

March 3, 2017

To Our Valued Customers,

Hikvision Corrects Genetec Leader's Accusations

The international security publication Detektor no 1 2017, featured an interview with Genetec CEO Pierre Racz regarding his company's special restrictions for the use of Hikvision products, connected to the Genetec VMS platform.

Below are comments from Hikvision's Keen Yao on the Genetec leader's irresponsible accusations. Many of these remarks will be published in a future edition of Detektor magazine.

In his interview, Pierre Racz's comments mimic an American blogger site, whose sole business goal appears to be instilling fear, uncertainty and doubt about Hikvision because it is a Chinese company.

The Genetec leader's rants about war, espionage and treachery are certainly worthy of a Hollywood tabloid, but security professionals and integrators can see through Pierre Racz's fear-mongering. They notice that Racz provides vague accusations and outrageous claims.

"Governments are concerned "

In the interview with Detektor Magazine, Pierre Racz proclaims that "governments have told us they are extremely concerned with the origin of these [Hikvision] products." Racz does not specify which governments are concerned, but those governments must have their proverbial heads in the proverbial sand, because there are no secrets about the origins of Hikvision products. All Hikvision products are proudly "Made in China."

Hikvision products are manufactured, inspected and tested in world-class factories in Hangzhou, China, a city that Westerners often refer to as the "Silicon Valley of China." Hikvision regularly hosts security integrators and security professionals from the West and all over the globe for tours of our factories. Our visitors are interested to see our industry-leading cybersecurity best practices at work, and

how we continually increase efficiency by using robots and other sophisticated processes, and they're also interested in witnessing the sheer scale of our operation.

Chinese government access

Genetec's leader regurgitates insinuations about Hikvision products providing access to the Chinese government. This claim is absurd. There is no motive for a commercial company to provide access to a government, whether it's an American, Swedish or Chinese company. Hikvision has sold tens of millions of network-connected devices—IP cameras and NVRs—that sit on the Internet. There is no report anywhere that such access has taken place. Any claim otherwise is just hogwash.

Furthermore, anyone who knows anything about technology and engineering understands that these arguments are laughable. Interestingly, the Genetec leader appears to lack both understanding of how the systems work, and he appears to have very little respect for the infosec professionals who protect their companies.

A video surveillance system is comprised of front-end devices, backend devices, network devices and a system platform. This is where the CISOs and other infosec professionals come in. If any change is made to an edge device – like a camera – it would immediately be detected by the network devices and security platforms.

False claims

Pierre Racz is fabricating disinformation about Hikvision's ownership and financing. He says that Hikvision is "owned by the government and has been given a \$6 billion subsidy."

These claims are false, misleading, and irresponsible. Hikvision is a publicly traded company, listed on the Shenzhen Stock Exchange. As of 30 September 2016, our shareholders include government entities (42 percent of our stock is held by two state-owned enterprises). Major stockholders include a Hong Kong businessman, and common-shares investors, including international institutional investors. UBS AG and JP Morgan are among Hikvision's top 10 shareholders.

A loan is not a subsidy

Also, the subsidy myth has been debunked repeatedly. Like other major corporations, Hikvision uses different types of financing channels such as an IPO, bank credit facilities and bond issuances.

Hikvision in August 2016 closed a credit facility of more than \$3 billion, with the Export-Import Bank of China. In November 2015, Hikvision secured approximately \$3 billion line of credit with the China Development Bank.

These are lines of credit. If and when Hikvision takes a loan on a credit line, the entire amount must be repaid with interest. It is not a subsidy or free gift. It works the same way as the other lines of credit that Hikvision has with other international financial institutions including Citibank, HSBC and Deutsche Bank, among others.

Genetec also makes assertions that Hikvision is not a commercial entity or is somehow not interested in commercial success. We are the world's leading video surveillance provider with extremely strong growth. Our preliminary 2016 financial results, released on 17 February 2017 show year-over-year overall revenues increased 26 percent and overall profits increased 24 percent. We're also establishing a Research Institute in Silicon Valley in California and an R&D Centre in Montreal, where Genetec is located.

Product Safety

Hikvision continues to take steps to improve our product safety. Based on the information security management system we've already established in the company, we are working with CISCO and other top-notch companies to benchmark product security requirements, security design and security testing. We regularly invite international organizations, such as Ernst & Young, to further evaluate and advise on our security system. We have also worked closely with renowned security companies such as Symantec, Synopsys and IBM. We are willing to cooperate on enhancing product safety with companies from all over the world.

Hikvision manufactures innovative products and is committed to bringing outstanding value to our partners. We do not engage in aggressive competitive practices and respect all of our competitors in the video surveillance industry.

Hikvision will continue its substantial R&D investment and is always strengthening its collaboration with worldwide technology partners. It's our goal to provide our valued customers with top-notch products and service.

Thank you for your continued support of our industry-leading video surveillance products.

Hikvision HQ