

# Zhejiang Dahua Technology Co., Ltd.

## 2021 Annual Report



**Stock code: 002236**

**Stock Abbreviation: Dahua**

**Date of Disclosure: April 2022**

This document is a translated version of the Chinese version 2021 Annual Report (“2021 年年度报告全文”), and the published annual report in the Chinese version shall prevail.  
The complete published Chinese 2021 Annual Report may be obtained at <http://www.cninfo.com.cn>.

## Section I Important Notes, Contents and Definitions

The Board of Directors, Board of Supervisors, Directors, Supervisors and Senior Management of Zhejiang Dahua Technology Co., Ltd. (hereinafter referred to as the "Company") hereby guarantee that the information presented in this report shall be authentic, accurate and complete and free of any false records, misleading statements or material omissions, and they will bear joint and several 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 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) COVID-19 risk: As COVID-19 continues to spread, the global market is facing uncertainties. The Company will pay close attention to pandemic, making responses through various online and offline channels to advertise products and provide services and try its best to reduce the impact of the pandemic.

(2) 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.

(3) Risk of business model change: with the development of network communications, cloud computing, and 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 video surveillance 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.

(4) 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.

(5) 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.

(6) Exchange rate risk: The Company's export transactions are mostly settled in United States Dollars ("USD"), while overseas sales have increased continuously. Therefore, fluctuations in the foreign exchange rate have the potential to affect the profits of the Company. 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.

(7) Risk of declined local fiscal capacity: At present, local fiscal debt is relatively high. If the local fiscal paying capacity is reduced, it may lead to the slowdown in the growth of industry demands, extensions of project time, longer periods for companies to withdraw capital, and customers' payment delay. The Company continues to improve our internal control system and optimize the project review methods, select local projects carefully and assess project risks systematically, prudently assess the market logic and cash flow balance logic, control the risks reasonably, make plans to deal with cash flow shortage, project delay and other risks, and reduce the risk of delayed payment.

(8) 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 and political turmoil (such as local wars) in the countries and regions where it is located. 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.

(9) Risk of the supply chain: As the prices of global commodities continue to rise and

the prices of raw materials fluctuate, through special operations, the Company has identified various potential supply risks. By making backup plans and increasing supply channels, the Company has diversified its supply sources to strengthen the continuous and secure supply of key materials and ensure the security of the supply chain.

The profit distribution proposal approved by the board of directors is: Taking the total 2,994,550,730 shares of the Company as of December 31, 2021 as the basis, RMB 2.7 (tax included) of cash dividend and 0 bonus share (tax included) for every 10 shares will be distributed to all shareholders, instead of common reserve capitalizing.

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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, 2021 to December 31, 2021
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.
Huaxuan Technology	Refers To	Zhejiang Huaxuan 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.
Huajuan Technology	Refers To	Hangzhou Huajuan 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.
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.
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 TECHNOLOGY 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.Zo.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 LLC
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
Dahua International	Refers To	Dahua Technology International Pte. Ltd.

## Section II Company Profile and Key Financial Indicators

### I. Company Information

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	大华股份		
Company Name in Foreign Language (If any)	ZHEJIANG DAHUA TECHNOLOGY CO., LTD.		
Legal Representative	Fu Liquan		
Registered Address	No. 1199 Binan Road, Binjiang District, Hangzhou City, Zhejiang Province		
Post Code of Registered Address	310053		
Change of the Company's Registered Address	On November 9, 2005, the Company's registered address changed from the 15th floor of Tianyuan Building, 508 Wensan Road, Hangzhou to the present registered address.		
Office Address	No. 1199 Binan Road, Binjiang District, Hangzhou City, Zhejiang Province		
Post Code of Office Address	310053		
Website	www.dahuatech.com		
E-mail	zqsw@dahuatech.com		

### II. Contact Person and Contact Information

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

### III. Information Disclosure and Location

The stock exchange website where the Company	Shenzhen Stock Exchange ( <a href="http://www.szse.cn">http://www.szse.cn</a> )
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discloses the annual report	
The media outlets and their websites where the Company discloses the annual report	Securities Times and Juchao Information Network <a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a>
Location for Annual Report of the Company	Securities Investment Department

#### IV. Registration Change

Organization Code	91330000727215176K
Changes in Main Business Since Listing (If any)	No Change
Change of Controlling Shareholders (If any)	No Change

#### V. Other Related Information

##### Accounting Firm Hired by the Company

Name of the Accounting Firm	BDO China Shu Lun Pan CPAs (special general partnership)
Office Address of the Accounting Firm	4/F, New Huangpu Financial Plaza, No.61, Nanjing East Road, Shanghai
Name of Certified Public Accountant	Zhong Jiandong, Zhang Junhui

The sponsor institution hired by the company to perform the continuous supervision in the reporting period

Applicable  Not applicable

The financial adviser hired by the company to perform the continuous supervision in the reporting period

Applicable  Not applicable

#### VI. Key Accounting Data and Financial Indicators

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

Yes  No

	2021	2020	Increase/Decrease Compared with the Same Period of the Previous Year	2019
Operating revenue (RMB)	32,835,479,336.85	26,465,968,181.10	24.07%	26,149,430,652.42
Net profit attributable to shareholders of the listed Company (RMB)	3,378,410,889.60	3,902,778,775.35	-13.44%	3,188,144,692.55
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses (RMB)	3,103,383,711.14	2,735,061,861.04	13.47%	3,016,953,888.25
Net cash flow generated by	1,727,560,748.01	4,401,533,068.39	-60.75%	1,600,604,287.70

operational activities (RMB)				
Basic Earnings per Share (RMB/Share)	1.15	1.34	-14.18%	1.10
Diluted Earnings per Share (RMB/Share)	1.15	1.33	-13.53%	1.10
Weighted Average ROE	15.58%	22.09%	-6.51%	22.74%
	End of 2021	End of 2020	Increase/Decrease at the End of the Current Year Compared with the End of the Previous Year	End of 2019
Total assets (RMB)	44,055,872,021.97	36,595,034,080.75	20.39%	29,564,650,212.93
Net assets attributable to shareholders of the listed company (RMB)	23,617,602,513.55	19,773,030,426.40	19.44%	15,643,007,027.91

The Company's net profits before and after deducting non-recurring profits and losses, whichever is lower, are negative in the last three fiscal years, and the audit report of last year shows that there is uncertainty in the Company's ability to continue as a going concern.

Yes  No

The net profits before and after deducting non-recurring profits and losses, whichever is lower, is negative.

Yes  No

## VII. 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.

**VIII. Key Financial Indicators by Quarter**

Unit: RMB

	Q1	Q2	Q3	Q4
Operating income	5,114,399,101.72	8,390,606,632.17	7,980,099,801.37	11,350,373,801.59
Net Profit Attributable to Shareholders of the Listed Company	347,573,484.46	1,295,602,403.09	755,871,328.43	979,363,673.62
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	311,445,134.94	1,128,146,912.28	698,121,885.20	965,669,778.72
Net cash flow generated by operating activities	-1,327,570,256.40	456,461,458.41	-342,187,267.51	2,940,856,813.51

Whether the above financial indicators or their totals are significantly different from the financial indicators disclosed in the Company's quarterly and semi-annual reports

Yes  No

**IX. Non-recurring Gains and Losses Items and Their Amounts**

Applicable  Not applicable

Unit: RMB

Item	Amount in 2021	Amount in 2020	Amount in 2019	Note
Profits or losses from disposal of non-current assets (including the write-off for the accrued impairment of assets)	47,555,142.92	1,136,183,266.58	10,755,526.46	
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)	217,227,114.97	207,848,405.50	164,079,473.51	
Gains or losses from investment or asset management entrusted to others	104,368,534.48	9,327,707.25		
Gains or losses from debt restructuring	-56,076.90			
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	81,148,682.33	196,450,796.20	51,518,752.09	

effective hedging businesses related to the regular business operation of the Company				
Reversal of the receivables depreciation reserves for separate impairment test		2,384,082.35	3,383,257.76	
Non-Operating Revenue and expenses other than the above	-1,402,020.22	-9,645,488.43	-2,958,714.67	
Other gains and losses items that fit the definition of non-recurring gains and losses	-40,319,290.13	-92,017,627.11	308,838.52	
Less: Impact of income tax	78,172,720.73	254,721,170.78	35,447,376.02	
Impact of minority equity (after tax)	55,322,188.26	28,093,057.25	20,448,953.35	
Total	275,027,178.46	1,167,716,914.31	171,190,804.30	--

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. Industry Overview during the Reporting Period

The human society has entered the digital era. Digitalization and intelligence will continue to drive the sustainable, high-quality development of society. For example, in agriculture, planting and breeding will no longer rely on human experience to increase production; in transportation, unmanned driving will become the mainstream; in medicine, artificial intelligence can help analyze lesions more accurately; in production, productivity will be further restructured and production efficiency will be further improved; in cities, administration and governance will be more efficient and more scientific, and people will enjoy more convenient services.

The Company is a world-leading video-centric smart IoT solutions and service provider. While maintaining the steady growth of existing business areas, the Company is pursuing rapid growth in smart IoT. By developing AIoT and the IoT Digital Intelligence Platform, the Company effectively integrates digital technologies such as artificial intelligence, big data and IoT into its products and solutions to serve the digital innovation of cities and the digital intelligent transformation of enterprises, supporting the continuous improvement of the Company's status in the smart IoT industry.

### II. Main Businesses of the Company during the Reporting Period

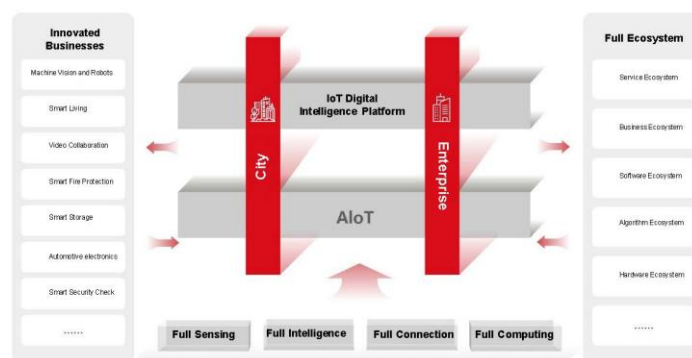
#### 1. Main businesses and products

With the rapid development of artificial intelligence, big data, IoT and other digital technologies, the human society has entered the digital era. In the future, digitalization and intelligence will continue to drive the high-quality, sustainable development of the whole society. Digital intelligent transformation has become the main theme of the times. The Company keeps up with the latest trends and holds fast to its strategic positioning of video-centric smart IoT solutions and service provider. On the basis of the Heart of City architecture, the Company released the brand-new Dahua Think# strategy focusing on the two major business areas of city and enterprise, continued to work on the two major technical directions of AIoT and the IoT Digital Intelligence Platform, strengthen the fundamental research system based on the five research institutes of Advanced Technology Research Institute, Big Data Research Institute, Central Research Institute, Cyber Security Research Institute and Smart City Research Institute, and improve its soft power in cloud and big data, AI, business software, etc. At the same time, the Company will continue to gain insights into industry scenarios and have in-depth understanding of client needs. With its partners, the Company aims to build a smart IoT ecosystem featuring co-construction, win-win outcome and symbiosis, so as to provide clients with improved smart IoT solutions, facilitate the digital innovation of cities and the digital intelligent upgrade of enterprises, and boost the sustainable, green and high-quality development of economy and society.

By focusing on the value of clients in city and enterprise scenarios, the Company has created a "dual-category vertical" strategic layout. In the city category, the Company empowers clients with digital intelligence by adapting AI, big data and cloud computing to clients' business processes. Together with its partners in the ecosystem, the Company will build a new smart city ecosystem featuring "unified architecture, compatibility with old parts, capacity sharing and open business". After years of experience in related fields, the Company has identified more than 5,000 scenarios in transportation, traffic police, ports, public service, ecological environment and other industries, developed more than 800 business components, and launched more than 200 industrial solutions. Through the development of these solutions, the Company has made great efforts to realize "secure, orderly, environment-friendly and efficient" urban governance. In the

enterprise category, the Company has made use of advanced technologies such as AI and big data to analyze industry data and has identified more than 3,000 business scenarios, developed more than 1,000 business components, and launched more than 300 industrial solutions. Through the development of these solutions, the Company continuously empowers enterprises in aspects including "safety system, production value and operation management".

Based on the two business categories of city and enterprise, the Company has built two core technology systems, namely AIoT and the IoT Digital Intelligence Platform, creating a "dual-category horizontal" technological layout. Through the AIoT technology, the Company builds leading capabilities in sensing, connection and control, and builds a world of digital intelligence in a truthful and all-round way. The Company develops accurate solutions for various scenarios by gaining insights into the world, shows the reality of the world by connecting diversified data, makes things an extension of people by obtaining control over things and allowing things to coordinate with each other, and makes use of edge computing by creating close-loop real-time processes in some sections of business. At the same time, thanks to the software paradigms in the industry, the Company has built a IoT Digital Intelligence Platform with a systematic architecture where IoT data is collected on demand through cloud technology, video technology can facilitate industrial development through smart video surveillance, and business innovation can be driven through mining valuable data in multiple dimensions. AIoT featuring the full-stack capability and the IoT digital Intelligence Platform featuring a systematic architecture are developed at a coordinated pace to make the digital intelligent transformation of cities and enterprises easier.



With Dahua Think# strategy as the pillar, the Company has built five capabilities of full sensing, full connection, full computing, full intelligence and full ecosystem. These capabilities not only promote the digital intelligent transformation of cities and enterprises, but also promote the creation and development of the Company's innovative business areas.

- **Full sensing:** The Company has established an all-round sensing system through visual, multi-spectrum, time, space and other dimensions to faithfully present the physical world in the digital way.
- **Full connection:** The Company integrates data from IoT sensing and data from information networks to build a data basis for development of industry solutions, and continuously launches connection products for various business scenarios based on connection technologies.
- **Full computing:** With abundant computing technologies, the Company has accumulated resources in image computing power, AI computing power, general computing power, etc., and built a full-network computing architecture featuring unified scheduling and collaborative cloud-edge computing power and algorithms.

- **Full intelligence:** To realize the closed loop from sensing intelligence to data intelligence and to business Intelligence, the Company has built an autonomous system based on algorithms, big data and business platforms to meet industry needs and to facilitate value identification in client data and intelligent decision-making. This intelligent capability is referred to as full intelligence.
- **Full ecosystem:** The Company aims to open up the ecology of business, software, algorithms, hardware, etc. for cooperation, build an ecosystem featuring co-construction, win-win outcome and symbiosis, and create a smart IoT community.

Under the guidance the Company's strategy and the support of the five capabilities, the Company has released Genius, a one-stop artificial intelligence development platform that supports the sectionalized development of more than 1,000 algorithms and supports the efficient technical research and engineering of algorithms. Based on the IoT Digital Intelligence Platform with a systematic architecture, the Company has released the City Platform 2.0 and Enterprise Platform 3.0 to fully empower the implementation of the cities' "monitoring, prevention, management and disposal", improve production efficiency, and facilitate operation management. At the same time, the Company has launched the Intelligent 5.0 Series products with multidimensional awareness, diversified connection, intelligent computing, control and interactions as the core, to create a full-stack intelligent IoT terminal system, upgrade all of its technologies, and make the world of digital intelligence feel more real.

The Company adheres to the main business area of video-centric smart IoT industry, continuously develops innovative business areas, and explores new development opportunities, to create a broader room for development in the future. Based on the in-depth understanding of clients' diversified needs and the accumulation of technical capabilities in the field of smart IoT for years, the Company actively explores machine vision and robots, smart livelihood, video collaboration, smart fire protection, smart storage, automobile and electronics, smart security check and other emerging fields, constantly enriches and extends smart IoT scenarios, to provide clients with richer and complete solutions.

## 2. Software Platforms and Solutions

Based on core technical capabilities such as AI, cloud computing and big data, the Company has launched the "City Platform 2.0" through a unified software architecture to realize its social missions of bringing more secure society, more orderly city, more efficient governance and better life; and launched the "Enterprise Platform 3.0" to help clients optimize security systems, improve production efficiency and facilitate operation management. The Company pays great attention to data security and privacy protection and takes it as one of guiding principles, developing platforms and solutions with strengthened protection capabilities. The Company attaches great importance to environmental protection and low-carbon development, and helps clients save energy and reduce emission through products and solutions to protect our ecological environment.

## 2.1 Technical Capabilities

### 2.1.1 Scenario-based AI Capability

The Company regards AI as one of its core strategies and has always been committed to the research and innovation of the world's leading AI technologies. After years of development, AI, once industrialized only in some fields, now is on the way to be industrialized at scale. With the expansion of industries and the industrialization of AI, the demand for AI is increasing exponentially, and the requirements for AI are increasingly higher. The Company continues to widen and deepen its efforts around sensing intelligence, data intelligence and decision-making intelligence, continuously

improves the capability of AI in various scenarios, and accelerates the industrialization of AI at scale. At present, the Company has national enterprise technology centers, national post-doctoral scientific research workstations, Zhejiang Enterprise Research Institute, Zhejiang Engineering Research Center, and the AI R&D teams with more than 1,000 members. It has won the first place in more than 60 AI algorithm competitions and evaluations at home and abroad, published more than 100 papers in core journals and applied for more than 1,500 AI patents. During the reporting period, the Company won the first place in 13 competitions and evaluations related to AI, and applied for more than 600 patents related to AI. The number of AI smart devices shipments (sets) has a year-on-year growth of more than 80%.

### ➤ **Fully Build Scenario-based AI Business Capability**

2021 marks a year of acceleration of global digital transformation. The Company has been continuously building the AI scenario-based capabilities in more than 20 industries such as urban management, transportation, construction, electricity, finance, manufacturing, petroleum and chemistry, and logistics, and has added more than 10 scenarios such as steel, health, coal and emergency rescue. The Company has good understanding of clients' production management processes, and provides abundant scenario-based AI application schemes through innovating technologies and upgrading systems, so as to improve the production quality and efficiency for clients and achieve win-win results.

#### **(1) Efficiently meet the demand of scenario-based intelligent solutions of each industry and accelerate the realization of intelligent business through the business architecture featuring "dot+line+network"**

- **Dot:** More than 1,000 industry-leading algorithms have been released to quickly meet various needs.
- **Line:** To meet the needs of various business scenarios, a large number of algorithms are combined according to the industry pattern to develop an algorithm scheme for the industry and improve the operating efficiency and the operation security for clients. At present, more than 200 industry algorithm schemes have been released, covering more than 100 industry segments. For example, the operation compliance algorithm scheme is used to identify the compliance of outfit including safety helmet, uniform, insulated gloves and safety belt.
- **Network:** Through the mesh architecture, algorithms and scenario-based algorithm solutions are quickly assembled as needed in a flexible way. All algorithms are employed in a unified manner to realize intelligent cross-business integration. Take the big data service for cities as an example: Intelligent solutions and data of various business processes, such as water level management, sand mining vessel monitoring, urban construction management and fireworks monitoring, are integrated on a unified digital intelligence empowerment platform, and various algorithms are employed flexibly according to business requirements to realize the transformation from data intelligence to business intelligence.

#### **(2) Meet the needs of scenario-based AI solutions quickly and flexibly with the three modes of "quick customization by the Company", "convenient development by users" and "general algorithm paradigm"**

A four-tier technical system consisting of the Genius platform, operator components, general solutions, and industry solutions has been built to provide end-to-end customization and development capabilities for efficient scenario-based solutions and to accelerate the implementation of business intelligence at the industry level.

Based on the open AI platform, clients can use their own data to develop their own scenario-based algorithms to accelerate business transformation and upgrade.

Based on the rich experience in traditional image algorithms and deep learning algorithms and years of research efforts in innovative algorithm integration, the Company has proposed a general algorithm paradigm. The scenario-based intelligence can be achieved only by entering scenario-based data, with no need to re-train the model, so that more clients can put AI into use faster.

#### **(3) Achieve a qualitative leap in scenario-adapted capability of intelligent products and platforms through**

### **the system architecture of "releasing an algorithm is to release a solution"**

To realize business intelligence, algorithm, product and platform need to be integrated to form a complete solution. The large number of fragmented and scenario-based AI requirements pose great challenges to the delivery cycle and the development cost of complete solutions, and have become a major obstacle in the actual implementation process of empowering enterprises and industries with AI. Based on the understanding of the industry application paradigm, the Company upgrades the algorithms, systems, applications and the software architecture of platforms, so that products and platforms can adapt themselves to algorithms without any customized development. Releasing an algorithm is to release a complete solution, which greatly shortens the development cycle and reduces the development cost. Since the model of customized development at manufacturers' end has changed to the model of on-demand configuration at clients' end, clients can select business modules freely based on specific requirements.

#### **(4) Make breakthroughs in small-target detection and tracking, single-model multi-tasking, end-to-end low-bit processing, semi-supervised learning and weak supervision learning to solve scenario-based application challenges through continuous scientific research and innovation in industrial application based on the Genius platform**

With the development and popularization of high-definition imaging, multi-camera splicing, remote sensing and other technologies, the image resolution is getting higher and higher. Through innovating algorithms, the Company has solved the technical problems of detecting and tracking large-resolution small-targets, and won the first place in the "ICIP-2021 GigaDetection" on billion-level pixel image target detection and "ACM MM-2021 GigaTracking" on target tracking in 2021.

In the field of vision, the cost of computing power is still very high, and it is very important to control and reduce the cost of computing power. The Company adopts single-model multi-tasking and low-bit processing technologies to complete reasoning faster and more efficiently, greatly reducing the application cost of algorithms. Taking the vehicle recognition task as an example, the task which was originally completed by four models of detection, attribute, key point and recognition, now can be completed by one model. Combined with the end-to-end low-bit processing technology, the required computing power is reduced by 60%.

Data scale directly affects the performance of deep learning algorithms. Through weak supervision and semi-supervised learning technologies, the Company reduces data dependence, decreases labeling workload, and greatly improves development efficiency. For example, only 15% of the data need to be labeled for target segmentation of roads to achieve the same effect. In this field, the Company won the first prize in the category of "zero-sample target object recognition" in the 2021 Zhijiang Cup Global AI Competition.

#### **(5) Focus on the research of trusted AI technology considering the increasing challenges in data security and privacy protection**

In terms of precautions against attacks, the Company has designed networks and models with anti-attack capability by simulating attacks, analyzing network and model vulnerabilities, and adding the generated anti-attack samples to network training. In license plate recognition, the defense rate reaches 99%.

In terms of privacy protection, the Company uses "non-reversible encryption" technology to effectively protect data privacy by removing sensitive information without affecting the intended effect of the algorithms.

In terms of federated learning, the Company breaks down data silos and makes data available but invisible through distributed feature extraction and encryption training.

#### **➤ Continuous Upgrade of the Genius AI Development Platform**

To realize large-scale industrialization of AI, efficient end-to-end solution development and delivery capabilities are needed. The Company continues to focus on building the Genius platform, which is a one-stop AI development platform for developers and efficient AI research and engineering platform. The Company built a high-performance computing center in 2017, and released a full-stack algorithm development platform in 2019 to realize a full-chain closed loop from data management to solution delivery. In 2021, the Company upgraded and released the sectionalized solution development platform to meet a large number of fragmented and scenario-based requirements more efficiently.

### **(1) Develop AI by AI with semi-automatic machine learning (SAML)**

AI algorithms involve a lot of repetitive work from development to implementation. In order to reduce labor costs, many companies in the industry have invested in the R&D of automatic machine learning (AutoML). Based on the thorough research on AutoML and AI compiler, the Company, taking into consideration of its business characteristics, developed semi-automatic machine learning (SAML). SAML allows automatically selecting the optimal network and parameters from the experience library according to the algorithms, and fine-tuning them to adapt to the scenario. The computing power requirement and time consumption of AutoML are reduced to 1/1000 of the average level in the industry to achieve the same intended affect of algorithms, and 50% of the manpower is saved. This makes developing AI by AI possible.

### **(2) Create an assembly line of data-driven algorithm schemes through a sectionalized design based on ready-to-use models**

The Genius platform includes thousands of AI operators and pre-training models developed by the Company for various scenarios, which allows clients to plug and play with the components. By adopting the sectionalized design and low-code development mode, developers can create algorithm schemes by simply dragging the algorithms they need on a visualized interface to realize data-driven automatic algorithm iteration and one-click delivery of solutions. This greatly reduces the difficulty in use and improves efficiency by more than 40%.

### **(3) Empower partners with the ability to industrialize AI at scale to achieve business success and mutual growth**

In this trend of digital transformation, many clients from different industries use AI to improve production efficiency. As AI industrialization represents a field with considerable opportunity, the Company should work together with its partners and clients to build an AI industrial ecosystem. The Company provides targeted empowerment tools for partners with different levels of demand, thus accelerating the process of AI industrialization.

With so many AI chip manufacturers and different chip capabilities, algorithm deployment can be time-consuming and laborious. The Company provides an algorithm deployment tool, as a one-click optimization deployment solution for algorithm manufacturers with certain algorithm development capabilities. This tool now covers more than 70 types of network structures and over 40 kinds of chips, and has been delivered to dozens of domestic and international manufacturers, facilitating the rapid transformation of clients' self-developed algorithms into products.

For clients with insufficient AI development capability, the Company provides Jinn Studio, an open platform, enabling clients to use their own data to train scenario-based private algorithms. Jinn Studio has been implemented in Yunrui's public cloud and enterprise private solutions. Meanwhile, for partners with AI development capability, including integrators, the Company provides more than 300 commercial algorithm solutions for typical scenarios so as to help clients quickly complete the upgrade of AI industrialization.

## **2.1.2 Cloud Computing and Big Data**

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. On the basis of the R&D efforts of the Big Data Research Institute and the software platform team, the Company has increased investment continuously in technological innovation and R&D to drive the construction of a closed-loop data value chain.

Through cloud computing and big data products, the Company has built a video-centric smart IoT big data platform which includes IaaS, general PaaS, industry PaaS and DaaS. The Company integrates the technical advantages of cloud computing and big data, flexible componentized architecture and its deep insights into video IoT business, and also takes into consideration the layered decoupling and vertical closed-loop capabilities of the software architecture. 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.

In 2021, the Company has made progress in big data as planned and 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. The Company has made the following achievements:

➤ **Connect everything online with data, and build the cornerstone for smart twins through the collaboration between agile edge, central computing and storage**

The Company has improved agile edge computing and remote multi-domain view storage solutions. The Company provides cloud edge computing resources with the help of cloud-based containers, as well as agile edge computing and central computing platforms, and achieves online and flexible use of the computing resources through a unified resource management platform. The Company has built a data network with a wide range of connections, high-reliable storage, and high-performance access through a unified and flexible architecture, which can enable efficient aggregation of IoT sensed data, improve network compatibility, and reduce management difficulty.

The Company has developed more than 2,000 types of IoT sensing devices in 52 categories (such as checkpoints, parking lot capture camera, access control, RFID, smoke sensing, panoramic camera, radar, etc.). It has developed more than thousands of scenario-based IoT models for key management areas in cities and enterprises to build a complete sensing system. It has the capability of connecting and aggregating tens of millions of devices and EB-level data. The unified architecture, which integrates spatial-temporal features, has the industry-leading ultra-large four-tier (disk-level, node-level, rack-level, storage pool-level) liable data storage capabilities, which has further improved multi-cloud management, nearby storage identification, compatibility with heterogeneous structures, and unified management. The online data network has laid a solid foundation for data integration applications. Data is collected on demand and connection is made intelligently and seamlessly.

➤ **Gather view computing power from across the network, stimulate intelligent applications for niche markets in the industry and inject new impetus into the era of digital intelligence**

The Company's cloud computing network architecture products can realize the unified management of computing power through the intelligent commanding center, separate operators and algorithms through Algorithm Library, realize multi-dimensional collaborations between algorithms, computing power and data at clouds, edges and end-users, and achieve decoupling of software and hardware, decoupling of algorithms and computing power and decoupling of algorithms and business.

Through scenario-based algorithm iteration and intelligent scheduling, the algorithm capability has become more suitable for business scenarios. Multiple algorithms are managed in Algorithm Library through unified management to enrich the algorithm ecology and make different algorithms complement each other. Through cloud-edge data collaboration, the results of edge and end-user computing can be directly reused by the center, which avoids repeated analysis, brings the cloud-edge synergy into play, and ensures clients' investment can gain good returns. The Company has developed more than 1,000 professional algorithms, and has shared these algorithms with AI companies according to

their respective areas in the industry to solve the complex underlying problem of computing power. The Company has participated in the digital intelligent transformation of its clients to promote co-prosperity in the AI industry.

The scenario-based, networked, and ecological smart view engine has realized the coordination of algorithms, computing power, data and tasks at the cloud, edge and end-users, and created intelligent clouds, thus effectively improving the calculation efficiency, algorithm utility, and investment conversion rate, and further facilitating the intelligent development of the industry.

➤ **Use the one-stop smart data engine to fully strengthen the integration architecture featuring intelligent computing and data computing and create value from industry data**

The smart data engine solution is a computing engine fused with data intelligence for intelligent computing and data computing, consisting of full-stack technologies and products including big-data computing storage engine, data integration, data development, data governance, data service, data operation, data exploration, knowledge mapping, and digital intelligence hub.

The one-stop smart data engine, based on cloud-native technology, provides great elastic scaling, which can be flexibly implemented stand-alone or extended according to the load. This lowers the threshold of use and makes data intelligence affordable for everyone in the industry. The engine serves data across the entire life cycle by providing a unified workbench to effectively improve the efficiency of collaboration between multiple roles and data transfer across all links. The engine is open to everyone in the ecosystem and supports building a data ecosystem on a unified platform.

The data storage computing framework is designed to support the integration and processing of heterogeneous data. IoT and information data association are realized from the beginning of data collection and governance. Based on business objects, the framework can extract relevant data on demand for fusion computing to avoid repeated data storage and split computing. Data processing has been improved by more than 200% through data fusion, computing power fusion, and computing fusion.

High quality and efficiency of technical services such as data governance and development are ensured through full-process intelligence. The Company has gained insights into industry data and business, gained extensive practical experience, and built data algorithm capabilities. In multiple links of data transfer, intelligent capability engines can be loaded to improve data governance, development, and computing efficiency, enable business innovation in an agile way, and make data intelligence benefit more people.

The smart data engine has helped develop more than 2300 data standards, over 10,000 data labels and over 2,500 professional models in industries, such as smart city and city governance, and in digital transformation projects of enterprises.

➤ **Develop business enablement platforms to open up underlying capacities and boost digital intelligent transformation of the industry**

The smart application enablement platform is a comprehensive system of open capacities that cover various resources and basic applications of video IoT, which include open video capability, open AI capability, open data development capability, open data resources, open computing resources, and open storage resources. The application enablement platform is built as a "digital intelligence hub" based on the practical experience gained in the video industry, the in-depth understanding of cloud-native technology and the concept of building an ecology featuring practice, openness and sharing. The platform can provide more comprehensive capabilities for agile business iteration and boost the digital intelligent transformation of the industry.

The business enablement platform empowers industry partners in smart city, smart transportation and other industries, helps clients realize digital intelligent transformation, enriches clients' application ecology, and gains more partners from various industries to build the application ecology.

Based on the IoT Digital Intelligence Mid-end Architecture, the Company has launched a series of products and services with significant technological competitiveness and product advantages, and achieved great success in the global



market. Currently, this architecture has been successfully applied in over 5,000 projects.

### 2.1.3 Data Security and Privacy Protection

The Company pays great attention to data security and privacy protection and takes it as one of our guiding principles. To keep compliance with the Cyber Security Law of the People's Republic of China, the GB/T 35273 Information Security Technology—Personal Information Security Specification, the EU's General Data Protection Regulation (GDPR), and other laws and regulations, under the guidance of the Ethics Compliance Committee, the Company has set up the Cyber Security and Data Protection Working Team to pay close attention to the global data protection laws and regulations, formulating pragmatic compliance strategies, conducting comprehensive compliance audits, and strictly following the requirements of laws and regulations. In addition, the Company has collaborated with third-party authorities to introduce external evaluation and certification, and has passed the German TÜV Rheinland privacy protection certification for IoT products, IoT service privacy protection certification, ISO27701 privacy information management system certification and ISO27018 cloud privacy protection certification.

During the reporting period, with the effective of the Data Security Law of the People's Republic of China and the Personal Information Protection Law of the People's Republic of China, in order to further improve the data protection of products and services and better help customers achieve compliance, the Company has updated the Personal Data and Privacy Protection Code according to product privacy requirements, privacy design principles, and the latest laws and regulations. The Company introduces a privacy baseline in the product requirement validation and design phase, adopts business-friendly protection measures throughout the entire life cycle of the product including data collection, transmission, storage, use and deletion, and continues to practice the principles of Privacy by Design and Privacy by Default by taking into account the user experience features such as privacy policies and privacy-friendly settings.

In July 2021, The Company's Yunrui platform passed the Trusted Cloud Service (TRUCS) certification with its continuous efforts in the development of data security protection and security management throughout the entire life cycle of data, which represents that Yunrui has met all certification requirements including data security, service continuity and user rights protection. This is an important basis for customers to choose Cloud Dahua as their provider of secure and trusted cloud services.

In the research and application of key technologies of data security and privacy protection, mature technologies such as data desensitization and data encryption have been widely applied in an integrated way, and the research in key technologies such as TEE and HIDS has been continuously promoted to build and improve trusted architecture, improve the active defense capability against illegal intrusion, malicious programs and leakage of important data, and create secure and trusted terminals and platforms. This trusted technical architecture has been fully implemented on hardware products.

Under the guidance of the Cyber Security and Data Protection Working Group and DPO, the PSIRT team of the Company has continuously improved the security emergency response mechanism, handled various security issues timely and effectively according to processes, and fully protected the interests of clients. In 2021, the Company was awarded the honor of "Unit with Excellent Performance in Vulnerability Handling" by the National Computer Network Emergency Response Technical Team/Coordination Center of China (known as CNCERT/CC)/China National Vulnerability Database (CNVD) for our outstanding contributions to vulnerability detection and handling; in addition, the Company was shortlisted as a technical support unit for the China National APP Vulnerability Database (CAPPVD) of the Ministry of Industry and Information Technology.

## 2.2. Software Platform

The human society has entered the era of digitalization and intelligence. Digitalization and intelligence will continue to drive the sustainable, green and high-quality development of society. The platform architecture of the Company has been continuously improved for more than a decade. Through the "one system and two 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 (<http://open.dahuatech.com>), the Company has collaborated with customers and partners for coordination and development. Through the three-tier arrangements, the Company has opened development centers in 20 provinces to keep close contact with and serve customers on the front line. The product team and the solution team have been working to lay a solid foundation to produce industrial paradigms. The five research institutes have been developing cutting-edge technologies to prepare the Company for its future development. Through the two major technical systems of AIoT and the IoT Digital Intelligence Platform, the Company has created the "dual-category horizontal" layout of smart IoT, fully built the capabilities in IoT and digital intelligence, and enhanced its influence in the industry to promote the digital and intelligent upgrade of the entire industry.

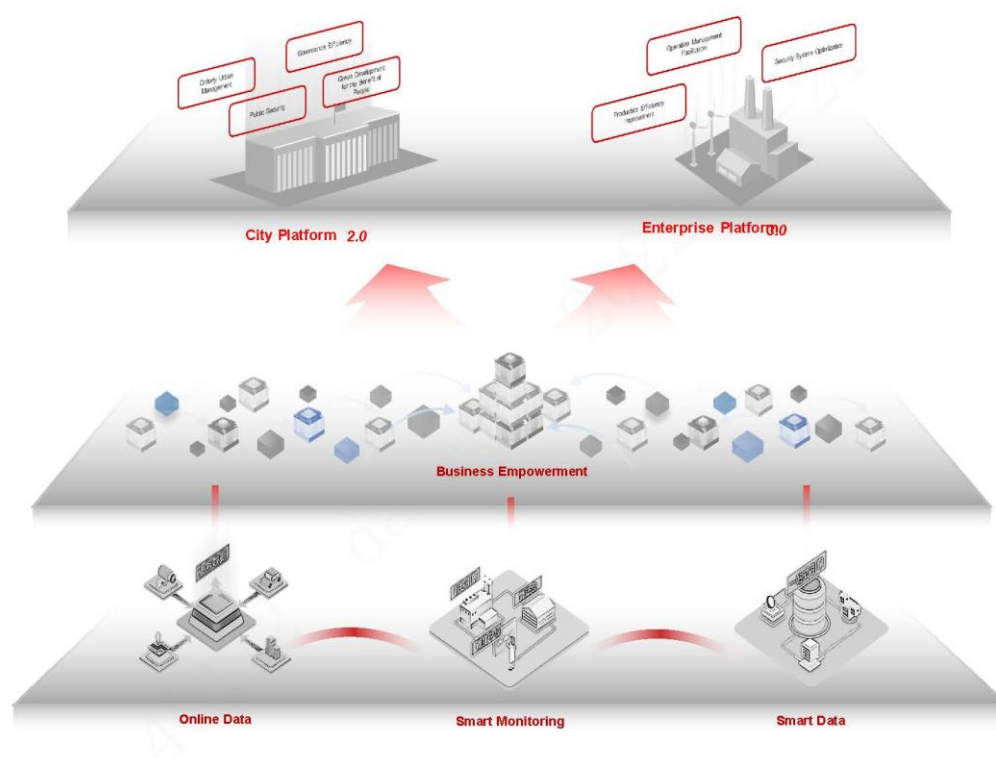
### 2.2.1 Unified Technical Architecture

The Company has established an integrated technical support system to empower the digital transformation of the industry and provided the city-level and the enterprise-level platforms for application by clients. The Company has developed cloud-edge-end-users smart IoT sensing and computing analysis capabilities based on its big data and AI. At the same time, the Company attaches great importance to data security and privacy protection to ensure business compliance.

The Company has developed IoT models in the key management areas of cities and enterprises to build a network of sensing system based on the access capability of numerous devices to collect IoT data on demand. Massive amounts of data are processed through the smart view engine and the smart data engine. Through the intelligent upgrade of the entire process, the Company creates value from industry data and make digital innovation benefit more people. To quickly respond to clients' sensitive demands, the Company has built a software component system, developed industry paradigms, and enabled business to innovate in an agile way.

In terms of urban governance, the Company actively participates in the construction of urban governance from four dimensions: secure society, orderly city, environmental protection for the benefit of people and enhanced governance efficiency. Based on digitalization and intelligence, the Company has built five hubs of the resource governance center, the safety supervision center, the business process center, auxiliary decision-making center, and the command and scheduling center, and developed more than 1,000 business models and 200 scenario-based solutions, fully enabling the effective monitoring, management, prevention and disposal in cities.

To serve enterprise clients, the Company has been constantly improving its ability in comprehensive security and protection, smart IoT and digital transformation of business. The Enterprise Platform 3.0 is built as a digital intelligence mid-end center with industry know-how, covering both private cloud and public cloud of enterprises, releasing 81 business subsystems with more than 300 scenario-based solutions, thus facilitating production efficiency improvement, assisted operation and management.



## 2.2.2 Sensitive Service Organization

To better serve clients and partners, the Company has comprehensively upgraded the structures of product R&D and front-line service. Through the product department and architecture department which run through the organization, the Company can gain insights into business, research and develop products, replicate solutions and constantly optimize business. With the collaborations among multiple departments, the Company has stepped up the development of the smart IoT platform, and created the industry paradigm. The Company places R&D organizations at the front line. By the end of 2021, the Company has completed the construction of 20 provincial development centers, and explored new business opportunities to create new value with clients while boosting the digital intelligent transformation of the entire industry.

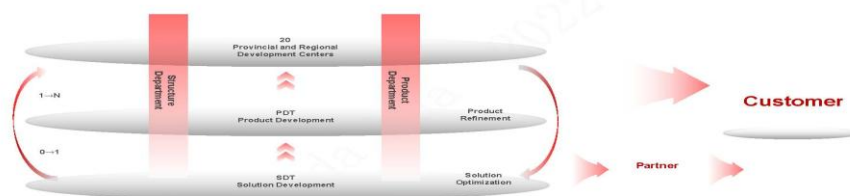
The mid-end organization is responsible for technology evolution and business improvement, building industry-specific IoT cloud bases and formulating industry-specific strategies to direct actions in all projects nationwide. The business front-end organization conducts collaborations between multiple roles, serves clients directly and makes quick responses, and provides flexible and effective agile services. The mid-end organization summarizes and draws upon the successful experience at the front end, formulates strategic and tactical plans, and coordinates the operations of different business mid ends to provide services swiftly for the front-end team and create a virtuous circle.

To better solve the business pain points of overseas clients, the Company improves its software development capability to respond to the overseas clients' demands for better software. The Company has established an independent overseas software R&D team and strengthened R&D resources in particular. These steps up the interaction between the headquarter and R&D branches in Europe and America in terms of R&D, and provides more professional, reliable and

easy-to-use software services for overseas clients.

By upgrading its organizational capabilities, the Company has rapidly improved its ability to quickly meet clients' software needs, making the overall collaborations more effective and efficient and business processes more smooth.

Special actions in software business, a company-level strategic focus, are taken to facilitate sales and technical management. For one thing, the Company strengthens the management of software business opportunities, increases business opportunities through stepping up cooperation, and promotes business opportunities transformation by reviewing regular business opportunities with strengthened accountability; for another, the Company improves software sales skills within the sales systems and makes salespeople better understand clients, business and software, so as to understand clients' needs in a more accurate and faster way. In addition, independent accounting is implemented in software team's performance. Tasks are broken down into horizontal and vertical indicators, and all employees should set their performance targets. The target achievement rates are enhanced through interconnection of performance targets. A software technology team is built to directly respond to clients' needs and respond in a more swift way. This provides strong organizational support for achieving software business targets.



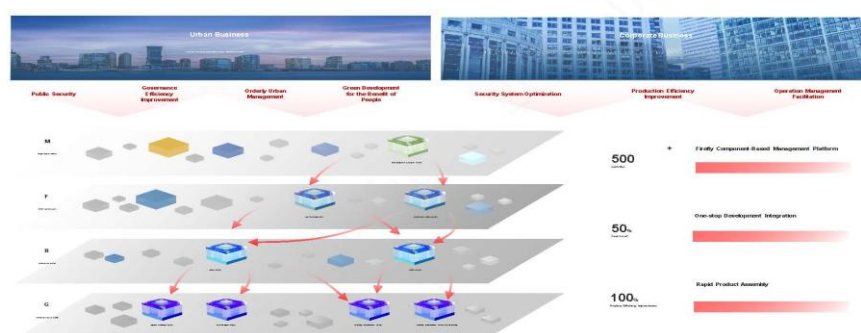
## 2.2.3 Construction of Reusable Large Modules

The Company constructs technology mid ends in a unified way and uses a unified agreement to realize efficient development and reuse of business modules. Through the construction of reusable large modules, the Company reduces development costs, improves development efficiency and makes products easier to use, ensures the rapid development of baseline products, and empowers development centers in various regions to help R&D centers in various regions to quickly meet clients' business needs based on the capabilities of the headquarter, facilitate the rapid delivery of large projects and speed up delivery for clients.

### ➤ Develop componentized industry-specific platform products for rapid product iteration

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: General (G) Base Layer, Basic (B) Business Layer, Featured (F) Business Layer and Merged (M) Application Layer. The general, basic, field and mixed layers form suites of business tools. Through the componentized four-layer system, the Company can construct diverse industry-specific applications freely, which can quickly meet clients' sensitive development needs. Based on the four-layer system, the

Company has built the Firefly Component Management Platform to facilitate component management and automatic construction, and based on this platform, the Company has continuously gained industry-specific experience. At present, this platform has developed into a one-stop integrated development platform with capabilities from project construction to R&D verification. For example, to meet the business requirements of urban street management, eight components including data collection, smart identification, message transfer and early warning disposal were selected from the four layers to provide customized development for clients after component assembly and business flow confirmation. Within 45 days, the Urban Street Management Subsystem was released and provided to clients for use. The overall business efficiency increased by 100%, and the R&D cost dropped significantly.



➤ **Develop reusable customized software across provinces to reduce marginal software development costs**

The Company improves its client-oriented service capability. In 2021, the Company continued to improve the construction of provincial software development centers, optimized the customization process, and placed R&D resources at the front line, and shortened the average development cycle of customized services by 5.1 days. The Company has set up an online mall that shares customized software modules originally applied in various provinces and regions. Modules are added constantly to the platform, and the customized software modules of different users are reused nationwide, which prolongs the service life of the modules. With the continuous enrichment of the mall, the number of customized components available for new projects continues to increase. A virtuous circle is created for the delivery of customized software, and the development efficiency is greatly improved.

## 2.2.4 Digital Application in Numerous Industries

Digital twins in cities are everywhere, ranging from digital government to digital retail. Through insights into view data, the Company has created value for users' from data. Software platforms have been widely used in numerous industries, and the Company's business scope has also expanded from video monitoring to clients' business applications, production and operation. At present, the Company's industry-specific software platforms are applied in 106 sub-industries.

➤ **Public Service**

In public service, the Company aims to achieve two purposes of joint construction of an ecosystem and improvement

of people's livelihood. It integrates smart AI capabilities, and builds a multi-dimensional digital twin system featuring intelligent water conservancy, environmental protection, fishing ban, land monitoring and ecological protection to facilitate the preservation of ecological environment. In the field of intelligent water conservancy, based on relevant hydrological and water quality data, the Company has developed various scenario-based solutions such as visualized monitoring of rivers and lakes, flood control, reservoir monitoring, mining monitoring, etc. to carry out precise prevention and control; in the field of environmental protection, the Company has developed closed-loop processes from early warning to disposal in scenarios such as air pollution, pollution source monitoring, and hazardous and solid waste; in the field of fishing ban, to meet the need for the decade-long fishing ban in the Yangtze River, the Company has developed closed-loop fishery supervision processes from early warning to disposal at the shoreline, key river sections and key entrances and exits; in land monitoring, the Company uses remote sensing data and drones to detect illegal occupation of cultivated land; in the field of ecological protection, the Company develops monitoring and disposal solutions for endangered animals and pests.

#### ➤ **Social Governance**

In social governance, the Company aims to achieve the core purpose of creating a more stable society, builds a comprehensive management service system for social governance, and provides smart governance solutions and services for the politics and law committee, big data bureaus and community authorities.

For the politics and law committee, the Company provides the overall solution of citywide social governance, including unified portal, unified user, unified authentication and unified to-do list, providing a complete unified city-wide architecture for various business systems and a comprehensive closed-loop process for city-wide social governance including city-wide grid-based management, intelligent discovery of grid-based events, unified handling process of multiple types of events, integrated law enforcement, conflict disposal, citizen petition management, and pandemic prevention and control.

For big data bureaus, the Company provides a digital intelligence integration empowerment solution, featuring AIoT smart IoT sensing, unified access, unified management, unified operation and maintenance, location-based governance, new-location planning, video sharing application and approval, and video analysis and incident warning, which helps big data bureaus at the city level and the county level to upgrade their strategies, make coordinated planning, intensify business processes, and improve efficiency.

For community authorities, the Company provides primary-level governance solutions, including grid-based community management, unified incident handling processes, multi-department coordination and disposal, and command and instruction on incidents so that users can monitor, give orders and take any other actions on one interface.

#### ➤ **Smart Traffic Management**

The Company builds a comprehensive urban traffic management system in the three aspects of safe traffic, smooth traffic and convenient traffic.

In terms of safe traffic, the Company explores ways to maximize the value of data collected through IoT, integrates data from multiple sources, and achieves rapid identification and filing of key vehicles. Efficient management of key vehicles is achieved through a variety of business research and judgment models and fine labeled management, holographic portraits and accurate recommendation of key vehicles, combined with the division of lockdown areas, control areas and prevention areas. Through tracing the causes of each traffic accident, accurate detection of risks on road is achieved to improve the input-output ratio of funds and make every penny invested create more value.

In terms of smooth traffic, the Company has stepped up congestion detection, congestion cause analysis and congestion management, built an effect evaluation system, and continued to deepen the optimization of traffic signal control products. Based on the advantages of the Company's intelligent front end and back end, the Company draws upon its project experience, continuously improves the implementation of congestion control algorithms, enhances products' user-friendliness, and improves clients' ability to sense congestion and optimize signal control. The Company has realized law enforcement and congestion control through technology to ensure the smooth travel of citizens.

In terms of convenient traffic, the Company has launched an integrated "green parking" application featuring on-site parking, timing and online reminder on phone to make temporary parking easier for citizens and allow people who travel by car to enjoy more convenient services.

➤ **Smart Transportation**

To achieve the core purpose of transportation facilitation, the Company has built a comprehensive urban traffic management service system, providing intelligent urban traffic solutions and services for traffic management, road networks, transportation hubs, etc.

The Company's intelligent traffic management services provides traffic operation analysis. Through its front-end and back-end systems, the Company provides key public transportation vehicle network management, covering public transportation vehicle status, real-time passenger flows, key vehicle positioning and trajectory information, dangerous driving behaviors, etc.

The road network system serves the digital transformation of both "dynamic traffic" and "static traffic" scenarios including expressway, highway, railway, rail transit, aviation and port, capable of traffic sensing, traffic incident warning and analysis, intelligent front-end data analysis, holiday traffic flows and congestion prediction, intelligent traffic guidance during emergencies, overweight and over-height vehicle detection, advanced auxiliary driving system, driver status monitoring, cloud-based control, etc. The Company adheres to the four principles of "24/7 security, all-round travel service, full digital operation and maintenance, and environment-friendly construction and management" when building smart transportation networks in industries such as expressways, highways, urban roads, and ports. Guided by the development concept of integration, safety, sharing, standardization and efficiency, the Company helps clients improve their traffic monitoring, disposal and service capabilities.

The transportation hub system is characterized by capability such as pedestrian guidance, vehicle guidance, parking management, transfer guidance, business management, abnormal behavior analysis, AR panoramic command, emergency disposal, smart security check and the management of vehicles carrying hazardous chemicals. The Company aims to achieve the goals of "intelligence, convenience, safety and controllability" to ensure efficient operation of the transportation hub system.

➤ **Smart Public Security**

Based on video networks, the Company applies IoT data aggregation, obtains and analyzes data from the police, and uses increasingly mature AI recognition algorithms to transform the business scope from single-dimension applications to integrated application featuring structured multiple algorithms for people, vehicles and videos, cluster-based retrieval of multiple targets, and integrated target tracking application upon labeling in multiple dimensions, to create a police application systems featuring "accurate early warning, accurate control, accurate strike, accurate prevention, accurate command and accurate disposal" and to ensure the coordinated efforts of "manpower, computing power and digital monitoring".

➤ **Smart Campus**

The Company continues to step up the development of the digital intelligent application scenario of smart campuses. The Company's smart campus management platform has realized comprehensive community business management such as comprehensive security management, smart power consumption, fire management, conference management by adopting IoT sensing devices such as camera, access control, visitor registration machine, fire safety equipment, smart air switch and conference room to improve the overall service operation and management of campuses and provide people-oriented intelligent services. By continuously strengthening energy consumption management, the Company facilitates the low-carbon and sustainable development of enterprise parks with digital intelligence, helps enterprises reduce power consumption, creates a low-carbon and environmentally friendly lifestyle, and contributes its capability in digital intelligence to the realization of the goals of "carbon neutrality" and "carbon peak". By integrating various subsystems, the Company has realized data visualization of all processes, achieved fine management and control of all

areas, and made full use of the value of data assets to assist enterprises in decision-making.

➤ **Smart Energy**

From the four dimensions of equipment safety, environment safety, production safety and operation safety, the Company has built a smart energy security system to facilitate the use of energy in achieving smart production and safe production, and to realize digital intelligent transformation and efficient operation. In terms of smart production and safe production, the Company facilitates the smart inspection of major production equipment, and establishes diagnosis model and carries out prediction; conducts risk management and shifts from passive monitoring to active prevention; efficiently directs coordinated operations, realizes integrated communications and intelligent command, and guards the safety production of enterprises; analyzes and manages operator behaviors, regulates worker behaviors, and strengthens the supervision within enterprises. For example, the company has set up visualized models and carried out analysis and diagnosis of the operation states of major equipment such as electricity equipment, oil pipelines and refineries, and carried out coal efficiency monitoring of blast furnaces for oil and steel refining, DTY intelligent quality inspection of draw texturing yarn, one-tap process control assistance in power use, belt detection and personnel location in coal production, hazardous petrochemicals management in petrochemical industry, steel scrap grading and billet inspection, etc. Through enhanced use of machines and digital intelligent transformation, the Company has improved production quality and efficiency, while reducing operational risks in the process of energy production.

➤ **Smart Manufacturing**

With the popularization and application of 5G and IoT technology in manufacturing, the Company has made full use of the video technology and digital systems. By creating AR digital workshops, the Company integrates videos with production management to create more value from the video technology and set up a new dashboard system for top manufacturers. The dashboard platform integrates third-party production systems (MES, WMS, BDP, PLC, etc.) to display multi-level data of parks, workshops and stations, realizing real-time monitoring of multiple processes of the entire production, and remote real-time visualization of the entire production line. At the same time, based on AI analysis of the production processes and key posts, on-site management is further improved and the overall benefits are increased.

➤ **Smart Farming**

For the scenario of pig (cattle and sheep) farming, the Company uses smart video algorithms to manage farms in hierarchies including the farm entrance, the surrounding area, the barn, each zone and the pigs, thus reducing the cost of manpower. To realize the safety management of people and vehicles on pig farms, the Company sets up a production safety management system featuring sick pig isolation, disinfection spray, and vehicle cleaning and disinfection process. This platform integrates a full range of data such as pig farm distribution, number of pig farms, sow resources, breeding stock, epidemic detection and market information, and monitors all scenarios on pig farms after data sorting, analysis and visualization to provide managers with accurate information for decision-making.

➤ **Smart Medicine**

The Company aims at building secure hospitals and smart wards, providing integrated security services such as smart video analysis, AR panoramic management, fully automatic intelligent operation and maintenance, vehicle control and fire safety. For medical scenarios such as hospital area management, inpatient care, nurse call, smart nurse station, logistics management, etc., the Company provides an intuitive and efficient information management system for hospital security management to strengthen risk control, improve work efficiency, optimize service and help the construction of smart hospitals.

➤ **Smart Finance**

To deliver comprehensive management of basic security, the Company improves the application of digital intelligent technology in security business. Through integrating big data with business scenarios, the Company has collected security data from bank branches and other business systems of banks to conduct collision analysis on non-bank third-party (public security organs, procuratorial organs and people's courts) data in different dimensions. By giving



warnings after analysis, the Company steps up the security risk control ability of banks, provides visualized diagrams as the decision-making basis, generates portraits of personnel and provides business data services. The Company also explores new business opportunities within the existing system. Taking smart power use as an example, through intelligent devices such as the smart air switch, the Company has assisted enterprises in monitoring, controlling and predicting power use, which can help enterprises save energy and reduce costs. In a project in Guangxi, the Company is responsible for building a smart integrated power use platform, contributing to safe power use and reduced power consumption in all its branches across the province.

➤ **Smart Tourism**

By inputting all types of IoT sensing data inside tourist attractions in the network, making use of third-party devices and data, the Company realizes all-round security control, intelligent guidance and digital operation at tourist attractions, and enables regulators to supervise the attractions through digital networks. By putting all business data on one map of the tourist attraction, the Company can easily display the overall situation of the tourist attraction to realize unified management of overall security, parking lots, tourist flows, tourists, ticket sale, public toilets, etc., and enable managers to accurately analyze and make efficient operations to increase the revenue of the attraction. Through real-time display of the number and density of tourist flows in each area on panoramic thermodynamic map of the attraction, timely warnings and congestion alarms of crowded areas are given to assist management personnel in tourists diversion and evacuation strategy formulation. Through the display of the locations, occupation and air quality of all public toilets on screens placed inside the attraction, tourists can avoid long queues, thus improving tourists' experience.

## **2.3 Solutions for City-level Businesses: Digital and Intelligent Transformation Empowerment for Urban Digital Innovation**

### **2.3.1 Business Overview**

At present, with the acceleration of the construction of "Digital China", the Company implements the city's digital transformation and development strategy, keeps up with the latest technology in this digital era, and applies big data, IoT, cloud computing, AI and other cutting-edge technologies in an integrated way in urban business scenarios to enable digital innovation in cities, drive the transformation of urban production, lifestyles and governance, and promote the modernization of urban governance systems and governance capabilities.

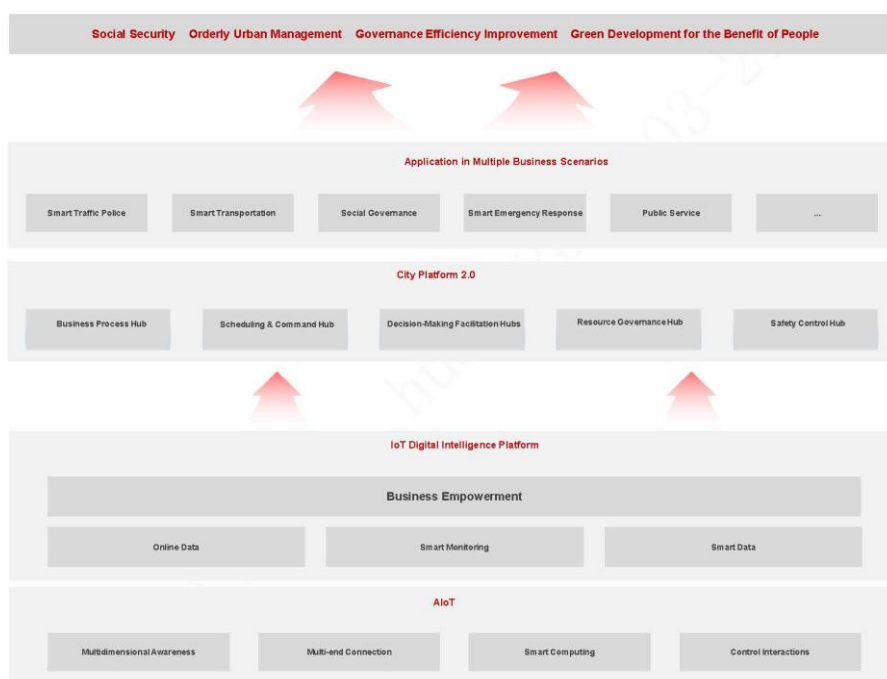
The Company continues to gain insights into city-level business, focusing on new areas of government business such as traffic police and transportation, smart city, digital government, social security, ecological protection, smart elderly care, etc. It has set up more than 5,000 subdivided scenarios, developed more than 800 business components and launched more than 200 industry-specific solutions. The Company has worked together with its partners to build an innovative ecosystem for smart city featuring "unified architecture, compatibility with older versions, capability sharing and business openness" to help cities improve its digital governance and strive to create a new urban management landscape of secure society, orderly city, enhanced governance efficiency and green development for the benefit of people.

### **2.3.2 Core Strategy**

The Company actively responds to the central government's call of boosting digital transformation, works on urban business scenarios in depth, and continuously explores the building of digital government driven by digital intelligence.

Based on the two technical strategies of AIoT and the IoT Digital Intelligence Platform, the Company has built the City platform 2.0 to fully enable the effective monitoring, management, prevention and disposal in cities.

The Company develops urban business solutions based on each business scenario, focusing on new opportunities in integrated transportation, ecological environment, rural revitalization and other industries, to continuously create and deeply build and implement solutions for various industries, use digital intelligence to empower the innovation of urban development and governance modes, thus improving urban operation efficiency and living conditions. At the same time, the Company continues to empower all walks of life, serves clients, industry manufacturers, partners and other entities related to urban management. It continuously builds capabilities to serve a wider range of industries, deepens the open ecosystem strategy, and practices the value of building an inclusive ecosystem.



### ➤ AIoT

The Company attaches great attention to AIoT technical strategies and builds city-leading capabilities in sensing, connection, edge computing and control & interactions. At the same time, with rich practical experience, the Company has gained insights into more than 5,000 urban scenarios, and combined AIoT with business scenarios to build a scenario-based city-level IoT sensing system. Through the massive amount of urban scenarios generated and collected by IoT, the Company makes use of AI to realize the digitization of everything and the connection of everything, add technology to the underlying operation framework of cities and build digital and intelligent cities in all aspect.

### ➤ IoT Digital Intelligence Platform

By adhering to the IoT Digital Intelligence Platform technology strategy, based on data and business requirements, the Company has developed the core technology of video IoT and created industry-level paradigms. Through online data, view intelligence, data intelligence, the Company continues to upgrade its capability of business enablement and to build a solid basis for the digital and intelligent transformation of cities.

### ➤ City Platform 2.0

Based on AIoT and the IoT Digital Intelligence Platform, the Company has built five hubs of capabilities, including business process center, command and scheduling center, auxiliary decision-making center, resource governance center,

and safety supervision center to upgrade the City Platform 2.0 and to fully enable the effective monitoring, management, prevention and disposal in cities.

The business process center, driven by incidents, promotes the closed loop of business processes, and focuses on the improvement of the all-round urban governance ability. The command and scheduling center focuses on improving the coordination ability in urban governance. The auxiliary decision-making center, based on the digital and intelligent analysis, focuses on improving the coordination and decision-making ability of cities. The resource governance center focuses on improving the unified planning ability of cities. The safety supervision center focuses on improving the unified supervision ability of cities.

#### ➤ **Application in Multiple Business Scenarios**

With scenarios as the basis and data the cornerstone, under the framework of the City Platform 2.0, the Company boosts online handling of business processes and digitalization of business scenarios, and continuously promotes scenario-based applications and closed-loop solutions. Based on the deep understanding and years of practice in smart traffic police, smart transportation, social governance, smart emergency, public service and other industries, the Company has developed scenario-based solutions for different fields in various industries, and promoted the restructuring and optimization in government governance processes and models to continuously improve sensible decision-making and service efficiency.

### **2.3.3 Practice of Values in All Industries**

The Company is committed to innovating and implementing urban digitalization in fields such as secure society, orderly city, enhanced governance efficiency and green development for the benefit of people to develop solutions for different urban business scenarios. The Company always bears in mind the social mission of making the society safer, cities more orderly, governance more efficient and people's life better.

#### ➤ **Making the society safer**

"People and lives are our priority." The Company strives to fulfill the social mission of "building a safer China", providing public security solutions, traffic safety, production safety, fire safety and natural disaster emergency services to make the society safer.

In terms of solutions for the public security field, the Company focuses on the two major directions of "comprehensive application of video and image information" and "modernization of the social security prevention and control system", provides view-based big data solutions with comprehensive application of video and image information as the core to improve users' actual ability to apply information technology and enhance users' work efficiency, and to make the dynamic management of targets concerned more convenient and efficient. The Company also provides schemes for developing social security prevention and control systems in typical scenarios such as smart safe community, smart protection within the community, street patrol and security checkpoints, and provides users with intelligent management and control applications for each zone, building and factors, and improves users' abilities of early warning and incident prevention to make security control and emergency response more accurate and efficient.

In terms of solutions for the traffic safety field, the Company aims at reducing the number of traffic accidents and controlling the disposal of serious accidents, and explores the business applications of AI, big data, and IoT sensing technologies in sub-scenarios such as city, expressway and rural area. Through fine management of law enforcement management, active early warning of traffic safety risks, big data management of hidden traffic dangers, real-time analysis and early warning of traffic incidents, quick disposal of traffic accident with AI, the solution facilitates the digital transformation of traffic management, improves urban traffic safety and allows people to enjoy safer travel experiences.

For example, a city's traffic police team has carried out a comprehensive traffic management scheme by adopting the overall architecture design of "1+9+N" and building nine core business modules including traffic police KPI cockpit, actual command, comprehensive traffic management, digital investigation, source governance and online order. By using multiple specific application functions to support various business processes, in 2021, the Company has achieved a y-o-y decrease of over 35% in the number of deaths caused by heavy-duty trucks, a y-o-y decrease of 5% in the number of deaths caused by engineering vehicles and a y-o-y decrease of over 14% in the number of deaths caused by electric bicycles.

In terms of solutions for the safe production supervision, the Company focuses on fields such as dangerous chemicals, industrial manufacturing and trade, mining, fireworks and firecrackers and parks. Based on the online data of major hazard sources collected through IoT sensing, the Company conducts real-time video intelligent analysis of scenarios such as outfit compliance in key areas, fireworks identification in dangerous areas, unattended central control rooms as workers fall asleep or leave and violations in special operations, develops comprehensive applications of digital intelligence for safe production, realizes the digital transformation of safe production supervision featuring "online monitoring" and "dynamic supervision", and enables more intelligent, accurate and fine management in safe production supervision. For example, the Company has developed a solution of safety production supervision for the emergency management office of a province which has a lot of manufacturers of dangerous chemicals and fireworks and faces great challenges in safe production supervision. According to the policy guidance of the Local Construction Mandate, the Company has developed a three-level network system for risk monitoring, early warning, video storage and intelligent video analysis that integrates the provincial emergency management office, city-level emergency management bureaus, and dangerous chemicals and fireworks manufacturing enterprises. This system engages the provincial emergency management office, 8 city-level emergency bureaus, 197 enterprises with hazardous substances and 43 fireworks and firecrackers manufacturing enterprises. The system can detect unattended central control rooms when workers fall asleep or leave their posts, safety helmets, unauthorized entrance, abnormal number of personnel, high smoke concentration levels, fire, operation suspension, static electricity, etc. to realize online, intelligent and regular supervision of production and to greatly improve production safety.

In terms of solutions for emergency management as well as disaster prevention and mitigation, through aggregation of comprehensive data and video AI decision-making in various industries such as urban security risk monitoring, public safety, production safety and natural disasters, the Company develops integrated solutions to disaster prevention and rescue covering monitoring and early warning at ordinary times and emergency response during disasters, and builds extensive and in-depth cross-department collaborative command applications. At the same time, the Company makes use of emergency rescue equipment to facilitate swift, effective rescue on site based on the emergency command system, continuously improving cities' abilities in safety risk prevention and control as well as disaster prevention and mitigation. For example, in a project of emergency response for the emergency management office of a province, to improve the province's emergency response capability, the Company focuses on developing the province's video command and coordination system and mobile command system, involving a three-layer coordination system including the provincial emergency management office, 11 city-level emergency management bureaus and 168 district- and county-level emergency management bureaus, to build extensive and in-depth emergency command capabilities at provincial, city, and district/county levels. Through the deployment of drones by rescue command centers, audio and visual information can be quickly collected from the site and sent back during emergencies, which facilitates decision making on rescue actions and greatly improves rescue efficiency.

For solutions to the urban fire safety field, based on business scenarios such as standardized management of fire stations and teams, fire prevention and control, and fire safety supervision, the Company applies video AI monitoring to various scenarios such as smart fire safety IoT supervision and fire exit occupation, entrance of electric motorbikes into lifts, fire detection and roll calling during training to create integrated intelligent business schemes, to improve the fire

prevention and control and emergency rescue capabilities of the whole society, and to promote the digital and intelligent upgrade of fire rescue. For example, in an intelligent fire safety IoT project for a city's fire rescue team, to improve the city-level fire prevention and control capabilities, the Company has helped the fire rescue team use cloud computing, 5G+ and other technologies to realize digital transformation of fire safety in over 400 key venues such as schools, public organizations and museums, and to build an all-round fire prevention and control system including front-end water use, electricity use, smoke detection, gas detection, fire hydrant monitoring, fire exit monitoring, on-duty worker monitoring, fire recognition camera, thermal imaging, panoramic AR, etc. A fire control IoT management platform has been set up to realize closed-loop business applications such as front-end data collection, early warning, and risk management, etc. so as to achieve the in-depth application for fire safety. This platform has effectively made warnings against many fires, improved the sensing ability of urban fire safety in an all-round way, and effectively reduced the number of fire accidents.

➤ **Making Cities More Orderly**

The Company takes the national strategy of transforming from "a big country of transportation" to "a powerful country of transportation" as an opportunity, pays close attention to the three major opportunities of "digitalization of transportation facilities, intelligentization of transportation services and modernization of transportation industry governance", and promotes the deep integration of digital technology with the transportation industry in the five major sectors of urban transportation, smart highway, smart shipping lane, smart hub and smart law enforcement to facilitate transportation in all aspects and make the city more orderly.

For solutions to the urban road traffic field, the Company adheres to the people-oriented traffic management concept. Through time-limited free-of-charge personalized urban parking service, the Company adopts the RFID-based intelligent IoT management mechanism for electric bicycles, traffic congestion management capabilities in multiple scenarios, etc., corrects urban traffic violations, improves people's travel experience, and ensures safe, ethical and orderly road traffic. For example, in the green parking system project of a traffic police team in a coastal city, the Company has launched a time-limited "green parking area" near a dense traffic zone. Smart guidance screens, WeChat mini programs and other methods have been used to remind people of overtime parking to increase the turnover rate of each parking spot from 5 vehicles per day to more than 50 vehicles per day, thus meeting the needs for short-term parking, and promoting the coordinated development of traveling and parking.

For solutions to smart highways, the Company integrates various traffic information such as IoT sensing data, meteorological data, traffic incident data, etc., to provide decision-making support for highway network management, offer targeted traffic early warning and information services for public travel services of highway networks, and realize more efficient highway network management and more orderly traffic. For example, the Company has facilitated the road network operation monitoring of a city. Based on multi-dimensional information such as video, radar, etc., the solution developed by the Company can accurately obtain information on traffic status, realize comprehensive monitoring of road networks, and grasp all-round data and information. It can provide early warnings for dangerous sections to reduce the number of traffic accidents, give severe weather risk warnings and offer considerate interactive services to ensure travel safety of the public. Through the sensing of all-round information on traffic of all road networks, the solution can provide effective data support for highway management organizations.

For solutions to smart shipping lanes, through the integrated use of three approaches of the automatic identification system (AIS) for ships, the water vessel monitoring radar and the video sensing, the Company realizes the accurate positioning, intelligent tracking, extraction of features of ships passing the lanes and develops models for application to improve the sensing of vessel movement and the real-time monitoring of shipping lanes by competent departments around the country, realize visualization in shipping lane management, and make shipping lanes safer and the traffic more orderly. For example, the Company has facilitated the smart maritime construction for a client. By deploying ship monitoring radars, AIS and panoramic mosaic cameras at the main river entrances and main bridges, the Company has

helped the client build three defense lines over the waters under the client's jurisdiction and monitor all kinds of illegal acts of unauthorized ships. The data fusion and analysis are carried out through the intelligent maritime system to record the ship trajectory in real time and master vessel movement, so as to realize intelligent early warning, fast identification and accurate management of illegal activities in the waters, and improve the intelligent capability to monitor the waters under the jurisdiction.

For solutions to smart hubs, the Company integrates information data such as passenger flow, vehicle flow, parking, traffic, etc., and adopts the passenger flow analysis system, smart parking guidance, full-process information service, smart fast security check, non-contact cashless payment and other technical means to enhance the digital travel experience at transportation hubs. For example, the Company has facilitated the informatization of a high-speed railway station hub. Based on traffic, parking, passenger flow and other scenarios, for one thing, the solution provides data for internal managements of indicators such as passenger flow and vehicle flow, and for another, it provides user-friendly service such as fast security check, intelligent guidance, intelligent parking, etc. to fully improve the comprehensive service capability of the hub.

For solutions to smart law enforcement, through the integration of IoT sensing data, off-site governance data and traffic data, the Company has created a digital brain for traffic law enforcement departments around the country to accurately monitor and efficiently manage drivers and passengers, commercial vehicles, law enforcement vehicles and law enforcement personnel, improve the governance and supervision in the transportation industry and make operations of commercial vehicles more orderly. For example, the Company has assisted the transportation bureau of a city in developing a monitoring mode of "top-level commanding and low-level coordination" based on existing video resources and data resources. Through the construction of an intelligent law enforcement system, the solution can accurately control traffic chaos such as the operations of illegal commercial vehicles and forced passenger riding to ensure the traffic order in key areas such as airports and high-speed railway stations, solve practical problems such as insufficient law enforcement personnel in important transportation hubs and crowded areas, and realize a new law enforcement mode featuring comprehensive sensing, active law enforcement, precise strike and efficient supervision.

#### ➤ **Make Governance More Efficient**

"Use the power of technology to create a new pattern of smart governance". The Company provides overall solutions for urban one-stop management, urban comprehensive governance, primary-level township (neighborhood) governance, community governance and other scenarios, and adopts technological means to improve quality and efficiency of social governance.

The solutions for urban one-stop management are problem-oriented, and incident-driven, focusing on "identifying problems in time" and "solving problems in time". Based on "intelligent video sensing" and "comprehensive command and coordination", the solutions help governmental departments achieve "efficient handling of every matter". In terms of "identifying problems in time", the Company has created a city-level "video sensing center" to realize the unified integration, aggregation and governance of all urban video surveillance resources in public spaces. The Company adopts intelligent algorithms corresponding to business scenarios, shares video data, intelligent algorithms and analysis capabilities in its services, enables governmental departments to quickly develop visualized public video applications, and improves intelligent monitoring of governments and real-time sensing of the cities' status. In terms of "solving problems in time", the Company has launched a unified "urban comprehensive command and coordination platform", focusing on comprehensive sensing of all situations, risk prevention and early warning, incident handling and transfer, cross-departmental command and coordination, decision-making assistance, etc. to provide strong support for the unified command and scientific decision-making of governments. With the help of the online and offline collaborative process mechanism, the Company has facilitated the construction of the "one-stop management" system for urban operation. For example, the Company has helped a city in East China build a city-level "video super sensing center", gathered nearly

100,000 public video resources in one network, and employed more than 70 types of intelligent analysis algorithms for urban governance to provide applications such as search and preview of resources, requests for sharing, requests for intelligent algorithms, and management of analysis tasks. The governmental departments are able to share video recordings, analysis algorithms and incident warnings among them to maximize the value of video resources.

For solutions to comprehensive urban governance, based on video IoT sensing and big data analysis, the Company has created an intelligent IoT sensing network. By employing AI algorithms, the Company can automatically monitor and give early warnings of incidents such as urban flooding, illegal parking on street, occupied side walk for store operation, mobile vendors, random littering, stony waste falling from trucks and missing manholes. By providing scenario-based technologies, the Company facilitates the fine management of cities. For example, the Company has facilitated the smart urban management of a city in Southeast China. By developing the "off-site law enforcement" management mode featuring "front-end intelligent detection and back-end disposal according to laws", the Company has made urban management intelligent, and realized the closed-loop management including incidents sensing, early warning, review and disposal. This system is able to supervise 14 types of urban incidents, generating more than 2,000 warnings per day, greatly improving the intelligent detection and disposal efficiency of incidents.

For the solutions to primary-level township(neighborhood) governance, the Company focuses on the problems such as weak informatization and lack of governance means. Through the construction of an integrated platform for township(neighborhood) smart governance capable of all-round sensing, intelligent early warning, collaboration and multi-dimensional visualization, the Company has realized the real-time sensing of township(neighborhood) operation status, the coordination of primary-level governance forces, the prediction and early warning of abnormal situations, and rapid intervention of emergencies, to improve the efficiency of comprehensive management of the township(neighborhood) and build a new primary-level governance model featuring sensing, intelligence and governance. For example, the Company has helped a neighborhood management body in Southeast China create a new model of "1 + 10 + X" primary-level smart governance. Through the construction of a primary-level smart governance platform that covers more than 10 business areas such as smart governance, smart security, emergency response, and public service, the Company has helped the community in more than 40 primary-level governance scenarios such as information collection, incident disposal and transfer, integrated command and coordination, and garbage sorting and supervision. Since the system was built and put into use, with the help of intelligent means, the primary-level management manpower needed has been reduced by nearly 50%, and the number of public security incidents in the jurisdiction has been reduced by 18% month-on-month. This system has effectively improved primary-level governance capabilities of the street-level management body.

For the solutions to community governance, based on the IoT sensing capability and big data analysis, the Company works on the three aspects of security, management and service, adopting information-based and intelligent means to help communities innovate and coordinate their management of personnel, vehicles and housing, make predictions and give early warnings of abnormal behaviors, incidents and situations in communities, which has effectively improved the comprehensive management and service in communities. For example, the Company has helped a community in Hangzhou build that involve video surveillance, intelligent sensing and other front-end sensing devices and smart community application platforms to achieve the goals of "secure and orderly operation, efficient governance, livelihood improvement". Through intelligent sensing, the Company has developed applications for various scenarios such as community access, fire safety, environmental governance and elderly care to enhance the community's smart governance and proactive service capabilities.

➤ **Making People's Life Better**

"Use AI to protect the ecology and digital intelligence to empower public service." Under the guidance of the carbon peak and carbon neutrality goals, the rural revitalization strategy and the policy of strengthening environmental protection

while pursuing economic growth, the Company focuses on the two major fields of ecological protection and administrative service, provides integrated applications of IoT sensing in industry-specific business scenarios including biodiversity preservation, emission reduction, digital twin of water conservancy, intelligent elderly care and food safety, to boost ecological development and make people's life better.

For smart water conservancy solutions, with the overall goal of "improving water monitoring and intelligent coordination capabilities", based on 5G, AI algorithms, AIoT and other innovative technologies, the Company has built intelligent water conservancy IoT sensing systems and comprehensive application capabilities that cover comprehensive monitoring of the water status, hydrological and water quality monitoring, reservoir operation monitoring, flood control monitoring and other business fields, to engage itself in the digital twin development of intelligent water conservancy and further improve intelligent management and service. For example, for an innovative application of reservoir supervision, the Company has developed an intelligent sensing system for hydrological and water quality to realize fine management of the reservoir. The Company has developed a digital integrated application platform of water conservancy for deputy-ministerial-level river valley management body. The platform connects various business departments and various provincial departments, thus realizing the reuse and sharing of video resources across business areas and provinces. During the flood period of 2021, the Company has facilitated the efficient command and coordination, effectively reducing the impact of disasters and gaining high recognition from clients.

Intelligent forestry solutions provide comprehensive applications for clients in the forestry industry, covering the integrated forest fire prevention system of "sky, tower and land", the biodiversity and forestry disaster warning system, and the ecological risk monitoring application system. Through advanced technologies such as video AI, remote sensing monitoring, thermal imaging and big data, clients can locate the fire within 4 minutes, identify precious species such as Yunnan snub-nosed monkey and green peacock and sick plants with pine wood nematode worms, thus realizing digital upgrade in the forestry industry, and protecting the ecological systems in various landscapes such as forest, lake, grass, sand and ice. For example, the Company has built a fire prevention supervision system for a client in a city in North China which has realized fire detection in 4 minutes, notification in 5 minutes, and closed-loop online supervision, and has achieved early warning, small problem detection and risk elimination. The system was highly praised by the client who said the system is now indispensable for the client's daily operation. In a province in Southwest China, the Company has helped a client develop an ecological sensing capability system and implemented AI recognition algorithms for precious species such as snub-nosed monkey and green peacock to help protect biodiversity.

The smart land solution integrates GIS, remote sensing, drone, AI video and other technologies to implement differentiated management for areas used for different purposes. Through violations monitoring, visualized two-way location and AR supervision, the solution realizes the full-process supervision from planning to use, guarantees the bottom line of 1.8 billion mu of cultivated land, and ensures food security. For example, in a city in North China, the Company has developed a visual supervision system integrating land monitoring, fire detection and three-dimensional inspection, which is capable of land use monitoring, land violation monitoring, forest fire prevention, illegal law enforcement, helping improve the timeliness in warnings about land resources, standardization of law enforcement, command and coordination, etc.

The smart environmental protection solution adheres to the design concept of "all-round monitoring and comprehensive application". By optimizing the front-end sensing system, the Company replaces traditional water and air quality monitoring means with videos and manual inspection with AI video technology to eliminate data fabrication and promote the innovation of monitoring technology. At the same time, based on the Company's AI algorithm service system, to meet the need for monitoring and supervising environmental protection, the Company has created a "1 + N" application system and used one system to serve different business scenarios to help realize the carbon peak and carbon neutrality goals and ensure clear water and blue sky.

The supervision solution to illegal fishing in key waters adopts radar and video technologies to realize 24/7 smart



visual supervision of illegal large-scale fishing operations, illegal fishing for leisure, electrofishing and other illegal activities. The Company has built an all-round intelligent sensing network of key waters in many provinces near the Yangtze River basin to provide strong technical support for promoting the implementation of the decade-long fishing ban of the Yangtze River. For example, the Company has facilitated the construction of a three-level monitoring center in a province near the Yangtze River basin. The solution adopts high-definition videos and smart image analysis algorithms to achieve all-round 24/7 full-process precise identification. Based on fishery administration and law enforcement system, the solution has a closed-loop disposal mechanism of warning and alarm, analysis and judgment, task allocation, law enforcement and evidence collection to help the southwest section of the Yangtze River basin to realize "clear water, green banks, abundant fish and beautiful scenery".

The smart elderly care solution covers three scenarios: home, community and nursing home. It provides multi-dimensional applications such as health monitoring, security, medical security and emergency alarm for the elderly to protect their health and make them happy. For example, the Company has collaborated with a nursing home in South China and used advanced AI and other technological means to establish systems for behavior analysis, intelligent monitoring and authorization management, to create a high-end smart elderly care management platform featuring intelligent management, friendly service, safety and reliability, energy saving and environment friendliness. This solution has realized intelligent management of the nursery home, reduced potential safety hazards, and created a high-end elderly care system.

The full-process food safety supervision solution is developed based on the Company's Yunrui platform to realize closed-loop online supervision for food production, processing, transportation, storage and sales, which helps build a food safety supervision system that can be remotely controlled, sensed, identified and shared. This solution can mobilize other entities in the society to conduct supervision, effectively reducing the number of food safety incidents, guaranteeing the bottom line of food safety, and ensuring the health of consumers.

In terms of AI technology exploration, the Company has released an AI algorithm service system, providing AI capabilities for complex scenarios in various industries. This has empowered numerous industries and provided the technologies needed for digital transformation.

## **2.4 Industry-level business solutions: Explore deep into the industry and facilitate the digital intelligence transformation of enterprises**

### **2.4.1 Business overview**

The Company is committed to becoming the preferred supplier of intelligent IoT infrastructure, the professional service provider of scenario-based digital intelligence applications and the key builder of intelligent IoT ecology, helping users optimize the security system, boost production efficiency, support business management, and facilitate the digital intelligence transformation and upgrade of enterprises.

In terms of its business scope, the Company extends into various industries with insight into the industrial trend, and explores the digital and intelligent needs of enterprises to provide quality digital intelligence upgrade solutions for each customer. In the fields of manufacturing, construction, education, electricity, petrochemistry, coal, iron and steel, finance, healthcare, logistics, culture & tourism, agricultural products, and retail, the Company is actively engaged in innovative practices, and is committed to becoming the most trusted partner for the digital intelligence upgrade of enterprises by focusing on optimizing the security system, boosting production efficiency, assisting in management and other customer value realization.

## 2.4.2 Core strategy

For the corporate businesses, the Company penetrates deeply into industries. Relying on advanced technologies such as AI and big data, combined with industry data, it has gained insight into more than 3,000 business segment scenarios, developed more than 1,000 business components, and formed more than 300 industry solutions in total.

### ➤ Consolidate the basic corporate capability foundations

The Company has accumulated a large number of industry applications in the process of serving the digital transformation of enterprises. By analyzing these industry applications, it's discovered that different customers have shown similarity in the application logic of basic businesses, and a large number of basic businesses and industry businesses also rely on the key basic capabilities. In order to serve more industry customers more efficiently, the Company has established four "Basic Corporate Capability Foundations" and one "Basic Corporate Solution Pool" on the enterprise side to speed up the launch of industry applications and accelerate the coverage of industry customer scenarios and businesses.

(1) Continuously consolidate the four "Basic Corporate Capability Foundations" by establishing and improving the basic capabilities of enterprises, integrating the connectivity, data, AI and open capacity that enterprises rely on in the process of digital transformation, and using them as the basis to continuously develop basic applications and industry applications for enterprises.

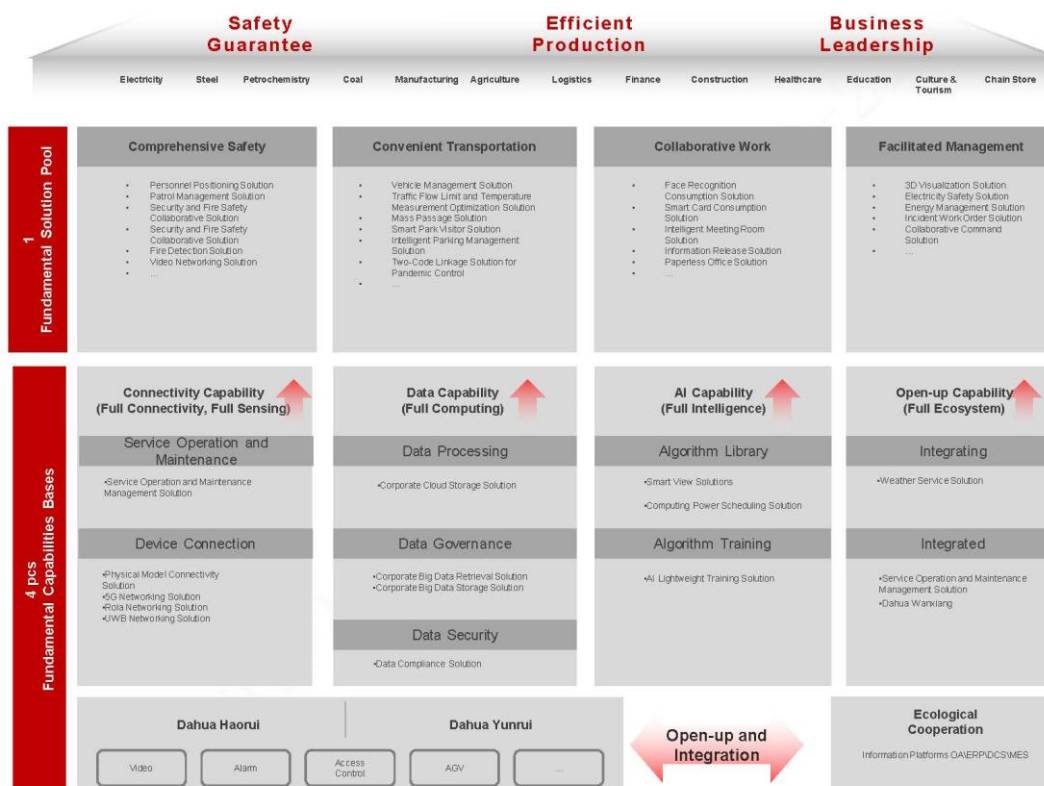
- Connectivity capability: A set of intelligent IoT architecture has been designed to facilitate the integration of evolving IoT devices in corporate business, which solves the problem of increasing variety of connected devices on the one hand and the problem of increasing scale of device access on the other.
- Data capability: Provide means of data storage query, processing management and integrated display, with videos, pictures and structured data as a whole. It aims to solve the problems of continuously growing data scales and types in corporate businesses, and mutual integration required.
- AI capability: Provide professional AI capability and open AI capability to solve the problem of data intelligence in the general and customized scenarios of corporate businesses. It accommodates AI algorithms and customized training algorithms of multiple manufacturers through an intelligent Algorithm Library, and covers intelligent devices in cloud, center, edge, and front end through an AI capability center.
- Open capacity: On the one hand, attract professional manufacturers in the industry to integrate into the Company's business system to jointly enhance our capability foundations; on the other, open the Company's capability system to empower our ecological partners and provide more convenient services to our enterprise customers.

(2) Continuously explore one "Basic Corporate Solution Pool" to accommodate more basic solutions and enhance the replicability of industry-based solutions. Comprehensive security category: Cover common security applications in corporate office parks such as security video networking, security patrol, security and firefighting linkage, perimeter protection, and pandemic prevention, to meet the daily security needs of enterprises.

- Convenient access category: Cover the daily access applications such as vehicle access management, personnel access management and traffic restriction management, to meet the convenient access needs of enterprises of different scales from a few dozen to hundreds of thousands of personnel.
- Collaborative office category: Cover applications such as enterprise consumption, conference room management, and paperless office, to meet the daily collaborative office needs of corporate administration, human resources, and employees.
- Auxiliary management category: Cover applications such as energy consumption management, linkage

command, and 3D visualization, to meet the needs of corporate-level management.

(3) The above-mentioned capabilities and basic solutions are undertaken by two platforms on the enterprise side, namely the "Haorui" platform for local deployment and the "Yunrui" platform for cloud deployment. Besides, the Company makes these capabilities available to its ecological enterprise partners through its Wan Xiang open platform to serve enterprise customers of different scales and different scenario-based needs.



➤ **Focus on key businesses and explore deep into scenario values**

Based on the expansion of basic corporate capabilities and industry solutions, the Company penetrates deeply into each sub-sector scenarios, and makes intensive efforts to focus on key industry businesses, continuously improving scenario-based solutions and refining industry business values in depth.

Parks, as the core carrier of national economy and business operation, are bound to follow the trend of digital upgrade. From intelligentization to smart upgrade, and then to digitalization, parks are made smarter, which is an essential way to promote the modernization of park management. With intelligent IoT technology, the Company builds safe, convenient, intelligent, green and efficient new digital intelligence building parks to enhance user experience, reduce operation cost and improve management efficiency.

In the manufacturing industry, the Company serves production parks with 10,000, 100,000 or 300,000 employees, solving exponentially increasing management problems for customers, such as personnel access, vehicle access, visitor management, system interfacing convergence, IoT device access, and park security risk control, and enabling smooth flow of personnel, vehicles and visitors, and more efficient management of corporate industrial parks. Facing the requirements of the "14th Five-Year Plan" for manufacturing in China, the Company provides support for digital factory transformation, and builds business scenario applications covering personnel management, equipment management, material management, production and collaboration management, and quality management based on the understanding

of industrial Internet and factory management requirements, bringing the production quality boost, efficiency enhancement, cost reduction, and management improvement to digital factories.

In the education industry, the Company delves into the classroom teaching scenario and joins hands with an education bureau to build a new model of AI teaching. On the basis of video IoT technology, the Company extracts and models the data of classroom-connectivity multimedia and teaching recordings, to provide powerful support for targeted teaching. Under the regular campus pandemic prevention and control system, the Company has launched a smart dormitory management and entrance/exit temperature monitoring solution, enabling the non-contact smart verification of health codes, and the integration of three codes for teachers and students entering and leaving the campus and dormitories, so as to effectively improve campus security and life convenience. In terms of smart classroom development, the Company takes teaching business as the core to enhance teaching efficiency, improve teaching environment and assist teaching evaluation, creates conditions for linkage between multiple business segments and systems through the construction of campus data centers, and contributes to the high-quality development of education informatization with holistic solutions for smart campus.

In the energy industry, which is currently under the impact of the national strategic guidance, industry reform pressure and huge market potential, safety and lean production is the core concerns of energy enterprises. As "a professional service provider of standardized safety operations and hidden hazard prevention" in the energy industry, we provide energy enterprise customers with comprehensive digital intelligence-enabled solutions around safety control, production assistance and operation efficiency improvement.

In the healthcare industry, the Company is dedicated to delivering comprehensive digital and intelligent solution services for the industry. Under the regular pandemic prevention and control system, the Company provides virtualized management of the physical space of medical institutions through intelligent technology and business process optimization, realizing intelligent verification of health codes of admitted personnel, providing smooth and orderly medical care waiting services, and upgrading the fine management of visitation and inpatient care. Meanwhile, taking smart wards as an important part of smart hospital construction, the Company combines digital and intelligent technical means with IoT applications to form a nursing organism with patients, doctors, nurses, family members and equipment, which greatly enhances patient care experience and hospital nursing level, and promotes harmony between doctors and patients.

## 2.4.3 Industry value practices

### ➤ Security System Optimization

Safety production is a long-term national basic policy as well as the cornerstone of corporate production and operation. The Company continues to delve into the actual production and operation scenarios of customers, and combines the capabilities of video IoT with the scenarios to achieve visualization, digitalization and intelligentization based on actual scenarios with the five capabilities of "Full Sensing, Full Connection, Full Intelligence, Full Computing and Full Ecosystem", so as to guarantee the safety of personnel, equipment and facilities, production environment and public order during the production and operation of enterprises.

#### (1) Personnel safety

Protecting workers' life safety and occupational health is the most fundamental and profound connotation of safety production, as well as its core of the essence. Based on the safety requirements for enterprise production processes, the Company combines the daily precautionary requirements and AI to achieve, for example, the early warning reminder of wearing protective equipment in the work area, the guidance and record of major operation processes, the detection and analysis of typical violations in operation processes, and the combination of remote command and on-site operations for major operations through the ability of converged communication. A specific application scenario is as follows: The

eight-step operation solution for oil loading and unloading in the petrochemical industry, which not only realizes the eight-step operation guidance of the oil unloading process and the graphic records of key steps of the on-site operation process, but also realizes the intelligent detection of important apparatus such as fire extinguishers, cleats and guard rails before oil unloading, the intelligent judgment of important processes such as the 15-minute oil stabilization process and the release of static electricity before oil unloading, and the monitoring of potential flames, fumes, smoking, phone calls and other hidden dangers in the oil unloading process, so as to better guarantee the safety production of enterprises.

### **(2) Equipment and facilities safety**

Equipment and facilities are the carrier of production and operation of an enterprise, and to protect the safety of equipment and facilities of an enterprise is to guarantee its lifeline. Based on the mechanisms and requirements for equipment operation and maintenance in the production process of enterprises, the Company combines the inspection mechanism of equipment and facilities with AI to achieve, for example, the daily monitoring and early warning of the operation status of important production devices, regular and periodic inspection of equipment and facilities, and the analysis and review of major operation processes of equipment and facilities, which can significantly reduce the repetitive work of daily inspection personnel and improve the input conditions for predictive maintenance of equipment and facilities. A specific application scenario is as follows: The intelligent substation inspection solution in the electric power industry adopts high-precision thermal imaging to realize non-contact long-distance temperature sensing, and high-precision PTZ to realize inspection of abnormal status of voltage, current, switch and indicator light of transformers and reactors. The sensing of water accumulation and temperature in the distribution room and the remote control of lights and air conditioners by supervision devices realize common inspection scenario applications and key operation linkage applications such as lights-out inspection, gale inspection, thunderstorm inspection, routine inspection, and one-key smooth control video with double confirmation, improving the efficiency of inspection and maintenance, transportation, site control, switch operation, and emergency repair compared to manual inspection, saving available human resources and serving more substation operation and maintenance.

### **(3) Production environment safety**

Production environment is the core place of corporate production and operation. The Company conducts research and development focusing on the common hidden dangers such as fire and electricity consumption in enterprises, and integrates the production environment with the capability of video IoT. Through intelligent fire protection IoT solutions, real-time monitoring of corporate fires and fire protection networking are realized; through intelligent air switch solutions, the behavior of corporate electricity consumption is analyzed and different strategies are adopted when reaching the early warning and alarm stages to ensure normal electricity consumption behavior of users, realizing overload and overcurrent protection, leakage protection, short-circuit protection, arcing protection, overvoltage and undervoltage protection, as well as the detection of electricity level, current, voltage, and temperature to achieve the safety of corporate electricity consumption.

### **(4) Public order safety**

In the post-pandemic era, the Company is committed to maintaining the stability and convenience of corporate public order. By launching a dual-code linkage solution, the identity information of enterprise employees is linked with their health code, travel code and real-time body temperature, which guarantees the pandemic containment safety while also safeguarding the access efficiency of parks and maintaining continuous daily stability. The Smart Park 3.0 solution has been launched to manage personnel, vehicles and materials in parks in a hierarchical manner, providing all-round protection of public safety for enterprise operation, management and security, and enhancing emergency response capabilities.

## **➤ Production Efficiency Improvement**

With the continuous development of digital economy, enterprises have an ever more clear demand for digital

transformation. Based on our excellent video technology and intelligent IoT capability, the Company applies advanced technologies such as visual sensing, AI intelligence, big data, IoT, and block chain to assist enterprises in digital transformation and upgrade from multiple value dimensions such as the digital operation and management of parks, and the digital upgrading of factories (production quality improvement, production efficiency boost, production cost reduction, and production management improvement).

### **(1) Digital operation and management of parks**

Traditional industrial business parks are mainly managed by people, resulting in high cost and low efficiency of integrated park management. Industrial business parks feature more than 100,000-level staff, 1,000-level daily visitors, 10,000-level long-term resident staff and a large total number of vehicles in and out, posing a huge challenge to the integrated operation of visitor management, staff access management, logistics vehicle management, warehouse platform management and security and fire alarm in traditional industrial business parks. The intelligent integrated management platform for digital industrial business parks built by the Company realizes the integrated intelligent management of attendance, access control, control area, entrances and exits and security and fire protection through structured information of people and vehicles, enabling marked improvement in the digital and intelligent management level of business parks. For example, the integrated operation and management platform for a 3C electronics industry business park, connected to 9 business systems within an enterprise, realizes cross-park and cross-departmental non-contact pass-through management for hundreds of thousands of regular employees, permanently stationed employees and temporary seconded employees, and closed-loop digital management of thousands of daily visitors, solving the problem of personnel access during peak hours, improving the experience of employees and visitors, and significantly enhancing the brand image. The integrated access to the IoT information system realizes the management of fire, security and alarm on the same platform, and enables a safe and worry-free park with information-based and intelligent means of advance warning, in-process control and post-event tracking, reducing security incidents such as theft, while cutting security personnel by 30% for a significant reduction in the comprehensive management cost of enterprises.

### **(2) Digital upgrading of factories**

The Company delves into the core areas of corporate production and boosts the digital upgrading of factories from production quality improvement, production efficiency boost, production cost reduction, and production management improvement through technical means such as intelligent sensing, intelligent detection, intelligent logistics, and data intelligence.

- **Production quality improvement:** In this regard, based on the integrated application of visual sensing and AI intelligent technology, the Company penetrates into 3C, machinery, automobile, energy, household appliances, food and beverage, textile, healthcare and agricultural industries to achieve automatic intelligent inspection enabled by intelligent detection for product defects in production process, batch quality defects and other pain points, so as to control quality risks in the production process, while connecting corporate MES, ERP, WMS and other business data systems, thus achieving the visual traceability of the whole process of single product production and assisting enterprises in responding quickly to customer complaints and querying the root cause of product quality defects. For example, through the production quality process control system, a manufacturing company has significantly improved product quality, with an open-box defect rate close to the  $6\sigma$  standard (3.4 per million), a 100% increase in production line inspection efficiency, a 50% reduction in production line inspection workload, and a 200% increase in customer complaint response efficiency.
- **Production efficiency boost:** Relying on our video monitoring capability, coupled with the digital twin technology, we are able to link information systems such as SCP, MES, EAM, BI and EMS, and integrate physical scenarios and business information system data to visually sense the real scenarios of production operations and real-time data, so as to realize the longitudinal penetration of data and videos in factories, production lines and work sites, detect problems in the production process at the first time, quickly locate the causes of abnormal alarms, take timely

elimination measures and boost the decision-making and response efficiency.

- **Production cost reduction:** With self-developed automation equipment and flexible lines, combined with AGV systems and visual inspection technical means, the Company penetrate deep into 3C, garment and textile, automobile, machinery and equipment, agricultural products, household appliances, pharmaceutical and logistics industries, and realize automatic and intelligent operation of workshop logistics and warehouse logistics by deploying automated production lines, AGV, visual inspection, RFID, and sensors, so that production workshops feature a high degree of automation and flexibility, and intelligent operations are promoted in multiple scenarios from production workshops, semi-finished product warehouses, finished product warehouses and logistics warehouses, significantly reducing customer production costs and winning trust of customers. For example, in an automobile industry project, 100 AGV robots are deployed to drive production with work orders, achieving automatic disc allocation, automatic production line loading, automatic storage, automatic preparation and shipment, improving the disc allocation efficiency, cutting the number of warehouse staff by 40+, and reducing the material cache area by 30%.
- **Production management improvement:** Build a big data industrial platform, with horizontal interconnection of visual data, IoT data and information system data around marketing, production and supply process, and after-sales services, and analyze and mine the data and extract data value to support business collaboration, simplify business processes, and assist management decisions, thus realizing production management system upgrade. For example, in a 3C manufacturing industry project, real-time data collection, aggregation, processing, analysis and application are realized across all areas of the manufacturing base, enabling visual management of the base's production business execution, logistics and shipment, product quality, energy use, and employee on duty, as well as traceable and digital production control, with production efficiency and per capita output steadily increasing to 93%.

#### ➤ **Operation Management Facilitation**

The Company makes full use of the capability base of sensing, connection, computing and intelligence, and aims at digitalizing scenes, online business and visualizing management to realize the transformation and upgrade of management modes and methods for corporate managers and supervisors of specific affairs at all levels, so as to enhance supervision and operation capabilities and boost operation and management levels.

Through the digital twin technology, 3D visualization and digital video fusion are realized to facilitate level-by-level visualization from parks, buildings, interiors, and equipment in corporate parks for managers, and build an integrated management system incorporating monitoring, warning, diagnosis, and analysis for corporate park management; by integrating information and videos of production data, processes, and core equipment in manufacturing, the state of real physical entities is shown to improve the efficiency of production management.

Through the installation of sensing and intelligent monitoring methods, real-time monitoring, data analysis and early warning of voltage, current, temperature, power and electricity quantity in circuits are realized, and overall monitoring, strategy management and remote centralized control of air conditioning energy saving and building lighting systems are carried out, so as to realize remote centralized fine management of overall electricity consumption, provide sound and reliable remote intelligent technical defense means, improve the efficiency of remote supervision, and deliver value to the management of energy saving and consumption reduction.

Through intelligence and big data analysis, the data board for operation management and business situation is enabled to assist managers in business decision making. For example, the intelligent identification and data analysis of passenger flows realize the macro control of travelers in scenic spots, and the unified display of scenic spot data by connecting with systems such as parking, ticketing and toilets, which empowers the management and operation of scenic spots in an intelligent way. In commercial chain business, accurate statistics of passenger flows enable the perception of store operation value data. The board and BI applications are used to display operation business, and data analysis is conducted to assist operators in decision making.

## 2.4.4 Major solutions

The Company delves into segment scenarios of corporate businesses with intensive efforts, and focuses on industry businesses, to continuously improve scenario-based solutions and extract profound business values. In the face of the trillion-dollar smart IoT market of corporate business, the Company grasps the development opportunities of digital transformation of enterprises, develops expert teams and industry solutions, and continues to accumulate and serve the needs of thousands of industries for digital intelligence upgrade, so as to continuously provide customers with high-quality digital intelligence upgrade solutions. The following is an introduction to specific industry solutions:

➤ **Smart manufacturing - Exploring the value of manufacturing data and accelerating the digital upgrade of the entire manufacturing chain**

With the continuous development of digital economy, enterprises have an ever more clear demand for digital transformation. Value output, as the cornerstone of business survival, is the key transformation direction that enterprises focus on. Based on its excellent video technology and intelligent IoT capability, the Company plunges deep into core areas of corporate manufacturing, and applies visual sensing, AI intelligence, big data, IoT and other technologies from multiple aspects such as process control, production operation and safety production, to develop industry-wide scenario-based solutions, so as to promote the improvement of corporate operation efficiency and enhance the core competitiveness of corporate production.

In terms of process control, the production line inspection business process is optimized, based on the integration application of visual sensing and AI intelligent technology, to realize intelligent inspection and remote flexible inspection of production lines, improve the inspection efficiency, guarantee the consistency of product batch quality, and reduce batch quality risks. Through the integration with the information system, the whole production process of a single product can be traced visually to assist enterprises in responding quickly to customer complaints and querying root causes of product quality defects. For example, an enterprise in consumer electronics industry features numerous production lines that require frequent sharing of product lines and product switching, as well as heavy workload for high quality inspection. As a result, problems such as assembly errors, and missing or wrong accessories occur from time to time, which generally takes 3 working days to analyze the causes of customer complaints, thus greatly lowering customer satisfaction. After the production quality process control system was launched, the inspection workload of production lines was reduced by 50%, the inspection efficiency was increased by 100%, the one-time pass rate of production line quality was up by 5%, and the response time of customer complaints was shortened from 2 or 3 working days to 1 working day, with 200% improvement in efficiency.

In terms of production operation, authentic scenarios and real-time data of production operation can be perceived visually via digital vision fusion technology, so that problems in the operation process can be detected in time and dealt with rapidly; the production collaboration efficiency can be improved, material waste reduced, asset downtime shortened, and operating capital optimized; the authentic and credible production scenarios can be displayed to optimize the visiting experience of customers and improve the brand reputation of enterprises. For example, after the digital vision fusion system of production and manufacturing came into operation in a top photovoltaic manufacturing company, its production decision-making efficiency was increased by 25%, its asset idleness rate was decreased by 10%, and its corporate management level was improved remarkably.

In terms of safety production, the platform of safety production and operation management center is built based on video scenarios and intelligent algorithms, combined with the business of Dahua Haorui platform. Assist enterprises in achieving better access to real-time safety data, visual perception of the safety situation at enterprise sites, timely detection of problems, and rapid response and feedback, so as to prevent problems in advance and reduce the incidence



of safety accidents. Clarify the current safety status of enterprises, objectively assess the safety control conditions of different factories and workshops, perform targeted safety supervision of personnel, and improve the effectiveness of safety education. Enhance the safety awareness of enterprises and employees, demonstrate the safety management level of enterprises, and reduce physical and financial risks caused by safety accidents. For example, a large equipment manufacturer deploys its safety operation management platform system to intelligently identify and provide early warning of personnel behavior through front and back intelligence, and send notification, process, count and analyze alarm events. Taking the data magic wall (security level assessment, statistical analysis of alarm events, map display and real-time update of the alarm list) of Dahua Haorui platform as its entry point, customers' needs for data analysis, display and application are met, and the monitoring and early warning capability and risk management level of enterprise safety production are comprehensively improved.

➤ **Smart architecture - Boosting the digital intelligence transformation of the whole life cycle of architecture with AI**

In the smart architecture industry, the Company delivers comprehensive intelligent solutions covering the whole business and scenarios around its life cycle, from site construction, site rental and sale, to the operation of mature businesses such as communities, parks and complexes, and finally to the management of properties. With video IoT and AI analysis as the basis and operation and management as the core, the Company facilitates the digital intelligence transformation of smart architecture, as well as enhances security levels, increases brand premiums, promotes operation revenue growth and improves management efficiency for customers.

In terms of construction sites, the Company provides "5+X smart site" solutions for governments and enterprises based on the five core elements of "human, machine, material, method and environment" and technologies such as IoT, cloud computing and big data. Based on the five business pillars, namely site visualization, real-name management, real-time monitoring, intelligent application and full record of vehicle access, the Company provides X expansion of business including crane safety monitoring, progress management, quality supervision, cost control, pricing system and BIM application, with focus on digital supervision, safety and efficiency improvement, and civilization and environmental protection, to ensure the construction of smart sites suitable for the rapid urban development.

In terms of smart community, our smart community solutions are based on the actual needs of owners, properties and developers, with technological innovation as the core, empowered by AI and mobile Internet, to comprehensively improve owners' life experience and quality, boost property management efficiency, and facilitate value-added property operations, so as to create a safe, comfortable, convenient and happy living experience for residents and generate greater value for developers and property managers.

In terms of commercial buildings, our smart business solutions make full use of such advanced technologies as AI intelligence, smart parking, big data, and IoT to realize functions of passenger flow statistics, passenger flow analysis, parking operation, parking space guidance, reverse car search, commercial display, and security and fire protection integration, thus achieving the integrated multi-business operation and management of entire commercial buildings and providing comprehensive technical support for the digital marketing transformation of commercial buildings.

The Company has entered into a comprehensive strategic cooperation with a well-known property management company to provide customers with a series of AI capabilities such as high-rise littering detection, battery vehicles entering elevators detection, hazardous area detection, and charging area temperature detection, which greatly reduces the cost of daily patrols by property personnel and property personnel input, and assists customers in digital intelligence transformation to reduce costs and increase efficiency.

➤ **Smart education - Nurturing people and shaping the future with technology and education**

Education is the cornerstone of a century-long plan. Following closely the national education reform, the Company

focuses on "teaching, learning, evaluation, management, and examination" scenarios and is dedicated to solving the core needs of the industry such as "education balance", "precision teaching", "efficient management", and "safe guarding" on the basis of new technologies such as audio and video, AI, IoT, and big data, providing industry-leading one-stop solutions for the information construction of education.

In terms of education balance, the Company has launched the "Three Classrooms" business with smart classrooms as the core, in response to the imbalance of teaching resources, so as to serve teachers, students and education administrators, and to promote the sharing of quality learning resources and enhance the capability of teachers through information technology.

In terms of precision teaching, the Company has launched solutions such as classroom-connectivity and AI teaching and research to provide schools with various teaching applications before, during and after classes and to promote teaching effectiveness. In addition, the teaching quality is improved by structuring the teaching process and analyzing the academic status with data intelligence technology; the joint intelligent lesson preparation and homework system enables targeted lesson preparation, teaching and homework arrangement, thus boosting learning efficiency.

In terms of efficient management, the Company provides various solutions for education authorities, such as logistics services and teaching management. As for logistics services, we provide smart dormitory management, sunshine kitchens, smart power consumption, and intelligent lock networking, among others. The management of power consumption substantially improves power consumption safety while reducing energy consumption. The intelligent lock networking enables keyless access management, which enhances the experience of teachers and students while improving the efficiency of authority management. As for teaching management, solutions such as classroom attendance and class patrol supervision are offered, replacing manual management via AI technology, thus to effectively improve classroom management efficiency. Additionally, in response to the national policy of double reduction (i.e. reduction of excessive homework and off-campus tutoring) in 2021, the Company has launched various quality-oriented education solutions, and provide management solutions for educational institutions by combining the technical advantages of video networking and AI, so as to facilitate the implementation of the double reduction policy.

In terms of safety guarding, the Company has launched various scenario-based intelligent services and integration applications such as smart security campus, emergency command, campus risk prevention and control system, and one-key alarm, providing corresponding products and solutions for numerous education authorities and safe campus projects. For example, the risk prevention and control system, built for a municipal education bureau, covers safety hazard management, pandemic prevention and control, emergency command, safety education, intelligent firefighting, and sunshine kitchen, boosting campus safety upgrades and enhancing the sense of security of teachers and students.

With the development of new infrastructure in education, the Company has joined hands with partners to provide one-stop solutions for the education industry. For example, in a smart education integration project at county level, the Company provides content of the above-mentioned sections in a one-stop manner to build an integrated smart campus support platform that integrates "Internet + IoT + information security", connects data on education, teaching, administration and management of schools in the region, draws a picture of the overall education profile for the region, and provides services in data collection and analysis, so as to provide support for advance and rapid decision making in the regional education system.

Meanwhile, the Company also actively carries out cooperation with universities and research institutions, and has established joint laboratories with a number of universities, covering AI, campus big data governance, VR, AR, and XR, among other technology fields.

➤ **Smart electricity - Powering the efficient operation of electricity companies with intelligent visual control capabilities**

The Company penetrates deeply into the power industry in all aspects, including power generation, transmission, transformation, distribution, and consumption. Based on the visual control of production business scenarios, we provide

business solutions for core scenarios such as power stations, transmission lines, substations, distribution rooms and charging stations via video IoT, AI and real-time 3D technologies, to realize three-dimensional control of equipment, personnel and environment, and strengthen equipment inspection and operation control. Ultimately, these solutions will safeguard the intelligent development and digital transformation of the power industry and contribute to the boost of both economic and social benefits of power enterprises.

In a substation of the China Southern Power Grid, a safe and reliable video confirmation solution is provided for the "one-key control" service, which reduces the switching operation time from 30 minutes in the traditional manual way to only 5 minutes, while eliminating the need to send people to the site, greatly improving the operation efficiency and reducing the operation and maintenance costs.

Under the trend of digital transformation in the power industry, the Company has actively invested in the development of intelligent and digital solutions and products, which have been widely used, thus becoming the main force driving the growth of sales revenues.

➤ **Smart petrochemicals - Identifying risks through danger to enhance the safety of the chemical industry**

The Company has been developing intensively in the petroleum and chemical industry, penetrating into the business scenarios of smart oil refining and chemical engineering, and smart gas stations revolving around the upstream, middle and downstream industrial chains. We provide various solutions for the identification of environmental risks and hazards in the production areas of chemical enterprises, the inspection of chemical leaks in device areas, and the supervision of operational safety and compliance in the unloading areas of gas stations, helping customers effectively prevent safety accidents and vigorously protect personal safety. We continue to expand into the fields of natural gas, gas, and clean and new energy, providing digital intelligence services, cultivating new production power and implementing new safety practices.

The Company joined hands with top enterprises of fine chemicals and oil and gas sales, to empower the intelligent upgrading and development of their major bases with technology. A chemical group enterprise has applied our production safety control solution to achieve remote intelligent supervision of personnel violations in the production area, thus safeguarding the safe operation of personnel. The sensitive alarm for chemical leaks in the device area eliminates hidden risks and ensures the stable operation of devices. In the smart gas station projects in Shandong and Zhejiang, our smart gas station solution strengthens the prevention and control of fire hazards, and personnel wear and behaviors, as well as the compliance control of operational behaviors in the unloading process from the source, so that risks are detected and hidden problems are rectified as early as possible, thus effectively reinforcing the supervision by oil product enterprise management and guaranteeing the safe operation of gas stations.

➤ **Smart coal - Special industry vision to build the cornerstone of production safety in coal mining enterprises**

Following the development trend of the coal industry, and taking into account the national "carbon peak and neutrality" context and the guideline on "intelligent mine" development, the Company relies on the advantages of advanced technologies such as video AI, thermal imaging, converged communication, and UWB positioning, targeting at the whole industrial chain of coal mining, transportation, washing (selection), and coal chemical engineering, to provide special products that meet the needs of scenarios, reinforce business solutions of "three violations" control, intelligent analysis of main coal flows, and coal mine energy consumption management, and expand from production safety control

to production operation management, so as to improve operational safety management efficiency, while assisting coal mine safety production and facilitating the digital intelligence transformation of coal mining enterprises.

The Company provides intelligent solutions for mining scheduling, "three violations" control and intelligent analysis of main coal flows for coal mining enterprises in Shanxi, Anhui, Shaanxi and Inner Mongolia. Take the main coal flow operation status monitoring scenario of a mine in Huainan, Anhui Province as an example. It has harsh underground environment, long coal flow transportation distance and numerous gradients, causing tremendous waste in human resources for coal conveyer belt inspection and production accident handling. The intelligent analysis solution of main coal flows provided by the Company enables the intelligent detection of production anomalies while ensuring the supervision of coal flows. The incident response is made within seconds, so that further emergency measures can be taken to ensure production safety, realizing the intelligent identification of safety hazards in belt operation as well as the whole process safety supervision of operation sites by managers.

➤ **Smart steel - Delving into the production of steel companies to optimize production efficiency and make vision productive**

The Company penetrates deeply into the steel production business. On the basis of cutting-edge technologies such as IoT, machine vision and 5G, it adopts three means of informationization, intelligentization and visualization around the four major businesses of operation, production, transportation and inspection, to help steel and metallurgical enterprises enhance production safety, improve production efficiency, reduce operation costs, strengthen core competitiveness, and promote the standardization of operation, digitalization of supervision and intelligentization of production, thereby accelerating the intelligent transformation of the industry and achieving sustainable development.

Based on the machine vision technology, in conjunction with the production process of steel continuous casting workshops, the Company has realized automatic review of billet numbering and automatic statistical recording of data to replace traditional manual on-site checking by means of real-time video collection, automatic acquisition of numbering information, intelligent identification and comparison of characters, and timely alert and record of data in case of abnormal spraying numbering, so as to keep personnel away from the high temperature environment and reduce wrong numbering omissions, thereby lowering the operation costs of enterprises and speeding up the production process flow.

➤ **Smart finance - Integrated digital intelligence to co-create financial technology**

Emerging technologies such as mobile Internet, AI, machine learning, voice recognition, image recognition, VR/AR, IoT, and block chain have been continuously integrated into financial scenarios in recent years, innovating financial products and services via various technological means. Financial technology (Fintech) has accelerated the development of commercial banks towards digitalization, intelligentization and ecologicalization through deep integration with banking business scenarios.

The Company continues to develop the financial security business, and constructs a comprehensive prevention and control system of networking convergence, data sharing, intelligent prevention and control, platform services and security management in the field of traditional technical defense and logistics management, with in-depth integration of the characteristics and management requirements of various business sites such as bank branches, self-service banks, buildings and vaults. As a result, the level of financial security management is improved, the probability of risk occurrence is reduced, and the timely detection rate of cases is increased.

Meanwhile, the Company has been actively expanding its fintech business, with continuous exploration of fintech deployment scenarios in the terms of intelligent operation and maintenance, digital marketing, intelligent internal control and smart office. By leveraging technologies, it reduces costs and improves efficiency for bank business operations and premises operations, while providing comprehensive data support for business risk control and compliance risk

management. Since 2019, our video conferencing solution has assisted a large-scale bank in holding year-end accounting remote condolence activities for three consecutive years, achieving comprehensive coverage from the head office monitoring center to base-level front-line outlets, extending communication infinitely and providing customers with a new mode of remote condolence with high efficiency and low cost.

In addition, as for operation and investment scenarios, the Company assists financial institutions in carrying out scenario operations, covering scenarios from office buildings and self-owned parks to their investments and construction. With the goal of enhancing the overall value of properties and upgrading the efficiency of property operation, we start from intelligent management of building safety, building energy saving, personnel, vehicles and materials to realize experience enhancement, energy-saving and emission-reduction, cost reduction and efficiency improvement.

The Company boasts the world's leading capabilities in manufacturing multidimensional awareness IoT devices and AI product development, providing financial institutions with more niche scenarios and more accurate data collection and analysis solutions. Moreover, based on years of experience in the financial industry, we offer business process solutions that can effectively improve the efficiency of financial institutions by combining intelligent IoT data and financial business processes on the basis of our in-depth exploration into financial business. The Company will continue to work with financial customers to build a modern financial system that is highly adaptable, competitive, and inclusive.

➤ **Smart healthcare - Focusing on the building of hospital digital intelligence and creating a new model of medical and health service management**

Guided by the "Opinions on Promoting the High-Quality Development of Public Hospitals" issued by the national government and taking the expansion of medical resources and balanced regional layout as opportunities, the Company continues to develop the healthcare industry around the new healthcare infrastructure, smart hospital construction and hospital digital transformation and upgrading. By utilizing its core capabilities in AI, IoT and big data, the Company optimizes and reshapes the business processes of the healthcare industry, improves the effectiveness of medical services and boosts the fine management of hospitals.

New breakthroughs have been made in the healthcare industry in the new era. In view of fine hospital management in the new context, the Company has proposed new concepts and new ideas for the management of intelligent space and order in hospitals as per the industry situation and characteristics, covering various development programs such as personnel access management, intelligent health code verification, inpatient care provider management and visitor management in hospitals in general. Through the use of the Company's advanced algorithm and IoT fusion platform, it realizes more efficient hospital admission screening, orderly registration and consultation, easy management of inpatient care providers, and control of key areas, safeguarding medical and nursing safety, keeping hospital environment clean, and improving medical practice experience and patient hospitalization experience.

Take a large-scale third-grade class-A hospital in Shanghai as an example. Through the implementation of our intelligent hospital solution, systems of space and order management, AR panorama, thermal imaging temperature measurement, and logistics visualization have been introduced and deployed, realizing comprehensive control of the hospital's overall security status, boosting hospital operation and management with digital intelligence, providing effective reference and data support for scientific decision-making of hospital logistics management, and facilitating its smart upgrade.

The Company focuses on the construction of digital intelligence in the healthcare industry, and actively explores new opportunities using its core strengths in audio and video, so as to focus on the layout of new businesses. Combined with its considerable experience of top-tier customers in the healthcare industry, the Company penetrates deeply into the ward digitalization business and develops applications such as medical and nursing intercom, doctor-patient accompanying nursing, mobile nursing, and nurse station informationization, thus improving the quality of medical care and service efficiency, facilitating the construction of intelligent wards, and boosting the doctor-patient harmony. The high standards and requirements of the people for medical and health services are thus satisfied.

➤ **Smart logistics - Enhancing application capabilities in logistics transportation, warehousing, transit and distribution scenarios to speed up circulation**

The Company continues to consolidate solutions for the four logistics scenarios of logistics transportation, warehousing, transit and distribution, and provides exclusive solutions for logistics customers through video and intelligent AI analysis. Through core product development, solution incubation and sample site construction in the logistics industry, we provide logistics enterprises with holistic digital management solutions for intelligent logistics distribution centers to improve their operation efficiency.

The Company has loaded a total of 24 intelligent analysis algorithms of 34 scenarios for the video intelligent supervision platform of the postal industry, which enables video analysis of logistics scenarios including operation specification, safety management, and operation efficiency, to protect the safety of parcels and operators and improve the digital intelligence management of logistics enterprises. We have already installed top-illuminated high-speed security equipment in Shijiazhuang, Handan, Chengde, Hengshui, Qinhuangdao, Cangzhou, and Tangshan, facilitating the full implementation of three 100% (100% inspection on receipt and shipment, 100% real-name receipt and shipment, and 100% security check) in the logistics industry, realizing high-speed, intelligent and unmanned logistics security inspection, and ensuring the safety of items delivered. With constant focus on customers' business needs in logistics scenarios, the Company provides logistics parks with data monitoring capabilities such as intelligent water and power consumption supervision and carbon emissions through product applications including intelligent air-switch and photovoltaic power generation, empowering enterprises in energy-saving and emission-reduction, as well as sustainable cost saving and revenue generation.

➤ **Smart cultural tourism - Focusing on the new industry of integrated culture and tourism and cultivating industry scenarios to boost the digital intelligence transformation and upgrading of the cultural tourism industry**

Guided by the "14th Five-Year Plan" on cultural tourism, the Company takes "culture and tourism integration" as its opportunities and continues to explore the four major cultural tourism business scenarios of tourism, historic preservation, sports and culture around customers' business needs of fine management, intelligent services and efficient operations. Through its advantages in IoT and AI algorithms, the Company optimizes business processes and provides professional solutions for customers in the cultural tourism industry.

In response to the needs of fine management in the cultural tourism industry, the Company has applied the functions of the vehicle distribution system on the road, the vehicle reservation system, the visitor distribution system in scenic spots, and the panoramic heat map in scenic spots to solve the problems of vehicle congestion, parking difficulties, and long queuing lines in Lingyin scenic spot of the West Lake. As a result, the scenic area is able to acquire the parking space status in real time and shorten the traffic time of visitors, from the original 25 minutes to 3 minutes.

In response to the needs of intelligent services in the cultural tourism industry, the Company develops an intelligent video tracking system for bobsleigh and tobogganing competitions in the Winter Olympics venues based on its strong video sensing capabilities, enabling seamless integration and orderly display of video images of athletes' contest processes in high-speed moving scenes, providing data support for athletes' training before competitions with zero interference to tracks, and offering powerful grounds for competition refereeing work and event fairness.

In response to the needs of efficient operation in the cultural tourism industry, the Company has developed a non-contact ticket checking system and data analysis system for a national park on the basis of its own AI algorithm capabilities, which not only realizes rapid visitor entry, but also completes the analysis and arrangement of visitor profiles, providing customers with data support for operational decisions.

During various business scenarios in the cultural tourism industry, the Company continuously delves into smart and intelligent development, taking into account the actual needs of customers, to enhance their digital intelligence

transformation capabilities through its video and AI algorithm capabilities, and to boost the industrial transformation and upgrading of the cultural tourism industry.

➤ **Smart agriculture - Empowerment by digital intelligence for invigorated agriculture**

The Company continues to explore deep into the entire industry chains of planting and livestock breeding, covering the fields of well-facilitated farmland, protected agriculture, livestock breeding, and aquaculture, as well as the whole industrial process of production, supply and sales. The intelligent sensing algorithm of multiple types of breeding scenarios is enabled by video AI and IoT technologies. Based on the technologies and programs of crop species identification, livestock physical condition scoring, aquatic fish condition analysis, and operational compliance detection, the digital intelligence means for agriculture have been enhanced to boost the production efficiency and save labor costs of enterprises, enable individual fine management, enrich the management means of fields, and facilitate the accelerated development of enterprises.

In cooperation with a number of enterprises in Yunnan, Henan, Yunnan and other provinces and regions, the Company has expanded its business in various scenarios such as national breeding projects, integrated production and sales slaughterhouses and modern agricultural industrial parks, providing business applications and intelligent transformation of scenarios across the industry chain, and continuing to deepen the digital intelligence integration of the primary, secondary and tertiary sectors of agricultural industry.

A pig farm in Guangxi has joined hands with the Company to build a digital intelligence pig farm, realizing an efficient closed loop of intelligent pig counting, quarantine and temperature measurement through an intelligent pig delivery management platform. It effectively improves the delivery efficiency of live pigs supplied to Hong Kong, saves labor costs and enhances the supervision ability. This in turn provides effective guarantees for the enterprise in terms of further broadening the sales market of pigs, improving the added value of pigs and expanding its export business, making it one of the first African swine fever-free zones in Guangxi.

In a modern agricultural industrial park in Jiangxi, the construction of video surveillance, fire-fighting equipment, agricultural IoT and agricultural big data platform has realized the information-based management of park security, fire-fighting, and agricultural production and processing warehousing logistics, thus enhancing the digital management of agriculture, improving agricultural technologies and product quality, empowering the information-based management of the agricultural industrial park and strengthening the influence of agricultural brand.

➤ **Smart retailing - Assisting trade chains to reduce commodity losses, improve operational capabilities and optimize customer experience**

China's economy maintains steady development, driving the overall social consumption to grow steadily. However, due to the impact of the pandemic, the business model of the retail industry has undergone trend changes. The introduction of personal privacy regulations promotes the proper application of technologies and the national carbon peak and neutrality policy drives the continuous rise of Chinese auto brands. The Company actively responds to changes in policy and industry, and conducts business exploration and technical innovation on a compliance basis. In-depth scenario exploration and business layout are carried out around key industries such as supermarkets and convenience stores, auto retail, restaurants, pharmacies, beauty stores, and 3C outlets. Taking offline store scenarios as the entry point, the Company solves operational safety problems, realizes standardized management and improves overall operational capability for retail enterprises from three perspectives: safety and damage prevention, management efficiency enhancement and digital intelligence operation.

In the new energy vehicle industry, the Company has built a new digital urban showroom for a high-end domestic new energy vehicle brand and provided integrated delivery solutions; in the convenience store industry, a leading foreign-owned convenience store company has realized three-dimensional operation and management of stores through

comprehensive analysis of the overall electricity consumption of stores and electricity consumption per unit area; in the pharmaceutical industry, a listed pharmacy chain has completed the unified networking of more than 3,000 outlets and remote store inspection, realizing cost reduction, efficiency increase and standardized outlet management.

## 2.5 Small and Medium-sized Business (SMB): Digital Intelligence Empowerment, Building Win-Win Collaboration Ecology

### ➤ Channel-building for opening up business capillaries

With the guidance of social development and policy orientation, SMEs will continue to upgrade themselves and improve their intelligent construction, and will generate unlimited social value with their huge customer base.

With the gradual economic recovery and continuous expansion of market demand in the post-pandemic era, the market competition has gradually evolved into the competition of SME channels, while the fight for market share is determined by the penetration capability into SME channels.

The Company adheres to channel grid sinking in terms of SME businesses and continues to expand channel pathways. By building a digital marketing service platform system with cloud-e-commerce and WeCom at home and using the Company's self-developed customer management platform overseas, it realizes continuous online customer operation, promotes non-video business loading, expands specialized field channels, consolidates the co-built and shared business model, and opens up the end tentacles into the SME market, thus continuously activating the market demand of SMEs and achieving evident scale effects.

### ➤ Intensive efforts for building a comprehensive altruistic service platform

The Company's SMB focuses on valuable SME customers with the aim to build a comprehensive altruistic service platform that integrates products, solutions, operations and services for SMEs and related operators, so as to continuously create value for customers and end users. With the five capabilities of "Full Sensing, Full Intelligence, Full Connection, Full Computing and Full Ecosystem", the Company empowers thousands of industries, continues to launch intelligent terminal devices to meet the needs of SMEs, and provides SMEs in various industries with solutions featuring compactness, visual management, rapid delivery and convenient operation and maintenance, facilitating their efficiency improvement and cost reduction, and enabling them to stand out amidst their self-upgrading.

### ➤ Digital intelligence operation for efficient empowerment of partners

Focusing on the diversified and fragmented needs of small and medium-sized enterprises in the process of digital transformation, the Company takes the video IoT as the core, and upgrades the edge-cloud integration business mid ends based on the different purchasing capabilities of small and medium-sized enterprises. In addition, the Company takes security guarding, digital intelligence operation, service quality improvement and management efficiency as the objectives, and builds an extensive product and solution system for thousands of industries, assisting enterprises in digital intelligence transformation and industrial change, and continuously creating value for users.

With the development of emerging technologies such as big data, AI and IoT, the digital transformation of enterprises has been the natural path, and the digital economy has grown into an essential driving force for economic growth. Tailored around partners and end-users, the SMB of the Company is featured by a digital platform system of Cloud-e-commerce, Cloud-Link and Yunrui to efficiently empower partners, facilitate their operation cost



reduction, boost the efficiency of end-user operations, and achieve win-win social and commercial value.

Adhering to customer orientation, the cloud-ecommerce digital marketing service platform provides digital marketing, digital mall, digital empowerment, digital tools and digital management services to boost the digital operation of all channels and improve the efficiency of business operation of partners.

Dahua Cloud-Link serves as a smart security assistant for SMEs' digital management and project operation. In response to the needs of SMB users, Dahua Cloud-Link has optimized a series of functions such as video review, alarm management, and organization management to better fit the scenarios. By adopting a free service model with full access, Dahua Cloud-Link has enhanced the user stickiness of the Company's SMB customers. Besides, customers can buy value-added services by themselves in the Dahua Cloud-Link App and mini-program apps, which shortens the transaction process and improves the efficiency of transaction.

Dahua Yunrui is a cloud service platform that empowers enterprises in their digital and intelligent upgrade. Through leading cloud-based intelligent applications and open AI algorithm ecosystem, it guides enterprises to optimize their management efficiency, boost business efficiency, explore data value and avoid operational risks. Platform applications cover scenarios including chain operation, community property, logistics, construction site, farming, cultural tourism, general education, parking, and parks.

Through the DCloud overseas cloud platform, small and medium-sized engineers are empowered to serve customers more efficiently through convenient functions such as remote deployment and remote diagnosis, and to reduce delivery and operation and maintenance costs while achieving rapid business deployment.

## 2.6 Yunrui: A Cloud Service Platform for Enterprise Digital Intelligence

### Upgrading

#### 2.6.1 Overview

Facing enterprise customers, Dahua Yunrui adheres to the company's in-depth positioning as a "professional service provider of scenario-based digital intelligent applications" for smart enterprises, guiding enterprises to optimize management efficiency, boost business efficiency, explore data value and avoid operational risks through its leading cloud-based intelligent applications and open AI algorithm ecosystem.

As a public cloud SaaS product, Yunrui features low cost, high availability, rapid deployment and flexible expansion, which plays an important supporting role in the construction of enterprise software system. With the above-mentioned advantages, Yunrui is capable of providing customers with better cloud digital intelligence services with low threshold and easy application, so as to realize the inclusive value of enterprise digital intelligence upgrading.

Yunrui's product applications cover scenarios including chain operation, community property, logistics, construction site, farming, cultural tourism, general education, parking and parks. At present, the platform has served over 5,000 enterprises, helped nearly 1 million enterprise managers and operators, connected 100,000 stores, served more than 5,000 residential communities with 4.8 million owners, served over 10,000 parking lots with more than 10 million parking fee payments, and provided intelligent IoT services for over 2,000 schools and enterprise parks in various kinds.

Yunrui will continue to implement its mission of "making management more efficient and operation more intelligent", and is committed to becoming the most trusted enterprise digital intelligence center.

## 2.6.2 Business Strategy

### ➤ Focus on Business Scenarios

Dahua Yunrui focuses on three business scenarios of chain, community and education. In the chain scenario, Yunrui manages the people, goods and market in the chain scenario in a comprehensive manner to meet the needs of Store Managers, Supervisors, IT, Operation and other departments, and realizes operation cost reduction, management efficiency improvement and value-added experience of chain enterprises; In the community scenario, it provides different solutions for real estate groups, property companies, renovated residential quarters and other customers to help improve the living experience of owners; In the education scenario, Yunrui has effectively improved the teaching quality and helped the campus information construction by tackling the demands for safety, access, education, teaching and logistics.

### ➤ Comprehensive IoT Access

Based on the access to basic video equipment, Yunrui has completed the access to multiple smart IoT equipment, including smart classroom equipment, smart home equipment, environmental monitoring equipment, smart power equipment, and on-board IoT equipment, etc., so as to help enterprises deploy more comprehensive smart IoT infrastructure to the cloud.

### ➤ Rich SaaS Services

In 2021, Yunrui released more than 200 new functions, including a series of product functions such as smart power consumption, home-school connect and AI passenger flow heat, and went deep into a series of industry scenarios such as chain business decision-making, community old-town renovation governance and smart classroom, so as to meet the needs of users and help solve their problems of online management and operation.

### ➤ Fusion of Terminal-Edge-Cloud Intelligence

Since the actual situation on the site of customers varies, Yunrui continues to deepen the fusion of terminal-edge-cloud intelligence. Yunrui has launched the all-in-one machine for parking and SMB scenarios, opened up terminal applications to optimize hybrid cloud device access, and built a comprehensive digital intelligent SaaS product system; By developing cloud intelligence, it has reduced the pressure on edge computing, and promoted the full use of old equipment in user scenarios.

### ➤ In-depth User Experience

As an SaaS product that directly participates in the front-line management and operation of enterprises, Yunrui actively promotes product experience optimization, and conducts in-depth user research and experience optimization on a series of functions such as passenger flow statistics, chain store inspection, property services, and home-school communication; It has created the Cloud Service Mall and realized the closed-loop of online transactions and services, which has greatly improved the efficiency of users' access to the cloud and renewals.

## 2.6.3 Yunrui Products

In 2021, with an in-depth insight into the industry demands, Yunrui released a variety of industrialized smart IoT SaaS products to fully meet the requirements of customer scenarios and had established the comprehensive product line composed of Dahua Yunrui, Yunrui Chain, Yunrui Community, Yunrui General Education, and Yunrui

Parking, covering all business scenarios including chain operation, community property, logistics, construction site, breeding, culture and tourism, general education, parking, and parks.

➤ **Dahua Yunrui**

Dahua Yunrui is positioned as a general-purpose product that serves multiple industries. While realizing basic video and alarm management, it also provides access to a variety of smart IoT devices, and offers public network cloud device access services. It has adopted the enterprise database mode isolation to ensure data security. With the capability of incubating products in many industries such as logistics, construction site, breeding, fire control, agricultural products, culture and tourism, Dahua Yunrui has been built into a video-centric enterprise-level professional general-purpose SaaS service for smart IoT.

➤ **Yunrui Chain**

Yunrui Chain is a product for the commercial chain industry, which provides enterprises with IoT SaaS cloud platform based on visual intelligence. Yunrui Chain is capable of serving customers in the pan-chain industry. At present, it mainly focuses on the automobile service industry, fresh food chain industry, catering chain industry, supermarket and department store industry and specialty store industry. Yunrui Chain is committed to providing enterprises with end-to-end store visual intelligence solutions, including basic video and video recording functions, multi-dimensional store inspection, abnormal cashier tracing, passenger flow and customer group statistics, so as to help chain enterprises quickly realize digital intelligence transformation and improve the overall efficiency of enterprises.

➤ **Yunrui Community**

Yunrui Community is a smart IoT SaaS public cloud product created by Dahua Yunrui for the smart construction industry focusing on scenarios such as community, sub-district office and residential quarter. Yunrui Community is mainly aimed at new buildings, community old-town renovation and property companies and provides a variety of intelligent applications including convenient access, property management, community safety, convenient services, smart home and community operation for different clients, such as property management personnel, owners, tenants, community grid administrators, and headquarters managers, so as to tackle the problem of interconnection and achieve cost reduction and efficiency improvement of projects. While enhancing the living experience of owners, Yunrui Community provides more efficient and intelligent management for community properties.

➤ **Yunrui General Education**

Yunrui General Education mainly serves small-scale market-oriented educational institutions to meet their needs in intelligent security, home-school communication and low operating costs. The customer groups are mainly primary schools, kindergartens and small training institutions. Through the cloud platform, Yunrui General Education provides functions such as class management, student attendance, official account push, intelligent access control, smart class card and campus live broadcast, so as to establish an efficient home-school communication mechanism.

➤ **Yunrui Parking**

Yunrui Parking is connected to the all-in-one snap machine, barrier gate, radar and self-service terminal at the equipment end. The equipment is presented to the group headquarters by direct cloud access or connecting to the Yunrui Parking platform through its entrance and exit terminals. Meanwhile, Yunrui platform connects with external third-party payment platforms and ETC settlement center to realize the cloud payment function. Finally, users can complete self-service payment through mobile phone applet.

## 2.7 Develop Green Environmental Protection and Low-carbon Business

As global warming, rising temperature and other issues are becoming increasingly serious, achieving the goal of "carbon peak and carbon neutrality" strategy is not only a major strategic decision of China in the new era and new pattern, but also a transformation and competition of human beings from industrial civilization to ecological civilization. In the context of the "carbon peak and carbon neutrality" strategy, all walks of life will face unprecedented changes. Dahua has deeply explored and reviewed hundreds of industry scenarios, and helped customers achieve energy saving and emission reduction by providing diversified intelligent products and solutions, so as to jointly protect the environment.

(1) The Company has given full play to the advantages of AIoT and the platform to serve the fields of clean energy power generation, such as hydro-power, wind power and solar energy, as well as pumped hydro storage. In the field of solar power generation, the automatic inspection of hot spots on photovoltaic panels has been realized by equipping drones with thermal imaging equipment and combining the positioning and intelligent identification technologies; In the field of wind power generation, intelligent management capabilities are provided in intelligent application fields, such as wind turbine equipment status identification and personnel operation safety control, by integrating video and the networking platform; In the field of clean energy hydro-power, intelligent services are offered for the dam construction procedure, process and quality during the capital construction period of hydro-power station through video identification. The Company will continue to explore the solution development coverage of all links from capital construction to operation to assist the realization of "carbon peak and carbon neutrality".

(2) The Company's smart power consumption system helps the intelligent upgrading of enterprise operation and management, deeply explores the integration of various scenarios and scientific power consumption, actively promotes a new management mode of safer and more efficient power consumption with science and technology, and effectively reduces carbon emissions from enterprise production and operation.

- By conducting all-weather monitoring of various power consumption parameters, the intelligent air switch is capable of giving automatic early warning, one-touch response, event reporting and warranty for potential electrical safety hazards such as leakage, overload and overvoltage, so as to ensure the safety of power consumption;
- Realize green power consumption through remote energy consumption management, such as the timing control of switches and air conditioners;
- Intelligent identification and alarm of illegal power consumption behavior, and intelligent sensing and linkage response of powered equipment;
- With power consumption visually displayed on the data bulletin board, high energy consumption points and unreasonable power consumption habits are intelligently analyzed to provide data basis for energy conservation and consumption reduction, assisting managers to rectify power consumption problems, reduce potential safety hazards and achieve green power consumption.

Taking the intelligent upgrading of Dahua Enterprise Park as an example, after deploying the smart enterprise power consumption solution, a linkage with the original smart park system has been formed to build the smart brain of the Park, which connects to central air conditioning and other facilities and equipment and realizes intelligent switching and temperature regulation. With the implementation of intelligent lighting system, the Park has completed the intelligent transformation that "when at least one person enters the room, the light turns ON. When everyone exits the room, the light turns OFF". An overall comprehensive energy saving of more than 20% has been accomplished.

(3) Through the in-depth innovation of green technology, the Company empowers more scenario applications in ecological environment governance and protection, and promotes the green and low-carbon transformation and development of China's economy and society. At the General Meeting of Study Group 20 of International

Telecommunication Union ITU-T, the international standard project "ITU-T Y.lOT-SFFS Requirements and Reference Functional Model of IoT-based Smart Forest Firefighting System" led by Dahua was officially approved. This international standard led by the Dahua uses the technologies such as IoT, video AI, drone, 3S (remote sensing technology, geographic information system, global positioning system), and integrated communication to build a three-dimensional intelligent monitoring system of sky, tower and land, improve the ability of forest fire prevention monitoring and emergency disposal, and provide comprehensive technical support for forest fire risk monitoring, early warning, firefighting and evaluation;

Dahua has cooperated with an iron tower customer to build a full-coverage, all-intelligence and whole-process intelligent monitoring system for forest fire prevention, which has realized automatic fire warning, real-time master of fire situation and closed-loop handling process through digital intelligence science and technology, thus improving the forest fire prevention monitoring and incident response capability. After half a year's operation, the system has discovered more than 30 real mountain fires, and effectively controlled the occurrence of fires, thus achieving the "early, timely and thorough" prevention of forest fire. Meanwhile, the average number of fires discovered every day during the fire prevention period decreased by 80% compared with the initial period. Illegal fire use has been effectively controlled, and villagers' awareness of fire prevention has been improved, which is of great significance for implementing the "mass prevention and treatment" of forest fire prevention.

(4) Starting from full scenarios of ecological environment, the Company helps to build a beautiful China and achieve the goals of "carbon peak and carbon neutrality". For example, the intelligent management scheme of drinking water source has integrated video AI, hyper-spectral, IoT sensing and other technologies to monitor and give early warning on water quality, water level, floating objects and illegal sand mining, so as to protect the safety of water source; The intelligent monitoring scheme of atmospheric environment is based on the "single network" of multi-aspect atmospheric environment monitoring, to enable multi-scenario applications such as atmospheric quality, open-air incineration, black smoke vehicle and mobile source emission reduction, continuously enhance the work and capacity of atmospheric pollution prevention and control, and effectively improve the quality of atmospheric environment.

### 3. Core Hardware Products

With the deepening of the Company's strategy, fragmented market demands have been deeply explored, demands for perception, connection, computing and control in all walks of life have been continuously extended, and traditional single video products can no longer meet the demands of various scenarios. In the face of fragmented scenario features, R&D has been conducting innovation and exploration activities of the Company like pieces in a chess game, opening up cooperation, and continuously polishing good products that meet the needs of scenarios following the main idea of keeping close to customers and aligning business. In order to realize the two-wheel drive of market and technology, Dahua has built a set of efficient and flexible R&D organization formation, including two SDT solution departments of cities and enterprises, two product centers of software and hardware, and five research institutes. Through the close engagement and interactive iteration of the three organizations, it can be assured that the Company's products can sustain competitiveness in the field of video and smart IoT. Accordingly, the Company has built a full-stack smart IoT terminal system and scenario-based AIoT full-stack products and solutions, so as to realize the comprehensive upgrade of the product system of multidimensional awareness, multi-connection, intelligent computing and control interaction technology.

### 3.1 Multidimensional Awareness

Relying on years of technology accumulation and industry precipitation, and based on its understanding of the industry and the scenarios, Dahua has always adhered to the strategic positioning with video as the core. By empowering the industry with technology, the video has been made from "clear" to "understandable", and further enabled to "think and make decisions". Focusing on the upgrade of awareness dimension and the expansion of awareness field, the Company continues to consolidate its multidimensional awareness ability.

In 2021, the Company proposed the "Universe 6D Awareness" based on smart IoT, which is the first time in the industry to clearly define the awareness ability of smart IoT in an all-round and deep manner. The definition of "Universe 6D Awareness" is as follows: 6D Awareness is an abstract summary based on space, time, color, brightness and multi-spectral bands, namely three dimensions of full space, one dimension of full time, one dimension of full color and one dimension of full frequency, which add up to 6 dimensions (6D). It aims to improve the adaptability, integration and relevance of awareness, and help make the world of digital intelligence more real.

Focusing on the multi-dimensional upgrade of video awareness ability and the comprehensive expansion of full-frequency awareness ability, the Company released the scenario-defined camera 3.0 series products in 2021. The most typical universe Hubble Watcher is the first panoramic high-altitude AR linkage product loaded with thermal imaging technology in the industry, which integrates a number of hacks such as 360° panoramic view, dynamic target trajectory tracking, full-color streamer night vision and thermal imaging target detection and tracking and realizes the combination of deepening expansion in the space, moving target adaptive tracking in the time, intelligent ultimate reduction in the color, and thermal imaging multi-spectral fusion in the frequency, so as to create a precedent for universe sensing technology loading and application of products in the whole environment.

#### ➤ **Multidimensional upgrade product of video awareness**

Within the visible spectrum, by means of full-scenario monitoring, full-scale target tracking and analysis, and full-scale environmental adaptation, the Company continues to build products in the fields of ultra-clear and full-color, full view details, and universe intelligence, so as to continuously improve the awareness adaptability, awareness integration, and awareness relevance of smart IoT.

##### (1) **Ultra clear and full color**

The Company continues to deeply cultivate core technologies such as Super Depth of Field, Snow Owl, Aurora, and adopt large aperture, super depth of field camera and super sensitive sensor based on multi-spectral fusion architecture, 3D LUT, CCM 2.0 and AI image enhancement technology to realize accurate color restoration, high dynamic clear imaging and full scenario adaptation. It aims to improve the data quality from the image source, obtain richer detailed features, and present a more realistic color night vision. Relying on a number of patented technologies such as Super Depth of Field 2.0, Double Pupil 2.0 and Snow Owl technology, Skyscanner Pro realizes high-quality universe capture of people and vehicles; Aurora 3.0 improves the perceptual adaptability and realizes all-weather data acquisition and intelligent capture through soft light two-color environmental lighting, dual sensor architecture and multispectral photosensitive fusion technology.



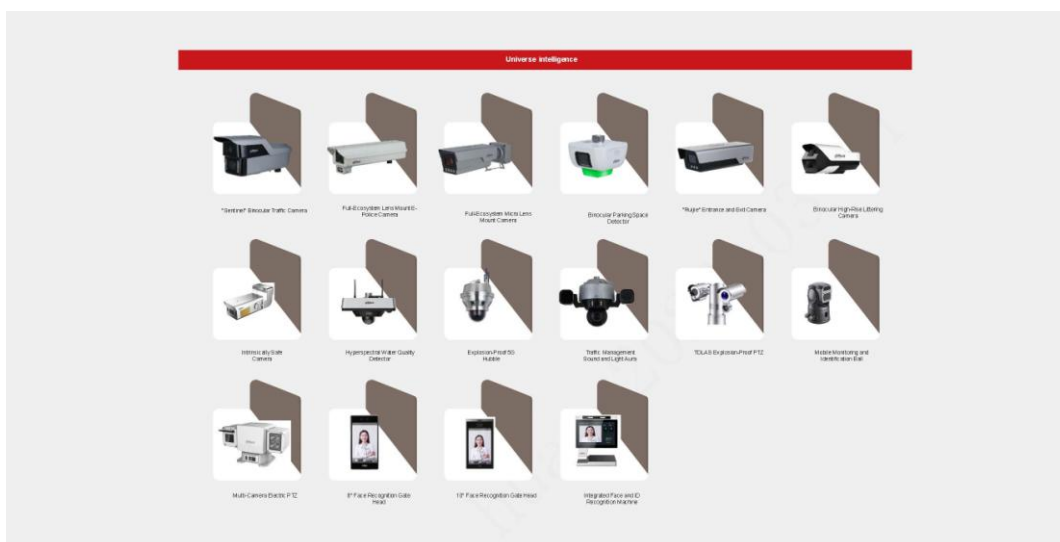
## (2) Full-view details

Through multi camera linkage, dynamic and static combination, taking into account the perspective of distance, full view and target details, the needs of multi-target visualization, multi-factor extraction and multi-business analysis in the same scenario can be met, so as to grasp the overall situation and control the details, allowing users to see both widely and clearly. Dahua Starship Skyline adopts the Company's original Snow Owl technology to improve the perceptual adaptability under low light. It adopts the innovative design of triple-camera structure, loads the module sub-cabin, and can expand the functions of radar, multi-code and laser light filling, so as to meet the needs of customers in more dimensions. Mini Hubble breaks through the technical problems in the industry such as obvious seam and large blind area of medium-and-low altitude multi-view stitching. Through the innovation of basic materials and structural design, mini Hubble realizes lighter structure, more convenient installation, more suitable for B-end scenario, and empowers hundreds of industries. Multi-camera stitching 1.0 obtains a wider field of vision through multi-view stitching, which brings a panoramic visual shock. With the linkage design of gun and ball cameras, it can be flexibly combined and applied, so as to see more widely and further, and enhance the awareness relevance.



## (3) Universe intelligence

Guided by scenarios and driven by the business, the camera concept is defined through the scenarios to continuously build an intelligent product system for all areas, provide intelligent services for all walks of life like public safety, traffic management, emergency command, urban operation, livelihood services, cultural tourism, work safety, education and medical treatment, and empower the digital transformation of the industry. The Company released a generation of intelligent building recognition products, which support undisturbed awareness and recognition at night, save energy with no light pollution, support scenario-defined voice prompts, so as to improve user experience. This series of products integrate the advantages of intelligent image processing and target recognition algorithm, have high recognition accuracy and speed, support the functions of access control verification, ID card verification, call intercoms, attendance, health code certification, human body temperature measurement, mask recognition, etc., which are widely applied in residential, school, hospital, enterprise, government and other industries.



#### (4) Coaxial HD

Always driven by customer application scenario business, Dahua gives full play to the advantages of its HDCVI technology, such as low delay, high image quality, lossless, remote transmission and easy connection. By loading the original full-color technology, digital audio technology, scenario adaptive technology and active defense technology, Dahua realizes all-weather and full-scenario perception, intelligent identification of environment and incidents, intelligent linkage of sound-and-light alarm system, and intelligent active defense of incidents. Coaxial HD products with distinctive scenario features are widely applied in the global market to protect the personal and property safety of people all over the world.

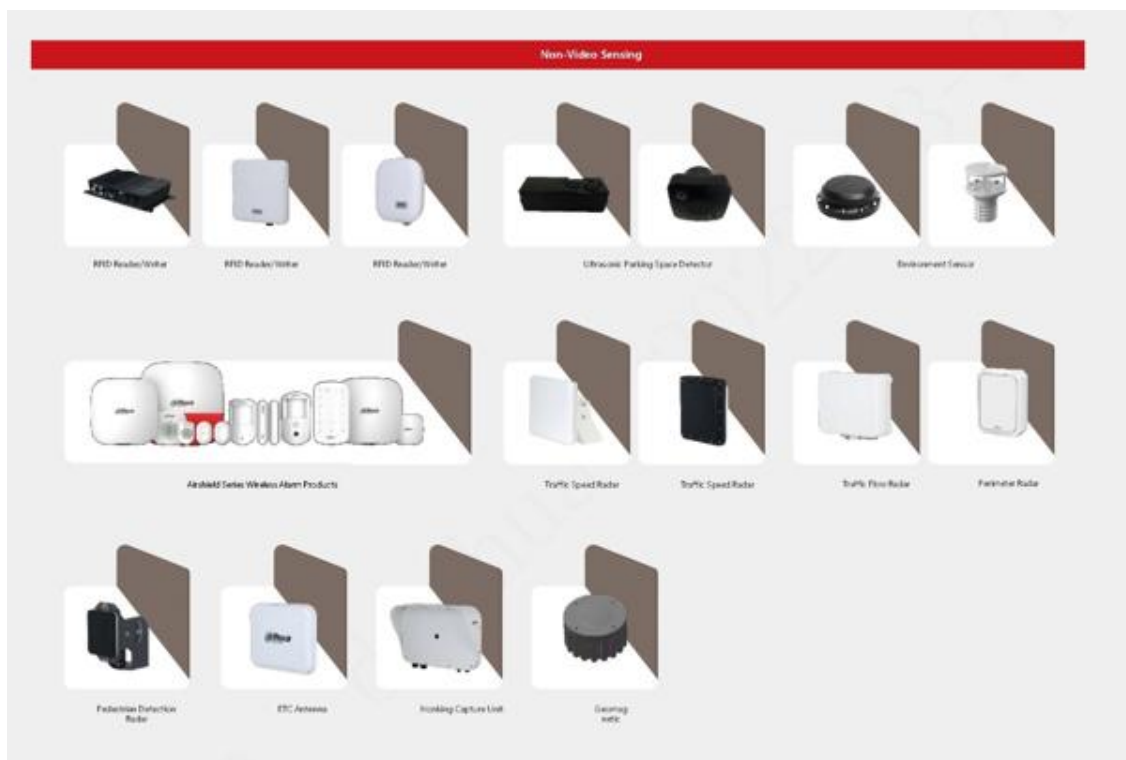


#### ➤ Full-frequency perception capability comprehensively expands products.

##### (1) Non-video sensory products

The Company has entered the field of smart IoT in an all-round manner. While continuing to cultivate the field of visible light band, the Company has completed the product layout with visible light band as the center and extending to both ends. In a more sensitive, extensive and multidimensional way of perception, we can perceive the changes in the world and empower the digital transformation of all walks of life in an all-around way. The Company continues to invest in the research and development of alarm products, and has completed the accumulation of wireless radio frequency and sensor technology and the release of key products. The Company has released Airshield series of wireless alarm system, and has realized multiple intrusion protection by loading self-developed Sub 1G diversity antenna, channel adaptation, dynamic encryption and other technologies and applying passive infrared, microwave, mechanical vibration, electromagnetic and other induction methods. The products have obtained the professional certification of European Alarm Industry and been admitted into European market. The Company has released the third generation wired alarm series of products, optimized the construction wiring scheme, continuously improved the ease of use of products, and reduced the installation and maintenance costs.





## (2) Universe 6D sensory products

The products take the visible light band as the center to build 3D full-space capability, focus on in-depth innovation of time, color and frequency at the same time, break through the constraints of extreme time and space, environment and use conditions, accurately perceive the changes of all walks of life in an all-round way, and build an intelligent world of IoT through connection. For example, Universe Hubble 2.0 innovatively integrates infrared thermal imaging technology, enhances frequency perception capability, and supports the application of intelligent algorithms such as pedestrian flow situation, traffic flow situation, ship detection, pedestrian and vehicle classification. Starship Skyline adopts the Company's original Snow Owl technology, which improves the perception adaptability in the low light. It adopts the innovative design of "triple-camera" structure and loads the module sub-cabin, which can expand the functions of radar, multi-code, laser light filling, so as to meet the needs of customers from more dimensions. Through the deep integration of millimeter-wave radar technology and video technology, "Sentinel" Radar Vision all-in-one series of products break the technical bottleneck of traditional video technology with one-dimensional data, realize all-weather, full-scenario, multi-target, multi-lane, high-precision and high-speed traffic information detection, and efficiently empower traffic safety notice, traffic incident detection, traffic flow detection and other services to further improve road safety and traffic capacity.



## 3.2 Multivariate Connection

The vigorous development of multidimensional awareness has broken the traditional network boundary, and gradually built the "multivariate connection" ability from information, people, things and scenarios to services with the operation and maintenance management system as the overall framework.

### ➤ Cable transmission field

The full series of "PoE 2.0" switches and intelligent cloud management switches support functions such as intelligent PoE, long-distance PoE, hand-held operation and maintenance, etc., so as to meet the scenario requirements of customers for high-power access and efficient operation and maintenance, and be able to guarantee high-speed and reliable data transmission in various harsh environments.

### ➤ Wireless transmission field

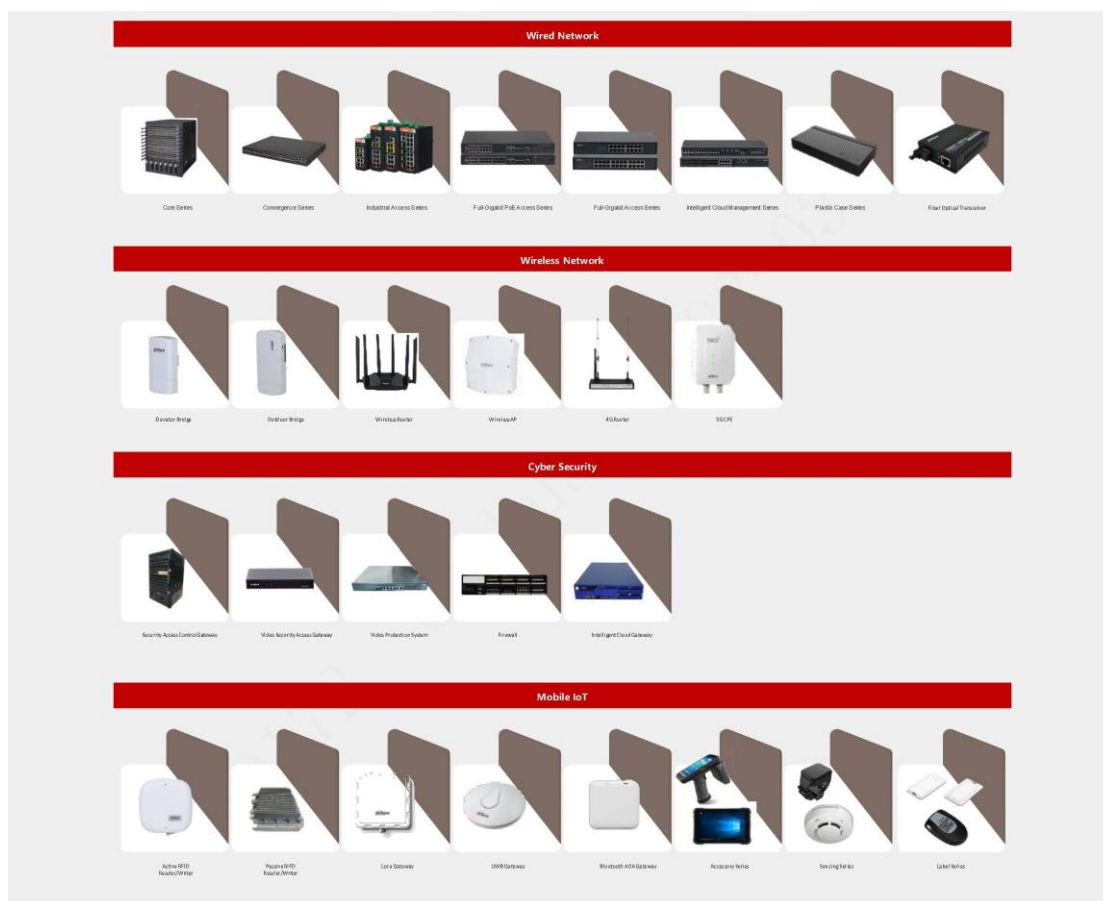
Industrial 5G CPE realizes the integration and innovation of video, 5G and Wi-Fi 6 technologies with built-in smart antenna, which greatly improves the wireless transmission performance with continuous improvement of video resolution and the increasing number of access.

### ➤ Mobile IoT field

The Company has released UWB, Bluetooth AOA, active/passive RFID, LoRa and other gateway products to provide regional meter-level positioning and submeter-level high-precision positioning, realize long-distance and low-power IoT coverage, and cooperate with video applications to form a variety of integration solutions, meet diversified application needs of customers, and support the application upgrading of energy, building, retail, education and other industries.

### ➤ Cyber security field

Security access control gateway, firewall and other products integrate security protection measures such as certificate authentication, code stream integrity verification and code stream encryption, so as to keep the network data in the encryption protection state in the whole process of collection, transmission, storage, sharing and application, and provide users with end-to-end guarantee for the whole life cycle of data.

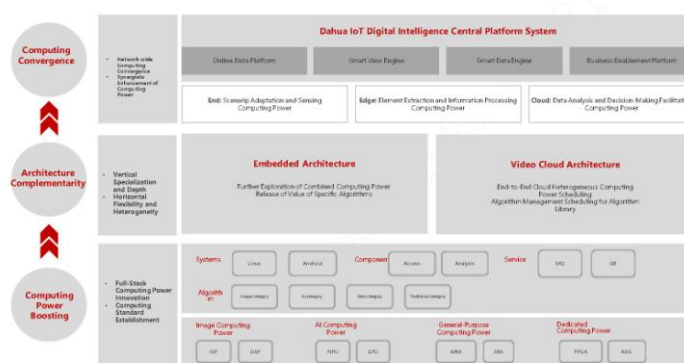


### 3.3 Intelligent Computing

In the era of comprehensive digital transformation, Cloud of Things accelerates its coverage in various industries and generates diversified data, and the computing power generated for data has become a new productivity. In the face of diversified scenarios, it is difficult to efficiently meet the ever-changing demands through the same kind of computing power, and the diversity of computing becomes inevitable. The Company's intelligent computing makes breakthroughs in computing power construction, architecture complementation, and computing integration. Through virtualization, container and other deployment methods, the Company can quickly realize the full compatibility of high-performance computing resources, adapt to all kinds of CPUs, GPUs and NPUs, fully realize resource pooling, provide more powerful, faster, safe and reliable computing power for multiple fields, and build a continuously driven full-stack innovation.

- Computing power construction:** The chip is the base for building all kinds of computing, as well as enabling systems and software. The Company has a profound accumulation of computing power technology in various professional fields (such as image computing power, AI computing power and special computing power), which has fully realized resource pooling, full-stack adaptation and built a continuously driven full-stack innovation. The Company has maintained strategic cooperation with various computing enterprises for more than ten years, defined the consensus of computing power diversity through rich application experience and computing power understanding, and continuously promoted the establishment of computing power standards (e.g., single AI chip virtualization, special comparison calculation);
- Complementary architecture:** The Company has tailored two computing architectures in the differentiated long-tail scenarios:

- Embedded computing architecture: Through the deep mining of combined computing power, the value of specific algorithms can be fully released, so as to continuously release leading and professional AI products;
- Video cloud computing architecture: The intelligent scheduling of pooled computing power and the unified scheduling of algorithm library end-user, edge, and cloud computing algorithm in the whole network are applied to realize high concurrency, high throughput and energy-efficient computing, so as to continuously empower open and win-win AI services.
- **Computing integration:** The Company will give full play to the advantages of computing power and architecture, converge the computing data of the whole network consistently, and complete the exploration and intelligent presentation of situation business through integrated computing and deep exploration, to provide driving force for business decision-making and index optimization, and empower scenario-based segmentation applications.



For the processing of massive AIoT data, the Company upgraded product series such as IVSS, intelligent analysis box IVD, intelligent NVR and high-density storage EVS at the edge and center. The Company continues to enrich industry algorithms, improve the intelligent performance of products, and promote the business of various industries.

#### ➤ **Edge intelligence**

With the IVSS series, the performance of deep learning algorithm has been continuously upgraded and the highlight functions such as multi-channel and multi-intelligence, intelligent rotation, tidal intelligence, intelligent cluster and flexible exchange of stored intelligence. The Company released a variety of storage-intelligence integrated all-in-one machines in a number of industries to explore a variety of subdivided industry intelligence, such as energy security, emergency management and control, financial compliance, natural resources, behavior analysis, etc. IVD series integrates a variety of intelligent services, adapts to a variety of application environments at the edge, realizes edge intelligent transformation, computing power supplement and flexible deployment, and achieves the expansion capability of intelligent services. In terms of integration of storage and intelligence, AI intelligent transcoding technology can realize the integration of intelligent analysis and AI transcoding at the same time, quickly refine the data value, provide more accurate and comprehensive information input for business decisions, realize low latency of data and analysis interaction, and ensure business sinking management and local decision-making nearby. NVR products take "Pratt & Whitney AI" as the starting point, and have gradually been upgraded from general to intelligent, so as to improve the ease of use of AI while ensuring the high accuracy of the algorithm. The intelligence, display, and storage of intelligent NVR are highly integrated, and topology is simple and easy to employ, which are suitable for intelligent applications in small and medium-sized scenarios, and has an absolute advantage in making use of the old and transforming one machine for multiple purposes. The

Company optimizes and integrates intelligent services based on the latest three technical means of "time-sharing", "multi-domain" and "combination". The limited computing power of GPU is brought into full play, which is different from conventional intelligent applications, so as to make the business more refined. At the same time, it also accesses and converges all kinds of intelligent data information at the front end, and makes secondary analysis with pre-intelligent pictures and feature vectors, so as to improve the efficiency and accuracy of intelligent retrieval and realize business closed-loop.



### ➤ Centric intelligence

In order to quickly respond to the current trend of digital intelligence transformation in the market, the Company has built a unified open intelligence architecture for central intelligent computing based on the mature architecture, and improved the layout by building a 2+2+N system, that is, two engines of view intelligence + algorithm training, two directions of perception and cognition, and N algorithms. The open algorithm system built with 2+2+N as the core realizes the full-scenario coverage of the algorithm, the self closed-loop of business and that of operation and maintenance, making products really convenient and easy to use, so as to comprehensively support the two vertical businesses of the government and enterprises.

The centric intelligent computing products, covering the mainstream X86, ARM platform and AI computing platform, provide diversified computing power for the digital intelligence of the industry. Through profound R&D accumulation, the Company has independently developed intelligent analysis cards and comparison cards, further enriched and expanded the ecological compatibility in the field of cloud computing, and provided customers with a wider choice of computing power.

- **In the field of specialized intelligence of storage, computing and inspection**, the Company relies on smart view engine, full-analysis and full-comparison products to create a standard scheme to optimize the data processing algorithm, provide second-level comparison capabilities for hundreds of billions of data, provide extremely fast computing capabilities for large-scale data processing services, realize high-precision and high-performance sensing, acquisition and retrieval comparison of various elements, and fully serve the big data applications in various industries at the city level.
- **In the emerging field of long-tail intelligence**, in the face of abundant demand of new algorithms, the combination of training+algorithm library+algorithm+reasoning is used to quickly generate N kinds of algorithms through algorithm training engine. Through multi-dimensional strategies, unified management, scheduling and arrangement of algorithms can be realized. With the newly designed rule synchronization mechanism, flexible scheduling and loading of algorithms can be quickly realized, and the synergy of the whole link task, algorithm and computing power can also be realized, which gives full play to the intelligent value.

### ➤ Storage intelligence

EVS series of products are based on high-density storage, RAID 2.0, erasure code RAID, unified cluster, intelligent

operation and maintenance and other technologies to ensure the safety and reliability of data storage. Intelligent analysis of large number of roads, rapid data structure and integration of intelligent storage and management and other technologies are combined to realize fast retrieval of target data, long-term storage of value data, and closed-loop operation of edge data, which gives new value to centralized data storage. The Company has released "Neutron Star", a high-density and intelligent all-in-one machine, which innovatively integrates computing and storage. Through data storage intelligence and the hierarchical storage of multidimensional awareness, the accurate retrieval of value data can be achieved. The self-diagnosis feature ensures the reliability of large-scale storage, reduces TCO of the overall construction, realizes energy conservation and environmental protection, and responds to the country's call for carbon peaking and carbon neutrality.



### 3.4 Control Interactions

The world of physics is rich and colorful. In many scenarios, there are rich interactions between people and people, as well as people and things. Multidimensional awareness is applied to refine the real world, with multivariate connection to collect data and intelligent computing to build scenarios of digital intelligence, so as to finally make things an extension of people's touch, improve the interaction between people and things, and bring people closer. The Company has launched various industries empowered by control interactive products in many scenarios in multiple fields, including people's residence, industries, manufacturing and so on.

#### ➤ People's residence field

##### (1) Scenario of smart office

The Company has released the sub-brand of "DeepHub". With years of technology accumulation in the audio and video field, the Company has loaded the core technologies such as video intelligence, audio intelligence and HD video transmission on the newly released intelligent conference tablet products, and delivered the idea of "Born to be Smart" to the market and customers through the products. Dahua intelligent conference tablet products realize three major application scenarios including 4K ultra-HD remote conference, ultra-low delay whiteboard writing and ultra-convenient wireless screen projection. At the same time, it focuses on "AI", and achieves many technological breakthroughs such as intelligent writing identification, speech identification control and intelligent gesture identification. Products range from entry-level models to all-intelligent series, including premium models, classic models, professional models and flagship models, and are dedicated to meeting the needs of all customers.



### (2) Scenario of vehicle entrance and exit

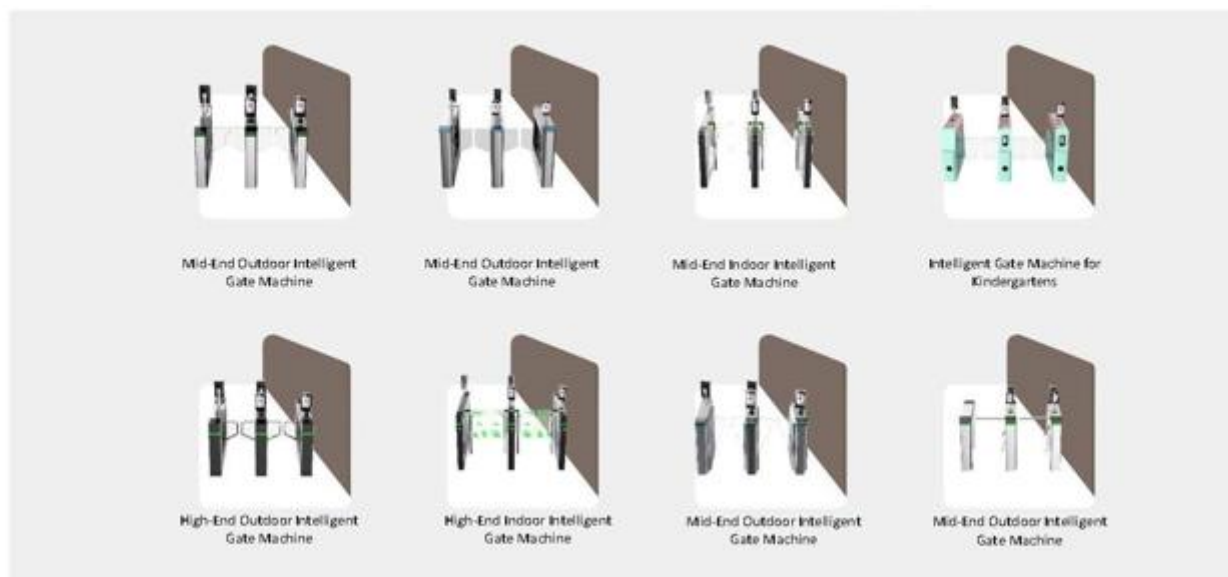
The Company combines video with display and mechanical control, and continues to release a series of products, including barrier gate all-in-one machine, capture display all-in-one machine, entrance and exit management terminal, guidance manager, parking management terminal, etc. By deeply integrating the license plate identification technology with the traditional gate, the Company has released the frequency conversion gate all-in-one machine to reduce the deployment cost and accelerate the communication. By combining the dark light target recognition technology and target tracking technology, the Company has released the entrance and exit management terminal of the sentry box, which can reduce the light pollution at the entrance and exit, improve the driver's traffic experience and enhance the stability and ease of use of the management system. By connecting the parking management service to the cloud platform, the on-site pre-payment and non-contact payment can be realized, and finally vehicles can enter and leave the parking lot without inductive traffic, bringing the ultimate experience to users.



### (3) Scenario of personnel entrance and exit

The Company has released a full range of high, medium and low-end intelligent pedestrian access gates. In terms of traffic safety, relying on its profound technical background in the field of automatic control, the Company adopts motor three-ring control and personnel trajectory detection technology and realizes accurate control of motor position and accurate judgment of personnel position through intelligent control algorithm, so as to ensure the traffic safety of personnel. At the same time, the Company has released various entrance and exit solutions such as smart communities, smart campuses, smart hospitals, digital parks, digital finance and smart scenic spots to improve the management efficiency of enterprises and institutions, save control costs and facilitate people's life and travel.





#### (4) Scene of building access control

Relying on intelligent identification technology, deep learning technology and video image processing technology, the Company has released a new generation of intelligent access control products, which can quickly identify targets in various environments such as no light, weak light and backlight. In addition, combined with the infrared thermal imaging detection technology, the Company has released a series of intelligent pandemic prevention products, which support many functions such as mask detection, mask wearing identification, body temperature measurement, health code identification, and can quickly screen out people with abnormal body temperature, without mask, abnormal health code, etc., to help enterprises and institutions effectively prevent and control the COVID-19 pandemic.



#### (5) Scenario of building video intercoms

By effectively combining the functions of video monitoring, video intercoms and abnormal alarm, the Company has released a series of indoor unit products and corresponding solutions to simplify the business process among visitors, owners and property management center. The access of the intelligent cloud platform makes the deployment simpler and people can answer visitors and property information anytime and anywhere and realizes remote door opening and video intercoms which makes life more convenient and intelligent.





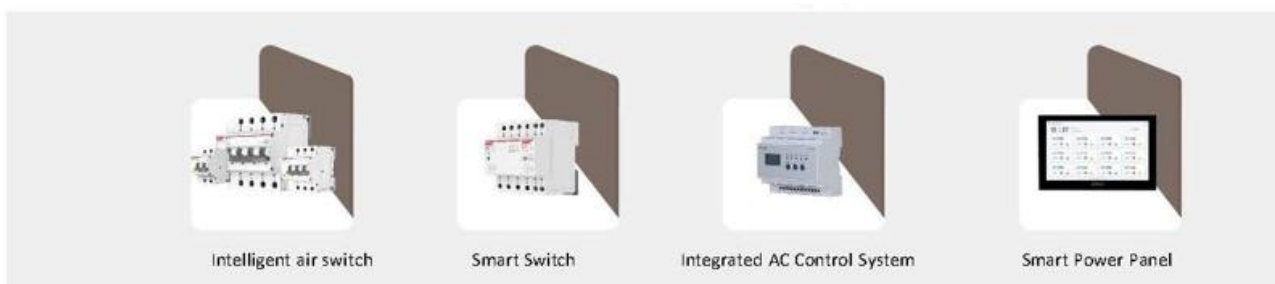
### (6) Scenario of building emergency alarm

The Company has released emergency alarm terminals specially applied in communities, hospitals, schools and other public places, which support various transmission modes such as 4G and PSTN, meet signal transmission in various occasions and modes, provide faster and more effective emergency help services, and bring people a safer living environment.



### ➤ Industrial field

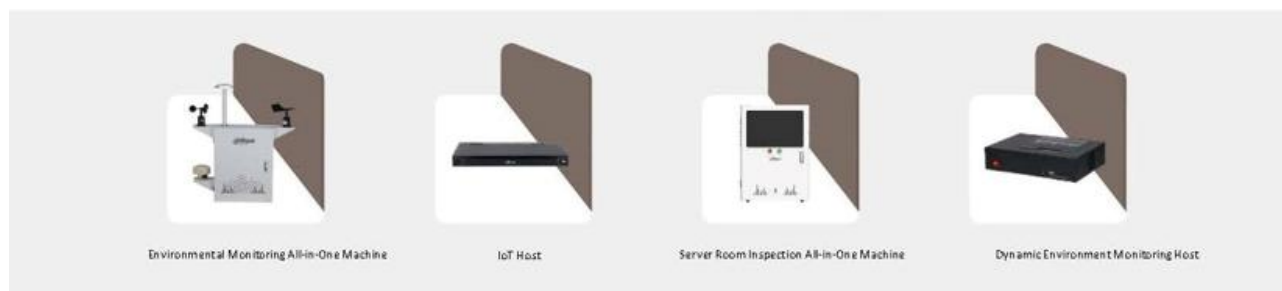
Dahua has released an industry-leading intelligent air switch product family. Relying on its deep accumulation in the field of control and connection, the Company combines wireless networking technology, digital sensing computing and traditional air switch, uses scientific and technological means to ensure power safety, standardize power consumption behavior, improve management ability, actively promote a new mode of safer and efficient power consumption management, and gradually expand the field of intelligent power consumption through itemized measurement, intelligent analysis, scenario linkage, automatic management and other scientific means to broaden energy-saving space, help enterprises save energy and increase efficiency, and actively respond to the national call for carbon neutralization and carbon peaking.



### ➤ Manufacturing field

Dahua has launched a series of products such as environment monitoring all-in-one machine, machine room inspection all-in-one machine, IoT host and dynamic ring host. Through the collection and analysis of various types of sensors, intelligent interaction with front-end video and intelligent linkage of control equipment, the Company has realized the comprehensive control of power consumption, power, environment and security data of the data center, so that the operation and maintenance managers can control the operation status of the center in time. At the same time, the Company provides centralized monitoring and unified operation and maintenance services to achieve the objectives of

energy conservation and consumption reduction, automatic inspection and maintenance, and achieve cost reduction and efficiency increase of enterprises.



In the future, the Company will continue to expand in the field of control interaction.

## 4. Innovated Business

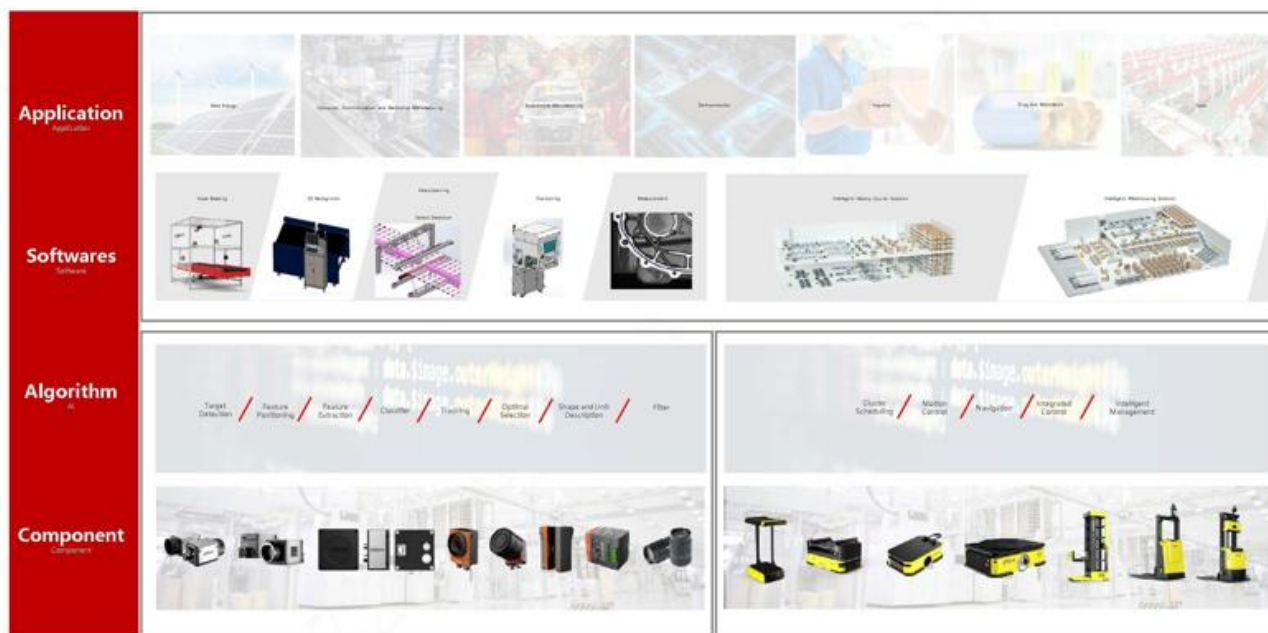
At present, the boundary of the industry has expanded from intelligent security to the broader market of smart IoT. The Company uses its accumulation in the field of video and security to expand innovated business in pan-security industry or industries related to AI video application. In these industries, the Company has been looking for fields with great growth potential and broad market space, and developed innovated business through talent selection and corresponding incentive mechanism. The rapid development of innovated business has greatly broadened the channel of the Company's smart IoT, which is an important driving force for the Company to keep moving forward at a high speed.

### 4.1 Machine Vision/Mobile Robot

HuaRay Technology, a subsidiary of Dahua, focuses on the perception layer of industrial Internet, mainly focusing on machine vision and warehousing and logistics business in the context of intelligent manufacturing. HuaRay attaches great importance to R&D investment and technological innovation, with R&D personnel accounting for over 50% and annual R&D expenses accounting for over 20% of operating revenue.

The business of HuaRay Technology is divided into two parts, including machine vision and mobile robot. Machine vision is mainly applied in code reading, positioning, measurement and defect detection of industrial production and logistics scenarios to realize the digital upgrading of "machine replacement" in the production process. Mobile robots use artificial intelligence to redefine the logistics industry and realize modern warehousing and logistics applications with autonomous navigation and cluster efficiency.

HuaRay Technology intensively cultivates the industry scenarios and demands, provides a complete set of industry solutions and system services for downstream users, realizes the perception, algorithm, scheme and application in the field of industrial interconnection, facilitates "interconnection, human-machine cooperation, data-driven and intelligent transformation", so as to realize industrial intelligent production and promote the construction of new forms of intelligent manufacturing. Focusing on intelligent manufacturing and intelligent logistics, relying on independently developed image technology, hardware technology, positioning and navigation, cluster scheduling and other technical capabilities, HuaRay Technology has established a solution system with visual algorithm and RCS scheduling platform as the core, including industrial camera, smart camera, code reader, 3D camera, mobile AMR and inspection robot.



#### 4.1.1 Machine vision

According to the statistics of Markets and Markets, the global machine vision component market reached US \$10.7 billion in 2020 and will reach US \$14.7 billion in 2025. According to the statistics of China Machine Vision Industry Union, the sales volume of China's machine vision industry in 2020 reached RMB14.42 billion, with a compound growth rate of 19.02%. It is estimated that the sales volume of China's machine vision industry will increase at a compound growth rate of 27.15% from 2020 to 2023, and the sales volume will reach RMB29.6 billion by 2023.

At present, European and American manufacturers have occupied the leading position of global industrial machine vision, as domestic research on industrial cameras started relatively late. The Company has released its own machine vision industrial cameras and algorithm platform based on its technical advantages, gradually showing the potential in import substitution.

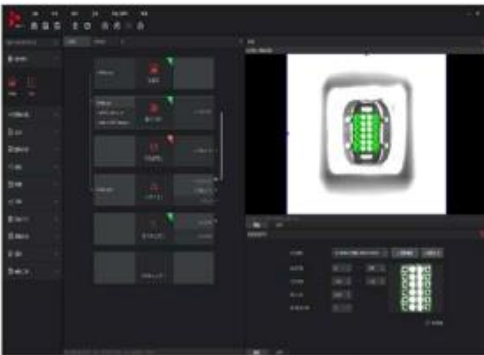
With the algorithm platform software as the core, the Company loads industrial cameras, smart cameras, line scan cameras, smart sensors, 3D cameras and lenses to realize the application of defect detection, positioning guidance, identification and measurement, and provides customers with one-stop procurement and vision solutions for subdivided industries.

In 2021, Version 2.2 of the machine vision algorithm platform was released, with nearly 100 application tool sets and 1,500+ operators, which fully supported secondary development. The product range of industrial cameras has been enriched, with resolutions ranging from 300,000 pixels to 600 megapixels. The interfaces include GigE, USB, CameraLink, 10GigE and Coaxpress. In addition, the newly released cameralink with 150 megapixels and 10GigE industrial camera of 65 megapixels have been widely applied in the detection of photovoltaic industry and panel industry. The 8K and 16K line scan cameras have been applied to coating detection in the lithium battery industry. The newly released 5000 Series code reader can trace every processing procedure in the whole process of lithium battery.

#### ➤ Machine vision algorithm platform

HuaRay Technology has independently developed the machine vision algorithm platform, which adopts GUI visual interface, allowing users to freely build the visual process and quickly establish the visual scheme by simply dragging. Multi-task synchronization and multi-process asynchrony as well as the provision of rich communication interfaces can meet the demands for the highly efficient application of multiple products. At the same time, the deep learning interface

has been opened on the MVP algorithm platform, supporting the reasoning application of AI model.



**Visualization Development**

Key parameter tuning to find what you see is what you get

Simplest development and highest efficiency

**Multi-Task Synchronization**

Simultaneous processing of multiple visual processes

Ordered processing of results after all processes are completed

**No Programming Basics Required**

Separation of high customer

Free control logic of visual work flow with operator storage

**Multi-Process Asynchronization**

Separate processing of multiple processes

Simultaneous processing of multiple different visual work flows and multiple tasks

**Powerful Custom Development Capability**





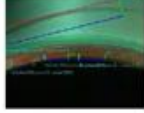
In-house development based on underlying operation

Rapid development of code extensions for special needs

**Rich Communication Protocols**

Network port, serial port, MC, Modbus, TCP/IP

Repeat I/O to interface with other protocols

Positioning	Code Reading	Measurement	OCR	Deep Learning
				
Dimensional accuracy: 0.02 pixel Pitching angle accuracy: 0.05°	Code reading type: QR, Matrix, QR, DM, Vernicle Code reading rate: 99.99%	Dimensional accuracy: 0.02 pixel Measurement angle accuracy: 0.05°	Character type: standard character, complex character OCR accuracy: 99%	Deep learning function: OCR recognition, defect detection, target classification, edge detection, segmentation

➤ **Machine vision hardware products**

In the aspect of machine vision hardware products, the Company has gradually changed from the manufacturer of single industrial cameras to the provider of machine vision core components. At present, it offers a series of products such as area scan camera, line scan camera, 3D camera, smart camera, code reader and lens.

<p><b>Line Scan Camera</b></p>  <p>Resolution ranging from 2K-14K</p> <p>High resolution Edge/Color/3D Camera/IMU/GPS/Pro</p> <p>Supporting the field of view resolution up to 10000</p>	<p><b>Area Scan Camera</b></p>  <p>Resolution ranging from 640-2048*1088</p> <p>High resolution Edge/Color/3D Camera/IMU/GPS/Pro</p> <p>Powerful AI algorithm</p> <p>Outstanding picture quality and precision in dark</p>	<p><b>3D Camera</b></p>  <p>Supporting 10-bit color and 30-pinh virtual data output</p> <p>Measurement accuracy of sub-micron level</p> <p>Free calibration and alignment, easy to use</p> <p>High 3D resolution, compatible with multiple edge models</p>
<p><b>Intelligent Camera</b></p>  <p>4K/8K smart global view camera</p> <p>High algorithm loads, with extensive applications</p> <p>Supporting various AI algorithms such as software intelligent identification algorithm</p>	<p><b>Code Reader</b></p>  <p>Modular dual color integrated light source, integrated design</p> <p>High-speed interface</p> <p>Supporting 1D code (QR, DM, 1D, 2D, 1D+2D, etc.)</p> <p>Supporting functions such as non-key automatic reading and multi-pattern parsing</p> <p>Supporting 4K resolution with strong adaptability to different reading scenarios</p>	<p><b>Vision Controller/Camera</b></p>  <p>Real-time processing</p> <p>Integrated peripheral, built-in network port design, powerful performance</p> <p>High-resolution high application</p> <p>Low total cost of design</p> <p>Good consistency of full-field clarity</p>

➤ **Industry applications**

In terms of business layout, through years of accumulation in technology and deep cultivation in business, the products and solutions of HuaRay Technology have been widely applied in logistics, consumer electronics, textile, electric power, automobile manufacturing and other related industries and fields. For example, a leading express company in the logistics industry used to deploy a foreign machine vision product scheme as its logistics sorting scheme, which was expensive for a single product scheme and mainly focused on trial distribution. Based on deep learning, HuaRay Technology released a vision scheme with single piece separator and six-side code reading scheme, which, under the condition of consumer's demands, has reduced the price of a single set of product scheme, popularized the automation of

logistics sorting, and has been widely applied in various logistics sorting centers to help the automation of logistics sorting. For another example, in the panel industry, previously, schemes from Japan, South Korea and other countries and imported large plane array and line scan cameras are mainly adopted for panel defect detection. Based on the inspection demands of the industry, HuaRay Technology has released 150-megapixel camera and 4K line scan camera. Combined with the intelligent algorithm platform, the panel inspection scheme has been successfully deployed in leading enterprises in the industry, which helps the localization of defect detection in the panel industry.

At present, the sales scope of HuaRay Technology has expanded from China to Japan, South Korea, Southeast Asia, North America, Europe and other regions, and is gradually expanding its influence in the global market.

#### 4.1.2 Mobile robot

In recent years, China's mobile robot market has grown rapidly. According to the statistics of China Mobile Robot Industry Union, the scale of China's mobile robot market was only RMB1.2 billion in 2015, and it has increased to RMB7.68 billion by 2020.

HuaRay Technology provides industrial mobile robots and inspection mobile robots, and provides industrial applications such as handling, stacking and automatic inspection through RCS scheduling system. HuaRay Technology focuses on the development and implementation of automatic navigation scheduling algorithm platform, AMR (autonomous mobile robot) products and related accessories, and provides various robot scheduling schemes for intelligent factory automation.

##### ➤ Mobile robot scheduling solution

HuaRay technology RCS scheduling system has built large-scale cluster scheduling capability and overall real-time planning capability. Through broadcasting and low latency, it can realize the real-time planning of 100ms global map, achieve traffic prediction through deep learning algorithm, and greatly improve the cluster scheduling capability in combination with traffic control strategy. It can realize congestion free multi-vehicle scheduling, and achieve the real-time scheduling of mixed operations of more than 500 mobile robots.



##### ➤ Mobile robot hardware products



HuaRay Technology has introduced inspection robots and AMR robots of the latent, hand hydraulic carrier, forklift, hauling, hauling and sorting types. It has self-developed AMR scheduling system and intelligent charging control system, which can be widely applied in the Warehouse Management System. Among them, the inspection robot can provide an intelligent scheduling platform and link with the intelligent inspection robot to realize visual inspection, which is applied in the power and animal husbandry. The Company has released a new generation of 3.0 series of the latent robot, which makes the products more stable, faster to deploy and more accurate to run. In terms of load, it covers 300kg, 600kg, 1,000kg, 2,000kg and 3,000kg load series of products. The navigation mode realizes laser SLAM navigation, visual navigation, inertial navigation and multi-sensor integrated navigation, which it compatible with visual obstacle avoidance and TOF three-dimensional obstacle avoidance, and achieves a positioning accuracy of  $\pm 5\text{mm}$ . The 5G communication scheduling forklift released by HuaRay Technology has a small control latency, which realizes business from indoor to outdoor, and is widely applied in the textile, 3C and household appliance industries.

In 2021, with more abundant products and more mature technology, the AMR robot of HuaRay Technology was widely applied in auto parts, 3C, panel, lithium battery, photovoltaic and other industries.



## 4.2 Smart Life

Huacheng Network, a subsidiary of Dahua, is a smart IoT solution provider and service provider focusing on the field of civil security with visual technology as the core. Huacheng Network operates IMOU brand for civil consumption, which provides global consumers with full-scenario home smart solutions.

Aiming at the global civil smart IoT market, Huacheng Network has built four major product systems focusing on "home security, smart IoT, home service robot and cloud business", and continuously combined the released products with ecosystem to provide users with better and safer civil IoT security ecological solutions.

### ➤ It has been continuously expanding the intelligent security IoT ecosystem around civil scenarios.

In recent years, smart home and IoT industries have ushered in explosive growth, driving the demand for smart

home products to rise year by year. Huacheng Network focuses on the development of home-scenario algorithms, wireless technologies, audio and video software and hardware technologies and cloud-based solutions. At present, the main product categories include home smart cameras, smart door locks, doorbells, sweeping robots, routers, peephole, smart lighting, etc.

In 2021, Huacheng Network released a variety of home smart camera products, which not only realized 2K to 4K pixels in video technology, but also covered the application of various camera products such as pocket camera, PTZ machine, outdoor bullet camera, outdoor PTZ, battery camera, AI small bullet and so on. In 2021, the product form was supplemented, the full-color products were serialized, and the technical system achieved rapid iteration and double growth. Through the in-depth exploration of scenarios and intelligence, the Company has fully implemented intelligence with the accuracy rate greatly improved. The human detection algorithm based on NPU has further improved the accuracy. In addition to the overall improvement of hardware and technology, the products can connect with users through IMOU cloud platform based on the IoT technology, so as to provide users with basic remote video viewing, as well as video cloud storage, telephone alarm and other cloud services.

In 2021, Huacheng Network released a variety of smart lock products, and completed the iterative optimization and overall layout of the product array. Huacheng Network has successively released a full range of intelligent locks based on video technology. The Company was the first to promote cloud+EMMC local dual-storage scheme, and the first to launch millimeter-wave radar+AI human detection alarm. With the high sensitivity+high accuracy these products offer, user experience for door opening has been greatly improved. Video lock is the mainstream development direction of smart door lock category. After loading video technology and connecting to IoT platform, the smart lock can change from local interaction to remote video intercoms through video IoT technology. With continuous iteration of products and technologies and deep understanding of products, Huacheng Network has made continuous breakthroughs in key performance such as safety, low power consumption, intelligence and security of smart lock and doorbell products, and released more competitive products.

Focusing on consumers' family scenarios and daily life, Huacheng has expanded multiple product lines to provide consumers with interesting and useful consumer electronic products. For the home cleaning scenario, in 2021, Huacheng released a 2-in-1 sweeper with laser navigation and intelligent dust collection in domestic and overseas markets to free users' hands and let them enjoy the leisure life brought by smart products. Following the latest trend of wireless technology, Huacheng has released a variety of Wi-Fi 6 routers, which not only provide consumers with various types of smart home products, but also offer a more stable wireless network to ensure a smooth wireless experience. For family entertainment and convenient life scenarios, a variety of IoT modules have been developed, which can be applied to smart lighting, smart sockets and other products. Consumers can set them up freely according to their own living habits to realize a more convenient and colorful life experience.

#### ➤ **IMOU Cloud Platform: Considerable AIoT cloud platform**

IMOU Cloud Platform is an open IoT cloud platform based on video by integrating cloud computing, big data, cloud storage, software and hardware platform, IoT and many other resources. In the report period, the number of global AIoT device accesses and users of IMOU Cloud has increased rapidly. The total number of AIoT device access increased by over 35%, and the number of overseas AIoT device access increased by over 50%. The number of global registered users of the platform increased by more than 40%, overseas users increased by nearly 60%, and the number of monthly active users of IMOU Cloud increased by more than 60%. IMOU Cloud provides security and care services for global end consumers by providing massive access, transmission, storage, AI and big data analysis of IoT devices with video as the core, and makes civil scenario applications more intelligent in combination with the AI capability of "cloud, edge and end-user".

In terms of cloud ecosystem, IMOU Cloud adheres to the open strategy of software and hardware. The software

open platform provides third-party partners with VPaaS capability with video as the core, and opens core functions such as cloud access, cloud storage, cloud forwarding, cloud live broadcast, cloud intercom, cloud sharing, cloud analysis, etc. At the same time, in order to better meet the fragmented application demands of user scenarios such as families, shops and small and micro enterprises, IMOU Cloud has continuously enriched and upgraded the cloud AI algorithm, and provided AI algorithms such as pedestrian and vehicle attributes and traffic attribute identification. Through IoT module access, the hardware open platform provides connection for third-party intelligent hardware manufacturers to access IMOU Cloud, opens the IoT cloud platform based on the attribute, incident, service object model access capability and cross-platform interface generation capability of low code mobile terminal, and realizes one-stop configured access of IoT products such as bulbs, sockets, alarm gateways, etc. At present, IMOU Cloud business ecosystem has more than 70,000 third-party partners all over the world, and has established an open, sharing and cooperative video networking ecosystem.

In the field of security compliance, the Company takes security compliance as the highest program, complies with relevant provisions of the Data Security Law, Cyber Security Law and Personal Information Protection Law, and continuously improves the construction of compliance system by increasing the organization and resource investment in data security, information security, cyber security and privacy protection. At present, IMOU Cloud has obtained Level-3 certification of Information Security Protection, ITSS Certification, EU IoT Service Privacy Protection Certification, CSA STAR Cloud Security Certification and ISO/IEC 27001, ISO/IEC 27017, ISO/IEC 27018, ISO/IEC 27701 compliance certification. Through domestic and overseas certification of compliance system, the Company abides by the principle of minimization and necessity in personal privacy protection, actively implements the privacy protection and safety compliance responsibilities of IMOU users, presents safe, accurate and transparent all-round compliance concepts and practices to the market, and insists on providing safe, credible and high-quality products and services to customers all over the world.

In terms of digital operation, Huacheng Network further enriched and improved the five core functions of the data operation platform in 2021 including data statistics, growth model, hierarchical operation, key business analysis and business operation. From the data of three major dimensions of device, sales and terminal use, Huacheng Network comprehensively reshaped the data-driven market sales channel, improved product competitiveness and optimized terminal product experience.

Huacheng Network will continue to increase investment in R&D and market in the next few years, fully load intelligent capabilities through IMOU cloud platform and intelligent technologies, and provide safer, smarter and more convenient products and services for users around the world.





## 4.3 Automotive Electronics

HuaRay Technology, a subsidiary of Dahua, focuses on intelligent vehicle products and industry solutions. Giving full play to the technical advantages in the field of video, taking video as the core, laying out the direction of smart driving, and combining radar, AI, perceptual data analysis and processing technologies, it is dedicated to becoming an industry-leading supplier and solution provider of intelligent vehicle electronic products with video technology as the core, and providing comprehensive services for passenger cars at home and abroad, commercial vehicle customers as well as consumers and industry users at all levels.

### 4.3.1 Passenger vehicle market

Aiming at the factory-installed products of passenger cars, ChinaRay integrates sophisticated smart driving technology into the factory-installed products, and realizes smart driving, automatic parking and other technical systems through the on-board camera, on-board radar, domain control and other products. The Company has independently developed H-Pilot smart driving system, which can sense the road environment in real time with the help of visual sensors and millimeter-wave radar, and identify road lane lines, roadsides, vehicles, pedestrians and other information. Combined with artificial intelligence, HD positioning, vehicle control, path planning, decision control algorithm and other technologies, the horizontal and vertical control and man-machine interaction of vehicles are realized. At present, ChinaRay has achieved mass production of L2+ class auxiliary driving system and intelligent parking system, which has empowered the digital and intelligent transformation of the automotive industry.

ChinaRay has always been deeply engaged in cultivating the head customers of its own brand of passenger cars, officially mass-producing full-automatic parking products and auxiliary driving products based on the integration of vision and ultrasonic radar, and has obtained designated projects from a variety of car factories. ChinaRay will continue to

increase its investment in intelligent driving sensors, algorithms and system products, give full play to the technical advantages of automotive electronics based on vision, ultrasonic and millimeter-wave radar integrated with perception, and release more competitive solutions around intelligent driving and intelligent cockpit.

#### **4.3.2 Commercial vehicle market**

At present, the stock of commercial vehicles in China exceeds 20 million. A large number of commercial vehicle resources carry a large number of passenger and freight besides aviation, railway and water transportation, making commercial vehicles closely related to people's production and life. However, safety problems such as traffic accidents, casualties and cargo damage have become increasingly prominent, and major traffic accidents have been reported frequently. After speeding and fatigue driving, traffic accidents caused by blind areas of vision have significantly increased. Front-vehicle collision alarm, lane departure alarm, fatigue driving alarm and driving behavior analysis have gradually become the standard configurations of active safety advanced auxiliary driving construction projects of commercial vehicle all over the country. ChinaRay has deeply studied vehicle operation scenarios, combined with the actual vehicle operation environment, and conducted in-depth exploration in the effect and efficiency of the algorithm, so as to further improve the performance of the product system and realize the factory-installed and after-market-installed intelligent vehicle solutions through active safety products, auxiliary driving products, 360-degree panoramic view system and other product systems, and intelligently empower commercial vehicles. At present, the Company has obtained IATF16949 Quality Management System, and the scheme has been widely applied in the freight logistics, waste residue, "tourist bus, Class C or above passenger car, and special vehicle for the transport of hazardous chemicals, fireworks and crackers and civil explosives", public transportation, public security, school buses, sanitation vehicles and other fields, providing advanced automotive electronic products and solutions to the world.

Facing the market of on-board products, ChinaRay has released many intelligent on-board products and auxiliary driving systems, which have realized technologies such as vehicle monitoring, front-vehicle collision alarm, lane departure alarm, blind area detection, driving behavior analysis, driver attendance, passenger flow statistics, etc. Domestically, the intelligent video equipment of on-board products has been widely used in many industries. The intelligent automotive electronic products with video as the core have been subdivided into various application scenarios to form an integrated solution of on-board products with intelligent analysis as the expansion, so as to provide customers with solutions with independent technical advantages and meet the personalized needs of various industries. With the continuous expansion of product and business coverage and increasingly rich aspects covered, ChinaRay has become an important provider of intelligent automotive electronic products and solutions.



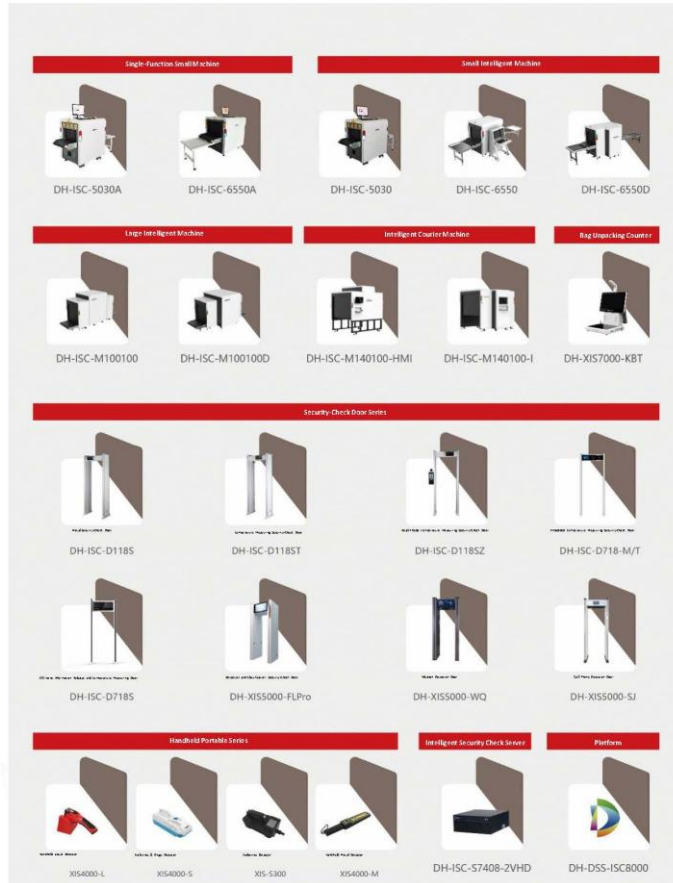
## 4.4 Smart Security Check

Huajian Technology, a subsidiary of Dahua Technology, is dedicated to the research and development of innovative solutions in the field of security check, commercial supermarket anti-theft and industrial testing with artificial intelligence, big data technology, and IoT technology as the core. With the rapid development of technologies such as artificial intelligence, big data and Internet of Things, these technologies have been deeply and innovatively integrated with the security check industry, and global users are in need of reliable, convenient and advanced smart security check equipment and services, making security check intelligence usher in a new round of development opportunities.

With IoT technology and AI analysis technology as the core, the Company promotes the reform and development of the security check industry, bringing new business opportunities and new vitality to the industry. The product solution is rooted in the actual application scenarios. The Company has specialized products such as unpacking table and centralized picture-check platform for traditional security check markets such as rail transit and justice. It has also customized solutions for emerging security check markets such as hospitals and finance to tackle the pain points of new markets, so as to maintain high-level and multi-level competitiveness of products. The Company's major products have been admitted into the catalog of products free of bidding of the Ministry of Public Security, and the Company has

participated in the preparation of security check industry or regional security check standards for many times. It is among the top security check technical service providers with technical strength in China.

In the future, the Company will continue to implement the strategic policy of taking market demands as the guide and R&D as the core productivity, and move towards the high-end security check market. The core components of security check, THz millimeter wave, CT security check equipment and civil aviation security check equipment will be the main R&D investment directions in the future. The Company shall make full use of its own technical advantages and characteristics to create a new generation of high-value security check equipment with unique characteristics.





## 4.5 Smart Fire Protection

Wisualarm Technology, a subsidiary of Dahua Technology, provides advanced fire protection products and solutions. Leveraging on the technological advantages in video analysis, cloud computing, big data, IoT, etc., Wisualarm provides fire prevention and fire extinguishing services to help cities achieve comprehensive fire management. Based on various business scenarios, Wisualarm brings customers a wide range of fire protection products and solutions to realize "smart sensing, smart prevention and control, smart law enforcement, smart command, smart operation, and smart management", so as to effectively achieve early alarm, early prevention and control and early treatment of fire and other disasters, thus improving the overall level of fire safety.

### ➤ Solutions

It is an inevitable demand to build a digital and intelligent fire safety application management system in the face of the current national fire prevention and control situation and the increasing pressure of fire safety management. The Company makes full use of advanced and mature technologies such as IoT, video artificial intelligence and big data, and combines the front-and-rear end software and hardware product platforms to create intelligent, efficient and comprehensive urban fire safety management solutions, improve management capability and efficiency, and realize fire risk early alarm, prediction and pre-judgment.

For the government industry, focusing on the key work of the fire supervision department, the Company has designed the business architecture from the top, gathered multi-party data to build a fire digital and intelligent central platform, established an intelligent fire protection application system integrating fire prevention, extinguishing and

management, comprehensively went deep into the construction and networking of intelligent fire front-end in key units, general units, nine small places and fire passages, electric bicycles, commanding heights panorama and other application scenarios. Through big data analysis and fire protection business model, it can achieve real-time perception of fire safety situation and fire hazard risk assessment in the jurisdiction, closed-loop treatment of fire hazards, implementation of fire safety management responsibilities at all levels, collaborative support for fire fighting and rescue information application, and provision of solutions for fire big data supervision, fire IoT supervision, fire supervision and inspection and law enforcement.

For the enterprise industry, the Company has integrated fire protection and security intelligence, unified platform management, fully covered wireless fire alarm, power safety, fire water, gas safety and other scenarios, deepened the application of safety and fire integrated products, air sampling and early fire detection, upgraded and transformed the traditional fire alarm system, and combined 3D visual modeling, video linkage, hidden danger inspection, training and drilling to provide integrated safety and fire solutions for enterprises in industries such as finance, education, medical treatment, real estate, energy, cultural relics and ancient buildings, so as to realize online perception and three-dimensional visualization of fire safety and ensure the safe production of enterprises.

For the social governance and civil industry, the Company has released a visual fire protection cloud solution integrating safety and fire protection, recruited fire operation partners to jointly build a standardized public service center for intelligent fire protection, established a joint model of street communities, insurance institutions and maintenance units, and realized the intelligent sensing and local governance of fire hazards in nine small places, three-in-one places, small and micro enterprises, urban villages, old communities and other social aspects.

#### ➤ **Hardware products**

Through the concept of comprehensive sensing, in-depth sharing, collaborative integration and integrated service, the Company has deeply developed relevant products in the fields of intelligent fire protection, traditional fire protection, industrial fire protection and intelligent equipment. The Company has continuously optimized and improved core technologies such as new maze detection technology, anti-false alarm algorithm technology of interference source, fault arc identification and detection technology, two line communication (high speed and low power consumption) technology, which has significantly improved the competitiveness of products. In the direction of security and fire protection integration, the Company has realized the integration of product end, and provided a series of products with higher cost performance and more suitable for business scenario applications.





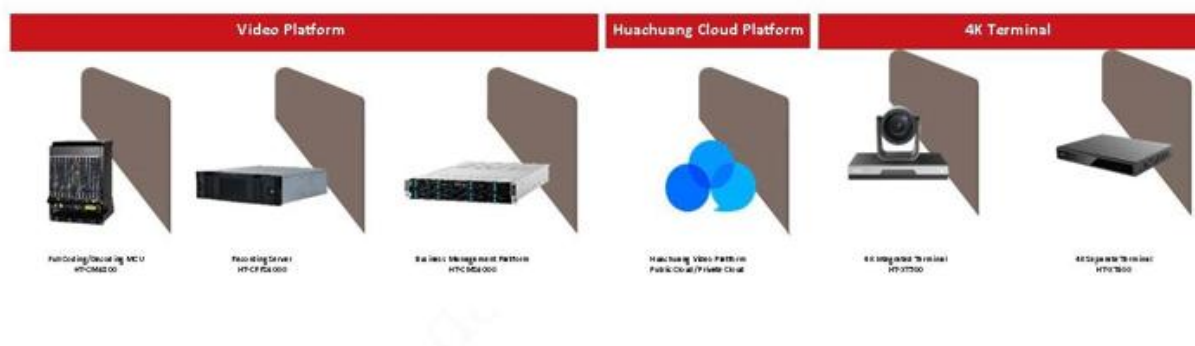
## 4.6 Video Collaboration

Huachuang Vision, a subsidiary of Dahua Technology, focuses on the design, R&D, production, sales and technical services of audio-video communication collaboration products and solutions. With the corporate mission of "make communication and collaboration beyond distance", Huachuang Vision has independently developed full-scenario products and solutions of audio and video communication cooperation, including traditional conference cooperation, cloud video and intelligent conference room. Through a new generation of communication and collaboration software and hardware tools integrated with network and audio and video technology, it helps users improve the operation efficiency of the organization and business.

In 2021, the Company released intelligent conference room products and a complete set of solutions, which fully integrated the IoT central control, intelligent voice and image analysis technology into the conference cooperation application. Through rich software, hardware and service options, the Company helped users create a full-scenario communication and intelligent cooperation solution covering the mobile, workstation, conference room, lecture hall and open area, so as to help users optimize the utilization of conference and information resources and improve their communication efficiency and ROI.

USB cameras of various types are combined with HD media acquisition hardware and advanced algorithms to provide better audio and video experience for mobile cloud video collaboration users. The integrated mini-terminal with built-in HD camera, array microphone and sufficient computing power provides strong scalability and adaptability, and can cover personal desktop, mini-venue and other application scenarios. Intelligent conference service control products, including conference management and control services, conference reservation services, paperless services, etc., provide users with all-round control and management from system equipment to environmental acoustic photoelectric IoT equipment.

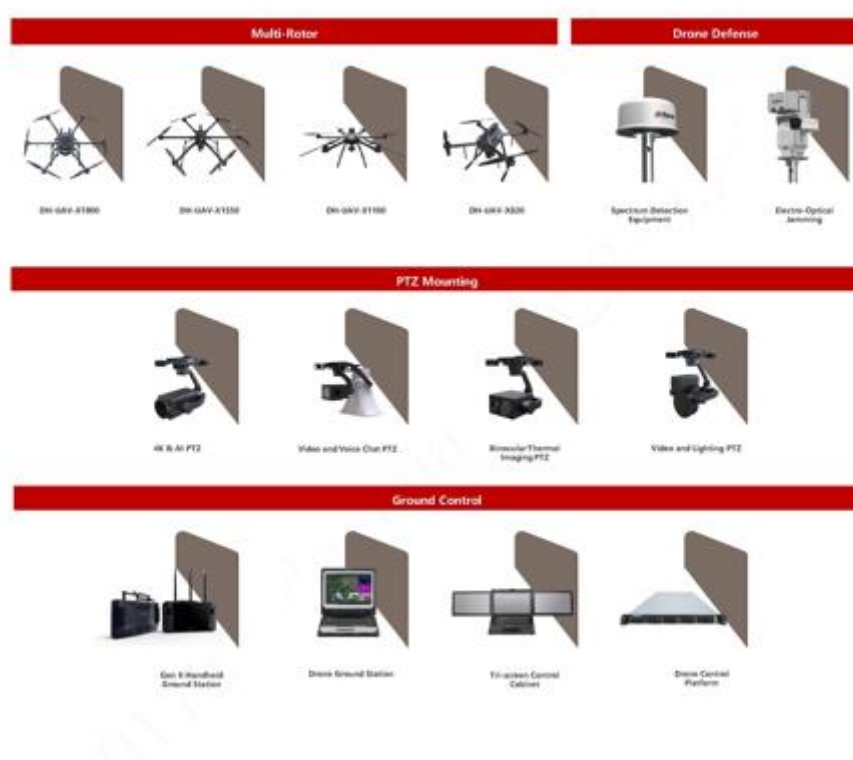
The Company's collaborative communication products and solutions with advanced audio and video technology as the core widely serve the fields of cooperative office, municipal governance, security and stability, society ruled by law, reform and efficiency, people's livelihood improvement, beautiful countryside, big data services, intelligent education, etc. With excellent product quality and convenient and easy-to-use user experience, the Company has won a good market reputation.



## 4.7 Drone

Huafei Intelligence, a subsidiary of Dahua Technology, is committed to the R&D, sales, training and service of intelligent drones and intelligent robots. Its products are widely used in urban operation, security and other industries. The Company is a national high-tech enterprise, a small and medium-sized national science and technology enterprise and a

member of the Drone Industry Association. Since its establishment, the Company has been focusing on the field of public security. On the basis of audio and video technology, the Company integrates many core technologies such as advanced navigation flight control, PTZ stabilization, power system, air-to-ground communication, display and control integration and active safety. It has successfully applied for a number of relevant patents such as adaptive strong robust control algorithm and high-precision loose coupling navigation algorithm, which has opened a new chapter in the field of industrial drone. The Company has a wide range of independently developed products, including the intelligent quad-rotor drone, six-rotor drone and various mounting systems with thermal imaging, visible light and other functions. The product has a variety of functional choices, such as long endurance, heavy load, high altitude, strong wind resistance, etc. The Company has been continuously increasing R&D investment and committed to technological innovation. It invests in R&D with no less than 20% of sales revenue every year. Combined with the promotion of industrial solutions, its products have been widely applied in the fields such as emergency command, police security, forest fire prevention, power line inspection road inspection, environmental monitoring, etc.



## 4.8 Smart Storage

The storage technology of Dahua's subsidiary focuses on the R&D, production and sales of storage product. The Company adheres to innovation driven, continues to increase R&D investment, and provides advanced MEMORY CARD, SSD, U-DISK, PSSD, DRAM and other products for the world. Its business covers consumer-level, enterprise-level and industrial markets, meeting the needs of a variety of application scenarios. With the vision of being the "leader in secure storage", the Company is dedicated to building an industrial ecological chain with upstream and downstream partners to create ultimate products and bring new storage experience to users all over the world.

Under the background of industrial development and upgrading and strict requirements for itself, the Company made



major breakthroughs in product R&D and technological innovation in 2021. All product lines of SSD, memory card, memory module, U-DISK and PSSD have released heavyweight products, especially in the core SSD product line, which has excellent performance in the consumer-level, monitoring-level and enterprise-level products.

Throughout the year, the Company focused on the R&D of new SSDs, and released a new generation M.2 NVMe SSD flagship product C970 PRO supporting PCIe Gen4.0 x 4. The data reading speed of this series is as high as 7400MB/s, and the sequential writing speed is 5200MB/s, which brings the speed experience of breaking through the boundary and improves the storage performance to a new level. The Company's C970 PRO SSD not only has the advantages of leading the industry in terms of technology, performance and functions, but also has been highly recognized by the industry and the market. S810 is a series of new generation of SATA 2.5-inch SSD product introduced by the Company, which is specially tailored for video monitoring system. With its efficient and stable data processing ability, it can effectively deal with various special situations in video monitoring. It is widely applicable to high-pressure working scenarios such as video monitoring and vehicle DVR. Compared with the traditional mechanical hard disk with SATA interface, E940 series SSD can effectively improve the computer storage and transmission performance by more than 10 times. At the same time, E940 series NVMe M.2 commercial SSD has a variety of capacity specifications to meet the needs of different enterprise terminal devices.

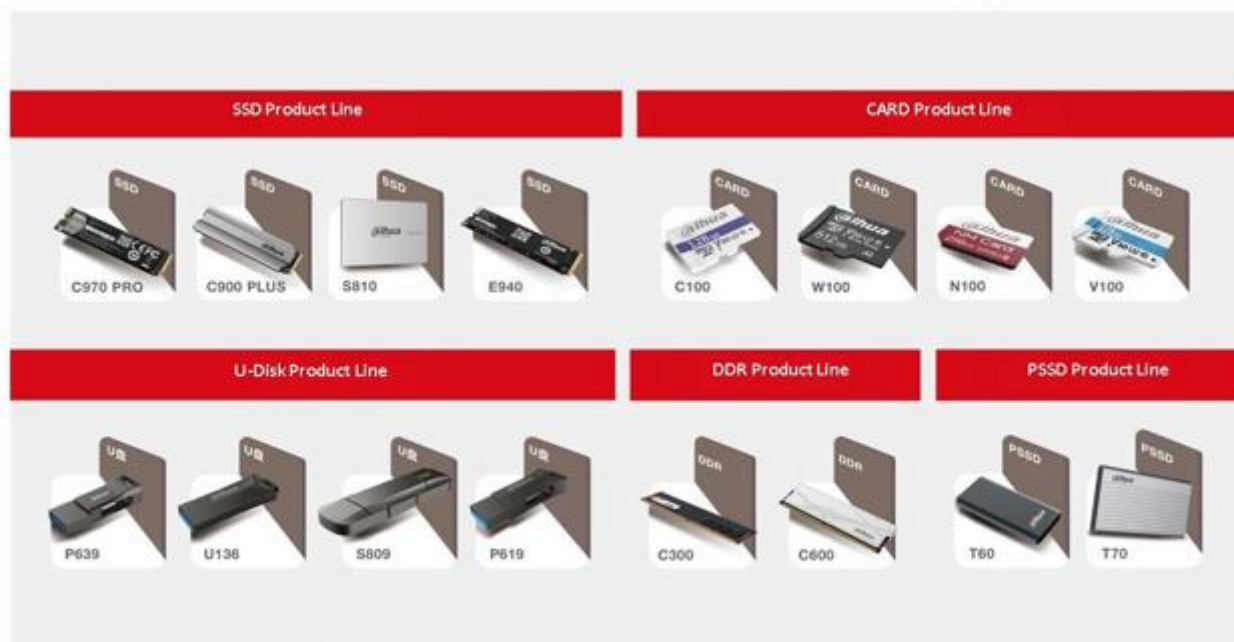
Memory card product line: The Company has introduced consumer cards with high compatibility and high cost performance, and industrial and monitoring cards with high performance. As a wide-temperature memory card, W100 can be used normally in the environment of  $-25^{\circ}\text{C} \sim 85^{\circ}\text{C}$ , meeting the needs of special scenarios. At the same time, the NM memory card introduced by the Company defines a new standard for mobile phone storage, which has four protection capabilities of high and low temperature resistance, waterproof, anti-magnetic and X-ray protection, provides a more convenient data storage mode, and supports file reading and editing anytime and anywhere. As one of the drafting units of NM memory card standards, the Company has defined China's own memory card standards, including appearance, interface, protocol transmission, etc., which will challenge the monopoly position of the existing SD-3C in the world in the future.

Memory product line: In the report period, C series and E series products have been introduced to meet the needs of different users.

U-DISK product line: A variety of mainstream in-line U-DISK, mobile phone U-DISK and solid state U-DISK have been introduced in succession. S809, a new representative solid state U-DISK with the supercar look, is designed by the Company and has exclusive patents. It supports Type-A and Type-C terminals, which is convenient for users to read and write files in different interface devices. PSSD product line: The Company has introduced independently developed new product T70, which is outstanding in performance, exterior design, cost and other aspects.

In order to accelerate business expansion, the Company has established a strong marketing network from both online and offline, with Hangzhou headquarters as the center and radiating to all regions at home and abroad. The Company has made great efforts to develop channel customers and industry customers. At present, it has customers

involving in many industries, such as information technology application innovation, education, public security, commercial chain, integrated traffic, government, electric power, steel and non-ferrous minerals, public and people's livelihood, traffic management, finance, coal, agricultural enterprises, petroleum and chemical industry, justice, cultural tourism, logistics and warehousing, medical and health, emergency management, operators, manufacturing enterprises, smart building, etc. In addition to the traditional offline sales, the Company has also vigorously developed online sales channels and actively promoted the loading of storage products on major global mainstream e-commerce platforms with a good sales momentum.



## 5. Open and Cooperative Ecosystem

In the trillion yuan-worth smart IoT industry, Dahua adheres to the concept of openness and win-win outcome, and works with its ecological partners to build the full-scenario closed-loop capability, so as to enable the digital upgrade in numerous industries. We are committed to realizing the full opening up in aspects from hardware, software and algorithms to services and business ecosystems. We enable the connectivity of equipment through DHOP, develop diverse components based on the foundation of the IoT digital intelligence platform to open up the capability from PaaS to SaaS, and provide one-stop algorithm training services on Genius Artificial Intelligence Open Platform. At the same time, we provide comprehensive policy and resource support for service partners and business partners to build a benign sharing and win-win ecosystem, and realize the industrial vision of "connect all things with cloud and create a future with digital intelligence".

### 5.1 Open Hardware Platform and Ecological Cooperation

Dahua Hardware Open Platform decouples the software and hardware of the equipment, creates a complete tool chain and a rich development toolkit for partners, and provides multimedia, AI acceleration engine, storage, computing resources and other services.

Based on the openness of DHOP, Dahua has independently developed dozens of professional smart apps, creating

basic capabilities for hardware products; at the same time, the Company has signed contracts with more than 250 algorithm partners at home and abroad to develop apps for bird recognition, font recognition and production line residue recognition, etc., so as to meet the needs of diversified and personalized scenarios in the long tail market and empower numerous industries.

Dahua focuses on promoting the standardization of reference architecture and functional groups of the smart view IoT equipment open platform and the improvement of various interface specifications, and is committed to realizing the non-sensing transplantation of ecological partner capabilities across equipment, platforms and manufacturers, so as to improve development efficiency and maximize benefits.

In order to lower the threshold of intelligence training and development, the Company has created a rich IoT sensing hardware equipment matrix based on the openness of DHOP to support the Company's AI open platform. At present, all products throughout the link from front-end data collection to back-end data storage have been made available on the open platform, and with the supporting training server and algorithm library, we have realized the closed-loop of intelligent rapid development of solutions.

The Company will continue to create rapid development tools, realize embedded and containerized deployment and operation, and assist more ecological partners, who have just started from the very beginning, to join the ecosystem of Dahua Hardware Open Platform.

At the same time, Dahua hardware equipment allows access of various third-party applications. In 2021, the Company has provided nearly 750 types of cooperative agreements, established mutually beneficial and in-depth cooperation with more than 300 industry platforms, and actively integrated itself into the ecosystem of various partners.

## 5.2 Software Open Platform and Ecological Cooperation

Based on the foundation of the IoT digital intelligence platform, the Company integrates its software ecosystem with online data (driven by IoT), smart view (driven by AI), data intelligence (driven by the big data engine) and other technologies and continuously develops basic components and business components, to provide partners with standard API interfaces, construct a closed loop of business applications in the whole industry, and create an open ecosystem of IoT digital intelligence.

Based on the its specialized technology platform, Dahua develops professional and easy-to-use auxiliary technology components, and focuses on scenarios to provide development guidance corresponding to various business needs, helping partners understand the Company's capability in providing software for external parties in the quickest way.

The Company has opened thousands of software business interfaces, reached in-depth cooperation in terms of platforms with more than 200 partners and demonstrated the capability in developing diverse business applications for business closed loops to empower cities and enterprises. The Company has also set up technical service support teams scattered across the whole country to help ecological clients and partners with their secondary development efficiently.

Dahua will continue to strengthen equipment access, video, IoT, AR/VR, data fusion and other capabilities, and help partners complete ecological application integration at the lowest cost through the visual open platform, layered development system and the construction of openness. It will continue to develop intelligent applications, share software resources with ecological partners, and facilitate the development of IoT digital intelligence in the whole industry.

## 5.3 Algorithm Opening and Ecological Cooperation

Dahua has completed the southbound and northbound opening of algorithms to promote the in-depth cooperation

between clients specialized in algorithm development and network training. Northbound-wise, the Company has released the unified open algorithm layer, on which users can employ hundreds of algorithms of the Company by simply connecting a few interfaces. Southbound-wise, the Company has released the standard protocol of the Company's algorithm library, with which ecological algorithms can be loaded quickly. Higher business value can be realized through distributed computing, flexible scheduling, elastic scalability, etc. with the help of the Company's algorithm engine. Through the utilization of the algorithms and training products, Dahua managed to empower clients who are operators and who are in the fields of smart city, intelligent manufacturing, and smart water conservancy, etc.

On the basis of general algorithms, Dahua works with its clients to jointly build professional algorithms to meet the needs of segmentation scenarios. The continuous enrichment of algorithms types has created greater value from business and clients.

## 5.4 Service Opening-up and Ecological Cooperation

Dahua has managed to build an open and shared service ecosystem for the whole business, which realizes the rapid delivery of scenario-based, standardized and localized solutions, enables partners to participate in the creation and sharing of service value, and opens up service management and experience design to create a spiral service management closed loop of "experience — optimization — re-experience — re-optimization", so as to achieve common growth with partners and build a service ecosystem of co-creation, sharing and win-win.

At present, more than 2,000 partners around the globe have been included in the service network, realizing the full coverage of Chinese cities and the grid deployment overseas. A multi-dimensional service network composed of headquarters, branches and authorized service ecosystem has been built to provide services to users around the world, so as to improve service experience and user satisfaction.

To ensure high-quality delivery and professional services, standardized and digital management has been realized in all stages including the setting and review of ecology-included standards, ecological qualification and ability certification, ecological protection agreement signing, service authorization, whole-process visualization of services, and service acceptance and settlement. There are standards set for included indicators. Certifications are issued for proving ability. Processes are supervised and results are measurable, so as to support fast and efficient delivery of professional, high-quality solution.

In 2021, the Company has trained over 15,000 person-times. More than 1,600 partners participated in the training, and more than 2,000 certificates were issued annually to partners.

## 5.5 Business Opening-up and Ecological Cooperation

In the digital intelligence era, the Company comprehensively promotes the opening-up of the whole business ecosystem, realizes channel sharing and resource complementarity with partners, and constructs a business ecosystem alliance.

Through the integration of capabilities in R&D, supply chain, channel and ecosystem, the Company provides partners with over 8,000 scenario-based services for cities and enterprises.

Through business opportunity sharing, mutual boosting of traffic, assessment and incentive, market supervision and other mechanisms, Dahua has made every effort to build a "trustworthy and transparent" business ecosystem; at the same time, the Company pays attention to the interests of partners and encourages the connection and interaction

between partners to jointly create a mutually beneficial and win-win business ecosystem. In 2021, more than 130,000 partners in the ecosystem participated in the business opening-up.

## 6. Major Sales Model and Performance-Driving Factors

With the help of its global marketing and service network, the Company offers products and solutions to different types of end users such as cities, enterprises and consumers. Dahua focuses on its valuable clients. By continuously strengthening business development in each local area and by introducing multi-dimensional partners to create an ecosystem of common development, the Company has set up provincial and regional software capability centers to increase client coverage, bring clients closer to the Company, speed up response and improve service quality. In addition to traditional modes like direct sales and channels, etc., the Company actively explores and practices emerging sales modes through Internet-based sales, and makes all-round arrangement for e-commerce, cloud-commerce, Yunrui and other business areas.

Major performance driving factors include:

Focusing on sensing intelligence, data intelligence and decision intelligence, Dahua has continuously improved its ability to innovate artificial intelligence scenario-based solutions and constantly upgraded the application and implementation of high-end intelligent products in new scenarios, so as to accelerate the process of large-scale industrialization of artificial intelligence. The Company goes deep into the production management process of clients and provides rich scenario-based application schemes of artificial intelligence through technological breakthrough and system upgrading. With the growth of Dahua's AI implementation ability and its continuous effort in exploring data value, the Company has gradually expanded its business from traditional security to enterprise operation and management. By helping enterprises reduce costs and increase efficiency, the value of each client has been greatly improved. The Company's arduous effort in business has promoted the continuous improvement of each client's value, which is a significant factor that drives performance growth.

Under the guidance of "Dahua think #" strategy, the Company continues to work on business scenarios, focus on client value creation, and continuously step up the innovative R&D of non-video new products, so as to enrich smart IoT solutions around cities and enterprises in a constant manner. These new business areas have maintained relatively rapid growth in the past, which has laid a good foundation for the Company's strategic transformation. The Company will unswervingly innovate and expand its business, and strive to make it an important growth driver for the Company's future development.

The Company attaches great importance to and continuously reinforces the channel construction, constantly promotes business in each city, and reaches more clients in the "blind spot" areas, so as to expand channels and boost their development at subordinate levels and ensure that all channels are smooth. In addition, with the continuous expansion of the Company's business to various sub-industries and the in-depth development of its applications, the Company has strengthened the promotion of its software in low-level administrative divisions and directly targeted the needs of front-line clients. Through the standardization of software, the improvement of the reuse rate of functional modules and the implementation of software cloud solutions, the Company can quickly meet the needs of new clients. The Company pays attention to the construction of partners in the ecosystem, and is capable of serving more clients with its partners through complementary advantages and benefit sharing. The Company's efficient end-to-end solution development and delivery capabilities enable the Company to quickly enter new industries with value and new fields with value, which is also an important factor that drives future performance growth.

Due to its arduous effort abroad, the Company has built a global marketing and service network. In the face of the current complex and changeable global political and economic environment, the Company respects the laws, policies and customs of various countries and adopts the approach of "one country, one policy" to meet the requirements of globalization compliance. With the continuous improvement of Dahua's brand recognition and product reputation, the

Company has gradually begun to offer mature domestic solutions for overseas markets. The Company has set up a special overseas software R&D team to directly provide great service to overseas clients. While improving its ability to meet clients' needs, the Company has accelerated response, and the proportion of the Company's solutions in revenue generated from overseas market has been increasing. The Company continues to strengthen the strategy for the localization of overseas employees by building an international marketing and management team as well as localized marketing and service centers to further explore the global market. Globalization and the continuous growth in overseas market will also contribute to future business growth of the Company.

### III. Core Competitiveness Analysis

The upgrading of digital intelligence drives the large-scale application of industry intelligence. In the era of AIoT, a large amount of data will become more meaningful and have a broad market, making Dahua's competitiveness continue to grow.

The Company has always focused on smart IoT to serve the digital transformation of cities and enterprises. Through its continuous improvement and optimization of R&D and innovation, marketing and service network, supply and delivery, compliance, as well as the open and cooperative ecosystem, Dahua has gained insights into industry-specific scenarios and a profound understanding of client demands, so as to provide clients with satisfying smart IoT solutions and establish its core competitiveness.

1. Invest in R&D and Innovation by Adhering to "Full Sensing, Full Connection, Full Intelligence, Full Computing, and Full Ecosystem" as the Core Concept and Striving to Meet Client Demand

Communication technologies such as AI, big data and 5G have accelerated the integration of video and the IoT industry, allowing machines to sense, understand and think about everything in the world like human beings, which is the symbol of the smart IoT era. The development of technology has been constantly enriching and advancing the dimensions of data, enabling smart IoT to enter the next stage of development. At present, as smart IoT has entered numerous industries, the development of various business areas has put forward higher requirements for data. Driven by data upgrading, clients need to sense more dimensions, make more diverse connections, process data faster, and interact more efficiently.

Dahua always invests in R&D and innovation and strives to meet client demand. Through constant polishing of its products and solutions, the Company continuously improves the independent innovation and its leadership in core key technologies, so as to consolidate its foundation for all digital intelligence capabilities. After years of accumulation, the technical capabilities of the Company in AI, AIoT, big data, software and other aspects have become more mature. In the face of this fragmented market, the Company has the capability of developing a complete set of solutions and the corresponding organization and management capabilities to solve clients' problems in specific scenarios.

2. Continue to Optimize the Global Marketing Network and Increase Client Coverage

The Company has a global marketing and service network. By the end of 2021, the Company has had 32 provincial offices in China. As Dahua steps up its effort at the marketing end 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. At the same time, the Company has introduced multi-dimensional partners to the ecosystem to jointly increase the coverage and strengthen identification of potential clients, so as to bring clients closer to the Company. The Company actively embraces the Internet/IoT model and makes all-round arrangement for e-commerce, cloud-e-commerce and Yunrui.

The Company added more than 2,600 Dahua element/image stores overseas throughout the year, adding the total number of stores to 5,000, a year-on-year increase of 112% compared with 2020. These achievements have laid a solid foundation for building the Company's overseas brand image building and promoting rapid business growth. Dahua owns

a vast distribution network overseas. At the same time, it also offers solutions to overseas medium- and high-end urban clients and industry clients directly. Based on the its strong technical strength and active expansion strategy, the Company will copy the domestic applications of government business and enterprise business to overseas markets, and gradually increase the proportion of the revenue of solutions in overseas markets. The Company has further seized the share of overseas markets by building international marketing management teams and localized marketing centers.

### 3. Take Supply Security as the Core, Optimize the Supply Ecosystem and Supply Layout, and Solidly Promote Intelligent Manufacturing

Faced with the continuous impact of the global pandemic and global supply shortage, Dahua continues to build an efficient, intelligent and flexible supply chain system for the global market, with globalization, diversification, integration and digital intelligence as its principal concepts of development. Dahua has realized risk identification and early warning management by building a material supply security management platform. Meanwhile, it has implemented the supplier management strategy, optimized the ecosystem layout of strategic cooperation, strengthened overseas supply planning, improved the automation, informatization and compliance capabilities, and comprehensively enhanced security supply capabilities to ensure stable and high-quality delivery.

In China, the phase-II project of Dahua smart (Internet of things) Industrial Park, located in Fuyang District, Hangzhou, Zhejiang Province, has been put into operation in 2021. This Dahua Global Intelligent Manufacturing Town was co-constructed by the Company and Fuyang District of Hangzhou. As a prototype system of smart manufacturing in the Company's enterprise business, the "future factory" will comprehensively promote the integrated development of "Internet + manufacturing" through the smart upgrade of software systems and interconnect the flow of people, logistics, vehicles, information, engineering and products, so as to form a visualized and traceable digital park. By creating a new way, mode or scheme of manufacturing which can be popularized and replicated, the "future factory" will facilitate the digital, networked and intelligent transformation and upgrading of the manufacturing industry.

Dahua has established two overseas manufacturing centers in India and Vietnam, and regional supply centers in the core logistics distribution centers like the Netherlands, Hungary and Panama, to ensure the steady and rapid development of the Company's global business.

### 4. Improve Delivery and Service Capabilities and Deliver Great Client Experience

Under the guidance of its global business strategy, Dahua makes use of the layout and ability of its global delivery and service centers to provide clients with accurate and intelligent services and solutions. The Company always adheres to the client-oriented service principle, and strives to win clients by satisfying their demands. By advocating the culture of "doing things right the first time", Dahua has built its capability to deliver new products and solutions that adapt to business changes at home and abroad, and continuously improved service experience. By the end of 2021, Dahua has established 57 domestic and foreign branches around the world to provide clients with fast, high-quality end-to-end services.

The headquarter, its branches, and the authorized service stations form a multidimensional service network to offer services to our global customers, improving the service experience and customer perception and continuously enhancing the overall service satisfaction. With more than 130 spare parts centers/stations, nearly 3,000 delivery and service employees and more than 2,000 service partners, the Company continues to create service value for clients. With the penetration of smart IoT into all walks of life, in order to meet the growing demand for software customization and delivery complexity, Dahua has set up software support centers in major provincial areas in China to help with software R&D in the provinces and surrounding provincial areas and flexibly and quickly meet the personalized customization needs of clients, so as to build service competitiveness and improve client satisfaction with its efficient delivery.

### 5. Adhere to the Full Ecosystem Strategy and Build the Smart IoT Ecosystem Community featuring Co-construction, Win-win Outcome and Symbiosis

Based on the trillion-yuan-worth smart IOT market, the Company gives full play to its platform advantages, aggregates resources, and realizes efficient coordination and common development with partners in the ecosystem and

the whole society. Dahua comprehensively cooperates with its partners in multiple dimensions, such as hardware, software, algorithms, services and business, etc., to build the smart IoT ecological community featuring co-construction, win-win outcome and symbiosis. Through digital upgrades of industries, the Company accelerates the industrialization of digital intelligence, makes science and technology play a greater role, and allows numerous industries to enjoy the benefit of science and technology.

#### 6. Strengthen Compliance and Create a Fair and Honest Cooperation Environment

In the context of business globalization, Dahua attaches great importance to business compliance operations, continuously optimizes corporate governance and internal control, improves data security and privacy protection, strengthens the management of the product quality system, and further improves the compliance system that follows the export control regulations of major economies in the world. Dahua has always maintained a sound management strategy and managed compliance risks by adopting the approach of "one country, one policy". Dahua is committed to strict business code of conduct and ethics rules and adheres to the principle of "honesty for success", aiming at building a transparent, fair, equal, honest and trustworthy business cooperation environment for its employees, suppliers and clients.

#### 7. Adhere to the "Client-oriented, Employee-based" Principle and Create the Dahua Model of Common Prosperity

Dahua always adheres to the core "Client-oriented, Employee-based" principle. Through developing the client-oriented business process and organization, the Company deepens its organizational ability and promotes business in low-level administrative divisions; at the same time, by advocating the high-performance culture, it encourages hard work for reciprocation, and continues to promote the "Employee Development Community Plan" to actively create value for employees.

Dahua has embarked on a new journey of common prosperity. By promoting the construction of an ecosystem for the common development of employees, it has made continuous efforts in career development, income growth, welfare and work condition improvement, social responsibility practice and other aspects of all employees, and continuously improved the material and spiritual prosperity of them. It is hoped that through five years of efforts, the Company will build a platform for common development and create the Dahua model of common prosperity.

## IV. Main Business Analysis

### 1. Overview

With the development and application of AI, IoT, cloud computing, big data and other technologies, intelligent video technology continues to show higher value in the digital transformation process in the post-pandemic era, and the video-centric smart IoT market is further expanded. At present, although enterprises have a strong demand for digital intelligence transformation, the intelligent transformation and upgrading of the industry as a whole is still in the primary stage. Therefore, the market is huge. However, since the needs of enterprises in different industries vary, it has become the current challenge to quickly meet the fragmented and differentiated market demands with controllable costs. Therefore, considering the digital intelligence development demands of numerous industries, opportunities and challenges coexist. At present, it has become a general consensus for clients to achieve high-quality development through digital transformation. With new demands keeping emerging and the constant acceleration of new technology upgrading and iteration, the exploration, accumulation and investment in R&D innovation and cutting-edge technologies have become more and more important. However, the fragmentation and personalization of the market have determined that the scale growth of intelligent transformation and upgrading is a process of continuous penetration. Therefore, the Company will maintain sufficient strategic concentration and investment. For one thing, it will continue to take the lead in the key capabilities of the industry, such as AIoT sensing, IoT digital intelligence platform, scenario-based AI and in-depth solution development, so as to tower over its competitors; for another, the Company will continuously step up the organizational capability in marketing and service delivery, and allow clients enjoy great service experience by



continuously bringing clients closer to the Company; at the same time, it will constantly help clients develop a habit of using the Company's solutions in their business scenarios and improve client stickiness, so as to continuously improve the overall competitiveness of the Company, consolidate the barriers to competitors in the industry and maintain a leading position.

In the report period, the Company adhered to the principle of fine management and high-quality development in its operation. It realized an operating revenue of RMB 32.835 billion, with an increase of 24.07% compared with the same period of last year, and realized a net profit attributable to the shareholders of the Company amounting to RMB 3,103 million after deducting non-recurring gains and losses, with an increase of 13.47% compared with the same period of last year, which registered stable growth. Main business strategies of the Company include:

1. Precisely Invest in R&D and Further Improving the Capabilities of "Full Sensing, Full Connection, Full Intelligence, Full Computing, and Full Ecosystem"

The Company takes technological innovation as the core and invests heavily in R&D. In 2021, the Company invested RMB 3.452 billion in R&D, registering a year-on-year increase of 15.16%, and accounting for 10.51% of the operating income. Apart from maintaining the investments in traditional video technologies, the Company has constantly enhanced research, development, and product launch of technical fields, such as multidimensional awareness, AI, cloud computing and big data, software platforms, machine vision and robots, 5G, cyber security, etc., further improved the capabilities of "full sensing, full connection, full intelligence, full computing, and full ecosystem" and focused on valued business scenarios, to construct an industry-leading system of solution, product and technology. Product quality has been further improved. Clients have developed better understanding of scenario-based industry-specific solutions. More clients are reached.

2. Focus on First-tier Cities and Continue to Extend Business to Low-Level Administrative Divisions to Provide All-Round Support for the High-quality Development of Business

The Company has focused on key cities/first-tier cities in key countries. Through continuously carrying out business in low-level administrative divisions and exploring clients' needs in depth, it has stepped up efforts in identifying business opportunities in first-tier cities and accurately matched campaign-level large-scale resources at central and back ends to accumulate more clients with value and carry out every project well. In China, the business response for first-tier cities has been accelerated through setting up business teams for each city, developing capabilities in training & empowerment and ad hoc support, hierarchical management, delegation of authority and delegation of management & decision-making, etc. Overseas business development in low-level administrative divisions has been realized by good client stratification and grading, accurate investment and marketing and strengthened brand coverage; the integrators have reached clients in low-level administrative divisions and focused on key markets and clients to strengthen the support system for business development in low-level administrative divisions.

3. Upgrade Software and Delivery Capability, and Build a Sensitive Service Organization

The Company upgrades and maintains the organization of product R&D and front-line services in an all-round way. Through the cooperation of multiple departments, the Company has realized a virtuous circle of business insight, product R&D, scheme replication and optimization. To provide better service to clients, The Company has placed its R&D organizations in the front of its business and built 20 provincial development centers, which has shortened the average development cycle of software customization service by 5.1 days. The central platform organization has carried out intelligent scheduling and combination of central platform capabilities in different business areas and formulated strategic and tactical plans. Through the upgrade of organizational capability, the Company has rapidly improved the capability to quickly meet clients' demands for software, making the overall coordination more accurate and efficient, and the business has become more smooth. With the participation and orderly management of more than 2,000 certified service partners, the efficiency and quality of the solutions delivered have been greatly improved. In the report period, domestic client satisfaction has been increased by 2.61% over the same period last year.

#### 4. Promote the Development of Innovative Business and Build a Smart IoT Ecosystem Community

Based on the in-depth understanding of diversified demands of clients, the Company has continued to develop innovated businesses, including related business in the field of industrial Internet, video collaboration, Imou appliances, intelligent fire control, intelligent storage, automotive electronics, drone, intelligent security inspection and so on, so as to fully stimulate the vitality of employees and continuously expand new high-speed growth points for the Company.

At the same time, the Company has given full play to the advantages of its platforms, and cooperated with partners in multiple dimensions, such as hardware, software, algorithm, service and business, to create a smart IoT ecosystem community featuring co-construction, win-win outcome and symbiosis, so as to jointly create greater value for clients.

#### 5. Build a Safe Supply Chain and Construct an Efficient, Intelligent and Flexible Supply Chain System for the Global Market

Facing the global supply shortage, the Company has made a comprehensive review on the supply chain, promoted the flexible backup strategy, and made use of the superior resources for the upstream of the industrial chain, to ensure the shipment rate of mainstream products. Through the verification of substitution and the revision of schemes for key nodes, the Company has improved the compatibility rate of materials, and ensured the security and continuity of supply. At the same time, the Company has optimized the supply ecosystem and layout with supply security as the core and promoted intelligent manufacturing, to develop efficient and flexible global supply capacity, and enhance the capability of the integrated delivery of production, supply and marketing and that of intelligent manufacturing. While setting up overseas factories in Vietnam and India, etc. into operation to give full play to its advantage in geographical presence, Dahua has also accelerated the construction of its domestic manufacturing bases in Changsha and so on. With globalization, diversification, integration and digital intelligence as the principal concept of development, the Company has continued to build an efficient, intelligent and flexible supply chain system for the global market, and maintained stable, high-quality delivery.

#### 6. Promote the Digital Intelligence Transformation in an All-Round Way

In the process of promoting the transformation and upgrading of digital intelligence, the Company has taken the lead in building itself into a model of digital intelligence transformation. In the Company's Smart (IoT) Industrial Park (Phase I) in Fuyang, there are 1 smart factory, 34 flexible factories and 1 automatic chip mounting factory, in which flexible automatic production lines are installed such as bullet camera assembly line, ball camera assembly line, glue dispensing line and lens assembly line. The Industrial Park adopts the advanced intelligent manufacturing equipment in the industry. It uses a series of self-developed automation facilities such as machine vision, AGV robot and intelligent production line, as well as three-dimensional digital simulation technology, and integrates them with a world-class information platform as the hub to create a brand-new development mode of "intelligent manufacturing, intelligent park and intelligent logistics", which has fully realized workshop intelligence, production automation, unmanned testing and whole-process control to ensure good quality.

Dahua adheres to the high-quality development strategy unswervingly and increases its financial and IT investment to construct an internal digital command system which integrates people, business, finance and materials into the system for efficient management and assigns the tasks and objectives accurately. With such refined and visualized process management, the Company's business philosophy of gaining profits from management and innovation can be fully implemented.

## 2. Income and Costs

### (1) Operating income structure

Unit: RMB

	2021		2020		Year-on-year increase or decrease
	Amount	Proportion in Operating Revenue	Amount	Proportion in Operating Revenue	
Total Revenue	32,835,479,336.85	100%	26,465,968,181.10	100%	24.07%
By Industry					
Smart IoT Industry	32,835,479,336.85	100.00%	26,465,968,181.10	100.00%	24.07%
By Product					
Smart IoT Products and Solutions	28,040,635,027.05	85.40%	23,036,293,047.22	87.04%	21.72%
Including: Software Business	1,600,941,024.00	4.88%	1,376,669,606.90	5.20%	16.29%
Innovative Business (Note)	2,847,600,678.83	8.67%	1,760,985,972.72	6.65%	61.70%
Others	1,947,243,630.97	5.93%	1,668,689,161.16	6.31%	16.69%
By Region					
Domestic	19,346,695,166.19	58.92%	15,979,394,846.89	60.38%	21.07%
Overseas	13,488,784,170.66	41.08%	10,486,573,334.21	39.62%	28.63%

## Domestic Sub-business Segment

	2021		2020		Year-on-year increase or decrease
	Amount	Proportion in Domestic Operating Revenue	Amount	Proportion in Domestic Operating Revenue	
To G	5,851,992,165.62	30.25%	5,672,069,290.86	35.50%	3.17%
To B	8,622,417,208.13	44.57%	6,756,647,948.94	42.28%	27.61%
Others	4,872,285,792.44	25.18%	3,550,677,607.09	22.22%	37.22%
Total	19,346,695,166.19	100.00%	15,979,394,846.89	100.00%	21.07%

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. This definition applies hereinafter.

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

√ Applicable □ Not applicable

Unit: RMB

	Operating income	Operating Cost	Gross margin	Increase or decrease of operating	Increase and decrease of operating cost	Increase or decrease of gross profit

				income compared with the same period of last year	over the same period of last year	compared with the same period of last year
By Industry						
Smart IoT Industry	32,835,479,336.85	20,058,513,158.33	38.91%	24.07%	32.27%	-3.79%
By Product						
Smart IoT Products and Solutions	28,040,635,027.05	16,429,520,447.87	41.41%	21.72%	27.51%	-2.66%
Including: Software Business	1,600,941,024.00	521,983,098.73	67.40%	16.29%	34.32%	-4.37%
By Region						
Domestic	19,346,695,166.19	12,133,990,421.61	37.28%	21.07%	22.20%	-0.58%
Overseas	13,488,784,170.66	7,924,522,736.72	41.25%	28.63%	51.38%	-8.83%
Domestic Sub-business Segment						
To G	5,851,992,165.62	3,408,521,966.01	41.75%	3.17%	1.33%	1.05%
To B	8,622,417,208.13	4,995,754,753.29	42.06%	27.61%	26.98%	0.29%
Others	4,872,285,792.44	3,729,713,702.31	23.45%	37.22%	41.73%	-2.44%

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

Applicable  Not applicable

### (3) Is the company's physical sales income greater than the labor income?

Yes  No

Industry Classification	Item	Unit	2021	2020	Year-on-year increase or decrease
Smart IoT Industry	Sales volume	Unit/set	81,323,449	61,487,755	32.26%
	Production output	Unit/set	86,427,557	61,798,084	39.85%

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

Applicable  Not applicable

It is caused mainly because during the report period, the Company focused on the smart IOT industry, enhanced its

expansion of enterprise business, developed business channels in low-level administrative divisions, maintained steady growth in performance and increased inventory.

#### (4) Performance of major sales contracts and major procurement contracts signed by the Company as of the report period

Applicable  Not applicable

#### (5) Operating Cost Structure

Industry Classification

Unit: RMB

Industry Classification	Item	2021		2020		Year-on-year increase or decrease
		Amount	Proportion to Operating Cost	Amount	Proportion to Operating Cost	
Smart IoT Industry	Operating Cost	20,058,513,158.33	100.00%	15,164,331,155.66	100.00%	32.27%

Product Classification

Unit: RMB

Product Classification	Item	2021		2020		Year-on-year increase or decrease
		Amount	Proportion to Operating Cost	Amount	Proportion to Operating Cost	
Smart IoT Products and Solutions	Operating Cost	16,429,520,447.87	81.91%	12,884,418,233.27	84.97%	27.51%
Including: Software Business	Operating Cost	521,983,098.73	2.60%	388,615,228.35	2.56%	34.32%
Innovated Businesses	Operating Cost	1,939,617,607.05	9.67%	1,113,066,781.05	7.34%	74.26%
Others	Operating Cost	1,689,375,103.41	8.42%	1,166,846,141.34	7.69%	44.78%

#### (6) Has the scope of consolidation changed during the reporting period?

Yes  No

(1) This year, the Company invested and established 7 domestic subsidiaries, including Zhejiang Huajian Technology Co., Ltd., Wuhu Huajian Technology Co., Ltd., Tianjin Huajian Technology Co., Ltd., Zhengzhou Dahua Zhi'an Information Technology Co., Ltd., Anhui Dahua Zhilian Information Technology Co., Ltd., Anhui Dahua Zhishu Information Technology Co., Ltd. and Changsha Dahua Technology Co., Ltd., as well as 4 overseas subsidiaries, including Dahua Technology Pacific S.A, Dahua Technology QFZ LLC, Dahua Technology International Pte. Ltd., and Huacheng Network (HK)

Technology Limited. The above subsidiaries have been included in the scope of consolidation since the date of establishment.

(2) The Company's subsidiaries Hangzhou Huajun Technology Co., Ltd. and Zhejiang Huaxuan Technology Co., Ltd. are cancelled in the current period and will not be included in the scope of consolidation from the date of cancellation.

(3) In this period, the Company transferred 51% of the equity of Zhejiang Dahua Security Service Co., Ltd. After the transfer, it no longer has control over the subsidiary, and therefore Zhejiang Dahua Security Service Co., Ltd. was not included in the scope of consolidation in this period any more.

## (7) Major changes or adjustments to the company's business, products, or services during the reporting period

Applicable  Not applicable

## (8) Major Clients and Suppliers

The Company's Major Clients

Total sales amount of the top five customers	2,762,250,335.70
Proportion of the total sales amount of the top five customers to the total annual sales	8.41%
Proportion of the total sales amount of the related parties in the top five customers to the total annual sales	2.19%

Profiles of the Company's top five customers

No.	Name of customer	Sales amount (yuan)	Proportion to the annual sales
1	Company 1	978,969,939.16	2.98%
2	Company 2 (related party)	720,474,247.16	2.19%
3	Company 3	489,283,080.40	1.49%
4	Company 4	287,690,984.39	0.88%
5	Company 5	285,832,084.59	0.87%
Total	--	2,762,250,335.70	8.41%

Other Information Notes for Major Clients

Applicable  Not applicable

Major suppliers

Total Purchase Amount of Top Five Suppliers (yuan)	4,610,917,931.68
Proportion of the total purchase amount of top five suppliers to the total annual purchase amount	20.13%
Proportion of the total purchase amount of the related parties in top five suppliers to the total annual purchase amount	0.00%

Profiles of the Company's top five suppliers

No.	Supplier Name	Purchase amount (yuan)	Proportion to the total annual purchase amount
1	Company 1	2,098,952,151.87	9.16%
2	Company 2	854,019,025.15	3.73%
3	Company 3	643,150,636.38	2.81%
4	Company 4	580,266,673.41	2.53%
5	Company 5	434,529,444.87	1.90%
Total	--	4,610,917,931.68	20.13%

Other Information Notes for Major Suppliers

Applicable  Not applicable

### 3. Expenses

Unit: RMB

	2021	2020	Year-on-year increase or decrease	Statement on Significant Changes
Sales Expenses	4,663,973,834.28	4,291,121,362.75	8.69%	
Administration expenses	955,015,503.39	785,101,729.55	21.64%	
Financial Expenses	249,710,940.58	300,409,810.24	-16.88%	
Research and development expense	3,451,978,394.17	2,997,545,666.82	15.16%	

### 4. R&D Investment

R&D personnel of the Company

	2021	2020	Change Ratio
Number of R&D personnel	11,388	8,998	26.56%
Percentage of R&D personnel	49.80%	52.16%	-2.36%
Education background of R&D personnel	—	—	—
Bachelor	7,349	5,762	27.54%
Master and above	3,022	2,334	29.48%
Age of R&D personnel	—	—	—
Under 30	6,685	4,844	38.01%
30-40	4,370	3,895	12.20%

Company's R&D investment

	2021	2020	Change Ratio
R&D investment (yuan)	3,451,978,394.17	2,997,545,666.82	15.16%
The proportion of R&D investment to operating income	10.51%	11.33%	-0.82%
Capitalized R&D investment	0.00	0.00	0.00%
Proportion of capitalized R&D investment to R&D investment	0.00%	0.00%	0.00%

Causes and effects of significant changes in the composition of R&D personnel

Applicable  Not applicable

The reason for the significant change in the proportion of the total amount of R&D investment to operating income compared with last year

Applicable  Not applicable

Reasons and rational explanations on the substantial change in capitalization rate of R&D investment

Applicable  Not applicable

## 5. Cash Flow

Unit: RMB

Item	2021	2020	Year-on-year increase or decrease
Subtotal of cash inflow from operational activities	36,210,742,547.14	31,438,931,251.07	15.18%
Subtotal of cash outflow from operational activities	34,483,181,799.13	27,037,398,182.68	27.54%
Net cash flow generated by operating activities	1,727,560,748.01	4,401,533,068.39	-60.75%
Subtotal of cash inflow from investment activities	1,982,143,965.34	2,341,316,710.71	-15.34%
Subtotal of cash outflows from investment activities	3,837,021,324.81	2,531,230,650.38	51.59%
Net amount of cash flow generated by investment activities	-1,854,877,359.47	-189,913,939.67	-876.69%
Subtotal of cash inflow from financing activities	3,928,758,562.85	8,477,969,273.06	-53.66%
Subtotal of cash outflow from financing activities	3,434,893,674.47	7,872,352,016.69	-56.37%
Net cash flow generated by financing activities	493,864,888.38	605,617,256.37	-18.45%



Net additions to balance of equivalents	259,124,082.79	4,624,266,793.12	-94.40%
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Description of the main factors affecting the significant changes in related data over the same period of last year

Applicable  Not applicable

- The net cash flow from operating activities decreased by 60.75% year on year, mainly due to the expansion of scale and the increase of procurement payment in this period.
- The net cash flow from investment activities decreased by 876.69% year on year, mainly due to the increase in the payment of projects under construction, national debt reverse repurchase and entrusted financial management in this period.

Reasons for the significant difference between the net cash flow generated by the company's operating activities in the reporting period and the net profit in the current year

Applicable  Not applicable

## V. Non-Main Business Analysis

Applicable  Not applicable

## VI. Analysis of Assets and Liabilities

### 1. Significant changes in assets composition

Unit: RMB

	End of 2021		Beginning of 2021		Proportion increase and decrease	Statement on Significant Changes
	Amount	Proportion To Total Assets	Amount	Proportion To Total Assets		
Cash and Bank Balances	7,731,002,784.77	17.55%	7,471,652,634.66	20.34%	-2.79%	No major changes.
Accounts receivable	14,654,490,643.49	33.26%	12,857,519,110.16	35.00%	-1.74%	No major changes.
Contract Assets	163,432,100.37	0.37%	84,825,834.82	0.23%	0.14%	No major changes.
Inventory	6,810,041,288.82	15.46%	4,928,019,838.00	13.41%	2.05%	Mainly due to the increase of inventory
Investment Property	311,065,023.43	0.71%	336,008,869.13	0.91%	-0.20%	No major changes.
Long-term Equity Investment	1,243,872,752.91	2.82%	455,977,616.16	1.24%	1.58%	Mainly due to the recognition of other changes in equity of associated enterprises

Fixed Assets	2,187,435,714.17	4.97%	1,515,594,629.97	4.13%	0.84%	Mainly due to the conversion of Phase II construction project of Dahua Smart (IoT) Industrial Park into fixed assets
Projects under Construction	1,992,834,055.03	4.52%	1,164,130,453.03	3.17%	1.35%	Mainly due to the continuous investment in construction projects
Right-of-use Assets	248,577,371.97	0.56%	155,673,708.67	0.42%	0.14%	Increase in lease of houses and buildings
Short-term loan	325,648,230.98	0.74%	250,177,083.34	0.68%	0.06%	No major changes.
Contract liabilities	864,989,993.78	1.96%	671,120,385.08	1.83%	0.13%	No major changes.
Long-term loan	1,552,500,000.00	3.52%	878,000,000.00	2.39%	1.13%	Mainly due to the increase in bank borrowings
Lease Liabilities	140,606,139.33	0.32%	86,096,362.42	0.23%	0.09%	Increase in lease of houses and buildings

The proportion of overseas assets is relatively high

Applicable  Not applicable

## 2. 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	1,005,680.45	110,231.80					16,261.28	1,132,173.53
2. Others	1,470,000.00							1,470,000.00
Financial assets subtotal	2,475,680.45	110,231.80					16,261.28	2,602,173.53
3. Other	360,087,786.34	125,268,378.			500,000,000.		-39,736,199.1	945,619,965.97

non-current financial assets		82			00		9	
4. Receivables financing	1,207,879,654.58						-415,169,873.01	792,709,781.57
Total	1,570,443,121.37	125,378,610.62			500,000,000.00		-454,889,810.92	1,740,931,921.07

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

Yes  No

### 3. Restrictions on asset rights as of the end of the reporting period

As of December 31, 2021, restricted assets of the Company are as follows:

Item	Closing balance (RMB)	Cause of restrictions
Cash and Bank Balances	96,491,171.83	Guarantee letter security deposit, note security deposit, frozen funds
Accounts receivable	10,671,527.09	Supply chain finance not derecognized
Notes receivable and receivables financing	1,266,451,881.72	Pledge used to issue bank acceptance bills and endorsed or discounted notes not derecognized
Long-term Receivables	148,512,859.01	Pledge for bank borrowings
Non-current Assets Due within 1 Year	29,181,283.11	Pledge for bank borrowings
Total	1,551,308,722.76	

## VII. Investment Analysis

### 1. Overview

Applicable  Not applicable

Investment In the Reporting Period (RMB)	Investment Over the Corresponding Period of Last Year	Rate Of Change
1,046,668,256.53	578,149,547.42	81.04%

### 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 Not	Involved industry in investment projects	Amount Invested in The Current Reporting Period	Cumulative Actual Investment as Of the End of Reporting Period	Capital Source	Progress of Project	Anticipated Income	Cumulative Income as Of the End of The Reporting Period	Reasons For Unreached Planned Progress and Anticipated Revenue	Disclosing Date (If Any)	Disclosing Index (If Any)
Phase II construction project of Smart Manufacturing Base in Hangzhou Item	Self-construction	Yes	Smart IoT Industry	416,743,751.32	1,019,081,428.39	Self-raised funds	65.61%			Not applicable.	March 27, 2021	Juchao Information Network <a href="http://cninfo.com.cn/">http://cninfo.com.cn/</a>
Construction Project of Xi'an R & D Center	Self-construction	Yes	Smart IoT Industry	317,373,047.45	525,771,672.31	Self-raised funds	44.95%			Not applicable.	March 27, 2021	Juchao Information Network <a href="http://cninfo.com.cn/">http://cninfo.com.cn/</a>
Project of Smart IoT Solution R & D and Industrialization	Self-construction	Yes	Smart IoT Industry	789,649,235.93	1,339,747,187.09	Self-raised funds	82.50%			Not applicable.	March 27, 2021	Juchao Information Network <a href="http://cninfo.com.cn/">http://cninfo.com.cn/</a>

New project of Southwest R&D Center of Dahua Co., Ltd.	Self-construction	Yes	Smart IoT Industry	36,263,729.34	36,263,729.34	Self-raised funds	3.34%			Not applicable.	March 27, 2021	Juchao Information Network <a href="http://cninfo.com.cn/">http://cninfo.com.cn/</a>
Total	--	--	--	1,560,029,764.04	2,920,864,017.13	--	--			--	--	--

#### 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	Types 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
China Construction Bank	No relations	No	Structured deposits	50,000.00	January 26, 2021	June 30, 2021		50,000.00	50,000.00				849.32
Bank	No	No	Foreign		Novem	May	40,904.	893,70	834,74		99,867.	4.23%	2,923

	relation		exchang e contract		ber 27, 2020	18, 2022	41	2.94	0.00		35		.63
Total				50,000.00	--	--	40,904.41	943,702.94	884,740.00		99,867.35	4.23%	3,772.95
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)				March 24, 2021									
Disclosure date of shareholder meeting's announcement on the approval of derivatives investment (if any)				April 24, 2021									
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 the Use of Own Funds to Purchase Bank Wealth Management Products (Announcement No. 2021-031) and Announcement on Carrying out Foreign Exchange Hedging Transactions (Announcement No. 2021-027), which were disclosed on March 24, 2021.									
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.				For the structured deposits signed between the Company and the bank during the reporting period, the fair value gains and losses shall be determined according to the interest rate linked to the foreign exchange options; the difference between the quotation of forward foreign exchange settlement contract quotation and the forward foreign exchange price determines 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				For details, please refer to the Independent Opinions of Independent Directors on Related Matters disclosed by the Company on March 24, 2021.									

control	
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## 5. Utilization of raised funds

Applicable  Not applicable

No use of funds in the reporting period of the Company

## VIII. 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

## IX. Analysis of Major Subsidiaries and Associates

Applicable  Not applicable

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

Unit: RMB

Company Name	Company Type	Main businesses	Registered Capital	Total Assets	Net Assets	Operating income	Operating Profit	Net Profit
Zhejiang Dahua System Engineering Co., Ltd.	Subsidiary Company	The development, production, installation and sales of electronic and communication products; the design, construction and installation of computer system integration and automated	500,000,000.00	4,305,916,202.13	1,362,309,468.55	1,732,905,225.00	3,716,931.19	29,589,426.33

		control engineering						
Zhejiang Dahua Vision Technology Co., Ltd.	Subsidiary Company	The development, sales, and technical services related to computer software, as well as the design, development, production and sales of security equipment, electronic products and communications products	646,810,000.00	23,090,075,070.34	1,961,544,784.77	27,510,114,751.98	281,329,130.11	209,790,625.25
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	1,110,000,000.00	5,777,616,797.82	651,927,870.70	7,207,170,209.52	-172,092,304.96	-120,563,385.09



		security products; self-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
Hangzhou Huajuan Technology Co., Ltd.	Deregistration	No significant impact on overall production, operation and performance
Zhejiang Dahua Security Service Co., Ltd.	Transferred	No significant impact on overall production, operation and performance
Zhejiang Huaxuan Technology Co., Ltd.	Canceled after business combination	No significant impact on overall production, operation and performance
Zhejiang Huajian Technology Co., Ltd.	Established with investment	No significant impact on overall production, operation and performance
Zhengzhou Dahua Zhian Information Technology Co., Ltd.	Established with investment	No significant impact on overall production, operation and performance
Anhui Dahua Zhilian Information Technology Co., Ltd.	Established with investment	No significant impact on overall production, operation and performance
Anhui Dahua Zhishu Information Technology Co., Ltd.	Established with investment	No significant impact on overall production, operation and performance
Changsha Dahua Technology Co., Ltd.	Established with investment	No significant impact on overall production, operation and performance
Tianjin Huajian Technology Co., Ltd.	Established with investment	No significant impact on overall production, operation and performance
Wuhu Huajian Technology Co., Ltd.	Established with investment	No significant impact on overall production, operation and performance
Huacheng Network (HK) Technology Limited	Established with investment	No significant impact on overall production, operation and performance
Dahua Technology QFZ LLC	Established with investment	No significant impact on overall production, operation and performance
Dahua Technology Pacific S.A	Established with investment	No significant impact on overall production, operation and performance

Dahua Technology International Pte. Ltd.	Established with investment	No significant impact on overall production, operation and performance
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Major holding companies and joint stock companies

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

## X. Structured Entity Controlled by the Company

Applicable  Not applicable

## XI. Prospects for the Future Development of the Company

### 1. Development Strategy of the Company

Dahua will continue to pay the most attention in the smart IoT industry, adhered to the strategic positioning of a video-centric smart IoT solution and service provider, and focused on the two major business directions of cities and enterprises. With insights into industry scenarios and profound understanding of client needs, the Company will provide good smart IoT solutions, so as to promote high-quality, green and innovative development of economy and society.

Dahua will carry forward its core values characterized by the "customer-oriented, employee-based" principle, fulfill the mission of "enabling a safer society and smarter living", maintain its market share by delivering outstanding product quality and good services, and adhere to altruism and work together with partners to create more value for clients, bring convenience to numerous industries, and make unremitting efforts to build a beautiful and harmonious world.

In 2022, the Company will strengthen high-quality development. While maintaining the steady growth of revenue, it will manage to continuously improve the gross profit and its cash flow, and to realize steady growth of net profit.

### 2. Key Work in 2022

(1) The Company will increase investment in innovation and core technology to create core technical barriers, adhere to the two major technical directions of AIoT and the IoT digital intelligence platform to provide all-round technologies and products, and enhance the solutions to clients' pain points to continue to create value from delivering complete scenario-based solutions.

(2) The Company will expand new high-value scenarios and highlight the commercial value of software, build ubiquitous IoT access capability, enrich systematic business components and realize efficient reuse of components. By focusing on the software with value and developing core business, the Company will strive to become the top in this field, improve the industry pattern, realize the rapid growth of software revenue, and go all out to achieve the goal of RMB 3 billion in software revenue in 2023.

(3) The Company will increase investment in innovative business, grasp the strategic opportunities of innovative business and emerging industries, quickly polish products and solutions, and seek high-speed growth.

(4) The Company will optimize its global marketing network, continue to reach more clients in key domestic cities and key overseas countries, explore clients' needs, strengthen the front-line operation, technology and service capacity, accelerate the response in front-line business, find accurate resources and accumulate clients with value.

(5) The Company will ensure the security of the supply chain, quickly build a global supply system of low cost, and continuously improve the capability to provide the global market with stable, efficient and secure supply and systematic delivery and services. The Company will put the Changsha manufacturing base into operation.

(6) The Company will strengthen financial and IT investment to build an efficient support system and improve enterprise management ability.

(7) The Company will step up its organizational capacity and promote business in less developed regions; pay attention to employee development, build a stable personnel structure, and promote a virtuous circle consisting of

management personnel and technical professionals; advocate a culture that pursues high performance, improve the efficiency of the entire organizational and every individual; encourage hard work and reciprocity, and continue to promote the "Employee Development Community Plan".

(8) The Company will continue to strengthen the construction of its global compliance system.

## XII. Reception of Visits, Communication, Interviews, and Other Activities in the Report Period

√ Applicable □ Not applicable

Reception Time	Reception location	Reception Method	Reception target type	Reception objects	Main content of the discussion and the information provided	Index of the basic information of research
January 29, 2021	Company meeting room	Field investigation, telephone communication	Institution	Essence Fund, Essence Securities, Power Pacific, Guangzhou Bingshen Investment, Bosera Funds, Caitong Fund, Shanghai Caitong Asset Management, Ivy Assets, Shanghai Chengshi Asset Management, Dajia Baoxian Fund, Morgan Stanley Huaxin Funds, Danyi Investment, Springs Capital, Doowin Group, Northeast Securities, Self-Operated Business of Orient Securities, Soochow Securities, Dongzheng Asset Management, DH Fund Management, Shenzhen Hillview Capital Management, Fuanda Fund, Fidelity Funds, Fullgoal Fund, Shanghai Perseverance Asset Management, Green Fund, Sunrise Asset, ICBC Credit Suisse, GF Fund Management, GF Securities, Self-operated Business of GF Securities, Sinolink Securities, Guosheng Securities, China Life Pension, China Life Asset Management, Guotai Asset Management, UBS SDIC, Guosen Securities, Guoyuan Securities, Haitong Securities, Valuebed Capital, Hexi Capital, Hony Horizon Fund, Sequoia Capital, HC Capital, Huaan Securities, Self-operated Business of Huaan Securities, Hua Chuang Securities, Harfor Funds, Huatai Insurance Group, Huatai Asset Management, China AMC, China Everwin Asset, China Future Capital Group, High-flyer Quant, HSBC Jintrust Fund Management, Huijin Asset Management, China Universal Asset Management, Harvest Fund, CCB Principal Asset Management, BOCOM Schroders, Golden Eagle, Invesco Great Wall Fund Management, JT Asset Management, Shenzhen Intewise Capital, Junze Investment, Kendall Square Capital, Lenovo	Communicated on business development of industry segmentation, software business layout, artificial intelligence application and other contents. No information was provided.	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

				Capital, Neuberger Berman Funds, Minsheng Royal Fund Management, Southern Asset Management, Ningyin Wealth Management, Wealspring Asset, ABC-CA Fund Management, Lion Fund, Peifeng Assets, Penghua Fund Management, Ping An Asset, Ping An Asset Management, Foresea Life Insurance, Headwater Investment Management, Ren Bridge Asset Management, Rongtong Fund, Foresight Fund, Xiamen Pearl Investment Management, Shanghai Chengtou Group, Shanghai Daoren Asset, China International Fund Management, SWS MU Fund Management, Haining Tenbagger Capital Investment, Suzhou Junrong Asset Management Co., Ltd., CPIC Asset Management, Manulife TEDA Fund Management, Taikang, Tianhong Asset Management, Tongben Investment, Sunsource Investment, Wu Chao, Wukong Investment, Western Leadbank FMC, Shiva Captial Group, New China Fund, New China Asset, Cinda Securities, CIB Fund Management, Aegon-Industrial Fund, Sunshine Asset Management, Discovering Investment, China Galaxy Securities, Yinhua Fund, Argent Fund, Infore Capital, Yingke PE, Maxwealth Fund, Yuhe Asset, Golden Trust Sinopac Fund Management, Longrising, Gortune Investment, ZQ Asset Management, Changjiang Pension, Changsheng Fund Management, China Merchants Fund, Zheshang Fund, Zhonggeng Fund, China International Capital Corporation, CICC Asset Management, CITIC-Prudential, China Securities, CITIC Securities, CITIC AMC, BOC International, Bank of China Investment Management, China Post, CRAMC, Rosefinch Fund, Zi-Galaxy Investment, Destination Partners Limited, Franklin Templeton, Inforesight (China Insight Fund in CRM), LSQSPAC Fund, Panjing Harbourview Investment Fund, Point72, and UBS		
March 25, 2021	Company meeting room	Field investigation, telephone communication	Institution Individual	Organization: APS Asset Management, Essence Fund, CQ Capital, Purekind Fund, Essence Securities, Dacheng Fund, Chengsheng Investment, Ren Bridge Asset Management, Springs Capital, Evergreen Foundation Technology, Orient Securities, Shanghai Goldensum Investment Management, Shenzhen Hillview Capital Management, Guangzhou Bingshen Investment, Fidelity Worldwide Investment, Cailian Press, Hillhouse Capital, Chengyang Investment, Northeast Securities, Orient Fund, Everbright Securities, Orient Securities Assets Management, Guodu Securities, Donghai Securities, Guohua Life, Soochow Fund, Guotai	Communicated on the development trend of each business segment and the analysis of financial indicators	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

				Asset Management, Soochow Securities, Citibank, Founder Securities, Huaan Securities, Fengpei Capital LLC, Huarong Securities, Hainan Fudao Private Equity Fund Management, Huijing Assets, Gangli Investment, Harvest Fund, Shanghai Perseverance Asset Management, Greenwood Assets, JT Asset Management, Junhe Capital, JP Morgan, Lide Capital, Granford Capital, Linfu Investment Management, Everbright Securities Asset Management, Marco Polo Pure Asset Management, GF Securities, Macquarie Funds Management, Huichuang Fuxiang Investment, Minsheng Securities, Guohua Life, DIB Asset Management, Gfund, Morgan Stanley Real Estate Fund, Sinolink Securities Asset Management, Nanjing Securities, Guolian Life Insurance, Lion Fund, Guosheng Securities, Ruike Assets, Guosen Securities, Credit Suisse, Guoyuan Securities, CSFG International Asset Management, Quadrant Fund, Sense Fund, Haitong Securities, YJH Assets, Hejv Capital, Yiheng Investment, Hangzhou Jiulong Assets, Chasecloud Asset, Honorrock Assets, China International Fund Management, Visione Asset, Destone Fund, Zebang New Energy Resources, Junchuang Fund, Shenzhen Valuebed Investment Ltd., Shenzhen Xiangshu International Fund, Valuebed Capital, Taikang Asset Management, Hony Horizon Fund, Sunshine Capital, HuaAn Funds, Southwest Securities, Hua Chuang Securities, Starock Investment, Harfor Funds, Easyfunds, Beijing Huatai New Industry Investment Fund, Yimin Asset Management, Self-Operated Business of Huatai Securities, Great Wall Securities, HSBC Jintrust Fund Management, Changjiang Securities, Huijin Asset Management, China Merchants Fund, China Universal Asset Management, China Merchants Securities, BOCOM MSIG Life Insurance, CEC Port, BOCOM Schroders Fund, China Life Insurance CAPVISION, China Securities, Shenzhen Intewise Capital, CITIC Securities, China Unicom 5G Master Fund, Aviva-COFCO Life Insurance, Lingze Capital, Hangzhou Zhongyu Investment Management, Mingya Fund, J.P. Morgan Securities, ICBC Credit Suisse, Arohi Fund, CPS MEDIA GROUP, Broad Peak Investment, HSBC, Citi Bank, JP Morgan, Credit Suisse, Omdia, DTC Capital, Omdia (IHS), MLP, Polar capital, Morgan Stanley, and UBS; individual: Tong Zuming	of the Company in 2020. No information was provided.	
April 23, 2021	Company meeting	Field Investigation	Institution Individual	Organization: Credit Ease, Shanghai Zhongqian Investment Management, Zhejiang Dunhou, Huijia Capital Management, Ruoxi Investment Management, BOC	Communicated on the Company's	For more information, please

	ng room		dual	International, Easy Funds, Shanghai Jianlong Asset Management, Shanghai YOUPU, Zhejiang Shanyuan Investment Management, Shanghai Elegant China Life Pension, Bank of Shanghai Asset Management, HZBANK Wealth Management, Hangzhou Diantie Auto Components, SPD Bank Asset Management, Kunlun Asset Management, Shanghai Jade Stone Investment Management, PSBC, Southwest Securities, Zhong Ou AMC, Everbright Wealth Management, Hangzhou Miyou, AVIC Securities, Zhejiang Jinyue Technology, Huaan Securities, Hangzhou Jiulong Assets, CICC Capital, Orient Securities, Shanghai Hongrui Investment, Caitong Securities, CITIC Securities, Shanghai Securities, BLF Investment Management, China Minsheng Bank Wealth Management, BOCOM Wealth Management, CMB Wealth Management, Huaxia Wealth Management, Hangzhou Financial Investment Group, GF Securities, Zhejiang Right Asset Management, ZJAMP Investment, CNDEBO, and Industrial Securities; individual: Xin Li, Chen Han, Guo Jinmei, Chen Dongliang, Liu Dahua, Xu Xinghua, Jiang Xuzhou, Chen Liyan, Zhang Zhanchi, and Liao Zhihui	overall domestic and overseas operations in the first quarter of 2021, its annual development prospects and other contents. No information was provided.	see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
April 30, 2021	Company meeting room	Field Investigation	Institution	Bosera Funds, Zhong Ou AMC, E Fund, China Universal Asset Management, Essence Asset Management, Self-operated Business of Haitong Securities, Wealspring Asset, JT Asset Management, HSBC Jintrust Fund Management, Fullgoal Fund, Western Securities, Zeal Asset Management, Aegon-Industrial Fund, HuaAn Funds, China AMC, Sinolink Securities, Hua Chuang Securities, Changjiang Pension, Zheshang Fund, PD Fortune, Taikang Health Industry Fund Management, AEON Insurance Asset Management, and Guosheng Securities	Communicated on the implementation of the high-quality development strategy, planning for innovative business, financial data and other contents. No information was provided.	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
May 17, 2021	Company meeting room	Field Investigation	Institution	AEON Insurance Asset Management, Kingseed Capital, Orient Fund, Pengyang AMC, Lingze Capital, Xunyuan Asset Management, Soochow Securities, Kaifeng Investment, Zhongrun Resources Investment, Morgan Stanley, Yu'ang Fund, Zhi Yun Capital, Self-operated Business of Guorong Securities, Horizon Asset,	Communicated on the internal organization construction	For more information, please see the investor relations

				Self-operated Business of Shanghai Trust, Haitong Securities, Self-operated Business of Huafu Securities, CITIC-Prudential Fund Management, Zhong Zheng Qian Yuan, Oriental Alpha Fund, Zhejiang Buttonwood & Right Asset Management, Commando Capital, Etiqa Insurance BHD, Hamon Investment Group, Nomura Asset Management, Van Berkomp & Associates, Cecil Street Capital Management, China Galaxy Asset Management, Sumitomo Mitsui DS Asset Management, China Tonghai Asset Management Limited, and Franklin Templeton (EMG)	n of the Company, development status of industry segmentation, development trends of software business and other contents. No information was provided.	activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
June 7, 2021	Company meeting room	Field Investigation	Institution	Foresight Capital, Lu Zi Venture Investment, Pebble Investment, Guoyuan Securities, Kaifeng Investment, Union Asset, Beixin Ruifeng Fund, Shandong State-Owned Asset Investment, and Haitong Securities	Communicated on business progress, core technology development, financial status and other contents. No information was provided.	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
June 30, 2021 and July 1, 2021	Company meeting room	Field investigation, telephone communication	Institution	Orient Securities, YJH Assets, AVIC Securities, Yide Asset Management, Eastmoney, Eastmoney Funds, Essence Fund, Yuance Fund, Huaan Securities, Topsperity Fund, Kingseed Capital, RWC, and UBS	Communicated on industry prosperity, shortage of components, SMB business development and other contents.	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

					No information was provided.	
August 28, 2021	Company meeting room	Telephone communication	Institution Individual	<p>Organization: BroadPeak, CitiBank, LMRPartners, Point72, Templeton, Essence Asset Management, Guangzhou Bingshen Investment, Broad Fund, Brilliance Capital, Caiyu Asset, Caitong Securities, Ivy Assets, TruValue Asset Management, Dacheng Fund, Springs Capital, Oriental Alpha Fund, Eastmoney Securities, Orient Securities, Shenzhen Hillview Capital Management, Fullgoal Fund, Shanghai Perseverance Asset Management, ICBC Credit Suisse, GF Securities, Sinolink Securities, Guosheng Securities, Guotai Asset Management, Guotai Junan Securities, Guoyuan Securities, Guozan Investment, Haitong Securities, Haocheng Asset Management, United Vision Asset Management, Shenzhen Valuebed Investment Ltd., Honghua Investment, Huaan Securities, Huabao WP Fund Management, Hua Chuang Securities, Harfor Funds, Huatai Securities, Huaxi Securities, China AMC, China Future Capital Group, China Universal Asset Management, CCB International, Goldway Investments, Jinbo investment, Greenwood Assets, JT Asset Management, Junhe Capital, JH Investment, Kendall Square Capital, Kaifeng Investment, Kaiyan Investment, YJH Assets, Commando Capital, Liren Asset, Lingze Capital, Winged Capital, Marco Polo Pure Asset Management, Macquarie Securities, M. Y. Investment, Minsheng Securities, Morgan Stanley, Lion Fund, Nuode Fund, Panjing Investment, Penghua Fund Management, Penghua Fund Management, Foresea Life Insurance, Magnifount, Jiangsu Winfast Investment, Credit Suisse, Credit Suisse Securities, UBS Securities, Sandeng Investment, Zhejiang Shanyuan Investment Management, Shenwan Hongyuan Group, Tuopu Fund, Co-power Investment, Sunsorce Investment, Vanzip Asset, Mirae Asset, Western Leadbank FMC, Western Securities, Southwest Securities, Cherami, Industrial Securities, Industrial Securities Asset Management, E Fund, Yinhua Fund, Infore Capital, Yongderuixuan (Qingdao) Private Equity Fund, Younuo Stenography, Yourong Asset, Great Wall Securities, Changjian Investment Management, Changjiang Securities, Changjiang Capital, Changjiang Asset Management, Changxin Asset Management, China Merchants Fund, China Merchants Securities, Zheshang</p>	<p>Communicated on the semi-annual operation of the Company, the financial condition, software R&amp;D organization structure, cooperative ecosystem construction and other contents.</p> <p>No information was provided.</p>	<p>For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a></p>



				Fund, ZSAMC, Zhimeng Capital, Zhonggeng Fund, China Life Insurance, CITIC-Prudential, China Securities, CITIC Securities, BOC International, BOC International, China Post Insurance, Shanghai Zhongyu Investment, Zhuxi Capital; individual: Guo Min, and Deng Yongming		
September 28, 2021	Company meeting room	In-person visit	Institution	BlackRock, Springs Capital, Shenzhen Hillview Capital Management, Guosheng Securities, Guosheng Securities, Guosheng Securities, Guosheng Securities, HZBANK Wealth Management, Visione Asset, Huaan Securities, Huaan Securities, Huachen Mirae Asset Management, China Future Capital Group, High-Flyer Capital Management, HSBC Jintrust Fund Management, JYAH Asset Management, JT Asset Management, Mellon Asset Management, Mingya Fund, Morgan Stanley, First Seafrost Fund, Zhejiang Shanyuan Investment Management, Western Securities, CITIC-Prudential Fund Management, Longrising, CHANGAN Funds, China Merchants Fund, China Merchants Securities AMC, Zheshang Fund, Zhonggeng Fund, and Self-Operated Business of Zhongtai Securities	Communicated on the impact of energy status on the Company's production, the reuse of software modules, and other contents. No information was provided.	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
October 30, 2021	Company meeting room	In-person visit	Institution Individual	BroadPeak, CLSA, Excel Investment HK, IGWT Investment Limited, LMR, LSTCapital, Macquarie, Anbang Asset Management, Essence Fund, Essence Securities, Essence Asset Management, Beijing Zundao Asset Management, Beixin Ruifeng Fund, Guangzhou Bingshen Investment, Boze Asset, Shanghai Caitong Asset Management, Changyuan Investment, Chengming Asset, TruValue Asset Management, Cuituo Investment, Dajia Baoxian Asset Management, Springs Capital, Topsperity Fund, Dequ Investment, Eastmoney Funds, Oriental Harbor Investment Fund, Orient Fund, Eastern Smart Rock, Orient Securities, Soochow Fund, Shenzhen Hillview Capital Management, Fengyan Investment, Fundamental & Beyond Asset Management, Fullgoal Fund, Discover Financial Services, Shanghai Perseverance Asset Management, ICBC Credit Suisse, China Everbright Investment and Assets Management, Guangdong Jingcheng Asset Management, GF Securities, Shenzhen Guanghuiyuan Asset Management, Sinolink Securities, Guolian Securities, Gowin AMC, Guosheng Securities, Guosheng Securities, Guotai Asset Management, Guotai Junan Securities, UBS SDIC, China Guoxin Investment Group, Guoyuan	Communicated on business development overseas, the influence of macro-economy on the Company's operation and the demerger process of subsidiaries. No information was provided.	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

			<p>Securities, Omnilux Fund, Haitong Securities, HZBANK Wealth Management, United Vision Asset Management, Visione Asset, Hexie Health Insurance, Hexi Capital, Hongta Securities, Sinosafe General Insurance, Huaan Securities, Huaan Securities, Hua Chuang Securities, Harfor Funds, China Dragon Securities, Huashan Capital, Huatai Securities, Huaxi Securities, China AMC, China Future Capital Group, High-flyer Quant, HSBC Jintrust Fund Management, China Universal Asset Management, CCB Investment, CCB International, BOCOM MSIG Life Insurance, Golden Eagle Fund, Goldstate Capital FMC., Greenwood Assets, JT Asset Management, Joinwin Fund, KS Fund, KS Fund, First Seafront Fund, Kaifeng Investment, YJH Assets, Commando Capital, Lingze Capital, Lingze Capital, Macquarie Securities, River Fund, DIB Asset Management, Mingya Fund, J.P. Morgan, Morgan Stanley, Much Asset, Wealspring Asset, Lion Fund, Panjing Investment, Panhou Dongliang (Shanghai) Capital Management, Pengyuan Capital, Penghua Fund Management, Pengyang AMC, Pengyang AMC, Ping An Pension, Ping An Bank, Pingzhun Technology, Putai Management, SPD Bank, Henan Qing Shui Yuan Technology, PICC AMC, Krypton Fortune, Credit Suisse, UBS Securities, Zhejiang Shanyuan Investment Management, China International Fund Management, Shenwan Hongyuan Group, Shenzhen RuiFu Asset Management, Goldenfaith Asset Management, Xiamen Shidai Maibo Investment, CPIC Asset Management, First-trust Fund, Tianfeng Securities, Tianhong Asset Management, Tianni Investment, Tongtai AMC, Upright Asset, Western Leadbank FMC, Western Securities, Southwest Securities, Silverling Capital, V-FUND, New China Asset, National University of Singapore, Shenzhen City Xinyang Fund Management, Xinyan Venture Capital, China Industrial International Trust, Sunshine Insurance Group, Nomura Securities, Ynhua Fund, Shanghai Yingshui Investment, YONGAN GUOFU, Yonghao Business and Trade, HangZhou YouYizeng Management, Yuyi Asset, Yuancheng Investment, Yuekai Securities, Yunnan Investment, Great Wall Fund, Changjian Investment Management, Great Wall Changsheng Life Insurance, Changxin Asset Management, China Merchants Fund, Zheshang Fund, Zheshang Securities, Zhengsong Assets, Zhengquan, Zhonggeng Fund, China Life Insurance, AVIC</p>		
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				Securities, Bob-Cardif Life, China Insurance, Zhong Ou AMC, Zhongrong Fund, Zhongtian Securities, CITIC-Prudential, CITIC Securities, Generali China, BOC International, PSBC, Shanghai Zhongyu Investment, Shanghai Zhongyu Asset Management, Central China Securities, Jurassic Asset; individual: Xu Honghui, Zhu Jiangwu, Rao Xiaofei, Guo Min, Fan Zhongqiang, and Hong Huilu		
November 17, 2021	Company meeting room	In-person visit	Institution	Minsheng Securities, Guotai Junan Securities, Bank of China, Hwabao WP Fund Management, and Guoyuan Securities	Communicated on the contents of the strategic upgrading press conference, special measures for human resources, AI technology application and other contents. No information was provided.	For more information, please see the investor relations activity list in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

## Section IV Corporate Governance

### I. Basic Situation on Corporate Governance

Dahua strictly follows the Company Law, Securities Law, Code of Corporate Governance for Listed Companies and other relevant laws, regulations, and regulatory documents of regulatory authorities to establish a shareholders' meeting, board of directors, board of supervisors, and management. There are four special committees under the board of directors, including the Strategy Committee, Audit Committee, Nomination Committee, and Remuneration and Appraisal Committee, with each having clear responsibilities and coordinated operations.

During the reporting period, the Company constantly improved corporate governance structure, established and improved internal control system, constantly improved the Company's standardized operation level, strictly performed the information disclosure obligations, and focused on protection of the investors' interests. During the reporting period, the actual situation of corporate governance is basically in line with the regulatory documents on the governance of listed companies issued by China Securities Regulatory Commission.

(I) Shareholders and General Meeting: The Company standardizes the calling, convening, and voting procedures of the shareholders' general meetings in accordance with the regulations and requirements of the Company Law, the Articles of Association and the Rules of Procedures of the Shareholders' General Meeting. During the reporting period, the Company organized 4 shareholders' general meetings to make resolutions on periodic reports, the non-public issuance of shares and other issues. The procedures for calling and convening the shareholders' general meeting of the Company, the qualifications of the persons attending the shareholders' general meeting, and the voting procedures of the shareholders' general meeting are in compliance with the requirements of the Company Law, the Rules of Procedures of the Shareholders' General Meeting and other laws and regulations, providing convenience for shareholders to participate in decision-making by combining on-site voting with online voting, and ensuring that all shareholders, especially small and medium investors, have equal rights and interests and can exercise their rights.

II. The company and the controlling shareholders: The company is independent from the controlling shareholders in terms of business, personnel, assets, finance and organizations. The company's board of directors, board of supervisors and other internal agencies operate independently. The controlling shareholders of the Company were able to strictly regulate his own behaviors, and there was no behavior that directly or indirectly interfered with the Company's decision-making and business activities outside of the shareholders' general meeting, and there was no non-operational behavior of appropriation of the capital of listed companies. The company's board of directors, board of supervisors and other internal agencies operate independently.

(III) Directors and Board of Directors: The Company elects the directors and appoints the independent directors in strict accordance with the selection and employment procedure specified in the "Company Law" and the "Articles of Association". At present, the Company has seven directors, including three independent directors, all of whom are experts in corporate management and financial accounting and other fields. The number and composition of the board of directors meet the requirements of relevant laws and regulations and the "Articles of Association". All of the Company's directors should perform their duties with integrity and diligence in accordance with the principles of maximizing the interests of the company and shareholders. The Board of Directors convened board meetings and implemented the resolutions of the shareholders' meeting in strict accordance with "Articles of Association" and "Rules of Procedure of the Board of Directors"; All the directors were able to perform their due duties and conscientiously attended the Board meetings and shareholders' meetings to safeguard the legitimate rights and interests of the Company and shareholders.

(IV) Supervisors and the Board of Supervisors: The Company strictly elects the supervisors by the election and appointment procedures specified in the "Company Law" and the "Articles of Association". The Company currently has

three supervisors, including one chairman of the board supervisors. The number and composition of the board of supervisors meet the requirements of relevant laws and regulations and the "Articles of Association". The Board of Supervisors convened supervisor meetings in strict accordance with the provisions of "Articles of Association" and "Rules of Procedure of the Board of Supervisors"; All the supervisors performed their duties conscientiously, and with integrity, diligence and conscientiousness, they effectively supervised and expressed independent opinions on company finance as well as the legitimacy and compliance of the performance of job duties for directors and senior managers to safeguard the legitimate rights and interests of the Company and shareholders.

(V) Senior Management: The Company's senior management has clear responsibilities, performs duties in strict accordance with the Articles of Association and other management systems, with diligence and conscientiousness, and effectively implements the resolutions of the Board of Directors.

(VI) Performance Appraisal and Incentive and Constraint Mechanisms: To further establish and improve the company's incentive mechanism and strengthen the company's philosophy of sustainable development of both management and core employees, the company implements a restricted stock incentive plan and employee stock ownership plan which reinforce the interest sharing and restraint mechanisms applied to shareholders and core business personnel. It has maintained the stability of management teams and business leaders, guaranteed the realization of the company's development strategy and business objectives, and ensured the company's sound long-term development. The appointment of company executives is open, transparent and complies with laws and regulations.

(VII) Stakeholders: The company fully respects and safeguards the legitimate rights and interests of relevant stakeholders. While striving to achieve a steady growth of the company's performance, the company also effectively treats and protects the legitimate rights and interests of all stakeholders, strengthens the communication and cooperation between interested parties and the Company and continuously improves product quality, protects the environment, implements energy-saving and emission-reduction programs, etc. The company actively participates in social charity and philanthropy to realize the balance of interests among shareholders, employees, society, etc., in order to promote sustainable, stable and healthy development of the company.

(VIII) Information Disclosure and Investor Relations: The Company performs obligations for truthful, accurate, timely, and complete information disclosure in strict accordance with the relevant laws and regulations and the Company's "Information Disclosure Management System" and "Investor Relations Management System", and designates Securities Times and www.cninfo.com as the media channels for such disclosure; the Company strictly enforces the confidentiality of undisclosed information. According to the Company's "Inside Information Confidentiality System", registering and filing internal information insiders has been done properly. The internal information insider filing system has been established and submitted to the regulatory authorities for record in time as required, and the behavior of submitting company information to external information users has been strictly regulated. During the reporting period, no incidence of stock trading based on insider information has occurred.

At the same time, the Company engages in active investor communication by organizing investor relations activities. The Company has opened investor relations management column on its official website, and answered investors' questions through the investor interaction platform of Shenzhen Stock Exchange and the Company's investor hotline, so as to keep investors' communication channels available, help investors understand and work with the Company, improve the Company's transparency, and protect the legitimate rights and interests of all shareholders.

Whether the actual status of corporate governance significantly deviates from laws, administrative regulations and the rules issued by the China Securities Regulatory Commission regarding the governance of listed companies.

Yes  No

There is no significant difference between the actual situation of corporate governance and laws, administrative regulations and the rules issued by China Securities Regulatory Commission regarding the governance of listed

companies.

## **II. The Company's Independence from the Controlling Shareholders, Actual Controllers in Asset, Personnel, Finance, Organization, Business, etc.**

The company and the controlling shareholders are completely separated in terms of business, personnel, assets, organization, and finance, and has independent and complete businesses and capabilities of independent operation.

### **1. Business independence**

The company's business is independent of the controlling shareholders, actual controllers and other enterprises under their control, and has an independent and complete R&D, production, procurement, and sales system; the technology required for production and operation is legal, independently owned, or licensed for use by the company with no asset disputes. The company has signed all external contracts independently, and has the ability to independently make production and operation decisions and engage in production and business activities. The company has independent spaces for production and operation and offices.

### **2. Staff independence**

The company's personnel are independent from the controlling shareholders, actual controllers and other companies controlled by them. The company has an independent human resources department responsible for labor, personnel and payroll management. The Company has established an independent labor, personnel, and salary management system. The production, operation, and administration are independent of the controlling shareholders, actual controllers, and other companies controlled by them; the recommendation, election, and appointment of directors, supervisors, and senior managers of the Company have all been conducted legally and independently; senior management personnel such as the president, executive president, senior vice president, board secretary, and finance director did not hold positions other than directors and supervisors for controlling shareholders, actual controllers, and other companies controlled by them or receive salaries from them; the Company's financial staff do not have a part-time job with the controlling shareholders, actual controllers, and other companies controlled by them.

### **3. Asset independence**

The company's assets are independent from the controlling shareholders, actual controllers and other companies controlled by them. The company's main assets include the ownership and use rights of complete land, plants, machinery and equipment, trademarks, patents, non-patented technology required for the main business, and an independent raw material procurement and product sales system. The property rights of the above assets are clear and completely independent of the controlling shareholders and major shareholders. There was misappropriation of the company's assets by the controlling shareholders and major shareholders.

### **4. Institutional independence**

The company's organizations are independent from the controlling shareholders, actual controllers and other companies controlled by them. The Company has established shareholders' general meeting, board of directors and board of supervisors, and other decision-making, implementation and supervision agencies. It has also appointed senior managers such as president, executive president, senior vice president, board secretary, and chief financial officer; the Company has set up specialized departments equipped with the necessary personnel independently responsible for domestic/overseas sales, R&D, supply chain, delivery and service, quality and service, finance, legal affairs, securities, internal audit, human resources, administration, IT, and other functions. The internal organizations perform their respective operational management responsibilities under the leadership of the board of directors and the president in accordance with the rules and regulations; there have been no cases in which the controlling shareholders, actual controllers, and other companies controlled by them are confused with their identities and duties; there has been no incidence of the controlling shareholders or actual controllers intervening in the establishment of the Company's

organizational setup.

#### 5. Financial independence

The company's finance is independent from the controlling shareholders, actual controllers and other companies controlled by them. The company has established an independent financial department with full-time financial accounting personnel, and has established an independent financial accounting system for independent financial decisions. It has a standardized financial accounting system and financial management system for subsidiaries; the company has independently opened a basic deposit account so that there is no sharing of bank accounts with actual controllers, controlling shareholders, and other companies controlled by it; the company handled tax registrations with the Zhejiang Provincial State Tax Bureau and the Zhejiang Provincial Local Tax Bureau and paid taxes independently as required by law.

### III Horizontal competition

Applicable  Not applicable

Conference Session	Conference Type	Percentage of Investors Involved	Date of Conference	Date of Disclosure	Conference Resolution
First Interim Shareholders' General Meeting in 2021	Extraordinary General Meeting	51.52%	January 22, 2021	January 23, 2021	For more information, please refer to the Announcement of Resolutions Made on the First Interim Shareholders' General Meeting in 2021 (Announcement number: 2021-006) in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
2020 Annual General Meeting of Shareholders	Annual General Meeting	46.66%	April 23, 2021	April 24, 2021	For more information, please refer to the Announcement on the Resolutions Made on the 2020 Annual General Meeting of Shareholders (Announcement number: 2021-064) in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Second Interim Shareholders' General Meeting in 2021	Extraordinary General Meeting	44.65%	June 11, 2021	June 12, 2021	For more information, please refer to the Announcement of Resolutions Made on the Second Interim Shareholders' General Meeting in 2021 (Announcement number: 2021-076) in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Third Interim Shareholders' General Meeting in 2021	Extraordinary General Meeting	49.35%	December 20, 2021	December 21, 2021	For more information, please refer to the Announcement of Resolutions Made on the Third Interim Shareholders' General Meeting in 2021 (Announcement number: 2021-141) in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

#### IV. 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

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

Applicable  Not applicable

#### IV. Directors, Supervisors and Senior Management

##### 1. Basic information

Name	Post	Position status	Gender	Age	Starting date of tenure	Termination Date of tenure	Number of shares held at the beginning of the period (share)	Number of shares increased in the period (share)	Number of shares decreased in the period (share)	Other changes (share)	Number of shares held at the end of the period	Reasons for changes in shares
Fu Liquan	Chairman, President	Incumbent	Male	55	April 01, 2005	August 11, 2023	1,023,868,980	0	0	0	1,023,868,980	-
Wu Jun	Vice Chairman	Incumbent	Male	50	April 01, 2005	August 11, 2023	69,250,886	0	0	0	69,250,886	-
Zhang Xingming	Director, Executive President	Incumbent	Male	45	May 20, 2010	August 11, 2023	4,042,893	0	1,010,000	0	3,032,893	Personal reason
Chen Ailing	Director	Incumbent	Female	55	April 01, 2005	August 11, 2023	71,262,813	0	0	0	71,262,813	-
Liu Hanlin	Independent Director	Incumbent	Male	59	August 12, 2020	August 11, 2023	0	0	0	0	0	-
Zhang Yuli	Independent Director	Incumbent	Male	57	August 12, 2020	August 11, 2023	0	0	0	0	0	-
Cao Yanlong	Independent Director	Incumbent	Male	47	December 20, 2021	August 11, 2023	0	0	0	0	0	-
Song Maoyua	Supervisor	Incumbent	Female	40	April 03, 2008	August 11, 2023	0	0	0	0	0	-



n												
Zheng Jieping	Supervisor	Incumbent	Female	43	August 12, 2020	August 11, 2023	50,200	0	0	0	50,200	-
Zuo Pengfei	Supervisor	Incumbent	Female	44	April 03, 2008	August 11, 2023	0	0	0	0	0	-
Jiang Xiaolai	Senior Vice President	Incumbent	Male	42	February 27, 2020	August 11, 2023	2,090,000	0	520,000	0	1,570,000	Personal reason
Liu Ming	Senior Vice President	Incumbent	Male	41	October 12, 2020	August 11, 2023	1,318,100	0	320,000	0	998,100	Personal reason
Li Zhijie	Senior Vice President	Incumbent	Male	47	February 27, 2020	August 11, 2023	1,690,000	0	420,000	0	1,270,000	Personal reason
Song Ke	Senior Vice President	Incumbent	Male	44	October 12, 2020	August 11, 2023	0	0	0	0	0	-
Wu Jian	Secretary of the Board, Senior Vice President	Incumbent	Male	48	December 01, 2005	August 11, 2023	2,549,335	0	637,000	0	1,912,335	Personal reason
Xu Qiaofen	CFO, Senior Vice President	Incumbent	Female	50	February 27, 2020	August 11, 2023	1,550,000	0	380,000	0	1,170,000	Personal reason
Xu Zhicheng	Senior Vice President	Incumbent	Male	56	March 22, 2018	August 11, 2023	1,550,000	0	380,000	0	1,170,000	Personal reason
Zhu Jiantang	Senior Vice President	Incumbent	Male	40	March 22, 2018	August 11, 2023	2,120,225	0	530,000	0	1,590,225	Personal reason
Zhao Yuning	Senior Vice President	Incumbent	Male	45	March 22, 2018	August 11, 2023	2,700,000	0	675,000	0	2,025,000	Personal reason
Ying Yong	Senior Vice President	Resigned	Male	53	May 20, 2010	March 23, 2021	2,689,250	0	672,313	0	2,016,937	Personal reason
Chen	Vice	Resigned	Male	47	May 20,	March	1,835,951	0	300,000	0	1,535,951	Person

Yuqing	President	d			2010	23, 2021						al reason
Wu Yunlong	Vice President	Resigned	Male	66	May 20, 2010	March 23, 2021	762,280	0	190,000	0	572,280	Personal reason
Yang Huayong	Independent Director	Resigned	Male	61	August 12, 2020	December 20, 2021	0	0	0	0	0	-
Zhu Jiangming	Director	Resigned	Male	55	April 01, 2005	December 18, 2021	160,577,490	0	0	0	160,577,490	-
Total	--	--	--	--	--	--	1,349,908,403	0	6,034,313	0	1,343,874,090	--

Whether there is any outgoing directors, supervisors or dismissal of senior management in their term of office during the reporting period.

Yes  No

Changes of Directors, Supervisors and Senior Management of the Company

Applicable  Not applicable

Name	Title	Type	Date	Causes
Ying Yong	Senior Vice President	Dismissal	March 23, 2021	Resigned voluntarily as senior vice president but still undertook work in the Company
Wu Yunlong	Vice President	Dismissal	March 23, 2021	Resigned voluntarily as vice president but still undertook work in the Company
Chen Yuqing	Vice President	Dismissal	March 23, 2021	Resigned voluntarily as vice president but still undertook work in the Company
Liu Ming	Senior Vice President	Appointment and dismissal	November 30, 2021	Board of Directors appointment and dismissal
Song Ke	Senior Vice President	Appointment and dismissal	November 30, 2021	Board of Directors appointment and dismissal
Zhu Jiangming	Director	Resigned	December 18, 2021	Resigned voluntarily as director, do not work in the Company
Yang Huayong	Independent Director	Resigned	December 20, 2021	Resigned voluntarily as independent director
Cao Yanlong	Independent Director	Appointment	December 20, 2021	Appointment of Board of Directors

## 2. Positions

Professional backgrounds, major work experiences and current main responsibilities in the Company for incumbent directors, supervisors and senior management of the Company

Mr. Fu Liquan, Chinese nationality, permanent residence in Cyprus, born in 1967, with master degree in EMBA of Zhejiang University. As one of the main founders of the Company, he served as chairman and president of the Company, and now serves as chairman and president of the Company. In 2018, his employment was renewed by China Security Association as an expert of the Expert Committee of China Security & Protection Industry Association. He has won the honors of "Outstanding Figure Award of China Security - Tribute to the 40 Years Anniversary of Reform and Opening Up", "Top Ten Influential Zhejiang Entrepreneurs", "Model Worker of Zhejiang Province", "One of the 40 Figures of Industry Innovative Development of Zhejiang for the 40 years Anniversary of Reform and Opening Up", "Excellent Enterprise Operator with Outstanding Contributions to the Information Economy", "Excellent Constructor of Socialism with Chinese Characteristics in the New Era of Non-Public Economy in Zhejiang Province", "Outstanding Contributions Award in 'Ingenuity for a Safe China'", Global Security Contribution Award, Top Ten Figures in Security and Protection Industry, and the Best CEO of listed companies of Forbes.

Mr. Wu Jun, Chinese nationality, born in 1972, with a bachelor's degree, engineer, served as vice chairman and vice president of the Company and general manager of Zhejiang Dahua System Engineering Co., Ltd. He now serves as vice chairman of the Company and executive director of Zhejiang Dahua System Engineering Co., Ltd.

Mr. Zhang Xingming, Chinese nationality, born in 1977, holds master degree, He served as vice president of the Company and the general manager of the R&D center and the general manager of Zhejiang Huatu Microchip Technology Co., Ltd. in the recent five years. He is currently the director and executive president of the Company and the president of the R&D Center, and the general manager of Chengdu Dahua Information Technology Co., Ltd.

Ms. Chen Ailing, Chinese nationality, born in 1967, has the right of permanent residence in Cyprus, and holds bachelor degree. As one of the main founders of the Company, she served as director and CFO of the Company, and now serves as director of the Company.

Mr. Liu Hanlin, Chinese nationality, born in 1963, holds postgraduate degree. He successively served as Assistant, Lecturer, Associate Professor and Professor of the School of Accounting, Hangzhou Dianzi University, vice-president and president of the School of Finance and Economics, and Secretary of the Party Committee of the School of Accounting. He is currently a professor of Hangzhou Dianzi University, a member of the Chinese Institute of Certified Public Accountants, a director of Electronic Branch of Accounting Society of China, a director and member of the Accounting Society of Zhejiang Province, an executive director of the Zhejiang Auditing Society, an executive director of Zhejiang Association of CFO, the deputy director of Zhejiang Province Management Accounting Expert Advisory Committee, and the director of Zhejiang Province Management Accounting Application Innovation Research Center, and an independent director of Litian Pictures Holdings Limited, Zhejiang Runyang New Material Technology Co., Ltd., Zhejiang Great Shengda Packaging Co., Ltd. and Hangzhou Crysound Electrical Co., Ltd., and an independent director of the Company.

Mr. Zhang Yuli, Chinese nationality, born in 1965, holds postgraduate degree. He served as head of the enterprise management department, Executive Deputy Director of MBA Center, Vice President of Graduate Studies, and vice-president and president of Business School of NanKai University. He is currently a professor and doctoral supervisor of Business School of NanKai University, director of Innovation and Entrepreneurship Collaborative Promotion Center of National Business Administration Graduate Education Steering Committee, and director of Tianjin University Philosophy and Social Sciences Key Research Base "Entrepreneurship and Small and Medium-sized Enterprises Management Research Base". He is currently member of National College Graduates Employment and Entrepreneurship Guidance Committee, member of the Management Department of Science and Technology Commission of Ministry of Education, member of Chinese Advanced MBA Education Accreditation Committee, member of Tianjin Discipline Assessment Group

and Professional Degree Education Steering Committee, evaluation expert of the National Natural Science Foundation of China and the National Social Science Foundation of China, and independent director of Tianjin Benefo Tejing Electric Co., Ltd., and director of Tianjin TEDA Construction Group Co., Ltd. at the same time. He won special allowance of the State Council in 2004, and became Distinguished Professor Chang Jiang Scholars Program of Ministry of Education in 2013 He is Independent Director of the Company.

Mr. Cao Yanlong, Chinese nationality, was born in 1975, and holds PhD degree. He successively served as lecturer and postdoctoral researcher of College of Biosystems Engineering and Food Science of Zhejiang University, visiting scholar of the Center for Precision Technologies of University of Huddersfield, and assistant to director of Hangzhou Economy and Information Technology Committee. He is currently professor of School of Mechanical Engineering of Zhejiang University, president of Shandong Industrial Technology Research Institute of Zhejiang University, independent director of Hangzhou Youngsun Intelligent Equipment Co., Ltd., and independent director of the Company.

Ms. Song Maoyuan, Chinese nationality, was born in 1982 and holds Bachelor degree. She now serves as chairman of the Board of Supervisors and secretary to president of the Company.

Ms. Zheng Jieping, Chinese nationality, was born in 1979 and holds Bachelor degree. She served as the chairman of the HR Compensation and Performance Division of the Company from October 2014 to June 2018, has been serving as the chairman of HR Organization Management, Compensation and Performance Division of the Company since July 2018, and has been serving as deputy general manager of Human Resources Department of the Company, and the supervisor of the Company.

Ms. Zuo Pengfei, Chinese nationality, was born in 1978, and holds Bachelor degree. She joined the Company since 2001. She is currently the supervisor of the Company, the chairman of the labor union, the director of human resources employee relations, and the supervisor of Hangzhou Xiaohua Technology Co., Ltd.

Mr. Jiang Xiaolai, Chinese nationality, was born in 1980, holds a bachelor degree, served as regional general manager of Domestic Marketing Center of the Company from January 2015 to December 2018, has been serving as general manager of Domestic Marketing Center of the Company since January 2019. He now serves as senior vice president of the Company and general manager of Domestic Marketing Center of the Company.

Mr. Liu Ming, Chinese nationality, born in 1981, holds a master degree. He joined the company in 2006, and served as the chairman of Hardware Development Department of R&D Center of the Company, general manager of Front Product Line of R&D Center, deputy general manager of Product R&D Department of R&D Center, and deputy general manager of R&D Center in the recent five years. He has been serving as deputy general manager of R&D Center of the Company since March 2020. He now serves as senior vice president of the Company and deputy general manager of R&D Center of the Company.

Mr. Li Zhijie, Chinese nationality, born in 1975, holds a master degree, served as technical engineer, director of the Delivery and Service Department of the Representative Office, national delivery representative, and vice president of Regional Delivery Department of Huawei Technologies Co., Ltd. from March 2005 to August 2017, has been serving as general manager of the Delivery and Service Center of the Company since September 2017, and now serves as senior vice president and general manager of the Delivery and Service Center of the Company, and president of Zhejiang Dahua Smart IOT Operation Service Co., Ltd.

Mr. Song Ke, Chinese nationality, born in 1978, holds a master degree, served as manager of IT Department of Hangzhou H3C Co., Ltd., general manager of IT Center and supervisor of Zhejiang Dahua Technology Co., Ltd. He now serves as senior vice president and general manager of Process IT Center of the Company.

Mr. Wu Jian, Chinese nationality, born in 1974, holds master degree, served as secretary of the Board of Directors and vice president of the Company in the recent five years, and now serves as secretary of the Board of Directors and senior vice president of the Company.

Ms. Zu Qiaofen, Chinese nationality, born in 1972, holds a college degree, served as chief financial officer of the

Company's Finance Center from January 2015 to January 2017; From January 2017 to December 2017, deputy general manager of the Company's Finance Center; the general manager of the Company's Finance Center since December 2017 and now serves as CFO and senior vice president of the Company and general manager of the Company's Finance Center.

Mr. Xu Zhicheng, Chinese nationality, was born in 1966, holds a college degree. He successively served as deputy general manager of marketing, general manager and supervisor of the Company from September 2013 to June 2015, has been serving as general manager of the Internal Audit Department of the Company since June 2015, and now serves as senior vice president and general manager of the Internal Audit Department of the Company and the general manager of the Quality Management Center.

Mr. Zhu Jiantang, Chinese nationality, born in 1982, holds bachelor degree. From March 2012 to January 2015, he has successively served as Product Director of R&D and Deputy General Manager of R&D Center. Since January 2015, he has been the general manager of the Company's Supply Chain Management Center. He is currently the senior vice president of the Company and the general manager of the Supply Chain Management Center.

Mr. Zhao Yuning, Chinese nationality, was born in 1977 and graduated from National University of Singapore with a master degree in science. From July 2000 to June 2017, he has successively served as technical engineer, regional sales manager, national general manager, vice president and president of regional sales department of Huawei Technologies Co., Ltd. He now serves as senior vice president of the Company and general manager of overseas marketing center

Position held in shareholders entities

Applicable  Not applicable

Position held in other entities

Applicable  Not applicable

Name	Name of other entity	Position held in other entities	Remuneration received from other entity or not
Fu Liquan	Zhejiang Huashi Investment Management Co., Ltd.	Executive Director	No
Fu Liquan	Hangzhou Gulin Equity Investment Partnership (limited partnership)	Executive Partner	No
Fu Liquan	Ningbo Huaqi Investment Management Partnership (Limited Partnership)	Executive Partner	No
Fu Liquan	Ningbo Huayang Investment Management Partnership Enterprise (Limited Partnership)	Executive Partner	No
Wu Jun	Zhoushan Xinhao Technology Development Co., Ltd.	Executive Director and General Manager	No
Wu Jun	Ningbo Huakun Investment Management Partnership (Limited Partnership)	Executive Partner	No
Zhang Xingming	Hangzhou Jingbo Equity Investment Partnership (Limited Partnership)	Executive Partner	No
Chen Ailing	Zhejiang Lancable Technology Co., Ltd.	Director	No
Chen Ailing	Zhejiang Huanuokang Technology Co., Ltd.	Executive Director	No
Chen Ailing	Zhejiang Huashi Investment Management Co., Ltd.	General Manager	No
Chen Ailing	Hangzhou Huaxi Information Technology Co., Ltd.	Executive Director	No

		and General Manager	
Chen Ailing	Huayan Capital (Hangzhou) Private Equity Fund Management Co., Ltd.	Chairman	No
Chen Ailing	Ningbo Hualing Venture Capital Investment Partnership (Limited Partnership)	Executive Partner	No
Chen Ailing	Ningbo Huaqian Investment Management Partnership (Limited Partnership)	Executive Partner	No
Chen Ailing	Ningbo Huadi Investment Management Partnership (Limited Partnership)	Executive Partner	No
Chen Ailing	Hangzhou Ruipin Enterprise Management Partnership (Limited Partnership)	Executive Partner	No
Chen Ailing	Hangzhou Jikang I Enterprise Management Partnership (Limited Partnership)	Executive Partner	No
Chen Ailing	Hangzhou Jikang II Enterprise Management Partnership (Limited Partnership)	Executive Partner	No
Chen Ailing	Hangzhou Jikang III Enterprise Management Partnership (Limited Partnership)	Executive Partner	No
Chen Ailing	Hangzhou Jikang IV Enterprise Management Partnership (Limited Partnership)	Executive Partner	No
Chen Ailing	Hangzhou Hua'ao Enterprise Management Partnership (Limited Partnership)	Executive Partner	No
Chen Ailing	Hangzhou Zhiao Enterprise Management Partnership (Limited Partnership)	Executive Partner	No
Chen Ailing	Ningbo Huayan Investment Management Partnership (Limited Partnership)	Executive Partner	No
Chen Ailing	Ningbo Huali Investment Management Partnership (Limited Partnership)	Executive Partner	No
Chen Ailing	Ningbo Huaqi Enterprise Management Partnership (Limited Partnership)	Executive Partner	No
Chen Ailing	Ningbo Huagu Enterprise Management Partnership (Limited Partnership)	Executive Partner	No
Chen Ailing	Hangzhou Huazhen Equity Investment Partnership (Limited Partnership)	Executive Partner	No
Liu Hanlin	Zhejiang Runyang New Material Technology Co., Ltd.	Independent Director	Yes
Liu Hanlin	Litian Pictures Holdings Limited	Independent Director	Yes
Liu Hanlin	Zhejiang Great Shengda Packaging Co., Ltd.	Independent Director	Yes
Liu Hanlin	Hangzhou Crysound Electrical Co., Ltd.	Independent Director	Yes

Zhang Yuli	Tianjin Benefo Tejing Electric Co., Ltd.	Independent Director	Yes
Zhang Yuli	Tianjin TEDA Construction Group Co., Ltd.	Director	No
Cao Yanlong	Hangzhou Youngsun Intelligent Equipment Co., Ltd.	Independent Director	Yes
Cao Yanlong	Hangzhou Hanyu Star Wheel Transmission Technology Co., Ltd.	Director	No
Cao Yanlong	Shandong Chuangzhi Intelligent Technology Co., Ltd.	Executive Director and General Manager	No
Cao Yanlong	Hangzhou Xiaotu Technology Co., Ltd.	Manager	No
Cao Yanlong	Hangzhou Hanmo Industrial Group Co., Ltd.	Supervisor	No
Song Maoyuan	Guangdong Zhishi Digital Technology Co., Ltd.	Supervisor	No
Zheng Jieping	Hangzhou Huarong Investment Management Co., Ltd.	Manager	No
Positions held in other companies	N/A		

Incumbent or outgoing directors, supervisors and senior management in the reporting period that have been imposed administrative penalties by CSRC in the last three years

Applicable  Not applicable

### 3. Remuneration of Directors, Supervisors and Senior Management

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

Top management of the Company shall be evaluated by the performance commitments of senior management and the department managers and those above shall be evaluated by their work report at the end of the year. The managers have made business goal responsibility system in their term of office, and set up the evaluation approach combining KPI index commitments at the level of the Company and individual performance commitments. They have achieved qualified evaluation indices, meaning that they can complete their respective tasks in the latest term of office. The Company will increase their remuneration or adopt other incentive measures, as appropriate, based on their completion of goals.

Remuneration of directors, supervisors and senior management in the reporting period of the Company

Unit: ten thousand RMB

Name	Post	Gender	Age	Position status	Total remuneration from the Company before tax	Whether to receive remuneration from related parties or not
Fu Liquan	Chairman, President	Male	55	Incumbent	89.27	No
Wu Jun	Vice Chairman	Male	50	Incumbent	12.07	No
Zhang Xingming	Director, Executive President	Male	45	Incumbent	259.58	No
Chen Ailing	Director	Female	55	Incumbent	0	No

Liu Hanlin	Independent Director	Male	59	Incumbent	25	No
Zhang Yuli	Independent Director	Male	57	Incumbent	25	No
Cao Yanlong	Independent Director	Male	47	Incumbent	0.76	No
Song Maoyuan	Supervisor	Female	40	Incumbent	64.93	No
Zheng Jieping	Supervisor	Female	43	Incumbent	150.58	No
Zuo Pengfei	Supervisor	Female	44	Incumbent	94.62	No
Jiang Xiaolai	Senior Vice President	Male	42	Incumbent	201.58	No
Liu Ming	Senior Vice President	Male	41	Incumbent	201.58	No
Li Zhijie	Senior Vice President	Male	47	Incumbent	183.58	No
Song Ke	Senior Vice President	Male	44	Incumbent	177.58	No
Wu Jian	Secretary of the Board, Senior Vice President	Male	48	Incumbent	183.58	No
Xu Qiaofen	CFO, Senior Vice President	Female	50	Incumbent	170.58	No
Xu Zhicheng	Senior Vice President	Male	56	Incumbent	193.58	No
Zhu Jiantang	Senior Vice President	Male	40	Incumbent	200.58	No
Zhao Yuning	Senior Vice President	Male	45	Incumbent	202.27	No
Ying Yong	Senior Vice President	Male	53	Resigned	158.58	No
Chen Yuqing	Vice President	Male	48	Resigned	133.02	No
Wu Yunlong	Vice President	Male	66	Resigned	90	No
Yang Huayong	Independent Director	Male	61	Resigned	24.24	No
Zhu Jiangming	Director	Male	55	Resigned	8.12	No
Total	--	--	--	--	2,850.68	--

## VI. The Performance of the Duties of Directors During the Reporting Period

### 1. The Board for this reporting period

Conference Session	Date of Conference	Date of Disclosure	Conference Resolution
The eighth meeting of the seventh Board of Directors	January 8, 2021	January 9, 2021	For more information, please refer to the Announcement of Resolutions Made on the Eighth Meeting of the Seventh Board of Directors (Announcement number: 2021-001) in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
The ninth meeting of	January 27, 2021	January 28, 2021	For more information, please refer to the



the seventh Board of Directors			Announcement of Resolutions Made on the Ninth Meeting of the Seventh Board of Directors (Announcement number: 2021-008) in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
The tenth meeting of the seventh Board of Directors	February 26, 2021	February 27, 2021	For more information, please refer to the Announcement of Resolutions Made on the Tenth Meeting of the Seventh Board of Directors (Announcement number: 2021-015) in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
The eleventh meeting of the seventh Board of Directors	March 23, 2021	March 24, 2021	For more information, please refer to the Announcement of Resolutions Made on the Eleventh Meeting of the Seventh Board of Directors (Announcement number: 2021-022) in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
The twelfth meeting of the seventh Board of Directors	March 26, 2021	March 27, 2021	For more information, please refer to the Announcement of Resolutions Made on the Twelfth Meeting of the Seventh Board of Directors (Announcement number: 2021-038) in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
The thirteenth meeting of the seventh Board of Directors	April 01, 2021	April 02, 2021	For more information, please refer to the Announcement of Resolutions Made on the Thirteenth Meeting of the Seventh Board of Directors (Announcement number: 2021-049) in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
The fourteenth meeting of the seventh Board of Directors	April 22, 2021	April 23, 2021	For more information, please refer to the Announcement of Resolutions Made on the Fourteenth Meeting of the Seventh Board of Directors (Announcement number: 2021-061) in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
The fifteenth meeting of the seventh Board of Directors	May 26, 2021	May 27, 2021	For more information, please refer to the Announcement of Resolutions Made on the Fifteenth Meeting of the Seventh Board of Directors (Announcement number: 2021-070) in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
The sixteenth meeting of the seventh Board of Directors	June 7, 2021	June 8, 2021	For more information, please refer to the Announcement of Resolutions Made on the Sixteenth Meeting of the Seventh Board of Directors (Announcement number: 2021-074) in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
The seventeenth meeting of the seventh Board of Directors	June 25, 2021	June 29, 2021	For more information, please refer to the Announcement of Resolutions Made on the Seventeenth Meeting of the Seventh Board of Directors

			(Announcement number: 2021-081) in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
The eighteenth meeting of the seventh Board of Directors	June 29, 2021	June 30, 2021	For more information, please refer to the Announcement of Resolutions Made on the Eighteenth Meeting of the Seventh Board of Directors (Announcement number: 2021-084) in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
The nineteenth meeting of the seventh Board of Directors	July 5, 2021	July 6, 2021	For more information, please refer to the Announcement of Resolutions Made on the Nineteenth Meeting of the Seventh Board of Directors (Announcement number: 2021-087) in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
The twentieth meeting of the seventh Board of Directors	August 27, 2021	August 28, 2021	For more information, please refer to the Announcement of Resolutions Made on the Twentieth Meeting of the Seventh Board of Directors (Announcement number: 2021-104) in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
The twenty-first meeting of the seventh Board of Directors	September 28, 2021	September 29, 2021	For more information, please refer to the Announcement of Resolutions Made on the Twenty-first Meeting of the Seventh Board of Directors (Announcement number: 2021-111) in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
The twenty-second meeting of the seventh Board of Directors	October 29, 2021	October 30, 2021	For more information, please refer to the Announcement of Resolutions Made on the Twenty-second Meeting of the Seventh Board of Directors (Announcement number: 2021-115) in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
The twenty-third meeting of the seventh Board of Directors	November 30, 2021	December 1, 2021	For more information, please refer to the Announcement of Resolutions Made on the Twenty-third Meeting of the Seventh Board of Directors (Announcement number: 2021-121) in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
The twenty-fourth meeting of the seventh Board of Directors	December 2, 2021	December 3, 2021	For more information, please refer to the Announcement of Resolutions Made on the Twenty-fourth Meeting of the Seventh Board of Directors (Announcement number: 2021-131) in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
The twenty-fifth meeting of the seventh Board of Directors	December 28, 2021	December 29, 2021	For more information, please refer to the Announcement of Resolutions Made on the Twenty-fifth Meeting of the Seventh Board of Directors (Announcement number: 2021-145) in <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

## 2. Attendance of directors at the BOD meetings and shareholders' general meetings

Attendance of directors at the BOD meetings and shareholders' general meetings							
Name of director	Number of board meetings to attend during the reporting period	Number of on-site attendance of board meetings	Number of attendance of board meetings by means of telecommunications	Number of attendance of board meetings by trustees	Number of absence at board meetings	Whether absent from board meetings in person for two consecutive times	Number of attendance of shareholders' general meetings
Fu Liqun	18	18	0	0	0	No	3
Wu Jun	18	18	0	0	0	No	3
Zhang Xingming	18	17	1	0	0	No	2
Chen Ailing	18	17	1	0	0	No	4
Liu Hanlin	18	0	18	0	0	No	2
Zhang Yuli	18	0	18	0	0	No	1
Cao Yanlong	1	0	1	0	0	No	0
Zhu Jiangming	17	1	16	0	0	No	1
Yang Huayong	17	0	16	1	0	No	0

## 3. Objections of directors to related issues of the company

Whether the directors challenge the company's related issues?

Yes  No

During the reporting period, no director raised objections to the company's related issues.

## 4. Other information on directors' performance of duties

Whether director's proposals on the company issues are accepted?

Yes  No

Note on the acceptance or rejection of director's proposals on company issues.

During the reporting period, the directors performed their duties with integrity, diligence, conscientiousness, and loyalty according to "Company Law", "Securities Law", "Code of Corporate Governance for Listed Companies" and relevant laws and regulations, and "Articles of Association", "Rules of Procedure of the Board of Directors" and other regulations and requirements, actively participated in corporate governance and decision-making on significant matters, and offered professional ideas on the Company's sustainable development. All the directors performed their duties with diligence, and played a due role in safeguarding the interests of the Company and shareholders, especially the public shareholders. The Company has listened actively and adopted the reasonable suggestions of directors.

## VII. Performance of the Special Committee Under the Board of Directors During the Reporting Period

Committee Name	Members	Number of Meetings Held	Date of Conference	Meeting Content	Offered Important Ideas and Suggestions	The Performance of the Others Duties	Details of Objections (if any)
Audit Committee	Liu Hanlin, Yang Huayong (resigned on December 20, 2021), Chen Ailing and Cao Yanlong (inaugurated on December 20, 2021)	4	March 12, 2021	Review "2020 Annual Report and Its Summary", "2020 Annual Financial Final Account", "Financial Budget Report for 2021", "Internal Control Self-evaluation Report", "Suggestions on reappointment of auditing institutions for 2021", and "2020 Profit Distribution Preplan"			
			April 20, 2021	Review "Report for the First Quarter of 2021"			
			August 20, 2021	Review "2021 Semi-annual Financial Report" and "2021 Semi-annual Report"			
			October 27, 2021	Review 2021 Q3 Report			
Nomination Committee	Yang Huayong (resigned on December 20, 2021), Liu Hanlin, Fu Liquan and Cao Yanlong (inaugurated on December 20, 2021)	2	November 23, 2021	Review "Proposal on Appointment of Senior Management of the Company"			
			December 1, 2021	Review "Proposal on By-election of Independent Directors of the Seventh Board of Directors"			

Remuneration and Appraisal Committee	Zhang Yuli, Liu Hanlin and Zhang Xingming	3	March 16, 2021	Review "Proposal on Confirming the Remuneration of Directors, Supervisors and Senior Managers of the Company in 2020"			
			March 26, 2021	Review "Proposal on the Conditions for the First Granting of the Second Unlock Period and Reserved Granting of the First Unlock Period in 2018 Restricted Stock Incentive Plan"			
			June 25, 2021	Review "Proposal on the Conditions for the First Unlock Period in 2020 Restricted Stock Incentive Plan"			
Strategy Committee	Fu Liquan, Zhang Yuli, Wu Jun, Zhang Xingming, and Zhu Jiangming (resigned on December 18, 2021)	1	March 16, 2021	Review "Company Development Strategy of Year 2021"			

## VIII. Performance of the Supervisory Committee

Has the supervisory board discovered any risk in the company during the supervision in the reporting period

Yes  No

The supervisory board had no objection to the supervisory matters in the report period.

## IX. Employees in the Company

### 1. Number, profession composition and educational background of the employees

Number of incumbent employees in the parent company at the end of the reporting period (person)	12,359
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Number of incumbent employees in major subsidiaries at the end of the reporting period (person)	10,505
Total number of incumbent employees at the end of the reporting period (person)	22,864
Number of employees receiving salaries in current period (person)	22,864
Number of retired employees requiring the parent company and major subsidiaries to bear their costs	9
Profession composition	
Type of profession composition	Number of employees for profession composition (person)
R&D staff	11,388
Sales	4,483
Supply chain	4,770
Administrative staff	402
Professional support staff	1,821
Total	22,864
Educational background	
Type of educational background	Number of employees (person)
Master and above	3,799
Bachelor	12,406
College, technical secondary school	3,099
Others	3,560
Total	22,864

## 2. Remuneration policies

The Company has established complete remuneration management systems and incentive mechanisms to provide the employees with competitive remunerations in strict accordance with Labor Law, Labor Contract Law and other relevant laws and regulations, departmental rules and normative documents. The Company links its remuneration system and performance appraisal system with the business performance of the Company, which fully arouses the enthusiasm of the employees and effectively improves the executive force and responsibility consciousness of employees, thus better attracting and retaining talents and providing guarantee for sustainable, stable development of the Company in respect of human resources.

## 3. Training plan

The Company has been dedicated to the building of employee education and training system, established the internal lecturer management measures including new employee training and in-service employee training, implemented training credits management system, improved the comprehensive quality of the Company's employees, created good learning

atmosphere, established learning organization and comprehensively helped employees to improve their ability to meet challenges and reforms in the future, thus providing powerful talent guarantee and support for sustainable, fast growth of the Company and achieving joint development of employees and the Company.

#### 4. Labor outsourcing

Applicable  Not applicable

### X. Profits Distribution of the Company and Capitalization of Capital Reserves

Profits Distribution policies during the reporting period, especially the formulation, implementation or adjustment of the cash dividend policies

Applicable  Not applicable

On Friday, April 23, 2021, the Company's 2020 Annual General Meeting of Shareholders reviewed and approved the Shareholder Return Planning for the Next Three Years (2021-2023), which clearly stipulates the decision-making procedures for dividend standards, proportions and profit distribution policies that will be executed in strict rotation, guaranteeing the continuity and stability of the profit distribution policies and adequately protecting the legitimate rights and interests of small and medium investors.

Special notes on cash dividend policies	
Whether they comply with the requirements of the Company's articles of incorporation or the resolutions of the General Meeting of Shareholders:	Yes
Whether the dividend standards and proportions are distinct and clear:	Yes
Whether the relevant decision-making procedures and mechanisms are complete:	Yes
Whether the independent directors performed their duties and played their due role:	Yes
Whether the minority shareholders have the opportunity to fully express their opinions and appeals, and whether their legitimate rights and interests have been fully protected:	Yes
Whether relevant conditions and procedures are compliant and transparent when the cash dividend policies are being adjusted or changed:	No adjustments or changes on cash dividend policies

The Company's profits during the reporting period and the parent company's shareholders' profits distribution are positive but a cash dividend distribution preplan is not proposed.

Applicable  Not applicable

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

Applicable  Not applicable

Number of bonus shares per 10 shares (shares)	0
Number of dividend payout per 10 shares (RMB) (tax included)	2.70
Equity base in the distribution preplan (shares)	2,994,550,730
The amount of cash dividends (yuan) (including tax)	808,528,697.10
The amount of cash dividends (yuan) in other ways (such as share repurchase)	0.00
The total amount of cash dividends (including in other ways) (yuan)	808,528,697.10

Distributable profits (RMB)	17,370,986,709.52
The ratio of the total amount of cash dividends (including in other ways) to the total amount of profit distribution	100%
Latest cash dividend	
If the Company's development stage is not easy to define but there are significant capital expenditure arrangements, when the profits are being distributed, the proportion of the cash dividends in this profit distribution should be at least 20%	
Details of the preplans on profit distribution or capitalization of capital reserves	
The preplan for profit distribution of the Company in 2021 is: Based on total share capital of 2,994,550,730 shares as of December 31, 2021, cash dividend of RMB 2.70 (tax included) for each 10 shares was distributed to all shareholders, with a total amount of RMB 808,528,697.10, and no bonus share sent and no capitalization of capital reserves. The remaining undistributed profit after the distribution of dividends will be carried forward to the next year. If the total capital stock changes before implementation of the distribution plan, the company will adjust the proportion of distribution according to the principle of unchanged total amount.	

## XI. 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 1, 2021, the thirteenth meeting of the seventh Board of Directors and the ninth meeting of the seventh Board of Supervisors of the company, reviewed and approved the "Proposal of restricted share incentive plan for the second unlock period of the first grant and reserving the achievement for the first unlock of Year 2018", the Board of Directors approved to unlock 29,431,520 restricted shares held by 2,889 incentive objects who met the share unlock conditions. The matter was completed on April 15, 2021.

2. On April 23, 2021, the General Meeting of Shareholders in 2020 held by the Company reviewed and approved the "Proposal on Repurchase and Cancellation of Part of Restricted Share (granted but not yet unlocked)" and agreed to repurchase and cancel 1,028,860 granted but not unlocked restricted stocks held by 65 persons who were no longer qualified as incentive objects (of which, 882,360 shares were first granted, with the repurchase price of RMB 8.17 per share; reserved grant of 146,500 shares at a repurchase price of RMB 8.75 per share). The matter was completed in December 2021.

3. On June 25, 2021, the seventeenth meeting of the seventh Board of Directors and the eleventh meeting of the seventh Board of Supervisors of the company, reviewed and approved the "Proposal of restricted share incentive plan for the first unlock period of Year 2020" and approved to unlock 6,695,740 restricted shares held by 10 incentive objects who met the share unlock conditions. The matter was completed on July 9, 2021.

Share incentives for the Company's directors, supervisors and senior executives

Applicable  Not applicable

Unit: share

Name	Post	Number of	Number of	Number of	Number of	The exercise	Number of	Market price at	Number of	Number of	Number of	The granting	Number of
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		stock options held at the beginning of the year	stock options newly granted during the reporting period	vesting shares during the reporting period	vested shares during the reporting period	price of the vested shares during the reporting period (yuan/share)	stock options held at the end of the reporting period	the end of the reporting period (yuan/share)	restricted stocks held at the beginning of the period	unlocked shares in this period	restricted stocks newly granted during the reporting period	price of restricted stocks (yuan/share)	restricted stocks held at the end of the period
Wu Jun	Vice Chairman	0	0	0	0	0	0		156,000	78,000	0	0	78,000
Zhang Xingming	Director, Executive President	0	0	0	0	0	0		2,805,480	1,402,740	0	0	1,402,740
Jiang Xiaolai	Senior Vice President	0	0	0	0	0	0		2,004,400	1,002,200	0	0	1,002,200
Li Zhijie	Senior Vice President	0	0	0	0	0	0		1,422,000	711,000	0	0	711,000
Wu Jian	Secretary of the Board, Senior Vice President	0	0	0	0	0	0		1,338,000	669,000	0	0	669,000
Xu Qiaofen	CFO, Senior Vice President	0	0	0	0	0	0		1,338,000	669,000	0	0	669,000
Xu	Senior	0	0	0	0	0	0		1,338,000	669,000	0	0	669,000

Zhicheng	Vice President								0	0			0
Zhu Jiantang	Senior Vice President	0	0	0	0	0	0		1,792,000	896,000	0	0	896,000
Zhao Yuning	Senior Vice President	0	0	0	0	0	0		2,404,000	1,202,000	0	0	1,202,000
Liu Ming	Senior Vice President	0	0	0	0	0	0		1,148,400	574,200	0	0	574,200
Total	--	0	0	0	0	--	0	--	15,746,280	7,873,140	0	--	7,873,140

1. In April 2021, upon the expiry of the first granting of the second unlock period and reserved granting of the first unlock period in 2018 Restricted Stock Incentive Plan, restricted shares held by the above directors and senior managers accounted to 1,687,400 shares were unlocked.

2. In June 2021, upon the expiry of restricted share incentive plan for the first unlock period of Year 2020, restricted shares held by the above directors and senior managers accounted to 6,185,740 shares were unlocked.

#### Evaluation and Incentive Mechanisms for Senior Management

Top management of the Company shall be evaluated by the performance commitments of senior management and the department managers and those above shall be evaluated by their work report at the end of the year. The managers have made business goal responsibility system in their term of office, and set up the evaluation approach combining KPI index commitments at the level of the Company and individual performance commitments. They have achieved qualified evaluation indices, meaning that they can complete their respective tasks in the latest term of office. The Company will increase their remuneration or adopt other incentive measures, as appropriate, based on their completion of goals.

## 2. Implementation of employee stock ownership plan

Applicable  Not applicable

## 3. Other employee incentive measures

Applicable  Not applicable

## XII. Development and Implementation of Internal Control System During the Reporting Period

### 1. Development and implementation of internal control system

The Company has established and effectively implemented a sound internal control system in accordance with the "Basic Norms of Enterprise Internal Control" and its supporting guidelines, as well as other internal control regulatory requirements, and in light of the Company's current situation. The internal control system covers all business links related to financial reporting and information disclosure affairs in the company's business activities, including the Rules of Procedure of the Board of Directors, Rules of Procedure of the Board of Supervisors, Supervision and Management of Subsidiaries, Seal Management, Investment and Financing Management, Human Resources Management, Information System Management, Capital Activities, Procurement Management, Asset Management, Sales and Collection Management, Cost and Expense Management, Information System Security Management, and Information Disclosure Affairs Management.

The Company has set up the Audit Committee under the board of directors, leading internal audit institutions, to inspect and supervise the establishment and implementation of the company's internal control, and to conduct systematic internal audit and supervision of the Company's economic activities. Based on the COSO-ERM framework and BCM business continuity management system, the Company has established a "risk-oriented, system-based, process-bonded, control-enabled, and IT-supported" risk management system framework to provide excellent support for the realization of corporate strategies. Through identifying risks and evaluating their levels in terms of severity, likelihood and effectiveness of existing measures, we improve the hierarchical decision-making authorization system according to the acceptable level of risks, establish or optimize systems and processes, promote the IT-supported processes and other control activities, and establish process systems such as the Risk Assessment Management Procedures, the Operational Guidelines for the Company's External Guarantees, the Internal Operational Guidelines for the Company's External Financial Assistance, the Contract Management Measures, the Risk Management Process, and the Response Mechanism for Handling Major Accidents, to comprehensively address the internal and external risks that may be foreseen in production and operation activities. The Company emphasizes the cultivation of risk awareness and regularly organizes risk management training for all departments, so as to strengthen the Company's risk warning and handling capabilities and develop the risk control awareness among all staff.

According to the identification of material weaknesses in the financial reporting internal control of the Company, as of the base date of the internal control assessment report, there is no material weakness in the internal control over financial reports, and the Company has maintained effective internal control on financial reports in all material aspects in accordance with the requirements of the enterprise internal control system and relevant regulations. According to the identification of material weaknesses in non-financial reporting internal control of the Company, no material weaknesses in non-financial reporting internal control were found as of the base date of the internal control assessment report.

### 2. Details of material weakness in internal control found during the reporting period

Yes  No

## XIII. Company's Management of Subsidiaries During the Reporting Period

Company Name	Reorganization Plan	Progress of Reorganization	Problems Encountered in	Adopted Solutions	Progress of Solution	Subsequent Settlement Plan

		tion	Reorganization			
Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.	Not applicable.

#### XIV. Internal Control Self-Evaluation Report and Internal Control Audit Report

##### 1. Internal control self-evaluation report

Date of full-text disclosure for internal control assessment report	April 23, 2022	
Full-text disclosure index for internal control assessment report	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>	
Percentage of total asset from units included in the assessment out of the total asset from the company's consolidated financial statements	100%	
The proportion of operating revenue of parties included in the assessment to the operating revenue from the Company's consolidated financial statements	100%	
Defect identification criteria		
Category	Financial Report	Non-financial reports
Qualitative standards	<p>Signs of material weakness in financial reporting include:</p> <p>(1) Corrupt practices of directors, supervisors and senior managers of the Company;</p> <p>(2) Material misstatements in the current Financial Report discovered by the Certified Public Accountants but not recognized by the internal control of the Company;</p> <p>(3) Invalid internal control and supervision of the External Financial Report and the Financial Report of the Company by the Audit Committee and the Audit Department.</p> <p>Signs of significant deficiencies in financial reporting include:</p>	<p>The identification of non-financial report defects is mainly determined by the extent of their influence on validity of business process and the probability of occurrence. Deficiencies are defined as general deficiencies if they are less likely to happen and will lower the work efficiency or effect, or increase the uncertainty of the effect, or make it deviate from the expected goal. Deficiencies are defined as important deficiencies if they are</p>

	<p>(1) Failure to select and apply the accounting policies in accordance with the accepted accounting standards;</p> <p>(2) Failure to establish anti-fraud procedure and control measures;</p> <p>(3) No appropriate control mechanism established or appropriate compensating control implemented for accounting treatment of irregular or special transactions;</p> <p>(4) There are one or more defects in the control of final financial reporting process, and no reasonable guarantee that the financial statements can achieve the goal of being true and complete. General deficiencies refer to the control deficiencies other than the material deficiencies and important deficiencies described above.</p>	<p>likely to happen and will significantly lower the work efficiency or effect, significantly increase the uncertainty of the effect, or make it deviate from the expected goal. Deficiencies are defined as major deficiencies if they are likely to happen and will seriously lower the work efficiency or effect, or seriously increase the uncertainty of the effect, or make it seriously deviate from the expected goal.</p> <p>Signs of material weakness in non-financial reporting internal control include:</p> <ol style="list-style-type: none"> <li>1). The decision-making procedures of the Company are not scientific, such as decision-making errors, causing failure to meet the desired objectives after mergers and acquisitions.</li> <li>2). Violation of national laws and regulations, resulting in investigation by relevant departments and regulatory bodies;</li> <li>3). Loss of management personnel or key technical personnel;</li> <li>4). Frequent negative news in the media;</li> <li>5). The results of internal control assessment, especially major or important deficiencies, have not been rectified;</li> <li>6). Lack of system control or systematic failure of major business.</li> </ol>
Quantitative standards	Losses which have been or may be incurred due to internal control deficiencies and are related to the	The quantitative criteria is based on operating revenue and total

	<p>profit statement should be measured by the operating revenue indicators. If the misreporting amount in the financial statement, which may be incurred by the deficiencies alone or together with other deficiencies, is less than 0.5% of the operating revenue, it is considered as a general deficiency; If it exceeds 0.5% of the operating revenue but is less than 1%, then it is an important deficiency; If it exceeds 1% of the operating revenue, then it is considered as a major deficiency. Losses which have been or may be incurred due to internal control deficiencies and are related to the asset management should be measured by the total asset indicators. If the misstated amount in the financial statement, which may be incurred by the deficiency alone or together with other deficiencies, is less than 0.5% of the total asset, it is considered as a general deficiency; If it exceeds 0.5% of the total asset but less than 1%, it is an important deficiency; If it exceeds 1% of the total asset, it is considered as a major deficiency.</p>	<p>assets. Losses which have been or may be incurred due to internal control deficiencies and are related to the profit statement should be measured by the operating revenue indicators. If the misreporting amount in the financial statement, which may be incurred by the deficiencies alone or together with other deficiencies, is less than 0.5% of the operating revenue, it is considered as a general deficiency; If it exceeds 0.5% of the operating revenue but is less than 1%, then it is an important deficiency; If it exceeds 1% of the operating revenue, then it is considered as a major deficiency. Losses which have been or may be incurred due to internal control deficiencies and are related to the asset management should be measured by the total asset indicators. If the misstated amount in the financial statement, which may be incurred by the deficiency alone or together with other deficiencies, is less than 0.5% of the total asset, it is considered as a general deficiency; If it exceeds 0.5% of the total asset but is less than 1%, then it is considered as an important deficiency; If it exceeds 1% of the total asset, it is considered as a major deficiency.</p>
Number of material weakness in financial reports		0
Number of material weakness in		0

non-financial reports	
Number of significant deficiency in financial reports	0
Number of significant deficiency in non-financial report	0

## 2. Internal control audit report

Applicable  Not applicable

Deliberations Paragraph in the Internal Control Audit Report	
In our opinion, Dahua has maintained effective internal control, in all material respects, with respect to the financial statements in accordance with the "Basic Norms of Enterprise Internal Control" and relevant regulations promulgated at December 31, 2021.	
Disclosure in the internal control audit report	Disclosure
Date of full-text disclosure for the internal control audit report	April 23, 2022
Full-text disclosure index for the internal control audit report	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Opinion type in the internal control audit report	Standard unqualified opinion
Whether there are material deficiencies in the non-financial reports	No

Whether the accounting firm has issued an internal control audit report with modified opinions

Yes  No

Whether the opinions in the internal control audit report issued by the accounting firm are consistent with those in the self-evaluation report issued by the board of directors

Yes  No

## XV. Rectification of Self-inspection Problems of Special Actions for Corporate Governance of Listed Companies

N/A

## **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

### **II. Social Responsibilities**

In 2021, Dahua "Made intensive efforts to realize effective growth" by constantly improving its corporate governance structure, promoting the level of corporate governance, caring for its employees, protecting the shareholders' rights and interests, and practicing social responsibility. 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 [www.cninfo.com.cn](http://www.cninfo.com.cn) on the same day.

### **III. Consolidation and Expansion of Poverty Alleviation Achievements and Rural Revitalization**

In the reporting period, there have been no targeted poverty alleviation and rural revitalization activities in the Company.



## Section VI Significant Events

### I. Performance of Commitments

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

√ Applicable □ Not applicable

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

			businesses of the stock company.			
Whether the commitment is fulfilled on time	Yes					

**2. If there is a profit forecast for the Company's assets or projects, and the reporting period is still within the profit forecast period, the Company shall make an explanation on the fulfillment and its reasons**

Applicable  Not applicable

**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. Statement by the Board of Directors on the "Non-Standard Audit Report" of the Last Period**

Applicable  Not applicable

**V. Explanations Made by the Board of Directors, the Board of Supervisors and Independent Directors (If Any) on the "Non-standard Audit Report" from the Accounting Firm during the Reporting Period**

Applicable  Not applicable

**VI. Changes in Accounting Policies and Accounting Estimates or Correction of Significant Accounting Errors Compared with the Previous Year's Financial Report**

Applicable  Not applicable

For changes in the accounting policies and accounting methods of the Company during the reporting period, refer to "Section X Financial Report / V. Significant Accounting Policies and Accounting Estimates / 36. Changes in Significant Accounting Policies and Accounting Estimates"

## VII. Changes in the Scope of Consolidated Financial Statements Compared with the Previous Year's Financial Report

Applicable  Not applicable

(1) This year, the Company invested and established 7 domestic subsidiaries, including Zhejiang Huajian Technology Co., Ltd., Wuhu Huajian Technology Co., Ltd., Tianjin Huajian Technology Co., Ltd., Zhengzhou Dahua Zhi'an Information Technology Co., Ltd., Anhui Dahua Zhilian Information Technology Co., Ltd., Anhui Dahua Zhishu Information Technology Co., Ltd. and Changsha Dahua Technology Co., Ltd., as well as 4 overseas subsidiaries, including Dahua Technology Pacific S.A, Dahua Technology QFZ LLC, Dahua Technology International Pte. Ltd., and Huacheng Network (HK) Technology Limited. The above subsidiaries have been included in the scope of consolidation since the date of establishment.

(2) The Company's subsidiaries Hangzhou Huajun Technology Co., Ltd. and Zhejiang Huaxuan Technology Co., Ltd. are cancelled in the current period and will not be included in the scope of consolidation from the date of cancellation.

(3) In this period, the Company transferred 51% of the equity of Zhejiang Dahua Security Service Co., Ltd. After the transfer, it no longer has control over the subsidiary, and therefore Zhejiang Dahua Security Service Co., Ltd. was not included in the scope of consolidation in this period any more.

## VIII. Appointment and Dismissal of Accounting Firms

Currently appointed accounting firms

Names of domestic accounting firms	BDO China Shu Lun Pan CPAs (special general partnership)
Remuneration to domestic accounting firms (Unit: ten thousand yuan)	180
Years of continuous audit service of domestic accounting firms	18
Names of Certified Public Accountants from domestic accounting firms	Zhong Jiandong, Zhang Junhui
The continuous period of audit service for certified public accountants in domestic accounting firms	Zhong Jiandong has been in service for 4 consecutive years, and Zhang Junhui has been in service for 2 consecutive years

Whether to reappoint accounting firms for current period

Yes  No

Appointment of accounting firms, financial advisers or sponsors for internal control auditing

Applicable  Not applicable

## IX. Delisting after Disclosure of the Annual Report

Applicable  Not applicable

## X. Bankruptcy and Restructuring

Applicable  Not applicable

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

## **XI. Significant Lawsuits and Arbitrations**

Applicable  Not applicable

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

## **XII. Penalties and Rectification**

Applicable  Not applicable

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

## **XIII. Integrity of the Company, Its Controlling Shareholders and Actual Controllers**

Applicable  Not applicable

## **XIV. 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 significant 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 January 8, 2021, the eighth meeting of the seventh Board of Directors of the company reviewed and approved the "Proposal on Joint Capital Increase and Related Party Transactions with Related Parties", and agreed that the company and related parties Zhang Xingming, He Chao, Ningbo Huaqi Investment Management Partnership (Limited Partnership), Hangzhou Kangpi Enterprise Management Partnership (Limited Partnership) and non-related party Yao Weizhong to sign the "Agreement on Equity Transfer and Capital Increase of Zhejiang Healnoc Technology Co., Ltd.". The company and related parties Zhang Xingming, He Chao, Ningbo Huaqi Investment Management Partnership (Limited Partnership), Hangzhou Kangpi Enterprise Management Partnership (Limited Partnership) and unrelated party Yao Weizhong contributed RMB 50 million in total to Zhejiang Healnoc Technology Co., Ltd. (referred to as "Healnoc") as capital increase. In which, the company invested RMB 20 million of its own funds, holding 20% of Healnoc equity, and Healnoc became a shareholding company. The procedures for industrial and commercial change of the above matters have been completed in February 2021.

On December 28, 2021, the "Proposal on Giving up the Shareholding Company's Priority to Accept Transfer and Related-party Transactions" was reviewed and approved on the twenty-fifth meeting of the seventh Board of Directors of the Company. Huaqi Investment intended to transfer its 22.29% of Healnoc equity at the transaction pricing which was subject to the capital contribution paid by Huaqi Investment to the underlying company, and the transfer price was RMB 5.2589 million. The Company agreed to give up the priority to accept the transfer of the above equity.

2. On January 22, 2021, the "Proposal on Giving up Shareholding Company Equity Increase in Capital and Related-party Transactions" was reviewed and approved on the first interim general meeting of shareholders of the Company in 2021. A total of 14 investors including Zhu Jiangming, Gao Dong, Chen Jinxia, and Ningbo Hualing Investment management partnership (limited partnership) made a B-1 round of capital increase in Leapmotor Technology. The related-party transaction amount involved in the Company's abandonment of the right to increase capital in the same proportion was RMB 458.459 million. The procedures for the industrial and commercial change of the above matters have been completed in January 2021.

3. On January 27, 2021, the ninth meeting of the seventh Board of Directors the company reviewed and approved "Proposal on Giving up the Shareholding Company Equity Increase in Capital and Related Party Transactions". A total of 10 investors, including Zhejiang Mituo Investment Co., Ltd., Gao Dong, Huzhou Heninghai Investment Partnership (Limited Partnership), intended to make a B-2 round of capital increase in Leapmotor. The amount of related party transactions involved in the company's abandonment of the right to increase capital in the same proportion was RMB 166,835.46 million. The procedures for the industrial and commercial change of the above matters have been completed in January 2021.

4. On April 22, 2021, the "Proposal on Giving up Subsidiary Equity Increase in Capital and Related Party Transactions" was reviewed and approved on the fourteenth meeting of the seventh Board of Directors of the Company. Five investors including No.1 Single Asset Management Plan held by the employees of HuaRay Technology of CICC intended to increase the capital of Zhejiang HuaRay Technology Co., Ltd. in the total amount of RMB 9.545783. On the

basis of the equity structure and proportion upon the above capital increase, Ningbo Huayu Investment Management Partnership Enterprise (Limited Partnership), a shareholder of HuaRay Technology, intended to transfer its 44.10% of HuaRay Technology equity to a total of 24 investors including No.1 Single Asset Management Plan held by the employees of HuaRay Technology of CICC, at the total price of RMB 244.309237. The Company gave up the priority in subscription to and right of preemption of the above equity. The procedures for industrial and commercial change of the above matters have been completed in April 2021.

5. On June 7, 2021, the sixteenth meeting of the seventh Board of Directors of the Company reviewed and approved the "Proposal on Increasing Capital in Holding Subsidiaries and Related-party Transactions", in which the Company and the related party Zhejiang Huashi Investment Management Co., Ltd. agreed to increase capital in the holding subsidiary Zhejiang Huaxiao Technology Co., Ltd. with the same percentage. Among them, the Company increased capital by RMB 10.2 million with its own funds. After the capital increase, the registered capital of Huaxiao Technology increased from RMB 50 million to RMB 70 million. The procedures for industrial and commercial change of the above matters have been completed in June 2021.

6. On June 29, 2021, the "Proposal on Establishment of Industry Funds and Related-party Transactions Through Joint Investment with Related Parties" was reviewed and approved on the eighteenth meeting of the seventh Board of Directors of the Company, in which the Company agreed to establish Zhoushan Huayan Chuangxi Equity Investment Partnership (Limited Partnership) with 19 investors including Huayan Capital (Hangzhou) Private Equity Fund Management Co., Ltd. and Chen Ailing. The form of the industry fund is limited partnership; the total size of the fund is RMB 150.1 million; Huayan Capital as the fund manager holds 0.07% of the shares by contributing RMB 100 thousand in cash; Dahua holds 33.32% of the shares by contributing RMB 50 million in cash and bank balances. On August 5, 2021, Huayan Investment Fund obtained the Private Investment Fund Registration Certificate issued by the Asset Management Association of China.

7. On December 28, 2021, the "Proposal on Giving up the Subsidiary's Priority to Accept Transfer and Related-party Transactions (I)" was reviewed and approved on the twenty-fifth meeting of the seventh Board of Directors of the Company. Huashi Investment intended to transfer its 26% of Huafei Technology equity to Ningbo Hualing Venture Capital Investment Partnership (Limited Partnership) at the transfer price of RMB 13 million; Zhang Hui intended to transfer its 15% of Huafei Technology equity to Hangzhou Hua'ao Enterprise Management Partnership (Limited Partnership) at the transfer price of RMB 13.347 million. The Company agreed to waive its right of preemption to the above equity.

8. On December 28, 2021, the "Proposal on Giving up the Subsidiary's Priority to Accept Transfer and Related-party Transactions (II)" was reviewed and approved on the twenty-fifth meeting of the seventh Board of Directors of the Company. Huashi Investment transferred its 11.50% of Wuxi Ruipin equity to Hangzhou Ruipin Enterprise Management Partnership (Limited Partnership) at the price of RMB 5,088,474, and transferred its 3.50% of Wuxi Ruipin equity to Shen Huiliang at the price of RMB 1,548,666. The Company agreed to waive its right of preemption to the above equity.

9. On December 28, 2021, the "Proposal on Accepting Transfer of Equities and Related-party Transactions of Subsidiaries" was reviewed and approved on the twenty-fifth meeting of the seventh Board of Directors of the Company. The Company agreed to accept the transfer of 49% equity of Zhejiang Dahua Security Network Operation Service Co., Ltd., held by the related party Ningbo Huayu Investment Management Partnership Enterprise (Limited Partnership), the related transactions of which totaled RMB 74.94 million. After accepting the transfer, the Company held 100% equity of the Company.

10. On December 28, 2021, the "Proposal on Increasing Capital in Holding Subsidiaries and Related-party Transactions" was reviewed and approved on the twenty-fifth meeting of the seventh Board of Directors of the Company. The Company and its related party Ningbo Huagu Enterprise Management Partnership (Limited Partnership) and Ningbo Hualing Venture Capital Investment Partnership (Limited Partnership) agreed to jointly increase the capital in the holding subsidiary Zhejiang Dahua Storage Technology Co., Ltd. at the same proportion. The Company increased the capital by

RMB 15.3 million with its own funds. When the capital increase was accomplished, the registered capital of Dahua Storage increased from RMB 50 million to 80 million. The proportion of equities held by the Company in Dahua Storage remained unchanged.

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

Announcement name	Disclosure date	Website for the disclosure
Announcement on Capital Increase with Related Parties and Related-party Transactions	January 9, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Announcement on Giving up the Shareholding Company's Priority to Accept Transfer and Related-party Transactions	December 29, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Announcement On Giving Up the Shareholding Company's Right to Increase Capital with The Same Percentage and Related-party Transactions	January 9, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Announcement On Giving Up the Shareholding Company's Right to Increase Capital with The Same Percentage and Related-party Transactions	January 28, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Announcement on Giving Up the Subsidiary's Right to Increase Capital with the Same Percentage, the Priority to Accept Transfer and Related-party Transactions	April 23, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Announcement On Increasing Capital in Holding Subsidiaries and Related-party Transactions	June 8, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Announcement on Establishment of Industry Funds Through Joint Investment with Related Parties and Related-party Transactions	June 30, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Announcement on Progress for Establishment of Industry Funds Through Joint Investment with Related Parties	August 7, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Announcement on Giving up the Subsidiary's Priority to Accept Transfer and Related-party Transactions (I)	December 29, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Announcement on Giving up the Subsidiary's Priority to Accept Transfer and Related-party Transactions (II)	December 29, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Announcement on Acceptance of the Subsidiary's Equity and Related Transactions	December 29, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Announcement On Increasing Capital in Holding Subsidiaries and Related-party Transactions	December 29, 2021	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

## XV. 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	Guarantee	Actual occurrence	Actual guarantee	Type of	Term of	Due or	Guarantee for



	of disclosure of the guarantee cap	amount	date	amount	guarantee	guarantee	not	related parties or not
Zhejiang Dahua Vision Technology Co., Ltd.	September 28, 2021	773,557.34	March 27, 2018	50,000.00	Joint liability guarantee	March 20, 2018-March 19, 2021	Yes	Yes
			February 25, 2020	30,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	Yes	Yes
			July 22, 2019	44,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	Yes	Yes
			September 29, 2019	20,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	Yes	Yes
			August 3, 2020	50,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	Yes	Yes
			September 27, 2020	40,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	Yes	Yes
			February 25, 2021	10,000.00	Joint liability guarantee	February 25, 2021-September	Yes	Yes

				26,2021				
			May 29, 2021	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	Yes	Yes
			October 13, 2017	22,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
			September 21, 2018	25,502.80 (40 million US dollars)	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
			June 26, 2019	18,000.00	Joint liability guarantee	June 26, 2019-June 25, 2022	No	Yes
			February 17, 2020	25,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
			April 7, 2020	53,000.00	Joint liability guarantee	April 7, 2020-March	No	Yes

			31, 2024		
April 13, 2020	24,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
August 12, 2020	60,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
August 18, 2020	33,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
September 1, 2020	30,000.00	Joint liability guarantee	Five years upon expiration of debt period of master contract	No	Yes
February 23, 2021	30,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
February 4, 2021	100,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
May 12, 2021	8,000.00	Joint liability guarantee	May 12, 2021-December 31, 2022	No	Yes

July 26, 2021	44,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
August 1, 2020	3,500.00	Joint liability guarantee	August 1, 2021-July 31, 2023	No	Yes
August 2, 2021	50,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
September 27, 2021	60,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
September 27, 2021	90,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
October 20, 2021	20,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
November 10, 2021	20,000.00	Joint liability guarantee	From effective date of the Commitment Letter to three years after the maturity date of each	No	Yes

						note discounted by the China Merchants Bank within the credit extension period		
Zhejiang Dahua Zhilian Co., Ltd.	March 24, 2021	320,000.00	April 9, 2020	10,000.00	Joint liability guarantee	One years upon expiration of debt period of master contract	Yes	Yes
			May 1, 2020	38,254.20 (60 million US dollars)	Joint liability guarantee	One years upon expiration of debt period of master contract	Yes	Yes
			September 29, 2020	16,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	Yes	Yes
			October 12, 2018	30,000.00	Joint liability guarantee	October 12, 2018-October 12, 2021	Yes	Yes
			August 30, 2019	10,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	Yes	Yes
			September 25, 2020	16,500.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	Yes	Yes

September 27, 2020	7,500.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	Yes	Yes
May 29, 2021	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	Yes	Yes
September 24, 2020	30,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
April 29, 2021	10,000.00	Joint liability guarantee	One years upon expiration of debt period of master contract	No	Yes
April 29, 2021	38,254.20 (60 million US dollars)	Joint liability guarantee	One years upon expiration of debt period of master contract	No	Yes

April 29, 2021	35,066.35 (55 million US dollars)	Joint liability guarantee	April 30, 2021-May 14, 2022	No	Yes
July 26, 2021	16,500.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
September 27, 2021	15,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
November 10, 2021	20,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
November 10, 2021	16,000.00	Joint liability guarantee	From effective date of the Commitmen t Letter to three years after the maturity date of each note discounted by the China Merchants Bank within the credit extension period	No	Yes
December 3, 2021	15,301.68 (24 million)	Joint liability guarantee	December 3, 2021-May	No	Yes

				US dollars)		31, 2022		
			December 3, 2021	3,500.00	Joint liability guarantee	One years upon expiration of debt period of master contract	No	Yes
			December 3, 2021	3,187.85 (5 million US dollars)	Joint liability guarantee	December 3, 2021-December 2, 2024	No	Yes
Zhejiang Dahua System Engineering Co., Ltd.	March 24, 2021	50,000.00	February 25, 2020	4,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	Yes	Yes
			November 7, 2019	6,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	Yes	Yes
			August 3, 2020	5,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	Yes	Yes
			May 29, 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	Yes	Yes



					by the China Merchants Bank within the credit extension period			
			August 30, 2019	1,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
			August 2, 2021	5,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
			November 10, 2021	6,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
			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	No	Yes

Dahua Technology (HK) Limited	September 28, 2021	55,128.40	November 25, 2019	4,462.99 (7 million US dollars)	Joint liability guarantee	Two years after the maturity of the debts in the master contract	Yes	Yes
			April 20, 2021	721.97 (1 million Euro)	Joint liability guarantee	April 25, 2021-April 25, 2022	No	Yes
DAHUA TECHNOLOGY MEXICO S.A. DE C.V	March 24, 2021	10,000.00	October 27, 2020	4,144.21 (6.5 million US dollars)	Joint liability guarantee	October 27, 2020-October 20, 2021	Yes	Yes
			September 1, 2020	637.57 (1 million US dollars)	Joint liability guarantee	September 1, 2020-August 31, 2021	Yes	Yes
			September 1, 2021	637.57 (1 million US dollars)	Joint liability guarantee	September 1, 2021-December 1, 2023	No	Yes
			October 21, 2021	3,187.85 (5 million US dollars)	Joint liability guarantee	October 21, 2021-October 20, 2022	No	Yes
Hangzhou Huacheng Network Technology Co., Ltd.	March 24, 2021	65,000.00	August 3, 2020	10,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	Yes	Yes
			September 25, 2020	5,500.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	Yes	Yes
			September 27, 2020	5,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	Yes	Yes

			August 30, 2019	5,000.00	Joint liability guarantee	Two years after the maturity of the debts in the master contract	No	Yes
			February 4, 2021	2,000.00	Joint liability guarantee	Six months upon expiration of debt period of master contract	No	Yes
			February 23, 2021	10,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
			July 26, 2021	5,500.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
			September 27, 2021	5,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
Dahua Technology UK Limited	March 24, 2021	2,000.00	August 12, 2020	998.34 (GBP 1.16 million )	Joint liability guarantee	August 12, 2020-Signature of notice of termination	No	Yes
Dahua Technology USA Inc.	March 24, 2021	5,000.00	November 19, 2021	892.60 (1.4 million US dollars)	Joint liability guarantee	November 19, 2021-November 18, 2022	No	Yes
Zhejiang HuaRay Technology Co., Ltd.	March 24, 2021	35,000.00	February 23, 2021	5,000.00	Joint liability guarantee	Three years after the	No	Yes

						maturity of the debts in the master contract		
Zhejiang Dahua Storage Technology Co., Ltd.	May 6, 2021	2,314.26	May 29, 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	Yes
			April 29, 2021	1,275.14 (2 million US dollars)	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
Zhejiang Huachuang Vision Technology Co., Ltd.	October 22, 2021	24,000.00	May 11, 2021	5,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
Zhejiang Fengshi Technology Co., Ltd.	March 24, 2021	2,000.00	May 29, 2021	2,000.00	Joint liability guarantee	From effective date of the Commitment Letter to three years after the maturity date of each	Yes	Yes

						note discounted by the China Merchants Bank within the credit extension period		
			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 China Merchants Bank within the credit extension period	No	Yes
Wuxi Dahua Ruipin Technology Co., Ltd.	October 22, 2021	2,000.00	May 29, 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	Yes	Yes

						period		
			October 20, 2021	1,000.00	Joint liability guarantee	Three years after the maturity of the debts in the master contract	No	Yes
			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	No	Yes
Zhejiang Huafei Intelligent Technology CO., LTD.	March 24, 2021	1,000.00	May 29, 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	Yes

Zhejiang Huaxiao Technology Co., Ltd.	March 24, 2021	2,000.00	May 29, 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	Yes
			November 10, 2021	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	Yes
Zhejiang Dahua Jinzhi Technology Co., Ltd.	March 24, 2021	1,000.00	May 29, 2021	1,000.00	Joint liability guarantee	From effective date of the Commitment Letter to three years after the	Yes	Yes

						maturity date of each note discounted by the China Merchants Bank within the credit extension period		
Xi'an Dahua Zhilian Technology Co., Ltd.	March 24, 2021	30,000.00	May 29, 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	Yes
			September 27, 2021	3,000.00	Joint liability guarantee	September 27, 2021-September 18, 2022	No	Yes
			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	No	Yes



						discounted by the China Merchants Bank within the credit extension period		
Zhengzhou Dahua Zhian Information Technology Co., Ltd.	March 24, 2021	20,000.00	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	No	Yes
Chengdu Dahua Zhian Information Technology Service Co., Ltd.	March 24, 2021	30,000.00	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	No	Yes

					period	
Guangxi Dahua Information Technology Co., Ltd.	March 24, 2021	1,000.00				No such case during the reporting period
Zhejiang Dahua Security Network Operation Service Co., Ltd.	March 24, 2021	1,000.00				No such case during the reporting period
Hangzhou Xiaohua Technology CO., LTD.	March 24, 2021	1,000.00				No such case during the reporting period
Zhejiang Dahua Security Service Co., Ltd.	March 24, 2021	1,000.00				No such case during the reporting period
Guangxi Dahua Technology Co., Ltd.	March 24, 2021	5,000.00				No such case during the reporting period
Zhejiang Huajian Technology Co., Ltd.	March 24, 2021	1,000.00				No such case during the reporting period
Zhejiang Huaxuan Technology Co., Ltd.	March 24, 2021	1,000.00				No such case during the reporting period
Dahua Technology Japan LLC	March 24, 2021	100.00				No such case during the reporting period
DAHUA EUROPE B.V.	March 24, 2021	15,000.00				No such case during the reporting period
Dahua Technology Singapore Pte.Ltd.	March 24, 2021	200.00				No such case during the reporting period
Dahua Technology Poland Sp.Zo.O.	March 24, 2021	2,000.00				No such case during the reporting period
Dahua Technology Hungary Kft	March 24, 2021	2,000.00				No such case during the reporting period
Dahua Technology India Private Limited	March 24, 2021	4,000.00				No such case during the reporting period
DAHUA TECHNOLOGY BRASIL COMÉRCIO E SERVIÇOS EM SEGURANÇA ELETRÔNICA LTDA	March 24, 2021	2,000.00				No such case during the reporting period
Dahua Technology	March 24,					No such case during the reporting period

Middle East FZE	2021	1,000.00	
Dahua Technology Perú S.A.C	March 24, 2021	4,000.00	No such case during the reporting period
Dahua Technology Rus Limited Liability Company	March 24, 2021	3,000.00	No such case during the reporting period
Dahua Technology Australia PTY LTD	March 24, 2021	500.00	No such case during the reporting period
Dahua Technology South Africa Proprietary Limited	March 24, 2021	500.00	No such case during the reporting period
Dahua Technology Canada INC.	March 24, 2021	1,000.00	No such case during the reporting period
Dahua Guvenlik Teknolojileri Sanayi ve Ticaret A.S.	March 24, 2021	1,000.00	No such case during the reporting period
Dahua Technology SRB d.o.o.	March 24, 2021	100.00	No such case during the reporting period
Dahua Technology Bulgaria EOOD	March 24, 2021	100.00	No such case during the reporting period
Dahua Iberia, S.L.	March 24, 2021	100.00	No such case during the reporting period
Dahua Security Malaysia SDN. BHD.	March 24, 2021	100.00	No such case during the reporting period
Dahua Technology Kazakhstan LLP	March 24, 2021	100.00	No such case during the reporting period
PT. Dahua Vision Technology Indonesia	March 24, 2021	100.00	No such case during the reporting period
Dahua Technology Korea Company Limited	March 24, 2021	100.00	No such case during the reporting period
Dahua Technology S.R.L.	March 24, 2021	100.00	No such case during the reporting period
Dahua Technology France SAS	March 24, 2021	700.00	No such case during the reporting period
Dahua Vision LLc	March 24, 2021	500.00	No such case during the reporting period

Dahua Technology New Zealand Limited	March 24, 2021	100.00	No such case during the reporting period
Dahua Technology GmbH	March 24, 2021	300.00	No such case during the reporting period
Dahua Technology Colombia S.A.S.	March 24, 2021	2,000.00	No such case during the reporting period
Dahua Technology Panama S.A.	March 24, 2021	100.00	No such case during the reporting period
Dahua Technology Chile SpA	March 24, 2021	100.00	No such case during the reporting period
Dahua Technology Tunisia Limited Liability Company	March 24, 2021	100.00	No such case during the reporting period
Dahua Technology Kenya Limited	March 24, 2021	100.00	No such case during the reporting period
Dahua Technology China (Pvt) LTD	March 24, 2021	100.00	No such case during the reporting period
Dahua Technology Pakistan (private) Limited	March 24, 2021	100.00	No such case during the reporting period
Dahua Technology Morocco SARL	March 24, 2021	100.00	No such case during the reporting period
Dahua Argentina S.A.	March 24, 2021	100.00	No such case during the reporting period
Dahua Technology Czech s.r.o.	March 24, 2021	100.00	No such case during the reporting period
Dahua Technology Denmark ApS	March 24, 2021	100.00	No such case during the reporting period
Dahua Technology Netherlands B.V.	March 24, 2021	100.00	No such case during the reporting period
Dahua Technology(Thailand) Co.,LTD.	March 24, 2021	100.00	No such case during the reporting period
Dahua Technology Italy S.R.L.	March 24, 2021	100.00	No such case during the reporting period
Lox Technology Inc.	March 24, 2021	2,000.00	No such case during the reporting period
Lox Corporation	March 24,		No such case during the reporting period

	2021	2,000.00						
Total amount of guarantees to subsidiaries approved during the reporting period (B1)		1,487,000.00	Total amount of guarantees to subsidiaries actually occurred during the reporting period (B2)		737,025.21			
Total amount of guarantees to subsidiaries approved by the end of the reporting period (B3)		1,487,000.00	Total balance of guarantees actually paid to subsidiaries at the end of the reporting period (B4)		1,002,526.35			
Subsidiaries' guarantees to subsidiaries								
Guaranteed party	Announce ment date of disclosure of the guarantee cap	Guarantee amount	Actual occurrence date	Actual guarantee amount	Type of guarantee	Term of guarantee	Due or not	Guarant ee 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)		1,487,000.00	Total amount of guarantees actually occurred during the reporting period (A2+B2+C2)		737,025.21			
Total amount of guarantees approved by the end of the reporting period (A3+B3+C3)		1,487,000.00	Total balance of guarantees actually paid at the end of the reporting period (A4+B4+C4)		1,002,526.35			
Total amount of actual guarantees (A4+B4+C4) as a percentage of the Company's net assets				42.45%				

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)	967,526.35
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)	967,526.35
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. Entrusting Others to Manage Cash Assets

#### (1) Entrusted Financing

Applicable  Not applicable

Entrusted financing during the reporting period

Unit: ten thousand RMB

Specific type	Funding source	Entrusted amount	Unexpired balance	Overdue outstanding amount	Impairment amount accrued for overdue financial management
Bank financial products	Equity Fund	50,000.00			
Financial products of securities companies	Equity Fund	50,000.00	50,000.00		
<b>Total</b>		<b>100,000.00</b>	<b>50,000.00</b>		

Specific matters on high-risk entrusted capital management with a large amount for a single item, or with low security and poor liquidity

Applicable  Not applicable

Unit: ten thousand RMB

Name of trustee	Trustee organization	Product type	Amount	Capital Source	Starting date	Termination date	Investment direction	Payment determination	Reference for	Expected earnings	Actual profit	Actual recovery of	Amount of provision	Whether it passes	Whether there	Item overview
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organization (or name of trustee)	zation (or trustee) type		50,000.00	Equity Fund	January 26, 2021	June 30, 2021	Financial derivatives	By contract	4.00%		849.32	Recovered at expiration	Yes	Yes	
China Construction Bank	Bank	Structured deposits	50,000.00	Equity Fund	January 26, 2021	June 30, 2021	Financial derivatives	By contract	4.00%		849.32	Recovered at expiration	Yes	Yes	
Guosen Securities Co., Ltd.	Securities company	Asset Management Plan	50,000.00	Equity Fund	February 10, 2021	February 9, 2021	Private equity fund products, fixed income assets, equity assets, public equity hybrid funds	Payment of principal and income at maturity			9,587.54	Unexpired	Yes	No	
Total			100,000.00	--	--	--	--	--	--		10,436.86	--	--	--	--

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

Applicable  Not applicable

## (2) Entrusted Loans

Applicable  Not applicable

No such case as entrusted loan during the reporting period.

#### 4. Other Significant Contracts

Applicable  Not applicable

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

#### XVI. 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 twelfth session of the seventh Board of Directors and the eighth session of the seventh 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., 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 19<sup>th</sup> session of the 7<sup>th</sup> board of directors and the 12<sup>th</sup> session of the 7<sup>th</sup> 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 18, 2022, the application for this non-public issuance was approved by the Issuance Review Committee of CSRC. Up to now, the Company has not received the written approval from the CSRC with respect to the non-public issuance. The announcements above have been disclosed through the designated media Securities Times and Juchao Information Network (<http://www.cninfo.com.cn>).

#### XVII. Significant Events of the Company's Subsidiaries

Applicable  Not applicable

On September 28, 2021, the "Proposal on Preparing the Spin-off Listing of the Holding Subsidiary" was reviewed and approved at the twenty-first session of the seventh Board of Directors of the Company. The Board of Directors of the Company authorized the management to launch the preliminary preparation for the spin-off listing of its holding subsidiary Zhejiang HuaRay Technology Co., Ltd. on a domestic stock exchange. Preparations for the aforesaid spin-off listing is in progress.



## 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	1,137,297,716	37.97%				-57,334,922	-57,334,922	1,079,962,794	36.06%
1. Other domestic shares	1,137,278,516	37.97%				-57,325,322	-57,325,322	1,079,953,194	36.06%
Shares held by domestic natural persons	1,137,278,516	37.97%				-57,325,322	-57,325,322	1,079,953,194	36.06%
2. Foreign shares	19,200	0.00%				-9,600	-9,600	9,600	0.00%
Shares held by foreign natural persons	19,200	0.00%				-9,600	-9,600	9,600	0.00%
II. Shares without restrictions	1,858,281,874	62.03%				56,306,062	56,306,062	1,914,587,936	63.94%
1. RMB ordinary shares	1,858,281,874	62.03%				56,306,062	56,306,062	1,914,587,936	63.94%

III. Total	2,995,579,590	100.00%				-1,028,860	-1,028,860	2,994,550,730	100.00%
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## Reasons for changes in shares

Applicable  Not applicable

1. In April 2021, the conditions for the first granting of the second unlock period and reserved granting of the first unlock period in 2018 Restricted Stock Incentive Plan of the Company were achieved.
2. In June 2021, the conditions for the first unlock period in 2020 Restricted Stock Incentive Plan of the Company were achieved.
3. In 2021, the Company bought back and canceled the granted but unlocked restricted shares held by the incentive objects who have left the Company.

## Approval for changes in shares

Applicable  Not applicable

1. On April 1, 2021, the thirteenth meeting of the seventh Board of Directors and the ninth meeting of the seventh Board of Supervisors of the company, reviewed and approved the "Proposal of restricted share incentive plan for the second unlock period of the first grant and reserving the achievement for the first unlock of Year 2018", the Board of Directors approved to unlock 29,431,520 restricted shares held by 2,889 incentive objects who met the share unlock conditions.
2. On June 25, 2021, the seventeenth meeting of the seventh Board of Directors and the eleventh meeting of the seventh Board of Supervisors of the Company reviewed and approved the Proposal on Achievement of Conditions for the First Unlock Period of 2020 Restricted Stock Incentive Plan. The Board of Directors agreed to unlock the 6,695,740 restricted shares held by the 10 incentive objects who met the unlocking conditions.
3. On April 23, 2021, the Company's annual general meeting of shareholders in 2020 reviewed and approved the Proposal on Buy-back and Cancellation of Some Granted but Unlocked Restricted Stocks. The Company agreed to buy back and cancel the 1,028,860 granted but unlocked restricted shares held by the 65 incentive objects who have left the Company.

## Transfer for changes in shares

Applicable  Not applicable

1. According to the thirteenth meeting of the seventh Board of Directors of the Company, the Company achieved unlocking for the first granting of the second unlock period and reserved granting of the first unlock period in 2018 Restricted Stock Incentive Plan, and the unlocking date, namely the listing and circulation date, was April 15, 2021.
2. According to the seventeenth meeting of the seventh Board of Directors of the Company, the Company achieved unlocking for the first unlock period in 2020 Restricted Stock Incentive Plan, and the unlocking date, namely the listing and circulation date, was July 9, 2021.
3. According to the resolution of the annual general meeting of shareholders in 2020, the Company bought back and canceled a total of the 1,028,860 granted but unlocked restricted shares held by the 65 incentive objects who have left the Company, and the procedure was completed in December 2021.

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 increased shares with limited sales condition in current period	Number of unlocked 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 Liquan	811,561,410		43,659,675	767,901,735	According to the relevant provisions of executives shares management	According to the relevant provisions of executives shares management
Zhu Jiangming	139,846,117	20,731,373		160,577,490	According to the relevant provisions of executives shares management	According to the relevant provisions of executives shares management
Chen Ailing	53,447,110		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	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	3,622,540		590,370	3,032,170	Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
Zhao Yuning	2,515,000		490,000	2,025,000	Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
Ying Yong	2,271,937		255,000	2,016,937	Per relevant management	Per relevant management

					regulations of equity incentives and senior managers' shares	regulations of equity incentives and senior managers' shares
Wu Jian	2,167,001		255,000	1,912,001	Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
Zhu Jiantang	1,937,669		347,500	1,590,169	Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
Jiang Xiaolai	2,004,400		436,900	1,567,500	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 objects	65,986,368		32,031,850	33,954,518	Per relevant management regulations of equity incentives and senior managers' shares	Per relevant management regulations of equity incentives and senior managers' shares
<b>Total</b>	<b>1,137,297,716</b>	<b>20,731,373</b>	<b>78,066,295</b>	<b>1,079,962,794</b>	<b>--</b>	<b>--</b>

## II. Issuance and listing of securities

### 1. Securities (excluding preferred share) issued in reporting period

Applicable  Not applicable

### 2. Explanation on changes in total number of the Company's shares & the structure of shareholders and the structure of assets and liabilities

Applicable  Not applicable

### 3. Existing shares held by internal staff of the Company

Applicable  Not applicable

### III. Particulars about the shareholders and actual controller

#### 1. Total number of shareholders and their shareholdings

Unit: share

Name of Shareholder	Shareholder nature	Shareholding Percentage	Number of shares held at the end of the reporting period	Changes in the reporting period	Number of shares held with limited sales conditions	Number of shares held without limited sales condition	Pledges, markings or freezings	
							State Of Shares	Number
Shareholding list of shareholders with over 5% shares or top ten shareholders								
Fu Liquan	Domestic Natural Person	34.19%	1,023,868,980	0	767,901,735	255,967,245	Pledge	168,177,942
Zhu Jiangming	Domestic Natural Person	5.36%	160,577,490	0	160,577,490	0	Pledge	20,300,000
Hong Kong Securities Clearing Co. Ltd.	Overseas Legal Person	4.13%	123,641,341	23105856	0	123,641,341		
Chen Ailing	Domestic Natural Person	2.38%	71,262,813	0.00	53,447,110	17,815,703	Pledge	21,100,000

Wu Jun	Domestic Natural Person	2.31%	69,250,886	0.00	51,938,164	17,312,722		
National Social Security Fund 103	Others	1.37%	41,000,969	30989671	0	41,000,969		
China Securities Finance Co., Ltd.	Domestic Non-state-owned Legal Person	1.32%	39,611,241	0	0	39,611,241		
China Galaxy Securities Co., Ltd.	State-owned Legal Person	1.27%	38,172,099	-16465301	0	38,172,099		
Industrial and Commercial Bank of China Limited - Zhong Ou China Value Premier Selection Return Hybrid Securities Investment Fund	Others	1.18%	35,346,665	35346665	0	35,346,665		
Agricultural Bank of China Co., Ltd.- China International Fund Management Emerging Power Hybrid Securities Investment Fund	Others	0.89%	26,772,280	13201195	0	26,772,280		
Strategic investors or general legal entities becoming top 10 shareholders as a result of the placement of new shares (if any) (see Note 3)	N/A							
Description of the	Mr. Fu Liquan And Ms. Chen Ailing Are Husband and Wife. The Company Is Unaware of							

association relationship or concerted action of above-mentioned shareholders	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 10)	N/A		
Shareholding list of top ten shareholders without limited sales condition			
Name of Shareholder	Number of 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.	123,641,341	RMB common stock	123,641,341
National Social Security Fund 103	41,000,969	RMB common stock	41,000,969
China Securities Finance Co., Ltd.	39,611,241	RMB common stock	39,611,241
China Galaxy Securities Co., Ltd.	38,172,099	RMB common stock	38,172,099
Industrial and Commercial Bank of China Limited - Zhong Ou China Value Premier Selection Return Hybrid Securities Investment Fund	35,346,665	RMB common stock	35,346,665
Agricultural Bank of China Co., Ltd.- China International Fund Management Emerging Power Hybrid Securities Investment Fund	26,772,280	RMB common stock	26,772,280
National Social Security	23,657,131	RMB common	23,657,131

Fund 111		stock	
China Merchants Bank Co., Ltd. - Yinhua Xinyi Flexible Allocation Hybrid Securities Investment Fund	22,742,459	RMB common stock	22,742,459
Shanghai Greenwoods Assets Management Co., Ltd. - Greenwoods Global Fund	20,803,816	RMB common stock	20,803,816
Explanation on associated relationship or persons acting in concert among top ten shareholders without limited shares, and between top ten shareholders without limited shares and top ten shareholders	Mr. Fu Liqun 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.

## 2. Particulars about the controlling shareholder

Nature of the controlling shareholder: Natural person-owned

Type of the controlling shareholder: Natural person

Name of the controlling shareholder	Nationality	Whether he/she has obtained the right of residence in another country or region
Fu Liqun	China	Yes
Main occupation and title	Mr. Fu Liqun holds the position of the chairman and president of the Company.	
Shares held in other listed companies by controlling or holding in the reporting period	N/A	



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

### 3. The actual controller of the Company and persons acting in concert

Nature of the actual controller: Domestic natural person

Type of the actual controller: Natural person

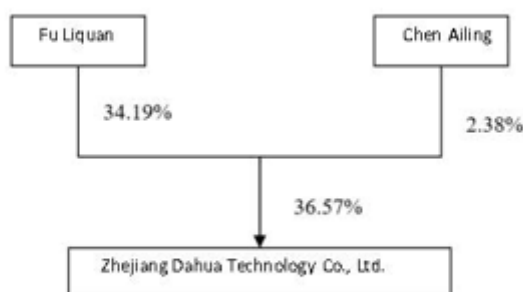
Name of the actual controller	Relationship with the actual controller	Nationality	Whether he/she has obtained the right of residence in another country or region
Fu Liqun	Himself	China	Yes
Chen Ailing	Acting in concert (including agreement, relatives, under same control)	China	Yes
Main occupation and title	Mr. Fu Liqun holds the position of the chairman and president of the Company; Ms. Chen Ailing holds the position of the director of the Company.		
Information about other listed companies at home and abroad controlled in the last ten years	N/A		

Change of the actual controller in the reporting period

Applicable  Not applicable

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

Block Diagram for Property Right and Control Relationship between the Company and Actual Controllers



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

Applicable  Not applicable

**4. The accumulated number of shares pledged by the controlling shareholder or the first majority shareholder of the Company and his/her persons acting in concert accounted for 80% of all the shares held by him/her in the Company**

Applicable  Not applicable

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

Applicable  Not applicable

**6. Particulars on share reduction restricted for controlling shareholders, actual controller, restructuring party or other commitment entities**

Applicable  Not applicable

**IV. Specific Implementation of Share Repurchase in the Reporting Period**

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

## 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

Audit opinion type	Standard Unqualified Opinion
Signature Date of audit report	April 22, 2022
Name of audit institution	BDO China Shu Lun Pan CPAs (special general partnership)
Audit report ref.	Xin Kuai Shi Bao Zi [2022] No.ZF10179
Name of Certified Public Accountant	Zhong Jiandong, Zhang Junhui

Audit Report Text

**To the shareholders of Zhejiang Dahua Technology Co., Ltd.:**

#### I. Opinion

We have audited the financial statements of Zhejiang Dahua Technology Co., Ltd. (hereinafter referred to as Dahua), including the parent company's and the consolidated balance sheet dated December 31, 2021, the parent company's and the consolidated income statement, the parent company's and the consolidated cash flow statement and the parent company's and the consolidated statement of changes in owners' equity in 2021, as well as the notes to relevant financial statements.

In our opinion, the attached financial statements are prepared, in all material respects, in accordance with "Accounting Standards for Business Enterprises", which fairly reflected the financial position of the merged companies and the parent company as at December 31, 2021 and the operating results and cash flows of the merger and the parent company in 2021.

#### II. Basis for Our Opinion

We conducted our audit in accordance with the Auditing Standards for Certified Public Accountants in China. Our responsibilities under those standards are further described in the CPA's Responsibilities for the Audit of the Financial Statements section of our report. According to the "Code of Ethics for Chinese Certified Public Accountants", we are independent of Dahua and have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters that we identified in the audit are as follows:

Key Audit Matters	How the matter was addressed in the audit
<b>A. Recognition of revenue</b>	
<p>The operating revenue of Dahua in 2021 is RMB 3,283,547.93, which is an important part of Dahua's profit statement. We identify recognition of revenue as a key audit matter because revenue, as one of Dahua's key performance indicators, is subject to an inherent risk that the Management manipulates the time point for recognition of revenue to reach a certain goal or expectation. Based on the accounting policy of Dahua, the Company's main products include security standard products, system integration and other labor services. Among them, the security standard products for domestic market were delivered to customers or picked up by customers based on the contractual terms in the sales contract. The revenue was recognized after customers received and accepted the goods, and the Company obtained the evidence proving the customers' receipt of goods; for the security standard products exported by domestic companies, the revenue was recognized after the goods were declared and exported, and for the security standard products sold overseas by overseas subsidiaries, the revenue was recognized after the customer received and accepted the goods; the revenue from the system integration sales was recognized after the acceptance of goods by customers; the revenue from the labor services sales was recognized when relevant labor services were provided.</p>	<p>The main audit procedure we implemented for the above key audit matter includes: 1. Understand the internal control system in relation to revenue recognition, the design and implementation of the financial accounting system, and test the effectiveness of its operation; 2. Check the agreements of relevant contracts for different sales types in accordance with the actual situation of the specific businesses, and evaluate whether the revenue recognition meets the requirements of Accounting Standards for Business Enterprises; 3. Perform an analytical procedures to judge the reasonableness of the changes in sales revenue and gross profit margin; 4. Perform confirmation procedures: send confirmation to customers for the annual sales amount and the outstanding at the end of the year, and the export sales income shall be certified by the customs; 5. Different types of income samples shall be tested: For standard products for domestic market and overseas sales of overseas subsidiaries, sample the out-of-stock records, shipping orders, customer countersign records, received payment records and so on; for standard products exported by domestic companies, check the out-of-stock records, customs declaration, bill of lading, and received payment records; for system integration sales, check the product delivery records, shipping list and contract list, unpacking acceptance report, acceptance report for the completion of installation and commissioning, received payment records and so on. 6. Sample the transactions made before or after the balance sheet date and check their out-of-stock records, customs declaration, and other relevant supportive documents to confirm whether the revenues have been recognized in an appropriate accounting period.</p>
<b>B. Recoverability of accounts receivable</b>	
<p>The net value of accounts receivable of Dahua at the end of 2021 was RMB 1,465,449.06. The management needs to make significant judgments about the identification of accounts receivable impairment accounts, the likelihood of inward cash flows of future customers. The management's estimates and assumptions are uncertain. Since the amount of accounts receivable is significant to the financial statements as a whole and the recoverability involves the estimation and judgment of future cash flows, we recognize the recoverability of accounts receivable as a key audit matter.</p>	<p>We evaluated the recoverability of accounts receivable by the following procedure: 1. Understand the management and the internal control of key financial reporting related to credit control, account recovery and assessment of impairment provision for receivables, and evaluate the effectiveness of the design and operation of the internal control; 2. Understand the Company's management procedures for customers' credit and the collection measures for overdue debts; 3. Review the division by the Management of the combination with respect to the accounts receivable for which the expected credit loss is calculated according to the combination of credit risk characteristics, and assess the reasonableness of the expected credit loss rate based on the estimates including historical credit loss rate, current circumstance and prediction of the future economic condition. We assessed the reasonableness of the accrued proportion with reference to the historical audit experience and prospective information, tested the accuracy of the portfolio classification and aging division of the accounts receivable, and recalculated the accuracy of the accrued amount of the expected credit loss; we sampled the accounts receivable subject to separate bad debt provision, and reviewed the basis for the Management's assessment of the</p>

	<p>expected credit loss based on the financial position and credit position of the customer, historical repayment records and prediction of the future economic condition. We validated the management's assessment against the evidence we have obtained during the audit process, including background information, past transaction history and payment status of the customer, and forward-looking considerations; 4. Test the payment received after the balance sheet date; 5. Perform the correspondence-based confirmation procedure and check whether the confirmation results are consistent; 6. Analyze whether there are amounts of accounts receivable that cannot be recovered and need to be written off.</p>
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#### IV. Other Information

The management of Dahua (hereinafter referred to as the Management) is responsible for the other information. The other information includes the information covered in Dahua's annual report in 2021, but excludes the financial statements and our audit report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In combination with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### V. Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Management is responsible for preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises to achieve a fair presentation, and for designing, implementing and maintaining necessary internal control to ensure that the financial statements are free from material misstatements, whether due to frauds or errors.

In preparing the financial statements, the Management is responsible for assessing Dahua's ability to continue operating, disclosing matters related to continuous operation (if applicable) and using the hypothesis of continuous operation unless there is a plan to liquidate, terminate operations or no other realistic options.

The management is responsible for supervising the financial reporting process of Dahua.

#### VI. CPA's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made

on the basis of these financial statements.

As part of an audit in accordance with the audit standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design appropriate audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

(4) Conclude on the appropriateness of using the going concern assumption by the Management. At the same time, draw a conclusion, based on the audit evidence obtained, on whether there is significant uncertainty in matters or situations that may cause major doubts about Dahua's ability in continuous operation. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the information available up to the date of our audit report. However, future events or conditions may result in Dahua's inability to continue operating.

(5) Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements fairly reflect the relevant transactions and events.

(6) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within Dahua to express an opinion on the consolidated financial statements. We are responsible for guiding, supervising and implementing the group audit, and remain solely responsible for our audit opinion.

We have communicated with those charged with governance on such matters as the scope of audit as planned, the schedule and material audit findings, including the defects in the internal control that are worth paying attention to found in this audit.

We have also provided those charged with governance with a statement on observing the professional ethics related to independence, and communicated with those charged with governance on all the relationships and other matters that might be reasonably deemed to affect our independence, and relevant preventative measures.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so



would reasonably be expected to outweigh the public interest benefits of such communication.

**BDO China Shu Lun Pan Certified Public Accountants LLP**

**Chinese CPA: Zhong Jiandong**

**(Special general partnership)**

**(Project partner)**

**Chinese CPA: Zhang Junhui**

**Shanghai, China**

**April 22, 2022**

## II. Financial Statements

Units of financial reports in the notes: yuan

### 1. Consolidated Balance Sheet

Prepared by: Zhejiang Dahua Technology Co., Ltd.

December 31, 2021

Unit: RMB

Item	December 31, 2021	December 31, 2020
Current Assets:		
Cash and Bank Balances	7,731,002,784.77	7,471,652,634.66
Deposit Reservation for Balance		
Loans to Banks and Other Financial Institutions		
Trading Financial Assets	2,602,173.53	2,475,680.45
Derivative Financial Assets		
Notes receivable	839,861,562.35	232,857,354.55
Accounts receivable	14,654,490,643.49	12,857,519,110.16
Receivables Financing	792,709,781.57	1,207,879,654.58
Prepayments	171,034,046.65	162,250,648.05
Premium Receivable		
Reinsurance Accounts Receivable		
Reinsurance Contract Reserves Receivable		
Other Receivables	546,477,779.16	970,427,893.48

Including: interest receivable		
Dividends Receivable		
Buying Back the Sale of Financial Assets		
Inventory	6,810,041,288.82	4,928,019,838.00
Contract Assets	163,432,100.37	84,825,834.82
Holding for-sale assets		
Non-current Assets Due within 1 Year	602,567,293.78	635,956,549.07
Other Current Assets	1,190,585,874.34	558,434,219.93
Subtotal of Current Assets	33,504,805,328.83	29,112,299,417.75
Non-current Assets:		
Granting of loans and advances		
Investment in Creditor's Rights		
Investment in Other Creditor's Rights		
Long-term Receivables	1,891,368,121.39	2,250,315,769.50
Long-term Equity Investment	1,243,872,752.91	455,977,616.16
Investment in Other Equity Instruments		
Other Non-current Financial Assets	945,619,965.97	360,087,786.34
Investment Property	311,065,023.43	336,008,869.13
Fixed Assets	2,187,435,714.17	1,515,594,629.97
Projects under Construction	1,992,834,055.03	1,164,130,453.03
Productive Biological Assets		
Oil and gas assets		
Right-of-use Assets	248,577,371.97	
Intangible Assets	584,129,741.43	406,777,323.39
Development Expenditure		
Goodwill	42,685,490.30	42,685,490.30
Long-term deferred expenses	45,876,764.73	32,280,430.67
Deferred Income Tax Assets	960,374,829.82	832,453,676.69
Other Non-current Assets	97,226,861.99	86,422,617.82
Subtotal of Non-current Assets	10,551,066,693.14	7,482,734,663.00
Total Assets	44,055,872,021.97	36,595,034,080.75
Current Liabilities:		
Short-term loan	325,648,230.98	250,177,083.34
Borrowings from the Central Bank		

Borrowings from Banks and Other Financial Institutions		
Transactional financial liabilities		
Derivative Financial Liabilities		
Notes Payable	4,472,998,965.03	3,258,552,758.17
Accounts Payable	7,329,740,650.71	6,444,787,705.28
Received Prepayments		
Contract liabilities	864,989,993.78	671,120,385.08
Financial Assets Sold for Repurchase		
Deposit Taking and Interbank Deposit		
Receiving from Vicariously Traded Securities		
Receiving from Vicariously Sold Securities		
Payroll payable	1,964,503,166.13	1,805,464,535.31
Tax Payable	677,076,594.01	900,144,863.67
Other Payables	677,752,701.47	970,552,877.22
Including: interest payable		
Dividends Payable	16,060,762.89	12,982,399.27
Service Charge and Commission Payable		
Reinsurance Accounts Payable		
Holding for-sale liabilities		
Non-current Liabilities Due within 1 Year	890,848,742.47	151,891,709.34
Other Current Liabilities	208,631,381.45	209,401,914.77
Subtotal of Current Liabilities	17,412,190,426.03	14,662,093,832.18
Non-current Liabilities:		
Insurance Contract Reserves		
Long-term loan	1,552,500,000.00	878,000,000.00
Bonds Payable		
Including: Preferred Stocks		
Perpetual Bonds		
Lease Liabilities	140,606,139.33	
Long-term Payables		
Long-term payroll payable		
Expected Liabilities	297,851,786.62	282,427,517.82
Deferred Income	103,218,676.13	110,469,806.29

Deferred Income Tax Liabilities	61,778,504.44	67,272,768.46
Other Non-current Liabilities	317,381,981.28	391,128,045.90
Subtotal of Non-current Liabilities	2,473,337,087.80	1,729,298,138.47
Total Liabilities	19,885,527,513.83	16,391,391,970.65
Shareholders' Equity:		
Share Capital	2,994,550,730.00	2,995,579,590.00
Other Equity Instruments		
Including: Preferred Stocks		
Perpetual Bonds		
Capital Reserves	2,939,512,235.75	1,989,655,334.05
Less: Treasury Share	277,169,524.09	581,968,930.89
Other Comprehensive Incomes	76,005,792.49	61,157,523.13
Special Reserves		
Surplus Reserves	1,553,691,005.92	1,553,691,005.92
General Risk Reserves		
Undistributed Profits	16,331,012,273.48	13,754,915,904.19
Total Shareholders' Equity Attributable to the Parent Company	23,617,602,513.55	19,773,030,426.40
Minority Shareholders' Equity	552,741,994.59	430,611,683.70
Total Shareholders' Equity	24,170,344,508.14	20,203,642,110.10
Total Liabilities and Shareholders' Equity	44,055,872,021.97	36,595,034,080.75

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	December 31, 2021	December 31, 2020
Current Assets:		
Cash and Bank Balances	2,453,629,292.19	3,130,479,311.55
Trading Financial Assets		
Derivative Financial Assets		
Notes receivable	113,182,073.02	74,284,006.99
Accounts receivable	5,235,718,728.84	2,740,152,239.35
Receivables Financing	762,320,674.93	169,109,529.24

Prepayments	22,564,616.46	48,203,550.97
Other Receivables	13,227,344,584.64	13,796,603,550.30
Including: interest receivable		
Dividends Receivable		
Inventory	191,101,106.37	171,756,222.72
Contract Assets	14,676,165.82	8,338,657.15
Holding for-sale assets		
Non-current Assets Due within 1 Year	59,323,331.52	61,828,724.54
Other Current Assets	548,317,361.69	12,592.38
Subtotal of Current Assets	22,628,177,935.48	20,200,768,385.19
Non-current Assets:		
Investment in Creditor's Rights		
Investment in Other Creditor's Rights		
Long-term Receivables	44,677,236.12	100,221,713.49
Long-term Equity Investment	5,294,492,906.78	3,660,410,557.29
Investment in Other Equity Instruments		
Other Non-current Financial Assets	919,563,465.97	355,853,684.59
Investment Property	161,109,748.15	173,003,549.71
Fixed Assets	623,652,394.47	550,991,444.04
Projects under Construction	890,954,831.96	438,014,907.22
Productive Biological Assets		
Oil and gas assets		
Right-of-use Assets	98,695,719.37	
Intangible Assets	148,019,536.32	156,335,152.97
Development Expenditure		
Goodwill		
Long-term Deferred Expenses	25,121,726.63	21,149,342.55
Deferred Income Tax Assets	76,637,574.05	135,371,242.86
Other Non-current Assets	5,922,846.72	35,774,247.16
Subtotal of Non-current Assets	8,288,847,986.54	5,627,125,841.88
Total Assets	30,917,025,922.02	25,827,894,227.07
Current Liabilities:		
Short-term loan	3,066,910.69	250,177,083.34
Transactional financial liabilities		

Derivative Financial Liabilities		
Notes Payable	359,510,011.35	303,660,579.62
Accounts Payable	924,291,734.49	752,373,890.95
Received Prepayments		
Contract liabilities	65,805,975.35	85,275,423.36
Payroll payable	1,349,324,493.47	1,127,500,408.14
Tax Payable	405,454,928.48	627,351,201.46
Other Payables	850,741,529.57	1,002,654,121.27
Including: interest payable		
Dividends Payable	16,060,762.89	12,982,399.27
Holding for-sale liabilities		
Non-current Liabilities Due within 1 Year	785,270,294.02	150,643,750.02
Other Current Liabilities	52,587,668.99	26,870,130.42
Subtotal of Current Liabilities	4,796,053,546.41	4,326,506,588.58
Non-current Liabilities:		
Long-term loan	1,450,000,000.00	750,000,000.00
Bonds Payable		
Including: Preferred Stocks		
Perpetual Bonds		
Lease Liabilities	53,205,974.57	
Long-term Payables		
Long-term payroll payable		
Expected Liabilities	3,534,391.50	8,333,634.18
Deferred Income		
Deferred Income Tax Liabilities	44,483,008.83	29,407,289.24
Other Non-current Liabilities	2,669,429.68	10,599,934.34
Subtotal of Non-current Liabilities	1,553,892,804.58	798,340,857.76
Total Liabilities	6,349,946,350.99	5,124,847,446.34
Shareholders' Equity:		
Share Capital	2,994,550,730.00	2,995,579,590.00
Other Equity Instruments		
Including: Preferred Stocks		
Perpetual Bonds		
Capital Reserves	2,925,020,649.68	1,976,156,775.91

Less: Treasury Share	277,169,524.09	581,968,930.89
Other Comprehensive Incomes		522,554.00
Special Reserves		
Surplus Reserves	1,553,691,005.92	1,553,691,005.92
Undistributed Profits	17,370,986,709.52	14,759,065,785.79
Total Shareholders' Equity	24,567,079,571.03	20,703,046,780.73
Total Liabilities and Shareholders' Equity	30,917,025,922.02	25,827,894,227.07

### 3. Consolidated Income Statement

Unit: RMB

Item	2021	2020
I. Total Operating Revenue	32,835,479,336.85	26,465,968,181.10
Including: Operating Revenue	32,835,479,336.85	26,465,968,181.10
Interest Income		
Earned Premiums		
Service Charge and Commission Income		
II. Total Operating Cost	29,561,717,851.11	23,700,192,030.78
Including: Operating Cost	20,058,513,158.33	15,164,331,155.66
Interest Expenditures		
Service Charge and Commission Expenses		
Surrender Value		
Net Claims Paid		
Net Amount of Withdrawn Reserve for Insurance Liability Contract		
Policyholder Dividend Expense		
Reinsurance Cost		
Taxes and Surcharges	182,526,020.36	161,682,305.76
Sales Expenses	4,663,973,834.28	4,291,121,362.75
Administration expenses	955,015,503.39	785,101,729.55
Research and development expense	3,451,978,394.17	2,997,545,666.82
Financial Expenses	249,710,940.58	300,409,810.24
Including: interest expenses	96,871,668.06	68,153,838.27
Interest Income	184,577,399.09	156,578,920.70
Add: Other income	1,028,017,800.27	1,033,605,961.79

Investment Income (Mark "-" for Loss)	-194,259,295.37	975,589,960.06
Including: Investment Income from Affiliates and Joint Ventures	-269,439,343.85	-181,278,822.04
Profits from recognition Termination of Financial Assets at Amortized Cost		
Exchange Gains (Mark "-" for Losses)		
Profit of Net Exposure Hedging (Mark "-" for Loss)		
Incomes from changes in fair value (losses marked with "-")	125,378,610.62	185,732,977.36
Credit Impairment Losses (Mark "-" for Loss)	-745,010,186.63	-575,685,022.80
Asset Impairment Losses (Mark "-" for Loss)	-49,902,275.84	-128,579,641.41
Asset Disposal Income (Mark "-" for Loss)	34,204,677.33	509,340.38
III. Operating Profit (Mark "-" for Loss)	3,472,190,816.12	4,256,949,725.70
Add: Non-operating Revenues	12,043,175.28	11,652,641.39
Less: Non-operating Expenses	14,572,711.07	19,833,811.30
IV. Total Profit (Mark "-" for Total Loss)	3,469,661,280.33	4,248,768,555.79
Less: Income Tax Expense	58,114,707.75	313,526,899.50
V. Net Profit (Mark "-" for Net Loss)	3,411,546,572.58	3,935,241,656.29
(I) Classified by operation continuity		
1. Net Profit as a Going Concern (Mark "-" for Net Loss)	3,411,546,572.58	3,935,241,656.29
2. Net Profit of Discontinued Operation (Mark "-" for Net Loss)		
(II) Classified by the attribution of ownership		
1. Net Profit Attributable to Shareholders of Parent Company	3,378,410,889.60	3,902,778,775.35
2. Minority Shareholders' Profit and Loss	33,135,682.98	32,462,880.94
VI. Net Amount of Other Comprehensive Incomes after Tax	14,719,520.43	48,849,278.20
Net Amount of Other Comprehensive Incomes after Tax Attributable to the Parent Company's Owner	14,848,269.36	48,849,246.90
(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	14,848,269.36	48,849,246.90
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	21,289,820.46	42,407,695.80
7. Others	-6,441,551.10	6,441,551.10
Net Amount of Other Comprehensive Incomes After Tax Attributable to Minority Shareholders	-128,748.93	31.30
VII. Total Comprehensive Income	3,426,266,093.01	3,984,090,934.49
Total Comprehensive Income Attributable to the Parent Company's Owner	3,393,259,158.96	3,951,628,022.25
Total Comprehensive Income Attributable to Minority Shareholders	33,006,934.05	32,462,912.24
VIII. Earnings per Share:		
(I) Basic Earnings per Share	1.15	1.34
(II) Diluted Earnings per Share	1.15	1.33

Legal representative: Fu Liqun    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	2021	2020
I. Operating Revenue	9,743,217,163.52	9,241,424,111.34
Less: Operating Cost	1,278,222,643.67	1,432,554,360.70

Taxes and Surcharges	124,697,827.94	110,800,941.53
Sales Expenses	2,259,362,660.46	1,706,397,097.75
Administration expenses	548,096,369.70	443,452,678.15
Research and development expense	2,610,573,358.32	2,342,474,614.79
Financial Expenses	12,468,559.31	5,707,678.34
Including: interest expenses	77,853,360.36	59,812,230.42
Interest Income	69,153,966.58	59,618,328.67
Add: Other income	821,967,678.89	846,285,628.56
Investment Income (Mark "-" for Loss)	-271,711,088.77	919,245,362.94
Including: Investment Income from Affiliates and Joint Ventures	-303,537,703.31	-221,917,515.47
Profits from Derecognition of Financial Assets at Amortized Cost (Mark "-" for Loss)		
Profit of Net Exposure Hedging (Mark "-" for Loss)		
Incomes from changes in fair value (losses marked with "-")	103,445,980.57	184,727,296.91
Credit Impairment Losses (Mark "-" for Loss)	-44,475,017.30	-39,626,521.03
Asset Impairment Losses (Mark "-" for Loss)	-1,783,389.96	-5,090,736.83
Asset Disposal Income (Mark "-" for Loss)	34,190,019.31	127,226,851.78
II. Operating Profit (Mark "-" for Loss)	3,551,429,926.86	5,232,804,622.41
Add: Non-operating Revenues	6,009,693.14	3,913,459.31
Less: Non-operating Expenses	8,094,190.26	8,513,129.27
III. Total Profit (Mark "-" for Total Loss)	3,549,345,429.74	5,228,204,952.45
Less: Income Tax Expense	135,109,985.70	470,741,477.54
IV. Net Profit (Mark "-" for Net Loss)	3,414,235,444.04	4,757,463,474.91
(I) Net Profit as a Going Concern (Mark "-" for Net Loss)	3,414,235,444.04	4,757,463,474.91
(II) Net Profit of Discontinued Operation (Mark "-" for Net Loss)		
V. Net Amount of Other Comprehensive Incomes After Tax	-522,554.00	522,554.00
(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	-522,554.00	522,554.00
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	-522,554.00	522,554.00
VI. Total Comprehensive Income	3,413,712,890.04	4,757,986,028.91
VII. Earnings per Share:		
(I) Basic Earnings per Share	1.16	1.63
(II) Diluted Earnings per Share	1.16	1.62

## 5. Consolidated Cash Flow Statement

Unit: RMB

Item	2021	2020
I. Cash Flow Generated by Operational Activities:		
Cash from Sales of Merchandise and Provision of Services	33,384,841,745.99	28,721,463,584.87
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	1,604,253,811.38	2,145,968,090.43
Other Received Cashes Related to Operational Activities	1,221,646,989.77	571,499,575.77
Subtotal of cash inflow from operational activities	36,210,742,547.14	31,438,931,251.07
Cash Paid for Merchandise and Services	23,903,491,799.57	16,795,378,933.09
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	6,398,936,181.16	5,720,313,227.03
Cash Paid for Taxes and Surcharges	2,121,025,465.57	2,091,640,964.97
Other Paid Cashes Related to Operational Activities	2,059,728,352.83	2,430,065,057.59
Subtotal of cash outflow from operational activities	34,483,181,799.13	27,037,398,182.68
Net cash flow generated by operating activities	1,727,560,748.01	4,401,533,068.39
II. Cash Flow from Investment Activities:		
Cash Arising from Disposal of Investments	1,463,356,586.35	1,634,199,750.21
Cash Arising from Investment Incomes	35,284,145.19	12,348,849.70
Net Cash Arising from Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets	48,030,451.90	2,215,395.66
Net Cash Arising from Disposal of Subsidiaries and Other Business Units	385,714,582.64	603,416,723.92
Other Received Cashes Related to Investment Activities	49,758,199.26	89,135,991.22
Subtotal of cash inflow from investment activities	1,982,143,965.34	2,341,316,710.71
Cash Paid for Purchase and Construction of Fixed Assets, Intangible Assets and Other Long-term Assets	1,227,449,411.36	641,719,756.37
Cash Paid for Investments	2,589,050,059.94	1,790,971,318.35
Net Increase in Pledge Loans		
Net Cash Paid for Acquisition of Subsidiaries and Other Business		

Units		
Other Paid Cashes Related to Investment Activities	20,521,853.51	98,539,575.66
Subtotal of cash outflows from investment activities	3,837,021,324.81	2,531,230,650.38
Net amount of cash flow generated by investment activities	-1,854,877,359.47	-189,913,939.67
III. Cash Flow from Financing Activities:		
Cash Arising from Absorbing Investments	67,365,784.31	70,218,000.00
Including: Cash Arising from Subsidiaries Absorbing Investments by Minority Shareholders	67,365,784.31	70,218,000.00
Cash Arising from Borrowings	3,806,867,910.97	5,183,085,902.98
Other Received Cashes Related to Financing Activities	54,524,867.57	3,224,665,370.08
Subtotal of cash inflow from financing activities	3,928,758,562.85	8,477,969,273.06
Cash Paid for Debts Repayment	2,432,673,259.88	4,468,423,443.42
Cash Paid for Distribution of Dividends and Profits or Payment of Interests	885,055,753.43	449,568,123.55
Including: Dividends and Profits Paid to Minority Shareholders by Subsidiaries		
Other Paid Cashes Related to Financing Activities	117,164,661.16	2,954,360,449.72
Subtotal of cash outflow from financing activities	3,434,893,674.47	7,872,352,016.69
Net cash flow generated by financing activities	493,864,888.38	605,617,256.37
IV. Impact of Fluctuation in Exchange Rate on Cash and Cash Equivalents	-107,424,194.13	-192,969,591.97
V. Net Increase in Cash and Cash Equivalents	259,124,082.79	4,624,266,793.12
Add: Cash and Cash Equivalents at the Commencement of the Period	7,358,452,769.53	2,734,185,976.41
VI. Cash and Cash Equivalents at the End of the Period	7,617,576,852.32	7,358,452,769.53

## 6. Cash Flow Statement of the Parent Company

Unit: RMB

Item	2021	2020
I. Cash Flow Generated by Operational Activities:		
Cash from Sales of Merchandise and Provision of Services	6,814,252,952.65	16,022,674,927.78
Tax Refund	505,983.44	814,531,270.70
Other Received Cashes Related to Operational Activities	897,991,518.57	282,829,879.15
Subtotal of cash inflow from operational activities	7,712,750,454.66	17,120,036,077.63
Cash Paid for Merchandise and Services	1,001,707,001.37	1,242,934,106.98

Cash Paid to and for Employees	3,623,125,123.86	3,300,991,851.54
Cash Paid for Taxes and Surcharges	1,415,807,182.17	1,313,259,022.81
Other Paid Cashes Related to Operational Activities	1,257,591,343.28	1,183,016,765.48
Subtotal of cash outflow from operational activities	7,298,230,650.68	7,040,201,746.81
Net cash flow generated by operating activities	414,519,803.98	10,079,834,330.82
II. Cash Flow from Investment Activities:		
Cash Arising from Disposal of Investments	1,809,031,326.07	2,115,117,663.30
Cash Arising from Investment Incomes	20,503,926.08	9,704,215.11
Net Cash Arising from Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets	146,923,237.40	94,656,703.67
Net Cash Arising from Disposal of Subsidiaries and Other Business Units		
Other Received Cashes Related to Investment Activities		6,518,245.35
Subtotal of cash inflow from investment activities	1,976,458,489.55	2,225,996,827.43
Cash Paid for Purchase and Construction of Fixed Assets, Intangible Assets and Other Long-term Assets	369,346,869.72	263,007,171.79
Cash Paid for Investments	3,445,226,468.00	1,912,611,918.00
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	3,814,573,337.72	2,175,619,089.79
Net amount of cash flow generated by investment activities	-1,838,114,848.17	50,377,737.64
III. Cash Flow from Financing Activities:		
Cash Arising from Absorbing Investments		
Cash Arising from Borrowings	2,180,070,170.57	3,478,639,728.69
Other Received Cashes Related to Financing Activities	2,184,087,134.95	1,992,107,169.55
Subtotal of cash inflow from financing activities	4,364,157,305.52	5,470,746,898.24
Cash Paid for Debts Repayment	1,127,003,259.88	2,728,639,728.69
Cash Paid for Distribution of Dividends and Profits or Payment of Interests	856,158,521.30	438,708,297.34
Other Paid Cashes Related to Financing Activities	1,638,664,236.33	10,203,675,290.09
Subtotal of cash outflow from financing activities	3,621,826,017.51	13,371,023,316.12
Net cash flow generated by financing activities	742,331,288.01	-7,900,276,417.88
IV. Impact of Fluctuation in Exchange Rate on Cash and Cash Equivalents	-880,222.72	-180,445.72
V. Net Increase in Cash and Cash Equivalents	-682,143,978.90	2,229,755,204.86

Add: Cash and Cash Equivalents at the Commencement of the Period	3,090,496,504.00	860,741,299.14
VI. Cash and Cash Equivalents at the End of the Period	2,408,352,525.10	3,090,496,504.00

## 7. Consolidated Statement of Changes in Owners' Equity

Amount of this period

Unit: RMB

Item	2021														Minority Shareholders' Equity	Total Shareholders' Equity
	Shareholders' Equity Attributable to the Parent Company's Owner															
	Share Capital	Other Equity Instruments			Capital Reserves	Less: Treasury Shares	Other Comprehensive Incomes	Special Reserves	Surplus Reserves	General Risk Reserves	Undistributed Profits	Others	Subtotal			
	Preferrred Stocks	Perpetual Bonds	Others													
I. Balance at the End of Last Year	2,995,579,590.00				1,989,655,334.05	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	2,995,579,590.00				1,989,655,334.05	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				949,856,901.70	-304,799,406.80	14,848,269.36				2,576,096,369.29		3,844,572,087.15	122,130,310.89	3,966,702,398.04
(I) Total Comprehensive Income							14,848,269.36				3,378,410,889.60		3,393,259,158.96	33,006,934.05	3,426,266,093.01
(II) Shareholders' Contribution and Reduction in Capital	-1,028,860.00				-12,211,170.99	-304,799,406.80							291,559,375.81	85,362,254.73	376,921,630.54
1. Common stock invested by the owner	-1,028,860.00				-7,461,896.20	-304,799,406.80							296,308,650.60	65,534,269.52	361,842,920.12
2. Capital Invested by Holders of Other Equity Instruments															
3. Amount of Share-based Payments Recorded into Shareholders' Equity					-6,580,789.58								-6,580,789.58	19,827,985.21	13,247,195.63
4. Others					1,831,514.79								1,831,514.79		1,831,514.79
(III) Profit Distribution											-802,314,520.31		-802,314,520.31		-802,314,520.31
1. Appropriation of Surplus Reserves															
2. Appropriation of General Risk Reserves															
3. Distribution to Owners (or											-802,314,520.31		-802,314,520.31		-802,314,520.31



Shareholders)											0.31		0.31		0.31
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					962,068.07								962,068.07	3,761,122.11	965,829,194.80
IV. Balance at the End of This Period	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

Amount of Previous Period

Unit: RMB

Item	2020 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 Incomes	Special Reserves	Surplus Reserves	General Risk Reserves	Undistributed Profits	Others	Subtotal			
		Prefere d Stocks	Perpetual Bonds	Ot hers												
I. Balance at the End of Last Year	3,003,713,230.00				1,882,855,119.53	1,057,584,258.31	12,308,276.23		1,553,691,005.92		10,248,023,654.54		15,643,007,027.91	333,160,683.75	15,976,167,711.66	
Add: Changes in Accounting Policies																
Correcti on of Errors in the Previous Period																
Consolid ated																

under the Same Control														
Others														
II. Balance at the Start of This Year	3,003,713,230.00			1,882,855,119.53	1,057,584,258.31	12,308,276.23		1,553,691,005.92	10,248,023,654.54	15,643,007,027.91	333,160,683.75	15,976,167,711.66		
III. Increases or Decreases in This Period (Mark "-" for Decreases)	-8,133,640.00			106,800,214.52	-475,615,327.42	48,849,246.90			3,506,892,249.65	4,130,023,398.49	97,450,999.95	4,227,474,398.44		
(I) Total Comprehensive Income						48,849,246.90			3,902,778,775.35	3,951,628,022.25	32,462,912.24	3,984,090,934.49		
(II) Shareholders' Contribution and Reduction in Capital	-8,133,640.00			123,845,629.06	-475,615,327.42					591,327,316.48	70,218,000.00	661,545,316.48		
1. Common stock invested by the owner	-8,133,640.00			-58,717,702.80	-475,615,327.42					408,763,984.62	70,218,000.00	478,981,984.62		
2. Cap														

ital Invested by Holders of Other Equity Instrume nts														
3. Am ount of Share-b ased Paymen ts Reorde d into Shareho lders' Equity				182,563 ,331.86							182,563, 331.86			182,563, 331.86
4. Oth ers														
(III) Profit Distributi on											-395,886 ,525.70			-395,886 ,525.70
1. App ropriatio n of Surplus Reserve s														
2. App ropriatio n of General Risk Reserve s														
3. Dist ribution to Owners											-395,886 ,525.70			-395,886 ,525.70

(or Shareholders)																			
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				-17,045,414.54							-17,045,414.54	-5,229,912.29	-22,275,326.83	
IV. Balance at the End of This Period	2,995,579,590.00			1,989,655,334.05	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		

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

Amount of this period

Unit: RMB

Item	2021											
	Share Capital	Other Equity Instruments			Capital Reserves	Less: Treasury Shares	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	2,995,579.59 0.00				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	2,995,579.59 0.00				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				948,863,873.77	-304,799,406.80	-522,554.00			2,611,920.923.73		3,864,032,790.30
(I) Total Comprehensive Income							-522,554.00			3,414,235.444.04		3,413,712,890.04
(II) Shareholders' Contribution and Reduction in Capital	-1,028,860.00				-16,965,321.03	-304,799,406.80						286,805,225.77
1. Common	-1,028,860.00				-7,461,800.00	-304,799,406.80						296,308,600.00

stock invested by the owner	860.00				96.20	9,406.80						50.60
2. Capital Invested by Holders of Other Equity Instruments												
3. Amount of Share-based Payments Recorded into Shareholders' Equity					-9,503,424.83							-9,503,424.83
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					965,829,194.80							965,829,194.80
IV. Balance at the End of This Period	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

Amount of Previous Period

Unit: RMB

Item	2020 Annual											
	Share Capital	Other Equity Instruments			Capital Reserves	Less: Treasury Shares	Other Comprehensive Incomes	Special Reserves	Surpluses Reserves	Undistributed Profits	Others	Total Shareholders' Equity
		Preferred Stocks	Perpetual Bonds	Others								
I. Balance at the End of Last Year	3,003,713,230.00				1,867,489,901.04	1,057,584,258.31			1,553,691,005.92	10,397,488,836.58		15,764,798,715.23
Add: Changes in												

Accounting Policies												
Correction of Errors in the Previous Period												
Others												
II. Balance at the Start of This Year	3,003,713.23				1,867,489.90	1,057,584.25			1,553,691.00	10,397,488.83		15,764,798.71
III. Increases or Decreases in This Period (Mark "-" for Decreases)	-8,133,640.00				108,666,874.87	-475,615,327.42	522,554.00			4,361,576,949.21		4,938,248,065.50
(I) Total Comprehensive Income							522,554.00			4,757,463,474.91		4,757,986,028.91
(II) Shareholders' Contribution and Reduction in Capital	-8,133,640.00				16,200,355.59	-475,615,327.42						483,682,043.01
1. Common stock invested by the owner	-8,133,640.00				-58,717,702.80	-475,615,327.42						408,763,984.62
2. Capital Invested by Holders of Other Equity Instruments												
3. Amount of Share-based Payments Recorded into Shareholders' Equity					74,918,058.39							74,918,058.39
4. Others												
(III) Profit										-395,886		-395,886.5

Distribution											,525.70		25.70
1. Appropriation of Surplus Reserves													
2. Distribution to Owners (or Shareholders)											-395,886,525.70		-395,886,525.70
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					92,466,519.28							92,466,519.28
IV. Balance at the End of This Period	2,995,579.59				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. 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. founded by five natural persons, Fu Liquan, 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 December 31, 2021, the Company has issued a total of 2,994,550,730 shares, 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 Fu Liquan and Chen Ailing.

This financial statement has been approved by Board of Directors on April 22, 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".

## **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 consolidated and the parent company's financial position of the Company as at December 31, 2021 and the consolidated and parent company's financial performance, changes in shareholder's equity and cash flows in 2021.

### **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 transactions;
- 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 RMB at the spot exchange rate on the day when the transactions



occurred.

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

## 2. Translation of foreign currency financial statements

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

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

## 10. Financial instruments

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 rate 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

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

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 rate 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 Policies and Accounting Estimates - 10. Financial instruments

## **12. Accounts receivable**

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

## **13. Receivables financing**

Refer to this section Financial Report - V. Significant Accounting Policies 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) Conditions for recognition of fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and have 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%

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 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.

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.

**(4) 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.

**(5) 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.

## 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 scheme

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

#### ② Defined benefit scheme

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

### (3) Accountant arrangement method of termination benefits

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.

Equity-settled share-based payment and equity instrument:

As to an equity-settled share-based payment in return for services of employees, calculation will be based on the fair value of the equity instrument granted to the employees. 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 recognized 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) Specific principles

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

Accounting policy as of January 1, 2021

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.

If the rent exemption, delayed payment and other rent reductions arising directly from the COVID-19 outbreak and made with respect to the existing lease contract meet all the following conditions, the Company will simplify all the lease options without assessing whether the lease is changed or reassessing the lease classification:

- The lease consideration after reduction is less or remains substantially the same compared with the lease consideration before reduction, and the lease consideration may either be undiscounted or discounted by the discount rate before reduction;
- The reduction is only applicable to the lease payment payable before June 30, 2022. The increase of the lease payment payable after June 30, 2022 has no impact on satisfaction of this condition and the decrease of the lease payment after June 30, 2022 will cause failure to meet this condition;
- Other terms and conditions of lease are identified without significant change after taking the qualitative and quantitative factors into full account.

(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.

#### ⑤ Rent reduction related to the COVID-19 outbreak

If the rent reduction simplification method is adopted because of the COVID-19 outbreak, the Company will not assess whether a lease change has been incurred, but will continue to calculate the interest expense of the lease liabilities by the discount rate that is consistent with the one used before the reduction and include it in the current profit or loss, and will continue to accrue depreciation over the right-of-use assets through the method that is consistent with the one used before the reduction. In case of rent reduction, the Company will take the reduced rent as the variable lease payment, and when a reduction agreement or any other agreement is reached to relieve the obligation to pay the original rent, the undiscounted amount or the amount discounted according to the discount rate used before the reduction will be used to set off relevant asset cost or expense, and meanwhile, the lease liabilities will be adjusted accordingly; if the payment of the rent is delayed, the Company will set off the previously recognized lease liabilities when they are actually paid.

For the short-term lease and low-value asset lease, the Company will continue to include the rent in the original contract into relevant asset cost or expense through the method that is consistent with the one used before the reduction. In case of rent reduction, the Company will take the reduced rent as the variable lease payment to set off relevant asset cost or expense during the reduction; if the payment of rent is delayed, the Company will recognize the rent payable in the original payment period as the account payable to set off the previously recognized account payable when it is actually paid.

#### (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 Rent reduction related to the COVID-19 outbreak

- For the operating lease which is subject to the rent reduction simplification method because of the COVID-19 outbreak, the Company will continue to recognize the original contract rent as the lease income through the method that is consistent with the one used before the reduction; in case of rent reduction, the Company will take the reduced rent as the variable lease payment to set off the lease income during the reduction; if the payment of rent is delayed, the Company will recognize the rent receivable in the original collection period as the account receivable to set off the previously recognized account receivable when it is actually received.
- For the financial lease subject to the rent reduction simplification method because of the COVID-19 outbreak, the Company will continue to calculate the interest expense by the discount rate that is consistent with the one used before the reduction and recognize it as the lease income. In case of rent reduction, the Company will take the reduced rent as the variable lease payment, and when a reduction agreement or any other agreement is reached to waive the right to

collect the original rent, the undiscounted amount or the amount discounted according to the discount rate used before the reduction will be used to set off the previously recognized lease income, and the uncovered part will be included in the investment income, and meanwhile, the financial lease receivables will be adjusted accordingly; if the collection of the rent is delayed, the Company will set off the previously recognized financial lease receivables when they are actually received.

### (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 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.

### Accounting policy before January 1, 2021

The lease is divided into financial lease and operating lease. Financial lease means the lease that has substantially transferred all the risks and rewards related to the title of the assets. Operating lease means any lease other than financial lease.

If the rent exemption, delayed payment and other rent reductions arising directly from the COVID-19 outbreak and made with respect to the existing lease contract meet all the following conditions, the Company will simplify all the lease options without assessing whether the lease is changed or reassessing the lease classification:

- The lease consideration after reduction is less or remains substantially the same compared with the lease consideration before reduction, and the lease consideration may either be undiscounted or discounted by the discount rate before reduction;
- The reduction is only applicable to the lease payment payable before Wednesday, June 30, 2021. The increase of the lease payment payable after Wednesday, June 30, 2021 has no impact on satisfaction of this condition and the decrease of the lease payment after Wednesday, June 30, 2021 will cause failure to meet this condition;
- Other terms and conditions of lease are identified without significant change after taking the qualitative and quantitative factors into full account.

### (1) Accounting treatment of operating lease

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

lease incurred by the Company are charged to current profit and loss.

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

For the operating lease which is subject to the rent reduction simplification method because of the COVID-19 outbreak, the Company will continue to include the rent in the original contract into relevant asset cost or expense through the method that is consistent with the one used before the reduction. In case of rent reduction, the Company will take the reduced rent as the contingent rent and include it in the profit or loss during the reduction; if the payment of rent is delayed, the Company will recognize the rent payable in the original payment period as the account payable to set off the previously recognized account payable when it is actually paid.

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

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

For the operating lease which is subject to the rent reduction simplification method because of the COVID-19 outbreak, the Company will continue to recognize the original contract rent as the lease income through the method that is consistent with the one used before the reduction; in case of rent reduction, the Company will take the reduced rent as the contingent rent to set off the lease income during the reduction; if the payment of rent is delayed, the Company will recognize the rent receivable in the original collection period as the account receivable to set off the previously recognized account receivable when it is actually received.

## (2) Accounting treatment of financial lease

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

For the financial lease subject to the rent reduction simplification method because of the COVID-19 outbreak, the Company will continue to recognize the unrecognized financial charges as the current financial charges according to the discount rate that is consistent with the one used before the reduction and will continue to accrue depreciation over the assets acquired under finance leases through the method that is consistent with the one used before the reduction. In case of rent reduction, the Company will take the reduced rent as the contingent rent, and when a reduction agreement or any other agreement is reached to relieve the obligation to pay the original rent, the Company will include it in the current profit or loss and adjust the long-term payables accordingly, or discount or include it in the current profit or loss according to the discount rate used before the reduction; if the payment of the rent is delayed, the Company will set off the previously recognized long-term payables when it is actually paid.

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

For the financial lease subject to the rent reduction simplification method because of the COVID-19 outbreak, the Company will continue to recognize the unrealized financing income as the lease income according to the interest rate



implicit in lease before the reduction. In case of rent reduction, the Company will take the reduced rent as the contingent rent, and when a reduction agreement or any other agreement is reached to waive the right to collect the original rent, the previously recognized lease income will be set off, and the uncovered part will be included in the investment income, and meanwhile, the long-term accounts receivable will be adjusted accordingly or discounted or included in the current profit or loss according to the discount rate used before reduction and the unrealized financing income will be adjusted; if the collection of the rent is delayed, the Company will set off the previously recognized long-term accounts receivable when it is actually received.

### **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 earnings 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**

##### **① Implementation: Accounting Standards for Business Enterprises No.21 - Leases (2018 Edition)**

The Ministry of Finance amended the Accounting Standards for Enterprises No.21 – Leases (hereinafter referred to as "New Lease Criteria") in 2018. The Company has implemented the new lease criteria since January 1, 2021. According to the amended criteria, the Company chooses not to re-assess whether the contract existing before the first execution date is a lease or contains a lease on the first execution date.

- The Company as a lessee

The Company chooses to adjust the retained earnings at the beginning of the current year in which the new lease criteria are first executed and the amount of other related item in the financial statements according to the cumulative impact of the new lease criteria implemented on the first execution date, and the information in the comparable periods is not adjusted.

For the operating lease existing before the first execution date, the Company will measure the lease liabilities at the present value discounted from the interest rate on incremental borrowings of the Company on the first execution date according to the remaining lease payments, and will measure the right-of-use assets by one of the two approaches according to each lease option:

- It is assumed that the book value of the new lease criteria will be adopted from the commencement of the lease term, and the interest rate on incremental borrowings of the Company on the first execution date will be taken as the discount rate.
- The amount equal to the lease liabilities will be adjusted, as necessary, according to the prepaid rent.

For the operating lease before the first execution date, the Company will adopt one or more of the following simplified treatments per each lease while applying the above methods:

- 1) The lease completed within 12 months from the first execution date will be treated as the short-term lease;
- 2) The same discount rate will apply to the lease with similar characteristics when measuring the lease liabilities;
- 3) The right-of-use assets will be measured exclusive of initial direct cost;
- 4) If there is a renewal option or lease termination option, the lease term will be determined according to the actual exercise of the option before the first execution date and other latest information;
- 5) In lieu of the impairment test of the right-of-use assets, the contract containing the lease will be assessed according to this section Financial Report - V. Significant Accounting Policies and Accounting Estimates - 29. Estimated liabilities to determine whether it is a loss-making contract before the first execution date, and the right-of-use assets will be adjusted according to the amount of reserve for loss included in the balance sheet before the first execution date;
- 6) The lease change occurring before the first execution date will not be subject to retroactive adjustment, but will be subject to accounting treatment on the basis of the new lease criteria according to the final arrangement of lease change.

When measuring the lease liabilities, the Company will discount the lease payments by using the interest rate on incremental borrowings (weighted average value: 4.75%) of the lessee on January 1, 2021.

Minimum unpaid lease payment for the major operating lease disclosed in the consolidated financial statements as at December 31, 2020	156,110,270.79
Present value discounted according to the interest rate on incremental borrowings of the Company on January 1, 2021	145,067,810.69
Lease liabilities under the new lease criteria on January 1, 2021 (including lease liabilities due within one year)	145,067,810.69
Difference between the above discounted present value and the lease liabilities	

For the financial lease existing before the first execution date, the Company will separately measure the right-of-use assets and the lease liabilities at the original book value of the assets acquired under finance leases and the lease payments payable on the first execution date.

- The Company as a lessor

The sublease that is classified as an operating lease before the first execution date and is still existing after the first execution date will be reassessed by the Company on the first execution date on the basis of the remaining contract term and terms of the original lease and the sublease, and be reclassified according to the new lease criteria. If it is reclassified as a financial lease, the Company will take it as a new financial lease for accounting treatment.

Except for the sublease, the Company is not required to adjust the lease in which it is a lessor according to the new lease criteria. The Company will conduct accounting treatment according to the new lease criteria from the first execution date on.

- The new lease criteria adopted by the Company have the following main effects on the financial statements:

Unit: RMB

Content and Reasons for Change in Accounting Policies	Affected Statement Items	Impact Amount of Balance on January 1, 2021	
		Consolidated Subsidiaries	Parent company
(1) Adjustment of the operating lease existing before the first execution date by the Company as a lessee	Prepayments	-9,255,773.15	-7,480,693.68
	Other Receivables	-1,452,172.37	-141,861.28
	Other Current Assets	102,047.54	
	Right-of-use Assets	155,673,708.67	82,586,983.09
	Non-current Liabilities Due within 1 Year	58,971,448.27	29,457,938.99
	Lease Liabilities	86,096,362.42	45,506,489.14

## ② Implementation of Interpretation of Accounting Standards for Business Enterprises No.14

On February 2, 2021, the Ministry of Finance released the Interpretation of Accounting Standards for Business Enterprises No.14 (CaiKuai (2021) No. 1, hereinafter referred to as "Interpretation No. 14"), which was implemented as of the date of release. Relevant businesses added from January 1, 2021 to the date of implementation are adjusted according to Interpretation No. 14.

### 1) Government and social capital cooperation (PPP) project contracts

Interpretation No. 14 is applicable to PPP project contracts which are subject to "bicharacteristics" and "dual control" set out in the Interpretation. Relevant PPP project contracts which were started before December 31, 2020 and had not been completed until the date of implementation shall be subject to retroactive adjustment, and if the retroactive adjustment is not practical or feasible, retroactive adjustment shall be applied from the beginning of the earliest period to which retroactive adjustment is applicable. The retained earnings at the beginning of the current year to which the date of implementation belongs and other related item in the financial statements shall be adjusted according to the cumulative impact, and the information in the comparable periods shall not be adjusted. The implementation of such regulations has no significant impact on the financial position and operating result of the Company.

### 2) Reform of the benchmark interest rate

A simplified accounting treatment is required by "Interpretation No.14" for the change in the basis to determine the cash flow related to the financial instrument contracts and lease contracts resulting from the reform of the benchmark interest rate.

According to the provisions in the Interpretation, the businesses occurring in connection with the reform of the benchmark interest rate before December 31, 2020 shall be subject to retroactive adjustment, unless the retroactive adjustment is not practical and feasible, in which case the data in the comparative financial statements in the previous period will not be adjusted. On the date of implementation of the Interpretation, the difference between the original book value and the new book value of the financial assets and financial liabilities is included in the retained earnings or other comprehensive income at the beginning of the annual reporting period to which the date of implementation of the Interpretation belongs. The implementation of such regulations has no significant impact on the financial position and operating result of the Company.

③ Implementation of Notice on Adjustment of the Scope of Application of the Regulations Concerning Accounting Treatment of Rent Reduction Because of the COVID-19 Outbreak

On June 19, 2020, the Ministry of Finance issued the Notice on Adjustment of the Scope of Application of the Regulations Concerning Accounting Treatment of Rent Reduction Because of the COVID-19 Outbreak (CaiKuai (2020) No. 10), and an enterprise may choose to conduct accounting treatment through the simplified method of the qualified rent exemption, delayed payment and other rent reductions arising directly from the COVID-19 outbreak.

On May 26, 2021, the Ministry of Finance issued the Notice on Adjustment of the Scope of Application of the Regulations Concerning Accounting Treatment of Rent Reduction Because of the COVID-19 Outbreak (CaiKuai (2021) No. 9), which was implemented as of May 26, 2021. The scope of application of the rent reduction in connection with the COVID-19 outbreak using the simplified method as permitted in the Regulations Concerning Accounting Treatment of Rent Reduction Because of the COVID-19 Outbreak was adjusted from “the reduction is only applicable to the lease payment payable before June 30, 2021” to “the reduction is only applicable to the lease payment payable before June 30, 2022”, and other conditions remained the same.

The Company has conducted accounting treatment through the simplified method of all the lease contracts that are qualified before adjustment of the scope of application and of all the similar lease contracts that are qualified after adjustment of the scope of application. Relevant lease contracts which have been subject to accounting treatment through the lease change before the Notice is issued will be subject to retroactive adjustment, but the data in the comparative financial statements in the previous period is not adjusted; relevant rent reductions arising between January 1, 2021 and the date of implementation of the Notice which have not be subject to accounting treatment according to the Notice will be adjusted according to the Notice.

④ Implementation of Presentation concerning centralized management of funds in Interpretation of Accounting Standards for Business Enterprises No.15

On December 30, 2021, the Ministry of Finance released the Interpretation of Accounting Standards for Business Enterprises No.15 (CaiKuai (2021) No. 35, hereinafter referred to as “Interpretation No. 15”), in which “presentation concerning centralized management of funds” was implemented as of the date of issue, and the data in the financial statements in the comparable periods was adjusted accordingly.

Interpretation No. 15 specifies how to present and disclose in the balance sheet the balance involving the enterprises' centralized and uniform management of the parent company and the member entities through the internal settlement center and the financial company. The implementation of such regulations has no significant impact on the financial position and operating result of the Company.

## (2) Changes in significant accounting estimates

Applicable  Not applicable

## (3) The first implementation of new lease criteria from 2021 to adjust the relevant items of the financial statements implemented at the beginning of the year for the first time

Applicable  Not applicable

Whether the accounts of the balance sheet at the beginning of the year shall be adjusted

Yes  No

## Consolidated Balance Sheet

Unit: RMB

Item	December 31, 2020	January 1, 2021	Adjusted amount
Current Assets:			
Cash and Bank Balances	7,471,652,634.66	7,471,652,634.66	
Deposit Reservation for Balance			
Loans to Banks and Other Financial Institutions			
Trading Financial Assets	2,475,680.45	2,475,680.45	
Derivative Financial Assets			
Notes receivable	232,857,354.55	232,857,354.55	
Accounts receivable	12,857,519,110.16	12,857,519,110.16	
Receivables Financing	1,207,879,654.58	1,207,879,654.58	
Prepayments	162,250,648.05	152,994,874.90	-9,255,773.15
Premium Receivable			
Reinsurance Accounts Receivable			
Reinsurance Contract Reserves Receivable			
Other Receivables	970,427,893.48	968,975,721.11	-1,452,172.37
Including: interest receivable			
Dividends Receivable			
Buying Back the Sale of Financial Assets			
Inventory	4,928,019,838.00	4,928,019,838.00	
Contract Assets	84,825,834.82	84,825,834.82	
Holding for-sale assets			
Non-current Assets Due within 1 Year	635,956,549.07	635,956,549.07	
Other Current Assets	558,434,219.93	558,536,267.47	102,047.54
Subtotal of Current Assets	29,112,299,417.75	29,101,693,519.77	-10,605,897.98
Non-current Assets:			
Granting of loans and advances			
Investment in Creditor's Rights			
Investment in Other Creditor's Rights			
Long-term Receivables	2,250,315,769.50	2,250,315,769.50	
Long-term Equity Investment	455,977,616.16	455,977,616.16	

Investment in Other Equity Instruments			
Other Non-current Financial Assets	360,087,786.34	360,087,786.34	
Investment Property	336,008,869.13	336,008,869.13	
Fixed Assets	1,515,594,629.97	1,515,594,629.97	
Projects under Construction	1,164,130,453.03	1,164,130,453.03	
Productive Biological Assets			
Oil and gas assets			
Right-of-use Assets		155,673,708.67	155,673,708.67
Intangible Assets	406,777,323.39	406,777,323.39	
Development Expenditure			
Goodwill	42,685,490.30	42,685,490.30	
Long-term deferred expenses	32,280,430.67	32,280,430.67	
Deferred Income Tax Assets	832,453,676.69	832,453,676.69	
Other Non-current Assets	86,422,617.82	86,422,617.82	
Subtotal of Non-current Assets	7,482,734,663.00	7,638,408,371.67	155,673,708.67
Total Assets	36,595,034,080.75	36,740,101,891.44	145,067,810.69
Current Liabilities:			
Short-term loan	250,177,083.34	250,177,083.34	
Borrowings from the Central Bank			
Borrowings from Banks and Other Financial Institutions			
Transactional financial liabilities			
Derivative Financial Liabilities			
Notes Payable	3,258,552,758.17	3,258,552,758.17	
Accounts Payable	6,444,787,705.28	6,444,787,705.28	
Received Prepayments			
Contract liabilities	671,120,385.08	671,120,385.08	
Financial Assets Sold for Repurchase			
Deposit Taking and Interbank Deposit			
Receiving from Vicariously Traded Securities			
Receiving from Vicariously Sold Securities			
Payroll payable	1,805,464,535.31	1,805,464,535.31	
Tax Payable	900,144,863.67	900,144,863.67	

Other Payables	970,552,877.22	970,552,877.22	
Including: interest payable			
Dividends Payable	12,982,399.27	12,982,399.27	
Service Charge and Commission Payable			
Reinsurance Accounts Payable			
Holding for-sale liabilities			
Non-current Liabilities Due within 1 Year	151,891,709.34	210,863,157.61	58,971,448.27
Other Current Liabilities	209,401,914.77	209,401,914.77	
Subtotal of Current Liabilities	14,662,093,832.18	14,721,065,280.45	58,971,448.27
Non-current Liabilities:			
Insurance Contract Reserves			
Long-term loan	878,000,000.00	878,000,000.00	
Bonds Payable			
Including: Preferred Stocks			
Perpetual Bonds			
Lease Liabilities		86,096,362.42	86,096,362.42
Long-term Payables			
Long-term payroll payable			
Expected Liabilities	282,427,517.82	282,427,517.82	
Deferred Income	110,469,806.29	110,469,806.29	
Deferred Income Tax Liabilities	67,272,768.46	67,272,768.46	
Other Non-current Liabilities	391,128,045.90	391,128,045.90	
Subtotal of Non-current Liabilities	1,729,298,138.47	1,815,394,500.89	86,096,362.42
Total Liabilities	16,391,391,970.65	16,536,459,781.34	145,067,810.69
Shareholders' Equity:			
Share Capital	2,995,579,590.00	2,995,579,590.00	
Other Equity Instruments			
Including: Preferred Stocks			
Perpetual Bonds			
Capital Reserves	1,989,655,334.05	1,989,655,334.05	
Less: Treasury Share	581,968,930.89	581,968,930.89	
Other Comprehensive Incomes	61,157,523.13	61,157,523.13	
Special Reserves			

Surplus Reserves	1,553,691,005.92	1,553,691,005.92	
General Risk Reserves			
Undistributed Profits	13,754,915,904.19	13,754,915,904.19	
Total Shareholders' Equity Attributable to the Parent Company	19,773,030,426.40	19,773,030,426.40	
Minority Shareholders' Equity	430,611,683.70	430,611,683.70	
Total Shareholders' Equity	20,203,642,110.10	20,203,642,110.10	
Total Liabilities and Shareholders' Equity	36,595,034,080.75	36,740,101,891.44	145,067,810.69

Adjustment explanation

Balance Sheet of the Parent Company

Unit: RMB

Item	December 31, 2020	January 1, 2021	Adjusted amount
Current Assets:			
Cash and Bank Balances	3,130,479,311.55	3,130,479,311.55	
Trading Financial Assets			
Derivative Financial Assets			
Notes receivable	74,284,006.99	74,284,006.99	
Accounts receivable	2,740,152,239.35	2,740,152,239.35	
Receivables Financing	169,109,529.24	169,109,529.24	
Prepayments	48,203,550.97	40,722,857.29	-7,480,693.68
Other Receivables	13,796,603,550.30	13,796,461,689.02	-141,861.28
Including: interest receivable			
Dividends Receivable			
Inventory	171,756,222.72	171,756,222.72	
Contract Assets	8,338,657.15	8,338,657.15	
Holding for-sale assets			
Non-current Assets Due within 1 Year	61,828,724.54	61,828,724.54	
Other Current Assets	12,592.38	12,592.38	



Subtotal of Current Assets	20,200,768,385.19	20,193,145,830.23	-7,622,554.96
Non-current Assets:			
Investment in Creditor's Rights			
Investment in Other Creditor's Rights			
Long-term Receivables	100,221,713.49	100,221,713.49	
Long-term Equity Investment	3,660,410,557.29	3,660,410,557.29	
Investment in Other Equity Instruments			
Other Non-current Financial Assets	355,853,684.59	355,853,684.59	
Investment Property	173,003,549.71	173,003,549.71	
Fixed Assets	550,991,444.04	550,991,444.04	
Projects under Construction	438,014,907.22	438,014,907.22	
Productive Biological Assets			
Oil and gas assets			
Right-of-use Assets		82,586,983.09	82,586,983.09
Intangible Assets	156,335,152.97	156,335,152.97	
Development Expenditure			
Goodwill			
Long-term Deferred Expenses	21,149,342.55	21,149,342.55	
Deferred Income Tax Assets	135,371,242.86	135,371,242.86	
Other Non-current Assets	35,774,247.16	35,774,247.16	
Subtotal of Non-current Assets	5,627,125,841.88	5,709,712,824.97	82,586,983.09
Total Assets	25,827,894,227.07	25,902,858,655.20	74,964,428.13
Current Liabilities:			
Short-term loan	250,177,083.34	250,177,083.34	

Transactional financial liabilities			
Derivative Financial Liabilities			
Notes Payable	303,660,579.62	303,660,579.62	
Accounts Payable	752,373,890.95	752,373,890.95	
Received Prepayments			
Contract liabilities	85,275,423.36	85,275,423.36	
Payroll payable	1,127,500,408.14	1,127,500,408.14	
Tax Payable	627,351,201.46	627,351,201.46	
Other Payables	1,002,654,121.27	1,002,654,121.27	
Including: interest payable			
Dividends Payable	12,982,399.27	12,982,399.27	
Holding for-sale liabilities			
Non-current Liabilities Due within 1 Year	150,643,750.02	180,101,689.01	29,457,938.99
Other Current Liabilities	26,870,130.42	26,870,130.42	
Subtotal of Current Liabilities	4,326,506,588.58	4,355,964,527.57	29,457,938.99
Non-current Liabilities:			
Long-term loan	750,000,000.00	750,000,000.00	
Bonds Payable			
Including: Preferred Stocks			
Perpetual Bonds			
Lease Liabilities		45,506,489.14	45,506,489.14
Long-term Payables			
Long-term payroll payable			
Expected Liabilities	8,333,634.18	8,333,634.18	
Deferred Income			

Deferred Income Tax Liabilities	29,407,289.24	29,407,289.24	
Other Non-current Liabilities	10,599,934.34	10,599,934.34	
Subtotal of Non-current Liabilities	798,340,857.76	843,847,346.90	45,506,489.14
Total Liabilities	5,124,847,446.34	5,199,811,874.47	74,964,428.13
Shareholders' Equity:			
Share Capital	2,995,579,590.00	2,995,579,590.00	
Other Equity Instruments			
Including: Preferred Stocks			
Perpetual Bonds			
Capital Reserves	1,976,156,775.91	1,976,156,775.91	
Less: Treasury Share	581,968,930.89	581,968,930.89	
Other Comprehensive Incomes	522,554.00	522,554.00	
Special Reserves			
Surplus Reserves	1,553,691,005.92	1,553,691,005.92	
Undistributed Profits	14,759,065,785.79	14,759,065,785.79	
Total Shareholders' Equity	20,703,046,780.73	20,703,046,780.73	
Total Liabilities and Shareholders' Equity	25,827,894,227.07	25,902,858,655.20	74,964,428.13

#### (4) Explanation of data comparison for early stage of retroactive adjustment due to first implementation of the new lease criteria from 2021

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	13%, 9%, 6%, simple collection rate of 5%, simple collection rate of 3%, 0% and tax-free

	deducted from the sales tax in the current period, the difference shall be the value added tax	
Urban Maintenance and Construction Tax	Actually paid turnover tax	7%、5%
Enterprise Income Tax	Calculated based on the 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%
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%
Zhejiang Huaxiao Technology Co., Ltd.	20%
Sichuan Dahua Guangxun Photoelectric Technology Co., Ltd.	20%
Guangxi Dahua Technology Co., Ltd.	20%
Shanghai Huashang Chengyue Information Technology Service Co., Ltd.	20%
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	16.50%

Chengdu Dahua Zhilian Information Technology Co., Ltd.	20%
Hangzhou Xiaohua Technology CO., LTD.	20%
Chengdu Dahua Zhishu Information Technology 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%
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 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%.

(6) According to the Notice on the Implementation of Inclusive Tax Reduction and Exemption Policies for Small and Micro-Enterprises (CaiShui [2019] No.13), the annual taxable income of the following subsidiaries that is no more than RMB 1 million shall be reduced to 25% 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 50% for tax purpose and the enterprise income tax shall be paid at a rate of 20%: Zhejiang Dahua Ju'an Technology Co., Ltd., Zhejiang Huaxiao Technology Co., Ltd., Sichuan Dahua Guangxun Photoelectric Technology Co., Ltd., Guangxi Dahua Technology Co., Ltd., Shanghai Huashang Chengyue 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., Chengdu Dahua Zhilian Information Technology Co., Ltd., Hangzhou Xiaohua

Technology Co., Ltd., Chengdu Dahua Zhishu Information Technology 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., and Tianjin Dahua Information Technology Co., Ltd.

(7) 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	Balance at the End of the Period	Balance at the Start of the Period
Cash on Hand	23,443.62	24,145.51
Bank Balance	7,326,702,072.79	7,336,459,974.17
Other Cash and Bank Balances	404,277,268.36	135,168,514.98
Total	7,731,002,784.77	7,471,652,634.66
Including: Total Amount Deposited in Overseas Banks	1,237,766,508.87	1,625,638,746.76
The total amount restricted for use due to mortgage, pledge or freeze	96,491,171.83	101,126,967.62

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

Item	Balance at the End of the Period	Balance at the end of the previous year
Bid/performance bond	78,754,709.42	101,126,967.62
Deposits for notes	13,583,198.60	
Frozen funds	4,153,263.81	
Total	96,491,171.83	101,126,967.62

### 2. Trading Financial Assets

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Financial assets at fair value through profit or loss in this period	2,602,173.53	2,475,680.45

Including: Derivative Financial Assets	1,132,173.53	1,005,680.45
Financial products	1,470,000.00	1,470,000.00
Total	2,602,173.53	2,475,680.45

### 3. Notes Receivable

#### (1) Disclosure of Notes Receivable

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Bank Acceptance Notes	565,521,840.25	57,617,340.08
Commercial Acceptance Notes	274,339,722.10	175,240,014.47
Total	839,861,562.35	232,857,354.55

Unit: RMB

Category	Balance at the End of the Period					Balance at the Start of the Period				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Accrued proportion		Amount	Percentage	Amount	Accrued proportion	
Notes Receivable with the Bad Debt Provision Accrued Based on Single Item	6,550,208.04	0.75%	6,550,208.04	100.00%						
Including:										
Commercial Acceptance Notes	6,550,208.04	0.75%	6,550,208.04	100.00%						
Notes Receivable with the Bad Debt Provision Accrued Based on Combinations	872,390,616.35	99.25%	32,529,054.00	3.73%	839,861,562.35	248,409,731.28	100.00%	15,552,376.73	6.26%	232,857,354.55
Including:										
Bank Acceptance Notes	571,898,384.64	65.07%	6,376,544.39	1.11%	565,521,840.25	58,793,204.17	23.67%	1,175,864.09	2.00%	57,617,340.08
Commercial Acceptance Notes	300,492,231.71	34.18%	26,152,509.61	8.70%	274,339,722.10	189,616,527.11	76.33%	14,376,512.64	7.58%	175,240,014.47
Total	878,940,616.35	100.00%	39,079,209.61		839,861,562.35	248,409,731.28	100.00%	15,552,376.73		232,857,354.55

	824.39	%	62.04		562.35	731.28		6.73		354.55
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Bad debt provision based on single item

Unit: RMB

Name	Balance at the End of the Period			
	Book balance	Bad debt provision	Accrued proportion	Reason for making bad debt provision
Commercial Acceptance Notes	6,550,208.04	6,550,208.04	100.00%	Funds expected to be unable to recover
Total	6,550,208.04	6,550,208.04	--	--

Bad debt provision based on combinations

Unit: RMB

Name	Balance at the End of the Period		
	Book balance	Bad debt provision	Accrued proportion
Bank Acceptance Notes	571,898,384.64	6,376,544.39	1.11%
Commercial Acceptance Notes	300,492,231.71	26,152,509.61	8.70%
Total	872,390,616.35	32,529,054.00	--

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	Balance at the Start of the Period	Amount of Changes in the Current Period				Balance at the End of the Period
		Accrued	Recovered or Reversed	Written Off	Others	
Bank Acceptance Notes	1,175,864.09	5,200,680.30				6,376,544.39
Commercial Acceptance Notes	14,376,512.64	18,326,205.01				32,702,717.65
Total	15,552,376.73	23,526,885.31				39,079,262.04

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	422,074,903.57
Total	422,074,903.57

**(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	Derecognized amount at the end of period	Not derecognized amount at the end of period
Bank Acceptance Notes		85,308,638.52
Commercial Acceptance Notes		19,293,124.00
Total		104,601,762.52

**(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	22,802,477.64
Total	22,802,477.64

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

Unit: RMB

Category	Balance at the End of the Period					Balance at the Start of the Period				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Accrued proportion		Amount	Percentage	Amount	Accrued proportion	
Accounts receivables with the bad debt provision accrued based on	587,384,495.64	3.40%	587,384,495.64	100.00%		669,736,293.01	4.53%	313,697,573.83	46.84%	356,038,719.18

single item										
Including:										
Accounts receivable with insignificant single amount but accrued for separate provision of bad debt	587,384,495.64	3.40%	587,384,495.64	100.00%		669,736,293.01	4.53%	313,697,573.83	46.84%	356,038,719.18
Accounts receivables with the bad debt provision accrued based on combinations	16,675,212,796.56	96.60%	2,020,722,153.07	12.12%	14,654,490,643.49	14,106,509,538.15	95.47%	1,605,029,147.17	11.38%	12,501,480,390.98
Including:										
Portfolio 2: Aging Analysis Portfolio	16,675,212,796.56	96.60%	2,020,722,153.07	12.12%	14,654,490,643.49	14,106,509,538.15	95.47%	1,605,029,147.17	11.38%	12,501,480,390.98
Total	17,262,597,292.20	100.00%	2,608,106,648.71		14,654,490,643.49	14,776,245,831.16	100.00%	1,918,726,721.00		12,857,519,110.16

Bad debt provision based on single item

Unit: RMB

Name	Balance at the End of the Period			
	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	51,153,304.27	51,153,304.27	100.00%	Expected to be unable to recover
Customer 4	32,146,763.01	32,146,763.01	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	587,384,495.64	587,384,495.64	--	--

Bad debt provision based on combinations

Unit: RMB

Name	Balance at the End of the Period		
	Book balance	Bad debt provision	Accrued proportion
Within 1 year (including 1 year)	12,975,549,314.16	648,777,465.65	5.00%

1 to 2 years	1,448,694,748.42	144,869,474.84	10.00%
2 to 3 years	906,616,656.04	271,984,996.81	30.00%
3 to 4 years	661,638,851.13	330,819,425.56	50.00%
4 to 5 years	292,212,183.00	233,769,746.40	80.00%
5 years or above	390,501,043.81	390,501,043.81	100.00%
Total	16,675,212,796.56	2,020,722,153.07	--

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	Book balance
Within 1 year (including 1 year)	12,983,620,545.19
1 to 2 years	1,470,111,108.09
2 to 3 years	1,188,219,611.35
3 years or above	1,620,646,027.57
3 to 4 years	886,779,496.49
4 to 5 years	343,365,487.27
5 years or above	390,501,043.81
Total	17,262,597,292.20

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

Provision for bad debts in the current period:

Unit: RMB

Category	Balance at the Start of the Period	Amount of Changes in the Current Period				Balance at the End of the Period
		Accrued	Recovered or Reversed	Written Off	Others	
Bad debt provision	1,918,726,721.00	718,632,868.55		14,589,280.86	-14,663,659.98	2,608,106,648.71
Total	1,918,726,721.00	718,632,868.55		14,589,280.86	-14,663,659.98	2,608,106,648.71

## (3) Accounts receivable actually written off in this period

Unit: RMB

Item	Write-off amount
Accounts receivable actually written off	14,589,280.86

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

The accounts receivable of the top five balances at the end of the period collected by the arrears was summed up to RMB 1,790,262,770.83, accounting for 10.37% of the total balance at the end of the period of accounts receivable. The balance at the end of the period for bad debt provision accrued was RMB 521,025,184.02 accordingly.

**(5) The amount of 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	10,671,527.09	10,671,527.09
Total	10,671,527.09	10,671,527.09

**(6) 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 12,261,066.34 to J.P.Morgan Chase, amount to RMB 78,176,880.66. The amount of accounts receivables was derecognized 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 14,995,918.86 to Banco Santander of Spain, amount to RMB 95,609,479.88. The amount of accounts receivables was derecognized 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 3,537,349.46 to J.P.Morgan Chase, amount to RMB 22,553,078.95. The amount of accounts receivables was derecognized after the transfer.

4) In accordance with the non-recourse purchase agreement on accounts receivables signed between the subsidiary Dahua System Engineering and Xin'an International Commercial Factoring Co., Ltd. in this period, the Company transferred the accounts receivables of RMB 8,540,000.00 to Xin'an International Commercial Factoring Co., Ltd. The amount of accounts receivables was derecognized after the transfer.

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

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Bank Acceptance Notes	792,709,781.57	1,191,810,834.58

Supply Chain Finance		16,068,820.00
<b>Total</b>	<b>792,709,781.57</b>	<b>1,207,879,654.58</b>

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	739,775,215.63
<b>Total</b>	<b>739,775,215.63</b>

## (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	Derecognized amount at the end of period	Not derecognized amount at the end of period
Bank Acceptance Notes	99,467,654.63	
Commercial Acceptance Notes		
<b>Total</b>	<b>99,467,654.63</b>	

## 6. Prepayments

### (1) Aging analysis of prepayments is as follows

Unit: RMB

Aging	Balance at the End of the Period		Balance at the Start of the Period	
	Amount	Percentage	Amount	Percentage
Within 1 year	150,234,638.63	87.84%	139,389,298.38	91.11%
1 to 2 years	14,193,274.00	8.30%	11,346,933.87	7.42%
2 to 3 years	4,364,375.43	2.55%	575,066.34	0.37%
3 years or above	2,241,758.59	1.31%	1,683,576.31	1.10%
<b>Total</b>	<b>171,034,046.65</b>	<b>--</b>	<b>152,994,874.90</b>	<b>--</b>

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

The advance payment of the top five closing balances by the concentration of prepayment parties was summed up to RMB 80,240,317.79, accounting for 46.91% of the total closing balance of the advance payment.

**7. Other Receivables**

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Other Receivables	546,477,779.16	968,975,721.11
Total	546,477,779.16	968,975,721.11

**(1) Other Receivables****1) Other receivables categorized by the nature of the funds**

Unit: RMB

Nature of the funds	Closing balance	Opening balance
Deposits	184,675,342.15	149,004,407.45
Prepaid or advance expense	114,389,093.05	106,409,461.12
Equity Transfer Fund	228,000,000.00	588,000,000.00
Export tax rebate	941,680.81	100,115,398.53
Employee home loan	112,565,185.64	114,008,578.27
Others	9,088,852.20	6,018,587.80
Total	649,660,153.85	1,063,556,433.17

**2) Bad debt provision**

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	72,640,383.80	21,183,679.76	756,648.50	94,580,712.06
Balance in the Current Period on January 1, 2021	—	—	—	—
--Transfer to phase two	-2,236,215.99	2,236,215.99		

--Transfer to phase three	-57,637.30	-36,601.70	94,239.00	
Provisions of this period	6,035,760.02	7,762,119.48	157,406.16	13,955,285.66
Reversals in this period	4,663,301.79			4,663,301.79
Write off in this period			236,128.45	236,128.45
Other variations	-454,192.79			-454,192.79
Balance on December 31, 2021	71,264,795.95	31,145,413.53	772,165.21	103,182,374.69

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

Applicable  Not applicable

Disclosure by age

Unit: RMB

Aging	Book balance
Within 1 year (including 1 year)	228,567,570.50
1 to 2 years	291,706,276.66
2 to 3 years	66,598,051.97
3 years or above	62,788,254.72
3 to 4 years	29,152,098.22
4 to 5 years	28,041,263.50
5 years or above	5,594,893.00
Total	649,660,153.85

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

Provision for bad debts in the current period:

Unit: RMB

Category	Balance at the Start of the Period	Amount of Changes in the Current Period				Balance at the End of the Period
		Accrued	Recovered or Reversed	Written Off	Others	
Bad debt provision	94,580,712.06	13,955,285.66	4,663,301.79	236,128.45	-454,192.79	103,182,374.69
Total	94,580,712.06	13,955,285.66	4,663,301.79	236,128.45	-454,192.79	103,182,374.69

### 4) Accounts receivable actually written off in this period

Unit: RMB

Item	Write-off amount
Other accounts receivable actually written off	236,128.45

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

Unit: RMB

Name of Unit	Nature of the funds	Balance at the End of the Period	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	11.70%	7,600,000.00
Company 2	Equity Transfer Fund	41,800,000.00	1-2 years	6.43%	4,180,000.00
Company 3	Deposits	26,300,000.00	RMB 350,000.00 within 1 year, RMB 810,000.00 for 1-2 years, RMB 24,440,000.00 for 2-3 years, RMB 700,000.00 for 3-4 years	4.05%	7,780,500.00
Company 4	Equity Transfer Fund	25,650,000.00	1-2 years	3.95%	2,565,000.00
Company 5	Equity Transfer Fund	25,080,000.00	1-2 years	3.86%	2,508,000.00
Total	--	194,830,000.00	--	29.99%	24,633,500.00

6) There are no other accounts receivable related to government subsidies.

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

8) 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	Balance at the End of the Period	Balance at the Start of the Period
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	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	2,352,908,447.73	33,667,646.69	2,319,240,801.04	1,775,145,593.83	26,591,186.48	1,748,554,407.35
Work-in-progress	1,153,151,247.13	20,375,437.77	1,132,775,809.36	1,230,145,494.18	33,254,762.89	1,196,890,731.29
Finished goods	3,047,677,900.85	86,872,409.00	2,960,805,491.85	1,904,284,563.26	87,368,092.93	1,816,916,470.33
Outsourced work-in-progress	397,219,186.57		397,219,186.57	165,658,229.03		165,658,229.03
<b>Total</b>	<b>6,950,956,782.28</b>	<b>140,915,493.46</b>	<b>6,810,041,288.82</b>	<b>5,075,233,880.30</b>	<b>147,214,042.30</b>	<b>4,928,019,838.00</b>

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

Unit: RMB

Item	Balance at the Start of the Period	Increased in the current period		Decreased in the current period		Balance at the End of the Period
		Accrued	Others	Reversals or write-offs	Others	
Raw materials	26,591,186.48	21,904,217.86		15,530,289.37	-702,531.72	33,667,646.69
Work-in-progress	33,254,762.89	14,722,704.35		27,608,705.88	-6,676.41	20,375,437.77
Finished goods	87,368,092.93	33,897,211.44		33,358,672.54	1,034,222.83	86,872,409.00
<b>Total</b>	<b>147,214,042.30</b>	<b>70,524,133.65</b>		<b>76,497,667.79</b>	<b>325,014.70</b>	<b>140,915,493.46</b>

## 9. Contract Assets

Unit: RMB

Item	Balance at the End of the Period			Balance at the Start of the Period		
	Book balance	Provision for	Book value	Book balance	Provision for	Book value

		impairment			decline in value	
Completed but unsettled assets	101,450,982.51	961,911.45	100,489,071.06	1,017,240.04	28,227.92	989,012.12
O&M service	6,135,599.16	61,355.99	6,074,243.17	33,574,009.14	599,464.04	32,974,545.10
Quality guarantee deposit	69,575,083.69	12,706,297.55	56,868,786.14	58,308,795.21	7,446,517.61	50,862,277.60
Total	177,161,665.36	13,729,564.99	163,432,100.37	92,900,044.39	8,074,209.57	84,825,834.82

Please refer to the disclosing methods of other receivables for the information disclosure of bad debts provisions, if the bad debt 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	Transfer-out in this period	Causes
Completed but unsettled assets	933,683.53				
O&M service	142,750.28			680,858.33	
Quality guarantee deposit	5,259,779.94				
Total	6,336,213.75			680,858.33	--

## 10. Non-current Assets Due within 1 Year

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Long-term accounts receivables due within 1 year	602,567,293.78	635,956,549.07
Total	602,567,293.78	635,956,549.07

Note: The amount of long-term receivables due within 1 year pledged by the Company at the end of the period is RMB 29,181,283.11. See "XIV. Commitments and Contingencies/1. Significant commitments" for details.

## 11. Other Current Assets

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Not deducted input tax	595,811,123.81	447,082,394.96
Prepaid enterprise income tax	40,343,125.22	91,891,780.90

Return cost receivable	24,964,365.85	19,562,091.61
National debt reverse repurchase	525,000,000.00	
Issue expenses	4,467,259.46	
Total	1,190,585,874.34	558,536,267.47

## 12. Long-term Receivables

### (1) Long-term receivables

Unit: RMB

Item	Balance at the End of the Period			Balance at the Start of the Period			Discount rate range
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value	
Installment Payment for Selling Products	1,891,368,121.39		1,891,368,121.39	2,250,315,769.50		2,250,315,769.50	
Including: Unrealized Financing Income	291,382,982.77		291,382,982.77	375,421,302.27		375,421,302.27	3.69%-10.93%
Total	1,891,368,121.39		1,891,368,121.39	2,250,315,769.50		2,250,315,769.50	--

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

Applicable  Not applicable

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

There are no long-term receivables derecognized 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 148,512,859.01. See "XIV. Commitments and Contingencies/1. Significant commitments" for details.

## 13. Long-term equity investments

Unit: RMB

The invested entity	Balance at the Start of the Period (book value)	Decrease/Increase in the current period								Balance at the End of the Period (book value)	Closing balance of provision for decline in value
		Investments increased	Investment decreased	Investment profit and loss recognized under the equity method	Adjustment on other comprehensive income	Other changes in equity	Cash dividends or profit declared to distribute	Provision for impairment accrued	Others		
I . Joint ventures											
II . Affiliates											
Intelbras S.A.	376,829,395.58	54,123,504.79		33,274,980.04			14,552,357.83		-4,705,087.48	444,970,435.10	
Ruicity Digital Technology Co., Ltd.	57,944,111.48			12,450,397.67						70,394,509.15	
China Standard Intelligent Security Technology Co., Ltd.	9,665,399.07		8,456,045.78	-1,209,353.29							
Zhejiang Zhian Internet of Things Engineering Co., Ltd.	4,403,222.69		6,029,576.60	1,626,353.91							
Zhejiang Leapmotor Technology Co., Ltd.				-322,752,324.29		965,829,194.80				643,076,870.51	
Digital Dongyan	2,400,000.00			-194,584.02						2,205,415.98	

g Technolo gy Operatio n Co., Ltd.											
Hangzho u Juhuany an Informati on Technolo gy Co., Ltd.	1,148,96 2.20			-425,465.81						723,496. 39	
Ningbo Dahua Anbang Security Services Co., Ltd.	1,136,74 3.24		1,070,23 6.44	-66,506.80							
Wenzho u Dahua Security Services Co., Ltd.	845,387. 15		1,006,59 3.61	161,206.46							
Zhousha n Dahua Technolo gy Co., Ltd.	736,351. 40		789,122. 39	52,770.99							
Shaoxin g Dahua Security Services Co., Ltd.	524,006. 45			-23,775.00						500,231. 45	
Taizhou Dahua Security Services Co., Ltd.	327,520. 78		406,183. 75	78,662.97							
Lishui	16,516.1		-37,213.	-53,729.61							

Dahua Intelligent Technology Co., Ltd.	2		49								
Guangdong Zhishi Digital Technology Co., Ltd.				400,228.60					-400,228.60		
Zhejiang Huanuokang Technology Co., Ltd.		20,000,000.00		-4,886,421.90						15,113,578.10	
Zhoushan Huayan Chuangxi Equity Investment Partnership (Limited Partnership)		50,000,000.00		12,135,559.93						62,135,559.93	
Dezhou Shuzhi Information Technology Co., Ltd.		3,400,000.00		-7,343.70						3,392,656.30	
Sichuan Hengji Anhua Internet of Things		1,360,000.00								1,360,000.00	

Technology Co., Ltd.											
Subtotal	455,977,616.16	128,883,504.79	17,720,545.08	-269,439,343.85		965,829,194.80	14,552,357.83		-5,105,316.08	1,243,872,752.91	
Total	455,977,616.16	128,883,504.79	17,720,545.08	-269,439,343.85		965,829,194.80	14,552,357.83		-5,105,316.08	1,243,872,752.91	

#### 14. Other Non-current Financial Assets

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Investment in equity instruments	349,744,582.17	360,087,786.34
Investment in financial products	595,875,383.80	
Total	945,619,965.97	360,087,786.34

#### 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	387,536,763.70	9,893,017.27		397,429,780.97
2. Increased in the Current Period	3,106,528.68	275,104.61		3,381,633.29
(1) Purchase				
(2) Transfer of fixed assets\intangible assets	3,106,528.68	275,104.61		3,381,633.29
(3) Acquisition				
3. Decreased in the Current Period	8,490,107.33	1,076,293.88		9,566,401.21
(1) Disposal				
(2) Transfer to fixed assets/intangible assets	8,490,107.33	1,076,293.88		9,566,401.21

4. Closing Balance	382,153,185.05	9,091,828.00		391,245,013.05
II. Accumulated Depreciation and Amortization				
1. Opening Balance	59,861,557.64	1,559,354.20		61,420,911.84
2. Increased in the Current Period	20,140,318.93	230,535.95		20,370,854.88
(1) Accrual or Amortization	18,834,070.85	229,154.29		19,063,225.14
(2) Transfer of fixed assets\intangible assets	1,306,248.08	1,381.66		1,307,629.74
3. Decreased in the Current Period	1,570,280.19	41,496.91		1,611,777.10
(1) Disposal				
(2) Transfer to fixed assets/intangible assets	1,570,280.19	41,496.91		1,611,777.10
4. Closing Balance	78,431,596.38	1,748,393.24		80,179,989.62
III. Provision for Impairment				
1. Opening Balance				
2. Increased in the Current Period				
(1) Accrual				
3. Decreased in the Current Period				
(1) Disposal				
(2) Other Transfer-out				
4. Closing Balance				
IV. Book value				
1. Closing Balance on Book Value	303,721,588.67	7,343,434.76		311,065,023.43
2. Opening Balance on Book Value	327,675,206.06	8,333,663.07		336,008,869.13

**(2) Investment properties measured at fair value**

□ Applicable √ Not applicable



**(3) Investment properties with certificates of title not granted**

There are no investment properties with certificates of title not granted at the end of the period.

**16. Fixed Assets**

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Fixed Assets	2,187,435,714.17	1,515,594,629.97
Total	2,187,435,714.17	1,515,594,629.97

**(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	1,210,289,116.15	295,906,750.90	49,627,842.50	994,587,982.50	2,550,411,692.05
2. Increased in the Current Period	453,541,030.74	122,230,765.42	3,267,250.96	412,217,980.19	991,257,027.31
(1) Purchase	1,186,702.23	122,230,765.42	3,267,250.96	411,745,453.67	538,430,172.28
(2) Transferred From Construction in Progress	443,864,221.18			472,526.52	444,336,747.70
(3) Acquisition					
(4) Transfer of investment properties	8,490,107.33				8,490,107.33
3. Decreased in the Current Period	21,754,968.28	1,510,318.80	6,711,900.16	27,865,707.85	57,842,895.09
(1) Disposal or Scrapping	18,648,439.60	1,510,318.80	5,201,968.87	26,860,075.98	52,220,803.25
(2) Transfer to investment real estate	3,106,528.68				3,106,528.68
(3) Disposal of subsidiaries			1,509,931.29	1,005,631.87	2,515,563.16

4. Currency Translation Difference	-319,704.10	-196,469.48	-338,217.50	-2,037,725.00	-2,892,116.08
5. Closing Balance	1,641,755,474.51	416,430,728.04	45,844,975.80	1,376,902,529.84	3,480,933,708.19
II. Accumulated depreciation					
1. Opening Balance	274,599,746.80	97,659,790.39	29,106,542.75	633,450,982.14	1,034,817,062.08
2. Increased in the Current Period	74,436,578.37	29,264,603.22	5,995,519.52	191,353,162.42	301,049,863.53
(1) Accrual	72,866,298.18	29,264,603.22	5,995,519.52	191,353,162.42	299,479,583.34
(2) Transfer of investment properties	1,570,280.19				1,570,280.19
3. Decreased in the Current Period	12,391,140.99	539,834.22	6,175,799.14	21,857,721.02	40,964,495.37
(1) Disposal or Scrapping	11,084,892.91	539,834.22	4,905,692.32	21,293,697.62	37,824,117.07
(2) Transfer to investment real estate	1,306,248.08				1,306,248.08
(3) Disposal of subsidiaries			1,270,106.82	564,023.40	1,834,130.22
4. Currency Translation Difference	-52,751.19	-171,690.72	-188,649.97	-991,344.34	-1,404,436.22
5. Closing Balance	336,592,432.99	126,212,868.67	28,737,613.16	801,955,079.20	1,293,497,994.02
III. Provision for Impairment					
1. Opening Balance					
2. Increased in the Current Period					
(1) Accrual					
3. Decreased in the Current Period					
(1) Disposal or					

Scrapping					
4. Closing Balance					
IV. Book value					
1. Closing Balance on Book Value	1,305,163,041.52	290,217,859.37	17,107,362.64	574,947,450.64	2,187,435,714.17
2. Opening Balance on Book Value	935,689,369.35	198,246,960.51	20,521,299.75	361,137,000.36	1,515,594,629.97

**(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
Phase II, Dahua Intelligent (IoT) Industrial Park Construction Project	428,329,461.95	In the process of obtaining the real estate certificates

**(5) Disposal of fixed assets**

N/A

**17. Construction in Progress**

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Projects under Construction	1,992,834,055.03	1,164,130,453.03
Total	1,992,834,055.03	1,164,130,453.03

**(1) Details of construction in progress**

Unit: RMB

Item	Balance at the End of the Period			Balance at the Start of the Period		
	Book balance	Provision for decline in value	Book value	Book balance	Provision for decline in value	Book value
Phase I, Urban Intelligent Information Industry Construction Project	34,489,372.65		34,489,372.65	33,127,985.19		33,127,985.19
The phase II construction project of the smart manufacturing base in Hangzhou	287,731,881.74		287,731,881.74	449,783,408.47		449,783,408.47
Construction Project of Xi'an R & D Center	461,248,638.28		461,248,638.28	173,768,994.86		173,768,994.86
The construction project of the marketing center in Xi'an	221,631,343.28		221,631,343.28	66,257,152.93		66,257,152.93
Project of Smart IoT Solution R & D and Industrialization	880,987,482.81		880,987,482.81	428,273,059.98		428,273,059.98
New project of Southwest R&D Center of Dahua Co., Ltd.	26,334,500.78		26,334,500.78			
New projects of Southwestern China Operation Center of Dahua	29,054,744.55		29,054,744.55	653,628.06		653,628.06
Others	51,356,090.94		51,356,090.94	12,266,223.54		12,266,223.54
<b>Total</b>	<b>1,992,834,055.03</b>		<b>1,992,834,055.03</b>	<b>1,164,130,453.03</b>		<b>1,164,130,453.03</b>

**(2) Changes in significant construction in progress**

Unit: RMB

Item Name	Budget	Balance at the	Increased in	Transfer amount	Other amount	Balance at the	Project accumul	Project Progres	Accumu lated	Includin g:	Capitali zation	Capital Source
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		Start of the Period	the current period	s in this period	s decreased in current period	End of the Period	ative investment as a percentage of the budget	s	capitalized interest amount	capitalized interest amount in the current period	rate of the interest in the current period	
Project of Smart IoT Solution R & D and Industrialization	RMB 912 million	428,273,059.98	452,714,422.83			880,987,482.81	96.60%	96.60%				Equity Fund
The phase II construction project of the smart manufacturing base in Hangzhou	RMB 827 million	449,783,408.47	281,798,301.60	443,849,828.33		287,731,881.74	88.46%	88.46%				Equity Fund
Construction Project of Xi'an R & D Center	RMB 734 million	173,768,994.86	287,479,643.42			461,248,638.28	62.87%	62.87%				Equity Fund
The construction project of the marketing center in Xi'an	RMB 300 million	66,257,152.93	155,374,190.35			221,631,343.28	73.88%	73.88%				Equity Fund
Phase I,	RMB	33,127,	1,361,3			34,489,	87.68%	87.68%				Equity

Urban Intelligent Information Industry Construction Project	39.33 million	985.19	87.46			372.65						Fund
Dahua Southwestern China Research Center Construction Item	RMB 417 million		26,334,500.78			26,334,500.78	6.31%	6.31%				Equity Fund
Dahua Southwestern China Operation Center Construction Item	RMB 396 million	653,628.06	28,401,116.49			29,054,744.55	7.33%	7.33%				Equity Fund
Total		1,151,864,229.49	1,233,463,562.93	443,849,828.33		1,941,477,964.09	--	--				--

## 18. Right-of-use Assets

Unit: RMB

Item	Housing and building	Machinery and equipment	Total
I . Original book value:			
1. Opening Balance	155,673,708.67		155,673,708.67
2. Increased in the Current Period	194,636,284.75	8,884,640.73	203,520,925.48

3. Decreased in the Current Period	10,030,625.53		10,030,625.53
4. Foreign Currency Translation Difference	-5,360,799.45		-5,360,799.45
5. Closing Balance	334,918,568.44	8,884,640.73	343,803,209.17
II. Accumulated depreciation			
1. Opening Balance			
2. Increased in the Current Period	100,073,070.51	148,077.35	100,221,147.86
(1) Accrual	100,073,070.51	148,077.35	100,221,147.86
3. Decreased in the Current Period	3,172,531.79		3,172,531.79
(1) Disposal	3,172,531.79		3,172,531.79
4. Foreign Currency Translation Difference	-1,822,778.87		-1,822,778.87
5. Closing Balance	95,077,759.85	148,077.35	95,225,837.20
III. Provision for Impairment			
1. Opening Balance			
2. Increased in the Current Period			
(1) Accrual			
3. Decreased in the Current Period			
(1) Disposal			
4. Closing Balance			
IV. Book value			
1. Closing Balance on Book Value	239,840,808.59	8,736,563.38	248,577,371.97
2. Opening Balance on Book Value	155,673,708.67		155,673,708.67

## 19. Intangible Assets

### (1) Details of intangible assets

Unit: RMB

Item	Land use rights	Patent right	Non-patented technology	Softwares	Trademark rights	Software copyright	Total
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I . Original book value							
1. Opening Balance	373,911,184.43		72,512,508.78	142,373,035.57	2,085,200.00	4,000,000.00	594,881,928.78
2. Increased in the Current Period	203,225,759.05		547,999.92	20,092,739.47			223,866,498.44
(1) Purchase	202,149,465.17		547,999.92	15,896,653.06			218,594,118.15
(2) Internal research and development							
(3) Acquisition							
(4) Transfer of construction in progress				4,196,086.41			4,196,086.41
(5) Transfer of investment properties	1,076,293.88						1,076,293.88
3. Decreased in the Current Period	275,104.61			358,486.33			633,590.94
(1) Disposal				358,486.33			358,486.33
(2) Transfer to investment real estate	275,104.61						275,104.61
(3) Disposal of subsidiaries							
4. Currency Translation Difference	-40,265.00			-643,135.77	-38,654.40		-722,055.17
5. Closing 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
II . Accumulated amortization							
1. Opening Balance	29,762,345.53		47,600,274.66	104,656,785.20	2,085,200.00	4,000,000.00	188,104,605.39



2. Increased in the Current Period	12,045,241.47		5,834,500.59	27,992,348.79			45,872,090.85
(1) Accrual	12,003,744.56		5,834,500.59	27,992,348.79			45,830,593.94
(2) Transfer of investment properties	41,496.91						41,496.91
3. Decreased in the Current Period	1,381.66			302,176.75			303,558.41
(1) Disposal				302,176.75			302,176.75
(2) Transfer to investment real estate	1,381.66						1,381.66
(3) Disposal of subsidiaries							
4. Currency Translation Difference				-371,443.75	-38,654.40		-410,098.15
5. Closing Balance	41,806,205.34		53,434,775.25	131,975,513.49	2,046,545.60	4,000,000.00	233,263,039.68
III. Provision for Impairment							
1. Opening Balance							
2. Increased in the Current Period							
(1) Accrual							
3. Decreased in the Current Period							
(1) Disposal							
4. Closing Balance							
IV. Book value							

1. Closing Balance on Book Value	535,015,368.53		19,625,733.45	29,488,639.45			584,129,741.43
2. Opening Balance on Book Value	344,148,838.90		24,912,234.12	37,716,250.37			406,777,323.39

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

Unit: RMB

Item	Book value	Reasons for certificates of title not granted
Zhengzhou project land	31,311,928.93	Completed in January 2022

## 20. Goodwill

### (1) Original book value of goodwill

Unit: RMB

The invested entity or matters which formed goodwill	Balance at the Start of the Period	Increased in the current period		Decreased in the current period		Balance at the End of the Period
		Generated from business combination		Disposal		
Dahua Technology Italy S.R.L.	6,615,294.18					6,615,294.18
Lorex Technology Inc.	36,070,196.12					36,070,196.12
Total	42,685,490.30					42,685,490.30

### (2) Provision of impairment in goodwill

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

The invested entity name 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 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 December 31, 2021.
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 December 31, 2021.
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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	Balance at the Start of the Period	Increased in the current period	Prepaid Expenses in This Period	Other Amounts Decreased	Balance at the End of the Period
Housing rent	491,299.17		491,299.17		
Improvement expenditure of fixed assets leased by operating lease	31,789,131.50	42,417,333.57	27,870,093.88	459,606.46	45,876,764.73
Total	32,280,430.67	42,417,333.57	28,361,393.05	459,606.46	45,876,764.73

## 22. Deferred Income Tax Assets/Deferred Income Tax Liabilities

### (1) Deferred income tax assets not written off

Unit: RMB

Item	Balance at the End of the Period		Balance at the Start of the Period	
	Deductible temporary difference	Deferred Income Tax Assets	Deductible temporary difference	Deferred Income Tax Assets
Provision for Impairment of Assets	2,552,444,179.21	521,830,114.13	1,909,935,626.30	398,764,404.73

Unrealized Profit from Internal Transactions	921,491,510.12	185,000,859.88	614,859,671.43	133,692,510.71
Deductible Losses	539,801,646.05	94,981,532.35	520,264,565.80	81,682,494.52
Equity incentive expense			587,174,173.32	91,434,898.97
Expected Liabilities	235,881,836.61	35,883,364.90	249,218,594.89	37,770,815.89
Payroll payable	259,988,223.28	42,643,270.84	248,689,069.67	41,294,136.66
Costs from Tax Increase Due to Absence of Invoice	326,697,479.46	70,722,772.85	215,743,240.70	46,777,204.87
Changes in fair value gains and losses	1,021,963.72	255,490.93		
Others	49,539,884.10	9,057,423.94	4,545,104.94	1,037,210.34
Total	4,886,866,722.55	960,374,829.82	4,350,430,047.05	832,453,676.69

**(2) Deferred income tax liabilities not written off**

Unit: RMB

Item	Balance at the End of the Period		Balance at the Start of the Period	
	Taxable temporary difference	Deferred Income Tax Liabilities	Taxable temporary difference	Deferred Income Tax Liabilities
The gross profit of sales by installments	105,723,742.64	18,998,931.10	235,151,871.90	27,236,997.72
Changes in fair value of financial instruments	284,526,701.97	42,779,573.34	180,909,531.20	40,035,770.74
Total	390,250,444.61	61,778,504.44	416,061,403.10	67,272,768.46

**(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		960,374,829.82		832,453,676.69
Deferred Income Tax Liabilities		61,778,504.44		67,272,768.46

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

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Deductible temporary difference	414,539,114.69	335,677,986.45
Deductible Losses	770,269,801.97	666,511,990.20
Total	1,184,808,916.66	1,002,189,976.65

**(5) Details of unrecognized deferred income tax assets**

Unit: RMB

Year	Amount at the end of the period	Opening balance	Notes
2021		20,311,684.07	
2022	13,558,094.01	21,549,664.58	
2023	31,967,123.71	59,777,478.08	
2024	129,611,292.94	212,857,740.29	
2025	261,674,362.25	352,015,423.18	
2026	333,458,929.06		
Total	770,269,801.97	666,511,990.20	--

**23. Other Non-current Assets**

Unit: RMB

Item	Balance at the End of the Period			Balance at the Start of the Period		
	Book balance	Provision for decline in value	Book value	Book balance	Provision for decline in value	Book value
Contract Assets	35,741,476.55		35,741,476.55			
Prepayments for purchase of engineering equipments	61,485,385.44		61,485,385.44	10,822,617.82		10,822,617.82
Prepayments for acquisition of land				75,600,000.00		75,600,000.00
Total	97,226,861.99		97,226,861.99	86,422,617.82		86,422,617.82

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

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Fiduciary loans	294,230,000.00	250,000,000.00
Discount of notes not matured	29,964,651.09	
Interest payable for short-term loan	1,453,579.89	177,083.34
Total	325,648,230.98	250,177,083.34

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

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

**25. Notes Payable**

Unit: RMB

Types	Balance at the End of the Period	Balance at the Start of the Period
Commercial acceptance bill	2,689,373,228.96	2,322,699,486.30
Bank acceptance bill	1,783,625,736.07	935,853,271.87
Total	4,472,998,965.03	3,258,552,758.17

**26. Accounts Payable****(1) Details of accounts payable**

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Payment for purchase of materials	6,755,965,348.15	6,186,065,780.61
Payment for engineering equipments	573,775,302.56	258,721,924.67
Total	7,329,740,650.71	6,444,787,705.28

**(2) Important accounts payable aged over 1 year**

There are no important accounts payable aged over 1 year.

**27. Contract liabilities**

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Payments for sales of goods	301,188,575.89	186,958,669.05
Pre-payments from construction projects	390,506,325.54	458,335,908.05
Sales of points	45,733,110.88	25,825,807.98
Service expense collected in advance	127,561,981.47	
Total	864,989,993.78	671,120,385.08

## 28. Payroll Payable

### (1) Details of payroll payable

Unit: RMB

Item	Balance at the Start of the Period	Increased in the current period	Decreased in the current period	Balance at the End of the Period
I . Short-term remuneration	1,798,899,948.47	6,297,321,040.23	6,134,700,759.83	1,961,520,228.87
II . Dimission benefits - defined contribution scheme	6,564,586.84	249,521,619.69	253,103,269.27	2,982,937.26
III. Dismissal welfare		11,132,152.06	11,132,152.06	
Total	1,805,464,535.31	6,557,974,811.98	6,398,936,181.16	1,964,503,166.13

### (2) List of short-term remuneration

Unit: RMB

Item	Balance at the Start of the Period	Increased in the current period	Decreased in the current period	Balance at the End of the Period
1. Wages or salaries, bonuses, allowances and subsidies	1,525,308,786.25	5,593,230,341.87	5,459,977,585.52	1,658,561,542.60
2. Staff welfare		99,614,599.93	99,614,599.93	
3. Social insurance contributions	5,721,208.70	156,668,040.79	161,125,528.94	1,263,720.55
Including: medical insurance	3,945,349.33	151,819,870.62	155,343,322.25	421,897.70
Work injury insurance premium	347,114.77	4,412,621.52	4,645,624.45	114,111.84
Maternity	1,428,744.60	435,548.65	1,136,582.24	727,711.01

insurance premium				
4. Housing funds	54,890.86	312,859,588.65	312,859,175.05	55,304.46
5. Labor union and education funds	267,815,062.66	134,948,468.99	101,123,870.39	301,639,661.26
Total	1,798,899,948.47	6,297,321,040.23	6,134,700,759.83	1,961,520,228.87

**(3) Defined contribution scheme (Note)**

Unit: RMB

Item	Balance at the Start of the Period	Increased in the current period	Decreased in the current period	Balance at the End of the Period
1. Basic pension insurance	6,005,826.98	240,324,346.46	243,504,218.10	2,825,955.34
2. Unemployment insurance	558,759.86	9,197,273.23	9,599,051.17	156,981.92
Total	6,564,586.84	249,521,619.69	253,103,269.27	2,982,937.26

**29. Taxes Payable**

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
VAT	228,793,071.57	324,985,170.91
Enterprise Income Tax	340,653,457.58	528,220,256.03
Individual income tax	22,921,726.41	12,804,973.65
Urban Maintenance and Construction Tax	42,050,328.33	13,569,797.71
Education surcharges (including local education surcharges)	30,028,462.18	13,930,579.23
Sales tax	7,904,382.41	3,587,770.62
Stamp duty	3,555,576.99	2,140,328.12
House property tax	397,855.33	423,984.78
Disabled security fund	103,151.94	311,881.42
Others	668,581.27	170,121.20
Total	677,076,594.01	900,144,863.67

**30. Other Payables**

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
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Dividends Payable	16,060,762.89	12,982,399.27
Other Payables	661,691,938.58	957,570,477.95
Total	677,752,701.47	970,552,877.22

**(1) Dividends payable**

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Equity Incentive Restricted Stock Dividend	16,060,762.89	12,982,399.27
Total	16,060,762.89	12,982,399.27

**(2) Other payables****1) Other payables listed by nature of funds**

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Deposits	139,819,795.34	74,208,249.14
Temporarily borrowed and advance payments	222,989,981.74	275,423,794.55
Restricted share repurchase obligations	277,169,524.09	581,968,930.89
Others	21,712,637.41	25,969,503.37
Total	661,691,938.58	957,570,477.95

**2) Significant other payables aged over 1 year**

There are no significant other payables aged over 1 year.

**31. Non-current Liabilities Due within 1 Year**

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Long-term debt due within one year	775,500,000.00	150,000,000.00
Lease liabilities due within 1 year	93,008,992.50	58,971,448.27
Interest payable due within 1 year	2,339,749.97	1,891,709.34
Other loans due within 1 year	20,000,000.00	
Total	890,848,742.47	210,863,157.61

**32. Other Current Liabilities**

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
To-be-transferred sales taxes in installments	60,826,417.44	70,570,174.49
To-be-transferred sales taxes of contract liabilities	62,496,325.49	79,678,501.51
Notes not derecognized	85,308,638.52	59,153,238.77
Total	208,631,381.45	209,401,914.77

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

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Pledged loans	102,500,000.00	128,000,000.00
Fiduciary loans	1,450,000,000.00	750,000,000.00
Total	1,552,500,000.00	878,000,000.00

**34. Lease Liabilities**

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Lease Liabilities	140,606,139.33	86,096,362.42
Total	140,606,139.33	86,096,362.42

**35. Estimated Liabilities**

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period	Causes
Pending litigation	1,775,746.00		Pending litigation
Others	23,705.16	423,933.76	Loss-making contract
Expected after-sales maintenance cost	256,486,842.50	258,303,127.48	After-sales maintenance
Expected return amount after the period	39,565,492.96	23,700,456.58	Expected sales return
Total	297,851,786.62	282,427,517.82	--

## 36. Deferred Income

Unit: RMB

Item	Balance at the Start of the Period	Increased in the current period	Decreased in the current period	Balance at the End of the Period	Causes
Government subsidies	110,469,806.29		7,251,130.16	103,218,676.13	Received government subsidies related to assets
Total	110,469,806.29		7,251,130.16	103,218,676.13	--

Projects related to government subsidies:

Unit: RMB

Liabilities	Balance at the Start of the Period	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	Others Changes	Balance at the End of the Period	Related to assets/related to income
Special awards for Fuyang Dahua Intelligence (IoT) Industrial Park Project	52,348,286.44			3,172,623.48			49,175,662.96	Related to assets
Phase I investment financial incentive fund for security video surveillance product production base project	53,505,000.00			1,029,562.47			52,475,437.53	Related to assets
Funding of Hangzhou for	4,616,519.85			3,048,944.21			1,567,575.64	Related to assets

manufacturing enterprise technological transformation								
Total	110,469,806.29			7,251,130.16			103,218,676.13	

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).

### 37. Other Non-current Liabilities

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
To-be-transferred sales taxes in installments	227,381,981.28	281,128,045.90
Other loans	90,000,000.00	110,000,000.00
Total	317,381,981.28	391,128,045.90

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 90,000,000.00 is recognized as other non-current liabilities, and non-current liabilities that are due within one year at RMB 20,000,000.00.

### 38. Share Capital

Unit: RMB

	Balance at the Start of the Period	Increased or decreased amount in this period (+/-)					Balance at the End of the Period
		Shares newly issued	Bonus shares	Shares converted from capital reserves	Others	Subtotal	
Total shares	2,995,579,590.00				-1,028,860.00	-1,028,860.00	2,994,550,730.00

Other notes:

According to the resolution of the 13th session of the 7th Board of Directors' meeting held by the Company in April 2021 and the revised Company Articles of Association and the resolution of the Company's Shareholders' Meeting in 2020, the Company applied to repurchase 1,028,860 restricted ordinary shares (A shares) that had been granted to 65 stock option incentive objects but had not been unlocked, reducing the registered capital by RMB 1,028,860.00, and the changed registered capital is RMB 2,994,550,730.00. The above capital reduction has been verified through Xin Kuai Shi Bao Zi [2021] No. ZF10933 Verification Report issued by BDO China Shu Lun Pan Certified Public Accountants LLP (special general partnership).

### 39. Capital Reserve

Unit: RMB

Item	Balance at the Start of the Period	Increased in the current period	Decreased in the current period	Balance at the End of the Period
Capital premium (capital share premium)	1,345,746,389.28	248,695,693.54	21,211,322.18	1,573,230,760.64
Other capital reserves	643,908,944.77	979,076,390.43	256,703,860.09	1,366,281,475.11
Total	1,989,655,334.05	1,227,772,083.97	277,915,182.27	2,939,512,235.75

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

- The amount of employee service that the Company received in exchange by equity payments in this period was RMB 12,714,091.87. Other capital reserve was increased by RMB 12,714,091.87. The amount deductible before tax exceeds the amount of income tax effect of the portion of costs that were related to share-based payments, which were recognized under the accounting standards at RMB 533,103.76 to increase other capital reserve.
- In this period, the Company repurchased and canceled the granted but locked restricted shares from stock option incentive objects amounting to 1,028,860 shares, reducing the share capital by RMB 1,028,860.00, and reducing the capital reserves (share premium) by RMB 7,461,896.20.

3. In the equity-settled share-based payment, minority shareholders enjoy a portion of RMB 19,827,985.21, which reduces the capital reserve (share premium) by RMB 11,819,818.66 and other capital reserves by RMB 8,008,166.55.
4. Because the performance conditions in 2020 have reached the unlocking conditions for the first grant of the second unlocking period set by the incentive plan and the unlocking conditions reserved for the grant of the first unlocking period, except for the incentive objects who have resigned, the rest of the restricted stocks held by the incentive objects for the second unlocking period for the first time and the restricted stocks held by the incentive objects for the first unlocking period are unlocked. Of the other capital reserve, RMB 196,115,057.61 was recognized as expenses related to restricted shares unlocked during the period, and the amount deductible before tax exceeds the amount of income tax effect of the portion of costs that were related to share-based payments, which were recognized under the accounting standards of RMB 52,580,635.93. A total of RMB 248,695,693.54 was transferred to the capital reserve (share premium).
5. Decrease capital reserve (share premium) by RMB 1,929,607.32 due to the decrease in shareholding in subsidiaries as a result of not increasing capital in the same proportion to the subsidiaries.
6. The impact of changes in other owners' equity of Zhejiang Leapmotor Technology Co., Ltd. that the Company should enjoy under the current equity method increased other capital reserves by RMB 965,829,194.80.

#### 40. Treasury Share

Unit: RMB

Item	Balance at the Start of the Period	Increased in the current period	Decreased in the current period	Balance at the End of the Period
Restricted shares	581,968,930.89		304,799,406.80	277,169,524.09
Total	581,968,930.89		304,799,406.80	277,169,524.09

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

1. Due to the departure of some employees, the Company repurchased these restricted stocks in this period, and a total of 1,028,860 shares of restricted stocks were repurchased, which correspondingly reduced the share capital by RMB 1,028,860.00 and reduced the corresponding treasury shares by RMB 8,490,756.20.
2. As the 2018 restricted stock incentive plan for the first time granted the second phase, the first phase reserved for the grant, and the 2020 restricted stock incentive plan for the first phase met the unlocking conditions, a total of 36,127,260 restricted shares were unlocked, and treasury shares and related liabilities were reduced accordingly by RMB 293,230,286.98.
3. Due to the reduction of treasury shares and related liabilities caused by the cash dividends allocated to restricted stock holders, actual distribution of cash dividends in escrow by the unlocked portion of restricted stocks, and the recovery of cash dividends allocated to related former employees due to the departure of employees, treasury shares and related liabilities were reduced by RMB 3,078,363.62 in total.

#### 41. Other Comprehensive Incomes

Unit: RMB

Item	Balance at the Start of the	Amount Occurred in the Current Period						Balance at the
		Before tax	Less:	Less:	Less:	Attributable to	Attributab	

	Period	balance in this period	recorded into other comprehensive incomes in previous period and transferred to P/L in current period	Recorded into other comprehensive earnings in previous period and transferred to retained earnings in current period	Income Tax Expense	the Company after tax	le to the minority shareholders after tax	End of the Period
II. Other comprehensive income that will be reclassified into P/L	61,157,523.13	14,719,520.43				14,848,269.36	-128,748.93	76,005,792.49
Currency conversion difference	54,715,972.03	21,161,071.53				21,289,820.46	-128,748.93	76,005,792.49
Others	6,441,551.10	-6,441,551.10				-6,441,551.10		
Other comprehensive incomes in total	61,157,523.13	14,719,520.43				14,848,269.36	-128,748.93	76,005,792.49

## 42. Surplus Reserves

Unit: RMB

Item	Balance at the Start of the Period	Increased in the current period	Decreased in the current period	Balance at the End of the Period
Statutory surplus reserve	1,553,691,005.92			1,553,691,005.92
Total	1,553,691,005.92			1,553,691,005.92

## 43. Undistributed Profits

Unit: RMB

Item	Current Period	Previous Period
Undistributed Profit before Adjustment at the End of Previous Period	13,754,915,904.19	10,248,023,654.54
Undistributed Profit after Adjustment at the Start of the Period	13,754,915,904.19	10,248,023,654.54

Add: net profit attributable to parent company's owner in current period	3,378,410,889.60	3,902,778,775.35
Less: Payable Dividends on Ordinary Shares	802,815,330.12	397,654,658.45
Add: Common stock dividends corresponding to repurchase and cancellation of restricted stocks	500,809.81	1,768,132.75
Undistributed Profit at the End of the Period	16,331,012,273.48	13,754,915,904.19

#### 44. Operating revenue 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	32,428,149,656.66	19,774,022,620.74	25,894,451,244.65	14,761,953,528.82
Other businesses	407,329,680.19	284,490,537.59	571,516,936.45	402,377,626.84
Total	32,835,479,336.85	20,058,513,158.33	26,465,968,181.10	15,164,331,155.66

Whether the lower of audited net profit before or after non-recurring gains and losses is negative

 Yes  No

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

Item	Amount Occurred in the Current Period	
	Income	Cost
Smart IoT Products and Solutions	28,040,635,027.05	16,429,520,447.87
Including: Software Business	1,600,941,024.00	521,983,098.73
Innovated Businesses	2,847,600,678.83	1,939,617,607.05
Others	1,947,243,630.97	1,689,375,103.41
Total	32,835,479,336.85	20,058,513,158.33

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

Item	Amount Occurred in the Current Period	
	Income	Cost
Domestic	19,346,695,166.19	12,133,990,421.61
Overseas	13,488,784,170.66	7,924,522,736.72
Total	32,835,479,336.85	20,058,513,158.33

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.

#### 45. Taxes and Surcharges

Unit: RMB

Item	Amount Occurred in the Current Period	Amount Occurred in the Previous Period
Urban Maintenance and Construction Tax	93,674,700.26	73,691,683.92
Education Surcharges	66,900,180.70	52,629,570.76
House property tax	5,020,976.54	4,343,180.47
Land usage tax	1,582,249.84	1,565,572.88
Vehicle and vessel use tax	54,477.12	96,091.12
Stamp duty	13,090,002.82	12,193,524.24
Others	2,203,433.08	17,162,682.37
Total	182,526,020.36	161,682,305.76

#### 46. Sales Expenses

Unit: RMB

Item	Amount Occurred in the Current Period	Amount Occurred in the Previous Period
Labor cost	2,713,172,276.64	2,129,295,239.80
After-sales service expense	393,715,272.90	397,928,078.02
Transportation and vehicle expenses	31,157,041.82	405,473,002.35
Marketing expense	407,591,038.57	336,832,511.23
Administrative expenses	165,583,832.18	224,552,147.45
Traveling expense	216,345,258.74	155,486,592.16
Business entertainment	217,267,974.65	201,178,233.69
Taxation and insurance expense	254,117,501.39	234,474,773.17

Communication expense	20,100,393.11	47,989,445.88
Knowledge resource fee	59,291,228.83	51,959,334.57
Depreciation cost and asset amortization	120,984,253.62	33,018,156.71
Others	64,647,761.83	72,933,847.72
<b>Total</b>	<b>4,663,973,834.28</b>	<b>4,291,121,362.75</b>

#### 47. Administration Expenses

Unit: RMB

Item	Amount Occurred in the Current Period	Amount Occurred in the Previous Period
Labor cost	619,589,132.72	558,057,693.01
Depreciation cost and asset amortization	88,782,890.04	74,848,517.45
Administrative expenses	67,733,677.55	61,768,300.65
Consumables and service fees	45,566,242.50	11,261,260.14
Knowledge resource fee	74,395,945.23	45,324,211.72
Transportation and vehicle expenses	4,104,418.10	2,725,471.15
Traveling expense	6,734,247.40	1,237,143.65
Business entertainment	8,649,414.88	4,807,820.31
Others	39,459,534.97	25,071,311.47
<b>Total</b>	<b>955,015,503.39</b>	<b>785,101,729.55</b>

#### 48. R&D Expenses

Unit: RMB

Item	Amount Occurred in the Current Period	Amount Occurred in the Previous Period
Labor cost	3,078,589,312.96	2,640,728,729.83
Research consumables and service fees	161,469,376.34	176,601,451.00
Depreciation cost and asset amortization	92,045,974.97	63,735,263.49
Traveling expense	55,748,892.57	51,974,340.85
Administrative expenses	34,893,102.21	28,483,301.26
Communication expense	22,183,895.12	23,431,575.91
Others	7,047,840.00	12,591,004.48
<b>Total</b>	<b>3,451,978,394.17</b>	<b>2,997,545,666.82</b>

**49. Financial Expenses**

Unit: RMB

Item	Amount Occurred in the Current Period	Amount Occurred in the Previous Period
Interest expense	96,871,668.06	68,153,838.27
Including: interest expenses on lease liabilities	9,736,635.62	
Less: interest income	184,577,399.09	156,578,920.70
Exchange gains and losses	306,423,980.11	358,101,043.94
Others	30,992,691.50	30,733,848.73
<b>Total</b>	<b>249,710,940.58</b>	<b>300,409,810.24</b>

**50. Other Incomes**

Unit: RMB

Sources of other incomes	Amount Occurred in the Current Period	Amount Occurred in the Previous Period
Government subsidies	1,028,017,800.27	1,033,605,961.79
<b>Total</b>	<b>1,028,017,800.27</b>	<b>1,033,605,961.79</b>

**51. 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	-269,439,343.85	-181,278,822.04
Investment income from disposal of long-term equity investment	14,454,620.04	1,136,374,363.84
Investment Income from Disposal Trading Financial Assets	37,729,496.43	10,200,310.98
Gain on debt restructuring	-56,076.90	
Investment income on other non-current financial assets during the holding period	22,409,109.76	9,845,215.11
Investment income from national debt reverse repurchase	642,899.15	448,892.17
<b>Total</b>	<b>-194,259,295.37</b>	<b>975,589,960.06</b>

**52. 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	110,231.80	1,005,680.45
Including: gains from changes at fair value of derivative financial instruments	110,231.80	1,005,680.45
Other Non-current Financial Assets	125,268,378.82	184,727,296.91
<b>Total</b>	<b>125,378,610.62</b>	<b>185,732,977.36</b>

**53. Credit Impairment Loss**

Unit: RMB

Item	Amount Occurred in the Current Period	Amount Occurred in the Previous Period
Bad debt losses of other receivables	-9,291,983.87	-39,239,445.08
Bad debt losses of accounts receivable	-718,632,868.55	-514,451,649.89
Bad debt losses of notes receivable	-23,526,885.31	-15,552,376.73
Bad debt losses on receivables financing	6,441,551.10	-6,441,551.10
<b>Total</b>	<b>-745,010,186.63</b>	<b>-575,685,022.80</b>

**54. Asset Impairment Losses**

Unit: RMB

Item	Amount Occurred in the Current Period	Amount Occurred in the Previous Period
Loss from Impairment of Inventories and Impairment of Performance Cost	-43,566,062.09	-129,911,272.91
Impairment losses on contract assets	-6,336,213.75	1,331,631.50
<b>Total</b>	<b>-49,902,275.84</b>	<b>-128,579,641.41</b>

**55. 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	34,004,512.04	509,340.38

Income from the disposal of right-of-use assets	200,165.29	
Total	34,204,677.33	509,340.38

## 56. 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
Gains and losses of non-current asset retirement	1,661,717.35	1,709,154.86	1,661,717.35
Government subsidies	111,808.80	2,184,676.30	111,808.80
Others	10,269,649.13	7,758,810.23	10,269,649.13
Total	12,043,175.28	11,652,641.39	12,043,175.28

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	1,490,925.30	Related to income
2019 Hangzhou Fuyang District, Top Ten Merit Enterprise (Excellent Entrepreneur)	Economic and Information Bureau of Fuyang District, Hangzhou	Reward	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by	Yes	No		300,000.00	Related to income

r) Award			national policies and regulations)					
Other special subsidies	Finance Bureau of Binjiang District, Hangzhou	Subsidy	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and regulations)	Yes	No		163,251.00	Related to income
Wuzhou allocated special funds to actively support and cultivate enterprises above designated size	Wuzhou Changzhou District Development and Reform Bureau	Subsidy	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and regulations)	Yes	No		50,000.00	Related to income
Wasu IoT Competition Reward	Hangzhou Wasu Digital TV Media Group	Reward	Subsidies obtained for research and development, technological update and transformation	Yes	No		50,000.00	Related to income
One-time rewards and subsidies for municipal employment and poverty alleviation caring enterprise	Hangzhou Employment Service Center	Reward	Subsidies obtained due to local support policies such as investment promotion by local governments	Yes	No		50,000.00	Related to income
Subsidy for the elimination of old vehicles in	Hangzhou Finance Bureau	Subsidy	Subsidies obtained due to local support policies such as investment promotion by local	Yes	No		30,500.00	Related to income

Hangzhou			governments					
Rewards for intelligent firefighting robot of Outstanding Product Design Award, the first Goldreed Industrial Design Award	Xiong'an New Area Future Industrial Design Institute (non-profit organization)	Reward	Subsidies obtained for research and development, technological update and transformation	Yes	No		20,000.00	Related to income
Outstanding enterprise subsidy for corporate social responsibility construction	Hangzhou Federation of Trade Unions	Subsidy	Subsidies received due to engagement in specific industries and trades encouraged and supported by the State (obtained by national policies and regulations)	Yes	No		20,000.00	Related to income
Third prize of the second "Bloom Cup"	Beijing Aidi Aiwon Public Relations Consulting Co. Ltd.	Reward	Subsidies obtained for research and development, technological update and transformation	Yes	No		10,000.00	Related to income

## 57. Non-operating Expense

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
Gains and losses of non-current asset retirement	2,765,871.80	2,409,592.50	2,765,871.80
Water conservancy fund	135,169.92	19,920.14	
Donations	6,150,317.17	9,691,588.02	6,150,317.17
Others	5,521,352.18	7,712,710.64	5,521,352.18

Total	14,572,711.07	19,833,811.30	14,437,541.15
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## 58. Income Tax Expense

### (1) Income tax expenses table

Unit: RMB

Item	Amount Occurred in the Current Period	Amount Occurred in the Previous Period
Current income tax expense	196,811,813.43	459,316,010.35
Deferred income tax expense	-138,697,105.68	-145,789,110.85
Total	58,114,707.75	313,526,899.50

### (2) Reconciliation of accounting profits and income tax expenses

Unit: RMB

Item	Amount Occurred in the Current Period
Total Profit	3,469,661,280.33
Income tax expense calculated at statutory/applicable tax rate	520,449,192.05
Impact by applying different tax rates to subsidiaries	14,808,264.37
Impact of income tax before adjustment in this period	-196,076,151.81
Impact of the non-deductible costs, expenses and losses	23,348,547.63
Impact of additional deduction of the research and development expenses	-415,607,617.69
Others	111,192,473.20
Income tax expense	58,114,707.75

## 59. Other Comprehensive Income

See the notes in this section for details.

## 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	73,826,022.93	44,344,347.60
Government subsidies	1,020,878,478.91	224,878,083.01
Tender and performance guarantee deposit	83,062,969.71	163,109,135.49



Incomings and outgoings and advanced payments	41,473,476.57	134,565,221.99
Others	2,406,041.65	4,602,787.68
<b>Total</b>	<b>1,221,646,989.77</b>	<b>571,499,575.77</b>

**(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	257,623,098.08	314,803,749.36
Communication expense	59,747,229.64	84,659,191.85
Business entertainment	230,187,196.11	209,186,054.00
Traveling expense	278,738,761.16	208,698,076.66
Marketing expense	267,267,001.71	199,375,581.47
Transportation and vehicle expenses	31,157,041.82	408,198,473.50
Knowledge resource fee	131,977,078.95	97,283,546.29
Research and development consumption and external inspection fee	101,460,485.44	112,303,294.22
Taxation and insurance expense	254,884,579.54	234,474,773.17
Tender and performance guarantee deposit	60,618,062.18	101,864,218.45
Incomings and outgoings and advanced payments	115,025,798.09	96,425,086.32
Consumables and service fees	202,657,426.37	263,393,950.87
Others	68,384,593.74	99,399,061.43
<b>Total</b>	<b>2,059,728,352.83</b>	<b>2,430,065,057.59</b>

**(3) Other cash receipts relating to investing activities**

Unit: RMB

Item	Amount Occurred in the Current Period	Amount Occurred in the Previous Period
Receipts of cash from forward exchange contracts	49,758,199.26	82,617,745.87
Receipts of loans from non-financial institutions		6,518,245.35
<b>Total</b>	<b>49,758,199.26</b>	<b>89,135,991.22</b>

**(4) Other cash payments related to investing activities**

Unit: RMB

Item	Amount Occurred in the Current Period	Amount Occurred in the Previous Period
Cash paid for forward exchange contracts	20,521,853.51	81,870,092.14
Disposal of cash from subsidiaries		16,669,483.52
<b>Total</b>	<b>20,521,853.51</b>	<b>98,539,575.66</b>

**(5) Other cash receipts related to financing activities**

Unit: RMB

Item	Amount Occurred in the Current Period	Amount Occurred in the Previous Period
Receipts of loans from non-financial institutions	54,524,867.57	
Withdrawn documentary credit deposit		3,124,671,188.92
Cash of stock option incentive		99,994,181.16
<b>Total</b>	<b>54,524,867.57</b>	<b>3,224,665,370.08</b>

**(6) Other cash payments related to financing activities**

Unit: RMB

Item	Amount Occurred in the Current Period	Amount Occurred in the Previous Period
Leasing fees paid	112,180,597.35	
Listing fees paid	4,530,800.00	
Loan deposit and others paid	453,263.81	2,880,504,188.92
Cashes for purchasing minority equity		7,004,918.00
Equity repurchase cash paid		66,851,342.80
<b>Total</b>	<b>117,164,661.16</b>	<b>2,954,360,449.72</b>

**61. Supplementary Information on Cash Flow Statement****(1) Supplementary information about the Cash Flow Statement**

Unit: RMB

Supplementary information	Amount of this period	Amount of Previous Period
1. Reconciliation of net profit to cash flows from operational activities:	--	--

Net Profit	3,411,546,572.58	3,935,241,656.29
Add: provision for impairment of assets	49,902,275.84	128,579,641.41
Credit impairment loss	745,010,186.63	575,685,022.80
Depreciation of fixed assets, oil and gas assets, productive biological assets	318,313,654.19	262,783,826.09
Depreciation of Right-of-use Assets	100,221,147.86	
Amortization of Intangible Assets	46,059,748.23	46,215,176.82
Amortization of long-term deferred expenses	28,361,393.05	21,940,297.81
Losses on disposal of fixed assets, intangible assets and other long-term assets (mark "-" for incomes)	-34,204,677.33	-509,340.38
Losses on scrapping of fixed assets (mark "-" for incomes)	1,104,154.45	700,437.64
Losses on fair value changes (mark "-" for incomes)	-125,378,610.62	-185,732,977.36
Financial expenses (mark "-" for incomes)	403,295,648.17	426,254,882.21
Losses on investment (mark "-" for incomes)	194,259,295.37	-975,589,960.06
Decrease on deferred income tax assets (mark "-" for increases)	-133,202,841.66	-162,496,783.63
Increase on deferred income tax liabilities (mark "-" for decreases)	-5,494,264.02	16,707,672.78
Decrease on inventories (mark "-" for increases)	-1,927,516,518.82	-1,301,472,980.94
Decrease on operational receivables (mark "-" for increases)	-2,547,374,670.44	-269,594,994.62
Increase on operational payables (mark "-" for decreases)	1,189,944,162.66	1,711,910,471.92
Others	12,714,091.87	170,911,019.61
Net cash flow generated by operating activities	1,727,560,748.01	4,401,533,068.39
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	7,617,576,852.32	7,358,452,769.53
Less: opening balance of cash	7,358,452,769.53	2,734,185,976.41
Add: closing balance of cash equivalents		
Less: opening balance of cash equivalents		
Net additions to balance of equivalents	259,124,082.79	4,624,266,793.12

## (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	25,714,582.64
Including:	--
Zhejiang Dahua Security Service Co., Ltd.	25,714,582.64
Plus: cash or cash equivalents received in the current period from the disposal of subsidiaries in previous periods	360,000,000.00
Including:	--
Zhejiang Huatu Microchip Technology Co., Ltd.	360,000,000.00
Net cash arising from disposal of subsidiaries	385,714,582.64

## (3) Composition of cash and cash equivalents

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
I. Cash	7,617,576,852.32	7,358,452,769.53
Including: cash on hand	23,443.62	24,145.51
Bank deposit for payment at any time	7,305,614,048.36	7,324,387,076.66
Other cash and bank balances for payment at any time	311,939,360.34	34,041,547.36
III. Closing balance of cash and cash equivalents	7,617,576,852.32	7,358,452,769.53

## 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	96,491,171.83	Guarantee letter security deposit, note

		security deposit, frozen funds
Notes receivable and receivables financing	1,266,451,881.72	Pledge used to issue bank acceptance bills and endorsed or discounted notes not derecognized
Accounts receivable	10,671,527.09	Supply chain finance not derecognized
Long-term Receivables	148,512,859.01	Pledge for bank borrowings
Non-current Assets Due within 1 Year	29,181,283.11	Pledge for bank borrowings
Total	1,551,308,722.76	--

### 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	369,325,799.06	6.3757	2,354,710,497.05
EUR	60,973,346.04	7.2197	440,209,266.40
HKD	17,173,866.04	0.8176	14,041,352.87
AED	60,339,646.87	1.7361	104,752,694.13
INR	723,224,974.78	0.0857	61,964,193.67
GBP	6,597,190.14	8.6064	56,778,057.22
Total amount of other currencies			238,608,885.64
Accounts receivable	--	--	
Including: USD	546,312,281.78	6.3757	3,483,123,214.93
EUR	61,247,397.93	7.2197	442,187,838.84
HKD			
INR	3,626,230,353.03	0.0857	310,686,781.72
AUD	31,737,239.06	4.6220	146,689,518.94
PLN	80,298,173.62	1.5717	126,207,364.55
Total amount of other currencies			454,792,281.62
Long-term loan	--	--	
Including: USD			
EUR			

HKD			
Accounts Payable			
Including: USD	257,794,118.68	6.3757	1,643,617,962.46
INR	3,916,362,020.71	0.0857	335,544,572.14
MXN	21,185,758.54	0.3116	6,601,981.47
EUR	610,949.17	7.2197	4,410,869.72
AUD	231,419.01	4.6220	1,069,618.66
BRL	853,570.68	1.1443	976,776.56
Total amount of other currencies			3,684,421.32

**(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 about government subsidies

Unit: RMB

Types	Amount	Items reported	Amount taken to current P&L
VAT refund	810,902,494.10	Other Incomes	810,902,494.10
Leading policy R&D funding	69,012,100.00	Other Incomes	69,012,100.00
Special awards for Fuyang Dahua Intelligence (IoT) Industrial Park Project	63,320,000.00	Deferred income/other incomes	3,172,623.48
Phase I investment financial incentive fund for security video surveillance product production base project	53,505,000.00	Deferred income/other incomes	1,029,562.47
Financial subsidy for science and technology R&D plan projects	34,027,700.00	Other Incomes	34,027,700.00
Core Electronics, High-End General-Purpose Chips and	16,917,800.00	Other Incomes	16,917,800.00

Basic Software Products special fund			
Special financial award funds	11,779,500.00	Other Incomes	11,779,500.00
District-level funding for the creation of an international software city	10,000,000.00	Other Incomes	10,000,000.00
Funding of Hangzhou for manufacturing enterprise technological transformation	9,197,700.00	Deferred income/other incomes	3,048,944.21
Tax refund	8,732,372.73	Other Incomes	8,732,372.73
Foreign trade export increment and premium subsidy	7,232,889.50	Other Incomes	7,232,889.50
Rent subsidy	6,721,912.77	Other Incomes	6,721,912.77
Special subsidy for development of integrated circuit industry in Hangzhou	6,364,910.00	Other Incomes	6,364,910.00
Hangzhou central pilot project subsidy for the construction of a modern supply chain system in the field of circulation	6,012,500.00	Other Incomes	6,012,500.00
Patent subsidies	5,552,720.00	Other Incomes	5,552,720.00
Provincial key industrial Internet platform project funding	5,000,000.00	Other Incomes	5,000,000.00
Subsidies for stable positions	3,958,970.82	Other Incomes	3,958,970.82
Special funds for foreign trade and economic development	3,907,100.00	Other Incomes	3,907,100.00
Export credit insurance premium subsidies	2,739,200.00	Other Incomes	2,739,200.00
Provincial government quality award incentive funds	2,000,000.00	Other Incomes	2,000,000.00
Subsidies for enterprise practical training	1,586,049.30	Other Incomes	1,586,049.30
Return from social security	1,242,776.80	Other Incomes	1,242,776.80
Post-doctoral research funding	1,120,000.00	Other Incomes	1,120,000.00
High-tech enterprise subsidies	1,100,000.00	Other Incomes	1,100,000.00
Intellectual property incentive funds	1,042,000.00	Other Incomes	1,042,000.00
VAT deduction	581,532.56	Other Incomes	581,532.56
Government subsidies during the pandemic	553,931.93	Other Incomes	553,931.93
Retention allowance for overseas employees during the pandemic	111,808.80	Non-operating Revenue	111,808.80
VAT exemption	9,000.00	Other Incomes	9,000.00
Others	2,771,536.00	Other Incomes	2,771,536.00

## (2) Repayment of government subsidies

√ Applicable □ Not applicable

Unit: RMB

Item	Amount	Causes
The concessional loan discount interest for provincial pandemic prevention and control of key protection enterprises	102,326.40	Early repayment of loans is due to the pandemic, so refund the excess subsidized portion of the financial discount interest

## 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. 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 difference in the net asset share of the subsidiary shall be	Percent age 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 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 investment profits and losses
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						gained						
Zhejiang Dahua Security Service Co., Ltd.	57,500,000.00	51.00%	Equity transfer	September 24, 2021	Signed Equity Transfer Agreement and completed the delivery of property rights	13,077,766.12	0.00%	0.00	0.00	0.00	0.00	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

#### 4. 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:

1. The Company invested and established 7 domestic subsidiaries, namely Zhejiang Huajian Technology Co., Ltd., Wuhu Huajian Technology Co., Ltd., Tianjin Huajian Technology Co., Ltd., Zhengzhou Dahua Zhian Information Technology Co., Ltd., Anhui Dahua Zhilian Information Technology Co., Ltd., Anhui Dahua Zhishu Information Technology Co., Ltd., Changsha Dahua Technology Co., Ltd., and 4 overseas subsidiaries, namely Dahua Technology Pacific S.A, Dahua Technology QFZ LLC, Dahua Technology International Pte. Ltd., Huacheng Network (HK) Technology Co., Ltd., the above subsidiaries will be included in the scope of consolidation since the date of establishment.

2. The Company's subsidiaries Hangzhou Huajuan Technology Co., Ltd. and Zhejiang Huaxuan Technology Co., Ltd. were canceled in this period, and will not be included in the scope of consolidation since the date of cancellation.

## IX. Equity in Other Entities

### 1. Equity in Subsidiaries

#### (1) Composition of the enterprise group

Name of Subsidiaries	Main Place of Business	Registered Address	Business Nature	Shareholding Percentage		Acquisition Method
				Direct	Indirect	
Dahua System	Binjiang District,	Binjiang District,	Electronics	100.00%		Establishme

Engineering	Hangzhou	Hangzhou	and information			nt
Dahua Vision Technology	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	100.00%		Establishment
Dahua Security Network	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	51.00%		Establishment
Dahua Ju'an	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and 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, Hangzhou	Binjiang District, Hangzhou	Electronics and information	45.50% (Note 4)		Establishment
Huachuang Vision	Binjiang District, Hangzhou	Binjiang District, Hangzhou	Electronics and information	51.00%		Establishment
Guizhou Huayi	Guanshanhu District, Guiyang	Guanshanhu District, Guiyang	Electronics and information	45.00% (Note 5)		Establishment
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	Fuyang District,	Fuyang District,	Electronics	100.00%		Establishment

Technology	Hangzhou City, Zhejiang Province	Hangzhou City, Zhejiang Province	and information			nt
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, Beijing	Xicheng District, Beijing	Electronics and information	100.00%		Establishment
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
Dahua Guangxun	Chengdu High-tech Zone	Chengdu High-tech Zone	Electronics and information	100.00%		Business combination not under common control
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	Automotive electronics	51.00%		Establishment
Chengdu Zhilian	Longquanyi District,	Longquanyi District,	Electronics	100.00%		Establishment

	Chengdu	Chengdu	and information			nt
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 6)		Establishment
Zhengzhou Dahua Zhian	Zhengzhou, Henan	Zhengzhou, Henan	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		100.00%	Establishment

			information			
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
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 and information		100.00%	Establishment
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			nt
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		100.00%	Business combination



			information			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 International	Singapore	Singapore	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:

(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.

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

(3) On April 30, 2021, the registered capital of 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 Technology. The remaining shareholders have a low and dispersed shareholding ratio, and HuaRay Technology is still a subsidiary of the Company. On June 26, 2021, "Zhejiang HuaRay Technology Ltd." was renamed as "Zhejiang HuaRay Technology Co., Ltd.".

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

(5) The Company directly holds 45% equity in Guizhou Huayi Vision Technology Co., Ltd., and as agreed upon, Guizhou Yiyun Investment Management Co., Ltd. grants its voting rights of 6% to the Company. The Company effectively holds 51%

of the voting rights in Guizhou Huayi Vision Technology Co., Ltd., which constitutes working control so as to incorporate it into the scope of consolidation.

(6) The Company directly holds 45% equity in Zhejiang Huajian Technology Co., Ltd., and as agreed upon, Ningbo Hualing Investment Management 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

On April 30, 2021, the registered capital of 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 Technology. The remaining shareholders have a low and dispersed shareholding ratio, and HuaRay Technology is still a subsidiary of the Company, which is incorporated into the scope of consolidation.

## 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	1,243,872,752.91	455,977,616.16
The total count of the following items based on the shareholding ratios	--	--
--Net profit	-269,439,343.85	-181,278,822.04
--Other comprehensive income	-4,705,087.48	-42,231.91
--Total comprehensive income	-274,144,431.33	-181,321,053.95

## 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:

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

Item	December 31, 2020		
	Within 1 year	1 years or above	Total

Short-term loan	250,177,083.34		250,177,083.34
Notes Payable	3,258,552,758.17		3,258,552,758.17
Accounts Payable	6,444,787,705.28		6,444,787,705.28
Other Payables	970,552,877.22		970,552,877.22
Non-current Liabilities Due within 1 Year	151,891,709.34		151,891,709.34
Long-term loan		878,000,000.00	878,000,000.00
Total	11,075,962,133.35	878,000,000.00	11,953,962,133.35

### (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:

Item	Balance at the End of the Period			Balance at the Start of the Period		
	USD	Other foreign currencies	Total	USD	Other foreign currencies	Total
Cash and Bank Balances	2,354,710,497.05	916,354,449.93	3,271,064,946.98	2,066,290,327.08	722,490,474.86	2,788,780,801.94
Accounts receivable	3,483,123,214.93	1,480,563,785.67	4,963,687,000.60	2,758,289,939.69	1,026,362,106.74	3,784,652,046.43
Accounts Payable	1,643,617,962.46	352,288,239.87	1,995,906,202.33	1,435,207,173.38	78,343,376.34	1,513,550,549.72
Total	7,481,451,674.44	2,749,206,475.47	10,230,658,149.91	6,259,787,440.15	1,827,195,957.94	8,086,983,398.09

## 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		2,602,173.53		2,602,173.53
1. Financial assets measured at fair value through profit or loss in this period		2,602,173.53		2,602,173.53
(1) Investment in debt instrument				
(2) Investment in equity instrument				
(3) Derivative Financial Assets		1,132,173.53		1,132,173.53
(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) Investment in Other Creditor's Rights				
(III) Investment in Other Equity Instruments				
(IV) Investment Property				
1. Land usage rights for lease				
2. Buildings for lease				

3. Land use rights held and to be transferred after its value appreciation				
(V) Biological Assets				
1. Consumptive biological assets				
2. Productive biological assets				
(VI) Receivables Financing		792,709,781.57		792,709,781.57
(VII) Other Non-current Financial Assets		595,875,383.80	349,744,582.17	945,619,965.97
1. Financial assets measured at fair value through profit or loss in this period		595,875,383.80	349,744,582.17	945,619,965.97
(1) Investment in debt instrument				
(2) Investment in equity instrument			349,744,582.17	349,744,582.17
(3) Derivative Financial Assets				
(4) Others		595,875,383.80		595,875,383.80
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		1,391,187,338.90	349,744,582.17	1,740,931,921.07
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 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				34.18%	34.18%
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. (Note 1)	Affiliate
Shenzhen Conwin Security Electronics Co., Ltd. (Note 2)	The affiliate ended its affiliated relationship in June 2021.
Zhejiang Zhian Internet of Things Engineering Co., Ltd. (Note 3)	The affiliate ended its affiliated relationship in December 2021



Zhejiang Leapmotor Technology Co., Ltd. and its affiliates (Note 4)	Affiliate and enterprise where the actual controller has significant influence
Ruicity Digital Technology Co., Ltd. and its affiliates (Note 5)	Affiliate
China Standard Intelligent Security Technology Co., Ltd. (Note 6)	Affiliate
Shaoxing Dahua Security Services Co., Ltd.	Affiliate
Hangzhou Juhuanyan Information Technology Co., Ltd.	Affiliate
Lishui Dahua Intelligent Technology Co., Ltd. (Note 7)	Affiliate
Ningbo Dahua Anbang Security Services Co., Ltd. (Note 7)	Affiliate
Zhoushan Dahua Technology Co., Ltd. (Note 7)	Affiliate
Taizhou Dahua Security Services Co., Ltd. (Note 7)	Affiliate
Wenzhou Dahua Security Services Co., Ltd. (Note 7)	Affiliate

#### Other notes

Note 1: In July 2021, Zhejiang Dahua Technology Co., Ltd. transferred all the shares of Guangdong Dahua Zhishi Technology Co., Ltd. to its subsidiary Zhejiang Huajian Technology Co., Ltd which is in the scope of consolidation. "Guangdong Dahua Zhishi Technology Co., Ltd." was renamed as "Guangdong Zhishi Digital Technology Co., Ltd."

Note 2: In June 2020, the Company transferred the entire equity of Shenzhen Conwin Security Electronics Co., Ltd.. However, within 12 months of the transfer, Shenzhen Conwin Security Electronics Co., Ltd. was still recognized as a related legal person of the Company, and the affiliated relationship ended in June 2021.

Note 3: In April 2021, "Zhejiang Dahua Zhian Internet of Things Technology Co., Ltd." was renamed as "Zhejiang Zhian Internet of Things Engineering Co., Ltd.". In December 2021, the Company has transferred the entire equity of Zhejiang Zhian Internet of Things Engineering Co., Ltd. and ended the affiliated relationship in December 2021.

Note 4: In April 2021, "Zhejiang Leapmotor Technology Ltd." was renamed as "Zhejiang Leapmotor Technology Co., Ltd.". "Zhejiang Leapmotor Technology Co., Ltd. and its affiliates" includes a total of seven 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., and Jinhua Leapmotor New Energy Automotive Parts Technology Co., Ltd, all of which has related transactions with the Company.

Note 5: "Ruicity Digital Technology Co., Ltd. and its affiliates" includes Ruicity Digital Technology Co., Ltd. and its subsidiary, Ruicity (Shandong) Digital Technology Co. Ltd.

Note 6: In November 2021, "China Standard Intelligent Security Technology Co., Ltd." was renamed as "China Standard Intelligent Security Technology Co., Ltd."

Note 7: The equity of the Company in Lishui Dahua Intelligent Technology Co., Ltd., Ningbo Dahua Anbang Security Service Co., Ltd., Zhoushan Dahua Technology Co., Ltd., Taizhou Dahua Security Service Co. Ltd. and Wenzhou Dahua Security Services 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
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	parties
Hangzhou Nuoja Technology Co., Ltd.	Enterprise controlled by the spouses 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) (Note 1)	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
Zhejiang Lancable Technology Co., Ltd.	Enterprise significantly influenced by the senior manager of the Company
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
South-North United Information Technology Co., Ltd. (Note 3)	The company ended the affiliated relationship in 2021
Wangsu Technology Co., Ltd. (Note 4)	Enterprise significantly influenced by the senior manager of the Company
Zhoushan Dahua Security Service Co., Ltd. (Note 5)	Subsidiary of the affiliate
Zhejiang Huashi Investment Management Co., Ltd.	Enterprise controlled by the actual controller
Zhejiang Zihua Internet of Things Technology Co., Ltd.	Subsidiary of the affiliate
Ningbo Zhian IoT Engineering Co., Ltd. (Note 6)	Subsidiary of the affiliate
Hangzhou Maycur Technology Co., Ltd. (Note 7)	Enterprise significantly influenced by the senior manager of the Company
Hangzhou Xianmai Technology Co., Ltd.	Enterprise controlled by the actual controller
Zhejiang Nuoja Biotechnology Co., Ltd. (Note 8)	Enterprise significantly influenced by the senior manager of the Company
China Mobile Communications Group Co., Ltd. and its affiliates (Note 9)	Group with significant influence on the Company

Other notes

Note 1: In 2021, "Ningbo Hualing Investment Management Partnership (Limited Partnership)" was renamed as "Ningbo

Hualing Venture Capital Investment Partnership (Limited Partnership)".

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: South-North United Information Technology Co., Ltd. has been disposed by Dahua in 2020. However, within 12 months of the disposal, South-North United Information was still recognized as a related legal person of the Company, and the affiliated relationship ended in April 2021.

Note 4: Huang Siying, the former independent director of the Company, served as the director of Wangsu Technology Co., Ltd. Huang Siying resigned in August 2020. Within 12 months of her resignation, Wangsu Technology Co., Ltd. was still recognized as a related legal person of the Company, and the affiliated relationship ended in August 2021.

Note 5: 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.

Note 6 : "Ningbo Dahua Zhian IoT Technology Co., Ltd." was renamed as "Ningbo Zhian IoT Engineering Co., Ltd." in 2021. Ningbo Zhian Internet of Things Engineering Co., Ltd. is a wholly-owned subsidiary of Zhejiang Zhian Internet of Things Engineering Co., Ltd. In December 2021, the Company has transferred the entire equity of Zhejiang Zhian Internet of Things Engineering Co., Ltd., and ended the affiliated relationship in December 2021.

Note 7: Wei Meizhong, a former senior executive of the Company, served as the legal representative of Hangzhou Maycur Technology Co., Ltd. Wei Meizhong resigned in April 2020. Within 12 months of his resignation, Hangzhou Maycur Technology Co., Ltd. was still recognized as a related legal person of the Company, and the affiliated relationship ended in April 2021.

Note 8: He Chao, the former independent director of the Company, served as the director of Zhejiang Nuojia Biotechnology Co., Ltd. He Chao resigned in August 2020. Within 12 months of his resignation, Zhejiang Nuojia Biotechnology Co., Ltd. was still recognized as a related legal person of the Company and ended the affiliated relationship in August 2021.

Note 9: On March 26, 2021, the Company entered into a Share Subscription Agreement Subject to Effective Conditions with China Mobile Capital Holdings Co., Ltd., a wholly-owned subsidiary of China Mobile Communications Group Co., Ltd., and entered into the Strategic Cooperation Agreement Subject to Effective Conditions with China Mobile Communications Group Co., Ltd. and China Mobile Capital Holdings Co., Ltd. After the completion of the non-public offering, China Mobile Capital will hold more than 5% of the Company's shares. According to Rules Governing the Listing of Shares on Shenzhen Stock Exchange, due to signing agreements or making arrangements with a listed company or its affiliates, an entity who directly or indirectly holds more than 5% of the shares of a listed company shall be regarded as a related party of a listed company after the agreement or arrangement comes into effect, or within the next 12 months. Therefore, the Company has an affiliated relationship with China Mobile Communications Group Co., Ltd. and its affiliates since March 26, 2021.

## **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	312,733,064.61		No	136,605,952.06
China Mobile Communications Group Co., Ltd. and its affiliates	Material procurement, acceptance of services	26,475,168.51		No	
Zhoushan Dahua Security Service Co., Ltd.	Acceptance of services	5,664,073.17		No	4,826,642.66
Zhejiang Huanuokang Technology Co., Ltd.	Purchase of materials	1,960,984.98		No	596,460.11
Hangzhou Nuojia Technology Co., Ltd.	Acceptance of services	1,421,238.25		No	1,012,601.69
Hangzhou Xunwei Robotics Technology Co., Ltd.	Material procurement, acceptance of services	482,981.66		No	3,271,015.27
Zhejiang Leapmotor Technology Co., Ltd. and its affiliates	Material procurement, acceptance of services	215,752.96		No	11,880,543.22
Shenzhen Conwin Security Electronics CO., Ltd.	Acceptance of services	8,000.00		No	70,796.46
Hangzhou Xianmai Technology Co., Ltd.	Purchase of materials	3,072.41		No	
Ningbo Zhian IoT Engineering Co., Ltd.	Purchase of materials			No	630,530.97
Hangzhou Maycur Technology Co., Ltd.	Acceptance of services			No	36,792.45

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	720,474,247.16	440,704,672.41
China Mobile Communications Group Co., Ltd. and its affiliates	Sales of merchandise and provision of	187,576,809.94	

	services		
Zhejiang Leapmotor Technology Co., Ltd. and its affiliates	Sales of merchandise and provision of services	101,968,210.47	26,220,287.60
Guangdong Zhishi Digital Technology Co., Ltd.	Sales of merchandise	22,404,476.13	16,255,224.27
Ruicity Digital Technology Co., Ltd. and its affiliates	Sales of merchandise	19,953,157.33	21,997,494.69
Zhejiang Huanuokang Technology Co., Ltd.	Sales of merchandise	2,344,116.26	666,441.44
Ningbo Dahua Anbang Security Services Co., Ltd.	Sales of merchandise	1,954,159.23	821,763.77
Hangzhou Juhuanyan Information Technology Co., Ltd.	Sales of merchandise	957,547.16	523,392.88
Hangzhou Xintu Technology Co., Ltd.	Provision of labor services	332,382.48	565,507.27
Zhejiang Xinsheng Electronic Technology Co., Ltd.	Sales of merchandise	294,853.87	241,730.65
Zhoushan Dahua Technology Co., Ltd.	Sales of merchandise	95,153.09	95,379.63
Hangzhou Xunwei Robotics Technology Co., Ltd.	Sales of merchandise	50,849.58	36,991.13
Hangzhou Nuoja Technology Co., Ltd.	Sales of merchandise	48,096.46	1,047,780.68
Zhejiang Zihua Internet of Things Technology Co., Ltd.	Sales of merchandise	29,734.52	
Zhejiang Nuoja Biotechnology Co., Ltd.	Sales of merchandise	7,522.13	
China Standard Intelligent Security Technology Co., Ltd.	Sales of merchandise	7,256.63	62,220.38
Taizhou Dahua Security Services Co., Ltd.	Sales of merchandise	730.07	10,592.03
Shenzhen Conwin Security Electronics CO., Ltd.	Sales of merchandise		756,046.05
Wenzhou Dahua Security Services Co., Ltd.	Provision of labor services		94,339.62
Ningbo Zhian IoT Engineering Co., Ltd.	Sales of merchandise		22,123.89
Lishui Dahua Intelligent Technology Co., Ltd.	Sales of merchandise		4,194.69
Zhejiang Lancable Technology Co., Ltd.	Sales of merchandise		-56,034.48
South-North United Information Technology Co., Ltd.	Sales of merchandise		49,976.19

**(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	1,165,489.71	688,311.48
China Standard Intelligent Security Technology Co., Ltd.	Buildings and constructions		74,697.48
South-North United Information Technology Co., Ltd.	Buildings and constructions	414,961.09	509,880.24
Zhejiang Huanuokang Technology Co., Ltd.	Buildings and constructions	34,285.72	
Ruicity Digital Technology Co., Ltd. and its affiliates	Transport equipment	28,723.15	23,599.11
Zhejiang Xinsheng Electronic Technology Co., Ltd.	Transport equipment	15,044.25	5,309.73

**(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.	500,000,000.00	March 20, 2018	March 19, 2021	Yes
Zhejiang Dahua Vision Technology Co., Ltd.	440,000,000.00	July 22, 2019	Two years after the maturity of the debts in the master contract	Yes
Zhejiang Dahua Vision Technology Co., Ltd.	200,000,000.00	September 29, 2019	Three years after the maturity of the debts in the master contract	Yes
Zhejiang Dahua Vision Technology Co., Ltd.	300,000,000.00	February 26, 2020	Three years after the maturity of the debts in the master contract	Yes
Zhejiang Dahua Vision Technology Co., Ltd.	500,000,000.00	July 31, 2020	Two years after the maturity of the debts in the master contract	Yes
Zhejiang Dahua Vision Technology Co., Ltd.	100,000,000.00	February 25, 2021	September 26, 2021	Yes
Zhejiang Dahua Vision	400,000,000.00	September 27,	Three years after the maturity of	Yes

Technology Co., Ltd.		2020	the debts in the master contract	
Zhejiang Dahua Vision Technology Co., Ltd.	200,000,000.00	May 29, 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 Technology Co., Ltd. (guarantee currency is US dollar)	40,000,000.00	September 21, 2018	Two years after the maturity of the debts in the master contract	No
Zhejiang Dahua Vision Technology Co., Ltd.	180,000,000.00	June 26, 2019	June 25, 2022	No
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	No
Zhejiang Dahua Vision Technology Co., Ltd.	530,000,000.00	April 7, 2020	March 31, 2024	No
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	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.	300,000,000.00	February 25, 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.	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	No
Zhejiang Dahua Zhilian Co., Ltd.	300,000,000.00	October 12, 2018	October 12, 2021	Yes
Zhejiang Dahua Zhilian Co., Ltd.	100,000,000.00	August 30, 2019	Two years after the maturity of the debts in the master contract	Yes
Zhejiang Dahua Zhilian Co., Ltd.	100,000,000.00	April 9, 2020	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, 2020	One years upon expiration of debt period of master contract	Yes
Zhejiang Dahua Zhilian Co., Ltd.	165,000,000.00	September 25, 2020	Two years after the maturity of the debts in the master contract	Yes
Zhejiang Dahua Zhilian Co., Ltd.	75,000,000.00	September 27, 2020	Three years after the maturity of the debts in the master contract	Yes
Zhejiang Dahua Zhilian Co., Ltd.	160,000,000.00	September 29, 2020	Three years after the maturity of the debts in the master contract	Yes
Zhejiang Dahua Zhilian Co., Ltd.	160,000,000.00	May 29, 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 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.	100,000,000.00	May 1, 2021	One years upon expiration of debt period of master contract	No
Zhejiang Dahua Zhilian Co., Ltd. (guarantee currency is US dollar)	60,000,000.00	May 1, 2021	April 30, 2022	No



Zhejiang Dahua Zhilian Co., Ltd. (guarantee currency is US dollar)	55,000,000.00	April 30, 2021	May 14, 2022	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.	160,000,000.00	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	No
Zhejiang Dahua Zhilian Co., Ltd. (guarantee currency is US dollar)	24,000,000.00	December 3, 2021	May 31, 2022	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 System Engineering Co., Ltd.	60,000,000.00	November 7, 2019	Two years after the maturity of the debts in the master contract	Yes
Zhejiang Dahua System Engineering Co., Ltd.	40,000,000.00	February 26, 2020	Three years after the maturity of the debts in the master contract	Yes
Zhejiang Dahua System Engineering Co., Ltd.	50,000,000.00	July 31, 2020	Two years after the maturity of the debts in the master contract	Yes
Zhejiang Dahua System Engineering Co., Ltd.	40,000,000.00	May 29, 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	60,000,000.00	November 10,	Three years after the maturity of	No

Engineering Co., Ltd.		2021	the debts in the master contract	
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	No
Dahua Technology (HK) Limited (guarantee currency is US dollar)	7,000,000.00	November 25, 2019	Two years after the maturity of the debts in the master contract	Yes
Dahua Technology (HK) Limited (guarantee currency is EUR)	1,000,000.00	April 25, 2021	April 25, 2022	No
DAHUA TECHNOLOGY MEXICO S.A. DE C.V (guaranteed currency is US dollar)	6,500,000.00	October 27, 2020	October 20, 2021	Yes
DAHUA TECHNOLOGY MEXICO S.A. DE C.V (guaranteed currency is US dollar)	1,000,000.00	September 01, 2020	August 31, 2021	Yes
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.	100,000,000.00	February 26, 2020	Three years after the maturity of the debts in the master contract	Yes
Hangzhou Huacheng Network Technology Co., Ltd.	55,000,000.00	September 25, 2020	Two years after the maturity of the debts in the master contract	Yes
Hangzhou Huacheng Network Technology Co., Ltd.	50,000,000.00	September 27, 2020	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.	20,000,000.00	February 4, 2021	Six months upon expiration of debt period of master contract	No
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	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 HuaRay Technology Co., Ltd.	50,000,000.00	February 25, 2021	Three years after the maturity of the debts in the master contract	No
Zhejiang Dahua Storage Technology Co., Ltd.	10,000,000.00	May 29, 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 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	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	No
Zhejiang Fengshi Technology Co., Ltd.	20,000,000.00	May 29, 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	November 10, 2021	From effective date of the Commitment Letter to three years after the maturity date of each	No

			note discounted by the China Merchants Bank within the credit extension period	
Wuxi Dahua Ruipin Technology Co., Ltd.	10,000,000.00	May 29, 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	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	No
Zhejiang Huafei Intelligent Technology CO., LTD.	10,000,000.00	May 29, 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	May 29, 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.	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	No
Zhejiang Dahua Jinzhi Technology Co., Ltd.	10,000,000.00	May 29, 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	May 29, 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.	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	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	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	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	1,477,775.60	13,696,759.47
Zhejiang Leapmotor Technology Co., Ltd. and its affiliates	Procurement of intangible assets		9,635,998.19
Ruicity Digital Technology Co., Ltd.	Selling of fixed assets	112,127.64	201,884.52
Wangsu Technology Co., Ltd.	Procurement of fixed assets		180,000.00
Zhejiang Huanuokang Technology Co., Ltd.	Selling of fixed assets		64,475.38

**(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	28,506,768.94	26,703,463.41

**(6) Other related-party transactions**

(1) On January 8, 2021, the 8th session of the 7th Board of Directors' meeting held by the Company reviewed and approved the "Proposal on Joint Capital Increase and Related Transactions with Related Parties". It is agreed that the Company and its related parties, Zhang Xingming and He Chao, Ningbo Huaqi Investment Management Partnership (Limited Partnership) (hereinafter referred to as Ningbo Huaqi) and Hangzhou Healnoc Enterprise Management Partnership (Limited Partnership) (tentative name, hereinafter referred to as Healnoc Employee Stock Ownership Platform), as well as the non-related party, Yao Weizhong, intend to sign an "Agreement on the Equity Transfer and Capital Increase of Zhejiang Healnoc Technology Co., Ltd.". As of September 30, 2020, the assessed value of all shareholders' equity of Healnoc was RMB 30,441,100. Based on the assessed value, the Company plans to cooperate with related parties, Zhang Xingming, He Chao, Ningbo Huaqi, Healnoc Employee Stock Ownership Platform and non-related party, Yao Weizhong. All of them contributed a total of RMB 50,000,000 in cash to jointly increase the capital of Healnoc. After the capital increase, the total share capital of Healnoc is RMB 100,000,000. Among them, the Company invested RMB 20,000,000 with its own funds, Zhang Xingming contributed RMB 8,000,000, He Chao invested 2,000,000, Ningbo Huaqi invested RMB 5,000,000, Healnoc Employee Stock Ownership Platform contributed RMB 10,000,000, and Yao Weizhong contributed 5,000,000. At the same time, Fu Liquan, the controlling shareholder of the Company, transferred his Healnoc subscribed capital of RMB 42,500,000 (of which RMB 29,333,500 has been paid) to Healnoc's original shareholder, Ningbo Huaqi, accounting for 85% of the equity before the capital increase. After the capital increase, the Company will hold 20% of Healnoc equity, while Healnoc will become an equity participation company. The procedures for industrial and commercial change of the above matters have been completed in February 2021.

(2) On January 8, 2021, the "Proposal to Waive the Right to Increase Capital by the Same Proportion and Related Transactions of Equity Participation Companies" was reviewed and approved at the 8th session of the 7th Board of Directors' meeting held by the Company. The Company originally held 15.50% of the equity of Zhejiang Leapmotor Technology Co., Ltd. (hereinafter referred to as "Leapmotor Technology" or "the subject company"), and the Company's controlling shareholder, Fu Liquan, held 15.70% of the equity. A total of 14 investors, including Zhu Jiangming, Gao Dong, Chen Jinxia, Everfront Phoenix Mountain Ltd., Ningbo Hualing Investment Management Partnership (Limited Partnership), Shanghai Xiangheyongyuan Equity Investment Partnership (Limited Partnership), Changsha Nuofeng Private Equity Fund Partnership (Limited Partnership) (hereinafter referred to as "Nuofeng Fund"), Hangzhou Fanlian Technology Co., Ltd., Huzhou Heninghai Equity Investment Partnership (Limited Partnership), Zhang Wenjun, Hangzhou Qianyao Investment Partnership (Limited Partnership), Hefei Xuanyizhahui New Power Industrial Investment Fund Partnership (Limited Partnership), Zhoushan Haohai Venture Capital Partnership (Limited Partnership), and Hangzhou Hanzhi Investment Partnership (Limited Partnership), plan to conduct B-1 round of capital increase to Leapmotor Technology, with a total capital increase of RMB 2,957,800,000. The newly increased registered capital of Leapmotor Technology is RMB 143,136,214 and the newly increased capital reserve of Leapmotor Technology is RMB 2,814,663,786. In this capital increase, the Company gives up the right to increase the capital in the same proportion. Upon completion of the capital increase, the registered capital of Leapmotor Technology will increase from RMB 580,713,558 to RMB 723,849,772. The proportion of Leapmotor Technology's equity held by the Company will decrease from 15.50% to 12.43%. The amount of

related transactions involved in the Company's waiver of the right to increase the capital in the same proportion to Leapmotor Technology is RMB 458,459,000. The procedures for the industrial and commercial change of the above matters have been completed in January 2021.

(3) On January 27, 2021, the "Proposal to Waive the Right to Increase Capital by the Same Proportion and Related Transactions of Equity Participation Companies" was reviewed and approved at the 9th session of the 7th Board of Directors' meeting held by the Company. The Company originally held 12.43% of the equity of Zhejiang Leapmotor Technology Co., Ltd. (hereinafter referred to as "Leapmotor Technology"), while the Company's controlling shareholder, Fu Liquan, held 12.60% of the equity. A total of 10 investors, including Zhejiang Mituo Investment Co., Ltd., Gao Dong, Everfront Phoenix Mountain Ltd., Huzhou Heninghai Equity Investment Partnership (Limited Partnership), Zhoushan Haohai Venture Capital Partnership (Limited Partnership), Hangzhou Hanzhi Investment Partnership (Limited Partnership), Huzhou Jingxin Equity Investment Partnership (Limited Partnership), Central Enterprise Poverty Area Industrial Investment Fund Co., Ltd., Hangzhou Chunsheng Investment Co., Ltd., and Gao Yanfeng, plan to conduct a B-2 round of capital increase to Leapmotor Technology, with a total capital increase of RMB 1,342,200,000. The newly increased registered capital of Leapmotor Technology is RMB 64,952,812 and the newly increased capital reserve of Leapmotor Technology is RMB 1,277,247,188. In this capital increase, the Company gives up the right to increase the capital in the same proportion. Upon completion of the capital increase, the registered capital of Leapmotor Technology will increase from RMB 723,849,772 to RMB 788,802,584. The proportion of Leapmotor Technology's equity held by the Company will decrease from 12.43% to 11.41%. The amount of related transactions involved in the Company's waiver of the right to increase the capital in the same proportion for Leapmotor Technology is RMB 166,835,460. The procedures for the industrial and commercial change of the above matters have been completed in January 2021.

(4) On April 22, 2021, the "Proposal to Waive the Right to Increase Capital by the Same Proportion, Right of Preemption, and Related Transactions of Subsidiaries" was reviewed and approved at the 14th session of the 7th Board of Directors' meeting held by the Company. The Company originally held 51.00% of the equity of its subsidiary, Zhejiang HuaRay Technology Co., Ltd. A total of 5 investors, including CICC HuaRay Technology Employee Shareholding No. 1 Single Asset Management Plan, CITIC Securities HuaRay Technology Employee Shareholding No. 1 Single Asset Management Plan, Zhang Xingming, Li Ming and Mu Fangbo, plan to conduct a capital increase to HuaRay Technology, with a total capital increase of RMB 9,545,783. Based on the shareholding structure ratio after the above capital increase, Ningbo Huayu Investment Management Partnership Enterprise (Limited Partnership), a shareholder of HuaRay Technology intends to transfer its 44.10% of the equity of HuaRay Technology to CICC HuaRay Technology Employee Shareholding No. 1 Single Asset Management Plan, CITIC Securities HuaRay Technology Employee Shareholding No. 1 Single Asset Management Plan, Hangzhou Jurui Lingyi Enterprise Management Partnership (Limited Partnership), Hangzhou Jurui Linger Enterprise Management Partnership (Limited Partnership), Hangzhou Jurui Lingsan Enterprise Management Partnership (Limited Partnership), Hangzhou Jurui Lingsi Enterprise Management Partnership (Limited Partnership), Hangzhou Jurui Lingwu Enterprise Management Partnership (Limited Partnership), Jurui Lingliu Enterprise Management Partnership (Limited Partnership), Ganzhou Yuxing Investment Partnership (Limited Partnership), Hangzhou Yide Investment Management Partnership (Limited Partnership), Hangzhou Guanzhiqi Equity Investment Management Partnership (Limited Partnership), and natural person Jiang Xiaolai, Li Zhijie, Liu Ming, Song Ke, Wu Jian, Xu Qiaofen, Xu Zhicheng, Zhang Xingming, Zhao Yuning, Zhu Jiantang, Zheng Jieping, Li Ming, Mu Fangbo. The total transfer price is RMB 244,309,237. The Company gave up the priority in subscription to and right of preemption of the above equity. Upon completion of the capital increase and the equity transfer, the registered capital of HuaRay Technology will increase from RMB 50,000,000 to RMB 55,555,556. The proportion of HuaRay Technology's equity held by the Company will decrease from 51.00% to 45.90%. The procedures for industrial and commercial change of the above matters have been completed in April 2021.

(5) On June 7, 2021, the 16th session of the 7th Board of Directors' meeting held by the Company reviewed and approved

the "Proposal on Increasing Capital and Related Transactions of Holding Subsidiaries", in which the Company and the related party Zhejiang Huashi Investment Management Co., Ltd. agreed to increase capital in the holding subsidiary Zhejiang Huaxiao Technology Co., Ltd. by the same proportion. The Company would complete a capital increase of RMB 10,200,000 with its own funds, and Huashi Investment will complete a capital increase of RMB 9,800,000. After the capital increase, the registered capital of Huaxiao Technology would increase from RMB 50,000,000 to RMB 70,000,000. The shareholding ratio of the Company and Huashi Investment remains unchanged. The procedures for industrial and commercial change of the above matters have been completed in June 2021.

(6) On June 29, 2021, the 18th session of the 7th Board of Directors' meeting held by the Company reviewed and approved the "Proposal on Joint Investment and Establishment of Industrial Funds and Related Transactions with Related Parties". It is agreed that the Company and Huayan Capital (Hangzhou) Private Equity Fund Management Co., Ltd. (hereinafter referred to as "Huayan Capital"), Chen Ailing, Wu Jun, Zhu Jiangming, Zhang Xingming, Wu Jian, Xu Zhicheng, Zhu Jiantang, Liu Ming, Xu Qiaofen, Jiang Xiaolai, Chen Jianfeng, Wang Heng, Zhou Xiao, Chen Guoqiang, Chen Hongwu, Deng Zhiji, Yang Jianjun, Mao Jianqun, Wu Jiangzhong, a total of 19 natural persons, jointly established Zhoushan Huayan Chuangxi Equity Investment Partnership (Limited Partnership). The industrial fund is in the form of a limited partnership, with a total fund size of RMB 150,100,000. Dahua invested RMB 50,000,000 in cash and bank balances and held 33.32% of the shares. In July 2021, the company was established.

(7) On November 30, 2021, the 23rd session of the 7th Board of Directors' meeting and the 16th session of the 7th Board of Supervision held by the Company, reviewed and approved the "Proposal to Adjust the Company's Non-public Issuance of Shares for the Year 2021", "Proposal on the Company's Non-public Issuance of Shares for the Year 2021 (Second Revised Draft)", "Proposal of the Non-public Issuance of Shares Subscription Agreement with Effective Conditions and its Supplementary Agreement of the Termination Agreement between the Company and the Original Subscribers", and so on. The Company agreed to issue no more than 288,624,700 shares to China Mobile Communications Group Co., Ltd. in a non-public offering by way of issuing shares to specific targets, raising total funds of no more than RMB 5,100,000,000 (inclusive), and the price of this non-public offering is RMB 17.67 per share.

(8) On December 28, 2021, the 25th session of the 7th Board of Directors' meeting held by the Company reviewed and approved the "Proposal on Equity Transfer and Related Transactions of Subsidiaries". The Company agreed to transfer 49% of the equity of Zhejiang Dahua Security Network Operation Service Co., Ltd., which was held by a related legal person, Ningbo Huayu Investment Management Partnership Enterprise (Limited Partnership). The Company transfers the equity to the operating company by 49%, which involves a total amount of RMB 74,940,000 in related transactions. After accepting the transfer, the Company held 100% equity of the Company. The procedures for the industrial and commercial change of the above matters have been completed in January 2022.

(9) On December 28, 2021, the 25th session of the 7th Board of Directors' meeting held by the Company reviewed and approved the "Proposal on Waiver of Right of First Refusal and Related Transactions of Equity Participation Companies", agreeing that Ningbo Huaqi Investment Management Partnership (Limited Partnership) to transfer 22.29% of its holdings in Zhejiang Healnoc Technology Co., Ltd. The transaction price is based on the paid-in capital contribution of Ningbo Huaqi Investment Management Partnership (Limited Partnership) to the target company, and the transfer price is RMB 5,258,900. The Company waives its right of first refusal to the above-mentioned equity. The procedures for the industrial and commercial change of the above matters have been completed in January 2022.

(10) On December 28, 2021, the 25th session of the 7th Board of Directors' meeting held by the Company reviewed and approved the "Proposal on Waiver of Right of First Refusal and Related Transactions of Subsidiaries". It is agreed that Zhejiang Huashi Investment Management Co., Ltd. would transfer 26% of its equity in Zhejiang Huafei Intelligent Technology Co., Ltd. to Ningbo Hualing Venture Capital Investment Partnership (Limited Partnership) at a transfer price of RMB 13,000,000. It's agreed that Zhang Hui would transfer 15% of his equity in Zhejiang Huafei Intelligent Technology Co., Ltd. to Hangzhou Huaao Enterprise Management Partnership (Limited Partnership) at a transfer price of RMB



13,347,000. The Company waives its right of first refusal to the above-mentioned equity. The procedures for industrial and commercial change of the above matters have been completed in February 2022.

(11) On December 28, 2021, the 25th session of the 7th Board of Directors' meeting held by the Company reviewed and approved the "Proposal on Waiver of Right of First Refusal and Related Transactions of Subsidiaries". It is agreed that Zhejiang Huashi Investment Management Co., Ltd. would transfer 11.50% of its equity in Wuxi Dahua Ruipin Technology Co., Ltd. to Hangzhou Ruipin Enterprise Management Partnership (Limited Partnership) at a transfer price of RMB 5,088,474, and transfer 3.50% of its equity in Wuxi Dahua Ruipin Technology Co., Ltd. to Shen Huiliang at a transfer price of RMB 1,548,666. The Company waived the right of first refusal to the above-mentioned equity. The modification procedures at the Bureau of Industry and Commerce for the above matters were completed in March 2022.

(12) On December 28, 2021, the 25th session of the 7th Board of Directors' meeting held by the Company reviewed and approved the "Proposal on Increasing Capital and Related Transactions of Holding Subsidiaries". It is agreed that the Company and its related parties, Ningbo Huagu Enterprise Management Partnership (Limited Partnership) and Ningbo Hualing Venture Capital Investment Partnership (Limited Partnership), jointly invest in the holding subsidiary, Zhejiang Dahua Storage Technology Co., Ltd., by the same proportion. The Company would complete a capital increase of RMB 15,300,000 with its own funds and the related parties, Ningbo Huagu and Hualing Venture Capital, would complete a capital increase of RMB 9,000,000 and RMB 5,700,000 respectively. After the capital increase, the registered capital of Dahua Storage will increase from RMB 50,000,000 to RMB 80,000,000. The shareholding ratio of the Company, Ningbo Huagu and Hualing Venture Capital will remain unchanged. The procedures for the industrial and commercial change of the above matters have been completed in January 2022.

## 6. Receivables and payables of the related parties

### (1) Receivables

Unit: RMB

Item Name	Related parties	Balance at the End of the Period		Balance at the Start of the Period	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable	Intelbras S.A.	206,318,099.10	10,320,331.98	208,554,357.60	10,427,717.88
Accounts receivable	China Mobile Communications Group Co., Ltd. and its affiliates	111,247,639.49	7,895,521.54		
Accounts receivable	Zhejiang Leapmotor Technology Co., Ltd. and its affiliates	89,391,704.45	4,647,793.73	20,226,671.24	1,097,618.01
Accounts receivable	Guangdong Zhishi Digital Technology Co., Ltd.	6,365,249.54	318,262.48	9,674,896.53	483,744.83
Accounts receivable	Ruicity Digital Technology Co., Ltd. and its affiliates	4,915,729.56	245,786.48	12,589,716.40	629,485.82
Accounts receivable	Zhejiang Huanuokang Technology Co., Ltd.	2,738,506.81	146,705.87	1,106,873.88	73,242.70
Accounts	Zhejiang Xinsheng Electronic	2,287,960.46	173,101.22	1,912,804.53	95,640.23

receivable	Technology Co., Ltd.				
Accounts receivable	Ningbo Dahua Anbang Security Services Co., Ltd.	1,472,000.00	73,600.00	826,971.00	41,348.55
Accounts receivable	Hangzhou Juhuanyan Information Technology Co., Ltd.	1,208,000.00	181,613.20	1,223,000.00	92,728.30
Accounts receivable	China Standard Intelligent Security Technology Co., Ltd.	1,017,406.10	279,911.05	1,017,723.17	94,223.41
Accounts receivable	Zhejiang Huatu Microchip Technology Co., Ltd.	315,750.17	31,822.29	315,750.17	15,788.53
Accounts receivable	Zhejiang Zhian Internet of Things Engineering Co., Ltd.			100,000.00	10,000.00
Accounts receivable	Shaoxing Dahua Security Services Co., Ltd.	50,000.00	15,000.00	50,000.00	5,000.00
Accounts receivable	Hangzhou Xunwei Robotics Technology Co., Ltd.	6,800.00	340.00	15,300.00	765.00
Accounts receivable	Hangzhou Nuojia Technology Co., Ltd.	1,947.00	97.35	48,305.00	2,415.25
Accounts receivable	Hangzhou Xintu Technology Co., Ltd.	81.72	4.09	94,500.00	4,725.00
Accounts receivable	South-North United Information Technology Co., Ltd.			29,508,038.92	6,150,422.02
Accounts Prepaid	Zhejiang Xinsheng Electronic Technology Co., Ltd.	54,676,147.76		9,430,662.05	
Accounts Prepaid	Zhejiang Leapmotor Technology Co., Ltd. and its affiliates	949,000.00		811,033.19	
Other Receivables	Ningbo Hualing Venture Capital Investment Partnership (Limited Partnership)	41,800,000.00	4,180,000.00	107,800,000.00	5,390,000.00
Other Receivables	Zhoushan Weixin Equity Investment Partnership (Limited Partnership)	24,320,000.00	2,432,000.00	62,720,000.00	3,136,000.00
Other Receivables	Zhoushan Zhixin Equity Investment Partnership (Limited Partnership)	25,080,000.00	2,508,000.00	64,680,000.00	3,234,000.00
Other Receivables	China Mobile Communications Group Co., Ltd. and its affiliates	748,826.97	62,441.35		
Other Receivable	Shenzhen Conwin Security Electronics CO., Ltd.			8,000.00	400.00

s					
Other Receivables	Zhejiang Xinsheng Electronic Technology Co., Ltd.			54,751.47	2,737.57
Other Receivables	Zhejiang Leapmotor Technology Co., Ltd. and its affiliates			5,600.00	280.00

**(2) Payables**

Unit: RMB

Item Name	Related parties	Closing balance	Opening balance
Accounts Payable	China Mobile Communications Group Co., Ltd. and its affiliates	44,367,897.15	
Accounts Payable	Zhejiang Leapmotor Technology Co., Ltd. and its affiliates	12,128,172.59	11,126,290.19
Accounts Payable	Hangzhou Nuoja Technology Co., Ltd.	2,079,553.10	2,371,466.69
Accounts Payable	Zhejiang Huanuokang Technology Co., Ltd.	1,678,007.32	1,018,404.74
Accounts Payable	Ningxia Shendun Security Services Co., Ltd.	350,375.00	350,375.00
Accounts Payable	Hangzhou Xunwei Robotics Technology Co., Ltd.	11,406.18	
Accounts Payable	Hangzhou Xianmai Technology Co., Ltd.	4.95	
Accounts Payable	Wangsu Technology Co., Ltd.		18,000.00
Contract liabilities	China Mobile Communications Group Co., Ltd. and its affiliates	592,504.29	
Contract liabilities	Zhejiang Zihua Internet of Things Technology Co., Ltd.	2,830.19	
Contract liabilities	Hangzhou Xintu Technology Co., Ltd.	1,362.66	
Contract liabilities	Zhejiang Leapmotor Technology Co., Ltd. and its affiliates		982,300.88
Contract liabilities	Hangzhou Juhuan Information Technology Co., Ltd.		250,000.00
Contract	Ruicity Digital Technology Co., Ltd. and its		112,127.64

liabilities	affiliates		
Contract liabilities	South-North United Information Technology Co., Ltd.		6,371.68
Contract liabilities	Hangzhou Nuoqia Technology Co., Ltd.		353.98
Other Payables	China Mobile Communications Group Co., Ltd. and its affiliates	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	

### 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	N/A
Total amount of equity instruments exercised by the Company in current period	36,127,260 shares of restricted stock
Total amount of equity instruments of the Company invalidated in current period	1,028,860 shares of restricted stock

Other notes

(1) Granting of the first restricted stock in 2018 and the reserved part in 2019

According to the "2018 Restricted Stock Incentive Plan (Draft)" approved by the Company's 4th interim shareholders' general meeting held on September 14, 2018 and reviewed at the 17th session of the Company's 6th Board of Directors' meeting, the Company's stock option incentive plan granted 117,468,100 shares of restricted stock, of which 105,293,200 were granted for the first time, and 12,174,900 shares of restricted stock were reserved for the reserved incentive objects. According to the review of the 17th session of the 6th Board of Directors' meeting of the Company, the Company completed the first grant of restricted stock on November 1, 2018, which is taken as the first grant date. The Company actually granted 98,865,800 shares of restricted stock to 3,145 senior managers, other managers and key business personnel. The grant date is November 1, 2018, and the grant price is RMB 8.17.

According to the review of the 25th session of the 6th Board of Directors' meeting of the Company, 11,380,400 shares of restricted stock reserved in the 2018 Restricted Stock Incentive Plan were granted to 789 incentive objects. The Company actually granted 10,413,500 shares of restricted stock to 749 senior managers, other managers and key business personnel. The grant date is September 6, 2019, and the grant price is RMB 8.75.

The validity period, lock-up period and unlocking period of the stock option incentive plan are as follows: The validity period of the incentive plan is 52 months, calculated from the first grant date of the underlying stock.

For the restricted stock granted for the first time, 16 months from the date of grant is the lock-up period. During the lock-up

period, the restricted stock held by the incentive objects through this plan will be locked and cannot be transferred. The unlocking period is 36 months after the lock-up period. 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 16 months to 28 months, 28 months to 40 months, and 40 months to 52 months from the grant date, respectively.

For the restricted stock reserved for grant, the lock-up period is within 28 months and 40 months from the first grant date. During the unlocking period, when the unlocking conditions stipulated in this incentive plan are met, the incentive object can apply for the unlocking of the underlying stock in two times, which is to apply to unlock 50% and 50% of the total amount of restricted stock that are granted within 28 months to 40 months and 40 months to 52 months from the first grant date, respectively.

According to the resolution of the 27th session of the 6th Board of Directors' meeting of the Company held on November 4, 2019, the Company reviewed and approved the 2018 Restricted Stock Incentive Plan (Draft Revision) and its summary, and adjusted the performance conditions that the Company had to meet to unlock the incentive objects of the granted restricted stock. The adjusted performance conditions are as follows:

The restricted stock granted for the first time in 2018 will be unlocked in three times when the Company meets the following performance conditions:

Unlocking time	Performance conditions
Unlocking condition for the first time	Indicator 1: The compound annual operating revenue growth rate of the year before the unlocking time is not less than 23% compared to the year before the granting time, and the weighted average ROE attributable to the Company's common stock shareholders as of December 31, 2019 is not less than 17%. Or indicator 2: The growth rate of the net profit attributable to the parent company at the time before the unlocking time is not less than 32% compared to the year before the granting time, and the weighted average ROE attributable to the Company's common stock shareholders as of December 31, 2019 is not less than 19%.
Unlocking condition for the second time	Indicator 1: The compound annual operating revenue growth rate of the year before the unlocking time is not less than 23% compared to the year before the granting time, and the weighted average ROE attributable to the Company's common stock shareholders as of December 31, 2020 is not less than 18%. Or indicator 2: The growth rate of the net profit attributable to the parent company at the time before the unlocking time is not less than 60% compared to the year before the granting time, and the weighted average ROE attributable to the Company's common stock shareholders as of December 31, 2020 is not less than 19%.
Unlocking condition for the third time	Indicator 1: The compound annual revenue growth rate of the year before the unlocking time is not less than 23% compared with the year before the granting time, and the weighted average ROE attributable to the Company's common stock shareholders as of December 31, 2021 is not less than 19%. Or indicator 2: The growth rate of the net profit attributable to the parent company at the time before the unlocking time is not less than 90% compared to the year before the granting time, and the weighted average ROE attributable to the Company's common stock shareholders as of December 31, 2021 is not less

	than 19%.
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The reserved restricted stock granted in 2019 will be unlocked in two times when the Company meets the following performance conditions:

Unlocking time	Performance conditions
Unlocking condition for the first time	Indicator 1: The compound annual operating revenue growth rate of the year before the unlocking time is not less than 23% compared to the year before the granting time, and the weighted average ROE attributable to the Company's common stock shareholders as of December 31, 2020 is not less than 18%. Or indicator 2: The growth rate of the net profit attributable to the parent company at the time before the unlocking time is not less than 60% compared to the year before the granting time, and the weighted average ROE attributable to the Company's common stock shareholders as of December 31, 2020 is not less than 19%.
Unlocking condition for the second time	Indicator 1: The compound annual operating revenue growth rate of the year before the unlocking time is not less than 23% compared to the year before the granting time, and the weighted average ROE attributable to the Company's common stock shareholders as of December 31, 2021 is not less than 19%. Or indicator 2: The growth rate of the net profit attributable to the parent company at the time before the unlocking time is not less than 90% compared to the year before the granting time, and the weighted average ROE attributable to the Company's common stock shareholders as of December 31, 2021 is not less than 19%.

## (2) Granting of the restricted stock in 2020

According to the resolutions of the Company's 2019 Annual General Meeting of Shareholders and the resolutions of the 34th and 35th sessions of the 6th Board of Directors' meeting, 13,391,480 shares of restricted stock were granted to 10 incentive objects. For the stock repurchased in the secondary market through centralized competitive bidding, the grant date is June 4, 2020, and the grant price is RMB 7.467.

The validity period of this plan is 36 months from the grant date of restricted stock, and the interval between the grant date and the release date is not less than 12 months. During this period, the restricted stock held by the incentive objects through this plan will be locked and cannot be transferred. If the restricted stock granted by the Company meets the unlocking conditions after 12 months from the grant completion date, the incentive object can apply for the unlocking of the restricted stock in two times, which is to apply to unlock 50% and 50% of the total amount of restricted stock that are granted within 12 months to 24 months, and 36 months from the grant completion date, respectively. The unlocking performance conditions are as follows:

Unlocking time	Performance conditions
Unlocking condition for the first time	Indicator 1: The annual operating revenue growth rate of the year before the unlocking time is not less than 34.10% compared to the year before the granting time, and the weighted average ROE attributable to the Company's common stock shareholders as of December 31, 2020 is not less than 18%. Or

	indicator 2: The growth rate of the net profit attributable to the parent company at the time before the unlocking time is not less than 19.38% compared to the year before the granting time, and the weighted average ROE attributable to the Company's common stock shareholders as of December 31, 2020 is not less than 19%;
Unlocking condition for the second time	Indicator 1: The annual operating revenue growth rate of the year before the unlocking time is not less than 64.95% compared to the year before the granting time, and the weighted average ROE attributable to the Company's common stock shareholders as of December 31, 2021 is not less than 19%. Or indicator 2: The growth rate of the net profit attributable to the parent company at the time before the unlocking time is not less than 41.76% compared to the year before the granting time, and the weighted average ROE attributable to the Company's common stock shareholders as of December 31, 2021 is not less than 19%;

(3) 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 investors recently introduced by the subsidiary Huaray Technology, the confirmed share-based payment fee is RMB 77,137,145.23.

## 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	Determine based on the stock price at the grant date and the grant cost of the restricted stock or the share price of the most recent external investor entry at the grant date
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	409,274,091.02
Amount of equity-settled share-based payment confirmed in current period	12,714,091.87

Other notes

The employee service amount exchanged by equity payment in this period is RMB 183,372,003.99. As the third batch of restricted stock granted for the first time in 2018, the second batch of reserved restricted stock in 2019, and the second batch of restricted stock granted in 2020 fail to meet the unlocking conditions, the amount of expenses confirmed by the transfer back to the equity-settled share-based payment in the previous period is RMB 170,657,912.12.

## XIV. Commitments and contingencies

### 1. Significant commitments

Important commitments on the balance sheet day

As of December 31, 2021, 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 December 31, 2021, the pledge receivables amounted to RMB 177,694,142.12 (including the long-term receivable balance of RMB 148,512,859.01, and the balance of the non-current assets matured within one year of RMB 29,181,283.11). The loan balance under the guarantee contract was RMB 128,000,000.00 (where the long-term loan balance was RMB 102,500,000.00 and the balance of non-current liabilities matured within one year was RMB 25,500,000.00).

(2) On June 28, 2019, Zhejiang Dahua Technology 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 (2019) No. 12373 (the contract term is from June 28, 2019 to June 28, 2021). On June 29, 2021, Zhejiang Dahua Technology 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 (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.

Under the notes pool business, as of December 31, 2021, the company Zhejiang Dahua Technology Co., Ltd. has undue notes receivable of RMB 664,734,356.60 (where RMB 650,000,000.00 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 916,121,588.22 (where RMB 180,327,840.12 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 6,799,375.76. Under the pledge, the Company Zhejiang Dahua Technology Co., Ltd. issued RMB 18,210,006.39 in bank acceptance bills, the subsidiary Zhejiang Dahua Technology Co., Ltd. issued RMB 1,232,514,158.54 in bank acceptance bills, and the subsidiary Zhejiang Dahua System Engineering Co., Ltd. issued RMB 396,094.99 in bank acceptance bills.

(3) On November 23, 2020, 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 (2020) No. 28875 (the contract term is from November 23, 2020 to June 28, 2021). On June 29, 2021, 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 (2021) No. 14619 (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 Zhejiang Dahua Zhilian Co., Ltd. together with Hangzhou Branch of Zheshang Bank Co., Ltd. The financing amount for the fund pledge pool cannot be more than RMB 0.5 billion.

Under the notes pool business, as of December 31, 2021, RMB 151,620,006.45 of undue notes receivable of the subsidiary Zhejiang Dahua Zhilian Co., Ltd. were pledged for the issuance of acceptance bills. Under the pledge, the subsidiary Zhejiang Dahua Zhilian Co., Ltd. issued RMB 130,097,924.69 in bank acceptance bills.

(4) The Company Zhejiang Dahua Technology Co., Ltd. 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. As of December 31, 2021, the Company Zhejiang Dahua Technology Co., Ltd. had RMB 102,296,320.15 undue notes receivable (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 RMB 201,198,638.52 undue notes receivable, the subsidiary Hangzhou Huacheng Network Technology Co., Ltd. had RMB 1,128,444.98 undue notes receivable, the subsidiary Zhejiang Fengshi Technology Co., Ltd. had RMB 5,481,635.44 undue notes receivable (of which RMB 817,885.44 was related party notes that should be included in the scope of consolidation), and the subsidiary Zhejiang Dahua System Engineering Co., Ltd. had RMB 977,838.20 undue notes receivable pledged for issuing bank acceptance bills. Under the pledge, the Company Zhejiang Dahua Technology Co., Ltd. issued RMB 892,437.61 in bank acceptance bill, the subsidiary Zhejiang Dahua Technology Co., Ltd. issued RMB 63,588,745.37 in bank acceptance bill, the subsidiary Hangzhou Huacheng Network Technology Co., Ltd. issued RMB 149,240,618.12 in bank acceptance bill, the subsidiary Zhejiang Fengshi Technology Co., Ltd. issued RMB 72,497,660.17 in bank acceptance bill, and the subsidiary Zhejiang Dahua System Engineering Co., Ltd. issued RMB 1,053,592.92 in bank acceptance bill.

(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 December 31, 2021, the subsidiary Zhejiang Dahua Technology Co., Ltd. has RMB 20,210,997.38 of undue notes receivable and RMB 9,399,710.65 of notes pool margin pledged for the issuance of acceptance bills. Under the pledge, the subsidiary Zhejiang Dahua Technology Co., Ltd. issued RMB 29,610,708.03 in bank acceptance bills.

(6) 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. As of December 31, 2021, the subsidiary Zhejiang HuaRay Technology Co., Ltd. had 22,426,643.06 undue notes receivable that were pledged for issuing bank acceptance bills. Under the pledge, the subsidiary Zhejiang HuaRay Technology Co., Ltd. issued RMB 16,831,021.63 in bank acceptance bills.

(7) The subsidiary Zhejiang HuaRay Technology Co. Ltd., signed a bank acceptance agreement with Hangzhou Branch of Ningbo Bank Co., Ltd. As of December 31, 2021, the subsidiary Zhejiang HuaRay Technology Co., Ltd. had RMB 4,183,487.95 of note margin as pledge. Under the pledge, the subsidiary Zhejiang HuaRay Technology Co., Ltd. issued RMB 13,944,959.87 in bank acceptance bills.

## 2. Contingencies

### (1) Important contingent matters on the balance sheet day

No important contingent matters on the balance sheet day.

### (2) If no important contingent matter to be disclosed by the Company, it should also be noted accordingly

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

## XV. Events after the Balance Sheet Date

### 1. Distribution of profits

According to the Company's resolution at the 30th session of the 7th Board of Directors' meeting on April 22, 2022, the Company's profit distribution preplan for the year of 2021 was: On the basis of the Company's 2,994,550,730 shares in total capital by December 31, 2021, all shareholders will be distributed RMB 2.70 in cash (including tax) for each 10 shares, and the total amount of cash dividends is RMB 808,528,697.10, with no bonus shares and no capitalization of capital reserves. The remaining undistributed profit after the distribution of dividends will be carried forward to the next year. The matter shall be implemented after being approved by the general meeting of shareholders.

### 2. Other events after the balance sheet date

(1) On January 18, 2022, the Company transferred 49% of the equity of Zhejiang Dahua Security Network Operation Service Co., Ltd. (hereinafter referred to as the "Operation Company") held by Ningbo Huayu Investment Management Partnership Enterprise (Limited Partnership). After the transfer, the Company held 100% of the equity of Zhejiang Dahua Security Network Operation Service Co., Ltd.

(2) On January 25, 2022, Guizhou Huayi Shixin Technology Co., Ltd. (hereinafter referred to as "Guizhou Huayi") completed the capital reduction procedure, and the registered capital was reduced from RMB 50,000,000 to RMB 22,500,000. After the completion of capital reduction, Guiyang Guanshan Lake Investment (Group) Co., Ltd. and Guizhou Yiyun Investment Co., Ltd. withdrew shares from Guizhou Huayi, and Guizhou Huayi was changed to a wholly-owned subsidiary of Dahua Technology by the agreement.

(3) The Company applied to the China Securities Regulatory Commission ("CSRC") for non-public issuance of shares in 2021 and received the "Acceptance Certificate of Application for Administrative Permits of the CSRC" (acceptance number: 211371) issued by the CSRC on June 2, 2021. The CSRC accepted the Company application for non-public issuance of shares. On April 18, 2022, the Issuance Examination Committee of the China Securities Regulatory Commission examined the Company application for non-public issuance of shares. According to the review results of the meeting, the Company application for non-public issuance of shares was approved. As of the date of approval of the financial statements, the Company non-public issuance of shares has not been completed.

(4) On February 16, 2022, the "Proposal on Adjustment of Industrial Fund Related Matters and Related Transactions" was reviewed and approved at the 26th session of the 7th Board of Directors' meeting. It is agreed that a total of 11 investors, including Chen Ailing, Wu Jun, Wang Heng, Chen Hongwu, Deng Zhiji, Yang Jianjun, Wu Jiangzhong, Zhoushan Huayan Chuangxing Venture Capital Partnership (Limited Partnership), Song Ke, Zhou Guodong and Zheng Jieping, will increase their subscribed capital contributions to Huayan Investment Fund, with a total capital increase of RMB 107,910,000. Among them, some of the original partners increased their capital contributions and four new limited partners were added. The new partners and the original partners re-signed the "Partnership Agreement of Zhoushan Huayan Chuangxi Equity Investment Partnership (Limited Partnership)" (hereinafter referred to as the "Partnership Agreement") and related documents. The Company has not made any new capital contributions this time. Upon completion of the capital increase, the subscribed capital contribution of Huayan Investment Fund increased from RMB 150,100,000 to RMB 258,010,000. After the change, the proportion of the Company capital contribution decreased from 33.32% to 19.38%. The modification procedures at the Bureau of Industry and Commerce for the above matters were completed in March 2022.

(5) On March 25, 2022, the Company transferred 90% of its equity in Sichuan Dahua Guangxun Photoelectric Technology Co., Ltd. to Hangzhou Landscaping Co., Ltd. at a price of RMB 1,080,000. After the transfer, the proportion of shares held by the Company in Sichuan Dahua Guangxun Photoelectric Technology Co., Ltd. was reduced from 100% to 10%. The

modification procedures at the Bureau of Industry and Commerce for the above matters were completed in April 2022.

(6) On April 1, 2022, the Company convened the 27th session of the 7th Board of Directors' meeting, reviewed and approved the "2022 Stock Option and Restricted Stock Incentive Plan (Draft)". A total of 4,345 incentive objects, including directors, senior management and key personnel of the Company, are proposed to be granted 74.864 million restricted stocks and 74.864 million stock options. The matter shall be implemented after being approved by the general meeting of shareholders.

(7) On April 22, 2022, the Company convened the 30th session of the 7th Board of Directors' meeting, at which 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. It is 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. A total of 29,431,520 restricted shares held by 2,889 incentive objects were repurchased and cancelled. It is proposed to repurchase and cancel 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 6,695,740 restricted shares held by 10 incentive objects were repurchased and cancelled. The matter shall be implemented after being approved by the general meeting of shareholders.

(8) On April 22, 2022, the Company held the 30th session of the 7th Board of Directors' meeting, reviewed and approved the "Proposal on Abandoning the Preemptive Right and Related Transactions of Subsidiaries", and 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. The Company intends to waive its right of first refusal of the above-mentioned equity.

## 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 income	Operating Cost
Domestic	19,346,695,166.19	12,133,990,421.61
Overseas	13,488,784,170.66	7,924,522,736.72
Total	32,835,479,336.85	20,058,513,158.33

Product subsection

Unit: RMB

Item	Operating income	Operating Cost
Smart IoT Products and Solutions	28,040,635,027.05	16,429,520,447.87
Including: Software Business	1,600,941,024.00	521,983,098.73
Innovated Businesses	2,847,600,678.83	1,939,617,607.05
Others	1,947,243,630.97	1,689,375,103.41
Total	32,835,479,336.85	20,058,513,158.33

## 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	Balance at the End of the Period					Balance at the Start of the Period				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Percentage	Amount	Accrued proportion		Amount	Percentage	Amount	Accrued proportion	
Accounts receivables with the bad debt provision accrued based on single item	32,146,763.01	0.60%	32,146,763.01	100.00%						
Including:										
Accounts receivables with the bad debt provision accrued based on combinations	5,328,387,755.87	99.40%	92,669,027.03	1.74%	5,235,718,728.84	2,826,617,475.98	100.00%	86,465,236.63	3.06%	2,740,152,239.35
Including:										
Portfolio 1: Related Parties Portfolio	4,399,849,905.57	82.08%			4,399,849,905.57	1,932,175,484.83	68.36%			1,932,175,484.83
Portfolio 2: Aging Analysis Portfolio	928,537,850.30	17.32%	92,669,027.03	9.98%	835,868,823.27	894,441,991.15	31.64%	86,465,236.63	9.67%	807,976,754.52
Total	5,360,537,606.17	100.00%	124,815,027.03		5,235,718,728.84	2,826,617,475.98	100.00%	86,465,236.63		2,740,152,239.35

	4,518.88	%	790.04		8,728.84	7,475.98		36.63		239.35
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Bad debt provision based on single item

Unit: RMB

Name	Balance at the End of the Period			
	Book balance	Bad debt provision	Accrued proportion	Reason for making bad debt provision
Customer 1	32,146,763.01	32,146,763.01	100.00%	Expected to be unable to recover
Total	32,146,763.01	32,146,763.01	--	--

Bad debt provision based on combinations

Unit: RMB

Name	Balance at the End of the Period		
	Book balance	Bad debt provision	Accrued proportion
Within 1 Year	704,807,824.97	35,240,391.25	5.00%
1 to 2 years	145,764,581.65	14,576,458.17	10.00%
2 to 3 years	38,635,131.50	11,590,539.45	30.00%
3 to 4 years	13,844,394.11	6,922,197.06	50.00%
4 to 5 years	5,732,384.86	4,585,907.89	80.00%
5 years or above	19,753,533.21	19,753,533.21	100.00%
Total	928,537,850.30	92,669,027.03	--

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	Book balance
Within 1 year (including 1 year)	4,971,994,665.97
1 to 2 years	251,857,285.15
2 to 3 years	75,292,074.88
3 years or above	61,390,492.88
3 to 4 years	22,117,748.99
4 to 5 years	16,401,269.32
5 years or above	22,871,474.57
Total	5,360,534,518.88

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

Provision for bad debts in the current period:

Unit: RMB

Category	Balance at the Start of the Period	Amount of Changes in the Current Period				Balance at the End of the Period
		Accrued	Recovered or Reversed	Written Off	Others	
Bad debt provision	86,465,236.63	38,350,553.41				124,815,790.04
Total	86,465,236.63	38,350,553.41				124,815,790.04

**(3) Accounts receivable of the top five balances at the end of the period collected by the arrears**

The accounts receivable of the top five closing balances collected by the arrears summed up to RMB 4,280,044,465.61, accounting for 79.84% of the total closing balance of accounts receivable. The closing balance of the provision for bad debts accrued was RMB 2,683,523.91 accordingly.

**(4) The amount of 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	3,066,910.69	3,066,910.69
Total	3,066,910.69	3,066,910.69

**(5) There are no accounts receivable derecognized due to the transfer of financial assets in this period****2. Other receivables**

Unit: RMB

Item	Balance at the End of the Period	Balance at the Start of the Period
Other Receivables	13,227,344,584.64	13,796,461,689.02
Total	13,227,344,584.64	13,796,461,689.02

**(1) Other Receivables****1) Other receivables categorized by the nature of the funds**

Unit: RMB

Nature of the funds	Closing balance	Opening balance
Deposits	43,647,007.12	30,677,198.60
Prepaid or advance expense	35,796,731.49	39,286,222.84
Equity Transfer Fund	228,000,000.00	588,000,000.00
Employee home loan	85,353,302.20	86,870,816.57
Incomings and outgoings	12,878,290,499.25	13,102,867,304.50
Others	8,043,517.60	5,061,884.88
Total	13,279,131,057.66	13,852,763,427.39

## 2) Bad debt provision

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	52,038,067.76	3,625,283.30	638,387.31	56,301,738.37
Balance in the Current Period on January 1, 2021	—	—	—	—
--Transfer to phase two	-724,839.75	724,839.75		
--Transfer to phase three	-43,121.07	-16,380.00	59,501.07	
Provisions of this period		210,259.77	104,784.08	315,043.85
Reversals in this period	4,663,301.79			4,663,301.79
Write off in this period			167,007.41	167,007.41
Balance on December 31, 2021	46,606,805.15	4,544,002.82	635,665.05	51,786,473.02

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

Applicable  Not applicable

Disclosure by age

Unit: RMB

Aging	Book balance
Within 1 year (including 1 year)	11,993,630,700.89

1 to 2 years	628,810,059.27
2 to 3 years	455,526,953.78
3 years or above	201,163,343.72
3 to 4 years	191,699,150.94
4 to 5 years	7,591,123.05
5 years or above	1,873,069.73
Total	13,279,131,057.66

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

Provision for bad debts in the current period:

Unit: RMB

Category	Balance at the Start of the Period	Amount of Changes in the Current Period				Balance at the End of the Period
		Accrued	Recovered or Reversed	Written Off	Others	
Bad debt provision	56,301,738.37	315,043.85	4,663,301.79	167,007.41		51,786,473.02
Total	56,301,738.37	315,043.85	4,663,301.79	167,007.41		51,786,473.02

### 4) Accounts receivable actually written off in this period

Unit: RMB

Item	Write-off amount
Other accounts receivable actually written off	167,007.41

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

Unit: RMB

Name of Unit	Nature of the funds	Balance at the End of the Period	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	8,428,288,733.88	The amount within 1 year is RMB 8,427,392,242.14, the amount in 1–2 years is RMB 804,762.71 and the amount in 2–3 years is RMB 91,729.03.	63.47%	
Company 2	Incomings and	1,729,912,003.69	The amount within 1 year is RMB 1,618,738,159.55 and the amount in 1–2	13.03%	



	outgoings		years is RMB 111,173,844.14.		
Company 3	Incomings and outgoings	986,285,904.16	Within 1 year	7.43%	
Company 4	Incomings and outgoings	696,954,914.02	The amount within 1 year is RMB 277,506,868.58, the amount in 1–2 years is RMB 27,393,077.53 and the amount in 2–3 years is RMB 392,054,967.91.	5.25%	
Company 5	Incomings and outgoings	491,929,837.44	The amount within 1 year is RMB 398,080,688.32 and the amount in 1–2 years is RMB 93,849,149.12.	3.70%	
Total	--	12,333,371,393.19	--	92.88%	

6) There are no other accounts receivable related to government subsidies.

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

8) 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	Balance at the End of the Period			Balance at the Start of the Period		
	Book balance	Provision for impairment	Book value	Book balance	Provision for decline in value	Book value
Investment in subsidiaries	4,496,090,820.42		4,496,090,820.42	3,598,917,483.61		3,598,917,483.61
Investment in affiliates and joint ventures	798,402,086.36		798,402,086.36	61,493,073.68		61,493,073.68
Total	5,294,492,906.78		5,294,492,906.78	3,660,410,557.29		3,660,410,557.29

#### (1) Investment in Subsidiaries

Unit: RMB

The invested entity	Balance at the Start of the Period (book value)	Decrease/Increase in the current period				Balance at the End of the Period (Book Value)	Closing balance of
		Investments increased	Investment decreased	Provision for impairment	Others		

				accrued			provision for decline in value
Zhejiang Dahua System Engineering Co., Ltd.	533,280,154.61	-3,952,219.74				529,327,934.87	
Zhejiang Dahua Security Network Operation Service Co., Ltd.	27,240,264.48	-73,146.70				27,167,117.78	
Zhejiang Dahua Ju'an Technology Co., Ltd.	5,100,000.00					5,100,000.00	
Guangxi Dahua Information Technology Co., Ltd.	6,289,815.02	-164,711.58				6,125,103.44	
Dahua Technology (HK) Limited	608,628,700.00	57,526,468.00				666,155,168.00	
Zhejiang Dahua Security Service Co., Ltd.	180,383.54	-32,541.88	147,841.66				
Zhejiang Dahua Vision Technology Co., Ltd.	669,609,997.31	622,209,903.92				1,291,819,901.23	
Guangxi Dahua Security Service Co., Ltd.	20,002,580.76					20,002,580.76	

Hangzhou Xiaohua Technology CO., LTD.	5,813,279.51	-246,956.86				5,566,322.65	
Zhejiang Dahua Zhilian Co., Ltd.	1,001,165,918.91	-287,315.62				1,000,878,603.29	
Zhejiang Dahua Investment Management Co., Ltd.	62,175,000.00					62,175,000.00	
Guangxi Dahua Zhicheng Co., Ltd.	71,226,231.21	-4,116.36				71,222,114.85	
Hangzhou Huacheng Network Technology Co., Ltd.	29,566,484.68	-925,813.47				28,640,671.21	
Zhejiang HuaRay Technology Co., Ltd.	32,352,342.50	-1,428,025.41				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.	25,616,346.82	-607,237.92				25,009,108.90	
Zhejiang Huachuang Vision Technology Co., Ltd.	30,091,777.77	-951,614.23				29,140,163.54	
Guizhou Huayi Shixin		1,800,000.00				1,800,000.00	

Technology Co., Ltd.							
Zhejiang Fengshi Technology Co., Ltd.	9,006,836.94	-1,474.65				9,005,362.29	
Dahua Technology Holdings Limited	8,102,000.00					8,102,000.00	
Zhejiang Huaxiao Technology Co., Ltd.	28,023,346.51	9,695,431.52				37,718,778.03	
Xi'an Dahua Zhilian Technology Co., Ltd.	56,197,022.50	43,946,608.64				100,143,631.14	
Wuxi Dahua Ruipin Technology Co., Ltd.	12,875,213.66	4,982,483.48				17,857,697.14	
Zhejiang Huaxuan Technology Co., Ltd.	55,525,681.73	569,985,429.96	625,511,111.69				
Beijing Huayue Shangcheng Information Technology Service Co., Ltd.	10,583,863.46	-96,742.38				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.,	1,673,832.92	-155,672.06				1,518,160.86	

Ltd.							
Sichuan Dahua Guangxun Photoelectric Technology Co., Ltd.	5,530,000.00					5,530,000.00	
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.	8,295,404.08	17,307,869.20				25,603,273.28	
Zhejiang Huaruijie Technology Co., Ltd.	51,267,388.28	-69,088.34				51,198,299.94	
Chengdu Dahua Zhilian Information Technology Co., Ltd.	45,851.60	49,989,341.58				50,035,193.18	
Chengdu Dahua Zhian Information Technology Service Co., Ltd.	100,000,000.00					100,000,000.00	
Chengdu Huishan Smart Network	5,500,000.00					5,500,000.00	

Technology Co., Ltd.							
Zhejiang Huajian Technology Co., Ltd.		13,540,903.07				13,540,903.07	
Xinjiang Dahua Zhixin Information Technology Co., Ltd.	2,055.08					2,055.08	
Guangxi Huacheng Technology Co., Ltd.	135,146.72	-40,121.72				95,025.00	
Hangzhou Huacheng Software Co., Ltd.	478,183.81	-91,835.09				386,348.72	
Dahua Technology Canada Inc.	96,379.20	-23,515.20				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.		100,000,000.00				100,000,000.00	

Total	3,598,917,483.61	1,522,832,290.16	625,658,953.35			4,496,090,820.42	
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**(2) Investment in affiliates and joint ventures**

Unit: RMB

Name of Investees	Balance at the Start of the Period (book value)	Decrease/Increase in the current period								Balance at the End of the Period (book value)	Closing balance of provision for decline in value
		Investments increased	Investment decreased	Investment profit and loss recognized under the equity method	Adjustment on other comprehensive income	Other changes in equity	Cash dividends or profit declared to distribute	Provision for impairment accrued	Others		
I . Joint ventures											
II . Affiliates											
Zhejiang Leapmotor Technology Co., Ltd.				-322,752,324.29		965,829,194.80				643,076,870.51	
Guangdong Zhishi Digital Technology Co., Ltd.				142,478.81					-142,478.81		
Hangzhou Juhuan Information Technology Co., Ltd.	1,148,962.20			-425,465.81						723,496.39	
Ruicity Digital Technology	57,944,111.48			12,450,397.67						70,394,509.15	

gy Co., Ltd.											
Digital Dongyan g Technolo gy Operatio n Co., Ltd.	2,400,00 0.00			-194,584 .02						2,205,41 5.98	
Zhejiang Huanuok ang Technolo gy Co., Ltd.		20,000,0 00.00		-4,886,4 21.90						15,113,5 78.10	
Zhousha n Huayan Chuangx i Equity Investme nt Partners hip (Limited Partners hip)		50,000,0 00.00		12,135,5 59.93						62,135,5 59.93	
Dezhou Shuzhi Informati on Technolo gy Co., Ltd.		3,400,00 0.00		-7,343.7 0						3,392,65 6.30	
Sichuan Hengji Anhua Internet of Things Technolo gy Co., Ltd.		1,360,00 0.00								1,360,00 0.00	



Subtotal	61,493,073.68	74,760,000.00		-303,537,703.31		965,829,194.80			-142,478.81	798,402,086.36	
Total	61,493,073.68	74,760,000.00		-303,537,703.31		965,829,194.80			-142,478.81	798,402,086.36	

#### 4. Operating revenue and operating costs

Unit: RMB

Item	Amount Occurred in the Current Period		Amount Occurred in the Previous Period	
	Income	Cost	Income	Cost
Main Business	9,704,836,761.33	1,250,287,354.08	9,193,145,592.07	1,394,205,060.39
Other businesses	38,380,402.19	27,935,289.59	48,278,519.27	38,349,300.31
Total	9,743,217,163.52	1,278,222,643.67	9,241,424,111.34	1,432,554,360.70

#### 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	-303,537,703.31	-221,917,515.47
Investment income from disposal of long-term equity investment	281,454.95	1,123,740,515.93
Investment Income from Disposal Trading Financial Assets	8,493,150.68	7,128,255.20
Investment income on other non-current financial assets during the holding period	22,409,109.76	9,845,215.11
Investment income from national debt reverse repurchase	642,899.15	448,892.17
Total	-271,711,088.77	919,245,362.94

### 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	47,555,142.92	

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)	217,227,114.97	
Gains or losses from investment or asset management entrusted to others	104,368,534.48	
Gains or losses from debt restructuring	-56,076.90	
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	81,148,682.33	
Non-Operating Revenue and expenses other than the above	-1,402,020.22	
Other gains and losses items that fit the definition of non-recurring gains and losses	-40,319,290.13	
Less: Impact of income tax	78,172,720.73	
Impact of minority equity	55,322,188.26	
Total	275,027,178.46	--

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 Net Return on Assets	Earnings per share	
		Basic Earnings per Share (RMB/Share)	Diluted Earnings per Share (RMB/Share)
Net profit attributable to common shareholders of the Company	15.58%	1.15	1.15
Net profit attributable to common shareholders of the Company after deducting non-recurring gains and losses	14.32%	1.05	1.05

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

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

Applicable  Not applicable

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

Applicable  Not applicable

Zhejiang Dahua Technology Co., Ltd.

Legal representative: Fu Liquan

April 23, 2022