

ZKTECO CO., LTD.

2024 Half Year Report

Announcement No.: 2024-037

August 2024

Section I Important Notes, Contents and Definitions

The Board of Directors, the Board of Supervisors, directors, supervisors and senior managers guarantee that the information presented in this report is true, accurate and complete without any false records, misleading statements or material omissions, and will undertake individual and joint legal liabilities.

The Company's legal representative, Jin Hairong, the person in charge of the accounting work, Wang Youwu, and the person in charge of accounting institution (accounting supervisor), Fang Li, hereby declare that the financial information in this report is true, accurate and complete.

All directors have attended the board meeting to review this report.

The Company has elaborated in detail on the potential risk factors that may occur in the future in this report. Investors are advised to refer to the full text of this report and pay special attention to the content of "Section III Management Discussion and Analysis" - "X. Risks Faced by the Company and Countermeasures".

The Company will not distribute cash dividend, distribute bonus shares, or distribute shares from capital reserve during the current reporting period.

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Documents Available for Inspection

- I. The original text of the 2024 Half Year Report signed by the Company's legal representative and stamped by the Company;
- II. Financial statements affixed with official stamps and the signatures of the Company's legal representative, the person in charge of the accounting work and the person in charge of accounting institution (accounting supervisor) of the Company.
- III. All original copies of the Company's documents and the original drafts of the Company's announcements as disclosed on websites designated by the CSRC during the reporting period.

Place for document inspection: Office of the Company's Board of Directors

Definitions

Terms	Refers to	Definitions
Company, the Company, ZKTeco	Refers to	ZKTECO CO., LTD.
ZKTeco Times	Refers to	Shenzhen ZKTeco Times Investment Co., Ltd., a controlling shareholder of the Company
LX Investment	Refers to	Dongguan LX Investment Partnership Enterprise (Limited Partnership), a shareholder of the Company
JYLY	Refers to	Shenzhen JYLY Consulting Enterprise (Limited Partnership), a shareholder of the Company
Guangdong Zkteco	Refers to	ZKTECO (GUANGDONG) CO., LTD, a wholly-owned subsidiary of the Company
Shenzhen ZKTeco	Refers to	Shenzhen ZKTeco Biometric Identification Technology Co., Ltd., a wholly-owned subsidiary of the Company
Shenzhen Zhongjiang	Refers to	Shenzhen Zhongjiang Intelligent Technology Co., Ltd., a company which 51% equity holding by the Company, currently in compulsory liquidation proceedings.
XIAMEN ZKTECO	Refers to	XIAMEN ZKTECO CO., LTD., a wholly-owned subsidiary of the Company
Zhongan Intelligent Control	Refers to	Shenzhen Zhongan Intelligent Control Technology Co., Ltd., previously a controlling subsidiary of the Company, with its equity in the Company transferred in 2019
Zokon Industry	Refers to	Shenzhen Zokon Industry Development Co., Ltd.
Articles of Association	Refers to	Articles of Association of ZKTECO CO., LTD.
A shares	Refers to	RMB denominated ordinary shares
RMB, RMB '0,000	Refers to	RMB, RMB '0,000
Reporting Period	Refers to	January-June 2024
End of Reporting Period	Refers to	June 30, 2024
CV	Refers to	Computer Vision
BioCV	Refers to	Biometrics & Computer Vision
Biometrics	Refers to	A computer technology that utilizes the analysis of human biological characteristics to distinguish biological organisms. It is used for personal identification by a close combination of computer technology with high-tech methods such as optics, acoustics, biosensors, and biostatistics, and utilizing the inherent physiological characteristics of the human body (fingerprints, facial features, palm veins, iris, etc.) or behavioral characteristics (sound, gait, etc.)
Computer Vision	Refers to	Used to simulate biological vision using cameras, computers, and related equipment; simulate human visual abilities, capture and process three-dimensional information of the scene by using optical systems and image processing tools, understand and command specific devices to execute decisions
RF, RFID	Refers to	Radio Frequency Identification (RFID), a wireless communication technology that can identify specific targets and read and write relevant data through radio signals without establishing mechanical or optical contact between the identification system and specific targets
Internet of Things/IoT	Refers to	Used to connect any object to the network by using information sensing devices and following agreed protocols. The object exchanges and communicates information through information dissemination media to achieve intelligent recognition, positioning, tracking, supervision, and other functions
2nd-Generation ID Card, Resident ID Card	Refers to	2nd-Generation Resident ID Card
SMED	Refers to	Single Minute Exchange of Die, a process improvement method that minimizes the product die exchange time, production startup time, or adjustment time of the die. It can significantly shorten the time required for machine installation and die exchange setting
SaaS	Refers to	Software as a Service, a software application model that provides software services through the Internet

CTID	Refers to	Cyber Trusted Identity, an authoritative network identity certificate issued to individuals by the "Internet+" trusted identity authentication platform (CTID Platform)
ZigBee	Refers to	A wireless network protocol for low speed short distance transmission
IP65	Refers to	A protection level for electrical equipment casings against foreign object intrusion, which can completely prevent dust from entering and wash with water without any harm
PUSH	Refers to	The active push technology on the server side, enabling the timely transmission of data updates, which is characterized by high efficiency and low terminal energy consumption
MRP Mode	Refers to	Material Requirement Planning, the process in which a production enterprise gradually derives the production and procurement plans for the components, raw materials, and other materials required for the production of the main product based on the production plan, the structure of the main product, and the inventories situation
SAM	Refers to	Secure Access Module, a module used for encrypting and decrypting identity card information
SMT	Refers to	Surface Mount Technology, a circuit assembly technology used to install surface mounted components without pins or with short leads on the surface of printed circuit boards (PCBs) or other substrates, and then solder and assemble them through methods such as reflow soldering or immersion soldering
PCB	Refers to	Printed Circuit Board, a substrate used for assembling electronic components
PCBA	Refers to	Printed Circuit Board Assembly, the process of soldering components onto a PCB substrate to form a printed circuit board (PCB)
asmag	Refers to	A professional industry media company under the Messe Frankfurt Exhibition GmbH, aiming to provide market analysis, technical information, solution evaluation, industry forecasting, etc. for practitioners in smart security, smart life, smart transportation, smart buildings, IT communication, and networking
AI	Refers to	Artificial Intelligence
AIoT	Refers to	The Artificial Intelligence of Things
IoT	Refers to	Internet of Things
NB-IOT	Refers to	Narrow Band Internet of Things, NB-IoT
Rebate	Refers to	The rebate the Company provides to dealers based on the rebate policy and the completion of dealer performance
SDK	Refers to	Software Development Kit
OCR	Refers to	Optical character recognition, the process of electronic devices (such as scanners or digital cameras) using image processing and pattern recognition techniques to examine characters on images, bills, or certificates and translate them into computer text
WM	Refers to	Warehouse Management
SAP	Refers to	System Applications and Products
PDA	Refers to	Personal Digital Assistant
AGV	Refers to	Automated Guided Vehicle
BioCode	Refers to	Biometric feature code, converted from encrypted biometric features
QR code	Refers to	Two-dimensional barcode format: Quick Response Code, which can quickly read data
Transformer	Refers to	Deep learning model based on attention mechanism

Note:

- 1.If there is a discrepancy between the total count and the sum of the sub item values in any table of this Half Year Report, it is due to rounding reasons.
2. This report has been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese version shall prevail.

Section II Company Profile and Key Financial Indicators

I. Company Information

Stock Abbreviation	ZKTECO	Stock code	301330
Stock listing exchange	Shenzhen Stock Exchange		
Chinese name of the Company	熵基科技股份有限公司		
Chinese abbreviation of the Company (if any)	熵基科技		
English name of the Company (if any)	ZKTECO CO., LTD.		
English abbreviation of the Company (if any)	ZKTeco		
Legal representative of the Company	Jin Hairong		

II. Contacts and Contact Information

	Secretary of the board	Representative on securities matters
Name	Guo Yanbo	Wang Jia
Contact address	No.32, Pingshan Industrial Road, Tangxia Town, Dongguan, Guangdong, China	No.32, Pingshan Industrial Road, Tangxia Town, Dongguan, Guangdong, China
Tel.	0769-82618868	0769-82618868
Fax	0769-82618848	0769-82618848
Email	ir@zkteco.com	ir@zkteco.com

III. Other Information

1. Company's Contact Information

Whether the registered address, office address, postal code, website, email address, etc. of the Company changed during the reporting period?

☐ Applicable ☒ Not applicable

The registered address, office address, postal code, website, email address, etc. of the Company have not changed during the reporting period, as detailed in the 2023 Annual Report.

2. Information Disclosure and Place of the Report

Whether the information disclosure and place of the report changed during the reporting period?

☐ Applicable ☒ Not applicable

The website and media name and website of the stock exchange where the Company disclosed its Half Year Report. The filing location of the Company's Half Year Report remains unchanged during the reporting period, as detailed in the 2023 Annual Report.

3. Registration Change

Whether the registration changed during the reporting period?

☐ Applicable ☒ Not applicable

The Company's registration remained unchanged during the reporting period, as detailed in the 2023 Annual Report.

4. Other Relevant Information

Whether other relevant information changed during the reporting period?

☒ Applicable ☐ Not applicable

During the reporting period, due to the completion of the first attribution period of the Restricted Share Incentive Plan in 2022, the registered capital of the Company was changed from RMB 193,039,666 to RMB 194,679,508. Please refer to the "Announcement on Completing Industrial and Commercial Change Registration" (Announcement No. 2024-003) disclosed by the Company on January 24, 2024 for details.

IV. Main Accounting Data and Financial Indicators

Does the Company need to retroactively adjust or restate accounting data from previous years

☐ Yes ☒ No

	Current reporting period	The same period last year	YoY change during the reporting period
Operating income (RMB)	903,103,158.77	937,182,670.00	-3.64%
Net profit attributable to shareholders of listed companies (RMB)	78,637,727.33	88,754,335.62	-11.40%
Net profit attributable to shareholders of listed companies after deducting non-recurring profits and losses (RMB)	67,172,205.06	94,476,476.50	-28.90%
Net cash flows from operating activities (RMB)	66,632,321.85	130,730,027.12	-49.03%
Basic EPS (RMB/share)	0.4070	0.4598	-11.48%
Diluted EPS (RMB/share)	0.4050	0.4579	-11.55%
Weighted average return on net assets	2.42%	2.85%	-0.43%
	At the end of this reporting period	At the end of 2023	Increase or decrease at the end of this reporting period compared to the end of the previous year
Total assets (RMB)	3,798,491,466.69	3,923,900,732.70	-3.20%
Net assets attributable to shareholders of listed companies (RMB)	3,200,457,211.25	3,265,413,589.20	-1.99%

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

1. Differences in net profit and net assets in financial reports disclosed in accordance with international accounting standards and Chinese accounting standards

☐ Applicable ☒ Not applicable

During the reporting period, there were no differences in net profit and net assets between the financial reports disclosed in accordance with international accounting standards and Chinese accounting standards.

2. Differences in net profit and net assets in financial reports disclosed in accordance with foreign accounting standards and Chinese accounting standards

☐ Applicable ☒ Not applicable

During the reporting period, there were no differences in net profit and net assets between the financial reports disclosed in accordance with foreign accounting standards and Chinese accounting standards.

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

☒ Applicable ☐ Not applicable

Unit: RMB

Item	Amount	Remarks
Losses and gains from disposal of non-current assets (including the offsetting portion of the provision for losses from impairment of assets)	-143,955.56	
Government subsidies included in current profits and losses (except those closely related to the normal business of the Company, which are in line with national policies and regulations, enjoyed according to determined standards, and have a continuous impact on the Company's profits and losses)	5,030,462.88	
Profits and losses from fair value changes arising from the holding of financial assets and financial liabilities by non-financial enterprises, as well as the gains and losses arising from the disposal of financial assets and financial liabilities except for effective hedging business related to the normal operation of the Company	6,105,510.00	Mainly due to investment income and fair value changes generated by financial products
Capital occupancy fees charged to non-financial enterprises included in current profits and losses	21,195.11	
Reversal of the provision on receivables with impairment test conducted on an individual basis	170,000.00	
Other non-operating income and expenses other than the above items	1,468,131.14	
Less: income tax impact	1,278,125.03	
Minority interest impact (after tax)	-92,303.73	
Total	11,465,522.27	

Details of other profit and loss items that meet the definition of non-recurring profits and losses:

☐ Applicable ☒ Not applicable

The Company has no specific situation of other profit and loss items that meet the definition of non-recurring profits and losses.

Description on defining the non-recurring profit and loss items listed in the "Explanatory Announcement for Information Disclosure by Companies that Issue Securities to the Public No. 1 - Non-recurring Profits and Losses" as recurring profit and loss items

☐ Applicable ☒ Not applicable

The Company has no situation where the non-recurring profit and loss items listed in the "Explanatory Announcement for Information Disclosure by Companies that Issue Securities to the Public No. 1 - Non-recurring Profits and Losses" are defined as recurring profit and loss items.

Section III Management Discussion and Analysis

I. Main Businesses Engaged by the Company During the Reporting Period

(I) Basic situation of the Company's main businesses and products

The Company is an international enterprise in the field of multimodal "Computer Vision and Biometrics" (BioCV), and is a national high-tech enterprise specializing in providing smart entrance and exit management, smart identity verification, smart office products, smart retail products and solutions. The Company is mainly committed to integrating core multimodal biometric technologies such as fingerprints, palm veins, palmprints, facial features, finger veins, and iris with computer vision, radio frequency, IoT, cloud computing and other technologies. It provides smart terminals, industry application software, and platforms with object detection, identity recognition and verification functions to multiple fields such as commerce, transportation, finance, education, healthcare, government affairs and retail.

Relying on the global ecosystem of R&D, manufacturing, and sales services, the Company actively deploys the field of smart retail cloud services while deeply cultivating the three major business sectors of smart entrance and exit, smart identity verification, and smart office, providing digital products and services for users in the public service field, enterprises, and personal users.

From the perspective of the main application scenarios of the product, the Company's main business during the reporting period mainly covered three major areas: smart entrance and exit management, smart identity verification, and smart office.

The main business income obtained from the three major scenarios of the Company during the reporting period is as follows:

Unit: RMB '0,000




Item	January-June 2024		January-June 2023	
	Amount	Proportion	Amount	Proportion
I. Smart entrance and exit management products	69,918.32	77.75%	68,498.68	73.34%
II. Smart identity verification products	4,590.20	5.10%	7,693.09	8.24%
III. Smart office products	15,421.29	17.15%	17,199.26	18.42%
Total	89,929.81	100.00%	93,391.03	100.00%




1. Smart entrance and exit management



(1) Smart terminal products and functions



During the reporting period, the Company's smart terminal products for smart entrance and exit management mainly include access control management, pedestrian channels, vehicle channels, security inspection products, intelligent videos, smart locks, elevator control, charging piles, and self-service visitor services.

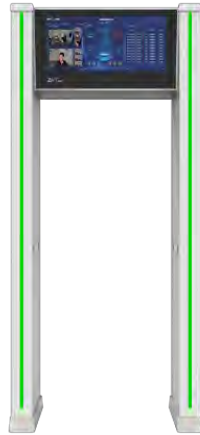
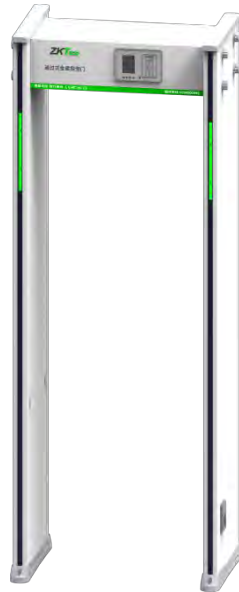

Product Category	Product Name	Product Description	Product Image
Access control products	Access control	<p>The access control is a smart terminal that achieves single door access control permission verification and logical judgment through biometric information verification or other verification methods. According to different biometric verification methods, it can be divided into fingerprint, facial, palm vein, and palmprint recognition access control integrated machines, equipped with RFID cards, passwords, and other verification methods. The device supports unified management on the software platform.</p> <p>During the reporting period, the Company launched a new generation of multimodal biometrics product zFace series, which is equipped with wireless doorbells and visual intercom functions, accelerating the implementation of technology products.</p>	
	Access controller	<p>The access controller is a smart terminal used to receive data from biometrics card readers, radio frequency card readers, and access control, and perform access permission verification and logical judgment. It is mainly used in large and medium-sized project locations with a large number of access points and high security requirements. Accessible collection methods include facial features, fingerprints, RFID cards, QR codes and passwords. The device has professional access control function and supports unified management on the software platform.</p> <p>The Company actively deploys advanced access controllers and multiple-step controllers and cabinet controllers for large and medium-sized enterprises and public sector applications.</p>	
	Rack mounted controller	<p>The InBioP3000 series is an intelligent recognition access controller launched by ZKTeco, with four door and eight door options available. It is used in conjunction with the DM20 access control magic box. The DM20 device at the front of the door only requires one POE network cable to achieve data transmission from the controller. At the same time, power can be supplied to devices such as the reader, electric lock, exit switch, alarm, etc. through the DM20, without the need for external power supply, resulting in lower cost. The status of the controller and door can be viewed in real time through the device's own LED lights, PC, web, and mobile devices, making installation, debugging, and maintenance more convenient. The device is designed according to the 1U standard and adopts SGCC (hot-dip</p>	

Product Category	Product Name	Product Description	Product Image
		galvanized low carbon steel) processing technology. The body is wear-resistant and durable, compact and generous, with two installation methods: wall mounted and rack mounted. It is easy to install, manage and maintain, making it an ideal choice for many enterprises. This controller is designed specifically for medium to large-scale projects, covering various scenarios such as factories, companies, schools, buildings, office buildings, apartments, etc.	
		DM20 is an access controller magic box launched by ZKTeco, which is used in conjunction with the InBioP3000 series controllers. The controller is connected to the DM20 via a PoE network cable, automatically assigning an IP address to the DM20 without the need for any network configuration settings, greatly reducing the workload of debugging personnel and significantly improving work efficiency. DM20 supports the access of ZKTeco products such as card readers, fingerprint readers, QR code readers, exit switches, electric locks, etc., and has expanded auxiliary input and output interfaces. DM20 provides direct power supply to the connected devices without the need for a separate external power source, effectively reducing the construction and wiring workload on the project site and lowering project costs.	
	Facial recognition card reader	Facial recognition card readers are mainly used to collect and verify facial and card information of personnel, and transmit the comparison results to the access controller through Wiegand for access permission verification and logical judgment. Dual verification can greatly improve the security of the control area. With a 2 million pixel binocular live detection camera, it accurately resists various 2D and 3D simulation image and model attacks. By outputting data through Wiegand, most access controllers can be directly upgraded to facial verification methods, which has strong compatibility.	
	RF card reader (including national security card reader and key issuer)	The RF card reader is mainly used for the collection and transmission of RFID technologies and passwords, and can send the collected data to the access controller for comparison and verification. The data information whose collection is supported includes RFID cards, passwords, etc.	


Product Category	Product Name	Product Description	Product Image
Elevator control	Elevator controller	The elevator controller supports two modes of online and offline operation, controlling a maximum of 128 floors. It has multiple verification methods such as face, fingerprint, RFID card, QR code, etc. and can accurately identify elevator user instructions without the need for buttons, directly reaching the target floor. In addition, it also supports seamless integration with the visitor system, achieving one code interconnection for visitors.	
	Multimodal acquisition terminal	The multimodal acquisition terminal is an inductive terminal used to collect information such as the cardholder's face, fingerprint, QR code, RFID card, password, etc., and transmit it to the access controller and elevator controller. It is used in conjunction with software to achieve single or multiple door access control permission verification. The multimodal acquisition terminal is equipped with a high-definition binocular camera, configured with a facial liveness algorithm, which can quickly capture faces and has strong anti-counterfeiting ability. The dustproof and waterproof level can reach IP65.	
Pedestrian channel	Pedestrian gate	<p>The pedestrian gate is an intelligent device used to control the entry and exit of personnel. With the rapid development of digital technology, the application of intelligent pedestrian gates is becoming increasingly widespread. At present, schools, high-end residential areas, scenic spots, stations, customs, airports, terminals, office buildings, sports venues, and other places that require pedestrian flow management, identity recognition, and self-service fee management are all provided with automated channel gates instead of traditional manual ticket or admission verification. The Company's pedestrian gate products support the integrated integration of multimodal biometrics and radio frequency identification, and support various infrared passage detection functions for human and object, enabling intelligent control and management of the channel.</p> <p>With the extension of the Company's core technologies in video detection, image recognition, behavior analysis, and feature matching, and combined with the characteristics of various scenarios in pedestrian channels, the Company has developed self-service settlement and passage products and solutions that can meet the usage needs of multiple scenarios such as libraries, unmanned supermarkets, communities, schools, airports, subways, and stations, promoting convenient travel in the above passage scenarios. The video passage detection algorithm and device independently developed by the Company use AI technology to detect, alarm, and dissuade abnormal behaviors such as tailgating, intrusion, shoulder to shoulder, and hugging. This not</p>	

Product Category	Product Name	Product Description	Product Image
		only reduces the work pressure of staff, but also greatly improves the safety of control and the accuracy of passage data. During the reporting period, the Company promoted the integration and application of technologies such as pedestrian gates, multimodal recognition, holographic projection and smart commercial display according to the needs of high-end commercial scenarios.	
Vehicle channel	License plate recognition all-in-one machine	The license plate recognition all-in-one machine is mainly used to obtain and recognize license plate information such as license plate number, license plate color, and license plate logo type. The Company's license plate recognition all-in-one machine adopts an integrated structure of license plate recognition camera, control panel, display screen, fill light, automatic barrier, etc. It can realize voice broadcasting in local language and display information such as license plate numbers. The license plate recognition parking lot management system can help car owners to park automatically, support various mobile payment functions, and can set flexible and diverse charging rules to meet the needs of different scenarios.	
	Automatic barrier	The automatic barrier can be independently controlled to lift and lower the pole, or it can be accessed through the parking lot management system to lift and lower the pole. The Company's gate is composed of a reducer, motor, balancing device, chassis, gate pole support, gate rod and other parts. According to the application location of the gate, its gate poles can be divided into straight poles, 90° curved arm poles, fence poles, anti-collision round poles, and other pole types. The gate with license plate recognition all-in-one machine is suitable for entrance and exit management of parking lots in different scenarios.	

Product Category	Product Name	Product Description	Product Image
	Charging pile	<p>New energy vehicle charging piles can be fixed on the ground or walls, installed in public buildings (buildings, shopping malls, public parking lots, etc.), residential parking lots, and dedicated charging stations to provide charging and energy replenishment services for electric vehicles and hybrid vehicles. According to the output power of the charging pile, it is generally divided into various different power charging methods such as AC slow charging, DC fast charging, and overcharging to meet the charging needs of new energy vehicles in different scenarios. The Company's new energy vehicle charging piles currently include 7kW AC slow charging piles, 30kW/60kW/120kW/160kW DC charging piles, and other series of products. On this basis, the Company has added 20kW and 240kW DC charging pile series to improve the product array layout. The main focus is on application scenarios that require fast charging and energy replenishment, such as administrative agencies, enterprises and institutions, industrial parks, shopping centers, scenic spots, communities, public charging stations, etc. It supports functions such as card swiping charging, QR code scanning charging, mobile payment, self-service, online monitoring, cloud management, OTA remote upgrade, etc. (integrated management and service of charging and parking can be achieved with the Company's smart parking business).</p>	
Security inspection products	Walk through metal detector	<p>Intelligent walk through metal detector is a security inspection terminal that integrates identity verification, personnel access and metal detection. It is applied in public places with high pedestrian flow, such as stations, factories, public service departments and large conferences, for personnel identity verification, personnel access, and inspection of metal items carried by personnel. According to usage requirements, the product integrates multiple functions such as metal detection, thermal imaging temperature measurement, real-time monitoring, channel management, real name verification, and environmental gas detection. It is equipped with a 29 inch 21:9 ultra wide screen. Through a brand new software UI visualization platform and the integration of multiple functions and visualized display of data, the product has a wider range of applications.</p>	

Product Category	Product Name	Product Description	Product Image
	Intelligent data walk through metal detector	The intelligent data walk through metal detector integrates weak signal detection technology and intelligent classification algorithm applications internally, classifying and detecting metal items carried by passing personnel. It integrates electronic products, all-metal detection, and user-defined multiple detection modes, making the product versatile. Among them, in the electronic product detection mode, the mobile phone can be accurately detected after filtering out daily metal items (such as keys, jewelry, belts, cigarettes, lighters, glasses, stationery, umbrellas, water bottles, and other small metal objects). The all-metal mode is the basic metal detection function of the product. The user defined mode selects prohibited metal items for pre-set product categories to meet the detection needs of different locations. The walk through metal detector is suitable for various entry and exit security inspection places, such as campuses, examination places, public service departments, public resource trading centers, confidential entities, rail transit, scenic spots, etc.	
	Walk through metal detector	The walk through metal detector is an ultra high sensitivity metal classification detector. Its internal detection system adopts the latest eddy current signal detection and processing technology developed by ZKTeco, forming a multi-energy metal detection mode combining non-ferrous metals and ferrous metals. In the non-ferrous metal mode, the product can accurately detect metal objects carried by people with copper and aluminum as the main materials. The detection accuracy can reach and exceed the level of metal detectors in the same category on the market. It is widely suitable for manufacturers who use copper and aluminum as raw materials for production and processing, supervise and eliminate personnel's carrying of such objects in the premises, and protect the economic interests of enterprises. The product can also be freely switched in all-metal mode, giving it a very high level of micro metal detection capability. In this mode, it can accurately detect other precision small and micro metal items such as paper clips, 1 cent coins, pins, etc., meeting the confidentiality requirements of some high-level security inspection sites.	
	X-Ray Scanner	The X-Ray Scanner is a detection device used to detect whether packages and other items contain specific prohibited items. This series of X-Ray Scanners integrates intelligent recognition, people and bag association, video capture, platform management and other functions, which can better solve the problems of missed inspections caused by low concentration of security inspection personnel and excessive security inspection pressure during peak hours. This series of X-Ray Scanners adopts new imaging	

Product Category	Product Name	Product Description	Product Image
		technology, with high display image resolution, stronger penetration and resolution, and can quickly and effectively detect various dangerous categories, drugs, and high-density substances. It is widely used in public service departments, embassies, factories, schools, hospitals, sports centers, exhibition halls, entertainment venues, and other scenarios, and can be used for security inspections of briefcases, postal parcels, hand luggage, small luggage bags, etc.	
Video surveillance	Smart camera device	Intelligent video cameras have advanced intelligent algorithms and can use intelligent analysis functions to meet the entrance and exit management for people and vehicles (non-motor). They can also meet the requirements of complex modern urban scene deployment, as well as the increasingly wide and in-depth analysis of target objects, promoting the era of visual intelligence in intelligent video. They are suitable for various entrance and exit scenarios such as residential areas, campuses and enterprises.	
	Smart video recorder device	Smart NVR (Network Video Recorder) is an advanced security device that integrates high-definition video recording, intelligent analysis, and remote monitoring and management. It supports multiple high-definition video inputs, ensuring clear and smooth images. Smart NVR also has cloud connectivity capabilities, supporting remote viewing and control through mobile APPs, allowing for real-time monitoring of monitoring dynamics anytime, anywhere. Its efficient data storage and retrieval function makes historical video playback more convenient. Smart NVR is an indispensable intelligent hub in modern security systems, providing powerful technical support for security protection.	
Smart lock	Biometrics smart lock	Smart locks are mainly used for opening and closing control of doors in homes, hotels, offices, and other areas. The Company's biometrics smart lock products have the function of extracting and comparing various information such as fingerprints, faces, RFID cards, etc. They can be managed through software, smart speakers, or apps, and are compatible with lock bodies in line with national standards, American standards, European standards, and Korean standards. They support WiFi, NB IoT, ZigBee, and Bluetooth communication methods.	

Product Category	Product Name	Product Description	Product Image
Visitor Terminal	Intelligent visitor terminal	Cooperating with the One Card Solution Cube Visitor Management System, it can achieve "real name" + "real person" visitor authentication; support CTID trusted identity authentication; support mobile visitor appointment, dual screen display, QR code and OCR certificate scanning, barcode printer, and other functions. SDKs can be provided for customers to conduct secondary development to meet the visitor management needs of users in different industries.	

(2) ZKBio Intelligent Integrated Management Platform V6600

ZKBio V6600, based on multimodal BioCV technology, focuses on intelligent integrated entrance and exit management, and provides an integrated management platform that integrates "pedestrian, vehicle, and object inspection". With the help of machine vision intelligent analysis technology, the platform realizes intelligent analysis and safety supervision to meet the needs of users for diversified and fragmentation application scenarios based on facial recognition, vehicle recognition, intelligent scene algorithm and IoT perception technology, combined with business subsystems such as attendance, access control, visitors, consumption, patrol, parking, elevator control, channel, information screen, smart scenarios, and visual intercoms.

During the reporting period, the Company released the ZKBio Intelligent Integrated Management Platform V6600 4.2.0 of ZKTeco, which expanded and upgraded six major functions including hybrid cloud, ZKBio APP, visual intercom, smart scenario center, intelligent elevator dispatching, and access control.


(3) Shang'an Yuntong Smart Park Integrated Management Platform V8800





The ZKBio V8800, based on multimodal BioCV technology, provides an integrated park management platform that integrates pedestrian, vehicle, and object inspection. The platform adopts a micro-service development framework, which has the characteristics of high system performance, high service availability, module scalability, high communication security, and strong third-party integration scalability. With the Company's long-term experience and user needs in the field of smart parks, we will comprehensively integrate intelligent video applications to empower entrance and exit businesses, providing comprehensive and security guarantees and office convenience for the production and life of the park.




2. Smart identity verification




(1) Smart terminal products and functions

During the reporting period, the Company's smart terminal products of smart identity verification mainly included multimodal biometrics products, card recognition and reading products, and industry smart terminals.

Product Category	Product Name	Product Description	Product Image
Multimodal biometrics products	Fingerprint scanner	Fingerprint scanner has the characteristics of large capture area, high fingerprint image pixels, and good imaging effects for dry and wet fingerprints. It supports the development and use of systems such as Windows, Android, Linux, and domestic operating systems (KylinOS, NeoKylin), and Uniontech OS (Kunpeng, Loongnix, PHYTIUM, Hygon, and Zhaoxin platforms).	

Product Category	Product Name	Product Description	Product Image
	Fingerprint scanner of the resident ID card	The specialized fingerprint scanner of the resident ID cards complies with the "Technical Specifications for Fingerprint Acquisition and Comparison of Resident Identity Card" (GA/T 1012-2019) and the "General Technical Requirements for Fingerprint Scanner of the Resident ID Card" (GA/T 1011-2012). The device is small and exquisite in appearance. Combined with high-performance processors and international semiconductor fingerprint sensors, it has the characteristics of fast capture speed and excellent image quality. It supports the development and use of systems such as Windows, Android, Linux, and domestic operating systems (KylinOS, NeoKylin), and Uniontech OS (Kunpeng, Loongnix, PHYTIUM, Hygon, and Zhaoxin platforms).	
	Finger vein capture device	It can simultaneously collect fingerprint and finger vein information. Fingerprint and finger vein two-factor authentication can improve the anti-counterfeiting ability, and is mostly used in scenarios with high security requirements. It supports the development and use of systems such as Windows, Android, and Linux.	
	Biometrics reader	The biometrics reader is a smart terminal used to collect human biological characteristics, mainly used in access control systems. It can send the collected biometrics information to the access controller for comparison and verification. The data information whose collection is supported includes fingerprints, faces, RFID cards, etc.	
	Palm information capture device	The palm information capture device adopts high-definition near-infrared dedicated lens and visible light camera, supporting near-infrared fill light monocular in-vivo detection and binocular in-vivo detection, and can obtain clear palm print and vein images. It supports high angle visible light palmprint recognition and palm vein hybrid recognition.	

Product Category	Product Name	Product Description	Product Image
Card recognition and reading products	QR code module of CTID terminal	A hardware level module designed for various application scenarios of CTID authentication certificates and a product shortlisted in the "Recommended List of QR Code Modules of CTID Terminal", fully supporting the recognition and reading of CTID authentication certificate QR codes, mainstream QR codes, and one-dimensional barcodes, with strong decoding and code verification capabilities for CTID authentication certificate.	
	Trusted Digital Identity Authentication Terminal	The built-in ID card reader complies with the "General Technical Requirements for Desktop Readers of the Resident ID Card" (GA 450-2013), and can support the recognition and reading of the 2nd-generation ID Card, Foreign Permanent Resident ID Card, and Residence Card for Hong Kong, Macao and Taiwan Residents. In addition, it supports recognition and reading of CTID authentication certificate QR codes, mainstream QR codes, and one-dimensional barcodes through docking, as well as SIM digital identity recognition and reading, with strong CTID authentication certificate decoding, code verification, and other capabilities.	
	ID card reader	It complies with "General Technical Requirements for Desktop Readers of the Resident ID Card" (GA 450-2013), "Technical Specifications for Fingerprint Acquisition and Comparison of Resident Identity Card" (GA/T 1012-2019), and "General Technical Requirements for Fingerprint Capture Device of the Resident ID Card" (GA/T 1011-2012). It is an ID card reader with fingerprint verification function, and can support the recognition and reading of the 2nd-generation ID Card, Foreign Permanent Resident ID Card and Residence Card for Hong Kong, Macao and Taiwan Residents. According to different application scenarios, the ID card reader can be divided into three types: desktop, built-in, and handheld. Desktop ID card reader can be directly connected to a computer for use, built-in ID card reader can be integrated into various terminal devices to achieve ID card machine reading function, and handheld ID card reader can be directly used offline.	

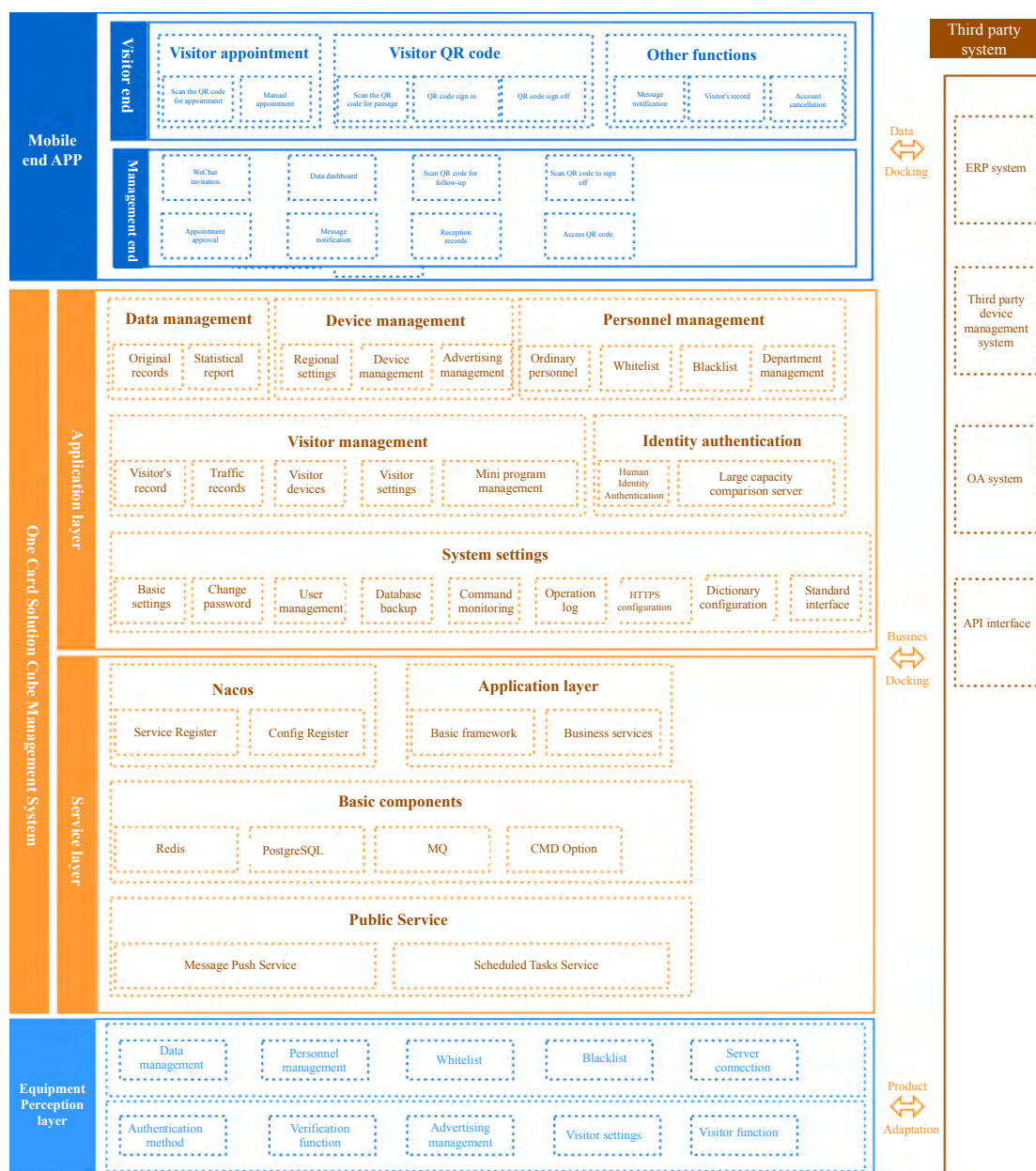
Product Category	Product Name	Product Description	Product Image
	Smart Government Terminal	A dual screen smart government terminal that integrates basic functions such as ID card recognition and reading, fingerprint collection and verification, and facial recognition. It is designed with dual screens and supports handwritten electronic signatures and supports optional QR code and receipt printing function. Equipped with a built-in high-definition camera, it supports shooting up to A4 format and can capture and retain documents, certificates, invoices, etc., achieving paperless office.	
Industry Smart Terminal	Human Certificate Verification Terminal	A Smart Human Certificate Verification Terminal that integrates functions such as portrait collection, fingerprint collection, and 2nd-generation ID card reading. It can also support the recognition and reading of various documents such as 2nd-generation Resident ID Card, Foreign Permanent Resident ID Card, and Residence Card for Hong Kong, Macao and Taiwan Residents. According to different application scenarios, it can be divided into four types: wall mounted, handheld, desktop, and floor mounted. The Company's Human Certificate Verification Terminal is pre-installed with One Card Solution Cube Identity Authentication Software, which can be used in conjunction with the certificate One Card Solution Cube Backend Management System for unified use, with optional CTID trusted identity authentication function.	
	Medical Insurance Identity Verification Terminal	A desktop device that integrates various functions such as social security card, ID card reading, contact/non-contact smart card recognition and reading, one-dimensional/QR code electronic voucher recognition, fingerprint comparison recognition, etc. The built-in ID card reader meets the requirements of "General Technical Requirements for Desktop Readers of the Resident ID Card" (GA450-2013) and supports reading smart cards such as social security cards and bank cards. The device supports 4 sets of PSAM cards, has a multi-platform SDK, and supports USB (drive free). This product is suitable for scenarios in fields such as social security, health, medical insurance, pharmacies, industry and commerce, taxation, electricity, telecommunications, hotels, transportation, banking, insurance, and fast payment.	

(2) One Card Solution Cube Identity Authentication Management System

The One Card Solution Cube Identity Authentication Management System is a "real person system" identity verification system independently developed by the Company based on multimodal biometric technology for "the integration of people and certificates". It consists of two parts: the Human Certificate One Card Solution Cube Terminal Software (APP) and the Identity Authentication Management Platform, integrating the Company's ZKLiveFace facial recognition algorithm and ZKFinger V15.0 ID card fingerprint comparison algorithm. The software can read 2nd-generation ID cards, Hong Kong and Macao resident residence permit, foreign permanent residence permit and other certificate information, compare the fingerprint or face of the holder on the spot for the

"integration of people and certificates", and accurately and quickly verify user identity information. One Card Solution Cube Identity Authentication Management Platform has functions such as intelligent device management, personnel management, and black/white list monitoring, which can achieve real-time and comprehensive multi-dimensional monitoring and analysis of devices, personnel, and data. Moreover, the One Card Solution Cube Identity Authentication Management System supports access to large capacity facial recognition servers, CTID Platform (Trusted Identity Authentication Platform), and million-level large capacity facial backend verification and trusted identity authentication capabilities, providing authoritative, reliable, stable and secure identity authentication services for customers in different vertical fields, and providing a one-stop industry solution of "core algorithm+smart terminal+software platform+scenario application" for the identity authentication industry chain.

The system topology diagram is as follows:

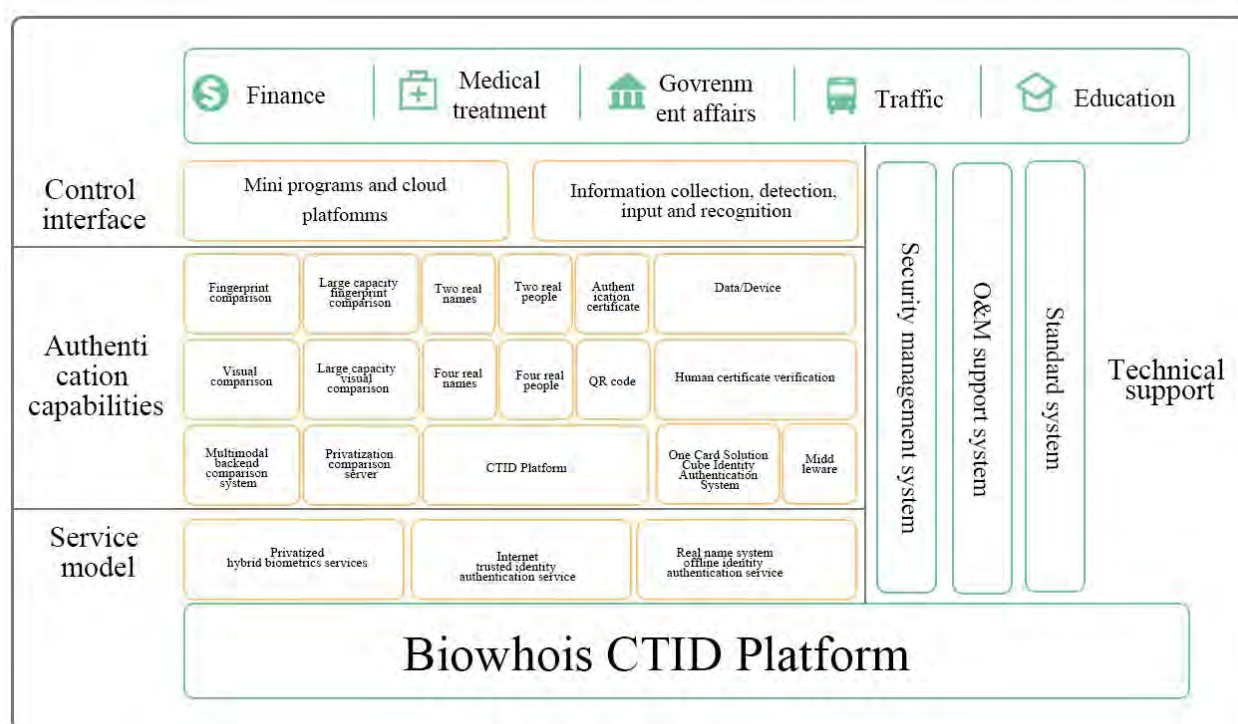


(3) Biowhois CTID Platform

Biowhois CTID Platform is an identity authentication SaaS service platform launched by the Company based on multimodal biometric technology and an "Internet+" CTID Platform. It can provide developers and industry users with multimodal biometrics, online identity authentication, real name offline identity authentication and other open, scalable, cross-platform multi-dimensional

identity verification services. The data interconnection between Biowhois CTID Platform and "Internet+" CTID Platform can provide users with authoritative, reliable, stable and secure online identity authentication services such as two real names, two real people, four real names, four real people, etc., which can not only intelligently upgrade the existing offline identity authentication scenarios in finance, medical care, government affairs, transportation, education, etc., but also is suitable for internet identity authentication scenarios such as e-commerce, online games, social networking sites, online education, online healthcare, and online live streaming in the digital economy.

The system topology diagram is as follows:



(4) Scenario solutions



During the reporting period, based on the existing rich identity verification products, the Company deeply integrated specific segmentation scenarios and incubated identity verification solutions for three major segmentation scenarios: "smart examination, smart healthcare, and smart welcoming". In terms of intelligent examination, solutions based on the needs of candidate identity verification can cover the entire business scenario of candidate information collection, candidate identity verification, and examination data analysis before, during and after the examination. The solutions can not only be self-contained and directly implemented, but also seamlessly connect with third-party standardized examination site construction plans, with competitive advantages such as intelligence, convenience and flexible deployment. In the medical field, the Company has launched a smart medical identity verification solution for identity verification scenarios such as newborn birth medical certificates and assisted reproductive management. The solution not only meets the information collection and identity verification needs of various windows in the hospital, but also can be securely integrated with the hospital and third-party systems to achieve the embedding of identity verification function modules, helping major medical institutions provide patients with high-quality and caring medical services. The related products have been put into use in hospitals in multiple provinces and cities in China, providing effective assistance for standardized hospital services. In terms of smart welcoming, it has driven the entire process with the core business of new student enrollment and registration, and created an integrated smart welcoming management solution that combines the new student Human Certificate Verification Terminal and the management platform of the new student enrollment and registration. This solution comprehensively solves the vertical connection of affairs and data between departments before, during, and after the new student enrollment in universities, improves the overall efficiency and

quality of the new student enrollment work, and can meet the identity verification and management needs of different universities for new student enrollment.

3. Smart office

(1) Smart terminal products and functions

During the reporting period, the Company's smart terminal products of smart office mainly included attendance products and consumer products.

Product Category	Product Name	Product Description	Product Image
Attendance product	Attendance Smart Terminal	A self service attendance terminal, mainly registering and comparing biometrics information, recording personnel attendance time data, and cooperating with backend software to scientifically and effectively manage enterprise personnel. The Company's biometrics attendance terminal can support multiple verification methods such as fingerprint, face, palm, RFID card, and password, and has personnel management functions such as self-service scheduling and report generation. The product has desktop and wall mounted forms, combined with wireless communication technology, suitable for a wide range of application scenarios.	
Consumer product	Consumer Smart Terminal	Support face, RFID card, QR code and other verification methods; mainly used in consumption scenarios such as internal canteens, gyms, and schools within enterprises, supporting various consumption modes such as free amount deduction, count deduction, and fixed value deduction. The system can be equipped with mini programs to achieve convenient and intelligent consumption management.	

(2) E-ZKEco Pro Time & Security Refined Service Platform

The E-ZKEco Pro Time & Security Refined Management Platform focuses on enterprise time and security management, combining the three core elements of internet applications: time, computing, and storage. It integrates multimodal BioCV, IoT perception technology, and connectivity into software and hardware to achieve standardization, modularization, and platformization of functions such as personnel, attendance, consumption, access control, visitors, meetings, assets, and salaries, and assists in the digital upgrading of enterprise management. Through the intelligent application of the E-ZKEco Pro Platform, enterprises can standardize their management processes, significantly improving their level of time and security refined management, while reducing the burden of tedious work such as human resources, administration, and finance, and helping enterprises reduce operating costs and improve operational efficiency.

(3) ZKBioTime

ZKBioTime is an independently developed attendance management software platform that supports remote, multi-branch, and multi-site attendance management based on the needs and characteristics of overseas markets. ZKBioTime can be stably connected to standard attendance PUSH devices of the Company. At the same time, employees perform various self-service office operations such as check-in, check-out, out of office check-in, leave approval, and self query reports through mobile apps and browsers. The platform can ultimately record employee attendance status and output attendance reports based on attendance rules. In addition, the software has gradually been localized in more than ten countries around the world, including localized language, attendance rules, attendance reports, and payroll rules. The interface between localization and third-party social security, tax, banking, and other institutions is seamlessly connected, greatly improving the efficiency of enterprise office operations and receiving high praise.

(4) ZKTeco Interconnection Smart Office Digital Assistant

ZKTeco Interconnection Smart Office Digital Assistant is a lightweight SaaS application for end customers in office scenes. Mobile end is a lightweight software application based on WeChat mini programs and mobile Apps, providing small and medium-sized enterprises (SMEs) with functions such as venue management, personnel management, attendance management, access control management, visitor management, device management, video management, etc. It accompanies micro and small enterprises from basic software to standardized software development, and creates a simple and easy-to-use digital assistant for micro and small enterprises.

The ZKTeco Interconnection Platform leverages the front-end intelligent hardware product matrix of ZKTeco, the PaaS base capability of the back-end ZKTeco IoT cloud platform MinervaIoT, and the comprehensive three-dimensional advantages of various SaaS applications to provide "business premise management, comprehensive service management" solutions for SME customers.

(II) The Company business model

1. Procurement model

(1) Procurement execution

In order to fully leverage the advantages of centralized procurement, reduce procurement costs, improve operational efficiency, and optimize procurement resources, the Company has a Procurement Center that manages the procurement of electronic materials, structural components, and other materials required in the production process.

The Procurement Center consists of three departments: Resource Development Department, Executive Procurement Department, and Comprehensive Procurement Department. Among them, the Resource Development Department is mainly responsible for developing and managing supplier resources, following up on samples, and conducting business negotiations during the sampling period. The Executive Procurement Department is mainly responsible for executing purchase orders and following up on material delivery and reconciliation and payment request. The Comprehensive Procurement Department is mainly responsible for administrative, office, and fixed asset procurement, except for production materials.

The Company mainly uses SAP system for sales forecasting and actual orders, combined with MPS/MRP calculation logic, and based on production plans, analyzes raw material usage and formulates priority levels, allocates materials based on inventories, and gradually deduces the raw material procurement plan required for the production of the product. For some general materials, the Company has set up a minimum safe stocking point for inventories warning and replenishment.

(2) Supplier selection and management

The Company has established strict supplier selection and management measures. For newly introduced suppliers who need to develop new products, expand supply resources, and reduce costs, after the supplier submits basic information, the Resource Development Department of the Company's Procurement Center will organize the Material Certification Department, the Executive Procurement Department, the Manufacturing Center, and the R&D Center to conduct on-site reviews of the supplier. For suppliers who pass the assessment, formal certification will be carried out for storage.

In the daily procurement process, in order to ensure the quality of the Company's raw material supply, except for the SAM (security module) involved in the card business, which can only be purchased from Xingtang Communication Technology Co., Ltd., the only supplier selected by the Ministry of Public Security, the Company usually selects two or more suppliers that meet the Company's certification standards for the main raw materials for supply. The Company will also strengthen the management of suppliers by signing relevant "Supply Quality Agreement" and conducting monthly and annual reviews. Suppliers with scores below 60 for three consecutive months will be disqualified from being suppliers.

2. Production model

From the perspective of process characteristics, the Company's smart terminal products are mainly produced by the production methods of processing and assembly. According to the different production planning methods, the production method can be divided into two production models: Make to Stock (MTS) and Make to Order (MTO). The MTS of the Company mainly combines historical sales data and the Company's sales strategy to predict and produce standardized products, and meets market demand in a timely manner by maintaining a certain amount of finished product inventories. The MTO is a production method according to personalized needs

such as variety, model specifications, and performance based on customer orders. Once the product is produced, it can be directly sent to customers without the need to maintain finished product inventories.

After successful development and testing, the Company's application software and platform products are delivered to users through CD or website distribution and download. Both the basic version software and the advanced version software and platform provide users with free trials. The basic version software provides free activation, while the advanced version software and platform require users to pay a software license fee before activation and use. For large-scale engineering projects, the Company will assign engineering personnel to the user's site for installation, debugging, and training services. The application software and platforms released by the Company are locally deployed, used, and managed by users. The Company does not provide operation services, but only provides necessary after-sales services according to the sales contract.

3. Marketing and management models

The Company adopts a sales model that combines distribution and direct sales.

(1) Distribution model

In the distribution model, the Company's customers are mainly dealers, and the relationship between the Company and dealers belongs to a purchase and sales relationship, adopting a buyout sales method.

(2) Direct sales model

The Company's direct sales customers mainly include system integrators, engineering contractors, end users, etc. On the one hand, the Company can provide smart terminal devices and application software platforms to system integrators and engineering contractors, which can integrate or include the aforementioned products in products, systems, or engineering services sold to downstream end users. On the other hand, the Company can also directly sell to end users through offline direct sales or online self operated platforms.

Normally, the Company's direct sales business can be divided into two categories based on whether installation and O&M are required: product sales and project implementation. For project implementation related businesses, the Company will customize its own smart terminals and application software platforms based on different engineering project requirements and provide O&M services.

(III) Market position of the Company's products during the reporting period

The Company has been listed as one of the "Top 50 Global Security Companies" by asmag for four consecutive years from 2020 to 2023. In 2023, it ranked 14th on the list and was awarded awards such as "Top 50 Innovation", "Top 10 Brands in Smart Parks", and "Top 10 Brands in Smart Office" in 2023 Global Industry Digital Innovation Ranking by asmag. It was selected by the organizing committee and relevant institutions of the 19th Security China as the "DC World - Top Enterprise of the DC World Awards", "3rd China Security Innovation Enterprise in 2023", and "11th China Intelligent Transportation Construction Recommended Brand in 2023". It was selected by the organizing committee of the Huicong Brand Festival as the "AIoT Innovation Enterprise" and "Leading Brand in Access Control" of the 20th China IoT Industry Conference and Brand Festival in 2023. It won the second place in the "2023 Top 10 Access Control Brands Award" awarded by Qianjia Smart Tech and other entities. It ranked first on the "Top 15 Access Control Brands" list by the Latin American security technology media SecuriTIC in 2023. It received the "Technology Innovation Award" in the field of physical security at the 2023 Security FESTA in South Korea. It was also selected as one of the "Top 100 Global Security Enterprises in 2023" by BOANEWS and Security World magazines. In 2023, the Company's trusted digital identity QR code module ZKB10M was successfully shortlisted for the "Trusted Digital Identity Ecological Product Recommendation List" of Beijing Zhongdun Security Technology Development Co., Ltd. The Company's ZKTeco perception data gate was awarded the "Excellent Innovative Product Award" at the 16th China International Public Safety Products Expo. Internationally, the Company has won 6 industrial design industry awards, including 2 German Red Dot Awards and 4 iF Design Awards. In addition, since 2016, the Company has been awarded the title of "Top 500 Manufacturing Enterprises in Guangdong Province" by Guangdong Manufacturers Association and other entities for 8 consecutive years. In 2023, the Company was rated by the General Administration of Customs of the People's Republic of China as a "Sample Enterprise of China Customs Trade Prosperity Survey (Export)". In 2023, the Company also joined industry organizations such as the Guangdong Chain Operations Association (GDCOA), the E-paper Industry Alliance (EPIA), and the China Chain-Store &

Franchise Association (CCFA), becoming a new retail technology and service provider in the retail industry. Guangdong Zkteco has been rated as a "SRDI small and medium-sized enterprise (SME)" by the Department of Industry and Information Technology of Guangdong Province.

During the reporting period, the Company was awarded the title of "Top 10 Brands of China's Intelligent Import and Export Industry Channel Gates in 2023" by www.86crk.com. Guangdong Zkteco has been recognized by the Department of Science and Technology of Guangdong Province as the Guangdong Multimodal Computer Vision and Biometric Engineering Technology Research Center, XIAMEN ZKTECO has obtained the "ITSS Information Technology Service Standard Compliance Certificate" issued by the China Electronics Standardization Association. The "ZKTeco Cloud IoT Platform" (Minerva IoT Platform) developed by XIAMEN ZKTECO has been rated as "Information System Security Level Protection Filing Certificate (Level 3)". The Company has been recognized as one of the "Top 30 Intelligent Transportation Enterprises in ITSMS 2023" by the Shenzhen ITS Association and China Intelligent Transportation Systems Association.

(IV) Key performance drivers

1. Accelerated development of multimodal biometric technology

In recent years, biometrics products have mainly focused on single biometrics recognition. In many application scenarios, a single biometric technology (such as fingerprint recognition) can meet the needs of most customers, and many single biometric technology products have price advantages and can be easily installed. Although the accuracy and anti-counterfeiting performance of a single biometric technology have gradually improved, with the continuous development and evolution of deep learning algorithms and big data technologies, the importance of information security has become increasingly prominent, and higher requirements have been placed on the security and accuracy of identity recognition information. The development of multimodal biometric technology utilizing multiple biometric technologies has become a new trend in the field of biometrics.

Multimodal recognition technology has better recognition performance than single biometric technology, greatly improving product security. Multimodal biometric technology is not a simple superposition of biometric technologies, but rather the R&D of new algorithms based on the characteristics of different biometrics to improve computational efficiency and accuracy. This requires enterprises to have a deep understanding of different biometric technologies and be able to innovate products through algorithm optimization. At present, multimodal biometrics, which integrates multiple biometric technologies, will become more flexible. Suitable fusion methods and weight decisions can be selected based on different application needs and scenario changes, which becomes a development trend in the biometric market.

2. The rise of non-contact biometric technology applications

With the development of biometric technology, non-contact biometric technology has gradually matured. Due to its non-contact characteristics, which can avoid physical contact between users and machines, and have efficient and hygienic characteristics, its application in the global market has gradually emerged. In recent years, it has been further accepted by the market with market-oriented applications.

Non-contact biometric technology mainly includes facial recognition, palm recognition, and iris recognition. With the development of big data and AI technologies, facial recognition has become increasingly mature in terms of recognition accuracy, and is applied in many scenarios such as real name verification. Its characteristic is that it does not require active cooperation from the recognition object, and the difficulty of information collection is low. The recognition accuracy can reach the same level as fingerprint recognition in specific situations. The palm and finger vein recognition technology currently mainly focuses on applications in medium and small scenes, such as ATM systems. With the development of wide dynamic image acquisition technology, the palm recognition technology has also entered a growth period, and its non-contact and concealment characteristics can avoid the risk of information leakage. Iris technology has the characteristics of high accuracy and high difficulty in information collection, and is generally applied in situations with high security requirements. Due to its high accuracy, it is also suitable for unified and standardized identity authentication and recognition at the national level.

The Company promotes the application of non-contact palm recognition technology in financial and other fields by participating

in the development of group standards related to non-contact palm recognition technology, and promotes the patent and technical layout of non-contact fingerprint capture devices. Non-contact fingerprint recognition has become an important development direction of traditional fingerprint recognition, and its non-contact characteristics will bring more security and better user experience.

3. The rise of mobile terminal biometric technology applications

In recent years, the application of biometric technology on mobile terminal devices has gradually emerged. For example, fingerprint recognition, facial recognition, palm recognition, and iris recognition technologies are gradually used on mobile terminal devices to generate BioCode from these biometric methods and are integrated into entrance and exit access control, smartphones, tablets and other mobile devices in the form of QR codes, to provide convenient identity authentication, and improve the high security application functions such as users' independent storage of biometric templates.

4. National industrial policies provide a favorable development environment for industry development

The "Outline of the 14th Five-Year Plan (2021-2025) for National Economic and Social Development and Vision 2035 of the People's Republic of China" (hereinafter referred to as the "Outline of the 14th Five-Year Plan") released in March 2021 clearly states that new types of infrastructure will be an important component of China's modern infrastructure system, and the construction of traditional and new types of infrastructure will be promoted in a coordinated manner to create a complete, efficient, practical, intelligent, green, safe and reliable modern infrastructure system. In the "Outline of the 14th Five-Year Plan", the entire section of "Construction of new types of infrastructure" proposes requirements for the construction and development of new types of infrastructure: With the aim of strengthening the support for digital transformation, intelligent upgrade, and integrated innovation, we will build new types of infrastructure in such areas as information technology, integration, and innovation, and provide guidance on the development of industries such as intelligent home appliances, intelligent lighting, intelligent security, and intelligent video surveillance systems. In the context of new types of infrastructure, the Company will adhere to innovation driven and long-term principles, continue to strengthen multimodal BioCV core technology and precise investment in R&D, and enhance the core competitiveness of products and solutions. In addition, the Company will work with partners to promote global leadership and commercial scale applications and enhance customer value based on multimodal BioCV technology according to customer needs.

5. Digital China construction provides new development opportunities for the Company

On February 27, 2023, the CPC Central Committee and the State Council issued the "Overall Layout Plan for the Construction of Digital China" (hereinafter referred to as the "Plan"), pointing out that building a digital China is an important engine to promote Chinese path to modernization in the digital era and a strong support to build a new competitive advantage of the country. The "Plan" will propose to ensure capital investment, innovate funding support methods, strengthen the overall guidance of various funds, play the role of the national industry finance cooperation platform, guide financial resources to support digital development, encourage and guide capital in the construction of digital China in a standardized manner, and build an investment and financing system with effective participation of social capital. By 2025, the digital economy will enter a period of comprehensive expansion, with the added value of core industries in the digital economy accounting for 10% of GDP. According to the CAICT, the scale of China's digital economy is expected to reach RMB 56.1 trillion in 2023 and RMB 70.8 trillion in 2025. The digital economy policies, including the "Plan", will catalyze the further development of new smart city projects. In the wave of digital economy, the Company, as the driver and practitioner of digitalization and intelligence, actively explores, builds and improves the computer vision field, multi-dimensional perception smart terminals, scene interactive robots, scene cloud service software, AR digital twins, digital identity cards and other track industry chains, forms a digital ecosystem integrating upstream, downstream and cross industries, and works with Xingniu Fund to jointly establish an ecological innovation fund to accelerate product incubation, and assist in the ecological construction of the digital industry.

6. The driving force of AI technology on company business development

With rapidly changing technologies today, AI technology, with its unique charm and unparalleled potential, is causing profound changes worldwide. The large language model represented by ChatGPT of OpenAI reveals that algorithm models with Transformer as the core architecture are steadily moving towards the direction of Artificial General Intelligence (AGI). This transformation not only promotes the depth and breadth of AI research in theory, but also demonstrates enormous potential and value in practical applications. Multimodal large models have become an important means for AI to perceive and understand the real world by integrating natural

language, images, speech and various other signals. This integration approach not only improves the understanding ability of AI, but also endows it with stronger adaptability and wider application scope. It can be used in multiple fields such as image recognition, speech recognition, natural language processing, etc., greatly improving the practicality and efficiency of AI. Moreover, AI has demonstrated its important application value in fields such as smart security and smart office. It implements automatic monitoring through image recognition technology to improve security efficiency. By using natural language processing technology, it achieves automated office work and improves work efficiency. In addition, AI is also highly valuable for the Company's smart business scenario based applications. By using AI technology, deep mining and analysis of business data can be achieved, thus providing more accurate basis for company decision-making. Through speech recognition, speech synthesis and Large Language Model (LLM), Q&A robots that interact with natural language can be developed to achieve intelligent frontend, intelligent customer service and other services. The Company has been committed to conducting in-depth research in the field of AI and has made significant breakthroughs in multiple directions. This includes continuous iteration and frontier tracking of the BioCV LLM and the BioCV VLM multimodal large model. Moreover, the Company actively leverages the power of the open source technology community to maintain synchronous development with the latest global technologies. These technological breakthroughs have provided strong impetus for the Company's new business development. Through continuous technological innovation and business expansion, the Company will be able to achieve greater breakthroughs in the field of AI, thus injecting stronger vitality into its development.

II. Analysis of Core Competitiveness

1. Technological and R&D advantages

(1) Mastering the core algorithms of biometrics, leading the industry in multimodal biometric technology

After years of technological accumulation, the Company has built a core technology system focusing on single biometric technology and multimodal biometric technology. In the field of single biometric recognition, the Company has successfully developed biometric technologies such as fingerprints, palm veins, palmprints, facial features, finger veins and irises. Among them, the Company's resident ID card fingerprint recognition algorithm has been recognized by regulatory agencies and is listed in the "Qualified List of Quality Consistency Evaluation and Inspection of Resident ID Card Fingerprint Application Algorithms". The Company has become one of the seven recognized manufacturers.

In the field of multimodal biometrics, the Company continues to innovate and has launched various multimodal biometric technologies such as "fingerprint+facial recognition", "facial+palm vein recognition", "palm+finger vein recognition", "fingerprint+finger vein recognition", "facial+iris recognition", and "fingerprint+palm+facial recognition". It has obtained 18 invention and utility model patents in the field of multimodal biometric technology. The Company will continue to innovate in the field of multimodal biometrics, providing users with more innovative products.

The Company possesses core algorithms in the field of biometrics and has a strong competitive advantage. In addition, the Company also has a comprehensive industry incubation ability to combine various application technologies with biometric technology, providing support for the development of various industries.

The Company combines basic R&D of biometrics with application R&D. As of June 30, 2024, the Company has obtained a total of 901 patents, including 160 invention patents and obtained a total of 715 computer software copyrights and 67 work copyrights.

(2) The Company's unique ultra short delay supercomputing technology provides innovative solutions for the deployment of edge and end devices in biometric technology, with three prominent advantages:

Firstly, this technology is deployed on edge and end devices without being constrained by network quality and stability. This provides a more stable environment for applications and ensures efficient operation.

Secondly, it can run on mid to low frequency chips (such as the ARM9 with 1GHz main frequency), which can effectively reduce power consumption and costs, and avoid high requirements for chip manufacturing processes. In the current fierce "chip war" environment, it has achieved the freedom of independent R&D.

Most importantly, this technology minimizes the transmission and centralized storage of sensitive information, effectively

avoiding the risk of leakage and malicious attacks and ensuring data security.

In summary, the Company's ultra short latency supercomputing technology provides revolutionary advantages for the practical application of biometric technology, maximizing the performance of edge and end devices while ensuring data privacy and security.

(3) Deep research on multimodal BioCV AI technology

The Company has evolved from a single biometric technology to a pioneer in computer vision and biometric multimodal BioCV AI technology. It is no longer just about identifying "I'll tell you who you are", but about combining computer vision and biometrics to realize the multimodal AI attribute: "Who are you? What kind of service should I provide for you?" as well as the empathetic experience ecology of scene interaction. Minerva, an AIoT platform based on smart retail scenarios and independent intellectual property rights, has launched a ZKDIGIMAX Level 3 digital marketing solution for traditional small and medium-sized retailers. This solution provides five core services, including Minerva IoT platform, machine vision analysis platform, big data analysis platform, AIGC platform, advertising production and distribution platform, as well as corresponding smart terminals. Relying on the IoT, big data and cloud computing technologies, the Company has delved into the field of smart retail and utilized machine vision analysis technology to integrate the interactive value of people and scenarios and the empowering value of scenarios into innovative value. The Company is committed to building a multi-dimensional intelligent business analysis platform based on the data lake, and creating a new service provider of boundless all-round, full scene and full chain retail platform.

(4) Technological accumulation of computer vision AI technology and smart retail scenarios

Computer vision, as an important branch of AI, has been widely applied in various industries. In the retail industry, computer vision technology has multiple functions such as supervising shelves, identifying and recommending products, analyzing passenger flow density, and supporting unmanned retail stores. The Company launched the research on BioCV LLM3.0 large model project through the research on the layout of large models, which is mainly used for the simulation and enhancement of small models and enables the smart retail scene on the edge computing side. Large model technology has emerged in recent years as a promising field that can be applied to smart shopping guidance, product advertising content generation, and online and offline interaction experiences.

With the widespread application of large models in smart retail scenarios, they have gradually become an indispensable component in the field of AI. The Company closely tracks the latest development of large model technology and has achieved key technological reserves in lightweight and edge local deployment, which have been applied in multiple pilot projects. The Company has successfully implemented programming and validation of algorithms such as GPT and BERT, and trained them on medium-sized open corpus data, achieving the best level of advanced open source projects currently available. In the era of AI, the Company continuously innovates product service interaction experiences and enhances competitiveness.

The application of digital humans in intelligent access control products is mainly reflected in providing more intelligent and interactive management methods. Based on advanced AI technology, digital human access control devices can recognize, verify and manage access of personnel, while providing customized virtual images and voice interaction functions. This application makes access control management more convenient and efficient, and provides enterprises with a more intelligent service experience. With the continuous development of technology, the application of digital humans in intelligent access control products will continue to expand and optimize, bringing richer functions and services to enterprises.

(5) Advantages of R&D team and extension cooperation

The biometric industry belongs to a technology intensive industry, and the R&D strength and industrialization ability largely determine whether the Company can occupy a commanding position in future market competition. Therefore, the Company attaches great importance to R&D investment. As of June 30, 2024, the Company has 1,181 global R&D and engineering technicians, with R&D Centers in Dongguan, Shenzhen, Xiamen, Dalian, and India.

The Company has been approved by the People's Government of Guangdong Province to establish the Guangdong Biometrics and Security Technology Engineering Technology Research Center, strengthen the introduction and training of biometrics engineering technicians, and improves the efficiency of technology transformation. The Guangdong Biometrics and Security Technology Engineering Technology Research Center is the only provincial-level engineering center in the biometric industry in Guangdong Province. Relying on the talent team and research equipment of ZKTeco, the center accelerates the transformation of scientific research

achievements into real productivity with the goal of building a provincial-level first-class research platform for deep integration of biometrics by researching and developing key common technologies in the industry, thereby promoting industrial technological progress.

The Company and Dongguan Institute of Optoelectronics, Peking University jointly established the Dongguan Key Laboratory of Multimodal Computer Vision and Biometric Recognition. Taking advantage of the advantages of both parties in cooperation, we actively carry out research on multimodal computer vision and biometric related technologies, timely realize the industrialization transformation of research results, provide a platform for the development dynamics of industry technology, and cultivate talents for enterprises.

(6) Actively participate in the formulation of industry standards and norms, occupying the industry's commanding heights

Participating in the formulation of industry standards and norms can enable the Company to grasp the forefront of industry development direction and carry out technology development and product layout in advance. Since its establishment, the Company has been focused on the R&D of biometric technology, and is one of the main participants in drafting and revising multiple technical standards and specifications in the industry. As of the end of the reporting period, the Company and its related subsidiaries have participated in the formulation of 28 national and local industry standards.

2. Product array advantages

The Company's products include hardware and software products, connecting different product combinations through digitalization and intelligence, and creating diversified smart solutions to meet the needs of numerous industries. With the increasing demand for downstream fragmentation, the Company continues to expand a rich product array, which can provide a full range of product services in various segmentation scenarios such as smart entrance and exit management, smart identity verification, smart office and smart retail.

In terms of smart terminals, the Company can provide various products in the field of smart entrance and exit management, such as access control management, pedestrian channels, vehicle channels, security inspection products, intelligent videos, smart locks, elevator controls, charging piles, and self-service visitors; products in the field of smart identity verification, such as Human Certificate Verification Terminal, biometrics capture devices, biometrics modules, and card readers; products such as employee attendance, smart consumption, and smart conferences in the field of smart office. The field of smart retail focuses on chain customers in various industries, providing smart terminal, business system development, and people, goods, and venue data analysis services for their digital construction.

In terms of smart retail products, the Company provides LCD and LED products of different sizes and application scenarios in visual marketing, as well as supporting content distribution platforms and content production and design tools. It provides a full range of e-ink screens in electronic price tags, and a matching price adjustment system that supports integration with mainstream ERP systems to achieve real-time, fully automatic price refresh in conjunction with marketing pricing. With the support of AI and big model technology, the Company provides customers with shopping scenario interest preference data analysis services, and provides marketing managers with product selection, display, and activity strategy data support. Its core lies in empowering technology to improve sales efficiency, enhance consumer experience and loyalty, reduce operating costs and risks, thereby achieving sustainable growth in the retail industry.

In terms of software systems and platforms, the Company has always attached great importance to the development and design of software and hardware linkage, focusing on building an AIoT ecosystem that integrates software and hardware. The Company can provide diversified, personalized and customized system software and platforms for different users, application scenarios, and vertical fields. On the one hand, the Company has laid out the ZKTeco cloud IoT platform Minerva IoT based on Amazon cloud technology as the technical foundation, providing deployment-free SaaS application products for smart office scenarios, smart entrance and exit scenarios, and smart home scenarios. Moreover, for system integration customers, the Company can provide ZKTeco Biowhois CTID Platform. For large park type enterprise customers, the Company can provide ZKBio Smart Park Integrated Management Platform V8800, and ZKTeco ZKBio Intelligent Integrated Management Platform V6600. For medium to large enterprise customers, the

Company can provide E-ZKEco Pro Time & Security Refined Service Platform. For overseas customers, the Company can provide ZKTeco Cloud Attendance and Access Control Management System such as BioTime 8.0; on the other hand, the Company combines the mature technical modules and software middleware of the aforementioned platforms for application, providing users with flexible platform function customization and development services, thereby meeting their personalized needs and forming a good brand awareness.

The Company's main products rely on multimodal BioCV technology. In the future, as the boundaries of user application scenarios continue to expand and extend, the Company will continue to enrich and improve its diversified product array to meet the needs of users in the field of multimodal BioCV applications and provide customers with comprehensive, professional and high-quality solutions.

3. Global marketing service network and localized service advantages

After years of development, the Company has accumulated rich experience in operating channel products, has a large number of customer resources, and has established a relatively complete global marketing service network system. Sales channels and service networks cover major cities in China and in multiple countries and regions around the world. Moreover, the Company actively expands its online sales channels and has established a comprehensive online marketing network on major e-commerce platforms and self built shopping malls. The integration and complementarity of international, domestic, online, and offline channels have formed a strong marketing service network advantage.

As of June 30, 2024, the Company has established 28 branches, 14 subsidiaries, and 193 service outlets across China mainland, with a sales and service system covering the whole country. The Company has established a total of 49 controlling subsidiaries overseas, located in 31 countries and regions worldwide, with product sales covering over 100 countries and regions.

During the reporting period, the Company continued to implement regional expansion and market lead strategies in China, worked together with core partners and distributor customers to continuously promote terminal image construction mainly focused on lightboxes, doors, car stickers, outdoor advertising, etc., actively participated in regional industry exhibitions and forums, and expanded precise brand coverage in multiple dimensions; accelerated the establishment of marketing service centers of ZKTeco and the establishment of digital marketing service platforms, and accelerated the sinking of marketing and service networks to county-level cities around the third, fourth and fifth tier cities in the region and core cities. The Company has deeply explored the innovative marketing model of "short video+live streaming+e-commerce". In the future, the Company will continue to develop the market in the third, fourth and fifth tier cities to build marketing and service outlets, and simultaneously promote the integration of online and offline channels.

The Company always adheres to the concept of localized services in the process of developing global markets. During the reporting period, the Company continued to expand its marketing and service network to second and third tier cities in medium-sized and large countries. The Company has resident business, technical service personnel and marketers in the global market, which can provide customers with comprehensive pre-sales, in-sales, and after-sales support and services. The localized service system helps the Company quickly understand the personalized needs of local users based on factors such as local economic development level, social stability, religion, and culture, providing flexible software and hardware personalized customization services, thereby improving customer satisfaction and brand awareness, and enhancing customer viscosity. Based on a localized service team, the Company actively guides some overseas subsidiaries to transform from traditional channel sales to value-added development, expanding vertical and deep projects, and thereby improving the Company's sales revenue and profit level.

4. Production and manufacturing advantages

(1) Integrated production process chain configuration

The Company's rich product array benefits from its integrated production process chain and high-quality production supporting facilities. The Company has a complete process chain for injection molding, laser cutting, optical processing, sheet metal processing, SMT, plug-in welding, algorithm burning program, PCBA production, final assembly, testing, and packaging programs required for various products. The complete process depth provides favorable conditions for the Company to achieve pull production based on

market demand. The Company's various process flows are closely connected, with smooth coordination between production capacity and production pace, and the Company has a strong competitive advantage in the industry.

(2) Customized and flexible production capacity

The Company can provide comprehensive product services in segmented scenarios such as smart entrance and exit management, smart identity verification, and smart office, and has the ability to quickly respond to customized needs in mass production. The Company's customized and flexible production capacity benefits from a professional R&D and engineering technical team, diverse product component production capabilities, and flexible product component coupling characteristics. The Company has achieved SMED in the production process, from SMT to injection molding, which can achieve rapid exchange of production equipment. In addition, the refined material supply system and lean line design in the assembly workshop can meet the flexible production needs of customers from different countries for small batches, multiple varieties, and customization.

(3) Advantages of lean production

The Company has achieved industry-leading lean production model in multiple production lines through overall planning of various processes in the product production process, and optimization of process flow. The lean production model can effectively reduce waste throughout the entire production and manufacturing process, reduce workers, improve labor productivity, improve output and product quality, shorten delivery cycles, and quickly meet customer needs while reducing manufacturing costs.

(4) Advantages of automation and informatization

The Company continues to promote and improve the automation and informatization of production processes, introducing the WM module of SAP system, achieving automatic posting of warehouse raw materials and finished products through PDA scanning, and utilizing AGV to achieve automatic handling function. Meanwhile, automation technology on the production line has also been widely applied, including automatic dispensing, locking screws, stacking and other processes. The combination of automation and informatization in the entire production process improves production efficiency and can quickly meet customer delivery needs.

5. Brand advantages

The Company is committed to creating a high-quality brand image and always regards brand strategy as a systematic project. After years of deep cultivation, the Company's brand has been highly recognized by customers both domestically and internationally, and has received numerous honors both domestically and internationally.

The Company has been listed as one of the "Top 50 Global Security Companies" by asmag for four consecutive years from 2020 to 2023. In 2023, it ranked 14th on the list and was awarded awards such as "Top 50 Innovation", "Top 10 Brands in Smart Parks", and "Top 10 Brands in Smart Office" in 2023 Global Industry Digital Innovation Ranking by asmag. It was selected by the organizing committee and relevant institutions of the 19th Security China as the "DC World - Top Enterprise of the DC World Awards", "3rd China Security Innovation Enterprise in 2023", and "11th China Intelligent Transportation Construction Recommended Brand in 2023". It was selected by the organizing committee of the Huicong Brand Festival as the "AIoT Innovation Enterprise" and "Leading Brand in Access Control" of the 20th China IoT Industry Conference and Brand Festival in 2023. It won the second place in the "2023 Top 10 Access Control Brands Award" awarded by Qianjia Smart Tech and other entities, It ranked first on the "Top 15 Access Control Brands" list by the Latin American security technology media SecuriTIC in 2023. It received the "Technology Innovation Award" in the field of physical security at the 2023 Security FESTA in South Korea. It was also selected as one of the "Top 100 Global Security Enterprises in 2023" by BOANEWS and Security World magazines. In 2023, the Company's trusted digital identity QR code module ZKB10M was successfully shortlisted for the "Trusted Digital Identity Ecological Product Recommendation List" of Beijing Zhongdun Security Technology Development Co., Ltd. The Company's ZKTeco perception data gate was awarded the "Excellent Innovative Product Award" at the 16th China International Public Safety Products Expo. Internationally, the Company has won 6 industrial design industry awards, including 2 German Red Dot Awards and 4 iF Design Awards. In addition, since 2016, the Company has been awarded the title of "Top 500 Manufacturing Enterprises in Guangdong Province" by Guangdong Manufacturers Association and other entities for 8 consecutive years. In 2023, the Company was rated by the General Administration of Customs of the People's Republic of China as a "Sample Enterprise of China Customs Trade Prosperity Survey (Export)". In 2023, the Company also joined industry organizations

such as the Guangdong Chain Operations Association (GDCOA), the E-paper Industry Alliance (EPIA), and the China Chain-Store & Franchise Association (CCFA), becoming a new retail technology and service provider in the retail industry. Guangdong Zkteco has been rated as a "SRDI small and medium-sized enterprise (SME)" by the Department of Industry and Information Technology of Guangdong Province.

During the reporting period, the Company was awarded the title of "Top 10 Brands of China's Intelligent Import and Export Industry Channel Gates in 2023" by www.86crk.com. Guangdong Zkteco has been recognized by the Department of Science and Technology of Guangdong Province as the Guangdong Multimodal Computer Vision and Biometric Engineering Technology Research Center, XIAMEN ZKTECO has obtained the "ITSS Information Technology Service Standard Compliance Certificate" issued by the China Electronics Standardization Association. The "ZKTeco Cloud IoT Platform" (Minerva IoT Platform) developed by XIAMEN ZKTECO has been rated as "Information System Security Level Protection Filing Certificate (Level 3)". The Company has been recognized as one of the "Top 30 Intelligent Transportation Enterprises in ITSMRS 2023" by the Shenzhen ITS Association and China Intelligent Transportation Systems Association.

6. Advantages of management team and mechanism

The core team of the Company has over two decades of industry experience, and has a deep understanding of the development trends of biometrics related technologies and products. They have a clear understanding of the Company's development strategy, product direction, technology roadmap, and marketing strategy. From user needs to solutions, from product architecture to software and hardware development, from product trial production to standardized mass production, from large-scale production organization to improved quality assurance system, from model market creation to global sales service network construction, the Company has accumulated rich operational management experience, laying a solid foundation for the Company's subsequent sound and rapid development. The core management team of the Company is stable, and currently, core team members and key employees also directly or indirectly hold shares in the Company. The Company will combine equity incentive policies in the future to achieve coordinated development between the Company and the management team.

7. Quality control advantages

Leading quality management level is an important factor for the Company to gain customer recognition. Since its establishment, the Company has always attached great importance to product quality control, adhered to the close integration of quality management and production management, established a complete and strict product quality control system, and formed the advantage of product quality control. The Company has passed multiple management system certifications.

The Company strictly adheres to the requirements of the quality system and the close integration of quality management and production management, implements the guiding ideology of management informatization, standardized process systems, professional personnel, and stable personnel in key positions, and comprehensively promotes quality management. The Company has established quality management systems including the "Design and Development Management Control Procedure", "Production Process Control Procedure", "Nonconforming Product Management Control Procedure", "Nonconformance Correction and Prevention Control Procedure", "Continuous Improvement Control Procedure", and "Change Management Control Procedure". The Quality Management Department strictly controls product quality throughout the entire process, including project approval review, development process, trial production review, design verification, material selection, production process, and after-sales service, to ensure product quality and meet customer needs.

III. Main Business Analysis

Overview

See relevant contents of "I. Main Businesses Engaged by the Company During the Reporting Period".

YoY Changes in Major Financial Data

Unit: RMB

	Current reporting period	The same period last year	YoY change	Reasons for changes
Operating income	903,103,158.77	937,182,670.00	-3.64%	
Operating cost	454,301,823.55	488,923,174.83	-7.08%	
Selling expenses	216,506,500.22	196,138,701.98	10.38%	
Administrative expenses	53,529,882.13	60,476,345.47	-11.49%	
Financial expenses	-18,782,120.79	-34,623,511.50	45.75%	Mainly due to a decrease in interest income and an increase in exchange losses for the current period (compared to exchange gains in the same period last year)
Income tax expenses	4,902,747.31	9,350,242.66	-47.57%	A decrease in income tax for the current period caused by the write off of bad debts and a decrease in the total profit of some subsidiaries
R&D investment	105,650,008.20	100,984,101.72	4.62%	
Net cash flows from operating activities	66,632,321.85	130,730,027.12	-49.03%	Mainly due to the increase in cash payments for goods purchased and labor services received in the current period, as well as the increase in taxes and fees paid in the current period
Net cash flows from investing activities	-246,130,434.93	-99,684,331.48	-146.91%	Mainly due to the payment for the construction project of the Multimodal Biometrics Digitalization Industrial Base Construction Project, the construction of the Thai factory, and the purchase expense of real estate (employee dormitories) in the current period, as well as the increase in financial management purchases in the current period
Net cash flows from financing activities	-173,208,004.79	-76,269,456.65	-127.10%	Mainly due to the increase in dividend distribution and payment of share repurchase expenses in the current period
Net increase in cash and cash equivalents	-350,550,464.30	-37,683,116.58	-830.26%	Mainly due to a decrease in net cash flow from investing activities and financing activities in the current period
Cash received from other operating activities	42,692,501.49	23,184,790.91	84.14%	Mainly due to the high amount of interest received on time deposits from the previous year in the current period
Payments of all types of taxes	50,283,470.29	35,397,636.97	42.05%	Mainly due to the increase in overseas taxes and fees paid in the current period
Cash received from investment income	3,280,492.40	1,864,089.86	75.98%	Mainly due to the increase in investment and wealth management income in the current period
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	64,151.25	280,330.67	-77.12%	Mainly due to the disposal of fewer assets in the current period
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	122,974,400.98	54,738,953.74	124.66%	Mainly due to the payment for the construction project of the Multimodal Biometrics Digitalization Industrial Base Construction Project, the construction of the Thai factory, and the purchase of real estate (employee dormitories) in the current

				period
Cash paid for other investing activities	0.00	2,046,795.00	-100.00%	Mainly due to the expenses for absence of forward foreign exchange settlement and sales in the current period
Cash received from borrowings	0.00	3,700,000.00	-100.00%	Mainly due to the absence of loans in the current period
Cash paid for debt repayments	494,458.32	26,952.47	1,734.56 %	Mainly due to the repayment and payment of loans and interest in the current period
Cash paid for distribution of dividends and profits or payment of interest	97,339,032.69	64,829,721.10	50.15%	Mainly due to the increase in dividends distributed in the current period
Cash paid for other financing activities	78,886,895.58	16,527,983.10	377.29%	Mainly due to the payment of repurchased shares in the current period

Major changes in the composition or source of profits of the Company during the reporting period

☐ Applicable ☒ Not applicable

There have been no major changes in the composition or source of profits of the Company during the reporting period.

Products or services accounting for more than 10%

☒ Applicable ☐ Not applicable

Unit: RMB

	Operating income	Operating cost	Gross profit margin	YoY change of operating income	YoY change of operating costs	YoY change of gross profit margin
By products or services						
Smart office products	154,212,896.36	57,143,168.43	62.95%	-10.34%	-22.61%	5.88%
Including: attendance products	80,542,416.04	32,311,287.31	59.88%	-28.77%	-41.90%	9.07%
Other products	73,670,480.32	24,831,881.12	66.29%	25.03%	36.25%	-2.78%
Smart entrance and exit management products	699,183,231.38	364,622,186.25	47.85%	2.07%	-0.50%	1.35%
Including: access control products	452,480,273.18	221,379,728.66	51.07%	6.21%	4.75%	0.68%
Other products	246,702,958.20	143,242,457.59	41.94%	-4.73%	-7.66%	1.84%
Smart identity verification products	45,901,956.71	31,715,882.83	30.91%	-40.33%	-34.77%	-5.89%
Including: biometrics sensor products	16,104,056.56	6,936,485.58	56.93%	-41.82%	-43.65%	1.40%
Card products	26,455,313.67	23,749,101.65	10.23%	-25.42%	-25.99%	0.69%
Other products	3,342,586.48	1,030,295.60	69.18%	-75.74%	-75.62%	-0.14%
Other products	3,805,074.32	820,586.04	78.43%	16.28%		-21.57%
By region						
Domestic sales	278,001,949.77	186,993,704.51	32.74%	-9.32%	-12.28%	2.27%
Overseas sales	625,101,209.00	267,308,119.04	57.24%	-0.87%	-3.07%	0.97%
By sales model						
Distribution	625,828,126.21	347,508,041.35	44.47%	-1.75%	-4.10%	1.36%
Direct sales	273,469,958.24	105,973,196.16	61.25%	-7.91%	-16.27%	3.87%
Others	3,805,074.32	820,586.04	78.43%	16.28%		-21.57%

R&D investment

1. R&D investment table

	Amount in the Current Period (RMB)	Amount in the Same Period of Previous Year (RMB)	Change
R&D investment amount (RMB)	105,650,008.20	100,984,101.72	4.62%
Ratio of R&D investment to operating income	11.70%	10.78%	0.92%
Amount of R&D expenditure capitalization (RMB)	-	-	-
Ratio of capitalized R&D expenditure to R&D investment	0.00%	0.00%	-
Proportion of capitalized R&D expenditure to current net profit	0.00%	0.00%	-

2. Status of ongoing projects

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
1	BioCV VLM 3.0 Multimodal Computer Vision Model	<p>With the rapid development of computer vision and natural language processing, multimodal vision model has become a research direction of great concern and one of the most promising and potential fields in recent years. The innovative model combines computer vision and natural language processing capabilities, and can process images, videos and text information at the same time to achieve more efficient and intelligent image and video recognition and understanding. The objective of this project is to develop advanced multimodal visual representation techniques, train universal base models, track the latest developments in NLP model technology, and prepare relevant technical reserves.</p>	Completed	<ol style="list-style-type: none"> 1. To ensure that the Company remains at the forefront of multimodal visual model technology, we will continue to track the latest technological developments in this field and continuously optimize and improve BioCV VLM 3.0. 2. Based on this model, we are committed to improving the accuracy of biometrics algorithms and maintaining the sustained competitiveness of our products. 3. Based on this model, we will improve computer vision algorithms to further enhance their accuracy and reliability. 4. We will explore the application of multimodal vision models in various fields, such as security monitoring, smart home, office automation, etc., to provide technical support for the Company to 	<ol style="list-style-type: none"> 1. Enhancing the Company's technological strength in the field of computer vision, improving the intelligence level of products, providing customers with better and more efficient solutions, and consolidating the Company's competitive advantage in the industry. 2. Promoting the Company's innovation and development in the field of AI, and providing strong technical support for the Company's long-term strategic goals. 3. Accelerating the Company's technological iteration and innovation in the field of computer vision, improving the application ability of computer vision algorithms in various scenarios, and laying a solid foundation for business expansion in the global market.

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
		We will use this model as a basis to improve the accuracy of current computer vision algorithms and biometrics algorithms.		expand into new business areas.	
2	Supermarket Customer Flow Attribute Analysis SDK 2.0	The Supermarket Customer Flow Attribute Analysis Project aims to achieve a comprehensive understanding and accurate analysis of supermarket customer flow through in-depth mining of customer attribute data, providing strong decision support for supermarkets, optimizing operational management, improving customer satisfaction, and ultimately achieving better performance. It achieves a transition from "rough" to "refined" management for supermarket stores, enabling users to directly benefit from fierce commercial retail competition.	Under researching	<ol style="list-style-type: none"> 1. We will implement counting and analysis of supermarket customer groups, as well as age and gender attribute analysis, optimize algorithms to ensure considerable accuracy, and reach the forefront level of similar products currently. 2. We will achieve convenient and efficient customer flow statistics and analysis for supermarket stores, thereby guiding them to develop more scientific, reliable, and targeted operational strategies, empowering offline scenarios, and improving business efficiency. 	<ol style="list-style-type: none"> 1. Being expected to attract more supermarkets and retail enterprises to adopt it, thereby helping the Company expand its market share. 2. The Company can promote the system to a wider range of fields by expanding into international markets or collaborating with other industries. 3. Expanding market share can help improve the Company's profitability and make it more influential in the industry.
3	R&D of a Communication Platform Based on Multimodal AI Audio and Video Technology Fusion	Multimodal AI intelligent products are the third-generation intelligent device terminal products created, relying on multimodal algorithms, ChatGPT, audio and video, artificial intelligence (AI), cloud services and other technologies. The product integrates information publishing, professional access control, visual intercom and digital human interaction functions. Its core purpose is to provide comprehensive scenario solutions for enterprises, leveraging diverse online and offline system applications as well as intelligent hardware devices, to promote the	Under researching	<ol style="list-style-type: none"> 1. We will upgrade traditional single access control devices to intelligent interactive terminals to expand more application scenarios and enhance overall functional experience. 2. Multimodal AI intelligent product series, covering different sizes and appearances, provide comprehensive solutions for different levels of customer groups, including low-end, mid-range, and high-end markets, to meet the needs of a wide range of users. 3. The multimodal intelligent product terminal uses advanced IoT and Internet 	<ol style="list-style-type: none"> 1. To further enhance the Company's brand image, the Company has carefully crafted a series of family style intelligent product terminal designs, aimed at showcasing the Company's innovation strength and technological leadership. 2. With the help of the cutting-edge technologies of multimode, AI, audio, video and cloud broadcasting, combined with the advantages of the IoT and the Internet, we can accelerate the deployment of the Company's cloud strategy, accelerate the implementation of commercial closed-loop, and improve the Company's overall competitiveness.

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
		smooth transformation of enterprise users from traditional business models to digital business models.		technology to realize the seamless connection with ZKTeco Interconnection and ZKBio, and provides convenient solutions for various channels and project implementation. At the same time, the terminal can connect with mobile APPs, which not only improves the efficiency of enterprise digital collaboration, but also serves as a small security guard for enterprises, providing comprehensive protection for enterprise security.	3. The Company's multimodal AI intelligent products can seamlessly integrate with the ZKBio platform and Minerva IoT platform, providing project level solutions for different customer groups while also supporting lightweight applications in the pure cloud. This innovative design enables the system solution to cover a wider range of customers and scenarios, creating more value for customers and further consolidating and enhancing the Company's leadership position in the market.
4	ZKBio V6600 Wide Access IoT Perception Application Platform V3.0	ZKBio V6600 Wide Access IoT Perception Application Platform V3.0, with multimodal BioCV technology as its core, combines years of experience in entrance and exit management and intelligent video technology to comprehensively achieve security protection and intelligent monitoring management of project scenarios. This platform deeply integrates multiple business subsystems, including personnel, access control, attendance, consumption, visitors, parking, elevator control, patrol, channels, storage cabinets, intrusion alarms, monitoring centers, intelligent scenarios, and system management. Through the intelligent perception capabilities of security entrances and exits, intelligent video, and IoT technology, the ZKBio V6600 platform can monitor, intelligently identify, and analyze the management of entrance	Under researching	<p>1. We innovate the traditional entrance and exit mode by utilizing smart entrance and exit, intelligent video, and IoT intelligent perception technology, endowing it with intelligent video analysis and IoT device perception capabilities. This not only achieves a comprehensive upgrade of security management, but also realizes intelligent management of time, fully meeting the diverse and fragmented application needs of users.</p> <p>2. We focus on perception and data empowerment, and through technological innovation and modular design concepts, create a standardized and unified platform to continuously promote innovation and development in industry applications.</p> <p>3. We are committed to continuously improving the base capacity of ZKBio and integrating it into various industries,</p>	<p>1. The application of the platform will assist the Company in providing more comprehensive and intelligent solutions for medium and large-scale security projects, accurately meeting the diversified needs of customers for security management and monitoring, thereby significantly enhancing the Company's market competitiveness in the security field.</p> <p>2. By effectively solving the problem of independent management of equipment by branch offices and unified supervision of resources by the central group in cross regional and multi-organizational projects, the Company will be able to integrate internal and external resources more efficiently, significantly improve operational efficiency and management level, and create more value for the Company.</p>

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
		<p>and exit situations in real time. By utilizing big data analysis and AI algorithms, the platform can automatically identify abnormal behavior, achieve pre-warning, in-process handling, and post analysis, ensuring timely detection and handling of safety hazards.</p> <p>In addition, through seamless integration with IoT devices, the ZKBio V6600 platform can achieve intelligent control and management of entrances and exits, significantly improving the operational efficiency and convenience of entrances and exits. This innovative platform not only enhances the security management level of enterprises, but also brings users a more intelligent, efficient, and convenient entrance and exit experience.</p>		<p>providing high-quality services for ecological partners, and continuously refining excellent solutions to meet the ever-changing needs of the market.</p> <p>4. Based on the ZKTeco IoT platform foundation, we have built a hybrid cloud platform that solves the challenge of independent management of devices by branch offices and unified supervision of resources by the central group in cross regional and multi-organizational projects. This innovative measure provides strong support for the digital transformation of enterprises.</p> <p>5. Through in-depth mining and precipitation of user scenario data, we provide value-added services to existing ZKBio users and future project clients, achieving maximum conversion of commercial value and creating more business opportunities for enterprises.</p>	
5	Low Code Android Development Platform V2.0 based on BIOCV	<p>Based on the Company's BioCV biometric core technology capabilities, we are committed to optimizing the underlying infrastructure services of Android, achieving clear separation of business functions, and providing customers with more efficient and flexible solutions. By providing rich underlying services, we offer EDK services (Embedded Development Kit) aimed at supporting customers in achieving efficient application development on Android</p>	Under researching	<p>1. Based on a deep foundation of customer data, we provide more comprehensive integrated support, empower customer innovation, and help customers quickly launch localized new products. By implementing a business localization strategy, we aim to accurately meet market demands, continuously strengthen our close ties with customers, and achieve mutual growth.</p> <p>2. Leveraging the cloud capabilities of the</p>	<p>1. Based on the new integrated model of Android intelligent hardware+software+cloud services, we aim to connect cloud business customers, promote the implementation of more cloud intelligent solutions, and create a new performance growth model.</p> <p>2. We assist the Company in its efforts in the Android integration market by providing one-stop integration business support, continuously consolidating existing customer relationships, and</p>

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
		<p>hardware.</p> <p>At the same time, through close integration with the Minerva IoT platform, we provide our customers with ADK (Application Development Kit), enabling third-party integration customers to easily integrate devices and related data into their software, promoting the intelligence of 3rd business software.</p> <p>In this process, we fully leverage the comprehensive advantages of ZKTeco intelligent hardware, BioCV recognition capabilities, and Minerva IoT platform to provide powerful integrated business support for enterprises, system integrators, and solution providers. Our goal is to help these partners achieve breakthroughs and innovations in areas such as smart office and smart entrance and exit management, and jointly build a smarter and more efficient business ecosystem.</p>		<p>Minerva IoT platform, we aim to build efficient cloud communication bridges for our customers, promote the flourishing development of cloud services, and assist in enterprise cloud transformation. This strategy will greatly expand the application areas of our products and services, provide customers with more comprehensive and cutting-edge solutions, and attract more like-minded partners.</p> <p>3. By closely collaborating with integrated clients and continuously incorporating innovative features and business concepts from third-party clients, we lay a solid foundation for the development of mainstream and new projects in the Company, enhancing the overall competitiveness of our products.</p>	<p>attracting numerous new customers to increase the Company's market share in the integration market.</p> <p>3. In numerous cooperation cases, we deeply explore the advantages and requirements of customer products, and expand into new business areas. We bring more growth opportunities to the Company.</p>
6	ZKTeco Interconnection Cloud Scenario Service Platform V3.0.0	<p>Based on the Company's core business of "smart office, smart entrance and exit, and smart identity recognition", focusing on the SMB small and medium-sized enterprise customer group, serve the long tail market, leverage the comprehensive three-dimensional advantages of ZKTeco frontend intelligent hardware+backend offline smart account service system+Minerva IoT Platform PaaS+SaaS application, provide a "business premises management</p>	Under researching	<p>1. Based on the base capacity of Minerva IoT, and focusing on the terminal needs of IoT scenario solutions and SME digital and reality integration, we serve as the SME cloud scenario linker.</p> <p>2. Through ZKTeco Interconnection (for small and medium-sized enterprise users) and ZKTeco Cloud Commerce (for intermediate service provider users), we jointly establish a comprehensive operation system for IoT product</p>	<p>1. Assisting the Company in leveraging its customer base in the long tail market, and creating a new performance growth model focusing on the needs of small and medium-sized enterprise customer base based on cloud service scenarios and the digital and reality integration;</p> <p>2. By utilizing a digital and intelligent scenario solution of software+hardware+cloud services, laying out a new track in advance to meet the needs of the post-90s and post-00s for enterprise management and business</p>

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
		scenario+business management scenario+service scenario" solution for the small and medium-sized enterprise customer group, accompany SMEs in the growth, and provide multiple digital and intelligent "assistants" for enterprises from "rough" to "refined" management.		research, sales, operation, and service through end-edge-management-cloud-use-service-operation; 3. Based on the precipitation of user scenario data, we provide a market soil for commercial verification of customer foundation and operational transformation for SaaS subscription services. 4. Based on the dual scenario business model of "intelligent business space+digital marketing management", we will continue to promote product iteration and provide rich cloud scenario business functions for SME users.	management; 3. Driving the sales of hardware or scenario solutions through cloud services, and bringing about changes in business models such as operational model validation through cloud service subscription models; 4. Through the precipitation of user data and scenario data, providing rich product R&D support for commercial transformation models.
7	ZKDIGIMAX CMS ScreenDirect v3.0	This project aims to develop an information service software based on the L3 platform, with a SaaS business model. Users can continue to use the software services through subscription. The software functions focus on the "AI+Digital Signage" field in the retail and catering industries, providing digital infrastructure and smart business cloud services for front-end carriers, accelerating the transformation of traditional retail industry to data-driven smart retail, and helping global retail customers create greater commercial value.	Under researching	1. Based on the base capacity of the Company's IoT PaaS Platform in India, and focusing on the smart retail scenario, we provide a one-stop cloud platform information publishing solution to meet the terminal needs of integrating data and reality for small and medium-sized enterprises (SMEs), serving as the SME cloud scenario linker. 2. Integrate the rich AIoT hardware ecosystem, AI, big data, and cloud service capabilities of ZKTeco, and provide end/edge/cloud/server one-stop smart retail scenario solutions; 3. Based on the perception and labeling of multidimensional data in user scenarios, we provide customers with commercial advertising operation conversion value through SaaS	1. Assisting the Company in expanding its arsenal of smart retail business, providing more powerful weapons, and creating a new performance growth model based on cloud services and hosting services around enterprise customer groups in the retail industry; 2. By utilizing a digital and intelligent scenario solution of cloud software+AI hardware+cloud hosting services, laying out a new track in advance for smart retail scenarios; 3. Providing long-term O&M services to increase the Company's service attributes, driving the sales growth of hardware and scenario solutions through cloud hosting services, and bringing about changes in business models and operational model validation through cloud service subscription models; 4. Through the

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
				subscription services, and use digital technology to enhance the operational efficiency of the retail industry.	precipitation of user data and scenario data, creating richer product models for commercial transformation models.
8	InBIO P3000 rack mounted access controller	This project is suitable for rack mounted controllers in the field of smart entrances and exits, supporting 4-door or 8-door control and enabling centralized management. The controller is designed to be compact and can be easily placed in computer rooms or cabinets, seamlessly integrated with existing IT hardware facilities, forming an integrated smart entrance and exit solution. We hope to provide customers with a plug and play product that significantly reduces the workload of on-site wiring and installation debugging, thereby helping customers reduce construction wiring costs, improve engineering efficiency, and provide customers with safer and more efficient access control services.	Under researching	<p>1. Break through the difficulties of on-site debugging: In response to the complexity of on-site debugging of existing controller device, we are committed to developing a new type of rack mounted controller. Through intelligent design and functional optimization, it greatly simplifies the debugging process, saving customers a lot of time and cost, and achieving a convenient plug and play experience;</p> <p>2. Real time status monitoring and visualization operation: Our rack mounted controller supports real-time viewing of the door status corresponding to each device. Through an intuitive visualization interface, customers can easily grasp the operating status of the equipment and achieve efficient O&M management. This intelligent management method not only improves work efficiency, but also enhances the stability and security of the device.</p> <p>3. High performance and flexible installation design: We create a high-performance rack mounted controller for our customers, which not only has excellent performance, but also is easy to integrate with other IT hardware facilities, forming an integrated smart entrance and exit solution. At the</p>	<p>1. The application of rack mounted controllers has significantly improved the intelligence level of the device, making the Company's products more competitive in the market and meeting the growing demand of consumers for intelligent and convenient products.</p> <p>2. As an important part of technological innovation, rack mounted controllers not only promote the Company's in-depth R&D in fields such as AI and IoT, but also lay a solid foundation for the Company to maintain its technological leadership.</p> <p>3. With the widespread application of intelligent controllers in various industries, the Company is expected to further expand its market share, broaden its revenue sources, and achieve sustained growth through high-quality rack mounted controller products.</p> <p>4. Rack mounted controllers, with their excellent stability and reliability, we provide customers with a better service experience, significantly improving customer satisfaction and loyalty, and enhancing the brand influence of the enterprise.</p>

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
				<p>same time, the controller supports cabinet entry and wall mounted installation, flexibly adapting to various installation environments, meeting the diverse needs of customers, and truly realizing the design concept of easy integration and easy maintenance.</p> <p>4. Rack mounted controllers have comprehensive security protection functions, which can effectively protect the core data and critical equipment of enterprises, ensure the security of enterprise information and stable operation of business, and safeguard the development of enterprises.</p>	
9	R&D of Hybrid Biometric Access Control Terminal Based on Multimodal AI	This project aims to develop a recognition device based on multimodal AI technology, which can achieve multimodal biometrics. It can realize palmprint and palm vein hybrid recognition from multiple angles, close range, and high precision, and support RFID and QR codes. It is simultaneously equipped with digital visual intercom function, supporting digital service operation functions such as advertising O&M, thereby driving the overall technology and product upgrade of our entrances and exits in the era of cloud networking.	Under researching	This project aims to develop a hybrid biometric device based on multimodal AI technology, which will reconstruct the ZKTeco new business model of hard technology, brand stories, and digital service operations. It will comprehensively drive the base capacity of end/edge/cloud/service, create multimodal AI attendance and AI access control, and drive the overall technology and product upgrade of our entrances and exits in the era of cloud networking.	<p>1. To further enhance the Company's brand image, we have carefully crafted a series of family style intelligent product terminal designs, aimed at showcasing the Company's innovation strength and technological leadership.</p> <p>2. With the help of the cutting-edge technologies of multimode, AI, audio, video and cloud broadcasting, combined with the advantages of the IoT and the Internet, we can accelerate the deployment of the Company's cloud strategy, accelerate the implementation of commercial closed-loop, and improve the enterprise's overall competitiveness.</p>
10	R&D of Technology and Device for	The Project plans to develop an identity authentication terminal	Under researching	The Project aims to implement terminal device equipment based	<p>1. Meeting the general trend of the construction of a digital China; 2.</p>

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
	Authentication Application Based on CTID Digital Identity Card 2.0	device based on the CTID authentication certificate recognition technology, which can identify the information encrypted by the CTID digital identity card and complete the corresponding scenario applications. The identification device supports both the physical ID card and the electronic identity card, which can effectively guarantee the network data transmission security of the identity card information.		on authentication and verification methods such as CTID authentication certificate and physical identity card; this recognition device supports both physical and electronic identity cards, which not only ensures the convenience of physical identity cards, but also solves the problems of network data transmission security and personal privacy of identity card information.	Improving the technical gap of digital identity card identification and information security transmission; 3. Improving the basic ability of digital identity card application technology, and laying a foundation for the subsequent development of digital identity card products; 4. Giving the Company a leading edge in the field of digital identity cards.
11	R&D of Domestic Multimodal Identity Authentication Device Based on Smart Identity Verification Scenario 1.0	This project aims to develop a device for nationwide production of hardware, operating system, and software, which can achieve multimodal identity recognition and authentication such as fingerprint, facial recognition, card swiping, palm recognition, and QR code. This device can be widely used in identity verification scenarios such as government affairs, hotels, telecommunications, and visitors.	Under researching	This project aims to develop a multimodal ID authentication device that is expected to achieve full localization of software, hardware, and system, effectively addressing customer scenarios with high requirements for localization.	1. Catering to the trend of domestication of industry equipment. 2. Filling the gap in the Company's domestic products. 3. Establishing a foundation for the Company in the domestic equipment industry market.
12	R&D of Non-contact Palm Recognition Technology Based on Multimodal Palm Acquisition and Recognition	This project aims to develop a multimodal non-contact palm acquisition and recognition system, which can achieve multi-angle, close range, high-precision palmprint and palm vein hybrid recognition. It simultaneously supports RFID and QR codes, etc. It realizes cross platform system registration and application, and adapts to indoor, semi-outdoor and outdoor application environments, mainly used for non-contact identity	Under researching	This project aims to develop a multimodal, high-precision, payment grade security level palm recognition solution. This device adopts palmprint and palm vein multiple fusion recognition to improve recognition accuracy and live recognition ability, solve the problems of user height compatibility and twin misidentification, and greatly improve safety, stability, and usability.	1. Leading the industry to gradually promote the application of new biometrics in payment, smart access control, smart attendance, smart channels and other industries through the further update of palm recognition technology; 2. Enriching the usage scenarios of product line of biometric modules and panel machines, and improving the core competitiveness of the products; 3. Responding to the

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
		recognition in various entrance and exit scenarios such as smart attendance and smart access control.			Company's strategic plan, and launching a strategic deployment of intelligent recognition terminals that meet market demand based on new platforms and technologies.
13	R&D of Apple Wallet and Google Wallet Virtual Card Technology Based on NFC Technology in Attendance and Access Control System Devices	This project aims to develop an attendance and access control system device based on NFC technology for Apple Wallet and Google Wallet virtual card technology. The device can obtain user virtual card information encrypted and stored in the virtual card loaded by the user in the built-in wallet of iPhone and Android phone systems through NFC communication and encryption technology. This can meet the needs of most customers who use their mobile phones for attendance or access control, and can effectively enhance the user experience by recognizing personal identities through non biometric technology, non RFID entity cards, etc.	Under researching	This project aims to develop an attendance and access control system device based on NFC technology for Apple Wallet and Google Wallet virtual card technology. The device can interact with the built-in wallet applications on iPhone and Android phones through NFC communication and advanced encryption technology to obtain encrypted user virtual card information stored in the virtual card loaded by the user. After decryption, the device can obtain the user's ID information and achieve user identity recognition. This can meet the needs of most customers who use their mobile phones for attendance or access control, and can effectively enhance the user experience by recognizing personal identities through non biometric technology, non RFID entity cards, etc.	<ol style="list-style-type: none"> 1. Strengthening the soft power of enterprise brands by collaborating with leading mobile and RFID enterprises such as Apple, Google, HID, and Legic; 2. Filling in or improving the support of attendance access control devices for identity recognition based on mobile personal devices; 3. Meeting the majority of users' demand for using mobile personal devices instead of traditional physical cards, and improving the convenience of users in identifying and using attendance and access control devices; 4. Realizing value-added services for virtual cards, such as card counting, renewal, customization, and other services by implementing a virtual card issuance platform based on mobile personal devices.
14	BioCV LLM 4.0 NLP Model	The NLP model has become one of the most promising and potential fields in recent years. With its widespread application in fields such as natural language processing, intelligent customer service, and intelligent translation, the NLP model has gradually become an indispensable part of the	Under researching	This project achieves efficient fine-tuning training of models based on application scenario data and the research on related technologies in engineering implementation of NLP model applications.	In the era of AI, continuous innovation in product service interaction experience lays the foundation for core technology capabilities and enhances the Company's competitiveness.

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
		field of AI. The Project aims to track the latest development of the NLP model technology and prepare relevant technical reserves.			
15	Research on Algorithms Related to Digital Human Generation 3.0	In security and supermarket applications, people are often the most concerned visual targets. This project aims to explore the analysis and image generation methods of various facial features, in order to provide strong support for practical scenario based applications and achieve human-oriented computer vision applications	Under researching	<ol style="list-style-type: none"> 1. Conduct attribute analysis based on an open facial image dataset for refined control of various attributes in digital human synthesis; 2. Implement augmented reality technologies such as makeup and wear testing to serve smart retail scenarios and enhance customer shopping experience; 3. Research on digital human generation technology based on AIGC; 4. Investigation and research on voice driven digital human speech video generation technology. 	Meet the Company's demand for digital human generation technology in smart retail scenarios, and better support the Company's basic business.
16	Multimodal Biometrics SDK V3.0	By continuously iterating and improving the biometric technology, including facial recognition, palm recognition, and fingerprint recognition, we aim to enhance recognition accuracy, anti-counterfeiting accuracy, and quality accuracy. For facial recognition, we are committed to improving the accuracy of biometrics, preventing false authentication, and strengthening quality assessment. In terms of palm recognition, we will continue to optimize algorithms to improve recognition accuracy, prevent fraud, and promote the development of engineering application products. At the same	Under researching	<ol style="list-style-type: none"> 1. Improve the accuracy of biometric technology: By optimizing algorithms and models, we continuously improve the accuracy of facial recognition, palm recognition, and fingerprint recognition to ensure more accurate biometric results; 2. Strengthen anti-counterfeiting capabilities: By introducing advanced anti-fraud technologies and algorithms, we improve the anti-counterfeiting capabilities of identification systems, and effectively curb false authentication and fraudulent behaviors; 3. Improve the accuracy of quality assessment: We improve the quality 	<ol style="list-style-type: none"> 1. By continuously improving biometric technology, the Company will be able to provide more accurate and reliable solutions in areas such as security access control and payment authentication, thereby enhancing the market competitiveness of its products; 2. Strengthening anti-counterfeiting capabilities will effectively curb false authentication and fraudulent behaviors, enhance product security and credibility, and help establish a good reputation for the Company in the industry; 3. By promoting the development of engineering application products, the Company can better meet market demand

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
		time, regarding fingerprint recognition, we are concerned about the development of non-contact fingerprint recognition technology, hoping to bring higher security and more convenient user experience through its non-contact characteristics. Through these efforts, we aim to promote the advancement of biometric technology, enhance security and user experience, and lay a solid foundation for the development of engineering application products.		assessment algorithm to ensure accurate judgment of the quality of biometric images, thereby improving the stability and reliability of the overall recognition system; 4. Promote the development of engineering application products: We apply optimized biometric technology to engineering product development, including security access control systems, payment authentication systems, etc., to provide users with a safer and more convenient application experience; 5. Pay attention to the development of non-contact fingerprint recognition technology: We continuously monitor and research non-contact fingerprint recognition technology, and apply it to practical scenarios to enhance security and user experience.	and provide users with safer and more convenient application experiences, thereby increasing customer satisfaction and loyalty.
17	R&D of End-Edge-Cloud Collaborative Hybrid Communication Application Based on IoT Platform	In the context of the IoE, the construction of ends, edges, and clouds, as well as the large-scale layout of points, lines, and surfaces, have become the core melody of industry development. We are developing service middleware based on the Minerva IoT platform, aiming to seamlessly integrate the ZKBio platform with APP data, and achieve comprehensive integration of "end, edge, and cloud" by building a cloud forwarding server. The core goal of the project is to provide a flexible, efficient, and secure	Under researching	1. We will build a hybrid cloud capability for ZKBio, which will serve as the core of the Minerva IoT platform service middleware, to achieve efficient transmission of data between the Intranet ZKBio platform and ZKBio APP. This measure will not only promote the sales of software licenses, hardware devices, and other system module products, but also form a complete solution closed-loop value, providing customers with comprehensive services and value; 2. We are committed to	1. Being committed to further enhancing the Company's professional level in the field of smart entrance and exit solutions, we fully demonstrate the Company's innovation and excellent professional capabilities by carrying out comprehensive construction of ends, edges, and clouds of the IoE. We adhere to technology as the driving force, constantly improving service quality to meet the ever-changing needs of the market; 2. Guided by the Company's cloud strategy, we fully leverage the powerful capabilities of the Minerva IoT platform,

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
		"online+offline" deployment solution, further improve the smart space security management solution, deeply understand and meet the needs of user scenarios, and promote the digitalization process of enterprise users in complex multi-scenario management to a higher level of development.		providing mobile solutions for enterprise management, offering convenient online personnel registration and remote control applications for enterprise administrators to meet the growing management needs of enterprises and improve work efficiency and security control; 3. We will fully utilize the advantages of the ZKBio platform to promote the sales conversion of products derived from this platform. For existing customers, we will actively explore opportunities for sales and repurchase to achieve sustained business growth.	combined with our years of rich experience in the field of smart entrance and exit, to quickly respond to the needs of enterprise customers. By leveraging our technological innovation advantages, we ensure that we always maintain a leading position in the industry; 3. We will quickly capture the growing market of security software APPs. With the continuous expansion of the market size, our solutions and products will continue to meet the growing needs of users, ensuring that we maintain a leading advantage in the field of smart entrance and exit mobile solutions and create more value for customers.
18	ZKDigimax-L3 V3.0 (Smart Retail Cloud Management Platform)	This project aims to develop a one-stop management solution for enterprise level advertising operations, content marketing management, product price management, and marketing data analysis based on cloud architecture.	Under researching	1. Implement a content management business system with market competitiveness, supporting advanced layout functions, virtual screens, and integrated screen playback functions; 2. Provide rich external interfaces to easily integrate key data with POS and ERP systems; 3. Realize the unified module for managing digital signage, electronic price tags and AI terminal devices; 4. By integrating AIGC technology, achieve rapid deployment and implementation of marketing ideas.	Implementing the Company's strategic layout in the retail scene and providing a comprehensive smart retail solution with market competitiveness.
19	R&D of Smart Office Terminal Management Platform and Device Based	The project plans to develop a smart office terminal management platform and device based on the Minerva IoT cloud service platform, mainly	Under researching	This project aims to develop a smart office terminal management platform and device based on the Minerva IoT cloud service platform.	1. Connect IoT devices such as smart office attendance, access control, visitors, and videos to provide a one-stop O2O solution for enterprise

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
	on Minerva IoT Cloud Service Platform V2.0	combining the ZKTeco Minerva IoT smart office cloud platform, with "time management+security management" as the key service core, cloud platform as the core, application as the carrier, and hardware devices as the foundation, archiving device data on a high security cloud platform for management, and providing a more refined enterprise smart office management mode; the feature is that the terminal device supports various biometric (fingerprint, face), RFID, QR code information collection, and video intercom capabilities, and supports intelligent O&M functions such as device O&M, OTA upgrade, etc., connecting smart office attendance, access control, visitors, videos, and other IoT devices, providing a one-stop O2O solution for enterprise smart office. It is mainly used in smart office scenarios.		This platform takes "time management+security management" as its core service, providing enterprises with a more refined smart office management model by integrating the ZKTeco Minerva IoT smart office cloud platform, applications, and hardware devices. It simultaneously supports intelligent O&M functions such as device O&M and OTA upgrade, while transforming from traditional O&M methods to digital O&M methods.	smart office. It improved the management efficiency and security of the enterprise; 2. Provide support for the Company's digital cloud platform strategic layout.

IV. Non-main Business

☒Applicable ☐ Not applicable

Unit: RMB

	Amount	Proportion to Total Profit	Description of Reason	Sustainable or Not
Investment income	2,900,142.97	3.23%	Mainly due to the profit and loss generated during the holding period of the financial products purchased during the reporting period	No
Profits and losses from fair value changes	4,288,802.32	4.78%	Mainly due to the profit and loss generated during the holding period of the financial products purchased during the reporting period	No
Losses from impairment of	-5,196,924.78	-5.79%	Mainly due to the provision for inventories impairment during the	No

assets			reporting period	
Non-operating income	2,456,249.93	2.74%	Mainly due to income received during the reporting period from litigation compensation and sales of unpaid payables	No
Non-operating expenditure	1,048,561.28	1.17%	Mainly due to expenses such as external donations, disposal of stagnant materials, and scrapping of non-current assets during the reporting period	No
Other income	8,367,842.99	9.32%	Mainly due to other income generated by government subsidies during the reporting period	No
Losses from credit impairment	-771,004.22	-0.86%	Mainly due to the provision of bad debt reserves for accounts receivable during the reporting period	No
Income from asset disposal	-83,513.11	-0.09%	Mainly due to income from disposal of non-current assets during the reporting period	No

V. Analysis of Assets and Liabilities

1. Significant changes of asset items

Unit: RMB '0,000

	At the end of this reporting period		At the end of 2023		Proportion increase or decrease	Description of major changes
	Amount	Proportion to total assets	Amount	Proportion to total assets		
Monetary funds	131,925.76	34.73%	199,092.50	50.74%	-16.01%	Mainly due to the purchase of financial products, investment expenses for construction projects, implementation of share repurchases, and distribution of profits (cash dividends) from the previous year in current period
Accounts receivable	47,031.75	12.38%	47,980.33	12.23%	0.15%	No major change
Contract assets	28.22	0.01%	28.22	0.01%	0.00%	No major change
Inventories	37,522.36	9.88%	37,271.48	9.50%	0.38%	No major change
Investment real estate	2,232.49	0.59%	2,314.55	0.59%	0.00%	No major change
Long-term equity investment	2,907.15	0.77%	2,978.19	0.76%	0.01%	No major change
Fixed assets	46,641.30	12.28%	47,012.18	11.98%	0.30%	No major change
Construction in progress	21,244.06	5.59%	13,898.65	3.54%	2.05%	Mainly due to new investment in the Multimodal

						Biometrics Digitalization Industrial Base Construction Project and the Thai factory construction in current period
Right-of-use asset	4,333.77	1.14%	3,866.97	0.99%	0.15%	No major change
Contract liabilities	7,047.23	1.86%	6,533.11	1.66%	0.20%	No major change
Long-term loan	732.02	0.19%	781.04	0.20%	-0.01%	No major change
Lease liabilities	2,288.86	0.60%	1,971.33	0.50%	0.10%	No major change
Trading financial asset	54,582.50	14.37%	8,098.02	2.06%	12.31%	Mainly due to the increase in financial products

2. Information on main overseas assets

☒Applicable ☐ Not applicable

Unit: RMB '0,000

Specific content of assets	Cause of formation	Asset size	Location	Operation mode	Control measures to ensure asset security	Income	Proportion of overseas assets to the Company's net assets	Is there a significant impairment risk
ZK INVESTME NTS INC.	Wholly- owned subsidiary	14,979.13	America	Overseas investment	Control by subsidiary	2,205.63	4.64%	No
ZK TECHNOLO GY LLC	Controlling subsidiary	5,139.10	America	Overseas sales	Control by subsidiary	3,194.97	1.59%	No
ZKTECO CO., LIMITED	Wholly- owned subsidiary	42,947.19	Hong Kong	Overseas sales	Control by subsidiary	371.79	13.30%	No
Other explanations	Note: Main overseas assets mean that the assets of overseas individual companies exceed 10% of the consolidated assets or the net profit of overseas individual companies exceeds 10% of the consolidated net profit of the Group							

3. Assets and liabilities measured at fair value

☒Applicable ☐ Not applicable

Unit: RMB

Item	Beginning balance	Profits and losses from fair value changes in the current period	Cumulativ e changes in fair value recognize d in equity	Impairm ent accrued in the current period	Purchase amount in the current period	Sales amount in current period	Other changes	Ending balance
Financial assets								
1. Trading financial	80,887,585.81	4,381,420.14			506,750,115.39	46,503,814.90	309,667.83	545,824,974.27

assets (excluding derivative financial assets)								
2. Derivative financial assets	92,617.82	-92,617.82						
Subtotal of financial assets	80,980,203.63	4,288,802.32	0.00	0.00	506,750,115.39	46,503,814.90	309,667.83	545,824,974.27
Total	80,980,203.63	4,288,802.32	0.00	0.00	506,750,115.39	46,503,814.90	309,667.83	545,824,974.27
Financial liabilities	0.00							0.00

Other changes

Other changes mainly include changes in funds and exchange rates on the e-commerce platform Yu E Bao

Has there been any major change in the measurement attributes of the Company's main assets during the reporting period

☐ Yes ☒ No

4. Assets right restrictions as of the end of the reporting period

Please refer to "Section X Financial Report VII. Notes to Consolidated Financial Statements 22. Assets with Restricted Ownership or Use Rights" in this report for details

VI. Investment Analysis

1. Overall

☒ Applicable ☐ Not applicable

Investment in the reporting period (RMB)	Investment in the same period of the previous year (RMB)	YoY
580,797,590.58	333,844,991.15	73.97%

2. Significant equity investments obtained during the reporting period

☐ Applicable ☒ Not applicable

3. Significant non-equity investments during the reporting period

☒ Applicable ☐ Not applicable

Unit: RMB

Project Name	Investment Mode	Fixed Asset Assessment or Not	Investment Project Industry	Investment Amount During the Reporting Period	Accumulated Actual Investment Amount As of the End of the Reporting Period	Source of Funds	Project Progress	Expected Income	Accumulated Realized Income As of the End of the Reporting Period	Reasons for Not Achieving Planned Progress and Expected Benefits	Disclosure Date (if any)	Disclosure Index (if any)
Hybrid Biometrics IoT Intelligent Industrial Base Project	Self-built	Yes	Plant and supporting facilities	1,062,948.60	226,374,368.92	Own funds, bank loans, and raised funds	Under construction	Not applicable	24,892,555.23	Not applicable		
Multimodal Biometrics Digitalization Industrial Base Construction Project	Self-built	Yes	Plant and supporting facilities	41,840,638.72	129,258,046.42	Own funds and raised funds	Under construction	Not applicable	Not applicable	Not applicable		
Thai factory construction and office buildings	Self-built	Yes	Plant and supporting facilities	31,143,887.87	57,354,675.27	Own funds	Under construction	Not applicable	Not applicable	Not applicable		
Total	--	--	--	74,047,475.19	412,987,090.61	--	--	Not applicable	24,892,555.23	--	--	--

4. Financial assets measured at fair value
☒ Applicable ☐ Not applicable

Unit: RMB

Asset Category	Initial investment outlay	Profits and losses from fair value changes in the current period	Cumulative changes in fair value recognized in equity	Purchase amount during the reporting period	Sales amount during the reporting period	Accumulated investment income	Other changes	Closing amount	Source of Funds
Financial derivatives	0.00	-92,617.82	0.00	0.00	0.00	0.00	0.00	0.00	Own funds
Others	582,844,488.33	4,381,420.14	0.00	506,750,115.39	46,503,814.90	0.00	309,667.83	545,824,974.27	Own funds and raised funds
Total	582,844,488.33	4,288,802.32	0.00	506,750,115.39	46,503,814.90	0.00	309,667.83	545,824,974.27	--

5. Use of raised funds
☒ Applicable ☐ Not applicable
(1) Overall use of raised funds
☒ Applicable ☐ Not applicable

Unit: RMB '0,000

Total amount of raised funds	145,729.84
Total amount of raised funds used in this period	7,291.70
Accumulated total amount of raised funds used	60,194.71
Total amount of raised funds with changed purposes during the reporting period	3,548.39
Accumulated total amount of raised funds with changed purposes	32,085.41
Proportion of accumulated total amount of raised funds with change purposes	22.02%
Description of the overall use of raised funds	
<p>1. According to the approval of the "Reply of CSRC to Approval for the Registration of Initial Public Offering of Stocks of ZKTECO CO., LTD." (ZJXK [2022] No. 926), the Company has publicly issued 37,123,013 denominated ordinary shares (A shares) with a face value of RMB 1.00 per share, an issuance price of RMB 43.32 per share, and a total amount of raised funds of RMB 1,608,168,923.16. After deducting the issuance expenses (excluding value-added tax) of RMB 150,870,545.46, the actual net amount of raised funds is RMB 1,457,298,377.70. The receipt date of the raised funds is August 12, 2022. The availability of the raised funds has been verified by Baker Tilly China Certified Public Accountants (Special General Partnership) and a "Capital Verification Report" (TZYZ [2022] No. 38658) has been issued.</p> <p>2. All the raised funds mentioned above have been deposited in a special account for raised funds for management, and a regulatory agreement for raised funds has been signed with the sponsor and the commercial bank that deposited the raised funds.</p> <p>3. As of June 30, 2024, the Company has invested a total of RMB 601.9471 million in raised funds, with a total of RMB 904.4263 million in unused raised funds (including interest income and deducting handling fees).</p>	

(2) Committed projects with raised funds

☑Applicable ☐ Not applicable

Unit: RMB '0,000

Committed investment projects and the investment direction of over-raised funds	Has the project been changed (including partial changes)	Net amount of raised funds	Committed total investment amount of raised funds	Adjusted total investment (1)	Investment Amount During the Reporting Period	Accumulated investment amount as of the end of the period (2)	Investment progress as of the end of the period (3)=(2)/(1)	Date when the project reaches its expected conditions for use	Benefits achieved during this reporting period	Accumulated benefits achieved as of the end of the reporting period	Have the expected benefits been achieved	Has there been a major change in the feasibility of the project
Committed investment projects												
1. Tangxia Production Base Construction Project	Yes	24,841.18	24,841.18	0	0	0	0.00%		Not applicable	Not applicable	Not applicable	Yes
2. Hybrid Biometrics IoT Intelligent Industrial Base Project	No	43,689.94	43,689.94	43,689.94	771.64	27,329.50	62.55%	March 31, 2026	778.64	2,489.26	Not applicable	No
3. American Manufacturing Factory Construction Project	Yes	17,392.21	17,392.21	14,392.65	116.98	222.97	1.55%	August 31, 2026	Not applicable	Not applicable	Not applicable	No
4. R&D Center Construction Project	Yes	18,240.58	18,240.58	14,692.19	302.71	10,577.06	71.99%	December 31, 2025	Not applicable	Not applicable	Not applicable	No
5. Global Marketing Service Network Construction Project	No	26,802.01	26,802.01	26,802.01	350.73	8,542.85	31.87%	August 31, 2025	Not applicable	Not applicable	Not applicable	No
6. Remaining funds after the previous change in the American Manufacturing Factory	Yes			2,999.56					Not applicable	Not applicable	Not applicable	No

Construction Project												
7. Multimodal Biometrics Digitalization Industrial Base Construction Project	Yes			39,605.10	5,749.64	13,522.33	34.14%	June 30, 2026	Not applicable	Not applicable	Not applicable	No
8. Remaining funds after the change in the R&D Center Construction Project	Yes			3,548.39					Not applicable	Not applicable	Not applicable	No
Subtotal of committed investment projects	--	130,965.92	130,965.92	145,729.84	7,291.70	60,194.71	--	--	778.64	2,489.26	--	--
Direction of over-raised fund investment direction												
Undetermined funds	Yes	14,763.92	14,763.92						Not applicable	Not applicable	Not applicable	No
Subtotal of over-raised fund investment direction	--	14,763.92	14,763.92				--	--	Not applicable	Not applicable	--	--
Total	--	145,729.84	145,729.84	145,729.84	7,291.70	60,194.71	--	--	778.64	2,489.26	--	--
Describe the situation and reasons why the planned progress and expected benefits have not been achieved by projects (including the reason for selecting "not applicable" for "whether the expected benefits have been	<p>On April 22, 2024, the Company held the Ninth Session of the Third Board Meeting and the Eighth Session of the Third Supervisory Board Meeting. On May 15, 2024, the Company held 2023 Annual General Meeting, and deliberated and approved the "Proposal on Adjusting the Implementation Method, Total Investment Amount and Delay of Part of the Raised Fund Investment Projects". The Company agreed to postpone the scheduled date for the "Hybrid Biometrics IoT Intelligent Industrial Base Project" and the "R&D Center Construction Project" to reach their expected conditions for use. Based on the market environment and the actual construction situation of the investment projects, for the R&D Center Construction Project, the scheduled date for the project to reach its expected conditions for use before the adjustment is August 17, 2024, and the scheduled date for the project to reach its expected conditions for use after the adjustment is December 31, 2025. For the Hybrid Biometrics IoT Intelligent Industrial Base Project, the scheduled date for the project to reach its expected conditions for use before the adjustment is August 17, 2024, and the scheduled date for the project to reach its expected conditions for use after the adjustment is March 31, 2026.</p> <p>Reason for change: (1) The R&D Center Construction Project has been affected by fluctuations in the domestic and international macroeconomic environment, changes in the market environment, and other factors. The Company has formed a more mature consideration for project construction. In order to control project investment risks, the procurement research, equipment selection, project construction and other aspects of the investment project have gradually been carried out cautiously, resulting in a delay in the implementation progress of the project compared to the original plan, and it is unable to reach the expected conditions for use within the original schedule. Therefore, the Company has postponed the scheduled date for the expected conditions for use of the "R&D Center Construction Project" to December 31, 2025. (2) The Hybrid Biometrics IoT Intelligent Industrial Base Project has been actively promoting the implementation of the investment project since the funds were received. However, due to changes in terminal demand and external objective environmental factors, the equipment and material procurement and overall construction progress of the investment project have been delayed compared to the original plan. In order to safeguard the interests of all</p>											

achieved")	<p>shareholders and the Company, and considering the prudence of the raised funds, while ensuring the effectiveness of the investment and avoiding additional resource waste, the Company will steadily promote the implementation of this project based on its medium - and long-term development strategy, without changing the investment content, total investment amount, and implementation subject of the project, under the principle of gradually laying out the project. The Company reasonably arranges production capacity construction based on customer orders to ensure the smooth implementation of the project. Therefore, after careful consideration, the Company has decided to extend the deadline for the project to reach its expected conditions for use until March 31, 2026. This adjustment aims to ensure the effective implementation of the project and is also in line with the Company's long-term development vision. For details, please refer to the "Announcement on Adjusting the Implementation Method, Total Investment Amount and Delay of Part of the Raised Fund Investment Projects" (Announcement No. 2024-020) disclosed by the Company on CNINFO (http://www.cninfo.com.cn) on April 24, 2024.</p> <p>The American Manufacturing Factory Construction Project and Multimodal Biometrics Digitalization Industrial Base Construction Project are in the construction stage and have not yet generated benefits. The R&D Center Construction Project and Global Marketing Service Network Construction Project are pure investment projects and do not generate benefits.</p>
Description of significant changes in project feasibility	Not applicable
The amount, purpose, and progress of the over-raised funds	Not applicable
Changes in the implementation location of projects invested with raised funds	Not applicable
Adjustment of implementation methods for projects invested with raised funds	Applicable
	Occurred during the reporting period
	On April 22, 2024, the Company held the Ninth Session of the Third Board Meeting and the Eighth Session of the Third Supervisory Board Meeting. On May 15, 2024, the Company held 2023 Annual General Meeting, and deliberated and approved the "Proposal on Adjusting the Implementation Method, Total Investment Amount and Delay of Part of the Raised Fund Investment Projects". The Company agreed to change the construction of Tangxia R&D Center in the investment project "R&D Center Construction Project" from self building to utilizing existing site. Due to the adjustment of the above implementation method, the corresponding total project investment has been adjusted from RMB 182.4058 million to RMB 146.9219 million, a decrease of RMB 35.4839 million.
Advance investment and replacement of raised funds for investment projects	Applicable
	<p>The Company held the 19th Session of the Second Board Meeting and the 13th Session of the Second Supervisory Board Meeting on September 29, 2022, and deliberated and approved the "Proposal on Using Raised Funds to Replace Self Raised Funds for Pre-invested Raised Investment Projects and Paid Issuance Expenses". It is agreed that the Company will use the raised funds to replace the self raised funds of RMB 358.6078 million invested in the raised investment project and paid issuance expenses as of August 21, 2022, as well as the pre-paid issuance fees of RMB 13.8425 million (excluding value-added tax) with the self raised funds.</p> <p>On September 16, 2022, the Company held the 18th Session of the Second Board Meeting and the 12th Session of the Second Supervisory Board Meeting, and deliberated and approved the "Proposal on Using Its Own Funds and Foreign Exchange to Pay for Part of the Funds Raised for Investment Projects and Exchanging Them with the Raised Funds in Equal Amounts". On January 18, 2023, the Company held the 23rd Session of the Second Board Meeting and the 17th Session of the Second Supervisory Board Meeting. On February 6, 2023, the Company held the Second Extraordinary General Meeting, and deliberated and approved the "Proposal on Changing the Investment Projects of Raised Funds, Changing the Special Account for</p>

	<p>Raised Funds, Increasing Capital and Providing Loans to Subsidiaries to Implement Investment Projects". The salaries, social insurance premiums, housing provident fund, utilities, etc. of domestic personnel of the Company in implementing the investment projects "Hybrid Biometrics IoT Intelligent Industrial Base Project", "R&D Center Construction Project", "Global Marketing Service Network Construction Project" and the "Multimodal Biometrics Digitalization Industrial Base Construction Project" are planned to be paid by the Company or its subsidiary implementing the investment projects in advance with their own funds. The Company collected and calculated the aforementioned advance expenses incurred by each investment project on a monthly basis, and then transferred an equal amount of funds from the special account for investment to the Company's or its subsidiary's own fund account for implementing the investment projects. The implementation location of the Company's investment project "American Manufacturing Factory Construction Project" is in the United States, and the investment project construction funds need to be paid in USD. The Company's investment projects "Global Marketing Service Network Construction Project" and "R&D Center Construction Project" include overseas construction content, and the operability of paying funds required for overseas construction directly from the special account for raised funds is poor. Therefore, the Company plans to use its own foreign exchange to pay the required funds for the overseas parts of the "Global Marketing Service Network Construction Project", "American Manufacturing Factory Construction Project", and "R&D Center Construction Project". Subsequently, the amount of advance payments will be calculated monthly, and equal amounts will be transferred from the special account for raised funds to the Company's own fund account.</p> <p>As of June 30, 2024, the Company has used its own funds and foreign exchange replaced with the raised funds to pay a portion of the funds raised for the investment project, totaling RMB 52.6348 million.</p>
Temporary replenishment of working capital with idle raised funds	Not applicable
The amount and reasons for the surplus of raised funds during project implementation	Not applicable
The purpose and destination of the raised funds that have not been used yet	As of June 30, 2024, the balance of the Company's unused IPO raised funds is RMB 904.4263 million (including interest income and deducting handling fees), including RMB 128.3363 million of demand deposit in the special account for raised funds and RMB 776.09 million of time deposit and other financial products. The above financial products have high safety, meet the requirements of capital preservation, and have good liquidity, which does not affect the normal operation of the investment plan for raised funds.
Problems or other situations in the use and disclosure of raised funds	Not applicable

(3) Change in the use of raised funds
☒ Applicable ☐ Not applicable

Unit: RMB '0,000

Changed project	Corresponding original committed projects	The total amount of raised funds to be invested in the project after the change (1)	Actual investment amount during this reporting period	Actual accumulated investment amount as of the end of the period (2)	Investment progress as of the end of the period (3)=(2)/(1)	Date when the project reaches its expected conditions for use	Benefits achieved during this reporting period	Have the expected benefits been achieved	Has there been a significant change in the feasibility of the project after the change
R&D Center Construction Project	R&D Center Construction Project	14,692.19	302.71	10,577.06	71.99%	December 31, 2025	Not applicable	Not applicable	No
Total	--	14,692.19	302.71	10,577.06	--	--	Not applicable	--	--
Description of reasons for changes, decision-making procedures, and information disclosure (by specific project)			<p>On April 22, 2024, the Company held the Ninth Session of the Third Board Meeting and the Eighth Session of the Third Supervisory Board Meeting. On May 15, 2024, the Company held 2023 Annual General Meeting, and deliberated and approved the "Proposal on Adjusting the Implementation Method, Total Investment Amount and Delay of Part of the Raised Fund Investment Projects". The Company agreed to change the construction method of the Tangxia R&D Center in the investment project "R&D Center Construction Project" from self building to utilizing the existing site for construction. Due to the adjustment of the above implementation method, the corresponding total project investment has been adjusted from RMB 182.4058 million to RMB 146.9219 million, a decrease of RMB 35.4839 million.</p> <p>Reason for change:</p> <p>In the implementation process of the investment project, the Company adheres to the principles of rationality, efficiency, and economy, scientifically and prudently uses the raised funds based on the actual needs of the project, fully utilizes the existing site of the Company, and strengthens the supervision and control of project costs while ensuring the quality of project construction and controlling risks, effectively reducing project implementation costs. The adjustment of the above implementation methods and the reduction of the total investment amount of the project due to the adjustment of the implementation methods will not have a substantial impact on the investment project.</p>						
			The situation and reasons for not achieving the planned progress or expected benefits (by specific project)						
			Description of major changes in project feasibility after the change						

6. Entrusted financial management, derivative investment and entrusted loans

(1) Entrustment of financial management

☒Applicable ☐ Not applicable

Overview of entrusted financial management during the reporting period

Unit: RMB '0,000

Specific types	Source of funds for entrusted financial management	Amount of entrusted financial management	Outstanding balance	Overdue uncollected amount	Provision for impairment amount of overdue uncollected financial assets
Bank financial products	Own funds	3,280.01	3,280.01	0	0
Bank financial products	Own funds	1,964.02	1,964.02	0	0
Bank financial products	Own funds	113.75	11.45	0	0
Bank financial products	Own funds	77.58	77.58	0	0
Bank financial products	Own funds	3,000.00	3,000.00	0	0
Other categories	Own funds	80.39	67.15	0	0
Bank financial products	Fundraising	37,500.00	32,965.16	0	0
Bank financial products	Own funds	712.70	712.70	0	0
Bank financial products	Own funds	10,000.00	10,000.00	0	0
Bank financial products	Fundraising	2,000.00	2,000.00	0	0
Total		58,728.45	54,078.07	0	0

Specific situation of high-risk entrusted financial management with significant individual amounts, low safety, and poor liquidity

☐ Applicable ☒ Not applicable

Expected inability to recover principal or other situations that may lead to impairment in entrusted financial management

☐ Applicable ☒ Not applicable

(2) Derivative investment

☒Applicable ☐ Not applicable

1) Derivative investments for hedging purposes during the reporting period

☒Applicable ☐ Not applicable

Unit: RMB '0,000

Types of derivative investments	Initial investment amount	Opening amount	Profits and losses from fair value changes in the current	Cumulative changes in fair value recognized in equity	Purchase amount during the reporting period	Sales amount during the reporting period	Closing amount	Ratio of ending investment amount to the Company's net assets at the
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			period					end of the reporting period
Forward foreign exchange settlement and sales	824.27	824.27	-9.26	0	0	824.27	0	0.00%
Total	824.27	824.27	-9.26	0	0	824.27	0	0.00%
Accounting policies and specific accounting principles for hedging business during the reporting period, as well as description on whether there have been significant changes compared to the previous reporting period	No major change							
Description of actual profit and loss during the reporting period	During the reporting period, the Company obtained investment income of RMB 68,200 through forward foreign exchange settlement and sales, and generated profits and losses from fair value changes of RMB -92,600.							
Description of hedging effect	In the daily operation process of the Company, foreign currency transaction is involved. In order to prevent exchange rate fluctuation risks, it is necessary for the Company to carry out foreign exchange derivative trading business related to daily operation needs according to specific circumstances to reduce the risk of exchange rate or interest rate fluctuations that the Company continues to face. The Company's forward foreign exchange settlement and sales business can achieve the goal of locking in business contract profits at most time points, without significant risks, which achieves the purpose of hedging.							
Source of funding for derivative investment	Own funds							
Risk analysis and control measures of derivatives positions during the reporting period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)	<p>I. Risk analysis of the Company's hedging business</p> <p>Forward foreign exchange settlement and sales business can reduce the impact of exchange rate fluctuations on the Company's production and operation in the event of significant fluctuations in exchange rates, but there are still certain risks in conducting forward foreign exchange settlement and sales transactions:</p> <ol style="list-style-type: none"> 1. Exchange rate fluctuation risk: In cases of significant fluctuations in exchange rate courses, exchange losses may occur when the exchange rate of the forward foreign exchange settlement and sales agreed in the confirmation letter for the forward foreign exchange settlement and sales is lower than the real-time exchange rate. 2. Risk of payment collection prediction: Business departments make payment prediction based on customer orders and expected orders. During the actual execution process, customers may adjust their own orders and predictions, resulting in inaccurate company payment prediction and the risk of delayed delivery of forward exchange settlement. 3. Internal control risk: Forward foreign exchange settlement and sales transactions are highly specialized and complex, which may result in risks due to imperfect internal control systems. 4. Customer default risk: If the customer's accounts receivable are overdue and the payment cannot be collected within the predicted payment period, it will cause a delay in forward exchange settlement and result in losses to the Company. 5. Transaction performance risk: Conducting financial derivative trading business carries the risk of default caused by the inability of counterparties to perform when the contract expires. <p>II. Preparation work and risk control measures for hedging by the Company</p>							

	<p>The Company follows the principle of hedging when conducting forward foreign exchange settlement and sales transactions, and does not engage in speculative arbitrage transactions. The main risk control measures are as follows:</p> <ol style="list-style-type: none"> 1. When signing forward foreign exchange settlement and sales contracts, transactions are carried out in strict accordance with the Company's predicted collection amount, and all forward foreign exchange settlement and sales businesses have a true trade background. 2. The Company has formulated the "Management System for Forward Foreign Exchange Settlement and Sales of ZKTECO CO., LTD.", which clearly stipulates the amount, variety, approval authority, internal audit process, information disclosure, and other aspects of forward foreign exchange settlement and sales. Moreover, the Company has strengthened the business training and professional ethics of relevant personnel, improved the quality of relevant personnel, and established a timely reporting system for abnormal conditions to avoid the occurrence of operational risk to the maximum extent. 3. To prevent the delayed delivery of forward foreign exchange settlement and sales, the Company will attach great importance to the management of foreign currency accounts receivable, avoid the phenomenon of overdue accounts receivable, and strive to improve the accuracy of payment collection prediction and reduce prediction risks. Meanwhile, the Company has purchased credit insurance for some export products, thus reducing the customer default risk. 4. To control transaction performance risks, the Company carefully selects counterparties engaged in financial derivatives business. The Company only conducts financial derivative trading business with legally qualified large commercial banks and other financial institutions, and carefully reviews the contract terms signed with the counterparties to prevent credit and legal risks.
Changes in market price or fair value of products during the reporting period of the invested derivatives. The analysis of the fair value of derivatives shall disclose the specific methods used and the setting of relevant assumptions and parameters	<p>The Company's accounting for the fair value of derivatives mainly focuses on the unexpired contracts for forward foreign exchange settlement and sales transactions signed between the Company and banks during the reporting period. Trading financial assets or trading financial liabilities are recognized based on the difference between the quoted price of the unexpired forward foreign exchange settlement and sales contract at the end of the period and the forward foreign exchange price.</p>
Litigation situation (if applicable)	Not applicable

2) Derivative investments for speculative purposes during the reporting period

☐ Applicable ☒ Not applicable

There were no derivative investments for speculative purposes during the Company's reporting period.

(3) Entrusted loan

☐ Applicable ☒ Not applicable

There were no entrusted loans during the reporting period of the Company.

VII. Disposal of Significant Assets and Equity

1. Disposal of significant assets

☐ Applicable ☒ Not applicable

There is no disposal of significant asset for the Company during the reporting period.

2. Disposal of significant equity

☐ Applicable ☒ Not applicable

VIII. Analysis of Major Holding and Joint-stock Companies

☒ Applicable ☐ Not applicable

Major subsidiaries and joint-stock companies with an impact on the Company's net profit of over 10%

Unit: RMB

Company Name	Company type	Principal activities	Registered Capital	Total assets	Net assets	Operating income	Operating profit	Net profit
ZKTECO CO., LIMITED	Subsidiaries	Sales of goods	15,000,000.00 ¹	429,471,931.09	274,158,713.49	187,631,983.80	4,341,347.81	3,717,936.21
ZK TECHNOLOGY LLC	Subsidiaries	Sales of goods	Not applicable	51,390,961.41	22,559,198.67	56,247,880.47	32,407,288.67	31,949,659.82
ZK INVESTMENTS INC.	Subsidiaries	Investment Business	100.00 ¹	149,791,273.04	149,555,691.96	0.00	27,736,198.11	22,056,287.91
XIAMEN ZKTECO CO., LTD.	Subsidiaries	R&D, production, and sales of products and software	100,000,000.00	171,682,256.55	142,381,854.84	49,236,535.23	9,582,936.18	9,318,180.79
ZKTeco Sales Co., Ltd.	Subsidiaries	Sales of goods	50,000,000.00	32,640,266.79	15,802,546.35	144,107,886.23	1,424,637.73	1,426,142.70
ZKTECO (GUANGDONG) CO., LTD	Subsidiaries	R&D, production, and sales of products and software	800,000,000.00	1,196,969,733.29	904,805,798.31	293,643,947.31	26,922,107.95	24,864,838.39

Note 1: USD.

Acquisition and disposal of subsidiaries during the reporting period

☒ Applicable ☐ Not applicable

Company Name	Method of acquiring and disposing of subsidiaries during the reporting period	Impact on overall production, operation, and performance
ZKTECO BUSINESS SOLUTIONS COMPANY	New establishment	New establishment, with no significant impact on the overall production, operation, and performance of the Company;
ZKTECO EGYPT LLC	New establishment	New establishment, with no significant impact on the overall production, operation, and performance of the Company;
Shenzhen Zhongjiang Intelligent Technology Co., Ltd.	Liquidation	With no significant impact on the overall production, operation, and performance of the Company.

Description of the main controlling and participating companies

Please refer to the relevant content of "Section X Financial Report - X. Equity in Other Entities" for details

IX. Structured Entities Controlled by the Company

☐ Applicable ☒ Not applicable

X. Risks Faced by the Company and Countermeasures

1. Operational risk

(1) Market competition risk

After years of deep cultivation in the biometric industry, the Company has formed competitive advantages in the fields of smart entrance and exit management, smart identity verification, smart office, smart retail, and computer vision applications, including technological and R&D strength, flexible production capacity, brand influence, and marketing service network. However, in recent years, China's access control and management, identity authentication, office and other industries have shown an increasing number of market entities, increased industry concentration, and increasingly fierce market competition. With a large number of domestic competitors turning to "going global", the competitive situation in overseas markets has further intensified. The Company's main business products are facing competition pressure from various aspects such as quality, price, service and brand. Other competitors may compete for market share through different market positioning, strategies or cost controls, making the competition more intense. In order to maintain the Company's leading position in the industry, the Company has continuously increased its R&D investment in recent years, insisting on developing and optimizing single and multimodal biometrics and computer vision technology, continuously expanding and enriching the types of biometric and computer vision products and services, and paying more attention to the overall linkage design of product software and hardware, and strengthening competitiveness of multiple categories, thus consolidating the Company's leading position in the industry. However, with the increasing market competition, if the Company cannot continuously optimize product design, improve production quality, enhance brand competitiveness, expand and consolidate sales network, and Improve market penetration, the Company's existing industry and market position will be affected, and the Company will face the risk of declining market share and profitability.

(2) Overseas business operational risks

In the first half of 2024, the Company's overseas sales revenue from countries and regions was RMB 624.4464 million, accounting for 69.44% of the Company's main business income. The Company's overseas business income accounted for a relatively large proportion.

In recent years, the international market has been facing changes in trade policies of major economies, the rise of international trade protectionism, the deterioration of local economic environments, geopolitical conflicts and maritime restrictions caused by geopolitical conflicts, the currency depreciation of many countries due to the strong USD, insufficient maritime transport capacity caused by the impact of the new energy industry, and rising freight rates, resulting in strong uncertainty in global trade policies. The Company's international sales business may face international trade friction, especially the risk of Trade disputes between China and the United States. Although China and the United States are still constantly trying to find solutions, if trade disputes between China and the United States worsen in the future, it may have a certain adverse impact on the Company's product sales, which in turn will affect the Company's future business performance. In addition, the Company's international business accounts for a relatively large proportion of exports to developing countries such as India, Mexico, and Indonesia. Although the overall political, financial, and economic systems of relevant countries are currently relatively stable, the economic development momentum is good, their infrastructure is relatively weak, and government efficiency is relatively inefficient, compared to developed countries, which poses potential social instability factors. If major changes occur in its political environment, economic environment, geopolitics, trade policies with China, tariff and non-tariff barriers, and industry standards in the future, it will have a negative impact on the Company's export business.

In addition to the risks of economic and political environment changes and trade frictions that the Company may face, the multinational enterprise business model of the Company will increase the difficulty of operating, financial management, and personnel management, and the operation will be influenced by the legal and regulatory environments and business environments of different countries and systems. Although the Company has accumulated rich experience in international business development, if the Company's management personnel and various systems cannot meet the requirements of global operation, cross regional management, and standardized operation, it will also affect its operational efficiency and profitability.

(3) Tax compliance risks caused by transfer pricing arrangements between various tax entities within the Company both domestically and internationally

As of June 30, 2024, the Company has a total of 49 overseas holding subsidiaries located in countries and regions such as Hong Kong, the United States, Mexico, the United Arab Emirates, and India. During the reporting period, there were cases where the Company sold products to overseas subsidiaries and sold them locally through these subsidiaries due to business needs between the Company and some overseas subsidiaries. There was a situation of transfer pricing in the above-mentioned transaction links. According to the Company's self inspection, there were no cases of the Company or its overseas subsidiaries being punished by the tax department due to transfer pricing issues during the reporting period. From the perspective of its own compliance, the Company regularly hires professional consulting agencies to analyze and demonstrate the transfer pricing strategies involved in the operation of the Company and some overseas subsidiaries, and issues special reports.

If there are major changes in the tax policies of the Company in different tax jurisdictions in the future, or if the Company fails to be correctly or timely informed of the changes in tax policies, or if there are cases of tax recovery and fines due to the re-approval of transaction prices by the competent tax authorities, it may lead to adverse effects on the Company's operations.

(4) Legal risks of the impact of industry regulatory policies related to personal information protection and data protection on company operations

Laws, regulations, and industry norms such as the "Civil Code of the People's Republic of China", the "Cybersecurity Law of the People's Republic of China", the "Data Security Law of the People's Republic of China", the "Personal Information Protection Law of the People's Republic of China", and the "General Data Protection Regulation" all stipulate the collection and use of personal information by citizens, as well as the compliance obligations of personal information controllers, and emphasizes the legal liability for violating personal information protection and data security has been strengthened. The "Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Civil Cases Relating to Processing of Personal Information by Using the Facial Recognition Technology" (FS [2021] No. 15) provides detailed provisions on the behavior and civil liability of information processors who violate the personal rights and interests of natural persons by processing facial information in violation of regulations.

In recent years, personal information protection and data security have become regulatory priorities in various countries around the world, and regulatory policies related to them have been increasingly strengthened. If the Company fails to make timely and effective adjustments and responses to relevant policies and regulations in its future business operations, there may be potential legal risks in data compliance caused by changes in legislation or regulatory policies. Meanwhile, if the Company is unable to strictly comply with the relevant laws, regulations, and industry norms mentioned above in the future, and if employees violate the Company's internal regulations, or data collaborators, customers, etc. violate agreements or cause improper use or leakage of data due to other personal reasons, it/they may be subject to administrative penalties from relevant departments or complaints from users, and even lead to disputes such as litigation or arbitration, which may have adverse effects on the Company's reputation and business.

2. Technology and product innovation risks

Driven by market demand and technological development, biometric technology has achieved rapid development globally. Biometric technology is gradually iterating towards non-contact and multimodal biometrics. In addition, with the development of cutting-edge technologies such as cloud computing, the IoT, and AI, users' personalized needs for smart terminal products and even ecological platforms are constantly increasing in the fields of biometric technology applications such as smart entrance and exit management, smart identity verification, and smart office where the Company is located. Industry technology is updated and iterated quickly, requiring industry enterprises to have strong technological innovation capabilities to adapt to the rapid development of the industry. The continuous innovation ability of products and technologies is increasingly becoming an important component of the core competitiveness of related product and solution suppliers. The Company always attaches great importance to technological innovation and new product R&D. In the first half of 2024, the Company's R&D expenses were RMB 105.65 million, accounting for 11.70% of operating income.

As of June 30, 2024, the Company has obtained 901 patents, including 160 invention patents and obtained 715 computer software copyrights and 67 work copyrights, with strong ability for continuous innovation. However, if the Company cannot keep up with the development trends of domestic and foreign biometric technology and related application products, and fully pay attention to the diverse individual needs of customers, and the subsequent R&D investment is insufficient, resulting in the Company's technology development and product upgrading not being able to adapt to industry technology iterations and market demand changes in a timely manner, it will face the risk of declining market competitiveness due to the inability to maintain sustained innovation capabilities.

3. Internal control risk

(1) Management risks caused by future expansion of the Company's scale

With the construction and production of investment projects, the Company's scale has rapidly expanded, and the number of sales, R&D, and management personnel has increased significantly, posing higher requirements for the Company's management level and system. Although the Company has established a series of relatively complete enterprise management systems, such as clear institutional processes in procurement, production, sales, R&D, and service, to ensure the competitiveness and reliability of the Company's products and services, if the Company's management ability cannot be further effectively improved, it may trigger corresponding management risks, hinder the Company's future development, and have a negative impact on the overall profitability of the Company.

(2) Dealer management risk

During the reporting period, the Company mainly adopted a sales model that combines distribution and direct sales, and the proportion of distribution was relatively high. In the first half of 2024, the Company achieved a revenue of RMB 625.8281 million through the distribution model, accounting for 69.59% of the Company's main business income in the first half of 2024.

Except for business cooperation, each dealer is independent of the Company, and its business plan is determined independently based on its own business goals and risk preferences. Although the Company has established strict dealer management systems and effective and reasonable rebate policies, and maintains good cooperative relationships with major dealers, the coverage area of marketing and service networks will continue to expand in the future with the rapid development of the Company, and the difficulty

of training, organizing, and risk management for dealers will also continue to increase. If the Company is unable to improve its management capabilities for dealers in a timely manner, and if dealers engage in disorderly management, poor management, illegal or irregular behavior, or if the Company cannot maintain good relationships with dealers in the future, resulting in dealers ceasing to cooperate with the Company, and the Company is unable to quickly obtain orders from other channels in the short term, or the incentive effect of the rebate policy decreases, it may lead to a regional decline in the sales of the Company's products, and have a negative impact on the Company's market promotion.

4. Financial risk

(1) Risk of bad debt losses on accounts receivable

At the end of the reporting period, the book balance of the Company's accounts receivable was RMB 505.2424 million, accounting for 55.95% of the current operating income. With the further expansion of the Company's business scale, the amount of accounts receivable may continue to increase. If there are changes in the economic environment, customer operating conditions, etc., and accounts receivable cannot be recovered in a timely manner, resulting in bad debt losses, the Company's operating results may be adversely affected.

(2) Inventories depreciation risk

With the growth of the Company's business scale, the inventories scale has been increasing year by year. At the end of the reporting period, the book value of the Company's inventories was RMB 375.2236 million, accounting for 13.35% of the total current assets at the period end. During the reporting period, the Company comprehensively considered factors such as expected selling price and inventories age, and made sufficient provision for inventories impairment. At the end of the reporting period, the provision ratio for inventories impairment was 4.73%. The Company's inventories mainly consist of raw materials, inventory goods, etc. The Company has always maintained a good cooperative relationship with raw material suppliers and customers, and reasonably arranged the inventories of raw materials and inventory goods. However, with the further growth of the Company's sales revenue and asset size, the Company's inventories also increase accordingly, which may lead to a decline in price, backlog, and unsold inventories due to market changes, resulting in the risk of deteriorating financial position and declining profitability.

(3) Risk of RMB exchange rate fluctuations

The Company's current business layout is highly internationalized, and there are many local controlling subsidiaries and participating companies in the overseas export market. The majority of export sales are settled in USD or EUR, resulting in significant exchange rate fluctuations in production and operation. On the one hand, the fluctuations of the RMB exchange rate will directly affect the sales prices of the Company's exported products, thereby affecting the price competitiveness of the Company's products; on the other hand, fluctuations of the RMB exchange rate may also affect exchange gains and losses of the Company. If the RMB appreciates in the future, it will have a significant adverse impact on the Company's operating performance.

(4) Risk of exchange rate fluctuations in mainstream countries

Due to the high degree of internationalization of the Company, with the increase in interest rates in the United States in recent years, currencies in many countries have depreciated, and countries with weak industrial capabilities may even implement foreign exchange controls, which will lead to longer payment collection times for downstream customers and increased risks. Although the Company has effectively reduced this risk through measures such as Sinasure in the past year, and global expectations of a US interest rate cut have increased, the unpredictability of future policies will still bring related collection risks to the Company.

5. Risks related to raising funds to invest in projects

(1) The risk of raising funds to invest in projects that do not yield expected returns

The investment projects with raised funds are a prudent decision and planning made by the Company based on a thorough analysis of the current market situation, development speed, industrial environment, and future development trends of the industry, as well as the Company's existing technological level, management ability, and expected future customer needs combined with development prospects of the biometric industry and related application fields, as well as the expected changes in the international trade environment.

However, if there are significant changes in the future market demand, industry structure, industrial policies or the economic and political situation, it may prevent the smooth implementation of investment projects with raised funds as planned or prevent them from achieving expected returns.

(2) The risks of cross-border implementation of investment projects

The American Manufacturing Factory Construction Project, R&D Center Construction Project, and Global Marketing Service Network Construction Project among these investment projects with raised funds all involve overseas investment. Although the Company has accumulated rich experience in cross-border operations and management in overseas markets, including the United States, through various overseas subsidiaries, the construction progress of the Company's American Manufacturing Factory Construction Project, R&D Center Construction Project, and Global Marketing Service Network Construction Project may be affected by multiple factors considering the international market situation and the complex diversity of policies and cultures in various countries. Operations in various countries also face certain uncertainties. In addition, during the implementation process of the overseas investment projects, there may be a risk of delaying the implementation of the investment projects due to the need to increase or re-fulfill the filing or approval procedures due to subsequent needs, policy changes, and other reasons. The Company reminds investors to pay attention to the risks of cross-border investment projects.

XI. Reception of Activities including Research, Communication and Interviews During the Reporting Period

☒Applicable ☐ Not applicable

Reception time	Reception location	Reception methods	Reception object type	Reception object	The main content of the discussion and the materials provided	Index of basic information of research
May 7, 2024	Value Online (https://www.ir-online.cn/)	Online Communication on Online Platforms	Others	Investors participating in the Company's 2023 annual performance briefing online	See CNINFO (http://www.cninfo.com.cn)	CNINFO http://www.cninfo.com.cn , Announcement date: May 7, 2024, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2024-01)

XII. Implementation of the Action Plan for "Double Improvement of Quality and Return"

Has the Company disclosed an action plan announcement for "dual improvement of quality and return".

☐ Yes ☒ No

Section IV Corporate Governance

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

1. General Meetings convened during this reporting period

Meeting	Meeting Type	Proportion of participating investors	Convening Date	Disclosure Date	Resolution of the Meeting
The 1st Extraordinary General Meeting of Shareholders in 2024	Extraordinary General Meeting	70.34%	January 8, 2024	January 8, 2024	(I) Deliberation and approval of the "Proposal on Changing the Registered Capital, Amending the Articles of Association, and Handling the Procedures for Changing Industrial and Commercial Registration"; (II) Deliberation and approval of the "Proposal on Revising and Adding Relevant Governance Systems" item by item: 1. "Rules of Procedure for Shareholders' Meeting of ZKTECO CO., LTD."; 2. "Rules of Procedure of the Board of Directors of ZKTECO CO., LTD."; 3. "Independent Director System of ZKTECO CO., LTD."; 4. "Related Party Transaction Management System of ZKTECO CO., LTD."; 5. "Fundraising Management System of ZKTECO CO., LTD."; 6. "External Guarantee Management System of ZKTECO CO., LTD."; 7. "Selection System for Accounting Firms of ZKTECO CO., LTD.".
Annual General Meeting of 2023	Annual General Meeting	71.15%	May 15, 2024	May 15, 2024	(I) Deliberation and approval of the "2023 Annual Report and Its Abstract"; (II) Deliberation and approval of the "2023 Work Report of the Board of Directors"; (III) Deliberation and approval of the "2023 Work Report of the Board of Supervisors"; (IV) Deliberation and approval of the "2023 Annual Financial Settlement Report"; (V) Deliberation and approval of the "Proposal on the 2023 Profit Distribution Plan"; (VI) Deliberation and approval of the "Proposal on Applying for Comprehensive Credit Line from Banks and Handling Bank Loans, and Providing Guarantee Limit for Holding Subsidiaries"; (VII) Deliberation and approval of the "Proposal on 2024 Compensation Plan for Directors"; (VIII) Deliberation and approval of the "Proposal on 2024 Compensation Plan for Supervisors"; (IX) Deliberation and approval of the "Proposal on Adjusting the Implementation Method, Total Investment Amount and Delay of Part of the Raised Fund

					Investment Projects"; (X) Deliberation and approval of the "Proposal on Using Idle Self-owned Funds to Purchase Financial Products".
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2. Extraordinary General Meetings Convened at the Request of Preferred Shareholders with Resumed Voting Rights

☐ Applicable ☒ Not applicable

II. Changes of Directors, Supervisors and Senior Management of the Company

☐ Applicable ☒ Not applicable

There were no changes in the Company's directors, supervisors, and senior management during the reporting period, as detailed in the 2023 Annual Report.

III. Profit Distribution and Conversion of Capital Reserve to Share Capital during the Reporting Period

☐ Applicable ☒ Not applicable

The Company plans not to distribute cash dividends, issue bonus shares, or distribute shares from capital reserve during the current reporting period.

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

☒ Applicable ☐ Not applicable

1. Equity incentives

The equity incentive plan currently being implemented by the Company is the 2022 Restricted Share Incentive Plan, which has not made any progress during the reporting period. The specific implementation of the 2022 Restricted Share Incentive Plan can be found in the 2023 Annual Report.

2. Implementation of employee stock ownership plan

☐ Applicable ☒ Not applicable

3. Other employee incentive plans

☐ Applicable ☒ Not applicable

Section V Environmental and Social Responsibility

I. Significant Environmental Issues

Whether the Company or any of its subsidiaries should be categorized as a critical pollutant entities published by the environmental protection department

☐ Yes ☒ No

Administrative penalties for environmental problems during the reporting period

Name of company or subsidiary	Reason for penalty	Violations	Penalty results	The impact on the production and operation of listed companies	Rectification measures of the Company
Company and subsidiaries	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Refer to other environmental information disclosed by key pollutant discharge units

The Company and its subsidiaries are not listed as key pollutant discharge units by the environmental protection department. The Company and its subsidiaries conscientiously implement environmental protection laws and regulations such as the "Environmental Protection Law of the People's Republic of China", the "Law of the People's Republic of China on Prevention and Control of Water Pollution", the "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution", the "Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution", and the "Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste" in their daily production and operation. The production and operating activities of the Company and its subsidiaries comply with the relevant national environmental protection requirements, and there are no cases of being punished for violations of laws and regulations.

The Company has developed and implemented systems such as the "Environmental Management Manual", "Environmental Factor Identification and Evaluation Procedure", "Environmental Operation Control Procedure", and "General Solid Waste and Hazardous Waste Management". The Company and Guangdong Zkteco have passed ISO 14001:2015 Environmental Management System Certification, ISO 45001:2018 Occupational Health and Safety Management System Certification, and ISO 9001:2015 Management System Certification.

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

☐ Applicable ☒ Not applicable

Reasons for not disclosing other environmental information

Not applicable

II. Social Responsibilities

(I) Protection of rights and interests of investors

The Company strictly shall fulfill its information disclosure obligations in accordance with regulatory requirements, truthfully, accurately, completely, and timely disclosing all company information to ensure that investors can fully understand the Company's operating conditions, financial position, risk profile, and development prospects through Shenzhen Stock Exchange, CNINFO, the Company's official website, etc., and also release the latest company information on the Company's official website, WeChat official account and other windows to facilitate the stakeholders to understand their concerns in a timely and comprehensive manner.

The Company attaches great importance to communication with investors and has established rich communication and feedback channels with investors. The Company responded to the concerns of investors through its official website, investor relation email, investor hotline and other means, focusing on protecting the legitimate rights and interests of investors such as the right to know and vote, and maintaining a good trust relationship between the Company and investors.

(II) Protection of employee rights and interests

The Company has formulated multiple management systems in strict accordance with the "Labor Law of the People's Republic of China" (hereinafter referred to as the "Labor Law"). Adhering to the principles of "respect, fairness, and impartiality" and "efficient identification, scientific evaluation, personnel position matching, and selective recruitment", the Company standardizes the recruitment and entry process of employees, eliminates all forms of discrimination and prejudice, and ensures that recruitment work is fair, just and orderly. The Company adheres to the principles of legality, compliance, and fair respect, and explicitly prohibits the transmission of discriminatory concepts such as geography, race, and gender in the "Recruitment Behavior Operation Standards", respecting and protecting the rights and interests of employees in all aspects.

The Company establishes the trade union in accordance with relevant laws and regulations, regularly holds employee congresses, facilitates communication channels, and safeguards the legitimate rights and interests of employees, such as the right to know and participate. The Company also establishes equal and democratic diverse communication methods, and sets up employee suggestion boxes so that employees can raise questions and provide feedback in a timely manner.

The Company focuses on employee development, formulates career development paths and promotion channels based on actual situations, provides diversified career development directions and opportunities for employees, actively carries out employee training, formulates the "Training Management System", creates rich and diverse online and offline learning environments and training opportunities, establishes talent training mechanisms such as on-the-job training and professional technical training, accelerates employee career growth, and broadens employee development channels.

The Company adheres to the concept of "safety first, prevention first", pays attention to the occupational health of employees, and has formulated occupational health and safety management systems such as the "Occupational Health and Safety Management Manual" and "Occupational Disease Management System". It follows the occupational health and safety policy of "preventing, controlling, and eliminating occupational hazards, preventing and controlling occupational diseases, and protecting the health of workers", and has established a sound occupational health and safety management system. ZKTeco and Guangdong Zkteco have passed ISO 45001:2018 Occupational Health and Safety Management System Certification. The Company has formulated the "Work Safety Responsibility System", regularly conducts safety hazard inspections, strengthens work safety risk management, develops the "Emergency Rescue Plan for Work Safety Accidents", and conducts work safety fire drills. In addition, the Company conducts annual occupational hazard factor testing in the workplace, implements a rotation and job change mechanism for occupational disease risk personnel, regularly conducts occupational health examinations, and conducts occupational health education and training.

The Company adheres to the talent concept of "people-oriented, collaborative and win-win", pays attention to the physical and mental health development of employees, regularly carries out rich and diverse employee activities, and strengthens humanistic care.

(III) Protection of the rights and interests of suppliers and customers

The Company's supply chain has always adhered to the principles of "transparent procurement, honesty and trustworthiness, integrity and self-discipline", and the Company and its suppliers have signed a "CSR Agreement" with suppliers to regulate the requirements of both parties, including labor rights, environmental protection, occupational health and safety, business ethics and other aspects. The Company is committed to establishing clean, fair, honest and trustworthy business cooperation relationships with suppliers, and the Company and its suppliers have signed the "Integrity Agreement" and the "Procurement Framework Agreement", advocating mutual supervision and creating a fair competition, honest and trustworthy, and sunny and healthy business environment. At the same time, the Company has set up a dedicated complaint channel for accepting reports of illegal and disciplinary behaviors, encouraging

the reporting and exposure of behaviors that violate work integrity, such as accepting commercial bribes and transmitting improper benefits, and protecting whistleblowers.

The Company continues to improve its customer service management system and develop different service strategies for both domestic and overseas markets, constantly listens to the opinions of partners and customers, strives to improve product quality and actively implements the cooperation, openness, and win-win policy. The Company conducts customer satisfaction surveys on an annual, quarterly, or monthly basis through telephone, WeChat, QQ, questionnaire, and other survey methods, and follows up on customer feedback or suggestions.

The Company attaches great importance to product quality management and requires all employees to establish the guiding ideology of "quality first" and the service awareness of "customer first", ensuring product quality throughout the entire product life cycle. ZKTeco, ZKTeco Dongguan Branch, and Guangdong Zkteco have all passed GB/T 19001-2016 and ISO 9001:2015 Quality Management System Certification.

(IV) Environmental protection and sustainable development

The Company adheres to the ecological and environmental protection concept of "Clear waters and lush mountains are invaluable assets", continuously improves its environmental management level, establishes a sound environmental governance system, and has passed the ISO 14001:2015 Environmental Management System Certification. The Company focuses on the management of emissions and waste and hires a third-party organization to professionally treat the scattered wastewater produced by Tangxia Industrial Park, ensuring proper wastewater treatment and effectively avoiding wastewater pollution to the surrounding environment.

The Company implements the concept of sustainable development in the production and operation process, committed to reducing resource and energy consumption and environmental costs during production and operation, and improving resource utilization efficiency. Institutional norms have been formulated, such as the "Energy Conservation Target Management System", the "Energy Conservation Publicity System", and the "Energy Conservation and Emission Reduction Reward and Punishment System". The Company actively responds to various environmental protection instructions issued by the environmental protection department, cooperates with the environmental protection department's instructions, and enhances employees' awareness of environmental protection and energy conservation.

The Company has always been committed to integrating green technology into product R&D. According to representative environmental requirements such as RoHS and REACH, it continuously promotes technological innovation to achieve environmental protection and energy conservation of products. The Company has enhanced the competitiveness of products by continuously developing energy-saving products, optimizing production processes and reducing energy consumption, contributing to the sustainable development of society.

(V) Actively assuming social responsibility

The Company actively fulfills its social responsibility, fully leverages its own advantages, and focuses on creating value for society. It focuses on community development and actively carries out diversified public welfare and charity projects, giving back to society with practical actions and conveying warmth and love to society. The Company and Guangdong Zkteco actively participated in the 2024 "6·30" Assistance to Rural Revitalization and Dongguan Charity Day activities in Tangxia Town and Zhangmutou Town in the reporting period, making positive contributions to consolidating and expanding poverty alleviation achievements and rural revitalization, and promoting common prosperity.

Section VI Significant Events

I. Commitments completed by actual controllers, shareholders, related parties, purchasers, or the Company within the reporting period and commitments not fulfilled by the end of the reporting period

☐ Applicable ☒ Not applicable

There are no commitments completed by actual controllers, shareholders, related parties, purchasers, or the Company within the reporting period and commitments not fulfilled by the end of the reporting period.

II. Non Operating Occupation of Funds by Controlling Shareholders and Other Related Parties of Listed Company

☐ Applicable ☒ Not applicable

During the reporting period, there was no non-operating occupation of funds by controlling shareholders or other related parties of the listed company.

III. Illegal Provision of Guarantees for External Parties

☐ Applicable ☒ Not applicable

There were no illegal external guarantees during the reporting period of the Company.

IV. Appointment and Dismissal of Accounting Firms

Whether the half year financial report has been audited?

☐ Yes ☒ No

The Company's Half Year Report has not been audited.

V. Explanation Given by the Board of Directors and Board of Supervisors Regarding the "Non-standard Audit Report" Issued by the CPA Firm for the Current Reporting Period

☐ Applicable ☒ Not applicable

VI. Explanation Given by the Board of Directors regarding the "Non-standard Audit Report" in the Previous Year

☐ Applicable ☒ Not applicable

VII. Matters Related to Bankruptcy Reorganization

☐ Applicable ☒ Not applicable

There were no bankruptcy or restructuring related matters during the reporting period of the Company.

VIII. Litigation Matters

Major litigation and arbitration matters

☒ Applicable ☐ Not applicable

Basic information of litigation (arbitration)	Amount involved (RMB '0,000)	Is there an estimated liability formed	Progress of litigation (arbitration)	Litigation (arbitration) trial results and effects	Execution of litigation (arbitration) judgments	Disclosure Date	Disclosure Index
Unfair competition dispute filed by the Company against Zokon Industry	200	No	Implementation stage	The second instance court ruled that Zokon Industry compensate the Company and Shenzhen ZKTeco for a loss of RMB 2 million	The Company notified Zokon Industry and its attorneys in March 2024 and the Shenzhen Intermediate People's Court in April 2024 to offset the debt related to the trademark infringement and unfair competition dispute case between Zokon Industry and Shenzhen Xinjiacheng Intelligent Technology Co., Ltd. by deducting the amount that the Company should pay to Zokon Industry based on the effective judgment of the trademark infringement and unfair competition dispute case between Zokon Industry and Shenzhen Xinjiacheng Intelligent Technology Co., Ltd. from the total amount payable to the Company by Zokon Industry in this case according to the effective judgment. As of the end of the reporting period, this case is still under execution.	April 24, 2024	CNINFO (http://www.cninfo.com.cn) "2023 Annual Report of ZKTECO CO., LTD."
Disputes filed by Zokon Industry over infringement of trademark rights and unfair competition against the Company and Shenzhen Xinjiacheng Intelligent Technology Co., Ltd.	60	Yes, it has been offset	Implementation stage	The Company has suspended the description of "Zokon" on relevant platforms and compensated Zokon Industry with a total of RMB 600,000 for economic losses and reasonable expenses for rights protection; the judgment result has no significant impact on the Company's production and operation	The Company notified Zokon Industry and its attorneys in March 2024 and the Shenzhen Intermediate People's Court in April 2024 to offset the debt related to the unfair competition dispute between the Company and Zokon Industry in this case. That is, the amount payable by the Company to Zokon Industry in this case was fully offset against the amount payable by Zokon Industry to the Company	April 24, 2024	CNINFO (http://www.cninfo.com.cn) "2023 Annual Report of ZKTECO CO., LTD."

					based on the Company's lawsuit against Zokon Industry in the unfair competition dispute case. No judgment payment is required in this case.		
Lease contract dispute between Guizhou Yiyun Big Data Service Co., Ltd. and Shenzhen Zhongjiang and Guizhou Zhongjiang	72.89	No	Implementation stage	Shenzhen Zhongjiang, a subsidiary of the Company, bears joint liability.	After the other party applied for compulsory execution, Shenzhen Zhongjiang entered the compulsory liquidation procedure. Guizhou Yiyun Big Data Service Co., Ltd. has declared its creditor's rights to the liquidation team and received confirmation. The subsequent liquidation team will distribute according to the actual property situation of Shenzhen Zhongjiang in accordance with the law, and the specific amount available for distribution will be notified by the liquidation team.	August 30, 2022	CNINFO (http://www.cninfo.com.cn) "2022 Semiannual Report of ZKTECO CO., LTD."
Other lawsuits/arbitrations where the Company (including subsidiary companies in the consolidated financial statements) as the plaintiff fails to meet the disclosure standards for major lawsuits	1,541.72	No	The Company strictly follows the progress of each case	No significant impact	The Company strictly follows the progress of each case	April 24, 2024	CNINFO (http://www.cninfo.com.cn) "2023 Annual Report of ZKTECO CO., LTD."
Other lawsuits/arbitrations where the Company (including subsidiary companies in the consolidated financial statements) as the defendant fails to meet the disclosure standards for major lawsuits	126.02	No	The Company strictly follows the progress of each case	No significant impact	The Company strictly follows the progress of each case	April 24, 2024	CNINFO (http://www.cninfo.com.cn) "2023 Annual Report of ZKTECO CO., LTD."

Other litigation matters

☐ Applicable ☒ Not applicable

IX. Punishment and Rectification

☐ Applicable ☒ Not applicable

There were no penalties or rectifications during the reporting period of the Company.

X. The Integrity of the Company, Its Controlling Shareholders, and Actual Controllers

☒ Applicable ☐ Not applicable

During the reporting period, the Company, its controlling shareholders, and actual controllers were in good faith, and there were no instances of failure to fulfill effective court judgments or outstanding debts of significant amounts.

XI. Significant Related-Party Transactions

1. Related-party transactions related to daily operations

☐ Applicable ☒ Not applicable

There were no related party transactions related to daily operations during the reporting period of the Company.

2. Related-party transactions arising from the acquisition and sale of assets or equity

☐ Applicable ☒ Not applicable

There were no related party transactions related to asset or equity acquisitions or sales during the reporting period of the Company.

3. Related-party Transactions Arising from Joint Investments on External Parties

☐ Applicable ☒ Not applicable

During the reporting period, the Company did not engage in any related party transactions related to joint foreign investment.

4. Related Credit and Debt Transactions

☐ Applicable ☒ Not applicable

There were no current associated rights of credit and liabilities during the reporting period of the Company.

5. Transactions with Related Financial Companies

☐ Applicable ☒ Not applicable

There is no deposit, loan, credit or other financial businesses between the Company and its affiliated financial companies, the financial companies held by the Company and related parties.

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

☐ Applicable ☒ Not applicable

There is no deposit, loan, credit or other financial businesses between the financial company controlled by the Company and its affiliated parties.

7. Other significant related party transactions

☐ Applicable ☒ Not applicable

There were no other major related party transactions during the reporting period of the Company.

XII. Significant Contracts and Their Performance

1. Custody, contracting, and leasing matters

(1) Custody

☐ Applicable ☒ Not applicable

There was no custody during the reporting period of the Company.

(2) Contracting

☐ Applicable ☒ Not applicable

There was no contracting during the reporting period of the Company.

(3) Leasing

☒ Applicable ☐ Not applicable

Description of leasing

During the reporting period, the Company and its subsidiaries rented offices at relevant locations for business use due to operational needs, and both parties have signed housing rental contracts.

Projects that bring profits and losses to the Company that exceed 10% of the total profit during the reporting period

☐ Applicable ☒ Not applicable

There are no leasing projects that bring profits or losses to the Company during the reporting period that exceed 10% of the total profits of the Company during the reporting period.

2. Significant guarantee

☒ Applicable ☐ Not applicable

Unit: RMB '0,000

External guarantees provided by the Company and its subsidiaries (excluding guarantees provided to subsidiaries)										
Name of guarantee object	Disclosure date of guarantee limit related announcements	Guarantee amount	Actual occurrence date	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter guarantee (if any)	Guarantee period	Whether it has been fulfilled	Whether to guarantee for related parties
Guarantee of the Company to its subsidiaries										
Name of guarantee object	Disclosure date of guarantee limit related announcements	Guarantee amount	Actual occurrence date	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter guarantee (if any)	Guarantee period	Whether it has been fulfilled	Whether to guarantee for related parties

ZKTECO (GUANG DONG) CO., LTD	April 24, 2024	25,000	Decemb er 16, 2019	0	Joint liability guarant ee			15 years	No	No
Total approved guarantee amount for subsidiaries during the reporting period (B1)		100,000		Total actual amount of guarantee for subsidiaries during the reporting period (B2)		0				
Total approved guarantee amount for subsidiaries at the end of the reporting period (B3)		100,000		Total actual guarantee balance for subsidiaries at the end of the reporting period (B4)		0				
Guarantee provided by subsidiaries to subsidiaries										
Name of guarantee object	Disclosure date of guarantee limit related announcements	Guarantee amount	Actual occurren ce date	Actual guarantee amount	Type of guarant ee	Collatera l (if any)	Counter guarantee (if any)	Guarantee period	Whether it has been fulfilled	Whether to guarantee for related parties
Total amount of company guarantee (i.e. the total of the first three major items)										
Total approved guarantee amount during the reporting period (A1+B1+C1)		100,000		Total actual amount of guarantees incurred during the reporting period (A2+B2+C2)		0				
Total approved guarantee amount at the end of the reporting period (A3+B3+C3)		100,000		Total actual guarantee balance at the end of the reporting period (A4+B4+C4)		0				
Proportion of actual total guarantee amount (i.e. A4+B4+C4) to the Company's net assets				0.00%						
Including:										
Balance of guarantees provided to shareholders, actual controllers, and their related parties (D)				0						
Balance of debt guarantee provided directly or indirectly for guaranteed objects with an asset liability ratio exceeding 70% (E)				0						
Amount of the total guarantee exceeding 50% of net assets (F)				0						
Total amount of the above three guarantees (D+E+F)				0						
Explanation of situations where there is a guarantee liability or evidence indicating the possibility of assuming joint and several liability for the unexpired guarantee contract during the reporting period (if any)				Not applicable						
Explanation of providing external guarantees in violation of prescribed procedures (if any)				Not applicable						

Explanation of the specific situation of using composite guarantee

3. Significant contracts for daily operations

There were no significant contracts for daily operations during the reporting period of the Company.

4. Other significant contracts

☐ Applicable ☒ Not applicable

There were no other significant contracts during the reporting period of the Company.

XIII. Explanation of Other Significant Events

☐ Applicable ☒ Not applicable

There are no other significant matters that need to be explained during the reporting period of the Company.

XIV. Significant Events of the Company's Subsidiaries

☐ Applicable ☒ Not applicable

Section VII Changes in Shares and Information about Shareholders

I. Changes in Shares

1. Changes in shares

Unit: share

	Before the change		Increase or decrease in this change (+, -)					After this change	
	Quantity	Proportion	Issue new shares	Bonus	Share transferred from capital reserve	Others	Subtotal	Quantity	Proportion
I. Restricted shares	128,327,159	65.92%						128,327,159	65.92%
1. Shares held by State									
2. Shares held by state-owned legal persons									
3. Shares held by other domestic enterprises	128,327,159	65.92%						128,327,159	65.92%
Including: shares held by domestic legal persons	94,284,872	48.43%						94,284,872	48.43%
Shares held by domestic natural persons	34,042,287	17.49%						34,042,287	17.49%
4. Foreign shareholding									
Including: shares held by overseas legal persons									
Shares held by overseas natural person									
II. Shares without trading restrictions	66,352,349	34.08%						66,352,349	34.08%
1. RMB denominated ordinary shares	66,352,349	34.08%						66,352,349	34.08%

2. Domestic listed foreign shares									
3. Overseas listed foreign shares									
4. Others									
III. Total shares	194,679,508	100.00%						194,679,508	100.00%

Reasons for changes in shares

☐ Applicable ☒ Not applicable

Approval of changes in shares

☐ Applicable ☒ Not applicable

Transfer of changes in shares

☐ Applicable ☒ Not applicable

Implementation progress of share repurchase

☒ Applicable ☐ Not applicable

The Company held the 7th Session of the Third Board Meeting on November 10, 2023, and deliberated and approved the "Proposal on Repurchasing Company Shares through Centralized Bidding Trading": it plans to use its own funds to repurchase some of the Company's shares through centralized bidding trading, for the implementation of employee stock ownership plans or equity incentives. The total amount of repurchase funds is not less than RMB 30 million and not more than RMB 60 million.

The above-mentioned share repurchase plan of the Company has been completed on February 1, 2024. The Company has repurchased a total of 2,230,000 shares of the Company through a dedicated securities account for share repurchases. The cumulative number of repurchased shares accounts for 1.1455% of the total share capital of the Company at that time, with a maximum transaction price of RMB 31.40 per share and a minimum transaction price of RMB 23.20 per share. The total transaction amount is RMB 59,683,228.10 (excluding transaction costs).

Progress in implementing centralized bidding trading to reduce holdings and repurchase shares

☐ Applicable ☒ Not applicable

The impact of share changes on financial indicators such as basic earnings per share and diluted earnings per share for the most recent year and period, and net assets per share attributable to ordinary shareholders of the Company

☐ Applicable ☒ Not applicable

Other contents deemed necessary by the Company or required to be disclosed by the securities regulatory authority

☐ Applicable ☒ Not applicable

2. Changes in restricted shares

☐ Applicable ☒ Not applicable

II. Issuance and Listing of Securities

☐ Applicable ☒ Not applicable

III. Number of Shareholders of the Company and Shareholding

Unit: share

Total number of ordinary shareholders at the end of the reporting period		18,381		Total number of preferred shareholders with restored voting rights at the end of the reporting period (if any) (see Note 8)		0		Total number of shareholders holding special voting shares (if any)		0	
Shareholding of ordinary shareholders holding more than 5% or particulars about the top 10 shareholders (excluding shares lent through refinancing)											
Name of shareholder	Nature of shareholder	Percentage of shares	Total shares held at the end of the reporting period	Changes in increase and decrease during the reporting period	Number of shares with trading restrictions	Number of shares not subject to trading restrictions	Pledge, marking or frozon				
							Share status	Amount			
Shenzhen ZKTeco Times Investment Co., Ltd.	Domestic non state-owned corporation	30.05%	58,500,000	0	58,500,000	0	Not applicable			0	
Che Quanhong	Domestic individual	17.48%	34,022,300	0	34,022,300	0	Not applicable			0	
Shenzhen JYSJ Investment Enterprise (Limited Partnership)	Domestic non state-owned corporation	7.21%	14,038,400	-69,200	10,580,700	3,457,700	Not applicable			0	
Shenzhen JYHY Investment Enterprise (Limited Partnership)	Domestic non state-owned corporation	7.13%	13,876,050	-45,000	10,440,787	3,435,263	Not applicable			0	
Dongguan LX Investment Partnership Enterprise (Limited Partnership)	Domestic non state-owned corporation	5.08%	9,880,000	0	9,880,000	0	Not applicable			0	
Shenzhen JYLY Consulting Enterprise (Limited Partnership)	Domestic non state-owned corporation	2.39%	4,651,886	-66,024	3,561,285	1,090,601	Not applicable			0	
Huaxin Yuanchuang (Qingdao)	Others	0.87%	1,701,621	-40,500	0	1,701,621	Not applicable			0	

Investment Management Co., Ltd. - Qingdao Walden Zhongxiang Investment Center (Limited Partnership)								
Shenzhen JYQL Investment Consulting Enterprise (Limited Partnership)	Domestic non state-owned corporation	0.85%	1,657,100	-74,200	1,322,100	335,000	Not applicable	0
Shenzhen Gohedge Fund Management Co., Ltd. - Gohedge Pearl No.1 Private Equity Fund	Others	0.35%	688,580	-21,000	0	688,580	Not applicable	0
Shenzhen Fuhai Juanyong I Venture Investment Fund (Limited Partnership)	Domestic non state-owned corporation	0.34%	666,138	0	0	666,138	Not applicable	0
Strategic investors or general legal persons become the top 10 shareholders due to the placement of new shares (if any) (see Note 3)	Not applicable							
Description of the above shareholder's association or concerted action	<p>Shareholder Che Quanhong is elder brother of shareholder Che Quanzhong from ZKTeco Times are brothers, and son of Che Jun, partner of LX Investment.</p> <p>The shareholder Che Quanhong holds 76.02% of the equity of ZKTeco Times, being the controlling shareholder of ZKTeco Times. Meanwhile, Che Quanhong holds 1.18% of the property share of shareholder LX Investment and 6.57% of the property share of shareholder JYLY.</p> <p>Che Quanzhong, the younger brother of shareholder Che Quanhong, holds a 23.98% of the equity of ZKTeco Times.</p> <p>Che Jun, the father of shareholder Che Quanhong, holds 98.68% of the property share of LX Investment. In addition, there is no affiliated relationship between the other shareholders of the Company.</p>							
Description of the above shareholders' involvement in entrusting/entrusted voting rights and waiver of voting rights	Not involved							
Special description of the existence of special repurchase accounts among the top 10 shareholders (see	As of June 30, 2024, the Company's repurchase special securities account holds 2,230,000 A ordinary shares, accounting for 1.15% of the current total share capital of the Company. As required, it is not included in the list of the top 10 shareholders of the Company.							

Note 11)			
Particulars about the top 10 shareholders not subject to trading restrictions (excluding shares lent through refinancing and executive lockup shares)			
Name of shareholder	Number of shares without trading restrictions held at the end of the reporting period	Types of shares	
		Types of shares	Amount
Shenzhen JYSJ Investment Enterprise (Limited Partnership)	3,457,700	RMB denominated ordinary shares	3,457,700
Shenzhen JYHY Investment Enterprise (Limited Partnership)	3,435,263	RMB denominated ordinary shares	3,435,263
Huaxin Yuanchuang (Qingdao) Investment Management Co., Ltd. - Qingdao Walden Zhongxiang Investment Center (Limited Partnership)	1,701,621	RMB denominated ordinary shares	1,701,621
Shenzhen JYLX Consulting Enterprise (Limited Partnership)	1,090,601	RMB denominated ordinary shares	1,090,601
Shenzhen Gohedge Fund Management Co., Ltd. - Gohedge Pearl No.1 Private Equity Fund	688,580	RMB denominated ordinary shares	688,580
Shenzhen Fuhai Juanyong I Venture Investment Fund (Limited Partnership)	666,138	RMB denominated ordinary shares	666,138
Hong Kong Securities Clearing Company Limited	535,761	RMB denominated ordinary shares	535,761
Changjiang Wealth Asset Management - Bank of Nanjing - Changjiang Wealth - ZKTeco Employee Strategic Placement No.1 Collective Asset Management Plan	379,592	RMB denominated ordinary shares	379,592
Shenzhen JYQL Investment Consulting Enterprise (Limited Partnership)	335,000	RMB denominated ordinary shares	335,000
Zhuo Qiugang	299,790	RMB denominated ordinary shares	299,790
Explanations on the association or concerted action between the top 10 shareholders of outstanding shares not subject to trading restrictions, as well as between the top 10 shareholders of outstanding shares not subject to trading restrictions and the top 10 shareholders	The Company does not know whether there is a related relationship between the top 10 shareholders of shares without trading restrictions, as well as between the top 10 shareholders outstanding shares without trading restrictions and the top 10 shareholders, or whether they belong to persons acting in concert.		
Explanations on shareholders participating in margin trading	As of the end of the reporting period, among the top 10 shareholders not subject to trading restrictions, Shenzhen Gohedge Fund Management Co., Ltd. - Gohedge Pearl No.1 Private Equity Fund held a total of 688,580 A shares of the Company at the end of the reporting period, including 563,520 A shares held through		

(if any) (see Note 4)	ordinary securities accounts and 125,060 A shares held through a margin account of CITIC Securities Co., Ltd. At the end of the reporting period, Zhuo Qiugang held a total of 299,790 A shares of the Company, including 0 A share held through ordinary securities accounts and 299,790 A shares held through a margin account of Huatai Securities Co., Ltd.
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Participation of shareholders holding more than 5% of the shares, the top 10 shareholders and the top 10 shareholders of outstanding shares not subject to trading restrictions in the lending of shares through refinancing

☐ Applicable ☒ Not applicable

Changes of the top 10 shareholders and the top 10 shareholders of outstanding shares not subject to trading restrictions compared to the previous period due to reasons related to lending/repayment through refinancing

☐ Applicable ☒ Not applicable

Does the Company have voting right difference arrangements

☐ Yes ☒ No

Did the top 10 ordinary shareholders and the top 10 shareholders of ordinary shares without trading restrictions engage in agreed repurchase transactions during the reporting period

☐ Yes ☒ No

The top 10 ordinary shareholders and the top 10 shareholders of ordinary shares without trading restrictions did not engage in any agreed repurchase transactions during the reporting period.

IV. The Cumulative Pledged Shares of the Company's Controlling Shareholder or the Largest Shareholder and Its Concerted Action Person Account for 80% of the Company's Shares Held by Them

☐ Applicable ☒ Not applicable

V. Changes in Shareholding of Directors, Supervisors and Senior Management

☐ Applicable ☒ Not applicable

There were no changes in the shareholding of the Company's directors, supervisors, and senior management during the reporting period, as detailed in the 2023 Annual Report.

VI. Changes in Controlling Shareholders and Actual Controllers

Changes in controlling shareholders during the reporting period

☐ Applicable ☒ Not applicable

There was no change in the controlling shareholder of the Company during the reporting period.

Changes in actual controller during the reporting period

☐ Applicable ☒ Not applicable

There has been no change in the actual controller of the Company during the reporting period.

Section VIII Information of Preferred Shares

☐ Applicable ☒ Not applicable

There is no preferred share in the Company during the reporting period.

Section IX Bonds

☐ Applicable ☒ Not applicable

Section X Financial Report

I. Audit Report

Whether the Half Year Report has been audited

☐ Yes ☒ No

The Company's Half Year financial report has not been audited.

II. Financial Statements

The unit of the financial statements in the financial notes is: RMB

1. Consolidated Balance Sheet

Prepared by: ZKTECO CO., LTD.

June 30, 2024

Unit: RMB

Item	Ending Balance	Beginning Balance
Current assets:		
Monetary funds	1,319,257,568.19	1,990,924,954.78
Deposit reservation for balance		
Lendings to banks and other financial institutions		
Trading financial assets	545,824,974.27	80,980,203.63
Derivative financial assets		
Notes receivable		
Accounts receivable	470,317,501.31	479,803,313.66
Receivable financing		
Prepayments	26,704,423.54	23,457,907.24
Premiums receivable		
Reinsurance accounts receivable		
Reserves for reinsurance contract receivable		
Other receivables	38,923,993.14	32,744,574.20
Including: interest receivable		
Dividends receivable		
Buying back the sale of financial assets		
Inventories	375,223,613.19	372,714,784.31
Including: Data resources		
Contract assets	282,186.31	282,186.31
Held-for-sale assets		
Non-current assets due within one year	9,854,312.91	17,257,614.74
Other current assets	25,115,605.16	25,865,809.28

Total current assets	2,811,504,178.02	3,024,031,348.15
Non-current assets:		
Loans and advances to customers		
Debt investment	36,805,244.82	42,284,596.90
Other debt investment		
Long-term receivables	3,407,924.97	2,447,228.23
Long-term equity investment	29,071,504.20	29,781,888.62
Other equity instrument investments		
Other non-current financial assets		
Investment real estate	22,324,902.81	23,145,488.85
Fixed assets	466,413,000.41	470,121,791.29
Construction in progress	212,440,624.60	138,986,483.73
Productive biological assets		
Oil and gas assets		
Right-of-use assets	43,337,741.86	38,669,718.86
Intangible assets	89,611,548.33	66,016,371.68
Including: Data resources		
Development expenditures		
Including: Data resources		
Goodwill	507,946.85	504,803.72
Long-term deferred expenses	6,992,228.92	3,768,847.81
Deferred income tax assets	74,912,779.14	67,257,559.01
Other non-current assets	1,161,841.76	16,884,605.85
Total non-current assets	986,987,288.67	899,869,384.55
Total assets	3,798,491,466.69	3,923,900,732.70
Current liabilities:		
Short-term loan		
Borrowings from the Central Bank		
Borrowings from banks and other financial institutions		
Trading financial liabilities		
Derivative financial liabilities		
Notes payable	148,568,276.33	122,573,544.09
Accounts payable	171,238,426.99	245,084,182.32
Advances from customer		
Contract liabilities	70,472,302.17	65,331,106.17
Financial assets sold for repurchase		
Deposit from customers and interbank		
Acting trading securities		
Acting underwriting securities		
Payroll payable	41,775,200.44	56,630,101.98
Taxes and dues payable	16,611,951.08	28,892,229.44
Other payables	43,034,768.84	36,735,314.36

Including: interest payable		
Dividends payable		
Handling charges and commissions payable		
Reinsurance accounts receivable		
Liabilities held for sale		
Non-current liabilities due within one year	22,626,110.87	21,094,682.36
Other current liabilities	11,195,334.26	16,463,934.35
Total current liabilities	525,522,370.98	592,805,095.07
Non-current liabilities:		
Reserves for insurance contracts		
Long-term loan	7,320,192.70	7,810,405.04
Bonds payable		
Including: preferred stock		
Perpetual bonds		
Lease liabilities	22,888,617.57	19,713,286.21
Long-term payables		
Long-term payroll payable		
Estimated liabilities		600,000.00
Deferred income	1,760,815.34	1,853,549.62
Deferred income tax liabilities	11,702,064.75	10,329,053.48
Other non-current liabilities		
Total non-current liabilities	43,671,690.36	40,306,294.35
Total liabilities	569,194,061.34	633,111,389.42
Owner's equity:		
Share capital	194,679,508.00	194,679,508.00
Other equity instruments		
Including: preferred stock		
Perpetual bonds		
Capital reserve	2,083,108,177.74	2,075,479,375.13
Less: treasury stock	59,683,228.10	784,700.00
Other comprehensive income	22,278,858.00	28,000,959.19
Special reserve		
Surplus reserves	60,455,422.50	60,455,422.50
General risk reserves		
Undistributed profits	899,618,473.11	907,583,024.38
Total owner's equity attributable to the parent company	3,200,457,211.25	3,265,413,589.20
Minority interests	28,840,194.10	25,375,754.08
Total owner's equity	3,229,297,405.35	3,290,789,343.28
Total liabilities and owner's equity	3,798,491,466.69	3,923,900,732.70

Legal Representative: Jin Hairong Person in charge of accounting work: Wang Youwu Person in charge of accounting institution: Fang Li

2. Balance Sheet of the Parent Company

Unit: RMB

Item	Ending Balance	Beginning Balance
Current assets:		
Monetary funds	753,865,026.13	997,496,318.79
Trading financial assets	121,216,474.26	888,780.80
Derivative financial assets		
Notes receivable		
Accounts receivable	539,694,799.79	674,768,619.85
Receivable financing		
Prepayments	10,199,202.22	16,580,313.51
Other receivables	35,416,566.97	59,135,419.22
Including: interest receivable	221,017.34	192,033.24
Dividends receivable	8,000,000.00	0.00
Inventories	200,675,790.72	220,338,772.92
Including: Data resources		
Contract assets	274,794.84	274,794.84
Held-for-sale assets		
Non-current assets due within one year	256,494.12	11,261,761.38
Other current assets	3,401,894.12	2,221,965.93
Total current assets	1,665,001,043.17	1,982,966,747.24
Non-current assets:		
Debt investment		
Other debt investment		
Long-term receivables	2,067,545.03	1,553,576.04
Long-term equity investment	1,324,690,055.60	1,273,046,481.87
Other equity instrument investments		
Other non-current financial assets		
Investment real estate		
Fixed assets	59,950,555.19	62,080,079.28
Construction in progress		
Productive biological assets		
Oil and gas assets		
Right-of-use assets	13,363,679.55	11,281,532.81
Intangible assets	33,331,398.37	8,193,258.13
Including: Data resources		
Development expenditures		
Including: Data resources		
Goodwill		
Long-term deferred expenses	4,963,669.77	1,314,622.72
Deferred income tax assets	45,941,326.35	39,737,047.18
Other non-current assets		15,725,991.21
Total non-current assets	1,484,308,229.86	1,412,932,589.24
Total assets	3,149,309,273.03	3,395,899,336.48

Current liabilities:		
Short-term loan		
Trading financial liabilities		
Derivative financial liabilities		
Notes payable	139,640,526.63	114,437,751.98
Accounts payable	181,271,165.17	293,594,334.82
Advances from customer		
Contract liabilities	33,865,218.72	51,073,453.29
Payroll payable	14,762,965.28	26,129,332.92
Taxes and dues payable	1,037,578.83	4,029,704.54
Other payables	45,684,285.87	48,521,459.02
Including: interest payable		
Dividends payable		
Liabilities held for sale		
Non-current liabilities due within one year	6,562,630.53	6,036,995.12
Other current liabilities	8,923,795.64	17,818,576.02
Total current liabilities	431,748,166.67	561,641,607.71
Non-current liabilities:		
Long-term loan		
Bonds payable		
Including: preferred stock		
Perpetual bonds		
Lease liabilities	6,553,342.48	4,932,540.65
Long-term payables		
Long-term payroll payable		
Estimated liabilities	0.00	600,000.00
Deferred income	330,185.74	400,966.62
Deferred income tax liabilities	4,829,334.45	4,529,736.45
Other non-current liabilities		
Total non-current liabilities	11,712,862.67	10,463,243.72
Total liabilities	443,461,029.34	572,104,851.43
Owner's equity:		
Share capital	194,679,508.00	194,679,508.00
Other equity instruments		
Including: preferred stock		
Perpetual bonds		
Capital reserve	2,091,772,687.38	2,085,198,988.61
Less: treasury stock	59,683,228.10	784,700.00
Other comprehensive income		
Special reserve		
Surplus reserves	60,364,126.01	60,364,126.01
Undistributed profits	418,715,150.40	484,336,562.43
Total owner's equity	2,705,848,243.69	2,823,794,485.05
Total liabilities and owner's equity	3,149,309,273.03	3,395,899,336.48

3. Consolidated Income Statement

Unit: RMB

Item	Half Year of 2024	Half Year of 2023
I. Total operating income	903,103,158.77	937,182,670.00
Including: operating income	903,103,158.77	937,182,670.00
Interest income		
Premium earned		
Income from handling charges and commissions		
II. Total operating cost	824,250,410.31	820,963,431.57
Including: operating cost	454,301,823.55	488,923,174.83
Interest expenses		
Expenses from handling charges and commissions		
Surrender value		
Net payments for insurance claims		
Net provisions for policy reserves		
Policy dividend expenses		
Reinsurance expenses		
Taxes and surcharges	13,044,317.00	9,064,619.07
Selling expenses	216,506,500.22	196,138,701.98
Administrative expenses	53,529,882.13	60,476,345.47
R&D expenses	105,650,008.20	100,984,101.72
Financial expenses	-18,782,120.79	-34,623,511.50
Including: interest expenses	1,576,340.90	1,807,293.55
Interest income	23,834,740.57	31,152,457.27
Plus: other income	8,367,842.99	5,763,414.14
Investment income (loss expressed with "-")	2,900,142.97	1,237,665.06
Including: investment income in associates and joint ventures	989,323.74	1,092,924.55
Gains from derecognition of financial assets measured at amortized cost		
Gains from foreign exchange (loss expressed with "-")		
Gains from net exposure hedging (loss expressed with "-")		
Gains from changes in fair value (loss expressed with "-")	4,288,802.32	-7,045,482.43
Credit impairment loss (loss expressed with "-")	-771,004.22	-2,759,705.20
Losses from impairment of assets	-5,196,924.78	-3,693,840.00

(loss expressed with "-")		
Income from asset disposal (loss expressed with "-")	-83,513.11	-245,859.71
III. Operating profit (loss expressed with "-")	88,358,094.63	109,475,430.29
Plus: non-operating income	2,456,249.93	281,042.36
Less: non-operating expenditure	1,048,561.28	597,424.53
IV. Total profit (loss expressed with "-")	89,765,783.28	109,159,048.12
Less: income tax expenses	4,902,747.31	9,350,242.66
V. Net profit (loss expressed with "-")	84,863,035.97	99,808,805.46
(I) Classification by business continuity		
1. Net profit from continuing operations (net loss expressed with "-")	84,863,035.97	99,808,805.46
2. Net profit from discontinued operations (net loss expressed with "-")		
(II) Classification by ownership		
1. Net profit attributable to shareholders of the parent company (net loss expressed with "-")	78,637,727.33	88,754,335.62
2. Minority shareholders' profit and loss (net loss expressed with "-")	6,225,308.64	11,054,469.84
VI. Other comprehensive income - after tax	-4,827,043.56	24,565,469.12
Net of tax of other comprehensive income attributable to the owner of the parent company	-5,722,101.19	21,315,590.14
Other comprehensive income that cannot be transferred to profit or loss		
1. Changes in re-measurement of the defined benefit plan		
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method		
3. Changes in fair value of other equity instrument investments		
4. Changes in the fair value of the Company's own credit risk		
5. Other		
(2) Other comprehensive income that will be reclassified into profit or loss	-5,722,101.19	21,315,590.14
1. Other comprehensive income that can be transferred to profit or loss under the equity method		
2. Changes in fair value of other debt investments		
3. Amount of financial assets reclassified into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Cash flow hedging reserve		
6. Translation difference of foreign currency financial statements	-5,722,101.19	21,315,590.14
7. Others		

After-tax net amount of other comprehensive income attributable to the minority shareholders	895,057.63	3,249,878.98
VII. Total comprehensive income	80,035,992.41	124,374,274.58
Total comprehensive income attributable to owners of the parent company	72,915,626.14	110,069,925.76
Total comprehensive income attributable to minority shareholders	7,120,366.27	14,304,348.82
VIII. Earnings per share:		
(I) Basic earnings per share	0.4070	0.4598
(II) Diluted earnings per share	0.4050	0.4579

In the event of a merger of enterprise under the same control in the current period, the net profit realized by the combined party before the merger is RMB 0.00, and the net profit realized by the combined party in the previous period is RMB 0.00.

Legal Representative: Jin Hairong Person in charge of accounting work: Wang Youwu Person in charge of accounting institution: Fang Li

4. Income Statement of the Parent Company

Unit: RMB

Item	Half Year of 2024	Half Year of 2023
I. Operating income	647,819,547.32	668,101,346.15
Less: operating cost	495,303,687.48	470,747,145.91
Taxes and surcharges	3,255,592.42	2,642,445.40
Selling expenses	75,242,858.33	86,562,114.29
Administrative expenses	24,735,982.08	32,097,381.53
R&D expenses	62,060,996.17	68,222,616.46
Financial expenses	-17,528,945.14	-31,969,286.63
Including: interest expenses	278,823.58	326,423.56
Interest income	13,097,924.13	20,391,414.57
Plus: other income	1,415,280.88	1,426,313.93
Investment income (loss expressed with "-")	16,051,868.96	22,862,372.43
Including: investment income in associates and joint ventures		
Gains from derecognition of financial assets measured at amortized cost		
Gains from net exposure hedging (loss expressed with "-")		
Gains from changes in fair value (loss expressed with "-")	452,371.07	-7,049,098.87
Credit impairment loss (loss expressed with "-")	-2,701,198.72	-1,004,071.90
Losses from impairment of assets (loss expressed with "-")	-6,694,294.85	-449,231.75
Income from asset disposal (loss expressed with "-")	-92,272.68	-177,330.46
II. Operating profit (loss expressed with	13,181,130.64	55,407,882.57

"-")		
Plus: non-operating income	2,032,935.23	132,788.43
Less: non-operating expenditure	126,963.88	217,320.55
III. Total profits (total losses expressed with "-")	15,087,101.99	55,323,350.45
Less: income tax expenses	-5,893,764.58	-2,969,189.55
IV. Net profit (net loss expressed with "-")	20,980,866.57	58,292,540.00
(I) Net profit from continuing operations (net loss expressed with "-")	20,980,866.57	58,292,540.00
(II) Net profit from discontinued operations (net loss expressed with "-")		
V. Net of tax of other comprehensive income		
Other comprehensive income that cannot be transferred to profit or loss		
1. Changes in re-measurement of the defined benefit plan		
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method		
3. Changes in fair value of other equity instrument investments		
4. Changes in the fair value of the Company's own credit risk		
5. Other		
(2) Other comprehensive income that will be reclassified into profit or loss		
1. Other comprehensive income that can be transferred to profit or loss under the equity method		
2. Changes in fair value of other debt investments		
3. Amount of financial assets reclassified into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Cash flow hedging reserve		
6. Translation difference of foreign currency financial statements		
7. Others		
VI. Total comprehensive income	20,980,866.57	58,292,540.00
VII. EPS:		
(I) Basic EPS		
(II) Diluted EPS		

5. Consolidated Cash Flow Statement

Unit: RMB

Item	Half Year of 2024	Half Year of 2023
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	987,598,999.46	971,520,477.90
Net increase in deposits from		

customers and deposits in banks and other financial institutions		
Net increase in borrowings from the Central Bank		
Net increase in borrowings from banks and other financial institutions		
Cash received from receiving insurance premiums of original insurance contracts		
Net cash received from reinsurance business		
Net increase in deposits and investments from policyholders		
Cash received from interest, handling fees and commissions		
Net increase in borrowings from banks and other financial institutions		
Net capital increase in repurchase business		
Net cash received from vicariously traded securities		
Refund of taxes and surcharges	38,702,440.49	33,538,290.52
Cash received from other operating activities	42,692,501.49	23,184,790.91
Subtotal of cash inflows from operating activities	1,068,993,941.44	1,028,243,559.33
Cash paid for purchase of goods and rendering of services	513,173,787.14	464,265,830.40
Net increase in loans and advances to customers		
Net increase in deposits in Central Bank and other banks and financial institutions		
Cash paid for original insurance contract claims		
Net increase in lendings to banks and other financial institutions		
Cash paid for interest, handling fees and commissions		
Cash paid for policy dividends		
Cash paid to and for employees	289,353,780.70	275,369,361.95
Payments of all types of taxes	50,283,470.29	35,397,636.97
Other cash payments relating to operating activities	149,550,581.46	122,480,702.89
Subtotal of cash outflows from operating activities	1,002,361,619.59	897,513,532.21
Net cash flows from operating activities	66,632,321.85	130,730,027.12
II. Cash flows from investing activities:		
Cash received from disinvestment	522,835,114.48	509,707,506.64
Cash received from investment income	3,280,492.40	1,864,089.86
Net cash received from disposal of fixed assets, intangible assets and other	64,151.25	280,330.67

long-term assets		
Net cash received from disposal of subsidiaries and other business units		
Cash received from other investing activities	68,155.00	0.00
Subtotal of cash inflows from investing activities	526,247,913.13	511,851,927.17
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	122,974,400.98	54,738,953.74
Cash paid for investments	649,403,947.08	554,750,509.91
Net increase in pledge loans		
Net cash paid to acquire subsidiaries and other business units		
Cash paid for other investing activities		2,046,795.00
Subtotal of cash outflows from investing activities	772,378,348.06	611,536,258.65
Net cash flows from investing activities	-246,130,434.93	-99,684,331.48
III. Cash flows from financing activities:		
Cash received from investors		1,415,200.02
Including: cash received by subsidiaries from the absorption of minority shareholders' investments		1,415,200.02
Cash received from borrowings		3,700,000.00
Cash received from other financing activities	3,512,381.80	0.00
Subtotal of cash inflows from financing activities	3,512,381.80	5,115,200.02
Cash paid for debt repayments	494,458.32	26,952.47
Cash paid for distribution of dividends and profits or payment of interest	97,339,032.69	64,829,721.10
Including: dividends and profits paid to minority shareholders by subsidiaries	10,655,807.14	12,806,836.00
Cash paid for other financing activities	78,886,895.58	16,527,983.10
Subtotal of cash outflows from financing activities	176,720,386.59	81,384,656.67
Net cash flows from financing activities	-173,208,004.79	-76,269,456.65
IV. Effect of exchange rate changes on cash and cash equivalents	2,155,653.57	7,540,644.43
V. Net increase in cash and cash equivalents	-350,550,464.30	-37,683,116.58
Plus: beginning balance of cash and cash equivalents	1,317,020,553.02	1,077,608,258.10
VI. Closing balance of cash and cash equivalents	966,470,088.72	1,039,925,141.52

6. Cash Flow Statement of the Parent Company

Unit: RMB

Item	Half Year of 2024	Half Year of 2023
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	686,692,249.18	730,327,882.57
Refund of taxes and surcharges	20,889,299.35	30,787,233.30
Cash received from other operating activities	55,574,317.42	13,045,527.91

Subtotal of cash inflows from operating activities	763,155,865.95	774,160,643.78
Cash paid for purchase of goods and rendering of services	454,533,033.49	471,387,756.01
Cash paid to and for employees	118,642,728.71	126,389,611.09
Payments of all types of taxes	3,888,977.04	2,854,237.65
Other cash payments relating to operating activities	112,488,304.96	169,870,087.91
Subtotal of cash outflows from operating activities	689,553,044.20	770,501,692.66
Net cash flows from operating activities	73,602,821.75	3,658,951.12
II. Cash flows from investing activities:		
Cash received from disinvestment	30,000,000.00	406,011,800.00
Cash received from investment income	9,155,000.00	10,743,851.37
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	3,535.05	178,820.17
Net cash received from disposal of subsidiaries and other business units		
Cash received from other investing activities	68,155.00	0.00
Subtotal of cash inflows from investing activities	39,226,690.05	416,934,471.54
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	15,884,167.26	1,659,867.55
Cash paid for investments	215,070,884.43	364,000,000.00
Net cash paid to acquire subsidiaries and other business units	0.00	
Cash paid for other investing activities	0.00	2,046,795.00
Subtotal of cash outflows from investing activities	230,955,051.69	367,706,662.55
Net cash flows from investing activities	-191,728,361.64	49,227,808.99
III. Cash flows from financing activities:		
Cash received from investors	0.00	
Cash received from borrowings	0.00	
Cash received from other financing activities	0.00	0.00
Subtotal of cash inflows from financing activities	0.00	0.00
Cash paid for debt repayments	0.00	0.00
Cash paid for distribution of dividends and profits or payment of interest	86,602,278.60	51,972,217.85
Cash paid for other financing activities	63,228,099.14	5,671,917.65
Subtotal of cash outflows from financing activities	149,830,377.74	57,644,135.50
Net cash flows from financing activities	-149,830,377.74	-57,644,135.50
IV. Effect of exchange rate changes on cash and cash equivalents	3,239,301.33	1,493,480.05
V. Net increase in cash and cash equivalents	-264,716,616.30	-3,263,895.34
Plus: beginning balance of cash and cash equivalents	875,420,293.96	731,506,487.43
VI. Closing balance of cash and cash equivalents	610,703,677.66	728,242,592.09

7. Consolidated Statement of Changes in Equity

Amount in current period

Unit: RMB

Item	Half Year of 2024														
	Equity attributable to owners of the parent company												Minority interests	Total owner's equity	
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserves	General risk reserves	Undistributed profits	Others			Subtotal
		Preferred stock	Perpetual bonds	Others											
Ending balance of previous year	194,679,508.00				2,075,479,375.13	784,700.00	28,000,959.19		60,455,422.50		907,583,024.38		3,265,413,589.20	25,375,754.08	3,290,789,343.28
Plus: changes in accounting policies															
Corrections of prior period errors															
Others															
II. Beginning balance of this year	194,679,508.00				2,075,479,375.13	784,700.00	28,000,959.19		60,455,422.50		907,583,024.38		3,265,413,589.20	25,375,754.08	3,290,789,343.28
III. Amount increase/decrease of the current period (decrease expressed with "-")					7,628,802.61	58,898,528.10	-5,722,101.19				-7,964,551.27		-64,956,377.95	3,464,440.02	-61,491,937.93
(I) Total comprehensive income							-5,722,101.19				78,637,727.33		72,915,626.14	7,120,366.27	80,035,992.41

(II) Capital invested and reduced by the owners					7,628,802.61	58,898,528.10					0.00		-51,269,725.49	6,999,880.89	-44,269,844.60
1. Common stock contributed by owners						58,898,528.10							-58,898,528.10	0.00	-58,898,528.10
2. Capital invested by holders of other equity instruments															
3. Amount of share-based payments recognized in equity					7,628,802.61								7,628,802.61	136,509.00	7,765,311.61
4. Others														6,863,371.89	6,863,371.89
(III) Profit distribution											-86,602,278.60		-86,602,278.60	-10,655,807.14	-97,258,085.74
1. Surplus reserves withdrawal															
2. Withdrawal of general risk preparation															
3. Distribution to owners (or shareholders)											-86,602,278.60		-86,602,278.60	-10,655,807.14	-97,258,085.74
4. Others															
(IV) Internal carryover of owner's equity															
1. Capital surplus transfer to capital															

(or equity capital)															
2. Surplus reserve transfer to capital (or equity capital)															
3. Surplus reserve offsetting losses															
4. Changes in defined benefit plans carried forward to retained earnings															
5. Retained income carried forward from other comprehensive income															
6. Others															
(V) Special reserve															
1. Withdrawal in this period															
2. Use in the current period															
(VI) Others															
IV. Ending balance of current period	194,679,508.00				2,083,108,177.74	59,683,228.10	22,278,858.00	0.00	60,455,422.50	0.00	899,618,473.11	0.00	3,200,457,211.25	28,840,194.10	3,229,297,405.35

Amount of previous year

Unit: RMB

Item	Half Year of 2023														
	Equity attributable to owners of the parent company													Minority interests	Total owner's equity
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserves	General risk reserves	Undistributed profits	Others	Subtotal		
		Preferred stock	Perpetual bonds	Others											
Ending balance of previous year	148,492,051.00	0.00	0.00	0.00	2,061,172,912.28	0.00	5,255,222.65	0.00	53,975,085.77	0.00	788,571,917.98	0.00	3,057,467,189.68	43,025,126.30	3,100,492,315.98
Plus: changes in accounting policies							-1,046.84				254,641.11		253,594.27	30,716.63	284,310.90
Corrections of prior period errors															
Others															
II. Beginning balance of this year	148,492,051.00	0.00	0.00	0.00	2,061,172,912.28	0.00	5,254,175.81	0.00	53,975,085.77	0.00	788,826,559.09	0.00	3,057,720,783.95	43,055,842.93	3,100,776,626.88
III. Amount increase/decrease of the current period (decrease expressed with "-")	44,547,615.00	0.00	0.00	0.00	-25,540,642.17	0.00	21,315,590.14	0.00	0.00	0.00	36,782,117.77	0.00	77,104,680.74	2,939,640.76	80,044,321.50
(I) Total comprehensive income							21,315,590.14				88,754,335.62		110,069,925.76	14,304,348.82	124,374,274.58
(II) Capital invested and reduced by the owners	0.00	0.00	0.00	0.00	19,006,972.83	0.00	0.00	0.00	0.00	0.00	0.00	0.00	19,006,972.83	1,442,127.94	20,449,100.77
1. Common stock contributed by owners													0.00	1,415,200.02	1,415,200.02
2. Capital invested by															

holders of other equity instruments															
3. Amount of share-based payments recognized in equity					18,876,651.21								18,876,651.21	26,927.92	18,903,579.13
4. Others					130,321.62								130,321.62		130,321.62
(III) Profit distribution	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-51,972,217.85	0.00	-51,972,217.85	- 12,806,836.00	-64,779,053.85
1. Surplus reserves withdrawal											0.00		0.00		0.00
2. Withdrawal of general risk preparation															
3. Distribution to owners (or shareholders)											-51,972,217.85		-51,972,217.85	- 12,806,836.00	-64,779,053.85
4. Others															
(IV) Internal carryover of owner's equity	44,547,615.00	0.00	0.00	0.00	-44,547,615.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Capital surplus transfer to capital (or equity capital)	44,547,615.00				-44,547,615.00										
2. Surplus reserve transfer to capital (or equity capital)															
3. Surplus reserve offsetting losses															

4. Changes in defined benefit plans carried forward to retained earnings															
5. Retained income carried forward from other comprehensive income															
6. Others															
(V) Special reserve															
1. Withdrawal in this period	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Use in the current period															
(VI) Others															
IV. Ending balance of current period	193,039,666.00	0.00	0.00	0.00	2,035,632,270.11	0.00	26,569,765.95	0.00	53,975,085.77	0.00	825,608,676.86	0.00	3,134,825,464.69	45,995,483.69	3,180,820,948.38

8. Statement of Changes in Equity of the Parent Company

Amount in current period

Unit: RMB

Item	Half Year of 2024											
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserves	Undistributed profits	Others	Total owner's equity
		Preferred stock	Perpetual bonds	Others								
Ending balance of previous year	194,679,508.00				2,085,198,988.61	784,700.00			60,364,126.01	484,336,562.43		2,823,794,485.05

Plus: changes in accounting policies												
Corrections of prior period errors												
Others												
II. Beginning balance of this year	194,679,508.00				2,085,198,988.61	784,700.00			60,364,126.01	484,336,562.43		2,823,794,485.05
III. Amount increase/decrease of the current period (decrease expressed with "-")					6,573,698.77	58,898,528.10				-65,621,412.03		-117,946,241.36
(I) Total comprehensive income										20,980,866.57		20,980,866.57
(II) Capital invested and reduced by the owners					6,573,698.77	58,898,528.10						-52,324,829.33
1. Common stock contributed by owners						58,898,528.10						-58,898,528.10
2. Capital invested by holders of other equity instruments												
3. Amount of share-based payments recognized in equity					6,573,698.77							6,573,698.77

4. Others												
(III) Profit distribution										-86,602,278.60		-86,602,278.60
1. Surplus reserves withdrawal												0.00
2. Distribution to owners (or shareholders)										-86,602,278.60		-86,602,278.60
3. Others												0.00
(IV) Internal carryover of owner's equity												0.00
1. Capital surplus transfer to capital (or equity capital)												0.00
2. Surplus reserve transfer to capital (or equity capital)												0.00
3. Surplus reserve offsetting losses												
4. Changes in defined benefit plans carried forward to retained earnings												
5. Retained income carried forward from other comprehensive income												

6. Others												
(V) Special reserve												
1. Withdrawal in this period												
2. Use in the current period												
(VI) Others												
IV. Ending balance of current period	194,679,508.00				2,091,772,687.38	59,683,228.10			60,364,126.01	418,715,150.40		2,705,848,243.69

Amount of previous period

Unit: RMB

Item	Half Year of 2023											
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserves	Undistributed profits	Others	Total owner's equity
		Preferred stock	Perpetual bonds	Others								
Ending balance of previous year	148,492,051.00	0.00	0.00	0.00	2,073,269,021.41	0.00	0.00	0.00	53,883,789.28	478,054,103.62		2,753,698,965.31
Plus: changes in accounting policies										-39,162.22		-39,162.22
Corrections of prior period errors												
Others												
II. Beginning balance of this year	148,492,051.00	0.00	0.00	0.00	2,073,269,021.41	0.00	0.00	0.00	53,883,789.28	478,014,941.40		2,753,659,803.09
III. Amount increase/decrease of the current period (decrease	44,547,615.00	0.00	0.00	0.00	-25,777,444.38	0.00	0.00	0.00	0.00	6,320,322.15		25,090,492.77

expressed with "-")												
(I) Total comprehensive income										58,292,540.00		58,292,540.00
(II) Capital invested and reduced by the owners	0.00	0.00	0.00	0.00	18,770,170.62	0.00	0.00	0.00	0.00			18,770,170.62
1. Common stock contributed by owners												
2. Capital invested by holders of other equity instruments												
3. Amount of share-based payments recognized in equity					18,770,170.62							18,770,170.62
4. Others												
(III) Profit distribution										-51,972,217.85		-51,972,217.85
1. Surplus reserves withdrawal												0.00
2. Distribution to owners (or shareholders)										-51,972,217.85		-51,972,217.85
3. Others												
(IV) Internal carryover of owner's equity	44,547,615.00				-44,547,615.00							0.00

1. Capital surplus transfer to capital (or equity capital)	44,547,615.00				-44,547,615.00							0.00
2. Surplus reserve transfer to capital (or equity capital)												0.00
3. Surplus reserve offsetting losses												0.00
4. Changes in defined benefit plans carried forward to retained earnings												0.00
5. Retained income carried forward from other comprehensive income												0.00
6. Others												0.00
(V) Special reserve												0.00
1. Withdrawal in this period												
2. Use in the current period												
(VI) Others												
IV. Ending balance of current period	193,039,666.00				2,047,491,577.03				53,883,789.28	484,335,263.55		2,778,750,295.86

III. Basic Information of the Company

1. Company registration location, organizational form and headquarters address

ZKTECO CO., LTD. (hereinafter referred to as "Company" or "the Company"), formerly known as Dongguan Zhongkong Electronic Technology Co., Ltd., was approved by the Dongguan Administration for Market Regulation on July 14, 2016. It was jointly established by Shenzhen ZKTeco Times Investment Co., Ltd., Che Quanhong, and Che Jun. The Company was listed on the Shenzhen Stock Exchange on August 17, 2022 and currently holds a business license with a unified social credit code of 914419006698651618.

As of June 30, 2024, the Company has issued a total of 194,679,508.00 shares of share capital after years of converting into share capital and issuing new shares, with a registered capital of RMB 194,679,508.00. The registered address is: No. 32, Pingshan Industrial Road, Tangxia Town, Dongguan, Guangdong, China. The parent company is Shenzhen ZKTeco Times Investment Co., Ltd., and the actual controller is Che Quanhong.

2. Nature of business and main operating activities of the Company

The Company belongs to the computer, communication and other electronic equipment manufacturing industries, mainly engaged in the R&D, design, production, sales and services of computer vision and biometric technology and related products.

3. Scope of consolidated financial statements

There are 62 subsidiaries incorporated in the consolidation scope of the Company in current period, as detailed in Note X "Rights and Interests in Other Entities". Compared to the previous period, the number of entities included in the scope of consolidated financial statements in the current period increased by 2 and decreased by 1. For specific information on the entities subject to changes in the scope of consolidation, please refer to Note IX Changes in Consolidation Scope.

4. Approval of financial statements

This financial statement was approved by the Board of Directors of the Company on August 28, 2024.

IV. Preparation Basis for Financial Statements

1. Basis of preparation

Based on actual transactions and events, the Company recognizes and measures them in accordance with the "Accounting Standards for Enterprises - Basic Standards" issued by the Ministry of Finance, specific enterprise accounting standards, application guidelines for Accounting Standards for Enterprises, interpretations of Accounting Standards for Enterprises, and other relevant regulations (hereinafter collectively referred to as "Accounting Standards for Enterprises"). On this basis, we prepare financial statements in accordance with the provisions of the "Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 - General Provisions on Financial Reports" (revised in 2023) issued by China Securities Regulatory Commission.

2. Going concern

The Company has evaluated the going-concern ability in 12 months from the end of the reporting period, and fails to find the significant suspicious matters or situations on going-concern ability. Therefore, the Financial Statements were prepared on the basis of going-concern hypothesis.

V. Important Accounting Policies and Estimates

Tips of specific accounting policies and estimates:

The specific accounting policies and estimates formulated by the Company based on the actual production and operation characteristics include operating cycle, recognition and measurement of bad debt reserves for accounts receivable, inventories measurement, classification and depreciation methods of fixed assets, amortization of intangible assets, revenue recognition and measurement, etc.

1. Declaration of compliance with Accounting Standards for Business Enterprises

The financial statement prepared by the Company meets the requirements of Accounting Standards for Enterprises, and authentically and completely reflects financial position, business performance, cash flow and other relative information on the Company during the reporting period.

2. Accounting period

The accounting year is from January 1 to December 31 in calendar year.

3. Operating cycle

The Company's operating cycle is 12 months.

4. Recording currency

Renminbi is adopted as the recording currency.

Overseas subsidiaries use the currency of the main economic environment in which they operate as the recording currency and convert it into RMB when preparing financial statements.

5. Method for recognizing significance criteria and selection basis

☒Applicable ☐ Not applicable

Item	Significance criteria
Important construction in progress	The amount of individual construction in progress exceeds 1% of the total assets
Receivables with individual provision for significant items	The amount of individual receivables exceeds 1% of the total assets
Other important payables with an aging of over one year	Other individual payables exceeding 1% of total assets
Important accounts payable with an aging of over one year	The amount of individual accounts payable exceeds 1% of the total assets
Important partly-owned subsidiaries	The proportion of total revenue and total profit exceeds 10%
Important prepayments with an aging of over one year	The amount of individual prepayments exceeds 1% of the total assets
Important contract liabilities with an aging of over one year	The amount of individual contract liabilities exceeds 1% of the total assets
Important joint ventures or associates	The carrying amount of long-term equity investment exceeds 5% of the total assets
Significant cash flows from investing activities	The amount of cash flows from individual investing activities

	exceeds 1% of the total assets
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6. Accounting treatment methods of business merger under the common control and merger under different control

(1) The terms, conditions, and economic impact of various transactions related to the step by step implementation of various transactions in the process of business merger in one or more of the following circumstances usually indicate that multiple transactions shall be accounted for as a package deal

- 1) These transactions were entered into simultaneously or taking into account mutual influence;
- 2) These transactions as a whole can achieve a complete business result;
- 3) The occurrence of a transaction depends on the occurrence of at least one other transaction;
- 4) A transaction alone is not economical, but it is economic when considered with other transactions.

(2) Business merger under the common control

The enterprises involved in the combination are subject to the same party or ultimate parties before and after the merger, meanwhile the control is not temporary, this business combination is under the same control.

The assets and liabilities obtained by the Company in the business merger shall be measured according to the book value of the assets and liabilities of the combined party (including the goodwill formed by the acquisition of the combined party by the ultimate controller) in the consolidated financial statements of the ultimate controller on the combination date. The stock premium in capital reserves is adjusted according to the difference between the book value of net assets acquired through combination and the book value of consideration paid for the combination (or total par value of shares issued). If the stock premium in capital reserves is insufficient to cover the difference, the remaining amount will be charged against retained earnings.

If there is a contingent consideration and an estimated liability or asset needs to be recognized, the difference between the estimated liability or asset amount and the subsequent settlement amount of the contingent consideration shall be adjusted to the capital reserve (capital premium or share premium). If the capital reserve is insufficient, the retained earnings shall be adjusted.

Where a business merger is ultimately achieved through multiple transactions, and it belongs to a "package deal", each transaction shall be treated as a transaction to obtain control for accounting treatment; if it does not belong to a "package deal", on the date of obtaining control, the difference between the initial investment cost of the long-term equity investment and the sum of the book value of the long-term equity investment before the merger plus the book value of the new payment for the shares obtained on the combination date shall be adjusted to the capital reserve; if the capital reserve is insufficient to offset, the retained earnings shall be adjusted. For equity investments held before the combination date, other comprehensive income recognized using the equity method or financial instrument recognition and measurement standards will not be subject to accounting treatment until the disposal of the investment is carried out on the same basis as the direct disposal of relevant assets or liabilities by the investee; other changes in owner's equity in the net assets of the investee recognized using the equity method, except for net profit or loss, other comprehensive income, and profit distribution, will not be accounted for until the investment is disposed of and transferred to the current profits and losses.

(3) Business merger not under common control

The enterprises involved in the combination are not subject to the same party or ultimate parties before and after the merger, this business combination is not under the same control.

On the date of acquisition, the Company shall measure the assets paid, liabilities incurred or assumed as the consideration for business combination at fair value, and the difference between the fair value and its book value shall be included in current profits and losses.

The difference between the merger cost and the fair value of the identifiable net assets obtained from the acquiree is recognized as goodwill by the Company. If the merger cost is less than the fair value share of the identifiable net assets obtained from the acquiree in the merger, the fair values of the identifiable assets, liabilities, and contingent liabilities obtained from the acquiree, as well as the

measurement of the merger cost, are first reviewed. After review, if the merger cost is still less than the fair value share of the identifiable net assets obtained from the acquiree in the merger, the difference is included in current profits and losses.

If the merger under different control achieved through multiple exchange transactions in steps belongs to a "package deal", each transaction shall be treated as a transaction to obtain control for accounting treatment. For equity investments held before the combination date that do not belong to a package deal and are accounted for using the equity method, the initial investment cost of the investment shall be the sum of the book value of the equity investment held by the acquiree before the date of acquisition and the new investment cost on the date of acquisition. The other comprehensive income recognized by the equity investment held on the date of acquisition due to the equity method is used for accounting treatment on the same basis as the direct disposal of related assets or liabilities by the investee when the asset is disposed of. If the equity investments held before the combination date are accounted for using financial instrument recognition and measurement standards, the initial investment cost on the combination date shall be the sum of the fair value of the equity investment on the combination date and the new investment cost. The difference between the fair value and book value of the originally held equity, as well as the cumulative fair value changes originally recognized in other comprehensive income, shall be fully transferred to the current investment income on the combination date.

(4) Related expenses incurred for the merger

The agency fees for auditing, legal services, evaluation and consulting, as well as other directly related expenses incurred for the merger of enterprises, shall be included in current profits and losses at the time of occurrence; the transaction costs of issuing equity securities for enterprise mergers can be directly attributed to equity transactions and deducted from equity.

7. Judgment criteria for control and preparation methods for consolidated financial statements

(1) Judgment criteria for control

Control means the investor has the power over the investee and enjoys the variable return through participating in activities related to the investee, and has the ability to the investor's return by using the power over the investee.

The Company makes a judgment on whether to control the investee based on comprehensive consideration of all relevant facts and circumstances. Once changes in the related facts and circumstances have resulted in a variation to the relevant factors involved in the aforesaid control definition, the Company shall perform reappraisal. The relevant facts and situations mainly include:

- 1) The purpose of the establishment of the investee.
- 2) The relevant activities of the investee and how to make decisions regarding these activities.
- 3) Whether the rights enjoyed by the investor currently enable them to lead the relevant activities of the investee.
- 4) Whether the investor enjoys variable returns by participating in related activities of the investee.
- 5) Whether the investor has the ability to exercise the power over the investee to affect its return amount.
- 6) The relationship between the investor and other parties.

(2) Consolidation scope

The consolidation scope of the Company's consolidated financial statements is determined based on control, and all subsidiaries (including separate entities controlled by the Company) are included in the consolidated financial statements.

(3) Consolidation procedure

The Company prepares consolidated financial statements based on the financial statements of itself and its subsidiaries, and other relevant information. The Company prepares consolidated financial statements, treating the entire enterprise group as one accounting entity. In accordance with the recognition, measurement, and presentation requirements of relevant Accounting Standards for Enterprises, and in accordance with unified accounting policies, we reflect the overall financial position, operating results, and cash flows of the enterprise group.

The accounting policies and accounting periods adopted by all subsidiaries included in the scope of consolidated financial statements are consistent with those of the Company. If the accounting policy or accounting period of any subsidiary is different from

that of the Company, the consolidated financial statements of the subsidiary, upon preparation, will be adjusted according to the accounting policy and accounting period of the Company.

When consolidating financial statements, we offset the impact of internal transactions between the Company and its subsidiaries, as well as between subsidiaries, on the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, and consolidated statement of changes in shareholders' equity. If the recognition of the same transaction from the perspective of the consolidated financial statements of the enterprise group is different from that of the accounting entity of the Company or its subsidiaries, the transaction shall be adjusted from the perspective of the enterprise group.

The share of owners' equity, current net profit or loss and current comprehensive income of subsidiaries attributable to minority owners are respectively and separately presented under the owner's equity in the consolidated balance sheet, the net profit in the consolidated income statement, and the total comprehensive income in the consolidated income statement. If the current losses shared by a minority shareholder of a subsidiary exceed the balances arising from the shares enjoyed by the minority shareholder in the owners' equity of the subsidiary at the beginning of the period, minority shareholders' equity will be offset accordingly.

For subsidiaries acquired through a merger of enterprises under the same control, adjustments are made to their financial statements based on the book value of their assets and liabilities (including goodwill formed by the ultimate controller's acquisition of the subsidiary) in the ultimate controller's financial statements.

1) Increase of subsidiaries or business

During the reporting period, if a subsidiary or business is added due to a merger of enterprises under the same control, the opening balance of the consolidated balance sheet shall be adjusted; the income, expenses, and profits of subsidiaries or businesses from the beginning of the current period to the end of the reporting period are incorporated into the consolidated income statement; the cash flows of subsidiaries or businesses from the beginning of the current period to the end of the reporting period are included in the consolidated cash flow statement, and the relevant items in the comparative statements are adjusted, as if the merged reporting entity has existed since the point when the ultimate controller began to control.

If it is possible to exercise control over the investee under the same control due to additional investment or other reasons, it shall be deemed that the parties participating in the merger have made adjustments in their current state when the ultimate controller began to control. Equity investments held before obtaining the control over the combined party, relevant gains or losses and other comprehensive income recognized from the later of the date when the original equity is obtained or the date when the combining party and the combined party are under the same control to the combination date and other changes in net assets will respectively be used to offset the retained earnings at the beginning of period for the comprehensive financial statements or the current profit or loss.

During the reporting period, if a subsidiary or business is added due to a merger under different control, the opening balance of the consolidated balance sheet shall not be adjusted; the income, expenses, and profits of subsidiaries or businesses from the date of acquisition to the end of the reporting period are incorporated into the consolidated income statement; the cash flows of subsidiaries or businesses from the date of acquisition to the end of the reporting period are included in the consolidated cash flow statement.

If the control can be exercised over the investee not under common control as a result of additional investments and other reasons, the equity of the acquiree held before the date of acquisition will be remeasured by the Company at the fair value of such equity on the date of acquisition, and the difference between the fair value and book value of such equity will be included in the current investment income. If the equity of the acquiree held before the date of acquisition involves other comprehensive income accounted for under the equity method, as well as other changes in owner's equity other than net profit and loss, other comprehensive income, and profit distribution, the related other comprehensive income and other changes in owner's equity shall be converted into current investment income on the date of acquisition, except for other comprehensive income arising from the remeasurement of net liability or net asset changes of the defined benefit plan by the investee.

2) Disposal of subsidiaries or businesses

① General disposal method

During the reporting period, if the Company disposed of a subsidiary or business, the income, expenses and profits of the subsidiary or business from the beginning of the period to the disposal date were included in the Consolidated Income Statement the

cash flow of the subsidiary or business from the beginning of the period to the disposal date is included in the consolidated cash flow statement.

In the event the Company loses the right of control over the investee due to disposal of partial equity investment or other reasons, the remaining equity investment shall be re-measured at the fair value on the date of loss of control. The difference by using the sum of value received from disposal of equity and fair value of the residual equity to deduct the difference between the share of net assets and the sum of goodwill continually counted from the acquisition date or combination date of the original subsidiary (calculated as per original share proportion) shall be recorded into the investment income of the current period in which the control right is lost. Other comprehensive income related to equity investments in existing subsidiaries or changes in owner's equity other than net profit or loss, other comprehensive income, and profit distribution shall be converted into current investment income when control is lost, except for other comprehensive income arising from the remeasurement of net liability or net asset changes in the defined benefit plan by the investee.

② Disposal of subsidiaries step by step

For the various deals for step-by-step equity investment disposal that lead to the loss of control over the subsidiary, the terms, conditions, and economic impact of various transactions related to the disposal of equity investments in subsidiaries in one or more of the following circumstances usually indicate that multiple transactions shall be accounted for as a package deal:

- A. These transactions were entered into simultaneously or taking into account mutual influence;
- B. These transactions as a whole can achieve a complete business result;
- C. The occurrence of a transaction depends on the occurrence of at least one other transaction;
- D. A transaction alone is not economical, but it is economic when considered with other transactions.

If all transactions involving the disposal of equity investment in subsidiaries until the loss of control right are treated as a package deal, the Company shall treat each transaction as the one involving the disposal of subsidiaries and the loss of control right for accounting treatment. However, the difference between each disposal price and the share of the subsidiary's net assets corresponding to the investment disposal before the loss of control right shall be recognized as other comprehensive income in the consolidated financial statements, and shall be transferred into the current profits and losses when the control right is lost.

If various transactions on disposal of the equity investment of the Company before the loss of control do not belong to a package deal, before loss of control, accounting treatment shall be conducted as per the relevant policy of the disposal of part of equity investment in subsidiaries without loss of control; for loss of control, accounting treatment shall be conducted as per the general disposal method for subsidiaries.

3) Purchase of minority shares of subsidiaries

For the difference between the newly increased long-term equity investment from the acquisition of minority equity and the share of net assets in the subsidiary calculated constantly from the date of acquisition (or combination date) as per the newly increased equity ratio, the share premium in capital reserves in the consolidated balance sheet shall be adjusted; where such share premium is insufficient to offset the difference, the retained earnings shall be adjusted.

4) Disposal of partial equity investment in subsidiaries without loss of control

Without losing control, the difference between the disposal price obtained from the partial disposal of long-term equity investment in subsidiaries and the share of net assets continuously calculated by subsidiaries from the date of acquisition or the combination date corresponding to the disposal of long-term equity investment shall be adjusted for the share premium in the capital reserve in the consolidated balance sheet. If the share premium in the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

8. Classification of joint venture arrangement and accountant treatment method of joint operation

(1) Classification of joint venture arrangements

The Company divides the joint venture arrangement into joint operation and joint venture based on factors such as the structure, legal form, provisions stipulated in the joint venture arrangement, other relevant facts and circumstances. Joint operations refer to an

arrangement that the joint party enjoys the assets related to such arrangement and bears the liabilities related to such arrangement. Joint venture refers to a joint venture arrangement in which the joint venture party only has rights to the net assets of the arrangement.

(2) Accounting treatment of joint operations

The Company confirms the following items related to the share of interests in joint operations and conducts accounting treatment in accordance with the relevant Accounting Standards for Enterprises:

- 1) Recognize the assets held separately and the assets held jointly according to their shares;
- 2) Recognize the liabilities assumed separately and the liabilities assumed jointly according to their shares;
- 3) Recognize the income generated by the sale of its share of joint operating output;
- 4) Recognize the income generated by the sale of output in the joint operation according to its share;
- 5) Recognize the expenses incurred separately and the expenses incurred in joint operation according to their share.

9. Recognition criteria of cash and cash equivalents

When preparing the cash flow statement, the Company recognizes the cash on hand and deposits that can be used for payment at any time as cash. Investments with short term (generally due within three months from the date of acquisition), strong liquidity, easy conversion to known amounts of cash and little risk of value change (four conditions) are recognized as cash equivalents.

10. Foreign currency transactions and foreign currency statement translation

(1) Foreign currency transaction

When foreign currency transaction is initially recognized, the spot exchange rate on the transaction date is used as the conversion rate to convert the foreign currency amount into RMB for bookkeeping.

The foreign currency monetary items on the balance sheet date are translated at the spot exchange rate on the balance sheet date; the resulting exchange differences are included in current profits and losses, except for the exchange differences arising from special foreign currency borrowings related to the acquisition and construction of assets eligible for capitalization, which are treated in accordance with the principle of capitalization of borrowing costs. Foreign currency non-monetary items measured at historical cost shall still be converted at the spot exchange rate on the date of transaction, and the amount of their recording currency shall not be changed.

Foreign currency non-monetary items measured at fair value shall be translated at the spot exchange rate on the date when the fair value is determined. After conversion, the difference between the amount of recording currency and the amount of the original recording currency shall be treated as a change in fair value (including changes in exchange rates) and included in current profits and losses or recognized as other comprehensive income.

(2) Translation of foreign currency financial statements

The asset items and liability items in the balance sheet shall be translated at the exchange rate of the balance sheet date; the owner's equity items, except for "undistributed profits", shall be translated at the spot rate when incurred. The income and expense items in the Income Statement are translated at the average spot exchange rate. The translation difference of foreign currency financial statements arising from the above conversion is included in other comprehensive income.

When disposing of overseas operations, the translation difference of foreign currency financial statements related to the overseas operations listed in other comprehensive income items on the balance sheet shall be transferred from other comprehensive income items to the current profit and loss for disposal. If the reduction of the proportion of interests held overseas but not losing control over overseas operations is resulted from the disposing of partial equity investment or other reasons, the translation balance of foreign currency financial statements related to such overseas operations shall be vested in minority equity and will not be transferred to current profits and losses. When disposing of part of the equity of an overseas operation as a joint venture or associate, the conversion difference

of foreign currency statements related to the overseas operation shall be transferred to the disposed current profits and losses according to the proportion of the disposal of the overseas operation.

11. Financial instruments

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

The effective interest rate method refers to the method of calculating the amortized cost of financial assets or financial liabilities and allocating interest income or interest expenses to each accounting period.

Actual interest rate refers to the interest rate used to discount the estimated future cash flows of a financial asset or financial liability over its expected lifespan into the book balance of the financial asset or the amortized cost of the financial liability. When determining the actual interest rate, it is necessary to estimate the expected cash flow based on all contract terms of financial assets or liabilities (such as early repayment, extension, call options, or other similar options), but do not consider expected credit losses.

The amortized cost of a financial asset or financial liability is the accumulated amortization amount formed by deducting the repaid principal from the initial recognition amount of the financial asset or financial liability, plus or minus the difference between the initial recognition amount and the amount on the maturity date using the effective interest rate method, and then deducting the accumulated provision for losses (only applicable to financial assets).

(1) Classification, recognition and measurement of financial assets

The Company categorizes financial assets into the following three categories based on their business model and contractual cash flow characteristics:

- 1) Financial assets measured at the amortized cost.
- 2) Financial assets measured at fair value and whose changes are included in other comprehensive income.
- 3) Financial assets measured at fair value and whose changes are included in the current profits and losses.

Financial assets are measured at fair value upon initial recognition, but if the accounts receivable or notes receivable arising from the sale of goods or provision of services do not include significant financing components or do not consider financing components for a period not exceeding one year, they are initially measured at the transaction price.

For financial assets measured at fair value and whose changes are included in the current profits and losses, the related transaction expense is directly included in current profits and losses. For other types of financial assets, related transaction costs are included in the initial recognition amount.

The subsequent measurement of financial assets depends on their classification. All affected related financial assets are reclassified only when the Company changes its business model of managing financial assets.

1) Classified as financial assets measured at the amortized cost

If the contract terms of a financial asset stipulate that the cash flows generated on a specific date are only payments of principal and interest based on the unpaid principal amount, and the business model for managing the financial asset is aimed at collecting contractual cash flows, then the Company classifies the financial asset as financial assets measured at the amortized cost. The Company classifies financial assets as financial assets measured at the amortized cost, including monetary funds, notes receivable, accounts receivable, other receivables, debt investments, long-term receivables, etc.

The Company recognizes interest income for such financial assets using the effective interest rate method and subsequently measures them at amortized cost. Any gains or losses arising from impairment or derecognition or modification are included in current profits and losses. Except for the following situations, the Company determines interest income based on the book balance of financial assets multiplied by the actual interest rate:

- ① For financial assets that have been purchased or generated with credit impairment, the Company determines their interest income from initial recognition based on the amortized cost of the financial asset and the actual interest rate adjusted by credit.
- ② For the financial asset purchased or originated without credit impairment but with credit impairment in the subsequent period, the interest income shall be calculated and determined by the Company according to the amortized cost and the effective interest rate of the financial asset in the subsequent period. If the financial instrument no longer experiences credit impairment due to an

improvement in its credit risk in subsequent periods, the Company will calculate and determine interest income by multiplying the actual interest rate by the book balance of the financial asset.

2) Classified as financial assets measured at fair value and whose changes are included in other comprehensive income

If the contract terms of a financial asset stipulate that the cash flow generated on a specific date is only the payment of principal and interest based on the unpaid principal amount, and the business model for managing the financial asset is aimed at both collecting contractual cash flow and selling the financial asset, the Company classifies the financial asset as financial assets measured at fair value and whose changes are included in other comprehensive income.

The Company recognizes interest income for such financial assets using the effective interest rate method. Except for interest income, impairment losses, and exchange differences recognized in current profits and losses, other fair value changes are recognized in other comprehensive income. At the derecognition of the financial asset, the accumulated profits and losses previously included in other comprehensive incomes are transferred and included in current profits and losses.

Notes receivable and accounts receivable measured at fair value with changes recognized in other comprehensive income are reported as receivable financing, while other such financial assets are reported as other debt investments. Other debt investments that mature within one year from the balance sheet date are reported as non-current assets that mature within one year, and other debt investments that originally mature within one year are reported as other current assets.

3) Designated as financial assets measured at fair value and whose changes are included in other comprehensive income

At initial recognition, the Company may irrevocably designate non-trading equity instrument investments as financial assets measured at fair value and whose changes are included in other comprehensive income based on individual financial assets.

The fair value changes of such financial assets are recognized in other comprehensive income and do not require provision for impairment. At the derecognition of the financial asset, the accumulated profits and losses previously included in other comprehensive incomes are transferred from there to the retained earnings. During the investment period of the equity instrument held by the Company, when the right to receive dividends has been established and the economic benefits related to dividends are likely to flow into the Company, and the amount of dividends can be reliably measured, dividend income is recognized and included in current profits and losses. The Company reports this type of financial asset under other equity instrument investment items.

If equity instrument investment meets one of the following conditions, it belongs to financial assets measured at fair value and whose changes are included in the current profits and losses: the main purpose of acquiring the financial asset is to sell it in the near future; at initial recognition, it is a part of the identifiable financial asset instrument portfolio under centralized management, and there is objective evidence to suggest the existence of short-term profit models in the near future; it belongs to derivative instruments (excluding derivative instruments that meet the definition of financial guarantee contracts and are designated as effective hedging instruments).

4) Classified as financial assets measured at fair value and whose changes are included in the current profits and losses

Financial assets that do not meet the criteria for classification as financial assets measured at fair value and whose changes are included in other comprehensive income, and are not designated as financial assets measured at fair value and whose changes are included in other comprehensive income, are classified as financial assets measured at fair value and whose changes are included in the current profits and losses.

Financial assets that are measured at fair value and whose changes are included in the current profits and losses of the Company will be subsequently measured at fair value; and the gains or losses resulting from changes in fair value, as well as dividends and interest income related to the financial assets, shall be included in current profits and losses.

The Company reports such financial assets as trading financial assets and other non-current financial assets based on their liquidity.

5) Designated as financial assets measured at fair value and whose changes are included in the current profits and losses

At initial recognition, in order to eliminate or significantly reduce accounting mismatches, the Company may irrevocably designate financial assets as financial assets measured at fair value and whose changes are included in the current profits and losses on an individual financial asset basis.

If a mixed contract contains one or more embedded derivative instruments, and its main contract does not belong to the above financial assets, the Company may designate it as a financial instrument measured at fair value with its changes included in current profits and losses. Except for the following situations:

- ① Embedded derivative instruments will not cause significant changes to the cash flow of the mixed contract.
- ② When determining for the first time whether a similar mixed contract needs to be spun off, it is almost impossible to determine whether the embedded derivative instruments included shall not be spun off without analysis. If embedded in the early repayment right of a loan, the holder is allowed to repay the loan in an amount close to the amortized cost, and this early repayment right does not need to be split.

Financial assets that are measured at fair value and whose changes are included in the current profits and losses of the Company will be subsequently measured at fair value; and the gains or losses resulting from changes in fair value, as well as dividends and interest income related to the financial assets, shall be included in current profits and losses.

The Company reports such financial assets as trading financial assets and other non-current financial assets based on their liquidity.

(2) Classification, recognition and measurement of financial liabilities

The Company classifies financial instruments or their components as financial liabilities or equity instruments at initial recognition based on the contract terms of the issued financial instruments and the economic substance reflected, rather than solely in legal form, combined with the definitions of financial liabilities and equity instruments. Financial liabilities are classified at initial recognition as financial liabilities measured at fair value and whose changes are included in the current profits and losses, other financial liabilities, and derivative instruments designated as effective hedging instruments.

Financial liabilities are measured at fair value at initial recognition. For the financial liabilities measured at fair value and whose changes are included in the current profits and losses, related transaction costs shall be directly included in current profits and losses. For other financial liabilities, related transaction costs shall be recorded into the initially recognized amount.

The subsequent measurement of financial liabilities depends on their classification:

- 1) Financial liabilities measured at fair value and whose changes are included in the current profits and losses

This type of financial liability includes trading financial liabilities (including derivative instruments belonging to financial liabilities) and financial liabilities measured at fair value and whose changes are included in the current profits and losses at initial recognition.

If one of the following conditions is met, it belongs to trading financial liabilities: the main purpose of assuming relevant financial liabilities is to sell or repurchase them in the near future; it belongs to part of an identifiable financial instrument portfolio under centralized management, with objective evidence indicating that the Company has recently adopted a short-term profit model; it belongs to derivative instruments, except for derivative instruments designated as effective hedging instruments and derivative instruments that comply with financial guarantee contracts. Trading financial liabilities (including derivatives that are financial liabilities) are subsequently measured at fair value. In addition to related to hedge accounting, changes in fair value are included in current profits and losses.

At initial recognition, in order to provide more relevant accounting information, the Company irrevocably designates financial liabilities that meet one of the following conditions as financial liabilities measured at fair value and whose changes are included in the current profits and losses:

- ① It is possible to eliminate or significantly reduce accounting mismatches.
- ② Management and performance evaluation are conducted for the financial liability portfolio or the portfolio of financial assets and financial liabilities based on fair value in accordance with the enterprise risk management or investment strategy specified in the official written documents, and report to the key management personnel on this basis inside the enterprise.

The Company adopts fair value for subsequent measurement of such financial liabilities. Except for fair value changes caused by changes in the Company's own credit risk, which are included in other comprehensive income, other fair value changes are included in current profits and losses. Unless fair value changes caused by changes in the Company's own credit risk are included in other

comprehensive income, which would cause or expand accounting mismatches in profit or loss, the company will include all fair value changes (including the amount affected by changes in its own credit risk) in current profits and losses.

1) Other financial liabilities

Except for the following items, the Company classifies financial liabilities as financial liabilities measured at amortized costs, and adopts the effective interest rate method for subsequent measurement at amortized cost. Gains or losses arising from derecognition or amortization are included in current profits and losses.

① Financial liabilities measured at fair value and whose changes are included in the current profits and losses.

② The transfer of financial assets does not meet the conditions for derecognition or continues to involve financial liabilities formed by the transferred financial assets.

③ Financial guarantee contracts that do not fall under the first two categories of this article, as well as loan commitments for loans at interest rates lower than the market rate that do not fall under the first category of this article.

A financial guarantee contract refers to a contract in which the issuer is required to pay a specific amount to the contract holder who has suffered losses when the specific debtor is unable to pay its debts at maturity in accordance with the terms of the original or revised debt instrument. Financial guarantee contracts that do not belong to financial liabilities measured at fair value and whose changes are included in the current profits and losses shall be measured at the higher of the loss provision amount or the initial recognition amount minus the accumulated amortization amount during the guarantee period after initial recognition.

(3) Derecognition of financial assets and financial liabilities

1) If a financial asset meets one of the following conditions, it shall be derecognized and written off from its account and balance sheet:

① The contractual rights for collecting the cash flow of the financial asset are terminated;

② The financial asset has been transferred and the transfer meets the requirements for derecognition of financial assets.

If the current obligation of a financial liability (or part of it) has been discharged, the recognition of the financial liability (or part of it) shall be terminated.

If the Company signs an agreement with the lender to replace the original financial liability by assuming a new financial liability, and the contract terms of the new financial liability are substantially different from those of the original financial liability, or if there are substantial modifications to the contract terms of the original financial liability (or a part of it), the recognition of the original financial liability shall be terminated, and a new financial liability shall be recognized. The difference between the book value and the consideration paid (including non cash assets transferred out or liabilities assumed) shall be included in current profits and losses.

If the Company repurchases a portion of its financial liabilities, the overall book value of the financial liability shall be allocated based on the proportion of the fair value of the continuously recognized part and the derecognized part on the repurchase date to the overall fair value. The difference between the book value distributed to the derecognized part and the consideration paid (including non-cash assets transferred out or liabilities undertaken) shall be included in current profits and losses.

(4) The recognition basis and measuring method for transfer of financial assets

When the Company transfers financial assets, it evaluates the degree of risk and reward in retaining ownership of the financial assets, and treats them separately in the following situations:

1) If almost all risks and rewards related to the ownership of financial assets have been transferred, the recognition of the financial asset shall be terminated, and the rights and obligations arising or retained during the transfer shall be separately recognized as assets or liabilities.

2) If almost all risks and rewards related to ownership of financial assets are retained, the recognition of the financial asset will continue.

3) If there is neither transfer nor retention of almost all risks and rewards related to the ownership of financial assets (i.e. other situations except for (1) and (2) of this article), the following situations shall be treated based on whether the control over the financial assets has been retained:

① If control over the financial asset is not retained, the recognition of the financial asset shall be terminated, and the rights and obligations arising or retained in the transfer shall be separately recognized as assets or liabilities.

② If control over the financial asset is retained, the relevant financial asset shall be recognized based on its continued involvement in the transferred financial asset, and corresponding liabilities shall be recognized. The degree of continued involvement in the transferred financial assets refers to the degree to which the Company bears the risk or reward of changes in the value of the transferred financial assets.

The principle of "substance over form" shall be adopted in judging whether the transfer of financial assets meets the above-mentioned conditions for derecognition. The Company divides the transfer of financial assets into entire transfer and partial transfer.

1) If the entire transfer satisfies the derecognition condition, the difference between the following amount shall be included in current profits and losses:

① The book value of the transferred financial asset on the date of derecognition.

② The sum of the consideration received for the transfer of financial assets and the amount corresponding to the derecognized part of the cumulative fair value changes originally recognized in other comprehensive income (the financial assets involved in the transfer are financial assets measured at fair value and whose changes are included in other comprehensive income).

2) If a financial asset is partially transferred and the transferred part as a whole meets the conditions for derecognition, the book value of the entire financial asset before the transfer shall be apportioned between the derecognized part and the continuously recognized part (in which case, the retained service asset shall be considered as part of the continuously recognized financial asset) according to their respective relative fair values on the transfer date, and the difference between the following two amounts shall be included in current profits and losses:

① The book value of the derecognized part on the date of derecognition.

② The sum of the consideration received from the derecognized part and the amount corresponding to the derecognized part of the cumulative fair value changes originally recognized in other comprehensive income (the financial assets involved in the transfer are financial assets measured at fair value and whose changes are included in other comprehensive income).

If the financial assets transferred does not meet the conditions of derecognition, the financial assets shall continue to be recognized and the consideration received shall be recognized as a financial liability.

(5) Determination methods for fair value of financial assets and financial liabilities

The fair value of financial assets or liabilities with an active market shall be determined based on the quoted price in the active market, unless there is a restricted share trade period for the asset itself. For financial assets subject to restrictions on the sale of the asset itself, the compensation amount requested by market participants for bearing the risk of not being able to sell the financial asset in the open market within a specified period shall be determined based on the quoted price in the active market. Active market quotes include quotes that are easily and regularly obtained from exchanges, traders, brokers, industry groups, pricing agencies, or regulatory agencies for relevant assets or liabilities, and can represent actual and frequent market transactions on an arm's length basis.

The fair value of initially acquired or derived financial assets or assumed financial liabilities is determined based on market transaction prices.

For a financial asset or financial liability without active market, its fair value shall be recognized by adopting the estimation technique. During estimation, the Company adopts the estimation technique that is currently applicable and is supported by sufficient available data and other information, and selects the input value with characteristics consistent with the assets or liabilities considered by market participants in relevant transactions of assets or liabilities. The related observable input value is preferred. The non-observable input value can be used only when it is impossible or not feasible to obtain relevant observable input value.

(6) Impairment of financial instruments

The Company conducts impairment accounting and recognizes loss provisions based on expected credit losses for financial assets measured at the amortized cost, financial assets measured at fair value and whose changes are included in other comprehensive income, lease receivables, contract assets, loan commitments other than financial liabilities measured at fair value and whose changes are included in the current profits and losses, financial liabilities other than financial liabilities measured at fair value and whose changes

are included in the current profits and losses, as well as financial guarantee contracts formed by financial asset transfers that do not meet the derecognition conditions or continue to be involved in transferred financial assets.

Expected credit losses refer to the weighted average value of credit losses of financial instruments weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received by the Company at the original effective interest rate, that is, the present value of all cash shortages. Among them, the financial assets that have been credit-depreciated by the Company or purchased by the Company shall be discounted according to the effective interest rate adjusted by the financial assets.

The Company measures loss provisions for all contract assets and accounts receivable formed by transactions regulated by revenue standards at an amount equivalent to the expected credit loss over the whole duration.

For financial assets purchased or originated by the Company that have suffered credit impairment, only the cumulative changes in expected credit losses during the whole duration after initial recognition are recognized as loss reserves on the balance sheet date. On each balance sheet date, the change amount of expected credit loss during the whole duration shall be included in the current profits and losses as impairment losses or gains. Even if the expected credit loss determined on the balance sheet date for the whole duration is less than the amount of the expected credit loss reflected in the estimated cash flow at the time of initial recognition, the favorable change in the expected credit loss is recognized as impairment gains.

For other financial assets other than those that have been measured using simplified measurement methods and those that have been purchased or incurred credit impairment, the Company assesses on each balance sheet date whether the credit risk of the relevant financial instruments has significantly increased since initial recognition, and measures the loss provision and recognizes expected credit losses, and their changes according to the following circumstances:

1) If the credit risk of the financial instrument has not significantly increased since initial recognition and is in the first stage, the loss provision shall be measured at an amount equivalent to the expected credit loss of the financial instrument in the next 12 months, and interest income shall be calculated based on the book balance and actual interest rate.

2) If the credit risk of the financial instrument has significantly increased since initial recognition but has not yet experienced credit impairment, and it is in the second stage, the loss provision shall be measured at an amount equivalent to the expected credit loss of the financial instrument throughout its duration, and interest income shall be calculated based on the book balance and actual interest rate.

3) If the financial instrument has experienced credit impairment since initial recognition and is in the third stage, the Company measures its loss provision at an amount equivalent to the expected credit loss for the whole duration of the financial instrument, and calculates interest income at amortized cost and actual interest rate.

The increase or reversal of the provision for credit losses on financial instruments shall be included in current profits and losses as impairment losses or gains. Except for financial assets classified as financial assets measured at fair value and whose changes are included in other comprehensive income, the provision for credit losses is offset against the book balance of financial assets. For financial assets classified as financial assets measured at fair value and whose changes are included in other comprehensive income, the Company recognizes their provision for credit losses in other comprehensive income without reducing the book value of the financial asset on the balance sheet.

The Company has already measured the loss provision in the previous accounting period at an amount equivalent to the expected credit loss for the whole duration of the financial instrument. However, on the current balance sheet date, if the financial instrument is no longer subject to a significant increase in credit risk since initial recognition, the Company measures the loss provision in the financial instrument at an amount equivalent to the expected credit loss for the next 12 months on the current balance sheet date. The reversal amount of the resulting provision for losses is included in current profits and losses as impairment gains.

1) Significant increase in credit risk

The Company utilizes available and reasonable forward-looking information to determine whether the credit risk of financial instruments has significantly increased since initial recognition by comparing the risk of default on the balance sheet date with the risk of default on the initial recognition date. For financial guarantee contracts, when applying impairment provisions for financial

instruments, the date on which the Company becomes the party making an irrevocable commitment shall be regarded as the initial recognition date.

When evaluating whether credit risk has significantly increased, the Company will consider the following factors:

- ① Whether there has been a significant change in the actual or expected operating results of the debtor;
- ② Whether there have been significant adverse changes in the regulatory, economic, or technological environment in which the debtor is located;
- ③ Whether there has been a significant change in the value of collateral as collateral for debt collateral or the quality of collateral or credit enhancement provided by third parties, which is expected to reduce the economic motivation of the debtor to repay within the period stipulated in the contract or affect the probability of default;
- ④ Whether there have been significant changes in the debtor's expected performance and repayment behavior;
- ⑤ Whether there have been changes in the Company's credit management methods for financial instruments.

On the balance sheet date, if the Company determines that the financial instrument only has a lower credit risk, the Company assumes that the credit risk of the financial instrument has not significantly increased since initial recognition. Where the Company determines that the default risk of financial instruments is low, the borrower has a strong ability to fulfill its contractual cash flow obligations in a short term, and the borrower's ability to fulfill its contractual cash flow obligations will not be necessarily reduced even if there are adverse changes in the economic situation and operating environment for a long period of time, the financial instrument can be regarded as having low credit risk.

2) Financial assets that have experienced credit impairment

When one or more events that the expected future cash flow of a financial asset has an adverse impact occur, the financial asset becomes a financial asset with credit impairment. Evidence of credit impairment of financial assets includes the following observable information:

- ① Significant financial difficulties of the issuer or the debtor;
- ② The debtor violates the contract, such as default or overdue payment of interest or principal;
- ③ The creditor grants concessions that the debtor would not otherwise make for economic or contractual reasons related to the debtor's financial difficulties;
- ④ The debtor is likely to go bankrupt or undergo other financial restructuring;
- ⑤ The financial difficulties of the issuer or the debtor lead to the disappearance of the active market of the financial asset;
- ⑥ A financial asset is purchased or originated at a substantial discount that reflects the fact that a credit loss has occurred.

The credit impairment of financial assets may be caused by the joint action of multiple events, not necessarily by individually identifiable events.

3) Determination of expected credit losses

The Company evaluates the expected credit losses of financial instruments based on individual and combination evaluations. When evaluating expected credit losses, the Company considers reasonable and evidence-based information about past events, current conditions, and future economic forecasts.

The Company divides financial instruments into different portfolios based on common credit risk characteristics. The common credit risk characteristics adopted by the Company include: financial instrument type, credit risk rating, aging portfolio, overdue aging portfolio, contract settlement period, debtor's industry, etc. The individual evaluation criteria and combined credit risk characteristics of relevant financial instruments are detailed in the accounting policies of relevant financial instruments.

The Company determines the expected credit losses of related financial instruments using the following methods:

- ① For financial assets, credit loss is the present value of the difference between the contractual cash flows that the Company should receive and the expected cash flows to receive.
- ② For lease receivables, credit loss is the present value of the difference between the contractual cash flows that the Company should receive and the expected cash flows to receive.

③ For financial guarantee contracts, credit loss is the present value of the difference between the expected payment amount that the Company will make to the contract holder for the credit loss incurred and the expected amount that the Company will collect from the contract holder, debtor, or any other party.

④ For financial assets that have experienced credit impairment on the balance sheet date but whose credit impairment has not occurred upon purchase or origination, credit loss is the difference between the book balance of the financial asset and the present value of estimated future cash flows discounted at the original effective interest rate.

The factors reflected in the Company's method of measuring expected credit losses of financial instruments include: the unbiased probability weighted average amount determined by evaluating a range of possible outcomes; the time value of money; reasonable and evidence-based information about past events, current conditions, and future economic forecasts that can be obtained without unnecessary additional costs or efforts on the balance sheet date.

4) Write down financial assets

Where the Company does not reasonably expect that the contract cash flow of financial assets can be recovered in whole or in part, it shall directly write down the book balance of financial assets. This write down constitutes the derecognition of related financial assets.

(7) Offset of financial assets and financial liabilities

Financial assets and financial liabilities are listed separately in the balance sheet and do not offset each other. However, if the following conditions are met at the same time, the net amount after mutual offset shall be listed in the balance sheet:

- 1) The Company has the legal right to offset the recognized amount, and this legal right is currently enforceable;
- 2) The Company plans to settle at a net amount, or realize the financial assets and settle the financial liabilities at the same time.

12. Notes receivable

The recognition method and accounting treatment method for the expected credit loss of the Company's notes receivable are detailed in Note V 11.6. Impairment of financial instruments.

For notes receivable with significantly different credit risks compared to portfolio credit risks, the Company provides expected credit losses on a single basis. The Company separately determines the credit loss of notes receivable that provide sufficient evidence to evaluate expected credit losses at a reasonable cost at the individual instrument level.

When there is insufficient evidence to evaluate expected credit losses at a reasonable cost at the individual tool level, the Company divides notes receivable into several portfolios based on credit risk characteristics with reference to historical credit loss experience, combining current conditions with judgments of future economic conditions, and calculates expected credit losses on the basis of the portfolio. Basis for determining portfolio:

Portfolio Name	Basis for determining portfolio	Accrual method
Banker's acceptance portfolio	The acceptor has a high credit rating, has not defaulted on bills in history, has extremely low credit loss risk, and has a strong ability to fulfill its cash flow obligations under payment contracts in the short term	With reference to historical credit loss experience, combined with the current situation and the prediction of future economic conditions, the Company shall measure the bad debt reserve
Commercial acceptance bill portfolio	According to the credit rating of the acceptor	With reference to historical credit loss experience, combined with the current situation and the forecast of future economic conditions, the Company shall prepare a comparison table between the aging of notes receivable and the expected credit loss rate to calculate the expected credit loss.

The comparison table between the aging of commercial acceptance bills and the expected credit loss rate is as follows:

Aging	Expected credit loss rate of notes receivable (%)
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Within 1 year	5.00
1-2 years	10.00
2-3 years	30.00
Over 3 years	100.00

The aging of notes receivable is calculated using the first in, first out method (FIFO).

13. Accounts receivable

The recognition method and accounting treatment method for the expected credit loss of the Company's accounts receivable are detailed in Note V 11.6. Impairment of financial instruments.

The Company separately determines the credit loss of accounts receivable that provide sufficient evidence to evaluate expected credit losses at a reasonable cost at the individual instrument level.

When there is insufficient evidence to evaluate expected credit losses at a reasonable cost at the individual tool level, the Company divides accounts receivable into several portfolios based on credit risk characteristics with reference to historical credit loss experience, combining current conditions with judgments of future economic conditions, and calculates expected credit losses on the basis of the portfolio. Basis for determining portfolio:

Portfolio Name	Basis for determining portfolio	Accrual method
Related party portfolio	Accounts receivable from related parties within the scope of the Company's consolidated financial statements	Expected credit loss rate is calculated with reference to historical credit loss experience, combined with the current situation and the forecast of future economic conditions, through default risk exposure and the expected credit loss rate of the entire duration
Aging portfolio	Including accounts receivable other than the above portfolio	With reference to historical credit loss experience, combined with the current situation and the forecast of future economic conditions, the Company shall prepare a comparison table between the aging of accounts receivable and the expected credit loss rate to calculate the expected credit loss.

The comparison table between the aging of aging portfolios and the expected credit loss rate is as follows:

Aging	Expected credit loss rate of accounts receivable (%)
Within 1 year	5.00
1-2 years	10.00
2-3 years	30.00
Over 3 years	100.00

The aging of accounts receivable is calculated using the first in, first out method (FIFO).

14. Receivable financing

Notes receivable classified as measured at fair value with changes recognized in other comprehensive income, with a maturity period of one year (including one year) from the initial recognition date, are listed as receivable financing; if the maturity period is

more than one year from the initial recognition date, they shall be listed as other debt investments. The relevant accounting policies are detailed in Note V 11.

The recognition method and accounting treatment method for the expected credit loss of the Company's receivable financing receivable are detailed in Note V 11.6. Impairment of financial instruments.

15. Other receivables

Determination methods and accounting treatment methods of expected credit losses of other receivables

The recognition method and accounting treatment method for the expected credit loss of the Company's other receivables are detailed in Note V 11.6. Impairment of financial instruments.

For other receivables with significantly different credit risks compared to portfolio credit risks, the Company provides expected credit losses on a single basis. The Company separately determines the credit loss of other receivables that provide sufficient evidence to evaluate expected credit losses at a reasonable cost at the individual instrument level.

When there is insufficient evidence to evaluate expected credit losses at a reasonable cost at the individual tool level, the Company divides other receivables into several portfolios based on credit risk characteristics with reference to historical credit loss experience, combining current conditions with judgments of future economic conditions, and calculates expected credit losses on the basis of the portfolio. Basis for determining portfolio:

Portfolio Name	Basis for determining portfolio	Accrual method
Aging portfolio	This portfolio takes the aging of accounts receivable as the credit risk characteristics.	With reference to historical credit loss experience, combined with the current situation and the forecast of future economic conditions, the Company shall prepare a comparison table between the aging of other accounts receivable and the expected credit loss rate to calculate the expected credit loss.
Related party portfolio	This portfolio includes accounts receivable from subsidiaries and other related parties within the consolidation scope.	Expected credit loss rate is calculated with reference to historical credit loss experience, combined with the current situation and the forecast of future economic conditions, through default risk exposure and the expected credit loss rate within the following 12 months
Portfolio of deposits, security deposits, employee loans, etc.	This portfolio features deposits, security deposits and employee loans as credit risk characteristics.	Expected credit loss rate is calculated with reference to historical credit loss experience, combined with the current situation and the forecast of future economic conditions, through default risk exposure and the expected credit loss rate within the following 12 months

The comparison table between the aging of aging portfolios and the expected credit loss rate is as follows:

Aging	Expected credit loss rate of other receivables (%)
Within 1 year	5.00
1-2 years	10.00
2-3 years	30.00
Over 3 years	100.00

The aging of other receivables is calculated using the first in, first out method (FIFO).

16. Contract assets

The Company has transferred the right to receive the consideration for commodities to the customers, and such right depends on the factors other than the passage of time shall be recognized as the contract assets. The Company's unconditional (i.e., only depending on the time lapses) right to collect consideration from the customers shall be listed separately as receivables.

The recognition method and accounting treatment method for the expected credit loss of the Company's contract assets are detailed in Note V 11.6. Impairment of financial instruments.

The Company separately determines the credit loss of contract assets that provide sufficient evidence to evaluate expected credit losses at a reasonable cost at the individual instrument level.

When there is insufficient evidence to evaluate expected credit losses at a reasonable cost at the individual tool level, the Company divides contract assets into several portfolios based on credit risk characteristics with reference to historical credit loss experience, combining current conditions with judgments of future economic conditions, and calculates expected credit losses on the basis of the portfolio. Basis for determining portfolio:

Portfolio Name	Basis for determining portfolio	Accrual method
Related party portfolio	Accounts receivable from related parties within the scope of the Company's consolidated financial statements	With reference to historical credit loss experience, combined with the current situation and the forecast of future economic conditions, the Company shall calculate the expected credit loss
Aging portfolio	Including accounts receivable other than the above portfolio	Expected credit loss rate is calculated with reference to historical credit loss experience, combined with the current situation and the forecast of future economic conditions, through default risk exposure and the expected credit loss rate of the entire duration

17. Inventories

(1) Inventories category, valuation method for issuing inventories, inventories taking system, amortization method for low value consumables and packaging materials

1) Inventories category

Inventories refer to finished products or commodities held by the Company for sale in daily activities, products in process of production, and materials consumed in the process of production or provision of labor services. Mainly including raw materials, products in process, goods in stock, goods in transit, consigned processing materials, contract performance costs, etc.

2) Valuation method for issuing inventories

Inventories are initially measured at cost upon acquisition, including procurement costs, processing costs, and other costs. Inventories are valued using the weighted average method when issued.

3) Inventories taking system

Inventories taking system of the company is a perpetual inventories system.

4) Amortization method for low value consumables and packaging materials

- ① Low value consumables are amortized by the one-off write-off method;
- ② Packaging materials are amortized by the one-off write-off method;
- ③ Other turnover materials are amortized using the one-off write-off method.

(2) Recognition conditions and accrual method of inventories depreciation reserves

After conducting comprehensive inventories at the end of the period, the provision for inventories depreciation shall be withdrawn or adjusted based on the lower of the cost and net realizable value of the inventories. For goods inventories directly used for sale, such as finished products, goods in stock and materials for sale, during the normal production and operation process, the net realizable value shall be recognized by the estimated selling expenses of the inventories minus the estimated selling and distribution expenses and related taxes; for material inventories to be processed, during the normal production and operation process, the net realizable value shall be recognized by the estimated selling price of the finished products produced minus the estimated costs to be incurred upon completion, estimated selling and distribution expenses and relevant taxes. The net realizable value of the inventories held for execution of the sales contract or service contract is calculated on the basis of the contract price; if the quantity of inventories held is more than the quantity ordered in the sales contract, net realizable value for the excess of the inventories is calculated based on the general sales price.

At the end of the period, the inventories falling price reserves are accrued according to individual inventory items; however, for the inventories with large quantity and low unit price, the inventories falling price reserves shall be accrued according to the inventories category; and for inventories that are related to product series produced and sold in the same region, have the same or similar end use or purpose, and are difficult to be measured separately from other items, the inventories falling price reserves shall be accrued on a consolidated basis.

18. Held-for-sale assets

(1) Recognition standards for classifying as held-for-sale assets

The Company will recognize non-current assets or disposal groups that meet the following conditions as held-for-sale components:

(1) In accordance with the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under current conditions;

(2) The sale is highly likely to occur, as the Company has already made a resolution on a sale plan, obtained approval of regulatory authorities, and obtained a confirmed purchase commitment. It is expected that the sale will be completed within one year.

The determined purchase commitment refers to the legally binding purchase agreement signed between the Company and other parties, which contains important clauses such as transaction price, time and sufficiently severe penalty for breach of contract, so that the possibility of major adjustment or cancellation of the agreement is extremely small.

(2) Accounting method for held-for-sale assets

The Company does not provide depreciation or amortization for non-current assets or disposal groups held for sale. If the book value is higher than the net amount of fair value minus selling expenses, the book value shall be written down to the net amount of fair value minus selling expenses. The written down amount is recognized as losses from impairment of assets and included in current profits and losses. At the same time, a provision for impairment of held-for-sale assets is made.

For non-current assets or disposal groups that are classified as held for sale on the acquisition date, the initial measurement amount and the net amount of fair value (assuming that they are not classified as held for sale) minus selling expenses shall be compared, and the lower amount shall be measured at the initial measurement.

The above principles apply to all non-current assets, but do not include Investment real estate measured using the fair value model for subsequent measurement, biological assets measured using the net amount of fair value minus selling expenses, assets formed by employee compensation, deferred income tax assets, financial assets regulated by accounting standards related to financial instruments, and rights arising from insurance contracts regulated by accounting standards related to insurance contracts.

19. Debt investment

The recognition method and accounting treatment method for the expected credit loss of the Company's debt investment are detailed in Note V 11.6. Impairment of financial instruments.

20. Other debt investments

The determination method and accounting treatment method for the expected credit loss of other debt investments by the company are detailed in Note 5, 11.6. Impairment of financial instruments.

21. Long-term receivables

The recognition method and accounting treatment method for the expected credit loss of the Company's long-term receivables are detailed in Note V 11.6. Impairment of financial instruments.

22. Long-term equity investment

(1) Recognition of initial investment cost

1) The specific accounting policies for long-term equity investments formed by business mergers are detailed in Note V 6. Accounting treatment methods of business merger under the common control and merger under different control.

2) Long-term equity investments obtained through other means

For long-term equity investment acquired by cash payment, the actual purchase price shall be regarded as the initial investment cost. The initial investment cost includes expenses, taxes and other necessary expenses directly related to the acquisition of long-term equity investment.

For the long-term equity investment obtained by issuing equity securities, the fair value of the issued equity securities shall be taken as the initial investment cost. The transaction costs incurred when issuing or acquiring equity instruments can be directly attributed to equity transactions and deducted from equity.

On the premise that the non-monetary asset exchange has commercial substance and the fair value of the assets received or exchanged can be reliably measured, the initial investment cost of the long-term equity investment received from the non-monetary asset exchange is determined based on the fair value of the exchanged assets, unless there is conclusive evidence that the fair value of the exchanged assets is more reliable; for non-monetary asset exchanges that do not meet the above conditions, the book value of the exchanged assets and the relevant taxes and fees payable shall be used as the initial investment cost for the long-term equity investment received.

The initial investment cost of long-term equity investments obtained through debt restructuring is determined based on fair value.

(2) Subsequent measurement and profit and loss recognition

1) Cost method

The long-term equity investments that the Company is able to control over the investee are accounted for using the cost method and are valued at the initial investment cost. The cost of long-term equity investments is adjusted by adding or recovering investments.

Except the declared but not released cash dividends or profits which are included in actual amount or consideration paid for acquiring investments, the profit distribution or cash dividends declared by the investees are recognized as the current investment income by the Company.

2) Equity method

The Company adopts the equity method to account for long-term equity investments in associates and joint ventures; for equity investments in associates indirectly held through venture capital institutions, mutual funds, trust companies, or similar entities including investment linked insurance funds, fair value measurement is adopted and changes are included in profits and losses.

If the cost of initial investment of long-term equity investment exceeds the difference of the identifiable fair value of net assets of the investee shareable at investment, cost of initial investment of long-term equity investment shall not be adjusted; if the cost of initial investment of long-term equity investment is less than identifiable fair value of net assets of the investee shareable at investment, the difference is included in current profits and losses when it is incurred.

After the Company obtains the long-term equity investment, the investment income and other comprehensive income shall be recognized respectively according to the share of net profit and loss and other comprehensive income realized by the investee that should be enjoyed or shared, and the book value of the long-term equity investment shall be adjusted; the Company shall calculate the attributable part according to the profits or cash dividends declared to be distributed by the investee, and reduce the book value of long-term equity investment accordingly; the Company shall adjust the book value of long-term equity investment and include it in the owner's equity for other changes in the owner's equity of the investee other than net profits and losses, other comprehensive income and profit distribution.

In recognition of the share of the net profit or loss of the investee entity by the Company, the net profit of the investee shall be adjusted and confirmed on the basis of the fair value of the identifiable assets of the investee entity when the investment is made. The unrealized profits or losses arising from the intra-company transactions amongst the Company and its associates and joint ventures are eliminated in proportion to the Company's equity interest in the associates and joint ventures, and then based on which the investment profits and losses are recognized.

When the Company confirms that it shall share the losses incurred by the investee, it shall handle them in the following order: firstly, offset the book value of long-term equity investments. Secondly, if the book value of long-term equity investments is not sufficient to offset, investment losses shall be recognized to the extent of other long-term equity book values that essentially constitute net investments in the investee, and the book value of long-term accounts receivable shall be offset. Finally, after the above processing, if the enterprise still bears additional obligations as stipulated in the investment contract or agreement, the expected liabilities shall be recognized based on the expected obligations and included in the current investment loss.

If the investee realizes profits in the future period, the Company shall handle it in the opposite order after deducting the unrecognized loss sharing, write down the book balance of the recognized expected liabilities, restore the book value of other long-term equity and long-term equity investments that essentially constitute the net investment in the investee, and then restore the recognition of investment income.

(3) Conversion of accounting methods for long-term equity investments

1) Fair value measurement to equity method accounting

For equity investments held by the Company that do not have control, joint control, or significant impact over the investee and are accounted for according to the financial instrument recognition and measurement standards, if they can exert significant impact or implement joint control over the investee but do not constitute control due to additional investment or other reasons, the fair value of the original equity investment determined in accordance with "Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments" plus the additional investment cost shall be used as the initial investment cost accounted for using the equity method.

For the difference between the initial investment cost calculated using the equity method and the fair value share of the identifiable net assets of the investee on the date of the additional investment, calculated based on the new shareholding ratio after the additional investment, the book value of the long-term equity investment shall be adjusted and included in the current non-operating income.

2) Fair value measurement or equity method accounting to cost method accounting

For equity investments held by the Company that do not have control, joint control, or significant impact on the investee and are accounted for according to financial instrument recognition and measurement standards, or for long-term equity investments held by the Company in associates or joint ventures that can exert control over the investee under different control due to additional investments or other reasons, when preparing individual financial statements, the initial investment cost calculated using the cost method is the sum of the book value of the original equity investment held and the additional investment cost.

The other comprehensive income recognized by the equity investment held on the date of acquisition due to the equity method is used for accounting treatment on the same basis as the direct disposal of related assets or liabilities by the investee when the asset is disposed of.

If the equity investments held before the date of acquisition are accounted for in accordance with the relevant provisions of the "Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments", the cumulative fair value

changes originally recognized in other comprehensive income are transferred to the current profits and losses when the cost method is used for accounting.

3) Equity method accounting to fair value measurement

Where the joint control or significant impact on the investee is lost due to the disposal of part of the equity investment or other reasons, and the remaining equity after disposal shall be accounted for in accordance with the "Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments", the difference between the fair value and the book value of the remaining equity on the date of loss of joint control or significant impact is included in current profits and losses.

The other comprehensive income recognized by the original equity investment due to the equity method is used for accounting treatment on the same basis as the direct disposal of related assets or liabilities by the investee when the equity method is terminated.

4) Cost method to equity method

When the Company loses control over the investee due to partial disposal of equity investment and the residual equity after disposal can implement joint control over or significant impact on the investee at the time of preparing individual financial statements, the equity method is adopted, and the residual equity is adjusted deeming to have been accounted for with the equity method since its acquisition.

5) Cost method to fair value measurement

If the Company loses control over the investee due to the disposal of some equity investments or other reasons, and the remaining equity after disposal cannot exercise joint control or have a significant impact on the investee in the preparation of individual financial statements, the accounting treatment shall be carried out in accordance with the relevant provisions of the "Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments". The difference between the fair value and the book value on the date of loss of control shall be included in current profits and losses.

(4) Disposal of long-term equity investments

When disposing of long-term equity investment, the balance between the book value and actual price for acquisition shall be included in current profits and losses. For long-term equity investments accounted for using the equity method, when disposing of the investment, the accounting treatment for the portion originally recognized in other comprehensive income shall be carried out on the same basis as the direct disposal of relevant assets or liabilities by the investee in a corresponding proportion.

The terms, conditions, and economic impact of various transactions related to the disposal of equity investments in subsidiaries in one or more of the following circumstances usually indicate that multiple transactions shall be accounted for as a package deal:

- 1) These transactions were entered into simultaneously or taking into account mutual influence;
- 2) These transactions as a whole can achieve a complete business result;
- 3) The occurrence of a transaction depends on the occurrence of at least one other transaction;
- 4) A transaction alone is not economical, but it is economic when considered with other transactions.

If the control over the original subsidiary is lost due to the disposal of some equity investments or other reasons, which is not a package deal, relevant accounting treatment shall be distinguished between individual financial statements and consolidated financial statements:

1) In individual financial statements, the difference between the book value of the disposed equity and the actual acquisition price is included in current profits and losses. If the remaining equity after disposal can exercise joint control or have a significant impact on the investee, it shall be accounted for using the equity method, and the remaining equity shall be adjusted as if it was accounted for using the equity method at the time of acquisition; if the remaining equity after disposal cannot exercise joint control or have a significant impact on the investee in the preparation of individual financial statements, the accounting treatment shall be carried out in accordance with the relevant provisions of the "Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments". The difference between the fair value and the book value on the date of loss of control shall be included in current profits and losses.

2) In the consolidated financial statements, for all transactions before the loss of control over the subsidiary, the difference between the disposal price and the corresponding share of net assets of the subsidiary calculated continuously from the date of

acquisition or combination date for the disposal of long-term equity investments, the capital reserve (share premium) shall be adjusted. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted; when losing control over a subsidiary, the remaining equity shall be remeasured at its fair value on the date of loss of control. The difference between the sum of the consideration obtained from the disposal of equity and the fair value of the remaining equity minus the share of the net assets of the original subsidiary continuously calculated from the date of acquisition calculated according to the original shareholding ratio shall be included in the investment income of the current period when the control right is lost, and the goodwill shall be offset. Other comprehensive income related to equity investments in the original subsidiary shall be converted into current investment income when control is lost.

If all transactions related to the disposal of equity investments in subsidiaries until the loss of control belong to a package deal, each transaction shall be treated as a transaction related to the disposal of equity investments in subsidiaries and the loss of control, and relevant accounting treatment shall be distinguished between individual financial statements and consolidated financial statements:

1) In individual financial statements, the difference between the disposal price and the book value of the long-term equity investment corresponding to the disposed equity before the loss of control is recognized as other comprehensive income and transferred to the current profits and losses when the control is lost.

2) In the consolidated financial statements, the difference between the disposal price and the net asset share of the subsidiary corresponding to the disposal investment before the loss of control is recognized as other comprehensive income, and is transferred to the current profits and losses when the control is lost.

(5) Judgment standard for common control and significant impact

If the Company collectively controls a certain arrangement with other participants in accordance with relevant agreements, and any activity decision that has a significant impact on the return of the arrangement requires the unanimous consent of the participants who share control, it shall be deemed that the Company and other participants jointly control a certain arrangement, which is a joint venture arrangement.

When a joint venture arrangement is reached through a separate entity, and it is determined based on relevant agreements that the Company has rights to the net assets of the separate entity, the separate entity shall be treated as a joint venture and accounted for using the equity method. If it is determined according to relevant agreements that the Company does not have the right to the net assets of the separate entity, the separate entity shall be considered as an entity in joint operation, and the Company shall recognize the items related to the share of joint operation interests and conduct accounting treatment in accordance with the relevant Accounting Standards for Enterprises.

Significant impact means that the investor has the power to participate in the decision-making of the financial and operating policies of the investee, but is not able to control or jointly control the formulation of these policies with other parties. After considering all facts and circumstances, the Company determines that it has a significant impact on the investee through one or more of the following circumstances: (1) Having representatives on the Board of Directors or similar authorities of the investee; (2) Participating in the process of formulating financial and operational policies for the investee; (3) Significant transactions occur with the investee; (4) Dispatching management personnel to the investee; (5) Providing key technical information to the investee.

23. Investment real estate

Measurement model of investment real estate

Cost method measurement

Depreciation or amortization method

The investment real estate refers to the properties held for earning rentals or capital appreciation or both, including the land use right which has already been leased out, land use right which is held for transfer after its appreciation and buildings which have already been leased out. Moreover, idle buildings owned by the Company ready for operating lease, with the written announcement from the Board of Directors, that it has an explicit intention to hold the buildings for operating lease and such intention will not change in short-term, are disclosed as investment real estate as well.

The investment real estate of the Company is used as the entry value at its cost, and the cost of purchasing investment real estate includes the purchase price, relevant taxes, and other expenses directly attributable to the asset; the cost of self constructing investment real estate is composed of the necessary expenses incurred before the construction of the asset reaches its expected conditions for use.

The impairment test method and impairment provision method for investment real estate are detailed in Note V 28. Long-term assets impairment.

When investment real estate is converted for self-use, such real estate shall be converted into fixed assets or intangible assets since the date of conversion. When properties for self-use are converted for earning rents or capital appreciation, the fixed assets or intangible assets shall be converted into investment real estate since the date of conversion. When conversion occurs, the book value prior to conversion shall be the entry value after conversion.

When an investment real estate is disposed of, or permanently withdrawn from use and is not expected to obtain economic benefits from its disposal, the recognition of the investment real estate shall be terminated. The amount of proceeds on sale, transfer, retirement or damage of any investment real estate net of the book value of the investment real estate and the relevant taxes shall be included in current profits and losses.

24. Fixed assets

(1) Recognition conditions

Fixed assets mean the tangible assets held for producing commodities, providing services, renting or operating management, with a service life in excess of one accounting year. Fixed assets shall be recognized when the following the conditions are met simultaneously:

- 1) Economic benefits associated with such fixed assets are likely to flow into the Company;
- 2) Cost of such fixed assets can be measured reliably.

(2) Depreciation methods

Category	Depreciation method	Depreciation period	Residual value rate	Annual depreciation rate
Houses and buildings	Straight-line method	20-50 years	5%	1.90%-4.75%
Machinery equipment	Straight-line method	5-10 years	5%	9.50%-19.00%
Electronic equipment and others	Straight-line method	3-5 years	5%	19.00%-31.67%
Transportation vehicles	Straight-line method	4 years	5%	23.75%

25. Construction in progress

The construction in progress projects constructed by the Company are priced at actual cost, which is composed of necessary expenses incurred before the construction of the asset reaches its expected conditions for use, including the cost of engineering materials, labor costs, relevant taxes and fees paid, capitalized borrowing costs, and indirect expenses to be shared.

All expenses incurred before the asset reaches its expected conditions for use in construction in progress projects shall be recognized as the entry value of fixed assets. If the construction in progress has reached the expected conditions for use but has not yet completed the final settlement, from the date of reaching the expected conditions for use, the estimated value shall be transferred to fixed assets based on the project budget, cost, or actual project cost, and the depreciation of fixed assets shall be calculated according to the Company's fixed asset depreciation policy. After completing the final settlement, the original estimated value shall be adjusted according to the actual cost, but the depreciation amount already calculated shall not be adjusted.

The impairment test method and impairment provision method for construction in progress are detailed in Note V 28. Long-term assets impairment.

26. Borrowing costs

(1) Recognition principles for capitalization of borrowing costs

Borrowing costs of the Company which can be classified directly as expenses for the acquisition, construction or production activities for preparing an asset eligible for capitalization, shall be capitalized and booked into cost of capital; other borrowing costs shall be defined upon occurred as expenses on the basis of the amount and included in current profits and losses.

The assets meeting the capitalization conditions refer to the fixed assets, investment properties and inventories that need a substantially long period for acquisition, construction or production to be ready for their intended use or sale.

The borrowing costs shall be capitalized when all of the following conditions are satisfied:

- 1) Expenditures on an asset have been incurred, and expenditures on the asset comprise payments in cash, transfer of non-cash assets or assumption of debts with interest for acquisition and construction or production of the asset qualifying for capitalization;
- 2) The borrowing costs have already been incurred;
- 3) Acquisition, construction or production activities necessary to bring the asset to reach expected conditions for use or sale are in progress.

(2) Period of capitalization of borrowing costs

Period of capitalization refers to the period from the beginning time point of capitalization to the end time point of capitalization. The suspension period of capitalization of borrowing costs shall be excluded.

When the acquisition, construction or production of assets that meet the capitalization conditions is ready for its intended use or sale, the capitalization of borrowing costs will cease.

When a portion of the assets that meet the capitalization conditions are completed and can be used separately, the capitalization of the borrowing costs for that portion of the assets shall cease.

If each part of the purchased or produced asset is completed separately, but can only be used or sold to the outside world after the overall completion, the capitalization of borrowing costs shall be stopped when the entire asset is completed.

(3) Suspension period of capitalization

Where the acquisition, construction or production of eligible assets is interrupted abnormally and the interruption period lasts for more than 3 months, capitalization of the borrowing costs shall be suspended; if the interruption is a necessary step for making the eligible assets under acquisition, construction or production reach the expected conditions for use or marketing, the capitalization of the borrowing costs shall be continued. The borrowing costs incurred during the period of cease will be determined as current profit and loss, and the borrowing costs will continue to be capitalized after the acquisition, construction or production activities of the assets are resumed.

(4) Calculation methods for capitalized amount of borrowing costs

The interest expenses of special loans (excluding interest income obtained from unused loan funds deposited in banks or investment income obtained from temporary investments) and their auxiliary expenses shall be capitalized before the purchased or produced assets that meet the capitalization conditions reach their expected conditions for use or sale.

The amount of capitalization of the interest amount shall be determined by multiplying the weighted average of difference between accumulative assets expenditure and assets expenditure of specially borrowed loans by the capitalization rate of general borrowings. The capitalization rate is calculated and determined based on the weighted average interest rate of general borrowings.

If there is a discount or premium on the loan, the amount of discount or premium to be amortized for each accounting period shall be determined using the effective interest rate method, and the interest amount for each period shall be adjusted.

27. Intangible assets

(1) Useful life and its determination basis, estimated situation, amortization method or review procedure

Intangible assets are identifiable non-monetary assets without physical substance owned or controlled by the Company, including land use rights, software, others, etc.

1) Initial measurement of intangible assets

Costs of purchased intangible assets include purchase price, related taxes as well as other expenditures directly attributable to making such assets ready for intended use. Where the payment of the acquisition price for intangible assets is delayed beyond the normal credit terms, for those with financing nature, the cost of intangible assets is determined at the present value of the acquisition price.

For intangible assets from debt restructuring used by the debtor to offset debts, its entry value is determined based on the fair value of the intangible asset. The difference between the book value of the restructured debt and the fair value of the intangible asset used to offset debts is included in current profits and losses.

On the premise that the non-monetary asset exchange has commercial substance and the fair value of the assets received or exchanged can be reliably measured, the entry value of the intangible asset received from the non-monetary asset exchange is determined based on the fair value of the exchanged assets, unless there is conclusive evidence that the fair value of the exchanged assets is more reliable; for non-monetary asset exchanges that do not meet the above conditions, the book value of the exchanged assets and the relevant taxes and fees payable shall be used as the cost for the intangible asset received, and no profit or loss shall be recognized.

The entry value of intangible assets obtained by absorption and merger of enterprises under the same control shall be determined according to the book value of the combined party; the entry value of intangible assets obtained by absorption and merger of enterprises not under the same control shall be determined at fair value.

The costs of intangible assets developed internally include: materials, service costs and registration fees consumed in the development of the intangible assets, amortization of other patents and franchise used in the development process, interest costs that meet the capitalization conditions, as well as other direct costs incurred before the achievement of intended use of intangible asset.

2) Subsequent measurement of intangible assets

The Company analyzes and determines the useful life of intangible assets when acquiring them, and divides them into intangible assets with limited or uncertain useful lives.

1. Intangible assets with limited useful life

For intangible assets with limited useful lives, they are amortized using the straight-line method within the period of bringing economic benefits to the enterprise. The estimated life and basis for intangible assets with limited useful life are as follows:

Item	Estimated Useful Lives	Basis
Software	2-10 years	Benefit period
Land use rights	From obtaining the land use right to the termination date of the land use right	Benefit period

At the end of the period, the useful life and amortization method of intangible assets with limited useful life shall be reviewed, and adjustments shall be made if necessary.

2. Tangible assets with unclear useful life

If it is impossible to foresee the period within which intangible assets will bring economic benefits to the enterprise, it shall be regarded as an intangible asset with an uncertain useful life. At the end of the period, the useful life of intangible assets with uncertain service life shall be reviewed. If there is evidence that the period of intangible assets bringing economic benefits to the enterprise is foreseeable, the useful life shall be estimated and amortized according to the amortization policy of intangible assets with limited useful life.

The impairment test method and impairment provision method for intangible assets are detailed in Note V 28. Long-term assets impairment.

(2) The scope of R&D expenditure collection and related accounting treatment methods

1) Specific standards for dividing the research stage and development stage of the company's internal research and development projects

Research stage: the stage of original planned investigation and research activities to acquire and understand new scientific or technical knowledge.

Development stage: the stage where research results or other knowledge are applied to a plan or design to produce new or substantially improved materials, devices, products and other activities before commercial production or use.

Expenditures of internal research and development projects during research stage are included in current profits and losses upon occurrence.

2) Expenditures at the development stage meet the specific standards for capitalization

Expenses incurred during the development phase of internal research and development projects are recognized as intangible assets when the following conditions are met:

- ① Complete such intangible asset to make it usable or salable with technical feasibility;
- ② Intention of completing such intangible asset for use or sale;
- ③ Method for intangible assets to produce economic benefits, including the ability to prove that the products from such intangible assets exist in the market or that the intangible assets themselves exist in the market, and the ability to prove the serviceability of the intangible asset if used internally;
- ④ There is sufficient support from technical, financial resources and other resources, to complete development of such intangible assets, and the ability of using or selling such intangible assets;
- ⑤ The expenditures attributable to development stage of such intangible assets shall be measured reliably.

Expenditures in the development stage that do not meet the above conditions shall be included in the current profits and losses when incurred. If expenditure in research stage and expenditure in development stage fail to be divided, generated research expenditure shall be concluded in current profits and losses when they are incurred. The cost of intangible assets formed by internal development activities only includes the total expenditure incurred from the time when the capitalization conditions are met until the intangible assets reach their intended use. Expenditures for the same intangible asset that have been expensed and included in profit or loss before reaching the capitalization conditions during the development process will not be adjusted.

28. Long-term assets impairment

The Company inspects long-term equity investments, fixed assets, construction in progress, intangible assets with determined useful lives, and any signs of potential impairment on each balance sheet date. If there are signs of impairment in long-term assets, the Company shall estimate their recoverable amount based on individual assets; if it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group shall be determined based on the asset group to which the asset belongs.

The estimate of the recoverable amount of an asset is determined based on the higher of its fair value minus disposal expenses and the present value of the expected future cash flows of the asset.

The measurement results of the recoverable amount indicate that if the recoverable amount of an asset is lower than its book value, the book value of the long-term asset shall be written down to the recoverable amount. The written down amount is recognized as a loss from impairment of assets and included in current profits and losses. At the same time, a corresponding asset impairment provision shall be made. Once the losses from impairment of assets are recognized, they shall not be reversed in subsequent accounting periods.

After the loss from impairment of assets is recognized, the depreciation or amortization expenses of the impaired assets shall be adjusted accordingly in the future, so that the adjusted book value of the assets can be systematically amortized within the remaining useful life of the assets (deducting the expected net residual value).

Intangible assets with uncertain goodwill and useful life formed by business mergers shall undergo impairment test annually, regardless of whether there are signs of impairment.

During the impairment test of the goodwill, the book value of the goodwill is divided to the asset group or portfolio of asset groups that are expected to benefit from the business merger synergies. When conducting impairment tests on the related asset portfolio or portfolio of asset groups that contain(s) goodwill, if there are indications of impairment, test the asset groups or groups of asset groups that do(es) not contain goodwill firstly and calculate the recoverable amount, and compare it with the related book value to confirm the corresponding impairment loss. Then conduct an impairment test on the asset group or asset group portfolio containing goodwill, and compare the book value (including the book value of the apportioned goodwill) of these relevant asset groups or asset group portfolios with their recoverable amount. If the recoverable amount of the relevant asset group or asset group portfolios is lower than its book value, the impairment loss of goodwill shall be recognized.

29. Long-term unamortized expenses

Long-term deferred expenses refer to all expenses which have occurred and shall be amortized by the Company in more than one year in the current period and subsequent period. Long-term deferred expenses are amortized over the benefit period using the straight-line method.

30. Contract liabilities

The Company recognizes the obligation to transfer goods to customers for consideration received or receivable as contract liabilities.

31. Employee compensation

(1) Accounting treatment methods for short-term compensation

Short-term remuneration refers to the remuneration of employees that the Company needs to pay in full within 12 months after the end of the annual reporting period for employees to provide relevant services, except for post employment benefits and termination benefits. During the accounting period when employees provide services, the Company recognizes the short-term remuneration payable as liabilities, and includes it in the relevant asset costs and expenses according to the beneficiary of the services provided by employees.

(2) Accounting treatment method for post employment benefits

Post employment benefits refer to various forms of remuneration and benefits provided by the Company after the retirement of employees or the termination of labor relations with the enterprise in order to obtain the services provided by employees, except short-term remuneration and dismissal welfare.

The post employment welfare plan of the Company includes a defined contribution plan and a defined benefit plan.

The defined contribution plan for the post employment benefit mainly involves participating in social basic pension insurance, unemployment insurance, etc. organized and implemented by labor and social security institutions in various regions; during the accounting period when employees provide services to the Company, the amount of deposit payable calculated according to the defined contribution plan will be recognized as a liability and included in current profits and losses or related asset costs.

After the Company regularly pays the above-mentioned funds in accordance with national standards, it has no further payment obligations.

(3) Accounting treatment method for dismissal benefits

The dismissal welfare refers to the compensation given by the Company to terminate the labor relationship with employees before the expiration of their labor contracts, or propose compensation to encourage employees to voluntarily accept layoffs. When the Company cannot unilaterally withdraw the termination plan or layoff proposal, or when the Company recognizes the costs and expenses related to the restructuring involving the payment of dismissal welfare, whichever is earlier, the liabilities arising from the compensation for the termination of the labor relationship with employees are recognized and included in current profits and losses.

32. Estimated liabilities

(1) Recognition standards for estimated liabilities

When the obligation related to product quality assurance contingency is a current obligation undertaken by the Company, and the fulfillment of this obligation is likely to result in the outflow of economic benefits, and the amount of this obligation can be reliably measured, it is recognized as an estimated liability.

(2) Measurement method for estimated liabilities

Estimated liabilities of the Company shall be measured initially pursuant to the optimal estimate of expenditure required to perform relevant current obligations.

When determining the optimal estimate, the Company shall comprehensively consider such factors as relevant risks and uncertainties related to contingencies and the time value of currency. If there is significant effect on time value of money, the best estimate is determined by discounting the relevant future cash outflow.

The best estimate is handled in the following situations:

If there is a continuous range (or interval) of required expenses and the likelihood of various outcomes occurring within that range is the same, the best estimate is determined based on the average of the upper and lower limits of the range.

If there is no continuous range (or interval) of required expenses, or although there is a continuous range, the likelihood of various outcomes occurring within that range is different, in the event that there is a contingency involving a single item, the best estimate shall be determined based on the amount most likely to occur; if the contingency involves multiple items, the best estimate shall be determined based on various possible outcomes and related probabilities.

If all or part of the expenditures to pay off estimated liabilities by the Company are expected to be compensated by third parties, once it is basically certain that compensation amount can be received, that amount can be recognized as asset individually but will not exceed book value of estimated liabilities.

33. Share-based payments

(1) Types of share-based payments

The share-based payment of the Company is divided into equity settled share-based payment and cash settled share-based payment.

(2) Method for determining the fair value of equity instruments

For equity instruments such as options granted in an active market, their fair value is determined based on the quoted price in the active market. For equity instruments such as options granted without an active market, the fair value is determined using option pricing

models, etc. The selected option pricing model considers the following factors: 1) The exercise price of the option; 2) The validity period of the option; 3) The current price of the underlying shares; 4) The expected volatility of stock price; 5) The expected dividend of the shares; 6) The risk-free interest rate during the validity period of the option.

When determining the fair value of equity instruments on the grant date, the Company shall consider the impact of market conditions and non-vesting conditions specified in the share-based payment agreement. If there are non-vesting conditions for share-based payment, as long as the employee or other party meets all non-market conditions (such as service period, etc.) of the vesting conditions, it is confirmed that the corresponding cost of the service has been received.

(3) Basis for confirming the best estimate of exercisable equity instruments

On each balance sheet date during the waiting period, the best estimate is made based on the latest changes in the number of eligible employees and subsequent information, and the estimated number of eligible equity instruments is revised. On the vesting date, the final estimated number of exercisable equity instruments is consistent with the actual number of exercisable equity instruments.

(4) Accounting treatment method

1) Accounting treatment for equity settlement and cash settlement of share-based payments

The share-based payment settled by equity shall be measured at the fair value of the equity instruments granted to employees. If the right is exercisable immediately after the grant, it shall be included in the relevant costs or expenses according to the fair value of the equity instruments on the grant date, and the capital reserve shall be increased accordingly. If the right can be exercised only after completing the services within the waiting period or meeting the prescribed performance conditions, on each balance sheet date within the waiting period, the services obtained in the current period shall be included in the relevant costs or expenses and capital reserves on the basis of the best estimate of the number of equity instruments exercisable and according to the fair value on the grant date of equity instruments. After the exercisable date, the recognized relevant costs or expenses and the total amount of owner's equity will not be adjusted.

Cash-settled share-based payment will be measured according to the fair value of liabilities borne by the Company which is calculated and recognized based on shares or other equity instruments. If the right is exercisable immediately after the grant, the fair value of the Company's liabilities shall be included in the relevant costs or expenses on the date of grant, and the liabilities shall be increased accordingly. For cash settled share-based payment that can be exercised only after completing the services in the waiting period or meeting the prescribed performance conditions, on each balance sheet date in the waiting period, based on the best estimate of the exercisable rights, the services obtained in the current period shall be included in the cost or expense and the corresponding liabilities according to the fair value amount of the Company's liabilities. On each balance sheet date and settlement date before the settlement of relevant liabilities, the fair value of liabilities shall be re-measured, and the changes shall be included in the current profits and losses.

2) Accounting treatment for modification of terms and conditions of share-based payment

For adverse modifications, the Company considers that the change has never occurred and continues to account for the services obtained.

For favorable modifications, the Company shall handle them in accordance with the following provisions: if the modification increases the fair value of the equity instruments granted, the enterprise shall recognize the increase in services obtained accordingly based on the increase in fair value of the equity instruments. If the modification occurs during the waiting period, the fair value of the services obtained between the confirmation of the modification date and the modified vesting date shall include both the service amount determined based on the fair value of the original equity instrument on the grant date during the remaining original waiting period and the increase in the fair value of the equity instrument. If the modification occurs after the vesting date, the increase in the fair value of the equity instrument shall be immediately recognized. If the share-based payment agreement requires employees to only obtain the modified equity instrument after completing a longer period of service, the enterprise shall recognize the increase in the fair value of the equity instrument throughout the waiting period.

If the modification increases the number of equity instruments granted, the enterprise will recognize the fair value of the increased equity instruments as an increase in the acquisition of services. If the modification occurs during the waiting period, the fair value of

the services obtained between the confirmation of the modification date and the vesting date of the added equity instruments shall include both the service amount determined based on the fair value of the original equity instrument on the grant date during the remaining original waiting period and the increase in the fair value of the equity instrument.

If the enterprise modifies its vesting conditions in a way that benefits its employees, such as shortening the waiting period, and changing or canceling performance conditions (rather than market conditions), the Company shall consider the modified vesting conditions when dealing with them.

3) Accounting treatment for cancellation of share-based payment

If the equity instruments granted are canceled within the waiting period, the Company shall regard cancellation of the equity instruments granted as acceleration of exercising the rights. The amount which shall be recognized within the remaining waiting period shall be included in current profits and losses immediately, and the capital reserve shall be recognized simultaneously. If employees or other parties are able to choose to meet non-vesting conditions but fail to do so during the waiting period, the Company will treat them as cancellation of equity instruments granted.

34. Revenue

Accounting policies adopted for disclosing revenue recognition and measurement according to business types

The Company's revenue mainly comes from selling goods.

(1) General principles for revenue recognition

The Company has fulfilled its contractual obligations by recognizing revenue based on the transaction price allocated to the performance obligation when the customer obtains control of the relevant goods or services. Performance obligation refers to the commitment made by the Company in the contract to transfer goods or services that can be clearly distinguished to customers. Obtaining the control power over the relevant goods means being able to dominate the use of such goods and obtain almost all economic benefits from them.

The Company evaluates the contract from the commencement date, identifies the individual performance obligations included in the contract, and determines whether each individual performance obligation is to be performed within a certain period of time or at a certain point in time. If one of the following conditions is met, it belongs to the performance obligation fulfilled within a certain period of time, and the Company recognizes revenue within a certain period of time according to the performance progress: 1) The customer obtains the contract at the same time as the Company fulfills the contract. Consuming the economic benefits of the Company's performance; 2) Customers can control the goods under construction in the process of performance of the Company; 3) The goods produced in the process of performance by the Company have irreplaceable uses, and the Company has the right to collect payments for the accumulated performance so far during the whole contract period. Otherwise, the Company recognizes the revenue when the consumer obtains the control power over relevant goods or services.

For performance obligations performed within a certain period of time, the Company adopts the input method to determine the appropriate progress of performance based on the nature of goods and services. The input method is to determine the progress of performance based on the investment made by the Company to fulfill its obligations. If the performance progress cannot be reasonably determined 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 determined.

(2) Specific methods of revenue recognition

1) The principle for recognizing domestic offline sales revenue of products: If the Company sells its products to engineering contractors, dealers, and end customers, and the contract is signed without installation, the Company will send the goods to the customer or the customer will pick them up at their doorstep according to the delivery method agreed in the sales contract. The customer receives the goods and accepts them as qualified. The revenue is recognized when the Company obtains the customer's receipt certificate.

2) The principle for recognizing revenue from overseas offline sales of products: For domestic companies that directly export and sell products, FOB terms are adopted. For those that declare and export through sea and air freight, the export customs declaration

procedures are completed, the customs declaration form is obtained, and the revenue is recognized when obtaining the bill of lading. For customs declaration and export through express delivery, revenue shall be recognized based on the date of the customs declaration. If the overseas subsidiary sells overseas, the goods shall be delivered to the customer or picked up at the customer's doorstep according to the agreed delivery method with the customer. Revenue shall be recognized when the customer receives the goods and the acceptance is qualified.

3) The principle for recognizing sales revenue through online self operation mode of products: In self operation mode, the Company mainly sells products directly to consumers through domestic e-commerce platforms (Tmall, Taobao, JD, PDD, Suning) and overseas e-commerce platforms (Amazon, Lazada, Shopee). The Company confirms online self operated business revenue when sending out goods, either directly confirmed by consumers or automatically confirmed by the system's default delivery time and meeting the return period terms.

4) Principle for recognizing sales revenue of system integration: The sales of company system integration products include providing customers with supporting products, installation, debugging, and system trial operation, and other supporting services. After passing the acceptance inspection, sales revenue is recognized.

5) Software sales revenue recognition principle: The software is directly provided to the buyer and requires a dedicated software authorization code to be used. After the software authorization code is provided to the buyer, the realization of software sales revenue is recognized. If the company contract stipulates that the software needs to be installed, debugged, or inspected, the software sales revenue will be recognized after the installation, debugging, or inspection are completed and an acceptance report is obtained.

(3) Principles for income processing of specific transactions

1) A contract with quality assurance clauses attached

The Company shall assess whether the quality assurance provides a separate service beyond ensuring that the products sold meet established standards to customers. If the Company provides additional services, it shall be treated as a single performance obligation and subject to accounting treatment in accordance with the income standards; otherwise, the quality assurance responsibility shall be accounted for in accordance with the accounting standards for contingencies.

2) Main responsible persons and agents

The Company determines whether it the main responsible person or agent when engaging in transactions based on whether it has control over the goods or services before transferring them to customers. If the Company is able to control the goods or services before transferring them to customers, it is the main responsible person and recognizes revenue based on the total amount of consideration received or receivable; otherwise, the Company acts as an agent and recognizes revenue based on the expected amount of commission or handling fees entitled to receive. This amount is determined by deducting the total amount of consideration received or receivable from the amount payable to other relevant parties.

35. Contract cost

(1) Contract performance cost

If the cost incurred by the Company in performing the contract does not fall within the scope of other Accounting Standards for Enterprises (except revenue standards), it shall be recognized as an asset as contract performance cost when the following conditions are met simultaneously:

- 1) The cost is directly related to a current or expected contract, including direct labor, direct materials, manufacturing expenses (or similar expenses), costs clearly borne by the customer and other costs incurred solely as a result of the contract;
- 2) This cost increases the resources that the enterprise will use to fulfill its performance obligations in the future;
- 3) The cost is expected to be recovered.

The asset is reported in inventories or other non-current assets based on whether its initial recognition amortization period has exceeded a normal operating cycle.

(2) Contract acquisition cost

If the incremental cost incurred by the Company for acquiring the contract is expected to be recovered, it shall be recognized as an asset as the contract acquisition cost. Incremental cost refers to the cost (such as sales commission) that will not be incurred if the company does not obtain the contract. For amortization periods not exceeding one year, they are included in current profits and losses when incurred.

(3) Amortization of contract costs

The assets related to contract costs mentioned above are recognized on the same basis as the revenue from goods or services related to the asset, and are amortized at the time of performance or according to the progress of performance, and are included in current profits and losses.

(4) Impairment of contract costs

If the book value of the assets related to contract costs mentioned above is higher than the difference between the expected remaining consideration for the transfer of goods related to the asset and the estimated cost to be incurred for the transfer of the related goods of the Company, the excess shall be subjected to provision for impairment and recognized as losses from impairment of assets.

After the provision for impairment has been made, if the factors causing impairment in the previous period change, resulting in a difference between the above two items higher than the book value of the asset, the original provision for impairment of the asset shall be reversed and included in current profits and losses. However, the reversed book value of the asset shall not exceed the book value of the asset on the reversal date assuming no provision for impairment.

36. Government subsidies

(1) Type

Government subsidies refer to monetary and non-monetary assets acquired by the Company from the government for free. According to the subsidy target specified in the government documents, government subsidies are divided into government subsidies related to assets and government subsidies related to income.

For government subsidies that are not clearly defined in government documents, the Company divides them into government subsidies related to assets or government subsidies related to income based on the actual subsidy targets. The relevant judgment basis is explained in Note VII 35. Deferred income/48. Other income.

Asset-related governmental subsidies refer to the governmental subsidies that are obtained by the Company and used for constructing long-term assets, or forming the long-term assets in other ways. The government subsidies related to income refer to other government subsidies other than those related to assets.

(2) Recognition of government subsidies

If there is evidence at the end of the period that the Company can meet the relevant conditions stipulated in the financial support policy and is expected to receive financial support funds, government subsidies shall be recognized based on the receivable amount. In addition, government subsidies are recognized upon actual receipt.

If a government subsidy is a monetary asset, it shall be measured at the amount received or receivable. If government subsidies are non-monetary assets, they shall be measured at fair value. If the fair value cannot be obtained reliably, it shall be measured at the nominal amount (RMB 1). Government subsidies measured at their nominal amounts are directly included in the current profits and losses.

(3) Accounting treatment method

Based on the essence of economic transactions, the Company determines whether a certain type of government subsidy business shall be accounted for using the gross price method or the net amount method. Normally, the Company only uses one method for similar government subsidy businesses, and consistently applies this method for that business.

Item	Accounting content
Government subsidy categories accounted for using the gross price method	Other government subsidies except for government interest subsidies

Government subsidy categories accounted for using the net amount method	Government interest subsidies
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Government subsidies related to assets shall be used to offset the book value of the related assets or recognized as deferred incomes. Government subsidies related to assets are recognized as deferred income and included in the profits and losses in stages within the useful life of the assets constructed or purchased in a reasonable and systematic way.

Government subsidies related to income used to compensate related costs or losses in later periods shall be recognized as deferred income, and included in current profits and losses or to write off related costs during the period of recognition of related costs or losses. Relevant costs or losses incurred for compensation shall be directly included in current profits and losses or to write off related costs.

The government subsidies related to the enterprise's daily activities shall be included in other income or offset against relevant costs; and the government subsidies unrelated to the enterprise's daily activities shall be included in non-operating income and expenditure.

Government subsidies related to policy preferential loan interest subsidies are received to offset related borrowing costs; if a policy preferential interest rate loan provided by the lending bank is obtained, the actual received loan amount shall be used as the entry value of the loan, and the relevant borrowing costs shall be calculated based on the loan principal and the policy preferential interest rate.

When confirmed government subsidies need to be returned, if the book value of the relevant assets is offset at the initial recognition, the book value of the assets shall be adjusted; if there is a balance of related deferred income, it shall be offset against the book balance of related deferred income, and the excess shall be included in current profits and losses; if there is no relevant deferred income, it shall be directly included in current profits and losses.

37. Deferred income tax assets/deferred income tax liabilities

Deferred income tax assets and deferred income tax liabilities are calculated and recognized based on the differences (temporary differences) between the tax bases of assets and liabilities and their book values. On the balance sheet date, the deferred income tax assets and deferred income tax liabilities shall be measured according to the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be paid off.

(1) Basis for recognizing deferred income tax assets

The Company recognizes deferred income tax assets arising from deductible temporary differences to the extent that it is likely to obtain taxable income that can be used to offset deductible temporary differences, deductible losses that can be carried forward to future years, and tax deductions. However, deferred income tax assets arising from the initial recognition of assets or liabilities in transactions with the following characteristics are not recognized: (1) The transaction is not a business merger; (2) At the time of transaction, neither accounting profit nor taxable income (or deductible loss) will be affected.

For deductible temporary differences related to the investments of associates, the corresponding deferred income tax assets are recognized if the following conditions are met: the temporary differences are likely to be reversed in the foreseeable future, and the taxable income amount used to offset the deductible temporary differences is likely to be obtained in the future.

(2) Basis for recognizing deferred income tax liabilities

The Company recognizes temporary differences in taxable income between the current and previous periods as deferred income tax liabilities. But it does not include:

- 1) Temporary differences formed by the initial recognition of goodwill;
- 2) Transactions or events that are not formed by business mergers and do not affect accounting profits or temporary differences in taxable income (or deductible losses) at the time of their occurrence;
- 3) The temporary taxable difference related to the subsidiaries and associates, whose time of the reverse can be controlled and which is unlikely to be reversed in the excepted future.

(3) When the following conditions are met simultaneously, the deferred income tax assets and deferred income tax liabilities shall be presented as the net amount after offsetting

1) The enterprise has the legal right to carry out the net settlement for the current tax assets and current tax liabilities;

2) Deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same tax collection and management department on the same taxpayer or different taxpayers. However, in each future period in which significant deferred income tax assets and deferred income tax liabilities are reversed, the involved taxpayers intend to settle current income tax assets and current income tax liabilities at net amount or acquire assets and settle liabilities at the same time.

38. Leasing

(1) Accounting treatment method for leasing as a lessee

On the commencement date of the lease term, except for short-term leases and low value asset leases that apply simplified processing, the Company recognizes right-of-use assets and lease liabilities for leases.

1) Short-term leases and low-value asset leases

Short-term leases are leases with a lease term of 12 months or less, excluding the purchase option. Low value asset lease refers to the lease with lower value when the single leased asset is a brand-new asset.

The Company does not recognize the right-of-use assets and lease liabilities for the following short-term leases and low-value asset leases, and the relevant lease payments are included in the relevant asset costs or current profits and losses according to the straight-line method in each period of the lease term.

The Company recognizes right-of-use assets and lease liabilities for short-term leases and low value asset leases other than those mentioned above.

2) Accounting policies for right-of-use assets

The Company initially measures the right-of-use assets at cost, which includes:

① The initial measurement amount of lease liabilities;

② For the lease payment paid on or before the commencement date of the lease term, if there is lease incentive, the relevant amount of lease incentive enjoyed shall be deducted;

③ Initial direct expenses incurred by the Company;

④ The costs expected to be incurred by the Company to dismantle and remove the leased assets, restore the site where the leased assets are located or restore the leased assets to the state agreed in the lease terms, but excluding the costs incurred for the production of inventories.

After the commencement date of the lease term, the Company adopts a cost model for subsequent measurement of the right-of-use asset.

If the lessee can be reasonably determined that the ownership of the leased asset can be obtained when the lease term expires, depreciation shall be accrued by the Company during the remaining useful life of the leased asset. If it cannot be reasonably determined that the ownership of the leased asset can be obtained when the lease term expires, depreciation shall be accrued by the Company during the shorter period of the lease term and the remaining useful life of the leased asset. For right-of-use assets with provision for impairment, depreciation shall be calculated in future periods based on the book value after deducting the impairment provision in accordance with the above principles.

The Company determines whether the right-of-use assets have been impaired and accounts for any identified impairment losses according to the "Accounting Standards for Enterprises No. 8 - Asset Impairment". Please refer to Note (XXVIII) Long-term assets impairment for details.

3) Accounting policies for lease liabilities

Lease liabilities are initially measured by the Company according to the present value of the unpaid lease payments on the commencement date of the lease term. In calculating the present value of the lease payment, the Company adopts the embedded interest rate of the lease as the discount rate; if the embedded interest rate of the lease cannot be determined, the incremental borrowing rate of the Company shall be used as the discount rate. Lease payments include:

- ① The fixed payment amount and substantial fixed payment amount after deducting the amount related to lease incentives;
- ② Variable lease payments depending on index or ratio;
- ③ When the Company reasonably determines that the option will be exercised, the lease payment amount includes the exercise price of the purchase option;
- ④ When the lease term reflects that the Company will exercise the right to terminate the lease, the lease payment amount includes the amount that needs to be paid to exercise the right to terminate the lease;
- ⑤ The amount expected to be paid according to the residual value of the guarantee provided by the Company.

The Company calculates the interest expenses of the lease liability in each period of the lease term according to the fixed discount rate and records it into the current profits and losses or the cost of relevant assets.

The amount of variable lease payments not included in the measurement of lease liabilities shall be included in current profits and losses or relevant asset costs when actually incurred.

(2) Accounting treatment method for leasing as a lessor

1) Classification of leases

On the lease commencement date, the Company divides the lease into financial lease and operating lease. The finance lease means almost all leases that substantially transfer all risks and rewards related to the ownership of a leased asset, the ownership of which may be finally transferred or may not be transferred. Operating leases refer to leases other than financial leases.

If a lease involves one or more of the following situations, the Company usually classifies it as a financing lease:

- ① At the expiration of the lease term, the ownership of the leased asset is transferred to the lessee;
- ② The lessee has the right to choose to purchase the leased asset; the established purchase price is expected to be much lower than the fair value of the leased asset when exercising the right of choice, and hence it can be reasonably determined that the Company will exercise this right of choice on the lease beginning date.
- ③ Even if the ownership of the asset is not transferred, the lease term accounts for the majority of the useful life of the leased asset.
- ④ On the lease commencement date, the present value of the lease proceeds is almost equivalent to the fair value of the leased asset.
- ⑤ The leased asset is of a special nature. Only the lessee can use the leased asset without major transformation.

If a lease shows one or more of the following signs, the Company may also classify it as a financing lease:

- ① If the lessee cancels the lease, the losses incurred by the lessor due to the cancellation of the lease shall be borne by the lessee.
- ② The gains or losses arising from fluctuations in the fair value of residual assets are attributable to the lessee.
- ③ The lessee has the ability to continue leasing at a rent significantly lower than the market level until the next period.

2) Accounting treatment of financial leasing

On the lease commencement date, the Company recognizes the finance lease receivables for the finance lease and terminates the recognition of the finance lease assets.

At the initial measurement of receivable financing lease payments, the sum of the unguaranteed residual value and the present value of lease payments not yet received on the commencement date of the lease term discounted at the implicit interest rate of the lease shall be used as the entry value of receivable financing lease payments. The lease receipt amount includes:

- ① The fixed payment amount and substantial fixed payment amount after deducting the amount related to lease incentives;
- ② Variable lease payments depending on index or ratio;
- ③ When it is reasonably determined that the lessee will exercise the purchase option, the lease receipt amount includes the exercise price of the purchase option;
- ④ When the lease term reflects that the lessee will exercise the right to terminate the lease, the lease receipt amount includes the amount that needs to be paid by the lessee to exercise the right to terminate the lease;

⑤ The residual value of the guarantee provided by the lessee, the party related to the lessee, and an independent third party with the ability to fulfill the guarantee obligation to the lessor.

The Company calculates and recognizes interest income for each period of the lease term based on a fixed lease interest rate. Variable lease payments that are not included in the net lease investment measurement are included in current profits and losses when actually incurred.

3) Accounting treatment of operating leases

The Company adopts the straight-line method or other systematic and reasonable methods to recognize the rental income from operating leases during each period of the lease term; the capitalization of initial direct expenses related to operating leases shall be amortized over the lease term on the same basis as the recognition of rental income, and shall be included in current profits and losses in installments; the variable lease payments related to operating leases that are not included in the lease income are included in current profits and losses when actually incurred.

39. Other important accounting policies and estimates

None

40. Changes of significant accounting policies and accounting estimates

(1) Significant accounting policy changes

☐ Applicable ☒ Not applicable

(2) Changes in significant accounting estimates

☐ Applicable ☒ Not applicable

(3) Implementation of new accounting standards adjustment for the first time starting from 2024. Relevant project information on financial statements at the beginning of the year

☐ Applicable ☒ Not applicable

41. Others

None

VI. Taxation

1. Main tax types and tax rates

Tax Type	Tax Basis	Tax rates
VAT	Selling goods or providing taxable services	13.00%、9.00%、6.00%、5.00%、3.00%, and applicable value-added tax rate for overseas subsidiaries in their registered location
Urban maintenance and construction tax	Paid turnover tax amount	7.00%、5.00%
Enterprise income tax	Taxable income	Please refer to the explanation of income tax disclosure for details.

Education surcharge	Paid turnover tax amount	3.00%
Local education surcharges	Paid turnover tax amount	2.00%
Property tax	Based on 70% of the original value of the property (or rental income) as the tax benchmark	1.20%、12.00%

Disclosure of information on taxpayers with different corporate income tax rates

Name of Taxpayer	Income tax rate
ZKTECO CO., LTD.	15.00%
Xiamen Zkteco Biometric Identification Technology Co., Ltd.	20.00%
Shenzhen ZKTeco Biometric Identification Technology Co., Ltd.	20.00%
ZK INVESTMENTS INC.	21.00%
ZK TECHNOLOGY LLC	Not applicable
ZKTeco Sales Co., Ltd.	25.00%
Hangzhou ZKTeco Hanlian E-commerce Co., Ltd.	20.00%
ZKCserv Technology Limited Co., Ltd.	20.00%
Dalian ZKTeo CO., Ltd.	20.00%
XIAMEN ZKTECO CO., LTD.	15.00%
ZKTeco Huayun (Xiamen) Integrated Circuit Co., Ltd.	20.00%
ZKTECO VIETNAM TECHNOLOGY COMPANY LIMITED	20.00%
ZKTECO (GUANGDONG) CO., LTD	15.00%
Xi'an ZKTeco Co., Ltd.	20.00%
ZKTECO CO., LIMITED	16.50%, 8.25%
ZKTECO TURKEY ELEKTRONIK SANAYI VE TICARET LIMITED SIRKETI.	25.00%
ZKTECO LATAM, S.A. DE C.V.	30.00%
ZK SOFTWARE DE MEXICO, S.A. DE C.V.	30.00%
ZKTECO COLOMBIA SAS	35.00%
ZKTECO (M) SDN. BHD.	24.00%
ZKTECO BIOMETRICS INDIA PRIVATE LIMITED	25.00%, 15.00%
ZKTECO EUROPE SL	25.00%
ZKTECO IRELAND LIMITED	12.50%
ZKTeco Deutschland GmbH	31.225%
ZKTECO ITALIA S.R.L.	27.90%
ZKTECO UK LTD	19.00%, 25.00%
ZKTECO PERU SOCIEDAD ANONIMA CERRADA	29.50%
ZKTECO THAI CO., LTD.	20.00%, 15.00%, 0.00%
ZKTeco Chile SpA	27.00%
SOLUCIONES INTEGRALES Y SISTEMAS SpA	27.00%
ZKTECO SECURITY L.L.C	0.00%
ZKTECO ARGENTINA S.A.	25.00%, 30.00%, 35.00%
Limited Liability Company "ZKTeco biometrics and security"	20.00%
ZKTECO Investment Inc.	21.00%
ZKTECO USA LLC	Not applicable
ARMATURA LLC.	Not applicable
Armatura Co., Ltd.	25.00%, 22.00%, 20.00%, 10.00%
RALVIE AI INC.	38.00%
ZKTeco Japan Co., Ltd.	23.20%
PT. ZKTECO BIOMETRICS INDONESIA	22.00%, 11.00%
ZK INVESTIMENTOS DO BRASIL LTDA.	25.00%
ZKTECO DO BRASIL S.A.	25.00%
ZKTeco Latam R&D S.A.	25.00%, 30.00%, 35.00%
NGTECO CO., LIMITED	16.50%, 8.25%
ZKTECO BIOMETRIC LIMITED	30.00%
ZKTECO PANAMA, S.A.	5.00%

ZK INTELLIGENT SOLUTIONS (PTY) LTD	27.00%
ZKTECO BIOMETRICS KENYA LIMITED	30.00%
ZKTECO ROMANIA S.R.L	16.00%
Hubei ZKTeco Co., Ltd.	20.00%
Wuhan ZKTeco Perception Technology Co., Ltd.	20.00%
ZKTECO SG INVESTMENT PTE. LTD.	4.25%, 8.50%, 17.00%
ZKTECO SINGAPORE PTE. LTD.	4.25%, 8.50%, 17.00%
ZKDIGIMAX PTE. LTD.	4.25%, 8.50%, 17.00%
ZKDIGIMAX PANAMA, S.A.	25.00%
Armatura Tech Co., Ltd.	20.00%, 15.00%, 0.00%
ZKDIGIMAX (PTY) LTD	27.00%
PT. ZKDIGIMAX EXCEL NOBLE	22.00%, 11.00%
ZKDIGIMAX CHINA CO., LTD.	20.00%
ZKDIGIMAX COLOMBIA SAS	35.00%
ZK TECHNOLOGY MOROCCO	30.00%
ZKTECO EGYPT LLC	22.50%
ZKTECO BUSINESS SOLUTIONS COMPANY	20.00%

2. Tax incentives

(1) Article 28 of the "Law of the People's Republic of China on Enterprise Income Tax" stipulates that high-tech enterprises that require key support from the state shall be subject to corporate income tax at a rate of 15%.

1) In December 2021, the Company obtained a high-tech enterprise certificate (No. GR202144002274), which is valid for three years.

2) In November 2022, XIAMEN ZKTECO CO., LTD. obtained a high-tech enterprise certificate (No. GR202235100737), which is valid for three years.

3) In December 2022, Zkteco (Guangdong) Co., Ltd. obtained a high-tech enterprise certificate (No. GR202244002616), which is valid for three years.

(2) According to the relevant provisions of the "Notice of the Ministry of Finance and the State Administration of Taxation on Value-added Tax Policies for Software Products" (CS [2011] No. 100) and the "Notice on Questions of Policies on Encouraging the Development of the Software and Integrated Circuit Industries" (CS [2000] No. 25), from January 1, 2011, for general taxpayers of value-added tax who sell software products developed and produced by themselves, after value-added tax is levied at the applicable tax rate, a policy of taxation and drawback has been implemented for the portion of its actual value-added tax burden exceeding 3.00%.

(3) According to the "Announcement on Further Supporting the Development of Micro and Small Enterprises and Individual Industrial and Commercial Households" (Announcement No. 12 of the State Administration of Taxation of the Ministry of Finance, 2023), from January 1, 2023 to December 31, 2027, small-scale value-added tax taxpayers, small and micro profit enterprises, and individual industrial and commercial households can reduce resource tax by half (excluding water resource tax), urban maintenance and construction tax, property tax, urban land use tax, stamp duty (excluding securities transaction stamp duty), farmland occupation tax, education surcharge, and local education surcharge. The policy of reducing the taxable income of small and micro profit enterprises by 25% and paying corporate income tax at a rate of 20.00% will continue to be implemented until December 31, 2027. This policy is applicable to Shenzhen ZKTeco Biometric Identification Technology Co., Ltd., Hangzhou ZKTeco Hanlian E-commerce Co., Ltd., Xi'an ZKTeco Co., Ltd., Hubei ZKTeco Co., Ltd., and Wuhan ZKTeco Perception Technology Co., Ltd., and Dalian ZKTeo CO., Ltd., Xiamen Zkteco Biometric Identification Technology Co., Ltd., ZKCserv Technology Limited Co., Ltd., ZKTeco Huayun (Xiamen) Integrated Circuit Co., Ltd., and ZKDIGIMAX CHINA CO., LTD.

3. Others

(1) LLC type companies are not required to pay corporate income tax, and the profits of LLC companies are summarized to C-corp type company shareholders or individual shareholders, and then shareholders pay income tax.

(2) If the accumulated taxable net income of ZKTECO ARGENTINA S.A. and ZKTeco Latam R&D S.A. exceeds 5 million pesos, they will be taxed at a tax rate of 25.00%; those between 5 million and 50 million pesos will be taxed at a tax rate of 30.00%; those exceeding 50 million pesos will be taxed at a tax rate of 35.00%.

(3) Coexistence of two types of corporate income tax of ZKTECO BIOMETRICS INDIA PRIVATE LIMITED: (1) Normal Tax corporate income tax rate is 25.00%; (2) MAT Tax: In 2024, the MAT Tax rate was 15.00%. When the Company's tax payable is less than 15.00% of its book profit, the minimum alternative tax is paid, calculated as 15.00% of its book profit; Normal Tax and MAT Tax, whichever is higher.

(4) The corporate income tax rate for ZKTeco Deutschland GmbH in 2024 is 31.225%.

(5) ZKTECO THAI CO., LTD. and Armatura Tech Co., Ltd. are small and medium-sized enterprises (SMEs) that meet the following two conditions: 1) As of the last day of the accounting cycle, the paid in capital shall not exceed THB 5 million; 2) The total annual revenue from selling goods or providing services shall not exceed THB 30 million. Applicable to tax rates of 20.00%, 15.00%, and 0.00%, specifically including: accounting profits below THB 300,000.00, with a tax rate of 0.00%; from THB 300,000.00 to THB 3,000,000.00, with a tax rate of 15.00%; above THB 3,000,000.00, with tax rate of 20.00%. If the above two conditions are not met, the tax rate is applicable at 20.00%.

(6) The corporate income tax rate of ZKTECO TURKEY ELEKTRONIK SANAYI VE TICARET LIMITED SIRKETI for the year 2024 was 25%.

(7) PT.ZKTECO BIOMETRICS INDONESIA and PT. ZKDIGIMAX EXCEL NOBLE apply the corporate income tax rate for the year 2024 as follows:

1) When the total sales revenue does not exceed IDR 4.8 billion, the applicable income tax rate is 11.00%;

2) When the total sales exceed IDR 4.8 billion and do not exceed IDR 50 billion, the taxable income of IDR 4.8 billion accounting for the proportion of total sales shall be calculated at a tax rate of 11.00%, and the taxable income of the part exceeding IDR 4.8 billion accounting for the proportion of total sales shall be calculated at a tax rate of 22.00%;

3) When the total sales exceed IDR 50 billion, the applicable income tax rate is 22.00%.

Armatura Co., Ltd. has an income tax rate of 10.00% for sales between KRW 0.00 to KRW 200 million; 20.00% for KRW 200 million to 20 billion; 22.00% for KRW 20-300 billion, and 25.00% for over KRW 300 billion.

(9) The applicable income tax rates for ZKTECO CO., LIMITED and NGTECO CO., LIMITED are 8.25% and 16.50% respectively; the tax rate is 8.25% for accounting profits of HKD 2 million, and the tax rate is 16.50% for those exceeding HKD 2 million.

(10) ZKTECO PANAMA, S.A. obtained the letter of authorization for the Colon Free Zone, Panama on August 30, 2021. In 2022, export income of enterprises within the zone was exempt from corporate income tax. From January to February 2022, the corporate income tax rate for sales revenue in Panama was 25.00%. On March 3, 2022, they obtained the SEM license, and from March 2022, the corporate income tax rate for sales revenue in Panama was 5.00%.

(11) The applicable income tax rates for ZKTECO SG INVESTMENT PTE. LTD., ZKTECO SINGAPORE PTE. LTD. and ZKDIGIMAX PTE.LTD in 2024 were 4.25%, 8.50%, and 17.00% respectively; the taxable income rate was 4.25% for those within SGD 10,000, 8.50% for those between SGD 10,000 and SGD 200,000, and 17.00% for the excess.

(12) The applicable corporate income tax rate for ZKTECO UK LTD in 2024 is as follows: Starting from April 2023, if the profit exceeds GBP 250,000, the income tax rate is 25.00%; if the profit is below GBP 50,000, 19.00% still applies; if the profit is between GBP 50,000 and GBP 250,000, 25.00% applies, and marginal relief is implemented.

(13) The applicable corporate income tax rate for RALVIE AI INC. in 2024 is as follows: The basic tax rate for federal income tax is 38.00%. After deducting the tax exemption items specified in Section 149 (1) (t) of the "Law of the People's Republic of China on Enterprise Income Tax", enterprises can enjoy a 10.00% federal tax credit for income obtained in various provinces (or territories)

of Canada, which is a preferential tax rate of 28.00%. However, for income sourced from outside Canada, the 10.00% credit policy is not applicable.

(14) For income exceeding JPY 8 million, the corporation tax rate (income tax) of ZKTeco Japan Co., Ltd. is 23.20%.

VII. Notes to Consolidated Financial Statements

1. Monetary funds

Unit: RMB

Item	Ending Balance	Beginning Balance
Cash on hand	1,289,301.50	1,401,947.05
Cash in bank	1,249,556,930.42	1,921,774,208.61
Other monetary funds	68,411,336.27	67,748,799.12
Total	1,319,257,568.19	1,990,924,954.78
Including: total amount deposited abroad	300,306,926.34	269,209,971.66

Other explanations:

Note 1: The funds deposited overseas mainly refer to the monetary funds of subsidiary companies ZK INVESTMENTS INC., ZKTECO CO., LIMITED, ZKTECO EUROPE SL, ZKTECO Investment Inc., ZK TECHNOLOGY LLC, ZKTECO SECURITY L.L.C and Armatura Tech Co., Ltd., as shown in the table below:

Item	Ending Balance	Beginning Balance
ZK INVESTMENTS INC.	75,740,081.75	50,836,806.93
ZKTECO CO., LIMITED	11,158,341.62	21,156,346.88
ZKTECO EUROPE SL	30,514,778.30	31,524,794.43
ZKTECO Investment Inc.	13,783,033.22	14,446,108.58
ZK TECHNOLOGY LLC	17,156,346.71	14,890,877.77
ZKTECO SECURITY L.L.C	31,388,959.00	30,848,104.48
Armatura Tech Co., Ltd.	46,539,091.19	22,185,840.84
Total amount of funds held overseas by other overseas subsidiaries	74,026,294.55	83,321,091.75
Total	300,306,926.34	269,209,971.66

Note 2: As of June 30, 2024, in the ending balance of bank deposits, the principal ending balance of the time deposit was RMB 276,154,370.28, and the unearned interest receivable amount was RMB 10,571,554.96, which does not belong to cash and cash equivalents. Please refer to "VII. Notes to Items in the Consolidated Financial Statements Note 58. Supplementary information of cash flow statement" for details.

Note 3: Details of restricted monetary capital are as follows:

Item	Ending Balance	Beginning Balance
Margin of bank acceptance draft	46,267,829.38	46,693,268.67
Frozen litigation funds	800,000.00	800,000.00
Funds in transit	18,993,724.85	7,461,401.81
Total	66,061,554.23	54,954,670.48

2. Trading financial assets

Unit: RMB

Item	Ending Balance	Beginning Balance
Financial assets measured at fair value and whose changes are included in the current profits and losses	545,824,974.27	80,980,203.63
Including:		
Financial products	545,824,974.27	80,887,585.81
Forward foreign exchange settlement and sales		92,617.82
Including:		
Total	545,824,974.27	80,980,203.63

Other explanations:

3. Accounts receivable

(1) Disclosure by aging

Unit: RMB

Aging	Closing book balance	Opening book balance
Within 1 year (including 1 year)	448,130,978.25	465,244,619.74
1-2 years	44,491,273.76	41,128,894.34
2-3 years	8,144,317.13	4,763,523.90
Over 3 years	4,475,790.63	3,103,189.24
3-4 years	1,879,889.66	1,424,766.06
4-5 years	1,171,758.66	377,084.95
Over 5 years	1,424,142.31	1,301,338.23
Total	505,242,359.77	514,240,227.22

(2) Disclosure by bad debt accrual method

Unit: RMB

Category	Ending Balance					Beginning Balance				
	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve		Book value
	Amount	Proportion	Amount	Accrual proportion		Amount	Proportion	Amount	Accrual proportion	
Accounts receivable with individual provision for bad debts	6,838,311.12	1.35%	5,822,311.08	85.14%	1,016,000.04	7,025,009.31	1.37%	6,009,009.31	85.54%	1,016,000.00
Including										

g:										
Accounts receivable with insignificant single amount and bad debt reserve withdrawn separately	6,838,311.12	1.35%	5,822,311.08	85.14%	1,016,000.04	7,025,009.31	1.37%	6,009,009.31	85.54%	1,016,000.00
Receivable with combined provision for bad debt reserve	498,404,048.65	98.65%	29,102,547.37	5.84%	469,301,501.27	507,215,217.91	98.63%	28,427,904.25	5.60%	478,787,313.66
Includin g:										
Aging portfolio	498,404,048.65	98.65%	29,102,547.37	5.84%	469,301,501.27	507,215,217.91	98.63%	28,427,904.25	5.60%	478,787,313.66
Total	505,242,359.77	100.00%	34,924,858.45	6.91%	470,317,501.31	514,240,227.22	100.00%	34,436,913.56	6.70%	479,803,313.66

Category name of bad debt reserve made individually:

Unit: RMB

Name	Beginning Balance		Ending Balance			
	Book balance	Bad debt reserve	Book balance	Bad debt reserve	Accrual proportion	Reasons for provision
Hainan Jialing Digital Technology Co., Ltd.	2,032,000.00	1,016,000.00	2,032,000.00	1,016,000.00	50.00%	Risk in payment collection
Noble IT Solutions Co., Ltd	415,485.70	415,485.70	418,072.70	418,072.70	100.00%	Expected non-recoverable
Zicom Electronic Securit	371,452.20	371,452.20	373,765.03	373,765.03	100.00%	Expected non-recoverable
Al Asma Technology	353,391.81	353,391.81	355,895.35	355,895.33	100.00%	Expected non-recoverable
Shanghai Leqi Automation Technology Co., Ltd.	521,950.00	521,950.00	351,950.00	351,950.00	100.00%	Expected non-recoverable
Guizhou Zhongjiang Intelligent Technology Co., Ltd.	334,800.21	334,800.21	334,800.21	334,800.21	100.00%	Expected non-recoverable
Shenzhen Zhongjiang Intelligent Technology			329,077.00	329,077.00	100.00%	Expected non-recoverable

Co., Ltd.						
Shenzhen Xuhui Information Technology Co., Ltd.	326,350.00	326,350.00	326,350.00	326,350.00	100.00%	Expected non-recoverable
TIMEWATCH INFOCOM PVT. LTD.	300,723.36	300,723.36	302,595.80	302,595.80	100.00%	Expected non-recoverable
Gansu Fourth Construction Group Co., Ltd.	224,676.00	224,676.00	224,676.00	224,676.00	100.00%	Expected non-recoverable
VENDEMMIA COMERCIO INTERNACIONAL LTDA	201,017.79	201,017.79	202,269.42	202,269.42	100.00%	Expected non-recoverable
Hainan Zhongkong IOT Technology Co., Ltd.	200,089.00	200,089.00	200,089.00	200,089.00	100.00%	Expected non-recoverable
Tianjin Eagle Eye Biotechnology Co., Ltd.	178,130.00	178,130.00	178,130.00	178,130.00	100.00%	Expected non-recoverable
ASIA IDENTIFICATION AND SECURITY TECHNOLOGY COMPANY LIMITED	167,864.95	167,864.95	168,910.15	168,910.15	100.00%	Expected non-recoverable
Wanqiao Information Technology Co., Ltd.	165,900.00	165,900.00	165,900.00	165,900.00	100.00%	Expected non-recoverable
Baoneng Urban Development and Construction Group Co., Ltd.	155,292.00	155,292.00	155,292.00	155,292.00	100.00%	Expected non-recoverable
PONTO RHJ EIRELI - ME	100,061.62	100,061.62	100,684.65	100,684.65	100.00%	Expected non-recoverable
SECUZAA SECURITY SOLUTIONS LAB PRIVATE LIMITED	98,224.87	98,224.87	98,836.46	98,836.46	100.00%	Expected non-recoverable
INTELLISMA RT TECHNOLOGY INC.	74,495.84	74,495.84	74,959.68	74,959.68	100.00%	Expected non-recoverable
Qianxinan Mengku Business Service Co., Ltd.	74,672.00	74,672.00	74,672.00	74,672.00	100.00%	Expected non-recoverable

RBB Technologies Private Limited	62,167.12	62,167.12	62,336.90	62,336.90	100.00%	Expected non-recoverable
Yichang Anlian Intelligent Technology Development Co., Ltd.	56,085.00	56,085.00	56,085.00	56,085.00	100.00%	Expected non-recoverable
Dongguan Yukong Security Technology Co., Ltd.	53,703.00	53,703.00	53,703.00	53,703.00	100.00%	Expected non-recoverable
Northwood Investors LLC	244,778.11	244,778.11				
Logile	105,108.97	105,108.97				
Others	206,589.76	206,589.76	197,260.77	197,260.75	100.00%	Expected non-recoverable
Total	7,025,009.31	6,009,009.31	6,838,311.12	5,822,311.08		

Category name of bad debt reserve made by portfolio:

Unit: RMB

Name	Ending Balance		
	Book balance	Bad debt reserve	Accrual proportion
Within 1 year	448,096,654.50	22,404,832.97	5.00%
1-2 years	44,491,271.70	4,449,127.28	10.00%
2-3 years	5,096,479.04	1,528,943.71	30.00%
Over 3 years	719,643.41	719,643.41	100.00%
Total	498,404,048.65	29,102,547.37	

Explanation of the basis for determining the portfolio:

Category name of bad debt reserve made by portfolio:

Unit: RMB

Name	Ending Balance		
	Book balance	Bad debt reserve	Accrual proportion
Aging portfolio	498,404,048.65	29,102,547.37	5.84%
Total	498,404,048.65	29,102,547.37	

Explanation of the basis for determining the portfolio:

If the bad debt reserve of accounts receivable is made according to the general model of expected credit losses:

☐ Applicable ☒ Not applicable

(3) Bad debt reserves withdrawn, recovered or reversed in the current period

Provision for bad debt reserves in current period:

Unit: RMB

Category	Beginning Balance	Current period change amount				Ending Balance
		Provision	Return or	Redeem/redem	Others	

			reversal	ption		
Accounts receivable with insignificant single amount and bad debt reserve withdrawn separately	6,009,009.31	342,414.47	170,000.00	371,295.70	12,183.00	5,822,311.08
Aging portfolio	28,427,904.25	871,796.02			-197,152.90	29,102,547.37
Total	34,436,913.56	1,214,210.49	170,000.00	371,295.70	-184,969.90	34,924,858.45

The amount of bad debt reserves recovered or reversed in the current period is significant:

Unit: RMB

Company name	Accounts recovered or transferred back	Reason for reversal	Recovery method	The basis and rationality for determining the provision ratio of original bad debt reserves
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(4) Actual verification of accounts receivable in the current period

Unit: RMB

Item	Write-off amount
Accounts receivable actually written off	371,295.70

Important accounts receivable verification status:

Unit: RMB

Company name	Nature of accounts receivable	Write-off amount	Write-off reason	Verification and cancellation programs that have been performed	Whether the payment is incurred due to related transactions
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Explanation of accounts receivable verification:

(5) Accounts receivable and contract assets from top five borrowers classified based on the ending balance

Unit: RMB

Company name	Ending balance of accounts receivable	Ending balance of contract assets	Ending balance of accounts receivable and contract assets	Proportion in the total ending balance of accounts receivable and contract assets	Ending balance of bad debt reserves for accounts receivable and impairment provision for contract assets
Customer 1	40,668,761.71		40,668,761.71	8.04%	2,033,438.16
Customer 2	32,853,367.73		32,853,367.73	6.50%	1,654,480.30
Customer 3	16,160,499.57		16,160,499.57	3.20%	808,024.98
Customer 4	15,235,796.47		15,235,796.47	3.01%	761,789.50
Customer 5	13,569,179.91		13,569,179.91	2.68%	1,156,642.18

Total	118,487,605.39		118,487,605.39	23.43%	6,414,375.12
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4. Contract assets

(1) Contract asset situation

Unit: RMB

Item	Ending Balance			Beginning Balance		
	Book balance	Bad debt reserve	Book value	Book balance	Bad debt reserve	Book value
Quality guarantee deposit receivable	321,793.78	39,607.47	282,186.31	321,793.78	39,607.47	282,186.31
Total	321,793.78	39,607.47	282,186.31	321,793.78	39,607.47	282,186.31

(2) Amount and reasons for significant changes in book value during the reporting period

Unit: RMB

Item	Change amount	Reasons for changes
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(3) Disclosure by bad debt accrual method

Unit: RMB

Category	Ending Balance					Beginning Balance				
	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve		Book value
	Amount	Proportion	Amount	Accrual proportion		Amount	Proportion	Amount	Accrual proportion	
Withdrawing bad debt reserves by individual item	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00%	0.00
Including:										
Single item provision	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00%	0.00
Bad debt reserve withdrawn by portfolio	321,793.78	100.00%	39,607.47	12.31%	282,186.31	321,793.78	100.00%	39,607.47	12.31%	282,186.31
Including:										
Aging portfolio	321,793.78	100.00%	39,607.47	12.31%	282,186.31	321,793.78	100.00%	39,607.47	12.31%	282,186.31
Total	321,793.78	100.00%	39,607.47	12.31%	282,186.31	321,793.78	100.00%	39,607.47	12.31%	282,186.31

Category name of bad debt reserve made individually single item provision

Unit: RMB

Name	Beginning Balance		Ending Balance			
	Book balance	Bad debt reserve	Book balance	Bad debt reserve	Accrual proportion	Reasons for provision
Single item provision	0.00	0.00	0.00	0.00	0.00%	
Total	0.00	0.00	0.00	0.00		

Category number of bad debt reserve made by portfolio: 1

Category name of bad debt reserve made by portfolio: aging portfolio

Unit: RMB

Name	Ending Balance		
	Book balance	Bad debt reserve	Accrual proportion
Aging portfolio	321,793.78	39,607.47	12.31%
Total	321,793.78	39,607.47	

Explanation of the basis for determining the portfolio:

Provision for bad debt reserve based on a general model of expected credit losses

☐ Applicable ☒ Not applicable**5. Other receivables**

Unit: RMB

Item	Ending Balance	Beginning Balance
Other receivables	38,923,993.14	32,744,574.20
Total	38,923,993.14	32,744,574.20

(1) Other receivables**1) Classification of other receivables based on nature of payment**

Unit: RMB

Payment nature	Closing book balance	Opening book balance
Current account	5,291,380.30	14,563,843.76
Guarantee deposit	14,143,817.82	14,264,601.52
Reserve funds and loans	7,968,212.09	5,408,335.70
Collection and payment on behalf of others	6,092,666.14	3,604,884.91
Withholding and paying social security and capital reserve on behalf of others	1,716,084.19	1,784,200.95
Export tax refund	7,917,027.85	3,537,610.99
Others	1,460,531.19	1,840,576.77
Total	44,589,719.58	45,004,054.60

2) Disclosure by aging

Unit: RMB

Aging	Closing book balance	Opening book balance
Within 1 year (including 1 year)	24,517,689.86	19,030,462.60
1-2 years	3,838,629.15	1,949,905.24
2-3 years	4,423,923.85	3,010,293.84
Over 3 years	11,809,476.72	21,013,392.92
3-4 years	2,248,717.26	1,467,967.79
4-5 years	1,133,790.62	9,492,724.32
Over 5 years	8,426,968.84	10,052,700.81

Total	44,589,719.58	45,004,054.60
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3) Disclosure by bad debt accrual method

☒ Applicable ☐ Not applicable

Unit: RMB

Category	Ending Balance					Beginning Balance				
	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve		Book value
	Amount	Proportion	Amount	Accrual proportion		Amount	Proportion	Amount	Accrual proportion	
Withdrawing bad debt reserves by individual item	4,019,800.32	9.02%	4,019,800.32	100.00%	0.00	12,384,636.67	27.52%	10,624,147.18	85.78%	1,760,489.49
Including:										
Bad debt reserve withdrawn by portfolio	40,569,919.26	90.98%	1,645,926.12	4.06%	38,923,993.14	32,619,417.93	72.48%	1,635,333.22	5.01%	30,984,084.71
Including:										
Aging portfolio	2,912,287.11	6.53%	1,645,926.12	56.52%	1,266,360.99	2,920,550.05	6.49%	1,635,333.22	55.99%	1,285,216.83
Portfolio of deposits, security deposits, employee loans, etc.	37,657,632.15	84.45%			37,657,632.15	29,698,867.88	65.99%			29,698,867.88
Total	44,589,719.58	100.00%	5,665,726.44	12.71%	38,923,993.14	45,004,054.60	100.00%	12,259,480.40	27.24%	32,744,574.20

Category name of bad debt reserve made individually:

Unit: RMB

Name	Beginning Balance		Ending Balance			
	Book balance	Bad debt reserve	Book balance	Bad debt reserve	Accrual proportion	Reasons for provision
Shenzhen Zhongjiang Intelligent Technology Co., Ltd.			1,941,963.89	1,941,963.89	100.00%	Expected non-recoverable
Shenzhen Zhongan Intelligent Control Technology Co., Ltd.	7,772,552.26	6,012,062.77				Written off
Shenzhen	2,500,000.00	2,500,000.00				Written off

Zhikongtaike Biometric Technology Co., Ltd.						
CNB TECHNOLOGY INC.	1,289,511.78	1,289,511.78	1,297,540.85	1,297,540.85	100.00%	Expected non-recoverable
Guizhou Zhongjiang Intelligent Technology Co., Ltd.	397,428.70	397,428.70	397,428.70	397,428.70	100.00%	Expected non-recoverable
New bio	375,838.74	375,838.74	333,561.69	333,561.69	100.00%	Expected non-recoverable
Others	49,305.19	49,305.19	49,305.19	49,305.19	100.00%	Expected non-recoverable
Total	12,384,636.67	10,624,147.18	4,019,800.32	4,019,800.32		

Category name of bad debt reserve made by portfolio: aging portfolio

Unit: RMB

Name	Ending Balance		
	Book balance	Bad debt reserve	Accrual proportion
Within 1 year	1,222,219.03	61,110.90	5.00%
1-2 years	83,689.25	8,368.95	10.00%
2-3 years	42,760.80	12,828.24	30.00%
Over 3 years	1,563,618.03	1,563,618.03	100.00%
Total	2,912,287.11	1,645,926.12	

Explanation of the basis for determining the portfolio:

Category name of bad debt reserve made by portfolio: deposits, security deposits, employee loans, etc.

Unit: RMB

Name	Ending Balance		
	Book balance	Bad debt reserve	Accrual proportion
Within 1 year	23,250,088.78		
1-2 years	3,754,939.91		
2-3 years	2,115,930.24		
Over 3 years	8,536,673.22		
Total	37,657,632.15		

Explanation of the basis for determining the portfolio:

Provision for bad debt reserve based on a general model of expected credit losses:

Unit: RMB

Bad debt reserve	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss in the future 12 months	Expected credit loss within whole duration (no credit impairment occur)	Expected credit loss within whole duration (credit impairment has occurred)	
Balance as of January 1, 2024	1,635,333.22		10,624,147.18	12,259,480.40
Balance as of January 1, 2024 in the current				

period				
Provision in current period	2,420.72		1,941,963.89	1,944,384.61
Canceled after verification in the current period			8,512,062.77	8,512,062.77
Other changes	8,172.18		-34,247.98	-26,075.80
Balance as of June 30, 2024	1,645,926.12		4,019,800.32	5,665,726.44

Classification basis and bad debt reserve provision ratio for each stage

Changes in book balance with major changes in loss reserves during the current period

☐ Applicable ☒ Not applicable

4) Bad debt reserves withdrawn, recovered or reversed in the current period

Provision for bad debt reserves in current period:

Unit: RMB

Category	Beginning Balance	Current period change amount				Ending Balance
		Provision	Return or reversal	Write-off or cancellation	Others	
Withdrawing bad debt reserves by individual item	10,624,147.18	1,941,963.89		8,512,062.77	-34,247.98	4,019,800.32
Bad debt reserve made by aging portfolio	1,635,333.22	2,420.72			8,172.18	1,645,926.12
Total	12,259,480.40	1,944,384.61		8,512,062.77	-26,075.80	5,665,726.44

The significant amount of bad debt reserves reversed or recovered in the current period:

Unit: RMB

Company name	Accounts recovered or transferred back	Reason for reversal	Recovery method	The basis and rationality for determining the provision ratio of original bad debt reserves

5) Other accounts receivable actually written off in the current period

Unit: RMB

Item	Write-off amount
Other receivables actually written off	8,512,062.77

Other major receivable written off:

Unit: RMB

Company name	Nature of other accounts receivable	Write-off amount	Write-off reason	Verification and cancellation programs that have been performed	Whether the payment is incurred due to related transactions
Shenzhen Zhongan Intelligent Control Technology Co., Ltd.	Current account	6,012,062.77	Nonrecoverable	Bad debt write off process	No
Shenzhen Zhikongtaike Biometric Technology Co., Ltd.	Current account	2,500,000.00	Nonrecoverable	Bad debt write off process	No
Total		8,512,062.77			

Description for writing off other receivables:

6) Other accounts receivable with the top five ending balances collected by the debtor

Unit: RMB

Company name	Nature of payment	Ending Balance	Aging	Proportion to the total ending balance of other accounts receivable	Ending balance of bad debt reserve
Customer 1	Export tax refund	7,917,027.85	Within 1 year	17.76%	
Customer 2	Guarantee deposit	4,800,000.00	Over 3 years	10.76%	
Customer 3	Current account	1,941,963.89	2-3 years	4.36%	1,941,963.89
Customer 4	Current account	1,660,163.97	Within 1 year, 1-2 years 2-3 years, more than 3 years	3.72%	1,530,923.59
Customer 5	Current account	1,297,540.85	Over 3 years	2.91%	1,297,540.85
Total		17,616,696.56		39.51%	4,770,428.33

6. Prepayments**(1) Prepayments listed by aging**

Unit: RMB

Aging	Ending Balance		Beginning Balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	25,622,714.42	95.94%	22,706,163.01	96.80%
1-2 years	1,024,297.16	3.84%	580,816.58	2.48%
2-3 years	36,512.95	0.14%	20,400.64	0.09%
Over 3 years	20,899.01	0.08%	150,527.01	0.63%
Total	26,704,423.54		23,457,907.24	

Explanation of the reasons why prepayments with an aging of over 1 year and significant amounts were not settled in a timely manner:

(2) Prepayments of the top five ending balances collected by prepayment object

Company name	Ending Balance	Proportion to total prepayment (%)	Prepayment time	Reasons for unsettlement
Supplier 1	2,928,176.77	10.97	Within 1 year	Project unsettled
Supplier 2	2,037,124.38	7.63	Within 1 year	Project unsettled
Supplier 3	1,640,000.00	6.14	Within 1 year	Project unsettled
Supplier 4	1,084,221.85	4.06	Within 1 year	Project unsettled
Supplier 5	950,518.92	3.56	Within 1 year	Project unsettled
Total	8,640,041.92	32.36	---	---

Other explanations:

7. Inventories

Whether the Company needs to comply with disclosure requirements in the real estate industry

No

(1) Inventories classification

Unit: RMB

Item	Ending Balance			Beginning Balance		
	Book balance	Inventories depreciation reserves or contract performance cost impairment reserves	Book value	Book balance	Inventories depreciation reserves or contract performance cost impairment reserves	Book value
Raw materials	103,807,167.91	3,566,622.78	100,240,545.13	131,431,792.72	2,989,549.95	128,442,242.77
Products in process	15,922,377.03	0.00	15,922,377.03	8,583,812.25		8,583,812.25
Inventory goods	263,754,845.24	14,896,839.08	248,858,006.16	238,881,580.26	12,576,970.86	226,304,609.40
Sending goods	9,980,500.33	153,017.86	9,827,482.47	9,129,100.21	174,341.27	8,954,758.94
Consigned processing materials	375,202.40	0.00	375,202.40	429,360.95		429,360.95
Total	393,840,092.91	18,616,479.72	375,223,613.19	388,455,646.39	15,740,862.08	372,714,784.31

(2) Inventories depreciation reserves and contract performance cost impairment reserves

Unit: RMB

Item	Beginning	Increase in current period	Decrease in current period	Ending Balance
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	Balance	Provision	Others	Reversal or reselling	Others	
Raw materials	2,989,549.95	603,963.29	-21,754.14	5,136.32		3,566,622.78
Products in process						0.00
Inventory goods	12,576,970.86	4,495,467.90	-242,981.32	1,932,618.36		14,896,839.08
Sending goods	174,341.27	97,493.59		118,817.00		153,017.86
Total	15,740,862.08	5,196,924.78	-264,735.46	2,056,571.68		18,616,479.72

Provision for inventories depreciation made by portfolio

Unit: RMB

Portfolio Name	End of the period			Opening		
	Ending Balance	Revaluation reserve	Provision ratio for inventories depreciation	Beginning Balance	Revaluation reserve	Provision ratio for inventories depreciation

Provision standards for inventories depreciation reserves made by portfolio

8. Non-current assets due within one year

Unit: RMB

Item	Ending Balance	Beginning Balance
Debt investment due within one year	9,456,009.28	16,902,617.83
Other creditor's right investment due within one year		
Long-term receivables due within one year	398,303.63	354,996.91
Total	9,854,312.91	17,257,614.74

(1) Debt investment due within one year

☒ Applicable ☐ Not applicable

1) Information on debt investment due within one year

Unit: RMB

Portfolio Name	Ending Balance			Beginning Balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Certificates of Deposit (CD)				11,060,888.54		11,060,888.54
Term deposits	9,456,009.28		9,456,009.28	5,841,729.29		5,841,729.29
Total	9,456,009.28		9,456,009.28	16,902,617.83		16,902,617.83

Changes in provision for depreciation of debt investments due within one year in the current period

Unit: RMB

Item	Beginning Balance	Increase in the current period	Decrease in the current period	Ending Balance
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(2) Other creditor's debt investment due within one year

☐ Applicable ☒ Not applicable

9. Other current assets

Unit: RMB

Item	Ending Balance	Beginning Balance
Income tax prepaid amount presented as net amount after offsetting	6,109,751.61	6,221,029.24
Value added tax deduction amount	17,066,412.59	19,249,699.10
Other prepaid taxes	1,939,440.96	395,080.94
Total	25,115,605.16	25,865,809.28

Other explanations:

10. Debt investment**(1) Information on debt investment**

Unit: RMB

Item	Ending Balance			Beginning Balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Bank CD - Principal	45,654,578.12		45,654,578.12	57,795,333.29		57,795,333.29
Bank CD - Interest	606,675.98		606,675.98	1,391,881.44		1,391,881.44
Debt investment due within one year	-9,456,009.28		-9,456,009.28	-16,902,617.83		-16,902,617.83
Total	36,805,244.82		36,805,244.82	42,284,596.90		42,284,596.90

Changes in provision for depreciation of debt investments in the current period

Unit: RMB

Item	Beginning Balance	Increase in the current period	Decrease in the current period	Ending Balance
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(2) Important debt investments at the end of the period

Unit: RMB

Debt items	Ending Balance					Beginning Balance				
	Face value	Coupon rate	Effective interest rate	Due Date	Overdue principal	Face value	Coupon rate	Effective interest rate	Due Date	Overdue principal

(3) Provision for impairment

Unit: RMB

Bad debt reserve	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss in the future 12 months	Expected credit loss within whole duration (no credit impairment occur)	Expected credit loss within whole duration (credit impairment has occurred)	
Balance as of January 1, 2024 in the current period				

Classification basis and bad debt reserve provision ratio for each stage

(4) Actual verification of debt investments in the current period

Unit: RMB

Item	Write-off amount
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Information on important debt investment verification

Explanation of debt investment verification:

Changes in book balance with major changes in loss reserves during the current period

☐ Applicable ☒ Not applicable

Other explanations:

11. Long-term receivables**(1) Information on long-term receivables**

Unit: RMB

Item	Ending Balance			Beginning Balance			Discount rate range
	Book balance	Bad debt reserve	Book value	Book balance	Bad debt reserve	Book value	
Employee housing loan	3,806,228.60		3,806,228.60	2,802,225.14		2,802,225.14	4.2%-4.3%
Long-term receivables due within one year	-398,303.63		-398,303.63	-354,996.91		-354,996.91	
Total	3,407,924.97		3,407,924.97	2,447,228.23		2,447,228.23	

(2) Disclosure by bad debt accrual method

Unit: RMB

Category	Ending Balance					Beginning Balance				
	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve		Book value
	Amount	Proportion	Amount	Accrual proportion		Amount	Proportion	Amount	Accrual proportion	
Including:										

Including:

Provision for bad debt reserve based on a general model of expected credit losses

Unit: RMB

Bad debt reserve	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss in the future 12 months	Expected credit loss within whole duration (no credit impairment occur)	Expected credit loss within whole duration (credit impairment has occurred)	
Balance as of January 1, 2024 in the current period				

Classification basis and bad debt reserve provision ratio for each stage

(3) Bad debt reserves withdrawn, recovered or reversed in the current period

Unit: RMB

Category	Beginning Balance	Current period change amount				Ending Balance
		Provision	Return or reversal	Write-off or cancellation	Others	

The significant amount of bad debt reserves reversed or recovered in the current period:

Unit: RMB

Company name	Accounts recovered or transferred back	Reason for reversal	Recovery method	The basis and rationality for determining the provision ratio of original bad debt reserves
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Other explanations:

(4) Long-term receivables actually written off in the current period

Unit: RMB

Item	Write-off amount
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Information on important long-term receivable verification:

Unit: RMB

Company name	Payment nature	Write-off amount	Write-off reason	Verification and cancellation programs that have been performed	Whether the payment is incurred due to related transactions
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Explanation of long-term receivable verification:

12. Long-term equity investment

Unit: RMB

Investee	Beginning balance (book value)	Beginning balance of impairment provision	Increase or decrease in the current period								Ending balance (book value)	Ending balance of impairment provision
			Additional investment	Reduced investment	Investment profit or loss recognized under equity method	Other comprehensive income adjustments	Changes in other equities	Cash dividends or profits declared to pay	Impairment provision	Others		
I. Joint ventures												
II. Joint venture												
Silk ID SystemsInc.	274,331.88	281,599.25			-275,151.91					820.03	0.00	0.00
CV Squared,Inc.	3,741,608.66				-7,578.41					23,272.45	3,757,302.70	
ZKTECO SMART CITY (THAILAND) CO., LTD.	1,765,948.08				-351,211.07					9,861.99	1,424,599.00	
Xiamen Xingniu Yunyu Venture Capital Partnership Enterprise (Limited Partnership)	24,000,000.00				-110,397.50						23,889,602.50	
Subtotal	29,781,888.62	281,599.25	0.00	0.00	-744,338.89	0.00	0.00	0.00	0.00	33,954.47	29,071,504.20	
Total	29,781,888.62	281,599.25	0.00	0.00	-744,338.89	0.00	0.00	0.00	0.00	33,954.47	29,071,504.20	

The recoverable amount is determined based on the net amount after deducting disposal expenses from fair value

☐ Applicable ☒ Not applicable

The recoverable amount is determined based on the present value of expected future cash flows

☐ Applicable ☒ Not applicable

Reasons for significant discrepancies between the above information and the information or external information used in impairment tests of previous years

Reasons for significant discrepancies between the information used in the Company's impairment tests of previous year and the actual situation of that year

Other explanations: mainly due to exchange rate conversion differences.

13. Investment real estate

(1) Investment real estate adopting cost measurement model

☒ Applicable ☐ Not applicable

Unit: RMB

Item	Houses and buildings	Land use rights	Construction in progress	Total
I. Original book value				
1. Beginning Balance	34,416,026.15			34,416,026.15
2. Increase in current period				
(1) Outsourcing				
(2) Transferred from inventories, fixed assets, and construction in progress				
(3) Increase in business merger				
3. Decrease in current period				
(1) Disposal				
(2) Other transfers out				
4. Ending balance	34,416,026.15			34,416,026.15
II. Accumulated depreciation and accumulated amortization				
1. Beginning Balance	11,270,537.30			11,270,537.30
2. Increase in current period	820,586.04			820,586.04
(1) Provision or	820,586.04			820,586.04

amortization				
3. Decrease in current period				
(1) Disposal				
(2) Other transfers out				
4. Ending balance	12,091,123.34			12,091,123.34
III. Provision for impairment				
1. Beginning Balance				
2. Increase in current period				
(1) Provision				
3. Decrease in current period				
(1) Disposal				
(2) Other transfers out				
4. Ending balance				
IV. Book value				
1. Ending book value	22,324,902.81			22,324,902.81
2. Beginning book value	23,145,488.85			23,145,488.85

The recoverable amount is determined based on the net amount after deducting disposal expenses from fair value

☐ Applicable ☒ Not applicable

The recoverable amount is determined based on the present value of expected future cash flows

☐ Applicable ☒ Not applicable

Reasons for significant discrepancies between the above information and the information or external information used in impairment tests of previous years

Reasons for significant discrepancies between the information used in the Company's impairment tests of previous year and the actual situation of that year

Other explanations:

(2) Investment real estate adopting fair value measurement model

☐ Applicable ☒ Not applicable

(3) Converted to investment real estate and measured at fair value

Unit: RMB

Item	Accounting subject before conversion	Amount	Conversion reason	Approval procedure	Impact on profit and loss	Impact on other comprehensive income
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(4) Investment real estate without completed property ownership certificate

Unit: RMB

Item	Book value	Reasons for not completing the property ownership certificate
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Other explanations:

14. Fixed assets

Unit: RMB

Item	Ending Balance	Beginning Balance
Fixed assets	466,413,000.41	470,167,242.89
Disposal of fixed assets		-45,451.60
Total	466,413,000.41	470,121,791.29

(1) Status of fixed assets

Unit: RMB

Item	Houses and buildings	Machinery equipment	Transportation vehicles	Electronic equipment and others	Total
I. Original book value:					
1. Beginning Balance	436,302,048.48	53,924,758.04	12,969,475.15	105,042,864.86	608,239,146.53
2. Increase in current period	7,046,236.13	-181,383.18	107,787.61	4,936,440.56	11,909,081.12
(1) Purchase	7,342,632.55	171,411.54	224,984.18	5,836,821.79	13,575,850.06
(2) Transferred from construction in progress					
(3) Increase in business merger					
(4) Differences in foreign currency statement translation	-296,396.42	-352,794.72	-117,196.57	-900,381.23	-1,666,768.94
3. Decrease in current period	64,241.59	84,615.39	55,478.61	637,397.75	841,733.34
(1) Disposal or retirement	64,241.59	84,615.39	55,478.61	637,397.75	841,733.34

4. Ending balance	443,284,043.02	53,658,759.47	13,021,784.15	109,341,907.67	619,306,494.31
II. Accumulated depreciation					
1. Beginning Balance	39,285,147.04	26,521,285.53	7,991,553.19	64,273,917.88	138,071,903.64
2. Increase in current period	6,103,618.40	2,247,228.11	597,816.45	6,498,377.09	15,447,040.05
(1) Provision	6,183,556.96	2,402,663.69	674,040.21	6,819,542.68	16,079,803.54
(2) Differences in foreign currency statement translation	-79,938.56	-155,435.58	-76,223.76	-321,165.59	-632,763.49
3. Decrease in current period	46,980.10	73,259.56	92,404.97	412,805.16	625,449.79
(1) Disposal or retirement	46,980.10	73,259.56	92,404.97	412,805.16	625,449.79
4. Ending balance	45,341,785.34	28,695,254.08	8,496,964.67	70,359,489.81	152,893,493.90
III. Provision for impairment					
1. Beginning Balance					
2. Increase in current period					
(1) Provision					
3. Decrease in current period					
(1) Disposal or retirement					
4. Ending balance					
IV. Book value					
1. Ending book value	397,942,257.68	24,963,505.39	4,524,819.48	38,982,417.86	466,413,000.41
2. Beginning book value	397,016,901.44	27,403,472.51	4,977,921.96	40,768,946.98	470,167,242.89

(2) Fixed assets without completed property ownership certificate

Unit: RMB

Item	Book value	Reasons for not completing the property
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		rights certificate
Houses and buildings of Hybrid Biometrics IoT Intelligent Industrial Base Project	196,885,151.93	In progress

Other explanations:

(3) Impairment test of fixed assets

☐ Applicable ☒ Not applicable

(4) Disposal of fixed assets

Unit: RMB

Item	Ending Balance	Beginning Balance
Transportation vehicles		-45,451.60
Total		-45,451.60

Other explanations:

15. Construction in progress

Unit: RMB

Item	Ending Balance	Beginning Balance
Construction in progress	212,440,624.60	138,986,483.73
Engineering materials		
Total	212,440,624.60	138,986,483.73

(1) Construction in progress

Unit: RMB

Item	Ending Balance			Beginning Balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Hybrid Biometrics IoT Intelligent Industrial Base Project	23,675,058.84		23,675,058.84	22,612,110.24		22,612,110.24
Multimodal Biometrics Digitalization Industrial Base Construction Project	129,258,046.42		129,258,046.42	87,417,407.70		87,417,407.70
American Manufacturing Factory Construction Project	4,171,587.64		4,171,587.64	2,746,178.39		2,746,178.39
Thai factory construction	55,335,931.70		55,335,931.70	26,210,787.40		26,210,787.40

and office buildings						
Total	212,440,624.60		212,440,624.60	138,986,483.73		138,986,483.73

(2) Current changes in important construction in progress

Unit: RMB

Project Name	Budget amount	Beginning Balance	Increase in current period	Amount transferred to fixed assets in the current period	Other decreases in the current period	Ending Balance	Proportion of accumulated project investment to budget	Engineering progress	Accumulated amount of interest capitalization	Including: current interest capitalized amount	Current interest capitalization rate	Source of Funds
Hybrid Biometrics IoT Intelligent Industrial Base Project	214,042,000.00	22,612,110.24	1,062,948.60	0.00	0.00	23,675,058.84	110.57%	Under construction	2,359,113.42	0.00		¹
Multimodal Biometrics Digitalization Industrial Base Construction Project	284,566,264.91	87,417,407.70	41,840,638.72	0.00	0.00	129,258,046.42	45.42%	Under construction	0.00	0.00		²
Thai factory construction and office buildings	109,095,400.00	26,210,787.40	31,143,887.87	0.00	2,018,743.57	55,335,931.70	52.57%	Under construction	0.00	0.00		³
Total	607,703,664.91	136,240,305.34	74,047,475.19	0.00	2,018,743.57	208,269,036.96			2,359,113.42	0.00		

Note:

1. Fundraising, self owned funds, and bank loans
2. Fundraising and self owned funds
3. Own funds

(3) Impairment test of construction in progress□ Applicable ☒ Not applicable**16. Right-of-use assets****(1) Information on right-of-use assets**

Unit: RMB

Item	Houses and buildings	Transportation vehicles	Electronic equipment and others	Total
I. Original book value				
1. Beginning Balance	104,168,448.02	2,613,027.10	23,200.93	106,804,676.05
2. Increase in current period	19,856,763.01			19,856,763.01
(1) Lease	19,856,763.01			19,856,763.01
3. Decrease in current period	23,409,302.23	194,806.29		23,604,108.52
(1) Expiration of lease	11,453,959.20			11,453,959.20
(2) Lease change	2,363,797.94			2,363,797.94
(3) Termination of lease	7,204,584.29	158,523.89		7,363,108.18
(4) Differences in foreign currency statement translation	2,386,960.80	36,282.40		2,423,243.20
4. Ending balance	100,615,908.80	2,418,220.81	23,200.93	103,057,330.54
II. Accumulated depreciation				
1. Beginning Balance	66,794,766.61	1,327,043.41	13,147.17	68,134,957.19
2. Increase in current period	13,944,055.20	499,869.78	2,320.10	14,446,245.08
(1) Provision	13,944,055.20	499,869.78	2,320.10	14,446,245.08
3. Decrease in current period	22,661,793.84	199,819.75		22,861,613.59
(1) Disposal				
(2) Expiration of lease	11,607,290.62			11,607,290.62
(3) Lease change	3,580,782.62			3,580,782.62
(4) Termination of lease	5,963,298.25	115,590.32		6,078,888.57
(5) Differences in foreign currency statement translation	1,510,422.35	84,229.43		1,594,651.78
4. Ending balance	58,077,027.97	1,627,093.44	15,467.27	59,719,588.68
III. Provision for impairment				
1. Beginning Balance				
2. Increase in				

current period				
(1) Provision				
3. Decrease in current period				
(1) Disposal				
4. Ending balance				
IV. Book value				
1. Ending book value	42,538,880.83	791,127.37	7,733.66	43,337,741.86
2. Beginning book value	37,373,681.41	1,285,983.69	10,053.76	38,669,718.86

(2) Impairment test of right-of-use assets

☐ Applicable ☒ Not applicable

Other explanations:

17. Intangible assets

(1) Intangible assets

Unit: RMB

Item	Land use rights	Patent rights	Non-patent technology	Software	Others	Total
I. Original book value						
1. Beginning Balance	71,989,469.29			13,302,286.08	116,032.85	85,407,788.22
2. Increase in current period	-577,356.68			25,796,811.46	499.26	25,219,954.04
(1) Purchase				25,983,215.83		25,983,215.83
(2) Internal R&D						
(3) Increase in business merger						
(4) Differences in foreign currency statement translation	-577,356.68			-186,404.37	499.26	-763,261.79
3. Decrease in current period				111,759.45		111,759.45
(1) Disposal				5,564.75		5,564.75
(2) Decrease in				106,194.70		106,194.70

business merger						
4. Ending balance	71,412,112.61			38,987,338.09	116,532.11	110,515,982.81
II. Accumulated amortisation						
1. Beginning Balance	11,344,981.45			7,995,689.88	50,745.21	19,391,416.54
2. Increase in current period	621,076.95			927,262.25	7,993.86	1,556,333.06
(1) Provision	621,076.95			978,473.69	7,011.38	1,606,562.02
(2) Differences in foreign currency statement translation				-51,211.44	982.48	-50,228.96
3. Decrease in current period				43,315.12		43,315.12
(1) Disposal				1,279.90		1,279.90
(2) Decrease in business merger				42,035.22		42,035.22
4. Ending balance	11,966,058.40			8,879,637.01	58,739.07	20,904,434.48
III. Provision for impairment						
1. Beginning Balance						
2. Increase in current period						
(1) Provision						
3. Decrease in current period						
(1) Disposal						
4. Ending balance						
IV. Book value						
1. Ending book value	59,446,054.21			30,107,701.08	57,793.04	89,611,548.33
2. Beginning book value	60,644,487.84			5,306,596.20	65,287.64	66,016,371.68

The proportion of intangible assets formed through internal research and development of the company to the balance of intangible assets at the end of this period is: 0.00%

18. Goodwill

(1) Original book value of goodwill

Unit: RMB

Name of invested entity or matters forming goodwill	Beginning Balance	Increase in the current period		Decrease in the current period		Ending Balance
		Formed by business merger	Exchange rate fluctuations	Disposals	Exchange rate fluctuations	
ZKTECO (M) SDN. BHD.	173,149.07		1,078.10			174,227.17
ZK INVESTIMENTOS DO BRASIL LTDA.	331,654.65		2,065.03			333,719.68
Total	504,803.72		3,143.13			507,946.85

(2) Information related to the asset group or portfolio of asset groups where goodwill is located

Name	Composition and basis of the asset group or portfolio to which it belongs	Operating segments and basis	Is it consistent with previous years
ZKTECO (M) SDN.BHD.	It can bring independent cash flow and can be recognized as a separate asset group	Not applicable	Yes
ZK INVESTIMENTOS DO BRASIL LTDA.	It can bring independent cash flow and can be recognized as a separate asset group	Not applicable	Yes

Changes in asset group or asset portfolio

Name	Composition before change	Composition after change	Objective facts and basis that lead to changes
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Other explanations:

Book value of goodwill	Asset group or portfolio of asset groups			
	Main components	Book value	Determination method	Has there been any change in the current period
174,227.17	ZKTECO (M) SDN.BHD.	692,283.84	An asset group or portfolio of asset groups that can independently generate cash flow, taking into account the synergistic effects of business mergers and the management's management or monitoring of production and operating activities	Conversion rate changes, no other changes
333,719.68	ZK INVESTIMENTOS DO BRASIL LTDA.	2,346,157.33	An asset group or portfolio of asset groups that can independently generate cash flow, taking into account the synergistic effects of business mergers and the management's management or monitoring of production and operating activities	Conversion rate changes, no other changes

(3) Specific method for determining the recoverable amount

The recoverable amount is determined based on the net amount after deducting disposal expenses from fair value

☐ Applicable ☒ Not applicable

The recoverable amount is determined based on the present value of expected future cash flows

☐ Applicable ☒ Not applicable

Reasons for significant discrepancies between the above information and the information or external information used in impairment tests of previous years

Reasons for significant discrepancies between the information used in the Company's impairment tests of previous year and the actual situation of that year

(4) Completion of performance commitments and corresponding impairment of goodwill

When goodwill is formed, there is a performance commitment and the reporting period or the previous period in the reporting period is within the performance commitment period

☐ Applicable ☒ Not applicable

Other explanations:

19. Long-term deferred expenses

Unit: RMB

Item	Beginning Balance	Increase in current period	Amortization amount for the current period	Other reduced amounts	Ending Balance
Decoration works	2,513,047.50	1,079,120.14	704,847.22	16,412.05	2,870,908.37
Employee housing loan deferred interest	641,657.60	201,307.01	98,498.32	0.00	744,466.29
Others	614,142.71	3,664,089.96	899,859.25	1,519.16	3,376,854.26
Total	3,768,847.81	4,944,517.11	1,703,204.79	17,931.21	6,992,228.92

Other explanations: The increase in the current period is mainly due to the usage fee of SAP system software.

20. Deferred income tax assets/deferred income tax liabilities

(1) Deferred income tax assets not offset

Unit: RMB

Item	Ending Balance		Beginning Balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for impairment of assets	29,193,250.62	4,688,215.35	36,366,162.24	5,804,206.98
Unrealized profits from internal transactions	98,229,818.50	18,709,702.26	98,721,713.02	17,452,699.91
Deductible losses	257,616,279.59	38,528,718.35	207,081,168.58	31,091,802.32
Withholding rebates	8,667,641.69	1,188,716.84	15,007,767.78	2,143,716.17
Estimated liabilities			600,000.00	90,000.00
Share-based payments	3,102,671.00	478,374.37	7,866,303.64	1,177,039.86
Provision for inventories write-down	13,257,659.13	2,464,130.98	11,003,159.27	1,906,570.77
Deferred income	1,760,815.34	264,122.30	1,853,549.62	278,032.44
Lease liabilities	42,683,832.34	8,590,798.69	35,689,297.38	7,313,490.56
Total	454,511,968.21	74,912,779.14	414,189,121.53	67,257,559.01

(2) Non-offsetting deferred income tax liabilities

Unit: RMB

Item	Ending Balance		Beginning Balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Changes in fair value of trading financial instruments	1,772,962.85	265,944.43	755,429.17	113,314.37
Accelerated depreciation of fixed assets	21,509,519.83	3,226,427.97	22,133,567.26	3,320,431.55
Right-of-use asset	41,557,512.92	8,209,692.35	34,457,850.98	6,895,307.56
Total	64,839,995.60	11,702,064.75	57,346,847.41	10,329,053.48

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

Unit: RMB

Item	Amount of mutual offset between deferred income tax assets and liabilities at the end of period	Ending balance of deferred income tax assets and liabilities after offset	Amount of mutual offset between deferred income tax assets and liabilities at the beginning of period	Beginning balance of deferred income tax assets and liabilities after offset
Deferred income tax assets		74,912,779.14		67,257,559.01
Deferred income tax liabilities		11,702,064.75		10,329,053.48

(4) Details of unconfirmed deferred income tax assets

Unit: RMB

Item	Ending Balance	Beginning Balance
Deductible temporary difference	27,008,821.92	12,690,171.04
Deductible losses	76,306,028.58	67,373,596.51
Total	103,314,850.50	80,063,767.55

(5) The deductible losses of unrecognized deferred income tax assets will expire in the following years

Unit: RMB

Year	Closing amount	Opening amount	Remarks
2024	5,121,337.08	15,985,752.57	
2025	4,520,134.11	6,481,611.28	
2026	5,445,628.27	3,921,974.11	
2027	8,887,116.23	10,275,824.68	
2028	19,267,910.69	14,889,082.61	
2029	4,581,547.40	2,887,686.36	
2030 and beyond	28,482,354.80	12,931,664.90	
Total	76,306,028.58	67,373,596.51	

Other explanations:

21. Other non-current assets

Unit: RMB

Item	Ending Balance			Beginning Balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Prepayment for decoration	822,241.76		822,241.76	787,973.04	0.00	787,973.04
Prepaid equipment payment	339,600.00		339,600.00	370,641.60	0.00	370,641.60
Prepayment for software				15,725,991.21	0.00	15,725,991.21
Total	1,161,841.76		1,161,841.76	16,884,605.85	0.00	16,884,605.85

Other explanations:

22. Assets with restricted ownership or use right

Unit: RMB

Item	End of the period				Opening			
	Book balance	Book value	Restricted type	Restricted situation	Book balance	Book value	Restricted type	Restricted situation
Monetary funds	66,061,554.23	66,061,554.23	Deposit, funds in transit, frozen funds	Bank acceptance bill margin of RMB 46,267,829.38, funds in transit of RMB 18,993,724.85, frozen litigation funds of RMB 800,000.00	54,954,670.48	54,954,670.48	Deposit, funds in transit, frozen funds	Bank acceptance bill margin of RMB 46,693,268.67, funds in transit of RMB 7,461,401.81, frozen litigation funds of RMB 800,000.00
Fixed assets	204,397,423.28	196,885,151.93	Mortgage	See other explanations	204,397,423.28	199,029,492.12	Mortgage	See other explanations
Intangible assets	49,453,695.00	43,354,405.95	Mortgage	See other explanations	49,453,695.00	43,848,942.89	Mortgage	See other explanations
Construction in progress	153,098,258.15	153,098,258.15	Mortgage	See other explanations	110,185,544.37	110,185,544.37	Mortgage	See other explanations
Total	473,010,930.66	459,399,370.26			418,991,333.13	408,018,649.86		

Other explanations:

On December 16, 2019, the subsidiary of the Company, ZKTECO (GUANGDONG) CO., LTD, signed a "Fixed Asset Loan Contract" with the number of DY (3100) 2019 GD Zi No. 013346 and a maximum mortgage contract with the number of DY (3100) 2019 GD Zi No. 024957 with the Dongguan Branch of Bank of Dongguan Co., Ltd., agreeing to a loan amount of RMB 206 million and a loan term from December 16, 2019 to December 15, 2029, and agree that the land with the number Y (2018) DGBDCQ No. 0259880 is used as collateral, and the Company has signed a contract with Dongguan Branch of Bank of Dongguan Co., Ltd. with the

number DY (3100) 2019 ZGB Zi No. 024956, with a maximum guarantee amount of RMB 250 million. Considering that the land area of the Company's collateral has changed and a new real estate certificate has been obtained for the collateral, on October 19, 2020, the subsidiary of the Company, ZKTECO (GUANGDONG) CO., LTD, has signed a supplementary agreement with the number 20201013001 with Dongguan Branch of Bank of Dongguan Co., Ltd., which stipulates to change the collateral to Y (2020) DGBDCQ No. 0248681 land.

23. Notes payable

Unit: RMB

Category	Ending Balance	Beginning Balance
Commercial acceptance draft	0.00	0.00
Bank acceptance bill	148,568,276.33	122,573,544.09
Total	148,568,276.33	122,573,544.09

The total amount of unpaid notes payable at the end of this period is RMB 0.00.

24. Accounts payable

(1) Listing of accounts payable

Unit: RMB

Item	Ending Balance	Beginning Balance
Material payment	159,200,586.62	217,082,802.45
Equipment payment	1,456,874.59	932,731.16
Service fee	4,017,255.83	4,834,986.05
Project payment	649,193.64	18,294,116.38
Others	5,914,516.31	3,939,546.28
Total	171,238,426.99	245,084,182.32

(2) Important accounts payable with aging over 1 year or overdue

Unit: RMB

Item	Ending Balance	Reasons for non-repayment or carry-forward
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Other explanations:

25. Other payables

Unit: RMB

Item	Ending Balance	Beginning Balance
Other payables	43,034,768.84	36,735,314.36
Total	43,034,768.84	36,735,314.36

(1) Other payables

1) List of other payables by nature of money

Unit: RMB

Item	Ending Balance	Beginning Balance
Employee reimbursement	6,011,618.61	5,222,956.92
Payment to be settled	4,380,993.29	3,980,996.11
Withholding and paying social security and capital reserve on behalf of others	322,292.08	331,708.81
Current account	7,626,096.52	7,424,919.78
Collection and payment on behalf of others	2,050,273.99	328,337.90
Guarantee deposit	2,912,220.50	3,653,667.64
Others	19,731,273.85	15,792,727.20
Total	43,034,768.84	36,735,314.36

(2) Important other accounts payable with aging over 1 year or overdue

Unit: RMB

Item	Ending Balance	Reasons for non-repayment or carry-forward
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Other explanations:

26. Contract liabilities

Unit: RMB

Item	Ending Balance	Beginning Balance
Advances on sales	70,472,302.17	65,331,106.17
Total	70,472,302.17	65,331,106.17

Significant contract liabilities with an aging of over 1 year

Unit: RMB

Item	Ending Balance	Reasons for non-repayment or carry-forward
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Amount and reasons for significant changes in book value during the reporting period

Unit: RMB

Item	Change amount	Reasons for changes
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27. Payroll payable**(1) List of payroll payable**

Unit: RMB

Item	Beginning Balance	Increase in the current period	Decrease in the current period	Ending Balance
I. Short-term compensation	56,407,899.55	252,695,306.24	267,591,817.99	41,511,387.80
II. Post-employment welfare - defined contribution plan	222,202.43	15,781,463.69	15,783,253.48	220,412.64
III. Dismissal benefit	0.00	433,834.36	390,434.36	43,400.00
IV. Other welfares due	0.00	0.00	0.00	0.00

within one year				
Total	56,630,101.98	268,910,604.29	283,765,505.83	41,775,200.44

(2) List of short-term compensation

Unit: RMB

Item	Beginning Balance	Increase in the current period	Decrease in the current period	Ending Balance
1. Salary, bonus, allowance and subsidy	54,515,552.19	235,411,908.64	250,337,369.42	39,590,091.41
2. Employee benefits	463,201.20	3,938,231.46	3,881,674.54	519,758.12
3. Social insurance	196,370.08	10,194,089.20	10,250,974.66	139,484.62
Including: medical insurance premium	195,814.68	9,603,617.44	9,662,100.27	137,331.85
Work-related injury insurance premium	555.40	361,526.00	359,928.63	2,152.77
Birth insurance premium	0.00	228,945.76	228,945.76	0.00
4. Housing fund	54,239.09	2,906,136.27	2,875,830.67	84,544.69
5. Labor union expenditure and personnel education fund	1,178,536.99	242,428.31	243,456.34	1,177,508.96
6. Others		2,512.36	2,512.36	
Total	56,407,899.55	252,695,306.24	267,591,817.99	41,511,387.80

(3) List of defined contribution plan

Unit: RMB

Item	Beginning Balance	Increase in the current period	Decrease in the current period	Ending Balance
1. Basic endowment insurance expense	214,173.61	15,254,271.65	15,252,403.54	216,041.72
2. Unemployment insurance	8,028.82	527,192.04	530,849.94	4,370.92
Total	222,202.43	15,781,463.69	15,783,253.48	220,412.64

Other explanations:

28. Taxes and dues payable

Unit: RMB

Item	Ending Balance	Beginning Balance
VAT	5,998,335.30	7,538,983.47
Consumption tax		34,079.54
Enterprise income tax	5,702,942.83	15,364,635.19
Individual income tax	1,883,569.93	3,712,496.39
Urban maintenance and construction tax	133,786.07	243,439.39

Property tax	777,191.15	496,029.92
Land use tax	52,360.37	7,368.53
Stamp duty	324,896.61	499,102.75
Education surcharge	127,811.07	234,127.14
Others	1,611,057.75	761,967.12
Total	16,611,951.08	28,892,229.44

Other explanations:

29. Non-current liabilities due within one year

Unit: RMB

Item	Ending Balance	Beginning Balance
Long-term loans due within one year	964,048.11	957,265.72
Lease liabilities due within one year	21,662,062.76	20,137,416.64
Total	22,626,110.87	21,094,682.36

Other explanations:

30. Other current liabilities

Unit: RMB

Item	Ending Balance	Beginning Balance
Sales rebates payable	8,667,641.69	15,007,767.78
Tax to be transferred to output tax	2,527,692.57	1,456,166.57
Total	11,195,334.26	16,463,934.35

Changes in short-term bonds payable:

Unit: RMB

Bond name	Face value	Coupon rate	Issue Date	Bond duration	Issue amount	Beginning Balance	Current issue	Accruing interest at face value	Amortization of excess and discount	Current repayment		Ending Balance	Whether it is a breach of contract
Total													

Other explanations:

31. Long-term loan

(1) Classification of long-term loans

Unit: RMB

Item	Ending Balance	Beginning Balance
Credit borrowings	8,276,350.81	8,758,524.27
Unexpired interest payable	7,890.00	9,146.49
Long-term loans due within one year	-964,048.11	-957,265.72
Total	7,320,192.70	7,810,405.04

Explanation of long-term loan classification:

Other explanations, including interest rate ranges: mainly due to the technology innovation fund syndicated loan obtained by XIAMEN ZKTECO CO., LTD., a subsidiary of the Company. The contract stipulates that the borrower shall use each fund withdrawn for the Company's R&D investment, with a loan term of 36 months. The interest shall be paid on a quarterly basis. The ending balance of loan principal is RMB 7.89 million.

32. Lease liabilities

Unit: RMB

Item	Ending Balance	Beginning Balance
Lease payment amount	52,578,581.24	43,637,253.89
Unrecognized financing charges	-8,027,900.91	-3,786,551.04
Lease liabilities due within one year	-21,662,062.76	-20,137,416.64
Total	22,888,617.57	19,713,286.21

Other explanations:

33. Estimated liabilities

Unit: RMB

Item	Ending Balance	Beginning Balance	Cause of formation
Pending litigation		600,000.00	
Total		600,000.00	

Other descriptions, including important assumptions and estimation explanations related to important estimated liabilities:

The Company has set aside an estimated liability of RMB 600,000 for the trademark infringement and unfair competition dispute between Zokon Industry and Shenzhen Xinjiacheng Intelligent Technology Co., Ltd. The court has finally ruled that the Company shall compensate Zokon Industry for economic losses and reasonable expenses for rights protection, totaling RMB 600,000. In addition, in the case of unfair competition dispute between the Company and Zokon Industry, the court finally ruled that Zokon Industry shall compensate the Company and Shenzhen ZKTeco for a loss of RMB 2 million. The Company notified Zokon Industry and its attorneys in March 2024 and the Shenzhen Intermediate People's Court in April 2024 to offset the debt related to the unfair competition dispute between the Company and Zokon Industry in this case. That is, the amount payable by the Company to Zokon Industry in this case was fully offset against the amount payable by Zokon Industry to the Company based on the Company's lawsuit against Zokon Industry in the unfair competition dispute case.

34. Deferred income

Unit: RMB

Item	Beginning Balance	Increase in the current period	Decrease in the current period	Ending Balance	Cause of formation
Government subsidies	1,853,549.62		92,734.28	1,760,815.34	Financial allocation
Total	1,853,549.62		92,734.28	1,760,815.34	

Other explanations: The government subsidies of the Company are detailed in Note XI Government subsidies 2. Liability items involving government subsidies and 3. Governmental subsidies included in current profits and losses.

35. Share capital

Unit: RMB

	Beginning Balance	Increase/decrease in this change (+, -)					Ending Balance
		Issue new shares	Bonus	Share transferred from capital reserve	Others	Subtotal	
Total Shares	194,679,508.00						194,679,508.00

Other explanations:

36. Capital reserve

Unit: RMB

Item	Beginning Balance	Increase in the current period	Decrease in the current period	Ending Balance
Capital premium (share capital premium)	1,998,953,460.69			1,998,953,460.69
Other capital reserves	76,525,914.44	7,628,802.61		84,154,717.05
Total	2,075,479,375.13	7,628,802.61		2,083,108,177.74

Other descriptions, including changes in current period and reasons for changes:

The increase of capital reserve - other capital reserves in the current period is caused by the recognition of share-based payment of Class II restricted share.

37. Treasury stock

Unit: RMB

Item	Beginning Balance	Increase in the current period	Decrease in the current period	Ending Balance
Implementing equity incentives for repurchasing shares	784,700.00	58,898,528.10		59,683,228.10
Total	784,700.00	58,898,528.10		59,683,228.10

Other descriptions, including changes in current period and reasons for changes:

The Company held the 7th Session of the Third Board Meeting on November 10, 2023, and deliberated and approved the "Proposal on Repurchasing Company Shares through Centralized Bidding Trading". The Company was agreed to use its own funds to repurchase the issued RMB denominated ordinary shares of the Company through centralized bidding trading, for employee stock ownership plans or equity incentives.

The total transaction amount from January 1, 2024 to February 1, 2024 is RMB 58,898,528.10 (excluding transaction costs). As of February 1, 2024, the Company's share repurchase plan has been implemented, and the actual repurchase period is from November 30, 2023 to February 1, 2024. The Company has repurchased a total of 2,230,000 shares of the Company through a dedicated securities account for share repurchases through centralized bidding trading. It accounts for 1.1455% of the total share capital of the Company currently, with a maximum transaction price of RMB 31.40 per share and a minimum transaction price of RMB 23.20 per share. The total transaction amount is RMB 59,683,228.10 (excluding transaction costs).

38. Other comprehensive income

Unit: RMB

Item	Beginning Balance	Amount incurred in the current period						Ending Balance
		Amount incurred before income tax in the current period	Less: Profit and loss included in other comprehensive income at early stage and transferred in the current period	Less: the net amount that is included in other comprehensive profits of prior period and retained earnings transferred into the current profits and loss	Less: income tax expenses	Attributable to parent company after tax	Attributable to minority shareholder after tax	
I. Other comprehensive income to be reclassified into profits and losses	28,000,959.19	-4,827,043.56				-5,722,101.19	895,057.63	22,278,858.00
Translation difference of foreign currency financial statements	28,000,959.19	-4,827,043.56				-5,722,101.19	895,057.63	22,278,858.00
Total of other comprehensive income	28,000,959.19	-4,827,043.56				-5,722,101.19	895,057.63	22,278,858.00

Other explanations, including adjusting the effective portion of cash flow hedging gains and losses to the initial recognition amount of the hedged item:

39. Surplus reserves

Unit: RMB

Item	Beginning Balance	Increase in the current period	Decrease in the current period	Ending Balance
Legal surplus reserve	60,455,422.50			60,455,422.50
Total	60,455,422.50			60,455,422.50

Description of surplus reserve, including changes in current period and reasons for changes:

40. Undistributed profits

Unit: RMB

Item	Current period	Previous period
Undistributed profits before adjustment at end of the previous period	907,583,024.38	788,571,917.98
Total undistributed profits in the adjustment beginning period (increase in "+", decrease in "-")		197,066.66
Undistributed profits at the end of the adjustment period	907,583,024.38	788,768,984.64
Plus: Net profits attributable to parent company in this period	78,637,727.33	177,263,675.15
Less: withdrawal of legal surplus reserves		6,477,417.56
Dividends payable on ordinary shares	86,602,278.60	51,972,217.85
Undistributed profits at the end of the period	899,618,473.11	907,583,024.38

Details of undistributed profits at the beginning of the adjustment period:

- 1) Due to the retrospective adjustment of the "Accounting Standards for Enterprises" and related new regulations, the undistributed profit at the beginning of the period was affected by RMB 0.00.
- 2) Due to changes in accounting policies, the undistributed profit at the beginning of the period was RMB 0.00.
- 3) Due to significant accounting error correction, the undistributed profit at the beginning of the period was RMB 0.00.
- 4) Due to changes in the scope of consolidation caused by the same control, the undistributed profit at the beginning of the period was RMB 0.00.
- 5) The total impact of other adjustments on the undistributed profit at the beginning of the period was RMB 0.00.

41. Operating income and operating cost

Unit: RMB

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Income	Cost	Income	Cost
Main business	899,298,084.45	453,481,237.51	933,910,239.24	488,923,174.83
Other businesses	3,805,074.32	820,586.04	3,272,430.76	
Total	903,103,158.77	454,301,823.55	937,182,670.00	488,923,174.83

Breakdown information of operating income and operating costs:

Unit: RMB

Contract classification	Division 1		Division 2				Total	
	Operating income	Operating cost	Operating income	Operating cost	Operating income	Operating cost	Operating income	Operating cost
Business type								
Including:								
Smart office products					154,212,896.36	57,143,168.43	154,212,896.36	57,143,168.43
Smart					699,183,231.38	364,622,186.25	699,183,231.38	364,622,186.25

entrance and exit management products								
Smart identity verification products					45,901,956.71	31,715,882.83	45,901,956.71	31,715,882.83
Other products					3,805,074.32	820,586.04	3,805,074.32	820,586.04
Classification by region of operation								
Including:								
Domestic sales					278,001,949.77	186,993,704.51	278,001,949.77	186,993,704.51
Overseas sales					625,101,209.00	267,308,119.04	625,101,209.00	267,308,119.04
Market or customer type								
Including:								
Distribution					625,828,126.21	347,508,041.35	625,828,126.21	347,508,041.35
Direct sales					273,469,958.24	105,973,196.16	273,469,958.24	105,973,196.16
Others					3,805,074.32	820,586.04	3,805,074.32	820,586.04
Type of contract								
Including:								
Classification by time of transfer of goods								
Including:								
Classification by contract term								
Including:								
Classification by sales channel								
Including:								
Total					903,103,158.77	454,301,823.55	903,103,158.77	454,301,823.55

Information related to performance obligations:

Item	Time for fulfilling performance obligations	Important payment terms	Nature of goods that the Company promises to transfer	Is it the main responsible person	Expected refunds to customers borne by the Company	Types of quality assurance provided by the Company and
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						related obligations
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Other explanations:

The Company, as the main responsible person in accordance with the contract, timely fulfills the supply obligations according to the customer's requirements for the category, standards and time. The Company provides a certain credit period of 30-90 days based on the customer's industry status, financial strength, credit status and cooperation history. For overseas customers, the Company will also refer to the credit report issued by Sinosure to the customer.

Information related to the transaction price allocated to the remaining performance obligations:

The corresponding income amount for performance obligations that have been signed but have not yet been fulfilled or completed at the end of this reporting period is RMB 0.00.

Information related to variable consideration in the contract:

Significant contract changes or significant transaction price adjustments

Unit: RMB

Item	Accounting treatment method	Amount of impact on income
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Other explanations:

42. Taxes and surcharges

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Urban maintenance and construction tax	1,313,026.35	1,240,447.26
Education surcharge	774,884.49	728,160.52
Property tax	790,526.59	804,766.17
Land use tax	53,192.27	53,192.27
Stamp duty	1,273,419.68	561,396.18
Local education surcharges	516,589.62	488,667.58
Other taxes and fees for overseas companies	8,309,729.91	5,173,139.87
Others	12,948.09	14,849.22
Total	13,044,317.00	9,064,619.07

Other explanations:

43. Administrative expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee remuneration	23,903,152.68	27,180,420.22
Taxes	198,914.56	201,783.21
Office allowance	1,394,754.13	1,273,534.13
Depreciation and amortization	6,046,891.71	5,369,758.22
Business entertainment expenses	1,236,467.04	995,574.87
Repair fee	324,653.19	284,365.87
Travel expense	1,572,016.50	899,595.71

Rent and utilities	1,453,580.87	1,855,286.91
Car expenses	358,274.00	571,076.11
Low-value consumables	292,293.53	148,322.51
Agency fees	3,688,497.16	3,274,197.97
Communications fee	298,281.74	758,248.80
Depreciation and amortization of right-of-use assets	3,113,740.46	4,496,496.02
Share-based payments	719,846.67	3,010,579.74
Others	8,928,517.89	10,157,105.18
Total	53,529,882.13	60,476,345.47

Other explanations:

44. Selling expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee remuneration	128,756,323.33	119,777,810.57
Depreciation and amortization	3,487,498.16	1,698,736.19
Exhibition and conference fees	6,216,072.66	5,477,387.25
Transport cost	842,504.06	921,267.65
Maintenance and testing fees	2,131,723.55	2,790,387.44
Service fees and commissions	8,048,945.97	4,861,913.43
Rental expenses	3,275,034.45	2,448,767.43
Business entertainment expenses	1,833,773.74	1,588,838.83
Travel expense	13,058,671.93	11,115,530.61
Office allowance	5,095,135.43	3,097,812.40
Insurance premium	2,993,136.00	2,916,330.62
Agency fees	6,985,958.39	6,110,506.41
Advertising expenses	13,042,036.99	11,827,049.32
Depreciation and amortization of right-of-use assets	8,710,857.10	7,485,296.72
Share-based payments	3,741,494.90	6,725,599.03
Others	8,287,333.56	7,295,468.08
Total	216,506,500.22	196,138,701.98

Other explanations:

45. R&D expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee remuneration	81,473,986.07	75,368,207.48
Depreciation and amortization	2,581,016.27	1,899,982.13
Office allowance	723,170.03	409,182.70
Travel expense	2,128,700.33	2,607,717.68
Business entertainment expenses	103,017.77	34,535.93
Rental fees and utilities	573,529.74	451,336.40
R&D material costs	2,567,775.42	2,697,441.96
Software and technical service fees	4,008,763.52	4,354,028.63
Depreciation and amortization of right-of-use assets	882,806.79	1,197,842.90
Share-based payments	2,908,870.45	7,403,999.48
Others	7,698,371.81	4,559,826.43
Total	105,650,008.20	100,984,101.72

Other explanations:

46. Financial expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Interest expenses	1,576,340.90	1,807,293.55
Less: interest income	23,834,740.57	31,152,457.27
Exchange profits and losses	1,741,997.79	-6,564,554.23
Bank charge	947,989.18	1,014,262.29
Others	786,291.91	271,944.16
Total	-18,782,120.79	-34,623,511.50

Other explanations:

47. Other income

Unit: RMB

Sources of other income generation	Amount incurred in the current period	Amount incurred in the previous period
Government subsidies related to daily activities of the enterprise	8,127,859.77	5,545,156.28
Other items related to daily activities	239,983.22	218,257.86
Including: refund of individual income tax handling fee	239,983.22	218,257.86
Total	8,367,842.99	5,763,414.14

48. Gains from changes in fair value

Unit: RMB

Sources of gains from changes in fair value	Amount incurred in the current period	Amount incurred in the previous period
Trading financial asset	4,288,802.32	3,616.44
Including: gains from changes in fair value generated by derivative financial instruments	-92,617.82	
Trading financial liabilities		-7,049,098.87
Total	4,288,802.32	-7,045,482.43

Other explanations:

49. Investment income

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Long-term equity investment income accounted by equity method	989,323.74	1,092,924.55
Investment income from disposal of long-term equity investment	-216,072.16	
Investment income obtained from financial products	2,058,736.39	2,191,535.51
Forward foreign exchange settlement and	68,155.00	-2,046,795.00

sales contract		
Total	2,900,142.97	1,237,665.06

Other explanations:

50. Credit impairment loss

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Bad debt losses on accounts receivable	-728,583.49	-2,604,890.77
Bad debt losses on other receivables	-42,420.73	-154,814.43
Total	-771,004.22	-2,759,705.20

Other explanations:

51. Losses from impairment of assets

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
I. Inventories depreciation loss and contract performance cost impairment loss	-5,196,924.78	-3,696,240.00
II. Impairment losses on contract assets		2,400.00
Total	-5,196,924.78	-3,693,840.00

Other explanations:

52. Income from asset disposal

Unit: RMB

Source of income from asset disposal	Amount incurred in the current period	Amount incurred in the previous period
Income from disposal of non-current assets - fixed assets	-76,794.85	-266,037.65
Income from disposal of non-current assets - right-of-use assets	-6,718.26	20,177.94
Total	-83,513.11	-245,859.71

53. Non-operating income

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period	Amount included in current non-recurring profit and loss
Gains from scrapping and damaging non-current assets	5,007.30	290.17	5,007.30
Penalty income	7,840.56		7,840.56
Others	2,443,402.07	280,752.19	2,443,402.07
Total	2,456,249.93	281,042.36	2,456,249.93

Other explanations:

54. Non-operating expenditure

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period	Amount included in current non-recurring profit and loss
External donations	410,712.93	178,252.92	410,712.93
Extraordinary losses	457,628.84		457,628.84
Non-current assets damage and retirement loss	65,449.79	186,561.24	65,449.79
Penalty expenses	3,280.71	45,606.31	3,280.71
Others	111,489.01	187,004.06	111,489.01
Total	1,048,561.28	597,424.53	1,048,561.28

Other explanations:

55. Income tax expenses**(1) Income tax expenses statement**

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Current income tax expenses	11,186,808.91	17,332,087.13
Deferred income tax expenses	-6,284,061.60	-7,981,844.47
Total	4,902,747.31	9,350,242.66

(2) Accounting profit and income tax expenses adjustment process

Unit: RMB

Item	Amount incurred in the current period
Total profits	89,765,783.28
Income tax expenses calculated based on statutory/applicable tax rates	13,464,867.49
The impact of different tax rates applicable to subsidiaries	-2,637,991.52
The impact of adjusting previous period income tax	-14,701.99
The impact of non-taxable income	-5,556,260.59
The impact of non-deductible costs, expenses, and losses	3,565,651.40
The impact of deductible losses on unrecognized deferred income tax assets in the prior period of use	-1,212,894.02
The impact of deductible temporary differences or deductible losses on unrecognized deferred income tax assets in the current period	9,000,478.48
Deduction of technology development expenses	-11,671,158.38
Salary paid for the placement of disabled individuals with additional deductions	-12,011.41
The impact of tax rate changes on the beginning deferred income tax	-23,232.15
Income tax expenses	4,902,747.31

Other explanations:

56. Other comprehensive income

Please refer to Note 38. Other comprehensive income for details.

57. Cash flow statement items

(1) Cash relating to operating activities

Other cash received related to operating activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Interest income	33,260,268.95	7,396,363.00
Government subsidies	4,952,825.13	3,269,551.83
Current account	1,844,175.02	10,479,582.74
Restricted funds such as restricted bill deposit, guarantee deposit and funds in transit	808,538.31	28,500.00
Others	1,826,694.08	2,010,793.34
Total	42,692,501.49	23,184,790.91

Description of other cash received relating to operating activities:

Other cash paid relating to operating activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Expense payment	103,961,087.89	97,959,328.93
Current account	26,147,972.24	21,076,460.86
Restricted funds such as restricted bill deposit, guarantee deposit and funds in transit	16,607,790.66	12,800.00
Others	2,833,730.67	3,432,113.10
Total	149,550,581.46	122,480,702.89

Description of other cash paid relating to operating activities:

(2) Cash relating to investing activities

Other cash received related to investment activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Expiration of forward foreign exchange settlement and sales	68,155.00	
Total	68,155.00	

Significant cash received relating to investing activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Time deposit and wealth management	522,835,114.48	509,707,506.64
Total	522,835,114.48	509,707,506.64

Description of other cash received relating to investing activities:

Other cash paid relating to investment activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Investment losses on forward foreign exchange settlement and sales		2,046,795.00
Total		2,046,795.00

Significant cash paid relating to investing activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Time deposit and wealth management	649,403,947.08	554,750,509.91
Total	649,403,947.08	554,750,509.91

Description of other cash paid relating to investing activities:

(3) Cash relating to financing activities

Other cash received related to financing activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Bill deposit	3,512,381.80	
Total	3,512,381.80	

Description of other cash received relating to financing activities:

Other cash paid in connection with financing activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Lease liability payment amount	16,270,394.68	16,527,983.10
Share repurchase	58,898,528.10	
Bill deposit	3,717,972.80	
Total	78,886,895.58	16,527,983.10

Description of other cash paid relating to financing activities:

Information on changes in liabilities arising from financing activities

☒ Applicable ☐ Not applicable

Unit: RMB

Item	Beginning Balance	Increase in the current period		Decrease in the current period		Ending Balance
		Cash changes	Non cash changes	Cash changes	Non cash changes	
Non-current liabilities due within one year	21,094,682.36	0.00	15,346,285.49	12,169,244.28	1,645,612.70	22,626,110.87
Long-term loan	7,810,405.04	0.00	15,374.92	69,458.32	436,128.94	7,320,192.70
Lease liabilities	19,713,286.21	0.00	35,777,374.57	4,526,150.40	28,075,892.81	22,888,617.57

Total	48,618,373.61	0.00	51,139,034.98	16,764,853.00	30,157,634.45	52,834,921.14
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(4) Description of cash flows presented as net amount

Item	Related facts	Basis for reporting net amount	Financial impact
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(5) Significant activities and financial impacts that do not involve current cash inflows and outflows but affect the financial position of the enterprise or may affect the cash flow of the enterprise in the future**58. Supplementary information of cash flow statement****(1) Supplementary information of cash flow statement**

Unit: RMB

Supplementary information	Amount in current period	Amount of previous period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	84,863,035.97	99,808,805.46
Plus: provision for asset impairment	5,967,929.00	6,453,545.20
Depreciation of fixed assets, consumption of oil and gas assets and productive biological assets	16,949,822.52	14,793,934.77
Depreciation of right of use assets	14,446,245.08	14,326,297.01
Amortization of intangible assets	1,112,025.07	967,519.99
Long-term unamortized expenses	1,703,204.79	650,496.41
Loss from disposal of fixed assets, intangible assets and other long-term assets (gains expressed with "-")	83,513.11	245,859.71
Loss on retirement of fixed assets (gains expressed with "-")	60,442.48	186,271.07
Loss from changes in fair value (gains expressed with "-")	-4,288,802.32	7,045,482.43
Financial expenses (gains expressed with "-")	-2,794,360.99	-1,746,936.23
Investment loss (gains expressed with "-")	-2,900,142.90	-1,237,665.06
Decrease of deferred income tax assets (increase expressed with "-")	-7,856,218.33	-7,121,514.67
Increases of deferred income tax liabilities (decrease expressed with "-")	1,572,156.78	-461,480.54
Decrease of inventories (increase expressed with "-")	-13,366,506.95	19,487,642.81
Decreases of operational receivables (increase expressed with "-")	-32,843,911.15	-55,447,007.82
Increases of operating payables (decrease expressed with "-")	-3,841,421.92	13,875,197.45
Others	7,765,311.61	18,903,579.13

Net cash flows from operating activities	66,632,321.85	130,730,027.12
2. Major investment and financing activities not relating to cash deposit and withdrawal		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets under financing lease		
3. Net change of cash and cash equivalents:		
Ending balance of cash	966,470,088.72	1,039,925,141.52
Less: beginning balance of cash	1,317,020,553.02	1,077,608,258.10
Plus: ending balance of cash equivalents		
Less: beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-350,550,464.30	-37,683,116.58

(2) Composition of cash and cash equivalents

Unit: RMB

Item	Ending Balance	Beginning Balance
I. Cash	966,470,088.72	1,317,020,553.02
Including: Cash on hand	1,289,301.50	1,401,947.05
Bank deposit available for payment at any time	962,031,005.18	1,302,024,477.33
Other monetary funds available for payment at any time	3,149,782.04	13,594,128.64
III. Ending balance of cash and cash equivalents	966,470,088.72	1,317,020,553.02

(3) Monetary funds that do not belong to cash and cash equivalents

Unit: RMB

Item	Amount in current period	Amount of previous period	Reasons for not being classified as cash and cash equivalents
Principal of time deposits and outstanding interest receivable	286,725,925.24	618,949,731.28	Not meeting the standards for cash and cash equivalents
Margin of bank acceptance draft	46,267,829.38	46,693,268.67	Not meeting the standards for cash and cash equivalents
Frozen litigation funds	800,000.00	800,000.00	Not meeting the standards for cash and cash equivalents
Funds in transit	18,993,724.85	7,461,401.81	Not meeting the standards for cash and cash equivalents
Total	352,787,479.47	673,904,401.76	

Other explanations:

59. Notes to items in the statement of changes in owner's equity

Explain the names and adjusted amounts of "other" items that have been adjusted to the ending balance of the previous year:

None

60. Foreign currency monetary items**(1) Foreign currency monetary items**

Unit: RMB

Item	Ending foreign currency balance	Conversion rate	Ending equivalent RMB Balance
Monetary funds			619,448,214.96
Including: USD	73,062,310.88	7.1268	520,700,477.18
EUR	4,775,347.94	7.6617	36,587,283.31
HKD	2,339,050.08	0.9127	2,134,804.23
GBP	262,126.55	9.0430	2,370,410.39
MYR	763,399.61	1.5095	1,152,336.09
INR	58,105,051.11	0.0854	4,960,922.43
COP	302,140,343.23	0.0017	514,864.92
MXN	2,894,229.76	0.3857	1,116,428.70
PEN	17,934.51	1.8586	33,332.20
TRL	1,688,966.69	0.2175	367,377.51
ZAR	19,117,336.00	0.3869	7,396,632.36
THB	20,473,438.29	0.1952	3,995,596.86
DNS	12,112,266.27	1.9462	23,573,434.29
IDR	3,837,402,227.54	0.0004	1,689,592.39
CLP	518,442,465.28	0.0075	3,864,890.96
ARS	41,238,125.93	0.0078	322,607.99
RUB	1,696,491.69	0.0841	142,689.43
UYU	240.00	0.1801	43.22
CRC	8,265.00	0.0136	112.18
GTQ	125.00	0.9174	114.67
KRW	213,792,895.00	0.0052	1,109,287.06
BRL	372,603.68	1.2955	482,690.21
SGD	501,263.49	5.2790	2,646,169.96
KES	2,464,327.27	0.0551	135,882.15
NGN	11,118,341.30	0.0047	51,959.47
VND	3,771,444,171.00	0.0003	1,055,811.78
AUD	2,140.55	4.7650	10,199.72
JPY	30,554,352.00	0.0447	1,366,940.60
DZD	11,400.00	0.0529	603.03
RSD	110.00	0.0658	7.23
MAD	865,687.09	0.7163	620,089.33
EGP	88,623.05	0.1484	13,150.09
CAD	197,320.47	5.2274	1,031,473.02
Accounts receivable			449,453,413.72
Including: USD	45,955,972.55	7.1268	327,519,025.16
EUR	1,713,455.72	7.6617	13,127,983.69
HKD			
MYR	1,283,446.15	1.5095	1,937,335.69

INR	102,085,298.79	0.0854	8,715,890.26
COP	699,669,318.26	0.0017	1,192,277.67
MXN	36,766,683.21	0.3857	14,182,488.51
PEN	1,924,682.93	1.8586	3,577,121.56
TRL	5,989,497.19	0.2175	1,302,812.31
ZAR	12,163,522.48	0.3869	4,706,152.78
THB	60,746,530.02	0.1952	11,855,294.70
DNS	23,226,735.13	1.9462	45,204,910.63
IDR	345,219,990.00	0.0004	151,998.94
CLP	145,960,579.00	0.0075	1,088,108.63
ARS	1,084,257.69	0.0078	8,482.20
RUB	492,000.00	0.0841	41,381.40
KRW	1,565,614,112.00	0.0052	8,123,354.50
BRL	2,611,361.81	1.2955	3,382,894.05
SGD	149,355.66	5.2790	788,448.53
NGN	344,042,392.32	0.0047	1,607,817.26
VND	965,464,229.00	0.0003	270,280.68
JPY	14,961,656.00	0.0447	669,354.57
Long-term loan			272,302.65
Including: USD			
EUR			
HKD			
Including: MYR	85,945.68	1.5095	129,733.24
ZAR	368,484.91	0.3869	142,569.41
Other receivables			16,509,030.01
Including: USD	878,141.34	7.1268	6,258,337.72
EUR	134,641.04	7.6617	1,031,579.25
MYR	55,460.00	1.5095	83,715.73
INR	16,925,356.84	0.0854	1,445,061.67
COP	223,529,886.28	0.0017	380,908.07
MXN	4,282,375.02	0.3857	1,651,895.93
PEN	474,329.05	1.8586	881,564.77
TRL	153,967.23	0.2175	33,490.36
ZAR	102,353.78	0.3869	39,601.40
THB	7,901,852.14	0.1952	1,542,125.71
DNS	221,795.68	1.9462	431,668.67
IDR	38,400,000.00	0.0004	16,907.36
CLP	91,538,767.00	0.0075	682,404.27
ARS	6,921,929.29	0.0078	54,150.61
RUB	921,066.87	0.0841	77,469.58
KRW	82,019,147.55	0.0052	425,565.03
BRL	342,486.71	1.2955	443,675.12
SGD	54,233.78	5.2790	286,300.12
KES	479,756.48	0.0551	26,453.61
NGN	16,277,790.91	0.0047	76,071.19
VND	314,468,182.00	0.0003	88,035.03
JPY	7,087,215.00	0.0447	317,067.82
CAD	10,050.00	5.2274	52,535.37
PKR	7,128,302.03	0.0256	182,445.62
Accounts payable			12,918,209.70
Including: USD	326,417.93	7.1268	2,326,315.30
EUR	227,378.36	7.6617	1,742,104.78
MYR	45,735.22	1.5095	69,036.38
INR	6,675,108.82	0.0854	569,910.82
COP	567,644.80	0.0017	967.30

MXN	10,032,832.73	0.3857	3,870,094.40
PEN	248,844.78	1.8586	462,490.74
ZAR	116.00	0.3869	44.88
THB	3,330,275.57	0.1952	649,936.68
DNS	939,475.70	1.9462	1,828,449.62
IDR	9,750,000.00	0.0004	4,292.88
CLP	63,101,727.00	0.0075	470,411.49
ARS	14,583,479.54	0.0078	114,087.31
RUB	29,050.11	0.0841	2,443.36
BRL	399,329.08	1.2955	517,311.68
NGN	14,179,284.43	0.0047	66,264.21
MAD	312,786.14	0.7163	224,047.87
Other payables			8,012,454.94
Including: USD	518,086.03	7.1268	3,692,295.53
HKD	65,000.00	0.9127	59,324.20
EUR	269,963.52	7.6617	2,068,379.50
MYR	13,789.08	1.5095	20,814.33
INR	1,545,378.07	0.0854	131,942.07
MXN	281,424.50	0.3857	108,557.51
PEN	4,324.42	1.8586	8,037.16
TRL	70,055.87	0.2175	15,238.28
ZAR	313,573.00	0.3869	121,323.61
THB	1,215,036.40	0.1952	237,126.54
DNS	18,900.00	1.9462	36,784.03
CLP	8,023,347.00	0.0075	59,812.54
ARS	6,031,597.47	0.0078	47,185.50
KRW	18,684,336.68	0.0052	96,945.66
BRL	100,000.00	1.2955	129,545.21
SGD	22,333.96	5.2790	117,900.97
KES	83,080.03	0.0551	4,581.00
NGN	27,594,421.35	0.0047	128,957.33
VND	977,645.00	0.0003	273.69
JPY	7,291,090.00	0.0447	326,188.78
MAD	46,800.78	0.7163	33,523.27
CAD	2,400.00	5.2274	12,545.76
EGP	2,560,647.41	0.1484	379,954.65
PKR	6,845,905.87	0.0256	175,217.82

Other explanations:

(2) Description of overseas operating entities, including for important overseas operating entities, disclosure of their main overseas operating location, recording currency, and selection basis. Reasons for changes in the recording currency should also be disclosed.

☒ Applicable ☐ Not applicable

Subsidiaries	Registered place of business	Recording currency	Basis for adopting recording currency
ZKTECO CO., LIMITED	Hong Kong	US Dollar	Sales and procurement are mainly priced in USD
Armatura Tech Co.,Ltd.	Thailand	THB	Currency used in the place of operation
ZKTECO SECURITY L.L.C	Dubai	DNS	Currency used in the place of operation

ZKTECO EUROPE SL	Spain	EUR	Currency used in the place of operation
ZK TECHNOLOGY LLC	America	US Dollar	Currency used in the place of operation
ZKTECO USA LLC	America	US Dollar	Currency used in the place of operation
ZKTECO BIOMETRICS INDIA PRIVATE LIMITED	India	INR	Currency used in the place of operation
ZKTECO PANAMA ,S.A.	Panama	US Dollar	Sales and procurement are mainly priced in USD
ZKTECO LATAM, S.A DE C.V.	Mexico	MXN	Currency used in the place of operation
ZK INTELLIGENT SOLUTIONS (PTY) LTD	South Africa	ZAR	Currency used in the place of operation
NGTECO CO.,LIMITED	Hong Kong	US Dollar	Sales and procurement are mainly priced in USD

VIII. R&D expenditures

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee remuneration	81,473,986.07	75,368,207.48
Depreciation and amortization	2,581,016.27	1,899,982.13
Office allowance	723,170.03	409,182.70
Travel expense	2,128,700.33	2,607,717.68
Business entertainment expenses	103,017.77	34,535.93
Rental fees and utilities	573,529.74	451,336.40
R&D material costs	2,567,775.42	2,697,441.96
Software and technical service fees	4,008,763.52	4,354,028.63
Depreciation and amortization of right-of-use assets	882,806.79	1,197,842.90
Share-based payments	2,908,870.45	7,403,999.48
Others	7,698,371.81	4,559,826.43
Total	105,650,008.20	100,984,101.72
Including: Expensed R&D expenditures	105,650,008.20	100,984,101.72

IX. Changes to the scope of consolidation

1. Changes in the scope of consolidation due to other reasons

Description of changes in the scope of consolidation caused by other reasons (for example, establishing new subsidiaries, liquidating subsidiaries, etc.) and their related situations:

S/N	Company Name	Establishment Date	Registered Capital	Shareholding ratio (%)	Reason for Change
1	ZKTECO BUSINESS SOLUTIONS COMPANY	May 15, 2024	SAR 25,000.00	100.00	New establishment
2	ZKTECO EGYPT LLC	January 4, 2024	USD 120,000.00	100.00	New establishment
3	Shenzhen Zhongjiang Intelligent Technology Co., Ltd.	April 26, 2017	RMB 10,000,000.00	51.00	Liquidation

Note: ZKTECO BUSINESS SOLUTIONS COMPANY has not yet paid the investment amount as of the end of the period. ZKTECO EGYPT LLC has received an investment of USD 118,800 and has not yet paid the investment amount as of the end of the period.

X. Equity in other entities

1. Equity in subsidiaries

(1) Composition of the enterprise group

Unit: RMB

Name of Subsidiaries	Registered Capital	Main business place	Registration place	Nature of business	Percentage of shares		Acquisition method
					Direct	Indirect	
1. Xiamen Zkteco Biometric Identification Technology Co., Ltd.	38,500,000.00	Xiamen	Xiamen	Software development	100.00%	0.00%	Acquisition
2. Shenzhen ZKTeco Biometric Identification Technology Co., Ltd.	1,000,000.00	Shenzhen	Shenzhen	Sales of goods	100.00%	0.00%	Acquisition
2.1.ZK INVESTMENTS INC.	100.00 ¹	America	America	Established	0.00%	100.00%	by investment
2.1.1.ZK TECHNOLOGY LLC	Not applicable	America	America	Sales of goods	0.00%	76.92%	by investment
3. ZKTeco Sales Co., Ltd.	50,000,000.00	Dongguan	Dongguan	Sales of goods	100.00%	0.00%	by investment
4. Hangzhou ZKTeco Hanlian E-commerce Co., Ltd.	2,000,000.00	Hangzhou	Hangzhou	E-commerce	100.00%	0.00%	by investment
5. ZKCserv Technology Limited Co., Ltd.	1,000,000.00	Shenzhen	Shenzhen	Software development	51.00%	0.00%	by investment
6. Dalian ZKTeo CO., Ltd.	3,000,000.00	Dalian	Dalian	Software development and sales	100.00%	0.00%	by investment
7. XIAMEN ZKTECO CO., LTD.	100,000,000.00	Xiamen	Xiamen	Software development and sales	100.00%	0.00%	by investment
7.1 ZKTeco Huayun (Xiamen) Integrated Circuit Co., Ltd.	3,693,880.00	Xiamen	Xiamen	Software development	0.00%	51.00%	by investment

7.2.ZKTECO VIETNAM TECHNOLOGY COMPANY LIMITED	4,550,000,000.00 ²³	Vietnam	Vietnam	Sales of goods	0.00%	100.00%	by investment
8. ZKTECO (GUANGDONG) CO., LTD	800,000,000.00	Dongguan	Dongguan	Production and sales of goods	100.00%	0.00%	by investment
9. Xi'an ZKTeco Co., Ltd.	1,060,000.00	Xi'an	Xi'an	Sales of goods	100.00%	0.00%	Acquisition
10. ZKTECO CO., LIMITED	15,000,000.00 ¹	Hong Kong, China	Hong Kong, China	Sales of goods	100.00%	0.00%	by investment
10.1.ZKTECO TURKEY ELEKTRONIK SANAYI VE TICARET LIMITED SIRKETI.	1,200,000.00 ¹⁷	Turkey	Turkey	Sales of goods	0.00%	88.09%	by investment
10.2.ZKTECO LATAM, S.A. DE C.V.	4,426,000.00 ⁸	Mexico	Mexico	Sales services	0.00%	100.00%	by investment
10.3.ZK SOFTWARE DE MEXICO, S.A. DE C.V.	3,748,688.00 ⁸	Mexico	Mexico	R&D services	0.00%	100.00%	Capital increase and equity investment
10.4.ZKTECO COLOMBIA SAS	968,393,000.00 ⁷	Columbia	Columbia	Sales services	0.00%	100.00%	by investment
10.5.ZKTECO (M) SDN. BHD.	646,000.00 ²⁰	Malaysia	Malaysia	Sales of goods	0.00%	51.00%	Acquisition
10.6.ZKTECO BIOMETRICS INDIA PRIVATE LIMITED	132,765,240.00 ¹⁶	India	India	Sales of goods	0.00%	99.15%	Capital increase and equity investment
10.7.ZKTECO EUROPE SL	538,500.00 ²	Spain	Spain	Sales of goods	0.00%	75.69%	Acquisition
10.7.1.ZKTECO IRELAND LIMITED	60,000.00 ²	Ireland	Ireland	Sales services	0.00%	75.69%	by investment
10.7.2.ZKTeco Deutschland GmbH	100,000.00 ²	Germany	Germany	Sales of goods	0.00%	75.69%	by investment
10.7.3.ZKTECO ITALIA S.R.L.	350,000.00 ²	Italy	Italy	Sales of goods	0.00%	71.37%	by investment
10.7.4.ZKTE	1,500,000.00 ³	UK	UK	Sales of	0.00%	75.69%	by

CO UK LTD				goods			investment
10.8.ZKTEC O PERU SOCIEDAD ANONIMA CERRADA	1,273,675.00 ²²	Peru	Peru	Sales services	0.00%	100.00%	Acquisition
10.9.ZKTEC O THAI CO., LTD.	10,000,000.00 ⁵	Thailand	Thailand	Sales of goods	0.00%	99.80%	Acquisition
10.10.ZKTeco Chile SpA	146,370,000.00 ⁹	Chile	Chile	Sales services	0.00%	100.00%	by investment
10.10.1.SOLU CIONES INTEGRALE S Y SISTEMAS SpA	60,000,000.00 ⁹	Chile	Chile	Sales services	0.00%	100.00%	by investment
10.11.ZKTEC O SECURITY L.L.C	300,000.00 ¹⁴	Dubai	Dubai	Sales of goods	0.00%	100.00%	Acquisition
10.12.ZKTEC O ARGENTINA S.A.	4,000,000.00 ²⁶	Argentina	Argentina	Sales of goods	0.00%	60.00%	Acquisition
10.13.Limited Liability Company "ZKTeco biometrics and security"	17,850,554.80 ¹⁸	Russia	Russia	Sales of goods	0.00%	100.00%	by investment
10.14.ZKTEC O Investment Inc.	80,000.00 ¹	America	America	Established	0.00%	100.00%	by investment
10.14.1.ZKTE CO USA LLC	Not applicable	America	America	Sales of goods	0.00%	80.00%	by investment
10.14.2.Armat ura Co., Ltd.	118,960,000.00 ²⁴	Korea	Korea	Sales of goods	0.00%	90.00%	Acquisition
10.14.3.ZKTe co Japan Co., Ltd.	100,000,000.00 ²⁵	Japan	Japan	Sales of goods	0.00%	100.00%	by investment
10.14.4.ARM ATURA LLC.	Not applicable	America	America	Sales of goods	0.00%	100.00%	by investment
10.14.5.RALV IE AI INC.	10,000.00 ¹	Canada	Canada	Sales of goods	0.00%	100.00%	by investment
10.15.PT. ZKTECO BIOMETRIC S INDONESIA	2,657,200,000.00 ⁶	Indonesia	Indonesia	Sales of goods	0.00%	95.00%	by investment
10.16.ZK INVESTIME NTOS DO BRASIL LTDA.	611,440.00 ¹⁰	Brazil	Brazil	Established	0.00%	99.68%	Acquisition
10.16.1.ZKTE CO DO BRASIL S.A.	1,085,403.06 ¹⁰	Brazil	Brazil	Sales of goods	0.00%	74.76%	Acquisition

10.17.ZKTeco Latam R&D S.A.	2,926,000.00 ²⁶	Argentina	Argentina	Sales of goods	0.00%	98.09%	by investment
10.18.NGTEC O CO., LIMITED	10,000.00 ⁴	Hong Kong, China	Hong Kong, China	Sales of goods	0.00%	100.00%	by investment
10.19.ZKTEC O BIOMETRIC LIMITED	100,000,000.00 ¹⁵	Nigeria	Nigeria	Sales of goods	0.00%	60.00%	by investment
10.20.ZKTEC O PANAMA, S.A.	360,000.00 ¹	Panama	Panama	Sales of goods	0.00%	99.86%	by investment
10.21.ZK INTELLIGENT SOLUTIONS (PTY) LTD	Not applicable	South Africa	South Africa	Sales of goods	0.00%	100.00%	by investment
10.22.ZKTEC O BIOMETRIC S KENYA LIMITED	10,910,000.00 ¹²	Kenya	Kenya	Sales of goods	0.00%	100.00%	by investment
10.23.ZKTEC O ROMANIA S.R.L	250.00 ²¹	Romania	Romania	Sales of goods	0.00%	100.00%	by investment
10.24ZKTEC O BUSINESS SOLUTIONS COMPANY	25,000.00 ¹⁹	Saudi Arabia	Saudi Arabia	Sales of goods	0.00%	100.00%	by investment
11. Hubei ZKTeco Co., Ltd.	10,000,000.00	Wuhan	Wuhan	Sales of goods	100.00%	0.00%	by investment
12. Wuhan ZKTeco Perception Technology Co., Ltd.	1,000,000.00	Wuhan	Wuhan	Sales of goods	0.00%	51.00%	by investment
13.ZKTECO SG INVESTMENT PTE. LTD.	1,000,000.00 ¹	Singapore	Singapore	Sales of goods	100.00%	0.00%	by investment
13.1.ZKTEC O SINGAPORE PTE. LTD.	500,000.00 ¹¹	Singapore	Singapore	Sales of goods	0.00%	100.00%	by investment
13.2.Armatura Tech Co., Ltd.	602,983,200.00 ⁵	Thailand	Thailand	Production and sales of goods	0.00%	99.99%	Acquisition
13.3.ZKDIGI MAX PTE. LTD.	20,000,000.00 ¹	Singapore	Singapore	Sales of goods	0.00%	80.00%	by investment
13.3.1.ZKDIGI MAX PANAMA, S.A.	10,000.00 ¹	Panama	Panama	Sales of goods	0.00%	80.00%	by investment
13.3.2.ZKDIGI	10,000,000.00 ⁷	Columbia	Columbia	Sales of	0.00%	80.00%	by

IMAX COLOMBIA SAS				goods			investment
13.3.3.ZKDIG IMAX (PTY) LTD	Not applicable	South Africa	South Africa	Sales of goods	0.00%	80.00%	by investment
13.3.4.PT. ZKDIGIMAX EXCEL NOBLE	10,010,000,000.00 ⁶	Indonesia	Indonesia	Sales of goods	0.00%	56.00%	by investment
13.3.5 ZKDIGIMAX CHINA CO., LTD.	300,000.00 ¹	Xiamen	Xiamen	Sales of goods	0.00%	80.00%	by investment
13.3.6.ZK TECHNOLOGY MOROCCO	1,515,000.00 ¹³	Morocco	Morocco	Sales of goods	0.00%	100.00%	by investment
13.3.7.ZKTE CO EGYPT LLC	120,000.00 ¹	Egypt	Egypt	Sales of goods	0.00%	100.00%	by investment

Note: 1. USD

2. EUR

3. GBP

4. HKD

5. THB

6. IDR

7. COP

8. MXN

9. CLP

10. BRL

11. SGD

12. KES

13. MAD

14. AED

15. NGN

16. Rs

17. TRL

18. RUB

19. SAR

20. MYR

21. RON

22. PEN

23. VND

24. KRW

25. JPY

26. ARS

Explanation of the fact that shareholding percentage is different from the proportion of voting rights in the subsidiaries:

None

Basis for holding half or less of the voting rights but still controlling the investee, and holding more than half of the voting rights but not controlling the investee:

None

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

Basis for determining whether the Company is an agent or principal:

Other explanations: ZKDIGIMAX (PTY) LTD has registered capital with paid in capital, which has not been paid as of the end of the period.

(2) Important partly-owned subsidiaries

Unit: RMB

Name of Subsidiaries	Minority shareholding ratio	Profit and loss attributable to minority shareholders in current period	Dividends declared for distribution to minority shareholders in the current period	Closing balance of minority interest
ZK TECHNOLOGY LLC	23.08%	9,584,897.96	10,655,807.14	5,949,661.53

Explanation of the fact that shareholding percentage is different from the proportion of voting rights for minority shareholders in the subsidiaries:

Other explanations:

(3) Main financial information of important partly-owned subsidiaries

Unit: RMB

Name of Subsidiaries	Ending Balance						Beginning Balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
ZK TECHNOLOGY LLC	50,098,492.78	1,292,468.63	51,390,961.41	28,076,007.15	755,755.59	28,831,762.74	61,698,439.58	440,329.48	62,138,769.06	36,590,588.71	0.00	36,590,588.71

Unit: RMB

Name of Subsidiaries	Amount incurred in the current period				Amount incurred in the previous period			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
ZK TECHNOLOGY	56,247,880.47	31,949,659.82	32,228,136.86	38,230,718.47	74,892,637.61	44,089,564.44	45,848,858.91	50,898,526.54

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Other explanations:

2. Transactions resulting in change of owners' equity in subsidiaries and the subsidiaries still being under control

(1) Change of owners' equity in subsidiaries

The local registered capital of our subsidiary ZKTeco Latam R&D S.A. of the Company was originally ARS7,000,000.00, with 98% equity of ZKTECO CO., LIMITED. However, the paid in capital ARS2,786,000.00 was not fully paid, and ZKTECO ARGENTINA S.A. held 2% equity and fully paid the investment ARS140,000.00. According to the Company's decision, ZKTeco Latam R&D S.A. completed the capital reduction procedures locally in Argentina in January 2024. The local registered capital was changed from ARS7,000,000.00 to ARS2,926,000.00, and the total number of shares decreased from 7,000 to 2,926, with ZKTECO ARGENTINA S.A. holding 140 shares and ZKTECO CO., LIMITED holding 2,786 shares. After the capital decrease, the paid in capital amount of ZKTeco Latam R&D S.A. remained unchanged, but the shareholding ratio of ZKTECO CO., LIMITED in ZKTeco Latam R&D S.A. increased from 98% to 95.22%, and the shareholding ratio of ZKTECO ARGENTINA S.A. increased from 2% to 4.78%.

3. Equity in joint arrangements or associates

(1) Important joint ventures or associates

Name of joint venture or associate	Main business place	Registration place	Nature of business	Percentage of shares		Accounting treatment methods for investments in joint ventures or associates
				Direct	Indirect	
Xinhuaxin (Xi'an) Information Technology Co., Ltd.	Xi'an	Xi'an	Software and information technology services industry	19.89%		Long-term equity investment

Explanation of the fact that shareholding percentage is different from the proportion of voting rights in the joint ventures or associates:

None

Basis for holding less than 20% of voting rights but having significant impact, or holding 20% or more of voting rights but not having significant impact:

(2) Major financial information of important associates

Unit: RMB

	Ending balance/current amount incurred	Beginning balance/amount incurred in the previous period
Current assets	109,246.92	7,510,080.96
Non-current assets		307,582.52
Total assets	109,246.92	7,817,663.48

Current liabilities	200,000.00	20,381,375.86
Non-current liabilities		
Total liabilities	200,000.00	20,381,375.86
Minority interests		
Shareholders' equity attributable to the parent company	-90,753.08	-12,563,712.38
Net asset share calculated based on shareholding ratio	-18,047.52	-2,498,470.10
Adjustment matters		
--Goodwill		
--Unrealized profits from internal transactions		
--Others		
Book value of equity investment in associates		
Fair value of equity investments in associates with public offers		
Operating income	1,143,428.23	2,854,572.43
Net profit	12,472,959.30	-5,411,549.51
Net profit from discontinued operations		
Other comprehensive income		
Total comprehensive income	12,472,959.30	-5,411,549.51
Dividends received from associates this year		

Other explanations:

Xinhuaxin (Xi'an) Information Technology Co., Ltd. completed its industrial and commercial deregistration on August 21, 2024.

(3) Summary financial information of unimportant joint ventures and associated enterprises

Unit: RMB

	Ending balance/current amount incurred	Beginning balance/amount incurred in the previous period
Joint venture:		
The total number of the following items calculated based on shareholding ratio		
Associates:		
Total investment book value	29,071,504.20	29,781,888.62
The total number of the following items calculated based on shareholding ratio		
-- Net profit	-1,006,921.81	-185,118.03
-- Other comprehensive income	91,638.47	252,450.00
--Total comprehensive incomes	-915,283.34	67,331.97

Other explanations:

(4) Excess losses incurred by joint ventures or associates

Unit: RMB

Name of joint venture or associate	Accumulated unrecognized losses accumulated in the previous period	Unrecognized losses in the current period (or net profit shared in the current period)	Accumulated unrecognized losses at the end of this period
Xinhuaxin (Xi'an) Information Technology Co., Ltd.	-13,015,860.32	12,997,812.80	-18,047.52
ZKTECO SOLUTIONS INC.	-716,468.40	-34,226.03	-750,694.43
PT. ZKTECO SECURITY INDONESIA	-427,490.18	-170,672.89	-598,163.07

Other explanations:

Xinhuaxin (Xi'an) Information Technology Co., Ltd. completed its industrial and commercial deregistration on August 21, 2024.

XI. Government Subsidies**1. Government subsidies recognized by accounts receivable at the end of the reporting period**☐ Applicable ☒ Not applicable

Reasons for not receiving the expected amount of government subsidies at the expected time point

☐ Applicable ☒ Not applicable**2. Liability items involving government subsidies**☒ Applicable ☐ Not applicable

Unit: RMB

Accounting Subject	Beginning Balance	Newly added subsidy amount in current period	Amount included in non-operating income for the current period	Amount of other income transferred in the current period	Other changes in the current period	Ending Balance	Assets/Income-related
Deferred income	1,853,549.62			92,734.28		1,760,815.34	Assets-related
Total	1,853,549.62			92,734.28		1,760,815.34	

3. Government subsidies included in current profits and losses☒ Applicable ☐ Not applicable

Unit: RMB

Accounting Subject	Amount incurred in the current period	Amount incurred in the previous period
Value added tax is collected and refunded immediately	2,163,132.04	2,751,057.22
Dongguan Economic and Information Technology Bureau "Human Replacement by Machine" Fund	29,499.54	29,499.58
Automation Project Subsidy of Dongguan Bureau of Industry and	30,298.38	30,298.36

Information Technology		
Industrial Support and Transformation and Upgrading Special Fund (Integration of Informatization and Industrialization) of Dongguan Bureau of Industry and Information Technology	10,982.96	11,325.09
Subsidy for Residency and Decoration of Management Committee of Xiamen Torch High-Tech Industry Development Zone	13,924.20	13,924.20
Subsidy for Exhibition Hall Decoration of Management Committee of Xiamen Torch High-Tech Industry Development Zone	8,029.20	8,029.20
Stabilization allowance	91,619.56	90,930.44
Value added tax deduction	1,174,248.07	3,053.49
Rewards for high-tech enterprise recognition		500,000.00
One-time job expansion subsidy	69,500.00	45,000.00
Subsidies for enterprise R&D expenses		400,000.00
Support Fund for Increasing R&D Investment of the Management Committee of Xiamen Torch High-Tech Industry Development Zone	3,152,800.00	
Singapore Employment Support Scheme		94,745.70
One-time Training Subsidy for Retention of Workers of Social Security Bureau		145,880.57
2022 Provincial Special Fund for Promoting High Quality Economic Development of Bureau of Commerce of Dongguan City		1,101,719.86
Graduates' Social Security Subsidies	32,449.14	29,797.67
Special Fund for 2023 Central Foreign Economic and Trade Development of Guangdong Province (Promoting Foreign Investment Cooperation) - Policy Credit Insurance Subsidy	13,366.81	
Economic Development Bureau's 100 RMB 100 Million Enterprise Cultivation Fund	200,000.00	
2022 National Intellectual Property Advantage Enterprise Award of Xiamen Municipal Market Supervision Bureau		200,000.00
Employment Subsidies for Poverty Alleviation Population	18,600.00	
Export Credit Insurance Purchase Promotion Project of Provincial Special Fund for Promoting High Quality Development of Economy in 2024 (Promoting the Development of Foreign Trade)	1,076,345.85	
Social Security Subsidies for Individuals Facing Employment Difficulties	30,738.64	
Others	12,325.38	89,894.90
Total	8,127,859.77	5,545,156.28

Other explanations:

XII. Risks Related to Financial Instruments

1. Various risks arising from financial instruments

1. Credit risk

Credit risk refers to the risk of financial losses incurred by the Company due to the counterparty's failure to fulfill contract obligations. The management has established appropriate credit policies and continuously monitors the exposure to credit risk.

The Company has adopted a policy of only trading with reputable counterparties. In addition, the Company evaluates the credit qualifications of customers based on their financial position, the possibility of obtaining guarantees from third parties, credit records, and other factors such as current market conditions, and sets corresponding credit periods. The Company continuously monitors the notes receivable, accounts receivable balance, and collection. For customers with poor credit records, the Company will use written reminders, shorten or cancel credit periods, etc. to ensure that the Company does not face significant credit losses. In addition, the Company reviews the recovery of financial assets on each balance sheet date to ensure that sufficient provisions for expected credit losses have been made for the relevant financial assets.

The credit risk of other financial assets of the Company, including monetary funds, other receivables, debt investments, etc., arises from counterparty defaults, and the maximum credit risk exposure is the carrying amount of each financial asset on the balance sheet. The Company has not provided any other guarantee that may expose the Company to credit risk.

The monetary funds held by the Company are mainly deposited in state-owned holding banks and other large and medium-sized commercial banks and other financial institutions. The management believes that these commercial banks have a high reputation and good asset status, there is no significant credit risk, and there will be no significant losses caused by the default of the counterparty. The Company's policy is to control the amount of deposits held in deposits based on the market reputation, business scale, and financial background of well-known financial institutions, in order to limit the credit risk amount to any individual financial institution.

As part of the Company's credit risk asset management, the Company uses aging to assess impairment losses on accounts receivable and other receivables. The Company's accounts receivable and other receivables involve a large number of customers, and the aging information can reflect the solvency and bad debt risk of these customers for accounts receivable and other receivables. The Company calculates the historical actual bad debt rate for different aging periods based on historical data, and takes into account current and future economic forecasts, such as forward-looking information like national GDP growth rate, total infrastructure investment, and national monetary policy, to adjust the expected loss rate. For long-term receivables, the Company takes into account the settlement period, payment period stipulated in the contract, the financial position of the debtor, and the economic situation of the debtor's industry, and adjusts the expected credit loss based on the forward-looking information mentioned above.

As of June 30, 2024, the book balances and expected credit impairment losses of related assets are as follows:

Unit: RMB

Item	Book balance	Impairment provision
Accounts receivable	505,242,359.77	34,924,858.45
Other receivables	44,589,719.58	5,665,726.44
Debt investment (including debt investment due within one year)	46,261,254.10	
Long-term receivables (including payments due within one year)	3,806,228.60	
Total	599,899,562.05	40,590,584.89

Due to the fact that the Company's receivable risk points are distributed among multiple partners and customers, as of June 30, 2024, 23.43% (December 31, 2023: 22.14%) of the Company's receivables and ending balance of contract assets came from the top five customers with outstanding balances, and the Company did not have significant credit concentration risks.

The Company's maximum credit risk exposure is the book value of each financial asset in the balance sheet.

For the bank financial products invested by the Company, the counterparty must have a credit rating higher than or equal to that of the Company. Given the good credit rating of the counterparty, the Company's management does not anticipate that the counterparty will be unable to fulfill its obligations.

2. Liquidity risk

The liquidity risk refers to the risk of capital shortage of the Company taking place in the course of cash payment or settlement via other financial assets. The policy of the Company is to ensure that there is sufficient cash for the payment of the matured debts. Each member enterprise of the Company is responsible for its cash flow forecast. The Finance Department under the Company continuously monitors the Company's short-term and long-term funding needs at the company level based on the cash flow forecast results of each member enterprise, to ensure the maintenance of sufficient cash reserves; simultaneously, the Finance Department continuously monitors whether it complies with the provisions of the loan agreement and obtains commitments from major financial institutions to provide sufficient reserve funds to meet short-term and long-term funding needs. In addition, the Company has entered into financing and credit agreements with major correspondent banks to provide support for the Company's obligations related to commercial bills. As of June 30, 2024, the Company has obtained credit lines from multiple domestic banks, with a total amount of RMB 1.4 billion, of which RMB 210.8004 million has been used.

As of June 30, 2024, the Company's financial liabilities and off balance sheet guarantee items are presented as undiscounted contract cash flows over the remaining term of the contract as follows:

Unit: RMB

Item	Ending Balance			
	Within 1 year	1-5 years	Over 5 years	Total
Notes payable	148,568,276.33			148,568,276.33
Accounts payable	171,238,426.99			171,238,426.99
Other payables	43,034,768.84			43,034,768.84
Non-current liabilities due within one year	22,626,110.87			22,626,110.87
Other current liabilities	11,195,334.26			11,195,334.26
Lease liabilities		22,888,617.57		22,888,617.57
Long-term loan		7,320,192.70		7,320,192.70
Total	396,662,917.29	30,208,810.27		426,871,727.56

3. Market risk

(1) Exchange rate risk

The main business of the Company is operated within the territory of China, which is settled in RMB. However, there are still exchange risks in the foreign currency assets and liabilities recognized and future foreign currency transactions of the Company (the valuation currency for foreign currency assets and liabilities, as well as foreign currency transactions, is mainly USD). The Finance Department of the Company is responsible for monitoring the scale of foreign currency transactions and foreign currency assets and liabilities to minimize the exchange rate risk faced.

The foreign currency financial assets and foreign currency financial liabilities of the Company at the end of the period are presented in Note V Note 60. Foreign currency monetary items.

(2) Interest rate risk

The Company's interest rate risk mainly arises from bank loans, etc. Floating-rate financial liabilities expose the Company to cash flow interest rate risk while fixed-rate financial liabilities expose the Company to fair value interest rate risk. The Company determines the relative proportion of contracts with fixed interest rate and contracts with floating interest rate according to the current market environment.

The Finance Department of the Company continuously monitors the Company's interest rate level. The increases in interest rate will increase the costs of the new interest-bearing debts and the interest expenses of interest-bearing debts failing to be paid up by the Company and subject to the interest calculation at floating interest rate, and will, significantly and adversely, affect the Company's financial results; the management will make an adjustment according to the latest market conditions to reduce the interest rate risks.

XIII. Disclosure of Fair Value

1. Ending fair value of assets and liabilities measured at fair value

Unit: RMB

Item	Fair value at the end of the period			
	First level fair value measurement	Second level fair value measurement	Third level fair value measurement	Total
I. Continuous fair value measurement	--	--	--	--
(I) Trading financial assets		545,824,974.27		545,824,974.27
1. Financial assets measured at fair value and whose changes are included in the current profits and losses		545,824,974.27		545,824,974.27
(1) Debt instrument investment		545,824,974.27		545,824,974.27
Total assets continuously measured at fair value		545,824,974.27		545,824,974.27
II. Continuous fair value measurement	--	--	--	--

2. Basis for determining the market value of continuous and non-continuous first level fair value measurement items

None

3. Qualitative and quantitative information on valuation techniques and important parameters used for continuous and non-continuous second level fair value measurement items

The Company divides its bank financial products into financial assets measured at fair value and whose changes are included in the current profits and losses, and subsequently measures them at fair value. At the end of the period, the expected income is calculated based on the expected return rate of the bank financial products, and it is used as the fair value with the principal at the end of the period.

4. Qualitative and quantitative information on valuation techniques and important parameters used for continuous and non-continuous third level fair value measurement items

None

5. Information on adjustment between beginning book value and ending book value of items subject to Level 3 on a going fair value measurement and sensitivity analysis of non-observable parameters

None

6. Continuous fair value measurement items that undergo conversion between different levels during the current period, the reasons for conversion, and the policy for determining the conversion time point

None

7. Changes in valuation techniques and reasons for such changes during the current period

None

8. Fair value of financial assets and liabilities not measured at fair value

Financial assets and liabilities not measured at fair value mainly include accounts receivable, short-term loans, payables, non-current liabilities due within one year, and long-term loans. The difference between the carrying amounts of financial assets and liabilities not measured at fair value and fair value is very small.

9. Other

None

XIV. Related Parties and Related Party Transactions

1. Information of the parent company of the enterprise

Name of the parent company	Registration place	Nature of business	Registered Capital	Share proportion held by parent company in the enterprise	Proportion of voting rights of the parent company to the Company
Shenzhen ZKTeco Times Investment Co., Ltd.	Shenzhen	Established	RMB 9 million	30.05%	30.05%

Explanation of the parent company of the enterprise

None

The ultimate controller of this enterprise is Che Quanhong.

Other explanations:

None

2. Subsidiaries of the enterprise

The situation of the Company's subsidiaries is detailed in Note X 1. Equity in subsidiaries.

3. Information of joint ventures and associates of the enterprise

For important joint ventures or associates of the enterprise, please refer to Note X 3. Equity in joint venture arrangements or associates.

Related party transactions with the Company occurred in the current period, the information of other joint ventures or associates that have formed balances through related party transactions with the Company in the early stage is as follows:

Name of joint venture or associate	Relationship with the enterprise
ZKTECO SMART CITY (THAILAND) CO., LTD.	Joint venture
PT. ZKTECO SECURITY INDONESIA	Joint venture
ZKTECO SOLUTIONS INC.	Joint venture
CV Squared, Inc.	Joint venture
Guizhou Zhongjiang Intelligent Technology Co., Ltd.	Joint venture
Xinhuaxin (Xi'an) Information Technology Co., Ltd.	Joint venture
Xiamen Xingniu Yunyu Venture Capital Partnership Enterprise (Limited Partnership)	Joint venture
Silk ID Systems Inc.	Joint venture

Other explanations:

- (1) Xinhuaxin (Xi'an) Information Technology Co., Ltd. completed its industrial and commercial deregistration on August 21, 2024.
- (2) Due to changes in market demand, the shareholders' meeting of Silk ID Systems Inc. has decided to liquidate and deregister the Company. The Company completed its investment registration deregistration with the Bureau of Commerce in China in May 2024.

4. Conditions of other affiliated parties

Names of other related parties	Relationship between other related parties and the enterprise
PSD SECURITY, S.L.	An enterprise controlled by the minority shareholder Fernando Ducay Real of subsidiary ZKTECO EUROPE SL; Fernando Ducay Real also holds 27.38% of the capital contribution share of JYLY, which holds 2.39% of the Company's shares (as of June 30, 2024)
Liu Jiajia	Former supervisor
Shenzhen Huijiang Industrial Group Co., Ltd.	A shareholder holding 49.00% equity in Shenzhen Zhongjiang
Wu Xinke	Former supervisor
Yang Xianfeng	Supervisor
Wu Xiongxiang	Supervisor of the controlling shareholder ZKTeco Times
Shenzhen Zhongjiang Intelligent Technology Co., Ltd.	Subsidiaries in the process of compulsory liquidation

Other explanations: The Company acquired all the minority shareholders' equity of subsidiary ZK SOFTWARE DE MEXICO, S.A. DE C.V. in August 2023. TVCENLINEA.COM SA DE CV was a company controlled by minority shareholders. According to the relevant provisions of the "Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange", from August 2023 to August 2024, TVCENLINEA.COM SA DE CV was still be considered as a related party of the listed company. During this period, the transactions between TVCENLINEA.COM SA DE CV and the listed company still constitute related party transactions. Therefore, the transactions between the Company and TVCENLINEA.COM SA DE CV from January to June 2024 constitute related party transactions.

5. Related party transactions

(1) Related party transactions for purchasing and selling goods, providing and receiving labor services

Table of Purchasing Goods/Accepting Labor Services

Unit: RMB

Related party	Content of related party transaction	Amount incurred in the current	Approved transaction limit	Does it exceed the transaction limit	Amount incurred in the previous
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		period			period
TVCENLINEA.COM, SA DE CV	Purchasing goods	1,903,206.24	3,500,000.00	No	1,523,554.19
PSD SECURITY, S.L.	Purchasing goods	0.00	10,000.00	No	9,150.04
ZKTECO SMART CITY (THAILAND) CO., LTD.	Purchasing goods	86,270.11	0.00		3,900.71
Xinhuaxin (Xi'an) Information Technology Co., Ltd.	Service fee	0.00	0.00		559,759.24
PT. ZKTECO SECURITY INDONESIA	Marketing expenses	0.00	0.00		127,473.68

Selling goods/rendering labor service

Unit: RMB

Related party	Content of related party transaction	Amount incurred in the current period	Amount incurred in the previous period
Xinhuaxin (Xi'an) Information Technology Co., Ltd.	Selling goods	0.00	18,380.27
PT. ZKTECO SECURITY INDONESIA	Selling goods	867,424.05	852,201.76
ZKTECO SMART CITY (THAILAND) CO., LTD.	Selling goods	411,149.62	1,108,553.37
TVCENLINEA.COM, SA DE CV	Selling goods	38,110,767.51	20,076,960.61
PSD SECURITY, S.L.	Selling goods	2,331,543.67	1,920,743.51
ZKTECO SOLUTIONS INC.	Selling goods	4,751,125.29	2,298,463.42

Description of related party transactions for purchasing and selling goods, providing and receiving labor services

Note: The expected daily related party transaction limit of the Company is the maximum amount that both parties may sign a contract, and the actual amount incurred is determined based on the business development of both parties, resulting in a certain difference between the actual amount incurred and the expected amount. The difference in amount is relatively small and does not meet the criteria for review by the Board of Directors. The daily related party transactions of the Company in half year of 2024 were based on the normal production and operation needs of the Company. The related party transactions comply with the principles of fairness, openness, and impartiality, and there is a certain difference between the actual amount incurred and the expected amount. This is mainly due to the Company's appropriate adjustments based on business conditions, and there is no situation that damages the Company and shareholders' rights and interests, which will not affect the independence of the Company.

(2) Related party lease

The Company as lessor:

Unit: RMB

Name of leasee	Types of leased assets	Confirmed rental income in the current period	Rental income recognized in the previous period
PT. ZKTECO SECURITY INDONESIA	Houses and buildings	140,413.28	139,163.10

The Company as lessee:

Unit: RMB

Name of lessor	Types of leased assets	Simplified rental fees for short-term leases and low value asset leases (if applicable)		Variable lease payments not included in the measurement of lease liabilities (if applicable)		Rent paid		Interest expenses on lease liabilities assumed		Increased right-of-use assets	
		Amount incurred in the current period	Amount incurred in the previous period	Amount incurred in the current period	Amount incurred in the previous period	Amount incurred in the current period	Amount incurred in the previous period	Amount incurred in the current period	Amount incurred in the previous period	Amount incurred in the current period	Amount incurred in the previous period
Che Quanzhong	Houses and buildings	0.00	0.00	0.00	0.00	656,283.06	1,282,566.12	12,249.36	41,308.72	-4,041,291.00	0.00
Xinhuaxin (Xi'an) Information Technology Co., Ltd.	Houses and buildings	22,935.78	0.00	0.00	0.00	0.00	93,256.20	0.00	-3,501.28	0.00	-79,054.58

Information of related leasing situation

(3) Compensation for key management personnel

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Remuneration of key management personnel	3,787,829.58	4,541,331.25

6. Accounts receivable and payable to related parties**(1) Accounts receivable**

Unit: RMB

Project Name	Related party	Ending Balance		Beginning Balance	
		Book balance	Bad debt reserve	Book balance	Bad debt reserve
Accounts receivable	PT. ZKTECO SECURITY INDONESIA	5,552,145.44	664,536.26	4,972,664.59	499,062.11
Accounts receivable	ZKTECO SMART CITY (THAILAND) CO., LTD.	271,352.47	13,567.62	1,377,973.61	68,898.68
Accounts receivable	ZKTECO SOLUTIONS INC.	16,160,499.57	808,024.98	15,485,450.49	859,347.75
Accounts receivable	Guizhou Zhongjiang Intelligent	334,800.21	334,800.21	334,800.21	334,800.21

	Technology Co., Ltd.				
Accounts receivable	PSD SECURITY, S.L.	1,614,196.38	80,709.80	1,196,725.73	59,836.29
Accounts receivable	Shenzhen Zhongjiang Intelligent Technology Co., Ltd.	329,077.00	329,077.00		
Other receivables	Che Quanhong			131,771.27	
Other receivables	Guizhou Zhongjiang Intelligent Technology Co., Ltd.	397,428.70	397,428.70	397,428.70	397,428.70
Other receivables	Xinhuaxin (Xi'an) Information Technology Co., Ltd.			31,395.00	
Other receivables	Yang Xianfeng	28,208.34		28,208.34	
Other receivables	He Yanting	20,000.00			
Other receivables	Wu Xiongxiang	47,884.02			
Other receivables	Shenzhen Zhongjiang Intelligent Technology Co., Ltd.	1,941,963.89	1,941,963.89		

(2) Accounts payable

Unit: RMB

Project Name	Related party	Closing book balance	Opening book balance
Accounts payable	ZKTECO SMART CITY (THAILAND) CO., LTD.		26,708.72
Other payables	PSD SECURITY, S.L.		8,079.96
Other payables	Shenzhen Huijiang Industrial Group Co., Ltd.		1,800,000.00
Other payables	Wu Xinke		61,071.16
Other payables	Wu Xiongxiang		62,109.13
Other payables	Wu Xuejing	994	
Contract liabilities	CV Squared, Inc.	1,275,140.00	1,275,140.00
Contract liabilities	Silk ID Systems Inc.		53,387.06

XV. Share-based Payment

1. Overall information of share-based payment

☒ Applicable ☐ Not applicable

Unit: RMB

Grant object category	Current grant	Current exercise	Unlocked in current	Expired in current
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					period		period	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Directors, senior management, middle managers and core technology (business) backbone employees of the Company (including branches and subsidiaries)								
Total								

Outstanding stock options or other equity instruments at the end of the period

☒ Applicable ☐ Not applicable

Grant object category	Outstanding stock options at the period end		Outstanding other equity instruments at the period end	
	Range of exercise price	Remaining term of the contract	Range of exercise price	Remaining term of the contract
Directors, senior management, middle managers and core technology (business) backbone employees of the Company (including branches and subsidiaries)	The exercise price for the first grant of stock options issued by the Company in 2022 is RMB 14.12 per share, while the exercise price for the reserved grant of stock options issued by the Company in 2022 is RMB 14.12 per share.	The remaining term of the share option contracts issued by the Company for the first time in 2022 is from January 1, 2024 to November 16, 2024. The remaining term of the share option contracts issued by the Company for the reserved grant in 2022 is from January 1, 2024 to June 21, 2025.		

Other explanations:

2. Equity settled share-based payments

☒ Applicable ☐ Not applicable

Unit: RMB

Method for determining the fair value of equity instruments on the grant date	Determination of Fair Value Based on the Black Scholes Model
Basis for Determining the Number of Exercisable Equity Instruments	On each balance sheet date during the waiting period, the Company predicts based on the latest number of exercisable rights, completion of performance indicators, personal assessment status, and other subsequent information
Reasons for significant differences between the current estimate and the previous estimate	None
Accumulated amount of equity settled share-based payments recognized in capital reserve	49,684,557.70
The total amount of expenses recognized for equity settled share-based payments in this period	7,765,311.61

Other explanations:

On November 16, 2022, the Company held the 21st Session of the Second Board Meeting, and deliberated and approved the "Proposal on Granting Restricted Share to Incentive Objects of 2022 Restricted Share Incentive Plan for the First Time". The independent directors of the Company expressed relevant opinions on this matter, and believed that the conditions for granting stipulated in the Company's incentive plan had been met, the determined grant date was in line with relevant regulations, the scope of incentive objects stipulated in the Company's restricted share incentive plan, and its subject qualification as the incentive object of the Company's restricted share incentive plan was legal and effective. The Board of Supervisors verified the list of incentive objects granted on the grant date and issued verification opinions.

On June 21, 2023, the Company held the Third Session of the Third Board Meeting, and deliberated and approved the "Proposal on Adjusting the Granting Price and Quantity of 2022 Restricted Share Incentive Plan", "Proposal on Cancelling Some Granted but Not Affiliated Restricted Shares", and "Proposal on Granting Reserved Restricted Shares to the Incentive Objects of 2022 Restricted Share Incentive Plan". The independent directors of the Company have expressed relevant opinions on this matter, believing that the grant date complies with the relevant provisions of the "Management Measures" and the Company's restricted share incentive plan regarding the grant date. The Company and the incentive objects of reserved grant have not experienced any circumstances where rights and interests cannot be granted, and the grant conditions stipulated in the Company's incentive plan have been met. The Board of Supervisors verified the list of incentive objects granted on the grant date and issued verification opinions.

3. Cash settled share-based payments

☐ Applicable ☒ Not applicable

4. Share-based payment fees in the current period

☒ Applicable ☐ Not applicable

Unit: RMB

Grant object category	Equity settled share-based payment fees	Cash settled share-based payment fees
Directors, senior management, middle managers and core technology (business) backbone employees of the Company (including branches and subsidiaries)	7,765,311.61	
Total	7,765,311.61	

Other explanations:

5. Modification and termination of share-based payment

None

6. Others

None

XVI. Commitments and Contingencies

1. Significant commitments

Significant commitments on the balance sheet date

There are no significant commitments that need to be disclosed by the Company.

2. Contingencies

(1) Significant contingencies on the balance sheet date

Contingencies arising from pending litigation or arbitration and their financial impact

1) Lease contract dispute with Guizhou Yiyun Big Data Service Co., Ltd.

The associate of the Company, Guizhou Zhongjiang Intelligent Technology Co., Ltd., has been sued for a leasing dispute with Guizhou Yiyun Big Data Service Co., Ltd. As of the date of approval for the financial statements, this case has been adjudicated in the second instance. The compulsory execution procedure has been terminated, and the subsidiary Shenzhen Zhongjiang Intelligent Technology Co., Ltd. and its legal representative Tang Zhenzan have been restricted from high consumption.

The controlling subsidiary of the Company, Shenzhen Zhongjiang Intelligent Technology Co., Ltd. and He Siting, as a shareholder of Guizhou Zhongjiang Intelligent Technology Co., Ltd., bear joint and several liability, with a litigation amount of ① RMB 501,307.00 and the penalty for overdue payment (based on unpaid rent and calculated at an annual interest rate of 3.85%, from April 23, 2020 to the date when the rent is fully paid); ② Pay a rent free period loss of RMB 100,000.00.

As of the date of approval for these financial statements, the controlling subsidiary of the Company, Shenzhen Zhongjiang Intelligent Technology Co., Ltd., has become insolvent and the Company starts the compulsory liquidation. Guizhou Yiyun Big Data Service Co., Ltd. has declared its creditor's rights to the liquidation team and received confirmation. The subsequent liquidation team will distribute according to the actual property situation of Shenzhen Zhongjiang in accordance with the law, and the specific amount available for distribution will be notified by the liquidation team.

Except for the above contingencies, as of June 30, 2024, the Company has no other important contingencies that should be disclosed but not disclosed.

(2) The Company shall also provide a description if there are no important contingencies that need to be disclosed

There are no significant contingencies that need to be disclosed by the Company.

3. Others

XVII. Events after the Balance Sheet Date

1. Important non adjustment matters

Unit: RMB

Item	Content	Number of impacts on financial position and operating results	The reason for the inability to estimate the number of impacts
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2. Profit distribution

3. Description of other events after the balance sheet date

XVIII. Other Important Events

1. Other important transactions and matters that have an impact on investors' decisions

(1) ZKTECO filed a lawsuit against Zhongan Intelligent Control, Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen regarding a loan contract dispute

On July 31, 2019, the Company filed a lawsuit against Shenzhen Zhongan Intelligent Control Technology Co., Ltd. (hereafter referred to as "Zhongan Intelligent Control"), Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen in the Third People's Court of Dongguan City, Guangdong Province regarding a loan contract dispute, requesting judgment that Zhongan Intelligent Control repay the loan of RMB 7,757,380.00 and pay interest of RMB 262,560.75 (calculated from April 1, 2019 at an annual interest rate of 8.70% and temporarily recorded until July 31, 2019); request judgment that Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen bear joint and several payment responsibilities for the loan and interest; request that Zhongan Intelligent Control, Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen pay an attorney fee of RMB 240,000.00, a guarantee fee of RMB 8,200.00, and all legal costs in this case in the judgment.

The cause of action was in December 2017. Zhongan Intelligent Control borrowed RMB 7,000,000.00 from the Company for business development reasons, with a repayment deadline of May 9, 2018. Afterwards, Zhongan Intelligent Control was unable to repay the aforementioned loan, and after negotiation, the repayment date was changed to January 10, 2019. In October 2018, due to a shortage of working capital, Zhongan Intelligent Control proposed to advance the mold opening fee of RMB 757,380.00 to the Company, and the Company once again provided a loan of RMB 757,380.00 to Zhongan Intelligent Control. In April 2019, the Company signed a supplementary agreement with Zhongan Intelligent Control, stipulating that the loan and interest would be repaid on a monthly basis starting from April 2019. Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen would bear unlimited joint and several guarantee liability. After the contract was signed, Zhongan Intelligent Control did not repay on time.

The case has been accepted by the Third People's Court of Dongguan City, Guangdong Province. The case number is (2019) Y 1973 MC No. 12578. On October 31, 2020, Zhongan Intelligent Control was sentenced to repay the loan of RMB 7,757,380.00 and interest (with RMB 7,757,380.00 as the principal, calculated at an annual interest rate of 8.70% from April 1, 2019 to the actual payment date). Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen bear joint and several liability for the repayment of the above-mentioned debt scope. At the same time, Zhongan Intelligent Control shall bear the actual attorney fee of RMB 240,000.00 and preservation and guarantee service fees of RMB 8,200.00 in this lawsuit.

On October 29, 2020, the People's Court of Longgang District, Shenzhen City, Guangdong Province accepted the bankruptcy liquidation case of Zhongan Intelligent Control, with case number (2020) Y 0307 PS No. 33, and designated the bankruptcy administrator for the case. According to the (2020) Y 0307 P No. 30-1 "Civil Ruling" issued by the People's Court of Longgang District, Shenzhen on May 14, 2021, it was determined to confirm the creditor's rights recorded in the "Debt Statement of Shenzhen Zhongan Intelligent Control Technology Co., Ltd.", and the amount of the Company's ordinary creditor's rights was RMB 9,150,710.78. On July 2, 2021, the People's Court of Longgang District, Shenzhen City issued the (2020) Y 0307 P No. 30-4 "Civil Ruling", declaring Zhongan Intelligent Control's bankruptcy; on July 14, 2021, the People's Court of Longgang District, Shenzhen City issued the (2020) Y 0307 P No. 30-5 "Civil Ruling", approving the bankruptcy property distribution plan of Zhongan Intelligent Control. After the completion of the bankruptcy property distribution plan, the assets under the name of Zhongan Intelligent Control were insufficient to repay all of its debts, and the Company did not receive repayment.

On July 20, 2021, the People's Court of Longgang District, Shenzhen City, Guangdong Province issued the (2020) Y 0307 P No. 30-8 "Civil Ruling", ruling to terminate the bankruptcy proceedings of Zhongan Intelligent Control. As of the date of approval of the

financial report, Zhongan Intelligent Control has been deregistered. The balance after offsetting the original debt and credit of Zhongan Intelligent Control has been completed according to the Company's verification process.

(2) ZKTECO filed a lawsuit against Zhikongtaike, Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen in the case regarding equity transfer dispute

On July 31, 2019, the Company filed a lawsuit against Shenzhen Zhikongtaike Biometric Technology Co., Ltd. (hereinafter referred to as "Zhikongtaike"), Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen in a dispute over equity transfer with the Third People's Court of Dongguan City, Guangdong Province, requesting that Zhikongtaike pay the remaining equity transfer fee of RMB 2,500,000.00 and interest of RMB 84,616.44 (calculated from April 1, 2019 at an annual interest rate of 8.70% and temporarily recorded until July 31, 2019), as well as liquidated damages of RMB 1,020,000.00 for non fulfillment of the agreement; request a judgment that Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen bear joint and several payment responsibilities for the loan, interest, and liquidated damages; request the judgment that Zhikongtaike, Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen pay the attorney fee of RMB 110,000.00, the guarantee fee of RMB 3,600.00, and all legal costs in this case in the judgment.

The cause of action was in August 2016, when the Company and Zhikongtaike jointly invested to establish Shenzhen Zhongan Intelligent Control Technology Co., Ltd. with a registered capital of RMB 10,000,000.00, the Company contributed RMB 5,100,000.00, holding 51.00% of the shares, and Zhikongtaike contributed RMB 4,900,000.00, holding 49.00% of the shares. After the establishment of Shenzhen Zhongan Intelligent Control Technology Co., Ltd., due to conflicts between the Company's and Zhongan Intelligent Control's business philosophy, after mutual consultation, the Company withdrew from Shenzhen Zhongan Intelligent Control Technology Co., Ltd. and transferred its equity to Zhikongtaike. On April 22, 2019, both parties signed an "Equity Transfer Agreement" and a "Guarantee Contract" regarding the transfer of equity. It was agreed that the Company would transfer its 51% equity to Zhikongtaike for RMB 5,100,000.00, and Zhikongtaike would pay RMB 2,600,000.00 in advance. The remaining RMB 2,500,000.00 would be paid and interest calculated over 21 months, and Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen would bear unlimited joint and several guarantee liability for the payable amount. After the contract was signed, both parties completed the equity transfer procedures as agreed, but Zhikongtaike did not make the remaining equity transfer payment as agreed.

The case has been accepted by the Third People's Court of Dongguan City, Guangdong Province, with case number (2019) Y 1973 MC No. 12579. On October 13, 2020, the court ruled that Zhikongtaike should pay the Company an equity transfer fee of RMB 2,500,000.00 and interest, as well as liquidated damages of RMB 1,020,000. Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen shall be jointly and severally liable for the above-mentioned debt scope. At the same time, Zhikongtaike, Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen shall bear the attorney fee of RMB 110,000.00 in this lawsuit.

On January 8, 2021, the Company submitted an application for compulsory execution to the Third People's Court of Dongguan City, requesting the enforcement of the (2019) Y 1973 MC No. 12579 judgment against Zhikongtaike, Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen. They shall repay the loan of RMB 2,500,000.00 and interest to the Company (with RMB 2,500,000.00 as the principal, calculated at an annual interest rate of 8.70% from April 1, 2019 to the actual repayment date), and pay liquidated damages of RMB 1,020,000.00, the attorney fee of RMB 110,000.00, and the guarantee fee of RMB 3,600.00 to the Company, and double the debt interest during the delayed performance period.

On June 24, 2021, the Company reached an "Implementation Settlement Agreement" (hereinafter referred to as the "Original Agreement") with Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen, agreeing that Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen shall bear joint and several liability for the equity transfer payment of RMB 2,500,000.00 and interest (with RMB 2,500,000.00 as the principal, and calculated at an annual interest rate of 8.7% from April 1, 2019) and liquidated damages of RMB 1,020,000 for Zhikongtaike to the Company within one year from the date of signing the settlement agreement. At the same time, they shall pay the attorney fee of RMB 110,000.00 and the guarantee fee of RMB 3,600.00.

The Company submitted an Implementation Settlement Agreement for compulsory measures against Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen to the Third People's Court of Dongguan City, Guangdong Province. On July 21, 2021, the Company applied to withdraw the enforcement application against Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen. On the same day, the Third People's Court of Dongguan City, Guangdong Province issued an enforcement notice (2021) Y 1973 Z No. 3006 to the Company,

informing that the Company had not yet discovered any other property available for enforcement in Zhikongtaike, Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen. The court requested the Company to provide it with property clues available for enforcement within three days after receiving the enforcement notice, and if it failed to provide them within the time limit and did not provide other opinions in writing, the execution procedure would be terminated.

On September 9, 2021, the Company received the (2021) Y 1973 Z No. 3006-1 document of ruling issued by the Third People's Court of Dongguan City, Guangdong Province on July 22, 2021, ruling to terminate this execution procedure.

On June 24, 2022, the Company signed a settlement extension agreement with Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen, agreeing to extend the payment term by 6 months on the basis of the Original Agreement. Before December 24, 2022, Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen shall pay all the payable amounts to the Company. The debt interest during the delayed performance period shall be subject to the Original Agreement. If Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen fail to fulfill their payment obligations on time, the Company has the right to apply to the court to resume compulsory enforcement measures against them.

On December 24, 2022, the Company signed a settlement extension agreement with Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen, agreeing to extend the payment term by 1 year on the basis of the Original Agreement. Before December 24, 2023, Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen shall pay all the payable amounts to the Company. The debt interest during the delayed performance period shall be subject to the Original Agreement. If Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen fail to fulfill their payment obligations on time, the Company has the right to apply to the court to resume compulsory enforcement measures against them. As of the date of approval of the financial report, it has not yet been implemented. The original debt owed to Zhikongtaike has been written off according to the Company's verification process.

2. Others

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

1. Accounts receivable

(1) Disclosure by aging

Unit: RMB

Aging	Closing book balance	Opening book balance
Within 1 year (including 1 year)	431,978,699.85	561,799,833.99
Within 1 year (including 1 year)	431,978,699.85	561,799,833.99
1-2 years	95,468,487.48	119,294,578.24
2-3 years	20,525,417.36	2,319,840.33
Over 3 years	3,314,039.26	2,226,726.86
3-4 years	1,434,508.13	919,305.45
4-5 years	769,314.75	59,185.72
Over 5 years	1,110,216.38	1,248,235.69
Total	551,286,643.95	685,640,979.42

(2) Disclosure by bad debt accrual method

Unit: RMB

Category	Ending Balance			Beginning Balance		
	Book balance	Bad debt reserve	Book value	Book balance	Bad debt reserve	Book value

	Amount	Proportion	Amount	Accrual proportion		Amount	Proportion	Amount	Accrual proportion	
Accounts receivable with individual provision for bad debts	5,415,645.40	0.98%	4,399,645.40	81.24%	1,016,000.00	5,262,403.88	0.77%	4,246,403.88	80.69%	1,016,000.00
Including:										
Accounts receivable with insignificant single amount and bad debt reserve withdrawn separately	5,415,645.40	0.98%	4,399,645.40	81.24%	1,016,000.00	5,262,403.88	0.77%	4,246,403.88	80.69%	1,016,000.00
Receivable with combined provision for bad debt reserve	545,870,998.55	99.02%	7,192,198.76	1.32%	538,678,799.79	680,378,575.54	99.23%	6,625,955.69	0.97%	673,752,619.85
Including:										
Related party portfolio	428,970,002.96	77.81%			428,970,002.96	566,000,672.05	82.55%			566,000,672.05
Aging portfolio	116,900,995.59	21.21%	7,192,198.76	6.15%	109,708,796.83	114,377,903.49	16.68%	6,625,955.69	5.79%	107,751,947.80
Total	551,286,643.95	100.00%	11,591,844.16	2.10%	539,694,799.79	685,640,979.42	100.00%	10,872,359.57	1.59%	674,768,619.85

Category name of bad debt reserve made individually: accounts receivable with insignificant single amount and bad debt reserve withdrawn separately

Unit: RMB

Name	Beginning Balance		Ending Balance			
	Book balance	Bad debt reserve	Book balance	Bad debt reserve	Accrual proportion	Reasons for provision
Hainan Jialing Digital Technology	2,032,000.00	1,016,000.00	2,032,000.00	1,016,000.00	50.00%	Risk in payment collection

Co., Ltd.						
Noble IT Solutions Co., Ltd	415,485.70	415,485.70	418,072.70	418,072.70	100.00%	Expected non-recoverable
Zicom Electronic Securit	371,452.20	371,452.20	373,765.03	373,765.03	100.00%	Expected non-recoverable
Shanghai Leqi Automation Technology Co., Ltd.	521,950.00	521,950.00	351,950.00	351,950.00	100.00%	Expected non-recoverable
Shenzhen Xuhui Information Technology Co., Ltd.	326,350.00	326,350.00	326,350.00	326,350.00	100.00%	Expected non-recoverable
Shenzhen Zhongjiang Intelligent Technology Co., Ltd.			315,627.00	315,627.00	100.00%	Expected non-recoverable
Gansu Fourth Construction Group Co., Ltd.	224,676.00	224,676.00	224,676.00	224,676.00	100.00%	Expected non-recoverable
VENDEMMIA COMERCIO INTERNACIONAL LTDA	201,017.79	201,017.79	202,269.42	202,269.42	100.00%	Expected non-recoverable
Tianjin Eagle Eye Biotechnology Co., Ltd.	178,130.00	178,130.00	178,130.00	178,130.00	100.00%	Expected non-recoverable
Hainan Zhongkong IOT Technology Co., Ltd.	176,689.00	176,689.00	176,689.00	176,689.00	100.00%	Expected non-recoverable
Wanqiao Information Technology Co.,Ltd.	165,900.00	165,900.00	165,900.00	165,900.00	100.00%	Expected non-recoverable
Baoneng Urban Development and Construction Group Co., Ltd.	155,292.00	155,292.00	155,292.00	155,292.00	100.00%	Expected non-recoverable
PONTO RHJ EIRELI - ME	100,061.62	100,061.62	100,684.65	100,684.65	100.00%	Expected non-recoverable
Guizhou Zhongjiang Intelligent Technology Co., Ltd.	77,919.46	77,919.46	77,919.46	77,919.46	100.00%	Expected non-recoverable
Qianxinan Mengku Business Service Co.,	74,672.00	74,672.00	74,672.00	74,672.00	100.00%	Expected non-recoverable

Ltd.						
INTELLISMA RT TECHNOLOG Y INC.	74,495.84	74,495.84	74,959.68	74,959.68	100.00%	Expected non-recoverable
Dongguan Yukong Security Technology Co., Ltd.	53,703.00	53,703.00	53,703.00	53,703.00	100.00%	Expected non-recoverable
KWK CELLPHONE AND ACCESSORIE S	37,505.80	37,505.80	37,739.33	37,739.33	100.00%	Expected non-recoverable
Iss Facility Services (Shanghai) Ltd.	28,152.00	28,152.00	28,152.00	28,152.00	100.00%	Expected non-recoverable
ELECTRONIC A GHANA LIMITED	22,911.47	22,911.47	23,054.13	23,054.13	100.00%	Expected non-recoverable
Nanjing Xianji Technology Co., Ltd.	15,570.00	15,570.00	15,570.00	15,570.00	100.00%	Expected non-recoverable
Gansu Liujiaxia Construction and Installation Engineering Co., Ltd. Linxia Branch	6,490.00	6,490.00	6,490.00	6,490.00	100.00%	Expected non-recoverable
Guangdong Pinjun Express Co., Ltd.	1,980.00	1,980.00	1,980.00	1,980.00	100.00%	Expected non-recoverable
Total	5,262,403.88	4,246,403.88	5,415,645.40	4,399,645.40		

Category name of bad debt reserve made by portfolio: related party portfolio

Unit: RMB

Name	Ending Balance		
	Book balance	Bad debt reserve	Accrual proportion
Related party portfolio	428,970,002.96		
Total	428,970,002.96		

Explanation of the basis for determining the portfolio:

Category name of bad debt reserve made by portfolio: aging portfolio

Unit: RMB

Name	Ending Balance		
	Book balance	Bad debt reserve	Accrual proportion
Aging portfolio	116,900,995.59	7,192,198.76	6.15%
Total	116,900,995.59	7,192,198.76	

Explanation of the basis for determining the portfolio:

If the bad debt reserve of accounts receivable is made according to the general model of expected credit losses:

☐ Applicable ☒ Not applicable

(3) Bad debt reserves withdrawn, recovered or reversed in the current period

Provision for bad debt reserves in current period:

Unit: RMB

Category	Beginning Balance	Current period change amount				Ending Balance
		Provision	Return or reversal	Redeem/redemption	Others	
Accounts receivable with insignificant single amount and bad debt reserve withdrawn separately	4,246,403.88	323,241.52	170,000.00			4,399,645.40
Accounts receivable with significant individual amounts and separate provision for bad debt reserves						
Accounts receivable with consolidated provision for bad debt reserves according to the credit risk characteristics	6,625,955.69	566,243.07				7,192,198.76
Total	10,872,359.57	889,484.59	170,000.00			11,591,844.16

The amount of bad debt reserves recovered or reversed in the current period is significant:

Unit: RMB

Company name	Accounts recovered or transferred back	Reason for reversal	Recovery method	The basis and rationality for determining the provision ratio of original bad debt reserves

(4) Actual verification of accounts receivable in the current period

Unit: RMB

Item	Write-off amount
Accounts receivable actually written off	0.00

Important accounts receivable verification status:

Unit: RMB

Company name	Nature of accounts receivable	Write-off amount	Write-off reason	Verification and cancellation programs that have been performed	Whether the payment is incurred due to related transactions
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Explanation of accounts receivable verification:

(5) Accounts receivable and contract assets from top five borrowers classified based on the ending balance

Unit: RMB

Company name	Ending balance of accounts receivable	Ending balance of contract assets	Ending balance of accounts receivable and contract assets	Proportion in the total ending balance of accounts receivable and contract assets	Ending balance of bad debt reserves for accounts receivable and impairment provision for contract assets
Customer 1	238,770,808.23		238,770,808.23	43.29%	
Customer 2	38,420,428.19		38,420,428.19	6.97%	
Customer 3	38,092,485.67		38,092,485.67	6.91%	
Customer 4	19,061,475.13		19,061,475.13	3.45%	
Customer 5	19,003,040.27		19,003,040.27	3.44%	
Total	353,348,237.49		353,348,237.49	64.06%	

2. Other receivables

Unit: RMB

Item	Ending Balance	Beginning Balance
Interest receivable	221,017.34	192,033.24
Dividends receivable	8,000,000.00	0.00
Other receivables	27,195,549.63	58,943,385.98
Total	35,416,566.97	59,135,419.22

(1) Interest receivable

1) Classification of interest receivable

Unit: RMB

Item	Ending Balance	Beginning Balance
Interest on related party loans	221,017.34	192,033.24
Total	221,017.34	192,033.24

2) Significant overdue interest

Unit: RMB

Borrower	Ending Balance	Overdue time	Overdue reason	Whether impairment occurred and its
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				judgment basis
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Other explanations:

There are no significant overdue interest situations in the current period

3) Disclosure by bad debt accrual method

☐ Applicable ☒ Not applicable

4) Bad debt reserves withdrawn, recovered or reversed in the current period

Unit: RMB

Category	Beginning Balance	Current period change amount				Ending Balance
		Provision	Return or reversal	Write-off or cancellation	Other changes	

The amount of bad debt reserves recovered or reversed in the current period is significant:

Unit: RMB

Company name	Accounts recovered or transferred back	Reason for reversal	Recovery method	The basis and rationality for determining the provision ratio of original bad debt reserves
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Other explanations:

There is no provision, collection or reversal of accrued interest in the current period.

5) Interests receivable actually written off in the current period

Unit: RMB

Item	Write-off amount
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Information on important interests receivable verification

Unit: RMB

Company name	Payment nature	Write-off amount	Write-off reason	Verification and cancellation programs that have been performed	Whether the payment is incurred due to related transactions
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Explanation of writing off:

There are no interests receivable actually written off in the current period.

Other explanations:

(2) Dividends receivable**1) Classification of dividends receivable**

Unit: RMB

Item (or the investee)	Ending Balance	Beginning Balance
XIAMEN ZKTECO CO., LTD.	8,000,000.00	0.00
Total	8,000,000.00	0.00

2) Important dividends receivable with an aging of over 1 year

Unit: RMB

Item (or the investee)	Ending Balance	Aging	Reasons for unrecovery	Whether impairment occurred and its judgment basis

3) Disclosure by bad debt accrual method
☐ Applicable ☒ Not applicable
4) Bad debt reserves withdrawn, recovered or reversed in the current period

Unit: RMB

Category	Beginning Balance	Current period change amount				Ending Balance
		Provision	Return or reversal	Write-off or cancellation	Other changes	
Total						

The amount of bad debt reserves recovered or reversed in the current period is significant:

Unit: RMB

Company name	Accounts recovered or transferred back	Reason for reversal	Recovery method	The basis and rationality for determining the provision ratio of original bad debt reserves
Total				

Other explanations:

There are no bad debt reserves withdrawn, recovered or reversed in the current period.

4) Dividends receivable actually written off in the current period

Unit: RMB

Item	Write-off amount

Information on important dividends receivable verification

Unit: RMB

Company name	Payment nature	Write-off amount	Write-off reason	Verification and cancellation programs that have been performed	Whether the payment is incurred due to related transactions
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Explanation of writing off:

There are no dividends receivable actually written off in the current period.

Other explanations:

(3) Other receivables

1) Classification of other receivables based on nature of payment

Unit: RMB

Payment nature	Closing book balance	Opening book balance
Current account	14,751,766.54	55,874,629.32
Guarantee deposit	1,861,601.75	1,865,135.74
Reserve funds and loans	4,682,051.50	3,250,242.13
Collection and payment on behalf of others	3,882,559.11	1,863,217.32
Withholding and paying social security and capital reserve on behalf of others	910,969.54	1,032,014.38
Export tax refund	3,366,012.31	3,537,610.99
Others	127,001.17	477,297.03
Total	29,581,961.92	67,900,146.91

2) Disclosure by aging

Unit: RMB

Aging	Closing book balance	Opening book balance
Within 1 year (including 1 year)	12,814,765.31	41,743,089.72
1-2 years	2,034,086.01	13,945,238.29
2-3 years	9,541,667.37	715,606.32
Over 3 years	5,191,443.23	11,496,212.58
3-4 years	235,084.30	257,284.30
4-5 years	16,925.00	2,637,357.00
Over 5 years	4,939,433.93	8,601,571.28
Total	29,581,961.92	67,900,146.91

3) Disclosure by bad debt accrual method

Unit: RMB

Category	Ending Balance			Beginning Balance		
	Book balance	Bad debt reserve	Book value	Book balance	Bad debt reserve	Book value

	Amount	Proportion	Amount	Accrual proportion		Amount	Proportion	Amount	Accrual proportion	
Withdrawing bad debt reserves by individual item	2,314,538.00	7.82%	2,314,538.00	100.00%		10,645,126.37	15.68%	8,884,636.88	83.46%	1,760,489.49
Including:										
Other accounts receivable with insignificant single amount and bad debt reserve withdrawn separately	2,314,538.00	7.82%	2,314,538.00	100.00%		10,645,126.37	15.68%	8,884,636.88	83.46%	1,760,489.49
Bad debt reserve withdrawn by portfolio	27,267,423.92	92.18%	71,874.29	0.26%	27,195,549.63	57,255,020.54	84.32%	72,124.05	0.13%	57,182,896.49
Including:										
Related party portfolio	12,386,319.55	41.87%			12,386,319.55	45,178,889.61	66.54%			45,178,889.61
Portfolio of deposits, security deposits, employee loans, etc.	14,450,618.66	48.85%			14,450,618.66	11,640,649.93	17.14%			11,640,649.93
Aging portfolio	430,485.71	1.46%	71,874.29	16.70%	358,611.42	435,481.00	0.64%	72,124.05	16.56%	363,356.95
Total	29,581,961.92	100.00%	2,386,412.29	8.07%	27,195,549.63	67,900,146.91	100.00%	8,956,760.93	13.19%	58,943,385.98

Category name of bad debt reserve made individually: other receivables with insignificant individual amounts but separate provision for bad debt reserves

Unit: RMB

Name	Beginning Balance		Ending Balance			
	Book balance	Bad debt reserve	Book balance	Bad debt reserve	Accrual proportion	Reasons for provision
Shenzhen Zhongan Intelligent Control Technology Co., Ltd.	7,772,552.26	6,012,062.77	0.00	0.00		Written off

Shenzhen Zhikongtaike Biometric Technology Co., Ltd.	2,500,000.00	2,500,000.00	0.00	0.00		Written off
Guizhou Zhongjiang Intelligent Technology Co., Ltd.	323,268.92	323,268.92	323,268.92	323,268.92	100.00%	Expected non-recoverable
Dongguan Zhenyu Hardware Products Co., Ltd.	42,305.46	42,305.46	42,305.46	42,305.46	100.00%	Expected non-recoverable
Shenzhen Xinyuantong Electronics Co., Ltd.	3,500.00	3,500.00	3,500.00	3,500.00	100.00%	Expected non-recoverable
Shenzhen Shanjing Optics Co., Ltd.	1,839.60	1,839.60	1,839.60	1,839.60	100.00%	Expected non-recoverable
Shenzhen Great-island Technology Co., Ltd.	456.00	456.00	456.00	456.00	100.00%	Expected non-recoverable
Wang Jinpeng	403.18	403.18	403.18	403.18	100.00%	Expected non-recoverable
Guilin Boyou Electronic Technology Co., Ltd.	400.95	400.95	400.95	400.95	100.00%	Expected non-recoverable
Shenzhen Mercedes Technology Co., Ltd.	380.00	380.00	380.00	380.00	100.00%	Expected non-recoverable
Liu Mingyang	20.00	20.00	20.00	20.00	100.00%	Expected non-recoverable
Shenzhen Zhongjiang Intelligent Technology Co., Ltd.			1,941,963.89	1,941,963.89	100.00%	Expected non-recoverable
Total	10,645,126.37	8,884,636.88	2,314,538.00	2,314,538.00		

Category name of bad debt reserve made by portfolio: related party portfolio, deposits, security deposits, employee loans and other portfolios and aging portfolios

Unit: RMB

Name	Ending Balance		
	Book balance	Bad debt reserve	Accrual proportion
Related party portfolio	12,386,319.55	0.00	0.00%
Portfolio of deposits, security deposits, employee loans, etc.	14,450,618.66	0.00	0.00%
Aging portfolio	430,485.71	71,874.29	16.70%
Total	27,267,423.92	71,874.29	

Explanation of the basis for determining the portfolio:

Category name of bad debt reserve made by portfolio:

Unit: RMB

Name	Ending Balance		
	Book balance	Bad debt reserve	Accrual proportion

Explanation of the basis for determining the portfolio:

Category name of bad debt reserve made by portfolio:

Unit: RMB

Name	Ending Balance		
	Book balance	Bad debt reserve	Accrual proportion

Explanation of the basis for determining the portfolio:

Provision for bad debt reserve based on a general model of expected credit losses:

Unit: RMB

Bad debt reserve	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss in the future 12 months	Expected credit loss within whole duration (no credit impairment occur)	Expected credit loss within whole duration (credit impairment has occurred)	
Balance as of January 1, 2024	72,124.05		8,884,636.88	8,956,760.93
Balance as of January 1, 2024 in the current period				
Provision in current period	249.76		1,941,963.89	1,942,213.65
Reversals in the current period	499.52			499.52
Canceled after verification in the current period			8,512,062.77	8,512,062.77
Balance as of June 30, 2024	71,874.29		2,314,538.00	2,386,412.29

Classification basis and bad debt reserve provision ratio for each stage

Changes in book balance with major changes in loss reserves during the current period

☐ Applicable ☒ Not applicable

4) Bad debt reserves withdrawn, recovered or reversed in the current period

Provision for bad debt reserves in current period:

Unit: RMB

Category	Beginning	Current period change amount	Ending Balance
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	Balance	Provision	Return or reversal	Write-off or cancellation	Others	
Other receivables with significant individual amounts and separate provision for bad debt reserves	6,012,062.77			6,012,062.77		0.00
Other receivables with provision for bad debt reserves based on a combination of credit risk characteristics	72,124.05	249.76	499.52			71,874.29
Other receivables with insignificant individual amounts but separate provision for bad debt reserves	2,872,574.11	1,941,963.89		2,500,000.00		2,314,538.00
Total	8,956,760.93	1,942,213.65	499.52	8,512,062.77		2,386,412.29

The significant amount of bad debt reserves reversed or recovered in the current period:

Unit: RMB

Company name	Accounts recovered or transferred back	Reason for reversal	Recovery method	The basis and rationality for determining the provision ratio of original bad debt reserves
0	0.00	0	0	0

There is no bad debt reserve reversal; or recovery amount in the current period.

5) Other accounts receivable actually written off in the current period

Unit: RMB

Item	Write-off amount
Current account	8,512,062.77

Other major receivable written off:

Unit: RMB

Company name	Nature of other	Write-off amount	Write-off reason	Verification and	Whether the
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	accounts receivable			cancellation programs that have been performed	payment is incurred due to related transactions
Shenzhen Zhongan Intelligent Control Technology Co., Ltd.	Current account	6,012,062.77	Nonrecoverable	Bad debt write off process	No
Shenzhen Zhikongtaike Biometric Technology Co., Ltd.	Current account	2,500,000.00	Nonrecoverable	Bad debt write off process	No
Total		8,512,062.77			

Description for writing off other receivables:

6) Other accounts receivable with the top five ending balances collected by the debtor

Unit: RMB

Company name	Nature of payment	Ending Balance	Aging	Proportion to the total ending balance of other accounts receivable	Ending balance of bad debt reserve
Customer 1	Current account	6,580,000.00	2-3 years	22.24%	
Customer 2	Export tax refund	3,366,012.31	Within 1 year	11.38%	
Customer 3	Current account	1,941,963.89	2-3 years	6.56%	1,941,963.89
Customer 4	Current account	1,780,000.00	Over 5 years	6.02%	
Customer 5	Current account	1,600,000.00	Over 5 years	5.41%	
Total		15,267,976.20		51.61%	1,941,963.89

3. Long-term equity investment

Unit: RMB

Item	Ending Balance			Beginning Balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment in subsidiaries	1,305,900,453.10	5,100,000.00	1,300,800,453.10	1,249,046,481.87		1,249,046,481.87
Investment in affiliated and joint ventures	23,889,602.50		23,889,602.50	24,000,000.00		24,000,000.00
Total	1,329,790,055.60	5,100,000.00	1,324,690,055.60	1,273,046,481.87		1,273,046,481.87

(1) Investment in subsidiaries

Unit: RMB

Investee	Beginning balance (book value)	Beginning balance of impairment provision	Increase or decrease in the current period				Ending balance (book value)	Ending balance of impairment provision
			Additional investment	Reduced investment	Impairment provision	Others		

Shenzhen ZKTeco Biometric Identification Technology Co., Ltd.	12,608,518.14						12,608,518.14	
Hangzhou ZKTeco Hanlian E-commerce Co., Ltd.	2,079,297.92		13,756.73				2,093,054.65	
ZKTECO CO., LIMITED	169,798,644.35		997,440.88				170,796,085.23	
XIAMEN ZKTECO CO., LTD.	105,554,987.20		943,280.04				106,498,267.24	
ZKTECO (GUANGDONG) CO., LTD	803,657,033.72		783,307.23				804,440,340.95	
ZKTeco Sales Co., Ltd.	21,173,920.26		212,554.95				21,386,475.21	
Xiamen Zkteco Biometric Identification Technology Co., Ltd.	38,986,734.80		1,618.44				38,988,353.24	
ZKCserv Technology Limited Co., Ltd.	510,000.00						510,000.00	
Dalian ZKTeo Co., Ltd.	4,008,987.32		199,907.86				4,208,895.18	
Xi'an ZKTeco Co., Ltd.	406,449.24		64,198.07				470,647.31	
Shenzhen Zhongjiang Intelligent Technology Co., Ltd.	5,100,000.00				5,100,000.00			5,100,000.00
Hubei ZKTeco Co., Ltd.	3,516,219.44		1,078.96				3,517,298.40	
ZKTECO SG INVESTMENT PTE. LTD.	81,645,689.48		53,636,828.07				135,282,517.55	
Total	1,249,046,481.87		56,853,971.23		5,100,000.00		1,300,800,453.10	5,100,000.00

(2) Investment in affiliated and joint ventures

Unit: RMB

Investor	Beginning balance (book value)	Beginning balance of impairment provision	Increase or decrease in the current period								Ending balance (book value)	Ending balance of impairment provision
			Additi onal invest ment	Reduc ed invest ment	Invest ment profit or loss recogn ized under equity	Other compreh ensive income adjustme nts	Chan ges in other equit ies	Cash divid ends or profit s declar ed to	Impair ment provisi on	Oth ers		

					metho d			pay				
I. Joint ventures												
	0.00	0.00										
II. Joint venture												
Xiame n Xingni u Yunyu Venture Capital Partner ship Enterpr ise (Limite d Partner ship)	24,000,0 00.00	0.00			- 110,39 7.50						23,889,6 02.50	
Subtota l	24,000,0 00.00	0.00			- 110,39 7.50						23,889,6 02.50	
Total	24,000,0 00.00				- 110,39 7.50						23,889,6 02.50	

The recoverable amount is determined based on the net amount after deducting disposal expenses from fair value

☐ Applicable ☒ Not applicable

The recoverable amount is determined based on the present value of expected future cash flows

☐ Applicable ☒ Not applicable

Reasons for significant discrepancies between the above information and the information or external information used in impairment tests of previous years

Reasons for significant discrepancies between the information used in the Company's impairment tests of previous year and the actual situation of that year

(3) Other descriptions

In the current period, the Company increased the registered capital of its overseas subsidiaries by RMB 862,570.99 through subsidiary ZKTECO CO., LIMITED, and increased the registered capital of its overseas subsidiaries by RMB 53,636,828.07 through subsidiary ZKTECO SG INVESTMENT PTE. LTD. The subsidiary was granted a second-class restricted share incentive of RMB 2,354,572.17 to motivate personnel.

4. Operating income and operating cost

Unit: RMB

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Income	Cost	Income	Cost
Main business	647,059,913.82	495,303,687.48	667,441,845.59	470,747,145.91
Other businesses	759,633.50		659,500.56	
Total	647,819,547.32	495,303,687.48	668,101,346.15	470,747,145.91

Breakdown information of operating income and operating costs:

Unit: RMB

Contract classification	Division 1		Division 2				Total	
	Operating income	Operating cost	Operating income	Operating cost	Operating income	Operating cost	Operating income	Operating cost
Business type								
Including:								
Smart office products					78,211,761.25	61,091,104.86	78,211,761.25	61,091,104.86
Smart entrance and exit management products					523,031,106.98	392,179,673.87	523,031,106.98	392,179,673.87
Smart identity verification products					45,817,045.60	42,032,908.74	45,817,045.60	42,032,908.74
Others					759,633.50		759,633.50	
Classification by region of operation								
Including:								
Domestic sales					354,984,316.95	317,120,179.80	354,984,316.95	317,120,179.80
Overseas sales					292,835,230.37	178,183,507.68	292,835,230.37	178,183,507.68
Market or customer type								
Including:								
Distribution					582,839,413.21	453,361,005.42	582,839,413.21	453,361,005.42
Direct sales					64,220,500.61	41,942,682.06	64,220,500.61	41,942,682.06
Others					759,633.50		759,633.50	
Type of contract								
Including:								
Classification by time of transfer of goods								
Including:								
Classification by contract term								
Including:								
Classification by sales								

channel								
Including:								
Total					647,819,547.32	495,303,687.48	647,819,547.32	495,303,687.48

Information related to performance obligations:

Item	Time for fulfilling performance obligations	Important payment terms	Nature of goods that the Company promises to transfer	Is it the main responsible person	Expected refunds to customers borne by the Company	Types of quality assurance provided by the Company and related obligations
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Other explanations:

None

Information related to the transaction price allocated to the remaining performance obligations:

The corresponding income amount for performance obligations that have been signed but have not yet been fulfilled or completed at the end of this reporting period is RMB 0.00.

Significant contract changes or significant transaction price adjustments

Unit: RMB

Item	Accounting treatment method	Amount of impact on income
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Other explanations:

5. Investment income

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Income from long-term equity investment accounted with cost method	16,000,000.00	24,000,000.00
Long-term equity investment income accounted by equity method	-110,397.50	
Financial products	94,111.46	909,167.43
Forward foreign exchange settlement and sales contract	68,155.00	-2,046,795.00
Total	16,051,868.96	22,862,372.43

6. Others

XX. Supplementary Information

1. Detailed statement of non-recurring profits and losses in the current period

☒Applicable ☐ Not applicable

Unit: RMB

Item	Amount	Remarks
Losses and gains from disposal of non-current assets	-143,955.56	
Government subsidies included in current profits and losses (except those closely related to the normal business of the Company, which are in line with national policies and regulations, enjoyed according to determined standards, and have a continuous impact on the Company's profits and losses)	5,030,462.88	
Profits and losses from fair value changes arising from the holding of financial assets and financial liabilities by non-financial enterprises, as well as the gains and losses arising from the disposal of financial assets and financial liabilities except for effective hedging business related to the normal operation of the Company	6,105,510.00	Mainly due to investment income and fair value changes generated by financial products
Capital occupancy fees charged to non-financial enterprises included in current profits and losses	21,195.11	
Reversal of the provision on receivables with impairment test conducted on an individual basis	170,000.00	
Other non-operating income and expenses other than the above items	1,468,131.14	
Less: income tax impact	1,278,125.03	
Minority interest impact (after tax)	-92,303.73	
Total	11,465,522.27	--

Details of other profit and loss items that meet the definition of non-recurring profits and losses:

☐ Applicable ☒ Not applicable

The Company has no specific situation of other profit and loss items that meet the definition of non-recurring profits and losses.

Description on defining the non-recurring profit and loss items listed in the "Explanatory Announcement for Information Disclosure by Companies that Issue Securities to the Public No. 1 - Non-recurring Profits and Losses" as recurring profit and loss items

☐ Applicable ☒ Not applicable

2. Net return on assets and EPS

Profit during the reporting period	Weighted average return on net assets	EPS	
		Basic EPS (RMB/share)	Diluted EPS (RMB/share)
Net profit attributable to ordinary shareholders of the Company	2.42%	0.4070	0.4050
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profits and losses	2.07%	0.3477	0.3460

3. Differences in accounting data under domestic and foreign accounting standards**(1) Differences in net profit and net assets in financial reports disclosed in accordance with international accounting standards and Chinese accounting standards**

☐ Applicable ☒ Not applicable

(2) Differences in net profit and net assets in financial reports disclosed in accordance with foreign accounting standards and Chinese accounting standards

☐ Applicable ☒ Not applicable

(3) Explanation of the reasons for differences in accounting data between domestic and foreign accounting standards. If differences in data audited by an overseas audit institution have already been adjusted, the name of the overseas institution shall be indicated

☐ Applicable ☒ Not applicable

4. Others