based Payments Recorded into Shareholders' Equity					12,115,510.37								12,115,510.37
4. Others													
(III) Profit Distribution						-1,525,849.23					-289,773,910.5		-288,248,061.3

											3		0
1. Appropriation of Surplus Reserves													
2. Appropriation of General Risk Reserves													
3. Distribution to Owners (or Shareholders)											-289,773,910.5		-289,773,910.5
4. Others						-1,525,849.23							1,525,849.23
(IV) Internal Carry-forward of Shareholders' Equity													
1. Capital Reserves Transferred into Capital (or Share Capital)													
2. Surplus Reserves Transferred into Capital (or Share Capital)													
3. Surplus Reserves Covering Losses													
4. Others													
(V) Special Reserves													
1. Withdrawal in This Period													
2. Used in This Period													
(VI) Others						-3,569.96							-570,430.04
IV. Balance at the End of This Period	2,898,756.13				596,996,941.50		2,661,242.01		717,707,331.98		4,854,244,363.	108,028,857.60	9,178,394,866.

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8. Statement of Changes in Owners' Equity of the Parent Company

Amount of this period

Unit: RMB

Item Name	Current Period										
	Share Capital	Other Equity Instruments			Capital Reserves	Less: Treasury Share	Other Comprehensive Incomes	Special Reserves	Surplus Reserves	Undistributed Profits	Total Shareholders' Equity
		Preferred Stocks	Perpetual Bonds	Other							
I. Balance at the End of Last Year	2,898,756,130.00				589,895,836.49				971,547,268.36	6,037,280,289.37	10,497,479,524.22
Add: Changes in Accounting Policies											
Correction of Errors in the Previous Period											
Others											
II. Balance at the Beginning of This Year	2,898,756,130.00				589,895,836.49				971,547,268.36	6,037,280,289.37	10,497,479,524.22
III. Increases or Decreases in This Period (Mark "-" for Decreases)					-637,505.10					526,724,624.58	526,087,119.48
(I) Total Comprehensive Income										1,106,475,850.58	1,106,475,850.58
(II) Shareholders' Contribution and Reduction in Capital											
1. Ordinary Shares Invested by Shareholders											
2. Capital Invested											

by Holders of Other Equity Instruments											
3. Amount of Share-based Payments Recorded into Shareholders' Equity											
4. Others											
(III) Profit Distribution										-579,751,226.00	-579,751,226.00
1. Appropriation of Surplus Reserves											
2. Distribution to Owners (or Shareholders)										-579,751,226.00	-579,751,226.00
3. Others											
(IV) Internal Carry-forward of Shareholders' Equity											
1. Capital Reserves Transferred into Capital (or Share Capital)											
2. Surplus Reserves Transferred into Capital (or Share Capital)											
3. Surplus Reserves Covering Losses											
4. Others											
(V) Special Reserves											
1. Withdrawal in											

This Period											
2. Used in This Period											
(VI) Others					-637,505.10						-637,505.10
IV. Balance at the End of This Period	2,898,756,130.00				589,258,331.39				971,547,268.36	6,564,004,913.95	11,023,566,643.70

Amount of last year

Unit: RMB

Item Name	Previous Period										
	Share Capital	Other Equity Instruments			Capital Reserves	Less: Treasury Share	Other Comprehensive Incomes	Special Reserves	Surplus Reserves	Undistributed Profits	Total Shareholders' Equity
		Preferred Stocks	Perpetual Bonds	Other							
I. Balance at the End of Last Year	2,899,411,405.00				584,959,799.88	133,001,534.15			717,707,331.98	4,042,494,772.45	8,111,571,775.16
Add: Changes in Accounting Policies											
Correction of Errors in the Previous Period											
Others											
II. Balance at the Beginning of This Year	2,899,411,405.00				584,959,799.88	133,001,534.15			717,707,331.98	4,042,494,772.45	8,111,571,775.16
III. Increases or Decreases in This Period (Mark "-" for Decreases)	-655,275.00				4,936,036.61	-133,001,534.15				738,188,593.44	875,470,889.20
(I) Total Comprehensive Income										1,027,962,503.97	1,027,962,503.97
(II) Shareholders' Contribution and Reduction in Capital	-655,275.00				4,936,036.61	-131,475,684.92					135,756,446.53

1. Ordinary Shares Invested by Shareholders	-655,275.00				-4,697,011.20	-131,475,684.92					126,123,398.72
2. Capital Invested by Holders of Other Equity Instruments											
3. Amount of Share-based Payments Recorded into Shareholders' Equity					9,633,047.81						9,633,047.81
4. Others											
(III) Profit Distribution						-1,525,849.23				-289,773,910.53	-288,248,061.30
1. Appropriation of Surplus Reserves											
2. Distribution to Owners (or Shareholders)										-289,773,910.53	-289,773,910.53
3. Others						-1,525,849.23					1,525,849.23
(IV) Internal Carry-forward of Shareholders' Equity											
1. Capital Reserves Transferred into Capital (or Share Capital)											
2. Surplus Reserves Transferred into Capital (or Share Capital)											
3. Surplus Reserves Covering Losses											

4. Others											
(V) Special Reserves											
1. Withdrawal in This Period											
2. Used in This Period											
(VI) Others											
IV. Balance at the End of This Period	2,898,756,130.00				589,895,836.49				717,707,331.98	4,780,683,365.89	8,987,042,664.36

III. Basic Information about the Company

Zhejiang Dahua Technology Co., Ltd. (hereinafter referred to as "Company" or "the Company") was incorporated under the official approval document No. 18 [2002] Zhejiang Enterprise Listing by Zhejiang Provincial People's Government Work Leading Group for Enterprise Listing in June 2002, and on the basis of overall change of the previous Hangzhou Dahua Information Technology Co., Ltd. It was an incorporated company initiated and established jointly by five natural persons, Fu Liquan, Chen Ailing, Zhu Jiangming, Liu Yunzhen and Chen Jianfeng as initiators. The Company's business license registration number as Legal Entity is 330000000024078. On April 22, 2008, the Company issued 16.8 million shares of common stock in RMB to the general public for the first time under the approval document No. 573 [2008] Securities Regulatory Issuance, issued by China Securities Regulatory Commission ("CSRC"). It was listed on Shenzhen Stock Exchange on May 20, 2008 with a registered capital of RMB 66.8 million and the change registration filed with Administration for Industry and Commerce was completed on May 23, 2008. The Company's unified social credit code is 91330000727215176K. The Company falls within the security video surveillance industry.

As of June 30, 2017, the Company has issued a total of 2,898,756,130 shares, with a registered capital of RMB 2,898,756,130. The registered address is No. 1187, Bin'an Road, Binjiang District, Hangzhou, and the headquarters address is No. 1199, Bin'an Road, Binjiang District, Hangzhou.

The Company's main operational activities include the development, services & sales of computer software, the design, development, production, installation & sales of electronic products and communication products, the development, system integration & sales of network products, the design & installation of electronic engineering products, import & export businesses, etc. The actual controllers of the Company are Fu Liquan and Chen Ailing.

This financial statement has been approved by Board of Directors on August 20, 2018.

Please see note IX "Equity in Other Entities" for details of the consolidated scope of the financial statement for this reporting period and note VIII "Change in Consolidation Scope" for details of scope variations in the financial statement for this reporting period.

IV. Basis for Preparing Financial Statements

1. Basis for the preparation

The Company prepares the financial statement, as a going concern, based on transactions and matters that have actually occurred, in accordance with Accounting Standards for Business Enterprises - Basic Standards issued by the Ministry of Finance and all specific

accounting standards, application guidelines for accounting standards for business enterprises, explanations on the accounting standards for business enterprises and other related regulations (hereinafter referred to as "Accounting Standards for Business Enterprises" collectively), and the disclosure provisions in the Preparation Rules for Information Disclosures by Companies Offering Securities to the Public No. 15 - General Provisions on Financial Reports issued by CSRC.

2. Going concern

The Company has the capability to continue as a going concern for at least 12 months as of the end of current reporting period, without any significant item affecting the capability for continuing as a going concern.

V. Significant Accounting Policies and Accounting Estimates

Notes to specific accounting policies and accounting estimates:

The following disclosures cover the specific accounting policies and accounting estimates formulated by the Company according to the characteristics of its production and operation.

1. Statement on compliance with Accounting Standards for Business Enterprises

The financial statements have been prepared by the Company in conformity with Chinese Accounting Standards for Business Enterprises, and present truly and completely the Company's financial position, operating results and cash flow, and other related information in the reporting period.

2. Accounting period

The accounting period of the Company is from January 1 to December 31 of each calendar year.

3. Operating cycle

The Company's operating cycle is 12 months.

4. Functional currency

For the domestic operating entities of the Company and its overseas operating entity Dahua Technology (HK) Limited, the reporting currency is Renminbi ("RMB"). The remaining offshore operating entities use the local currency as the reporting currency.

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

Business combinations involving entities under common control: The assets and liabilities acquired by the Company in business combination shall be measured at the carrying value of the assets, liabilities of the acquiree (including goodwill incurred in the acquisition of the acquiree by ultimate controlling party) in the consolidated financial statements of the ultimate controlling party on the date of combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or total nominal value of the issued shares) is adjusted to capital premium in capital reserve. Adjustments shall be made to retained earnings in the event that the share premiums in the capital reserves are not sufficient for write-down.

Business combinations involving entities not under common control: The assets paid and liabilities incurred or committed as a consideration of business combination by the Company were measured at fair value on the date of acquisition and the difference between the fair value and its carrying value shall be charged to the profit or loss for the period. Where the cost of combination is higher than the fair value of the identifiable net assets acquired from the acquire in business combination, the Company shall recognize such difference as goodwill; where the cost of combination is less than the fair value of the identifiable net assets acquired from the acquiree in business combination, such difference shall be charged to the profit or loss for the current period.

The agency fee such as audit, legal service and evaluation consultation and other fees which are directly related to the above matters shall be recognized as the profit or loss in the period when the costs are incurred; the transaction costs for the equity securities issued for corporate combination shall be written-off against equity.

6. Preparation method of consolidated financial statements

The scope of consolidation of the consolidated financial statements of the Company is based on controlling interests, and all the subsidiaries (including separate entities of the investee controlled by the Company) are included in the consolidated financial statements.

The consolidated financial statements are prepared by the Company based on the financial statements of the Company and its subsidiaries and in accordance with the other relevant information. In preparation of the Company's consolidated financial statements, the Company will treat the enterprise group as a single accounting entity. The Group's overall financial position, operating results and cash flow are reflected based on the relevant accounting standards, measurement and presentation requirements and in accordance with the unified accounting policy.

The subsidiaries that are within the scope of the consolidation shall have the same accounting policies and the accounting periods with those of the Company. In preparing the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Company and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company. For subsidiaries acquired from a business combination involving entities not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets on the date of acquisition. For subsidiaries acquired from a business combination involving entities under common control, the individual financial statements of the subsidiaries are adjusted based on the carrying value of the assets, liabilities of the acquiree (including goodwill incurred in the acquisition of the acquiree by ultimate controlling party) in the financial statements of the ultimate controlling party.

The owner's equity, the net profit or loss and the comprehensive income attributable to minority shareholders of a subsidiary of the current period are presented separately under the owners' equity in the consolidated balance sheet, the net profit and the total comprehensive income in the consolidated income statement respectively. Where losses attributable to the minority shareholders of a subsidiary of the current period exceed the minority shareholders' interest entitled in the shareholders' equity of the subsidiary at the beginning of the period, the excess is allocated against the minority shareholders interest.

(1) Acquisition of subsidiaries or business

For acquisition of subsidiaries or business due to business combination involving entities under common control during the reporting period, the opening balance of the consolidated balance sheet shall be adjusted; the revenue, expense and profit of such subsidiaries or business from the beginning to the end of the reporting period when the merger occurs are included in the consolidated income statement; the cash flows of such subsidiaries or business from the beginning to the end of the reporting period when the merger occurs are included in the consolidated cash flow statement, and the comparative figures of the financial statements should be adjusted simultaneously as if the consolidated reporting entity has been in existence since the beginning of the control by the ultimate controlling party.

An investor that may impose control over the investee under joint control due to additional investment shall be deemed a party participating in the combination, and shall be adjusted at current status when the ultimate controlling party begins the control. The

equity investment held before gaining the control of the combined party is recognized as relevant profit or loss, other comprehensive income and changes in other net assets at the later of the date of acquisition of the original equity and the date when the combining and the combined parties are under joint control, and shall be written down to the opening balance retained earnings or current profit or loss in the comparative reporting period.

For acquisition of subsidiaries due to business combination involving entities not under common control during the reporting period, the opening balance of consolidated balance sheet needs not be adjusted; the revenue, expense and profit of such subsidiaries or business from the date of acquisition to the end of the reporting period are included in the consolidated income statement; the cash flows of such subsidiaries or business from the date of acquisition to the end of the reporting period are included in the consolidated cash flow statement.

In connection with imposing control over the investee not under joint control due to additional investment and other reasons, the equity of acquiree held before acquisition date shall be remeasured by the Company at the fair value of such equity on the acquisition date and the difference between fair value and carrying amount shall be recognized as investment income in current period. If the acquiree's equity held before the acquiring date contains other comprehensive income and the other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions under the equity method, the related other comprehensive income and changes in other owner's equity shall be transferred to investment gains or losses on the date of acquisition, excluding the other comprehensive income derived from changes of net liabilities or net assets due to re-measurement on defined benefit plan by the investee.

(2) Disposal of subsidiaries or business

① General treatment

For disposal of subsidiaries or business during the reporting period, the revenue, expense and profit of such subsidiaries or business from the beginning of the period to the date of disposal are included in the consolidated income statement; the cash flows of such subsidiaries or business from the beginning of the period to the date of disposal are included in the consolidated cash flow statement.

When losing control of the investee due to partial disposal of the equity investment, or any other reasons, the remaining equity investment is remeasured at fair value at the date in which control is lost. The sum of consideration received from disposal of equity investment and the fair value of the remaining equity investment, net of the difference between the sum of the Company's previous share of the subsidiary's net assets recorded from the acquisition date or combination date and the sum of goodwill, is recognized in investment income in the period in which control is lost. Other comprehensive income or net profit and loss related to the previous equity investment in the subsidiary, changes in equity except the other comprehensive income and profit distribution, are transferred to investment income of the current period when losing control, except the other comprehensive income as a result of the changes arising from the remeasurement of the net assets and net liabilities of the investee's defined benefit plan.

In the event of losing control due to a decrease in the proportion of shares held by the Company as the capital increase in subsidiaries by other investors, the accounting treatment shall be conducted in accordance with the above principles.

② Disposal of subsidiary achieved by stages

When disposal of equity interests of subsidiaries through multiple transaction until the control is lost, generally transactions in stages are treatment as a package deal in accounting if the transaction terms, conditions, and economic impact of disposal of the subsidiary's equity interests comply with one or more of the following:

- i . These transactions are achieved at the same time or the mutual effects on each other are considered;
- ii . A complete set of commercial results can be achieved with reference to the series of transactions as a whole;
- iii . Achieving a transaction depends on at least achieving of one of the other transaction;
- iv . One transaction recognized separately is not economical, but it is economical when considered together with other transactions.

When losing control of a subsidiary in disposal of equity interests through multiple transactions is recognized as a package deals, these transactions shall be in accounting treated as loss control of a subsidiary in disposal of equity interests achieved. However, the

differences between price on each disposal and disposal of investment on the subsidiary's net assets shall be recognized in other comprehensive income in the consolidated financial statements, and included in profit or loss for the period when the control is lost.

If all transactions in disposal of equity interests of subsidiaries until losing control are not a package deals, accounting treatment for partial disposal of equity investments of subsidiary without losing control shall be applied before control is lost. When the control is lost, general accounting treatment for disposal of a subsidiary shall be used.

(3) Acquisition of minority interest of subsidiaries

The Company shall adjust the share premium in the capital reserve of the consolidated balance sheet with respect to any difference between the long-term equity investment arising from the purchase of minority interest and the net assets attributing to the parent company continuously calculated on the basis of the newly increased share proportion as of the acquisition date (or date of combination) or, adjust the retained earnings if the share premium in the capital reserve is insufficient for write-down.

(4) Partial disposal of equity investment in subsidiaries without losing control

The difference between disposal consideration of long-term equity investment in subsidiaries partially disposed without losing control and the share of net assets calculated from the date of acquisition or combination date shall be adjusted to share premium in the capital reserve in the consolidated balance sheet. Adjustments shall be made to retained earnings in the event that the share premiums in the capital reserves are not sufficient for write-down.

7. Classification of joint-venture arrangements and relevant accounting methods

Not applicable.

8. Recognition criteria of cash and cash equivalents

In preparing the cash flow statement, the cash on hand and deposits that are available for payment at any time of the Company are recognized as cash. The short-term (due within 3 months of the date of purchase) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of value change are recognized as cash equivalents.

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

(1) Foreign currency transactions

Foreign currency transactions shall be translated into RMB at the spot exchange rate on the day when the transactions occurred.

Balance sheet date foreign currency monetary items shall be translated using the spot exchange rate at the balance sheet date. The resulting exchange differences are recognized in profit or loss for the current period, except for those differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency for acquisitions, construction or production of the qualified assets, which should be capitalized as cost of the assets.

2. Translation of foreign currency financial statements

All assets and liabilities items in balance sheet are translated based on spot exchange rate on the balance sheet date; owners' equity items other than "undistributed profit" are translated at a spot exchange rate when accrued. Revenue and expense items in the income statement are translated at a spot exchange rate at the transaction occurrence date.

For disposal of overseas operation, the translation difference as stated in the foreign currency financial statements relating to overseas operation, is accounted for in the profit and loss account in the current period from owners' equity items.

10. Financial instruments

Financial instruments include financial assets, financial liabilities and equity instruments.

(1) Classification of the financial instruments

The financial instruments was classified at the time of initial recognition as: financial assets or financial liabilities carried at fair value through profit or loss for the current period, including financial assets or liabilities for trading and financial assets or financial liabilities directly designated as measured at fair value and its changes are included in the profit or loss for the current period; held-to-maturity investments; accounts receivable; available-for-sale financial assets and other financial liabilities.

(2) Recognition and measurement of financial instruments

① Financial assets or financial liabilities carried at fair value through profit or loss for the current period

When obtained, the financial assets or financial liabilities shall be initially measured at their fair value (except for cash dividends which are declared but not distributed or interests on bonds of which the maturity interest is not drawn), its transaction costs are included in the profit or loss for the period.

The interest or cash dividend gained in the period are recognized as investment income. At the end of the period, the variation in the fair value of the financial asset or financial liability shall be included in the profit or loss for the period.

When being disposed, the difference between the fair value and the amount of initial recognition shall be recognized as investment income; meanwhile, the profits and losses arising from the variation in fair value shall be adjusted.

② Held-to-maturity investments

Held-to-maturity investments are initially measured at fair value when obtained (except for interests on bonds of which the maturity interest is not drawn) plus relevant transaction costs.

Interest income is calculated according to the amortized cost and effective interest rate and recorded into investment income. The effective interest rate, ascertained when initially obtained, shall remain unchanged within the predicted term of existence or within a shorter applicable term.

When being disposed, the difference between the consideration obtained and the carrying amount of the investment shall be recorded into investment income.

③ Accounts receivable

The receivables that are formed in sale of goods or rendering of services to external parties, and the receivables, except for the debt instruments quoted in an active market, due to the Company from other entities, including accounts receivable, other receivables, etc., are initially recognized at the consideration of the contract or agreement to be received from the buyers. Accounts receivable that are of a financing nature are initially recognized at their present value.

Upon recovery or disposal of accounts receivable, the difference between the consideration obtained and the carrying amount is charged to profit or loss for the period.

④ Available-for-sale financial assets

Available-for-sale financial assets are initially measured at fair value when obtained (except for cash dividends which are declared but not distributed or interests on bonds of which the maturity interest is not drawn) plus relevant transaction costs.

The interests or cash dividends to be obtained during the period the available-for-sale financial assets are held shall be recorded into investment income. By the end of the reporting period, financial assets are measured at fair value, and the change in fair value shall be recorded into other comprehensive income. However, measurement at cost shall be used when there is no quoted price in an active market and the fair value of investments in equity instruments cannot be reliably measured and derivative financial assets is linked to equity instruments where equity instrument shall be settled by delivery.

When being disposed, the difference between the consideration obtained and the carrying amount of the financial assets shall be recorded into investment income; meanwhile, the corresponding portion of accumulated change in fair value previously recorded into other comprehensive income shall be transferred to profit or loss.

⑤ Other financial liabilities

Other financial liabilities are initially measured at fair value plus relevant transaction costs, and subsequently measured at amortized cost.

(3) Recognition basis and measurement of transfer of financial assets

A financial asset recognition shall be terminated while the Company has transferred nearly all the risks and rewards related to the ownership of the financial asset to the transferee, and it shall not be terminated if the Company has retained nearly all the risks and rewards related to the ownerships of the financial asset.

The substance-over-form principle shall be adopted while making judgment on whether the transfer of financial assets satisfies the above conditions for termination of recognition. The transfer of financial assets can be classified into entire transfer and partial transfer. If the transfer of an entire financial asset satisfies the conditions for termination of recognition, the difference between the two amounts below shall be recorded into profit or loss for the period:

- ① The carrying amount of the financial asset transferred;
- ② The consideration received as a result of the transfer, plus the accumulative amount of the change in fair value previously recorded into the owners' equities (in cases where the transferred financial asset is available-for-sale financial asset).

If the partial transfer of financial assets satisfies the conditions for termination of recognition, the overall carrying amount of the transferred financial asset shall be apportioned according to their respective relative fair value between the recognition terminated part and the remaining part, and the difference between the two amounts below shall be recorded into profit or loss for the current period:

- ① The carrying amount of the recognition terminated portion;
- ② The sum of consideration of the recognition terminated portion and the corresponding portion of accumulated change in fair value previously recorded into owners' equity (in cases where the transferred financial assets are available for-sale financial assets).

Financial assets will still be recognized if they fail to satisfy the conditions for termination of recognition, with the consideration received recognized as a financial liability.

(4) Recognition conditions for termination of financial liabilities

When the current obligation under a financial liability is completely or partially discharged, the recognition of the whole or relevant portion of the liability is terminated; an agreement is entered between the Company and a creditor to replace the original financial liabilities with new financial liabilities with substantially different terms, terminate the recognition of the original financial liabilities as well as recognize the new financial liabilities.

If all or part of the contract terms of the original financial liabilities are substantially amended, the recognition of the original financial liabilities will be terminated in full or in part, and the financial liabilities whose terms have been amended shall be recognized as a new financial liability.

When recognition of financial liabilities is terminated in full or in part, the difference between the carrying amount of the financial liabilities terminated and the consideration paid (including transferred non-cash assets or new financial liability) is recognized in profit or loss for the current period.

Where the Company repurchases part of its financial liabilities, the carrying amount of such financial liabilities will be allocated according to the relative fair value between the continued recognized part and terminated part on the repurchase date. The difference between the carrying amount of the financial liabilities terminated and the consideration paid (including transferred non-cash assets or new financial liability) is recognized in profit or loss for the current period.

(5) Method of determining the fair values of financial assets and liabilities

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. The Company uses the valuation technique when it is applicable under current conditions and there are enough available data and other information to support and the technique should maximize the use of relevant observable. It chooses the inputs which are consistent with the asset or liability's characteristics considered by market participants in the transaction of the relevant asset or liability and makes the maximum use of relevant observable inputs. Unobservable inputs are used under the circumstance that the relevant

observable inputs cannot be obtained or not feasible.

(6) Testing methodology and accounting treatment for impairment of financial assets (excluding accounts receivable)

The Company shall assess the carrying amount of financial assets other than those at fair value through profit or loss at the balance sheet date. If there is objective evidence that the financial asset is impaired, the Company shall make provision of any impairment.

① Impairment provision for available-for-sale financial asset:

While the fair value of available-for-sale financial asset falls significantly, or judged by the Company that descending trend is not temporary after taking into account related data comprehensively at the end of the period, they will be recognized as impaired, the cumulative loss arising from decline in fair value that had been recognized directly in the owners' equity shall be removed from the shareholders' equity and recognized as impairment loss.

If, after an impairment loss has been recognized on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the original impairment loss was recognized, the impairment loss shall be reversed, with the amount of the reversal recognized in the profit or loss for the current period.

Impairment losses recognized for an investment in an available-for-sale equity instrument shall not be reversed through profit or loss.

② Impairment provision for held-to-maturity investments:

The impairment losses of held-to-maturity investments shall be measured according to the method for measuring impairment losses of accounts receivable.

11. Accounts receivable

(1) Accounts receivable which are individually insignificant but subject to separate bad debt provision

Bases for Making Judgment and Standard for Calculation the Amount for the Accounts Receivable That Are Individually Significant	Within top five accounts receivable balances
Recognition of Receivables with Amounts that are Individually Significant and Subject to Separate Assessment for Provision for Bad Debts	When assessing provision for bad debts separately, if the objective evidence shows that the accounts receivable has been impaired, the provision for bad debts will be made according to the difference of the present value of the expected future cash flow below its book value. When separately assessing the accounts receivable that have not been devalued, it is classified into the corresponding combinations for bad debt provision.

(2) Accounts receivable for which provision of bad debts made by portfolio of credit risk characteristics

Portfolio Name	Method of Provision of Bad Debts
Portfolio 1: Related Parties Portfolio	Related party accounts receivable within the scope of the portfolio are not provided for bad debts
Portfolio 2: Aging Analysis Portfolio	Aging analysis

In this portfolio, the aging analysis method is used to make provision for bad debts:

Applicable Not applicable

Aging	Provision Percentage for Accounts Receivable	Provision Percentage for Other Accounts Receivable
Within 1 year (including 1 year)	5.00%	5.00%
1-2 years	10.00%	10.00%
2-3 years	30.00%	30.00%
3-4 years	50.00%	50.00%
4-5 years	80.00%	80.00%
5 years or above	100.00%	100.00%

In this portfolio, the balance percentage method is used to make provision for bad debts:

Applicable Not applicable

In this portfolio, other methods are used to make provision for bad debts:

Applicable Not applicable

(3) Accounts receivable that are individually insignificant but are provided for bad debt on individual basis

Reasons for Making Bad Debt Provision Individually	Long aging, with objective evidence of impairment
Method for Bad Debt Provision	Impairment loss is recognized and bad debt provision is made by using the difference between the present value of estimated future cash flows and the book value of receivables

12. Inventories

(1) Category of inventory

Inventories are classified as raw materials, work in progress, turnover materials, goods in product and commissioned processing materials.

(2) Determination of cost

Cost of inventories is determined using the weighted average method.

(3) Basis for the determination of net realizable value and provision method for decline in value of inventories

Net realizable value of held-for-sale commodity stocks, such as finished goods, goods-in-stock, and held-for-sale raw materials, during the normal course of production and operation, shall be determined by their estimated sales less the related selling expenses and taxes; the net realizable value of material inventories, which need to be processed, during the normal course of production and operation, shall be determined by the amount after deducting the estimated cost of completion, estimated selling expenses and relevant taxes from the estimated selling price of finished goods; the net realizable value of inventories held for execution of sales contracts or labor contracts shall be calculated on the ground of the contracted price. If an enterprise holds more inventories than the quantity stipulated in the sales contract, the net realizable value of the exceeding part shall be calculated on the ground of general selling price.

Decline in value of inventories is made on an item-by-item basis at the end of the period. For large quantity and low value items of inventories, provision may be made based on categories of inventories; for items of inventories relating to a product line that is produced and marketed in the same geographical area and with the same or similar end uses or purposes, which cannot be practicably evaluated separately from other items in that product line, provision for decline in value of inventories may be determined on an aggregate basis.

Unless the evidence clearly shows that abnormality in market price exists as of the balance sheet date, the net realizable value of inventories is determined based on the market price as of the balance sheet date.

The net realizable value of inventories at the end of current period is determined based on the market price of the balance sheet date.

(4) Inventory system

The perpetual inventory system is adopted.

(5) Amortization of low-value consumables and packaging materials

- ① Low-value consumables are amortized using the immediate write-off method;
- ② Packaging materials are amortized using the immediate write-off method.

13. Holding for-sale assets

A non-current asset or disposed group is classified by the Company as holding for sale if it meets the following criteria at the same time:

- (1) Immediate sale could be made under the current circumstances in accordance with the convention of selling such kind of assets or disposal groups in similar transactions;
- (2) Selling is extremely likely to occur, i.e. the Company has made a resolution on a selling plan and obtained confirmed purchase commitments, and the selling is predicted to be completed within 1 year. If required by relevant provisions that selling shall only be made after approved by the relevant competent authority or supervision department of the Company, such approval should have been obtained.

14. Long-term equity investments

(1) Joint control or significant influence criterion

Joint control is the contractually agreed sharing of control of an arrangement, and exists only when requiring the unanimous consent of the parties sharing control before making decisions about the relevant activities of the arrangement. The Company together with the other joint venture parties can jointly control over the investee and are entitled to the right of the net assets of the investee, as the investee is joint venture of the Company.

Significant influence refers to the power to participate in making decisions on the financial and operating policies of an enterprise, but not the power to control, or jointly control, the formulation of such policies with other parties. Where the Company can exercise significant influence over the investee, the investee is an associate of the Company.

(2) Determination of initial investment cost

① Long-term equity investments formed through business combination of entities

For business combinations involving entities under common control: where the Company pays cash, transfers non-cash assets, bears debts or issues equity securities as consideration of combinations, the initial investment cost of long-term equity investments are the share with reference to the book value of the shareholders' equity of the combined party in the consolidated financial statements of the ultimate controlling party on the date of combinations. In connection with imposing control over the investee under joint control as a result of additional investment and other reasons, on the combination date, the initial cost of long-term equity investments shall be determined based on share of carrying amounts in the consolidated financial statement of the ultimate controlling party by net assets of the combined party after the combination. The difference between initial investment cost and the carrying value of long term equity investment before combination and the sum of carrying value of newly paid consideration for additional shares acquired on the date of combination is to adjust share premium. If the balance of share premium is insufficient, any excess is adjusted to retained earnings.

Business combinations involving entities not under common control: the cost of the combination ascertained on the date of

acquisition shall be taken as the initial investment cost of the long-term equity investments. In connection with imposing control over the investee not under joint control as a result of additional investment and other reasons, the initial investment cost when changing to the cost method shall be the sum of the carrying value of the equity investment originally held and the newly increased initial investment cost.

② Long-term equity investments acquired by other means

The initial cost of a long-term equity investment obtained by cash payment shall be the purchase costs actually paid.

The initial cost of investment of a long-term equity investment obtained by means of issuance of equity securities shall be the fair value of the equity securities issued.

If the non-monetary assets transaction is commercial in nature and the fair value of the assets received or surrendered can be reliably measured, the initial cost of investment of a long-term equity investment received the nonmonetary assets transaction, shall be determined on the basis of the fair value of the assets surrendered and the related tax payable, unless there are concrete evidences that the fair value of the assets received is more reliable; For non-monetary assets transaction which does not meet the above conditions, the initial cost of a long-term equity investment received shall be the book value of the assets surrendered and the relevant taxes payable.

The initial cost of a long-term equity investment through debt restructuring shall be ascertained based on their fair value.

(3) Subsequent measurement and recognition of profit or loss

① Long-term equity investment calculated by cost method

Long-term equity investment in subsidiaries of the Company is calculated by cost method, except for the actual consideration paid for the acquisition of investment or the declared but not yet distributed cash dividends or profits which are included in the consideration, investment gains are recognized as the Company's shares of the cash dividends or profits declared by the investee.

② Long-term equity investment accounted for by equity method

Long-term equity investments of associates and jointly controlled entities are calculated using equity method. Where the initial investment cost of a long-term equity investment exceeds the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, no adjustment shall be made to the initial investment cost; where the initial investment cost is less than the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, the difference shall be charged to profit or loss for the current period.

The Company recognizes the investment income and other comprehensive income according to the shares of net profit or loss and other comprehensive income realized by the investee which it shall be entitled or shared respectively, and simultaneously makes adjustment to the carrying value of long-term equity investments; The carrying value of long-term equity investment shall be reduced by attributable share of the profit or cash dividends for distribution declared by the investee. In relation to other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions of the investee, the carrying value of long-term equity investments shall be adjusted and included in owner's equity.

When determining the amount of proportion of net profit or loss in the investee which it entitles, fair value of each identifiable assets of the investee at the time when the investment is obtained shall be used as basis, and according to the accounting policies and accounting period of the Company, adjustment shall be made to the net profit of the investee. During the period of holding investments, when preparing consolidated financial statements by the investee, the accounting shall be based on the amounts attributable to the investee in the net profit, other comprehensive income and other changes of the owner's equity in the consolidated financial statements.

The unrealized profit or loss resulting from transactions between the Company and its associates or joint venture shall be eliminated in portion to the investor's equity interest of investee, based on which investment income or loss shall be recognized. Any losses resulting from transactions, which are attributable to impairment of assets, shall be fully recognized. Where the transactions of the assets invested and sold that are able to constitute businesses between the Company and associates and joint ventures, the assets shall be dealt with in accordance with accounting policies disclosed in "Accounting method for business combination involving enterprises under common control and not under common control" and "Preparation of consolidated financial statements" in this

note.

In recognition of share of losses in the investee, the Company treats it in the following order: Firstly, the Company will write off the carrying value of long-term equity investments. Secondly, in the event the aforesaid carrying value is insufficient for write off, it shall continue to recognize investment loss and write off carrying values of long-term receivables to the extent of the carrying amount of the long-term equity (Note: the specific contents and determining criteria of the long-term equity should be clearly defined) which substantively constitutes the net investment in the investee. Finally, after the above treatment, for the additional obligations which shall be still assumed by entities according to investment contract or agreement, the estimated liabilities shall be recognized based on the obligations which are expected to assume and included in the investment loss for the current period.

③ Disposal of long-term equity investments

For disposal of long-term equity investment, the difference between the book value and the consideration actually received shall be included in the current profit or loss.

For the long-term equity investment under the equity method, when disposing of such investment, part of amounts that shall be originally included in other comprehensive income shall be accounted for in proportion by using the same basis as the investee used for direct disposal of relevant assets or liabilities. The owner's equity which is recognized due to other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions shall be transferred in proportion into the current profit or loss, excluding the other comprehensive income derived from changes of net liabilities or net assets due to re-measurement on defined benefit plan by the investee.

When losing the controls or material influence over the investee due to partially disposal of equity investment and other reasons, the remaining equities shall be accounted for in accordance with the standards on recognition and measurement of financial instruments, and the difference between the fair value and the carrying value at the date of losing control or material influence shall be included in current profit or loss. For other comprehensive income recognized in the original equity investment due to the equity method is adopted, it shall be treated using the same accounting basis as the investee used for direct disposal of relevant assets or liabilities when ceasing to use the equity method. All owner's equities which are recognized due to other changes of owner's equity except for net profits and losses, other comprehensive income and profit distributions shall be transferred into the current profit or loss when ceasing to use the equity method.

When losing the controls over the investee due to partially disposal of equity investment and other reasons, the remaining equities after disposal shall be accounted for under equity method in preparation of individual financial statements provided that common control or material influence over the investee can be imposed, and shall be adjusted as if such remaining equities has been accounted for under the equity method since they are obtained. Where the remaining equities after disposal cannot impose common control or material influence over the investee, it shall be accounted for according to relevant provisions of the standards on recognition and measurement of financial instruments, and the difference between fair value and the carrying value on the date of losing control shall be included in the current profit or loss.

The disposed equity interest was acquired in a business combination as resulted from such as making additional investment, the remaining equity interest after disposal will be accounted for using cost method or equity method when preparing the separate financial statements. Other comprehensive income and other owners' equity recognized when the equity interests held on the acquisition date is accounted for using equity method and shall be transferred proportionally; For the remaining equity interest after disposal accounted for using the recognition and measurement standard of financial instruments, other comprehensive income and other owners' equity shall be fully transferred.

15. Investment property

Investment property measurement model

Measurement by cost method

Depreciation or amortization method

Investment property measured at cost - buildings held for leasing shall adopt the same depreciation policy for fixed assets of the company, land use rights held for leasing shall adopt the same amortization policy for the intangible assets.

16. Fixed assets

(1) Recognition conditions

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and have a service life of more than one accounting year. Fixed asset is recognized when it meets the following conditions: ① It is probable that the economic benefits associated with the fixed asset will flow to the enterprise; ② Its cost can be reliably measured.

(2) Methods for depreciation

Category	Depreciation Method	Depreciation Period	Residual Value Rate	Annual Depreciation Rate
Housing and building	Straight-line method	20	5%	4.75%
Machinery and equipment	Straight-line method	5-10	5%	19.00%-9.50%
Means of transport	Straight-line method	4-8	5%	23.75%-11.88%
Electronic and other equipment	Straight-line method	3-5	5%	31.67%-19.00%

Fixed assets are depreciated by categories using the straight-line method, and the annual depreciation rates are determined by categories based upon their estimated useful lives and their estimated residual values. Where the parts of a fixed asset have different useful lives or cause economic benefits for the enterprise in different ways, different depreciation rates or depreciation methods shall apply, and each part is depreciated separately.

For fixed assets leased under finance lease, if it can be reasonably determined that the ownership of the leased asset can be acquired upon the expiry of the lease term, depreciation policies in line with the fixed assets will be adopted for depreciation during the remaining service life of the leased asset. If it cannot be reasonably determined that the ownership of the leased asset can be acquired upon the expiry of the lease term, depreciation policies in line with the fixed assets will be adopted for depreciation during the shorter of the lease term and the remaining service life of the leased asset.

(3) Recognition bases and measurement methods of fixed assets under finance lease

Where any one of the following conditions is provided in the lease agreement between the Company and the lesser, assets under finance lease will be recognized: ① upon the expiry of lease, the ownership of the leased asset is transferred to the Company; ② the Company has the option to purchase the leased asset, the purchase consideration entered into is expected to be far less than the fair value of the leased asset upon the exercise of the option; ③ the lease term accounts for the majority of the service life of the leased asset; ④ the present value of the minimum lease payment upon the commencement of the lease is substantially the same as the fair value of the leased asset. On the commencement of the lease, the leased asset shall be recorded at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments, and the minimum lease payments shall be recorded as the carrying amount of long-term payables. The difference between the recorded amount of the leased asset and the minimum lease payments shall be accounted for as unrecognized finance charge.

17. Construction in progress

Criteria and time point for construction in progress being transferred to the fixed asset Construction in progress is measured at all the expenditures incurred to bring the fixed assets ready for their intended use. If the construction in progress of fixed assets constructed are ready for their intended use but the final account of completed project has not been issued, it should be transferred to fixed assets at an estimated cost according to the construction budget, construction price or actual cost, and depreciation should be provided according to deprecation policy for fixed assets from the date when the assets are ready for their intended use. When the final account of completed project is issued, the estimated cost will be adjusted according to the actual cost, while the original depreciation charge will not be adjusted.

18. Borrowing costs

(1) Criteria for recognition of capitalized borrowing costs

Borrowing costs refers to the borrowing interests, amortization of discounts or premiums, ancillary costs and exchange differences arising from foreign currency borrowings, etc.

For borrowing costs incurred by the Company that are directly attributable to the acquisition, construction or production of assets qualified for capitalization, the costs will be capitalized and included in the costs of the related assets. Other borrowing costs shall be recognized as expense in the period in which they are incurred and included in profit or loss for the current period.

Assets qualified for capitalization are assets (fixed assets, investment property, inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

Capitalization of borrowing costs begins when the following three conditions are fully satisfied:

- ① Expenditures for the assets (including cash paid, transferred non-currency assets or expenditure for holding debt liability for the acquisition, construction or production of assets qualified for capitalization) have been incurred;
- ② Borrowing costs have been incurred;
- ③ Acquisition, construction or production that are necessary to enable the asset reach its intended usable or salable condition have commenced.

(2) Capitalization period of borrowing costs

The capitalization period shall refer to the period between the commencement and the cessation of capitalization of borrowing costs, excluding the period in which capitalization of borrowing costs is temporarily suspended.

Capitalization of borrowing costs shall be suspended during periods in which the qualifying asset under acquisition and construction or production ready for the intended use or sale.

If part of an asset being acquired, constructed or produced has been completed respectively and put into use individually, capitalization of borrowing costs should be suspended.

If different parts of the assets acquired, constructed or produced are completed separately, but such asset will not be ready for the intended use or sale until all parts have been completed, then the borrowing costs will be capitalized until the completion of all parts of the said asset.

(3) Suspension of capitalization period

Capitalization of borrowing costs shall be suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally, when the interruption is for a continuous period of more than 3 months; if the interruption is a necessary step for making the qualifying asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs shall continue. The borrowing costs incurred during such period shall be recognized as profits and losses of the current period. When the acquisition and construction or production of the asset resumes, the capitalization of borrowing costs commences.

(4) Calculation of capitalization rate and amount of borrowing costs

Specific borrowings for the acquisition, construction or production of assets qualified for capitalization, borrowing costs of the

specific borrowings actually incurred in the current period minus the interest income earned on the unused borrowing loans as a deposit in the bank or as investment income earned from temporary investment will be used to determine the amount of borrowing costs for capitalization.

General borrowings for the acquisition, construction or production of assets qualified for capitalization, the to-be-capitalized amount of interests on the general borrowing shall be calculated and determined by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the specifically borrowed loans by the capitalization rate of the general borrowing used. The capitalization rate shall be calculated and determined according to the weighted average interest rate of the general borrowing.

19. Biological assets

Not applicable.

20. Oil and gas assets

Not applicable.

21. Intangible assets

(1) Valuation method, service life, impairment test

A. Valuation method of intangible assets

① Intangible assets are initially measured at cost upon acquisition;

The costs of an externally purchased intangible asset include the purchase price, relevant taxes and expenses paid, and other expenditures directly attributable to putting the asset into condition for its intended use. If the payment for an intangible asset is delayed beyond the normal credit conditions and it is of financing nature in effect, the cost of the intangible assets shall be ascertained based on the present value of the purchase price.

The amount of intangible assets acquired from debt restructuring should be recorded at the fair value of such intangible assets, and the difference between the carrying amount of the restructured debt and the fair value of the intangible assets acquired from debt restructuring should be included in the profit or loss for the current period.

If the non-monetary assets transaction is commercial in nature and the fair value of the assets received or surrendered can be reliably measured, the intangible assets received in the nonmonetary assets transaction, shall be measured on the basis of the fair value of the assets surrendered, unless there are concrete evidence that the fair value of the assets received is more reliable; For non-monetary assets transaction which does not meet the above conditions, the cost of intangible assets received shall be the book value of the assets surrendered and the relevant taxes and expenses payable, and the profit or loss will not be recognized.

② Subsequent measurement

The service life of intangible assets shall be analyzed and judged upon acquisition.

As for intangible assets with a finite service life, they are amortized using the straight-line method over the term in which economic benefits are brought to the firm; If the term in which economic benefits are brought to the firm by an intangible asset cannot be estimated, the intangible asset shall be taken as an intangible asset with indefinite service life, and shall not be amortized.

B. Estimated useful lives for the intangible assets with finite service life:

Item Name	Estimated useful lives	Basis
Land use rights	50 years	Land use certificate

Non-patented technology	5-10 years	Expected benefited period
Softwares	2-5 years	Expected benefited period
Trademark rights	6 years	Expected benefited period
Software copyright	10 years	Expected benefited period

For an intangible asset with a finite service life, review on its service life and amortization method is performed at the end of each end.

Upon review, service life and amortization method for the intangible assets are the same with the previous estimate at the end of this period.

C. The basis for the judgment of intangible assets with uncertain service life and the procedure for reviewing their service life: As at the balance sheet date, the Company has no intangible assets with uncertain service life.

(2) Accounting policy for internal R&D expenditure

A. Specific criteria for the division of research phase and development phase:

The expenses for internal research and development projects of the Company are divided into expenses in the research phase and expenses in the development phase.

Research phase: Scheduled innovative investigations and research activities to obtain and understand scientific or technological knowledge.

Development phase: Apply the research outcomes or other knowledge to a plan or design prior to a commercial production or use in order to produce new or essentially-improved materials, devices, products, etc.

B. Specific criteria for development phase qualified for capitalization:

The expenses in the development phase for internal R&D are recognized as intangible assets if the following conditions are fulfilled:

- ① It is technically feasible to complete such intangible asset so that it will be available for use or for sale;
- ② There is intention to complete the intangible asset for use or sale;
- ③ The intangible asset can produce economic benefits, including there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market; if the intangible asset is for internal use, there is evidence that there exists usage for the intangible asset;
- ④ There is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;
- ⑤ The expenses attributable to the development stage of the intangible asset can be measured reliably.

If the expenses in the development phase does not meet the above conditions, it shall be included in the profits and losses for the current period at the time of occurrence. Expenses in the research phase are recorded into the profits and losses for the current period when they occur.

22. Impairment of long-term assets

Long-term assets, such as long-term equity investment, investment properties, fixed assets, construction in progress, intangible assets that measured at cost are tested for impairment if there is any indication that an asset may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognized on the individual asset basis. If it

is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs to is determined. A group of assets is the smallest group of assets that is able to generate cash inflows independently.

Impairment test to goodwill and the intangible assets whose using life is not certain shall be carried out at least at the end of each year.

When the Company carry out impairment test to goodwill, the Company shall, as of the purchasing day, allocate on a reasonable basis the carrying value of the goodwill formed by merger of enterprises to the relevant asset groups, or if there is a difficulty in allocation, to allocate it to the sets of asset groups. When the carrying value of goodwill is allocated to the related asset group or sets of asset group, the allocation shall be made based on the proportion of the fair value of each asset groups or sets of asset groups to the total fair value of the relevant assets groups or sets of asset group. If there is difficulty for the fair value to be reliably measured, the allocation shall be made based on the proportion of the carrying value of each asset groups or sets of asset groups to the total carrying value of the relevant assets groups or sets of asset groups.

For the purpose of impairment test on the relevant asset groups or the sets of asset groups containing goodwill, if any evidence shows that the impairment of asset groups or sets of asset groups related to goodwill is possible, an impairment test will be made first on the asset groups or sets of asset groups not containing goodwill, thus calculating the recoverable amount and comparing it with the relevant carrying value so as to recognize the corresponding impairment loss. Then an impairment test will be made on the asset groups or sets of asset groups containing goodwill, and compare the carrying value of these asset groups or sets of asset groups (including the carrying value of the goodwill allocated thereto) with the recoverable amount. Where the recoverable amount of the relevant assets or sets of the asset groups is lower than the carrying value thereof, it shall recognize the impairment loss of the goodwill. Once the above asset impairment loss is recognized, it will not be reversed in the subsequent accounting periods.

23. Long-term prepaid expenses

Long-term prepaid expenses are expenses which have occurred but will benefit over 1 year and shall be amortized over the current period and subsequent periods. The long-term prepaid expenses of the Company include expenditures paid for improvement of fixed assets under operating lease.

(1) Amortization method

Long-term prepaid expenses are amortized evenly over the estimated benefit period

(2) Amortization period

Expenditures paid for improvement of fixed assets under operating lease, amortized evenly over the lease term or remaining service life of the asset, whichever is shorter.

24. Employee compensation

(1) Accountant arrangement method of short-term remuneration

During the accounting period when the staff provides service, the Company will recognize the short-term remuneration actually incurred as liabilities, and the liabilities would be charged into current profits and loss or costs of assets.

The Company will pay social insurance and housing funds, and will make provision of trade union funds and staff education costs in accordance with the requirements. During the accounting period when the staff provides service, the Company will determine the relevant amount of employee benefits in accordance with the required provision basis and provision ratios.

Non-currency employee benefits will be accounted for in accordance with their fair value if they can be measured reliably.

(2) Accountant arrangement method of retirement benefit plan**(1) Defined contribution scheme**

The Company will pay basic pension insurance and unemployment insurance in accordance with the relevant provisions of the local government for the staff. During the accounting period when the staff provides service, the Company will calculate the amount payable in accordance with the local stipulated basis and proportions which will be recognized as liabilities, and the liabilities would be charged into current profits and loss or costs of assets.

(2) Defined benefit scheme

The welfare responsibilities generated from defined benefit scheme based on the formula determined by projected unit credit method would be vested to the service period of the staff and charged into current profits and loss or costs of assets.

(3) Accountant arrangement method of termination benefits

The Company will pay termination benefits when the group can no longer withdraw the offer of termination plan or layoff proposal or when the Group recognizes costs for restructuring which involving the payment of termination benefits (whichever the earliest). The remuneration incurred by the termination benefits will be recognized as liabilities which would be charged into current profits and loss.

(4) Accountant arrangement method of other long-term employee benefits

Not applicable.

25. Expected liabilities

Where the Company is involved in litigations, guarantees provided to debts, loss-making contracts, restructuring and after-sale maintenance cost, and if such matters are likely to require future assets delivery or the provision of labor services, the amount of which can be reliably measured, such items shall be recognized as estimated liabilities.

(1) Recognition criteria for estimated liabilities

The Company shall recognize the obligations related to contingencies involving litigations, guarantees provided to debts, loss-making contracts, restructuring and after-sale maintenance cost as estimated liabilities, when all of the following conditions are satisfied:

- ① the obligation is a present obligation of the group;
- ② it is probable that an outflow of economic benefits will be required to settle the obligation;
- ③ the amount of the obligation can be measured reliably.

(2) Method of measuring the various estimated liabilities

Estimated liabilities shall be initially measured at the best estimate of the expenditure required to settle the related present obligation.

Factors pertaining to a contingency such as risk, uncertainties, and time value of money shall be taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, the best estimate shall be determined by discounting the related future cash outflow.

The best estimate will be dealt with separately in the following circumstances:

The expenses required have a successive range (or band), in which the possibilities of occurrence of each result are the same, and the best estimate should be determined as the middle value for the range, i.e. the average of the upper and lower limit.

The expenses required does not have a successive range (or band), or although there is a successive range (or band), the possibilities of occurrence of each result are different, if the contingency is related to individual item, the best estimate should be

determined as the most likely amount; where the contingency is related to a number of items, the best estimate should be calculated and determined according to the possible results and the relevant possibilities.

Where some or all of the expenditure required to settle an estimated liability is expected to be reimbursed by a third party, the reimbursement is separately recognized as an asset when it is virtually certain that the reimbursement will be received. The amount recognized for the reimbursement is limited to the carrying amount of the estimated liability.

26. Share-based payment

The Company's share-based payment represents transactions in which the Company receives services from employee by granting equity instruments or incurring liabilities that are based on the price of the equity instruments to the employee or other suppliers. The Company's share-based payments are equity-settled share-based payments.

Equity-settled share-based payment and equity instrument:

As to an equity-settled share-based payment in return for services of employees, calculation will be based on the fair value of the equity instrument granted to the employees. If the Company make the share-based payment by restricted shares, employees will subscribe the share but those shares shall not be listed on the market or transferred before it fulfill the unlocking condition and unlocked. If the unlocking conditions stipulated in the equity incentive scheme cannot be fulfilled eventually, the Company will repurchase those shares based on the predetermined price. Upon obtaining the payment for subscribing restricted shares made by the employees, the Company will recognized the share capital and capital reserve (share capital premium) according to the payment it received, while fully recognize a liability for its repurchasing obligation as well as its treasury shares. On each balance sheet date within the vesting period, the Company will make the best estimation of the number of vested equity instruments based on the subsequent information such as the updated changes in the number of executives and the achievement of performance standard. Based on the above results, the services received in the current period will be included in the relevant cost or expense based on the fair value on the date of grant, and the capital reserve will be increased accordingly. The recognized cost or expense and owners' interest will not be adjusted after the vesting date. However, equity instruments vested immediately after the date of grant will be included in the relevant cost or expense based on its fair value on the date of grant, and the capital reserve will be increased accordingly.

For the share-based payments that are not vested eventually, no cost or expense will be recognized, except the vesting condition is market condition or non-exercisable condition. Under such circumstances, no matter whether the market condition or non-exercisable condition can be fulfilled, the share-based payment will be deemed as vested as long as all the non-market conditions in the vesting condition are fulfilled.

If the terms of the equity-settled share-based payment are amended, the Company shall recognize the services received at least based on the situation before the amendment was made. In addition, any amendment resulting in the increase of the fair value of the equity instrument granted or changes that are beneficial to the staff on the amendment date, will be recognized as an increase in the service received.

If the equity-settled share-based payment is canceled, it will be accounted for as accelerated exercise on the cancellation date and the unrecognized amount will be recognized immediately. Employees and other parties are able to satisfy the non-vesting conditions. If the conditions are not fulfilled during the vesting period, the equity settled share-based payment will be deemed as canceled. However, if new equity instruments are vested and they are verified at the vesting date of new equity instrument as alternatives vested to canceled equity instruments, the treatment on the new equity instrument is in conformity with the modified treatment on disposal of equity instrument.

27. Preferred Shares, perpetual bonds and other financial instruments

Not applicable.

28. Revenue

(1) General principles for recognizing revenue from the sale of goods:

① Revenue from the sale of goods is recognized when all the significant risks and rewards of ownership of the goods have been transferred to the buyer;

② The Company does not retain either continuing managerial involvement to the degree usually associated with ownership or effective control over the sold goods;

③ The amount of revenue can be reliably measured;

④ It is probable that the economic benefits associated will flow to the Company;

⑤ The relevant amount of costs incurred or to be incurred can be measured reliably.

(2) Specific principles

① Principle for recognizing domestic sales revenue for standard products: The Company's security standard products are sold, through both direct sale and distribution, to the project clients, dealers and other customers. The Company and customers sign sales contracts and send the goods to customers according to the contractual terms of delivery, or the customers pick up goods. The revenue is recognized after the customer receives and accepts the goods and the Company obtains the receipt for proving the client's receipt of goods.

② Principle for recognizing overseas sales revenue for standard products: If the domestic company makes direct export, the FOB and CIF terms are generally adopted and the Company recognizes the sale income after the product is declared and exported. If a foreign subsidiary sells the goods abroad, the goods will be sent to the customer or the customer will collect the goods according to the delivery method agreed with the customer, and the income will be recognized when the customer receives and accepts the goods.

③ Principle for recognizing system-integrated sales revenue: The sales of the system-integrated products of the Company include providing the supporting services such as plan design, supporting products, installation, debugging and system trial operation. The sales income will be recognized upon acceptance.

④ Principle for recognizing the income from labor services: The income is recognized when the labor service is provided.

29. Government subsidies

(1) Judgment basis and accountant treatment for government subsidies related to assets

Government grants related to assets is obtained by the Company for the purposes of constructing or forming long-term assets in other ways including funds allocation for purchase of fixed assets or intangible assets, financial discount of special loans for fixed assets.

Government grants related to assets will be measured at the actual amount of money received at the time of receipt. For recognizing the assets (bank deposits) and deferred income, the average apportionment of deferred income will be credited to the profits and losses for the current period according to the expected use period of the assets from the time the assets are available for use. When the relevant assets are disposed of (sold, transferred, scrapped, etc.) at or before the end of their service life, the balance of the deferred income that has not yet been apportioned will be transferred to the current-period income from the disposal of the assets on an one-time manner, and will not be deferred. Government grants related to assets should be presented as deferred income and recognized as non-operating revenue evenly over the service life of the assets constructed or procured.

(2) Judgment basis and accountant treatment for government subsidies related to revenues

Government grants related to revenue refer to the government grants other than those related to assets.

For government grants related to revenue, it will be recognized as non-operating revenue according to the amount receivable for government subsidies obtained under fixed quota standards, otherwise it will be recognized as non-operating revenue when it is actually received. A government grant related to revenue is used for compensation for related expenses or losses to be incurred by the Company in subsequent periods, the grant shall be recognized as deferred income, and recognized in non-operating revenue over the periods in which the related costs are recognized; if the grant is a compensation for related expenses or losses already incurred by the Company, the grant shall be recognized immediately in the non-operating revenue for the current period.

30. Deferred income tax assets/liabilities

Deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized. For deductible losses and tax credits that can be reversed in the future period, deferred tax assets shall be recognized to the extent that it is probable that taxable profit will be available in the future to offset the deductible losses and tax credits.

Save as the exceptions, deferred income tax liabilities shall be recognized for the taxable temporary difference.

The exceptions for not recognition of deferred income tax assets and liabilities include: the initial recognition of the goodwill; other transactions or matters other than business combinations in which neither profit nor taxable income (or deductible loss) will be affected when transactions occur.

After granted the legal rights of net settlement and with the intention to use net settlement or obtain assets and repay debt at the same time, the net amount after offsetting its current income tax assets and current income tax liabilities shall be recorded.

When the Company was granted the legal rights of net settlement of current income tax assets and current income tax liabilities, and deferred income tax assets and deferred income tax liabilities are related to income tax to be paid by the same entity liable to pay tax to the same tax collection and management authority or related to different entities liable to pay tax, but the relevant entity liable to pay tax is intended to apply net settlement of current income tax assets and liabilities or, at the same time, obtain assets, repay debt whenever every deferred income tax assets and liabilities with importance would be reversed in the future, the Company records the net amount after offsetting its current income tax assets and current income tax liabilities.

31. Leases

(1) Accounting of operating lease

① As the lessee of operating leases, rental payments under operating leases are recognized as costs or expenses on a straight line basis over the lease term (including rent free periods). Initial direct costs that are attributable to an operating lease incurred by the Company are charged to current profit and loss.

When the lesser bears the lease related expenses which should be undertaken by the Company, the Company shall deduct this part of expense from the rent and amortize the net amount over the lease term.

② Leasing charges received by the Company for the assets leased out shall be amortized in a straight-line basis over the lease term without deducting the rent-free periods, and recognized as leasing income. The initial direct fee related to the leasing transactions paid by the Company shall be charged to current expenses; if the amount is significant, it shall be capitalized and charged to current income evenly on the same basis as the leasing income is recognized over the lease term.

When the Company bears the lease related expenses which should be undertaken by the lessee, the Company shall deduct this part of expense from the rent income, and amortize the net amount over the lease term.

(2) Accounting of finance lease

① Assets acquired under finance leases: At the initiation date of the lessee, the leased asset is recorded at the amounts equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments. The balance is accounted for as unrecognized finance charge and is amortized using the effective interest method over the period of the lease. The Company, by means of the real interest method, amortizes the unacknowledged financial charges during the lease term of the assets and includes them into financing expenses. Initial direct cost incurred by the Company will be included in the assets acquired under finance leases.

② Assets acquired under finance rents: At the initiation date of the lessee, the difference between the recorded amount of the leased asset and the minimum lease receivables is accounted for as unrecognized finance income and is recognized as rental income over the period of the lease. Initial direct costs shall be included in the initial accounting of the lease payment receivables and deduct by the revenue recognized over the lease term.

32. Other significant accounting policies and accounting estimates

N/A

33. Changes in significant accounting policies and accounting estimates**(1) Changes in significant accounting policies**

Applicable Not applicable

(2) Changes in significant accounting estimates

Applicable Not applicable

VI. Taxes**1. Major categories of taxes and tax rates**

Category of Tax	Taxation Basis	Tax Rate
VAT	According to the provisions of the tax law, the sales tax shall be calculated on the basis of the income by selling goods and taxable services. After deducting the input tax that is allowed to be deducted from the sales tax in the current period, the difference shall be the value added tax	17%、16%、11%、10%、6%, simple collection rate of 5% and simple collection rate of 3%
Urban Maintenance and Construction Tax	Calculated based on the deduction free amount, actual business tax, VAT, and consumption tax	7%, 5%
Enterprise Income Tax	Calculated based on the taxable income	15%, 25%
Education Surcharges	Calculated based on the deduction free amount, actual business tax, VAT, and consumption tax	3%

Local Education Surcharges	Calculated based on the deduction free amount, actual business tax, VAT, and consumption tax	2%
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If there are multiple taxpayers with different enterprise income tax rates, specify the situation

Name of Taxpayer	Income Tax Rate
Zhejiang Dahua Technology Co., Ltd.	15%
Zhejiang Dahua System Engineering Co., Ltd.	15%
Zhejiang Dahua Security Network Operation Service Co., Ltd.	15%
South North United Information Technology Co., Ltd.	15%
Dahua Technology (HK) Limited	16.50%
Other domestic companies	25%
Other overseas companies	Applicable to local tax rate

2. Preferential tax rate

(1) In accordance with CS [2011] No.100 Document of Ministry of Finance and SAT, the Company's sales revenue of software products will be initially imposed a tax at a rate of 17%. For the part with actual tax bearing more than 3%, it shall be implemented by the policy of instant collection and reimbursement, after the approval of certain competent tax departments. For the VAT of export goods, it shall be implemented by the policy of "Exemption, Compensation, and Reimbursement", enjoying a tax reimbursement rate of 17%.

(2) In accordance with the Letter of Reply on the Registration of First Batch of High-tech Enterprises of Zhejiang Province in 2017, GKH ZI [2017] No.201, issued by the Science and Technology Department of Zhejiang Province, the Company has passed the re-identification as a high-tech enterprise, with the high-tech enterprise certificate No.GR201733003264 acquired, issued on November 13, 2017, valid for three years. The Company's enterprise income tax of this reporting period shall be calculated and paid at a tax rate of 15%.

(3) In accordance with the document of Letter of Reply on the Registration of First Batch of High-tech Enterprises of Zhejiang Province in 2015, GKH ZI [2015] No.256, issued by the Leading High-tech Industry Development Center of the Science and Technology Department, the subsidiary, Zhejiang Dahua System Engineering Co., Ltd. has been approved to be registered as a high-tech enterprise, with the high-tech enterprise certificate No.GR201633001378. The enterprise income tax of the subsidiary, Zhejiang Dahua System Engineering Co., Ltd. in this reporting period shall be calculated and paid at a tax rate of 15%.

(4) In accordance with the Letter of Reply on the Registration of First Batch of High-tech Enterprises of Zhejiang Province in 2017, GKH ZI [2017] No.201, issued by the Science and Technology Department of Zhejiang Province, the subsidiary, Zhejiang Dahua Security Network Operation Service Co., Ltd. has passed the identification as a high-tech enterprise, with the high-tech enterprise certificate No.GR201733000226 acquired, issued on November 13, 2017, valid for three years. The enterprise income tax of the subsidiary, Zhejiang Dahua Security Network Operation Service Co., Ltd. in this reporting period shall be calculated and paid at a tax rate of 15%.

(5) In accordance with the Letter of Reply on the Registration of First Batch of High-tech Enterprises of Zhejiang Province in 2017, GKH ZI [2017] No.201, issued by the Science and Technology Department of Zhejiang Province, the subsidiary, Nanbei United Information Technology Co., Ltd. has passed the identification as a high-tech enterprise, with the high-tech enterprise certificate No.GR201733001886 acquired, issued on November 13, 2017, valid for three years. The enterprise income tax of the subsidiary, Nanbei United Information Technology Co., Ltd. in this reporting period shall be calculated and paid at a tax rate of 15%.

(6) According to the Notice on Adjusting VAT Rates [2018] No.32 issued by the Ministry of Finance and State Administration

of Taxation, the previous VAT rates of 17% and 11% applicable to this group will be respectively adjusted to 16% and 10%.

VII. Notes to Items in the Consolidated Financial Statements

1. Cash and bank balances

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the commencement of the Period
Cash on Hand	11,313.49	167,745.54
Bank Balance	2,147,048,201.26	2,926,061,578.72
Other Cash and Bank Balances	235,121,025.98	686,707,839.88
Total	2,382,180,540.73	3,612,937,164.14
Including: Total Amount Deposited in Overseas Banks	423,741,779.67	714,069,191.59

Other notes

The details of the cash and bank balances that are limited by mortgage, pledge or freeze are as follows:

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Documentary Credit Deposit	443,312,200.00	514,241,540.00
Guarantee Deposit	73,813,064.10	37,320,090.08
Total	517,125,264.10	551,561,630.08

2. Financial assets measured at fair value through profit and loss

N/A

3. Derivative financial assets

Applicable Not applicable

4. Notes receivable

(1) Categories of notes receivable

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Bank Acceptance Notes	1,785,576,387.90	2,431,296,170.58
Total	1,785,576,387.90	2,431,296,170.58

(2) Notes receivable pledged by the Company at the closing of the reporting period

Unit: RMB

Item Name	Pledged Amount by the End of Period
Bank Acceptance Notes	1,592,282,191.90
Total	1,592,282,191.90

(3) Notes receivable discounted or endorsed by the Company at the closing of the reporting period

Unit: RMB

Item Name	Derecognized Amount at the End of Period	Not Derecognized Amount at the End of Period
Bank Acceptance Notes	133,723,521.97	
Commercial Acceptance Notes	540,000.00	
Total	134,263,521.97	

(4) Defaulted notes the Company has to transfer into accounts receivable at the closing of the reporting period

N/A

5. Accounts receivable**(1) Disclosure of accounts receivable by categories**

Unit: RMB

Category	Balance at the End of the Period					Balance at the Start of the Period				
	Book Balance		Bad Debt Provision		Book Value	Book Balance		Bad Debt Provision		Book Value
	Amount	Percentage	Amount	Proportion		Amount	Percentage	Amount	Proportion	
Accounts Receivable with Bad Debt Provision Accrued Based on Credit Risk Feature Combinations	9,953,478,868.53	100.00%	871,928,328.66	8.76%	9,081,550,539.87	8,293,930,926.78	100.00%	753,986,170.09	9.09%	7,539,944,756.69
Total	9,953,478,868.53	100.00%	871,928,328.66	8.76%	9,081,550,539.87	8,293,930,926.78	100.00%	753,986,170.09	9.09%	7,539,944,756.69

Accounts receivables with individual items significant in amount and the bad debts provision accrued individually at the end of

period:

Applicable Not applicable

In the combination, the accounts receivables with the bad debt provision accrued according to the aging analysis method:

Applicable Not applicable

Unit: RMB

Aging	Balance at the End of the Period		
	Accounts Receivable	Bad Debt Provision	Accrued Proportion
Aging within 1 year			
Within 1 year (inclusive)	8,247,109,026.92	412,355,451.35	5.00%
Subtotal within 1 year	8,247,109,026.92	412,355,451.35	5.00%
1 to 2 years	800,693,026.81	80,069,302.68	10.00%
2 to 3 years	578,400,649.06	173,520,194.72	30.00%
3 years or above	327,276,165.74	205,983,379.91	
3 to 4 years	216,844,266.33	108,422,133.17	50.00%
4 to 5 years	64,353,263.34	51,482,610.67	80.00%
5 years or above	46,078,636.07	46,078,636.07	100.00%
Total	9,953,478,868.53	871,928,328.66	

In the combination, the accounts receivables with the bad debt provision accrued according to the percentage method:

Applicable Not applicable

In the combination, the accounts receivables with the bad debt provision accrued according to other methods:

Applicable Not applicable

(2) Accrued, recovered or reversed bad debt provision during the reporting period

In this period, bad debt provision accrued amounts to RMB 117,942,158.57; the recovered or reversed bad debt provision in this period amounts to RMB 0.00.

(3) Actual write-off of accounts receivable during the reporting period

In this period, there is no actual write-off of accounts receivables.

(4) Top five debtors based on the corresponding closing balance of accounts receivable

The largest five debtors hold the accounts receivable balance of RMB 980,021,778.42 in total at the end of the accounting period, which accounts for 9.85% of the total account receivable balance. The bad debt provision accrued totals up to RMB 101,512,585.25.

(5) Accounts receivable derecognised due to transfer of financial assets

In this period, there is no such case as derecognised receivables due to transfer of financial assets.

(6) Assets/liabilities generated due to transferred accounts receivable that the Company still keeps recourse or retains part of corresponding rights or interests

There is no such case as assets/liabilities generated due to the transferred accounts receivables that the Company still keeps recourse or retains part of the corresponding rights or interests.

6. Prepayments

(1) Aging analysis of prepayments is as follows

Unit: RMB

Aging	Balance at the End of the Period		Balance at the Start of the Period	
	Amount	Percentage	Amount	Percentage
Within 1 year	152,747,731.38	88.06%	151,610,645.14	98.22%
1 to 2 years	19,585,750.17	11.29%	2,210,892.79	1.43%
2 to 3 years	593,971.10	0.34%	36,743.12	0.03%
3 years or above	536,833.18	0.31%	498,890.08	0.32%
Total	173,464,285.83	--	154,357,171.13	--

(2) Closing balances of top five prepayments parties

The largest five parties hold the prepayment balance of RMB 95,206,684.54 in total at the end of the accounting period, which accounts for 54.89% of the total prepayment balance.

7. Interest receivables

(1) Categories of interest receivables

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Fixed term deposit	8,229,227.29	9,219,422.61
Total	8,229,227.29	9,219,422.61

(2) Important overdue interest

N/A

8. Dividends receivable

N/A

9. Other accounts receivable

(1) Disclosure of other accounts receivable by categories

Unit: RMB

Category	Balance at the End of the Period					Balance at the Start of the Period				
	Book Balance		Bad Debt Provision		Book Value	Book Balance		Bad Debt Provision		Book Value
	Amount	Percentage	Amount	Proportion		Amount	Percentage	Amount	Proportion	
Other receivables with bad debt provision accrued based on credit risk feature combinations	416,759,529.70	100.00%	36,161,271.86	8.68%	380,598,257.84	310,353,894.34	100.00%	27,295,108.93	8.79%	283,058,785.41
Total	416,759,529.70	100.00%	36,161,271.86	8.68%	380,598,257.84	310,353,894.34	100.00%	27,295,108.93	8.79%	283,058,785.41

Other receivables with individual items significant in amount and the bad debts provision accrued individually at the end of period:

Applicable Not applicable

In the combination, other receivables with the bad debt provision accrued according to the aging analysis method:

Applicable Not applicable

Unit: RMB

Aging	Balance at the End of the Period		
	Other Receivables	Bad Debt Provision	Accrued Proportion
Aging within 1 Year			
Within 1 year (inclusive)	292,124,273.41	14,606,213.66	5.00%
Subtotal within 1 Year	292,124,273.41	14,606,213.66	5.00%
1 to 2 Year rs	91,239,150.57	9,123,915.06	10.00%
2 to 3 Year s	24,963,012.93	7,488,903.88	30.00%
3 Year s or above	8,433,092.79	4,942,239.26	
3 to 4 Year rs	6,574,054.02	3,287,027.01	50.00%
4 to 5 Year rs	1,019,132.60	815,306.08	80.00%
5 Year s or above	839,906.17	839,906.17	100.00%
Total	416,759,529.70	36,161,271.86	

Notes on the basis to determine the combination:

In the combination, other receivables with the bad debt provision accrued according to the percentage method:

Applicable Not applicable

In the combination, other receivables with the bad debt provision accrued according to other method:

□ Applicable √ Not applicable

(2) Accrued, recovered or reversed bad debt provision during the reporting period

In this period, bad debt provision accrued amounts to RMB 8,866,162.93; the recovered or reversed bad debt provision in this period amounts to RMB 0.00.

(3) Other actual write-off of accounts receivable during the reporting period

In this period, there is no actual write-off of other receivables.

(4) Disclosure of other accounts receivable by categories

Unit: RMB

Nature of the Funds	Closing Balance	Opening Balance
Deposits	133,802,129.05	123,678,597.71
Prepaid or advance expense	279,213,314.23	182,160,644.57
Other	3,744,086.42	4,514,652.06
Total	416,759,529.70	310,353,894.34

(5) Top five debtors based on the corresponding closing balance of other accounts receivable

Unit: RMB

Name of Unit	Nature of the Funds	Balance at the End of the Period	Aging	As a Percentage of Total Other Accounts Receivable at the End of the Period	Bad Debt Provision at the End of the Period
Company 1	Performance guarantee deposit	19,864,324.25	The amount within 1 year is RMB 14,964,324.25 and the amount more than 1 year but not exceeding 2 years is RMB 4,900,000.00.	4.76%	1,238,216.21
Company 2	Remitted provident fund	15,456,196.15	Within 1 year	3.71%	772,809.81
Company 3	Performance guarantee deposit	12,486,020.61	The amount within 1 year is RMB 10,858,947.53 and the amount more than 1 year but not exceeding 2 years is RMB 1,627,073.08.	3.00%	705,654.68
Company 4	Performance guarantee deposit	12,000,000.00	1-2 years	2.88%	1,200,000.00
Company 5	Performance	6,000,000.00	1-2 years	1.44%	600,000.00

	guarantee deposit				
Total	--	65,806,541.01	--	15.79%	4,516,680.70

(6) Other accounts receivable related to government subsidies

In this period, there is no such case as other receivables related to government subsidies.

(7) Other accounts receivable derecognised due to transfer of financial assets

In this period, there is no such case as derecognised other receivables due to transfer of financial assets.

(8) Assets/liabilities generated due to transferred other accounts receivable that the Company still keeps recourse or retains part of corresponding rights or interests

There is no such case as assets/liabilities generated due to the transferred other receivables that the Company still keeps recourse or retains part of corresponding rights or interests.

10. Inventories

(1) Categories of inventories

Unit: RMB

Item Name	Balance at the End of the Period			Balance at the Start of the Period		
	Book Balance	Provision for Decline in Price	Book Value	Book Balance	Provision for Decline in Price	Book Value
Raw Materials	971,081,820.79		971,081,820.79	822,509,588.98		822,509,588.98
Work-in-progress	1,084,788,871.02	39,485,657.35	1,045,303,213.67	1,037,927,237.89	38,652,726.64	999,274,511.25
Finished Goods	1,220,762,028.55		1,220,762,028.55	915,949,813.93		915,949,813.93
Outsourced Work-in-progress	149,081,093.71		149,081,093.71	68,408,684.49		68,408,684.49
Total	3,425,713,814.07	39,485,657.35	3,386,228,156.72	2,844,795,325.29	38,652,726.64	2,806,142,598.65

(2) Provision for decline in value of inventories

Unit: RMB

Item Name	Balance at the Start of the Period	Increased in the Current Period		Decreased in the Current Period		Balance at the End of the Period
		Accrued	Others	Reversals or Write-offs	Others	
Work-in-progress	38,652,726.64	832,930.71				39,485,657.35
Total	38,652,726.64	832,930.71				39,485,657.35

(3) Notes on the closing balance of the inventories containing capitalized amount of the borrowing expense

N/A

(4) Information about the completed but unsettled assets generated by construction contracts at the end of period

N/A

11. Assets held for sale

N/A

12. Non-current assets due within 1 year

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Long-term accounts receivables due within 1 year	496,698,290.79	367,302,811.80
Total	496,698,290.79	367,302,811.80

13. Other current assets

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Deductible input tax	319,170,371.39	340,408,944.82
Bank financial products	6,000,000.00	
Prepaid enterprise income tax	2,265,492.40	9,989,313.35
Prepaid overseas miscellaneous taxes and dues		1,657,398.48
Total	327,435,863.79	352,055,656.65

14. Available-for-sale financial assets**(1) Available-for-sale financial assets**

Unit: RMB

Item Name	Balance at the End of the Period			Balance at the Start of the Period		
	Book Balance	Provision for Decline in Value	Book Value	Book Balance	Provision for Decline in Value	Book Value

Available-for-sale Equity Instruments:	92,970,227.00	15,000,000.00	77,970,227.00	92,970,227.00	15,000,000.00	77,970,227.00
By Cost Method	92,970,227.00	15,000,000.00	77,970,227.00	92,970,227.00	15,000,000.00	77,970,227.00
Total	92,970,227.00	15,000,000.00	77,970,227.00	92,970,227.00	15,000,000.00	77,970,227.00

(2) Available-for-sale financial assets measured at fair value at the end of the period

N/A

(3) Available-for-sale financial assets measured by cost at the end of the period

Unit: RMB

The Investee	Book Balance				Provision for Decline in Value				Percentage of Shares Held in the Investee	Cash Dividend in the Current Period
	At the Start of the Period	Increased in the Current Period	Decreased in the Current Period	At the End of the Period	At the Start of the Period	Increased in the Current Period	Decreased in the Current Period	At the End of the Period		
Shanghai Xianghe Equity Investment Partnership (limited partnership)	10,000,000.00			10,000,000.00					1.43%	260,229.59
Shanghai Xianghe Hongan Equity Investment Partnership (limited partnership)	10,000,000.00			10,000,000.00					0.77%	744,779.11
Xinjiang Fangyuan Huirong Investment Partnership	30,000,000.00			30,000,000.00					6.98%	
Shanghai Xianghe	10,000,000.00			10,000,000.00					1.00%	

Yongan Equity Investment Partnershi p (limited partnershi p)										
Shandong Zhongan Technolog y Co., Ltd.	8,000,000. 00			8,000,000. 00					1.76%	
Hangzhou Xichuang Equity Investment Partnershi p (limited partnershi p)	5,000,000. 00			5,000,000. 00					11.2994%	
Zhejiang Xinmenhai Technolog y Co., Ltd.	2,416,000. 00			2,416,000. 00					5.00%	
Hangzhou Chuangch ao Investment Managem ent Co., Ltd.	80,000.00			80,000.00					4.00%	
Ningxia Electronic Technolog y Co., Ltd.	15,000,000 .00			15,000,000 .00	15,000,000 .00			15,000,000 .00	19.99%	
Hangzhou Maycur Technolog y Co., Ltd.	2,474,227. 00			2,474,227. 00					2.43%	
Total	92,970,227 .00			92,970,227 .00	15,000,000 .00			15,000,000 .00	--	1,005,008. 70

(4) The decline in value of the available-for-sale financial assets during the reporting period

Unit: RMB

Categories of the Available-for-sale Financial Assets	Available-for-sale Equity Instrument	Available-for-sale Debt Instrument		Total
Balance of the Impairment after the Accrual at the Beginning of Period	15,000,000.00			15,000,000.00
Balance of the Impairment after the Accrual at the end of Period	15,000,000.00			15,000,000.00

(5) Notes on available-for-sale equity instruments with serious decline or other-than-temporary decline in fair values but no provision for impairment at the end of the period

N/A

15. Investment held to maturity

N/A

16. Long-term receivables**(1) Long-term receivables**

Unit: RMB

Item Name	Balance at the End of the Period			Balance at the Start of the Period			Range of Discount Rate
	Book Balance	Bad Debt Provision	Book Value	Book Balance	Bad Debt Provision	Book Value	
Installment Payment for Selling Products	1,667,975,490.69		1,667,975,490.69	1,480,947,137.80		1,480,947,137.80	
Including: Unrealized Financing Income	320,879,366.79		320,879,366.79	307,410,501.65		307,410,501.65	3.69-6.55
Total	1,667,975,490.69		1,667,975,490.69	1,480,947,137.80		1,480,947,137.80	--

(2) Long-term receivables derecognised due to transfer of financial assets

N/A

(3) Assets/liabilities generated due to transferred long-term receivables that the Company still keeps recourse or retains part of corresponding rights or interests

N/A

17. Long-term equity investment

Unit: RMB

The Investee	Balance at the Start of the Period	Decrease/Increase in the Current Period								Balance at the End of the Period	Closing Balance of Provision for Decline in Value
		Investments Increased	Investment Decreased	Investment Profit and Loss Recognized under the Equity Method	Adjustment on Other Comprehensive Income	Other Changes in Equity	Cash Dividends or Profit Declared to Distribute	Provision for Impairment Accrued	Others		
I . Joint Ventures											
II . Affiliates											
Wenzhou Dahua Security Services Co., Ltd.	672,907.47			9,227.74						682,135.21	
Taizhou Dahua Security Services Co., Ltd.	315,827.85			-18,458.03						297,369.82	
Ningbo Dahua Anbang Security Services Co., Ltd.	1,287,212.43			-76,248.33						1,210,964.10	
Lishui Dahua Intelligent	75,748.24			4,606.76						80,355.00	

Technology Co., Ltd.											
Zhoushan Dahua Technology Co., Ltd.	541,197.78			41,085.19						582,282.97	
Shaoxing Dahua Security Services Co., Ltd.	549,538.49			3,757.59						553,296.08	
Beijing Ankang Jianxing Emergency Education Technology Co., Ltd.	7,651,907.75		7,580,935.18	-70,972.57						0.00	
Zhejiang Leapmotor Technology Co., Ltd.	36,803,547.78			-25,197,113.35						11,606,434.43	
Shenzhen Conwin Security Electronics CO., Ltd.	10,756,555.03			375,357.19						11,131,912.22	
Zhejiang Dahua Zhian Internet of Things Technology Co., Ltd.	2,751,589.84			-1,054,022.31						1,697,567.53	

Guangdong Dahua Zhishi Technology Co., Ltd.	-133,147.25			-291,070.71						-424,217.96	
Subtotal	61,272,885.41		7,580,935.18	-26,273,850.83						27,418,099.40	
Total	61,272,885.41		7,580,935.18	-26,273,850.83						27,418,099.40	

18. Investment properties

(1) Investment properties measured by cost method

√ Applicable □ Not applicable

Unit: RMB

Item Name	Buildings and Constructions	Land Use Rights	Construction in Progress	Total
I . Original Book Value				
1. Opening Balance	182,786,539.11	7,787,655.39		190,574,194.50
2. Increased in the Current Period				
(1) Purchase				
(2) Inventories\Fixed Assets\Transferred from Construction in Progress				
(3) Acquisition				
3. Decreased in the Current Period				
(1) Disposal				
(2) Other Transfer-out				
4. Closing Balance				
	182,786,539.11	7,787,655.39		190,574,194.50
II . Accumulated Depreciation and Amortization				
1. Opening Balance	8,641,451.19	882,601.02		9,524,052.21
2. Increased in the Current Period				
(1) Accrual or Amortization				
	4,342,256.88	77,876.58		4,420,133.46
3. Decreased in the Current Period				

(1) Disposal				
(2) Other Transfer-out				
4. Closing Balance	12,983,708.07	960,477.60		13,944,185.67
III. Provision for Impairment				
1. Opening Balance				
2. Increased in the Current Period				
(1) Accrual				
3. Decreased in the Current Period				
(1) Disposal				
(2) Other Transfer-out				
4. Closing Balance				
IV. Book Value				
1. Closing Balance on Book Value	169,802,831.04	6,827,177.79		176,630,008.83
2. Opening Balance on Book Value	174,145,087.92	6,905,054.37		181,050,142.29

(2) Investment properties measured at fair value

Applicable Not applicable

(3) Investment properties with certificates of title not granted

N/A

19. Fixed assets**(1) Fixed assets**

Unit: RMB

Item Name	Housing and Building	Machinery and Equipment	Means of Transport	Electronics and Other Equipment	Total
I. Original Book Value:					
1. Opening Balance	1,037,396,613.16	139,396,762.19	37,598,995.15	514,518,515.12	1,728,910,885.62
2. Increased in the Current Period	23,547,232.50	6,197,403.73	2,499,807.56	80,985,151.78	113,229,595.57
(1) Purchase		4,584,495.30	2,277,367.21	69,415,001.81	76,276,864.32

(2) Transferred from Construction in Progress	17,385,007.87	27,840.66			17,412,848.53
(3) Acquisition	6,162,224.63	1,585,067.77	222,440.35	11,570,149.97	19,539,882.72
3. Decreased in the Current Period		6,186.71	557,517.25	43,600,688.21	44,164,392.17
(1) Disposal or Scrapping		6,186.71	557,517.25	43,600,688.21	44,164,392.17
4. Currency Translation Difference			-17,661.16	-198,335.81	-215,996.97
5. Closing Balance	1,060,943,845.66	145,587,979.21	39,523,624.30	551,704,642.88	1,797,760,092.05
II. Accumulated Depreciation					
1. Opening Balance	121,806,114.10	30,400,919.75	26,341,709.20	302,056,976.80	480,605,719.85
2. Increased in the Current Period	25,116,099.93	8,291,814.80	2,209,930.46	54,698,426.66	90,316,271.85
(1) Accrual	24,629,947.28	6,786,530.25	2,097,460.98	50,849,321.15	84,363,259.66
(2) Acquisition	486,152.65	1,505,284.55	112,469.48	3,849,105.51	5,953,012.19
3. Decreased in the Current Period		1,022.14	96,834.39	42,180,540.24	42,278,396.77
(1) Disposal or Scrapping		1,022.14	96,834.39	42,180,540.24	42,278,396.77
4. Currency Translation Difference			-1,003.13	-31,487.75	-32,490.88
5. Closing Balance	146,922,214.03	38,691,712.41	28,453,802.14	314,543,375.47	528,611,104.05
III. Provision for Impairment					
1. Opening Balance					
2. Increased in the Current Period					
(1) Accrual					
3. Decreased in the Current Period					
(1) Disposal or Scrapping					
4. Closing Balance					
IV. Book Value					
1. Closing Balance on Book Value	914,021,631.63	106,896,266.80	11,069,822.16	237,161,267.41	1,269,148,988.00

2. Opening Balance on Book Value	915,590,499.06	108,995,842.44	11,257,285.95	212,461,538.32	1,248,305,165.77
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(2) Fixed assets temporarily idle

N/A

(3) Fixed assets rented under finance lease

N/A

(4) Fixed assets leased under operating lease

N/A

(5) Fixed assets with certificates of title not granted

Unit: RMB

Item Name	Book Value	Reasons for Certificates of Title Not Granted
Dahua Smart (IOT) Industrial Park Construction Project Phase One	507,001,934.49	In the process of obtaining the real estate certificates
Purchased Office Property	17,385,007.87	In the process of obtaining the real estate certificates

20. Construction in progress**(1) Details of construction in progress**

Unit: RMB

Item Name	Balance at the End of the Period			Balance at the Start of the Period		
	Book Balance	Provision for Decline in Value	Book Value	Book Balance	Provision for Decline in Value	Book Value
Dahua Auxiliary and R&D Lab Building Renovation Project	15,686,682.65		15,686,682.65			
ORACLE System				5,045,690.84		5,045,690.84
Equipment engineering	32,538,023.27		32,538,023.27	26,036,020.95		26,036,020.95
Commercial building under decoration				16,485,759.23		16,485,759.23
Dahua Smart Security (IOT) Manufacturing Base	13,594,237.29		13,594,237.29	8,067,861.57		8,067,861.57

Other	5,318,956.55		5,318,956.55	3,143,892.82		3,143,892.82
Total	67,137,899.76		67,137,899.76	58,779,225.41		58,779,225.41

(2) Changes in significant construction in progress

Unit: RMB

Item Name	Budget	Balance at the Start of the Period	Increase in the Current Period	Intangible Assets Transferred into the Company in the Current Period	Other Amounts Decreased in Current Period	Balance at the End of the Period	Project Accumulative Investment as a Percentage of the Budget	Project Progress	Accumulated Capitalized Interest Amount	Including: Capitalized Interest Amount in the Current Period	Capitalization Rate of the Interest in the Current Period	Capital Source
Dahua Auxiliary and R&D Lab Building Renovation Project	90,000,000.00		15,686,682.65			15,686,682.65	17.43%	Under construction				Equity Fund
Dahua Smart Security (IOT) Manufacturing Base	800,000,000.00	8,067,861.57	5,526,375.72			13,594,237.29	1.70%	Under construction				Equity Fund
ORACLE System		5,045,690.84	1,600,527.41	6,646,218.25				Completed				Equity Fund
Total	890,000,000.00	13,113,552.41	22,813,585.78	6,646,218.25		29,280,919.94	--	--				--

(3) Provision for impairment for construction in progress during the period

N/A

21. Project materials

N/A

22. Disposal of fixed assets

N/A

23. Productive biological assets**(1) Productive biological assets measured by cost method** Applicable Not applicable**(2) Productive biological assets measured at fair value** Applicable Not applicable**24. Oil and gas assets** Applicable Not applicable**25. Intangible assets****(1) Details of intangible assets**

Unit: RMB

Item Name	Land Use Rights	Patent Rights	Non-patented Technology	Software	Trademark Rights	Software Copyright	Total
I . Original Book Value							
1. Opening Balance	200,738,970.56		58,346,510.59	63,638,856.89	2,324,000.00	6,381,122.62	331,429,460.66
2. Increased in the Current Period				11,369,239.09	367,272.00		11,736,511.09
(1) Purchase				1,468,434.91			1,468,434.91
(2) Internal R&D							
(3) Acquisition				524,319.34	367,272.00		891,591.34
(4) Transferred From Construction in Progress				9,376,484.84			9,376,484.84

3. Decreased in the Current Period							
(1) Disposal							
4. Currency Translation Difference				-510.77			-510.77
5. Closing Balance	200,738,970.56		58,346,510.59	75,007,585.21	2,691,272.00	6,381,122.62	343,165,460.98
II. Accumulated amortization							
1. Opening balance	8,626,094.88		29,466,322.41	34,045,431.21	1,824,800.00	4,109,557.50	78,072,206.00
2. Increased in the current period	2,313,887.04		2,732,732.53	10,319,194.40	429,672.00	438,112.48	16,233,598.45
(1) Accrual	2,313,887.04		2,732,732.53	10,107,888.82	62,400.00	438,112.48	15,655,020.87
(2) Acquisition				211,305.58	367,272.00		578,577.58
3. Decreased in the Current Period							
(1) Disposal							
4. Currency Translation Difference				-49.10			-49.10
5. Closing Balance	10,939,981.92		32,199,054.94	44,364,576.51	2,254,472.00	4,547,669.98	94,305,755.35
III. Provision for Impairment							
1. Opening Balance							
2. Increased in the Current Period							
(1) Accrual							
3. Decreased in the Current Period							
(1) Disposal							
4. Closing Balance							
IV. Book Value							
1. Closing Balance on Book Value	189,798,988.64		26,147,455.65	30,643,008.70	436,800.00	1,833,452.64	248,859,705.63

2. Opening Balance on Book Value	192,112,875.68		28,880,188.18	29,593,425.68	499,200.00	2,271,565.12	253,357,254.66
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At the end of the period, the intangible assets generated from the internal research and development of the Company account for 0.00% of the balance of the intangible assets.

(2) Land use rights with certificates of title not granted

N/A

26. Development expenditure

N/A

27. Goodwill

(1) Original book value of goodwill

Unit: RMB

The Investee or Matters Which Formed Goodwill	Balance at the Start of the Period	Increased in the Current Period		Decreased in the Current Period		Balance at the End of the Period
South North United Information Technology Co., Ltd.	71,083,281.09					71,083,281.09
Dahua Technology Italy SRL		2,591,931.69				2,591,931.69
Lorex Technology Inc		22,865,065.60				22,865,065.60
Total	71,083,281.09	25,456,997.29				96,540,278.38

(2) Provision of impairment in goodwill

Specify the goodwill impairment test process, parameters, and how to recognize the losses in goodwill impairment:

The Company conducted the impairment test on the relevant asset group including goodwill. Based on the status of the projected future sales, selling costs and expenses of the acquired unit, the net present value of projected future cash flow is measured and calculated based on certain discount rate. According to the test results, it is found that the relevant asset group has no impairment.

28. Long-term Prepaid Expenses

Unit: RMB

Item Name	Balance at the Start of the Period	Increased in the Current Period	Prepaid Expenses in This Period	Other Amounts Decreased	Balance at the End of the Period
Renovation Costs		30,742,226.75	3,088,553.94		27,653,672.81

Total		30,742,226.75	3,088,553.94		27,653,672.81
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29. Deferred income tax assets/liabilities

(1) Deferred income tax assets not written off

Unit: RMB

Item Name	Balance at the End of the Period		Balance at the Start of the Period	
	Deductible Temporary Difference	Deferred Income Tax Assets	Deductible Temporary Difference	Deferred Income Tax Assets
Provision for Impairment of Assets	673,194,468.23	135,689,797.48	542,711,860.62	107,607,864.75
Unrealized Profit from Internal Transactions	357,280,154.62	71,600,503.65	324,096,266.40	72,010,655.66
Deductible Losses	310,383,936.87	76,637,241.67	126,225,882.24	30,425,699.26
Expected Liabilities	138,569,622.12	22,958,380.14	113,848,081.74	17,680,464.33
Payroll Payable	131,802,190.11	22,010,519.98	100,118,528.01	16,566,607.55
Costs from Tax Increase Due to Absence of Invoice	44,424,940.32	9,218,217.10	32,963,690.12	6,856,453.98
Amortization of Intangible Assets	6,433,169.02	1,774,764.15	2,041,503.49	306,225.52
Losses on the Changes in Fair Value	3,468,105.41	867,026.35		
Total	1,665,556,586.70	340,756,450.52	1,242,005,812.62	251,453,971.05

(2) Deferred income tax liabilities not written off

Unit: RMB

Item Name	Balance at the End of the Period		Balance at the Start of the Period	
	Taxable Temporary Difference	Deferred Income Tax Liabilities	Taxable Temporary Difference	Deferred Income Tax Liabilities
The gross profit of sales by installments	296,116,299.81	53,698,630.66	270,358,534.08	45,468,946.77
Total	296,116,299.81	53,698,630.66	270,358,534.08	45,468,946.77

(3) Deferred income tax assets or liabilities listed by net amount after offset

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Commencement of the Period
Deductible losses	153,714,135.98	118,796,525.71

Provision for impairment of assets	289,380,789.64	277,222,145.04
Expected Liabilities	35,635,827.58	14,150,807.87
Total	478,730,753.20	410,169,478.62

(4) Details of unrecognized deferred income tax assets

Unit: RMB

Year	Amount at the end of the period	Opening Balance	Notes
2018	2,098,124.64	2,098,124.64	Losses in 2013 and due in 2018
2019	5,566,595.76	5,566,595.76	Losses in 2014 and due in 2019
2020	25,369,075.20	25,369,075.20	Losses in 2015 and due in 2020
2021	28,287,841.72	28,287,841.72	Losses in 2016 and due in 2021
2022	57,474,888.39	57,474,888.39	Losses in 2017 and due in 2022
2023	34,917,610.27		Losses in 2018 and due in 2023
Total	153,714,135.98	118,796,525.71	--

30. Other non-current assets

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Commencement of the Period
Prepayments for purchase of engineering equipment	10,101,245.90	9,057,335.83
Prepayments for land use right	28,000,000.00	
Prepayments for acquisition of real estate	166,904,392.00	83,887,400.00
Total	205,005,637.90	92,944,735.83

31. Short-term loans**(1) Categories of short-term loan**

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Pledged Loans	91,402,275.54	270,924,255.90
Guaranteed Loans	600,000,000.00	200,000,000.00

Fiduciary Loans	1,250,000,000.00	700,000,000.00
Pledged, Guaranteed Loans	600,000,000.00	600,000,000.00
Total	2,541,402,275.54	1,770,924,255.90

(2) Outstanding overdue short-term loans

N/A

32. Financial liabilities booked at fair value, and differences in fair value booked through profit or loss in the current period

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Derivative Financial Liabilities	41,332,765.27	
A contractual obligation due to acquisition of a subsidiary's contingent consideration	62,450,000.00	62,450,000.00
Total	103,782,765.27	62,450,000.00

33. Derivative financial liabilities Applicable Not applicable**34. Notes payable**

Unit: RMB

Types	Balance at the End of the Period	Balance at the Start of the Period
Commercial Acceptance Bill	714,375,316.20	1,027,055,745.64
Bank Acceptance Bill	2,842,507,900.08	2,407,766,588.82
Total	3,556,883,216.28	3,434,822,334.46

The total amount of unpaid matured notes payables is RMB 0.00 at the end of current period.

35. Accounts payable**(1) Details of accounts payables**

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Payment for purchase of materials	2,575,300,266.27	2,517,661,622.60
Payment for engineering equipment	96,565,958.07	184,123,431.97
Total	2,671,866,224.34	2,701,785,054.57

(2) Significant accounts payable with aging over 1 year

N/A

36. Received pre-payments**(1) Details of received pre-payments**

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Commencement of the Period
Payments for sales of goods	205,871,980.45	316,554,403.77
Pre-payments from construction projects	129,142,911.78	145,161,018.61
Total	335,014,892.23	461,715,422.38

(2) Significant received pre-payments with aging over 1 year

N/A

37. Payroll payable**(1) Details of payroll payable**

Unit: RMB

Item Name	Balance at the Commencement of the Period	Increased in the Current Period	Decreased in the Current Period	Balance at the End of the Period
I . Short-term Remuneration	845,292,407.50	1,585,924,821.32	2,093,258,493.82	337,958,735.00
II . Dimission Benefits - defined	5,853,972.47	70,843,220.88	71,227,754.66	5,469,438.69
III. Dismissal Welfare		2,849,353.10	2,849,353.10	
IV. Other Benefits Due within One Year				
Total	851,146,379.97	1,659,617,395.30	2,167,335,601.58	343,428,173.69

(2) List of short-term remuneration

Unit: RMB

Item Name	Balance at the Commencement of the Period	Increased in the Current Period	Decreased in the Current Period	Balance at the End of the Period
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1. Wages or Salaries, Bonuses, Allowances and Subsidies	733,044,267.35	1,338,950,050.43	1,875,168,951.40	196,825,366.38
2. Staff Welfare		70,160,057.23	70,160,057.23	
3. Social Insurance Contributions	9,209,443.48	49,442,009.46	53,001,561.06	5,649,891.88
Including: Medical Insurance	8,573,930.92	43,389,152.89	46,810,465.37	5,152,618.44
Industrial Injury Insurance Premium	174,814.60	1,814,593.61	1,861,146.55	128,261.66
Maternity Insurance	460,697.96	4,238,262.96	4,329,949.14	369,011.78
Other Insurances				
4. Housing Funds	136,310.74	91,154,871.18	91,107,283.86	183,898.06
5. Labor Union and Education Funds	102,902,385.93	36,217,833.02	3,820,640.27	135,299,578.68
6. Short-term Absence with Pay				
7. Short-term Profit Sharing Plan				
Total	845,292,407.50	1,585,924,821.32	2,093,258,493.82	337,958,735.00

(3) Defined contribution scheme (Note)

Unit: RMB

Item Name	Balance at the Commencement of the Period	Increased in the Current Period	Decreased in the Current Period	Balance at the End of the Period
1. Basic Pension Insurance	5,314,945.62	67,745,057.93	68,142,579.98	4,917,423.57
2. Unemployment Insurance	539,026.85	3,098,162.95	3,085,174.68	552,015.12
Total	5,853,972.47	70,843,220.88	71,227,754.66	5,469,438.69

38. Taxes payable

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Commencement of the Period
VAT	127,602,969.73	204,313,190.07
Enterprise Income Tax	316,343,135.60	236,139,791.09
Personal Income Tax	19,508,386.14	12,517,616.31
Urban Maintenance and Construction Tax	8,326,784.45	12,124,330.32
Other	2,152,300.46	14,441,643.66

Total	473,933,576.38	479,536,571.45
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39. Interest payable

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Commencement of the Period
Interest on Long-term Borrowings Due in Installments	1,116,226.43	1,116,226.43
Interest Payable for Short-term Loan	4,318,698.66	1,870,583.16
Interest Payable for National Development Fund	1,371,333.33	707,666.66
Total	6,806,258.42	3,694,476.25

40. Dividends payable

N/A

41. Other payables**(1) Details of other payables by nature**

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Commencement of the Period
Deposits	15,687,954.08	20,265,869.53
Temporarily Borrowed and Advance Payments	86,537,733.83	72,780,836.70
Special Fund for Talent Incentive	9,860,718.00	9,860,718.00
Other	1,195,703.38	1,389,739.62
Total	113,282,109.29	104,297,163.85

42. Liabilities held for sale

N/A

43. Non-current liabilities due within 1 year

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Commencement of the
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		Period
Long-term Loans Due within 1 Year	25,500,000.00	0.00
Total	25,500,000.00	

44. Other current liabilities

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Commencement of the Period
To-be-transferred Sales Taxes in Installments	59,670,217.72	45,941,962.85
Total	59,670,217.72	45,941,962.85

45. Long-term loans**(1) Categories of long-term loans**

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
Pledged Loans	179,500,000.00	230,000,000.00
Total	179,500,000.00	230,000,000.00

46. Bonds payable

N/A

47. Long-term payables

N/A

48. Long-term payroll payable

N/A

49. Special payables

N/A

50. Expected liabilities

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the	Reasons
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		Period	
Expected After-sales Maintenance	174,205,449.70	127,998,889.61	After-sales maintenance
Total	174,205,449.70	127,998,889.61	--

51. Deferred incomes

Unit: RMB

Item Name	Balance at the Start of the Period	Increased in the Current Period	Decreased in the Current Period	Balance at the End of the Period	Reasons
Government Subsidies	61,866,156.88		1,586,311.74	60,279,845.14	Received government subsidies related to assets
Total	61,866,156.88		1,586,311.74	60,279,845.14	--

Projects related to government subsidies:

Unit: RMB

Liabilities	Balance at the Start of the Period	The Amount of New Subsidies in This Period	The Amount Recorded as Non-operating Revenue in This Period	The Amount Recorded as Other Income in This Period	The Amount Written off Costs in This Period	Other Variations	Balance at the End of the Period	Related to Assets/Related to Income
Special award for industrial park projects	61,866,156.88			1,586,311.74			60,279,845.14	Related to assets
Total	61,866,156.88			1,586,311.74			60,279,845.14	--

Other notes:

According to the documents of JG [2017] No.35 and FCQ [2017] No.506, issued by the Managing Committee of the Economic Development Zone and the Financial Bureau of Fuyang District in Hangzhou City, the Company received special awards for industrial park projects, RMB 31.66 million from Fuyang Dahua Smart (IOT) both in the years of 2015 and 2017, amounting to RMB 63.32 million in total, as governmental subsidy related to assets. The funds, recognized as deferred income, shall be recognized period by period as miscellaneous incomes in accordance with the expected serviceable life of the asset (20 years).

52. Other non-current liabilities

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
To-be-transferred sales taxes in installments	280,395,461.44	248,600,936.54
Other loans	110,000,000.00	110,000,000.00
Total	390,395,461.44	358,600,936.54

53. Share capital

Unit: RMB

	Balance at the Start of the Period	Increases or Decreases in This Period (+, -)					Balance at the End of the Period
		New Shares Issued	Bonus Shares	Shares Converted from Capital Reserves	Others	Subtotal	
Total Shares	2,898,756,130.00						2,898,756,130.00

54. Other equity instruments

N/A

55. Capital reserves

Unit: RMB

Item Name	Balance at the Start of the Period	Increased in the Current Period	Decreased in the Current Period	Balance at the End of the Period
Capital Premium (Capital Share Premium)	592,695,795.94		67,343.29	592,628,452.65
Other Capital Reserves	644,955.58		637,505.10	7,450.48
Total	593,340,751.52		704,848.39	592,635,903.13

Other notes, including increases or decreases in this period and their reasons:

- (1) The stock rights transfer of the Company's associated firm Beijing Ankang Jianxing Emergency Education Technology Co. Ltd. accounted by equity approach, and RMB 637,505.10 credited for other capital reserve shall be transferred to gains and losses of the current period.
- (2) Capital reserve (share premium) decreases by RMB 67,343.29 as a result of purchasing minority interest of the subsidiary in the current period.

56. Treasury shares

N/A

57. Other comprehensive incomes

Unit: RMB

Item Name	Balance at the Start of the Period	This Period's Amount of Occurrence					Balance at the End of the Period
		Before tax Balance in This Period	Less: Recorded into Other Comprehensive	Less: Income Tax	Attributable to the Company after Tax	Attributable to the	

			Incomes in Previous Period and Transferred to P/L in Current Period	Expense		Minority Sharehol ders after Tax	
II . Other Comprehensive Incomes That Will Be Subsequently Reclassified as P/L	6,660,189.04	8,393,760.02			8,393,760.02		15,053,949.06
Currency Conversion Difference	6,660,189.04	8,393,760.02			8,393,760.02		15,053,949.06
Other Comprehensive Incomes in Total	6,660,189.04	8,393,760.02			8,393,760.02		15,053,949.06

58. Special reserves

N/A

59. Surplus reserves

Unit: RMB

Item Name	Balance at the Start of the Period	Increased in the current period	Decreased in the current period	Balance at the End of the Period
Statutory surplus reserve	971,547,268.36			971,547,268.36
Total	971,547,268.36			971,547,268.36

60. Undistributed profits

Unit: RMB

Item Name	Current Period	Previous Period
Undistributed Profit before Adjustment at the End of Previous Period	5,996,130,036.27	4,161,017,062.96
Undistributed Profit after Adjustment at the Start of the Period	5,996,130,036.27	4,161,017,062.96
Add: Net Profit Attributable to the Parent Company's Owner in Current Period	1,081,916,886.52	983,001,211.23
Payable Dividends on Ordinary Shares	579,751,226.00	289,773,910.53
Undistributed Profit at the End of the Period	6,498,295,696.79	4,854,244,363.66

61. Operating revenue and costs

Unit: RMB

Item Name	This Period's Amount of Occurrence		Previous Period's Amount of Occurrence	
	Income	Cost	Income	Cost
Main Business	9,597,510,318.97	6,041,519,921.55	7,259,169,598.38	4,341,341,352.65
Other Businesses	216,531,033.51	188,600,523.51	205,495,336.00	178,699,448.49
Total	9,814,041,352.48	6,230,120,445.06	7,464,664,934.38	4,520,040,801.14

62. Taxes and surcharges

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Urban Maintenance and Construction Tax	32,066,569.98	27,510,681.44
Education Surcharges	22,903,099.13	19,646,775.78
House Property Tax	2,995,522.40	3,100,200.28
Land Usage Tax	193,609.37	188,470.10
Stamp Duty	4,077,696.15	3,145,329.92
Miscellaneous Taxes and Dues	455,764.94	431,901.90
Total	62,692,261.97	54,023,359.42

63. Sales expenses

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Labor cost	563,186,092.82	489,913,452.63
Business entertainment	87,569,880.30	51,324,298.50
Traveling expense	103,878,867.37	87,651,087.80
Marketing expense	130,875,092.15	61,428,763.47
Transport Expenses	97,378,310.75	70,538,049.02
After-sales service expense	119,407,701.71	73,462,820.18
Office expense	60,069,656.41	49,156,274.17
Depreciation cost and asset amortization	7,441,470.43	6,631,265.39
Communication expense	21,288,480.22	11,737,044.90
Other	61,646,348.67	44,975,920.97
Total	1,252,741,900.83	946,818,977.03

64. Administration expenses

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Labor cost	143,961,035.47	124,834,258.40
Research and development expense	865,129,052.09	796,493,894.36
Office expense	23,076,384.08	15,197,611.53
Business entertainment	7,490,485.48	7,101,387.50
Traveling expense	5,549,112.77	2,858,761.59
Depreciation cost and asset amortization	31,011,239.76	23,062,081.39
Other	58,111,146.97	49,142,384.43
Total	1,134,328,456.62	1,018,690,379.20

65. Financial expenses

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Interest Expenditures	48,561,403.94	38,576,347.21
Less: interest income	50,792,338.79	31,081,603.67
P/L on foreign exchange	-23,708,290.67	37,047,362.56
Other	3,058,829.67	4,097,445.85
Total	-22,880,395.85	48,639,551.95

66. Impairment losses of assets

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
I . Losses on Bad Debts	127,463,091.69	89,628,522.59
II . Losses on Decline in Price of Inventories	832,930.71	
Total	128,296,022.40	89,628,522.59

67. Profits from changes in fair values

Unit: RMB

Source of the Profits from Changes in Fair Values	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Financial Liabilities Measured in Fair Value with Changes	-41,332,765.27	

Recorded into Current Profit and Loss		
Total	-41,332,765.27	

68. Investment income

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Long-Term Equity Investment Income Measured by Equity Method	-26,273,850.83	-19,106,762.60
Investment Income from Disposal of Long-Term Equity Investment	706,569.92	387,298.43
Investment Income from Disposal of Financial Assets Measured in Fair Value with Its Changes Recorded into Current Profit or Loss	3,094,429.94	-997,312.35
Investment Income from Possession of Available-for-sale Financial Assets	1,005,008.70	5,543,861.26
Investment Income from Treasury Bond Reverse Repurchase	380,167.33	
Investment Income from Financial Products	219,798.63	154,372.61
Total	-20,867,876.31	-14,018,542.65

69. Asset disposal income

Unit: RMB

Sources of the asset disposal income	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Income from disposal of fixed assets	-13,024.74	234,565.47

70. Other income

Unit: RMB

Sources of Other Income	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
VAT refund	281,985,411.74	344,410,303.28
Special Subsidies	2,931,587.19	
Total	284,916,998.93	344,410,303.28

71. Non-operating revenue

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence	Amount Recorded into Non-recurring Profit and Loss in Current Period
Government Subsidies	762,526.13	7,657,006.00	762,526.13
Total profits from disposal of non-current assets	151,651.85	158,602.22	151,651.85
Including: income from disposal of fixed assets	151,651.85	158,602.22	151,651.85
Other	4,320,121.11	9,627,958.79	4,320,121.11
Total	5,234,299.09	17,443,567.01	5,234,299.09

Government subsidies recorded into current period P/L:

Unit: RMB

Subsidy Items	Distributing Entity	Distributing Reason	Types of Nature	Subsidies Influence Profit and Loss in the Current Year or Not	Special Subsidy or Not	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence	Related to Assets/Related to Income
Focus on Researching and Developing Industrial Internet	Beijing University of Posts and Telecommunications	Subsidies	Subsidies obtained due to work in the special industries encouraged and supported by the country (legally obtained in accordance with the nation-level policies)	Yes	No	220,000.00		Related to income
Special subsidies for promoting employment	Hangzhou Vocational Training Center	Subsidies	Subsidies obtained due to work in the special industries encouraged and supported by the country (legally obtained in accordance with the nation-level policies)	Yes	No	18,000.00		Related to income
Award from Policies of Wuxi Intelligent Transportation Industry Park	Wuxi Taihu City Administration Committee	Awards	Subsidies obtained due to compliance with local support policies of the local government such as investment promotion policy	Yes	No	300,000.00		Related to income
Award from 2017 Assessment of	Bureau of Finance, Binjiang	Awards	Subsidies obtained due to work in the special industries encouraged and	Yes	No	10,000.00		Related to income

Service Trade by Binjiang District	District, Hangzhou city		supported by the country (legally obtained in accordance with the nation-level policies)					
Other special subsidies	Bureau of Finance, Binjiang District, Hangzhou city	Subsidies	Subsidies obtained due to work in the special industries encouraged and supported by the country (legally obtained in accordance with the nation-level policies)	Yes	No	214,526.13		Related to income
Total	--	--	--	--	--	762,526.13		--

72. Non-operating expenses

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence	Amount Recorded into Non-recurring Profit and Loss in Current Period
Donations	630,000.00	813,640.00	630,000.00
Total losses from disposal of non-current assets	1,114,169.94	505,832.91	1,114,169.94
Including: losses from disposal of fixed assets	1,114,169.94	505,832.91	1,114,169.94
Water conservancy fund	37,881.94	22,941.46	
Other	412,835.47	366,426.69	412,835.47
Total	2,194,887.35	1,708,841.06	2,157,005.41

73. Income tax expenses

(1) Income tax expenses table

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Current Income Tax Expense	244,038,288.89	169,463,737.98
Deferred Income Tax Expense	-78,316,755.26	-16,103,068.27
Total	165,721,533.63	153,360,669.71

(2) Reconciliation of accounting profits and income tax expenses

Unit: RMB

Item Name	This Period's Amount of Occurrence
Total Profit	1,254,485,405.80
Income Tax Expenses Calculated at Legal/Applicable Tax Rates	188,172,810.87
Impact by Applying Different Tax Rates to Subsidiaries	22,752,113.84
Impact of the Non-Deductible Costs, Expenses and Losses	9,871,420.62
Impact of Additional Deduction of the Research and Development Expenses	-60,843,146.20
Other	5,768,334.50
Income Tax Expense	165,721,533.63

74. Other comprehensive incomes

Please see details in the note of this section.

75. Cash flow statement items**(1) Other cash receipts relating to operating activities**

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Interest Income	15,407,298.38	18,209,243.49
Government Subsidies	2,107,801.58	7,657,006.00
Tender and performance guarantee deposit	49,216,241.74	1,610,519.04
Other	2,541,977.86	3,967,743.59
Total	69,273,319.56	31,444,512.12

(2) Other cash payments relating to operating activities

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Office Expenses and Staff Costs	110,025,834.81	82,953,968.46
Communication expense	25,790,697.07	20,326,430.65
Business entertainment	96,495,049.11	58,326,362.00
Traveling expense	151,526,241.43	100,998,248.82
Marketing expense	58,842,244.72	41,758,004.25

Transport Expenses	99,686,479.32	76,535,343.31
Administrative Property Fee	54,091,743.35	28,513,337.71
Knowledge resource fee	31,935,159.69	18,483,964.29
After-sales and Service Expenses	67,764,671.31	48,250,855.18
Research and development consumption and external inspection fee	27,398,619.49	24,681,593.64
Taxation and insurance expense	5,281,488.11	601,885.88
Deposits	98,102,716.00	138,831,556.18
Incomings and outgoings and advanced payments	215,851,912.69	259,834,351.37
Other	4,615,040.20	1,900,773.61
Total	1,047,407,897.30	901,996,675.35

(3) Other cash receipts relating to investing activities

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Cash receipts related to trading financial assets	1,295,000.00	
Receipts of loans from non-financial institutions	1,109,123.87	1,592,642.22
Total	2,404,123.87	1,592,642.22

(4) Other cash payments related to investing activities

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Cash paid by trading financial liabilities	892,770.06	997,312.35
Cash Paid for Asset Acquisition	74,904,182.27	
Total	75,796,952.33	997,312.35

(5) Other cash receipts related to financing activities

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Withdrawn documentary credit deposit	619,391,279.99	272,942,900.00
Total	619,391,279.99	272,942,900.00

(6) Other cash payments related to financing activities

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Paid documentary credit deposit	547,215,000.00	616,968,060.00
Cashes for encouraging repurchase of equity		5,352,285.80
Cash for Purchasing Minority Interest		574,000.00
Total	547,215,000.00	622,894,345.80

76. Supplementary information about the Cash Flow Statement**(1) Supplementary information about the Cash Flow Statement**

Unit: RMB

Supplementary Information	Amount of This period	Amount of Previous Period
1. Reconciliation of Net Profit to Cash Flows from Operational Activities:	--	--
Net Profit	1,088,763,872.17	979,823,725.39
Add: Provision for Impairment of Assets	128,296,022.40	89,628,522.59
Depreciation of Fixed Assets, Oil and Gas Assets, Productive Biological Assets	88,783,393.12	60,312,525.48
Amortization of Intangible Assets	15,655,020.87	10,024,296.75
Amortization of Long-Term Prepaid Expenses	3,088,553.94	
Losses on Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets (Mark "-" for Incomes)	13,024.74	-234,565.47
Losses on Scrapping of Fixed Assets (Mark "-" for Incomes)	962,518.09	347,230.69
Losses on Fair Value Changes (Mark "-" for Incomes)	41,332,765.27	
Financial Expenses (Mark "-" for Incomes)	47,598,498.70	68,419,946.40
Losses on Investment (Mark "-" for Incomes)	20,867,876.31	14,018,542.65
Decrease on Deferred Income Tax Assets (Mark "-" for Increases)	-89,302,479.47	-10,613,384.11
Increase on Deferred Income Tax Liabilities (Mark "-" for Decreases)	8,229,683.89	-5,417,119.99
Decrease on Inventories (Mark "-" For Increases)	-580,085,558.07	-540,986,635.74
Decrease on Operational Receivables (Mark "-" for Increases)	-1,496,674,487.54	-1,187,155,027.74
Increase on Operational Payables (Mark "-" for Decreases)	-373,885,541.42	-399,989,009.02
Other		417,061.89

Net Cash Flow Generated by Operational Activities	-1,096,356,837.00	-921,403,890.23
2. Major Investing and Financing Activities Not Involving Cash Receipts and Payment:	--	--
3. Net Changes in Cash and Cash Equivalents:	--	--
Closing Balance of Cash	1,865,055,276.63	1,569,147,395.10
Less: Opening Balance of Cash	3,061,375,534.06	2,075,176,785.56
Add: Closing Balance of Cash Equivalents		
Less: Opening Balance of Cash Equivalents	1,303,459.82	
Net Additions to Balance of Equivalents	-1,197,623,717.25	-506,029,390.46

(2) Net cash payments for acquisition of subsidiaries in this period

Unit: RMB

	Amount
Cash and Cash Equivalents Paid in the Current Period for Business Merger in the Current Period	61,883,529.44
Including:	--
Dahua Technology Italy SRL	35,200,308.17
Lox Technology Inc	26,683,221.27
Less: Cash and Cash Equivalents Held by the Subsidiary on the Date of Acquisition	5,474,924.05
Including:	--
Dahua Technology Italy SRL	139,015.44
Lox Technology Inc	5,335,908.61
Including:	--
Net Cash Payments for Acquiring Subsidiaries	56,408,605.39

(3) Net cash receipts from disposal of subsidiaries in this period

N/A

(4) Composition of cash and cash equivalents

Unit: RMB

Item Name	Balance at the End of the Period	Balance at the Start of the Period
I . Cash	1,865,055,276.63	3,061,375,534.06
Including: Cash on Hand	11,313.49	167,745.54

Bank Deposit for Payment at Any Time	1,703,736,001.26	2,926,061,578.72
Other Monetary Capital for Payment at Any Time	161,307,961.88	135,146,209.80
II. Cash Equivalents		1,303,459.82
III. Closing Balance of Cash and Cash Equivalents	1,865,055,276.63	3,062,678,993.88

77. Notes on items in the Statement of Changes in Owners' Equity

N/A

78. Assets with restrictions in ownership or use rights

Unit: RMB

Item Name	Book value at the end of the period	Cause of restrictions
Cash and Bank Balances	517,125,264.10	Various security deposit pledges for loans and issuance of guarantees
Notes Receivable	1,592,282,191.90	Pledges are used to issue bank acceptance bills
Long-term Receivables	351,064,980.00	Pledges are used for bank loans
Total	2,460,472,436.00	--

79. Monetary items in foreign currencies

(1) Monetary items in foreign currencies

Unit: RMB

Item Name	Closing Balance in Foreign Currencies	Exchange Rate for Conversion	Closing Balance Converted into RMB
Cash and Bank Balances	--	--	
Including: USD	234,699,362.98	6.6166	1,552,911,805.09
EUR	3,665,702.56	7.6515	28,048,123.14
HKD	10,219,409.05	0.8431	8,615,983.77
Accounts Receivable	--	--	
Including: USD	342,560,069.61	6.6166	2,266,582,956.58
EUR	19,888,051.38	7.6515	152,173,425.13
HKD			

Accounts Payable			
Including: USD	70,266,723.66	6.6166	464,926,803.77
EUR	33,949.48	7.6515	259,764.45

(2) Notes on overseas business entities, including that for the important overseas business entities, the overseas main premises, functional currency and selection basis shall be disclosed. If there are changes on its functional currency, the causes for the changes shall be disclosed as well.

√ Applicable □ Not applicable

Since the Company's overseas business entity, Dahua Technology (HK) Limited, does not have autonomy over its business activities, which are the extension of the Company's business activities, for the part constituting the Company's business activities, RMB shall be used as its functional currency, and for the rest of the overseas entities, local currencies shall be used as its functional currency.

VIII. Changes in the Scope of Consolidation

1. Consolidation not under the common control

(1) Consolidation not under the common control in this period

Unit: RMB

Name of Acquiree	Time Point for Equity Acquisition	Cost for Equity Acquisition	Percentage Acquired	Acquisition Method	Acquisition Date	Basis for Determining Acquisition Date	Income of Acquiree from the Acquisition Date to the End of the Period	Net Profit of Acquiree from the Acquisition Date to the End of the Period
Dahua Technology Italy SRL	Thursday, February 1, 2018	35,200,308.17	100.00%	Purchase	Thursday, February 1, 2018	Equity transfer payment and asset handover was made on February 1, 2018.	109,141,994.23	7,726,521.40
Lores Technology Inc	Tuesday, February 6, 2018	26,683,221.27	100.00%	Purchase	Tuesday, February 6, 2018	Equity transfer payment and asset handover was made on February 6, 2018.	94,998,822.53	-15,574,291.95

(2) Consolidation costs and goodwill

Unit: RMB

Consolidated Cost	Dahua Technology Italy SRL	Lores Technology Inc
—Cash	35,200,308.17	26,683,221.27
Total Consolidated Cost	35,200,308.17	26,683,221.27
Less: Identifiable Fair Value Share of the Net Asset Obtained	32,608,376.48	3,818,155.67

The Amount of Goodwill/Merger Cost Less than the Identifiable Fair Value Share of the Net Asset Obtained	2,591,931.69	22,865,065.60
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(3) Identifiable assets and liabilities of acquiree at the acquisition date

Unit: RMB

	Dahua Technology Italy SRL		Lorex Technology Inc	
	Fair Value at Acquisition Date	Book Value at Acquisition Date	Fair Value at Acquisition Date	Book Value at Acquisition Date
Assets:	216,892,959.74	214,446,496.24	36,416,679.39	36,416,679.39
Cash and Bank Balances	139,015.44	139,015.44	5,335,908.61	5,335,908.61
Accounts Receivable	87,889,305.36	87,889,305.36	23,832,513.58	23,832,513.58
Inventory	121,237,900.00	121,237,900.00	4,578,646.06	4,578,646.06
Fixed Assets	6,542,389.90	4,095,926.40	1,117,444.29	1,117,444.29
Intangible Assets	888,830.63	888,830.63		
Other Current Assets	62,717.46	62,717.46		
Deferred Income Tax Assets			1,552,166.85	1,552,166.85
Other Non-current Assets	132,800.95	132,800.95		
Liabilities:	184,284,583.26	184,284,583.25	32,598,523.72	32,598,523.72
Loans	348,958.58	348,958.58		
Payables	180,143,241.45	180,143,241.44	28,057,481.32	28,057,481.32
Other Current Liabilities	3,792,383.23	3,792,383.23	4,541,042.40	4,541,042.40
Net Assets	32,608,376.48	30,161,912.99	3,818,155.67	3,818,155.67
Net Assets Obtained	32,608,376.48	30,161,912.99	3,818,155.67	3,818,155.67

(4) Profits or losses from re-measurement of equity held before acquisition date in fair value

N/A

(5) Notes on consolidation considerations which cannot be reasonably determined at the acquisition date or at the end of the period of consolidation, or fair values of identifiable assets or liabilities of acquiree

N/A

2. Consolidation under the common control

N/A

3. Reverse acquisition

N/A

4. Disposal of subsidiaries

N/A

5. Changes in the scope of consolidation for other reasons

Explanations on the changes in the scope of consolidation caused by other reasons (for example, newly established subsidiaries, subsidiaries clearing, etc.) and relevant information:

In the current period, the Company invested and established six domestic subsidiaries, namely Zhejiang Vision Technology Co., Ltd., Beijing Dahua Zhongcheng Technology Co., Ltd., Zhejiang HuaXiao Technology Co., Ltd., Xi'an Dahua Zhilian Technology Co., Ltd., Tianjin Dahua Information Technology Co., Ltd. and Hunan Dahua Zhilong Information Technology Co., Ltd., as well as six overseas subsidiaries, namely Dahua Technology Netherlands B.V., Dahua Technology Morocco SARL, Dahua Technology S.R.L, DAHUA VISION LLC, Dahua Technology New Zealand Limited and 1151551 B.C.Ltd. The subsidiaries mentioned above are included in the consolidation scope since their establishment dates.

The Company finished acquiring and controlling of Lorex Technology Inc and Dahua Technology Italy SRL in February of 2018 and has actual control power over them with 100% stock rights. Therefore, the two firms are included in the consolidation scope.

1151551 B.C. Ltd. was deregistered in April 2018 and Jiangsu Dahua Zhiyun Information Technology Co. Ltd. was deregistered in March 2018. The two firms are not included in the consolidation scope since the deregistration dates.

IX. Equity in Other Entities

1. Equity in Subsidiaries

(1) Composition of the enterprise group

Name of Subsidiaries	Main Place of Business	Registered Address	Business Nature	Shareholding Percentage		Acquisition Method
				Direct	Indirect	
Dahua System Engineering	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	100.00%		Establishment
Dahua Vision Technology	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	100.00%		Establishment
Dahua Security Network	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	51.00%		Establishment
Dahua Ju'an	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and	51.00%		Establishment

			information			
Guangxi Dahua Information	Qingxiu District, Nanning	Qingxiu District, Nanning	Electronics and information	100.00%		Establishment
Dahua Security	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Service		100.00%	Establishment
Dahua Wuxi	Wuxi city, Jiangsu	Wuxi city, Jiangsu	Electronics and information	100.00%		Establishment
Guangxi Security	Qingxiu District, Nanning	Qingxiu District, Nanning	Service	100.00%		Establishment
Huatu Microchip	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	100.00%		Establishment
Dahua Zhongzhi	East Exit, Wuzhou	East Exit, Wuzhou	Electronics and information		100.00%	Establishment
Hangzhou Xiaohua	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	45.00% (Note 1)		Establishment
Dahua Zhilian	Fuyang District, Hangzhou	Fuyang District, Hangzhou	Electronics and information	90.09% (Note 2)		Establishment
Tecomore Technology	West Lake District, Hangzhou	West Lake District, Hangzhou	Electronics and information	51.00%		Business combination not under common control
Yancheng Zhongchuang	Dongtai, Jiangsu	Dongtai, Jiangsu	Electronics and information		100.00%	Establishment
Dahua Investment Management	Fuyang District, Hangzhou	Fuyang District, Hangzhou	Investment & investment management	75.00%		Establishment
South North United	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information		51.00%	Business combination not under common control
Guangxi Zhicheng	Youjiang District, Baise	Youjiang District, Baise	Electronics and information	65.00%		Establishment

Hangzhou Huacheng	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	51.00%		Establishment
Xinjiang Information	High-tech Zone, Shihezi	High-tech Zone, Shihezi	Electronics and information		92.00%	Establishment
HuaRay Technology	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Sci-tech popularization and application services industry	45.00% (Note 3)		Establishment
Fuyang Hua'ao	Fuyang District, Hangzhou	Fuyang District, Hangzhou	Electronics and information	51.00%		Establishment
Huafei Intelligent	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	45.00% (Note 4)		Establishment
Huachuang Vision	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	51.00%		Establishment
Guizhou Huayi	Guanshanhu District, Guiyang	Guanshanhu District, Guiyang	Electronics and information	45.00% (Note 5)		Establishment
Hunan System Technology	Hengyang, Hunan	Hengyang, Hunan	Electronics and information		100.00%	Establishment
Xinjiang Dahua Information	Shihezi, Xinjiang	Shihezi, Xinjiang	Electronics and information	100.00%		Establishment
Xinjiang Intelligence	Changji, Changji Prefecture, Xinjiang	Changji, Changji Prefecture, Xinjiang	Electronics and information	100.00%		Establishment
Guizhou Intelligence	Guiyang, Guizhou	Guiyang, Guizhou	Electronics and information	100.00%		Establishment
Xinjiang Zhihe	Hetian County, Hetian, Xinjiang	Hetian County, Hetian, Xinjiang	Electronics and information		97.00%	Establishment
China Standard Intelligent	Haidian District,	Haidian District,	Electronics and		51.00%	Establishment

Security	Beijing	Beijing	information			
Guangxi Huacheng	Wuzhou city, Guangxi	Wuzhou city, Guangxi	Electronics and information		90.00%	Establishment
Meitan Dahua Technology	Zunyi, Guizhou	Zunyi, Guizhou	Electronics and information		100.00%	Establishment
Inner Mongolia Zhimeng	New District, Bai County, Chahar Right Wing Back Banner	New District, Bai County, Chahar Right Wing Back Banner	Electronics and information		95.00%	Establishment
Xinjiang Zhitian	Hetian County, Hetian, Xinjiang	Hetian County, Hetian, Xinjiang	Electronics and information		97.00%	Establishment
Xinjiang Xinzhi	Shache County, Kashgar District, Xinjiang	Shache County, Kashgar District, Xinjiang	Electronics and information		100.00%	Establishment
Xinjiang Huayue	Kashgar District, Xinjiang	Kashgar District, Xinjiang	Electronics and information		100.00%	Establishment
Dahua HK	Hong Kong	Hong Kong	Electronics and information	100.00%		Establishment
Dahua USA	USA	USA	Electronics and information		100.00%	Establishment
Dahua Europe	Netherlands	Netherlands	Electronics and information		100.00%	Establishment
Dahua Middle East	United Arab Emirates	United Arab Emirates	Electronics and information		100.00%	Establishment
Dahua Mexico	Mexico	Mexico	Electronics and information		100.00%	Establishment
Dahua Chile	Chile	Chile	Electronics and information		100.00%	Establishment
Dahua Colombia	Columbia	Columbia	Electronics and		100.00%	Establishment

			information			
Dahua Australia	Australia	Australia	Electronics and information		100.00%	Establishment
Dahua Singapore	Singapore	Singapore	Electronics and information		100.00%	Establishment
Dahua South Africa	South Africa	South Africa	Electronics and information		100.00%	Establishment
Dahua Peru	Peru	Peru	Electronics and information		100.00%	Establishment
Dahua Brazil	Brazil	Brazil	Electronics and information		100.00%	Establishment
Dahua Russia	Russia	Russia	Electronics and information		100.00%	Establishment
Dahua Canada	Canada	Canada	Electronics and information		100.00%	Establishment
Dahua Panama	Panama	Panama	Electronics and information		100.00%	Establishment
Dahua Hungary	Hungary	Hungary	Electronics and information		100.00%	Establishment
Dahua Poland	Poland	Poland	Electronics and information		100.00%	Establishment
Dahua Italy	Italy	Italy	Electronics and information		100.00%	Establishment
Dahua Tunisia	Tunisia	Tunisia	Electronics and information		100.00%	Establishment
Dahua Kenya	Kenya	Kenya	Electronics and information		100.00%	Establishment

Dahua UK	UK	UK	Electronics and information		100.00%	Establishment
Dahua Bulgaria	Bulgaria	Bulgaria	Electronics and information		100.00%	Establishment
Dahua Serbia	Serbia	Serbia	Electronics and information		100.00%	Establishment
Dahua Germany	Germany	Germany	Electronics and information		100.00%	Establishment
Dahua Malaysia	Malaysia	Malaysia	Electronics and information		100.00%	Establishment
Dahua Korea	South Korea	South Korea	Electronics and information		100.00%	Establishment
Dahua Indonesia	Indonesia	Indonesia	Electronics and information		100.00%	Establishment
Dahua India	India	India	Electronics and information		100.00%	Establishment
Dahua Turkey	Turkey	Turkey	Electronics and information		100.00%	Establishment
Dahua Czech	Czech Republic	Czech Republic	Electronics and information		100.00%	Establishment
Dahua Argentina	Argentina	Argentina	Electronics and information		100.00%	Establishment
Dahua Spain	Spain	Spain	Electronics and information		100.00%	Establishment
Dahua Kazakhstan	Kazakhstan	Kazakhstan	Electronics and information		100.00%	Establishment
Dahua Denmark	Denmark	Denmark	Electronics		100.00%	Establishment

			and information			
Dahua France	France	France	Electronics and information		100.00%	Establishment
American Lechange	USA	USA	Electronics and information		100.00%	Establishment
Dahua Technology Holdings	Hong Kong	Hong Kong	Electronics and information	100.00%		Establishment
Tianjin Dahua Information	Binhai New Area, Tianjin	Binhai New Area, Tianjin	Electronics and information		65.00%	Establishment
Hunan Dahua Zhilong	Shuangpai county, Yongzhou city	Shuangpai county, Yongzhou city	Electronics and information		90.00%	Establishment
Huaxiao Technology	Fuyang District, Hangzhou	Fuyang District, Hangzhou	Electronics and information	51.00%		Establishment
Vision Technology	Fuyang District, Hangzhou	Fuyang District, Hangzhou	Electronics and information	100.00%		Establishment
Beijing Dahua Zhongcheng	Xicheng District, Beijing	Xicheng District, Beijing	Electronics and information	55.00%		Establishment
Dahua New Zealand	New Zealand	New Zealand	Electronics and information		100.00%	Establishment
Dahua Netherlands	Netherlands	Netherlands	Electronics and information		100.00%	Establishment
Dahua Morocco	Morocco	Morocco	Electronics and information		100.00%	Establishment
Dahua Romania	Romania	Romania	Electronics and information		100.00%	Establishment
Dahua Uzbekistan	Uzbekistan	Uzbekistan	Electronics and information		100.00%	Establishment

			information			
Xi'an Dahua Zhilian	Xi'an	Xi'an	Electronics and information	100.00%		Establishment
Dahua Technology Italy	Italy	Italy	Electronics and information		100.00%	Business combination not under common control
Dahua Lorex	Canada	Canada	Electronics and information		100.00%	Business combination not under common control

Explanations on the fact that the proportion of the shares held by a subsidiary differs from that of voting rights:

Note 1: The Company directly holds 45% equity in Hangzhou Xiaohua Technology Co., Ltd., and as agreed upon, Zhejiang Huashi Investment Management Co., Ltd. grants its voting rights of 12% to the Company. The Company effectively holds 57% of the voting rights in Hangzhou Xiaohua Technology Co., Ltd., which constitutes working control so as to incorporate it into the scope of consolidation.

Note 2: Based on the industrial and commercial registration data, the CDB Development Fund holds equity in the Company. According to the cooperation agreement between the Company and CDB Development Fund, CDB Development Fund shall not appoint senior management personnel, such as directors and supervisors, to Dahua Zhilian; regarding its investment, the Company shall pay an annual investment profit of 1.2% to CDB Development Fund through dividends, repurchase premiums, etc. In addition, the Company shall redeem the CDB Development Fund's equity in Dahua Zhilian period by period from 2022 to 2024, using its amount of investment as other non-current liabilities. The Company effectively holds 100% voting rights and equity in Dahua Zhilian.

Note 3: The Company directly holds 45% equity in Hangzhou HuaRay Technology Co., Ltd., and as agreed upon, Zhejiang Huashi Investment Management Co., Ltd. grants its voting rights of 6% to the Company. The Company effectively holds 51% of the voting rights in Zhejiang Huarui Technology Co., Ltd., which constitutes working control so as to incorporate it into the scope of consolidation.

Note 4: The Company directly holds 45.5% equity in Zhejiang Huafei Intelligence Technology Co., Ltd., and as agreed upon, Zhejiang Huashi Investment Management Co., Ltd. grants its voting rights of 16% to the Company. The Company effectively holds 61.50% of the voting rights in Zhejiang Huafei Intelligence Technology Co., Ltd., which constitutes working control so as to incorporate it into the scope of consolidation.

Note 5: The Company directly holds 45% equity in Guizhou Huayi Vision Technology Co., Ltd., and as agreed upon, Guizhou Yiyun Investment Management Co., Ltd. grants its voting rights of 6% to the Company. The Company effectively holds 51% of the voting rights in Guizhou Huayi Vision Technology Co., Ltd., which constitutes working control so as to incorporate it into the scope of consolidation.

The basis for holding half (or less) of the voting rights but still can control the invested entities, and holding more than half of the voting rights but cannot control the invested entities:

N/A

For the essential structured entities included in the scope of consolidation, the basis for control is:

N/A

The basis to determine whether a company is an agent or a principal:

N/A

(2) Key non-wholly owned subsidiaries

Unit: RMB

Name of Subsidiaries	Proportion of Shares Held by Minority Shareholders	Profits or Losses Attributable to the Minority Shareholders in This Period	Dividends Declared to Distribute to the Minority Shareholders in This Period	Equity Balance of the Minority Shareholders at the End of Period
Zhejiang Dahua Zhilian Co., Ltd.	9.91%			

Notes on the fact that the proportion of shares held by minority shareholders of a subsidiary differs from that of voting rights:

Other notes:

CDB Development Fund Investment Contract was signed by the Company, CDB Development Fund Co., Ltd. and Zhejiang Dahua Zhilian Co., Ltd. CDB Development Fund investment will be used in the Company's "Intelligent Industry Park" project with eight years of investment term within which the average annualized rate of return on investment by the CDB Development Fund is no more than 1.2% and the Company promises to buy back the equity of Dahua Zhilian held by CDB Development Fund as per the buyback plan. The return on investment by CDB Development Fund, obtained in forms of cash bonus and buyback premium, shall be calculated at an annual rate of 1.2%. The return on investment not obtained by CDB Development Fund during the project construction period will be obtained after the end of the construction period. Therefore, minority interest does not include the business performance during the construction period.

(3) Main financial information on key non-wholly owned subsidiaries

Unit: RMB

Name of Subsidiaries	Balance at the End of the Period						Balance at the Start of the Period					
	Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Liabilities	Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Liabilities
Zhejiang Dahua Zhilian Co., Ltd.	2,107,706,587.69	741,981,827.07	2,849,688,414.76	1,701,155,556.74	170,279,845.14	1,871,435,401.88	2,181,188,761.55	759,954,185.83	2,941,142,947.38	1,806,558,778.14	171,866,156.88	1,978,424,935.02

Unit: RMB

Name of Subsidiaries	This Period's Amount of Occurrence				Previous Period's Amount of Occurrence			
	Operating Revenue	Net Profit	Total Comprehensive Income	Cash Flow from Operational Activities	Operating Revenue	Net Profit	Total Comprehensive Income	Cash Flow from Operational Activities

Zhejiang Dahua Zhilian Co., Ltd.	235,219,679.35	15,535,000.52	15,535,000.52	-1,091,500.496.91	2,192,736.114.12	-24,629,356.86	-24,629,356.86	-639,509,531.57
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2. The transactions that lead to changes in the shareholder's equity in the subsidiaries while still has working control over the subsidiary

(1) Explanation of the changes in the shareholder's equity in the subsidiaries

The Company holds 51% equity in its subsidiary, Tecomore Technology, which originally held 70% equity in Yancheng Zhongchuang. In May 2018, Tecomore Technology acquired 30% equity from the minority shareholder of Yancheng Zhongchuang, Dongtai Chengdong High-Tech Investment Development Co., Ltd., with a purchase price of RMB 1 million. After the transfer, Tecomore's equity in Yancheng Zhongchuang was increased from 70% to 100%.

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

Unit: RMB

	Yancheng Zhongchuang Dahua IoT Technology Co., Ltd.
Purchase Cost/Disposal Consideration	1,000,000.00
—Cash	1,000,000.00
Total of Purchase Cost/Disposal Consideration	1,000,000.00
Less: the Share of Net Assets of the Subsidiary Calculated Based on the Ratio of Equity Obtained/Disposed	932,656.71
Difference	67,343.29
Among Them: Adjust the Capital Reserve	67,343.29

3. Equity in joint venture arrangements or affiliates

(1) Financial summary of non-essential joint ventures and affiliates

Unit: RMB

	Balance at the End of the Period/Accrual of Current Period	Balance at the Start of the Period/Accrual of Previous Period
Joint Ventures:	--	--
The Total Count of the Following Items Based on the Shareholding Ratios	--	--
Affiliates:	--	--
Total Book Value of Investments	27,418,099.40	61,272,885.41

The Total Count of the Following Items Based on the Shareholding Ratios	--	--
--Net Profit	-26,273,850.83	-18,719,464.17
--Other Comprehensive Income	-637,505.10	
--Total Comprehensive Income	-26,911,355.93	-18,719,464.17

X. Risks Relating to Financial Instruments

In the business operation, the Company is facing with various financial risks: credit risk, market risk and liquidity risk.

The overall objective of the Company's risk management is to formulate risk management policies that can minimize risks without affecting the Company's competitiveness and adaptability to changes too much.

(I) Credit Risk

The credit risk refers to the risk of one party of a financial instrument suffering financial losses due to that the other party fails to perform its obligations.. The Company is mainly facing with the customer credit risk arising from sales on account. Before signing a new contract, the Company will assess the new customer's credit risk, including external credit rating and the credibility letter from a bank under some circumstances (if such information is available). The Company has set a credit limit for sales on account for each customer. Such limit shall be the maximum amount with no additional approval needed.

Through real-time monitoring on the existing customers' credit rating (seasonal adjustment) and monthly review on the aging analysis of the accounts receivables, the Company ensures that its overall credit risk is under control. When monitoring customers' credit risk, the Company groups the customers according to their credit scale and credit performance. Customers rated as "high risk" will be put into the list of restricted customers. Only with additional approval, shall the Company give sales on account to them in the future. Otherwise, they must make certain payment before delivery of goods.

(II) Market Risk

The market risk of financial instruments refers to the risk in which the instruments' fair value or future cash flow fluctuates due to changes of their market price, including exchange rate risk, interest rate risk and other price risks.

(1) Interest Rate Risk

The interest rate risk refers to the risk in which the fair value or future cash flow of financial instruments changes due to the change of market interest rate. The interest rate risk faced with by the Company is mainly from bank loans. The Company's assets and liabilities relating to interest rate are respectively bank deposits and short-term loans, whose interest rate risk is low.

(2) Exchange Rate Risk

The exchange rate risk refers to the risk in which the fair value or future cash flow of financial instruments changes due to the change of foreign exchange rate. The Company will try its best to match the revenues with the expenses in foreign currency, to lower the exchange rate risk. Moreover, the Company also may sign forward foreign exchange contract to avoid exchange rate risks.

The exchange rate risk faced with by the Company is mainly from financial assets and liabilities in USD. The amounts of assets and liabilities in foreign currencies and converted into RMB are listed as below:

Item Name	Balance at the End of the Period			Balance at the Start of the Year		
	USD	Other Foreign Currencies	Total	USD	Other Foreign Currencies	Total
Accounts	2,266,582,956.58	290,414,838.10	2,556,997,794.68	2,258,581,367.79	297,004,864.77	2,555,586,232.56

Receivable						
Accounts Payable	464,926,803.77	1,754,986.95	466,681,790.72	509,185,587.55	3,975,690.17	513,161,277.72

(III) Liquidity Risk

The liquidity risk refers to the risk in which the Company may be short of funds when it is performing its obligations to settle payment through delivery of cash or other financial assets. The Company's policy is to ensure that there is sufficient cash to repay the liabilities due. The liquidity risk is under the concentrated control of the Company's Financial Department. Through monitoring the balance of cash and securities cashable at any time and rolling forecasting the cash flow in the next 12 months, the Financial Department ensures that the Company has sufficient funds to repay its debts under all reasonable predictions.

The Company's major financial liabilities are listed by maturity dates as below:

Item Name	Balance at the End of the Period			Balance at the Start of the Year		
	Within 1 year	1 years or above	Total	Within 1 year	1 years or above	Total
Short-term Loan	2,541,402,275.54		2,541,402,275.54	1,770,924,255.90		1,770,924,255.90
Notes Payable	3,556,883,216.28		3,556,883,216.28	3,434,822,334.46		3,434,822,334.46
Accounts Payable	2,671,866,224.34		2,671,866,224.34	2,701,785,054.57		2,701,785,054.57
Total	8,770,151,716.16		8,770,151,716.16	7,907,531,644.93		7,907,531,644.93

XI. Disclosure of Fair Values

1. Fair values of the assets and liabilities at the end of the period

Unit: RMB

Item Name	Fair values at the End of the Period			
	First Level Measurement at Fair Value	Second Level Measurement at Fair Value	Third Level Measurement at Fair Value	Total
I. Constant Measurement at Fair Value	--	--	--	--
(V) Trading Financial Liabilities		41,332,765.27		41,332,765.27
Derivative Financial Liabilities		41,332,765.27		41,332,765.27
(VI) The Financial Liabilities Which Are Measured at Their Fair Values and Whose Variation is Recorded into the Profits and Losses of the Current Period			62,450,000.00	62,450,000.00
Total Amount of Liabilities Constantly Measured at Their Fair Values		41,332,765.27	62,450,000.00	103,782,765.27
II. Non-constant Measurement at Fair Value	--	--	--	--

2. Basis for determining the market price of items under first level constant and non-constant measurement at fair value

3. Items under second level constant and non-constant measurement at fair value, valuation technique adopted, and qualitative and quantitative information of important parameters

The fair value of forward foreign exchange contracts shall be measured by the leading bank's valuation.

4. Items under third level constant and non-constant measurement at fair value, valuation technique adopted, and qualitative and quantitative information of important parameters

5. Items under third level constant measurement at fair value, information on the reconciliation between book values at the start and the end of the period and sensitivity analysis on unobservable parameters

6. Items under constant measurement at fair value, and reasons for conversion and policies to determine the conversion time point if there is any conversion among different levels in this period

7. Changes in valuation technique in this period and reasons

8. Fair values of the financial assets and liabilities that are not measured at fair value

9. Others

XII. Related Parties and Related-party Transactions

1. The status of final controllers of the Company

The final controllers of the Company are Mr. Fu Liquan and Ms. Chen Ailing.

2. Information about the Company's subsidiaries

For information about the Company's subsidiaries, see notes.

3. Information about the Company's joint ventures and affiliates

The Company has no joint ventures or major affiliates.

Here are the information about other joint ventures and affiliates that have related-party transactions with the Company in the current period or have balance from related-party transactions with the Company in the previous period:

Names of Joint Venture and Affiliate	Relationship with the Company
Wenzhou Dahua Security Services Co., Ltd.	Affiliate
Taizhou Dahua Security Services Co., Ltd.	Affiliate
Ningbo Dahua Anbang Security Services Co., Ltd.	Affiliate
Lishui Dahua Intelligent Technology Co., Ltd.	Affiliate

Beijing Ankang Jianxing Emergency Education Technology Co., Ltd.	Affiliate
Zhejiang Leapmotor Technology Co., Ltd.	Affiliate, and enterprise controlled by the Company's actual controller
Shenzhen Conwin Security Electronics CO., Ltd.	Affiliate
Zhejiang Dahua Zhian Internet of Things Technology Co., Ltd.	Affiliate
Ningbo Dahua-ZhiAn IOT Technology Co., Ltd.	Subsidiary of the affiliate
Guangdong Dahua Zhishi Technology Co., Ltd.	Affiliate

4. Information about other related parties

Names of Other Related Parties	Relationship between the Company and Other Related Parties
Zhu Jiangming	Director and senior manager of the Company
Zhang Xingming	Senior manager of the Company
Wu Yunlong	Senior manager of the Company
Wu Jun	Senior manager of the Company
Wu Jian	Senior manager of the Company
Wei Meizhong	Senior manager of the Company
Zhejiang Huashi Investment Management Co., Ltd.	Company controlled by the Company's actual controller
Chen Jianfeng	Family member with close relationship with the Company's actual controller
Zhejiang Lancable Technology Co., Ltd.	Enterprise controlled by the senior manager of the Company
Hangzhou Xintu Technology Co., Ltd.	Enterprise controlled by the senior manager of the Company
Ningxia Shendun Security Services Co., Ltd.	Subsidiary of a company with shares held by the Company
Gansu Aode Electronic Technology Co., Ltd.	Subsidiary of a company with shares held by the Company
Hangzhou Xunwei Robotics Technology Co., Ltd.	Enterprise significantly influenced by the senior manager of the Company
Hangzhou Huayun Technology Co., Ltd.	Enterprise significantly influenced by the senior manager of the Company
Wangsu Technology Co., Ltd.	Enterprise with an independent director of the Company as the independent director
Eastcom Co., Ltd.	Enterprise with an independent director of the Company as the independent director
Hangzhou Jinghang Equity Investment Partnership (limited partnership)	Enterprise controlled by the senior manager of the Company
Hangzhou Gulin Equity Investment Partnership (limited partnership)	Enterprise controlled by the senior manager of the Company

Ningbo Huayu Investment Management Partnership Enterprise	Staff Share Holding Platform Company
Hangzhou Jingxuan Equity Investment Partnership (limited partnership)	Enterprise controlled by the senior manager of the Company
Hangzhou Jingyue Equity Investment Partnership (limited partnership)	Enterprise controlled by the senior manager of the Company
Hangzhou Jingbo Equity Investment Partnership (limited partnership)	Enterprise controlled by the senior manager of the Company

5. Information about related-party transactions

(1) Related-party transactions involving purchase and selling of merchandise and provision and acceptance of labor services

Merchandise purchase and acceptance of labor services

Unit: RMB

Related Parties	Content of the Related-party Transaction	This Period's Amount of Occurrence	Approved Transaction Limit	Over the Transaction Limit or Not	Previous Period's Amount of Occurrence
Zhejiang Lancable Technology Co., Ltd.	Purchase of materials	2,254,717.95		No	847,846.11
Hangzhou Huayun Technology Co., Ltd.	Purchase of materials	15,086.21		No	
Wangsu Technology Co., Ltd.	Acceptance of services	185,849.06		No	

Sales of merchandise and provision of services

Unit: RMB

Related Parties	Content of the Related-party Transaction	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Eastcom Co., Ltd.	Sales of merchandise	40,411.44	1,053,782.04
Guangdong Dahua Zhishi Technology Co., Ltd.	Sales of merchandise	2,790,467.56	374,209.41
Hangzhou Huayun Technology Co., Ltd.	Sales of merchandise	929,722.63	8,290.59
Hangzhou Xunwei Robotics Technology Co., Ltd.	Sales of merchandise	14,918.51	
Hangzhou Xintu Technology Co., Ltd.	Sales of merchandise	283,583.30	204,486.32
Ningbo Dahua-ZhiAn IOT Technology Co., Ltd.	Sales of merchandise	17,968,665.63	
Shenzhen Conwin Security Electronics CO.,	Sales of merchandise	410,974.88	1,031,623.90

Ltd.			
Taizhou Dahua Security Services Co., Ltd.	Sales of merchandise	3,247.86	259,391.43
Wenzhou Dahua Security Services Co., Ltd.	Sales of merchandise	70,338.15	
Zhejiang Dahua Zhian Internet of Things Technology Co., Ltd.	Sales of merchandise	-17,964,786.33	6,733,333.34
Zhejiang Lancable Technology Co., Ltd.	Sales of merchandise	48,844.82	
Zhejiang Leapmotor Technology Co., Ltd.	Sales of merchandise	285,505.92	408,814.36
Lishui Dahua Intelligent Technology Co., Ltd.	Sales of merchandise	32,812.06	29,059.83
Ningbo Dahua Anbang Security Services Co., Ltd.	Sales of merchandise		23,290.60
Zhoushan Dahua Technology Co., Ltd.	Sales of merchandise		14,588.89

(2) Related-party trusted management/contracting and entrusting management/contract-out

N/A

(3) Related-party leasing

N/A

(4) Related-party guarantees

The Company being the guarantor:

Unit: RMB

Secured Parties	Guarantee Amount	Starting Date	Maturity Date	Guarantee Fulfilled Completely or Not
Zhejiang Dahua Vision Technology Co., Ltd.	500,000,000.00	Thursday, November 30, 2017	Two years after the maturity of the debts in the master contract	No
	500,000,000.00	Tuesday, March 27, 2018	Two years after the maturity of the debts in the master contract	No
	50,000,000.00	Tuesday, November 28, 2017	Two years after the maturity of the debts in the master contract	No
	220,000,000.00	Friday, October 13, 2017	Two years after the maturity of the debts in the master contract	No
	200,000,000.00	Tuesday, May 23, 2017	Two years after the maturity of the debts in the master contract	Yes
	110,000,000.00	Monday, January 15, 2018	Three years after the maturity of the debts in the master contract	No

	80,000,000.00	Friday, July 21, 2017	Two years after the maturity of the debts in the master contract	No
	100,000,000.00	Sunday, July 9, 2017	Two years after the maturity of the debts in the master contract	Yes
	200,000,000.00	Thursday, November 30, 2017	Three years after the maturity of the debts in the master contract	No
	600,000,000.00	Thursday, August 10, 2017	Two years after the maturity of the debts in the master contract	No
	300,000,000.00	Friday, November 24, 2017	Two years after the maturity of the debts in the master contract	No
	300,000,000.00	Monday, December 4, 2017	Two years after the maturity of the debts in the master contract	No
	290,000,000.00	Monday, June 6, 2016	Wednesday, January 15, 2020	No
	240,000,000.00	Friday, April 13, 2018	Two years after the maturity of the debts in the master contract	No
	300,000,000.00	Wednesday, May 17, 2017	Two years after the maturity of the debts in the master contract	Yes
	300,000,000.00	Friday, May 4, 2018	Two years after the maturity of the debts in the master contract	No
	253,572,000.00	Monday, May 7, 2018	Two years after the maturity of the debts in the master contract	No
	300,000,000.00	Wednesday, January 3, 2018	Two years after the maturity of the debts in the master contract	Yes
Zhejiang Dahua Zhilian Co., Ltd.	200,000,000.00	Monday, June 6, 2016	Tuesday, June 30, 2020	No
Zhejiang Dahua System Engineering Co., Ltd.	100,000,000.00	Monday, June 6, 2016	Tuesday, June 30, 2020	No
	60,000,000.00	Tuesday, October 10, 2017	Two years after the maturity of the debts in the master contract	No
Dahua Technology (HK) Limited	326,710,000.00	December 15, 2017	Tuesday, December 15, 2020	No
	200,000,000.00	Thursday, August 24, 2017	Two years after the maturity of the debts in the master contract	No
	200,000,000.00	Monday, April 9, 2018	Two years after the maturity of the debts in the master contract	No
	253,572,000.00	Monday, May 7, 2018	Monday, May 6, 2019	No

(5) Capital borrowing and lending of related parties

N/A

(6) Information about related parties' asset transfer and debt restructuring

Unit: RMB

Related Parties	Content of the Related-party Transaction	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Eastcom Co., Ltd.	Selling of fixed assets	4,273.50	
Beijing Ankang Jianxing Emergency Education Technology Co., Ltd.	Equity transfer	7,650,000.00	

(7) Remuneration to key management personnel

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Salary of key management personnel	6,130,948.00	3,595,326.00

(8) Other related-party transactions

1) On January 25, 2018, the Company's 5th session of the 6th Board of Directors' meeting reviewed and approved the Proposal on Adjustment of Joint Investment Plan with Related Persons and Related-party Transactions (I). It's agreed to adjust the contributions to Zhejiang Huaan Technology Co., Ltd. (temporary name) with the related legal person Zhejiang Huashi Investment Management Co., Ltd., the related natural person Wei Meizhong and 15 unrelated natural persons. After the adjustment, the Company will contribute RMB 25.5 million with its own funds, accounting for 51% of the registered capital. In March 2018, the project company was established and the name of the company approved by the industrial and commercial bureau is Zhejiang Huaxiao Technology Co., Ltd.

2) On January 25, 2018, the Company's 5th session of the 6th Board of Directors' meeting reviewed and approved the Proposal on Adjustment of Joint Investment Plan with Related Persons and Related-party Transactions (II). It's agreed to adjust the contributions to Zhejiang Huazhi Technology Co., Ltd. (renamed as Zhejiang Dahua Robot Technology Co., Ltd.) with the related legal person Zhejiang Huashi Investment Management Co., Ltd. and the unrelated persons. After the adjustment, the Company will contribute RMB 25.5 million with its own funds, accounting for 51% of the registered capital; Huashi Investment will contribute RMB 24.5 million in cash, accounting for 49% of the registered capital. In August 2018, the project company was established.

3) On January 25, 2018 the Company's 5th session of the 6th Board of Directors' meeting reviewed and approved the Proposal on Giving up the Shareholding Company's Right to Increase Capital with the Same Percentage and Related-party Transactions. It is agreed to give up the right of 8 investors including Ningbo Jinghang Equity Investment Partnership, Ningbo Gulin Equity Investment Partnership and Hangzhou Yixun Investment Management Partnership to increase the capital of Zhejiang Leapmotor Technology Co., Ltd. with the same percentage. The total amount of related-party transactions involved in giving up the right to increase the capital with the same percentage is RMB 41,948,300. The change of industrial and commercial registrations for the above matter was completed in March 2018.

4) On April 17, 2018, the Company's 8th session of the 6th Board of Directors' meeting reviewed and approved the Proposal on Increasing Capital in Holding Subsidiaries and Related-party Transactions. The Company and the related person Mr. Fu Lique increased capital in holding subsidiary Hangzhou Huacheng Network Technology Co., Ltd. with the same percentage. Among them, the Company increased the capital by RMB 20.4 million. Upon completion of the capital increase, the registered capital of Huacheng Network was increased from RMB19.6 million. Upon completion of the capital increase, the registered capital of Huacheng Network was increased from RMB 10 million to RMB 50 million. The change of industrial and commercial registrations for the above matter

was completed in April 2018.

5) On May 31, 2018, the Company's 11th session of the 6th Board of Director's meeting reviewed and approved the Proposal on Accepting Transfer of Part of the Equity of the Company and Giving up the Priority to Accept Transfer and Related-party Transactions. It is agreed to: (1) accept transfer of 6% equity in HuaRay Technology held by the related legal person Zhejiang Huashi Investment Management Co., Ltd., and give up the priority to accept transfer of 49% equity in HuaRay Technology by the related legal person Huashi Investment, the related natural person Zhang Xingming and other unrelated persons to the related legal persons and the core employee venture capital investment new business shareholding platform Ningbo Huayu Investment Management Partnership Enterprise (hereinafter referred to as "Ningbo Huayu"); (2) give up the priority to accept transfer of 49% equity in Zhejiang Huachuang Vision Technology Co., Ltd. held by the related legal person Huashi Investment and other unrelated natural persons to Ningbo Huayu; (3) give up the priority to accept proposed transfer of 49% equity in Zhejiang Dahua Security Network Operation Service Co., Ltd. held by the related legal person Huashi Investment, the related natural person Wu Jun and other unrelated persons to Ningbo Huayu. In July 2018, the above three matters about equity transfer were completed.

6. On May 31, 2018, the Company's 11th session of the 6th Board of Director's meeting reviewed and approved the Proposal on Making Joint Investment with the Related Persons and Related-party Transactions. It is agreed to jointly fund the establishment of Wuxi Dahua Ruipin Technology Co., Ltd. with the related legal person Huashi Investment. Among them, the Company contributed RMB 25.5 million with its own funds, accounting for 51% of the registered capital. Huashi Investment contributed RMB 24.5 million by cash, accounting for 49% of the registered capital. In June 2018, the project company was established.

7) On June 21, 2018, the Company's 12th session of the 6th Board of Director's meeting reviewed and approved the Proposal on Giving up the Priority to Accept Transfer and Related-party Transactions. It is agreed to give up the priority to accept the proposed transfer of 49% equity in Hangzhou Huacheng Network Technology Co., Ltd. held by the Company's controlling shareholder Fu Liquan to the related legal persons and the core employee venture capital investment new business shareholding platform Ningbo Huayu. In July 2018, this equity transfer was completed.

6. Receivables and payables of the related parties

(1) Receivables

Unit: RMB

Item Name	Related Parties	Balance at the End of the Period		Balance at the Start of the Period	
		Book Balance	Bad Debt Provision	Book Balance	Bad Debt Provision
Accounts receivable	Eastcom Co., Ltd.	220,060.45	11,003.02	557,661.00	27,883.05
Accounts receivable	Guangdong Dahua Zhishi Technology Co., Ltd.	4,821,529.80	241,076.49	2,907,406.00	145,370.30
Accounts receivable	Hangzhou Huayun Technology Co., Ltd.	1,074,102.00	53,705.10	293,800.00	14,690.00
Accounts receivable	Hangzhou Xunwei Robotics Technology Co., Ltd.	17,440.00	872.00	10,200.00	510.00
Accounts receivable	Hangzhou Xintu Technology Co., Ltd.	43,378.33	2,362.50		
Accounts	Shenzhen Conwin Security	68,066.00	3,403.30	126,420.00	6,321.00

receivable	Electronics CO., Ltd.				
Accounts receivable	Wenzhou Dahua Security Services Co., Ltd.	73,855.06	3,692.75		
Accounts receivable	Zhejiang Dahua Zhian Internet of Things Technology Co., Ltd.	100,000.00	5,000.00	22,901,900.00	1,145,095.00
Accounts receivable	Zhejiang Leapmotor Technology Co., Ltd.	265,999.46	13,299.97	135,313.85	6,765.69
Accounts receivable	Ningbo Dahua Anbang Security Services Co., Ltd.	150,000.00	7,500.00	150,000.00	7,500.00
Accounts receivable	Lishui Dahua Intelligent Technology Co., Ltd.	38,062.00	1,903.10	82,078.00	4,103.90

(2) Payables

Unit: RMB

Item Name	Related Parties	Balance at the End of the Period	Balance at the Start of the Period
Accounts Payable	Hangzhou Huayun Technology Co., Ltd.	17,500.00	
Accounts Payable	Gansu Aode Electronic Technology Co., Ltd.	365,420.00	365,420.00
Accounts Payable	Ningxia Shendun Security Services Co., Ltd.	350,375.00	900,375.00
Accounts Payable	Shaoxing Dahua Security Services Co., Ltd.		7,075.47
Accounts Payable	Zhejiang Lancable Technology Co., Ltd.		866,435.89
Advance from Customers	Zhejiang Lancable Technology Co., Ltd.	1,540.00	

XIII. Share-based payment

N/A

XIV. Commitments and contingencies**1. Significant commitments**

Important commitments on the balance sheet day

As of June 30, 2017, the Company's pledge events were as below:

- (1) On August 19, 2016, the subsidiary Xinjiang Dahua Zhixin Information Technology LLC pledged its future accounts

receivable amounting to 351,064,980.00 Yuan incurred from the available service fee under the Franchise Agreement for the Shihezi “Safe Shicheng” PPP Project, and signed the Fixed Assets Loan Contract (total contract amount: 230,000,000.00 Yuan, contract No.: 2016-01) with Shihezi Sub-Branch of the Construction Bank of China, to provide guarantee for the Company’s loan (loan contract No.: 2016-01) amounting to 230,000,000.00 Yuan (Term of borrowing: from August, 2016 to August, 2027). Till December 31, 2017, the balance of the loan under the Contract of Guarantee was 205,000,000.00 Yuan.

(2) On October 26, 2017, Zhejiang Dahua Technology Co., Ltd. and Hangzhou Xiaoshan Sub-Branch of China Zheshang Bank Co., Ltd. entered into an Asset Pool Contract of Guarantee numbered 33100000 Z.S.Z.C.C.Z.Z. [2017] No. 15709, to provide guarantee for the Bank Notes Pool Business Cooperation Agreement jointly signed by the Company and its subsidiaries Zhejiang Dahua Vision Technology Co., Limited, Zhejiang Dahua System Engineering Limited, Zhejiang Dahua Zhilian Limited, Guangxi Dahua Information Technology Limited with Hangzhou Xiaoshan Branch of China Zheshang Bank Co., Ltd. The financing amount of the fund pledge pool shall not exceed RMB 2.5 billion, wherein, the amount of bank notes shall not exceed RMB 1.5 billion and the credit line shall not exceed RMB 1 billion. Under this business of Bank Notes Pool, as of June 30, 2018, the Company, together with its subsidiaries Zhejiang Dahua Vision Technology Co., Ltd., Zhejiang Dahua System Engineering Limited and Guangxi Dahua Information Technology Limited, has a total of undue notes receivable amounting to RMB 1,496,818,557.04 (of which RMB 471,158,763.16 is notes receivable of associated parties in the consolidated scope) pledged for issuance of bank acceptance bills. Under this pledge item, the amount of bank acceptance bills issued by the Company and its subsidiaries Zhejiang Dahua Vision Technology Co., Ltd., Zhejiang Dahua System Engineering Limited, Zhejiang Dahua Zhilian Limited and Guangxi Dahua Information Technology Limited totals up to RMB 1,480,154,182.02.

(3) Zhejiang Dahua Vision Technology Co., Ltd. and Hangzhou Binjiang Sub-Branch of China Merchants Bank signed the Special Credit Granting Agreement for the Bank Notes Pool Business, in which a line of 2.5 billion Yuan was agreed. The line was simultaneously distributed to the subsidiaries Zhejiang Dahua Technology Limited, Zhejiang Dahua System Engineering Limited, Zhejiang Dahua Zhilian Limited. As of June 30, 2018, the Company, together with its subsidiaries Zhejiang Dahua Vision Technology Co., Ltd., Zhejiang Dahua System Engineering Limited and Zhejiang Dahua Zhilian Limited, has a total of undue notes receivable amounting to RMB 1,294,290,299.24 (of which RMB 727,667,901.22 is notes receivable of associated parties in the consolidated scope) pledged for issuance of bank acceptance bills. Under this pledge item, the amount of bank acceptance bills issued by the Company and its subsidiaries Zhejiang Dahua Vision Technology Co., Ltd., Zhejiang Dahua System Engineering Limited and Zhejiang Dahua Zhilian Limited totals up to RMB 1,294,180,382.44.

(4) On November 24, 2017, by pledging its special account for export tax rebates, the subsidiary Zhejiang Dahua Technology Limited signed the Special Loan Contract for PSL numbered J.C.Y.(Z.X.H.) Z. [2017] No. 1-055 and No.1-058 with Zhejiang Branch of the Export-Import Bank of China, which respectively provided guarantee for the loan to Dahua Technology amounting to 300,000,000.00 (Term of borrowing: from November, 2017 to November, 2018) and the loan to Dahua Technology amounting to 300,000,000.00 (Term of borrowing: from December, 2017 to December, 2018). Till June 30, 2018, the balance of the loan under the Contract of Guarantee was RMB 600,000,000.00.

(5) The subsidiary Zhejiang Dahua Technology Limited pledged its certificate of deposit amounting to 20 million USD, to sign the Contract for Inward and Outward Documentary Bills with Hangzhou Branch of Bank of Ningbo, and provide guarantee for Dahua Technology’s documentary bills loan amounting to RMB 13,814,085.11 Yuan. Till June 30, 2017, the balance of the loan under the Contract of Guarantee was 13,814,085.11 Yuan.

2. Contingencies

No important contingent matter needs to be disclosed by the Company.

XV. Events after the Balance Sheet Date

1. Important non-adjusting matters

N/A

2. Profit distribution

N/A

3. Sales return

N/A

4. Explanation of other matters after the balance sheet day

On July 16, 2018, the 13th session of the 6th Board of Director of the Company deliberated on and approved the proposal on investing and constructing "Dahua Western Intelligent Base and Dahua Western R&D Center" project and the Company is set to invest and construct "Dahua Western Intelligent Base and Dahua Western R&D Center" project. The planned total investment in the project is approximately RMB 800 million. About 133.64 mu of planned area will be used for construction of R&D, office and ancillary facilities.

XVI. Other Significant Events

1. Correction of accounting errors in the previous period

N/A

2. Debt restructuring

N/A

3. Asset replacement

N/A

4. Pension plans

N/A

5. Discontinuing operation

N/A

6. Subsection information

(1) Basis for determining the reporting subsection and the accounting policy

The Company determines the Operation Subsection according to the internal organization structure, management requirements, internal reporting system, etc. and has only one operation subsection, namely R&D, production and sale of security products. The accounting policy of the reporting subsection is consistent with that of the Company.

(2) Financial information of the reporting subsection

Subsection information by product or business

Unit: RMB

Item Name	Current Period		The Corresponding Period of Last Year	
	Operating Revenue	Operating Cost	Operating Revenue	Operating Cost
Solutions	5,018,508,530.50	2,911,635,789.84	3,744,380,956.32	2,133,443,249.37
Product	4,054,905,104.84	2,603,756,661.09	3,179,984,475.04	1,872,988,538.44
Other	740,627,717.14	714,727,994.13	540,299,503.02	513,609,013.33
Total	9,814,041,352.48	6,230,120,445.06	7,464,664,934.38	4,520,040,801.14

Subsection information by revenue source or asset location

Unit: RMB

Item Name	Current Period		The Corresponding Period of Last Year	
	Operating Revenue	Operating Cost	Operating Revenue	Operating Cost
Domestic Sale	6,375,294,969.60	4,051,920,136.45	4,783,576,921.83	2,989,561,882.41
Overseas Sale	3,438,746,382.88	2,178,200,308.61	2,681,088,012.55	1,530,478,918.73
Total	9,814,041,352.48	6,230,120,445.06	7,464,664,934.38	4,520,040,801.14

XVII. Notes to Main Items in the Financial Statements of the Parent Company

1. Accounts receivable

(1) Disclosure of accounts receivable by categories

Unit: RMB

Category	Balance at the End of the Period					Balance at the Start of the Period				
	Book Balance		Bad Debt Provision		Book Value	Book Balance		Bad Debt Provision		Book Value
	Amount	Percentage	Amount	Proportion		Amount	Percentage	Amount	Proportion	
Accounts Receivables with Bad	3,942,356,106.55	100.00%	87,291,932.80	2.21%	3,855,064,173.75	6,013,051,170.	100.00%	80,489,820.08	1.34%	5,932,561,350.82

Debt Provision Accrued Based on Credit Risk Feature Combinations						90				
Total	3,942,35 6,106.55	100.00%	87,291,9 32.80	2.21%	3,855,064 ,173.75	6,013,0 51,170. 90	100.00%	80,489,82 0.08	1.34%	5,932,561,3 50.82

Accounts receivables with individual items significant in amount and the bad debts provision accrued individually at the end of period:

Applicable Not applicable

In the combination, the accounts receivables with the bad debt provision accrued according to the aging analysis method:

Applicable Not applicable

Unit: RMB

Aging	Balance at the End of the Period		
	Accounts Receivable	Bad Debt Provision	Accrued Proportion
Aging within 1 Year			
Within 1 year	399,624,940.48	19,981,247.02	5.00%
Subtotal within 1 Year	399,624,940.48	19,981,247.02	5.00%
1 to 2 Years	56,877,129.85	5,687,712.99	10.00%
2 to 3 Years	32,466,658.78	9,739,997.63	30.00%
3 Years or Above	64,488,425.61	51,882,975.16	
3 to 4 Years	20,016,373.32	10,008,186.66	50.00%
4 to 5 Years	12,986,318.96	10,389,055.17	80.00%
5 Years or Above	31,485,733.33	31,485,733.33	100.00%
Total	553,457,154.72	87,291,932.80	

Notes on the basis to determine the combination:

In the combination, the accounts receivables with the bad debt provision accrued according to the percentage method:

Applicable Not applicable

In the combination, the accounts receivables with the bad debt provision accrued according to other methods:

Applicable Not applicable

(2) Accrued, recovered or reversed bad debt provision in the current period

In this period, bad debt provision accrued amounts to RMB 6,802,112.72; the recovered or reversed bad debt provision in this period amounts to RMB 0.00.

(3) Actual write-off of accounts receivable during the reporting period

In this period, there is no actual write-off of accounts receivables.

(4) Top five debtors based on the corresponding closing balance of accounts receivable

The largest five debtors hold the accounts receivable balance of RMB 3,401,541,083.74 in total at the end of the accounting period, which accounts for 86.28% of the total account receivable balance. The bad debt provision accrued totals up to RMB 6,236,212.58.

(5) Accounts receivable derecognised due to transfer of financial assets

There is no such case as derecognised receivables due to transfer of financial assets

(6) Assets/liabilities generated due to transferred accounts receivable that the Company still keeps recourse or retains part of corresponding rights or interests

There is no such case as assets/liabilities generated due to the transferred accounts receivables that the Company still keeps recourse or retains part of the corresponding rights or interests.

2. Other accounts receivable**(1) Disclosure of other accounts receivable by categories**

Unit: RMB

Category	Balance at the End of the Period					Balance at the Start of the Period				
	Book Balance		Bad Debt Provision		Book Value	Book Balance		Bad Debt Provision		Book Value
	Amount	Percentage	Amount	Accrued Proportion		Amount	Percentage	Amount	Accrued Proportion	
Other Receivables with Bad Debt Provision Accrued Based on Credit Risk Feature Combinations	5,455,111,223.93	100.00%	17,235,116.66	0.32%	5,437,876,107.27	2,759,665,698.40	100.00%	13,878,745.39	0.50%	2,745,786,953.01
Total	5,455,111,223.93	100.00%	17,235,116.66	0.32%	5,437,876,107.27	2,759,665,698.40	100.00%	13,878,745.39	0.50%	2,745,786,953.01

Other receivables with individual items significant in amount and the bad debts provision accrued individually at the end of period:

Applicable Not applicable

In the combination, other receivables with the bad debt provision accrued according to the aging analysis method:

Applicable Not applicable

Unit: RMB

Aging	Balance at the End of the Period		
	Other Receivables	Bad Debt Provision	Accrued Proportion

Aging within 1 Year			
Within 1 year (including 1 year)	134,792,004.74	6,739,600.24	5.00%
Subtotal within 1 Year	134,792,004.74	6,739,600.24	5.00%
1 to 2 Years	38,639,367.11	3,863,936.71	10.00%
2 to 3 Years	17,011,876.89	5,103,563.07	30.00%
3 Years or Above	1,929,774.83	1,528,016.64	
3 to 4 Years	612,614.86	306,307.43	50.00%
4 to 5 Years	477,253.80	381,803.04	80.00%
5 Years or Above	839,906.17	839,906.17	100.00%
Total	192,373,023.57	17,235,116.66	

Notes on the basis to determine the combination:

In the combination, other receivables with the bad debt provision accrued according to the percentage method:

Applicable Not applicable

In the combination, other receivables with the bad debt provision accrued according to other method:

Applicable Not applicable

(2) Accrued, recovered or reversed bad debt provision in the current period

In this period, bad debt provision accrued amounts to RMB 3,356,371.27; the recovered or reversed bad debt provision in this period amounts to RMB 0.00.

(3) Actual write-off of accounts receivable during the reporting period

In this period, there is no actual write-off of other receivables

(4) Disclosure of other accounts receivable by categories

Unit: RMB

Nature of the Funds	Balance at the End of the Period	Balance at the Start of the Period
Deposits	28,382,381.88	25,217,308.16
Prepaid or Advance Expense	167,935,041.75	123,007,478.07
Incomings and Outgoings	5,256,864,200.04	2,611,235,228.10
Other	1,929,600.26	205,684.07
Total	5,455,111,223.93	2,759,665,698.40

(5) Top five debtors based on the corresponding closing balance of accounts receivable

Unit: RMB

Name of	Nature of the	Balance at the End	Aging	As a Percentage of Total Other Receivables	Bad Debt Provision
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Unit	Funds	of the Period		at the End of the Period	at the End of the Period
Company 1	Incomings and outgoings	3,131,897,660.99	Within 1 year	57.41%	
Company 2	Incomings and outgoings	1,390,162,531.74	Within 1 year	25.49%	
Company 3	Incomings and outgoings	315,956,301.86	Within 1 year	5.79%	
Company 4	Incomings and outgoings	159,387,176.41	Within 1 year	2.92%	
Company 5	Incomings and outgoings	143,605,487.64	Within 1 year	2.63%	
Total	--	5,141,009,158.64	--	94.24%	

(6) Other accounts receivable related to government subsidies

In this period, there is no such case as other receivables related to government subsidies.

(7) Other accounts receivable derecognised due to transfer of financial assets

In this period, there is no such case as derecognised other receivables due to transfer of financial assets.

(8) Assets/liabilities generated due to transferred other accounts receivables that the Company still keeps recourse or retains part of corresponding rights or interests

There is no such case as assets/liabilities generated due to the transferred other receivables that the Company still keeps recourse or retains part of corresponding rights or interests.

3. Long-term equity investment

Unit: RMB

Item Name	Balance at the End of the Period			Balance at the Start of the Period		
	Book Balance	Provision for Decline in Value	Book Value	Book Balance	Provision for Decline in Value	Book Value
Investment in Subsidiaries	2,737,799,298.81		2,737,799,298.81	2,448,117,298.81		2,448,117,298.81
Investment in Affiliates and Joint Ventures	11,182,216.47		11,182,216.47	44,322,308.28		44,322,308.28
Total	2,748,981,515.28		2,748,981,515.28	2,492,439,607.09		2,492,439,607.09

(1) Investment in Subsidiaries

Unit: RMB

The Investee	Balance at the Start of the Period	Increased in the Current Period	Decreased in the Current Period	Balance at the End of the Period	Provision for Impairment Accrued for This Period	Closing Balance of Provision for Decline in Value
Zhejiang Dahua System Engineering Co., Ltd.	507,577,918.10			507,577,918.10		
Zhejiang Dahua Security Network Operation Service Co., Ltd.	10,837,589.12			10,837,589.12		
Zhejiang Dahua Ju'an Technology Co., Ltd.	5,100,000.00			5,100,000.00		
Guangxi Dahua Information Technology Co., Ltd.	5,204,609.58			5,204,609.58		
Dahua Technology (HK) Limited	60,000,000.00	202,000,000.00		262,000,000.00		
Zhejiang Dahua Security Service Co., Ltd.	35,683.66			35,683.66		
Zhejiang Dahua Vision Technology Co., Ltd.	648,249,697.44			648,249,697.44		
Wuxi Dahua Ruide Electronic Technology Co., Ltd.	1,000,000.00			1,000,000.00		
Guangxi Dahua Security Service Co., Ltd.	20,002,580.76			20,002,580.76		
Zhejiang Huatu Microchip Technology Co., Ltd.	10,000,000.00			10,000,000.00		
Hangzhou Xiaohua Technology CO., LTD.	4,558,896.36			4,558,896.36		
Zhejiang Dahua Zhilian Co., Ltd.	1,000,000,000.00			1,000,000,000.00		
Hangzhou Tecomore Technology Co., Ltd.	5,100,000.00			5,100,000.00		
Zhejiang Dahua Investment Management Co., Ltd.	62,175,000.00			62,175,000.00		
Guangxi Dahua Zhicheng Co., Ltd.	71,202,900.00			71,202,900.00		
Hangzhou Huacheng Network Technology Co., Ltd.	510,000.00	24,990,000.00		25,500,000.00		
Zhejiang HuaRay Technology Co., Ltd.	11,289,001.62			11,289,001.62		

Hangzhou Fuyang Hua'ao Technology Co., Ltd.	510,000.00	4,590,000.00		5,100,000.00		
Zhejiang Huafei Intelligent Technology CO., LTD.	4,552,215.76			4,552,215.76		
Zhejiang Huachuang Vision Technology Co., Ltd.	10,209,151.33			10,209,151.33		
Xinjiang Dahua Intelligence Technology Co., Ltd.	10,000,000.00			10,000,000.00		
Dahua Technology Holdings Ltd.		8,102,000.00		8,102,000.00		
Xi'an Dahua Zhilian Technology Co., Ltd.		50,000,000.00		50,000,000.00		
Xinjiang Dahua Zhixin Information Technology Co., Ltd.	2,055.08			2,055.08		
Total	2,448,117,298.81	289,682,000.00		2,737,799,298.81		

(2) Investment in affiliates and joint ventures

Unit: RMB

Name of Investees	Balance at the Start of the Period	Decrease/Increase in the Current Period								Balance at the End of the Period	Closing Balance of Provision for Decline in Value
		Investments Increased	Investment Decreased	Investment Profit and Loss Recognized under the Equity Method	Adjustment on Other Comprehensive Income	Other Changes in Equity	Cash Dividends or Profit Declared to Distribute	Provision for Impairment Accrued	Others		
I . Joint Ventures											
II . Affiliates											
Beijing Ankang Jianxing Emergency Education Technology Co., Ltd.	7,651,907.75		7,580,935.18	-70,972.57							
Zhejiang Leapmoto	36,803,547.78			-25,197,113.35						11,606,434.43	

r Technolo gy Co., Ltd.											
Guangdo ng Dahua Zhishi Technolo gy Co., Ltd.	-133,147. 25			-291,070. 71						-424,217. 96	
Subtotal	44,322,30 8.28		7,580,935 .18	-25,559,1 56.63						11,182,21 6.47	
Total	44,322,30 8.28		7,580,935 .18	-25,559,1 56.63						11,182,21 6.47	

4. Operating revenue and costs

Unit: RMB

Item Name	This Period's Amount of Occurrence		Previous Period's Amount of Occurrence	
	Income	Cost	Income	Cost
Main Business	3,766,723,773.94	1,152,884,368.36	2,497,073,238.79	154,340,299.37
Other Businesses	17,424,051.93	14,468,757.58	60,848,339.85	42,205,111.02
Total	3,784,147,825.87	1,167,353,125.94	2,557,921,578.64	196,545,410.39

5. Investment income

Unit: RMB

Item Name	This Period's Amount of Occurrence	Previous Period's Amount of Occurrence
Long-term Equity Investment Income Measured by Equity Method	-25,559,156.63	-18,969,760.85
Investment Income from Disposal of Long-term Equity Investment	706,569.92	387,298.43
Investment Income from Possession of Available-for-sale Financial Assets	1,005,008.70	5,543,861.26
Investment Income from Treasury Bond Reverse Repurchase	380,167.33	
Total	-23,467,410.68	-13,038,601.16

XVIII. Supplementary Information

1. Breakdown of non-recurring gains and losses for this period

Applicable Not applicable

Unit: RMB

Item Name	Amount	Note
Gains and Losses from Disposal of Non-current Assets	-268,972.91	
The Government Subsidies Included in the Current Profits and Losses (Excluding the Government Subsidies Closely Related to Regular Businesses of the Company and Issued in the Quota or Quantity Based on the National Standards)	3,694,113.32	
Profits and Losses Resulting from the Changes in Fair Value for Holding Trading Financial Assets and Trading Financial Liabilities, and Investment Income from Disposal of Trading Financial Assets, Trading Financial Liabilities, and Financial Assets Available for Trading, Excluding the Effective Hedging Businesses Related to the Regular Business Operation of the Company	-37,233,326.63	
Non-operating Revenue and Expenses Other than the Above	3,277,285.64	
Other Gains and Losses Items that Fit the Definition of Non-recurring Gains and Losses	599,965.97	
Less: Impact of Income Tax	-4,631,091.16	
Impact of Minority Equity	267,659.03	
Total	-25,567,502.48	--

For items defined as non-recurring gains and losses according to the No. 1 Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to Public - Non-recurring Gains and Losses, or non-recurring gains and losses items listed in the said document defined as recurring ones, please specify the reasons.

Applicable Not applicable

2. Return on net assets and earnings per share

Profit for the reporting period	Weighted Average ROE	Earnings per share	
		Basic Earnings per Share (RMB/Share)	Diluted Earnings per Share (RMB/Share)
Net Profit Attributable to Common Shareholders of the Company	9.91%	0.37	0.37
Net Profit Attributable to Common Shareholders of the Company after Deducting Non-recurring Gains and Losses	10.15%	0.38	0.38

3. Differences in accounting data between domestic and overseas accounting standards

(1) Differences of net profits and net assets in the financial reports disclosed according to the international accounting standards and Chinese accounting standards

Applicable Not applicable

(2) Differences of net profits and net assets in the financial reports disclosed according to the overseas accounting standards and Chinese accounting standards

Applicable Not applicable

(3) Reasons for accounting data differences under domestic and overseas accounting standards. For difference adjustment on the data already audited by an overseas audit institution, name of the audit institution should be noted.

4. Others

Section XI Documents Available for Inspection

I. The financial statements signed and sealed by Fu Liquan, the Company's legal representative, Wei Meizhong, chief accountant, and Xu Qiaofen, person in charge of accounting institution.

II. Original copies of all the Company's documents and announcements published on media designated by China Securities Regulatory Commission within the reporting period.

III. Other related materials.

The said documents are prepared and placed at the Company's Securities Investment Department

Zhejiang Dahua Technology Co., Ltd.

Chairman: Fu Liquan

August 21, 2018