

Zhejiang Dahua Technology Co., Ltd.

2022 Semi-Annual Report



August 20, 2022

This document is a translated version of the Chinese version 2022 Semi-Annual Report (“2022 年半年度报告”), and the published annual report in the Chinese version shall prevail.

The complete published Chinese 2022 Semi-Annual Report may be obtained at <http://www.cninfo.com.cn>.

Section I Important Notes, Contents And Definitions

The Board of Directors, the Board of Supervisors, directors, supervisors and senior executives of the Company hereby guarantee that the information presented in this semi-annual report is authentic, accurate, complete and free of any false records, misleading statements or material omissions, and they will bear joint and several liability for such information.

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

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

During the reporting period, there was no significant change in the risks faced by the Company. The Company has been trying to identify all kinds of risks and actively take countermeasures to avoid and reduce the risks:

1. Risk of COVID-19 pandemic: In the face of COVID-19 pandemic, the Company has taken strict prevention and control measures to protect the health of employees at home and abroad. At the same time, the Company has provided scientific and technological solutions for pandemic prevention to facilitate global pandemic prevention and control.

2. Risk of decline in the payment capacity of local finance: The decline in the payment capacity of local finance may lead to the slowdown in the growth of

industrial demand, extensions of project time, longer periods for companies to withdraw capital, and customers' payment delay. The Company continues to improve its internal control system, optimize the project review methods, carefully assess risks in markets, projects, and cash flow, reasonably control risks and make response plans.

3. Risk of international operations: The Company's products and solutions are available in more than 100 foreign countries and regions. International business may be exposed to the risks of trade protection in the countries and regions where it is located. In addition, the repeated outbreak of COVID-19 pandemic around the world has brought more uncertainty to overseas economic environment, which may adversely affect the business development of the Company in such places. The Company actively guards against and responds to the risk of international operation by establishing an overseas compliance risk control system. It continuously strengthens the understanding and adaptability of the laws and regulations as well as the political and economic environment of the regions where its business is involved, and formulates differentiated business strategies based on "one country, one policy" in accordance with the changes in politics and economy of different regions to reduce operational risks.

4. Geopolitical risk: Geopolitical risks are posing an increasing threat to the world. Local conflicts may lead to economic downturns in some regions and affect the business development of the Company in such locations. The Company will timely grasp the development trend of the local political environment, make

appropriate response quickly, and reduce the impact of the single market by establishing a global sales network.

5. Risk of technology upgrading: 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. By increasing R & D investment, the Company continues to strengthen research on core technologies in AI, video cloud, machine vision and other fields, and reserves product, technology, management and talent resources for a broader market in the future, so as to achieve sustainable and steady development of business.

6. Risk of business model change: With the development of network communications, cloud computing, big data, AI and other technologies, as well as the upgrades of apps in smartphones, the business model in the IoT era may have an impact on the traditional industry development. If an enterprise cannot grasp opportunities brought about by the business model transformation in a timely manner, it may face the risk that the original market structure becomes broken. The Company continues to focus on and study the major changes in global economy, industry and technology, analyze the industry development logic, and predict the evolution of global security industry and IoT industry, the continuous integration of video, information communication and digital technologies, diversification and uncertainty of customer demands. While consolidating the

advantageous market, The Company actively explores and pilots new businesses and new commercial mode, and carry out business and technical layout.

7. Risk of product safety: 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 security risks on the Internet. However, hackers attacks, computer viruses, physical security vulnerabilities, natural disasters, accidents, power interruptions, telecommunications failures, terrorism, and warfare events may still occur from time to time, resulting in security vulnerabilities, system failures, or service interruptions. The Company has founded a cyber security committee, and set up a professional security team to develop company-level product safety plan, ensuring product safety in whole process from requirements to design, coding, and testing process. At the same time, the Company actively carry out technical exchanges and cooperation with mainstream safety enterprises, safety evaluation agencies and corresponding industry associations to provide customers with safe products and solutions.

8. Intellectual property risk: The promotion of the Company's globalization and self-owned brand strategy will likely bring about intellectual property risks and patent infringement, which may cause fluctuation in business relations and public opinions, increasing lawsuits and rising costs. The Company attaches great importance to technological innovation and has established protection and management mechanism for intangible assets such as innovation achievements, self-owned brands, trade secrets, and constantly gathers advantageous IP assets;

With IP compliance risk control system, the Company continues to strengthen its ability to understand and grasp the IP laws and regulations, administrative and judicial environment of the region where the company's business is located in.

9. Risk of supply chain security: In terms of supply chain security, the Company has identified various potential supply risks through special operations. By making backup plans and diversifying supply sources, the Company has strengthened the continuous and secure supply of key materials, so as to ensure the security of the supply chain.

10. Exchange rate risk: The Company's export transactions are mostly settled in United States Dollars, while overseas sales have increased continuously. Therefore, fluctuations in the foreign exchange rate have the potential to affect the purchasing power of cross-border trade customers and the profits of the Company. As US dollar is the settlement currency, the Company hedges and avoids the risk of exchange rates by centralized management of exchange capitals, purchase and payment hedging and other methods.

The Company plans to pay no cash dividends, no bonus shares and no capital increase by way of capitalization of provident fund.

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Documents Available for Reference

I. The financial statements signed and sealed by Fu Liquan, the Company's legal representative, Xu Qiaofen, chief accountant, and Zhu Zhuling, 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. The said documents are prepared and placed at the Company's Securities Investment Department for reference by investors.

Definitions

Item	Refers To	Definitions
Reporting Period	Refers To	From January 1, 2022 to June 30, 2022
Dahua, company, the company	Refers To	Zhejiang Dahua Technology Co., Ltd.
Dahua System Engineering, System Engineering Company	Refers To	Zhejiang Dahua System Engineering Co., Ltd.
Dahua Vision Technology	Refers To	Zhejiang Dahua Vision Technology Co., Ltd.
Dahua Security Network, Operation Company	Refers To	Zhejiang Dahua Security Network Operation Service Co., Ltd.
Dahua Ju'an	Refers To	Zhejiang Dahua Ju'an Technology Co., Ltd.
Guangxi Dahua Information	Refers To	Guangxi Dahua Information Technology Co., Ltd.
Dahua Security	Refers To	Zhejiang Dahua Security Service Co., Ltd.
Guangxi Security	Refers To	Guangxi Dahua Security Service Co., Ltd.
Xiaohua Technology, Hangzhou Xiaohua	Refers To	Hangzhou Xiaohua Technology Co., Ltd.
Dahua Zhilian	Refers To	Zhejiang Dahua Zhilian Co., Ltd.
Dahua Investment, Dahua Investment Management	Refers To	Zhejiang Dahua Investment Management Co., Ltd.
Guangxi Zhicheng, Dahua Zhicheng	Refers To	Guangxi Dahua Zhicheng Co., Ltd.
Hangzhou Huacheng, Huacheng Network	Refers To	Hangzhou Huacheng Network Technology Co., Ltd.
Xinjiang Information	Refers To	Xinjiang Dahua Zhixin Information Technology Co., Ltd.
HuaRay Technology	Refers To	Zhejiang HuaRay Technology Co., Ltd.
Fuyang Hua'ao	Refers To	Hangzhou Fuyang Hua'ao Technology Co., Ltd.
Huafei Intelligent	Refers To	Zhejiang Huafei Intelligent Technology Co., Ltd.
Huachuang Vision	Refers To	Zhejiang Huachuang Vision Technology Co., Ltd.
Guizhou Huayi	Refers To	Guizhou Huayi Shixin Technology Co., Ltd.
Xinjiang Zhihe	Refers To	Xinjiang Dahua Zhihe Information Technology Co., Ltd.
Guangxi Huacheng	Refers To	Guangxi Huacheng Technology Co., Ltd.
Meitan Dahua Technology	Refers To	Guizhou Meitan Dahua Information Technology Co., Ltd.
Inner Mongolia Zhimeng	Refers To	Inner Mongolia Dahua Zhimeng Information Technology Co., Ltd.
Xinjiang Zhitian	Refers To	Xinjiang Dahua Zhitian Information Technology Co., Ltd.
Xinjiang Xinzhi	Refers To	Xinjiang Dahua Xinzhi Information Technology Co., Ltd.
Xinjiang Huayue	Refers To	Xinjiang Dahua Huayue Information Technology Co., Ltd.
Leapmotor Technology	Refers To	Zhejiang Leapmotor Technology Co., Ltd.
Leapmotor	Refers To	Leapmotor Automobile Co., Ltd.
Tianjin Dahua Information, Tianjin Dahua	Refers To	Tianjin Dahua Information Technology Co., Ltd.
Hunan Dahua Zhilong, Dahua Zhilong	Refers To	Hunan Dahua Zhilong Information Technology Co., Ltd.
Huaxiao Technology	Refers To	Zhejiang Huaxiao Technology Co., Ltd.
Vision Technology	Refers To	Zhejiang Fengshi Technology Co., Ltd.
Xi'an Dahua Zhilian, Xi'an Dahua	Refers To	Xi'an Dahua Zhilian Technology Co., Ltd.
Wuxi Ruipin	Refers To	Wuxi Dahua Ruipin Technology Co., Ltd.
Beijing Huayue	Refers To	Beijing Huayue Shangcheng Information Technology Service

		Co., Ltd.
Shanghai Huashang	Refers To	Shanghai Huashang Chengyue Information Technology Service Co., Ltd.
Dahua Jinzhi	Refers To	Zhejiang Dahua Jinzhi Technology Co., Ltd.
Dahua Guangxun	Refers To	Sichuan Dahua Guangxun Photoelectric Technology Co., Ltd.
Dahua Hong Kong, Dahua (HK) Limited	Refers To	Dahua Technology (HK) Limited
Zhoushan Operation	Refers To	Zhejiang Zhoushan Digital Development Operation Co. Ltd.
Yunnan Zhili	Refers To	Yunnan Zhili Technology Co., Ltd
Guangxi Dahua Technology	Refers To	Guangxi Dahua Technology Co., Ltd.
Dahua Storage	Refers To	Zhejiang Dahua Storage Technology Co., Ltd.
Huaruijie	Refers To	Zhejiang Huaruijie Technology Co., Ltd.
Chengdu Zhilian	Refers To	Chengdu Dahua Zhilian Information Technology Co., Ltd.
Chengdu Zhian	Refers To	Chengdu Dahua Zhian Information Technology Service Co., Ltd.
Chengdu Zhishu	Refers To	Chengdu Dahua Zhishu Information Technology Service Co., Ltd.
Chengdu Zhichuang	Refers To	Chengdu Zhichuang Yunshu Technology Co., Ltd.
Chengdu Smart Network	Refers To	Chengdu Huishan Smart Network Technology Co., Ltd.
Huakong Software	Refers To	Zhejiang Huakong Software Co., Ltd.
Huacheng Software	Refers To	Hangzhou Huacheng Software Co., Ltd.
Guizhou Dahua	Refers To	Guizhou Dahua Information Technology Co., Ltd.
Henan Dahua	Refers To	Henan Dahua Zhilian Information Technology Co., Ltd.
Huajian	Refers To	Zhejiang Huajian Technology Co., Ltd.
Zhengzhou Dahua Zhian	Refers To	Zhengzhou Dahua Zhian Information Technology Co., Ltd.
Dahua International	Refers To	Dahua Technology International Co., Ltd.
Anhui Zhilian	Refers To	Anhui Dahua Zhilian Information Technology Co., Ltd.
Anhui Zhishu	Refers To	Anhui Dahua Zhishu Information Technology Co., Ltd.
Changsha Dahua	Refers To	Changsha Dahua Technology Co., Ltd.
Tianjin Huajian	Refers To	Tianjin Huajian Technology Co., Ltd.
Wuhu Huajian	Refers To	Wuhu Huajian Technology Co., Ltd.
Zhejiang Pixfra	Refers To	Zhejiang Pixfra Technology Co., Ltd.
Yiwu Huaxi	Refers To	Yiwu Huaxi Technology Co., Ltd.
Dahua Operation	Refers To	Zhejiang Dahua Intelligent IoT Operation Service Co., Ltd.
Nanyang Intelligent	Refers To	Nanyang Dahua Intelligent Information Technology Co., Ltd.
Yibin Huahui	Refers To	Yibin Huahui Information Technology Co., Ltd.
Chengdu Huazhiwei	Refers To	Chengdu Huazhiwei Technology Co., Ltd.
IMOU Xi'an	Refers To	Xi'an IMOU Zhilian Technology Co., Ltd.
Dahua USA	Refers To	Dahua Technology USA Inc.
Dahua Europe	Refers To	Dahua Europe B.V.
Dahua Middle East	Refers To	Dahua Technology Middle East FZE
Dahua Mexico	Refers To	Dahua Technology Mexico S.A. DE C.V
Dahua Chile	Refers To	Dahua Technology Chile SpA
Dahua Malaysia	Refers To	Dahua Security Malaysia SDN. BHD.
Dahua Korea	Refers To	Dahua Technology Korea Company Limited

Dahua Indonesia	Refers To	PT. Dahua Vision Technology Indonesia
Dahua Colombia	Refers To	Dahua Technology Colombia S.A.S
Dahua Australia	Refers To	Dahua Technology Australia PTY Ltd
Dahua Singapore	Refers To	Dahua Technology Singapore Pte. Ltd.
Dahua South Africa	Refers To	Dahua Technology South Africa Proprietary Limited
Dahua Peru	Refers To	Dahua Technology Perú S.A.C
Dahua Russia	Refers To	Dahua Technology Rus Limited Liability Company
Dahua Brazil	Refers To	DAHUA ECHNOLOGY BRASIL COMÉRCIO E SERVIÇOS EM SEGURANÇA ELETRÔNICA LTDA
Dahua Canada	Refers To	Dahua Technology Canada INC.
Dahua Panama	Refers To	Dahua Technology Panama S.A.
Dahua Hungary	Refers To	Dahua Technology Hungary Kft
Dahua Poland	Refers To	Dahua Technology Poland Sp. z o.o.
Dahua Italy	Refers To	Dahua Technology Italy S.R.L.
Dahua Tunisia	Refers To	Dahua Technology Tunisia Limited Liability Company
Dahua Kenya	Refers To	Dahua Technology Kenya Limited
Dahua UK	Refers To	Dahua Technology UK Limited
Dahua Germany	Refers To	Dahua Technology GmbH
Dahua Serbia	Refers To	Dahua Technology SRB d.o.o.
Dahua India	Refers To	Dahua Technology India Private Limited
Dahua Turkey	Refers To	Dahua Guvenlik Teknolojileri Sanayi ve Ticaret A.S.
Dahua Czech	Refers To	Dahua Technology Czech s.r.o.
Dahua Argentina	Refers To	Dahua Argentina S.A.
Dahua Spain	Refers To	Dahua Iberia, S.L.
Dahua Kazakhstan	Refers To	Dahua Technology Kazakhstan LLP
Dahua Denmark	Refers To	Dahua Technology Denmark Aps.
Dahua France	Refers To	Dahua Technology France SAS
Dahua Lorex (US) Corporation	Refers To	Lorex Corporation
Dahua Technology Holdings	Refers To	Dahua Technology Holdings Limited
Dahua New Zealand	Refers To	Dahua Technology New Zealand Limited
Dahua Netherlands	Refers To	Dahua Technology Netherlands B.V.
Dahua Morocco	Refers To	Dahua Technology Morocco SARL
Dahua Romania	Refers To	Dahua Technology S.R.L
Dahua Uzbekistan	Refers To	Dahua Vision LLc
Dahua Lorex (Canada) Corporation	Refers To	Lorex Technology Inc.
Dahua Bulgaria	Refers To	Dahua Technology Bulgaria EOOD
Dahua Sri Lanka	Refers To	Dahua Technology China (Pvt) Ltd
Dahua Pakistan	Refers To	Dahua Technology Pakistan (private) Limited
Dahua Thailand	Refers To	Dahua Technology (Thailand) Co.,Ltd.
Dahua Nigeria	Refers To	Dahua Technology Nigeria Representative Ltd
Dahua Israel	Refers To	Dahua Technology Israel Ltd.
Dahua Mexico Service	Refers To	VISMEXTECH DHM SERVICIOS, S.A. DE C.V.
Huacheng Netherlands	Refers To	Imou Network Technology Netherlands B.V.

Dahua Lorex (UK) Corporation	Refers To	LOREX Technology UK Limited
Dahua Japan	Refers To	Dahua Technology Japan 合同会社
Huacheng Hong Kong	Refers To	Huacheng Network (HK) Technology Limited
Dahua Qatar	Refers To	Dahua Technology QFZ LLC
Dahua Pacific	Refers To	Dahua Technology Pacific S.A
INTELBRAS S.A.	Refers To	INTELBRAS S.A. INDÚSTRIA DE TELECOMUNICAÇÃO ELETRÔNICA BRASILEIRA
Dahua Saudi Arabia	Refers To	Dahua Technology Middle East for Maintenance Single Person Company
Dahua Bengal	Refers To	Dahua Technology Bangladesh Private Limited
IMOU Australia	Refers To	IMOU NETWORK TECHNOLOGY AUSTRALIA PTY LTD
IMOU Vietnam	Refers To	CÔNG TY TNHH CÔNG NGHỆ IMOU NETWORK VIỆT NAM

Section II Company Profile and Key Financial Indicators

I. Company Profile

Stock Abbreviation	DAHUA	Stock Code	002236
Stock Exchange	Shenzhen Stock Exchange		
Company Name in Chinese	浙江大华技术股份有限公司		
Company Abbreviation in Chinese (If any)	DAHUA		
Company Name in Foreign Language (If any)	ZHEJIANG DAHUA TECHNOLOGY CO.,LTD.		
Legal Representative	Fu Liquan		

II. Contact Person and Contact Information

	Secretary of the Board	Representative of Securities Affairs
Name	Wu Jian	
Contact Address	No. 1199 Binan Road, Binjiang District, Hangzhou City, Zhejiang Province	
Tel.	0571-28939522	
Fax	0571-28051737	
E-mail	zqsw@dahuatech.com	

III. Other Information

1. Company Contact Information

Whether the Company's registered address, office address, postal code, website and e-mail address has changed during the reporting period

Applicable Not applicable

The Company's registered address, office address, postal code, website and e-mail address have not changed during the reporting period, which can be found in the 2021 Annual Report.

2. Information Disclosure and Location

Whether information disclosure and location has changed during the reporting period

Applicable Not applicable

The name of the Company's selected information disclosure newspaper, the URL of the website designated by the CSRC where the semi-annual report is posted, and the place where the Company's semi-annual report is available have not changed during the reporting period, which can be found in the 2021 Annual Report.

3. Other Related Information

Whether other related information has changed during the reporting period

Applicable Not applicable

IV. Key Accounting Data and Financial Indicators

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

Yes No

	The Current Reporting Period	The Same Period of Last Year	Increase/Decrease of the Current Reporting Period Compared with the Same Period of the Previous Year
Operating revenue (RMB)	14,087,085,840.97	13,505,005,733.89	4.31%
Net profit attributable to shareholders of the listed Company (RMB)	1,519,848,967.71	1,643,175,887.55	-7.51%
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses (RMB)	1,255,639,844.11	1,439,592,047.22	-12.78%
Net cash flow generated by operational activities (RMB)	-1,727,794,646.76	-871,108,797.99	-98.34%
Basic Earnings per Share (RMB/Share)	0.51	0.56	-8.93%
Diluted Earnings per Share (RMB/Share)	0.51	0.56	-8.93%
Weighted Average ROE	6.27%	7.92%	-1.65%
	At the End of the Current Reporting Period	At the End of the Previous Year	Increase/Decrease at the End of the Current Reporting Period Compared with the End of the Previous Year
Total assets (RMB)	42,874,935,033.83	44,055,872,021.97	-2.68%
Net assets attributable to shareholders of the listed company (RMB)	24,361,153,521.26	23,617,602,513.55	3.15%

V. Differences in Accounting Data Under Domestic and Foreign 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

During the reporting period of the company, there is no difference between the net profits and net assets in the financial reports disclosed according to international accounting standards and Chinese accounting standards.

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

Applicable Not applicable

During the reporting period of the company, there is no difference between the net profits and net assets in the financial reports disclosed according to overseas accounting standards and Chinese accounting standards.

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

Applicable Not applicable

Unit: RMB

Item	Amount	Note
Profits or losses from disposal of non-current assets (including the write-off for the accrued impairment of assets)	2,288,425.59	
The government subsidies included in the current profits and losses (excluding the government subsidies closely related to regular businesses of the Company, in line with national policies, and consecutively received by a standard quota or quantity)	162,812,063.07	
Gains or losses from investment or asset management entrusted to others	-10,104,926.15	
Gains or losses from debt restructuring	-411,312.80	
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	170,672,546.04	
Non-Operating Revenue and expenses other than the above	610,811.31	
Other gains and losses items that fit the definition of non-recurring gains and losses	-299,697.90	
Less: Impact of income tax	46,366,666.73	
Impact of minority equity (after tax)	14,992,118.83	
Total	264,209,123.60	

Other gains or losses that fit the definition of non-recurring gains or losses:

Applicable Not applicable

The Company has no other gains or losses that fit the definition of non-recurring gains or losses.

Note for the definition of non-recurring gains and losses set out in the *No. 1 Explanatory Announcement on Information Disclosure for Companies Issuance Their Securities to the Public - Non-recurring gains and losses*, as recurring gains

and losses.

Applicable Not applicable

The Company did not define any non-recurring gains and losses set out in the *No. 1 Explanatory Announcement on Information Disclosure for Companies Issuance Their Securities to the Public - Non-recurring gains and losses* as recurring gains and losses.

Section III Management Discussion and Analysis

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

The Company's principal business has not changed during the reporting period. Please refer to the 2021 Annual Report for details.

II. Core Competitiveness Analysis

The Company's core competitiveness has not changed during the reporting period. Please refer to the 2021 Annual Report for details.

III. Main Business Analysis

Overview

In the first half of 2022, due to the repeated outbreak of COVID-19 pandemic in China, prevention measures were taken in many places, causing restricted flow of personnel and logistics transportation and weakening demand for social investment. With the continuous resumption of work and production, the economic vitality is expected to recover gradually. At the same time, the external environment is complex and changeable, and the tense geopolitical situation and the rising inflation bring uncertainties to the growth of global economy. Facing the challenges, the Company relies on its capabilities of "Full Sensing, Full Intelligence, Full Connection, Full Computing, and Full Ecosystem" to promote the deep integration of digital technology and real economy with focuses on exploring business opportunities in new smart cities, traffic management, energy, industrial manufacturing, education and medical care, actively promotes the development of innovative business, steadily implements the business strategy of Dahua Think# and deepens its high-quality development. Dahua will promote production and operation in an orderly manner and continue to maintain its leading position in the industry.

During the reporting period, the Company has achieved an operating revenue of RMB 14.087 billion, with a year-on-year increase of 4.31%, and a net profit attributable to shareholders of listed companies of RMB 1.52 billion, with a year-on-year decrease of 7.51%. The Company continues to deepen the high-quality development strategy and constantly improve the competitiveness of its products and solutions. The main business strategies of the Company include:

1. Continuously increase investments in R&D to strengthen the capacity for innovations and improve the core technical strength

The Company continues to increase its investment in core technologies such as AI, cloud computing and big data, 5G, and core devices, and the building of software capacity. During the reporting period, the Company has invested RMB 1.563 billion in R&D, accounting for 11.10% of the operating revenue in the first half of 2022.

In terms of AI capability, the Company focuses on the industrial implementation, pays attention to the close integration to industrial business and application scenarios, continues to expand the application capacity of AI scenarios, and has achieved a constantly increasing proportion of sales of smart products and solutions. Regarding the research of core technology of algorithm, the Company's algorithm team prospectively explored the industrial development path, made outstanding achievements in many fields such as weak supervision learning, independent learning, semi-automatic model search, federated learning and trusted AI, and gradually realized its industrial implementation. In terms of AI engineering capability, facing the digital transformation of the industry, the Company

has created three modes of "quick customization by the Company", "convenient development by users" and "general algorithm paradigm" to comprehensively build the AI scenario capability. The Company relies on its full-process algorithm and algorithm scheme development platform, the "Genius Platform", to effectively support the industry's scenario-based intelligent demand. Relying on the system architecture of "releasing an algorithm is to release a solution", the Company has greatly improved the scenario-adapted capability of intelligent products and platforms. Jinn studio, the Company's AI open platform, was launched in Yunrui public cloud and enterprise private cloud solutions. Customers can take the advantage of their own data to train their own scenario-based algorithms, so as to better realize the transformation and upgrading of customers' business.

Based on cloud computing and big data technology, the Company focuses on video IoT scenarios with business at the center to build up city-level data storage, calculation, analysis, modeling, and sharing capabilities with the goal to achieve online data, value calculation, and business enabling. The Company integrates the technical advantages of cloud computing and big data, flexible componentized architecture, as well as the layered decoupling and vertical closed-loop capabilities of the software architecture, on the basis of its deep insights into video IoT business. Based on the three key processes for realizing the value of data, namely, online data, value calculation, and business application, the Company has constructed a video-centric IoT digital intelligence platform. The Company kept enriching and improving its business components, added more types of IoT sensing access devices, improved computing collaboration, and stepped up cloud-native elastic scale capabilities, and further enhanced heterogeneous data processing capabilities, so as to tamp the business enablement platform and open the base capacity to facilitate the digital transformation of the industry. The platform architecture of the Company has been continuously improved for more than a decade. Through the "one system and dual platforms", namely the unified architecture of IoT Digital Intelligence Mid-End System, and Urban Platform 2.0 and Enterprise Platform 3.0, and the co-developed Dahua Wanxiang Platform, the Company has collaborated with customers and partners for coordination and development. The video-centric and smart IoT directed software platform built by the Company has been widely applied to thousands of industries. The Company has always adhered to the client-oriented principle when developing industry-specific software platforms. Guided by business targets and driven by technology, the Company continuously creates industry paradigms and has built a complete system consisting four layers of components: G, B, F and M. Through the componentized four-layer system, the Company constructed diverse industry-specific applications, which can quickly meet clients' sensitive development needs.

2. Continuously develop high-quality innovative businesses

The Company attaches great importance to the cultivation and development of innovative businesses. Relying on the its technology accumulation in the video IoT industry, supply chain integration ability and marketing ability, the Company vigorously innovates and continues to expand new fields of high-speed growth. At present, the Company mainly owns a series of innovative businesses such as mobile robots, Imou appliances, automotive electronics, smart security inspection, smart storage, and smart fire control. These businesses operate independently under the unified governance structure of the group, so as to adapt to the rapidly changing needs of the market. They have become an important driving force for the Company's growth. In the first half of 2022, the overall growth rate of the Company's innovative businesses was 40.84%.

3. Continuously optimize the construction of marketing network and comprehensively improve the technical marketing ability

The Company continues to optimize the construction of marketing network, and extends its domestic business to the county and township level; the Company continues to extend country-centric overseas business to improve customer coverage and response speed to customers. As Dahua steps up its effort to increase client coverage and continues to provide service for small and medium-sized enterprises in low-level administrative divisions, continuously cover more industry clients, and clients previously left out have been reached. The Company actively embraces the

Internet and comprehensively arranges e-commerce, cloud-e-commerce and Yunrui businesses. At the same time, the Company has introduced multi-dimensional partners to the ecosystem to jointly expand the coverage and strengthen identification of potential clients, so as to bring clients closer to the Company. In the overseas market, the Company continues to deepen its business strategy of localization and develop its sales network in low-level administrative divisions, constantly loads more non-video new businesses and product solutions, and configures professional teams to expand new business overseas.

The Company has further strengthened the regional technology marketing system, improved the market system construction based on products and solutions, enhanced the coordination between technology and business, and comprehensively improved the technology marketing ability. In order to promote the Company's software marketing, all teams of the Company in domestic provinces and regions, industry lines or overseas, have formulated complete strategies. Domestically, software marketing organizations have been established for all provinces and regions with assessment indicators formulated and software marketing incentives set up. Overseas, the Company has established an independent overseas software team to develop standardized general software and focus on key industries, so as to improve the overall proportion of software business in overseas business.

4. Strengthen the construction of a cooperative ecosystem to achieve the cooperation with co-construction, symbiosis and win-win outcome

The Company insists on developing ecological partners, so as to realize the enterprise strategy of cooperation with co-construction, symbiosis and win-win outcome. The Company comprehensively cooperates with its partners in multiple dimensions, such as hardware, software, algorithms, services and business, etc. to accelerate the industrialization of digital intelligence through digital upgrades of industries. In the field of technology, Dahua launched the Wanxiang Ecological Platform for technology developers and industry practitioners to connect personalized and customized development; in the aspect of intelligent algorithms, the Genius Platform has been launched to help customers establish algorithm training and development capabilities; in terms of hardware products, Dahua has fully opened its leading hardware products to our partners through the DHOP Platform; in the aspect of software application, the full opening of PAAS, DaaS and SaaS Layers has been realized; in the business field, an independent organization has been established to serve the leading integrators of various sub industries and regions.

The Company attaches importance to the construction of integration cooperation ecosystem, implements hierarchical and graded management for ecological integration partners, and gives full play to their amplifier role by well serving the ecological partners. The Company continues to increase the investment in sinking and expanding coverage of business. With the number of its ecological partners continues to increase, its business structure becomes more stable.

5. Exploration of the market segment for high-quality development

The Company thoroughly promotes fine management, comprehensively implements high performance management, and deepens the development path of high quality and stable growth.

Dahua always adheres to cohesion and coordination, rapid decision-making, efficient implementation and strengthens strategy implementation, so as to provide guarantee for high-quality development. Dahua continues to promote the quality construction of products, solutions and services, build the continuous competitiveness of products and solutions, and win customers with its craftsman spirit; maintain the spirit of innovation and build a more comprehensive and open ecological cooperation relationship; strengthen the localization construction of marketing team to better serve customers; strengthen supply chain management to ensure continuous delivery to customers; continuously improve the compliance management system and strengthen the internal control and governance of the enterprise; promote professional support teams such as finance and IT to better serve the business; deepen the talent mechanism, continue to stimulate the vitality of talents through a reasonable business incentive and guidance mechanism, and build a company model of common prosperity based on competition and performance.

Year-on-year changes in key financial data

Unit: RMB

	The Current Reporting Period	The Same Period of Last Year	Year-on-year increase or decrease	Reasons for changes
Operating revenue	14,087,085,840.97	13,505,005,733.89	4.31%	No Significant Change
Operating Cost	8,802,576,621.32	7,910,714,928.97	11.27%	No Significant Change
Sales Expenses	2,039,728,296.24	2,059,001,711.42	-0.94%	No Significant Change
Administration expenses	416,806,198.58	393,272,171.06	5.98%	No Significant Change
Financial Expenses	-274,601,124.61	77,676,041.15	-453.52%	Mainly due to the increase in exchange gains
Income tax expense	93,448,750.74	-38,451,185.77	343.03%	Mainly due to the decrease of tax rebate for key software enterprises in the current period compared with the same period of the previous year
R&D Investment	1,563,479,271.17	1,406,249,326.81	11.18%	No Significant Change
Net cash flow generated by operating activities	-1,727,794,646.76	-871,108,797.99	-98.34%	Mainly due to the increase in the payment of goods in the current period
Net amount of cash flow generated by investment activities	-111,912,983.12	-975,034,182.68	88.52%	Mainly due to the decrease of entrusted financial management expenditure in the current period compared with the previous period
Net cash flow generated by financing activities	646,641,330.65	1,073,002,256.78	-39.74%	Mainly due to the decrease in the net inflow of borrowings in the current period compared with the same period of the previous year
Net additions to balance of equivalents	-1,107,052,493.98	-808,743,871.72	-36.89%	Mainly due to the increase in payment for goods and the decrease in net inflow of borrowings in the current period

Significant changes in the composition of the Company's profit or sources of profit during the reporting period

 Applicable Not applicable

No significant changes in the composition of the Company's profit or sources of profit during the reporting period.

Operating revenue structure

Unit: RMB

	The Current Reporting Period		The Same Period of Last Year		Year-on-year increase or decrease
	Amount	Proportion in Operating Revenue	Amount	Proportion in Operating Revenue	
Total Revenue	14,087,085,840.97	100%	13,505,005,733.89	100%	4.31%
By Industry					
Smart IoT	14,087,085,840.97	100.00%	13,505,005,733.89	100.00%	4.31%

Industry					
By Product					
Smart IoT Products and Solutions	11,798,309,265.54	83.75%	11,574,586,946.32	85.71%	1.93%
Including: Software Business	602,291,989.74	4.28%	551,302,402.99	4.08%	9.25%
Innovative Business (Note)	1,685,969,891.14	11.97%	1,197,068,199.15	8.86%	40.84%
Others	602,806,684.29	4.28%	733,350,588.42	5.43%	-17.80%
By Region					
Domestic	7,295,809,974.26	51.79%	7,777,087,103.47	57.59%	-6.19%
Overseas	6,791,275,866.71	48.21%	5,727,918,630.42	42.41%	18.56%

Domestic Sub-business Segment

Unit: RMB

	The Current Reporting Period		The Same Period of Last Year		Year-on-year increase or decrease
	Amount	Proportion in Domestic Operating Revenue	Amount	Proportion in Domestic Operating Revenue	
To G	2,030,325,740.84	27.83%	2,181,268,061.15	28.05%	-6.92%
To B	3,539,315,842.45	48.51%	3,596,476,335.61	46.24%	-1.59%
Others	1,726,168,390.97	23.66%	1,999,342,706.71	25.71%	-13.66%
Total	7,295,809,974.26	100.00%	7,777,087,103.47	100.00%	-6.19%

Note: Innovative business mainly includes machine vision and mobile robots, smart living, automotive electronics, smart security inspection, smart fire control, video collaboration, drone, and smart storage, similarly hereinafter.

Industry, product, or region accounting for more than 10% of the Company's operating revenue or profit

Applicable Not applicable

Unit: RMB

	Operating revenue	Operating Cost	Gross margin	Increase or decrease of operating income compared with the same period of last year	Increase and decrease of operating cost over the same period of last year	Increase or decrease of gross profit compared with the same period of last year
By Industry						
Smart IoT Industry	14,087,085,840.97	8,802,576,621.32	37.51%	4.31%	11.27%	-3.91%
By Product						
Smart IoT Products and Solutions	11,798,309,265.54	7,061,613,890.17	40.15%	1.93%	9.02%	-3.89%
Including: Software Business	602,291,989.74	186,825,686.58	68.98%	9.25%	14.08%	-1.31%
Innovated Businesses	1,685,969,891.14	1,210,244,442.96	28.22%	40.84%	50.22%	-4.48%

By Region						
Domestic	7,295,809,974.26	4,876,785,986.28	33.16%	-6.19%	4.08%	-6.59%
Overseas	6,791,275,866.71	3,925,790,635.04	42.19%	18.56%	21.72%	-1.50%
Domestic Sub-business Segment						
To G	2,030,325,740.84	1,272,006,120.64	37.35%	-6.92%	6.88%	-8.09%
To B	3,539,315,842.45	2,233,076,722.74	36.91%	-1.59%	8.03%	-5.62%
Others	1,726,168,390.97	1,371,703,142.90	20.53%	-13.66%	-3.97%	-8.02%

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

Applicable Not applicable

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

Applicable Not applicable

IV. Non-main Business Analysis

Applicable Not applicable

V. Analysis of Assets and Liabilities

1. Significant changes in assets composition

Unit: RMB

	At the End of the Current Reporting Period		At the End of the Previous Year		Proportion increase and decrease	Statement on Significant Changes
	Amount	Proportion To Total Assets	Amount	Proportion To Total Assets		
Cash and Bank Balances	6,610,686,838.87	15.42%	7,731,002,784.77	17.55%	-2.13%	Mainly due to the increase in operating expenditure
Accounts receivable	15,191,656,060.47	35.43%	14,654,490,643.49	33.26%	2.17%	No major changes.
Contract Assets	189,237,373.86	0.44%	163,432,100.37	0.37%	0.07%	No major changes.
Inventory	6,493,192,148.56	15.14%	6,810,041,288.82	15.46%	-0.32%	No major changes.
Investment Property	299,839,429.94	0.70%	311,065,023.43	0.71%	-0.01%	No major changes.
Long-term Equity Investment	1,055,226,461.37	2.46%	1,243,872,752.91	2.82%	-0.36%	Mainly due to the recognition of other changes in equity of associated enterprises
Fixed Assets	2,531,115,302.13	5.90%	2,187,435,714.17	4.97%	0.93%	Mainly due to the conversion of phase II construction project of the smart manufacturing base

						in Hangzhou into fixed assets
Projects under Construction	2,149,024,114.06	5.01%	1,992,834,055.03	4.52%	0.49%	No major changes.
Right-of-use Assets	279,009,442.07	0.65%	248,577,371.97	0.56%	0.09%	No major changes.
Short-term loan	634,697,133.66	1.48%	325,648,230.98	0.74%	0.74%	Mainly due to increase in bill discounted
Contract liabilities	932,307,353.68	2.17%	864,989,993.78	1.96%	0.21%	No major changes.
Long-term loan	1,505,050,000.00	3.51%	1,552,500,000.00	3.52%	-0.01%	No major changes.
Lease Liabilities	155,193,192.52	0.36%	140,606,139.33	0.32%	0.04%	No major changes.

2. Major overseas assets

Applicable Not applicable

3. Assets and liabilities measured at fair value

Applicable Not applicable

Unit: RMB

Item	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	Other variations	At the end of the reporting period
Financial Assets								
1. Derivative financial assets	1,132,173.53	-1,132,045.17					-128.36	
2. Others	1,470,000.00							1,470,000.00
Financial assets subtotal	2,602,173.53	-1,132,045.17					-128.36	1,470,000.00
3. Other non-current financial assets	945,619,965.97	162,677,125.00					2,689,028.75	1,110,986,119.72
4. Receivabl	792,709,781.57						-115,977,155.03	676,732,626.54

es financing								
Total	1,740,931,921.07	161,545,079.83					-113,288,254.64	1,789,188,746.26
Financial liabilities		22,938,892.17						22,938,892.17

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

Yes No

4. Restrictions on asset rights as of the end of the reporting period

As of June 30, 2022, restricted assets of the Company are as follows:

Item	Closing balance (RMB)	Cause of restrictions
Cash and Bank Balances	87,638,514.43	Guarantee letter security deposit and other restricted funds
Accounts receivable	18,583,668.69	Supply chain finance not derecognized
Notes receivable and receivables financing	1,120,819,270.63	Pledge used to issue bank acceptance bills and endorsed or discounted notes not derecognized
Long-term Receivables	150,962,494.77	Pledge for bank borrowings
Non-current Assets Due within 1 Year	29,656,721.39	Pledge for bank borrowings
Total	1,407,660,669.91	

VI. Investment analysis

1. Overview

Applicable Not applicable

Investment In The Reporting Period (RMB)	Investment Over The Corresponding Period Of Last Year (RMB)	Rate Of Change
191,467,784.85	63,998,186.36	199.18%

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

Item Name	Investment Mode	The Investment In The Fixed Assets Or	Involvement in investment project	Amount Invested In The Current	Cumulative Actual Investment As Of The	Capital Source	Progress of Project	Anticipated Income	Cumulative Income As Of The End	Reasons For Unreached Planned Progr	Disclosing Date (If Any)	Disclosing Index (If Any)
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		Not	ts	Reporting Period	End Of Reporting Period				Of The Reporting Period	ess And Anticipated Revenue		
The phase II construction project of the smart manufacturing base in Hangzhou	Self-construction	Yes	Smart IoT Industry	108,586,327.88	1,127,667,756.27	Self-raised funds	In construction			Not applicable.	March 27, 2021	Juchao Information Network http://cninfo.com.cn/
Construction Project of Xi'an R & D Center	Self-construction	Yes	Smart IoT Industry	111,458,254.07	637,229,926.38	Self-raised funds	In construction			Not applicable.	March 27, 2021	Juchao Information Network http://cninfo.com.cn/
Project of Smart IoT Solution R & D and Industrialization	Self-construction	Yes	Smart IoT Industry	344,493,984.97	1,684,241,172.06	Self-raised funds	In construction			Not applicable.	March 27, 2021	Juchao Information Network http://cninfo.com.cn/
New project of Southwest R&D Center of Dahua Co., Ltd.	Self-construction	Yes	Smart IoT Industry	19,828,920.06	56,092,649.40	Self-raised funds	In construction			Not applicable.	March 27, 2021	Juchao Information Network http://cninfo.com.cn/
Total	--	--	--	584,367,486.98	3,505,231,504.11	--	--			--	--	--

4. Financial assets investment

(1) Securities investment

Applicable Not applicable

No such case as securities investment during the reporting period.

(2) Derivatives investment

Applicable Not applicable

Unit: ten thousand RMB

Name of derivatives investment operator	Relation with related party	Whether it is a related transaction	Type of derivatives investment	Initial amount of derivatives investment	Starting date	Termination date	Initial investment amount	Amount purchased during the reporting period	Amount sold during the reporting period	Amount of provision for impairment accrued (if any)	Investment amount at the end of the period	Proportion of investment amount in the company's net assets at end of the reporting period	Actual profit and loss during the reporting period
Bank	No relations	No	Foreign exchange contract		January 7, 2021	June 26, 2023	99,867.35	342,307.67	350,605.39		91,569.63	3.76%	1,250.17
Securities company	No relations	No	Foreign exchange contract		January 12, 2022	June 27, 2022		101,905.26	101,905.26				266.84
Total					--	--	99,867.35	444,212.93	452,510.65		91,569.63	3.76%	1,517.01
Sources of funds for derivatives investment				Equity Fund									
Litigation involved (if applicable)				N/A									
Disclosure date of board of directors' announcement on the approval of derivatives investment (if any)				April 23, 2022									
Disclosure date of shareholder				May 17, 2022									

meeting's announcement on the approval of derivatives investment (if any)	
Risk analysis and description of control measures for derivatives positions during the reporting period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)	For details of risk analysis and control measures, please refer to the "Announcement on Conducting Foreign Exchange Hedging Transactions" (Announcement No. 2022-026), which was disclosed on April 23, 2022.
Changes in market prices or product fair value of invested derivatives during the reporting period, and the analysis of the fair value of derivatives should disclose the specific methods used and the setting of related assumptions and parameters.	The difference between the forward foreign exchange settlement contract quotation and the forward foreign exchange price determined the transactional financial assets or transactional financial liabilities.
Explanation of whether the Company's derivatives accounting policies and specific accounting principles have changed significantly during the reporting period compared with the previous reporting period	No
Independent directors' special opinions on the Company's derivatives investment and risk control	For details, please refer to the "Independent Opinions of Independent Directors on Related Matters" disclosed by the Company on April 23, 2022.

5. Utilization of raised funds

Applicable Not applicable

No use of funds in the reporting period of the Company

VII. 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

VIII. Analysis of Major Holding and Equity Participation Companies

Applicable Not applicable

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

Unit: RMB

Company	Comp	Main	Registere	Total	Net	Operating	Operating	Net Profit
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Name	any Type	businesses	d Capital	Assets	Assets	revenue	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 integration and automated control engineering	500,000,000.00	3,962,148,513.43	1,297,238,000.47	469,477,238.43	- 87,979,114.69	- 65,559,573.26
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	1,306,810,000.00	22,433,447,846.36	2,330,694,473.04	10,497,273,535.74	483,693,239.43	368,867,381.13
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-	1,110,000,000.00	6,268,640,996.44	629,661,594.46	4,127,022,011.30	- 29,762,208.52	- 22,437,730.62

		owned house lease; catering service; import and export of goods.						
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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
Sichuan Dahua Guangxun Photoelectric Technology Co., Ltd.	Transferred	No significant impact on overall production, operation and performance
Zhejiang Pixfra Technology Co., Ltd.	Established with investment	No significant impact on overall production, operation and performance
Yiwu Huaxi Technology Co., Ltd.	Established with investment	No significant impact on overall production, operation and performance
Zhejiang Dahua Intelligent IoT Operation Service Co., Ltd.	Established with investment	No significant impact on overall production, operation and performance
Nanyang Dahua Intelligent Information Technology Co., Ltd.	Established with investment	No significant impact on overall production, operation and performance
Yibin Huahui Information Technology Co., Ltd.	Established with investment	No significant impact on overall production, operation and performance
Chengdu Huazhiwei Technology Co., Ltd.	Established with investment	No significant impact on overall production, operation and performance
Xi'an IMOU Zhilian Technology Co., Ltd.	Established with investment	No significant impact on overall production, operation and performance
Dahua Technology Middle East for Maintenance Single Person Company	Established with investment	No significant impact on overall production, operation and performance
Dahua Technology Bangladesh Private Limited	Established with investment	No significant impact on overall production, operation and performance
IMOU NETWORK TECHNOLOGY AUSTRALIA PTY LTD	Established with investment	No significant impact on overall production, operation and performance
CÔNG TY TNHH CÔNG NGHỆ IMOU NETWORK VIỆT NAM	Established with investment	No significant impact on overall production, operation and performance

No significant holding companies and joint stock companies information should be disclosed during the reporting period.

IX. The structured entity controlled by the Company

Applicable Not applicable

X. Risks and Countermeasures

During the reporting period, there was no significant change in the risks faced by the Company. The Company has been trying to identify all kinds of risks and actively take countermeasures to avoid and reduce the risks:

1. Risk of COVID-19 pandemic: In the face of COVID-19 pandemic, the Company has taken strict prevention and control measures to protect the health of employees at home and abroad. At the same time, the Company has provided scientific and technological solutions for pandemic prevention to facilitate global pandemic prevention and control.

2. Risk of decline in the payment capacity of local finance: The decline in the payment capacity of local finance may lead to the slowdown in the growth of industrial demand, extensions of project time, longer periods for companies to withdraw capital, and customers' payment delay. The Company continues to improve its internal control system, optimize the project review methods, carefully assess risks in markets, projects, and cash flow, reasonably control risks and make response plans.

3. Risk of international operations: The Company's products and solutions are available in more than 100 foreign countries and regions. International business may be exposed to the risks of trade protection in the countries and regions where it is located. In addition, the repeated outbreak of COVID-19 pandemic around the world has brought more uncertainty to overseas economic environment, which may adversely affect the business development of the Company in such places. The Company actively guards against and responds to the risk of international operation by establishing an overseas compliance risk control system. It continuously strengthens the understanding and adaptability of the laws and regulations as well as the political and economic environment of the regions where its business is involved, and formulates differentiated business strategies based on "one country, one policy" in accordance with the changes in politics and economy of different regions to reduce operational risks.

4. Geopolitical risk: Geopolitical risks are posing an increasing threat to the world. Local conflicts may lead to economic downturns in some regions and affect the business development of the Company in such locations. The Company will timely grasp the development trend of the local political environment, make appropriate response quickly, and reduce the impact of the single market by establishing a global sales network.

5. Risk of technology upgrading: 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. By increasing R & D investment, the Company continues to strengthen research on core technologies in AI, video cloud, machine vision and other fields, and reserves product, technology, management and talent resources for a broader market in the future, so as to achieve sustainable and steady development of business.

6. Risk of business model change: With the development of network communications, cloud computing, big data, AI and other technologies, as well as the upgrades of apps in smartphones, the business model in the IoT era may have an impact on the traditional industry development. If an enterprise cannot grasp opportunities brought about by the business model transformation in a timely manner, it may face the risk that the original market structure becomes broken. The Company continues to focus on and study the major changes in global economy, industry and technology, analyze the industry development logic, and predict the evolution of global security industry and IoT industry, the continuous integration of video, information communication and digital technologies, diversification and uncertainty of customer demands. While consolidating the advantageous market, The Company actively explores and pilots new businesses and new commercial mode, and carry out business and technical layout.

7. Risk of product safety: 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 security risks

on the Internet. However, hackers attacks, computer viruses, physical security vulnerabilities, natural disasters, accidents, power interruptions, telecommunications failures, terrorism, and warfare events may still occur from time to time, resulting in security vulnerabilities, system failures, or service interruptions. The Company has founded a cyber security committee, and set up a professional security team to develop company-level product safety plan, ensuring product safety in whole process from requirements to design, coding, and testing process. At the same time, the Company actively carry out technical exchanges and cooperation with mainstream safety enterprises, safety evaluation agencies and corresponding industry associations to provide customers with safe products and solutions.

8. Intellectual property risk: The promotion of the Company's globalization and self-owned brand strategy will likely bring about intellectual property risks and patent infringement, which may cause fluctuation in business relations and public opinions, increasing lawsuits and rising costs. The Company attaches great importance to technological innovation and has established protection and management mechanism for intangible assets such as innovation achievements, self-owned brands, trade secrets, and constantly gathers advantageous IP assets; With IP compliance risk control system, the Company continues to strengthen its ability to understand and grasp the IP laws and regulations, administrative and judicial environment of the region where the company's business is located in.

9. Risk of supply chain security: In terms of supply chain security, the Company has identified various potential supply risks through special operations. By making backup plans and diversifying supply sources, the Company has strengthened the continuous and secure supply of key materials, so as to ensure the security of the supply chain.

10. Exchange rate risk: The Company's export transactions are mostly settled in United States Dollars, while overseas sales have increased continuously. Therefore, fluctuations in the foreign exchange rate have the potential to affect the purchasing power of cross-border trade customers and the profits of the Company. As US dollar is the settlement currency, the Company hedges and avoids the risk of exchange rates by centralized management of exchange capitals, purchase and payment hedging and other methods.

Section IV Corporate Governance

I. Relevant Situation of the Annual General Meeting of Shareholders and the Extraordinary General Meeting of Shareholders Held in the Reporting Period

1. The shareholders' meetings for this reporting period

Conference Session	Conference Type	Percentage of Investors Involved	Date of Conference	Date of Disclosure	Conference Resolution
First Extraordinary General Meeting of Shareholders in 2022	Extraordinary General Meeting	48.86%	April 22, 2022	April 23, 2022	No proposal was vetoed at this shareholders' meeting. The Announcement of Resolutions at the First Extraordinary General Meeting of Shareholders in 2022 (2022-040) was published on Juchao Information Network (www.cninfo.com.cn).
2021 Annual General Meeting of Shareholders	Annual General Meeting	47.77%	May 16, 2022	May 17, 2022	No proposal was vetoed at this shareholders' meeting. The Announcement of Resolutions at 2021 Annual General Meeting of Shareholders (2022-044) was published on Juchao Information Network (www.cninfo.com.cn).

2. Convening of the interim shareholders' general meetings upon request of the preferred stockholders whose voting rights are restored

Applicable Not applicable

II. Changes of Directors, Supervisors and Senior Management

Applicable Not applicable

There were no changes in the directors, supervisors and senior executives of the Company during the reporting period, which can be found in the 2021 Annual Report.

III. Profit Distribution and Capital Reserve Converted to Share Capital in the Reporting Period

Applicable Not applicable

The Company plans to pay no cash dividends, no bonus shares and no capital increase by way of capitalization of provident fund for the half-year

IV. Implementation of the Company's Equity Incentive Plan, Employee Stock Ownership Plan or Other Employee Incentive Measures

Applicable Not applicable

1. Stock option incentives

1. On April 2, 2022, "2022 Stock Options and Restricted Stock Incentive Plan (Draft)" and its Abstracts were reviewed and approved at the 27th session of the 7th Board of Directors and the 17th session of the 7th Board of Supervisors. It was proposed to adopt the Stock Option Incentive Plan to grant a total of 74.864 million share options to 4,345 incentive objects of the Company at the exercise price of RMB 16.86/share, and it is proposed to adopt the Restricted Stock Incentive Plan to grant a total of 74.864 million restricted shares to 4,345 incentive objects at the grant price of RMB 8.43/share.

On May 17, 2022, "2022 Stock Options and Restricted Stock Incentive Plan (Draft)" and its Abstracts were reviewed and approved at the General Meeting of Shareholders, authorizing the Board of Directors to handle relevant matters on the Company's stock incentive plan.

2. On April 22, 2022, the "Proposal on the Repurchase and Cancellation of Certain Restricted Shares (I)" and the "Proposal on the Repurchase and Cancellation of Certain Restricted Shares (II)" were reviewed and approved at the 30th session of the 7th Board of Directors and the 20th session of the 7th Board of Supervisors. It was proposed to repurchase and cancel the restricted shares of first grant of the third period and the reserved grant of the second period of the 2018 Restricted Stock Incentive Plan, which have not reached the conditions for release and that have been granted but not yet unlocked by the incentive objects who have resigned, as well as the restricted shares of the second period of the 2020 Restricted Stock Incentive Plan, which have not reached the conditions for release. A total of 36,127,260 restricted shares held by 2,889 incentive objects were repurchased and canceled.

On May 17, 2022, the "Proposal on the Repurchase and Cancellation of Certain Restricted Shares (I)" and the "Proposal on the Repurchase and Cancellation of Certain Restricted Shares (II)" were reviewed and approved at the General Meeting of Shareholders. The repurchasing and canceling are still in progress.

3. On June 27, 2022, the "Proposal on Adjusting Matters Related to 2022 Stock Option and Restricted Stock Incentive Plan" and the "Proposal on Granting Stock Option and Restricted Stock to Incentive Objects" were reviewed and approved at the 32nd session of the 7th Board of Directors and the 22nd session of the 7th Board of Supervisors. Since some previous incentive objects no longer meet the incentive conditions due to resignation, and some has given up, due to personal reasons, the subscription of stock options and restricted shares granted by the Company, the Company has adjusted the Incentive Plan in terms of the number of incentive objects and shares to be granted. The number of incentive objects to be granted in the incentive plan has been adjusted from 4,345 to 4,265, and the total number of shares to be granted has been adjusted from 149,728,000 to 149,715,100, of which the number of stock options to be granted has been adjusted from 74.864 million to 74.8585 million, and the number of restricted shares has been adjusted from 74.864 million to 74.8566 million. Since the Company has implemented 2021 annual equity

distribution, the exercise price of stock options has been adjusted from RMB 16.86/share to RMB 16.59/share, and the grant price of restricted shares has been adjusted from RMB 8.43/share to RMB 8.16 /share. At the same time, the Board of Directors confirmed the grant conditions and considered that the grant conditions had been met. Therefore, it was determined to grant stock options and restricted stocks to the incentive objects on June 27, 2022.

On July 12, 2022, the Company disclosed the "Announcement on the Completion of the Registration of Granted Stock Options under the 2022 Stock Option and Restricted Stock Incentive Plan" and the "Announcement on the Completion of the Registration of Granted Restricted Stock under the 2022 Stock Option and Restricted Stock Incentive Plan".

74,735,300 stock options granted to 4,249 objects were registered on July 11, 2022, and the 74,737,700 restricted shares granted to 4,249 objects were listed on Shenzhen Stock Exchange on July 15, 2022.

2. Implementation of employee stock ownership plan

Applicable Not applicable

3. Other employee incentive measures

Applicable Not applicable

Section V Environmental and Social Responsibilities

I. Major Environmental Issues

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

Yes No

Refer to other environmental information disclosed by key pollutant discharging units

N/A

Measures taken to reduce carbon emissions and their effects during the reporting period

Applicable Not applicable

Reasons for not disclosing other environmental information

N/A

II. Social Responsibilities

In 2022, the Company will continue to adhere to the core concept of "customer-centered and striving for the goal" and the values of "integrity, dedication, responsibility, innovation, cooperation and openness" to constantly practice the concept of social responsibility, protect the legitimate rights and interests of the investors, consumers, suppliers and relevant stakeholders, actively create value for its employees and get engaged in environmental public welfare endeavors to promote the harmonious development of the Company, the society, the economics, the environment, and the interested parties. For details, refer to the "2021 Social Responsibility Report" and the "2021 Environmental, Social and Governance Report" published on Juchao Information Network (www.cninfo.com.cn) in April, 2022.

Section VI Significant Events

I. Commitments made by the Company's controlling shareholders, shareholders, related parties, purchasers and purchasing companies have been fulfilled during the reporting period and those that have not been fulfilled by the end of the reporting period

Applicable Not applicable

During the reporting period, there was no commitment fulfilled by the Company's controlling shareholders, shareholders, related parties, purchasers and purchasing companies, and there was no commitment not yet fulfilled by the end of the reporting period.

II. Non-operational capital occupation over listed companies by controlling shareholders and their related parties

Applicable Not applicable

During the reporting period, there is no non-operational capital occupation over listed companies by controlling shareholders and their related parties.

III. Illegal external guarantees

Applicable Not applicable

No illegal external guarantees during the reporting period.

IV. Appointment and dismissal of accounting firms

Whether the semi-annual report has been audited

Yes No

The Company's semi-annual report has not been audited.

V. Explanations made by the Board of Directors and the Board of Supervisors on the "Non-Standard Audit Report" from the accounting firm during the reporting period

Applicable Not applicable

VI. Statement by the Board of Directors on the "Non-Standard Audit Report" of the previous 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. Litigation Matters

Significant lawsuits and arbitrations

Applicable Not applicable

There is no major lawsuit or arbitration during this reporting period.

Other litigation matters

Applicable Not applicable

IX. Penalties and Rectification

Applicable Not applicable

X. Integrity of the Company, Its Controlling Shareholder and Actual Controller

Applicable Not applicable

XI. Significant Related-party Transactions

1. Related transactions relevant to daily operations

Applicable Not applicable

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

2. Related transactions in acquisition or sale of assets or equities

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 "7. Other significant related-party transactions" in this section.

4. Related-party creditor's rights and debts

Applicable Not applicable

No such case as related credits and debts during the reporting period.

5. Transactions with related financial companies

Applicable Not applicable

No deposit, loan, credit or other financial business between the Company and the related financial company and the related parties.

6. Transactions between the financial company controlled by the Company and the related parties

Applicable Not applicable

No deposit, loan, credit or other financial business between the financial company controlled by the Company and the related parties.

7. Other significant related-party transactions

Applicable Not applicable

1. On February 16, 2022, the "Proposal on Adjusting Matters Related to Industrial Funds and Related Transactions" was reviewed and approved at the 26th session of the 7th Board of Directors. It was proposed that the subscribed capital contribution of Huayan Capital (Hangzhou) Private Fund Management Co., Ltd. increased from RMB 150.1 million to RMB 258.01 million, of which some original partners increased their capital contributions and four new limited partners were added. The Company has not increased its capital contribution this time. After the change, the proportion of the Company capital contribution is 19.38%. The modification procedures at the Bureau of Industry and Commerce for the above matters were completed in March 2022.

2. On April 22, 2022, the "Proposal on Giving up the Subsidiary's Priority to Accept Transfer and Related-party Transactions" was reviewed and approved at the 30th session of the 7th Board of Directors, where Zhang Hui, the shareholder of the subsidiary Zhejiang Huafei Intelligent Technology Co., Ltd., transferred his 13.50% equity of Ningbo Hualing Venture Capital Investment Partnership (Limited Partnership) at a price of RMB 15,903,000 and agreed that the Company to give up the above priority to accept transfer. The modification procedures at the Bureau of Industry and Commerce for the above matters were completed in June, 2022.

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

Announcement name	Disclosure date	Website for the disclosure
Announcement on Adjusting Matters Related to Industrial Funds and Related Transactions	February 17, 2022	Juchao Information Network http://www.cninfo.com.cn
Announcement on Giving up the Subsidiary's Priority to Accept Transfer and Related-party Transactions	April 23, 2022	Juchao Information Network http://www.cninfo.com.cn

XII. Significant Contracts and Performance

1. Matters on trusteeship, contracting, and leasehold

(1) Matters on 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 reporting period, some of the Company's own real estate properties were used for rental, and the leased real estate property was used for office, warehouse and production workshops. There were no other major real estate leasing.

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

Unit: ten thousand RMB

External guarantees from the Company and its subsidiaries (excluding guarantees to the subsidiaries)								
Guaranteed party	Announcement date of disclosure of the guarantee cap	Guarantee amount	Actual occurrence date	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for related parties or not
Total amount of guarantees approved during the reporting period (A1)				Total amount of guarantees actually occurred during the reporting period (A2)				
Total amount of guarantees approved by the end of the reporting period (A3)				Total balance of guarantees at the end of the reporting period (A4)				
Company's guarantees to subsidiaries								
Guaranteed party	Announcement date of disclosure of the guarantee cap	Guarantee amount	Actual occurrence date	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for related parties or not
Zhejiang Dahua Vision Technology Co., Ltd.	April 23, 2022	898,676.46	June 26, 2019	18,000.00	Joint liability guarantee	2019.06.26-2022.06.25	Yes	No
			February 17, 2020	25,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	Yes	No
			April 13, 2020	24,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	Yes	No
			February 23, 2021	30,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	Yes	No
			November 10, 2021	20,000.00	Joint liability guarantee	From effective date of the	Yes	No

						31, 2023		
			August 2, 2021	50,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	No
			September 27, 2021	60,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	No
			September 27, 2021	90,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	No
			October 20, 2021	20,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	No
			June 10, 2022	30,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	No
			June 10, 2022	20,000.00	Joint liability guarantee	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	No	No
Zhejiang Dahua Zhilian Co., Ltd.	April 23, 2022	320,000.00	April 29, 2021	10,000.00	Joint liability guarantee	One years upon expiration of debt period of master contract	Yes	No
			April 29, 2021	40,268.40 (60 million US dollars)	Joint liability guarantee	One years upon expiration of debt period of master contract	Yes	No
			April 29, 2021	36,912.70 (55 million US dollars)	Joint liability guarantee	April 30, 2021-May 14, 2022	Yes	No
			November 10, 2021	16,000.00	Joint liability guarantee	From effective	Yes	No

						date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period		
			December 3, 2021	16,107.36 (24 million US dollars)	Joint liability guarantee	December 3, 2021- May 31, 2022	Yes	No
			September 24, 2020	30,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	No
			July 26, 2021	16,500.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	No
			September 27, 2021	15,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	No
			November 10, 2021	20,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	No
			December 3, 2021	3,500.00	Joint liability guarantee	One years upon expiration of debt period of master contract	No	No
			December 3, 2021	3,355.70 (5 million US dollars)	Joint liability guarantee	December 3, 2021- December 2, 2024	No	No
			March 25, 2022	8,000.00	Joint liability guarantee	March 25, 2022 - December 31, 2023	No	No
			April 29, 2022	40,268.40 (60 million US dollars)	Joint liability guarantee	One years upon expiration of debt period of master contract	No	No
			April 29, 2022	1,000.00	Joint liability guarantee	One years upon	No	No

						expiration of debt period of master contract		
			May 14, 2022	36,912.70 (55 million US dollars)	Joint liability guarantee	May 14, 2022 - May 14, 2023	No	No
			June 10, 2022	16,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	No
			June 10, 2022	16,000.00	Joint liability guarantee	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	No	No
Zhejiang Dahua System Engineering Co., Ltd.	April 23, 2022	30,000.00	November 10, 2021	4,000.00	Joint liability guarantee	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	Yes	No
			August 30, 2019	1,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	No
			August 2, 2021	5,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	No
			November 10, 2021	6,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	No

			June 10, 2022	4,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	No
			June 10, 2022	4,000.00	Joint liability guarantee	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	No	No
Dahua Technology (HK) Limited	April 23, 2022	60,000.00	April 20, 2021	700.84 (1 million Euro)	Joint liability guarantee	April 25, 2021-April 25, 2022	Yes	No
			March 25, 2022	1,342.28 (2 million US dollars)	Joint liability guarantee	March 25, 2022 - March 25, 2023	No	No
DAHUA TECHNOLOGY MEXICO S.A. DE C.V	April 23, 2022	10,000.00	September 1, 2021	671.14 (1 million US dollars)	Joint liability guarantee	September 1, 2021-December 1, 2023	No	No
			October 21, 2021	3,355.70 (5 million US dollars)	Joint liability guarantee	October 21, 2021-October 20, 2022	No	No
Hangzhou Huacheng Network Technology Co., Ltd.	April 23, 2022	45,000.00	February 4, 2021	2,000.00	Joint liability guarantee	Six months upon expiration of debt period of master contract	Yes	No
			February 23, 2021	10,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	Yes	No
			August 30, 2019	5,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	No
			July 26, 2021	5,500.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	No
			September 27, 2021	5,000.00	Joint liability guarantee	Three years after the maturity of	No	No

						the debts in the master contract		
Dahua Technology UK Limited	April 23, 2022	2,000.00	August 12, 2020	943.83 (GBP 1.16 million)	Joint liability guarantee	August 12, 2020- Signature of notice of termination	No	No
Dahua Technology USA Inc.	April 23, 2022	5,000.00	November 19, 2021	939.60 (1.4 million US dollars)	Joint liability guarantee	November 19, 2021- November 18, 2022	No	No
Zhejiang Dahua Storage Technology Co., Ltd.	May 17, 2022	4,323.54	April 29, 2021	1,342.28 (2 million US dollars)	Joint liability guarantee	Three years after the maturity of the debts in the master contract	Yes	No
			April 29, 2022	1,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	No
			May 16, 2022	1,342.28 (2 million US dollars)	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	No
			June 10, 2022	1,000.00	Joint liability guarantee	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	No	No
Zhejiang Huachuang Vision Technology Co., Ltd.	April 23, 2022	1,000.00	May 11, 2021	5,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	Yes	No
Zhejiang Fengshi Technology Co., Ltd.	April 23, 2022	3,000.00	November 10, 2021	2,000.00	Joint liability guarantee	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the	Yes	No

						China Merchants Bank within the credit extension period		
			June 10, 2022	2,000.00	Joint liability guarantee	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	No	No
			November 10, 2021	1,000.00	Joint liability guarantee	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	Yes	No
			October 20, 2021	1,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	No
			June 10, 2022	1,000.00	Joint liability guarantee	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	No	No
Wuxi Dahua Ruipin Technology Co., Ltd.	April 23, 2022	3,000.00						
Zhejiang Huaxiao	April 23,	2,000.00	November	500.00	Joint liability	From	Yes	No

Technology Co., Ltd.	2022		10, 2021		guarantee	effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period		
			June 10, 2022	1,000.00	Joint liability guarantee	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	No	No
Xi'an Dahua Zhilian Technology Co., Ltd.	April 23, 2022	20,000.00	September 27, 2021	3,000.00	Joint liability guarantee	September 27,2021-September 18,2022	No	No
			November 10, 2021	5,000.00	Joint liability guarantee	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	Yes	No
			June 10, 2022	5,000.00	Joint liability guarantee	From effective date of the Commitment Letter to three years after the maturity date of each note	No	No

						discounted by the China Merchants Bank within the credit extension period		
Zhengzhou Dahua Zhian Information Technology Co., Ltd.	April 23, 2022	15,000.00	November 10, 2021	5,000.00	Joint liability guarantee	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	Yes	No
			June 10, 2022	5,000.00	Joint liability guarantee	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	No	No
Chengdu Dahua Zhian Information Technology Service Co., Ltd.	April 23, 2022	15,000.00	November 10, 2021	5,000.00	Joint liability guarantee	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	Yes	No
			June 10, 2022	10,000.00	Joint liability guarantee	From effective date of the Commitment Letter to	No	No

						three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period		
Changsha Dahua Technology Co., Ltd.	April 23, 2022	1,000.00	June 10, 2022	1,000.00	Joint liability guarantee	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	No	No
Zhejiang Pixfra Technology Co., Ltd.	April 23, 2022	1,000.00	June 10, 2022	500.00	Joint liability guarantee	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	No	No
Zhejiang Huafei Intelligent Technology Co., Ltd.	April 23, 2022	1,000.00	June 10, 2022	500.00	Joint liability guarantee	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	No	No

Zhejiang Huajian Technology Co., Ltd.	April 23, 2022	1,000.00	June 10, 2022	500.00	Joint liability guarantee	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	No	No
Hangzhou Xiaohua Technology Co., Ltd.	April 23, 2022	1,000.00	June 10, 2022	500.00	Joint liability guarantee	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	No	No
Zhejiang Dahua Jinzhi Technology Co., Ltd.	April 23, 2022	1,000.00	No such case during the reporting period					
Guangxi Dahua Information Technology Co., Ltd.	April 23, 2022	1,000.00	No such case during the reporting period					
Zhejiang Dahua Security Network Operation Service Co., Ltd.	April 23, 2022	1,000.00	No such case during the reporting period					
Guangxi Dahua Technology Co., Ltd.	April 23, 2022	1,000.00	No such case during the reporting period					
Anhui Dahua Zhilian Information Technology Co., Ltd.	April 23, 2022	1,000.00	No such case during the reporting period					
Anhui Dahua Zhishu Information Technology Co., Ltd.	April 23, 2022	1,000.00	No such case during the reporting period					
Chengdu Dahua Zhilian Information Technology Co., Ltd.	April 23, 2022	1,000.00	No such case during the reporting period					
Chengdu Dahua Zhishu Information Technology Service Co., Ltd.	April 23, 2022	1,000.00	No such case during the reporting period					
Chengdu Huishan Smart Network Technology Co., Ltd.	April 23, 2022	1,000.00	No such case during the reporting period					
Chengdu Zhichuang Yunshu Technology	April 23, 2022	1,000.00	No such case during the reporting period					

Co., Ltd.			
Hangzhou Fuyang Hua'ao Technology Co., Ltd.	April 23, 2022	1,000.00	No such case during the reporting period
Hangzhou Huacheng Software Co., Ltd.	April 23, 2022	1,000.00	No such case during the reporting period
Henan Dahua Zhilian Information Technology Co., Ltd.	April 23, 2022	1,000.00	No such case during the reporting period
Hunan Dahua Zhilong Information Technology Co., Ltd.	April 23, 2022	1,000.00	No such case during the reporting period
Tianjin Dahua Information Technology Co., Ltd.	April 23, 2022	1,000.00	No such case during the reporting period
Tianjin Huajian Technology Co., Ltd.	April 23, 2022	1,000.00	No such case during the reporting period
Yiwu Huaxi Technology Co., Ltd.	April 23, 2022	1,000.00	No such case during the reporting period
Zhejiang Dahua Intelligent IoT Operation Service Co., Ltd.	April 23, 2022	1,000.00	No such case during the reporting period
Zhejiang Huakong Software Co., Ltd.	April 23, 2022	1,000.00	No such case during the reporting period
Dahua Technology Japan LLC	April 23, 2022	100.00	No such case during the reporting period
DAHUA EUROPE B.V.	April 23, 2022	10,000.00	No such case during the reporting period
Dahua Technology Singapore Pte.Ltd.	April 23, 2022	200.00	No such case during the reporting period
Dahua Technology Poland Sp.Zo.O.	April 23, 2022	2,000.00	No such case during the reporting period
Dahua Technology Hungary Kft	April 23, 2022	2,000.00	No such case during the reporting period
Dahua Technology India Private Limited	April 23, 2022	4,000.00	No such case during the reporting period
DAHUA TECHNOLOGY BRASIL COMÉRCIO E SERVIÇOS EM SEGURANÇA ELETRÔNICA LTDA	April 23, 2022	2,000.00	No such case during the reporting period
Dahua Technology Middle East FZE	April 23, 2022	1,000.00	No such case during the reporting period
Dahua Technology Perú S.A.C	April 23, 2022	3,000.00	No such case during the reporting period
Dahua Technology Rus Limited Liability Company	April 23, 2022	2,000.00	No such case during the reporting period
Dahua Technology Australia PTY LTD	April 23, 2022	500.00	No such case during the reporting period
Dahua Technology South Africa Proprietary Limited	April 23, 2022	500.00	No such case during the reporting period
Dahua Technology Canada INC.	April 23, 2022	1,000.00	No such case during the reporting period
Dahua Guvenlik Teknolojileri Sanayi ve Ticaret A.S.	April 23, 2022	1,000.00	No such case during the reporting period
Dahua Technology SRB d.o.o.	April 23, 2022	100.00	No such case during the reporting period
Dahua Technology Bulgaria EOOD	April 23, 2022	100.00	No such case during the reporting period

Dahua Iberia, S.L.	April 23, 2022	100.00	No such case during the reporting period
Dahua Security Malaysia SDN. BHD.	April 23, 2022	100.00	No such case during the reporting period
Dahua Technology Kazakhstan LLP	April 23, 2022	100.00	No such case during the reporting period
PT. Dahua Vision Technology Indonesia	April 23, 2022	100.00	No such case during the reporting period
Dahua Technology Korea Company Limited	April 23, 2022	100.00	No such case during the reporting period
Dahua Technology S.R.L.	April 23, 2022	100.00	No such case during the reporting period
Dahua Technology France SAS	April 23, 2022	700.00	No such case during the reporting period
Dahua Vision LLc	April 23, 2022	500.00	No such case during the reporting period
Dahua Technology New Zealand Limited	April 23, 2022	100.00	No such case during the reporting period
Dahua Technology GmbH	April 23, 2022	300.00	No such case during the reporting period
Dahua Technology Colombia S.A.S.	April 23, 2022	2,000.00	No such case during the reporting period
Dahua Technology Panama S.A.	April 23, 2022	100.00	No such case during the reporting period
Dahua Technology Chile SpA	April 23, 2022	100.00	No such case during the reporting period
Dahua Technology Tunisia Limited Liability Company	April 23, 2022	100.00	No such case during the reporting period
Dahua Technology Kenya Limited	April 23, 2022	100.00	No such case during the reporting period
Dahua Technology China (Pvt) Ltd	April 23, 2022	100.00	No such case during the reporting period
Dahua Technology Pakistan (private) Limited	April 23, 2022	100.00	No such case during the reporting period
Dahua Technology Morocco SARL	April 23, 2022	100.00	No such case during the reporting period
Dahua Argentina S.A.	April 23, 2022	100.00	No such case during the reporting period
Dahua Technology Czech s.r.o.	April 23, 2022	100.00	No such case during the reporting period
Dahua Technology Denmark ApS	April 23, 2022	100.00	No such case during the reporting period
Dahua Technology Netherlands B.V.	April 23, 2022	100.00	No such case during the reporting period
Dahua Technology (Thailand) Co.,Ltd.	April 23, 2022	100.00	No such case during the reporting period
Dahua Technology Italy S.R.L.	April 23, 2022	100.00	No such case during the reporting period
Lox Technology Inc.	April 23, 2022	1,000.00	No such case during the reporting period
Lox Corporation	April 23, 2022	1,000.00	No such case during the reporting period
Total amount of guarantees to subsidiaries approved during the reporting period (B1)		1,495,000.00	Total amount of guarantees to subsidiaries actually occurred during the reporting period (B2)
Total amount of guarantees to		1,495,000.00	Total balance of
			207,865.66
			933,977.23

subsidiaries approved by the end of the reporting period (B3)				guarantees actually paid to subsidiaries at the end of the reporting period (B4)				
Subsidiaries' guarantees to subsidiaries								
Guaranteed party	Announcement date of disclosure of the guarantee cap	Guarantee amount	Actual occurrence date	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarantee for related parties or not
Total amount of guarantees to subsidiaries approved during the reporting period (C1)				Total amount of guarantees to subsidiaries actually occurred during the reporting period (C2)				
Total amount of guarantees to subsidiaries approved at the end of the reporting period (C3)				Total of actual guarantee balance for subsidiaries at the end of the reporting period (C4)				
Total amount of company guarantees (namely sum of the previous three major items)								
Total amount of guarantees approved during the reporting period (A1+B1+C1)		1,495,000.00		Total amount of guarantees actually occurred during the reporting period (A2+B2+C2)		207,865.66		
Total amount of guarantees approved by the end of the reporting period (A3+B3+C3)		1,495,000.00		Total balance of guarantees actually paid at the end of the reporting period (A4+B4+C4)		933,977.23		
Total amount of actual guarantees (A4+B4+C4) as a percentage of the Company's net assets				38.34%				
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)				894,477.23				
Amount of the guarantees with the total volume exceeding 50% of the net assets (F)								
Total amount of the above three guarantees (D+E+F)				894,477.23				
Notes on unexpired guarantees with guarantee responsibilities occurred or possible joint liabilities within the reporting period (if any)								
Notes on providing external guarantees in violation of specified procedures (if any)								

3. Entrusted financing

Applicable Not applicable

Unit: ten thousand RMB

Specific type	Funding source	Entrusted amount	Unexpired balance	Overdue outstanding amount	Impairment amount accrued for overdue financial management
Financial	Equity Fund		50,000.00		

products of securities companies				
Total		50,000.00		

Specific matters on high-risk entrusted capital management with a large amount for a single item, or with low security, poor liquidity and no capital preservation guarantee.

Applicable Not applicable

Unit: ten thousand RMB

Name of trustee organization (or name of trustee)	Trustee organization (or trustee) type	Product type	Amount	Capital Source	Starting date	Termination date	Investment direction	Payment determination method	Reference for annualized rate of return	Expected earnings (if any)	Actual profit and loss during the reporting period	Actual recovery of profits and losses during the reporting period	Amount of provision for impairment in the current year (if any)	Whether it passed the legal procedures	Whether there will be entrusted financial plan in the future	Item overview and related query index (if any)
Guosen Securities Co., Ltd.	Securities company	Asset Management Plan	50,000.00	Equity Fund	February 10, 2021	February 9, 2031	Private equity fund products, fixed income assets, equity assets, public equity hybrid funds	Payment of principal and income at maturity			-1,010.49	Unexpired		Yes	No	
Total			50,000.00	--	--	--	--	--	--		-1,010.49	--		--	--	--

Cases of entrusted financing expected to be unable to recover the principal or cases that may result in impairment

Applicable Not applicable

4. Other Significant Contracts

Applicable Not applicable

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

XIII. Explanations on Other Significant Matters

Applicable Not applicable

On March 26, 2021, the "Proposal on the Company's Plan for the Non-public Issuance of Shares in 2021" and other related proposals were reviewed and approved at the Company's 12th session of the 7th Board of Directors' and the 8th session of the 7th Board of Supervisors. The company planned to issue 312,151,600 non-public shares, and the total amount of funds raised did not exceed RMB 5.6 billion (inclusive). The target company of this non-public issuance is China Mobile Capital Holdings Co., Ltd. (hereinafter referred to as China Mobile Capital), which is the wholly-owned subsidiary of China Mobile Communications Group Co., Ltd. Matters related to the non-public issuance have been reviewed and approved by the 2020 shareholders' meeting.

The Company disclosed, respectively on June 3, 2021 and June 17, 2021, the "Announcement on the Acceptance of the Non-public Issuance Application by the CSRC" and the "Announcement on Receiving the First Feedback Given by the CSRC on the Review of Administrative Permits" (Announcement number: 2021-073, 2021-078).

On July 5, 2021, the "Proposal on Adjusting the Company's Plan for the Non-public Issuance of Shares in 2021" and other proposals related to the issuance were reviewed and approved at the Company's 19th session of the 7th Board of Directors and the 12th session of the 7th Board of Supervisors. As adjusted, the Company planned to issue no more than 288,624,700 non-public shares, and the total amount of funds raised will not exceed RMB 5.1 billion (inclusive). The target company of this non-public issuance is China Mobile Capital Holdings Co., Ltd., which is the wholly-owned subsidiary of China Mobile Communications Group Co., Ltd. On the same day, the Company disclosed the "Reply of Zhejiang Dahua Technology Co., Ltd. to the Feedback on the Application for the Non-public Issuance of Shares".

On November 30, 2021, the "Proposal on Adjusting the Company's Plan for the Non-public Issuance of Shares in 2021" and other proposals related to the issuance were reviewed and approved at the twenty-third session of the seventh Board of Directors and the sixteenth session of the seventh Board of Supervisors of the Company. The target company of this non-public issuance was changed from China Mobile Capital Holdings Co., Ltd. to its parent company China Mobile Communications Group Co., Ltd.

On April 11, 2022, the Company convened the 29th session of the 7th Board of Directors, at which the "Proposal on Extending the Validity Period of Resolutions and Authorizations of the General Meeting of Shareholders on Non-Public Issuance of Shares" was reviewed and approved. It was approved by the board of directors that the validity period of resolutions on non-public issuance of shares and the validity period of authorizing the board of directors to handle matters related to the non-public issuance of shares to be extended by 12 months from the expiration date of the original validity period.

On April 18, 2022, the application for this non-public issuance was approved by the Issuance Review Committee of CSRC.

On April 28, 2022, the Company announced that it had received the "Reply on Approving the Non-public Issuance of Shares by Zhejiang Dahua Technology Co., Ltd." issued by China Securities Regulatory Commission.

On June 3, 2022, due to the implementation of the 2021 equity distribution, the Company's non-public issuance price was adjusted from RMB 17.67/share to RMB 17.40/share, and the number of shares issued was adjusted from no more than 288,624,700 shares (inclusive) to no more than 293,103,400 shares (inclusive).

The announcements above have been disclosed through the designated media Securities Times and Juchao Information Network (<http://www.cninfo.com.cn>).

XIV. Significant Events of the Company's Subsidiaries

Applicable Not applicable

Section VII Changes in Shares and Information about Shareholders

I. Changes in Shares

1. Changes in shares

Unit: share

	Before the change		Increase or decrease in the change (+, -)					After the change	
	Number	Percentage	Shares newly issued	Bonus shares	Shares converted from capital reserves	Others	Subtotal	Number	Percentage
I. Shares with limited sales condition	1,079,962,794	36.06%				-44,670,107	-44,670,107	1,035,292,687	34.57%
1. Shares held by state									
2. Shares held by state-owned legal persons									
3. Other domestic shares	1,079,953,194	36.06%				-44,670,107	-44,670,107	1,035,283,087	34.57%
Of which: Shares held by domestic legal persons									
Shares held by domestic natural persons	1,079,953,194	36.06%				-44,670,107	-44,670,107	1,035,283,087	34.57%
4. Foreign	9,600	0.00%						9,600	0.00%

shares									
Of which: Shares held by foreign legal persons									
Shares held by foreign natural persons	9,600	0.00%						9,600	0.00%
II. Shares without restrictions	1,914,587,936	63.94%				44,670,107	44,670,107	1,959,258,043	65.43%
1. RMB Common Stock	1,914,587,936	63.94%				44,670,107	44,670,107	1,959,258,043	65.43%
2. Foreign shares listed in China									
3. Foreign shares listed in foreign countries									
4. Other									
III. Total	2,994,550,730	100.00%				0	0	2,994,550,730	100.00%

Reasons for changes in shares

Applicable Not applicable

At the beginning of each year, 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

The progress on share repurchase

Applicable Not applicable

The progress on reduction of re-purchase shares by means of centralized competitive bidding

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 stocks

Applicable Not applicable

Unit: share

Name of Shareholder	Number Of Shares With Limited Sales Condition At The Beginning Of The Period	Number of unlocked shares with limited sales condition in current period	Number of increased shares with limited sales condition in current period	Number of shares with limited sales condition at the end of the period	Reasons for limited sales	Date of unlocking
Fu Liqun	767,901,735	0	0	767,901,735	According to the relevant provisions of executives shares management	According to the relevant provisions of executives shares management
Zhu Jiangming	160,577,490	40,144,373	0	120,433,117	According to the relevant provisions of executives shares management	According to the relevant provisions of executives shares management
Chen Ailing	53,447,110	0	0	53,447,110	According to the relevant provisions of executives shares management	According to the relevant provisions of executives shares management
Wu Jun	51,938,164	0	0	51,938,164	Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
Zhang Xingming	3,032,170	757,500	0	2,274,670	Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
Zhao Yuning	2,025,000	506,250	0	1,518,750	Per relevant management	Per relevant management

					regulations of equity incentives and senior managers' shares	regulations of equity incentives and senior managers' shares
Ying Yong	2,016,937	504,234	0	1,512,703	Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
Wu Jian	1,912,001	477,750	0	1,434,251	Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
Zhu Jiantang	1,590,169	397,500	0	1,192,669	Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
Jiang Xiaolai	1,567,500	390,000	0	1,177,500	Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
Other senior executives and incentive targets	33,954,518	1,492,500	0	32,462,018	Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
Total	1,079,962,794	44,670,107	0	1,035,292,687	--	--

II. Issuance and listing of securities

Applicable Not applicable

Name of the stock and its derivative securities	Issue Date	Issuance price (or interest rate)	Quantity of issuance	Listing date	Number of approved listed transactions	Transaction termination date	Disclosure Index	Date of Disclosure
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Stocks								
DAHUA	June 27, 2022	8.16	74,737,700	June 15, 2022	74,737,700		Juchao Information Website Announcement	July 12, 2022
Convertible corporate bonds, separately-traded convertible corporate bonds, corporate bonds								
Other derivative securities								

Description of the issuance of securities during the reporting period

According to the "Proposal on the Company's Stock Option and Restricted Stock Incentive Plan in 2022 (Draft) and its Abstracts", which has been reviewed and approved at the shareholders' meeting of the Company in 2021, the "Proposal on Adjusting Related Issues of the Stock Option and Restricted Stock Incentive Plan of 2022" and the "Proposal on Granting Stock Option and Restricted Stocks to Incentive Targets" which have been reviewed and approved at the 32nd meeting of the 7th Board of Directors. In June 27, 2022, the Company granted 74,737,700 shares of restricted stocks to 4,249 incentive targets, with a subscription price of RMB 8.16 per share. These stocks were listed on Shenzhen Stock Exchange on July 15, 2022.

III. Total Number of Shareholders and Their Shareholdings

Unit: share

Total Number Of Common Shareholders At The End Of The Reporting Period	165,220		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				
Shareholding list of common shareholders with over 5% shares or top ten shareholders								
Name of Shareholder	Nature Of Shareholder	Shareholding Percentage	Number of common shares held at the end of the reporting period	Changes in the reporting period	Number of common shares held with limited sales conditions	Number of common shares held without limited sales condition	Pledges, markings or freezings	
							State Of Shares	Number
Fu Liqun	Domestic Natural Person	34.19%	1,023,868,980	0	767,901,735	255,967,245	Pledge	160,927,942
Hong Kong Securities Clearing Co. Ltd.	Overseas Legal Person	5.69%	170,253,835	46,612,494	0	170,253,835		0
Zhu Jiangming	Domestic Natural Person	5.36%	160,577,490	0	120,433,117	40,144,373	Pledge	9,700,000
Chen Ailing	Domestic Natural Person	2.38%	71,262,813	0	53,447,110	17,815,703	Pledge	21,100,000
Wu Jun	Domestic Natural Person	2.31%	69,250,886	0	51,938,164	17,312,722		0
National	Others	1.37%	41,000,969	0	0	41,000,969		0

Social Security Fund 103								
China Securities Finance Co., Ltd.	Domestic Non-state-owned Legal Person	1.32%	39,611,241	0	0	39,611,241		0
China Galaxy Securities Co., Ltd.	State-owned Legal Person	1.20%	35,878,760	- 2,293,339	0	35,878,760		0
Shanghai Greenwoods Assets Management Co., Ltd. - Greenwoods Global Fund	Others	0.69%	20,803,816	0	0	20,803,816		0
Fidelity Investments Management (Hong Kong) Limited - funds of customers	Overseas Legal Person	0.51%	15,224,580	2,518,700	0	15,224,580		0
Strategic investors or general legal entities becoming shareholders of the top 10 common shares as a result of the placement of new shares (if any) (see Note 3)	N/A							
Description of the association relationship or concerted action of 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.							
Explanation of the above shareholders involved in proxy/trustee voting rights and abstention from voting rights	N/A							
Special note on the existence of repurchase special accounts among the top 10 shareholders (if any) (see Note 11)	N/A							
Shareholding list of top ten common shareholders without limited sales condition								

Name of Shareholder	Number of common shares held without limited sales condition at the end of the reporting period	Type of shares	
		Type of shares	Number
Fu Liquan	255,967,245	RMB common stock	255,967,245
Hong Kong Securities Clearing Co. Ltd.	170,253,835	RMB common stock	170,253,835
National Social Security Fund 103	41,000,969	RMB common stock	41,000,969
Zhu Jiangming	40,144,373	RMB common stock	40,144,373
China Securities Finance Co., Ltd.	39,611,241	RMB common stock	39,611,241
China Galaxy Securities Co., Ltd.	35,878,760	RMB common stock	35,878,760
Shanghai Greenwoods Assets Management Co., Ltd. - Greenwoods Global Fund	20,803,816	RMB common stock	20,803,816
Chen Ailing	17,815,703	RMB common stock	17,815,703
Wu Jun	17,312,722	RMB common stock	17,312,722
Fidelity Investments Management (Hong Kong) Limited - funds of customers	15,224,580	RMB common stock	15,224,580
Explanation on associated relationship or persons acting in concert among top ten common shareholders without limited shares, and between top ten common shareholders without limited shares 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 on Top Ten Common Shareholders' Participation in Securities Margin Trading (If Any) (see 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.

IV. Shareholding Changes of Directors, Supervisors and Senior Executives

Applicable Not applicable

There were no changes to the shareholding of the directors, supervisors and senior executives of the Company during the reporting period, which can be found in the 2021 Annual Report.

V. Change of the Controlling Shareholders and Actual Controller

Change of the controlling shareholders in the reporting period

Applicable Not applicable

No change has happened to the controlling shareholder in the reporting period of the Company

Change of the actual controller in the reporting period

Applicable Not applicable

No change has happened to the actual controller in the reporting period

Section VIII Information of Preferred Shares

Applicable Not applicable

There are no preferred shares in the reporting period.

Section IX Situation on Corporate Bonds

Applicable Not applicable

Section X Financial Report

I. Audit Reports

Has the semi-annual report been audited

Yes No

The Company's semi-annual report has not been audited.

II. Financial Statements

Units of financial reports in the notes: RMB

1. Consolidated Balance Sheet

Prepared by: Zhejiang Dahua Technology Co., Ltd.

June 30, 2022

Unit: RMB

Item	June 30, 2022	January 1, 2022
Current Assets:		
Cash and Bank Balances	6,610,686,838.87	7,731,002,784.77
Deposit Reservation for Balance		
Loans to Banks and Other Financial Institutions		
Trading Financial Assets	1,470,000.00	2,602,173.53
Derivative Financial Assets		
Notes receivable	810,471,316.10	839,861,562.35
Accounts receivable	15,191,656,060.47	14,654,490,643.49
Receivables Financing	676,732,626.54	792,709,781.57
Prepayments	221,554,802.54	171,034,046.65
Premium Receivable		
Reinsurance Accounts Receivable		
Reinsurance Contract Reserves Receivable		
Other Receivables	549,033,072.86	546,477,779.16
Including: interest receivable		
Dividends Receivable	2,574,911.88	
Buying Back the Sale of Financial Assets		
Inventory	6,493,192,148.56	6,810,041,288.82
Contract Assets	189,237,373.86	163,432,100.37
Holding for-sale assets		
Non-current Assets Due within 1 Year	522,097,288.55	602,567,293.78

Other Current Assets	586,485,117.83	1,190,585,874.34
Subtotal of Current Assets	31,852,616,646.18	33,504,805,328.83
Non-current Assets:		
Granting of loans and advances		
Investment in Creditor's Rights		
Investment in Other Creditor's Rights		
Long-term Receivables	1,718,647,629.21	1,891,368,121.39
Long-term Equity Investment	1,055,226,461.37	1,243,872,752.91
Investment in Other Equity Instruments		
Other Non-current Financial Assets	1,110,986,119.72	945,619,965.97
Investment Property	299,839,429.94	311,065,023.43
Fixed Assets	2,531,115,302.13	2,187,435,714.17
Projects under Construction	2,149,024,114.06	1,992,834,055.03
Productive Biological Assets		
Oil and gas assets		
Right-of-use Assets	279,009,442.07	248,577,371.97
Intangible Assets	581,011,626.01	584,129,741.43
Development Expenditure		
Goodwill	42,685,490.30	42,685,490.30
Long-term Deferred Expenses	48,028,410.98	45,876,764.73
Deferred Income Tax Assets	1,083,666,865.85	960,374,829.82
Other Non-current Assets	123,077,496.01	97,226,861.99
Subtotal of Non-current Assets	11,022,318,387.65	10,551,066,693.14
Total Assets	42,874,935,033.83	44,055,872,021.97
Current Liabilities:		
Short-term loan	634,697,133.66	325,648,230.98
Borrowings from the Central Bank		
Borrowings from Banks and Other Financial Institutions		
Transactional financial liabilities	22,938,892.17	
Derivative Financial Liabilities		
Notes Payable	3,752,874,720.97	4,472,998,965.03
Accounts Payable	5,972,721,336.20	7,329,740,650.71
Received Prepayments		
Contract liabilities	932,307,353.68	864,989,993.78
Financial Assets Sold for Repurchase		
Deposit Taking and Interbank Deposit		
Receiving from Vicariously Traded Securities		
Receiving from Vicariously Sold		

Securities		
Payroll payable	698,520,320.33	1,964,503,166.13
Tax Payable	481,342,486.19	677,076,594.01
Other Payables	964,959,710.58	677,752,701.47
Including: interest payable		
Dividends Payable		16,060,762.89
Service Charge and Commission Payable		
Reinsurance Accounts Payable		
Holding for-sale liabilities		
Non-current Liabilities Due within 1 Year	1,993,581,469.98	890,848,742.47
Other Current Liabilities	157,286,249.40	208,631,381.45
Subtotal of Current Liabilities	15,611,229,673.16	17,412,190,426.03
Non-current Liabilities:		
Insurance Contract Reserves		
Long-term loan	1,505,050,000.00	1,552,500,000.00
Bonds Payable		
Including: Preferred Stocks		
Perpetual Bonds		
Lease Liabilities	155,193,192.52	140,606,139.33
Long-term Payables		
Long-term payroll payable		
Expected Liabilities	267,279,941.15	297,851,786.62
Deferred Income	108,054,893.88	103,218,676.13
Deferred Income Tax Liabilities	81,715,785.09	61,778,504.44
Other Non-current Liabilities	258,269,595.53	317,381,981.28
Subtotal of Non-current Liabilities	2,375,563,408.17	2,473,337,087.80
Total Liabilities	17,986,793,081.33	19,885,527,513.83
Shareholders' Equity:		
Share Capital	3,033,161,170.00	2,994,550,730.00
Other Equity Instruments		
Including: Preferred Stocks		
Perpetual Bonds		
Capital Reserves	3,243,561,723.85	2,939,512,235.75
Less: Treasury Share	609,859,632.00	277,169,524.09
Other Comprehensive Incomes	72,451,586.31	76,005,792.49
Special Reserves		
Surplus Reserves	1,553,691,005.92	1,553,691,005.92
General Risk Reserves		
Undistributed Profits	17,068,147,667.18	16,331,012,273.48
Total Shareholders' Equity Attributable to the Parent Company	24,361,153,521.26	23,617,602,513.55
Minority Shareholders' Equity	526,988,431.24	552,741,994.59
Total Shareholders' Equity	24,888,141,952.50	24,170,344,508.14
Total Liabilities and Shareholders' Equity	42,874,935,033.83	44,055,872,021.97

Legal representative: Fu Liquan Person in charge of accounting: Xu Qiaofen Person in charge of the accounting institution: Zhu Zhuling

2. Balance Sheet of the Parent Company

Unit: RMB

Item	June 30, 2022	January 1, 2022
Current Assets:		
Cash and Bank Balances	3,282,003,717.47	2,453,629,292.19
Trading Financial Assets		
Derivative Financial Assets		
Notes receivable	193,852,534.83	113,182,073.02
Accounts receivable	4,609,152,586.96	5,235,718,728.84
Receivables Financing	630,081,116.92	762,320,674.93
Prepayments	19,820,069.95	22,564,616.46
Other Receivables	14,149,824,916.45	13,227,344,584.64
Including: interest receivable		
Dividends Receivable		
Inventory	211,889,952.38	191,101,106.37
Contract Assets	21,441,416.14	14,676,165.82
Holding for-sale assets		
Non-current Assets Due within 1 Year	57,420,402.81	59,323,331.52
Other Current Assets	32,033,524.65	548,317,361.69
Subtotal of Current Assets	23,207,520,238.56	22,628,177,935.48
Non-current Assets:		
Investment in Creditor's Rights		
Investment in Other Creditor's Rights		
Long-term Receivables	33,068,939.36	44,677,236.12
Long-term Equity Investment	5,251,406,564.66	5,294,492,906.78
Investment in Other Equity Instruments		
Other Non-current Financial Assets	1,080,429,619.72	919,563,465.97
Investment Property	154,687,492.24	161,109,748.15
Fixed Assets	596,446,253.71	623,652,394.47
Projects under Construction	1,121,201,621.87	890,954,831.96
Productive Biological Assets		
Oil and gas assets		
Right-of-use Assets	121,633,591.01	98,695,719.37
Intangible Assets	151,064,721.81	148,019,536.32
Development Expenditure		
Goodwill		
Long-term Deferred Expenses	23,170,992.88	25,121,726.63

Deferred Income Tax Assets	75,604,828.02	76,637,574.05
Other Non-current Assets	8,442,567.34	5,922,846.72
Subtotal of Non-current Assets	8,617,157,192.62	8,288,847,986.54
Total Assets	31,824,677,431.18	30,917,025,922.02
Current Liabilities:		
Short-term loan	6,699,052.29	3,066,910.69
Transactional financial liabilities		
Derivative Financial Liabilities		
Notes Payable	408,506,888.53	359,510,011.35
Accounts Payable	949,123,409.52	924,291,734.49
Received Prepayments		
Contract liabilities	70,619,354.25	65,805,975.35
Payroll payable	442,775,192.95	1,349,324,493.47
Tax Payable	229,685,665.26	405,454,928.48
Other Payables	1,056,753,848.33	850,741,529.57
Including: interest payable		
Dividends Payable		16,060,762.89
Holding for-sale liabilities		
Non-current Liabilities Due within 1 Year	1,846,323,297.16	785,270,294.02
Other Current Liabilities	86,385,733.75	52,587,668.99
Subtotal of Current Liabilities	5,096,872,442.04	4,796,053,546.41
Non-current Liabilities:		
Long-term loan	1,400,000,000.00	1,450,000,000.00
Bonds Payable		
Including: Preferred Stocks		
Perpetual Bonds		
Lease Liabilities	67,363,676.89	53,205,974.57
Long-term Payables		
Long-term payroll payable		
Expected Liabilities	2,934,391.50	3,534,391.50
Deferred Income		
Deferred Income Tax Liabilities	68,149,593.71	44,483,008.83
Other Non-current Liabilities	1,767,780.09	2,669,429.68
Subtotal of Non-current Liabilities	1,540,215,442.19	1,553,892,804.58
Total Liabilities	6,637,087,884.23	6,349,946,350.99
Shareholders' Equity:		
Share Capital	3,033,161,170.00	2,994,550,730.00
Other Equity Instruments		
Including: Preferred Stocks		
Perpetual Bonds		
Capital Reserves	3,228,930,218.00	2,925,020,649.68
Less: Treasury Share	609,859,632.00	277,169,524.09
Other Comprehensive Incomes		
Special Reserves		

Surplus Reserves	1,553,691,005.92	1,553,691,005.92
Undistributed Profits	17,981,666,785.03	17,370,986,709.52
Total Shareholders' Equity	25,187,589,546.95	24,567,079,571.03
Total Liabilities and Shareholders' Equity	31,824,677,431.18	30,917,025,922.02

3. Consolidated Income Statement

Unit: RMB

Item	2022 Semi-Annual	2021 Semi-Annual
I. Total Operating Revenue	14,087,085,840.97	13,505,005,733.89
Including: Operating Revenue	14,087,085,840.97	13,505,005,733.89
Interest Income		
Earned Premiums		
Service Charge and Commission Income		
II. Total Operating Cost	12,627,463,461.27	11,947,184,367.94
Including: Operating Cost	8,802,576,621.32	7,910,714,928.97
Interest Expenditures		
Service Charge and Commission Expenses		
Surrender Value		
Net Claims Paid		
The Net Amount Withdrawn for Insurance Liability Reserves		
Policyholder Dividend Expense		
Reinsurance Cost		
Taxes and Surcharges	79,474,198.57	100,270,188.53
Sales Expenses	2,039,728,296.24	2,059,001,711.42
Administration expenses	416,806,198.58	393,272,171.06
Research and development expense	1,563,479,271.17	1,406,249,326.81
Financial Expenses	-274,601,124.61	77,676,041.15
Including: interest expenses	66,900,870.38	44,547,319.17
Interest Income	99,279,785.76	114,759,041.30
Add: Other income	500,467,768.02	426,519,272.06
Investment Income (Mark "-" for Loss)	-167,792,112.54	-127,515,259.00
Including: Investment Income from Affiliates and Joint Ventures	-190,450,701.35	-155,395,120.84
Profits from recognition Termination of Financial Assets at Amortized Cost	-515,403.33	
Exchange Gains (Mark "-" for		

Losses)		
Profit of Net Exposure Hedging (Mark "-" for Loss)		
Incomes from changes in fair value (losses marked with "-")	138,606,187.66	123,946,629.03
Credit Impairment Losses (Mark "-" for Loss)	-226,803,032.66	-368,461,594.95
Asset Impairment Losses (Mark "-" for Loss)	-68,919,039.80	-9,923,448.05
Asset Disposal Income (Mark "-" for Loss)	921,560.18	33,002,441.01
III. Operating Profit (Mark "-" for Loss)	1,636,103,710.56	1,635,389,406.05
Add: Non-operating Revenues	4,176,182.18	6,539,902.55
Less: Non-operating Expenses	3,553,253.46	4,968,968.32
IV. Total Profit (Mark "-" for Total Loss)	1,636,726,639.28	1,636,960,340.28
Less: Income Tax Expense	93,448,750.74	-38,451,185.77
V. Net Profit (Mark "-" for Net Loss)	1,543,277,888.54	1,675,411,526.05
(I) Classified by operation continuity		
1. Net Profit as a Going Concern (Mark "-" for Net Loss)	1,543,277,888.54	1,675,411,526.05
2. Net Profit of Discontinued Operation (Mark "-" for Net Loss)		
(II) Classified by the attribution of ownership		
1. Net Profit Attributable to the Parent Company's Owner	1,519,848,967.71	1,643,175,887.55
2. Minority Shareholders' Profit and Loss	23,428,920.83	32,235,638.50
VI. Net Amount of Other Comprehensive Incomes after Tax	-3,570,948.60	29,802,949.19
Net Amount of Other Comprehensive Incomes after Tax Attributable to the Parent Company's Owner	-3,554,206.18	29,732,921.34
(1) Other comprehensive income that cannot be reclassified as P/L		
1. Re-measure the variation of the defined benefit plan		
2. Other comprehensive income that cannot be transferred to P/L under the equity method		
3. Changes in the fair value of investment in other equity instruments		
4. Changes in the fair value of the credit risk of the enterprise		
5. Others		
(II) Other comprehensive income that will be reclassified as P/L	-3,554,206.18	29,732,921.34
1. Other comprehensive income that can be transferred to P/L		

under the equity method		
2. Changes in the fair value of investment in other creditor's rights		
3. Financial assets reclassified into other comprehensive income		
4. Provisions for the credit impairment of investment in other creditor's rights		
5. Cash flow hedge reserves		
6. Currency translation difference	-3,554,206.18	31,016,888.78
7. Others		-1,283,967.44
Net Amount of Other Comprehensive Incomes After Tax Attributable to Minority Shareholders	-16,742.42	70,027.85
VII. Total Comprehensive Income	1,539,706,939.94	1,705,214,475.24
Total Comprehensive Income Attributable to the Parent Company's Owner	1,516,294,761.53	1,672,908,808.89
Total Comprehensive Income Attributable to Minority Shareholders	23,412,178.41	32,305,666.35
VIII. Earnings per Share:		
(I) Basic Earnings per Share	0.51	0.56
(II) Diluted Earnings per Share	0.51	0.56

Legal representative: Fu Liquan Person in charge of accounting: Xu Qiaofen Person in charge of the accounting institution: Zhu Zhuling

4. Income Statement of the Parent Company

Unit: RMB

Item	2022 Semi-Annual	2021 Semi-Annual
I. Operating Revenue	3,866,053,547.81	4,167,159,930.09
Less: Operating Cost	445,347,117.51	526,172,609.28
Taxes and Surcharges	56,800,667.28	53,634,639.42
Sales Expenses	899,736,981.65	823,745,443.38
Administration expenses	220,965,637.90	211,532,912.39
Research and development expense	1,151,255,899.09	1,068,320,197.31
Financial Expenses	-6,125,001.13	-19,195,740.24
Including: interest expenses	44,101,316.61	32,381,777.40
Interest Income	49,528,634.04	54,366,366.58
Add: Other income	415,570,228.58	357,721,494.76
Investment Income (Mark "-" for Loss)	-218,295,447.12	-156,962,757.83
Including: Investment Income from Affiliates and Joint Ventures	-216,827,314.09	-171,271,964.55
Profits from Derecognition of Financial Assets at Amortized Cost (Mark "-" for Loss)	-3,745,833.33	
Profit of Net Exposure		

Hedging (Mark "-" for Loss)		
Incomes from changes in fair value (losses marked with "-")	162,677,125.00	95,451,596.20
Credit Impairment Losses (Mark "-" for Loss)	-8,464,769.91	-15,404,331.60
Asset Impairment Losses (Mark "-" for Loss)	-2,529,272.38	-634,899.32
Asset Disposal Income (Mark "-" for Loss)	681,965.58	33,259,190.66
II. Operating Profit (Mark "-" for Loss)	1,447,712,075.26	1,816,380,161.42
Add: Non-operating Revenues	2,450,575.07	4,455,730.54
Less: Non-operating Expenses	1,283,456.12	581,042.68
III. Total Profit (Mark "-" for Total Loss)	1,448,879,194.21	1,820,254,849.28
Less: Income Tax Expense	55,485,544.69	-7,414,161.31
IV. Net Profit (Mark "-" for Net Loss)	1,393,393,649.52	1,827,669,010.59
(I) Net Profit as a Going Concern (Mark "-" for Net Loss)	1,393,393,649.52	1,827,669,010.59
(II) Net Profit of Discontinued Operation (Mark "-" for Net Loss)		
V. Net Amount of Other Comprehensive Incomes After Tax		15,179.09
(1) Other comprehensive income that cannot be reclassified as P/L		
1. Re-measure the variation of the defined benefit plan		
2. Other comprehensive income that cannot be transferred to P/L under the equity method		
3. Changes in the fair value of investment in other equity instruments		
4. Changes in the fair value of the credit risk of the enterprise		
5. Others		
(II) Other comprehensive income that will be reclassified as P/L		15,179.09
1. Other comprehensive income that can be transferred to P/L under the equity method		
2. Changes in the fair value of investment in other creditor's rights		
3. Financial assets reclassified into other comprehensive income		
4. Provisions for the credit impairment of investment in other creditor's rights		
5. Cash flow hedge reserves		
6. Currency translation difference		
7. Others		15,179.09
VI. Total Comprehensive Income	1,393,393,649.52	1,827,684,189.68
VII. Earnings per Share:		
(I) Basic Earnings per Share	0.47	0.62

(II) Diluted Earnings per Share	0.47	0.62
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5. Consolidated Cash Flow Statement

Unit: RMB

Item	2022 Semi-Annual	2021 Semi-Annual
I. Cash Flow Generated by Operational Activities:		
Cash from Sales of Merchandise and Provision of Services	15,265,440,930.92	15,020,513,603.09
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		
Cash Arising from Interests, Service Charges and Commissions		
Net Increase in Borrowings from Banks and Other Financial Institutions		
Net Increase in Repurchase Business Funds		
Net Amount of Cash Received from the Vicariously Traded Securities		
Tax Refund	821,998,893.46	1,098,611,055.94
Other Received Cashes Related to Operational Activities	643,355,851.17	149,033,785.99
Subtotal of cash inflow from operational activities	16,730,795,675.55	16,268,158,445.02
Cash Paid for Merchandise and Services	12,250,857,651.04	10,963,754,585.76
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		
Net increase of funds lent		
Cash Paid for Interests, Service Charges and Commissions		
Cash Paid for Policy Dividends		
Cash Paid to and for Employees	4,166,888,180.62	3,831,211,412.30

Cash Paid for Taxes and Surcharges	1,086,604,856.49	1,263,501,986.02
Other Paid Cashes Related to Operational Activities	954,239,634.16	1,080,799,258.93
Subtotal of cash outflow from operational activities	18,458,590,322.31	17,139,267,243.01
Net cash flow generated by operating activities	-1,727,794,646.76	-871,108,797.99
II. Cash Flow from Investment Activities:		
Cash Arising from Disposal of Investments	1,424,220,516.19	803,318,288.20
Cash Arising from Investment Incomes	14,408,600.68	12,730,576.24
Net Cash Arising from Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets	3,618,138.04	47,268,105.91
Net Cash Arising from Disposal of Subsidiaries and Other Business Units	1,078,062.03	
Other Received Cashes Related to Investment Activities	17,359,422.11	56,003,510.94
Subtotal of cash inflow from investment activities	1,460,684,739.05	919,320,481.29
Cash Paid for Purchase and Construction of Fixed Assets, Intangible Assets and Other Long-term Assets	671,321,793.27	579,246,808.15
Cash Paid for Investments	899,086,646.00	1,302,000,000.00
Net Increase in Pledge Loans		
Net Cash Paid for Acquisition of Subsidiaries and Other Business Units		
Other Paid Cashes Related to Investment Activities	2,189,282.90	13,107,855.82
Subtotal of cash outflows from investment activities	1,572,597,722.17	1,894,354,663.97
Net amount of cash flow generated by investment activities	-111,912,983.12	-975,034,182.68
III. Cash Flow from Financing Activities:		
Cash Arising from Absorbing Investments	624,169,632.00	52,905,784.31
Including: Cash Arising from Subsidiaries Absorbing Investments by Minority Shareholders	14,310,000.00	52,905,784.31
Cash Arising from Borrowings	3,497,977,041.60	2,728,079,926.55
Other Received Cashes Related to Financing Activities	453,263.81	
Subtotal of cash inflow from financing activities	4,122,599,937.41	2,780,985,710.86
Cash Paid for Debts Repayment	2,184,297,390.00	829,079,926.55
Cash Paid for Distribution of Dividends and Profits or Payment of Interests	858,441,875.43	829,253,962.62
Including: Dividends and Profits		

Paid to Minority Shareholders by Subsidiaries		
Other Paid Cashes Related to Financing Activities	433,219,341.33	49,649,564.91
Subtotal of cash outflow from financing activities	3,475,958,606.76	1,707,983,454.08
Net cash flow generated by financing activities	646,641,330.65	1,073,002,256.78
IV. Impact of Fluctuation in Exchange Rate on Cash and Cash Equivalents	86,013,805.25	-35,603,147.83
V. Net Increase in Cash and Cash Equivalents	-1,107,052,493.98	-808,743,871.72
Add: Cash and Cash Equivalents at the Commencement of the Period	7,617,576,852.32	7,358,452,769.53
VI. Cash and Cash Equivalents at the End of the Period	6,510,524,358.34	6,549,708,897.81

6. Cash Flow Statement of the Parent Company

Unit: RMB

Item	2022 Semi-Annual	2021 Semi-Annual
I. Cash Flow Generated by Operational Activities:		
Cash from Sales of Merchandise and Provision of Services	4,901,653,844.89	1,594,534,564.89
Tax Refund		313,656,061.60
Other Received Cashes Related to Operational Activities	485,465,467.41	93,670,216.79
Subtotal of cash inflow from operational activities	5,387,119,312.30	2,001,860,843.28
Cash Paid for Merchandise and Services	380,698,114.67	623,359,985.97
Cash Paid to and for Employees	2,540,544,711.65	2,116,190,187.65
Cash Paid for Taxes and Surcharges	657,020,098.45	818,858,618.53
Other Paid Cashes Related to Operational Activities	545,699,527.90	557,213,500.36
Subtotal of cash outflow from operational activities	4,123,962,452.67	4,115,622,292.51
Net cash flow generated by operating activities	1,263,156,859.63	-2,113,761,449.23
II. Cash Flow from Investment Activities:		
Cash Arising from Disposal of Investments	528,823,920.19	803,318,288.20
Cash Arising from Investment Incomes	6,666,341.48	3,629,417.41
Net Cash Arising from Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets	11,212,058.02	58,522,097.94
Net Cash Arising from Disposal of Subsidiaries and Other Business Units		
Other Received Cashes Related to Investment Activities		
Subtotal of cash inflow from	546,702,319.69	865,469,803.55

investment activities		
Cash Paid for Purchase and Construction of Fixed Assets, Intangible Assets and Other Long-term Assets	280,356,493.56	178,160,791.03
Cash Paid for Investments	168,623,191.19	1,348,140,000.00
Net Cash Paid for Acquisition of Subsidiaries and Other Business Units		
Other Paid Cashes Related to Investment Activities		
Subtotal of cash outflows from investment activities	448,979,684.75	1,526,300,791.03
Net amount of cash flow generated by investment activities	97,722,634.94	-660,830,987.48
III. Cash Flow from Financing Activities:		
Cash Arising from Absorbing Investments	609,859,632.00	
Cash Arising from Borrowings	1,143,632,141.60	1,679,079,926.55
Other Received Cashes Related to Financing Activities	984,338,789.26	2,243,043,904.46
Subtotal of cash inflow from financing activities	2,737,830,562.86	3,922,123,831.01
Cash Paid for Debts Repayment	140,000,000.00	629,079,926.55
Cash Paid for Distribution of Dividends and Profits or Payment of Interests	834,910,324.11	822,052,988.68
Other Paid Cashes Related to Financing Activities	2,291,278,042.11	814,356,149.58
Subtotal of cash outflow from financing activities	3,266,188,366.22	2,265,489,064.81
Net cash flow generated by financing activities	-528,357,803.36	1,656,634,766.20
IV. Impact of Fluctuation in Exchange Rate on Cash and Cash Equivalents	387,560.48	-55,649.44
V. Net Increase in Cash and Cash Equivalents	832,909,251.69	-1,118,013,319.95
Add: Cash and Cash Equivalents at the Commencement of the Period	2,408,352,525.10	3,090,496,504.00
VI. Cash and Cash Equivalents at the End of the Period	3,241,261,776.79	1,972,483,184.05

7. Consolidated Statement of Changes in Owners' Equity

Amount of this period

Unit: RMB

Item	2022 Semi-Annual													Minority Shareholders' Equity	Total Shareholders' Equity
	Shareholders' Equity Attributable to the Parent Company's Owner														
	Share Capital	Other Equity Instruments			Capital Reserves	Res: Treasury Sha	Other Comprehensive	Special Reserves	Surplus Reserves	General Risk Reserve	Undistributed Prof	Others	Sub total		
	Preferr	Perpetual	Others												

		Sto cks	Bon ds			re	e Inco mes			es	its			ity	
I. Balance at the End of Last Year	2,994,550,730.00				2,939,512,235.75	277,169,524.09	76,005,792.49			1,553,691,005.92	16,331,012,273.48		23,617,602,513.55	552,741,994.59	24,170,344,508.14
Add: Changes in Accounting Policies															
Correction of Errors in the Previous Period															
Consolidated under the Same Control															
Others															
II. Balance at the Start of This Year	2,994,550,730.00				2,939,512,235.75	277,169,524.09	76,005,792.49			1,553,691,005.92	16,331,012,273.48		23,617,602,513.55	552,741,994.59	24,170,344,508.14
III. Increases or Decreases in This Period (Mark "-" for Decreases)	38,610,440.00				304,049,488.10	332,690,107.91	-3,554,206.18				737,135,393.70		743,551,077.71	-25,753,563.35	717,797,444.36
(I) Total Comprehensive Income							-3,554,206.18				1,519,848,967.71		1,516,294,761.53	23,412,178.41	1,539,706,939.94
(II) Shareholders' Contribution and Reduction in Capital	38,610,440.00				300,267,748.88	332,690,107.91							6,188,080.97	21,610,969.49	27,799,050.46
1. Common stock invested by	38,610,440.00				278,018,901.1	332,690,107.91							-16,060.00	14,310,000.00	-1,750.00

the owner	0.0 0				05. 02	07. 91							,76 2.8 9	0.0 0	762 .89
2 . Capital Invested by Holders of Other Equity Instruments															
3 . Amount of Share-based Payments Recorded into Shareholders' Equity					22, 248 ,84 3.8 6								22, 248 ,84 3.8 6	7,3 00, 969 .49	29, 549 ,81 3.3 5
4 . Others															
(III) Profit Distribution										- 782 ,71 3,5 74. 01			- 782 ,71 3,5 74. 01		- 782 ,71 3,5 74. 01
1 . Appropriation of Surplus Reserves															
2 . Appropriation of General Risk Reserves															
3 . Distribution to Owners (or Shareholders)										- 782 ,71 3,5 74. 01			- 782 ,71 3,5 74. 01		- 782 ,71 3,5 74. 01
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 . Carry-forward retained earnings of the variation of the defined benefit plan															
5 . Other Carry-forward Retained Earnings of the Comprehensive Income															
6. Others															
(V) Special Reserves															
1 . Withdrawal in this period															
2 . Used in This Period															
(VI) Others					3,781,739.22								3,781,739.22	-70,776,711.25	-66,994,972.03
IV. Balance at the End of This Period	3,033,161.17				3,243,561.72	609,859.63	72,451.58		1,553,691.00		17,068.14		24,361.15	526,988.48	24,888.14
	0.00				3.85	00	1		5.92		67.18		21.26	31.24	52.50

Amount in the previous year

Unit: RMB

Item	2021 Semi-Annual													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 Income	Special Reserves	Surplus Reserves	General Risk Reserve	Undistributed Profits	Others	Sub total		
Preferred Stock		Perpetual Bonds	Others												

		cks	ds		re	Inco			es							
I. Balance at the End of Last Year	2,995,579.00				1,989,655.33	581,968.930.89	61,157.523.13			1,553,691.005.92			13,754.915.904.19	19,773.030.426.40	430,611.683.70	20,203.642.110.10
Add: Changes in Accounting Policies																
Correction of Errors in the Previous Period																
Consolidated under the Same Control																
Others																
II. Balance at the Start of This Year	2,995,579.00				1,989,655.33	581,968.930.89	61,157.523.13			1,553,691.005.92			13,754.915.904.19	19,773.030.426.40	430,611.683.70	20,203.642.110.10
III. Increases or Decreases in This Period (Mark "-" for Decreases)	-1,028,860.00				603,274.37.71	-256,596.74.54	29,732.921.34						840,861.367.24	1,729,436.540.83	106,166.88.55	1,835,603.029.38
(I) Total Comprehensive Income							29,732.921.34						1,643,175.887.55	1,672,908.808.89	32,305.666.35	1,705,214.475.24
(II) Shareholders' Contribution and Reduction in Capital	-1,028,860.00				87,107.863.62	-256,596.74.54								342,675.78.16	69,441.533.51	412,117.311.67
1. Common stock invested by the owner	-1,028,860.00				-7,461,896.7	-256,596.7								248,106,018.	51,074.269.5	299,180.287.

	.00				.20	74.						34	2	86
						54								
2 . Capital Invested by Holders of Other Equity Instruments														
3 . Amount of Share-based Payments Recorded into Shareholders' Equity					94,							94,	18,	112,
					569							569	367	937
					,75							,75	,26	,02
					9.8							9.8	3.9	3.8
					2							2	9	1
4 . Others														
(III) Profit Distribution										-		-		-
										802		802		802
										,31		,31		,31
										4,5		4,5		4,5
										20.		20.		20.
										31		31		31
1 . Appropriation of Surplus Reserves														
2 . Appropriation of General Risk Reserves														
3 . Distribution to Owners (or Shareholders)										-		-		-
										802		802		802
										,31		,31		,31
										4,5		4,5		4,5
										20.		20.		20.
										31		31		31
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 . Carry-forward retained earnings of the variation of the defined benefit plan																		
5 . Other Carry-forward Retained Earnings of the Comprehensive Income																		
6. Others																		
(V) Special Reserves																		
1 . Withdrawal in this period																		
2 . Used in This Period																		
(VI) Others					516,166.474.09								516,166.474.09	4,419,288.69			520,585,762.78	
IV. Balance at the End of This Period	2,994,550.730.00				2,592,929.671.76	325,372.156.35	90,890.444.7		1,553,691.005.9		14,595,777.271.43		21,502,466.97.23	536,778,172.25			22,039,245,139.48	

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

Amount of this period

Unit: RMB

Item	2022 Semi-Annual											Total Shareholders' Equity
	Share Capital	Other Equity Instruments			Capital Reserves	Less: Treasury Shares	Other Comprehensive Incomes	Special Reserves	Surplus Reserves	Undistributed Profits	Others	
		Preferred Stocks	Perpetual Bonds	Others								

I. Balance at the End of Last Year	2,994,550,730.00				2,925,020,649.68	277,169,524.09			1,553,691,005.92	17,370,986,709.52		24,567,079,571.03
Add: Changes in Accounting Policies												
Correction of Errors in the Previous Period												
Others												
II. Balance at the Start of This Year	2,994,550,730.00				2,925,020,649.68	277,169,524.09			1,553,691,005.92	17,370,986,709.52		24,567,079,571.03
III. Increases or Decreases in This Period (Mark "-" for Decreases)	38,610,440.00				303,909,568.32	332,690,107.91				610,680,075.51		620,509,975.92
(I) Total Comprehensive Income										1,393,393,649.52		1,393,393,649.52
(II) Shareholders' Contribution and Reduction in Capital	38,610,440.00				292,964,540.35	332,690,107.91						-1,115,127.56
1. Common stock invested by the owner	38,610,440.00				278,018,905.02	332,690,107.91						-16,060,762.89
2. Capital Invested by Holders of Other Equity Instruments												0.00
3. Amount of Share-based Payments Recorded into Shareholder					14,945,635.33							14,945,635.33

s' Equity												
4 . Others												0.00
(III) Profit Distribution										-		-
										782,7		782,7
										13,57		13,57
										4.01		4.01
1 . Appropriation of Surplus Reserves												
2 . Distribution to Owners (or Shareholders)										-		-
										782,7		782,7
										13,57		13,57
										4.01		4.01
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 . Carry-forward retained earnings of the variation of the defined benefit plan												
5 . Other Carry-forward Retained Earnings of the Comprehensive Income												
6. Others												

(V) Special Reserves												
1. Withdrawal in this period												
2. Used in This Period												
(VI) Others					10,945,027.97							10,945,027.97
IV. Balance at the End of This Period	3,033,161,170.00				3,228,930,218.00	609,859,632.00			1,553,691,005.92	17,981,666,785.03		25,187,589,546.95

Amount in the previous year

Unit: RMB

Item	2021 Semi-Annual											
	Share Capital	Other Equity Instruments			Capital Reserves	Less: Treasury Share	Other Comprehensive Incomes	Special Reserves	Surplus Reserves	Undistributed Profits	Others	Total Shareholders' Equity
		Preferred Stocks	Perpetual Bonds	Others								
I. Balance at the End of Last Year	2,995,579,590.00				1,976,156,775.91	581,968,930.89	522,554.00		1,553,691,005.92	14,759,065,785.79		20,703,046,780.73
Add: Changes in Accounting Policies												
Correction of Errors in the Previous Period												
Others												
II. Balance at the Start of This Year	2,995,579,590.00				1,976,156,775.91	581,968,930.89	522,554.00		1,553,691,005.92	14,759,065,785.79		20,703,046,780.73
III. Increases or Decreases in This Period (Mark "-" for Decreases)	-1,028,860.00				613,460,530.62	-256,596,774.54	15,179.09			1,025,354,490.28		1,894,398,114.53
(I) Total Comprehensive							15,179.09			1,827,669,		1,827,684,

ive Income										010.5 9		189.6 8
(II) Shareholders' Contribution and Reduction in Capital	- 1,028,860.00				94,706,282.63	- 256,596,774.54						350,274,197.17
1. Common stock invested by the owner	- 1,028,860.00				- 7,461,896.20	- 256,596,774.54						248,106,018.34
2. Capital Invested by Holders of Other Equity Instruments												
3. Amount of Share-based Payments Recorded into Shareholders' Equity					102,168,178.83							102,168,178.83
4. Others												
(III) Profit Distribution										- 802,314,520.31		- 802,314,520.31
1. Appropriation of Surplus Reserves												
2. Distribution to Owners (or Shareholders)										- 802,314,520.31		- 802,314,520.31
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 . Carry-forward retained earnings of the variation of the defined benefit plan												
5 . Other Carry-forward Retained Earnings of the Comprehensive Income												
6. Others												
(V) Special Reserves												
1 . Withdrawal in this period												
2 . Used in This Period												
(VI) Others					518,754,247.99							518,754,247.99
IV. Balance at the End of This Period	2,994,550,730.00				2,589,617,306.53	325,372,156.35	537,733.09		1,553,691,005.92	15,784,420,276.07		22,597,444,895.26

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] issued by Zhejiang Provincial People's Government Work Leading Group for Enterprise Listing in June 2002, a company established on the basis of overall change of the former Hangzhou Dahua Information Technology Co., Ltd. co-founded by five natural persons, Fu Liqun, Chen Ailing, Zhu Jiangming, Liu Yunzhen and Chen Jianfeng.

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 intelligent Internet of Things industry.

As of June 30, 2022, the Company has issued a total of 2,994,550,730 shares (Note 1), with a registered capital of RMB 2,994,550,730.00. 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 operation 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, information technology consulting service, import & export businesses. (refer to the "Importer and Exporter Qualification" for the details of the scope). (For items subject to approval according to law, business activities can only be carried out after approval by relevant departments)

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

This financial statement has been approved by the Board of Directors on August 19, 2022.

For details of the scope of the consolidated financial statement for the current period, refer to Notes IX "Equity in Other Entities", and for details of the changes in the scope of the consolidated financial statement for the current period, refer to Notes VIII "Changes in the Scope of Consolidation".

Note 1: Excluding the decrease of 36,127,260 shares (change registered on August 11, 2022) and the increase of 74,737,700 shares (change being registered now) due to the stock option incentives.

IV. Basis for Preparing the Financial Statement

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

This financial statement is in compliance with the requirements in the Accounting Standards for Business Enterprises promulgated by the Ministry of Finance and presents truly and completely the financial position of the merged companies and the parent company as at June 30, 2022 and the operating results and cash flows of the merger and the parent company in the first half of 2022.

2. Accounting period

The accounting period of the Company is from 1 January to 31 December 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 other overseas operating entities take the appropriate currency as the functional currency on the basis of the currency in the major economic environment in which they operate.

This financial statement is presented in RMB.

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

Business combination involving entities under common control: The assets and liabilities acquired by the merging party in business combination (including goodwill incurred in the acquisition of the merged party by ultimate controlling party) shall be measured at the book value of the assets and liabilities of the merged party in the consolidated financial statements of the ultimate controlling party on the date of combination. The difference between the book value of the net assets obtained and the book value 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 combination involving entities not under common control: The cost of combination is the fair value of the assets paid, the liabilities incurred or assumed, and the equity securities issued by the acquirer to acquire the control of the acquiree on the date of acquisition. Where the cost of combination is higher than the fair value of the identifiable net assets acquired from the merging party in business combination, such difference shall be recognized as goodwill; where the cost of combination is less than the fair value of the identifiable net assets acquired from the merging party in business combination, such difference shall be charged to the profit or loss for the period. The identifiable assets, liabilities and contingent liabilities of the acquiree obtained in the combination that satisfy the recognition criteria shall be measured by the fair value on the date of acquisition.

The fees which are directly related to the business combination shall be recognized as the profit or loss in the period when the costs are incurred; the transaction expenses of issuing equity securities or debt securities for business merger shall be initially capitalized for equity securities or debt securities.

6. Preparation method of consolidated financial statements

(1) Scope of Consolidation

The scope of consolidation of the consolidated financial statements is based on controlling interests and includes the Company and all the subsidiaries. Control means that the Company has the power with respect to the investee to obtain variable returns by engaging in relevant activities of the investee, and has the ability to influence the amount of its returns by applying its power with respect to the investee.

(2) Procedures of Consolidation

The Company will treat the enterprise group as a single accounting entity and prepare the consolidated financial statements in accordance with the unified accounting policy to reflect the Group's overall financial position, operating results and cash flow. The influence from the internal transactions between the Company and the subsidiaries or between different subsidiaries shall be eliminated. Internal transactions show that impairment loss of relevant assets shall be recognized as such loss in full. 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.

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 operating results and cash flow 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; and the opening balance and comparative figures of the consolidated 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.

In connection with imposing control over the investee under common control due to additional investment and other reasons, 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 common control, and shall be written down to the opening balance retained earnings or current profit or loss in the comparative reporting period.

Additional subsidiaries or business due to business combination involving entities not under common control during the reporting period will be included in the consolidated financial statements as of the date of acquisition on the basis of the fair value of the identifiable assets, liabilities or contingent liabilities determined on the date of acquisition.

In connection with imposing control over the investee not under common control due to additional investment and other reasons, the equity of acquiree held before acquisition date shall be remeasured at the fair value of such equity on the acquisition date and the difference between fair value and book value shall be recognized as investment income in current period. Other comprehensive income that may later be reclassified into profit or loss and changes in other owner's equity accounted by equity method contained in the acquiree's equity held before the acquisition date shall be transferred to current investment gains on the date of acquisition.

② Disposal of Subsidiaries or Business

a. General Treatment

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 that may later be reclassified into profit or loss and changes in other owner's equity accounted by equity method in connection with the equity investment of the original subsidiaries shall be transferred to the current investment gains when the control is lost.

b. Disposal of Subsidiary Achieved by Stages

When the equity investment of subsidiaries is disposed of through multiple transactions until the control is lost, such multiple transactions are generally treated as a package deal if the terms, conditions and economic impact of the transactions to dispose of the subsidiary's equity investment satisfy one or more of the following conditions:

- 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.

If multiple transactions are recognized as a package deal, these transactions shall be subject to accounting treatment as a transaction to dispose of the subsidiaries and lose control. The differences between the 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 the transactions are not a package deal, accounting treatment for partial disposal of equity investments of the 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 the disposal consideration and the share of net assets in the subsidiaries calculated from disposal of long-term equity investment as of 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 arrangement and accounting treatment methods for joint operation

Joint venture arrangement is classified into joint operation and joint venture.

Joint operation means the joint venture arrangement in which the joint venture parties have the assets and assume the liabilities related to such arrangement.

The Company recognizes the following items related to the share of interests in the joint operation:

- (1) The assets separately held by the Company and assets jointly held as recognized by the share of the Company;
- (2) The liabilities separately assumed by the Company and liabilities jointly assumed as recognized by the share of the Company;
- (3) Income from selling the share of the Company in the output of the joint operation;

- (4) Income from joint operation of the sold output as recognized by the share of the Company;
- (5) The expenses separately incurred and expenses jointly incurred as recognized by the share of the Company;
- The Company adopts the equity method for the investment of the joint venture. For details, refer to this section Financial Report - V. Significant Accounting Policies and Accounting Estimates - 19. Long-term equity investment.

8. Recognition criteria of cash and cash equivalents

Cash means the cash on hand and deposits that are available for payment at any time of the Company. Cash equivalents mean the investments held by the Company which are short-term, highly liquid, easy to be converted into known amounts of cash and have little risk of value change.

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

(1) Foreign currency transactions

Foreign currency transactions shall be translated into functional currency 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

A financial asset, financial liability or equity instrument is recognized when the Company becomes a party to the financial instrument contract.

(1) Classification of the financial instruments

According to the Company's business model for management of the financial assets and the contractual cash flow features of the financial assets, the financial assets, when initially recognized, are classified as: financial assets at amortized cost, financial assets at fair value through other comprehensive income (debt instruments) and financial assets at fair value through profit or loss.

The financial assets which satisfy the following conditions, and are not designated as financial assets at fair value through profit or loss will be classified by the Company as financial assets at amortized cost:

- The business model is designed to collect the contractual cash flow;
- The contractual cash flow is only used to pay the principal and the interests based on the outstanding principal amount.

The financial assets which satisfy the following conditions, and are not designated as financial assets at fair value through profit or loss will be classified by the Company as the financial assets (equity instruments) at fair value through other comprehensive income:

- The business model is designed to both collect the contractual cash flow and sell the financial assets;
- The contractual cash flow is only used to pay the principal and the interests based on the outstanding principal amount.

For non-trading investments in equity instruments, the Company may, at the time of initial recognition, irrevocably designate them as financial assets (equity instruments) at fair value through other comprehensive income. Such designation is based on the individual investments, and relevant investments fall within the definition of the equity instrument from the perspective of the issuer.

Except for the financial assets at amortized cost, and financial assets at fair value through other comprehensive income, all the remaining financial assets are classified as the financial assets at fair value through profit or loss. At the time of initial recognition, the financial assets which should have been classified as financial assets at amortized cost or financial assets at fair value through other comprehensive income can be irrevocably designated by the Company as financial assets at fair value through profit or loss if the accounting mismatch can be eliminated or significantly reduced.

The financial liabilities, when initially recognized, are classified as: financial liabilities at fair value through profit or loss and financial liabilities at amortized cost.

Financial liabilities which meet one of the following conditions will be, when initially measured, designated as financial liabilities at fair value through profit or loss:

- 1) Such designation may be able to eliminate or significantly reduce the accounting mismatch.
- 2) The portfolio of financial liabilities or the portfolio of financial assets and financial liabilities shall be subject to management and performance evaluation on the basis of fair value according to the enterprise risk management or investment strategy contained in the formal documentations, and a report shall be made to the key management personnel within the enterprise on this basis.
- 3) Such financial liabilities shall contain embedded derivatives to be split separately.

Subject to the conditions above, the Company has no such designated financial liabilities.

(2) Recognition and measurement of financial instruments

① Financial assets at amortized cost

Financial assets at amortized cost include notes receivable, accounts receivable, other receivables, long-term receivables and creditors investment, which shall be initially measured at fair value, and the relevant transaction expenses should be initially capitalized; The accounts receivable that do not contain material financing compositions and those for which the Company decides to not take into account the financing compositions of no more than one year shall be initially measured at the contract transaction price.

The interest calculated by effective interest method during the holding period is recorded into the current profit and loss.

At the time of recovery or disposal, the difference between the price obtained and the book value shall be included in the current profit or loss.

② Financial assets measured at fair value and its changes are included in other comprehensive income (debt instruments)

Financial assets measured at fair value and its changes are included in other comprehensive income (debt instruments) include receivables financing and investments in other creditor's rights. They are initially measured at fair value, and the relevant transaction expenses should be initially capitalized. These financial assets are subsequently measured at fair value, and the change in fair value, other than the interest, the impairment loss or profit and the profit or loss on foreign exchange, shall be included in other comprehensive income.

Upon derecognition, the cumulative profits or losses previously included in other comprehensive income shall be removed from other comprehensive income and included in the profit or loss for the period.

③ Financial assets at fair value through other comprehensive income (equity instruments)

Financial assets at fair value through other comprehensive income (equity instruments) include investment in other equity instruments. They are initially measured at fair value, and the transaction expenses shall be initially capitalized. These financial assets are subsequently measured at fair value, and the change in fair value shall be included in other comprehensive income. The dividends obtained shall be included in the profit or loss for the period.

Upon derecognition, the cumulative profits or losses previously included in other comprehensive income shall be removed from other comprehensive income and included in the carry-forward retained earnings.

④ Financial assets at fair value through profit or loss in this period

Financial assets at fair value through profit or loss include trading financial assets, derivative financial assets and other non-current financial assets. They are initially measured at fair value, and the transaction expenses related to them are included in the profit or loss for the period. These financial assets are subsequently measured at fair value, and the change in fair value shall be included in the profit or loss for the period.

⑤ Financial liabilities at fair value through profit or loss in this period

Financial liabilities at fair value through profit or loss include trading financial liabilities and derivative financial liabilities. They are initially measured at fair value, and the transaction expenses related to them are included in the profit or loss for the period. These financial liabilities are subsequently measured at fair value, and the change in fair value shall be included in the profit or loss for the period.

Upon derecognition, the difference between their book value and the consideration paid is included in the profit or loss for the period.

⑥ Financial liabilities at amortized cost

Financial liabilities at amortized cost include short-term loans, notes payable, accounts payable, other payables, long-term loans, bonds payable, and long-term payables. They are initially measured at fair value, and the transaction expenses shall be initially capitalized.

The interest calculated by effective interest method during the holding period is recorded into the current profit and loss.

Upon derecognition the difference between the consideration paid and the book value of these financial liabilities is included in the current profit or loss.

(3) Derecognition and transfer of financial assets

When one of the following conditions is met, financial assets are derecognized by the Company:

- The contractual right to receive cash flows from financial assets is terminated;
 - The financial assets have been transferred and nearly all the risks and rewards related to the ownership of the financial assets have been transferred to the transferee;
 - The financial assets have been transferred and although the Company neither transfers or retains all the risks and rewards related to the ownership of the financial assets, the Company retains no control of the financial assets;
- The financial assets when transferred will not be derecognized if the Company has retained nearly all the risks and rewards related to the ownership of the financial assets.

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 book value 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' equity (in cases where the transferred financial assets are financial assets at fair value through other comprehensive income (debt instruments)).

If the partial transfer of financial assets satisfies the conditions for termination of recognition, the overall book value 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 book value of the recognition terminated portion;
- ② The sum of consideration of the derecognized portion and the corresponding portion of accumulated change in fair value previously recorded into owners' equity (in cases where the transferred financial assets are financial assets at fair value through other comprehensive income (debt instruments)).

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) Derecognition 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 book value 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 book value 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 book value 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) Test method and accounting treatment for impairment of financial assets

The Company estimates the expected credit loss on the financial assets at amortized cost, the financial assets at fair value through other comprehensive income (debt instruments), and the financial guarantee contracts, either alone or in combination.

Taking into the reasonable and well-grounded information including past matters, current situation and prediction of future economic conditions, the Company calculates the possibly weighted amount of the present value of the

difference between the cash flows receivable under the contract and the cash flows expected to be received, taking the risk of default as the weight, and recognizes the expected credit loss .

If the credit risk of this financial instrument has been significantly increased upon initial recognition, the Company measures its loss provision in accordance with the amount equivalent to the expected credit loss of the financial instrument throughout the duration; if the credit risk of this financial instrument is not significantly increased upon initial recognition, the Company will measure the loss provision of this financial instrument by the amount of its expected credit loss in the 12 months to come. The increased or reversed amount of the loss provision resulting therefrom is included in the current profit or loss as the impairment loss or profit.

By comparing the risk of default of financial instruments on the balance sheet date with the risk of default on the initial recognition date, the Company determines the relative change in the risk of default over the expected life of financial instruments to assess whether the credit risk of financial instruments has increased significantly since initial recognition. If the financial instrument becomes overdue for more than 30 days, the Company believes that the credit risk of this financial instrument has been significantly increased, unless there are concrete evidences that the credit risk of this financial instrument has not been significantly increased upon initial recognition.

If the financial instrument carries low credit risk at the balance sheet date, the Company believes that the credit risk of this financial instrument is not significantly increased upon initial recognition.

If there are objective evidences showing that a certain financial asset has been subject to credit impairment, the Company will accrue impairment provision for this financial asset on the individual asset basis.

The Company will always measure the loss provision for the accounts receivable and contract assets arising from the transactions regulated by "Accounting Standard for Business Enterprises No.14 — Revenue" (2017), whether they contain material financing compositions or not, by the amount of the expected credit loss throughout the duration.

For the lease receivables, the Company will always measure the loss provision for the accounts receivable, by the amount of the expected credit loss throughout the duration.

If the Company no longer reasonably expects that the cash flow of the financial asset contract can be recovered as a whole or in part, the book balance of such financial assets will be directly reduced.

11. Notes receivable

Refer to this section Financial Report - V. Significant Accounting Polices and Accounting Estimates - 10. Financial instruments

12. Accounts receivable

Refer to this section Financial Report - V. Significant Accounting Polices and Accounting Estimates - 10. Financial instruments

13. Receivables financing

Refer to this section Financial Report - V. Significant Accounting Polices and Accounting Estimates - 10. Financial instruments

14. Other receivables

Determination method and accounting treatment for the expected credit loss of other receivables

Refer to this section Financial Report - V. Significant Accounting Policies and Accounting Estimates - 10. Financial instruments

15. Inventories

(1) Category of inventory

Inventories are classified as raw materials, commodity stocks, products in progress and materials commissioned for processing.

The inventories are initially measured at cost, which comprises the cost of purchase, cost of conversion and other expenditure incurred in bringing the inventories to their present location and condition.

(2) Determination of cost

Cost of inventories is determined using the weighted average method.

(3) Basis for the determination of net realizable value and different type of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. When the cost of inventories is higher than their net realizable value, reserve for stock depreciation shall be accrued. The net realizable value means the amount after deducting the estimated cost of completion, estimated selling expenses and relevant taxes from the estimated selling price of inventories in the daily activities.

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.

If the factors influencing the write-down of the inventory value have disappeared, resulting in higher net realizable value of inventories than their book value after the reserve for stock depreciation is accrued, a reversal shall apply in the amount of reserve for stock depreciation previously accrued, and the reserved amount shall be included in the current profit or loss.

(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.

16. Contract assets

(1) Recognition method and criteria of contract assets

The Company lists contract assets or contract liabilities in the balance sheet according to the relationship between performance obligations and customer payments. Considerations that the Company has the right to collect for commodities transferred or services provided to customers (and such right depends on other factors than passing of time) are presented as contract assets. The contract assets and contract liabilities under the same contract are presented in net amount. The Company separately presents the right possessed to collect consideration from customers unconditionally (only depending on the passing of time) as accounts receivable.

(2) Determination method and accounting treatment method for the expected credit loss of contract assets

For the determination method and accounting treatment method for the expected credit loss of contract assets, refer to this section Financial Report - V. Significant Accounting Policies and Accounting Estimates - 10. Financial instruments.

17. Contract costs

The contract costs comprise the contract performance cost and the cost to obtain a contract.

The costs incurred by the Company for contract performance which fall outside the scope of the enterprise accounting standards such as inventories, fixed assets or intangible assets will be identified as an asset of the contract performance costs upon satisfying all of the following conditions:

- The costs are directly related to one existing contract or one contract that is expected to be obtained.
- The costs enrich the Company's resources for future contract performance.
- The costs are estimated to be recovered.

The incremental costs which are incurred by the Company to obtain the contract and are expected to be recovered will be identified as an asset of the costs to obtain a contract.

The assets related to the contract costs will be amortized on the same basis for recognition of the income from commodities or services related to the assets; but if the amortization period of the costs to obtain the contract is no more than 1 year, the Company will include such costs in the current profit or loss once occurred.

In case that the book value of assets related to contract costs is higher than the difference between the two items below, the Company will accrue the impairment provision for the extra part, and recognize that part as impairment loss:

- (1) Estimated residual consideration to be obtained from transfer of commodities or services related to the assets;
- (2) Estimated costs incurred from transfer of relevant commodities or services.

If the factors for impairment in the previous periods are subsequently changed, making the aforesaid difference higher than the book value of the assets, the Company will reverse the accrued impairment provision and include it in the current profit or loss, provided that the book value of the reversed assets does not exceed the book value of the assets without impairment provision accrued on such date of reversal.

18. Holding assets for sale

An asset of which the book value is recovered mainly through sale (including exchange of non-monetary asset of a commercial nature) rather than non-continuous use of a non-current asset or disposal group is classified as a holding asset for sale.

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.

If the book value of the non-current assets (excluding financial assets, deferred income tax assets, and assets to constitute payroll payable) or disposal groups classified as holding for-sale assets is higher than the net amount after deducting the selling expenses from the book value, the book value will be written down to the net amount after deducting the selling expenses from the fair value, and the amount written down will be recognized as the impairment

loss of assets and included in the current profit or loss. At the same time, the impairment provision for holding for-sale assets will be accrued.

19. Long-term equity investment

(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 the long-term equity investment in the subsidiaries arising from business combination involving entities under common control, the initial investment cost of the long-term equity investment is 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 combination. The share premium in the capital reserve shall be adjusted according to the difference between the initial investment cost of the long-term equity investment and the carrying amount of the consideration paid; if the share premium in the capital reserve is insufficient to offset, the retained earnings shall be adjusted. In connection with imposing control over the investee under common control as a result of additional investment and other reasons, the share premium shall be adjusted according to the difference between the initial investment cost of the long-term equity investment as recognized by the above principle and the carrying value of the 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. If the share premium is insufficient for write-down, the retained earnings shall be offset.

For the long-term equity investment in the subsidiaries arising from 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 investment. In connection with imposing control over the investee not under common control as a result of additional investment and other reasons, the initial investment cost shall be the sum of the book value of the equity investment originally held and the newly increased initial investment cost.

② Long-term equity investments acquired by the means other than business combination

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.

(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, unless the investment meets the conditions for holding for sale. 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' 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 the 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 the profit or loss for the current period. At the same time, the cost of the long-term equity investment shall be adjusted.

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 book value of long-term equity investment; The book 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 in the owner's equity except for net profits and losses, other comprehensive income and profit distributions of the investee (hereinafter referred to as "Changes in Other Owner's Equity"), the book value of the long-term equity investment shall be adjusted and included in owner's equity.

When determining the amount of proportion of net profit or loss, other comprehensive income and other changes in the owner's equity in the investee which it entitles, the 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 and other comprehensive income of the investee. The unrealized profit or loss resulting from transactions between the Company and its associates or joint venture shall be eliminated in proportion to the investor's equity interest of investee, based on which investment income or loss shall be recognized, except for those assets invested or sold constituting a business. Any losses resulting from transactions, which are attributable to impairment of assets, shall be fully recognized.

The net loss incurred by the Company to the joint ventures or affiliates is capped when the carrying amount of long-term equity investment and the long-term equity that substantially constitutes the net investment in the joint ventures or affiliates have been wrote down to zero, except to the extent that the Company has an additional loss obligation. If the joint ventures or affiliates later realize net profit, the Company will resume recognition of the income share after the income share makes up the unrecognized loss share.

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.

If the remaining equity is still subject to the equity method in partial disposal of the long-term equity investment under the equity method, other comprehensive income recognized in the original equity investment shall be carried forward at the appropriate proportion on the same basis used by the investee for direct disposal of relevant assets or liabilities, and other changes in the owner's equity shall be carried forward into the current profit or loss at the appropriate proportion.

When losing the control or material influence over the investee due to disposal of the equity investment and other reasons, other comprehensive income recognized in the original equity investment due to adoption of the equity method shall be subject to accounting treatment on the same basis used by the investee for direct disposal of relevant assets or liabilities when ceasing to use the equity method, and other changes in the owner's equity shall be carried forward into the current profit or loss in full when ceasing to use the equity method.

If the control over the investee is lost due to partial disposal of the equity investment and other reasons, and if the remaining equities can exercise common control or material influence over the investee in preparing the individual financial statements, the remaining equities shall be accounted by the equity method and shall be adjusted as if such remaining equities have been accounted for under the equity method since they are obtained. Other comprehensive income recognized before the control over the investee is obtained shall be carried forward pro rata on the same basis used by the investee for direct disposal of relevant assets or liabilities, and other changes in the owner's equity recognized under the equity method shall be carried forward into the current profit or loss pro rata. The remaining

equities which cannot exercise common control or material influence over the investee shall be recognized as financial assets, and the difference between their fair value and book value on the date when the control is lost shall be included in the current profit or loss. Other comprehensive income recognized and other changes in the owner's equity recognized before the control over the investee is obtained shall be carried forward in full.

If the disposal of the equity investment in the subsidiaries through multiple transactions until loss of the control is a package deal, each transaction shall be subject to accounting treatment as a transaction to dispose of the equity investment in the subsidiaries and to lose the control; the difference between the price for each disposal before loss of the control and the book value of the long-term equity investment of the equity disposed of shall be first recognized as other comprehensive income in the individual financial statements and shall then be carried forward to the profit or loss for the very period when the control is lost. If it is not a package deal, each transaction shall be subject to accounting treatment.

20. Investment property

Investment property refers to the real estate held to generate rental income or capital appreciation, or both, including leased land use rights, land use rights held for transfer after appreciation, and leased buildings (including buildings that are leased after completion of self-construction or development activities and buildings in construction or development that are used for rental in the future).

The Company adopts the cost mode to measure the existing investment property. The subsequent expenditure related to the investment property will be included in the cost of the investment property when relevant economic benefits are likely to flow in and costs can be measured reliably, or otherwise be included in the current profit or loss when occurred. 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.

21. Fixed assets

(1) Recognition criteria

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. The fixed assets are initially measured at cost (with the impact of predicted discard expense taken into account). The subsequent expenditure related to the fixed assets will be included in the cost of the fixed assets when the economic benefits in connection therewith are likely to flow in and costs can be measured reliably; the book value of the replaced part will be derecognized; all other subsequent expenditure will be included in the current profit or loss when occurred.

(2) Methods for depreciation

Category	Depreciation method	Useful lives of depreciation	Residual Ratio	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%
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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.

(3) Disposal of fixed assets

When fixed assets are disposed of or when no economic benefits can be expected through use or disposal thereof, such fixed assets will be derecognized. The income from disposal of the fixed assets through sale, transfer, scrapping or damage with the book value thereof and relevant taxes deducted is included in the current profit or loss.

22. Projects under construction

The projects under construction are measured at the actual cost. The actual cost comprises the building cost, installation cost, borrowing cost qualified for capitalization and other necessary expenditures incurred to bring the projects under construction to the conditions before they are made ready for the intended use. The projects under construction will be converted into fixed assets when they are ready for intended use and will be depreciated from the next month on.

23. Borrowing costs

(1) Criteria for recognition of capitalized borrowing costs

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.

(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 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.

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.

(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.

During the capitalization, the difference between the principal and interest of special borrowings in foreign currency shall be capitalized and included in the cost of assets qualified for capitalization. The difference between the principal and interest of the borrowings in foreign currency other than the special borrowings in foreign currency shall be included in the current profit or loss.

24. Intangible assets

(1) Valuation method, service life, impairment test

1) 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.

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.

2) Estimation of service life of the intangible assets with limited service life

Item	Estimated useful lives	Basis
Land use rights	40 or 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 and is subject to adjustment as necessary.

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

3) 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

1) 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.

2) Specific condition for capitalizing expenditure during the development phase

Expenses in the research phase are recorded into the profits and losses for the current period when they occur. The expenses in the development phase are recognized as intangible assets if the following conditions are fulfilled, and are included in the current profit or loss if following conditions are not 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 research phase and expenses in the development phase cannot be distinguished, all the expenses incurred for R&D are included in the current profit or loss. The costs of intangible assets generating from internal development activities only include total expenditures from the time point when the conditions for capitalization are met to the time when the intangible assets are ready for their intended use. No adjustment will be made further for any expenditure that has been included in expense and recognized in profit or loss before the same intangible asset has met the conditions for capitalization in the development phase.

25. Impairment of long-term assets

Long-term assets, such as long-term equity investment, investment properties that are measured at cost, fixed assets, construction in progress, intangible assets with limited service life and oil and gas assets 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 book value, a provision for impairment and an impairment loss are recognized for the amount by which the asset's book value 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.

For the goodwill arising from business combination, intangible assets with uncertain service life, and intangible assets which are not ready for intended use, impairment test shall be conducted at least at the end of each year, regardless of whether there are signs of impairment or not.

When the Company carry out impairment test to goodwill, the Company shall, as of the purchasing day, allocate on a reasonable basis the book 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. Relevant asset groups or the sets of asset groups mean those can benefit from the synergy of business combination.

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 book value so as to recognize the corresponding impairment loss. An impairment test will be made on the asset groups or sets of asset groups containing goodwill to compare the book value of these asset groups or sets of asset groups with the recoverable amount. Where the recoverable amount is lower than the book value, the amount of impairment loss shall set off and be apportioned to the book value of the goodwill in the asset groups or sets of asset groups, and then set off the book value of other assets pro rata according to the proportion of the book value of other assets other than the goodwill in the asset groups or sets of asset groups. Once the above asset impairment loss is recognized, it will not be reversed in the subsequent accounting periods.

26. Long-term deferred expenses

Long-term deferred expenses are expenses which have occurred but will benefit over 1 year and shall be amortized over the current period and subsequent periods, and mainly consist of improvement expenditure of fixed assets leased. Long-term deferred expenses are amortized evenly by installments over the estimated benefit period.

27. Contract liabilities

The Company lists contract assets or contract liabilities in the balance sheet according to the relationship between performance obligations and customer payments. The Company lists the obligation to transfer commodities or offer services to customers for the consideration received or receivable from customers as contract liabilities. The contract assets and contract liabilities under the same contract are presented in net amount.

28. 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.

Employee compensation actually incurred by the Company will be included in the current profit or loss or relevant asset costs when actually incurred, in which non-monetary benefits will be measured at the fair value.

(2) Accountant arrangement method of retirement benefit plan

① Defined contribution plan

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. Besides, the Company also participated in the supplementary endowment insurance fund programs approved by relevant authorities. The Company conducts payment to local social insurance institutions according to certain proportion of employees' wages and corresponding expenditures are included in profit or loss for the period or relevant asset costs.

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) Accounting treatment of termination benefits

If the dismissal welfare is provided by the Company to employees, the employee compensation liabilities arising from the dismissal welfare shall be determined at the earliest of the following two, and included in the current profits and losses: When the company cannot unilaterally withdraw the dismissal welfare provided due to the termination of labor relations plan or layoff proposal; When the company determines the costs or expenses associated with the restructuring involving the payment of dismissal welfare.

29. Estimated liabilities

The Company shall recognize the obligations related to contingencies as estimated liabilities, when all of the following conditions are satisfied:

- (1) The obligation is a present obligation of the Company;
- (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.

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 expenses required have a successive range, 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; in other circumstances, the best estimate will be handled as follows, respectively:

- For the contingencies involving a single item, it will be determined according to the amount most likely to occur.
- For the contingencies involving several items, it will be 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 book value of the estimated liability.

The Company will review the book value of the estimated liabilities on the balance sheet date, and if there are concrete evidences that such book value cannot reflect the current best estimate, the book value will be adjusted according to the current best estimate.

30. Share-based payment

The Company's share-based payment refers to a transaction in which an enterprise determines the liabilities on the basis of equity instruments granting or bearing for the acquisition of service from its employees or other parties. The Company's share-based payment is equity-settled.

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. The share-based payment transactions vested immediately after the date of grant will be included in the relevant cost or expense based on the fair value of the equity instrument on the date of grant, and the capital reserve will be increased accordingly. For the services within the waiting period or the share-based payment transactions that may only be vested when the specified performance conditions are met after the date of grant, the Company will include the services obtained in the current period in relevant cost or expense and increase the capital reserve at the fair value on the date of grant according to the best estimate of the number of the exercisable equity instruments on each balance sheet date in the waiting period.

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 instruments vested are canceled during the waiting period, the Company will take the vested equity instruments canceled as accelerated exercise, and immediately include the amount to recognize during the waiting period in the current profit or loss. At the same time, the capital reserve will be recognized. 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.

31. Income

(1) Accounting policies for revenue recognition and measurement

If the Company performed the obligations in the contract, revenue shall be recognized when the customer acquires the right of control over relevant commodities or services. Acquisition of control over relevant commodities or services means gaining the ability to direct the use of such commodities or services and obtain nearly all the economic benefits therefrom.

If the contract contains two or more performance obligations, the Company shall apportion the transaction price to each individual performance obligation on the contract commencement date according to the relative proportion of the individual selling price of the commodities or services promised by each individual performance obligation. The Company measures the revenue according to the transaction price apportioned to each individual performance obligation.

The transaction price refers to the amount of consideration that the Company is expected to be entitled to collect due to the transfer of commodities or services to customers, excluding the payments collected on behalf of third parties and the payments expected to be returned to customers. The Company will determine the transaction price according to the contract provisions and its past practices, and may take into account the impact from the variable consideration, the major financing components in the contract, the non-cash consideration, the payable customer consideration and other factors when determining the transaction price. The Company shall determine the transaction price containing the variable consideration according to the amount not exceeding the amount by which the accumulative recognized revenue is much more unlikely to be significantly reversed when relevant uncertainties are eliminated. If there are major financing components in the contract, the Company shall determine the transaction price according to the

amount due assumed to be paid in cash when the customer acquires the control over the commodities or services, and shall amortize the difference between such transaction price and the contract consideration using the effective interest rate method during the contract period.

When one of the following conditions is met, it belongs to the performance obligation within a certain period of time, or otherwise it belongs to the performance obligation at a certain point of time:

- The customer acquires and consumes the economic benefits arising from the Company's performance while the company performs the contract.
- The customer can control the commodities in progress during the Company's performance.
- The commodities produced by the Company during the performance possess have irreplaceable usage, and the company has the right to collect payment for the performance part accumulated so far during the entire contract period.

For the performance obligations performed within a certain period of time, the Company shall recognize the revenue according to the performance progress within that period of time, except that the performance progress cannot be reasonably determined. The Company will determine the performance progress through the output or input method by taking into account the nature of commodities or services. If the performance progress cannot be reasonably recognized and the costs incurred are expected to be compensated, the Company will recognize the revenue according to the amount of costs incurred until the performance progress can be reasonably recognized.

For the performance obligations performed at a certain point of time, the Company will recognize the revenue when the customer acquires the right of control over relevant commodities or services. While determining whether the customer has acquired the control over the commodities or services, the Company shall take the following into consideration:

- The Company has the current collection right for the such commodities or services, that is, the customer has the current payment obligation for such commodities or services.
- The Company has transferred the legal title of such commodities to the customer, that is, the customer already has the legal title of such commodities.
- The Company has transferred the physical commodities to the customer, that is, the customer has possessed the physical commodities.
- The Company has transferred the major risks and rewards of the commodity title to the customer, that is, the customer has acquired the major risks and rewards of the commodity title.
- The customer has accepted such commodities or services.

(2) The specific principles are as below:

① Principle for recognizing revenue from the domestic sales of 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 evidence proving the client's receipt of goods.

② Principle for recognizing revenue from the overseas sales of 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.

Difference in the accounting policies for revenue recognition arising from different business models of the same kind of business

N/A

32. Government subsidies

(1) Type

Government grants are monetary assets and non-monetary assets acquired by the Company from the government free of charge. Government grants are classified into government grants related to assets and government grants related to revenue.

Government grants related to assets refer to government grants acquired by the Company for the purpose of purchasing or constructing or otherwise forming long-term assets. Government grants related to revenue refer to the government grants other than those related to assets.

(2) Confirmation of time point

Government grants related to assets will be measured at the actual amount of money received at the time of receipt. The assets (bank deposits) and deferred income shall be period by period included in the profits and losses of the current period in a reasonable and systematic manner from the time the assets are available for use (those related to the Company's daily activities shall be included in other income; those unrelated to the Company's daily activities shall be recognized as non-operating income). 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.

For government grants related to revenue, they will be recognized as profit and loss of the current period according to the amount receivable for government grants obtained under fixed quota standards, otherwise, they will be recognized as profit and loss of the current period when it is actually received.

(3) Accounting treatment

Government grants related to assets shall write off the book value of relevant assets or be recognized as deferred income. When recognized as deferred income, the government grant related to assets will be period by period credited to the profits and losses of the current period in a reasonable and systematic manner within the service life of relevant assets (those related to the Company's daily activities shall be recognized as other income; those unrelated to the Company's daily activities shall be recognized as non-operating income).

The revenue-related government grants shall be recognized as deferred income if they are used to compensate relevant expenses or losses in subsequent periods, and they shall be included in profit and loss of the current period (those related to Company's routine activities shall be included in other income; those unrelated to the Company's routine activities shall be included in non-operating income) or used to offset relevant expenses or losses during the recognition of related expenses or losses; the grants used to compensate related expenses or losses incurred shall be included in profit and loss of the current period (those related to Company's routine activities shall be included in other income; those unrelated to the Company's routine activities shall be included in non-operating income) or used to offset relevant expenses or losses.

The policy-oriented concessional loan discount interests obtained by the Company will be subject to accounting treatment in the following two circumstances:

① Where the finance allocates the discount interest funds to the lending bank, and the lending bank provides loans to the Company at the policy preferential interest rate, the Company will take the actually received loan amount as the entry value of the loan, and the relevant borrowing costs shall be calculated according to the loan principal and the policy preferential interest rate.

② If the finance directly allocates the discount interest funds to the Company, the Company will set off the corresponding discount interest against the relevant borrowing costs.

33. Deferred income tax assets / deferred income tax liabilities

Income tax comprises current income tax and deferred income tax. Except for the income taxes arising from the business combination and the transactions or matters that are directly included in the owner's equity (including other comprehensive income), the Company will include the current income tax and deferred income tax into the current profit or loss.

Deferred income tax assets and deferred income tax liabilities will be calculated and recognized according to the difference (temporary difference) between the tax basis and the book value of assets and 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 where deferred income tax assets and liabilities are not recognized include:

- Initial recognition of the goodwill;
- Transactions or matters other than business combinations and neither profit nor taxable income (or deductible loss) will be affected when transactions occur.

Taxable temporary difference related to investment in the subsidiaries, affiliates and joint ventures will be recognized as deferred income tax liabilities, unless the Company can control the time to reverse such temporary difference and such temporary difference is much more unlikely to be reversed in the predictable future. Deductible temporary difference related to investment in the subsidiaries, affiliates and joint ventures will be recognized as deferred income tax assets when such temporary difference is much more likely to be reversed in the predictable future and is much more likely to be obtained to deduct the taxable income of the deductible temporary difference.

On the balance sheet date, the deferred income tax assets and the deferred income tax liabilities will be measured at the tax rate applicable during the recovery of relevant assets or payment of relevant liabilities as expected according to the provisions of the tax law.

On the balance sheet date, the Company will review the book value of the deferred income tax assets. If no sufficient taxable income is likely to be obtained to offset the benefits of deferred income tax assets in the future, the book value of deferred income tax assets shall be written down. The amount written down shall be reversed when it is likely to obtain sufficient taxable income.

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.

On the balance sheet date, the deferred income tax assets and the deferred income tax liabilities will be presented by the net amount after offsetting when the following conditions are fulfilled:

- The taxpayer is granted the legal rights of net settlement of current income tax assets and current income tax liabilities;

- 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.

34. Lease

Lease means the contract by which the lessor transfers the right to use the assets to the lessee for a given period to obtain the consideration. On the commencement of the contract, the Company will assess whether the contract is a lease or contains the lease. If a party to the contract conveys the right to control the use of one or more identified assets for a given period to obtain a consideration, this contract is a lease or contains the lease.

If a contract contains several individual leases, the Company will split the contract and conduct accounting treatment of each individual lease separately. If a contract contains both lease and non-lease, the lessee and the lessor will split the lease and non-lease parts.

(1) The Company as a lessee

① Right-of-use assets

The Company recognizes the right-to-use assets for the lease other than short-term lease and low-value asset lease on the commencement of the lease term. The right-to-use assets are initially measured at cost which includes:

- Initial measurement amount of lease liabilities;
- The lease payment paid on or before the commencement of the lease term; if there are lease incentives, the relevant amount of lease incentives enjoyed shall be deducted;
- Initial direct cost incurred by the Company;
- The estimated costs incurred by the Company for dismantling and removing the leased asset, restoring the site where the leased asset is located or restoring the leased asset to the state agreed in the lease terms, but excluding the cost incurred to produce the inventory.

The Company will depreciate the right-to-use assets through the straight-line method. If it can be reasonably recognized that the title of the leased asset is acquired at the expiration of the lease term, the Company shall accrue depreciation within the remaining service life of the leased asset; or otherwise, the leased asset shall be depreciated within the shorter of the lease term and the remaining service life of the leased asset.

The Company will determine whether the right-of-use assets are impaired and conduct accounting treatment over the identified impairment loss according to the principles set out in this section Financial Report - V. Significant Accounting Policies and Accounting Estimates - 25. Impairment of long-term assets.

② Lease liabilities

The Company recognizes the lease liabilities for the lease other than short-term lease and low-value asset lease on the commencement of the lease term. Lease liabilities shall be initially measured at the present value of the unpaid lease payments. Lease payments include:

- Fixed payment (including actual fixed payment), and if there are lease incentives, the relevant amount of lease incentives shall be deducted;
- Variable lease payment depending on the index or ratio;
- Predicted payment on the basis of the guaranteed residual value provided by the Company;
- Exercise price of the call option, provided that the Company will exercise such option, as reasonably determined;
- Payment for exercise of the lease termination option, provided that the lease term reflects the Company's future exercise of the lease termination option.

The interest rate implicit in lease is applied by the Company as the discount rate. If the interest rate implicit in lease cannot be reasonably determined, the Company's interest rate on incremental borrowings is applied as the discount rate.

The Company shall calculate the interest expense of the lease liabilities during each period of the lease term at a fixed periodic interest rate and include it in the current profit or loss or relevant asset cost.

The variable lease payment which is not included in the measurement of lease liabilities shall be included in the current profit or loss or relevant asset cost when actually incurred.

If any of the following circumstances happens on commencement of the lease term, the Company will remeasure the lease liabilities and adjust the corresponding right-of-use assets, and if the book value of the right-of-use assets has been reduced to zero, but the lease liabilities still need to be further reduced, the difference shall be included in the current profit or loss:

- When the assessment result of the call option, renewal option or termination option is changed or the actual exercise of the aforesaid option is inconsistent with the original assessment result, and the Company remeasures the lease liabilities at the present value worked out according to the changed lease payment and the revised discount rate;
- When there are changes in the actual fixed payment, the estimated payable amount of guaranteed residual value, or the index or ratio applied to determine the amount of lease payments, the Company remeasures the lease liabilities at the present value worked out according to the changed lease payment and the original discount rate. If the change in the lease payment originates from the change in the floating interest rate, the present value will be calculated using the revised discount rate.

③ Short-term lease and low-value asset lease

The Company chooses not to recognize the right-of-use assets and lease liabilities for the short-term lease and low-value asset lease, and records relevant lease payment into the current profit or loss or relevant asset cost according to the straight-line method in each period of the lease term. Short-term lease means the lease of no more than 12 months and excluding the call option on the commencement of the lease term. Low-value asset lease means a lease of lower value when the single leased asset is brand-new. If the Company sublets or is expected to sublet the leased assets, the original lease is not a low-value asset lease.

④ Lease change

If the lease is changed and meets all of the following conditions, the Company will conduct accounting treatment with respect to such lease change as a single lease:

- Such lease change has expanded the scope of lease by adding the right to use one or more leased assets;
- The increased consideration and the separate consideration for the expanded part of the scope of lease shall be equivalent to the amount adjusted according to this contract.

If the lease change is not subject to accounting treatment as a single lease, on the effective date of the lease change, the Company will re-apportion the consideration of the changed contract, re-determine the lease term and remeasure the lease liabilities at the present value worked out according to the changed lease payment and the revised discount rate.

If the lease change results in narrower scope of lease or shorter lease term, the Company will reduce the book value of the right-of-use assets accordingly, and will include relevant gain or loss from partial or full termination of the lease in the current profit or loss. If other lease changes result in re-measurement of the lease liabilities, the Company will adjust the book value of the right-to-use assets accordingly.

(2) The Company as a lessor

On commencement of the lease term, the Company will divide the lease into financial lease and operating lease.

Financial lease means the lease that has substantially transferred almost all the risks and rewards related to the title of

the leased assets, whether or not the title will be finally transferred. Operating lease means any lease other than financial lease. When the Company serves as a lessor of the sublease, the sublease will be classified on the basis of the right-to-use assets resulting from the original lease.

① Accounting treatment of operating lease

The lease receipts for the operating lease will be recognized as the rental income according to the straight-line method during each period of the lease term. The initial direct fee related to the operating lease to be incurred by the Company will be capitalized and will be apportioned and included in the current profit or loss on the same basis as that for recognition of the rental income in the lease term. The variable lease payments that are not included in the lease receipts shall be included in the current profit or loss when they actually occur. In case of a change to the operating lease, the Company will conduct accounting treatment with respect to the changed operating lease as a new lease as of the effective date of the change, and the lease payments received in advance or receivable with respect to the lease before the change will be taken as the lease receipts for the new lease.

② Accounting treatment of financial lease

On the commencement of the lease term, the Company will recognize the financial lease receivables for the financial lease, and derecognize the financial lease assets. The Company will take the net lease investment as the entry value of the financial lease receivables when initially measuring the financial lease receivables. The net lease investment is the sum of the unguaranteed residual value and the present value of the unreceived lease receipts discounted according to the interest rate implicit in the lease on the commencement of the lease term.

The Company will calculate and recognize the interest income during each period of the lease term at a fixed periodic interest rate. The derecognition and impairment of the financial lease receivables will be subject to accounting treatment according to this section Financial Report - V. Significant Accounting Policies and Accounting Estimates - 10. Financial instruments.

The variable lease payments that are not included in the measurement of the net lease investment shall be included in the current profit or loss when they actually occur.

If the financial lease is changed and meets all of the following conditions, the Company will conduct accounting treatment with respect to such change as a single lease:

- Such change has expanded the scope of lease by increasing the right to use one or more leased assets;
- The increased consideration and the separate consideration for the expanded part of the scope of lease shall be equivalent to the amount adjusted according to this contract.

If the change in the financial lease is not subject to accounting treatment as a single lease, the Company will treat the changed lease in the following circumstances:

- If the change takes effect on commencement of the lease term and the lease is classified as operating lease, the Company will conduct accounting treatment with respect to such lease as a new lease as of the effective date of the lease change, and will take the net lease investment before the effective date of the lease change as the book value of the leased asset;
- If the change takes effect on the commencement of the lease term, and such lease is classified as the financial lease, the Company will conduct accounting treatment according to the policy regarding modification or re-negotiation of the contract in this section Financial Report - V. Significant Accounting Policies and Accounting Estimates - 10.

Financial instruments.

(3) Sale and leaseback transaction

The Company evaluates and determines whether the asset transfer in the sale and leaseback transaction belongs to a sale in accordance with the provisions of the this section Financial Report - V. Significant Accounting Policies and Accounting Estimates - 31. Income.

① The Company as a lessee

If the asset transfer in the sale and leaseback transaction is a sale, the Company as the lessee shall measure the right-of-use asset arising from the sale and leaseback according to the part related to the right of use acquired from the leaseback in the original book value of the asset, and only recognize relevant gain or loss on the rights transferred to the lessor; if the asset transfer in the sale and leaseback transaction is not a sale, the Company as the lessee shall continue to recognize the transferred asset, and recognize a financial liability equal to the transfer income. For accounting treatment of the financial liabilities, refer to this section Financial Report - V. Significant Accounting Policies and Accounting Estimates - 10. Financial instruments.

② The Company as a lessor

If the asset transfer in the sale and leaseback transaction is a sale, the Company as the lessee shall conduct accounting treatment with respect to the asset purchase and conduct accounting treatment with respect to the asset lease according to the policy in the foregoing "2. The Company as a lessor"; if the asset transfer in the sale and leaseback transaction is not a sale, the Company as the lessor shall derecognize the transferred asset, but recognize a financial asset equal to the transfer income. For accounting treatment of the financial assets, refer to this section Financial Report - V. Significant Accounting Policies and Accounting Estimates - 10. Financial instruments.

35. Other significant accounting policies and accounting estimates

(1) Termination of operation

Termination of business is a separately distinguishable constituent part that satisfies one of the following conditions and that has been disposed of or classified by the Company as held for sale:

- ① This constituent part represents an independent primary business or a separate principal operating area;
- ② This constituent part is part of an associated plan to dispose of for an independent primary business or a separate principal operating area;
- ③ This constituent part is a subsidiary acquired for resale.

The profit or loss from going concern and the profit or loss from discontinued operation will be separately presented in the income statement. The operating profit or loss and the profit or loss from disposal, including impairment loss and reversed amount from discontinued operation, will be presented as the profit or loss from discontinued operation. For the discontinued operation presented in the current period, the Company will present the information previously presented as the profit or loss from going concern as the profit or loss from discontinued operation during the comparable accounting period.

(2) Repurchase of the Company's shares

The Company's shares repurchased by the Company for reducing the registered capital or rewarding employees shall be treated as the treasury shares based on the actual amount paid, and shall be checked and registered at the same time. If the repurchased shares are canceled, the difference between the actual amount paid for the repurchase and the total par value of shares calculated by the par value of the canceled shares and the number of canceled shares will write off the capital reserve. If the capital reserve is insufficient, the retained income will be written off; if the repurchased shares are awarded to the employees of the Company, it shall be categorized as equity-settled share-based payment. When the Company receives the payment made by employees who exercise their rights to purchase such shares, the amount shall be used to write off the cost of treasury shares delivered to employees and the capital reserve in the waiting period and meanwhile, the capital reserve (stock premium) shall be adjusted according to the difference.

36. 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

Tax Type	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	13%, 9%, 6%, simple collection rate of 5%, simple collection rate of 3%, 0% and tax-free
Urban Maintenance and Construction Tax	Actually paid turnover tax	7%, 5%
Enterprise Income Tax	Taxable income	15%, 16.5%, 20%, 25%
Education Surcharges	Actually paid turnover tax	3%
Local Education Surcharges	Actually paid turnover tax	2%

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 Huachuang Vision Technology Co., Ltd.	15%
Zhejiang HuaRay Technology Co., Ltd.	15%
Zhejiang Huaxiao Technology Co., Ltd.	15%
Xinjiang Dahua Zhixin Information Technology Co., Ltd.	15%
Xinjiang Dahua Zhihe Information Technology Co., Ltd.	15%
Xinjiang Dahua Zhitian Information Technology Co., Ltd.	15%
Xinjiang Dahua Huayue Information Technology Co., Ltd.	15%
Xinjiang Dahua Xinzhi Information Technology Co., Ltd.	15%
Inner Mongolia Dahua Zhimeng Information Technology Co., Ltd.	15%
Guangxi Dahua Zhicheng Co., Ltd.	15%
Zhejiang Huafei Intelligent Technology Co., Ltd.	15%
Guizhou Meitan Dahua Information Technology Co., Ltd.	15%
Zhejiang Dahua Ju'an Technology Co., Ltd.	20%
Yiwu Huaxi Technology Co., Ltd.	20%
Guangxi Dahua Technology Co., Ltd.	20%
Shanghai Huashang Chengyue Information Technology Service Co., Ltd.	20%
Beijing Huayue Shangcheng Information Technology	20%

Service Co., Ltd.	
Zhejiang Dahua Storage Technology Co., Ltd.	20%
Zhejiang Huakong Software Co., Ltd.	20%
Yunnan Zhili Technology Co., Ltd	20%
Guizhou Dahua Information Technology Co., Ltd.	20%
Dahua Technology (HK) Limited	16.5%
Hangzhou Xiaohua Technology Co., Ltd.	20%
Zhejiang Dahua Intelligent IoT Operation Service Co., Ltd.	20%
Chengdu Zhichuang Yunshu Technology Co., Ltd.	20%
Chengdu Huishan Smart Network Technology Co., Ltd.	20%
Guizhou Huayi Shixin Technology Co., Ltd.	20%
Zhejiang Zhoushan Digital Development Operation Co. Ltd.	20%
Tianjin Dahua Information Technology Co., Ltd.	20%
Yibin Huahui Information Technology Co., Ltd.	20%
Other domestic companies	25%
Other overseas companies	Applicable to local tax rate

2. Preferential tax rate

(1) According to the Reply on the Filing of the First Batch of High-tech Enterprises in Zhejiang Province in 2020 (Guo Ke Huo Zi [2020] No. 251) issued by the Office for the Administration of the Certification of National High-tech Enterprises on December 29, 2020, the Company was certified as a high-tech enterprise, valid for 3 years. The corporate income tax for this year was reduced to a rate of 15%.

(2) According to the Reply on the Filing of High-tech Enterprises in Zhejiang Province in 2019 (Guo Ke Huo Zi [2020] No.32) issued by the Office for the Administration of the Certification of National High-tech Enterprises on January 20, 2020, our subsidiary Zhejiang Dahua System Engineering Co., Ltd. was certified as a high-tech enterprise, valid for 3 years. The corporate income tax for this year was reduced to a rate of 15%.

(3) According to the Announcement on the Filing of the First Batch of High-tech Enterprises of Zhejiang Province Certified in 2021 issued by the Office for the Administration of the Certification of National High-tech Enterprises on January 24, 2022, our subsidiary Zhejiang Huachuang Vision Technology Co., Ltd. was certified as a high-tech enterprise, valid for 3 years. The corporate income tax for this year was reduced to a rate of 15%.

(4) According to the Announcement on the Filing of the First Batch of High-tech Enterprises of Zhejiang Province Certified in 2021 issued by the Office for the Administration of the Certification of National High-tech Enterprises on January 24, 2022, our subsidiary Zhejiang HuaRay Technology Co., Ltd. was certified as a high-tech enterprise, valid for 3 years. The corporate income tax for this year was reduced to a rate of 15%.

(5) According to the *Announcement on the Filing of the First Batch of High-tech Enterprises of Zhejiang Province Certified in 2021* issued by the Office for the Administration of the Certification of National High-tech Enterprises on January 24, 2022, our subsidiary Zhejiang Huaxiao Technology Co., Ltd. was certified as a high-tech enterprise, valid for 3 years. The corporate income tax for this year was reduced to a rate of 15%.

(6) According to the *Reply on the Filing of the First Batch of High-tech Enterprises in Zhejiang Province in 2020* (Guo Ke Huo Zi [2020] No.251) issued by the Office for the Administration of the Certification of National High-tech Enterprises on December 29, 2020, our subsidiary Zhejiang Huafei Intelligent Technology Co., Ltd. was certified as a high-tech enterprise, valid for 3 years. The corporate income tax for this year was reduced to a rate of 15%.

(7) According to the *Announcement of the State Taxation Administration on Matters Concerning the Implementation of Preferential Income Tax Policies Supporting the Development of Small Low-Profit Enterprises and Individual Industrial and Commercial Households* (Announcement No.8/2021 of the State Taxation Administration), and the *Announcement*

of the Ministry of Finance and the State Taxation Administration on Further Implementing the Preferential Income Tax Policies for Micro and Small Enterprises (Announcement No.13/2022 of the Ministry of Finance and the State Taxation Administration), the annual taxable income of the following subsidiaries that is no more than RMB 1 million shall be reduced to 12.5% for tax purpose, and the enterprise income tax shall be paid at a rate of 20%; and the taxable income that is more than RMB 1 million but no more than RMB 3 million shall be reduced to 25% for tax purpose and the enterprise income tax shall be paid at a rate of 20%: Zhejiang Dahua Ju'an Technology Co., Ltd., Yiwu Huaxi Technology Co., Ltd., Guangxi Dahua Technology Co., Ltd., Shanghai Huashang Chengyue Information Technology Service Co., Ltd., Beijing Huayue Shangcheng Information Technology Service Co., Ltd., Zhejiang Dahua Storage Technology Co., Ltd., Zhejiang Huakong Software Co., Ltd., Yunnan Zhili Technology Co., Ltd, Guizhou Dahua Information Technology Co., Ltd., Hangzhou Xiaohua Technology Co., Ltd., Zhejiang Dahua Intelligent IOT Operation Service Co., Ltd., Chengdu Zhichuang Yunshu Technology Co., Ltd., Chengdu Huishan Smart Network Technology Co., Ltd., Guizhou Huayi Shixin Technology Co., Ltd., Zhejiang Zhoushan Digital Development Operation Co. Ltd., Tianjin Dahua Information Technology Co., Ltd. and Yibin Huahui Information Technology Co., Ltd.

(8) According to the document CaiShui [2011] No.58 by the Ministry of Finance, the State Administration of Taxation, and the General Administration of Customs and the Announcement [2020] No. 23 of the Ministry of Finance, the following subsidiaries can enjoy preferential tax policies related to the Development of the West Regions Program from 2011 to 2030: Xinjiang Dahua Zhixin Information Technology Co., Ltd., Xinjiang Dahua Zhihe Information Technology Co., Ltd., Xinjiang Dahua Zhitian Information Technology Co., Ltd., Xinjiang Dahua Huayue Information Technology Co., Ltd., Xinjiang Dahua Xinzhi Information Technology Co., Ltd., Inner Mongolia Dahua Zhimeng Information Technology Co., Ltd., Guangxi Dahua Zhicheng Co., Ltd. and Guizhou Meitan Dahua Information Technology Co., Ltd. The corporate income tax for this year was reduced to a rate of 15%.

VII. Notes to the Items in the Consolidated Financial Statement

1. Cash and bank balances

Unit: RMB

Item	Closing balance	Opening balance
Cash on Hand	6,183.21	23,443.62
Bank Balance	6,264,460,092.36	7,326,702,072.79
Other Cash and Bank Balances	346,220,563.30	404,277,268.36
Total	6,610,686,838.87	7,731,002,784.77
Including: Total Amount Deposited in Overseas Banks	968,348,614.62	1,237,766,508.87
The total amount restricted for use due to mortgage, pledge or freeze	87,638,514.43	96,491,171.83

The amount restricted for use due to mortgage, pledge or freeze:

Unit: RMB

Item	Closing balance	Balance at the end of the previous year
Bid/performance bond	81,775,643.37	78,754,709.42
Deposits for notes		13,583,198.60
Frozen funds	5,862,871.06	4,153,263.81

Total	87,638,514.43	96,491,171.83
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2. Trading Financial Assets

Unit: RMB

Item	Closing balance	Opening balance
Financial assets at fair value through profit or loss in this period	1,470,000.00	2,602,173.53
Including:		
Derivative Financial Assets		1,132,173.53
Financial products	1,470,000.00	1,470,000.00
Total	1,470,000.00	2,602,173.53

3. Notes Receivable

(1) Disclosure of Notes Receivable

Unit: RMB

Item	Closing balance	Opening balance
Bank Acceptance Notes	559,307,159.24	565,521,840.25
Commercial Acceptance Notes	247,631,807.18	274,339,722.10
Letter of Credit	3,532,349.68	
Total	810,471,316.10	839,861,562.35

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Accrued proportion		Amount	Percentage	Amount	Accrued proportion	
Notes Receivable with the Bad Debt Provision Accrued Based on Single Item	2,998,811.52	0.35%	2,998,811.52	100.00%		6,550,208.04	0.75%	6,550,208.04	100.00%	
Including:										
Commercial Acceptance Notes	2,998,811.52	0.35%	2,998,811.52	100.00%		6,550,208.04	0.75%	6,550,208.04	100.00%	
Notes	846,054	99.65%	35,582,	4.21%	810,471	872,390	99.25%	32,529,	3.73%	839,861

Receivable with the Bad Debt Provision Accrued Based on Combinations	,014.25		698.15		,316.10	,616.35		054.00		,562.35
Including:										
Bank Acceptance Notes	565,539,924.25	66.61%	6,232,765.01	1.10%	559,307,159.24	571,898,384.64	65.07%	6,376,544.39	1.11%	565,521,840.25
Commercial Acceptance Notes	276,981,740.32	32.62%	29,349,933.14	10.60%	247,631,807.18	300,492,231.71	34.18%	26,152,509.61	8.70%	274,339,722.10
Letter of Credit	3,532,349.68	0.42%			3,532,349.68					
Total	849,052,825.77	100.00%	38,581,509.67		810,471,316.10	878,940,824.39	100.00%	39,079,262.04		839,861,562.35

Bad debt provision based on single item 2,998,811.52

Unit: RMB

Name	Closing balance			
	Book balance	Bad debt provision	Accrued proportion	Reason for making bad debt provision
Commercial Acceptance Notes	2,998,811.52	2,998,811.52	100.00%	Funds expected to be unable to recover
Total	2,998,811.52	2,998,811.52		

Bad debt provision based on combinations 35,582,698.15

Unit: RMB

Name	Closing balance		
	Book balance	Bad debt provision	Accrued proportion
Bank Acceptance Notes	565,539,924.25	6,232,765.01	1.10%
Commercial Acceptance Notes	276,981,740.32	29,349,933.14	10.60%
Letter of Credit	3,532,349.68		
Total	846,054,014.25	35,582,698.15	

Please refer to the disclosing methods of other receivables for the information disclosure of bad debts provisions, if the bad debt provisions of notes receivable are made according to the general model of expected credit losses:

Applicable Not applicable

(2) Provision for bad debts accrued, recovered or reversed in this period

Provision for bad debts in the current period:

Unit: RMB

Category	Opening balance	Amount of Changes in the Current Period				Closing balance
		Accrued	Recovered or Reversed	Written Off	Others	
Bank Acceptance Notes	6,376,544.39		143,779.38			6,232,765.01
Commercial Acceptance Notes	32,702,717.65		353,972.99			32,348,744.66
Total	39,079,262.04		497,752.37			38,581,509.67

Significant amount of recovered or reversed bad debt provision in this period:

 Applicable Not applicable**(3) Notes receivable that the Company has pledged at the end of the period**

Unit: RMB

Item	Pledged amount by the end of period
Bank Acceptance Notes	442,343,632.01
Total	442,343,632.01

(4) Notes receivable that the Company has endorsed or discounted at the end of the period and that have not yet expired on the balance sheet date

Unit: RMB

Item	Derecognised amount at the end of period	Not derecognised amount at the end of period
Bank Acceptance Notes		40,721,891.12
Commercial Acceptance Notes		9,960,634.00
Total		50,682,525.12

(5) Notes that are converted by the Company into accounts receivable at the end of the period for non-performance of the drawer

Unit: RMB

Item	Amount Converted into Accounts Receivable at the End of the Period
Commercial Acceptance Notes	29,230,888.64
Total	29,230,888.64

4. Accounts Receivable**(1) Categorical disclosure of accounts receivable**

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Accrued proportion		Amount	Percentage	Amount	Accrued proportion	
Accounts receivables with the bad debt provision accrued based on single item	590,976,109.56	3.28%	590,976,109.56	100.00%		587,384,495.64	3.40%	587,384,495.64	100.00%	
Including:										
Accounts receivable with insignificant single amount but accrued for separate provision of bad debt	590,976,109.56	3.28%	590,976,109.56	100.00%		587,384,495.64	3.40%	587,384,495.64	100.00%	
Accounts receivables with the bad debt provision accrued based on combinations	17,425,091,106.88	96.72%	2,233,435,046.41	12.82%	15,191,656,060.47	16,675,212,796.56	96.60%	2,020,722,153.07	12.12%	14,654,490,643.49
Including:										
Portfolio 2:	17,425,091,106	96.72%	2,233,435,046.	12.82%	15,191,656,060	16,675,212,796	96.60%	2,020,722,153.	12.12%	14,654,490,643

Aging Analysis Portfolio	.88		41		.47	.56		07		.49
Total	18,016,067,216.44	100.00%	2,824,411,155.97		15,191,656,060.47	17,262,597,292.20	100.00%	2,608,106,648.71		14,654,490,643.49

Bad debt provision based on single item: 590,976,109.56

Unit: RMB

Name	Closing balance			
	Book balance	Bad debt provision	Accrued proportion	Reason for making bad debt provision
Customer 1	260,153,530.00	260,153,530.00	100.00%	Expected to be unable to recover
Customer 2	225,140,645.36	225,140,645.36	100.00%	Expected to be unable to recover
Customer 3	51,153,304.28	51,153,304.28	100.00%	Expected to be unable to recover
Customer 4	35,738,376.92	35,738,376.92	100.00%	Expected to be unable to recover
Customer 5	18,790,253.00	18,790,253.00	100.00%	Expected to be unable to recover
Total	590,976,109.56	590,976,109.56		

Bad debt provision based on combinations: 2,233,435,046.41

Unit: RMB

Name	Closing balance		
	Book balance	Bad debt provision	Accrued proportion
Within 1 year (including 1 year)	13,403,137,649.39	670,156,882.40	5.00%
1 to 2 years	1,624,807,349.09	162,480,734.91	10.00%
2 to 3 years	814,476,534.68	244,342,960.40	30.00%
3 to 4 years	710,717,008.13	355,358,504.07	50.00%
4 to 5 years	354,283,004.82	283,426,403.86	80.00%
5 years or above	517,669,560.77	517,669,560.77	100.00%
Total	17,425,091,106.88	2,233,435,046.41	

Please refer to the disclosing methods of other receivables for the information disclosure of bad debts provisions, if the bad debt provisions of accounts receivable are made according to the general model of expected credit losses:

Applicable Not applicable

Disclosure by age

Unit: RMB

Aging	Closing balance
Within 1 year (including 1 year)	13,403,179,001.25
1 to 2 years	1,651,589,066.91
2 to 3 years	823,304,888.05
3 years or above	2,137,994,260.23
3 to 4 years	1,214,888,390.36
4 to 5 years	354,283,004.82

5 years or above	568,822,865.05
Total	18,016,067,216.44

(2) Provision for bad debts accrued, recovered or reversed in this period

Provision for bad debts in the current period:

Unit: RMB

Category	Opening balance	Amount of Changes in the Current Period				Closing balance
		Accrued	Recovered or Reversed	Written Off	Others	
Bad debt provision	2,608,106,648.71	224,421,053.62		8,629,143.68	512,597.32	2,824,411,155.97
Total	2,608,106,648.71	224,421,053.62		8,629,143.68	512,597.32	2,824,411,155.97

(3) Accounts receivable actually written off in this period

Unit: RMB

Item	Write-off amount
Accounts receivable actually written off	8,629,143.68

(4) Accounts receivable of the top five closing balances collected by debtors

The aggregate amount of the top five accounts receivable collected by the debtor at the end of the period is RMB 1,991,344,511.89, accounting for 11.05% of the total accounts receivable at the end of the period, with the aggregate amount of the corresponding provision for bad debts at the end of the period of RMB 443,373,238.94.

(5) Accounts receivable derecognized due to the transfer of financial assets

- 1) In accordance with the non-recourse purchase agreement on accounts receivables signed between the subsidiary Dahua Hong Kong and J.P.Morgan Chase in this period, the Company transferred the accounts receivables of USD 5,329,171.51 to J.P.Morgan Chase, amount to RMB 35,766,201.67. The amount of accounts receivables was derecognised after the transfer;
- 2) In accordance with the non-recourse purchase agreement on accounts receivables signed between the subsidiary Dahua Hong Kong and Banco Santander of Spain in this period, the Company transferred the accounts receivables of USD 11,369,786.82 to Banco Santander of Spain, amount to RMB 76,307,187.26. The amount of accounts receivables was derecognised after the transfer;
- 3) In accordance with the non-recourse purchase agreement on accounts receivables signed between the subsidiary Dahua USA and JPMorgan Chase in this period, the Company transferred the accounts receivables of USD 317,295.31 to J.P.Morgan Chase, amount to RMB 2,129,495.74. The amount of accounts receivables was derecognised after the transfer.
- 4) In accordance with the non-recourse purchase agreement on accounts receivables signed between the subsidiary Dahua Vision and Jinan Branch of China Merchants Bank Co., Ltd. in this period, the Company transferred the accounts receivables of RMB 1,230,000.00 to Jinan Branch of China Merchants Bank Co., Ltd. The amount of accounts receivables was derecognised after the transfer.

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

Unit: RMB

Item	The amount of assets that the Company still keeps recourse or retains part of corresponding rights or interests	The amount of liabilities that the Company still keeps recourse or retains part of corresponding rights or interests
Supply chain finance not derecognized	18,583,668.69	18,583,668.69
Total	18,583,668.69	18,583,668.69

5. Receivables Financing**(1) Disclosure of receivables financing**

Unit: RMB

Item	Closing balance	Opening balance
Bank Acceptance Notes	676,732,626.54	792,709,781.57
Total	676,732,626.54	792,709,781.57

The increase and decrease of accounts receivable financing in the current period and the changes in the fair value.

Applicable Not applicable

Please refer to the disclosing methods of other receivables for the information disclosure of depreciation provisions, if the depreciation provisions of accounts receivable financing are made according to the general model of expected credit losses:

Applicable Not applicable

(2) Receivables financing that the Company has pledged at the end of the period

Unit: RMB

Item	Pledged amount by the end of period
Bank Acceptance Notes	627,793,113.50
Total	627,793,113.50

(3) Receivable financing that the Company has endorsed or discounted at the end of the period and that have not yet expired on the balance sheet date

Unit: RMB

Item	Derecognised amount at the end of period	Not derecognised amount at the end of period
Bank Acceptance Notes	50,091,279.07	
Total	50,091,279.07	

6. Prepayments**(1) Aging analysis of prepayments is as follows**

Unit: RMB

Aging	Closing balance	Opening balance
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	Amount	Percentage	Amount	Percentage
Within 1 year	197,257,853.48	89.03%	150,234,638.63	87.84%
1 to 2 years	11,962,975.58	5.40%	14,193,274.00	8.30%
2 to 3 years	8,199,711.21	3.70%	4,364,375.43	2.55%
3 years or above	4,134,262.27	1.87%	2,241,758.59	1.31%
Total	221,554,802.54	--	171,034,046.65	--

(2) Advance payment of the top five closing balances by prepayment parties

The sum of the top five prepayments in the ending balance collected according to the concentration of prepaid objects is RMB 95,191,976.47, accounting for 42.97% of the total ending balance of prepayments.

7. Other Receivables

Unit: RMB

Item	Closing balance	Opening balance
Dividends Receivable	2,574,911.88	
Other Receivables	546,458,160.98	546,477,779.16
Total	549,033,072.86	546,477,779.16

(1) Dividends Receivable

1) Classification of Dividends Receivable

Unit: RMB

Project (or Invested Unit)	Closing balance	Opening balance
Intelbras S.A.	2,574,911.88	
Total	2,574,911.88	

2) Important dividends receivable with an age of more than 1 year

No important dividends receivable with an age of more than 1 year

3) Provision for bad debts

Applicable Not applicable

(2) Other receivables

1) Other receivables categorized by the nature of the funds

Unit: RMB

Nature of the funds	Closing balance	Opening balance
Deposits	203,507,714.07	184,675,342.15
Prepaid or advance expense	108,387,992.60	114,389,093.05
Equity Transfer Fund	228,000,000.00	228,000,000.00
Export tax rebate		941,680.81

Employee home loan	112,133,748.00	112,565,185.64
Others	431,427.23	9,088,852.20
Total	652,460,881.90	649,660,153.85

2) Provision for bad debts

Unit: RMB

Bad debt provision	Phase One	Phase Two	Phase Three	Total
	Expected credit losses in the next 12 months	Expected credit losses for the entire extension (without credit impairment)	Expected credit losses for the entire extension (with credit impairment)	
Balance on January 1, 2021	71,264,795.95	31,145,413.53	772,165.21	103,182,374.69
Balance in the Current Period on January 1, 2022				
--Transfer to phase two	-1,908,109.99	1,908,109.99		
--Transfer to phase three	-979.39	-24,967.93	25,947.32	
Provisions of this period		6,081,404.97	67,750.39	6,149,155.36
Reversals in this period	3,269,423.95			3,269,423.95
Write off in this period			104,665.00	104,665.00
Other variations	45,279.82			45,279.82
Balance as at June 30, 2022	66,131,562.44	39,109,960.56	761,197.92	106,002,720.92

Book balance changes with significant changes in loss provision in the current period

 Applicable Not applicable

Disclosure by age

Unit: RMB

Aging	Closing balance
Within 1 year (including 1 year)	228,006,955.71
1 to 2 years	312,154,135.34
2 to 3 years	50,863,076.05
3 years or above	61,436,714.80
3 to 4 years	19,129,867.90
4 to 5 years	18,718,064.30
5 years or above	23,588,782.60
Total	652,460,881.90

3) Provision for bad debts accrued, recovered or reversed in this period

Provision for bad debts in the current period:

Unit: RMB

Category	Opening balance	Amount of Changes in the Current Period				Closing balance
		Accrued	Recovered or Reversed	Written Off	Others	
Bad debt provision	103,182,374.69	6,149,155.36	3,269,423.95	104,665.00	45,279.82	106,002,720.92
Total	103,182,374.69	6,149,155.36	3,269,423.95	104,665.00	45,279.82	106,002,720.92

4) Accounts receivable actually written off in this period

Unit: RMB

Item	Write-off amount
Other accounts receivable actually written off	104,665.00

5) Other receivables of the top five closing balances collected by debtors

Unit: RMB

Name of Unit	Nature of the funds	Closing balance	Aging	As a percentage of total other receivables at the end of the period	Bad debt provision at the end of the period
Company 1	Equity Transfer Fund	76,000,000.00	1-2 years	11.65%	7,600,000.00
Company 2	Equity Transfer Fund	41,800,000.00	1-2 years	6.41%	4,180,000.00
Company 3	Equity Transfer Fund	25,650,000.00	1-2 years	3.93%	2,565,000.00
Company 4	Equity Transfer Fund	25,080,000.00	1-2 years	3.84%	2,508,000.00
Company 5	Equity Transfer Fund	24,320,000.00	1-2 years	3.73%	2,432,000.00
Total		192,850,000.00		29.56%	19,285,000.00

6) Accounts receivable not related to government subsidies

There are no other accounts receivable related to government subsidies.

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

There are no other accounts receivable derecognized due to the transfer of financial assets.

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

There are no assets and liabilities generated due to other transferred receivables that the Company still keeps recourse or retains part of corresponding rights or interests.

8. Inventory

(1) Categories of inventories

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for Impairment of Inventories or Provision for Impairment of Performance Cost	Book value	Book balance	Provision for Impairment of Inventories or Provision for Impairment of Performance Cost	Book value
Raw materials	2,177,374,523.19	54,709,861.72	2,122,664,661.47	2,352,908,447.73	33,667,646.69	2,319,240,801.04
Work-in-progress	1,212,095,262.16	22,133,011.88	1,189,962,250.28	1,153,151,247.13	20,375,437.77	1,132,775,809.36
Finished goods	2,958,986,371.21	87,218,961.74	2,871,767,409.47	3,047,677,900.85	86,872,409.00	2,960,805,491.85
Outsourced work-in-progress	308,797,827.34		308,797,827.34	397,219,186.57		397,219,186.57
Total	6,657,253,983.90	164,061,835.34	6,493,192,148.56	6,950,956,782.28	140,915,493.46	6,810,041,288.82

(2) Provision for impairment of inventories and provision for impairment of contract performance cost

Unit: RMB

Item	Opening balance	Increased in the current period		Decreased in the current period		Closing balance
		Accrued	Others	Reversals or write-offs	Others	
Raw materials	33,667,646.69	26,530,537.61		5,486,800.34	1,522.24	54,709,861.72
Work-in-progress	20,375,437.77	10,050,957.71		8,283,892.65	9,490.95	22,133,011.88
Finished goods	86,872,409.00	35,835,005.80		37,150,351.44	-1,661,898.38	87,218,961.74
Total	140,915,493.46	72,416,501.12		50,921,044.43	-1,650,885.19	164,061,835.34

9. Contract Assets

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Completed but unsettled assets	92,494,133.28	847,648.97	91,646,484.31	101,450,982.51	961,911.45	100,489,071.06
O&M service	27,580,732.99	275,807.33	27,304,925.66	6,135,599.16	61,355.99	6,074,243.17

Quality guarantee deposit	85,666,874.78	15,380,910.89	70,285,963.89	69,575,083.69	12,706,297.55	56,868,786.14
Total	205,741,741.05	16,504,367.19	189,237,373.86	177,161,665.36	13,729,564.99	163,432,100.37

Please refer to the disclosing methods of other receivables for the information disclosure of impairment provisions, if the impairment provisions of contract assets are made according to the general model of expected credit losses:

Applicable Not applicable

Provision for impairment accrued for contract assets in this period:

Unit: RMB

Item	Provisions of this period	Reversals in this period	Write-off in this period	Causes
Completed but unsettled assets		114,262.48		
O&M service	214,451.34			
Quality guarantee deposit	2,674,613.34			
Total	2,889,064.68	114,262.48		—

10. Non-current Assets Due within 1 Year

Unit: RMB

Item	Closing balance	Opening balance
Long-term accounts receivables due within 1 year	522,097,288.55	602,567,293.78
Total	522,097,288.55	602,567,293.78

Other notes:

The amount of long-term receivables due within 1 year pledged by the Company at the end of the period is RMB 29,656,721.39. See "VII. Notes to the Items in the Consolidated Financial Statement/62 Assets with Restricted Ownership Rights or Rights to Use" for details.

11. Other Current Assets

Unit: RMB

Item	Closing balance	Opening balance
Return cost receivable	7,080,471.51	24,964,365.85
Not deducted input tax	529,292,310.41	595,811,123.81
Prepaid enterprise income tax	44,391,302.86	40,343,125.22
National debt reverse repurchase		525,000,000.00
Issue expenses	5,721,033.05	4,467,259.46
Total	586,485,117.83	1,190,585,874.34

12. Long-term Receivables

(1) Long-term receivables

Unit: RMB

Item	Closing balance			Opening balance			Range of discount rate
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value	
Installment Payment for Selling Products	1,718,647,629.21		1,718,647,629.21	1,891,368,121.39		1,891,368,121.39	
Including: Unrealized Financing Income	248,587,961.02		248,587,961.02	291,382,982.77		291,382,982.77	3.69%-10.93%
Total	1,718,647,629.21		1,718,647,629.21	1,891,368,121.39		1,891,368,121.39	--

Book balance changes with significant changes in loss provision in the current period

Applicable Not applicable

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

There are no long-term receivables derecognised due to transfer of financial assets.

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

There are no assets/liabilities generated due to transferred long-term receivables that the Company still keeps recourse or retains part of corresponding rights or interests.

Other notes

The amount of long-term receivables pledged by the Company at the end of the period is RMB 150,962,494.77. See "XIV. Commitments and Contingencies/1. Significant commitments" for details.

13. Long-term equity investments

Unit: RMB

The invested entity	Opening balance (book value)	Decrease/Increase in the current period								Closing balance (book value)	Closing balance of provision for decline in value
		Investments increased	Investment decreased	Investment profit and loss recognized under the	Adjustment on other comprehensive income	Other changes in equity	Cash dividends or profit declared to distribute	Provision for impairment accrued	Others		

				equity metho d							
I . Joint ventures											
II . Affiliates											
Intelbras S.A.	444,970,435.10			26,718,153.45			9,609,974.28		-1,895,750.09	460,182,864.18	
Ruicity Digital Technology Co., Ltd.	70,394,509.15			-3,667,732.18						66,726,776.97	
Zhejiang Leapmotor Technology Co., Ltd.	643,076,870.51			-209,235,408.79		10,945,027.97				444,786,489.69	
Shuzi Dongyang Technology Operation Co., Ltd.	2,205,415.98			-336,190.95						1,869,225.03	
Hangzhou Juhuan Information Technology Co., Ltd.	723,496.39									723,496.39	
Shaoxing Dahua Security Services Co., Ltd.	500,231.45			4,144.30						504,375.75	
Guangdong Zhishi Digital Technology Co., Ltd.				-200,106.21					200,106.21		

Zhejiang Huanuokang Technology Co., Ltd.	15,113,578.10			-3,480,957.27						11,632,620.83	
Ningbo Huayan Chuanxi Venture Capital Investment Partnership (Limited Partnership) (Note)	62,135,559.93			-117,675.90						62,017,884.03	
Dezhou Shuzhi Information Technology Co., Ltd.	3,392,656.30			9,456.54						3,402,112.84	
Sichuan Hengji Anhua Internet of Things Technology Co., Ltd.	1,360,000.00			1,194.46						1,361,194.46	
Guangxi FTZ Huaqin Wisdom Park Technology Research Institute Co., Ltd.		500,000.00		120.91						500,120.91	
Ningbo		1,665,		-						1,519,	

Cida Yongs hun Intelligent Technology Co., Ltd.		000.00		145,699.71						300.29	
Subtotal	1,243,872,752.91	2,165,000.00		-190,450,701.35		10,945,027.97	9,609,974.28		-1,695,643.88	1,055,226.46	1.37
Total	1,243,872,752.91	2,165,000.00		-190,450,701.35		10,945,027.97	9,609,974.28		-1,695,643.88	1,055,226.46	1.37

Note: In April 2022, "Zhoushan Huayan Chuangxi Equity Investment Partnership (Limited Partnership)" was renamed as "Ningbo Huayan Chuangxi Venture Capital Investment Partnership (Limited Partnership)".

14. Other Non-current Financial Assets

Unit: RMB

Item	Closing balance	Opening balance
Investment in equity instruments	525,215,662.07	349,744,582.17
Investment in financial products	585,770,457.65	595,875,383.80
Total	1,110,986,119.72	945,619,965.97

15. Investment Properties

(1) Investment properties measured by cost method

Applicable Not applicable

Unit: RMB

Item	Buildings and constructions	Land use rights	Projects under Construction	Total
I. Original book value				
1. Opening Balance	382,153,185.05	9,091,828.00		391,245,013.05
2. Increased in the Current Period	3,364,456.15	239,486.98		3,603,943.13
(1) Purchase				
(2) Transfer of fixed assets/intangible assets	3,364,456.15	239,486.98		3,603,943.13
(3) Acquisition				

3. Decreased in the Current Period	6,530,809.49	723,514.86		7,254,324.35
(1) Disposal				
(2) Other Transfer-out				
(3) Transfer to fixed assets\intangible assets	6,530,809.49	723,514.86		7,254,324.35
4. Closing Balance	378,986,831.71	8,607,800.12		387,594,631.83
II. Accumulated Depreciation and Amortization				
1. Opening Balance	78,431,596.38	1,748,393.24		80,179,989.62
2. Increased in the Current Period	9,593,355.33	119,326.53		9,712,681.86
(1) Accrual or Amortization	9,031,895.16	88,577.02		9,120,472.18
(2) Transfer of fixed assets\intangible assets	561,460.17	30,749.51		592,209.68
3. Decreased in the Current Period	1,998,222.42	139,247.17		2,137,469.59
(1) Disposal				
(2) Other Transfer-out				
(3) Transfer to fixed assets\intangible assets	1,998,222.42	139,247.17		2,137,469.59
4. Closing Balance	86,026,729.29	1,728,472.60		87,755,201.89
III. Impairment Provision				
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	292,960,102.42	6,879,327.52		299,839,429.94
2. Opening Balance on Book Value	303,721,588.67	7,343,434.76		311,065,023.43

(2) Investment properties measured at fair value

Applicable Not applicable

16. Fixed Assets

Unit: RMB

Item	Closing balance	Opening balance
Fixed Assets	2,531,115,302.13	2,187,435,714.17
Total	2,531,115,302.13	2,187,435,714.17

(1) Fixed assets

Unit: RMB

Item	Housing and building	Machinery and equipment	Means of transport	Electronic and other equipment	Total
I . Original book value:					
1. Opening Balance	1,641,755,474.51	416,430,728.04	45,844,975.80	1,376,902,529.84	3,480,933,708.19
2. Increased in the Current Period	395,443,778.65	16,104,135.53	3,660,560.98	121,203,064.87	536,411,540.03
(1) Purchase	460,127.78	16,104,135.53	3,660,560.98	120,940,679.55	141,165,503.84
(2) Transferred From Construction in Progress	388,452,841.38			262,385.32	388,715,226.70
(3) Acquisition					
(4) Transfer of investment properties	6,530,809.49				6,530,809.49
3. Decreased in the Current Period	4,188,633.53	515,261.72	3,832,504.91	13,431,837.67	21,968,237.83
(1) Disposal or Scrapping	824,177.38	515,261.72	3,832,504.91	13,431,837.67	18,603,781.68
(2) Transfer to	3,364,456.15				3,364,456.15

investment real estate					
4. Currency Translation Difference	-83,886.10	-51,550.98	-43,657.60	1,638,920.05	1,459,825.37
5. Closing Balance	2,032,926,733.53	431,968,050.87	45,629,374.27	1,486,312,677.09	3,996,836,835.76
II. Accumulated depreciation					
1. Opening Balance	336,592,432.99	126,212,868.67	28,737,613.16	801,955,079.20	1,293,497,994.02
2. Increased in the Current Period	42,173,316.19	18,733,539.45	3,449,879.15	123,743,851.81	188,100,586.60
(1) Accrual	40,175,093.77	18,733,539.45	3,449,879.15	123,743,851.81	186,102,364.18
(2) Transfer of investment properties	1,998,222.42				1,998,222.42
3. Decreased in the Current Period	937,269.87	313,330.61	3,640,149.85	11,623,810.91	16,514,561.24
(1) Disposal or Scrapping	375,809.70	313,330.61	3,640,149.85	11,623,810.91	15,953,101.07
(2) Transfer to investment real estate	561,460.17				561,460.17
4. Currency Translation Difference	-16,357.80	-46,743.35	25,834.71	674,780.69	637,514.25
5. Closing Balance	377,812,121.51	144,586,334.16	28,573,177.17	914,749,900.79	1,465,721,533.63
III. Impairment Provision					
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	1,655,114,612.02	287,381,716.71	17,056,197.10	571,562,776.30	2,531,115,302.13
2. Opening Balance on Book Value	1,305,163,041.52	290,217,859.37	17,107,362.64	574,947,450.64	2,187,435,714.17

(2) Temporarily Idle Fixed Assets

N/A

(3) Fixed Assets Leased by Operating Lease

N/A

(4) Fixed Assets with Certificates of Title Not Granted

Unit: RMB

Item	Book value	Reasons for certificates of title not granted
The phase II construction project of the smart manufacturing base in Hangzhou	764,137,134.50	In the process of obtaining the real estate certificates

(5) Disposal of fixed assets

N/A

17. Construction in Progress

Unit: RMB

Item	Closing balance	Opening balance
Projects under Construction	2,149,024,114.06	1,992,834,055.03
Total	2,149,024,114.06	1,992,834,055.03

(1) Construction in progress

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Phase I, Urban Intelligent Information Industry Construction Project	34,479,679.26		34,479,679.26	34,489,372.65		34,489,372.65
The phase II	2,044,618.09		2,044,618.09	287,731,881.74		287,731,881.74

construction project of the smart manufacturing base in Hangzhou						
Construction Project of Xi'an R & D Center	566,084,904.25		566,084,904.25	461,248,638.28		461,248,638.28
The construction project of the marketing center in Xi'an	262,403,942.86		262,403,942.86	221,631,343.28		221,631,343.28
Project of Smart IoT Solution R & D and Industrialization	1,034,075,780.35		1,034,075,780.35	880,987,482.81		880,987,482.81
New project of Southwest R&D Center of Dahua Co., Ltd.	56,092,649.40		56,092,649.40	26,334,500.78		26,334,500.78
New projects of Southwestern China Operation Center of Dahua	65,194,665.74		65,194,665.74	29,054,744.55		29,054,744.55
Others	128,647,874.11		128,647,874.11	51,356,090.94		51,356,090.94
Total	2,149,024,114.06		2,149,024,114.06	1,992,834,055.03		1,992,834,055.03

(2) Changes in significant construction in progress

Unit: RMB

Item Name	Budget	Opening balance	Increased in the current period	Transfer amounts in this period	Other amounts decreased in current period	Closing balance	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
Project of	911,964,40	880,987,48	153,088,29			1,034,075,7	113.39%	In constr				Equity Fund

Smart IoT Solution R & D and Industrialization	0.00	2.81	7.54			80.35		uction				
The phase II construction project of the smart manufacturing base in Hangzhou	827,063,700.00	287,731,881.74	60,809,881.19	346,497,144.84		2,044,618.09	95.81% (Note 1)	In construction				Equity Fund
Construction Project of Xi'an R & D Center	733,621,400.00	461,248,638.28	104,836,265.97			566,084,904.25	77.16%	In construction				Equity Fund
The construction project of the marketing center in Xi'an	300,000,000.00	221,631,343.28	40,772,599.58			262,403,942.86	87.47%	In construction				Equity Fund
Phase I, Urban Intelligent Information Industry Construction Project	39,333,858.52	34,489,372.65			9,693.39	34,479,679.26	87.66%	In construction				Equity Fund

t												
New project of Southwest R&D Center of Dahua Co., Ltd.	417,327,700.00	26,334,500.78	29,758,148.62				56,092,649.40	13.44%	In construction			Equity Fund
New projects of Southern China Operation Center of Dahua	396,426,847.00	29,054,744.55	36,139,921.19				65,194,665.74	16.45%	In construction			Equity Fund
Total	3,625,737,905.52	1,941,477,964.09	425,405,114.09	346,497,144.84	9,693,393.39	2,020,376,239.95						

Note 1: Fixed assets, amounting to RMB 443,849,828.33, were invested to the project in 2021.

18. Right-of-use Assets

Unit: RMB

Item	Buildings and constructions	Machinery and equipment	Total
I. Original book value			
1. Opening Balance	334,918,568.44	8,884,640.73	343,803,209.17
2. Increased in the Current Period	96,749,183.80		96,749,183.80
3. Decreased in the Current Period	10,597,054.59		10,597,054.59
4. Currency Translation Difference	1,531,441.73		1,531,441.73
5. Closing Balance	422,602,139.38	8,884,640.73	431,486,780.11
II. Accumulated depreciation			
1. Opening Balance	95,077,759.85	148,077.35	95,225,837.20
2. Increased in the Current Period	63,410,582.93	444,232.04	63,854,814.97
(1) Accrual	63,410,582.93	444,232.04	63,854,814.97
3. Decreased in the Current Period	7,393,765.61		7,393,765.61
(1) Disposal	7,393,765.61		7,393,765.61

4. Currency Translation Difference	790,451.48		790,451.48
5. Closing Balance	151,885,028.65	592,309.39	152,477,338.04
III. Impairment Provision			
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	270,717,110.73	8,292,331.34	279,009,442.07
2. Opening Balance on Book Value	239,840,808.59	8,736,563.38	248,577,371.97

19. Intangible Assets

(1) Intangible assets

Unit: RMB

Item	Land use rights	Patent right	Non-patented technology	Softwares	Trademark rights	Software copyright	Total
I. Original book value							
1. Opening Balance	576,821,573.87		73,060,508.70	161,464,152.94	2,046,545.60	4,000,000.00	817,392,781.11
2. Increased in the Current Period	723,514.86			21,749,162.61			22,472,677.47
(1) Purchase				14,135,471.91			14,135,471.91
(2) Internal research and development							
(3) Acquisition							
(4) Transfer of construction in progress				7,613,690.70			7,613,690.70
(5) Transfer of investment properties	723,514.86						723,514.86

3. Decreased in the Current Period	239,486.98		4,530,000.0 0	323,104.73			5,092,591.7 1
(1) Disposal				323,104.73			323,104.73
(2) Transfer to investment real estate	239,486.98						239,486.98
(3) Disposal of subsidiaries			4,530,000.0 0				4,530,000.0 0
4. Currency Translation Difference	-10,565.00			1,508,103.3 3	-10,142.40		1,487,395.9 3
5. Closing Balance	577,295.03 6.75		68,530,508. 70	184,398,31 4.15	2,036,403.2 0	4,000,000.0 0	836,260,26 2.80
II. Accumulated amortization							
1. Opening Balance	41,806,205 .34		53,434,775. 25	131,975,51 3.49	2,046,545.6 0	4,000,000.0 0	233,263,03 9.68
2. Increased in the Current Period	6,638,940. 81		2,431,271.0 2	16,683,069. 38			25,753,281. 21
(1) Accrual	6,499,693. 64		2,431,271.0 2	16,683,069. 38			25,614,034. 04
(2) Transfer of investment properties	139,247.17						139,247.17
3. Decreased in the Current Period	30,749.51		4,530,000.0 0	323,104.72			4,883,854.2 3
(1) Disposal				323,104.72			323,104.72
(2) Transfer to investment real estate	30,749.51						30,749.51
(3) Disposal of subsidiaries			4,530,000.0 0				4,530,000.0 0
4. Currency Translation Difference				1,126,312.5 3	-10,142.40		1,116,170.1 3

5. Closing Balance	48,414,396 .64		51,336,046. 27	149,461,79 0.68	2,036,403.2 0	4,000,000.0 0	255,248,63 6.79
III. Impairment Provision							
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	528,880,64 0.11		17,194,462. 43	34,936,523. 47			581,011,626 .01
2. Opening Balance on Book Value	535,015,36 8.53		19,625,733. 45	29,488,639. 45			584,129,74 1.43

(2) Land Use Rights with Certificates of Title Not Granted

No land use right without the certificate of title at the end of the period.

20. Goodwill

(1) Original book value of goodwill

Unit: RMB

The invested entity or matters which formed goodwill	Opening balance	Increased in the current period		Decreased in the current period		Closing balance
		Generated from business combination		Disposal		
Dahua Technology Italy	6,615,294.18					6,615,294.18

S.R.L.					
Lorex Technology Inc.	36,070,196.12				36,070,196.12
Total	42,685,490.30				42,685,490.30

(2) Impairment provision for goodwill

Information about the asset group or asset group combination where the goodwill is located

Unit: RMB

The invested entity or matters which formed goodwill	Amount of goodwill	Information about the asset group or asset group combination where it is located
Dahua Technology Italy S.R.L.	6,615,294.18	The asset group relating to the goodwill generated for the acquisition of the Dahua Technology Italy S.R.L., that is, the long-term asset group, including fixed assets and intangible assets, formed for Dahua Technology Italy S.R.L. on June 30, 2022.
Lorex Technology Inc.	36,070,196.12	The asset group relating to the goodwill generated for the acquisition of Lorex Technology Inc., that is, the long-term asset group, including fixed assets and intangible assets, formed for Lorex Technology Inc. on June 30, 2022.

Explain the goodwill impairment test process, key parameters (e.g. growth rate at forecast period, growth rate at steady period, profit rate, discount rate, forecast period, etc. when the present value of future cash flow is estimated) and the confirmation method of goodwill impairment loss:

The recoverable amount is determined mainly according to the present value of the expected future cash flow of the relevant asset group. Its future cash flow is determined based on the 5-year financial budget approved by management from 2022 to 2026, with a discount rate of 15% to 18%. Cash flows over 5 years are calculated on the basis of zero growth rate. The growth rate is determined based on the growth forecast of the relevant industry and does not exceed the long-term average growth rate of the industry. Future cash flow estimates are based on management's estimated sales amount, cost of sales, and operating expenses during the forecast period based on past performance and expectations of market development.

Result of goodwill impairment test

The Company assessed the recoverable amount of goodwill. The recoverable amount of the asset group of Dahua Technology Italy S.R.L. and Lorex Technology Inc. was higher than the book value. There was no sign of impairment of the goodwill of the asset group.

21. Long-term Deferred Expenses

Unit: RMB

Item	Opening balance	Increased in the current period	Prepaid Expenses in This Period	Other Amounts Decreased	Closing balance
Improvement expenditure of fixed assets leased by operating lease	45,876,764.73	15,556,171.13	13,315,596.89	88,927.99	48,028,410.98
Total	45,876,764.73	15,556,171.13	13,315,596.89	88,927.99	48,028,410.98

22. Deferred Income Tax Assets/Deferred Income Tax Liabilities**(1) Non-offset deferred income tax assets**

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred Income Tax Assets	Deductible temporary difference	Deferred Income Tax Assets
Provision for Impairment of Assets	2,777,530,566.31	557,247,939.74	2,552,444,179.21	521,830,114.13
Unrealized Profit from Internal Transactions	1,077,309,426.70	225,578,765.09	921,491,510.12	185,000,859.88
Deductible Losses	777,589,438.47	142,831,495.95	539,801,646.05	94,981,532.35
Expected Liabilities	233,209,022.84	35,254,887.21	235,881,836.61	35,883,364.90
Payroll payable	262,302,983.67	42,989,341.51	259,988,223.28	42,643,270.84
Costs from Tax Increase Due to Absence of Invoice	267,822,004.77	58,587,755.57	326,697,479.46	70,722,772.85
Changes in fair value gains and losses			1,021,963.72	255,490.93
Others	112,950,117.86	21,176,680.78	49,539,884.10	9,057,423.94
Total	5,508,713,560.62	1,083,666,865.85	4,886,866,722.55	960,374,829.82

(2) Non-offset deferred income tax liabilities

Unit: RMB

Item	Closing balance		Opening balance	
	Taxable temporary difference	Deferred Income Tax Liabilities	Taxable temporary difference	Deferred Income Tax Liabilities
The gross profit of sales by installments	83,742,555.88	14,786,063.11	105,723,742.64	18,998,931.10
Changes in fair value of financial instruments	446,198,146.53	66,929,721.98	284,526,701.97	42,779,573.34
Total	529,940,702.41	81,715,785.09	390,250,444.61	61,778,504.44

(3) Deferred Income Tax Assets or Liabilities Listed by Net Amount after Offset

Unit: RMB

Item	Amount of Deferred Income Tax Assets Offset against Liabilities at the End of the Period	Balance of Deferred Income Tax Assets or Liabilities after Offset at the End of the Period	Amount of Deferred Income Tax Assets Offset against Liabilities at the Start of the Period	Balance of Deferred Income Tax Assets or Liabilities after Offset at the Start of the Period
Deferred Income Tax Assets		1,083,666,865.85		960,374,829.82
Deferred Income Tax Liabilities		81,715,785.09		61,778,504.44

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

Unit: RMB

Item	Closing balance	Opening balance
Deductible temporary difference	406,101,941.09	414,539,114.69
Deductible Losses	876,641,114.83	770,269,801.97
Total	1,282,743,055.92	1,184,808,916.66

(5) Details of unrecognized deferred income tax assets

Unit: RMB

Year	Closing balance	Opening balance
2022	7,979,990.79	13,558,094.01
2023	3,954,079.90	31,967,123.71
2024	64,108,195.90	129,611,292.94
2025	200,331,285.03	261,674,362.25
2026	207,026,568.91	333,458,929.06
2027 and beyond	393,240,994.3	
Total	876,641,114.83	770,269,801.97

23. Other Non-current Assets

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Contract Assets	28,578,316.91		28,578,316.91	35,741,476.55		35,741,476.55
Prepayments for purchase of engineering equipments	94,300,369.10		94,300,369.10	61,485,385.44		61,485,385.44
Others	198,810.00		198,810.00			
Total	123,077,496.01		123,077,496.01	97,226,861.99		97,226,861.99

24. Short-term Loans**(1) Categories of short-term loan**

Unit: RMB

Item	Closing balance	Opening balance
Pledged loans	330,000,000.00	
Guaranteed loans	200,000.00	
Fiduciary loans	275,130,000.00	294,230,000.00
Discount of notes not matured	28,544,302.69	29,964,651.09
Interest payable for short-term loan	822,830.97	1,453,579.89
Total	634,697,133.66	325,648,230.98

Note for short-term loans:

After discounting of the acceptance bill issued between affiliated companies within the scope of consolidation, the pledge loan is reported as a short-term loan at the consolidated statement level.

(2) Unpaid short-term loans that have been overdue

At the end of the current period, there are no unpaid short-term loans that have been overdue.

25. Trading financial liabilities

Unit: RMB

Item	Closing balance	Opening balance
Transactional financial liabilities	22,938,892.17	
Including:		
Derivative Financial Liabilities	22,938,892.17	
Total	22,938,892.17	

26. Notes payable

Unit: RMB

Types	Closing balance	Opening balance
Commercial acceptance bill	2,279,245,259.07	2,689,373,228.96
Bank acceptance bill	1,473,629,461.90	1,783,625,736.07
Total	3,752,874,720.97	4,472,998,965.03

27. Accounts payable

(1) Details of accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Payment for purchase of materials	5,426,330,551.18	6,755,965,348.15
Payment for engineering equipments	546,390,785.02	573,775,302.56
Total	5,972,721,336.20	7,329,740,650.71

(2) Important accounts payable aged over 1 year

There are no important accounts payable aged over 1 year.

28. Contract liabilities

Unit: RMB

Item	Closing balance	Opening balance
Payments for sales of goods	284,683,231.41	301,188,575.89
Pre-payments from construction	381,671,727.32	390,506,325.54

projects		
Sales of points	88,554,504.03	45,733,110.88
Service expense collected in advance	177,397,890.92	127,561,981.47
Total	932,307,353.68	864,989,993.78

29. Payroll payable

(1) Details of payroll payable

Unit: RMB

Item	Opening balance	Increased in the current period	Decreased in the current period	Closing balance
I . Short-term remuneration	1,961,520,228.87	2,723,700,541.39	3,989,184,192.75	696,036,577.51
II . Dimission benefits - defined contribution scheme	2,982,937.26	166,279,453.37	166,778,647.81	2,483,742.82
III. Dismissal welfare		10,925,340.06	10,925,340.06	
Total	1,964,503,166.13	2,900,905,334.82	4,166,888,180.62	698,520,320.33

(2) Details of short-term remuneration

Unit: RMB

Item	Opening balance	Increased in the current period	Decreased in the current period	Closing balance
1. Wages or salaries, bonuses, allowances and subsidies	1,658,561,542.60	2,346,271,094.22	3,629,761,788.39	375,070,848.43
2. Staff welfare		55,528,791.27	55,528,791.27	
3. Social insurance contributions	1,263,720.55	98,862,906.42	99,496,564.17	630,062.80
Including: medical insurance premium and maternity insurance premium	1,149,608.71	95,254,919.25	95,914,540.60	489,987.36
Work injury insurance premium	114,111.84	3,607,987.17	3,582,023.57	140,075.44
4. Housing funds	55,304.46	180,396,789.78	180,397,768.06	54,326.18
5. Labor union and education funds	301,639,661.26	42,640,959.70	23,999,280.86	320,281,340.10
Total	1,961,520,228.87	2,723,700,541.39	3,989,184,192.75	696,036,577.51

(3) Details of defined contribution plans

Unit: RMB

Item	Opening balance	Increased in the current period	Decreased in the current period	Closing balance
1. Basic pension	2,825,955.34	159,456,191.87	159,909,051.88	2,373,095.33

insurance				
2. Unemployment insurance	156,981.92	6,823,261.50	6,869,595.93	110,647.49
Total	2,982,937.26	166,279,453.37	166,778,647.81	2,483,742.82

30. Taxes and fees payable

Unit: RMB

Item	Closing balance	Opening balance
VAT	171,663,849.14	228,793,071.57
Enterprise Income Tax	267,640,543.53	340,653,457.58
Individual income tax	17,938,550.95	22,921,726.41
Urban Maintenance and Construction Tax	10,198,241.91	42,050,328.33
Education surcharges (including local education surcharges)	7,259,473.08	30,028,462.18
Others	6,641,827.58	12,629,547.94
Total	481,342,486.19	677,076,594.01

31. Other payables

Unit: RMB

Item	Closing balance	Opening balance
Dividends Payable		16,060,762.89
Other Payables	964,959,710.58	661,691,938.58
Total	964,959,710.58	677,752,701.47

(1) Dividends payable

Unit: RMB

Item	Closing balance	Opening balance
Equity Incentive Restricted Stock Dividend		16,060,762.89
Total		16,060,762.89

(2) Other payables

1) Details of other payables by nature of the payment

Unit: RMB

Item	Closing balance	Opening balance
Deposits	141,884,997.15	139,819,795.34
Temporarily borrowed and advance payments	188,404,952.16	222,989,981.74
Restricted share repurchase obligations	609,859,632.00	277,169,524.09
Others	24,810,129.27	21,712,637.41

Total	964,959,710.58	661,691,938.58
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2) Significant other payables aged over 1 year

There are no significant other payables aged over 1 year.

32. Non-current liabilities due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term debt due within one year	1,826,950,000.00	775,500,000.00
Lease liabilities due within 1 year	109,430,319.66	93,008,992.50
Interest payable due within 1 year	2,201,150.32	2,339,749.97
Other loans due within 1 year	55,000,000.00	20,000,000.00
Total	1,993,581,469.98	890,848,742.47

33. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
To-be-transferred sales taxes in installments	51,890,526.80	60,826,417.44
To-be-transferred sales taxes of contract liabilities	64,673,831.48	62,496,325.49
Notes not derecognised	40,721,891.12	85,308,638.52
Total	157,286,249.40	208,631,381.45

34. Long-term loans

(1) Classification of long-term loans

Unit: RMB

Item	Closing balance	Opening balance
Pledged loans	77,500,000.00	102,500,000.00
Fiduciary loans	1,427,550,000.00	1,450,000,000.00
Total	1,505,050,000.00	1,552,500,000.00

35. Lease liabilities

Unit: RMB

Item	Closing balance	Opening balance
Lease Liabilities	155,193,192.52	140,606,139.33
Total	155,193,192.52	140,606,139.33

36. Accrued liabilities

Unit: RMB

Item	Closing balance	Opening balance	Causes
Pending litigation		1,775,746.00	Pending litigation
Others	223,811.37	23,705.16	Loss-making contract
Expected after-sales maintenance cost	255,834,992.07	256,486,842.50	After-sales maintenance
Expected return amount after the period	11,221,137.71	39,565,492.96	Expected sales return
Total	267,279,941.15	297,851,786.62	--

37. Deferred income

Unit: RMB

Item	Opening balance	Increased in the current period	Decreased in the current period	Closing balance	Causes
Government subsidies	103,218,676.13	7,617,500.00	2,781,282.25	108,054,893.88	Received government subsidies related to assets
Total	103,218,676.13	7,617,500.00	2,781,282.25	108,054,893.88	--

Projects related to government subsidies:

Unit: RMB

Liabilities	Opening balance	The amount of new subsidies in this period	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	Closing balance	Related to assets/related to income
Special awards for Fuyang Dahua Intelligence (IoT) Industrial Park Project	49,175,662.96			1,586,311.74			47,589,351.22	Related to assets
Phase I investment financial incentive fund for security video surveillance product production base project	52,475,437.53			686,374.98			51,789,062.55	Related to assets
Funding of Hangzhou for manufacturing	1,567,575.64	7,617,500.00		508,595.53			8,676,480.11	Related to assets

enterprise technologi cal transform ation								
Total	103,218,676.13	7,617,500.00		2,781,282.25			108,054,893.88	

Other notes:

1. According to the FuJingGuan [2017] No.35 document and the FuCaiQi [2017] No.506 document issued by Economic Development Zone Management Committee and the Finance Bureau of Fuyang District, Hangzhou, the subsidiary Zhejiang Dahua Zhilian Co., Ltd. received the special subsidies for the Fuyang Dahua Intelligent (IoT) Industrial Park in 2015 and 2017, respectively, RMB 31,660,000 each time, totaling RMB 63,320,000. As the government grant related to assets, it is recognized as deferred income and will be recognized as other income in installments based on the estimated service life of the asset (20 years).
2. According to the FuJingGuan [2019] No.18 and [2020] No. 39 documents and the FuCaiQi [2019] No.286 document issued by Fuyang Economic Development Zone Management Committee and the Finance Bureau of Fuyang District, Hangzhou, in 2019 and 2020, the subsidiary Zhejiang Dahua Zhilian Co., Ltd. received financial incentive funds of RMB 27,455,000 and RMB 26,050,000, respectively, for the phase I investment of the production base of security video surveillance products, which was recognized as deferred income as a government subsidy related to assets, and recognized as other income in installments based on the estimated service life of the asset (20 years).
3. According to the FuJingXinCai [2019] No.49 document and the FuCaiQi [2019] No.804 document issued by Economic and Information Bureau of Fuyang District, Hangzhou and the Finance Bureau of Fuyang District, Hangzhou, in 2019, the subsidiary Zhejiang Dahua Zhilian Co., Ltd. received a total of RMB 9,197,700 in 2019 from the first batch of funds for technical renovation projects of municipal manufacturing enterprises as government subsidies related to assets, which were recognized as deferred income, and recognized as other income in installments based on the estimated service life of the assets (15–111 months). According to the HangCaiQi [2022] No.35 document issued by the Finance Bureau of Hangzhou City and the Economic and Information Bureau of Hangzhou City, the subsidiary Zhejiang Dahua Zhilian Co., Ltd. received a total of RMB 7,617,500 in 2022 from the funds for technical renovation projects of municipal manufacturing enterprises as government subsidies related to assets, which were recognized as deferred income, and recognized as other income in installments based on the estimated service life of the assets (9–115 months).

38. Other non-current liabilities

Unit: RMB

Item	Closing balance	Opening balance
To-be-transferred sales taxes in installments	203,269,595.53	227,381,981.28
Other loans	55,000,000.00	90,000,000.00
Total	258,269,595.53	317,381,981.28

Other notes:

The Company and CDB Development Fund reached a cooperation intention to increase the capital of the Company's subsidiary, Zhejiang Dahua Zhilian Co., Ltd. The Capital Increase Agreement stipulates that CDB Development Fund will not send senior management personnel such as directors and supervisors to Dahua Zhilian; the Company shall pay an annual investment profit of 1.2% to CDB Development Fund through dividends and repurchase premium. The

Company shall redeem the equity of CDB Development Fund in Dahua Zhilian on a phase-by-phase basis from 2022 to 2024, of which RMB 55,000,000.00 is recognized as other non-current liabilities, and non-current liabilities that are due within one year at RMB 55,000,000.00.

39. Share capital

Unit: RMB

	Opening balance	Increased or decreased amount in this period (+/-)					Closing balance
		Shares newly issued	Bonus shares	Shares converted from capital reserves	Others	Subtotal	
Total shares	2,994,550,730.00	74,737,700.00			36,127,260.00	38,610,440.00	3,033,161,170.00

Other notes:

(1) According to the decision of the 30th Session of the 7th Board of Directors of the Company held on April 22, 2022 and the amended Articles of Association and the decision of the 2021 Annual Shareholders' General Meeting of the Company, the Company repurchased and canceled 36,127,260 Restricted RMB Common Stocks (A Shares) that had been granted but not been released to 2,889 targets, reduced the registered capital by RMB 36,127,260.00, and the registered capital after the change was reduced to RMB 2,958,423,470.00. The above capital reduction has been verified through Xin Kuai Shi Bao Zi [2022] No. ZF10892 Verification Report issued by BDO China Shu Lun Pan Certified Public Accountants LLP (special general partnership). The change of industrial and commercial registrations for the above decrease of capital was completed in August 11, 2022.

(2) According to the resolutions of the Company's 2021 Annual General Meeting of Shareholders and the resolutions of the 27th and 32th sessions of the 7th Board of Directors, the restricted stocks were subscribed by 4,249 restricted stock incentive targets, with the registered capital increased by RMB 74,737,700.00, and up to RMB 3,033,161,170.00. The above capital contribution has been verified through Xin Kuai Shi Bao Zi [2022] No.ZF10895 Verification Report issued by BDO China Shu Lun Pan CPAs (special general partnership). The industrial and commercial change registration of the above capital increase matters is still in process.

40. Capital reserve

Unit: RMB

Item	Opening balance	Increased in the current period	Decreased in the current period	Closing balance
Capital premium (capital share premium)	1,573,230,760.64	535,146,586.79	264,290,970.52	1,844,086,376.91
Other capital reserves	1,366,281,475.11	40,494,841.32	7,300,969.49	1,399,475,346.94
Total	2,939,512,235.75	575,641,428.11	271,591,940.01	3,243,561,723.85

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

(1) The amount of employee service that the Company received in exchange by equity payments in this period was RMB 29,549,813.35. Other capital reserve was increased by RMB 29,549,813.35.

(2) In the equity-settled share-based payment in current period, minority shareholders enjoy a portion of RMB 7,300,969.49, which reduces other capital reserves by RMB 7,300,969.49.

(3) In this period, the Company repurchased and canceled 36,127,260 shares of the granted but unlocked restricted shares, reducing the share capital by RMB 36,127,260.00, and reducing the capital reserves (share premium) by RMB 257,103,026.98.

(4) According to the resolution of 2021 Annual Shareholders' General Meeting and the decisions of the 27th and 32nd sessions of the 7th Board of Directors of the Company, in the end, 74,737,700 restricted stocks were subscribed by 4,249 restricted stock incentive targets. The actual subscription amount paid by the restricted stock incentive targets was RMB 609,859,632.00, which was recorded in the capital reserve (share premium) as RMB 535,121,932.00.

(5) The capital reserve (share premium) was reduced in total by RMB 7,187,943.54 in this period due to the acquisition and disposal of minority interests of the subsidiaries.

(6) The impact of changes in other owners' equity of the joint venter that the Company should enjoy under the current equity method increased other capital reserves by RMB 10,945,027.97.

(7) Due to the change in shareholding ratio in subsidiaries, the capital reserve (share premium) was adjusted and increased by RMB 24,654.79.

41. Treasury share

Unit: RMB

Item	Opening balance	Increased in the current period	Decreased in the current period	Closing balance
Restricted shares	277,169,524.09	609,859,632.00	277,169,524.09	609,859,632.00
Total	277,169,524.09	609,859,632.00	277,169,524.09	609,859,632.00

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

(1) 74,737,700 restricted shares were granted by the Company to the employees, with a grant price of RMB 8.16 per share. The actual subscription amount paid by the restricted stock incentive targets was RMB 609,859,632.00. The amount of full recognition of liabilities and treasury shares in respect of repurchase was RMB 609,859,632.00.

(2) In this period, the Company repurchased 36,127,260 shares of the granted but unlocked restricted shares, reducing the share capital by RMB 36,127,260.00, reducing the capital reserves (share premium) by RMB 257,103,026.98, and reducing the corresponding treasury stock amount by RMB 277,169,524.09 at the same time.

42. Other comprehensive income

Unit: RMB

Item	Opening balance	Amount Occurred in the Current Period						Closing balance
		Before tax balance in this period	Less: recorded into other comprehensive incomes in previous period and transferred to P/L in	Less: Recorded into other comprehensive incomes in previous period and transferred to	Less: Income Tax Expense	Attributable to the Company after tax	Attributable to the minority shareholders after tax	

			current period	retained income in current period				
I. Other comprehensive income that will be reclassified into profit and loss	76,005,792.49	-3,570,948.60				-3,554,206.18	-16,742.42	72,451,586.31
Currency conversion difference	76,005,792.49	-3,570,948.60				-3,554,206.18	-16,742.42	72,451,586.31
Other comprehensive incomes in total	76,005,792.49	-3,570,948.60				-3,554,206.18	-16,742.42	72,451,586.31

43. Surplus reserves

Unit: RMB

Item	Opening balance	Increased in the current period	Decreased in the current period	Closing balance
Statutory surplus reserve	1,553,691,005.92			1,553,691,005.92
Total	1,553,691,005.92			1,553,691,005.92

44. Undistributed profits

Unit: RMB

Item	Current Period	Previous Period
Undistributed Profit before Adjustment at the End of Previous Period	16,331,012,273.48	13,754,915,904.19
Undistributed Profit after Adjustment at the Start of the Period	16,331,012,273.48	13,754,915,904.19
Add: net profit attributable to parent company's owner in current period	1,519,848,967.71	1,643,175,887.55
Less: Payable Dividends on Common Stocks	798,774,336.90	802,815,330.12
Add: Common stock dividends corresponding to repurchase and cancellation of restricted stocks	16,060,762.89	500,809.81
Undistributed Profit at the End of the Period	17,068,147,667.18	14,595,777,271.43

45. Operating income and operating cost

(1). Operating revenue and operating cost

Unit: RMB

Item	Amount Occurred in the Current Period		Amount Occurred in the Previous Period	
	Income	Cost	Income	Cost
Main Business	13,898,516,963.09	8,658,952,304.51	13,306,440,228.58	7,773,003,019.77
Other businesses	188,568,877.88	143,624,316.81	198,565,505.31	137,711,909.20
Total	14,087,085,840.97	8,802,576,621.32	13,505,005,733.89	7,910,714,928.97

(2). Information related to operating revenue and operating cost (by product)

Unit: RMB

Item	Amount Occurred in the Current Period	
	Income	Cost
Smart IoT Products and Solutions	11,798,309,265.54	7,061,613,890.17
Including: Software Business	602,291,989.74	186,825,686.58
Innovated Businesses	1,685,969,891.14	1,210,244,442.96
Others	602,806,684.29	530,718,288.19
Total	14,087,085,840.97	8,802,576,621.32

(3). Information related to operating revenue and operating cost (by region)

Unit: RMB

Item	Amount Occurred in the Current Period	
	Income	Cost
Domestic	7,295,809,974.26	4,876,785,986.28
Overseas	6,791,275,866.71	3,925,790,635.04
Total	14,087,085,840.97	8,802,576,621.32

Information about performance of obligations:

The Company fulfills its performance obligations in a timely manner as agreed in the contract and recognizes the related income when the customer obtains control of the relevant goods, which is mainly divided into fulfilling the performance obligations at a certain point in time and fulfilling the performance obligations within a certain period of time.

The Company recognizes income from the sales of goods when control of the goods passes, i.e., when the goods are delivered to the counterparty's designated location, or to the counterparty's designated carrier, or when they are delivered to the counterparty for acceptance.

The Company identifies part of the business as a performance obligation to be fulfilled within a certain period of time according to the nature of the business. The Company shall recognize the income according to the performance progress within that period of time, except where the performance progress cannot be reasonably recognized. The Company employs the output method or input method to determine the performance progress. If the performance progress cannot be reasonably recognized and the costs incurred are expected to be compensated, the income shall be recognized according to the amount of costs incurred until the performance progress can be reasonably recognized.

46. Taxes and surcharges

Unit: RMB

Item	Amount Occurred in the Current Period	Amount Occurred in the Previous Period
Urban Maintenance and Construction Tax	36,718,256.75	44,660,286.58
Education Surcharges	26,234,984.65	31,900,534.13
House property tax	9,387,845.32	2,351,433.37
Land usage tax	805,237.56	656,297.10
Vehicle and vessel use tax	24,479.92	23,707.54
Stamp duty	5,578,393.44	5,084,326.28
Others	725,000.93	15,593,603.53
Total	79,474,198.57	100,270,188.53

47. Sales expenses

Unit: RMB

Item	Amount Occurred in the Current Period	Amount Occurred in the Previous Period
Labor cost	1,187,269,669.35	1,044,869,188.90
After-sales service expense	148,829,148.87	151,149,337.68
Transportation and vehicle expenses	16,465,074.97	228,486,216.43
Marketing expense	176,978,073.06	158,441,695.91
Taxation and insurance expense	100,350,665.31	114,258,333.64
Administrative expenses	80,022,542.82	77,325,742.64
Business entertainment	92,619,608.96	92,867,175.49
Traveling expense	91,766,855.31	85,796,783.51
Communication expense	11,111,515.46	7,644,337.28
Knowledge resource fee	30,432,774.68	25,449,407.98
Depreciation cost and asset amortization	74,651,967.38	55,213,618.90
Others	29,230,400.07	17,499,873.06
Total	2,039,728,296.24	2,059,001,711.42

48. Administrative expenses

Unit: RMB

Item	Amount Occurred in the Current Period	Amount Occurred in the Previous Period
Labor cost	280,594,841.45	272,130,616.85
Depreciation cost and asset amortization	53,213,335.22	41,179,216.36
Administrative expenses	34,129,796.48	32,286,309.59
Knowledge resource fee	28,298,266.89	20,467,417.96
Consumables and service fees	576,527.78	4,673,608.79
Business entertainment	3,672,417.72	3,377,855.85
Transportation and vehicle expenses	1,911,522.48	3,149,317.93
Traveling expense	1,620,658.73	3,425,734.01
Others	12,788,831.83	12,582,093.72
Total	416,806,198.58	393,272,171.06

49. R&D expenses

Unit: RMB

Item	Amount Occurred in the Current Period	Amount Occurred in the Previous Period
Labor cost	1,393,586,316.61	1,238,777,601.85
Research consumables and service fees	75,363,485.69	84,653,952.01
Depreciation cost and asset amortization	44,639,295.55	40,480,759.70
Traveling expense	19,466,826.45	22,875,356.11
Administrative expenses	16,726,601.70	13,009,916.31
Communication expense	6,055,324.87	4,368,448.13
Others	7,641,420.30	2,083,292.70
Total	1,563,479,271.17	1,406,249,326.81

50. Financial expenses

Unit: RMB

Item	Amount Occurred in the Current Period	Amount Occurred in the Previous Period
Interest expense	66,900,870.38	44,547,319.17
Less: interest income	99,279,785.76	114,759,041.30
Exchange gains and losses	-261,735,730.67	131,529,465.80
Others	19,513,521.44	16,358,297.48
Total	-274,601,124.61	77,676,041.15

51. Other incomes

Unit: RMB

Sources of other incomes	Amount Occurred in the Current Period	Amount Occurred in the Previous Period
Refund of VAT overpaid	337,755,704.95	355,601,489.70
Special subsidies	162,114,024.30	70,558,018.03
VAT deduction	598,038.77	359,764.33
Total	500,467,768.02	426,519,272.06

52. Investment income

Unit: RMB

Item	Amount Occurred in the Current Period	Amount Occurred in the Previous Period
Long-term equity investment income measured by equity method	-190,450,701.35	-155,395,120.84
Investment income from disposal of long-term equity investment	1,408,167.28	281,454.95
Investment income of transactional financial assets during holding period	124,950.00	
Investment Income from Disposal Trading Financial Assets	15,170,140.75	22,063,805.80

Gain on debt restructuring	-411,312.80	
Investment income on other non-current financial assets during the holding period	6,666,341.48	5,364,955.30
Investment income from national debt reverse repurchase	515,701.75	169,645.79
Profits from recognition termination of financial assets	-815,399.65	
Total	-167,792,112.54	-127,515,259.00

53. Income from changes in fair value

Unit: RMB

Source of the income from changes in fair value	Amount Occurred in the Current Period	Amount Occurred in the Previous Period
Trading Financial Assets	-1,132,045.17	7,123,015.25
Including: gains from changes at fair value of derivative financial instruments	-1,132,045.17	7,123,015.25
Transactional financial liabilities	-22,938,892.17	-450,380.67
Other Non-current Financial Assets	162,677,125.00	117,273,994.45
Total	138,606,187.66	123,946,629.03

54. Credit impairment loss

Unit: RMB

Item	Amount Occurred in the Current Period	Amount Occurred in the Previous Period
Bad debt losses of other receivables	-2,879,731.41	-5,949,441.91
Bad debt losses of accounts receivable	-224,421,053.62	-353,620,673.67
Bad debt losses of notes receivable	497,752.37	-10,066,743.30
Bad debt losses on receivables financing		1,175,263.93
Total	-226,803,032.66	-368,461,594.95

55. Asset impairment losses

Unit: RMB

Item	Amount Occurred in the Current Period	Amount Occurred in the Previous Period
I. Loss from depreciation of inventories and impairment of performance cost	-66,144,237.60	-7,627,470.90
II. Loss from impairment of contract assets	-2,774,802.20	-2,295,977.15
Total	-68,919,039.80	-9,923,448.05

56. Asset disposal income

Unit: RMB

Sources of the asset disposal income	Amount Occurred in the Current Period	Amount Occurred in the Previous Period
Income from disposal of fixed assets	793,237.32	33,113,440.14
Income from the disposal of right-of-	128,322.86	-110,999.13

use assets		
Total	921,560.18	33,002,441.01

57. Non-operating income

Unit: RMB

Item	Amount Occurred in the Current Period	Amount Occurred in the Previous Period	Amount recorded into non-recurring profit and loss in current period
Government subsidies	100,000.00	171,808.80	100,000.00
Gains and losses of non-current asset retirement	884,340.57	679,706.38	884,340.57
Others	3,191,841.61	5,688,387.37	3,191,841.61
Total	4,176,182.18	6,539,902.55	4,176,182.18

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
Retention allowance for overseas employees during the pandemic	Other overseas governments	Subsidy	Subsidies are received for undertaking state functions to protect certain public utilities, secure socially necessary products' supply, or perform price control function	Yes	No		111,808.80	Related to income
2020 China (Xiaoguwēi) "Internet + Communications and Transportation" Innovation and	Guangdong Traffic E-payment Association	Reward	Subsidies received due to engagement in specific industries and trades encouraged and supported by the	Yes	No		60,000.00	Related to income

Entrepreneurship Competition			State (obtained by national policies and regulations)					
2021 "Straight Through Wuzhen" Global Internet Competition	Economic and Information Bureau of Tongxiang City	Reward	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and regulations)	Yes	No	100,000.00		Related to income

58. Non-operating expenditures

Unit: RMB

Item	Amount Occurred in the Current Period	Amount Occurred in the Previous Period	Amount recorded into non-recurring profit and loss in current period
Donations	847,470.37	115,939.69	847,470.37
Gains and losses of non-current asset retirement	925,642.44	1,337,107.72	925,642.44
Including: Loss from disposal of fixed assets	925,642.44	1,337,107.72	925,642.44
Water conservancy fund	46,580.72	12,816.79	
Others	1,733,559.93	3,503,104.12	1,733,559.93
Total	3,553,253.46	4,968,968.32	3,506,672.74

59. Income tax expense

(1) Income tax expense statement

Unit: RMB

Item	Amount Occurred in the Current Period	Amount Occurred in the Previous Period
Current income tax expense	194,680,405.47	10,662,968.22
Deferred income tax expense	-101,231,654.73	-49,114,153.99

Total	93,448,750.74	-38,451,185.77
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(2) Adjustment process of accounting profit and income tax expenses

Unit: RMB

Item	Amount Occurred in the Current Period
Total Profit	1,636,726,639.28
Income tax expense calculated at statutory/applicable tax rate	245,508,995.89
Impact by applying different tax rates to subsidiaries	48,876,015.77
Impact of income tax before adjustment in this period	-86,682,804.29
Impact of the non-deductible costs, expenses and losses	10,853,513.51
Impact of additional deduction of the research and development expenses	-187,997,503.74
Others	62,890,533.60
Income tax expense	93,448,750.74

60. Items of Cash Flow Statement**(1) Other cash receipts relating to operating activities**

Unit: RMB

Item	Amount Occurred in the Current Period	Amount Occurred in the Previous Period
Interest Income	53,924,373.58	31,424,004.92
Government subsidies	505,524,702.76	62,592,472.14
Deposits	44,240,031.49	25,458,692.40
Others	39,666,743.34	29,558,616.53
Total	643,355,851.17	149,033,785.99

(2) Other cash payments relating to operating activities

Unit: RMB

Item	Amount Occurred in the Current Period	Amount Occurred in the Previous Period
Administrative expenses	165,216,105.08	148,852,318.30
Communication expense	23,139,986.23	19,886,351.20
Business entertainment	99,624,245.68	101,210,043.24
Traveling expense	118,844,892.10	118,402,918.50
Marketing expense	126,985,353.96	118,471,634.44
Transportation and vehicle expenses	20,220,184.20	204,194,430.33
Knowledge resource fee	57,145,019.67	43,764,104.24
Research and development consumption and external inspection fee	27,754,640.95	14,958,712.93
Taxation and insurance expense	39,617,759.32	8,896,959.13
Tender and performance guarantee deposit	62,584,702.74	58,034,090.23
Incomings and outgoings and advanced payments	76,954,970.33	81,594,660.65

Consumables and service fees	127,531,222.41	149,595,572.15
Others	8,620,551.49	12,937,463.59
Total	954,239,634.16	1,080,799,258.93

(3) Other cash receipts relating to investing activities

Unit: RMB

Item	Amount Occurred in the Current Period	Amount Occurred in the Previous Period
Cash received from financial derivatives investments	17,359,422.11	26,678,510.94
Advance received from equity transfer		29,325,000.00
Total	17,359,422.11	56,003,510.94

(4) Other cash payments related to investing activities

Unit: RMB

Item	Amount Occurred in the Current Period	Amount Occurred in the Previous Period
Cash payment from financial derivatives investments	2,189,282.90	13,107,855.82
Total	2,189,282.90	13,107,855.82

(5) Other cash receipts related to financing activities

Unit: RMB

Item	Amount Occurred in the Current Period	Amount Occurred in the Previous Period
Restricted fund recovery	453,263.81	
Total	453,263.81	

(6) Other cash payments related to financing activities

Unit: RMB

Item	Amount Occurred in the Current Period	Amount Occurred in the Previous Period
Cash paid for repayment of lease liabilities	69,487,198.65	49,649,564.91
Restricted share repurchase	284,463,142.68	
Payment for acquisition of minority shares	77,940,000.00	
Listing fees paid	1,329,000.00	
Total	433,219,341.33	49,649,564.91

61. Supplementary Information on Cash Flow Statement**(1) Supplementary information on 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	1,543,277,888.54	1,675,411,526.05
Add: provision for impairment of assets	295,722,072.46	378,385,043.00
Depreciation of fixed assets, oil and gas assets, productive biological assets	195,134,259.34	146,286,454.93
Depreciation of Right-of-use Assets	63,854,814.97	42,053,689.80
Amortization of Intangible Assets	25,702,611.06	22,637,749.57
Amortization of long-term deferred expenses	13,315,596.89	12,635,838.44
Losses on disposal of fixed assets, intangible assets and other long-term assets (mark "-" for incomes)	-921,560.18	-33,002,441.01
Losses on scrapping of fixed assets (mark "-" for incomes)	41,301.87	657,401.34
Losses on fair value changes (mark "-" for incomes)	-138,606,187.66	-123,946,629.03
Financial expenses (mark "-" for incomes)	-194,834,860.29	52,271,024.16
Losses on investment (mark "-" for incomes)	166,976,712.89	127,515,259.00
Decrease on deferred income tax assets (mark "-" for increases)	-123,292,036.03	-108,136,559.40
Increase on deferred income tax liabilities (mark "-" for decreases)	19,937,280.65	7,052,656.84
Decrease on inventories (mark "-" for increases)	293,702,798.38	-2,369,120,273.38
Decrease on operational receivables (mark "-" for increases)	-344,730,035.51	-230,579,623.21
Increase on operational payables (mark "-" for decreases)	-3,572,625,117.49	-552,073,423.01
Others	29,549,813.35	80,843,507.92
Net cash flow generated by operating activities	-1,727,794,646.76	-871,108,797.99
2 . Major investing and financing activities not involving cash receipts and payment:		
Conversion of Debt into Capital		
Convertible corporate bond within 1 Year		
Fixed Assets under Finance Lease		
3 . Net changes in cash and cash equivalents:		

Closing balance of cash	6,510,524,358.34	6,549,708,897.81
Less: opening balance of cash	7,617,576,852.32	7,358,452,769.53
Add: closing balance of cash equivalents		
Less: opening balance of cash equivalents		
Net additions to balance of equivalents	-1,107,052,493.98	-808,743,871.72

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

Unit: RMB

	Amount
Cash or cash equivalents used for disposal of subsidiaries which was received in this period	1,080,000.00
Including:	
Sichuan Dahua Guangxun Photoelectric Technology Co., Ltd.	1,080,000.00
Less: Cash and cash equivalents held by subsidiary on date when the control is lost	1,937.97
Including:	
Sichuan Dahua Guangxun Photoelectric Technology Co., Ltd.	1,937.97
Net cash arising from disposal of subsidiaries	1,078,062.03

(3) Composition of cash and cash equivalents

Unit: RMB

Item	Closing balance	Opening balance
I . Cash	6,510,524,358.34	7,617,576,852.32
Including: cash on hand	6,183.21	23,443.62
Bank deposit for payment at any time	6,246,073,255.20	7,305,614,048.36
Other cash and bank balances for payment at any time	264,444,919.93	311,939,360.34
III. Closing balance of cash and cash equivalents	6,510,524,358.34	7,617,576,852.32

62. Assets with Restricted Ownership Rights or Rights to Use

Unit: RMB

Item	Book value at the end of the period	Cause of restrictions
Cash and Bank Balances	87,638,514.43	Guarantee letter security deposit and other restricted funds
Notes receivable and receivables financing	1,120,819,270.63	Pledge used to issue bank acceptance bills and endorsed or discounted notes not derecognized
Accounts receivable	18,583,668.69	Supply chain finance not derecognized

Long-term Receivables	150,962,494.77	Pledge for bank borrowings
Non-current Assets Due within 1 Year	29,656,721.39	Pledge for bank borrowings
Total	1,407,660,669.91	

63. Monetary Items in Foreign Currencies

(1) Monetary items in foreign currencies

Unit: RMB

Item	Closing balance in foreign currencies	Exchange rate for conversion	Closing Balance Converted into RMB
Cash and Bank Balances			
Including: USD	93,078,173.95	6.7114	624,684,856.65
EUR	24,921,111.65	7.0084	174,657,118.88
HKD	11,701,433.56	0.8552	10,006,948.97
INR	570,075,113.27	0.0850	48,464,147.38
PLN	28,177,099.24	1.5016	42,309,862.67
AUD	8,232,857.11	4.6145	37,990,519.13
Total amount of other currencies			242,302,257.53
Accounts receivable			
Including: USD	562,677,706.00	6.7114	3,776,355,156.07
EUR	81,720,420.47	7.0084	572,729,394.82
HKD	536,860.04	0.8552	459,117.34
INR	3,165,100,540.05	0.0850	269,076,645.32
AED	70,175,156.25	1.8274	128,239,384.98
AUD	27,553,935.34	4.6145	127,147,634.63
Total amount of other currencies			472,969,561.18
Long-term loan			
Including: USD			
EUR			
HKD			
Accounts Payable			
Including: USD	160,293,160.47	6.7114	1,075,791,517.17
INR	2,824,057,312.18	0.0850	240,083,326.94
MXN	19,847,654.01	0.3332	6,614,120.90
HKD	5,708,820.65	0.8552	4,882,126.33
EUR	336,060.17	7.0084	2,355,244.10
BRL	793,601.59	1.2950	1,027,693.88
Total amount of other currencies			4,337,451.39

(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 overseas business entity of the Company, Dahua Technology (HK) Limited, does not have autonomy over its business activities, which are the extension of the business activities of the Company, constituting the business activities of the Company, RMB shall be used as its functional currency.

64. Government Subsidies

(1) Basic information on government subsidies

Unit: RMB

Types	Amount	Items reported	Amount taken to current P&L
VAT refund	337,755,704.95	Other Incomes	337,755,704.95
Financial subsidy for science and technology R&D plan projects	91,457,000.00	Other Incomes	91,457,000.00
Leading policy R&D funding	23,802,300.00	Other Incomes	23,802,300.00
Core Electronics, High-End General-Purpose Chips and Basic Software Products special fund	12,293,400.00	Other Incomes	12,293,400.00
Tax refund	7,289,797.28	Other Incomes	7,289,797.28
Subsidies for stable positions	6,571,825.59	Other Incomes	6,571,825.59
Patent subsidies	4,047,700.00	Other Incomes	4,047,700.00
Subsidy funding for R&D expenses of high-tech businesses	2,575,000.00	Other Incomes	2,575,000.00
Subsidy funding for Phoenix Action Plan	2,000,000.00	Other Incomes	2,000,000.00
Post-doctoral research funding	1,750,000.00	Other Incomes	1,750,000.00
Special awards for Fuyang Dahua Intelligence (IoT) Industrial Park	1,586,311.74	Deferred income/other incomes	1,586,311.74
Special financial award funds	1,413,058.00	Other Incomes	1,413,058.00
Intellectual property incentive funds	1,232,800.00	Other Incomes	1,232,800.00
Reward for Manufacturing Enterprises	1,080,000.00	Other Incomes	1,080,000.00
High-tech enterprise subsidies	1,000,000.00	Other Incomes	1,000,000.00
National Industrial Design Center Project	1,000,000.00	Other Incomes	1,000,000.00
Phase I investment financial incentive fund for security video surveillance product production base project	686,374.98	Deferred income/other incomes	686,374.98
VAT deduction	598,038.77	Other Incomes	598,038.77
Funding of Hangzhou for manufacturing enterprise technological transformation	508,595.53	Deferred income/other incomes	508,595.53

Special funds for foreign trade and economic development	132,700.00	Other Incomes	132,700.00
2021 "Straight Through Wuzhen" Global Internet Competition	100,000.00	Non-operating Revenue	100,000.00
Rent subsidy	79,700.00	Other Incomes	79,700.00
Government subsidies during the pandemic	62,828.64	Other Incomes	62,828.64
Subsidies for enterprise practical training	11,401.54	Other Incomes	11,401.54
Others	1,533,231.00	Other Incomes	1,533,231.00

(2) Return of government subsidies

Applicable Not applicable

VIII. Changes in the Scope of Consolidation

1. No business consolidation under non-common control during this period

2. No business consolidation under common control during this period

3. No counter purchase for the current period

4. Disposal of subsidiaries

Is there any situation where disposal of investment in subsidiaries in a single transaction causes loss of control

Yes No

Unit: RMB

Name of Subsidiaries	Equity disposal price	Equity disposal ratio	Methods of equity disposal	Time-point of loss of control	Basis for determining the time-point of loss of control	At the level of consolidated financial statement corresponding to the disposal price and the disposal of investment, the	Percentage of remaining equity on the date of loss of control	Book value of remaining equity on the date of loss of control	Fair value of remaining equity on the date of loss of control	Gains or losses from re-measurement of remaining equity at fair value	The determination method and main assumptions of the fair value of remaining equity on the date of loss of control	The amount of other comprehensive incomes related to the equity investment of the original subsidiary transferred into
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						difference in the net asset share of the subsidiary shall be gained						investment profits and losses
Sichuan Dahua Guangxun Photoelectric Technology Co., Ltd.	1,080,000.00	90.00%	Equity transfer	April 1, 2022	Signed Equity Transfer Agreement and completed the delivery of property rights	1,267,350.55	10.00%	276,430.46	417,247.19	140,816.73	Equity transfer agreement price	0.00

Is there any situation where disposal of investment in subsidiaries is achieved through multiple transactions in various stages, causing loss of control in this period

Yes No

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:

The Company invested to establish 7 domestic subsidiaries including Zhejiang Pixfra Technology Co., Ltd., Yiwu Huaxi Technology Co., Ltd., Zhejiang Dahua Intelligent IOT Operation Service Co., Ltd., Nanyang Dahua Intelligent Information Technology Co., Ltd., Yibin Huahui Information Technology Co., Ltd., Chengdu Huazhiwei Technology Co., Ltd., Xi'an IMOU Zhilian Technology Co., Ltd. and 4 overseas subsidiaries including Dahua Technology Middle East for Maintenance Single Person Company, Dahua Technology Bangladesh Private Limited, IMOU NETWORK TECHNOLOGY AUSTRALIA PTY LTD, and CÔNG TY TNHH CÔNG NGHỆ IMOU NETWORK VIỆT NAM. The above subsidiaries have been incorporated in the scope of consolidation since the date of establishment.

IX. Equity in Other Entities

1. Equity in Subsidiaries

(1) Composition of 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	100.00%		Establishment
Dahua Ju'an	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	51.00%		Establishment
Guangxi Dahua Information	Youjiang District, Baise	Youjiang District, Baise	Electronics and information	100.00%		Establishment
Guangxi Security	Qingxiu District, Nanning	Qingxiu District, Nanning	Service	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
Dahua investment management	Fuyang District, Hangzhou	Fuyang District, Hangzhou	Investment & investment management	75.00%		Establishment
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	Shihezi, Xinjiang	Shihezi, Xinjiang	Electronics and information		92.00%	Establishment
HuaRay Technology	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Sci-tech popularization and application services industry	45.90% ^{Note (3)}		Establishment
Fuyang Hua'ao	Fuyang District, Hangzhou	Fuyang District, Hangzhou	Electronics and information	51.00%		Establishment
Huafei Intelligent	Binjiang District,	Binjiang District,	Electronics and	45.50% ^{Note (4)}		Establishment

	Hangzhou	Hangzhou	information			
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	100.00%		Establishment
Xinjiang Zhihe	Qira County, Hotan, Xinjiang	Qira County, Hotan, Xinjiang	Electronics and information		97.00%	Establishment
Guangxi Huacheng	Wuzhou, Guangxi	Wuzhou, 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, Xinjiang	Kashgar, Xinjiang	Electronics and information		100.00%	Establishment
Tianjin Dahua	Tianjin Binhai New Area	Tianjin Binhai New Area	Electronics and information		65.00%	Establishment
Dahua Zhilong	Shuangpai County, Yongzhou City	Shuangpai County, Yongzhou City	Electronics and information		90.00%	Establishment
Vision Technology	Fuyang District, Hangzhou City, Zhejiang Province	Fuyang District, Hangzhou City, Zhejiang Province	Electronics and information	100.00%		Establishment
Huaxiao Technology	Fuyang District, Hangzhou City, Zhejiang Province	Fuyang District, Hangzhou City, Zhejiang Province	Electronics and information	51.00%		Establishment
Xi'an Dahua	Xi'an City, Shaanxi Province	Xi'an City, Shaanxi Province	Electronics and information	100.00%		Establishment
Wuxi Ruipin	Wuxi City	Wuxi City	Electronics and information	51.00%		Establishment
Beijing Huayue	Xicheng District,	Xicheng District,	Electronics and	100.00%		Establishment

	Beijing	Beijing	information			
Shanghai Huashang	Putuo District, Shanghai	Putuo District, Shanghai	Electronics and information	100.00%		Establishment
Dahua Jinzhi	Wucheng District, Jinhua City, Zhejiang Province	Wucheng District, Jinhua City, Zhejiang Province	Electronics and information	100.00%		Establishment
Zhoushan Operation	Zhoushan City, Zhejiang Province	Zhoushan City, Zhejiang Province	Electronics and information	58.80%		Establishment
Yunnan Zhili	Lijiang City, Yunnan Province	Lijiang City, Yunnan Province	Electronics and information	90.00%		Establishment
Guangxi Dahua Technology	Liuzhou City, Guangxi Zhuang Autonomous Region	Liuzhou City, Guangxi Zhuang Autonomous Region	Electronics and information	100.00%		Establishment
Dahua Storage	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	51.00%		Establishment
Huaruijie	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	51.00%		Establishment
Chengdu Zhilian	Longquanyi District, Chengdu	Longquanyi District, Chengdu	Electronics and information	100.00%		Establishment
Chengdu Zhian	Longquanyi District, Chengdu	Longquanyi District, Chengdu	Electronics and information	100.00%		Establishment
Chengdu Zhishu	Longquanyi District, Chengdu	Longquanyi District, Chengdu	Electronics and information	100.00%		Establishment
Chengdu Zhichuang	Longquanyi District, Chengdu	Longquanyi District, Chengdu	Electronics and information	100.00%		Establishment
Chengdu Smart Network	Dayi County, Chengdu	Dayi County, Chengdu	Electronics and information	90.00%		Establishment
Huakong Software	Wucheng District, Jinhua City	Wucheng District, Jinhua City	Electronics and information	100.00%		Establishment
Huacheng Software	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information		100.00%	Establishment
Guizhou Dahua	Nanming District, Guiyang	Nanming District, Guiyang	Electronics and information	100.00%		Establishment
Henan Dahua	Zhengzhou, Henan	Zhengzhou, Henan	Electronics and information	100.00%		Establishment
Huajian	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	45.00% ^{Note (5)}		Establishment
Zhengzhou	Zhengzhou,	Zhengzhou,	Electronics	100.00%		Establishment

Dahua Zhian	Henan	Henan	and information			
Dahua International	Singapore	Singapore	Electronics and information	100.00%		Establishment
Anhui Zhilian	Hefei, Anhui	Hefei, Anhui	Electronics and information	100.00%		Establishment
Anhui Zhishu	Hefei, Anhui	Hefei, Anhui	Electronics and information	100.00%		Establishment
Wuhu Huajian	Wuhu, Anhui	Wuhu, Anhui	Electronics and information		100.00%	Establishment
Changsha Dahua	Changsha, Hunan	Changsha, Hunan	Electronics and information	100.00%		Establishment
Tianjin Huajian	Hexi District, Tianjin	Hexi District, Tianjin	Electronics and information		100.00%	Establishment
Zhejiang Pixfra	Xiaoshan District, Hangzhou	Xiaoshan District, Hangzhou	Electronics and information	51.00%		Establishment
Yiwu Huaxi	Yiwu City, Zhejiang Province	Yiwu City, Zhejiang Province	Electronics and information		100.00%	Establishment
Dahua Operation	Xiaoshan District, Hangzhou	Xiaoshan District, Hangzhou	Electronics and information	100.00%		Establishment
Nanyang Intelligent	Nanyang City, Henan Province	Nanyang City, Henan Province	Electronics and information	100.00%		Establishment
Yibin Huahui	Yibin City, Sichuan Province	Yibin City, Sichuan Province	Electronics and information	100.00%		Establishment
Chengdu Huazhiwei	Chengdu City, Sichuan Province	Chengdu City, Sichuan Province	Electronics and information	100.00%		Establishment
IMOU Xi'an	Xi'an City, Shaanxi Province	Xi'an City, Shaanxi Province	Electronics and information		100.00%	Establishment
Dahua Hong Kong	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		100.00%	Establishment

			and information			
Dahua Colombia	Columbia	Columbia	Electronics and information		100.00%	Establishment
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 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		100.00%	Establishment

			and information			
Dahua Indonesia	Indonesia	Indonesia	Electronics and information		67.00%	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 and information		100.00%	Establishment
Dahua France	France	France	Electronics and information		100.00%	Establishment
Dahua Lorex (US) Corporation	USA	USA	Electronics and information		100.00%	Establishment
Dahua Technology Holdings	Hong Kong	Hong Kong	Electronics and information	100.00%		Establishment
Dahua Morocco	Morocco	Morocco	Electronics and information		100.00%	Establishment
Dahua Technology Italy	Italy	Italy	Electronics and information		100.00%	Business combination not under common control
Dahua Uzbekistan	Uzbekistan	Uzbekistan	Electronics and information		100.00%	Establishment
Dahua Netherlands	Netherlands	Netherlands	Electronics and information		100.00%	Establishment
Dahua Sri Lanka	Sri Lanka	Sri Lanka	Electronics and information		100.00%	Establishment
Dahua Lorex (Canada) Corporation	Canada	Canada	Electronics and information		100.00%	Business combination not under common control

Dahua Pakistan	Pakistan	Pakistan	Electronics and information		100.00%	Establishment
Dahua New Zealand	New Zealand	New Zealand	Electronics and information		100.00%	Establishment
Dahua Thailand	Thailand	Thailand	Electronics and information		99.98%	Establishment
Dahua Romania	Romania	Romania	Electronics and information		100.00%	Establishment
Dahua Nigeria	Nigeria	Nigeria	Electronics and information		100.00%	Establishment
Dahua Israel	Israel	Israel	Electronics and information		100.00%	Establishment
Dahua Mexico Service	Mexico	Mexico	Electronics and information		100.00%	Establishment
Huacheng Netherlands	Netherlands	Netherlands	Electronics and information		100.00%	Establishment
Dahua Lorex (UK) Corporation	UK	UK	Electronics and information		100.00%	Establishment
Dahua Japan	Japan	Japan	Electronics and information		100.00%	Establishment
Dahua Qatar	Qatar	Qatar	Electronics and information		100.00%	Establishment
Huacheng Hong Kong	Hong Kong	Hong Kong	Electronics and information		100.00%	Establishment
Dahua Pacific	Panama	Panama	Electronics and information		100.00%	Establishment
Dahua Saudi Arabia	Saudi Arabia	Saudi Arabia	Electronics and information		100.00%	Establishment
Dahua Bengal	Bangladesh	Bangladesh	Electronics and information		100.00%	Establishment
IMOU Australia	Australia	Australia	Electronics and information		100.00%	Establishment
IMOU Vietnam	Vietnam	Vietnam	Electronics and information		100.00%	Establishment

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, and reclassifying those due within one year to "non-current liabilities due within one year". The Company effectively holds 100% voting rights and equity in Dahua Zhilian.

Note (3): On April 30, 2021, the registered capital of the limited company HuaRay Technology increased from RMB 50,000,000 to RMB 55,555,556. Due to the Company's abandonment of the same proportion of capital increase right and right of preemption of HuaRay Technology, the Company's original 51% equity holding in HuaRay Technology was diluted to 45.9%. After the dilution of equity, the Company is still the largest shareholder of HuaRay. The remaining shareholders have a low and dispersed shareholding ratio, and HuaRay is still a subsidiary of the Company.

Note (4): The Company directly holds 45.50% equity in Zhejiang Huafei Intelligent Technology Co., Ltd. as agreed upon, Ningbo Hualing Venture Capital Investment Partnership (Limited Partnership) 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 Zhejiang Huajian Technology Co., Ltd., and as agreed upon, Ningbo Hualing Venture Capital Investment Partnership (Limited Partnership) grants its voting rights of 40% to the Company. The Company effectively holds 85% of the voting rights in Zhejiang Huajian Technology Co., Ltd., which constitutes working control so as to incorporate it into the scope of consolidation.

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

According to the decision of Shareholders' Meeting of Zhejiang Dahua Security Network Operation Service Co., Ltd. (hereinafter referred to as the "Operator"), Ningbo Huayu Investment Management Partnership Corporation (Limited Partnership), the minority shareholder of the Operator, transferred to the Company its 49% equity in the Operator at the transfer price of RMB 74.94 million. After the transfer, the Company held 100% equity of the Operator.

According to the decision of Shareholders' Meeting of Guizhou Huayi Shixin Technology Co., Ltd., Guiyang Guanshanhu Investment (Group) Co., Ltd. and Guizhou Yiyun Investment Co., Ltd., the minority shareholders of Guizhou Huayi Shixin Technology Co., Ltd., withdrew their investments in Guizhou Huayi through capital reduction. After the withdrawal, the Company's shareholding in Guizhou Huayi changed from 45% to 100%.

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

Unit: RMB

	Operator	Guizhou Huayi
Purchase cost/Disposal consideration		

-- Cash	74,940,000.00	3,000,000.00
-- Fair value of non-cash assets		
Purchase cost/ Total disposal consideration	74,940,000.00	3,000,000.00
Less: the share of net assets of the subsidiary calculated based on the ratio of equity obtained/disposed	67,816,784.89	2,935,271.57
Difference	7,123,215.11	64,728.43
Among them: adjust the capital reserve	7,123,215.11	64,728.43
Adjusted surplus reserve		
Adjusted undistributed profits		

3. Equity in joint venture arrangements or affiliates

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

Unit: RMB

	Closing balance / amount occurred in the current period	Opening balance / amount occurred in the previous period
Joint ventures:	--	--
The total count of the following items based on the shareholding ratios	--	--
Affiliates:	--	--
Total book value of investments	1,055,226,461.37	1,243,872,752.91
The total count of the following items based on the shareholding ratios	--	--
--Net profit	-190,450,701.35	-155,395,120.84
--Other comprehensive income	-1,895,750.09	-1,835,013.29
--Total comprehensive income	-192,346,451.44	-157,230,134.13

X. Risks Relating to Financial Instruments

In the business operation, the Company is facing with various financial risks: credit risk, liquidity risk and market risk (including exchange rate risk, interest rate risk and other price risks).

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 financial loss to the Company as a result of a counterparty's failure to fulfill its contractual 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.

The Company ensures that the overall credit risk is within the controllable range through quarterly monitoring of credit ratings of existing customers, and monthly review of aging analysis on accounts receivable. When monitoring

customers' credit risk, the Company groups them according to their credit characteristics. Customers rated as "high risk" will be placed on the restricted customer list. The Company can provide them with O/A in the future period only when additional approval is obtained. Otherwise they must make relevant payment in advance.

For overseas customers, the Company mainly uses wire transfer as a payment method. According to the credit evaluation of each customer, the Company gives different credit lines and credit account periods, and agrees on the payment method and account period in the commodity procurement contract between the two parties. After the sales of products, the Company has a dedicated person responsible for tracking, reconciliation, and payment reminding. In addition, the Company introduced export credit insurance to ensure that the return risk from overseas customers is within controllable range.

(II) Liquidity Risk

Liquidity risk refers to the risk of a shortage of funds when an enterprise fulfills its obligation of settlement by 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 financial liabilities of the Company are listed as follows based on the undiscounted contractual cash flow:

Unit: RMB

Item	June 30, 2022		
	Within 1 year	1 years or above	Total
Short-term loan	634,697,133.66		634,697,133.66
Notes Payable	3,752,874,720.97		3,752,874,720.97
Accounts Payable	5,972,721,336.20		5,972,721,336.20
Other Payables	964,959,710.58		964,959,710.58
Non-current Liabilities Due within 1 Year	2,006,529,399.53		2,006,529,399.53
Long-term loan		1,505,050,000.00	1,505,050,000.00
Lease Liabilities		167,844,294.61	167,844,294.61
Total	13,331,782,300.94	1,672,894,294.61	15,004,676,595.55

Item	December 31, 2021		
	Within 1 year	1 years or above	Total
Short-term loan	325,648,230.98		325,648,230.98
Notes Payable	4,472,998,965.03		4,472,998,965.03
Accounts Payable	7,329,740,650.71		7,329,740,650.71
Other Payables	677,752,701.47		677,752,701.47
Non-current Liabilities Due within 1 Year	897,508,057.06		897,508,057.06
Long-term loan		1,552,500,000.00	1,552,500,000.00
Lease Liabilities		154,577,298.75	154,577,298.75
Total	13,703,648,605.25	1,707,077,298.75	15,410,725,904.00

(III) Market Risk

The market risk of financial instruments refers to the risk of fluctuation at fair value of financial instruments or future cash flows with the change of market prices, including exchange rate risks, interest rate risks 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. In addition, the Company may also sign forward foreign exchange contracts or currency swap contracts 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:

Unit: RMB

Item	Closing balance			Opening balance		
	USD	Other foreign currencies	Total	USD	Other foreign currencies	Total
Cash and Bank Balances	624,684,856.65	555,730,854.56	1,180,415,711.21	2,354,710,497.05	916,354,449.93	3,271,064,946.98
Accounts receivable	3,776,355,156.07	1,570,621,738.27	5,346,976,894.34	3,483,123,214.93	1,480,563,785.67	4,963,687,000.60
Accounts Payable	1,075,791,517.17	259,299,963.54	1,335,091,480.71	1,643,617,962.46	352,288,239.87	1,995,906,202.33
Total	5,476,831,529.89	2,385,652,556.37	7,862,484,086.26	7,481,451,674.44	2,749,206,475.47	10,230,658,149.91

XI. Disclosure of Fair Values

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

Unit: RMB

Item	Fair values at period-end			
	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	--	--	--	--
(I) Trading Financial Assets		1,470,000.00		1,470,000.00
1. Financial assets measured at fair value through profit or loss in this period		1,470,000.00		1,470,000.00
(1) Investment in debt instrument				

(2) Investment in equity instrument				
(3) Derivative Financial Assets				
(4) Others		1,470,000.00		1,470,000.00
2. Financial assets that are designated to be measured at fair value through profit or loss in this period				
(1) Investment in debt instrument				
(2) Investment in equity instrument				
(II) Receivables Financing		676,732,626.54		676,732,626.54
(III) Other Non-current Financial Assets		585,770,457.65	525,215,662.07	1,110,986,119.72
1. Financial assets measured at fair value through profit or loss in this period		585,770,457.65	525,215,662.07	1,110,986,119.72
(1) Investment in debt instrument				
(2) Investment in equity instrument			525,215,662.07	525,215,662.07
(3) Derivative Financial Assets				
(4) Others		585,770,457.65		585,770,457.65
2. Financial assets that are designated to be measured at fair value through profit or loss in this period				
(1) Investment in debt instrument				
(2) Others				
Total assets constantly measured at fair value		1,263,973,084.19	525,215,662.07	1,789,188,746.26
(VI) Transactional financial liabilities		22,938,892.17		22,938,892.17
Of which: Derivative financial liabilities		22,938,892.17		22,938,892.17
Total amount of liabilities constantly measured at their fair values		22,938,892.17		22,938,892.17
II. Non-constant measurement at fair values	--	--	--	--

2. For the continuous and non-continuous second-level fair value measurement items, the valuation techniques adopted and the qualitative and quantitative information of important parameters

The fair value of derivative financial assets/derivative financial liabilities is recognized based on the difference between the quotation of the forward foreign exchange settlement contract and the forward foreign exchange price.

Due to the short remaining term of the receivables financing, the book value is close to the fair value, and the nominal amount is used as the fair value.

Other non-current financial assets are valued on the basis of quotations provided by financial institutions.

3. For the continuous and non-continuous third-level fair value measurement items, the valuation techniques adopted and the qualitative and quantitative information of important parameters

Evaluate the value and net book assets based on the income method and asset-based method.

4. The fair value of financial assets and financial liabilities not measured at fair value

The fair value of financial assets and financial liabilities measured by the Company at amortized cost is equivalent to the book value.

XII. Related Parties and Related-party Transactions

1. The Company's Parent Company

Name of parent company	Registered Address	Business Nature	Registered Capital	Shareholding ratio of the parent company	Proportion of voting rights of the parent company
Fu Liquan				34.19%	34.19%
Chen Ailing				2.38%	2.38%

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

2. Information about the Company's subsidiaries

For details of subsidiaries of the Company, see Note "IX. Equities in other entities".

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

For details of significant joint ventures and associates of the Company, see Note "IX. Equities in other entities".

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 ventures and affiliates	Relationship with the Company
Intelbras S.A.	Affiliate
Guangdong Zhishi Digital Technology Co., Ltd.	Affiliate
Zhejiang Leapmotor Technology Co., Ltd. and its affiliates (Note 1)	Affiliate and enterprise where the actual controller has significant influence
Ruicity Digital Technology Co., Ltd. and its affiliates (Note	Affiliate

2)	
China Standard Intelligent Security Technology Co., Ltd.	Affiliate
Shaoxing Dahua Security Services Co., Ltd.	Affiliate
Hangzhou Juhuan Information Technology Co., Ltd.	Affiliate
Dezhou Shuzhi Information Technology Co., Ltd.	Affiliate
Lishui Dahua Intelligent Technology Co., Ltd. (Note 3)	Affiliate
Ningbo Dahua Anbang Security Services Co., Ltd. (Note 3)	Affiliate
Zhoushan Dahua Technology Co., Ltd. (Note 3)	Affiliate
Taizhou Dahua Security Services Co., Ltd. (Note 3)	Affiliate

Other notes

Note 1: "Zhejiang Leapmotor Technology Co., Ltd. and its affiliates" includes a total of eight companies, namely Zhejiang Leapmotor Technology Co., Ltd., Leapmotor Automobile Co., Ltd., Hangzhou Leapmotor Automobile Sales Service Co., Ltd., Zhejiang Youchong New Energy Technology Co., Ltd., Wuhan Lingchao Automobile Sales Service Co., Ltd., Zhejiang Leapmotor Automobile Sales Service Co., Ltd., Jinhua Leapmotor New Energy Automotive Parts Technology Co., Ltd, and Shanghai Leapmotor Automobile Marketing Service Co., Ltd., all of which has related transactions with the Company.

Note 2: "Ruicity Digital Technology Co., Ltd. and its affiliates" includes Ruicity Digital Technology Co., Ltd. and its subsidiary, Ruicity (Shandong) Digital Technology Co. Ltd.

Note 3: The equity of the Company in Lishui Dahua Intelligent Technology Co., Ltd., Ningbo Dahua Anbang Security Service Co., Ltd., Zhoushan Dahua Technology Co., Ltd., and Taizhou Dahua Security Service Co. Ltd. has been fully transferred in 2021. However, due to the resignation of director Wu Yunlong in March 2021, it is still recognized as having affiliated relationship within 12 months of leaving office, and the affiliated relationship ended in March 2022.

4. Information about other related parties

Names of other related parties	Relationship between the Company and other related parties
Hangzhou Nuojia Technology Co., Ltd. (Note 1)	Enterprise once controlled by the spouse of senior manager of the Company
Hangzhou Xunwei Robotics Technology Co., Ltd.	Enterprise significantly influenced by the senior manager of the Company
Hangzhou Xintu Technology Co., Ltd.	Enterprise significantly influenced by the senior manager of the Company
Ningbo Hualing Venture Capital Investment Partnership (Limited Partnership)	Enterprise controlled by the actual controller
Ningxia Shendun Security Services Co., Ltd.	Subsidiary of a company with shares held by the Company
Zhejiang Huanuokang Technology Co., Ltd.	Company controlled by the Company's actual controller
Zhoushan Weixin Equity Investment Partnership (Limited Partnership)	Enterprise where the actual controller has significant influence
Zhoushan Zhixin Equity Investment Partnership (Limited Partnership)	Enterprise controlled by the actual controller
Zhejiang Huatu Microchip Technology Co., Ltd. (Note 2)	Enterprise where the actual controller has significant influence
Zhejiang Xinsheng Electronic Technology Co., Ltd. (Note 2)	Enterprise where the actual controller has significant influence
Zhoushan Dahua Security Service Co., Ltd. (Note 3)	Subsidiary of the affiliate
Zhejiang Huashi Investment Management Co., Ltd.	Enterprise controlled by the actual controller
Zhejiang Zhihua Internet of Things Technology Co., Ltd.	Subsidiary of the affiliate
Hangzhou Xianmai Technology Co., Ltd.	Enterprise controlled by the actual controller

China Mobile Communications Group Co., Ltd. and its affiliates	Group with significant influence on the Company
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Other notes

Note 1: Hangzhou Nuoja Technology Co., Ltd. was a business controlled by the spouse of a senior manager of the Company. The spouse disposed of shares and lost the control over the business in January 2022, but it is still recognized as an associated party within 12 months after the disposal, and the associated relationship will end in January 2023.

Note 2: Zhejiang Huatu Microchip Technology Co., Ltd. and Zhejiang Xinsheng Electronic Technology Co., Ltd. have been disposed of by Dahua in July 2020, and are still enterprises with important influence from the actual controller after disposal.

Note 3: Zhoushan Dahua Security Service Co., Ltd. is a wholly-owned subsidiary of Zhoushan Dahua Technology Co., Ltd. The Company has transferred all the equity of Zhoushan Dahua Technology Co., Ltd. in 2021. However, due to the resignation of director Wu Yunlong in March 2021, it was still recognized as an affiliated relationship within 12 months of his resignation, and the affiliated relationship ended in March 2022.

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	Amount Occurred in the Current Period	Approved transaction limit	Over the transaction limit or not	Amount Occurred in the Previous Period
Zhejiang Xinsheng Electronic Technology Co., Ltd.	Purchase of materials	130,451,406.39		No	132,370,788.16
China Mobile Communications Group Co., Ltd. and its affiliates	Material procurement, acceptance of services	11,413,569.54		No	4,584,246.52
Hangzhou Nuoja Technology Co., Ltd.	Acceptance of services	210,616.99		No	484,234.68
Zhejiang Huanokang Technology Co., Ltd.	Purchase of materials	99,999.97		No	1,336,283.11
Hangzhou Xunwei Robotics Technology Co., Ltd.	Material procurement, acceptance of services	5,685.12		No	444,057.57
Zhoushan Dahua Security Service Co., Ltd.	Acceptance of services			No	4,088,447.17
Zhejiang Leapmotor Technology Co., Ltd. and its	Material procurement, acceptance of services			No	35,679.20

affiliates				
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Sales of merchandise and provision of services

Unit: RMB

Related parties	Content of the related - party transaction	Amount Occurred in the Current Period	Amount Occurred in the Previous Period
Intelbras S.A.	Sales of merchandise	364,654,929.70	303,183,526.51
China Mobile Communications Group Co., Ltd. and its affiliates	Sales of merchandise and provision of services	170,642,375.20	58,933,557.62
Zhejiang Leapmotor Technology Co., Ltd. and its affiliates	Sales of merchandise and provision of services	167,405,053.69	25,154,144.53
Guangdong Zhishi Digital Technology Co., Ltd.	Sales of merchandise	10,008,308.98	12,724,922.75
Ruicity Digital Technology Co., Ltd. and its affiliates	Sales of merchandise	8,592,707.81	15,964,205.97
Zhejiang Huanuokang Technology Co., Ltd.	Sales of merchandise	1,123,013.63	1,471,146.02
Ningbo Dahua Anbang Security Services Co., Ltd.	Sales of merchandise		609,380.47
Hangzhou Xintu Technology Co., Ltd.	Provision of labor services	2,358.48	236,264.22
Zhejiang Xinsheng Electronic Technology Co., Ltd.	Sales of merchandise	69,437.96	198,454.94
Hangzhou Nuojia Technology Co., Ltd.	Sales of merchandise	64,601.77	45,893.80
Zhoushan Dahua Technology Co., Ltd.	Sales of merchandise		80,051.32
Hangzhou Xunwei Robotics Technology Co., Ltd.	Sales of merchandise	1,061.95	11,469.03
Zhejiang Zhihua Internet of Things Technology Co., Ltd.	Sales of merchandise	1,769.91	14,867.26
China Standard Intelligent Security Technology Co., Ltd.	Sales of merchandise		1,327.43
Taizhou Dahua Security Services Co., Ltd.	Sales of merchandise		69.03

(2) Related leasing

The Company being the lessor:

Unit: RMB

Name of the lessee	Type of the leased assets	Rental income confirmed in this period	Rental income confirmed in the previous period
Zhejiang Leapmotor Technology Co., Ltd. and its affiliates	Buildings and constructions	129,297.61	495,771.41
Zhejiang Huanuokang Technology Co., Ltd.	Buildings and constructions	102,857.15	
Zhejiang Xinsheng Electronic Technology Co., Ltd.	Transport equipment	15,486.73	15,044.25
Ruicity Digital Technology Co., Ltd. and its affiliates	Transport equipment		28,723.15

The Company being the lessee:

Unit: RMB

Name of the lessor	Type of the leased assets	Simplified rental expenses for short-term leases and low-value asset leases (if applicable)		Variable lease payments not included in the measurement of lease liabilities (if applicable)		Rent paid		Interest expense on lease liabilities borne		Increased right-of-use assets	
		Amount Occurred in the Current Period	Amount Occurred in the Previous Period	Amount Occurred in the Current Period	Amount Occurred in the Previous Period	Amount Occurred in the Current Period	Amount Occurred in the Previous Period	Amount Occurred in the Current Period	Amount Occurred in the Previous Period	Amount Occurred in the Current Period	Amount Occurred in the Previous Period
Zhejiang Leapmotor Technology Co., Ltd. and its affiliates	Machinery and equipment					1,034,915.00		134,934.57		8,884,640.73	

(3) Related guarantee

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.	180,000,000.00	June 26, 2019	June 25, 2022	Yes
Zhejiang Dahua Vision Technology Co., Ltd.	250,000,000.00	February 17, 2020	Two years after the maturity of the debts in the master contract	Yes
Zhejiang Dahua Vision Technology Co., Ltd.	240,000,000.00	April 13, 2020	Two years after the maturity of the debts in the master contract	Yes
Zhejiang Dahua Vision Technology Co., Ltd.	300,000,000.00	February 25, 2021	Three years after the maturity of the debts in the master contract	Yes
Zhejiang Dahua Vision Technology Co., Ltd.	200,000,000.00	November 10, 2021	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	Yes
Zhejiang Dahua Vision Technology Co., Ltd.	220,000,000.00	October 13, 2017	Two years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision	40,000,000.00	September 21, 2018	Two years after the maturity	No

Technology Co., Ltd. (guarantee currency is US dollar)			of the debts in the master contract	
Zhejiang Dahua Vision Technology Co., Ltd.	530,000,000.00	April 7, 2020	March 31, 2024	No
Zhejiang Dahua Vision Technology Co., Ltd.	600,000,000.00	August 12, 2020	Two years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	330,000,000.00	August 18, 2020	Two years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	300,000,000.00	August 15, 2020	Five years upon expiration of debt period of master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	1,000,000,000.00	February 4, 2021	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	80,000,000.00	May 12, 2021	December 31, 2022	No
Zhejiang Dahua Vision Technology Co., Ltd.	440,000,000.00	July 26, 2021	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	35,000,000.00	August 1, 2021	July 31, 2023	No
Zhejiang Dahua Vision Technology Co., Ltd.	500,000,000.00	August 2, 2021	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	600,000,000.00	September 27, 2021	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	900,000,000.00	September 27, 2021	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	200,000,000.00	October 20, 2021	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	300,000,000.00	June 10, 2022	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	200,000,000.00	June 10, 2022	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	No
Zhejiang Dahua Zhilian Co., Ltd.	100,000,000.00	May 1, 2021	One years upon expiration of debt period of master contract	Yes
Zhejiang Dahua Zhilian Co., Ltd. (guarantee currency is US dollar)	60,000,000.00	May 1, 2021	April 30, 2022	Yes
Zhejiang Dahua Zhilian Co., Ltd. (guarantee currency is US dollar)	55,000,000.00	April 30, 2021	May 14, 2022	Yes
Zhejiang Dahua Zhilian Co., Ltd.	160,000,000.00	November 10, 2021	From effective date of the Commitment Letter to three	Yes

			years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	
Zhejiang Dahua Zhilian Co., Ltd. (guarantee currency is US dollar)	24,000,000.00	December 3, 2021	May 31, 2022	Yes
Zhejiang Dahua Zhilian Co., Ltd.	300,000,000.00	March 28, 2019	Two years after the maturity of the debts in the master contract	No
Zhejiang Dahua Zhilian Co., Ltd.	165,000,000.00	July 26, 2021	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua Zhilian Co., Ltd.	150,000,000.00	September 27, 2021	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua Zhilian Co., Ltd.	200,000,000.00	November 10, 2021	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua Zhilian Co., Ltd.	35,000,000.00	December 3, 2021	One years upon expiration of debt period of master contract	No
Zhejiang Dahua Zhilian Co., Ltd. (guarantee currency is US dollar)	5,000,000.00	December 3, 2021	December 2, 2024	No
Zhejiang Dahua Zhilian Co., Ltd.	80,000,000.00	March 25, 2022	December 31, 2023	No
Zhejiang Dahua Zhilian Co., Ltd. (guarantee currency is US dollar)	60,000,000.00	May 1, 2022	One years upon expiration of debt period of master contract	No
Zhejiang Dahua Zhilian Co., Ltd.	10,000,000.00	May 1, 2022	One years upon expiration of debt period of master contract	No
Zhejiang Dahua Zhilian Co., Ltd. (guarantee currency is US dollar)	55,000,000.00	May 14, 2022	May 14, 2023	No
Zhejiang Dahua Zhilian Co., Ltd.	160,000,000.00	June 10, 2022	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua Zhilian Co., Ltd.	160,000,000.00	June 10, 2022	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	No
Zhejiang Dahua System Engineering Co., Ltd.	40,000,000.00	November 10, 2021	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	Yes
Zhejiang Dahua System Engineering Co., Ltd.	10,000,000.00	August 30, 2019	Two years after the maturity of the debts in the master contract	No

Zhejiang Dahua System Engineering Co., Ltd.	50,000,000.00	August 2, 2021	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua System Engineering Co., Ltd.	60,000,000.00	November 10, 2021	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua System Engineering Co., Ltd.	40,000,000.00	June 10, 2022	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua System Engineering Co., Ltd.	40,000,000.00	June 10, 2022	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	No
Dahua Technology (HK) Limited (guarantee currency is EUR)	1,000,000.00	April 25, 2021	April 25, 2022	Yes
Dahua Technology (HK) Limited (guarantee currency is US dollar)	2,000,000.00	March 25, 2022	March 25, 2023	No
DAHUA TECHNOLOGY MEXICO S.A. DE C.V (guaranteed currency is US dollar)	1,000,000.00	September 1, 2021	December 1, 2023	No
DAHUA TECHNOLOGY MEXICO S.A. DE C.V (guaranteed currency is US dollar)	5,000,000.00	October 21, 2021	October 20, 2022	No
Hangzhou Huacheng Network Technology Co., Ltd.	20,000,000.00	February 4, 2021	Six months upon expiration of debt period of master contract	Yes
Hangzhou Huacheng Network Technology Co., Ltd.	100,000,000.00	February 25, 2021	Three years after the maturity of the debts in the master contract	Yes
Hangzhou Huacheng Network Technology Co., Ltd.	50,000,000.00	August 30, 2019	Two years after the maturity of the debts in the master contract	No
Hangzhou Huacheng Network Technology Co., Ltd.	55,000,000.00	July 26, 2021	Three years after the maturity of the debts in the master contract	No
Hangzhou Huacheng Network Technology Co., Ltd.	50,000,000.00	September 27, 2021	Three years after the maturity of the debts in the master contract	No
Dahua Technology UK Limited (guaranteed currency is GBP)	1,160,000.00	August 12, 2020	Sign the Termination Notice Letter	No
Dahua Technology USA Inc. (guaranteed currency is US dollar)	1,400,000.00	November 19, 2021	November 18, 2022	No
Zhejiang Dahua Storage Technology Co., Ltd. (guarantee currency is US dollar)	2,000,000.00	May 2, 2021	Three years after the maturity of the debts in the master contract	Yes
Zhejiang Dahua Storage Technology Co., Ltd.	10,000,000.00	April 29, 2022	Three years after the maturity of the debts in the master	No

			contract	
Zhejiang Dahua Storage Technology Co., Ltd. (guarantee currency is US dollar)	2,000,000.00	May 16, 2022	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua Storage Technology Co., Ltd.	10,000,000.00	June 10, 2022	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	No
Zhejiang Huachuang Vision Technology Co., Ltd.	50,000,000.00	May 11, 2021	Three years after the maturity of the debts in the master contract	Yes
Zhejiang Fengshi Technology Co., Ltd.	20,000,000.00	November 10, 2021	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	Yes
Zhejiang Fengshi Technology Co., Ltd.	20,000,000.00	June 10, 2022	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	No
Wuxi Dahua Ruipin Technology Co., Ltd.	10,000,000.00	October 20, 2021	Three years after the maturity of the debts in the master contract	No
Wuxi Dahua Ruipin Technology Co., Ltd.	10,000,000.00	November 10, 2021	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	Yes
Wuxi Dahua Ruipin Technology Co., Ltd.	10,000,000.00	June 10, 2022	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	No
Zhejiang Huaxiao Technology Co., Ltd.	5,000,000.00	November 10, 2021	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	Yes
Zhejiang Huaxiao Technology Co., Ltd.	10,000,000.00	June 10, 2022	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by	No

			the China Merchants Bank within the credit extension period	
Xi'an Dahua Zhilian Technology Co., Ltd.	30,000,000.00	September 27, 2021	September 18, 2022	No
Xi'an Dahua Zhilian Technology Co., Ltd.	50,000,000.00	November 10, 2021	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	Yes
Xi'an Dahua Zhilian Technology Co., Ltd.	50,000,000.00	June 10, 2022	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	No
Zhengzhou Dahua Zhian Information Technology Co., Ltd.	50,000,000.00	November 10, 2021	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	Yes
Zhengzhou Dahua Zhian Information Technology Co., Ltd.	50,000,000.00	June 10, 2022	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	No
Chengdu Dahua Zhian Information Technology Service Co., Ltd.	50,000,000.00	November 10, 2021	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	Yes
Chengdu Dahua Zhian Information Technology Service Co., Ltd.	100,000,000.00	June 10, 2022	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	No
Changsha Dahua Technology Co., Ltd.	10,000,000.00	June 10, 2022	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	No
Zhejiang Pixfra Technology Co., Ltd.	5,000,000.00	June 10, 2022	From effective date of the Commitment Letter to three years after the maturity date	No

			of each note discounted by the China Merchants Bank within the credit extension period	
Zhejiang Huafei Intelligent Technology Co., Ltd.	5,000,000.00	June 10, 2022	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	No
Zhejiang Huajian Technology Co., Ltd.	5,000,000.00	June 10, 2022	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	No
Hangzhou Xiaohua Technology Co., Ltd.	5,000,000.00	June 10, 2022	From effective date of the Commitment Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	No

(4) Asset transfer and debt restructuring of related parties

Unit: RMB

Related parties	Content of the related - party transaction	Amount Occurred in the Current Period	Amount Occurred in the Previous Period
Zhejiang Leapmotor Technology Co., Ltd. and its affiliates	Procurement of fixed assets	842,105.08	1,157,719.80
Zhejiang Huanuokang Technology Co., Ltd.	Selling of fixed assets	3,078.06	
Ruicity Digital Technology Co., Ltd.	Selling of fixed assets		112,127.64

(5) Remuneration to key management personnel

Unit: RMB

Item	Amount Occurred in the Current Period	Amount Occurred in the Previous Period
Salary of key management personnel	4,860,645.75	5,430,399.52

(6) Other related-party transactions

① On February 16, 2022, the 26th Meeting of the 7th Board of Directors of the Company discussed and adopted the Proposal on Adjusting Related Matters and Related Transactions of Industrial Fund, agreeing that the subscribed capital of Huayan Investment Fund would be increased from RMB 150.1 million to RMB 258.01 million, where some original partners increased their capital contributions and four new limited partners were added. The Company has not increased its capital contribution this time. After the change, the proportion of the Company capital contribution is

19.38%. The modification procedures at the Bureau of Industry and Commerce for the above matters were completed in March 2022.

② On April 22, 2022, the "Proposal on Abandoning the Preemptive Right and Related Transactions of Subsidiaries" was reviewed and approved at the 30th session of the 7th Board of Directors, and Zhang Hui, the shareholder of Huafei Technology, transferred his 13.50% equity to Hualing Venture Capital Investment at a price of RMB 15,903,000. The Company agreed to waive its right of preemption to the above equity. The modification procedures at the Bureau of Industry and Commerce for the above matters were completed in June 2022.

6. Receivables and payables of the related parties

(1) Receivables

Unit: RMB

Item Name	Related parties	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	Intelbras S.A.	274,702,086.32	13,736,789.48	206,318,099.10	10,320,331.98
Accounts receivable	China Mobile Communications Group Co., Ltd. and its affiliates	197,221,957.15	13,428,018.55	111,247,639.49	7,895,521.54
Accounts receivable	Zhejiang Leapmotor Technology Co., Ltd. and its affiliates	212,359,483.43	10,650,852.01	89,391,704.45	4,647,793.73
Accounts receivable	Ruicity Digital Technology Co., Ltd. and its affiliates	10,064,788.73	503,239.44	4,915,729.56	245,786.48
Accounts receivable	Guangdong Zhishi Digital Technology Co., Ltd.	8,959,411.16	447,970.56	6,365,249.54	318,262.48
Accounts receivable	Zhejiang Huanuokang Technology Co., Ltd.	4,008,712.23	290,506.89	2,738,506.81	146,705.87
Accounts receivable	Zhejiang Xinsheng Electronic Technology Co., Ltd.	2,368,925.38	401,859.88	2,287,960.46	173,101.22
Accounts receivable	Hangzhou Juhuan Information Technology Co., Ltd.	1,208,000.00	254,926.40	1,208,000.00	181,613.20
Accounts receivable	Zhejiang Huatu Microchip Technology Co.,	315,750.17	94,481.85	315,750.17	31,822.29

	Ltd.				
Accounts receivable	Hangzhou Nuojia Technology Co., Ltd.	73,000.00	3,650.00	1,947.00	97.35
Accounts receivable	Shaoxing Dahua Security Services Co., Ltd.	50,000.00	15,000.00	50,000.00	15,000.00
Accounts receivable	Dezhou Shuzhi Information Technology Co., Ltd.	37,648.57	1,882.43		
Accounts receivable	Hangzhou Xintu Technology Co., Ltd.	223.20	11.16	81.72	4.09
Accounts receivable	Ningbo Dahua Anbang Security Services Co., Ltd.			1,472,000.00	73,600.00
Accounts receivable	China Standard Intelligent Security Technology Co., Ltd.			1,017,406.10	279,911.05
Accounts receivable	Hangzhou Xunwei Robotics Technology Co., Ltd.			6,800.00	340.00
Accounts Prepaid	Zhejiang Xinsheng Electronic Technology Co., Ltd.	37,566,910.38		54,676,147.76	
Accounts Prepaid	Zhejiang Leapmotor Technology Co., Ltd. and its affiliates			949,000.00	
Contract Assets	China Mobile Communications Group Co., Ltd. and its affiliates	4,838,062.59	72,764.81		
Other Receivables	Ningbo Hualing Venture Capital Investment Partnership (Limited Partnership)	41,800,000.00	4,180,000.00	41,800,000.00	4,180,000.00
Other Receivables	Zhoushan Weixin Equity Investment Partnership (Limited Partnership)	24,320,000.00	2,432,000.00	24,320,000.00	2,432,000.00
Other Receivables	Zhoushan Zhixin Equity Investment	25,080,000.00	2,508,000.00	25,080,000.00	2,508,000.00

	Partnership (Limited Partnership)				
Other Receivables	China Mobile Communications Group Co., Ltd. and its affiliates	1,365,576.02	93,278.80	748,826.97	62,441.35

(2) Payables

Unit: RMB

Item Name	Related parties	Closing balance	Opening balance
Accounts Payable	China Mobile Communications Group Co., Ltd. and its affiliates	45,800,698.42	44,367,897.15
Accounts Payable	Zhejiang Huanuokang Technology Co., Ltd.	1,810,449.75	1,678,007.32
Accounts Payable	Hangzhou Nuoqia Technology Co., Ltd.	1,503,624.97	2,079,553.10
Accounts Payable	Ningxia Shendun Security Services Co., Ltd.	350,375.00	350,375.00
Accounts Payable	Hangzhou Xianmai Technology Co., Ltd.	53,476.77	4.95
Accounts Payable	Hangzhou Xunwei Robotics Technology Co., Ltd.		11,406.18
Accounts Payable	Zhejiang Leapmotor Technology Co., Ltd. and its affiliates		12,128,172.59
Contract liabilities	China Mobile Communications Group Co., Ltd. and its affiliates	11,429,754.78	592,504.29
Contract liabilities	Ruicity Digital Technology Co., Ltd. and its affiliates	2,352,212.39	
Contract liabilities	Zhejiang Leapmotor Technology Co., Ltd. and its affiliates	1,692,561.59	
Contract liabilities	Dezhou Shuzhi Information Technology Co., Ltd.	298,247.79	
Contract liabilities	Guangdong Zhishi Digital Technology Co., Ltd.	126,456.64	
Contract liabilities	Zhejiang Zihua Internet of Things Technology Co., Ltd.	2,830.19	2,830.19
Contract liabilities	Hangzhou Xintu Technology Co., Ltd.	3,721.13	1,362.66
Other Payables	China Mobile Communications Group Co., Ltd. and its affiliates	1,020,000.00	720,000.00
Other Payables	Zhejiang Leapmotor Technology Co., Ltd. and its affiliates	173,520.00	173,520.00
Other Payables	Zhejiang Huanuokang Technology Co., Ltd.	63,070.00	63,070.00

XIII. Share-based payment

1. Overview of share-based payment

Applicable Not applicable

Unit: RMB

Total amount of equity instruments granted by the Company in current period	74,737,700 restricted shares and 74,735,300 share options
Total amount of equity instruments exercised by the Company in current period	0
Total amount of equity instruments of the Company invalidated in current period	36,127,260 shares of restricted stock
The range of the exercise prices of outstanding stock options issued by Company at the end of the period and the remaining contractual term	The exercise price of stock option is RMB 16.59 per share, and the remaining period of the contract is 48 months
The range of the exercise prices of other outstanding equity instruments issued by Company at the end of the period and the remaining contractual term	The granting price of restricted shares is RMB 8.16 per share, and the remaining period of the contract is 48 months

Other notes

(1) As the third batch of restricted stock initially granted in 2018, the second batch of some restricted stock reserved in 2019, and the second batch of restricted stock granted in 2020 fail to meet the unlocking conditions, the Company repurchased the aforesaid restricted stock and canceled 36,127,260 shares. As at June 30, 2022, the Restricted Share Incentive Plan for 2018 Initial Grant, 2019 Reserved Grant and 2020 Grant has been fully completed.

(2) According to the resolution of 2021 Annual Shareholders' General Meeting and the resolutions of the 27th and 32nd sessions of the 7th Board of Directors of the Company, the Company granted 74,737,700 Restricted Shares and 74,735,300 Share Options to the incentive targets on June 27, 2022. The grant price per share is RMB 8.16 for Restricted Shares and RMB 16.59 for Share Options.

For the Restricted Shares, the period of validity is 48 months after the registration of their grant; the lock-up period is 12 months after the registration of their grant; and the unlocking period is 36 months after the lock-up period ends. During the unlocking period, where the unlocking conditions stipulated in this incentive plan are met, the incentive object can apply for the unlocking of the underlying stock in three times, which is to apply to unlock 40%, 30% and 30% of the total amount of restricted stock that are granted within 12 months to 24 months, 24 months to 36 months, and 36 months to 48 months from the date of registration, respectively.

For the Share Options, the period of validity is 48 months after the registration of their grant is completed; the lock-up period is 12 months after the registration of their grant is completed; and the exercise period is 36 months after the lock-up period ends. During the exercise period, when the conditions for exercise set forth in this Incentive Plan are satisfied, the Participants may apply for the exercise of the Underlying Shares in three tranches, i.e. 40%, 30% and 30% of the granted Share Options, respectively within 12 months to 24 months, 24 months to 36 months and 36 months to 48 months from the date of registration completion.

(3) In 2021, the employees of the Company and its subsidiaries hold the equity of the subsidiary HuaRay Technology through capital increase, direct or indirect equity transfers. According to the fair value of the outside investors then introduced by Huaray Technology, the confirmed share-based payment fee of the current period is RMB 29,549,813.35.

2. Situation of equity-settled share-based payment

Applicable Not applicable

Unit: RMB

The method for determining the fair value of equity instruments on the day of granting	The fair value of the Restricted Shares shall be determined based on the Share Price and Grant Cost as at the Grant Date, while the fair value of the Share Options shall be determined under the Black-Scholes Model
The basis for determining the amount of exercisable equity instruments	Estimated according to equity instruments held by the employees
Reason for the significant difference between the estimation of current period and the previous period	N/A
The accumulated amount of equity-settled share-based payment counted into the capital reserve	106,686,958.58
Amount of equity-settled share-based payment confirmed in current period	29,549,813.35

3. Situation of cash-settled share-based payment

Applicable Not applicable

4. Modification and termination of share-based payment

There is no modification or termination of share-based payment for the period.

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

Important commitments on the balance sheet day

As of June 30, 2022, the Company's pledge information was as follows:

(1) On August 19, 2016, the subsidiary Xinjiang Dahua Zhixin Information Technology LLC pledged its future accounts receivable amounting to RMB 351,064,980.00 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: RMB 230,000,000.00, contract No.: 2016-01) with Shihezi Sub-Branch of the Construction Bank of China, to provide a guarantee for the loan (term of borrowing: from August, 2016 to August, 2027, loan contract No.: 2016-01) of Xinjiang Dahua Zhixin Information Technology LLC amounting to RMB 230,000,000.00. As of June 30, 2022, the pledge receivables amounted to RMB 180,619,216.16 (including the long-term receivable balance RMB 150,962,494.77, and the balance of the non-current assets matured within one year RMB 29,656,721.39). The loan balance under the guarantee contract was RMB 103,000,000.00 (where the long-term loan balance RMB 77,500,000.00, and the balance of non-current liabilities matured within one year RMB 25,500,000.00).

(2) On June 29, 2021, the Company and Hangzhou Branch of Zheshang Bank Co., Ltd. entered into the "Guarantee Contract for Pledge of Asset Pool", with the number (33100000) Zheshang Asset Pool Quality (2021) No. 13431 (the contract term is from June 29, 2021 to June 29, 2022), to provide a guarantee for the "Asset Pool Business Cooperation Agreement" signed by the Company together with the subsidiary Zhejiang Dahua Technology Co., Ltd.,

the subsidiary Zhejiang Dahua System Engineering Co., Ltd., the subsidiary Guangxi Dahua Information Technology Co., Ltd., and Hangzhou Branch of Zheshang Bank Co., Ltd. The financing amount for the fund's pledge pool cannot be more than RMB 3 billion. On July 6, 2022, the Company and Hangzhou Branch of Zheshang Bank Co., Ltd. entered into the "Guarantee Contract for Pledge of Asset Pool", with the number (33100000) Zheshang Asset Pool Quality (2022) No. 13331 (the contract term is from July 6, 2022 to June 28, 2023), to provide a guarantee for the "Asset Pool Business Cooperation Agreement" signed by the Company together with the subsidiary Zhejiang Dahua Technology Co., Ltd., the subsidiary Zhejiang Dahua System Engineering Co., Ltd., and Hangzhou Branch of Zheshang Bank Co., Ltd. The financing amount for the fund's pledge pool cannot be more than RMB 2.5 billion.

Under the notes pool business, as of June 30, 2022, the Company has undue notes receivable of RMB 326,375,049.00 (where RMB 320,000,000.00 was related party notes receivable that should be included in the scope of consolidation), the subsidiary Zhejiang Dahua Technology Co., Ltd. has undue notes receivable of RMB 436,742,131.42 (where RMB 50,000,000.00 was related party notes receivable that should be included in the scope of consolidation), and the subsidiary Zhejiang Dahua System Engineering Co., Ltd. has undue notes receivable of RMB 4,371,429.76. Under the pledge, the Company issued a bank acceptance bill with an amount of RMB 72,534,179.98; the subsidiary Zhejiang Dahua Vision Co., Ltd. issued a bank acceptance bill with an amount of RMB 533,956,327.48; the subsidiary Zhejiang Dahua System Engineering Co., Ltd. issued a bank acceptance bill with an amount of RMB 1,776,846.03; the subsidiary Guangxi Dahua Information Technology Co., Ltd. issued a bank acceptance bill with an amount of RMB 793,750.00.

(3) On June 29, 2021, the subsidiary Zhejiang Dahua Zhilian Co., Ltd. and Hangzhou Branch of Zheshang Bank Co., Ltd. renewed the "Guarantee Contract for Pledge of Asset Pool", with the number (33100000) Zheshang Asset Pool Quality (2021) No. 14619 (the contract term is from June 29, 2021 to June 29, 2022). On June 30, 2022, the subsidiary Zhejiang Dahua Zhilian Co., Ltd. and Hangzhou Branch of Zheshang Bank Co., Ltd. entered into the "Guarantee Contract for Pledge of Asset Pool", with the number (33100000) Zheshang Asset Pool Quality (2022) No. 13592 (the contract term is from June 30, 2022 to June 28, 2023), to provide a guarantee for the "Asset Pool Business Cooperation Agreement" signed by the subsidiary Zhejiang Dahua Zhilian Co., Ltd. and Hangzhou Branch of Zheshang Bank Co., Ltd. The financing amount for the fund's pledge pool cannot be more than RMB 0.5 billion.

Under the notes pool business, as of June 30, 2022, RMB 324,124,435.75 of undue notes receivable (of which RMB 134,000,000.00 was related party notes that should be included in the scope of the consolidated financial statements) of the subsidiary Zhejiang Dahua Zhilian Co., Ltd. Was pledged for the issuance of acceptance bills. Under the pledge, the subsidiary Zhejiang Dahua Zhilian Co., Ltd. issued RMB 317,719,196.78 in bank acceptance bills.

(4) The Company and Hangzhou Branch of China Merchants Bank Co., Ltd. signed the "Special Credit Agreement for Notes Pool Business" (No.:571XY2020032038), which promised a special credit limit of RMB 2 billion for the notes pool, and allocated the same limit to the subsidiary Zhejiang Dahua Technology Co., Ltd., the subsidiary Zhejiang Dahua System Engineering Co., Ltd., the subsidiary Hangzhou Huacheng Network Technology Co., Ltd., the subsidiary Zhejiang Fengshi Technology Co., Ltd., the subsidiary Zhejiang HuaRay Technology Co., Ltd., and the subsidiary Zhejiang Dahua Zhilian Co., Ltd.

Under the notes pool business, as of June 30, 2022, the Company had undue notes receivable of RMB 101,809,108.00 (of which RMB 100,000,000.00 was related party notes that should be included in the scope of consolidation), the subsidiary Zhejiang Dahua Technology Co., Ltd. had undue notes receivable of RMB 262,146,589.96, the subsidiary Hangzhou Huacheng Network Technology Co., Ltd. had undue notes receivable of RMB 1,251,700.00, the subsidiary Zhejiang Fengshi Technology Co., Ltd. had undue notes receivable of RMB 8,390,995.50, and the subsidiary Zhejiang Dahua System Engineering Co., Ltd. had undue notes receivable of RMB 616,000.00 pledged for issuing bank acceptance bills. Under the pledge, the Company issued a bank acceptance bill with an amount of RMB 2,438,276.60; the subsidiary Zhejiang Dahua Vision Co., Ltd. issued a bank acceptance bill

with an amount of RMB 63,046,777.96; the subsidiary Hangzhou Huacheng Network Technology Co., Ltd. issued a bank acceptance bill with an amount of RMB 190,116,500.96; the subsidiary Zhejiang Fengshi Technology Co., Ltd. issued a bank acceptance bill with an amount of RMB 43,212,095.86; the subsidiary Zhejiang Dahua System Engineering Co., Ltd. issued a bank acceptance bill with an amount of RMB 398,382.99; and the subsidiary Zhejiang Zhilian Co., Ltd. issued a bank acceptance bill with an amount of RMB 25,082,210.61.

(5) On May 26, 2021, the subsidiary Zhejiang Dahua Technology Co., Ltd. and Bank of Hangzhou Co., Ltd. entered into the "Pledge Contract for Maximum Amount of Individual Asset Management" (No.: 7514ATMG202100073, the contract term is from May 26, 2021 to May 25, 2024), to provide a guarantee for the "Asset Management Service Agreement" signed by the subsidiary Zhejiang Dahua Technology Co., Ltd. and Hangzhou Bank Co., Ltd. The credit limit of the notes pool cannot be more than RMB 0.2 billion.

Under the notes pool business, as of June 30, 2022, RMB 42,816,400.82 of undue notes receivable of the subsidiary Zhejiang Dahua Technology Co., Ltd. were pledged for the issuance of acceptance bills. Under the pledge, the subsidiary Zhejiang Dahua Technology Co., Ltd. issued bank acceptance bills with an amount of RMB 33,176,595.13.

(6) Under the Asset Pool Credit Facility Agreement PPHJHYZCZ 20220406 No.1 made by and between the Company and Ping An Bank Limited Hangzhou Branch, a special credit line of RMB 300 million in note pool was granted and was also allocated to the subsidiary Zhejiang Dahua Technology Co., Ltd., the subsidiary Wuxi Dahua Ruipin Technology Co., Ltd, the subsidiary Zhejiang Huagan Technology Co., Ltd.and the subsidiary Changsha Dahua Technology Co., Ltd.

Under the notes pool business, as of June 30, 2022, the Company had RMB 54,362,112.92 undue notes receivable (of which RMB 50,000,000.00 was related party notes that should be included in the scope of consolidation), the subsidiary Zhejiang Dahua Technology Co., Ltd. had RMB 130,375,553.99 undue notes receivable, and the subsidiary Wuxi Dahua Ruipin Technology Co., Ltd had RMB 1,509,866.00 undue notes receivable pledged for issuing bank acceptance bills. Under the pledge, the subsidiary Zhejiang Dahua Technology Co., Ltd. issued bank acceptance bills with an amount of RMB 152,497,408.55, and the subsidiary Wuxi Dahua Ruipin Technology Co., Ltd issued bank acceptance bills with an amount of RMB 894,684.49.

(7) On October 18, 2021, the subsidiary Zhejiang HuaRay Technology Co., Ltd. and Hangzhou Branch of China Merchants Bank Co., Ltd. entered into the "Credit Agreement for Notes Pool Business", agreeing on a credit limit of RMB 0.2 billion for notes pool business.

Under the notes pool business, as of June 30, 2022, the subsidiary Zhejiang HuaRay Technology Co., Ltd. had RMB 29,245,372.39 undue notes receivable that were pledged for issuing bank acceptance bills. Under the pledge, the subsidiary Zhejiang HuaRay Technology Co., Ltd. issued bank acceptance bills with an amount of RMB 20,512,562.51.

2. Contingencies

(1) Important contingent matters on the balance sheet date

No important contingent matters on the balance sheet day.

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

XV. Events after the Balance Sheet Date

No events after the balance sheet date need to be disclosed in the current period.

XVI. Other Significant Events

1. Subsection information

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

The Company determines the operation subsection based on internal organization structure, management requirements, internal reporting system, etc. The Company has only one operational subsection, namely the R&D, production, and sales of intelligent IoT products. The accounting policy of the reporting subsection is consistent with that of the Company.

(2) Financial information of the reporting subsection

Regional subsection

Unit: RMB

Item	Operating revenue	Operating Cost
Domestic	7,295,809,974.26	4,876,785,986.28
Overseas	6,791,275,866.71	3,925,790,635.04
Total	14,087,085,840.97	8,802,576,621.32

Product subsection

Unit: RMB

Item	Operating revenue	Operating Cost
Smart IoT Products and Solutions	11,798,309,265.54	7,061,613,890.17
Including: Software Business	602,291,989.74	186,825,686.58
Innovated Businesses	1,685,969,891.14	1,210,244,442.96
Others	602,806,684.29	530,718,288.19
Total	14,087,085,840.97	8,802,576,621.32

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

1. Accounts receivable

(1) Categorical disclosure of accounts receivable

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Accrued proportion		Amount	Percentage	Amount	Accrued proportion	
Accounts	35,738,376.92	0.75%	35,738,376.92	100.00%		32,146,763.01	0.60%	32,146,763.01	100.00%	

receivables with the bad debt provision accrued based on single item										
Including:										
Accounts receivable with insignificant single amount but accrued for separate provision of bad debt	35,738,376.92	0.75%	35,738,376.92	100.00%		32,146,763.01	0.60%	32,146,763.01	100.00%	
Accounts receivables with the bad debt provision accrued based on combinations	4,709,808,877.59	99.25%	100,656,290.63	2.14%	4,609,152,586.96	5,328,387,755.87	99.40%	92,669,027.03	1.74%	5,235,718,728.84
Including:										
Portfolio 1: Related Parties Portfolio	3,728,227,277.30	78.57%			3,728,227,277.30	4,399,849,905.57	82.08%			4,399,849,905.57
Portfolio 2: Aging Analysis	981,581,600.29	20.68%	100,656,290.63	10.25%	880,925,309.66	928,537,850.30	17.32%	92,669,027.03	9.98%	835,868,823.27

s Portfoli o										
Total	4,745,547,254.51	100.00%	136,394,667.55		4,609,152,586.96	5,360,534,518.88	100.00%	124,815,790.04		5,235,718,728.84

Bad debt provision based on single item: 35,738,376.92

Unit: RMB

Name	Closing balance			Reason for making bad debt provision
	Book balance	Bad debt provision	Accrued proportion	
Customer 1	35,738,376.92	35,738,376.92	100.00%	Expected to be unable to recover
Total	35,738,376.92	35,738,376.92		

Bad debt provision based on combinations: 100,656,290.63

Unit: RMB

Name	Closing balance		
	Book balance	Bad debt provision	Accrued proportion
Within 1 Year	709,593,870.45	35,479,693.52	5.00%
1 to 2 years	184,995,120.73	18,499,512.07	10.00%
2 to 3 years	44,545,881.92	13,363,764.58	30.00%
3 to 4 years	15,885,081.03	7,942,540.52	50.00%
4 to 5 years	5,954,331.10	4,763,464.88	80.00%
5 years or above	20,607,315.06	20,607,315.06	100.00%
Total	981,581,600.29	100,656,290.63	

Please refer to the disclosing methods of other receivables for the information disclosure of bad debts provisions, if the bad debt provisions of accounts receivable are made according to the general model of expected credit losses:

Applicable Not applicable

Disclosure by age

Unit: RMB

Aging	Closing balance
Within 1 year (including 1 year)	4,298,890,989.61
1 to 2 years	298,849,964.56
2 to 3 years	88,215,786.17
3 years or above	59,590,514.17
3 to 4 years	24,154,348.17
4 to 5 years	14,034,331.10
5 years or above	21,401,834.90
Total	4,745,547,254.51

(2) Provision for bad debts accrued, recovered or reversed in this period

Provision for bad debts in the current period:

Unit: RMB

Category	Opening balance	Amount of Changes in the Current Period				Closing balance
		Accrued	Recovered or Reversed	Written Off	Others	
Bad debt provision	124,815,790.04	11,675,271.36		96,393.85		136,394,667.55
Total	124,815,790.04	11,675,271.36		96,393.85		136,394,667.55

(3) Accounts receivable actually written off in this period

Unit: RMB

Item	Write-off amount
Accounts receivable actually written off	96,393.85

(4) Accounts receivable of the top five closing balances collected by debtors

The aggregate amount of the top five accounts receivable collected by the debtor at the end of the period is RMB 3,688,658,057.93, accounting for 77.73% of the total accounts receivable at the end of the period, with the aggregate amount of the corresponding provision for bad debts at the end of the period of RMB 8,304,848.23.

(5) Accounts receivable derecognized due to the transfer of financial assets

There are no accounts receivable derecognized due to the transfer of financial assets.

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

Item	The amount of assets that the Company still keeps recourse or retains part of corresponding rights or interests	The amount of liabilities that the Company still keeps recourse or retains part of corresponding rights or interests
Supply chain finance not derecognized	6,699,052.29	6,699,052.29
Total	6,699,052.29	6,699,052.29

2. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Other Receivables	14,149,824,916.45	13,227,344,584.64
Total	14,149,824,916.45	13,227,344,584.64

(1) Other receivables

1) Other receivables categorized by the nature of the funds

Unit: RMB

Nature of the funds	Closing balance	Opening balance
Deposits	45,798,173.61	43,647,007.12
Prepaid or advance expense	37,078,754.33	35,796,731.49
Equity Transfer Fund	228,000,000.00	228,000,000.00
Employee home loan	85,233,750.00	85,353,302.20
Incomings and outgoings	13,803,637,868.26	12,878,290,499.25
Others	428,370.19	8,043,517.60
Total	14,200,176,916.39	13,279,131,057.66

2) Provision for bad debts

Unit: RMB

Bad debt provision	Phase One	Phase Two	Phase Three	Total
	Expected credit losses in the next 12 months	Expected credit losses for the entire extension (without credit impairment)	Expected credit losses for the entire extension (with credit impairment)	
Balance on January 1, 2021	46,606,805.15	4,544,002.82	635,665.05	51,786,473.02
Balance in the Current Period on January 1, 2022				
--Transfer to phase two	-482,024.32	482,024.32		
--Transfer to phase three		-1,500.05	1,500.05	
Provisions of this period		729,585.95	43,525.57	773,111.52
Reversals in this period	2,158,919.60			2,158,919.60
Write off in this period			48,665.00	48,665.00
Balance as at June 30, 2022	43,965,861.23	5,754,113.04	632,025.67	50,351,999.94

Book balance changes with significant changes in loss provision in the current period

Applicable Not applicable

Disclosure by age

Unit: RMB

Aging	Closing balance
Within 1 year (including 1 year)	13,288,912,195.87
1 to 2 years	571,470,809.68
2 to 3 years	115,144,495.06
3 years or above	224,649,415.78
3 to 4 years	214,969,684.31
4 to 5 years	7,441,759.58
5 years or above	2,237,971.89
Total	14,200,176,916.39

3) Provision for bad debts accrued, recovered or reversed in this period

Provision for bad debts in the current period:

Unit: RMB

Category	Opening balance	Amount of Changes in the Current Period				Closing balance
		Accrued	Recovered or Reversed	Written Off	Others	
Bad debt provision	51,786,473.02	773,111.52	2,158,919.60	48,665.00		50,351,999.94
Total	51,786,473.02	773,111.52	2,158,919.60	48,665.00		50,351,999.94

4) Accounts receivable actually written off in this period

Unit: RMB

Item	Write-off amount
Other accounts receivable actually written off	48,665.00

5) Other receivables of the top five closing balances collected by debtors

Unit: RMB

Name of Unit	Nature of the funds	Closing balance	Aging	As a percentage of total other receivables at the end of the period	Bad debt provision at the end of the period
Company 1	Incomings and outgoings	9,374,666,127.17	The amount within 1 year is RMB 9,374,459,803.45; the amount in 1-2 years is RMB 17,303.25; the amount in 2-3 years is RMB 189,009.46; the amount in 3-4 years is RMB 11.01	66.02%	
Company 2	Incomings and outgoings	1,642,240,287.14	Within 1 year	11.56%	
Company 3	Incomings and outgoings	1,563,835,895.40	The amount Within 1 year is RMB 1,523,740,895.41; the amount in 1-2 years is RMB 5,901,013.50; the amount in 2-3 years is RMB 34,193,986.49	11.01%	
Company 4	Incomings and outgoings	610,793,501.42	The amount within 1 year is RMB 455,215,256.22; the amount in 1-2 years is RMB 155,578,245.20	4.30%	
Company 5	Incomings and outgoings	169,733,971.00	The amount within 1 year is RMB 114,402,000.00; the amount in 1-2 years is RMB 55,331,971.00	1.20%	

Total		13,361,269,782.13		94.09%	
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6) Receivables involving government subsidies

There are no other accounts receivable related to government subsidies.

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

There are no other accounts receivable derecognized due to the transfer of financial assets.

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

There are no assets and liabilities generated due to other transferred receivables that the Company still keeps recourse or retains part of corresponding rights or interests.

3. Long-term equity investment

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment in subsidiaries	4,658,886,764.42		4,658,886,764.42	4,496,090,820.42		4,496,090,820.42
Investment in affiliates and joint ventures	592,519,800.24		592,519,800.24	798,402,086.36		798,402,086.36
Total	5,251,406,564.66		5,251,406,564.66	5,294,492,906.78		5,294,492,906.78

(1) Investment in subsidiaries

Unit: RMB

The invested entity	Opening balance (book value)	Decrease/Increase in the current period				Closing balance (book value)	Closing balance of provision for decline in value
		Investments increased	Investment decreased	Provision for impairment accrued	Others		
Zhejiang Dahua System Engineering Co., Ltd.	529,327,934.87					529,327,934.87	
Zhejiang Dahua Security Network Operation	27,167,117.78	74,940,000.00				102,107,117.78	

Service Co., Ltd.							
Zhejiang Dahua Ju'an Technology Co., Ltd.	5,100,000.00					5,100,000.00	
Guangxi Dahua Information Technology Co., Ltd.	6,125,103.44					6,125,103.44	
Dahua Technology (HK) Limited	666,155,168.00	2,785,944.00				668,941,112.00	
Zhejiang Dahua Vision Technology Co., Ltd.	1,291,819,901.23					1,291,819,901.23	
Guangxi Dahua Security Service Co., Ltd.	20,002,580.76					20,002,580.76	
Hangzhou Xiaohua Technology Co., Ltd.	5,566,322.65					5,566,322.65	
Zhejiang Dahua Zhilian Co., Ltd.	1,000,878,603.29					1,000,878,603.29	
Zhejiang Dahua Investment Management Co., Ltd.	62,175,000.00					62,175,000.00	
Guangxi Dahua Zhicheng Co., Ltd.	71,222,114.85					71,222,114.85	
Hangzhou Huacheng Network Technology Co., Ltd.	28,640,671.21					28,640,671.21	
Zhejiang HuaRay Technology Co., Ltd.	30,924,317.09					30,924,317.09	
Hangzhou Fuyang Hua'ao Technology Co., Ltd.	5,100,000.00					5,100,000.00	

Zhejiang Huafei Intelligent Technology Co., Ltd.	25,009,108. 90					25,009,108. 90	
Zhejiang Huachuang Vision Technology Co., Ltd.	29,140,163. 54					29,140,163. 54	
Guizhou Huayi Shixin Technology Co., Ltd.	1,800,000.0 0					1,800,000.0 0	
Zhejiang Fengshi Technology Co., Ltd.	9,005,362.2 9					9,005,362.2 9	
Dahua Technology Holdings Limited	8,102,000.0 0					8,102,000.0 0	
Zhejiang Huaxiao Technology Co., Ltd.	37,718,778. 03					37,718,778. 03	
Xi'an Dahua Zhilian Technology Co., Ltd.	100,143,63 1.14					100,143,63 1.14	
Wuxi Dahua Ruipin Technology Co., Ltd.	17,857,697. 14					17,857,697. 14	
Beijing Huayue Shangchen g Information Technology Service Co., Ltd.	10,487,121. 08					10,487,121. 08	
Zhejiang Dahua Jinzhi Technology Co., Ltd.	60,000,000. 00					60,000,000. 00	
Shanghai Huashang Chengyue Information Technology Service Co., Ltd.	1,518,160.8 6					1,518,160.8 6	
Sichuan Dahua	5,530,000.0 0	297,247.19	5,827,247.1 9				

Guangxun Photoelectric Technology Co., Ltd.							
Zhejiang Zhoushan Digital Development Operation Co. Ltd.	17,640,000.00					17,640,000.00	
Guangxi Dahua Technology Co., Ltd.	30,000,000.00					30,000,000.00	
Yunnan Zhili Technology Co., Ltd.	4,500,000.00					4,500,000.00	
Zhejiang Dahua Storage Technology Co., Ltd.	25,603,273.28	15,300,000.00				40,903,273.28	
Zhejiang Huaruijie Technology Co., Ltd.	51,198,299.94					51,198,299.94	
Chengdu Dahua Zhilian Information Technology Co., Ltd.	50,035,193.18					50,035,193.18	
Chengdu Dahua Zhian Information Technology Service Co., Ltd.	100,000.00					100,000.00	
Chengdu Huishan Smart Network Technology Co., Ltd.	5,500,000.00	300,000.00				5,800,000.00	
Zhejiang Huajian Technology Co., Ltd.	13,540,903.07	9,000,000.00				22,540,903.07	
Xinjiang Dahua Zhixin Information Technology	2,055.08					2,055.08	

Co., Ltd.							
Guangxi Huacheng Technology Co., Ltd.	95,025.00					95,025.00	
Hangzhou Huacheng Software Co., Ltd.	386,348.72					386,348.72	
Dahua Technology Canada Inc.	72,864.00					72,864.00	
Chengdu Dahua Zhishu Information Technology Service Co., Ltd.	10,000,000.00					10,000,000.00	
Zhengzhou Dahua Zhian Information Technology Co., Ltd.	30,000,000.00					30,000,000.00	
Dahua Technology International Pte. Ltd.	1,000,000.00					1,000,000.00	
Changsha Dahua Technology Co., Ltd.	100,000.00					100,000.00	
Zhejiang Pixfra Technology Co., Ltd.		51,000,000.00				51,000,000.00	
Zhejiang Dahua Intelligent IoT Operation Service Co., Ltd.		15,000,000.00				15,000,000.00	
Total	4,496,090,820.42	168,623,191.19	5,827,247.19			4,658,886,764.42	

(2) Investment in affiliates and joint ventures

Unit: RMB

Name of Investees	Opening balance (book value)	Decrease/Increase in the current period								Closing balance (book value)	Closing balance of provision for
		Investments increased	Investment decreased	Investment profit and loss	Adjustment on other compr	Other changes in equity	Cash dividends or profit declar	Provision for impairment accrue	Others		

				recognized under the equity method	share of income		distributed				decline in value
I . Joint ventures											
II . Affiliates											
Ruicity Digital Technology Co., Ltd.	70,394,509.15			-3,667,732.18							66,726,776.97
Zhejiang Leapmotor Technology Co., Ltd.	643,076,870.51			-209,235,408.79		10,945,027.97					444,786,489.69
Shuzi Dongyang Technology Operation Co., Ltd.	2,205,415.98			-336,190.95							1,869,225.03
Hangzhou Juhuan Information Technology Co., Ltd.	723,496.39										723,496.39
Zhejiang Huanuokang Technology Co., Ltd.	15,113,578.10			-3,480,957.27							11,632,620.83
Ningbo Huayan Chuanxi Venture	62,135,559.93			-117,675.90							62,017,884.03

Capital Investment Partnership (Limited Partnership)											
Dezhou Shuzhi Information Technology Co., Ltd.	3,392,656.30			9,456.54						3,402,112.84	
Sichuan Hengji Anhua Internet of Things Technology Co., Ltd.	1,360,000.00			1,194.46						1,361,194.46	
Subtotal	798,402,086.36			- 216,827,314.09		10,945,027.97				592,519,800.24	
Total	798,402,086.36			- 216,827,314.09		10,945,027.97				592,519,800.24	

4. Operating income and operating cost

Unit: RMB

Item	Amount Occurred in the Current Period		Amount Occurred in the Previous Period	
	Income	Cost	Income	Cost
Main Business	3,850,652,856.67	435,118,265.70	4,149,060,053.90	513,023,110.70
Other businesses	15,400,691.14	10,228,851.81	18,099,876.19	13,149,498.58
Total	3,866,053,547.81	445,347,117.51	4,167,159,930.09	526,172,609.28

5. Investment income

Unit: RMB

Item	Amount Occurred in the Current Period	Amount Occurred in the Previous Period

Long-term equity investment income measured by equity method	-216,827,314.09	-171,271,964.55
Investment income from disposal of long-term equity investment	-4,330,000.00	281,454.95
Investment Income from Disposal Trading Financial Assets		8,493,150.68
Gain on debt restructuring	-170,120.71	
Investment income on other non-current financial assets during the holding period	6,666,341.48	5,364,955.30
Investment income from national debt reverse repurchase	515,701.75	169,645.79
Profits from recognition termination of financial assets	-4,150,055.55	
Total	-218,295,447.12	-156,962,757.83

XVIII. Supplementary Information

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

Applicable Not applicable

Unit: RMB

Item	Amount	Note
Gains and losses from disposal of non-current assets	2,288,425.59	
The government subsidies included in the current profits and losses (excluding the government subsidies closely related to regular businesses of the Company, in line with national policies, and consecutively received by a standard quota or quantity)	162,812,063.07	
Gains or losses from investment or asset management entrusted to others	-10,104,926.15	
Gains or losses from debt restructuring	-411,312.80	
Profits and losses resulting from the changes in fair value for holding held-for-trading financial assets and held-for-trading financial liabilities, and investment income from disposal of held-for-trading financial assets, held-for-trading financial liabilities, and financial assets available for sale, excluding the effective hedging businesses related to the regular business operation of the Company	170,672,546.04	
Non-Operating Revenue and expenses other than the above	610,811.31	
Other gains and losses items that fit the definition of non-recurring gains and losses	-299,697.90	
Less: Impact of income tax	46,366,666.73	
Impact of minority equity	14,992,118.83	
Total	264,209,123.60	--

Other gains or losses that fit the definition of non-recurring gains or losses:

Applicable Not applicable

The Company has no other gains or losses that fit the definition of non-recurring gains or losses.

Note for the definition of non-recurring gains and losses set out in the *No. 1 Explanatory Announcement on Information Disclosure for Companies Issuance Their Securities to the Public - Non-recurring gains and losses*, as recurring gains and losses.

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	6.27%	0.51	0.51
Net profit attributable to common shareholders of the Company after deducting non-recurring gains and losses	5.18%	0.42	0.42

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

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

Applicable Not applicable

(2) Differences in net profits and net assets in the financial reports disclosed pursuant to foreign 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.

Applicable Not applicable

Zhejiang Dahua Technology Co., Ltd.

Chairman: Fu Liquan

August 20, 2022