ZKTECO CO., LTD.

2025 Half Year Report

Announcement No.: 2025-073

August 2025

Section I Important Notes, Contents and Definitions

The Board of Directors, the Board of Supervisors, directors, supervisors and senior management 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), Xu Ping, 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.

Should this report contain any forward-looking statements involving future plans, etc., they do not constitute a commitment by the Company to any investors or related parties. Investors and related parties shall maintain sufficient awareness of the risks involved and understand the differences among plans, forecasts, and commitments. Investors are kindly requested to make prudent decisions and be aware of investment risks.

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 dividends, 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 2025 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
JYHY	Refers to	Shenzhen JYHY Investment Enterprise (Limited Partnership), a shareholder of the Company
JYSJ	Refers to	Shenzhen JYSJ Investment Enterprise (Limited Partnership), a shareholder of the Company
LX Investment	Refers to	Dongguan LX Investment Partnership Enterprise (Limited Partnership), a shareholder of the Company
JYLX	Refers to	Shenzhen JYLX Consulting Enterprise (Limited Partnership), a shareholder of the Company
JYQL	Refers to	Shenzhen JYQL Investment and 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
XIAMEN ZKTECO	Refers to	XIAMEN ZKTECO CO., LTD., a wholly-owned subsidiary of the Company
Zokon Industry	Refers to	Shenzhen Zokon Industry Development Co., Ltd.
Company Law	Refers to	Company Law of the People's Republic of China
Securities Law	Refers to	Securities Law of the People's Republic of China
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 to June 2025
End of Reporting Period	Refers to	June 30, 2025
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
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
PaaS	Refers to	Platform as a Service (PaaS), a cloud computing-based service that provides a complete platform, including operating systems, database management systems, middleware, development tools, and runtime environments, allowing developers to develop, test, deploy, and manage applications on this platform without having to worry about the setup and maintenance of underlying infrastructure such as servers, storage devices, and network devices.
CTID	Refers to	Cyber Trusted Identity, an authoritative network identity certificate issued to individuals by the "Internet+" trusted identity authentication platform (CTID Platform)
MRP	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 inventory 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
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
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
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
MES	Refers to	Manufacturing Execution System, a production information management system for the shop floor of manufacturing enterprises.
QMS	Refers to	Quality Management System, the management system that directs and controls an organization in terms of quality. It is a systematic quality management model established within an organization to achieve quality objectives.
APS system	Refers to	Advanced Planning and Scheduling system, an information management system used to optimize production planning and scheduling.
GDPR	Refers to	General Data Protection Regulation issued by the European Union.
AIGC	Refers to	Artificial Intelligence Generated Content, the process of generating content using AI technologies, including text, images, audio, and video, etc.
AIGS	Refers to	Artificial Intelligence Generated Service, a type of service based on generative artificial intelligence technology, aiming to automatically generate content such as text, images, audio, and video through AI models.
RESTful API	Refers to	Representational State Transfer API, a type of web application programming interface (API) designed based on the REST architectural style, used for communication between clients and servers.
HTTPS	Refers to	Hyper Text Transfer Protocol Secure, a protocol for secure communication on the World Wide Web and is the secure version of HTTP (Hypertext Transfer Protocol).
CCTV	Refers to	Closed-Circuit Television, the technology of video surveillance through a closed signal transmission system (not public broadcasting).

NLP	Refers to	Natural Language Processing, an important branch of AI that focuses on enabling effective interaction between human natural language and computers.
GPT	Refers to	Generative Pre-trained Transformer, a language model based on artificial intelligence technology and widely used in the field of natural language processing.
ChatGPT	Refers to	The large language model developed by the American company OpenAI.
BERT	Refers to	Bidirectional Encoder Representations from Transformers, a pre-trained language model developed and released by Google in 2018.
SIP	Refers to	Session Initiation Protocol, an application-layer control protocol for multimedia communication over IP networks.
ONVIF	Refers to	Open Network Video Interface Forum, an international organization dedicated to formulating global open interface standards for network video devices.
SMB	Refers to	Small and Medium-sized Businesses.
NFC	Refers to	Near Field Communication, a short-range high-frequency wireless communication technology that enables data exchange between electronic devices.
OTA	Refers to	Over-The-Air Technology, a technology that enables remote updates and upgrades of system software, applications, configuration parameters, etc. of mobile terminal devices or other intelligent devices through mobile communication networks.
SKU	Refers to	Stock Keeping Unit, a unique code used to identify and track each distinct product variant (such as different colors, sizes, and features) in inventory, and serving as the foundation for refined inventory management.

Note: If there is a discrepancy between the total count and the sum of the sub item values in any table of this Report, it is due to rounding reasons.

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

	Board Secretary	Securities Affairs Representative
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 2024 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 2024 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 2024 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 vesting of shares granted under the first vesting period of the Company's 2022 Restricted Share Incentive Plan (reserved grant), the Company's registered capital changed from RMB 196,237,363 to RMB 196,312,325. Due to the Company's implementation of the 2024 annual equity distribution, the Company's registered capital changed from RMB 196,312,325 to RMB 235,351,550.

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 revenue (RMB)	929,258,759.50	903,103,158.77	2.90%
Net profit attributable to shareholders of listed companies (RMB)	93,235,556.28	78,637,727.33	18.56%
Net profit attributable to shareholders of listed companies after deducting non-recurring profits and losses (RMB)	84,430,913.49	67,172,205.06	25.69%
Net cash flows from operating activities (RMB)	169,183,153.56	66,632,321.85	153.91%
Basic earnings per share (RMB/share)	0.3999	0.3386	18.10%
Diluted earnings per share (RMB/share)	0.3996	0.3372	18.51%
Weighted average return on net assets	2.75%	2.42%	0.33%
	At the end of this reporting period	At the end of 2024	Increase or decrease at the end of this reporting period compared to the end of the previous year
Total assets (RMB)	4,212,927,418.94	4,014,623,523.49	4.94%
Net assets attributable to shareholders of listed companies (RMB)	3,359,482,568.32	3,350,349,704.08	0.27%

Net profit excluding the impact of share-based payment

	Current reporting period
Net profit excluding the impact of share-based payment (RMB)	116,462,323.17

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 asset impairment)	-156,798.86	
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)	1,606,387.41	
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	9,451,208.11	Mainly due to investment income and fair value changes generated by financial products
Reversal of the provision on receivables with impairment test conducted on an individual basis	97,177.50	
Other non-operating income and	-1,139,074.93	

expenses other than the above items		
Less: income tax impact	832,560.81	
Minority interest impact (after tax)	221,695.63	
Total	8,804,642.79	

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

1. Business Overview

(1) Business overview

As an internationally recognized innovative enterprise, the Company has consistently committed itself to the domains of smart space, smart office, digital identity authentication, and smart business. We provide advanced smart terminals, industry-specific application software, and platforms equipped with object detection as well as identity recognition and verification capabilities tailored for relevant sectors. In light of the rapid advancements characterizing the intelligent era, the Company has officially unveiled its new mission and vision, with its robust AI cognitive technology serving as the core driving force. Based on this, the Company comprehensively upgraded its business system and built four strategic sectors: smart space, smart office, digital identity authentication, and smart business. This significant initiative marks the official commencement of the Company's new journey to redefine its value system. The Company will continuously explore the realm of intelligence, striving to create enhanced value for customers and set new trends within the industry.

Over the past few years, the external environment has undergone numerous profound changes, which has also prompted us to have a clearer understanding of ourselves and to define what kind of company we aspire to be. With the continuous leap in our technological capabilities and the continuous expansion of our business boundaries, the new mission embodies ZKTeco's dual pursuit of technological and humanistic values. AI cognition is not merely a tool; it is the key to endowing spaces with the ability to "think" and "evolve". In the context of the global digital wave, our objective is to inspire innovative efficiency, ensure security and trust, and promote a sustainable future through intelligent spatial experiences. We strive to enable technology to genuinely serve humanity and illuminate the world.

In addition, in response to the growing market demands for smart homes and elderly care, the Company is actively expanding into these sectors by leveraging its technological expertise and marketing service capabilities. This strategic initiative aims to transition its business towards greater intelligence, scenario-based solutions, and global outreach.

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

Unit: RMB '0,000

Item	January to June 2025		January to June 2024	
	Amount	Proportion	Amount	Proportion
I. Smart space products	68,617.14	74.13%	69,844.47	77.67%
II. Smart office products	17,035.14	18.40%	13,023.66	14.48%
III. Digital identity authentication products	4,016.31	4.34%	4,590.20	5.10%
IV. Smart business products	2,894.13	3.13%	2,471.48	2.75%
Total	92,562.71	100.00%	89,929.81	100.00%

(2) Core businesses

① Smart space: Intelligent upgrade spanning physical and digital worlds

The smart space business segment leverages AI cognitive space computing technology and multi-dimensional perception capabilities to transcend the limitations of traditional entrance and exit management. This innovation enables comprehensive awareness and intelligent enhancement of people, vehicles, objects, and the environment. For applications in enterprise parks, office buildings, educational institutions, healthcare facilities, and communities, we provide solutions for traffic optimization, energy management, data analytics, and autonomous spatial decision-making.

② Smart office: Enhancing efficiency and enjoying a pleasurable office experience

In the smart office segment, the Company is dedicated to enhancing work efficiency and enjoyment. This business segment, which focuses on multimodal BioCV technology and IoT perception, encompasses various scenarios including attendance tracking, visitor management, meetings, and consumption monitoring. It offers intelligent solutions for time management, security oversight, and operational optimization tailored for enterprise and institutional clients. This segment integrates AI-driven intelligent agents with cloud technology to develop advanced time management solutions and establish a comprehensive smart office ecosystem.

③ Digital identity authentication: Secure and convenient, with trust as the cornerstone

The Company's digital identity authentication business seamlessly integrates multimodal BioCV, advanced large models, and blockchain technology to establish a precise, secure, and user-friendly identity authentication system, laying a robust foundation of trust for the digital world. By harnessing the distinctiveness of biometric features, the advanced deep learning capabilities of large models, and the decentralized and immutable nature of blockchain technology, the Company's digital identity authentication services can ensure both precise identity verification and robust data security.

④ Smart business: AI-driven, leading business transformation

The Company's smart business segment, propelled by multimodal models, emphasizes the integration of "AI + digital signage" within the general retail and catering sectors. This segment supports traditional businesses in their transition towards intelligent ecosystems. It offers IoT infrastructure, digital solutions, and operational services, thereby establishing a new type of borderless retail platform that is comprehensive, scenario-inclusive, and fully integrated across the supply chain. The products and solutions of this business segment cover digital marketing screens, electronic price tags, AI shelves, smart shopping carts, as well as creative content, intelligent customer service, digital marketing, and digital stores.

(3) Innovative businesses

In response to the growing market demands for smart homes and elderly care, the Company is actively expanding into these sectors by leveraging its technological expertise and marketing service capabilities.

The representative innovative businesses of the Company are as follows:

① Smart elderly care

Population aging is one of the most significant "gray rhinos" of the 21st century. According to the United Nations, the global population began to age at a rate of 7% since 2005. After 2015, the aging process of the world's population accelerated, with the proportion of the elderly population increasing by 0.2 percentage points annually, up from less than 0.1 percentage points previously. By 2022, the global population aged 65 and above had reached 780 million, accounting for approximately 9.8%. Among them, the proportions of the elderly population in high-income, upper-middle-income, lower-middle-income, and low-income regions were 19.2%, 11.6%, 8.1%, and 3.2% respectively. According to the "Medium-fertility Scenario" outlined in the "World Population Prospects 2022," it is projected that by 2038, the global elderly population will surpass 14%, marking the onset of a significant aging period.

In China, the silver economy is a key industrial direction guided by government policies. As the most important part of the silver economy, smart elderly care has a huge market potential. According to the "China Smart Health and Elderly Care Industry Development Report (2023)", the scale of China's smart health and elderly care industry was approximately RMB 6 trillion in 2023. According to China Report Hall, it is expected that the market size of China's smart elderly care industry will exceed RMB 20 trillion by 2027. From the current market perspective, this sector exhibits significant potential for growth and development. Therefore, guided by the principle of "Tech for Social Good," the Company commenced its research into the elderly care industry in 2024. Through collaborative ecological efforts, it has successfully incubated products such as urination and defecation care robots, as well as portable bathing assistance robots. In the future, the Company will conduct comprehensive studies on the living scenarios of the elderly, examining various aspects such as "clothing, food, housing, and transportation," as well as their mental health and experiences of loneliness. Based on these insights, we will develop inclusive solutions tailored to elder-friendly environments and integrate our existing technologies—such as machine vision, multimodal recognition, and spatial agents—with elderly care product solutions. This approach aims to achieve a synergy between AI and smart elderly care, enhancing the dignity of seniors in their later years while ensuring their ongoing happiness and well-being.

②E-Bike

E-Bike, as an important component of green travel and intelligent transportation, is at a turning point from a niche market to a mainstream one and is expected to be deeply integrated into urban transportation systems in the next decade. With technological advancements, policy support, and increased consumer awareness, its market size is likely to surpass that of traditional bicycles and it will become a core carrier of sustainable travel ecosystems. In recent years, it has experienced explosive growth worldwide. According to the "2024 Global E-Bike Market Insight Report" by Big Data Cross-border, the global E-bike market size is expected to climb to USD 62.25 billion by 2030, with a compound annual growth rate (CAGR) of nearly 10%.

We have launched various products with different appearances and functions for different countries and travel scenarios, such as urban commuting, leisure outdoor activities, mountain biking, and cargo transportation. Meanwhile, ZKTeco has applied AI technology to E-bike, bringing more convenience and safety. For instance, through a mobile app, users can remotely control and monitor the status of E-bike, and by integrating multimodal recognition technology with E-bike, vehicle anti-theft applications can be realized. With the development of battery technology, motor technology, and intelligent technology, the performance of E-bike will continue to improve. We will also move towards intelligence and lightweighting, launching more advanced E-bike products.

③Swimming pool cleaning robots

According to the Pool & Hot Tub Alliance (PHTA) in the United States, there are approximately 30 million private swimming pools worldwide, and the number is increasing at a rate of about 5% annually. In the United States alone, over 10 million households own residential swimming pools. Data from the American company Lawnstarter shows that swimming pool owners spend an average of USD 1,432 per year on pool maintenance, with an average cleaning cost of over USD 100 each time. This is an additional expense for families. Compared with manual cleaning, swimming pool cleaning robots have advantages in cost and efficiency, leading to a rapid expansion of the market. According to research, the swimming pool cleaning robot business was valued at approximately USD 1.946 billion in 2022 and is expected to reach USD 3.533 billion in 2026, with a compound annual growth rate (CAGR) of over 16%. Currently, the penetration rate of swimming pool cleaning robots globally is only about 21%, indicating huge market potential.

The Company released a swimming pool cleaning robot equipped with ultrasonic sensors and four brushless motors. It features powerful and thorough scrubbing and an excellent filtration system. Through brushes and the filtration system, it can clean the bottom, sides, and waterline of the pool, adsorbing obvious impurities in the water and floor drains, thereby achieving higher cleanliness and energy efficiency. Additionally, the Company's swimming pool cleaning robots adopt a new cordless design and come with path planning, offering strong intelligence and agility. It also features wireless induction charging and magnetic suction systems.

④ Brain-Computer Interface (BCI) Business

With the vision of "Reshaping New Realms of Life", the Company deeply integrates multimodal AI technology with Brain-Computer Interface (BCI) technology, beginning to strategically deploy in education, healthcare, and elderly care sectors, further exploring the application of BCI technology in areas such as education and rehabilitation training.

The BCI business will adopt a hybrid model combining distribution and direct sales, fully leveraging the Company's existing distribution channels while expanding direct sales channels to target the global market.

The sustainability of the BCI business is built upon technological iteration, demand support, and policy backing: On one hand, continuous breakthroughs in BCI technology and the demand from core scenarios such as an aging population and medical rehabilitation provide a foundation for the BCI business's development; on the other hand, global policy support and capital investment are accelerating its commercialization. In August 2025, the "Implementation Opinions of the Ministry of Industry and Information Technology, the National Development and Reform Commission, the Ministry of Education, the National Health Commission, the State-owned Assets Supervision and Administration Commission of the State Council, the Chinese Academy of Sciences, and the National Medical Products Administration on Promoting the Innovative Development of the Brain-Computer Interface Industry" (hereinafter referred to as the "Implementation Opinions on Promoting the Innovative Development of the Brain-Computer Interface Industry") was released. The release of this document signifies that BCI has officially elevated from a cutting-edge laboratory technology to a national strategic future industry, providing strong support for the development of the BCI industry.

The BCI business is currently in the early R&D stage and does not have a significant impact on the Company's current operating data. At the same time, the expansion of the BCI business also faces challenges from multiple dimensions: Firstly, at the technical level, signal recognition accuracy and speed still need improvement, and issues such as biocompatibility and signal interference persist. Secondly, at the market level, the substantial R&D investment and long cycle of this business, coupled with unpredictable demand changes, lead to increased challenges in product commercialization and cost control. Finally, in the talent domain, the scarcity of interdisciplinary professionals in this field may, to some extent, restrict the further development of this business. The contribution of this business segment to the Company's future operating revenue and operating performance remains uncertain. The Company advises investors to be aware of the aforementioned investment risks and make prudent decisions.

Furthermore, in the area of innovative business, the Company will further expand innovative products based on its own business development and market demand.

2. Core technology system of the Company

The Company has built a solid and advanced core technology system through forward-looking technological innovation. With multimodal BioCV (computer vision and biometrics) as the core technology foundation, the Company has long empowered diverse business scenarios and maintained a leading position in the industry. In the context of the accelerated evolution of the AI era, the Company diligently monitors technological trends and actively explores cutting-edge domains such as AI cognitive technology, proprietary model development, and cloud computing, continuously strengthening its technological moat and providing strong support for business expansion.

(1) Core biometric technology

ZKTeco has mastered multiple core biometric technologies, covering fingerprint, palm, face, iris, and finger vein modalities. The Company's independently developed biometric algorithms feature high precision, high speed and high security, especially excelling in recognition performance under complex conditions. To overcome the limitations of single modality, ZKTeco has innovatively introduced multimodal fusion recognition technology, which combines multiple biometric features to further enhance recognition accuracy and security. Meanwhile, the Company has made significant breakthroughs in liveness detection technology, effectively preventing attacks from photos, videos, masks, etc., thereby ensuring the security and reliability of identity recognition. These technologies have been widely applied in smart security, smart office, smart healthcare and other fields, providing customers with efficient, convenient and secure solutions.

Palm and facial recognition technologies are the key directions of ZKTeco. Relying on the uniqueness and high security of biometrics, they achieve convenient identity verification. To adapt to the diversity of mobile devices and computing platforms, ZKTeco innovatively launched palm and facial recognition technologies that can be used across different operating systems and devices, supporting mobile platforms such as HarmonyOS, Android, and iOS, as well as X86 Windows and X86 Linux at the device end. Characteristic templates are extracted and encrypted uniformly, enabling secure transmission across different platforms. Users do not need to register repeatedly to use these templates across devices. In HarmonyOS, with the help of distributed capabilities, palm and facial recognition can achieve multi-device collaboration; in Android and iOS, efficient compatibility is ensured through system framework integration; on desktop and server ends, unified data management is supported. By adopting standardized formats and cross-platform protocols, combined with multi-factor authentication, dynamic encryption and decentralized storage, only characteristic templates are transmitted instead of raw data, effectively protecting privacy and security, meeting global information security standards, and providing users with seamless and efficient recognition experiences.

ZKTeco integrates deep learning and traditional pattern recognition algorithms to optimize multimodal recognition performance. Deep learning, through multi-layer neural networks, extracts high-level features and excels in handling complex scenarios and high-dimensional data; pattern recognition, with mathematical models, provides stability and efficient computation. The combination of the two enables the system to strike a balance between accuracy and speed, maintaining high accuracy under challenges such as lighting changes and occlusions, and running efficiently on resource-constrained devices. This integration enhances the system's generalization ability and reliability, providing strong support for intelligent processing of multimodal data.

(2) IoT

ZKTeco's self-developed AIoT solution, Minerva IoT, adopts a micro-service architecture and containerized deployment, supporting concurrent access to hundreds of millions of devices. Through low-code API development and integration with third-party ecosystems, it flexibly adapts to diverse scenarios. It provides full-chain capabilities including device connection, audio and video processing, payment gateways, data analysis, and content management, achieving cloud, edge, and device collaboration. For the Company's business scenarios, Minerva IoT deeply integrates AI, big data, and IoT technologies to build an AIoT ecosystem, providing enterprises with efficient and intelligent digital operation support. Through technological innovation and scenario-based services, it helps customers achieve digital transformation and business upgrading.

(3) Core technologies of computer vision, edge AI, and large model

ZKTeco has evolved from a pioneer in single biometric technology to a leader in multimodal BioCV and AI cognitive technology. The Company is no longer limited to "I'll tell you who you are" in identity recognition, but through the integration of computer vision and biometrics, it creates multimodal AI attributes, answering "Who are you? What kind of service should I provide for you?" and building an empathetic experience ecosystem of scene interaction. Relying on core technologies and its self-developed IoT platform digital infrastructure, the Company has promoted the upgrade of audio and video in smart terminals, and simultaneously launched machine vision analysis, big data analysis, AIGC, and advertising production and distribution platforms. Among them, the ZKDIGIMAX Level 3 digital marketing solution has been applied to the retail scenarios of traditional small and medium-sized retailers, deeply exploring the value of smart retail scenarios. The Company always integrates the interaction value and empowerment value between people and scenarios into its innovation practices and continuously deepens its exploration.

In the field of edge computing AI, ZKTeco has advanced the "lightweight intelligence" strategy and independently developed the BioCV TinyML architecture. Through model compression, dynamic quantization, and heterogeneous deployment technologies, it has broken through the traditional edge computing power bottleneck and created low-power, high-response edge intelligent solutions. This technology is widely applied in smart terminals and IoT devices, providing efficient lightweight perception capabilities for the era of AIoT.

The Company has proposed the "cognitive space computing" theory in advance and built the Mars Wisdom AI platform with a multimodal AI cognitive computing framework, achieving a full-chain intelligent evolution from perception, understanding, prediction to decision-making. Relying on its self-developed space computing engine, the system can analyze in real time the behavior characteristics, relationship networks, and spatiotemporal trajectories of people, vehicles, and objects within the physical space, and form a scenario-based cognitive decision-making system by combining commercial intelligence algorithms. Different from the traditional focus on physical control in entrance and exit management, ZKTeco has surpassed the physical management of ZKBio and the digital upgrade of general entrance and exit of ZKBio. Through AI cognitive space computing technology, it has broken the boundaries between physical and digital spaces and moved towards a higher-dimensional intelligent cognitive era. For example, in large commercial complexes, the system not only accurately identifies customers and vehicles but also analyzes trajectories and dwell times to understand consumption preferences and potential demands, providing precise decision support for operations and achieving intelligent marketing and resource optimization.

Based on the technical architecture of "AIoT multi-dimensional perception + large model empowerment middleground + industry scenario application", the Company has built a three-level technical system covering smart terminals, edge computing, and cloud services. Through its self-developed Agent development platform, it deeply integrates the capabilities of DeepSeek, DouBao, ChatGPT, and other large models to achieve cross-modal knowledge transfer and scenario-based intelligent generation, promoting the digital transformation of traditional industries into a new stage of cognitive intelligence.

3. Main products and services

ZKTeco, with its new-generation AI cognitive space computing technology and self-developed multimodal models as the driving force, has comprehensively upgraded its four business segments and deeply laid out in the four strategic fields of smart space, smart office, digital identity authentication, and smart business, providing AI-empowered end-edge-cloud integrated full-stack solutions to help customers achieve efficiency leaps and value reshaping in the digital era. It provides global customers with comfortable, intelligent, safe, and sustainable scenario experiences.

(1) Smart space business

ZKTeco, with the core driving force of the cutting-edge AI cognitive space computing technology, deeply integrates the ZKBio software platform and the Mars Wisdom AI platform to build a comprehensive perception network of people, vehicles, objects, and the environment, providing comprehensive and intelligent management solutions for smart parks and buildings. We are committed to transforming traditional "physical" spaces into "understanding partners" that can understand and serve users, redefining the relationship between people and space to enhance operational efficiency, optimize user experience, and achieve sustainable development.

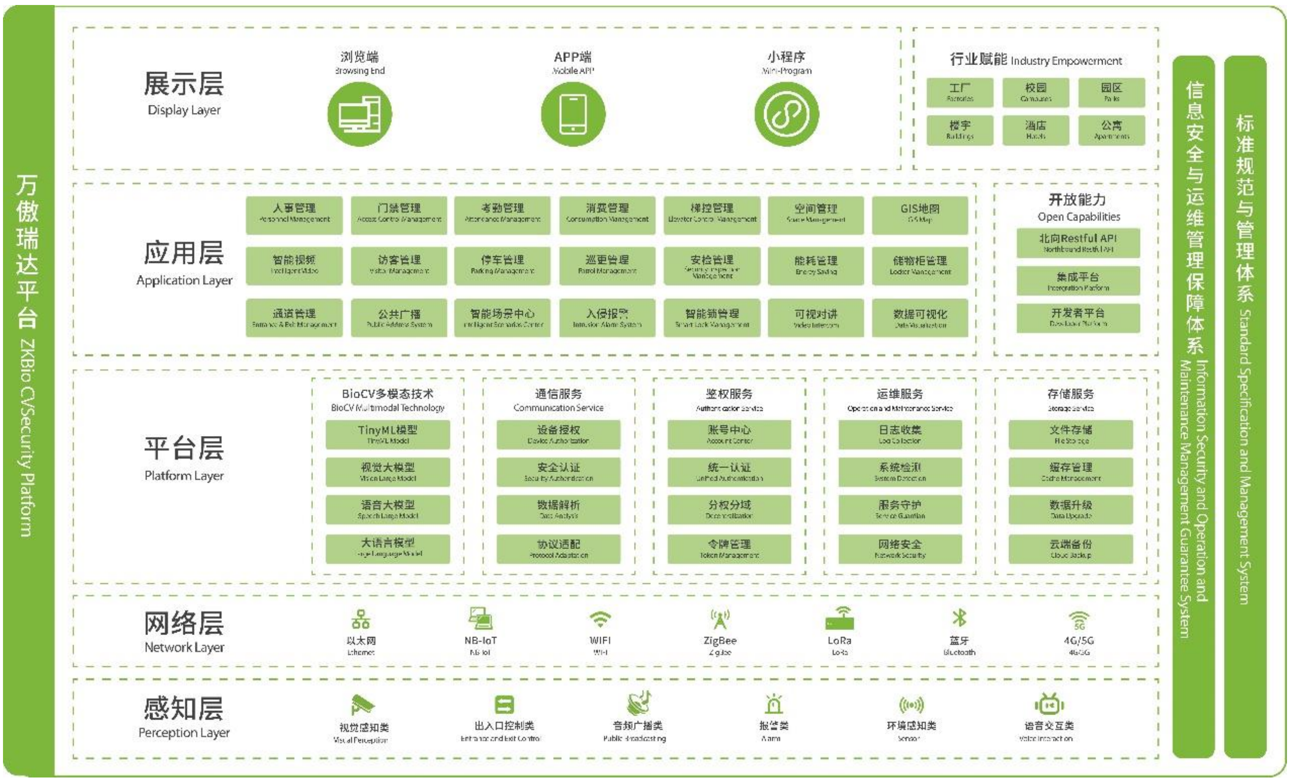
The Company's smart space business layout is as follows:

① Smart Space Business Products and Solutions - ZKBio Management Software Platform

The ZKBio Intelligent Integrated Management Platform (ZKBio CVSecurity) takes "creating a smart space for all scenarios" as its core goal. By deeply integrating multimodal BioCVTiny ML technology with the IoT perception system, it has built a space intelligent management platform covering "people, vehicles, objects, and environmental energy". With the machine vision intelligent analysis provided by the Mars Wisdom platform as the technical foundation, it integrates personnel biometrics, behavioral characteristic recognition, vehicle recognition, and intelligent scene algorithms, achieving a full-link and full-scenario deep integration of 18 business subsystems such as access control, visitors, passages, parking, video perception, and space environment perception, forming a closed-loop smart ecosystem from space access to energy consumption management.

The panoramic view of the ZKBio Intelligent Integrated Management Platform is as follows:

The architecture diagram of the ZKBio Intelligent Integrated Management Platform is as follows:



The main characteristics of the ZKBio Intelligent Integrated Management Platform are as follows:

a. All-scenario integration:

Based on a micro-service distributed architecture, the platform supports the flexible combination of modules such as video perception, parking management, and elevator control systems. Through a GIS map visualization interface, it builds a three-dimensional security prevention system of "circle-line-surface-point". At the same time, it enhances the hybrid cloud deployment capability, supporting dynamic modeling of smart spaces and real-time analysis of energy consumption data, making carbon footprint management in office parks, communities, and other scenarios possible.

b. Intelligent decision-making hub:

Relying on multimodal BioCVTiny ML technology, IoT perception, and Mars Wisdom platform, it has constructed "four intelligent defense lines":

- ➢ The first line: Physical space access control is achieved through seamless passage (face gate/plate recognition).
- ➢ The second line: Process supervision is strengthened through electronic fences and AI video perception (loitering detection/intrusion detection).
- ➢ The third line: By integrating the access control and elevator control linkage mechanism, after identity verification through access control, the smart elevator dispatching system is activated to improve elevator operation efficiency, reduce stop time, and lower motor wear.
- ➢ The fourth line: It provides post-event verification tools such as personnel trajectory tracking and vehicle feature search.

c. Ecological expansion capability:

Adopting a RESTful API open architecture, it can interface with third-party systems and support rapid algorithm model iteration. Through the ZKBio app and mini-program, users can complete visitor reservations, remote elevator control, and video intercom operations. Meanwhile, the platform ensures full-chain information security through HTTPS encryption transmission and data desensitization technologies. This "end-edge-cloud" collaborative smart space solution is driving traditional management towards digitalization and low-carbon transformation.

② Access control products

Access control products are smart terminals that verify and logically judge the access rights of single-door entrance and exit based on various biometric technologies. Depending on the biometric verification methods employed, these can be categorized into single biometric devices and multimodal recognition products that integrate multiple biometric technologies. The Company offers a range of technologies including fingerprint, facial recognition, palm vein scanning, palmprint identification, and iris recognition. Additionally, it provides conventional verification methods such as RFID cards and passwords. These products are designed with features such as water resistance, anti-glare properties, and impact resistance, ensuring they meet the diverse needs of various scenarios.

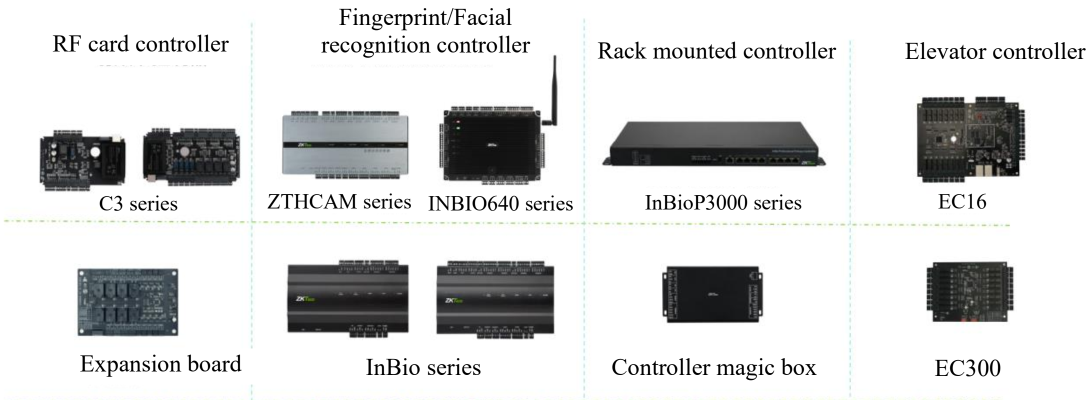
During the reporting period, the Company launched the new generation of multimodal biometric product series zFace, which supports facial and fingerprint hybrid recognition, and is integrated with wireless doorbells and video intercom functions, achieving a three-in-one product application form of access control, video intercom, and doorbell, optimizing the installation of door equipment for users. Additionally, it released the terminal recognition device Xpalm602 supporting payment-level palm technology, capable of meeting various recognition demands.

The Company's main access control terminal products are as follows:

In response to complex multi-access control interlocking scenarios, the Company has launched access controller products, which are paired with various biometric data collectors, a wide range of fire, water, electricity and gas sensors, as well as alarm systems, to form a comprehensive system solution integrating personnel identification and spatial security. This solution is mainly applied to medium and large-scale project sites with a large number of access control 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.

During the reporting period, the Company launched facial recognition controllers and rack mounted controllers, which were paired with access control magic boxes. Compared with traditional controllers, they are easier to install and manage centrally, simplify the installation process, and are equipped with dedicated fire alarm interfaces. This effectively reduces the workload of construction and wiring on the project site, lowers project costs, and facilitates users' continuous use and maintenance.

The Company's main access controller products are as follows:



③ Channel products

As an intelligent device for controlling the entry and exit of people, the pedestrian gate is increasingly widely used in various fields with the rapid development of digital technology. Currently, in places such as schools, high-end residential areas, scenic spots, stations, customs, airports, terminals, office buildings, and sports venues, where there is a need for crowd management, identity verification, and self-service charging management, automated channel gates have gradually replaced the traditional manual ticket checking or access verification mode.

The pedestrian gate products meticulously developed by the Company integrate multimodal biometrics and radio frequency identification, and also feature multiple infrared passage detection functions for human bodies and objects, enabling efficient intelligent control and management of the channel. The Company has continuously delved into and expanded in core technologies such as video detection, image recognition, behavior analysis, and feature comparison. With its leading multimodal BioCV technology and the outstanding ZKTeco cloud IoT platform Minerva IoT, it provides strong and continuous empowerment for pedestrian channel products.

Based on a precise understanding of the demand characteristics of different pedestrian channel scenarios, the Company has successfully developed a series of self-service settlement and passage products and solutions that can meet the usage needs of various scenarios such as libraries, sports venues, scenic spots, conferences, unmanned supermarkets, communities, schools, airports, border inspection, subways, and high-speed railway stations, fully promoting the upgrade of convenient travel experiences in these passage scenarios. The Company's independently developed video passage detection algorithm and device can accurately detect, promptly alarm, and effectively dissuade abnormal behaviors such as tailgating, intruding, walking side by side, and hugging, leveraging advanced AI technology. This innovative achievement not only significantly reduces the workload of staff but also significantly enhances the security of control and the accuracy of passage data.

During the reporting period, the Company, in response to the demands of high-end commercial scenarios, actively promoted the in-depth integration and application of cutting-edge technologies such as multimodal recognition, holographic projection, and smart commercial displays with pedestrian gates, continuously exploring innovative applications, and striving to provide customers with more high-quality and intelligent solutions.

The Company's main channel products are as follows:

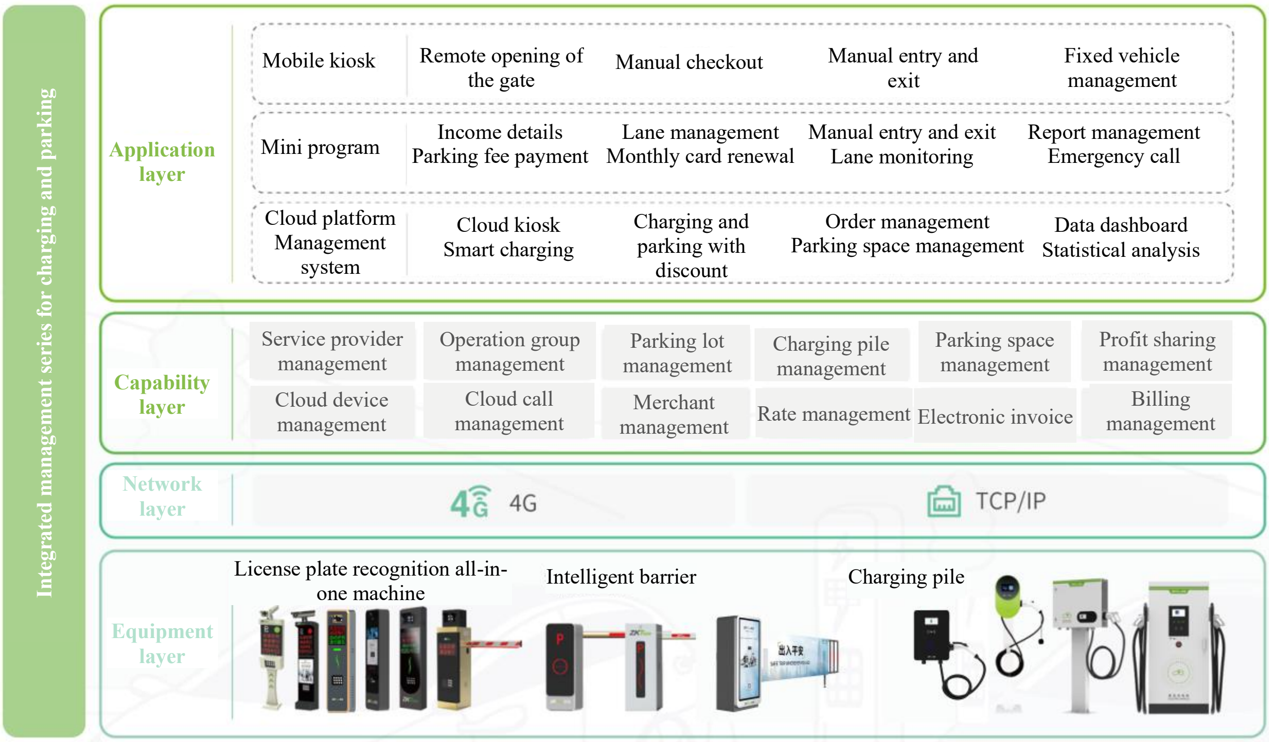
④ Smart parking

To build a smart space operation ecosystem, with smart parking and smart charging as important business components, the Company relies on a "cloud + edge + AI" technology architecture to create an all-scenario smart parking and charging integrated solution. This solution takes digital twin technology as its core and, through the digital transformation of all elements, achieves the deep integration of the physical and digital spaces of parking lots, and builds a smart management system that coordinates people, vehicles, charging piles, and parking spaces. This solution can easily realize self-service charging, self-service payment, and real-time cloud management, helping parking lots and operation entities comprehensively improve their smart parking and charging management levels.

Based on the smart space central system, the Company integrates AI technologies such as 5-megapixel license plate recognition, parking space status perception, and charging load prediction, as well as a smart terminal matrix including intelligent license plate recognition all-in-one machines, automatic barriers, charging piles, parking space management cameras, and parking space locks, to create an all-scenario smart parking and charging integrated solution.

During the reporting period, the Company successively released ZKTeco Cloud Parking V1.1 IoT cloud parking management platform, LPR100-Y-LCD, LPR8800-Y-LCD series LCD screen License plate recognition all-in-one machines, PBH6000-Y series DC brushless barrier gates, PBG600 series advertising barrier gate products, and LPR-PB5000-M5V series license plate recognition barrier gate all-in-one machines, among other smart parking products. This makes the Company's products and solutions more competitive in the smart parking market, better meeting the parking and charging integrated management needs of various application scenarios such as administrative agencies, enterprises and institutions, industrial parks, industrial zones, shopping centers, scenic spots, communities, and public charging stations. This helps operation entities achieve digital operation management, improve the utilization rate of charging and parking, reduce the operating costs of parking lots, increase efficiency and reduce staff, and also provides car owners with a comfortable parking and charging experience.

The product topology diagram of the Company's integrated management of charging and parking is as follows:



⑤ **Smart security inspection**

The Company has developed a comprehensive smart security inspection product matrix for people, vehicles and objects, covering all scenarios. It includes core equipment such as intelligent X-ray scanners, walk through metal detectors, handheld metal detectors, vehicle underbody scanning systems, and liquid detectors. The Company possesses independent technical capabilities from hardware R&D to AI algorithms. Relying on its intelligent recognition system driven by deep learning algorithms, the Company launched a new series of X-ray scanners integrated with intelligent analysis algorithms during the reporting period, assisting security inspectors in quickly identifying prohibited items. The people and bag association system accurately links the images of people and bags, efficiently tracing and restoring the security inspection process. The smart walk through metal detector, combined with AI algorithms, precisely identifies prohibited items such as mobile phones and knives.

The Company has formed professional solutions for the security needs of various scenarios such as rail transit, large-scale events, judicial institutions, major venues, and hospitals. In recent years, it has further extended to industries such as logistics sorting, education, and factories, developing smart security inspection products with industry-specific adaptability, such as X-ray scanners, mobile phone walk through metal detectors, and high-precision walk through metal detectors, to build professional products and solutions covering specific fields.

The Company's main smart security inspection products are as follows:

⑥ **Broadcasting audio**

As an auditory perception system, broadcasting audio plays a crucial role in smart building spaces. It provides efficient and precise information transmission for building spaces, ensuring clear and timely broadcasting services in various scenarios such as meetings, performances, and emergency evacuations.

The Company offers a wide range of broadcasting audio products including analog broadcasting and network broadcasting, which can be integrated into the ZKBio software platform. Through the ZKBio platform, they can be seamlessly connected with other intelligent systems in the smart space, enabling coordinated control and enhancing overall operational efficiency.

Moreover, the Company's broadcasting audio products emphasize audio quality, employing advanced audio processing technologies to ensure clarity and fidelity, thereby creating a superior auditory experience for users. The products are designed to blend seamlessly with the building space, featuring simple and elegant appearances, flexible and convenient installation, and adaptability to different architectural styles and spatial layouts.

In addition, they support remote management and intelligent operation, facilitating maintenance and upgrades. They provide strong support for the management of smart building spaces.

The Company's main broadcasting audio products are as follows:

⑦ Intrusion alarm

In the smart building space, the intrusion alarm system plays a crucial role in safeguarding security. It integrates multiple detection technologies, such as infrared, microwave, sound waves, and vibrations, to ensure precise perception of abnormal situations. In terms of communication methods, the Company offers a hybrid intrusion alarm system with both wireless and 485 bus connection options, which can be integrated into the ZKBio comprehensive software platform. Through the ZKBio software platform, seamless integration and linkage with sub-business systems such as CCTV and access control can be achieved, forming an integrated security solution to meet the needs of different building environments, enhance overall security management levels, and provide a solid guarantee for the safe operation of smart building spaces.

The Company's main intrusion alarm products are as follows:

⑧ Smart environmental perception

In smart building spaces, IoT devices optimize office environments and resource utilization through interconnection and real-time monitoring, assisting enterprise parks and office buildings in achieving energy-efficient and low-carbon operations.

The main IoT devices include smart lighting systems, smart air conditioning systems, and smart curtains, among others. Smart lighting systems can automatically adjust brightness based on natural light and human activities, saving energy while providing a comfortable light environment; smart air conditioning systems can automatically regulate temperature and air volume through temperature and occupancy sensors, improving energy efficiency; smart curtains can automatically open and close based on light and time, coordinating with indoor light management.

In addition, there is a smart meeting system that integrates functions such as meeting reservations, access control, and equipment management. Users can reserve meetings through a PC or mobile phone, and the system will automatically notify relevant personnel and prepare necessary equipment such as projectors and audio systems in advance. During the meeting, the system automatically adjusts the indoor environment to the best state. After the meeting, the system automatically turns off related power-consuming devices, saving energy.

The application of these IoT devices not only reduces energy consumption but also reduces the need for human labor through automated management, achieving a win-win situation of cost-effectiveness and environmental protection.

The Company's main smart environmental perception products are as follows:

⑨ Smart video

Visual perception technology is a technique that uses sensors (such as cameras, lidars, infrared sensors, environmental sensors, etc. and their integration) and algorithms to simulate the human visual system, obtaining, understanding and processing image or video data from the spatial environment. Its core objective is to endow machines with the ability to "understand the world". Video image acquisition devices have always been one of the main visual data entry points for spatial IoT perception systems.

Based on visual perception technology and combining the Company's long-term technological accumulation in deep learning, BioCV computer vision, AI, and Minerva IoT cloud platform, during the reporting period, the Company provided a complete set of competitive smart video surveillance product matrix, mainly including: front-end smart network cameras, back-end smart network hard disk recorders, smart edge analysis servers, video storage services, decoders, splicing screens and other hardware devices. At the same time, it is combined with the supporting ZKBio integrated comprehensive management software platform and the cloud video mobile app based on the Minerva IoT cloud platform, comprehensively covering the end, edge, cloud, and service integration and collaboration of the smart video surveillance security system.

During the reporting period, by integrating and connecting the smart video perception system with other subsystems of the Company such as the smart attendance system, smart access control system, smart channel, security inspection system, smart parking system, and smart building system, and relying on the ZKBio Intelligent Integrated Management Platform to achieve global linkage and empowerment of software and hardware, the intelligent visualization management and intelligent linkage control of the overall system were achieved, effectively forming an overall security solution applicable to the spatial environment IoT perception.

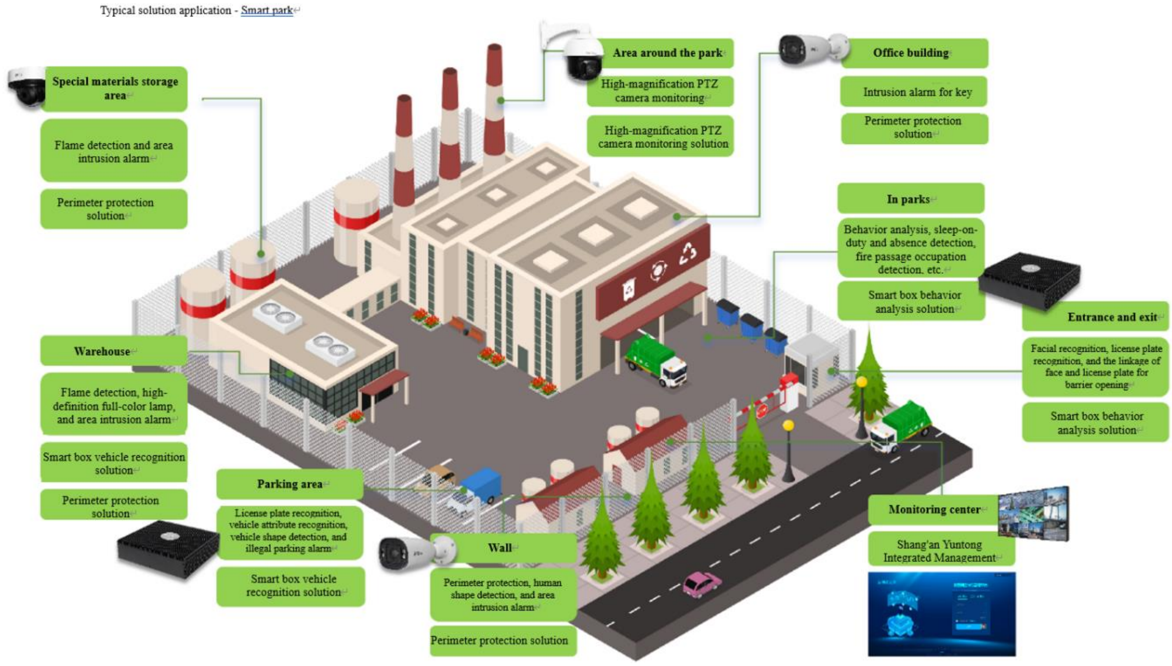
With the rapid development of AI technology, during the reporting period, the Company innovatively leveraged BioCV multimodal technology, BioCV computer vision perception technology, and its independently developed BioCV TinyML architecture to successfully launch the "super brain" for smart spaces—the Mars Wisdom AI platform. By fully integrating the Mars Wisdom AI platform with the smart video subsystem, the Company officially launched the RS Swiss Army Knife series AI edge servers. Multiple versions are available, including RS1, RS2, and RS3. This series of AI edge servers not only supports the Company's independently developed BioCV TinyML models but also supports DeepSeek models with small parameters. It is capable of simultaneously processing multimodal data such as video, images, audio, and text, achieving full-element perception of "people, vehicles, objects, roads, and environment". This provides real-time decision support for the management of comprehensive security solutions for IoT perception in smart space environments, thereby promoting the expansion of smart space business boundaries.

Mars Wisdom System's Functional Diagram:

The Company's main smart video product matrix is as follows:

An integrated and comprehensive solution based on visual perception can be widely applied in various scenarios such as parks, communities, campuses, and enterprises. During the reporting period, the Company mainly focused on creating and implementing solutions for the vertical and specific scenario of smart parks in the smart video perception subsystem.

The typical scenarios of the Company's smart video are illustrated as follow:



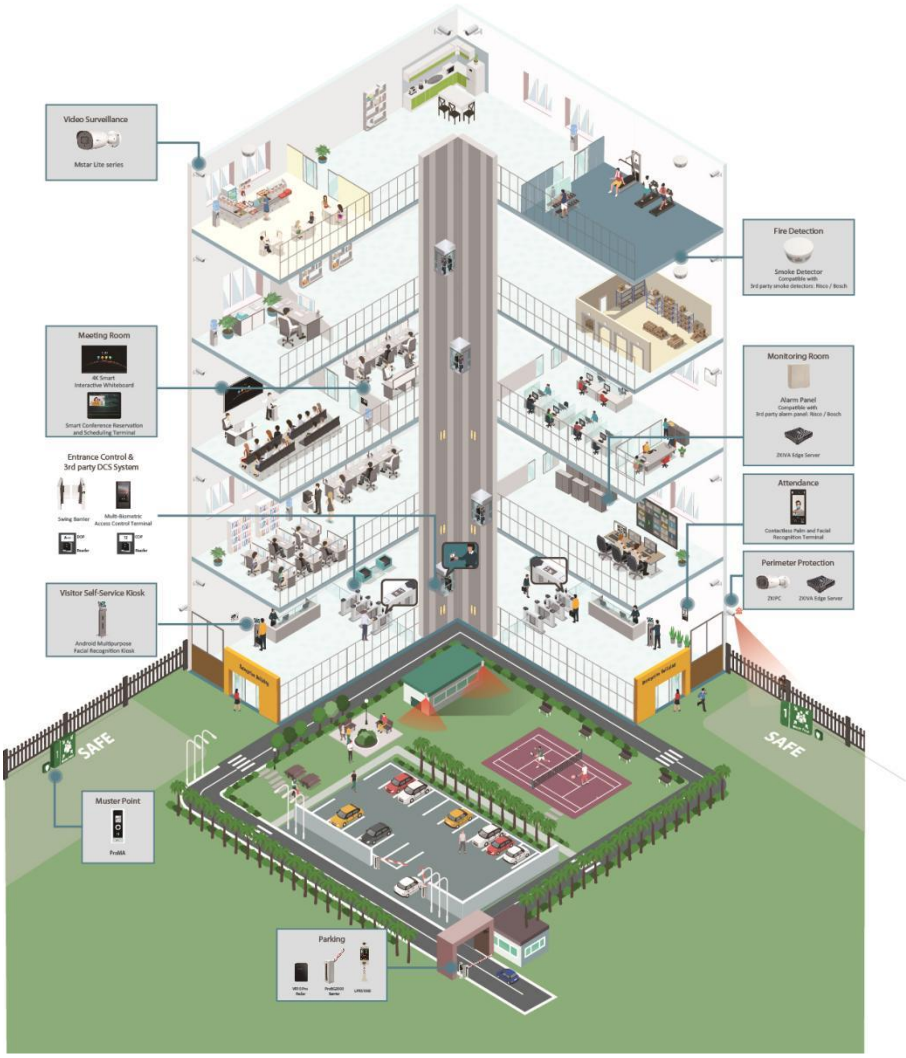
⑩ Smart building space solution

The smart building space solution can provide timely background music to create a relaxing atmosphere, control the fresh air system to keep the air fresh and pleasant, sense temperature and humidity to offer a comfortable environment, simplify user operations with smart voice interaction, reduce elevator waiting time with smart elevator scheduling, and automatically adjust the number of lights by combining light perception and weather forecasts. Through advanced digital and intelligent technologies, it enhances personal experience from multiple dimensions.

The smart building space solution aims to achieve intelligent and efficient building operation by integrating multiple functional modules such as access control systems, visitor systems, elevator control systems, public broadcasting systems, parking systems, video perception systems, and intrusion alarm systems, along with full business integration and global linkage, thereby improving the building's safety and convenience.

In addition, the smart building space solution supports emergency response mode, integrating smoke and fire detection systems, covering smoke detection, emergency notifications, broadcasting, and opening of escape routes. It ensures rapid response from fire occurrence to event handling and minimizes personnel and property losses in emergencies.

The architecture diagram of the Company's smart building space solution is as follows:



⑪ Smart apartment space solution

The smart apartment space solution integrates multiple functional modules such as access control, elevator control, video intercom, smart locks, parking lot management, consumption systems, video perception, and alarm systems, achieving intelligent and efficient apartment operation.

In terms of personnel management, access control and entrance/exit control devices are installed at key locations such as apartment entrances and passages, effectively preventing unauthorized personnel from entering and reducing potential security risks.

In terms of visitor management, the solution offers an integrated solution including self-service reservation and biometrics, enhancing the visitor experience and management efficiency.

The parking lot management module uses license plate recognition technology to automatically identify and restrict external vehicles from entering, enabling seamless passage and improving user experience.

The video perception and smart analysis module deploys high-definition cameras and intelligent video analysis edge servers to comprehensively monitor and intelligently analyze key areas of the apartment, such as perimeter protection and key personnel control, effectively enhancing security levels.

Furthermore, the solution emphasizes data security and privacy protection, adopting the ZKBioHA high availability solution to ensure data integrity and security, meeting high standards for data security requirements.

The architecture diagram of the Company's smart apartment space solution is as follows:

(2) Smart office business

The Company, with multimodal BioCV technology and IoT perception technology as its core, provides intelligent solutions for enterprises and institutions covering scenarios such as attendance, visitors, meetings, and consumption, aiming to optimize time management and operational efficiency. These intelligent solutions integrate AI agents and cloud technology to create an intelligent time management solution and a one-stop smart office ecosystem, making work more efficient and enjoyable.

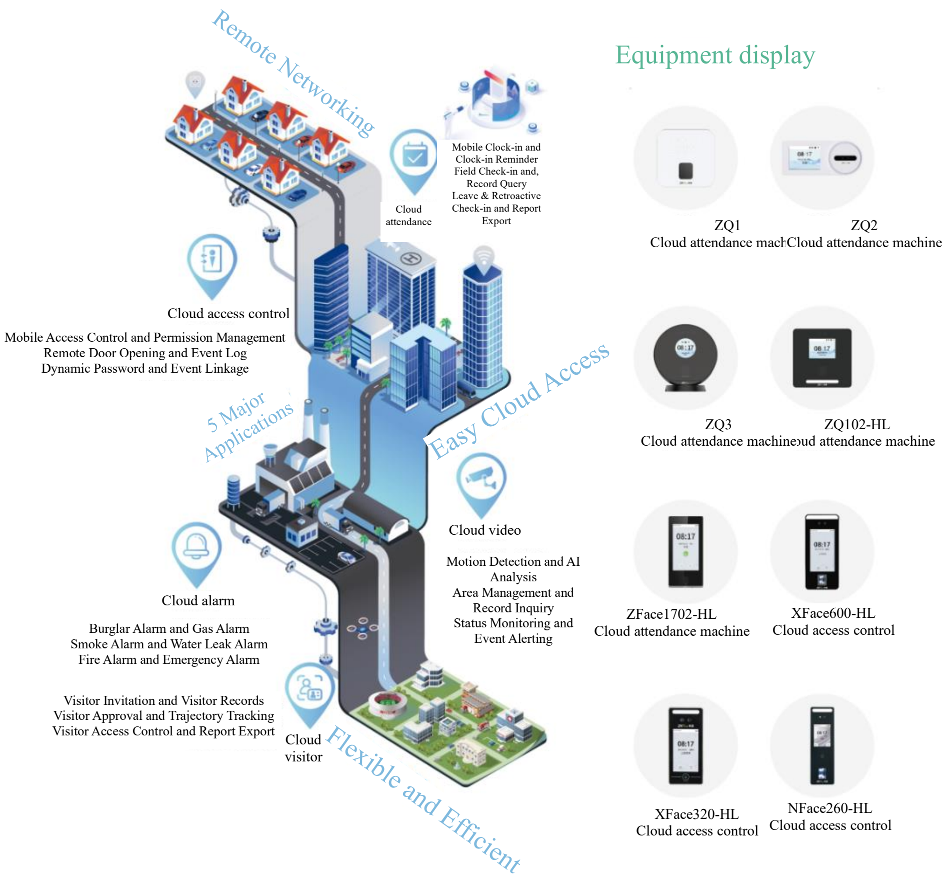
① ZKTeco Interconnection: AIoT Cloud Scene Ecosystem Platform

The Company continuously innovates cloud service products based on the demands of IoT scene ecosystems to meet the diverse needs of SMEs. By deeply integrating technology and scenarios, it is committed to providing efficient, convenient, and secure digital solutions for SMEs, helping them transform from a rough to a scaled and formalized operation.

ZKTeco Interconnection adheres to the product philosophy of "miniaturization, rapidity, lightness, and precision", and tailors cloud service products for the digital transformation needs of SMEs. The Company emphasizes the ease of use and practicality of its products to ensure that enterprise users can "use them proficiently, effectively, and frequently". Through the integration of "end-edge-cloud + AI" technologies, ZKTeco Interconnection products can achieve comprehensive perception, intelligent analysis, and efficient management. By continuously investing in R&D, the Company deeply integrates new technologies with scene solutions to provide better cloud scene solutions for enterprises.

The ZKTeco Interconnection: AIoT Cloud Scene Ecosystem Platform scenarios are as follows:

ZKTeco Interconnection: AIoT Cloud Scene

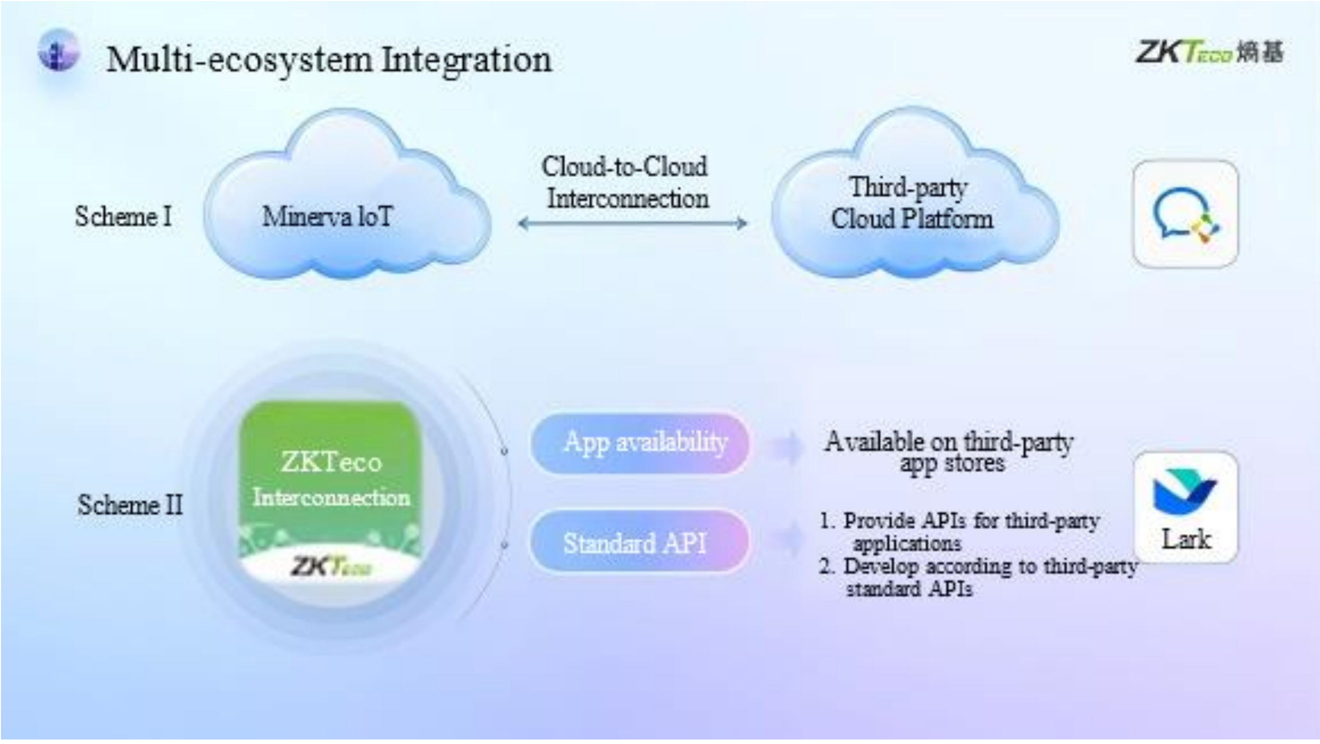


The ZKTeco Interconnection Cloud Scene Solution mainly includes the following contents:

- Cloud attendance: Achieve remote attendance management and improve attendance efficiency;
- Cloud access control: Remotely control and manage access control systems to enhance security levels;
- Cloud visitor: Manage visitor information and improve visitor management efficiency;
- Cloud video intercom: Realize video intercom functions and enhance communication efficiency;
- Cloud video: Achieve video perception and intelligent management to enhance security prevention capabilities;
- Cloud consumption: Record and manage enterprise consumption data and provide consumption analysis reports;
- Cloud alarm: Security alarm system, achieving real-time monitoring of abnormal situations and timely issuance of alarm notifications;
- Cloud store inspection: Achieve remote store inspection management and monitor store operation conditions through digital means to improve management efficiency;
- Cloud device management: Facilitate device management and monitoring of device status to enhance O&M efficiency.

In addition, the Company's ZKTeco Cloud IoT Platform Minerva IoT+ ZKTeco Interconnection can work with ecosystem partner platforms to build a new digital-intelligent IoT model of "smart office + smart space". The Company's business cooperation model with

WeCom and Lark is shown below:



The cooperation between ZKTECO and WeCom has a long history. Since 2019, both parties have collaborated for many years in the field of enterprise digital transformation, accumulating rich experience in collaboration. This upgraded "Cloud-to-Cloud Direct Connection" mode represents a major breakthrough in the technological and ecological integration of both parties. Through "Cloud-to-Cloud Direct Connection", terminal devices can flexibly support binding to either the ZKTeco Interconnection APP or WeCom, greatly enhancing device compatibility and usage flexibility.

The characteristics of this business are detailed below:

Universal Models, Flexible Adaptation: ZKTECO's universal attendance and access control cloud devices fully support a "dual-version" mode. Users can freely choose their binding method, whether through the ZKTeco Interconnection APP or WeCom, significantly enhancing device compatibility and adapting to a wider range of scenarios.

Business Enhancement, Market Expansion: Dual-version support not only boosts the market competitiveness of the devices but also significantly expands the customer base through WeCom's vast user base and ZKTeco Cloud's industry coverage, creating double market opportunities for businesses.

Synergistic Complementarity, Jointly Serving Premium Customers: Both parties serve the same customer based on their respective areas of expertise, providing extensive value-added opportunities throughout the customer lifecycle.

Product value of ZKTeco Interconnection Cloud Scene Solution:

A. Product value provided to partners

After the product is launched, it can provide partners with customer management, application subscription management, product after-sales service, digital marketing tools and strategies, intelligent equipment O&M systems, etc. It can guide partners in transforming their marketing models from the current role of channel service providers, which primarily focus on product sales, to a more sophisticated marketing model that emphasizes delivering high-quality services to users and engaging with them on a deeper level. This transformation will facilitate connections with new business models.

B. Product upgrade provided to customers

After the product is launched, combined with the mobile Internet and IoT ecosystem, it provides convenient product forms for end users and various cloud-based SaaS applications such as cloud attendance, cloud access control, cloud visitor, cloud consumption, and cloud video. Users can subscribe and combine them flexibly according to their current business needs and scenarios, and can also expand them elastically according to the needs of their own enterprise development. The product creates a software and hardware integrated, scenario-based, and intelligent product experience through various product forms such as mini-programs and apps.

C. Upgrade of product marketing and operation model for new business paradigms

After the product is launched, combined with the current new trends in digital marketing, it builds a marketing and operation model suitable for new user groups through the WeChat official account ecosystem, TikTok ecosystem, etc. Based on the operation strategies of public and private domain traffic, it connects the entire chain of customer acquisition, retention, conversion, repurchase, and viral growth, playing a bridging role in the construction of a digital marketing system and connecting the "user - service provider - ZKTeco" ecosystem platform to build new business competitiveness.

D. Upgrade provided to ZKTeco

Through the refinement of the product and the agile iteration verification process in the market, a new digital management architecture for ZKTeco's marketing organization is gradually built to achieve the transformation from a one-size-fits-all market demand to a personalized market demand. With a new and efficient organization, it dynamically meets the agile demand chain of new user groups. At the same time, based on the analysis of various data such as user data, device data, application data, scene data, and sales data, it improves marketing decision-making efficiency and accurately positions the direction of product iteration.

E. Ecosystem partners

Through various flexible methods such as "Cloud-to-Cloud Interconnection", "Cloud API", and "Application Availability", ZKTECO, leveraging smart office scenarios, can both partner with ecosystem partners to serve key accounts or vertical industry customers, and also address the vast SMB customer base with "nimble, efficient, refined, and accurate" small-scenario solutions, accumulating large-scale user data to provide data assets for future commercialization and monetization.

② ZKTeco Cloud Commerce: Digital and Intelligent Marketing Service Platform

By continuously promoting the construction of a new digital marketing system for "online + offline" channels, it helps partners enter the era of digital marketing. ZKTeco Cloud Commerce focuses on creating industrial internet community platform tools such as product stores, solution stores, application stores, knowledge stores, and service stores, serving millions of B2B practitioners and end users. It helps partners continuously evolve throughout the entire chain of marketing, customer expansion, operational monetization, and online services, strengthens industry chain's collaborative growth, and achieves resource optimization and allocation. It is committed to becoming a trusted one-stop high-quality product and service provider for users, collaborating with service providers to develop from traditional operations to digital operations, and providing customers with high-quality products and services through a one-stop digital marketing service platform.

Interface and functions of ZKTeco Cloud Commerce digital and grid-based marketing system:

The relevant functions are as follows:

[Home]: It includes a product database, solution database, marketing material database, case sharing library, information database, etc., serving as a digital information supermarket for marketing and customer acquisition.

[Services]: The product FAQ database empowers after-sales service convenience, meeting the technical support needs of partners or enabling end customers to quickly self-diagnose product usage issues, thereby enhancing service efficiency.

[Workbench]: It includes mobile order placement, product debugging tools, and common product issue troubleshooting, etc., facilitating partners in marketing and service work. Based on location services, it connects the online and offline marketing and service networks, making it easier for customers to find us.

[Business Card]: Based on the efficient and fast ecological dissemination capability of electronic business cards, the new business card module enables partners to quickly create their company homepage information through the ZKTeco Cloud Commerce marketing system, and connect with customers through business cards to accumulate their own private domain traffic.

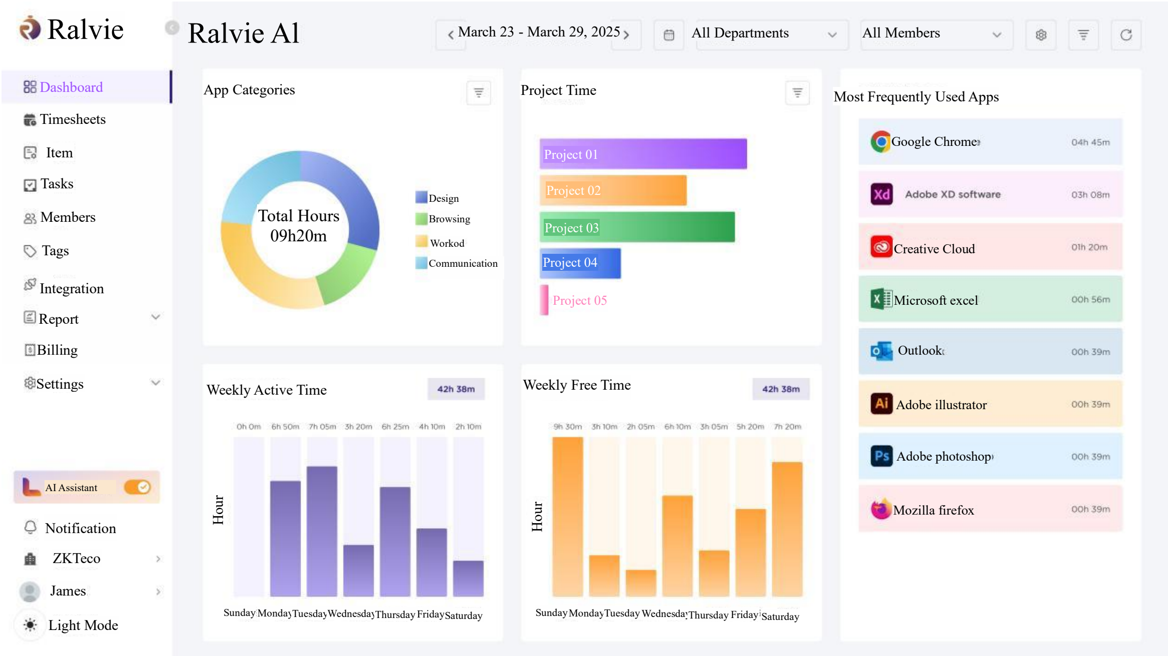
[My]: A system management assistant that makes operations simpler.

ZKTeco Cloud Commerce empowers B2B practitioners in marketing and service, and in conjunction with the offline [Smart Account] marketing service system, and continuously builds an [offline + online] front-end marketing and service, and back-end organization and coordination of new organizations. Through continuous system construction and improvement, it will provide digital and intelligent assistants to partners throughout the entire sales process, from pre-sale to post-sale. At the same time, with the continuous construction of the offline [Smart Account] marketing center, it will provide convenient and reliable support to end users in product experience, marketing services, training delivery, and local after-sales support, continuously enhancing end users' loyalty and stickiness to the brand.

③ Ralvie AI: Intelligent Time Management and Productivity Engine

Ralvie AI is a new generation of AI agent, tailor-made for the work management and efficient operation of enterprises and individuals. Through in-depth analysis of work data by AI, Ralvie AI helps enterprises optimize time accounting, dig out the value of every minute and second, and comprehensively improve employee performance. It not only provides real-time key data insights but also generates detailed analysis reports to support managers in making smarter decisions quickly. The core functions of Ralvie AI include automatic work record grouping, personalized summary generation, and continuous optimization of operational efficiency through machine learning analysis of employee behavior. Through Ralvie AI, enterprises can precisely control the value of time, efficiently allocate resources, and gain comprehensive business insights, maintaining a leading edge in the rapidly changing market environment.

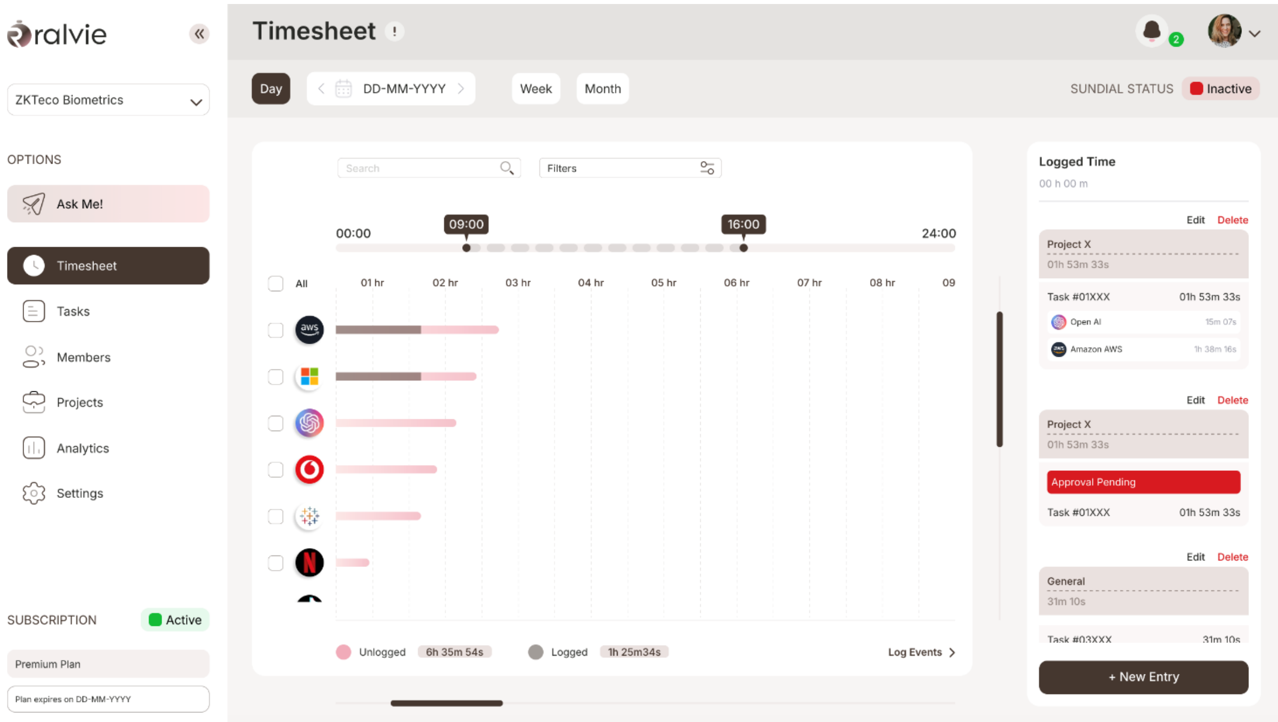
The functional diagram of Ralvie AI is as follows:



Ralvie AI's **core concept: Let time work for you**

Ralvie AI utilizes an AI-driven automation mechanism to continuously observe, learn from, and optimize the work behaviors of individuals or organizations. It not only provides real-time insights and detailed reports but also proactively offers optimization suggestions to help you make efficient decisions and enhance performance.

Ralvie AI Work Time Accounting Form Diagram:



Ralvie AI continuously focuses on efficiency scenarios centered around "employee productivity enhancement", integrating agents required for various work environments. This enables users to flexibly select multiple independent agents based on their actual work needs to complete different events and tasks, forming a collaborative network to solve complex problems and ultimately boost work efficiency.

Ralvie AI can integrate the following functional agents:

Core functions of Ralvie AI:

A. Automatic work record and activity grouping

- Precisely record users' operation behaviors and time spent on various applications and websites.
- Automatically generate time logs for analysis and settlement.

B. Intelligent project and time management

- Distinguish billable from non-billable time.
- Analyze resource input and support better resource allocation strategies.

C. Intelligent work hours statistics and performance suggestions

- Generate dynamic work reports by day, week, and project.
- Provide actionable performance improvement suggestions.

D. AI-driven summary and mapping function

- Provide daily and weekly work summaries, extracting key events and data.

➢ Smartly map user activities to corresponding projects and tags, continuously learning user behavior preferences.

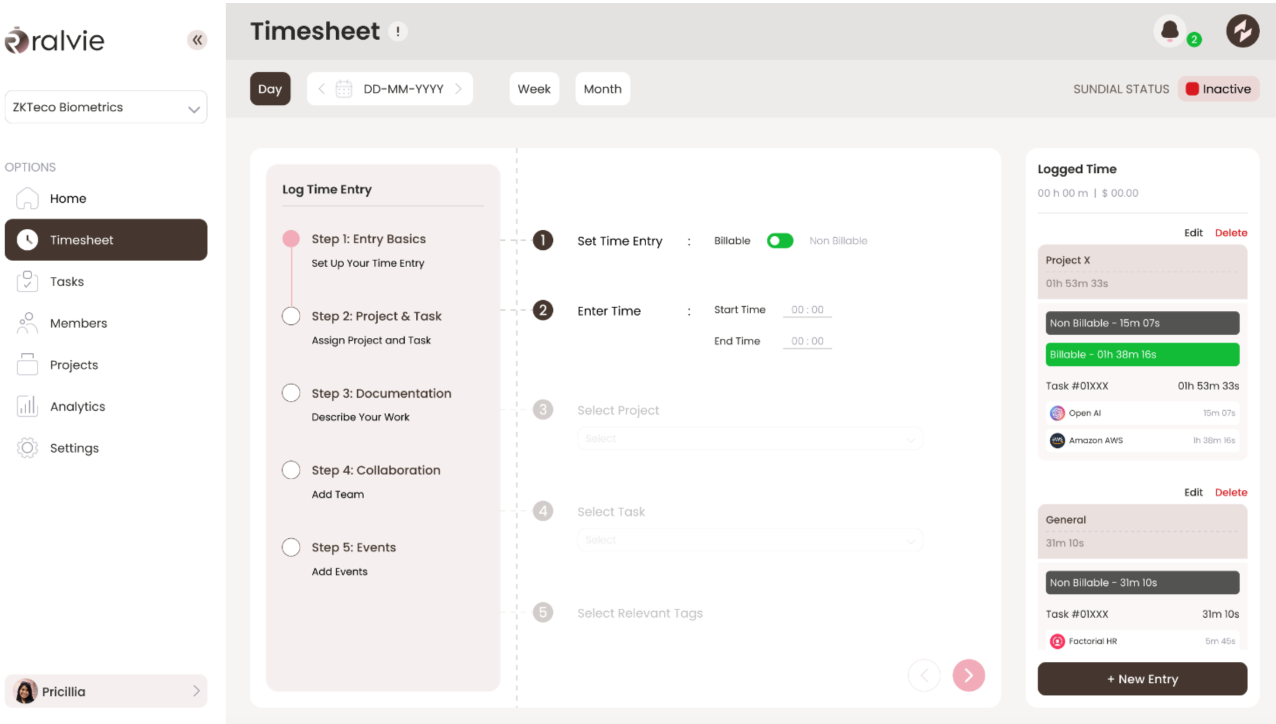
E. Visual reports and insight support

➢ Offer cross-dimensional insights for managers to enhance organizational decision-making speed and quality.

F. AI agent aggregation platform

➢ Offer quickly subscribable and usable AI agent tools for managers or individual users, based on work scenarios and efficiency improvement needs.

Ralvie AI Work Time Accounting Form Diagram:



Applicable scenarios: Comprehensive coverage of all types of work roles

- **Freelancers/Remote workers**
  - ➢ Precisely record the time spent switching between multiple projects.
  - ➢ Enhance the return on investment and optimize the allocation of working hours.
- **Corporate employees/Team members**
  - ➢ Improve collaboration efficiency and track progress bottlenecks.
  - ➢ Automatically analyze team resource waste points to help projects be completed on schedule.
- **Students/Researchers**
  - ➢ Track time input in courses and research.
  - ➢ Optimize personal learning paths and improve knowledge absorption efficiency.
- **Management/Founders**
  - ➢ Build a data-driven operational optimization closed loop.

Business model: Flexible support for individuals and enterprises

- Enterprise subscription version: Can be distributed in bulk. It centrally manages project progress and employee time.
- Personal subscription version: Suitable for freelancers and personal growth managers to use flexibly.

(3) Digital identity authentication business

ZKTeco integrates multimodal BioCV, large models, and blockchain technology to create a precise, secure, and convenient identity authentication system, laying a solid foundation of trust for the digital world. The Company's related products and system platforms utilize the uniqueness of biometric features and the deep learning capabilities of large models, and combine the decentralized and immutable characteristics of blockchain to ensure the accuracy of identity verification and data security, making identity authentication safer and more trustworthy.

① Smart terminal products:

The Company's digital identity authentication products mainly include multimodal biometric products, reading machine products, trusted digital products, and industry smart terminal products, etc. During the reporting period, the Company launched a new generation of multimodal palm recognition products, which integrate high-definition visible light cameras and near-infrared cameras and are equipped with algorithm chips, capable of achieving multimodal palm collection and recognition functions. Palm products are closely integrated with scenarios such as attendance, access control, and channels, providing users with safe and efficient identity verification services.

The Company's main digital identity authentication smart terminal products are as follows:

Smart Human Certificate Verification Terminal

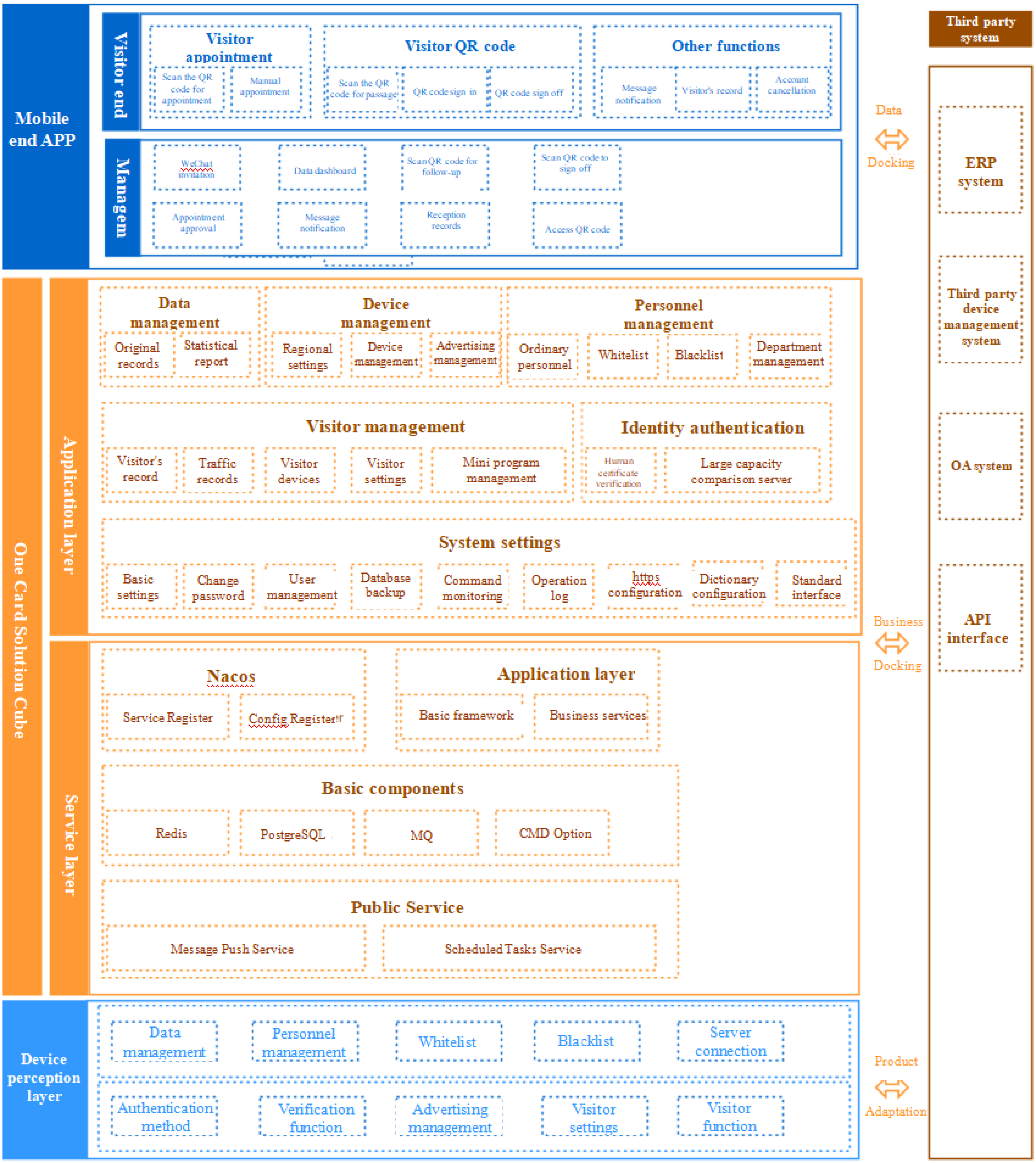
Biometric Products

Reading Machine Products

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, Residence Card for Hong Kong, Macao and Taiwan Residents, 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.

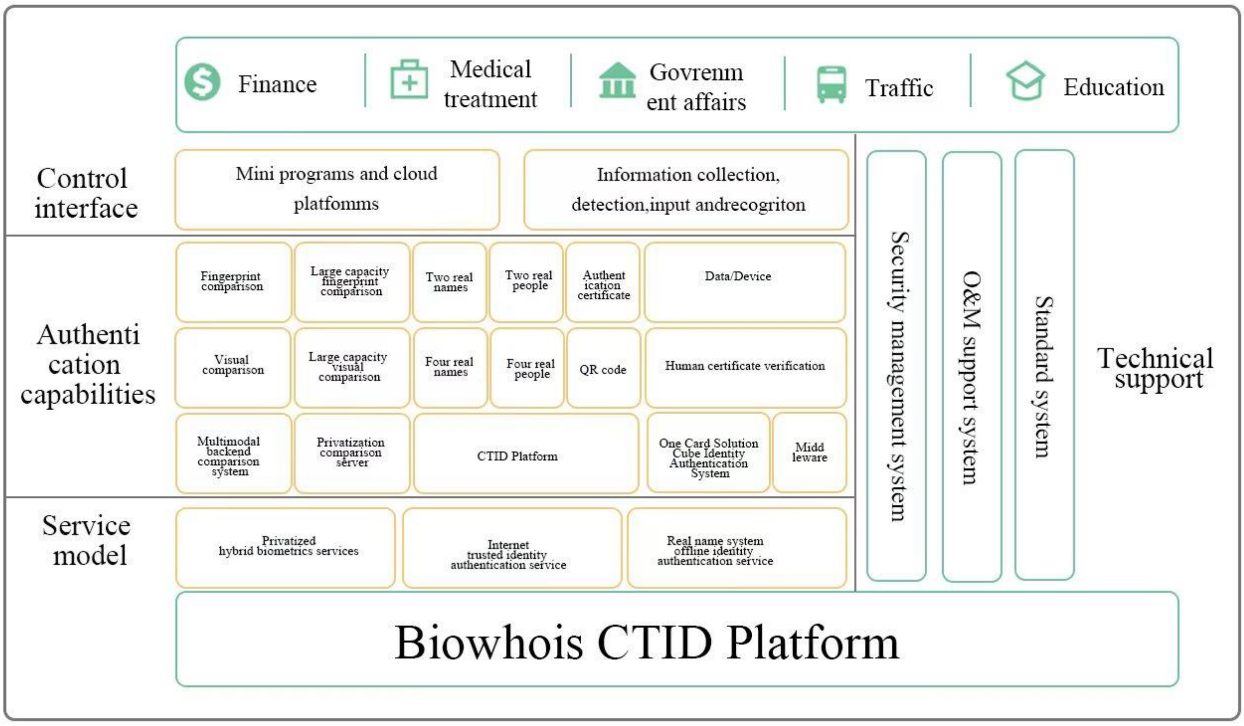
The system topology diagram is as follows:



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 of the Biowhois CTID Platform is as follows:



Industry 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 place construction plans, with competitive advantages such as intelligence, convenience and flexible deployment.

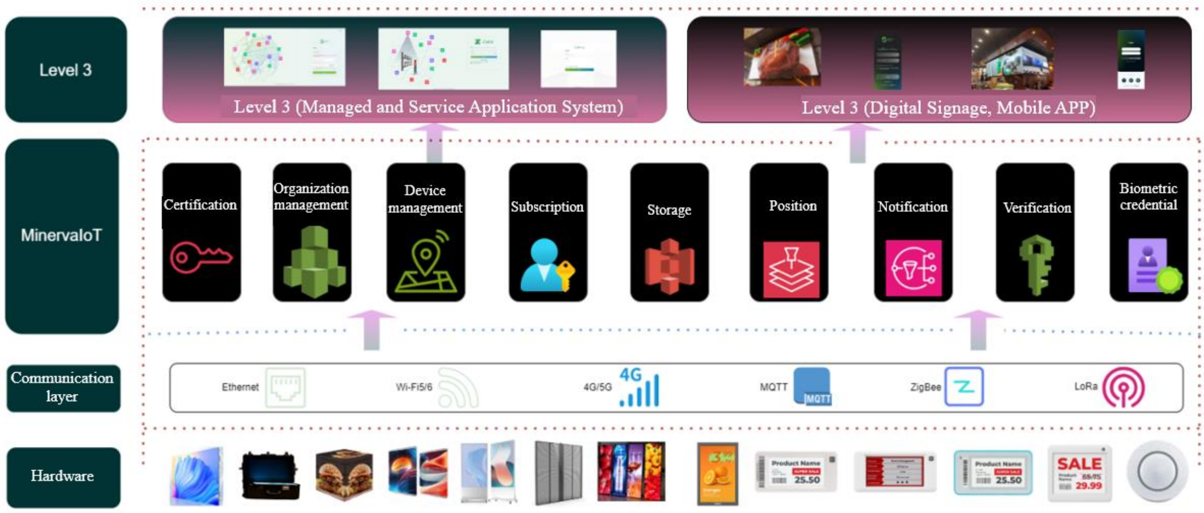
In the medical field, the Company has launched a smart medical identity verification solution for identity verification scenarios such as newborn birth medical certificates and assisted reproductive management. The solution not only meets the information collection and identity verification needs of 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.

(4) Smart business services

With "AI + digital signage" at its core, the Company helps the retail and catering industries move towards a borderless smart ecosystem, enhancing consumer experience and business growth, making business smarter and simpler.

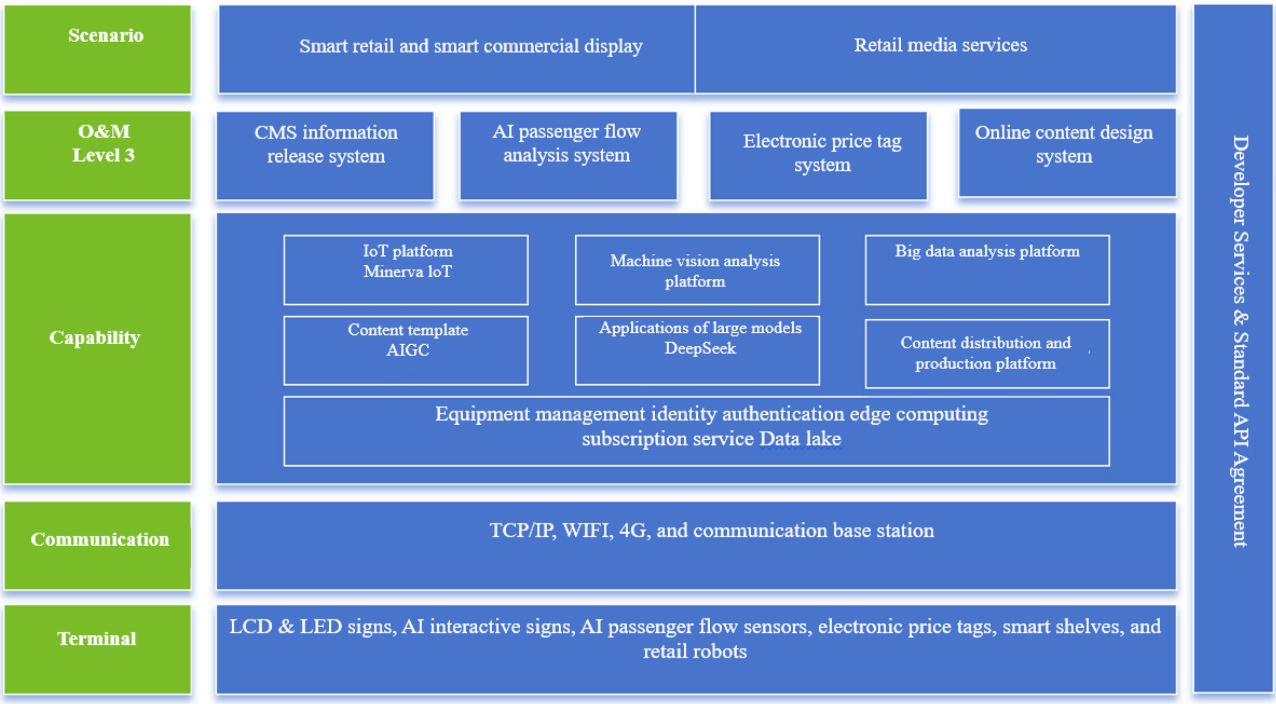
The Company's smart business topology diagram is as follows:



As a smart business brand under the Company, ZKDIGIMAX has launched a new digital visual marketing solution - ZKDIGIMAX Level 3, which is tailor-made for the general retail and catering industries. This solution integrates five core services and six smart perception terminals to build a new ecosystem of borderless retail that covers the entire scene and the entire chain. The five core services include: Minerva IoT, a cloud IoT platform from ZKTeco, a machine vision analysis platform, a big data analysis platform, an AIGC content generation platform, and an advertising production and distribution platform; the six smart perception terminals cover digital signage, smart cameras, smart edge gateways, smart shopping carts, intelligent robots, and positioning sensors.

ZKDIGIMAX Level 3 relies on scene perception, AI interaction, visual analysis, and deep learning technologies to deeply empower smart retail. Through advanced machine vision analysis technology, it accurately captures multi-scenario data such as consumer movement lines, preference insights, and product displays, and structures and outputs it. Based on multi-dimensional smart business analysis of the data lake, it further helps enterprises achieve refined operations and decision-making optimization. Whether it is enhancing the consumer experience or optimizing marketing strategies, this solution helps the general retail and catering industries move towards a new future of intelligence, unmanned operation, and borderlessness with its all-round digital capabilities.

The architecture diagram of ZKDIGIMAX Level 3 is as follows:



① **Smart business terminal products**

② **Smart business scenario solutions**

A. Digital marketing solution for chain retail scenarios

The Company focuses on the convenience store industry within the chain retail scenario, providing digital solutions for attracting customers and increasing sales to operators, as well as efficient and real-time marketing solutions to brand owners.

The application scenario diagram of the digital marketing solution for chain retail scenarios is as follows:

The digital marketing solution for chain retail scenarios covers five core areas:

a. Store windows, providing LED all-in-one machines and magic cube screens. Through creative content design, it attracts attention and brings in customers for the store.

b. Store checkout areas, offering ultra-narrow four-sided LCD digital signage. Through physical splicing and content design, it provides a more impactful visual effect for in-store consumers, enhancing the dissemination of corporate culture and brand power.

c. Store promotion shelf areas, providing intelligent shelf solutions that include digital signage, AI cameras, sensors, and other intelligent hardware. It offers comprehensive perception data for brand launches and promotions.

d. Store cold storage areas, as high-frequency marketing activity areas, providing digital signage as activity carriers and advertising production and distribution platforms for generating and releasing activity content. It efficiently and quickly completes marketing activities.

e. Store product areas, providing a complete electronic price tag solution. Through system-level data connection, it makes price changes and adjustments for store products efficient and precise.

B. Zero-carbon kiosk solution

The Company offers a zero-carbon kiosk smart retail solution that integrates supply chain, stores, and marketing for open spaces such as scenic spots and parks. The zero-carbon kiosk aims to become a new benchmark for unmanned smart retail. This solution uses photovoltaic power supply to achieve green energy conservation and cloud monitoring for 24-hour unmanned operation. Customers enter by scanning a code, self-check out, and receive real-time support from back-end customer service. This solution can save costs, improve efficiency, and provide consumers with a convenient and environmentally friendly new shopping experience.

The application scenario diagram of this solution is as follows:

The zero-carbon kiosk smart retail solution encompasses four major product clusters:

a. Clean energy: Using photovoltaic power generation and a complete energy storage system, it provides 24/7 power supply for core areas of the store's daily operations, such as the checkout system and access control system, ensuring that consumers can still shop normally in case of abnormal mains power supply.

b. Store integration: Using standard containerized cabinets, the overall design and decoration of the store are completed in a factory process and can be set up simply by transporting and placing them at the destination, offering convenient delivery.

c. Cloud agent store monitoring: Through self-checkout, remote monitoring, and personal credit authorization, the overall concept of unmanned retail is adopted to easily achieve store operation.

d. Managed operation: On the basis of providing a supply chain, the price tags and digital signage in the store are all managed uniformly through the cloud, enabling automatic price changes in the store, regular updates of promotional content, scenic area public welfare content, and brand advertisements on digital signage.

(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 as well as ecosystem products that need to be externally sourced 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, determining procurement prices, and controlling procurement costs. 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 adopts the MRP procurement model. The material control specialist of the Company's Manufacturing Center mainly analyzes the raw material usage based on the production plan and the material structure of the product, formulates priority levels, allocates materials based on inventory, 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 inventory 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, and the Quality Department 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 who fail the monthly assessment will undergo interviews and on-site guidance. For suppliers who show no quality improvement after three consecutive months of guidance, new project quotations and prototyping will be stopped, their cooperation share will be reduced, or they will be included in the backup and elimination supplier management program.

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). In MTS, the Company makes production plans based on historical sales data and sales strategies for standardized products, and maintains an appropriate amount of finished goods inventory to respond quickly to market demands. In contrast, in MTO, the Company organizes production based on customer orders, taking into account the customers' personalized demands for product types, model specifications, and performance. The finished products are directly delivered to customers without the need for finished goods inventory, thus avoiding inventory overstock and enhancing customer satisfaction.

The Company's application software and platform products support two delivery and service models: localization and cloud subscription after being developed and tested. In the localization model, the Company's application software and platform products are independently deployed, used, and managed by users in their local environment. The Company provides software installation packages, which users can download from CDs or the official website and install. The basic version can be activated for free, while the advanced version software and platform functions require payment of software license fees. For large-scale engineering projects, the Company can dispatch engineering personnel to the user's site to provide installation, commissioning, and training services. In the localization model, the Company does not participate in software operation and only provides necessary after-sales technical support based on the sales contract. In the cloud subscription model, users can access and use the Company's application software and platform via the Internet without local deployment and maintenance. Users can choose the subscription service that suits their actual needs. In the cloud subscription model, the Company is responsible for the continuous operation, maintenance, security protection, and version updates of the software, and provides customer support and technical services to ensure a stable and reliable user experience.

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 five consecutive years from 2020 to 2024. In 2024, it ranked 15th on the list and was awarded awards such as "Top 50 Innovation", "Top 10 Brands in Smart Security", "Top 10 Brands in Smart Transportation", "Top 10 Brands in Smart Education", "Top 10 Brands Intelligent Manufacturing", and "Top 10 Brands in Smart Buildings" in 2024 Global Industry Digital Innovation Ranking by asmag. It was selected by the organizing committee and relevant institutions of the DC World as the "2024 DC World - Top Enterprise of the DC World Awards" and the "World Digital City Construction Contribution Award", and awarded the "Honor Security Excellent Solution Award - ZKTeco Human Certificate Verification and Identity Authentication Solution", "Honor Security Excellent Solution Award - ZKTeco Integrated Charging and Parking Solution", and other awards. Meanwhile, the zFace series facial and fingerprint access control terminals and the ZKTeco X-ray security inspection equipment were awarded as the "Top 10 New Products" in China's security industry for 2024. It has been awarded the "2024 Outstanding Security Industry Solution - Smart Park Solution", "2024 Pioneer of Chinese Security Enterprises Going Global", "China Security 'Artificial Intelligence+' Initiative & 2024 AIIA 'AI+ Security' - Typical Case" and other awards by the CHINA SECURITY & PROTECTION INDUSTRY ASSOCIATION (CSPIA). It has been awarded the "Outstanding IoT Solution Award" and "Leading Brand in Access Control" by the organizing committee of the 2024 China IoT Industry Conference and the 21st Huicong Brand Festival. It won the third place in the "2024 Top 10 Access Control Brands Award" and the "2024 Top 10 Smart Security Brands Award" by China Intelligent Building and other entities. 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 9 consecutive years. In 2024, In 2024, the Company joined the China Construction Industry Association, the Fujian Society of Artificial Intelligence Science and Education (FSAISE), and the CHINA SECURITY & PROTECTION INDUSTRY ASSOCIATION (CSPIA). It was honored to be ranked 71st among the "Top 100 Digital Economy Manufacturing Enterprises in Guangdong Province in 2024" and 7th among the "Innovative and Typical Digital Economy Manufacturing Enterprises in Guangdong Province in 2024" by entities such as the GUANGDONG INFORMATION ASSOCIATION (GDIIA). The Company was awarded the "2024 4th China Security Innovation Enterprise" by the China Shenzhen Security & Protection Industry Association (SZSDPA). Its "Public Service Security Inspection Solution" received the "2024 7th Smart Security Excellent Solution Award" from the SZSDPA. Guangdong Zkteco was rated as an "SRDI SME" by the Department of Industry and Information Technology of Guangdong Province and 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)".

During the reporting period, the Company's "Smart Human Certificate Verification Terminal ID900" was recognized as a 2024 Guangdong Provincial Famous and Excellent High-tech Product by the GUANGDONG HIGH-TECH ENTERPRISE ASSOCIATION (GDHTEA). The Company's "Facial Recognition Terminal TDB09" product was selected as a 2024 Dongguan High-tech Product by the Dongguan High-Tech Industry Association (DGHTIA). The Company was awarded the "Top 30 Intelligent Transportation Enterprises in ITSMRS 2024" by the China Intelligent Transportation Systems Association and the China Top 30 Intelligent Transportation Organizing Committee. The Company received the "2024 Top 10 Standardized Enterprises" and "2024 Industry Advanced Brand Award" from entities such as the Smart Security Industry Association of Shenzhen (SSIA). The Company was awarded by the Dongguan Private Enterprises and Entrepreneurs Selection Working Committee as one of the "Top 100 Private Enterprises in Dongguan in 2024" and "Top 100 Private Industrial Enterprises in Dongguan in 2024". The Company's "ZKTeco Longhu" series of smart access gates was selected by the DC World Organizing Committee as the "2024 DC World - Cutting-Edge Technology Award". The Company's "ZKTeco Mars Wisdom Platform" received the "a&s TOP Digital Products & Solutions" award. The Company was awarded by the World AI and Internet of Things Innovation Alliance and other entities as one of the "Top 100 Chinese IoT Enterprises of 2024". Guangdong Zkteco's "Multi-spectral Smart Facial Recognition Terminal xFace100" product and "Cloud Attendance Access Control Smart Terminal ix601" product were selected by the Dongguan High-Tech Industry Association (DGHTIA) as "Dongguan High-Tech Products of 2024". XIAMEN ZKTECO's intellectual property compliance management system in relevant business areas complies with standard GB/T29490-2023 and obtained the intellectual property compliance management system certification. XIAMEN ZKTECO was recognized by the Xiamen Municipal Bureau of Industry and Information Technology as a key software and information technology service enterprise in Xiamen.

(IV) Key performance drivers

1. Biometric technology innovation and application expansion

The in-depth development of multimodal biometric technology: With the continuous improvement of information security requirements, multimodal biometric technology has become the mainstream trend in the market. ZKTeco has made continuous breakthroughs in the field of multimodal BioCV technology, such as the new generation of multimodal palm recognition technology that combines the advantages of visible light palm recognition and palm vein recognition. By deeply analyzing the shape, texture, and vein patterns of the palm, it achieves higher authentication accuracy and security. The Company continuously optimizes multimodal recognition algorithms and flexibly selects fusion methods and weight decisions based on different application scenarios and requirements, and its products cover multiple fields from employee attendance to smart access control and smart payment, providing users with more secure and accurate identity recognition solutions.

The accelerated popularization of non-contact biometric technology: Non-contact biometric technology has experienced a continuous expansion in its application scenarios, driven by its efficiency and hygienic advantages. As an emerging non-contact biometric method, palm vein recognition technology is gradually becoming a new favorite in the field of biometrics. ZKTeco actively participates in the formulation of relevant group standards for non-contact palm recognition technology, promoting its application in the financial and other fields, and advancing the patent and technology layout of non-contact fingerprint capture devices. At the same time, the Company's facial recognition technology is also continuously optimized with the development of AI technology, playing an important role in scenarios such as real-name verification and intelligent monitoring and early warning.

The deep application of biometric technology in mobile terminals: The application of biometric technology in mobile terminals is becoming increasingly widespread. ZKTeco integrates biometric methods such as fingerprints, faces, and palms into mobile devices in the form of BioCode QR codes, providing convenient identity authentication and high-security application functions. In addition, the Company continuously explores the integration of biometric technology in mobile terminals with other applications, such as combining with mobile payment and smart office scenarios, providing users with more convenient and secure mobile experiences.

2. Empowering business development with AI technology

Multimodal large models drive technological upgrades: Multimodal large models based on the Transformer architecture have rapidly developed and become an important means for AI to perceive and understand the real world. ZKTeco closely follows technological trends, continuously iterates its BioCV VLM multimodal large model, and applies it in the fields of biometrics and computer vision. This not only improves recognition accuracy and efficiency but also enables the analysis of more dimensions of information, such as dynamic behaviors and environmental features, providing users with more comprehensive identity verification and scene analysis services.

Widespread application of AI in various fields: The application value of AI in smart spaces, smart offices, digital identity authentication, and smart business is increasingly prominent. ZKTeco utilizes AI technology to achieve automatic monitoring and automated office work, enhancing security and work efficiency. In smart business scenarios, through in-depth mining and analysis of business data, it provides accurate basis for enterprise decision-making and develops natural language interaction-based Q&A robots to offer services such as intelligent frontend and intelligent customer service, improving customer experience and operational efficiency.

3. Policy support and market demand growth

Continuous support from national industrial policies: The release of policy documents such as 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" and the "Overall Layout Plan for the Construction of Digital China" has provided a favorable development environment for the industry in which ZKTeco operates. In the context of new infrastructure and Digital China construction, the Company actively responds to policy calls, increases R&D investment in core technologies such as multimodal BioCV, multi-dimensional perception smart terminals, and scene cloud service software, accelerates product incubation, and contributes to the construction of the digital industry ecosystem.

Continuous growth in market demand: With the development of digitalization and intelligence, the demand for biometric and AI technologies in various industries continues to increase. ZKTeco, leveraging its core technological advantages in "computer vision and biometrics" and a rich array of product solutions, can meet the needs of users in public services, enterprises, institutions, and individuals in areas such as identity recognition, security protection, and intelligent management, presenting a broad market prospect.

The global biometric technology has experienced significant advancements, driven by the development of AI, chips, algorithms, and various other components. Driven by the need to enhance security and authentication, the global application of biometric technology is expanding to various industries and application scenarios. In governments and law enforcement agencies, biometric technology is used for border control, national ID programs, and public safety, improving the overall security and efficiency of government operations. In the banking and financial sector, biometric authentication is used for customer verification and transaction security, reducing the risk of identity theft and fraud. In the healthcare industry, biometric technology is used for patient identification and access control, reducing medical errors and ensuring secure access to health records. Moreover, the integration of biometric technology with self-service systems is increasing, providing convenient and secure authentication for various services.

II. Analysis of Core Competitiveness

1. Technological and R&D advantages

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

After years of in-depth R&D, the Company has established a technology system centered on single biometric recognition and multimodal biometrics. In the field of single biometric recognition, the Company has successfully developed various recognition technologies such as fingerprint, palm vein, palmprint, face, finger vein, and iris. Among them, the fingerprint recognition algorithm for resident identity cards has been recognized by regulatory agencies and included in the "Qualified List of Quality Consistency Evaluation and Inspection of Resident ID Card Fingerprint Application Algorithms", ranking among the seven qualified manufacturers. In the field of multimodal biometrics, the Company has continuously innovated and launched multiple technology combinations such as "fingerprint + face", "face + palm vein", "palm + finger vein", "fingerprint + finger vein", "face + iris", and "fingerprint + palm + face", accumulating 21 related invention and utility model patents. In the future, the Company will continue to increase investment in multimodal technology R&D to provide users with more innovative products. In 2025, the Company ranked third in the international fingerprint recognition evaluation FCV standard library test, demonstrating the global competitiveness of its algorithms.

The Company not only masters the core algorithms of biometric recognition but also has the ability to deeply integrate technology with multiple industry applications, providing strong technical support for smart retail, finance, security, and other fields. As of June 30, 2025, the Company has accumulated 982 patents, including 177 invention patents; 768 computer software copyrights, and 85 work copyrights, demonstrating its strong R&D capabilities.

(2) Ultra short delay supercomputing technology empowering edge deployment

The Company's unique ultra short delay supercomputing technology provides a breakthrough solution for the deployment of biometric recognition in edge and terminal devices, featuring three major advantages:

Stability: The technology supports edge and terminal deployment, is not limited by network quality, and ensures the efficient and stable operation of applications;

Low cost: It can run on medium and low-frequency chips (such as 1GHz ARM9), reducing power consumption and hardware costs, avoiding reliance on high-end manufacturing processes, and enhancing the flexibility of independent R&D;

Security: It reduces the transmission and centralized storage of sensitive data, effectively avoiding leakage and attack risks, and ensuring privacy security.

This technology maximizes the performance of edge devices, providing revolutionary support for the wide application of biometric recognition.

(3) Deep research on multimodal BioCV AI technology

The Company has become an industry pioneer in moving from single biometric recognition technology to multimodal BioCV (biometrics and computer vision integration) AI technology. The application of technology has evolved from simple identity verification ("who are you") to multimodal intelligent services ("who are you, and what can I provide for you"), and has integrated empathetic experiences in scene interaction. Relying on its independently developed ZKTeco cloud IoT platform - Minerva IoT, the Company has launched the ZKDIGIMAX Level 3 digital marketing solution, providing five core services (Minerva IoT, machine vision analysis, big data analysis, AIGC, and advertising production and distribution) and smart terminal support for small and medium-sized retailers. Through IoT, big data, and cloud computing, the Company deeply explores the potential of smart retail, uses machine vision analysis technology to realize the interaction value between people and scenes, builds a multi-dimensional smart business analysis platform based on data lakes, and creates a borderless retail service ecosystem covering all scenarios and the entire chain.

(4) Large model technology + Edge AI + Smart space scenarios

Traditional entrance and exit management focuses only on the passage control of people and vehicles, limited to basic operations in physical space. ZKBio focuses on the physical space computing of people, vehicles, and objects at entrances and exits, emphasizing the control of entities; ZKBio's proposed concept of "general entrance and exit" places people, vehicles, and objects in digital space computing, achieving a certain degree of digital upgrade. Based on the Mars Wisdom AI platform and BioCV TinyML edge AI technology, the Company has broken through the boundaries between the physical and digital spaces through AI cognitive space computing technology. This enables the system to have a "smart brain", capable of deeply understanding the behavior patterns and relationship networks of people, vehicles, objects, and the environment within the space. Essentially, it transforms the "physical space" into a "companion that understands you", bringing more convenient, safe, and comfortable personal and work experiences. It will also redefine the relationship between humans and technology, from "humans adapting to machines" to "smart devices serving humans". For example, in large commercial complexes, it can not only accurately identify every customer and vehicle but also analyze their movement trajectories, dwell times, and other data to gain insights into consumption preferences and potential demands, providing precise decision-making basis for mall operations and achieving smart marketing and resource optimization allocation while highlighting green environmental protection. The Company will continue to focus on technological integration and innovation, empowering traditional industries, and providing in-depth customization for various industries. Facing the future of AIoT, it will inject more impetus into the intelligent transformation of industries.

(5) Large model technology + Smart office scenarios

The Company has launched the Ralvie AI time management agent tool. Ralvie agent, with its efficient work record and data analysis capabilities, has become an indispensable smart assistant for enterprises. From helping employees optimize their work methods to providing strategic support for managers, Ralvie demonstrates a powerful ability to comprehensively cover business scenarios. In the future, Ralvie will further develop to a higher level and become the core engine driving the digital transformation of enterprises, helping them maintain a leading position in the competition.

(6) Multimodal AI + Smart retail scenarios

In retail scenarios, the Company achieves refined store operation management, customer behavior analysis, and digital precise marketing through the application of Vision-Language Model (VLM) and Large Language Model (LLM). By integrating remote audio and video technology, it realizes a cloud-based remote guarding mode. The Company can provide edge-side smart devices, such as smart shopping guide robots and terminal AI computing devices, etc., supporting core applications like smart product recommendations and shelf monitoring. The Company will continuously improve its overall retail solutions, providing the industry with a richer array of application services, including content online service systems, product price management services, information release services, business data analysis services, cloud-based remote guarding services, and more.

(7) R&D team and external cooperation advantages

The biometric industry is technology-intensive, and R&D strength is of vital importance. As of June 30, 2025, the Company has 1,022 global R&D and engineering personnel, with R&D centers in Dongguan, Shenzhen, Xiamen, Dalian, Hangzhou, and India. The Company has been approved to establish the Guangdong Biometrics and Security Technology Engineering Technology Research Center, which can accelerate the transformation of the technology. Additionally, it has jointly established a key laboratory for multimodal computer vision and biometrics with the Dongguan Institute of Optoelectronics, Peking University, promoting the industrialization of research results and providing talent and technical support for the development of the industry.

(8) Participation in industry standard setting, occupying the high ground

As of the end of the reporting period, the Company has actively participated in the formulation of 40 national and local industry standards, grasping the direction of technological development, and laying out product R&D in advance to ensure a leading position in market competition.

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 space, smart office, digital identity authentication, and smart business.

In terms of smart terminals, the Company can provide various products in the field of smart space 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 digital identity authentication, 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. 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 space scenarios, smart office 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, 2025, the Company has established 27 branches, 14 subsidiaries, and 217 service outlets across China mainland, with a sales and service system covering the whole country. The Company has established a total of 48 controlling subsidiaries overseas, located in 33 countries and regions worldwide, with product sales covering over 100 countries and regions.

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 together with partners, 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. 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) Fully integrated production process system

With a highly integrated production process system and high-quality production facilities at the forefront of the industry, the Company has built a rich and diverse product portfolio. From injection molding and laser precision cutting to precise optical processing and sheet metal precision machining, to the application of SMT, through-hole component soldering operations, algorithm burning and programming implementation, PCBA board-level assembly, product final assembly integration, full-process testing and verification, and finished product packaging, the Company has established a complete and interlinked process chain at every key process node. This deeply vertically integrated process architecture has laid a solid foundation for a demand-driven pull production model, enabling efficient collaboration and precise alignment among various process links. The production capacity layout and production rhythm are in perfect harmony, endowing the Company with a prominent competitive edge in the industry.

(2) Customized and flexible production capacity

The Company can provide comprehensive product services in various niche markets such as smart spaces, smart offices, digital identity authentication, and smart business, and possesses the capability to rapidly respond to customized demands for 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) Lean production model

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 continuously promotes and enhances the automation and informatization of its production processes. During the production process, multiple procedures have introduced robotic arms and successfully deployed the first automated production line, improving production continuity and product quality. In the digital transformation, systems such as MES, QMS, and APS will be introduced. Through technologies like IoT and big data, production equipment will be networked and data shared, precisely controlling the production process, reducing waiting times and human errors in production steps, and enhancing production efficiency.

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 five consecutive years from 2020 to 2024. In 2024, it ranked 15th on the list and was awarded awards such as "Top 50 Innovation", "Top 10 Brands in Smart Security", "Top 10 Brands in Smart Transportation", "Top 10 Brands in Smart Education", "Top 10 Brands Intelligent Manufacturing", and "Top 10 Brands in Smart Buildings" in 2024 Global Industry Digital Innovation Ranking by asmag. It was selected by the organizing committee and relevant institutions of the DC World as the "2024 DC World - Top Enterprise of the DC World Awards" and the "World Digital City Construction Contribution Award", and awarded the "Honor Security Excellent Solution Award - ZKTeco Human Certificate Verification and Identity Authentication Solution", "Honor Security Excellent Solution Award - ZKTeco Integrated Charging and Parking Solution", and other awards. Meanwhile, the zFace series facial and fingerprint access control terminals and the ZKTeco X-ray security inspection equipment were awarded as the "Top 10 New Products" in China's security industry for 2024. It has been awarded the "2024 Outstanding Security Industry Solution - Smart Park Solution", "2024 Pioneer of Chinese Security Enterprises Going Global", "China Security 'Artificial Intelligence+' Initiative & 2024 AIIA 'AI+ Security' - Typical Case" and other awards by the CHINA SECURITY & PROTECTION INDUSTRY ASSOCIATION (CSPIA). It has been awarded the "Outstanding IoT Solution Award" and "Leading Brand in Access Control" by the organizing committee of the 2024 China IoT Industry Conference and the 21st Huicong Brand Festival. It won the third place in the "2024 Top 10 Access Control Brands Award" and the "2024 Top 10 Smart Security Brands Award" by China Intelligent Building and other entities. 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 9 consecutive years. In 2024, In 2024, the Company joined the China Construction Industry Association, the Fujian Society of Artificial Intelligence Science and Education (FSAISE), and the CHINA SECURITY & PROTECTION INDUSTRY ASSOCIATION (CSPIA). It was honored to be ranked 71st among the "Top 100 Digital Economy Manufacturing Enterprises in Guangdong Province in 2024" and 7th among the "Innovative and Typical Digital Economy Manufacturing Enterprises in Guangdong Province in 2024" by entities such as the GUANGDONG INFORMATION ASSOCIATION (GDIIA). The Company was awarded the "2024 4th China Security Innovation Enterprise" by the China Shenzhen Security & Protection Industry Association (SZSDPA). Its "Public Service Security Inspection Solution" received the "2024 7th Smart Security Excellent Solution Award" from the SZSDPA. Guangdong Zkteco was rated as an "SRDI SME" by the Department of Industry and Information Technology of Guangdong Province and 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)".

During the reporting period, the Company's "Smart Human Certificate Verification Terminal ID900" was recognized as a 2024 Guangdong Provincial Famous and Excellent High-tech Product by the GUANGDONG HIGH-TECH ENTERPRISE ASSOCIATION (GDHTEA). The Company's "Facial Recognition Terminal TDB09" product was selected as a 2024 Dongguan High-tech Product by the Dongguan High-Tech Industry Association (DGHTIA). The Company was awarded the "Top 30 Intelligent Transportation Enterprises in ITSMRS 2024" by the China Intelligent Transportation Systems Association and the China Top 30 Intelligent Transportation Organizing Committee. The Company received the "2024 Top 10 Standardized Enterprises" and "2024 Industry Advanced Brand Award" from entities such as the Smart Security Industry Association of Shenzhen (SSIA). The Company was awarded by the Dongguan Private Enterprises and Entrepreneurs Selection Working Committee as one of the "Top 100 Private Enterprises in Dongguan in 2024" and "Top 100 Private Industrial Enterprises in Dongguan in 2024". The Company's "ZKTeco Longhu" series of smart access gates was selected by the DC World Organizing Committee as the "2024 DC World - Cutting-Edge Technology Award". The Company's "ZKTeco Mars Wisdom Platform" received the "a&s TOP Digital Products & Solutions" award. The Company was awarded by the World AI and Internet of Things Innovation Alliance and other entities as one of the "Top 100 Chinese IoT Enterprises of 2024". Guangdong Zkteco's "Multi-spectral Smart Facial Recognition Terminal xFace100" product and "Cloud Attendance Access Control Smart Terminal ix601" product were selected by the Dongguan High-Tech Industry Association (DGHTIA) as "Dongguan High-Tech Products of 2024". XIAMEN ZKTECO's intellectual property compliance management system in relevant business areas complies with standard GB/T29490-2023 and has obtained the intellectual property compliance management system certification. Furthermore, XIAMEN ZKTECO was recognized by the Xiamen Bureau of Industry and Information Technology as a Key Software and Information Technology Service Enterprise of Xiamen City.

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 sound development. The core management team of the Company is stable. Currently, the core management team and key employees of the Company also directly or indirectly hold shares of the Company through the employee shareholding platform or equity incentive plan and employee stock ownership plan established before the listing.

7. Quality control advantages

The Company has always firmly regarded quality as the core driving force and has built a complete and efficient quality control system. During the R&D and design stage, it strictly follows the "Design and Development Management Control Procedure" to carry out work. Starting from the project initiation review, it actively introduces a cross-departmental collaboration mechanism to fully leverage the professional advantages of all parties. In the production and manufacturing process, the Company strictly implements the "Production Process Control Procedure", relying on advanced automated equipment and mature lean production models to conduct meticulous management and control of the production process. To ensure the quality of raw materials, the Company has established the "Supplier Management Control Procedure" to select high-quality and reputable suppliers within the industry. In terms of quality after-sales service, the Company adheres to the principle of "customer first" and has built a complete after-sales service system. Through an efficient feedback system, it promptly collects and deeply analyzes the problems and suggestions raised by customers during the use of products.

With a complete quality control system, strict control throughout the entire process, and a continuous and effective improvement mechanism, the Company has established a strong competitive advantage. Looking to the future, the Company will continue to adhere to the principle of quality first, continuously optimize the quality control system, and constantly improve the quality of products and services to create greater value for shareholders.

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 revenue	929,258,759.50	903,103,158.77	2.90%	No major change
Operating cost	454,165,899.16	456,172,112.83	-0.44%	No major change
Selling expenses	209,649,741.81	214,636,210.94	-2.32%	No major change
Administrative expenses	57,337,406.90	53,529,882.13	7.11%	No major change
Financial expenses	-26,916,455.19	-18,782,120.79	-43.31%	Mainly due to an increase in exchange gains for the current period (compared to exchange losses in the same period last year)
Income tax expenses	10,696,749.06	4,902,747.31	118.18%	Mainly due to the increase in current income tax recognized by some overseas subsidiaries in the current period
R&D investment	104,067,183.21	105,650,008.20	-1.50%	No major change
Net cash flows from operating activities	169,183,153.56	66,632,321.85	153.91%	Mainly due to the decrease in cash flow from the purchase of goods and acceptance of services in the current period
Net cash flows from investing activities	-454,974,965.27	-246,130,434.93	-84.85%	Mainly due to the increase in the acquisition of financial products and structured deposits in the current period compared with the same period of the previous year
Net cash flows from financing activities	-29,847,665.57	-173,208,004.79	82.77%	Mainly due to the proceeds from discounting notes receivable received in the current period
Net increase in cash and cash equivalents	-310,175,901.73	-350,550,464.30	11.52%	No major change
Cash received from disinvestment	934,811,362.57	522,835,114.48	78.80%	Mainly due to the increase in the redemption of fixed-term financial products in the current period
Cash received from investment income	4,289,144.22	3,280,492.40	30.75%	Mainly due to the increase in investment income from financial products and structured deposits in the current

				period
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	79,189,512.48	122,974,400.98	-35.60%	Mainly due to the payment of relevant engineering costs and the decrease in fixed asset investment in the current period
Cash paid for investments	1,315,253,169.16	649,403,947.08	102.53%	Mainly due to the increase in the acquisition of financial products and structured deposits 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 revenue	Operating cost	Gross profit margin	YoY change of operating revenue	YoY change of operating costs	YoY change of gross profit margin
By products or services						
1. Smart office products	170,351,364.94	49,955,004.77	70.68%	30.80%	25.99%	1.12%
Including: attendance products	103,630,704.14	40,758,977.58	60.67%	28.67%	25.58%	0.97%
Other products	66,720,660.80	9,196,027.19	86.22%	34.26%	27.82%	0.70%
2. Smart space products	686,171,421.87	354,954,954.62	48.27%	-1.76%	-2.83%	0.57%
Including: access control products	444,559,697.54	219,170,325.46	50.70%	-1.75%	-1.37%	-0.19%
Other products	241,611,724.33	135,784,629.16	43.80%	-1.77%	-5.09%	1.97%
3. Digital identity authentication products	40,163,072.57	26,311,868.13	34.49%	-12.50%	-17.22%	3.73%
Including: biometrics sensor products	14,998,773.35	6,430,805.35	57.12%	-6.86%	-7.39%	0.24%
Including: card products	20,547,049.48	18,866,347.68	8.18%	-22.33%	-20.76%	-1.82%
Other	4,617,249.74	1,014,715.10	78.02%	38.13%	-1.56%	8.86%

products						
4. Smart business products	28,941,286.89	22,123,485.60	23.56%	17.10%	18.79%	-1.09%
Including: commercial products	14,363,004.00	10,611,929.09	26.12%	-4.30%	4.63%	-6.30%
Including: digital signage products	11,492,824.77	8,929,999.41	22.30%	193.66%	142.18%	16.52%
Other products	3,085,458.12	2,581,557.10	16.33%	-46.73%	-46.14%	-0.91%
5. Other products	3,631,613.23	820,586.04	77.40%	-4.56%	0.00%	-1.03%
By region						
Domestic sales	225,526,933.68	155,150,552.06	31.21%	-18.88%	-17.45%	-1.18%
Overseas sales	703,731,825.82	299,015,347.10	57.51%	12.58%	11.48%	0.42%
By sales model						
Distribution	606,844,149.80	334,230,434.97	44.92%	-3.03%	-4.15%	0.64%
Direct sales	318,782,996.47	119,114,878.15	62.63%	16.57%	11.70%	1.62%
Others	3,631,613.23	820,586.04	77.40%	-4.56%	0.00%	-1.03%

R&D investment

1. R&D investment table

	Amount in the Current Period	Amount in the Same Period of Previous Year	Change
R&D investment amount (RMB)	104,067,183.21	105,650,008.20	-1.50%
Ratio of R&D investment to operating revenue	11.20%	11.70%	-0.50%
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	Research on Application Technologies Based on BioCV Mars Multimodal Computer Vision Model and Edge Language Model	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 goal of this project is to further enhance the intelligent understanding and reasoning capabilities of multimodal computer vision models, build more powerful vision-language joint representations, and improve the model's ability to understand complex scenes. Improve inference efficiency and optimize the model's deployment capability on edge devices.	Project in initiation phase	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 4.0. Advance research on Mars AI multimodal computer vision models and their application technologies. 2. Establish R&D for edge-end multimodal language model technology and a private corpus, providing voice interaction capabilities for terminal devices. 3. 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 expand into new business areas. 4. Empower the next-generation Mars Wisdom AI Cognitive Space Platform. 5. Develop more efficient model compression and acceleration strategies, optimize edge-side deployment solutions, and achieve cloud-edge-end collaborative computing.	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.
2	Research on Edge Computing-driven All-Object Detection Computer Vision Algorithms and	Break through the bottleneck of traditional detection technologies being limited to specific domains, and build a cross-domain, highly generalizable intelligent detection system. Traditional methods are typically customized for single scenarios, relying on manually	Project in initiation phase	1. Enhance SDK processing speed and reduce resource consumption, enabling it to run efficiently on edge devices (e.g., A380) and expand application scenarios.	1. Building technical barriers and a business moat: The cross-domain generality of all-object detection algorithms will transform the Company's "one-solution-per-case"

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
	Application Technologies	designed features and limited data for training, which makes them difficult to adapt to the diverse object forms, environmental conditions, and detection targets in the physical world. With the initiation of this project, we adopt a dynamic feature extraction network to learn cross-domain general representations through self-supervised pre-training. Combined with a spatial-semantic dual attention mechanism, this enables the system to automatically focus on key regions and analyze complex spatial relationships, achieving comprehensive detection of various objects in the physical world (e.g., objects, organisms, environments). It is capable of precisely locating various objects in complex scenes, providing standardized solutions for multi-object detection in complex environments, and promoting the evolution of detection technology from "single-function" to "general intelligence". It can be applied in scenarios such as industrial quality inspection, environmental monitoring, and security surveillance.		2. Rapid algorithm expansion based on small samples: By building a small sample incremental learning framework, we break through the limitations of traditional algorithms that rely on massive annotated data. Users only need to provide 10-20 target images to generate a highly discriminative feature space. Combined with a data augmentation engine, it automatically synthesizes extended samples for complex scenarios such as lighting variations, occlusions, and multiple viewpoints. Utilizing transfer learning technology, it can quickly complete model adaptation for new target categories, significantly reducing algorithm iteration costs and deployment cycles. Customers can add new detection categories themselves via a web interface, fostering a user co-creation ecosystem.	service model. Through a self-developed unified detection framework, it can cover 20+ industry scenarios such as industrial, security, and agriculture, reducing algorithm development costs by 50%. Core patents can form a technical moat, making it difficult for competitors to achieve the same level of cross-scenario generalization capability within 3-5 years. 2. Enriching the algorithm product matrix: The all-object detection algorithm continuously enriches its algorithm product matrix through dynamic architecture upgrades and multi-modal compatible design, deriving other vertical product lines based on a unified underlying detection engine. Through lightweight models and scene-adaptive interfaces, customers can freely combine detection modules. For instance, smart park solutions can concurrently run algorithms such as facial recognition, vehicle trajectory tracking, and environmental anomaly early warning. The innovatively R&D-driven interactive annotation toolchain, combined with small sample transfer learning technology, can significantly shorten the development cycle for new scene algorithms. This technology system is applicable to strategic emerging industries such as smart manufacturing and smart cities.

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
3	Vehicle-Road-Cloud Integration System Platform	Vehicle-Road-Cloud Integration, as a core architecture for intelligent transportation, achieves the comprehensive digitalization and intelligentization of transportation systems by integrating vehicles, road infrastructure, and cloud computing resources. ZKTECO, leveraging its core products such as edge computing, NVRs, video AI analysis, and the Mars Wisdom Platform, provides efficient data collection, real-time analysis, and intelligent decision support for vehicle-road-cloud scenarios.	Ongoing projects	1. By leveraging next-generation information and communication technologies, it integrates the physical space and cyberspace of people, vehicles, roads, and clouds into a unified entity. 2. A cyber-physical system is realized, which, based on system-level collaborative perception, decision-making, and control, enables safe, energy-efficient, comfortable, and highly efficient operation of intelligent connected vehicle transportation systems.	1. Promoting Cloud Platform Technology Innovation: Vehicle-Road-Cloud Integration places higher demands on cloud platform performance, reliability, and security, driving cloud service providers to continuously innovate and upgrade their technologies, thereby enhancing cloud platform service capabilities and competitiveness. 2. Vehicle-Road-Cloud Integration will generate a large volume of data, which can meet enterprises' data management needs, thereby expanding their business scope and increasing revenue from data services.
4	ZKTeco Cloud Brain-Computer Interface Foundational Technology Development	ZKTeco Cloud Brain-Computer Interface (BCI) specializes in Brain-Computer Interface (BCI) technology and related research, committed to exploring interaction technologies between the brain and external devices. Main researches include neural signal acquisition and processing, brain-computer interface technology R&D, neurofeedback and rehabilitation therapy, as well as brain function and cognitive science research. It enables early prevention of Alzheimer's disease through retinal imaging, AI analysis, multimodal data fusion, and behavioral and linguistic feature analysis. It will also integrate with ZKTeco NGTeco's "elderly care" product series, leveraging precise biometric technology to provide higher quality life support and health	Ongoing projects	1. Development of Foundational Smart Brain-Computer Interface Technology (BioCV Brain++ Technology): Integrated application of retinal and iris recognition technologies, which enables early prevention of Alzheimer's disease through retinal imaging, AI analysis, multimodal data fusion, and behavioral and linguistic feature analysis. It will also integrate with ZKTeco NGTeco's "elderly care" product series, leveraging precise biometric technology to provide higher quality life support and health monitoring for the elderly, while simultaneously protecting their data privacy. 2. ZKTeco Glasses eye tracker accessory, suitable for multiple scenarios, records eye	1. Through intelligent upgrades and empowerment, enhancing the real-time processing and decision-making capabilities of ZKTeco's entrance and exit management products. 2. Actively exploring innovative research and industrial transformation empowered by Vehicle-to-Everything (V2X) collaboration, cloud-edge integration, and brain-computer interface (BCI) human-machine "wet computing", by leveraging the technological advantages of BioCV and TinyML. 3. Enriching the technology ecosystem and application scenarios, leading the integration of intelligent technology and biocomputing, and opening a new chapter.

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
		monitoring for the elderly, while simultaneously protecting their data privacy.		movement data, and provides behavioral research and analysis tools. 3. Algorithm development: optimize video structuring algorithms for various platforms, port the latest open-source models, and continuously enhance algorithm performance on low-compute platforms.	
5	General Device Management Platform Based on Device Model and Smart Edge Integration	This project is dedicated to building a cutting-edge general device management platform based on device model and smart edge integration. It innovatively designs an ultra-lightweight Tiny protocol, deeply applying the concept of device models to comprehensively revolutionize device access, management, and data interaction processes, achieving end-to-end standardization and ultimate efficiency. The core of this project is to establish a highly flexible and high-performance protocol architecture, with the device model as its cornerstone. This architecture seamlessly adapts to complex and diverse online and offline business scenarios, significantly reducing the cumbersome workload of device access and comprehensively improving device management efficiency. This lays a solid foundation for the Company's long-term strategic layout in the IoT field, helping it to be the first to seize new heights in industry development.	Ongoing projects	1. Unified Device Access Standard - Relying on the advanced Tiny protocol, designed with device models, it can precisely extract common device features and establish a set of highly universal and compatible standardized access specifications, strongly supporting the rapid and stable access of various complex devices to the platform. - Leveraging the powerful flexibility of device models, it easily adapts to diverse device types, including but not limited to high-precision sensors, smart controllers, and multi-functional smart terminals, effectively resolving complex challenges arising from device differences and achieving convenient and efficient device access. 2. Support seamless switching between online and offline scenarios - From its initial design, the Tiny protocol deeply considers the differentiated needs of devices in various scenarios. Whether	1. Technological leadership - The successful implementation of this project will position the Company firmly at the technological forefront in the IoT domain, especially in device access and management, establishing a unique competitive advantage and becoming a leader in industry technological innovation. - The groundbreaking design of the Tiny protocol will become a core technological asset for the company, providing a powerful technical engine for the R&D of a series of subsequent products and services, continuously driving the Company's technological innovation and upgrading. 2. Business growth potential - By significantly lowering the barrier to device access and substantially improving management efficiency, it will attract more partners and customers to integrate into the platform ecosystem, rapidly

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
				deployed in demanding offline industrial environments or in large-scale elastic cloud deployments, it ensures consistent and smooth interaction logic, guaranteeing the stability and reliability of device operation. - Devices can intelligently adapt to online and offline scenarios without needing to switch modes, completely avoiding compatibility risks caused by frequent switching in traditional solutions, and significantly enhancing user experience and system operational efficiency. 3. Lower device access costs - By ingeniously simplifying protocol design and deeply optimizing the access process, it significantly lowers the technical barrier and learning cost for device developers, making device access more convenient and efficient. - General SDKs and toolchains are provided, supporting rapid generation of device drivers, shortening development cycles, and reducing access workload. 4. Enhance device management efficiency - The platform, based on the device model, achieves dynamic management of device status and real-time data synchronization, providing visualized monitoring and O&M capabilities. - Support full device lifecycle management, including functions such as registration,	expand market share, and achieve explosive growth in business scale. - The platform's powerful versatility and flexibility enable the Company to rapidly respond to changes in market demand, customize and develop various innovative solutions, meet the personalized needs of different customers, and further enhance market competitiveness. 3. Ecosystem construction - The next-generation general device management platform based on object models will attract a large number of third-party developers to actively participate, jointly building a prosperous and open IoT ecosystem, and promoting technological innovation and application expansion. - The vigorous development of the ecosystem will further consolidate the Company's core position in the industry, promote deep collaboration between upstream and downstream of the industry chain, and achieve a win-win situation for mutual benefit. 4. Operating cost optimization - Unified protocol standards and efficient management tools will significantly reduce device access and maintenance costs, substantially improve overall operational efficiency, and achieve

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
				configuration, upgrades, and fault diagnosis, thereby enhancing overall management efficiency. 5. Enhance system scalability and compatibility - The Tiny protocol boasts excellent scalability, capable of proactively addressing future new device types and complex functional requirements, ensuring the platform always maintains leading technological adaptability. - Compatible with mainstream IoT communication protocols (e.g., MQTT), ensuring interoperability with other systems.	optimized allocation and efficient utilization of resources. - Effectively reduce resource waste caused by diverse equipment types and complex scenarios, achieve refined operational management, and enhance the Company's profitability and sustainable development capabilities. 5. Strategic layout support - The successful implementation of the project will provide strong support for the Company's development in strategic areas such as smart cities, industrial internet, and intelligent transportation, helping the Company seize opportunities in emerging markets. - By accumulating massive device data and rich operational experience, a solid foundation will be laid for future intelligent decision-making and innovative applications, promoting the Company's transformation towards digitalization and intelligence.
6	Development of intelligent devices based on video intercom technology and large model AI technology	Based on video intercom technology and large model AI technology, develop intelligent devices integrating attendance access control and video intercom, expanding new modes of multi-modal AI access control management.	Ongoing projects	Implement the Company's strategic goals, integrate the Company's technological accumulation in areas such as video intercom capabilities, large model intelligent agents, professional attendance access control management, and edge-side intelligent analysis, to create a forward-looking multi-modal AI entrance and exit access control solution, and release	With smart devices based on video intercom technology and large model AI technology, innovatively offering a combination of services such as professional time attendance and access control, professional video intercom, and AI agents, to meet the business needs of the market and customers. The launch of the new product series positions the

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
				intelligent devices based on video intercom technology and large model AI technology.	Company at the forefront of industry development, enriches its product matrix, and provides competitive and cost-effective smart devices, contributing to the Company's performance growth.
7	Enterprise-grade Time Attendance Cloud SaaS Platform Powered by LLM Applications	ZKBioTime Cloud is a time attendance management platform powered by LLM applications, focusing on the Workforce Management (WFM) domain. Built on a SaaS platform, it aims to provide enterprises with flexible and intelligent scheduling, optimize workforce allocation, monitor employee workload in real time, reasonably adjust and balance the work of overloaded/underloaded employees, and integrate TinyML agent interaction features to achieve real-time, localized intelligent interaction. Facilitate more convenient and seamless communication between employees and systems, enabling managers to promptly collect employee feedback and perform flexible workforce scheduling and task adjustments. Enterprises can more accurately plan their workforce, reduce operating costs, enhance employee satisfaction and work efficiency, thereby providing robust human resource support and decision-making insights for enterprises in fierce market competition.	Ongoing projects	1. Leverage intelligent agent technology and the SaaS model to profoundly transform traditional workforce management approaches, empowering them with intelligent analytical capabilities. By optimizing processes with intelligent agents, achieve efficient human resource management operations and enable precise digital control over workforce costs and performance, fully meeting the diverse and dynamic application scenario requirements of enterprises. 2. Focusing on data-driven and intelligent empowerment, leverage technological innovation and an integrated design philosophy to build a standardized, powerful workforce management platform, continuously leading the innovative development trend of industry applications. 3. Continuously strengthen the platform's underlying capabilities, deeply integrate them into various industry sectors, and provide high-quality, customized services to partners, consistently refining outstanding industry solutions to meet the evolving demands of the market.	1. The widespread application of the platform will help the Company provide more comprehensive and intelligent workforce management solutions in medium and large enterprise service projects, precisely meeting customers' diverse human resource management needs, thereby significantly enhancing the Company's market competitiveness in the enterprise service sector. 2. By successfully addressing the workforce management challenges of cross-regional, multi-organizational enterprises, the Company will be able to integrate internal and external resources more efficiently, significantly improving operational efficiency and management levels, and creating more economic benefits and brand value for the Company.

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
				4. Built upon an advanced cloud architecture foundation, it effectively resolves the conflict between autonomous management of branch offices and unified supervision by headquarters in cross-regional, multi-organizational enterprises, providing robust support for enterprises' digital transformation and scaled development. 5. By deeply mining and accumulating value from enterprise workforce scenario data, it provides high-value-added services to existing users and future project clients, maximizing the conversion of business value and opening up more business opportunities for enterprises.	
8	Spatial Digital Integration Platform	The Spatial Digital Integration Platform is built around ZKTECO's independently developed BioCV multimodal model, deeply integrating cutting-edge technologies such as AI, large model algorithms, large-capacity facial recognition, intelligent broadcasting systems, intrusion alarms, intelligent agent interaction, image retrieval, and knowledge base Q&A, to comprehensively create an intelligent and efficient entrance and exit management and security protection system. A major highlight of this phase is that the platform deeply integrates AI and large model technologies, achieving millisecond-level response for large-capacity facial recognition, ensuring efficient and precise personnel identity verification. This capability not only	Ongoing projects	1. Build a new benchmark for intelligent security protection: - Leverage AI and large model technologies to achieve intelligent perception, real-time monitoring, and in-depth analysis of entry and exit scenarios, thereby building a comprehensive and intelligent security protection system. - By utilizing large-capacity facial recognition capabilities, provide efficient and accurate identity verification services, ensuring the security and convenience of personnel access. 2. Develop an efficient emergency response and intelligent broadcasting system:	1. Enhancing market competitiveness: The application of the Spatial Digital Integration Platform will enable the Company to provide more comprehensive and intelligent solutions in medium to large-scale security projects, precisely meeting diverse customer needs and significantly enhancing the Company's market competitiveness in the security sector. 2. Improving operational efficiency: By effectively addressing management challenges in cross-regional multi-organizational projects, the Company will be able to more efficiently integrate internal and external resources, improving operational efficiency and management

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
		enhances security levels but also achieves a qualitative leap in user experience. Through seamless integration with the broadcasting system, the platform can instantly issue notifications or commands, enhancing the flexibility of emergency response and daily management. The platform's built-in intelligent agents utilize advanced AI algorithms to intelligently analyze business big data such as attendance reports, supporting the output of precise business data based on dynamic user needs, truly achieving intelligent interaction and zero-code development capabilities. Furthermore, by integrating image retrieval functionality, users can quickly locate and review key events, providing robust support for decision-making. Moreover, the platform's integrated knowledge base Q&A system can instantly answer user queries regarding system operations, feature applications, and more, further enhancing user satisfaction and self-service capabilities.		- Integrate an intelligent broadcasting system to enable instant notifications and command dissemination, enhancing the flexibility and efficiency of emergency response. - In emergencies, it can quickly convey critical information, ensuring personnel evacuation and order maintenance. 3. Drive the intelligent upgrade of image retrieval and data analysis: - Provide image retrieval functionality, enabling users to quickly locate and review key event videos, thereby offering robust support for decision-making. - By leveraging big data analysis and AI algorithms, deeply mine the value of entrance and exit data, providing users with valuable insights and recommendations. 4. Build a knowledge base Q&A system to enhance user experience: - Offer a built-in knowledge base Q&A system which can instantly answer user queries regarding system operations, feature applications, and more. - Reduce user learning costs, enhance user satisfaction and loyalty, and create an excellent entrance and exit management service experience.	levels, and creating more value for the Company. 3. Expanding business scope: Newly added features such as AI intelligent agents, million-face comparison, and local large model retrieval will enable the Company to expand into more business areas, such as smart city and smart security, achieving diversified business development. 4. Promoting localization process: Fully supporting system and hardware localization not only complies with national information security strategic requirements but will also win the trust and cooperation of more government and state-owned enterprise customers for the company, driving the Company's continuous and healthy business development.

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
				5. Achieve comprehensive intelligence and efficiency in entrance and exit management: - Deeply integrate multiple business subsystems such as HR, access control, attendance, consumption, visitor management, parking, elevator control, and patrol, to achieve one-stop management. - Achieve seamless integration with various devices through IoT technology, enhancing the intelligence and automation level of entrance and exit management. - Significantly improve the operational efficiency and convenience of entrance and exit, bringing users an unprecedented intelligent, efficient, and convenient new entrance and exit management experience. 6. Lead innovation and development in the entrance and exit management industry: - As an industry-leading intelligent entrance and exit management platform, continuously drive technological innovation and application upgrades. Provide high-quality services and excellent solutions to ecosystem partners, jointly promoting the innovation and development of the entrance and exit management industry.	

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
9	Mars Wisdom AI Cognitive Space Platform	Mars Wisdom AI Cognitive Space Platform, as a leading intelligent agent visual analysis platform, derives its core competitiveness from an innovative dual-model technical architecture: The front-end is equipped with BioCV TinyML lightweight small model technology, which, with extremely low computing power requirements and efficient real-time processing capabilities, can quickly complete basic visual analysis at the edge; while the back-end relies on a powerful large model analysis engine, and through deep learning and multimodal fusion technology, achieves accurate cognition and decision-making in complex scenarios. This collaborative "small front-end + large back-end" architecture not only ensures millisecond-level response speed and low-power operation of terminal devices but also empowers the platform with exceptional capabilities for processing high-dimensional visual data, and can flexibly adapt to diverse scenario requirements such as smart office, smart retail, and smart campus, setting a dual benchmark for efficiency and accuracy in the industry's intelligent transformation.	Ongoing projects	Mars Wisdom AI Cognitive Space Platform deeply integrates a multi-dimensional cutting-edge AI technology matrix, building a comprehensive technical system that covers voice interaction, multimodal image and text analysis, intelligent visual analysis, autonomous decision-making intelligent agents, high-precision vector retrieval, full lifecycle model governance, and dynamic workflow orchestration. This innovative architecture equips the platform with core capabilities such as cross-modal perception, complex task decoupling, and adaptive decision-making, efficiently addressing full-scenario demands from structured data processing to unstructured scene understanding, providing users with end-to-end, customizable intelligent solutions, and redefining the performance boundaries of intelligent services.	1. Intelligent transformation of traditional systems: Through the technological empowerment of Mars Wisdom AI Cognitive Space Platform, we drive traditional business systems to achieve architectural upgrades and functional evolution, deeply integrating an AI capability matrix, building intelligent agent applications with multi-modal perception, autonomous decision-making, and continuous learning capabilities, and significantly enhancing the automation and intelligence level of business scenarios. 2. Edge computing product matrix innovation: Based on the hardware encapsulation of the AI technology stack from Mars Wisdom AI Cognitive Space Platform, we are launching a series of edge intelligent devices for vertical scenarios: smart NVR RS1: focusing on video structured analysis, achieving real-time event detection and early warning; large model smart brain RS2: integrating hundreds of billions of parameters for semantic understanding capabilities, supporting complex scenario decision-making; training-inference super brain RS3: creating a lightweight model training-inference integrated terminal, lowering the threshold for AI application. Forming a full-link hardware ecosystem covering data collection, processing, and decision-making.

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
					3. Implementation of dual mode collaborative technology architecture: pioneering a "front-end lightweight small model + back-end cognitive large model" double engine driven system, relying on BioCV TinyML to achieve millisecond-level response and privacy computing at the edge, utilizing the back-end large model to complete complex task parsing and knowledge accumulation, achieving the optimal solution for computing power-efficiency through a dynamic model scheduling mechanism, and accelerating the large-scale deployment of AI technology in fragmented scenarios.
10	BioCV X60 Edge Analysis Controller	This project aims to address the usage scenarios of access control and video integration, developing and launching an innovative edge analysis controller—BioCV X60. This controller integrates advanced BioCV TinyML lightweight small model technology, aiming to provide, through its extremely low computing power requirements and efficient real-time processing capabilities, an efficient, convenient, and powerful access control and video integration solution for SMEs. Through the implementation of this project, we expect to enhance the Company's competitiveness in the access control and video fusion controller market, and meet the urgent market demand for intelligent and efficient access control management systems.	Ongoing projects	Product technology innovation: Successfully develop and launch the BioCV X60 Edge Analysis Controller, which supports 1 door by default and can flexibly expand the number of doors via TCP/IP and RS485 protocols to meet the needs of enterprises of different scales. Efficient real-time processing: By leveraging BioCV TinyML lightweight small model technology, we ensure that the BioCV X60 Edge Analysis Controller can quickly complete basic visual analysis at the edge, achieving efficient linkage between access control and video analysis. Rich functionality: Ensure that the BioCV X60 Edge Analysis Controller possesses two core functions: access control and visual analysis, and achieves ultra-high	Market share growth: By launching the BioCV X60 Edge Analysis Controller, the Company will be able to more effectively capture the access control and video fusion controller market, especially the SME market, thereby expanding market share and enhancing brand influence. Driving technological innovation: The application of BioCV TinyML lightweight small model technology will provide the Company with a competitive edge in technological innovation, solidifying its technological leadership in the smart access control domain. Enhanced customer satisfaction: The BioCV X60 Edge Analysis Controller's efficient real-time processing, rich functionality, and ease of installation will

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
				real-time linkage at the firmware level. Access control events can be linked with video for clip capture, pre-recording, and video feature extraction, while also supporting intelligent video analysis functions such as line crossing detection, region detection, target structuring (gender, age group, clothing color, eyes, hat), and people counting, to assist access control in making more accurate entry and exit judgments. Convenience and compatibility: Replace the previous generation Atlas offline mode controller products, meeting the quick installation needs of SMEs. Additionally, ensure that the BioCV X60 Edge Analysis Controller offers higher cost-effectiveness and competitiveness compared to major competitors. Enhanced key competitiveness: By integrating PoE power supply and video storage functions, enhance the capabilities of inBio, providing customers with more convenient and efficient access control and video fusion solutions. Compliance with international standards: Provide miniaturized controllers that comply with European installation standards, meeting DIN35 specifications, and featuring an enclosed design to enhance product market acceptance and competitiveness.	significantly boost customer satisfaction and foster greater customer loyalty to the Company. Business expansion opportunities: With the successful launch of the BioCV X60 Edge Analysis Controller, the Company will have the opportunity to further expand its business into related fields, such as smart security, smart cities, etc., laying a solid foundation for the company's long-term development. Enhanced competitive advantage: By enhancing key competitive capabilities, such as PoE power supply and video storage functions, as well as product design that complies with international standards, the Company will be able to stand out in fierce market competition, thereby strengthening its competitive advantage.

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
11	Full-domain Smart Retail Scenario Solution Platform based on the Deep Integration of AIoT (Formerly: ZKDIGIMAX L3 V4.0)	As a comprehensive digital marketing solution specifically designed for small and medium-sized retail enterprises and brand owners, the main R&D direction is to innovate in the interactive value between people and scenarios and the value of scenario empowerment, through technologies such as IoT, machine vision, big data analysis, and AIoT integration. The solution performs multi-dimensional data AI business analysis based on front-end intelligent sensing devices and back-end data warehouses, providing retailers and brand owners with one-stop services such as precision marketing, intelligent store analysis, and operational optimization, aiming to enhance customer experience, optimize operational efficiency, and boost the business growth of retailers and brand owners.	Ongoing projects	Leveraging the Company's MinervaIoT platform as a foundational capability, and focusing on smart retail scenarios, the solution combines large models with edge-side AI application technology to lower the barrier to using AI technology, enabling more retail enterprises to quickly deploy and apply AI technology, and providing users with one-stop AI solutions based on different market segments and customer groups.	1. Diversified business expansion: The Company will take smart retail scenarios as its core, extending its services to more related market segments and customer groups. It can not only provide services to small and medium-sized retail enterprises and brand owners, but also, leveraging accumulated technology and experience, it can expand into other related industries such as large chain retail enterprises and fast-moving consumer goods (FMCG) companies, achieving diversified business development. 2. Enhanced market competitiveness: Compared with competitors, the Company, relying on advanced technology, one-stop services, and a precise understanding of customer needs, coupled with the integration of AI technology applications, will occupy a leading position in the smart retail sector, consolidating and increasing market share, and further enhancing the Company's reputation and influence within the industry. 3. Enhanced technical strength: Through the R&D of this comprehensive digital marketing solution, the Company will deeply explore and practice in cutting-edge technology fields such as IoT, machine vision, big data analysis, AIoT integration, and large model + edge-side AI applications, continuously accumulating technical experience and

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
					talent reserves, significantly enhancing the Company's overall technical strength, and laying a solid foundation for the Company's technological innovation and business expansion in other areas.
12	Mobile Service Robots	Apply computer vision and Tiny Model to products, provide high-quality services to customers using intelligent technologies, and collect multi-dimensional data through more sensors to provide a basis for operational decisions, saving user resources and improving operational efficiency of users.	Ongoing projects	Provide mobile service robots for offices, shopping malls, and supermarkets, with functions including product and advertising promotion, and intelligent interaction.	Providing high-tech products for commercial scenarios, offering experiential value to customers, enhancing spatial management cognitive capabilities, providing users with highly competitive products and high-quality services, thereby boosting the core competitiveness of the Company's smart commercial solutions, and offering strong support for expanding market share and optimizing user operating costs.
13	Cloud Parking Smart Connected Space Management Platform	This project aims to research and develop cloud-based parking solutions, creating greater business value for customers in overseas markets.	Ongoing projects	1. Perform automated management to reduce labor requirements, combining cloud computing, IoT, and big data technologies. 2. Provide convenient booking and payment services. 3. Global adaptability: Support multiple languages, currencies, and payment methods to meet the needs of different countries and regions.	Cloud parking contributes to the Company's enhanced core competitiveness, expanded market share, optimized operational efficiency, improved user experience, driven business model innovation, fostered cooperation and ecosystem building, addressed market challenges, and achieved sustainable development.
14	Cloud-Edge-End AIoT Platform V2.0	This project, centered on the Company's "End-Edge-Cloud" strategy, continuously develops the Cloud IoT Platform. It provides efficient, intelligent, and secure Cloud IoT foundational capabilities and services to the Company and enterprise-level customers, thereby facilitating	Ongoing projects	Device connection and communication: Support multi-protocol (MQTT, HTTP, WebSocket, etc.) access, achieving efficient and stable connectivity for massive devices.	This project will be a key pillar of the Company's IoT strategy, driving the upgrade of an end-edge-cloud integrated IoT platform, and by combining AI, multimodal, and data analysis capabilities, it will enhance market competitiveness

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
		the construction of a cloud-edge-end integrated ecosystem.		Payment and subscription system: Support subscription-based business models for IoT devices, providing flexible billing and settlement capabilities. Multi-company multi-tenant architecture: Support multiple enterprises sharing the platform, ensuring tenant data isolation and enhancing the adaptability of enterprise-grade IoT solutions. Identity authentication and permission management: Based on security protocols such as OAuth and JWT, build a comprehensive user identity authentication and permission control system. Organizational structure management: Support hierarchical management of enterprise users, optimizing permission allocation for IoT devices and organizational collaboration. Message notification and push: Provide multiple methods such as Web, App, SMS, and Email, achieving efficient event notification and alert mechanisms. Video and multi-modal processing capabilities: Support real-time audio and video stream processing, storage, and analysis, enhancing IoT business capabilities such as video surveillance and remote control. Integrate AI for multimodal data analysis (image, voice, text) to enhance the	and business value. In the future, the Company will leverage this platform to expand into more AIoT application scenarios, forming core advantages of technological barriers, business model innovation, and deep industry integration, thereby contributing to the development of the global IoT ecosystem.

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
				intelligent processing capability of IoT data.	
15	LLM and AI Agents-based Automated Time Management and Business Optimization System V1.0	Ralvie AI leverages Large Language Models (LLM) and AI Agents to provide enterprises and individuals with automated time management, intelligent data analysis, and business optimization. Its core functions include: • Smart Time Recording: Automatically track and categorize user work activities without manual input. • Personalized Work Reports: AI generates detailed time management reports, helping users optimize their work methods and improve efficiency. • Data-Driven Optimization: Utilize cloud computing and machine learning for in-depth analysis, providing precise recommendations for productivity improvement. • Privacy Protection: Data is for the user's sole use, and does not record keyboard input or screen content, avoiding monitoring risks. • Smart Project Management: Realize real-time progress monitoring, optimizing resource allocation, reducing operational costs, and enhancing decision-making efficiency. • Personalized Growth Support: Provide dashboard data, intelligent planning suggestions, and career growth analysis to help	Ongoing projects	- Intelligent driven: Based on Large Language Models (LLM), it possesses capabilities in natural language understanding, pattern recognition, and task automation, facilitating intelligent decision-making and efficient execution. - Smart Knowledge Base: Build exclusive knowledge bases for enterprises and individuals, automatically organize, store, and extract key information, enhancing the intelligence level of work. - Efficient AI Agents: Deploy various types of AI agents that precisely adapt to different scenario requirements, facilitating task execution and efficiency improvement. - Automated Work Logging: Intelligently track user work activities, automatically classify and organize them, eliminating the need for manual input, and ensuring data integrity and usability. - Data-Driven Optimization: Combining cloud computing and machine learning, deeply analyze user data, and provide intelligent optimization suggestions, facilitating productivity enhancement. - Personalized Learning: Realize adaptive learning based on user habits, continuously optimize time management strategies, and provide more precise work suggestions,	As the complexity of modern enterprise operations increases, employees and management require more efficient time management and intelligent data analysis tools. Traditional time tracking methods fail to provide sufficient business insights, while cumbersome manual work logs and reporting processes waste a significant amount of valuable time. Ralvie AI, as an intelligent agent system for time management and analysis tools, is dedicated to helping enterprises and individuals optimize work efficiency, enhance productivity, and support business decisions. Addressing the shortcomings of traditional time management, which only records clock-in/out times and work durations, it provides more granular work insights, helping managers and employees adjust strategies in real-time, promoting internal data sharing within enterprises, and optimizing overall workflows. Utilizing AI for business trend analysis provides enterprises with more precise strategic planning. Ralvie AI aims to enhance the time management capabilities of enterprises and individuals through AI technology, while simultaneously offering intelligent data analysis to optimize decision-making processes. It is not only an efficient time management tool but

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
		employees continuously optimize their work methods. Ralvie AI makes time management more efficient, empowering enterprises and individuals to unleash maximum productivity.		enhancing individual and enterprise efficiency.	also an intelligent decision support system, helping users break free from inefficient manual operations, focus on truly important work tasks, and create greater value for the Company in the field of AI intelligent agents.
16	R&D of Non-contact Palm Recognition Technology Based on Multimodal Palm Acquisition and Recognition	This project develops a multimodal non-contact palm acquisition and recognition system, which can achieve multi-angle, close range, high-precision hybrid palmprint and palm vein 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 recognition in various entrance and exit scenarios such as smart attendance and smart access control.	Ongoing projects	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 Company's strategic plan, and launching a strategic deployment of intelligent recognition terminals that meet market demand based on new platforms and technologies.

IV. Non-main Business

☑Applicable □ Not applicable

Unit: RMB

	Amount	Proportion to Total Profit	Description of Reason	Sustainable or Not
Investment income	2,885,464.65	2.36%	Mainly due to the profit and loss generated during the holding period of the financial products purchased in the current period	No
Profits and losses from fair value changes	7,977,831.68	6.53%	Mainly due to the profit and loss generated during the holding period of the financial products purchased in the current period	No
Asset impairment	-9,329,887.04	-7.64%	Mainly due to the provision for inventory impairment in the current period	No
Non-operating expenditure	1,737,567.87	1.42%	Mainly due to expenses such as the disposal of obsolete materials and charitable donations in the current period	No
Other income	6,937,337.84	5.68%	Mainly due to other income arising from government subsidies, additional VAT deductions, and similar items in the current period	No
Losses from credit impairment	-3,853,667.85	-3.15%	Mainly due to the provision of bad debt reserves for accounts receivable in the current period	No

V. Analysis of Assets and Liabilities

1. Significant changes of asset items

Unit: RMB

	At the end of this reporting period		At the end of 2024		Proportion increase or decrease	Note of significant change
	Amount	Proportion to total assets	Amount	Proportion to total assets		
Monetary funds	1,303,913,618.46	30.95%	1,473,334,905.97	36.70%	-5.75%	Mainly due to the purchase of financial

						products and distribution of profits (cash dividends) from the previous year in the current period
Accounts receivable	528,788,174.89	12.55%	519,014,337.89	12.93%	-0.38%	No major change
Contract assets	33,581.84	0.00%	212,795.14	0.01%	-0.01%	No major change
Inventories	355,595,477.00	8.44%	335,306,397.14	8.35%	0.09%	No major change
Investment real estate	20,683,730.73	0.49%	21,504,316.77	0.54%	-0.05%	No major change
Long-term equity investment	29,216,116.25	0.69%	28,982,092.23	0.72%	-0.03%	No major change
Fixed assets	599,912,936.02	14.24%	535,337,384.82	13.33%	0.91%	Mainly due to the Thai factory carrying forward fixed assets in the construction project in the current period
Construction in progress	208,311,207.77	4.94%	226,445,932.02	5.64%	-0.70%	No major change
Right-of-use assets	51,425,459.62	1.22%	48,352,214.14	1.20%	0.02%	No major change
Short-term loan	74,552,050.16	1.77%	0.00	0.00%	1.77%	Mainly due to the receipt of discounted proceeds from bank acceptance bills in the current period
Contract liabilities	76,175,981.93	1.81%	71,168,318.91	1.77%	0.04%	No major change
Long-term loan	6,448,024.17	0.15%	7,021,328.89	0.17%	-0.02%	No major change
Lease liabilities	29,522,243.80	0.70%	29,108,076.76	0.73%	-0.03%	No major change
Trading financial assets	781,091,002.96	18.54%	491,331,815.79	12.24%	6.30%	Mainly due to the increase in the purchase of financial products in the current period

2. Information on main overseas assets

☑Applicable □ Not applicable

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
ZKTECO CO., LIMITED	Wholly-owned subsidiary	51,689.96	Hong Kong	Overseas sales	Control by subsidiary	443.98	15.19%	No
ZKTECO SECURITY L.L.C	Wholly-owned subsidiary	12,576.74	Dubai	Overseas sales	Control by subsidiary	1,193.04	3.70%	No
ZK TECHNOLOGY LLC	Controlling subsidiary	11,520.09	America	Overseas sales	Control by subsidiary	6,290.00	3.38%	No
Armatura Tech Co.,Ltd.	Controlling subsidiary	25,310.18	Thailand	Overseas sales	Control by subsidiary	1,267.91	7.44%	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 Unit: RMB '0,000							

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	Cumulative changes in fair value recognized in equity	Impairment 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 assets (excluding derivative financial assets)	491,331,815.79	7,977,831.68	0.00	0.00	1,185,221,503.49	903,839,747.78	399,599.78	781,091,002.96
2. Derivative financial assets	0.00	0.00	0.00	0.00	25,167,850.00	25,496,603.23	328,753.23	0.00
Subtotal of financial assets	491,331,815.79	7,977,831.68	0.00	0.00	1,210,389,353.49	929,336,351.01	728,353.01	781,091,002.96
Total	491,331,815.79	7,977,831.68	0.00	0.00	1,210,389,353.49	929,336,351.01	728,353.01	781,091,002.96

Other changes

Other changes are mainly due to exchange rate fluctuations.

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 VIII Financial Report VII. Notes to Consolidated Financial Statements 23. 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
1,221,756,775.36	580,797,590.58	110.36%

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	0.00	226,519,519.55	Own funds, bank loans, and raised funds	Under construction	Not applicable	49,847,910.26	Not applicable		
Multimodal Biometrics Digitalization Industrial Base Construction Project	Self-built	Yes	Plant and supporting facilities	9,691,607.44	198,019,825.45	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	1,675,814.43	81,543,001.80	Own funds	Completed	Not applicable	Not applicable	Not applicable		
Total	--	--	--	11,367,421.87	506,082,346.80	--	--	Not applicable	49,847,910.26	--	--	--

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
Others	491,331,815.79	7,977,831.68	0.00	1,185,221,503.49	903,839,747.78	0.00	399,599.78	781,091,002.96	Own funds and raised funds
Total	491,331,815.79	7,977,831.68	0.00	1,185,221,503.49	903,839,747.78	0.00	399,599.78	781,091,002.96	--

5. Use of raised funds

☑Applicable □ Not applicable

(1) Overall use of raised funds

☑Applicable □ Not applicable

Unit: RMB '0,000

Year of fundraising	Fundraising method	Listing date of securities	Total amount of raised funds	Net amount of raised funds (1)	Total amount of raised funds used in this period	Accumulated total amount of raised funds used (2)	Proportion of raised funds utilized at the end of the reporting period (3) = (2)/(1)	Total amount of raised funds with changed purposes during the reporting period	Accumulated total amount of raised funds with changed purposes	Proportion of accumulated total amount of raised funds with change purposes	Total amount of unused raised funds	The purpose and destination of the raised funds that have not been used yet	Amount of raised funds idle for more than two years
2022	Initial public offering	August 17, 2022	160,816.89	145,729.84	4,276.59	67,277.90	46.17%	0	32,085.41	22.02%	84,627.15	Stored in the bank's special account for fundraising and wealth management	0.00
Total	--	--	160,816.89	145,729.84	4,276.59	67,277.90	46.17%	0	32,085.41	22.02%	84,627.15	--	0.00
Description of the overall use of raised funds													

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 RMB 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. 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. 3. As of June 30, 2025, the balance of remaining raised funds (including interest income and financial product income net of bank handling fees) was RMB 846,271,541.69.

(2) Committed projects with raised funds

☑Applicable □ Not applicable

Unit: RMB '0,000

Financing project name	Listing date of securities	Committed investment projects and the investment direction of over-raised funds	Project nature	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															
Initial public offering of stocks in 2022	August 17, 2022	1. Tangxia Production Base Construction Project	Production and construction	Yes	24,841.18	24,841.18						Not applicable	Not applicable	Not applicable	Yes
Initial public offering of stocks in 2022	August 17, 2022	2. Hybrid Biometrics IoT Intelligent Industrial Base Project	Production and construction	No	43,689.94	43,689.94	43,689.94	140.82	27,883.19	63.82%	March 31, 2026	1,178.08	4,984.79	Not applicable	No
Initial public offering of stocks in 2022	August 17, 2022	3. American Manufacturing Factory Construction Project	Production and construction	Yes	17,392.21	17,392.21	14,392.65	660.36	980.54	6.81%	August 31, 2027	Not applicable	Not applicable	Not applicable	No

Initial public offering of stocks in 2022	August 17, 2022	4. R&D Center Construction Project	R&D project	Yes	18,240.58	18,240.58	14,692.19	44.79	10,968.52	74.66%	December 31, 2025	Not applicable	Not applicable	Not applicable	No
Initial public offering of stocks in 2022	August 17, 2022	5. Global Marketing Service Network Construction Project	Operational management	Yes	26,802.01	26,802.01	26,802.01	438.04	9,143.35	34.11%	August 31, 2028	Not applicable	Not applicable	Not applicable	No
Initial public offering of stocks in 2022	August 17, 2022	6. Remaining funds after the previous change in the American Manufacturing Factory Construction Project	Production and construction	Yes			2,999.56					Not applicable	Not applicable	Not applicable	No
Initial public offering of stocks in 2022	August 17, 2022	7. Multimodal Biometrics Digitalization Industrial Base Construction Project	Production and construction	Yes			39,605.10	2,992.58	18,302.30	46.21%	June 30, 2026	Not applicable	Not applicable	Not applicable	No
Initial public offering of stocks in 2022	August 17, 2022	8. Remaining funds after the change in the R&D Center Construction Project	R&D 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	4,276.59	67,277.90	--	--	1,178.08	4,984.79	--	--
Direction of over-raised fund investment direction															
1. Undetermined funds	August 17, 2022	14,763.92	Production and construction	Yes	14,763.92	14,763.92								Not applicable	No
Subtotal of over-raised fund investment direction				--	14,763.92	14,763.92				--	--			--	--
Total				--	145,729.84	145,729.84	145,729.84	4,276.59	67,277.90	--	--	1,178.08	4,984.79	--	--
Describe the situation and			R&D Center Construction Project: It has been affected by fluctuations in the domestic and international macroeconomic environment, changes in the market environment, and other factors.												

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 achieved")	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. Hybrid Biometrics IoT Intelligent Industrial Base Project: It 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 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 these two projects, 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. 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. Global Marketing Service Network Construction Project: The original Global Marketing Service Network Construction Project was planned in 2020. The overall planning of the overseas marketing network was formulated by the Company based on the global marketing network layout, market environment, economic environment, industry development trends and the Company's actual situation at that time. However, with the changes in global geopolitics, economic conditions, industry competition and other factors, the original investment project planning cannot well match the actual market demand and respond to global development. The current actual situation has deviated from the original planning. The original overall planning of the domestic marketing network was formulated by the Company in 2020 based on the market environment, industry development trends and the Company's actual situation at that time to build and expand the network by itself. With the fluctuations in the macroeconomic situation causing changes in the market environment, the domestic overall planning of the original Global Marketing Service Network Construction Project cannot well match the latest domestic market environment. American Manufacturing Factory Construction Project: Given that the American Manufacturing Factory Construction Project is implemented in the US, due to differences in regulatory environments, the Company's customized requirements and the coordination of supply chain and construction resources, the project has been delayed. The specific influencing factors are as follows: ① Regulatory environment differences: The US government has extremely strict reviews on industrial land planning, environmental protection standards and safety regulations. For example, it requires the submission of detailed environmental impact assessments and complex safety risk analyses and other large amounts of additional materials to prove the project's compliance, which has led to an unexpected approval cycle for building permits; ② Customized design requirements: To meet the Company's intelligent production processes, the factory design incorporates non-standard contents such as customized production line layouts. The teams from China and the US have had multiple rounds of discussions on the engineering details, which has extended the design cycle beyond expectations; ③ Coordination of supply chain and construction resources: In the general contractor bidding process, the Company conducted a comprehensive assessment from multiple dimensions such as qualification levels, construction period commitments, and cost budgets. After several rounds of strict screening, a contractor with rich engineering experience was finally selected. Due to the detailed and comprehensive assessment process, the time for determining the winner in this bidding process was extended. Regarding the aforementioned Global Marketing Service Network Construction Project and American Manufacturing Factory Construction Project, the Company held the 17th Session of the

	Third Board Meeting and the 16th Session of the Third Supervisory Board Meeting on April 21, 2025, and the General Meetings on May 15, 2025, and deliberated and approved the "Proposal on Adjusting the Internal Investment Structure, Implementation Method and Extension of Some Raised Fund Investment Projects". The Company agreed to extend the date for the "Global Marketing Service Network Construction Project" and the "American Manufacturing Factory Construction Project" to reach their expected conditions for use. Considering the market environment and the actual construction progress of the investment project, the planned date for the Global Marketing Service Network Construction Project to reach its expected conditions for use is August 31, 2025 before the adjustment, and August 31, 2028 after the adjustment. The planned date for the American Manufacturing Factory Construction Project to reach its expected conditions for use is August 17, 2026 before the adjustment, and March 31, 2027 after the adjustment. For details, please refer to the "Proposal on Adjusting the Internal Investment Structure, Implementation Method and Extension of Some Raised Fund Investment Projects" (Announcement No.: 2025-045) disclosed by the Company on CNINFO (http://www.cninfo.com.cn) on April 23, 2025. 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 investment projects and do not generate benefits.
Description of significant changes in project feasibility	Not applicable
The amount, purpose, and progress of the over-raised funds	Applicable
	The amount of over-raised funds from the Company's initial public offering of stocks was RMB 147.6392 million. 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 of 2023, and deliberated and approved the "Proposal on Changing the Investment Projects of Raised Funds, Changing the Special Account for Raised Funds, Increasing Capital and Providing Loans to Subsidiaries to Implement Investment Projects". The Company agrees to use the over-raised funds of 147.6392 million to invest in the construction of the Multimodal Biometrics Digitalization Industrial Base Construction Project. The Company transferred the over-raised funds into the special account for the Multimodal Biometrics Digitalization Industrial Base Construction Project on March 1, 2023, for project construction. It is expected to be completed by June 2026.
Instances of unauthorized alteration of the use of raised funds and illegal occupation of raised funds	Not applicable
Changes in the implementation location of projects invested with raised funds	Not applicable
Adjustment of implementation methods and internal investment structure for projects invested with raised funds	Applicable
	Occurred during the reporting period
	The Company held the 17th Session of the Third Board Meeting and the 16th Session of the Third Supervisory Board Meeting on April 21, 2025, and the General Meetings on May 15, 2025, and deliberated and approved the "Proposal on Adjusting the Internal Investment Structure, Implementation Method and Extension of Some Raised Fund Investment Projects". Changes were made to the relevant contents of the Global Marketing Service Network Construction Project and the American Manufacturing Factory Construction Project. 1. Reasons for Adjusting the Internal Investment Structure of the Investment Project The original Global Marketing Service Network Construction Project was planned in 2020. The overall planning of the overseas marketing network was formulated by the Company based on the global marketing network layout, market environment, economic environment, industry development trends and the Company's actual situation at that time. However, with the changes in global geopolitics, economic conditions, industry competition and other factors, the original investment project planning cannot well match the actual market demand and respond to global

	development. The current actual situation has deviated from the original planning. The original overall planning of the domestic marketing network was formulated by the Company in 2020 based on the market environment, industry development trends and the Company's actual situation at that time to build and expand the network by itself. With the fluctuations in the macroeconomic situation causing changes in the market environment, the domestic overall planning of the original Global Marketing Service Network Construction Project cannot well match the latest domestic market environment. In summary, to effectively utilize the raised capital, the Company plans to adjust certain construction contents of the investment project in light of market conditions, to adapt to the market environment and achieve rational resource allocation and efficient utilization. 2. Specific Details of the Adjustment to the Internal Investment Structure of the Investment Project Provided that the investment purpose and scale remain unchanged, and in conjunction with further planning and review of overseas and domestic marketing networks and the actual progress during the implementation of the investment project, the Company intends to adjust the internal investment structure of the Global Marketing Service Network Construction Project, primarily by reducing equipment procurement costs and increasing personnel salaries. 3. Specific Details of the Adjustment to the Implementation Method of the Investment Project The original Global Marketing Service Network Construction Project planned to acquire or lease office premises in Panama, South Africa (Johannesburg), and other locations. Now, considering the Company's overall overseas marketing strategy, local market conditions, and other factors, the Company intends to cancel the arrangement for acquiring office premises in the relevant regions. The Company plans to construct a European regional headquarters through its subsidiary ZKTECO EUROPE SL (the Company holds 80.12% equity in ZKTECO EUROPE SL through its wholly-owned subsidiary ZKTECO CO., LIMITED) on its owned and newly acquired land in Spain, to integrate resources, enhance operational efficiency, and support the Company's long-term strategic development in the European market. The establishment of the European regional headquarters is not only an important step in the Company's globalization strategy but also a key initiative to enhance operational efficiency, mitigate risks, and achieve business growth. Through centralized office operations and integration into the local ecosystem, the Company hopes to build an efficient, flexible, and competitive operational center in the European market, creating long-term value for the Company's development.
Advance investment and replacement of raised funds for investment projects	Applicable
	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. 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 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. As of June 30, 2025, 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

	68.1551 million.
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, 2025, the balance of the Company's unused IPO raised funds is RMB 846.2715 million (including interest income and financial product income net of handling fees), including RMB 69.0815 million of demand deposit in the special account for raised funds and RMB 777.19 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	None

(3) Change in the use of raised funds

☑Applicable □ Not applicable

Unit: RMB '0,000

Financing project name	Fundraising method	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
Global Marketing Service Network Construction Project	Initial public offering	Global Marketing Service Network Construction Project	26,802.01	26,802.01	438.04	9,143.35	34.11%	August 31, 2028	Not applicable	Not applicable	No

American Manufacturing Factory Construction Project	Initial public offering	American Manufacturing Factory Construction Project	14,392.65	14,392.65	660.36	980.54	6.81%	August 31, 2027	Not applicable	Not applicable	No
Total	--	--	--	41,194.66	1,098.40	10,123.89	--	--	Not applicable	--	--
Description of reasons for changes, decision-making procedures, and information disclosure (by specific project)			For details, please refer to the section "Adjustment of implementation methods for projects invested with raised funds" in the "Comparison Table for the Use of Raised Funds".								
The situation and reasons for not achieving the planned progress or expected benefits (by specific project)			Global Marketing Service Network Construction Project: The original Global Marketing Service Network Construction Project was planned in 2020. The overall planning of the overseas marketing network was formulated by the Company based on the global marketing network layout, market environment, economic environment, industry development trends and the Company's actual situation at that time. However, with the changes in global geopolitics, economic conditions, industry competition and other factors, the original investment project planning cannot well match the actual market demand and respond to global development. The current actual situation has deviated from the original planning. The original overall planning of the domestic marketing network was formulated by the Company in 2020 based on the market environment, industry development trends and the Company's actual situation at that time to build and expand the network by itself. With the fluctuations in the macroeconomic situation causing changes in the market environment, the domestic overall planning of the original Global Marketing Service Network Construction Project cannot well match the latest domestic market environment. American Manufacturing Factory Construction Project: Given that the American Manufacturing Factory Construction Project is implemented in the US, due to differences in regulatory environments, the Company's customized requirements and the coordination of supply chain and construction resources, the project has been delayed. The specific influencing factors are as follows: ① Regulatory environment differences: The US government has extremely strict reviews on industrial land planning, environmental protection standards and safety regulations. For example, it requires the submission of detailed environmental impact assessments and complex safety risk analyses and other large amounts of additional materials to prove the project's compliance, which has led to an unexpected approval cycle for building permits; ② Customized design requirements: To meet the Company's intelligent production processes, the factory design incorporates non-standard contents such as customized production line layouts. The teams from China and the US have had multiple rounds of discussions on the engineering details, which has extended the design cycle beyond expectations; ③ Coordination of supply chain and construction resources: In the general contractor bidding process, the Company conducted a comprehensive assessment from multiple dimensions such as qualification levels, construction period commitments, and cost budgets. After several rounds of strict screening, a contractor with rich engineering experience was finally selected. Due to the detailed and comprehensive assessment process, the time for determining the winner in this bidding process was extended. The American Manufacturing Factory Construction Project is in the construction stage and has not yet generated benefits. The Global Marketing Service Network Construction Project is an investment project and does not generate benefits.								
Description of major changes in project feasibility after the change			None								

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	60,325.00	18,350.24		
Other categories	Own funds	144.19	49.17		
Bank financial products	Fundraising	130,819.00	77,719.00		
Total		191,288.19	96,118.41		

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 period	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 end of the reporting period
Forward foreign exchange settlement and sales	0.00	0.00	0.00	0.00	2,516.79	2,516.79	0.00	0.00%
Total	0.00	0.00	0.00	0.00	2,516.79	2,516.79	0.00	0.00%
Accounting policies and specific	No major change							

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	
Description of actual profit and loss during the reporting period	During the reporting period, the Company obtained investment income of RMB 285,800 through forward foreign exchange settlement and sales.
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.)	I. Risk analysis of the Company's hedging business 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: 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. II. Preparation work and risk control measures for hedging by the Company 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: 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	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.
Litigation situation (if applicable)	Not applicable
Disclosure date of announcement by the Board of Directors for approval of derivative investment (if any)	April 23, 2025

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 revenue	Operating profit	Net profit
ZKTECO SECURITY L.L.C	Subsidiaries	Sales of goods	300,000.00[1]	125,767,373.92	113,969,712.41	49,394,328.92	13,190,456.92	11,930,400.16
ZK TECHNOLOGY LLC	Subsidiaries	Sales of goods	Not applicable	115,200,867.18	61,380,399.15	104,110,346.53	62,900,773.12	62,899,983.41
Armatura Tech Co.,Ltd.	Subsidiaries	Sales of goods	602,983,200.00[2]	253,101,836.90	184,634,604.61	77,149,804.16	12,508,113.55	12,679,090.75
ZKTECO (GUANGDONG) CO., LTD	Subsidiaries	R&D, production, and sales of products and software	800,000,000.00	1,596,509,248.12	968,472,001.95	511,218,239.00	22,971,806.98	22,654,063.40

Note: 1. AED

2. THB

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 ROMANIA S.R.L.	Cancellation	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 VIII 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 space, smart office, digital identity authentication, smart business, and computer vision applications, including technological and R&D strength, flexible production capacity, brand influence, and marketing service network. However, in recent years, the relevant business sectors of the Company 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 businesses are facing competition pressure from various aspects such as 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, and continuously expanding and enriching the types of biometric and computer vision products and services. With the development of AI, the Company pays more attention to the application of AI technology in business, and focuses on the overall linkage design of product software and hardware, 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 2025, the Company's overseas sales revenue from countries and regions was RMB 703.4691 million, accounting for 76.00% 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, and maritime restrictions caused by geopolitical conflicts, the currency depreciation of many countries due to the strong USD, rising freight rates, and the fluctuations in the US tariff policy. As a result, global trade policies have shown a strong degree of uncertainty. The Company's international sales business may face international trade friction, especially the risk of Trade disputes between China and the United States. 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, trade frictions, and tariffs 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, 2025, the Company has a total of 48 overseas controlling 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", the "Measures for the Security Management of the Application of Facial Recognition Technology", 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. Although the Company invited a professional compliance lawyer team in 2024 to thoroughly review and improve personal information protection and data security, if it 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. 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 space, smart office, digital identity authentication, and smart business 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 2025, the Company's R&D expenses were RMB 104.0672 million, accounting for 11.20% of operating revenue.

As of June 30, 2025, the Company has obtained 982 patents, including 177 invention patents and obtained 768 computer software copyrights and 85 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 of the marketing network of the Company, the Company's scale will constantly expand, and the number of sales, R&D, and management personnel will increase 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 2025, the Company achieved a revenue of RMB 606.8441 million through the distribution model, accounting for 65.56% of the Company's main business income in the first half of 2025.

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 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 587.5041 million, accounting for 63.22% of the current operating revenue. 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) Inventory depreciation risk

With the growth of the Company's business scale, the inventory scale has been increasing year by year. At the end of the reporting period, the book value of the Company's inventory was RMB 355.5955 million, accounting for 11.58% of the total current assets at the end of the period. During the reporting period, the Company comprehensively considered factors such as expected selling price and inventory age, and made sufficient provision for inventory impairment. At the end of the reporting period, the provision ratio for inventory impairment was 6.88%. The Company's inventory mainly consists 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 inventory of raw materials and inventory goods. However, with the further growth of the Company's sales revenue and asset size, the Company's inventory also increases accordingly, which may lead to a decline in price, backlog, and unsold inventory 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 Sinosure in the past year, 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
February 27, 2025	XIAMEN ZKTECO CO., LTD. Meeting Room	Field research	Institution	CHINA EVERWIN, Guoxin Investment, First State Cinda, Ping An Asset, Caitong Fund, CSC, Multiply Capital	See CNINFO (http://www.cninfo.com.cn)	CNINFO http://www.cninfo.com.cn, Announcement date: February 27, 2025, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2025-01)
April 30, 2025	Value Online (https://www.ir-online.cn/) Network Interaction	Online Communication on Online Platforms	Others	Investors participating in the Company's 2024 annual performance briefing online	See CNINFO (http://www.cninfo.com.cn)	CNINFO http://www.cninfo.com.cn, Announcement date: April 30, 2025, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2025-02)
May 06, 2025	ZKTeco Cloud Brain-Computer (Hangzhou) Technology Co., Ltd. Meeting Room	Field research	Institution	Taikang Asset Management (Hong Kong) Company Limited 、 3W Fund, FRANKLIN TEMPLETON, China Alpha Fund Management (HK) Limited, HSZ (Hong Kong) Limited, Orient Securities Asset Management Company Limited, Shanghai Hesheng Investment Management Co., Ltd., CSC Research Institute, China Capital Management Co., Ltd., China Post Securities Co., Ltd., Beijing Yuanfeng Private Equity Fund Management Partnership (Limited Partnership), Huaxia Bank Research Institute, China Development Bank Securities Co., Ltd., Tianhong Asset Management Co., Ltd., Taiping Pension Co., Ltd., Invesco Great Wall Fund Management Co., Ltd., Western Leadbank Fund Management Co., Ltd., Lion Fund Management Co, Ltd., Yinhua Fund Management Co., Ltd., Penghua Fund Management Co., Ltd., Ziheng (Shanghai) Commercial Management Co., Ltd, CCB Wealth Management, Hongchou Capital, BNB WEALTH MANAGEMENT, Harmony Huiyi,	See CNINFO (http://www.cninfo.com.cn)	CNINFO http://www.cninfo.com.cn, Announcement date: May 6, 2025, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2025-03)

				Shanghai Entropy Ying Private Equity Fund Management Co., Ltd., and China Great Wall Securities Co., Ltd.		
May 16, 2025	Online Meeting	Telephone Communication	Institution	Sinolink Securities, China Asset, Wanjia Asset, AVIC Fund Management Co., Ltd., Shanghai Yongle Private Equity Fund Management Co., Ltd.	See CNINFO (http://www.cninfo.com.cn)	CNINFO http://www.cninfo.com.cn, Announcement date: May 16, 2025, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2025-04)
June 17, 2025	ZKTECO Meeting Room	Field research	Institution	Guotai Haitong Securities, Zeta Capital, DM Capital	See CNINFO (http://www.cninfo.com.cn)	CNINFO http://www.cninfo.com.cn, Announcement date: June 17, 2025, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2025-05)
June 23-25, 2025	ZKTECO Meeting Room and Online Meetings	Field research	Institution	Guotai Haitong Securities, Tebon Fund, Fullgoal Fund, Penghua Fund, GALAXY ASSET, BOCOM Schroders, BOSC ASSET, Changjiang Pension, CINDA FUND	See CNINFO (http://www.cninfo.com.cn)	CNINFO http://www.cninfo.com.cn, Announcement date: June 25, 2025, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2025-06)

XII. Formulation and Implementation of the Market Value Management System and the Plan for Enhancing Valuation

Has the Company established a market value management system?

□ Yes ☑No

Has the Company disclosed its plan for enhancing valuation?

□ Yes ☑No

XIII. 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, Environment and Society

I. 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 2024 Annual Report.

II. 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 on a semi-annual basis.

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

☑Applicable □ Not applicable

1. Equity incentives

During the reporting period, the Company had a total of two phases of equity incentive plans under implementation. The specific details are as follows:

(1) 2022 Restricted Share Incentive Plan

The attribution conditions for the first attribution period of the Company's 2022 Restricted Share Incentive Plan's reserved grant were met. The Company completed the registration of the attribution of these shares in accordance with relevant regulations, and the relevant shares were listed and circulated on January 10, 2025. Please refer to the "Announcement on the Attribution Results of the First Attribution Period of the Reserved Grant in the 2022 Restricted Share Incentive Plan and the Listing of Shares" (Announcement No. 2025-009) disclosed by the Company on the website of CNINFO (http://www.cninfo.com.cn) on January 8, 2025.

On April 21, 2025, the Company's 17th Session of the Third Board Meeting and the 16th Session of the Third Supervisory Board Meeting deliberated and approved the "Proposal on the Failure to Meet the Attribution Conditions for the Second Attribution Period of the Reserved Grant in the 2022 Restricted Share Incentive Plan and Cancellation of Granted but Not Affiliated Restricted Shares". According to the audit report (ZHKS [2025] No. 3301) issued by Zhonghui Certified Public Accountants (Special General Partnership) on the Company's 2024 annual report, the attribution conditions for the second attribution period of the reserved grant in the Company's 2022 Restricted Share Incentive Plan were not met. In accordance with the "Measures for the Administration of Equity Incentives of Listed Companies", the "2022 Restricted Share Incentive Plan", and other relevant regulations, all 129,370 restricted shares granted but not yet affiliated for the second attribution period to the 43 incentive objects of the reserved grant were cancelled and rendered void. Please refer to the "Announcement on the Failure to Meet the Attribution Conditions for the Second Attribution Period of the Reserved Grant in the 2022 Restricted Share Incentive Plan and Cancellation of Granted but Not Affiliated Restricted Shares" (Announcement No. 2025-047) disclosed by the Company on the website of CNINFO (http://www.cninfo.com.cn) on April 23, 2025.

(2) 2025 Restricted Share Incentive Plan

On January 23, 2025, the Company held the 15th Session of the Third Board Meeting and the 14th Session of the Third Supervisory Board Meeting, and deliberated and approved the "Proposal on the Company's Restricted Share Incentive Plan 2025 (Draft) and Its

Abstract" and the "Proposal on the Company's Restricted Share Incentive Plan Implementation Assessment Management Measures 2025" and other related proposals. For details, please refer to the relevant announcements disclosed by the Company on the website of CNINFO (http://www.cninfo.com.cn) on January 24, 2025. On February 11, 2025, the Company's first 2025 Extraordinary General Meeting deliberated and approved the aforementioned related proposals.

On March 28, 2025, the Company's 16th Session of the Third Board Meeting and the 15th Session of the Third Supervisory Board Meeting deliberated and approved the "Proposal on Adjusting the List of Incentive Objects of Restricted Share Incentive Plan in 2025 and the Number of Granted Objects" and the "Proposal on Granting Restricted Shares to the Incentive Objects of 2025 Restricted Share Incentive Plan". Given that some incentive objects have resigned or voluntarily waived all or part of their restricted shares for personal reasons, the Company adjusted the list of incentive objects and the number of shares granted under this incentive plan. The Board of Directors believes that the grant conditions stipulated in the Company's 2025 Restricted Share Incentive Plan have been fulfilled, and has agreed to set March 28, 2025, as the grant date and to grant 2,121,170 restricted shares to 353 incentive objects who meet the grant conditions. For details, please refer to the relevant announcements disclosed by the Company on the website of CNINFO (http://www.cninfo.com.cn) on March 28, 2025.

2. Implementation of employee stock ownership plan

☑Applicable □ Not applicable

Details of all effective employee stock ownership plans during the reporting period

Scope of Employees	Number of Employees	Total Shares Held (Shares)	Changes	Proportion to Total Share Capital of the Listed Company	Source of Funds for the Plan Implementation
Company directors, supervisors, senior management, middle managers, and core technical (business) personnel who play an important role and have a significant impact on the Company's overall performance and medium- and long-term development.	358	1,336,560	None	0.57%	Funds obtained from employees' legitimate remuneration, self-raised funds, and funds obtained through other methods permitted by laws and administrative regulations

Shareholdings of directors, supervisors, and senior management in the employee stock ownership plan during the reporting period

Name	Position	Number of Shares Held at the Beginning of the Reporting Period	Number of Shares Held at the End of the Reporting Period	Proportion to Total Share Capital of the Listed Company
Fu Zhiqian	Director	0	4,200	0.00%
Mu Wenting	Deputy General Manager	0	4,620	0.00%
Jiang Wenna	Supervisor	0	8,400	0.00%
Yang Xianfeng	Supervisor	0	6,000	0.00%

Changes in asset management institutions during the reporting period

□ Applicable ☑Not applicable

Changes in equity arising from holders' disposal of shares during the reporting period

□ Applicable ☑Not applicable

Exercise of shareholder rights during the reporting period

Not applicable

Other related circumstances and explanations of the employee stock ownership plan during the reporting period

☑Applicable □ Not applicable

On May 23, 2025, the Company received the "Confirmation of Securities Transfer Registration" issued by Shenzhen Branch of China Securities Depository and Clearing Co., Ltd. The 1,113,800 shares of the Company's stock held in the Company's dedicated securities account for share repurchases were non-transactionally transferred on May 22, 2025, to the "ZKTECO CO., LTD. - 2025 Employee Stock Ownership Plan" securities account. The number of transferred shares accounted for 0.5674% of the Company's total share capital on the announcement date of this employee stock ownership plan draft, and the transfer price was RMB 13.25 per share.

Changes in the members of the Employee Stock Ownership Plan Management Committee

□ Applicable ☑Not applicable

Financial impact of the employee stock ownership plan on the listed company during the reporting period and related accounting treatment

☑Applicable □ Not applicable

According to the relevant provisions of Accounting Standards for Business Enterprises No. 11 – Share-based Payment, RMB 728,700 of share-based payment fees for the employee stock ownership plan were amortized in the current period and included in current profits and losses, correspondingly increasing capital reserve by RMB 728,100 and minority interest by RMB 600.

Circumstances of the termination of the employee stock ownership plan during the reporting period

□ Applicable ☑Not applicable

Other explanations:

3. Other employee incentive plans

□ Applicable ☑Not applicable

IV. Environmental Information Disclosure

Whether the listed company and its main subsidiaries are included in the list of enterprises required by law to disclose environmental information

□ Yes ☑No

V. 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 the situation of the Company 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 responds to investors' concerns through Easy to Interact of Shenzhen Stock Exchange, investor relations email, investor hotline, and other channels. It maintains friendly exchanges and communication with investors through performance briefings, General Meetings, and other forms, 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 satisfaction surveys with customers annually, regularly or irregularly, 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 actively participated in the 2025 "6·30" Assistance to Rural Revitalization and Dongguan Charity Day activities in Tangxia Town in the reporting period, making positive contributions to consolidating and expanding poverty alleviation achievements and rural revitalization, and promoting common prosperity.

Section V 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 semi-annual 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, Board of Supervisors, and Audit Committee Regarding the "Non-standard Audit Report" Issued by the Accounting 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	As Zokon Industry has no sufficient assets available for execution and is unable to repay its due debts, the Company submitted a "Bankruptcy Liquidation Application" to the Shenzhen Intermediate People's Court on January 6, 2025, requesting the court to conduct a bankruptcy liquidation of Zokon Industry. The Shenzhen Intermediate People's Court filed the case on January 16, 2025, with the case number (2025) Y 03 PS No. 131. On April 22, 2025, the Shenzhen Intermediate People's Court issued Civil Ruling (2025) Y 03 PS No. 131, ruling to accept the bankruptcy liquidation application filed by the Company against Zokon Industry, with case number (2025) Y 03 P No. 407. On June 26, 2025, the court appointed an administrator for Zokon Industry's bankruptcy liquidation case and issued a notice for creditors to declare their claims. The Company filed relevant claims on July 30, 2025, and received the bankruptcy administrator's preliminary claim review letter on August 11, 2025.	April 23, 2025	CNINFO (http://www.cninfo.com.cn) "2024 Annual Report of ZKTECO CO., LTD." (Announcement No. 2025-037)

Other litigation 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
Other lawsuits/arbitrations where the Company	1,989.51	No	The Company strictly follows the progress of each case	No significant impact	The Company strictly follows the progress of each case	April 23, 2025	CNINFO (http://www.cninfo.com.cn) "2024 Annual Report of ZKTECO CO., LTD." (Announcement No. 2025-

(including subsidiary companies in the consolidated financial statements) as the plaintiff fails to meet the disclosure standards for major lawsuits							037)
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	184.7	No	The Company strictly follows the progress of each case	No significant impact	The Company strictly follows the progress of each case	April 23, 2025	CNINFO (http://www.cninfo.com.cn) "2024 Annual Report of ZKTECO CO., LTD." (Announcement No. 2025-037)

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
The Company had no material guarantees during the reporting period.

3. Significant contracts for daily operations

None

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

On May 12, 2025, the Company released the "Announcement on Signing the Letter of Intent for Equity Acquisition" (Announcement No.: 2025-055). On the same day, the Company, Shenzhen Longzhiyuan Technology Co., Ltd. (hereinafter referred to as

"Longzhiyuan"), and its relevant shareholders signed the "Letter of Intent for Equity Acquisition of Shenzhen Longzhiyuan Technology Co., Ltd." The Company is planning to acquire 55% equity interest in Longzhiyuan held by its relevant shareholders through cash payment and obtain controlling interest in Longzhiyuan. As of the disclosure date of this Report, the acquisition is still in progress.

XIV. Significant Events of the Company's Subsidiaries

□ Applicable ☑Not applicable

Section VI Changes in Shares and Information about Shareholders

I. Changes in Shares

1. Changes in shares

Unit: share

	Before the change		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	119,712,188	61.00%			23,942,439		23,942,439	143,654,627	61.04%
1. Shares held by State									
2. Shares held by state-owned legal persons									
3. Shares held by other domestic enterprises	119,712,188	61.00%			23,942,439		23,942,439	143,654,627	61.04%
Including: shares held by domestic legal persons	85,649,914	43.65%			17,129,983		17,129,983	102,779,897	43.67%
Shares held by domestic natural persons	34,062,274	17.36%			6,812,456		6,812,456	40,874,730	17.37%
4. Foreign shareholding									
Including: shares held by overseas legal persons									
Shares held by overseas natural person									
II. Shares without trading restrictions	76,525,175	39.00%	74,962		15,096,786		15,171,748	91,696,923	38.96%
1. RMB denominated ordinary shares	76,525,175	39.00%	74,962		15,096,786		15,171,748	91,696,923	38.96%
2. Domestic listed foreign shares									
3. Overseas listed foreign									

shares									
4. Others									
III. Total shares	196,237,363	100.00%	74,962		39,039,225		39,114,187	235,351,550	100.00%

Reasons for changes in shares

☑Applicable □ Not applicable

1. On January 8, 2025, the Company disclosed the "Announcement on the Attribution Results of the First Attribution Period of the Reserved Grant in the 2022 Restricted Share Incentive Plan and the Listing of Shares". After deliberation and approval by the 14th Session of the Third Board Meeting, the attribution condition for the first attribution period of the reserved grant in the Company's 2022 Restricted Share Incentive Plan was met, and the number of attributed shares was 74,962 shares, which were listed for circulation on January 10, 2025. After the completion of the attribution, the total share capital of the Company increased from 196,237,363 shares to 196,312,325 shares.

2. On May 26, 2025, the Company disclosed the "2024 Annual Equity Distribution Implementation Announcement". The Company completed the implementation of the 2024 annual equity distribution on June 4, 2025, and the Company's total share capital increased from 196,312,325 shares to 235,351,550 shares.

Approval of changes in shares

☑Applicable □ Not applicable

1. The attribution condition for the first attribution period of the reserved grant in the Company's 2022 Restricted Share Incentive Plan has been met, and it has been approved by the 14th Session of the Third Board Meeting and the 13th Session of the Third Supervisory Board Meeting held on December 31, 2024. In addition, the "Announcement on the Achievement of the Attribution Conditions for the First Attribution Period of the Reserved Grant in the 2022 Restricted Share Incentive Plan" (Announcement No. 2025-005) was disclosed on January 2, 2025 on CNINFO (http://www.cninfo.com.cn). The Company's total share capital increased from 196,237,363 shares to 196,312,325 shares.

2. The Company held its 2024 annual general meeting on May 15, 2025, and deliberated and approved the "Proposal on the 2024 Profit Distribution Plan". On May 26, 2025, the Company disclosed the "2024 Annual Equity Distribution Implementation Announcement" on CNINFO (http://www.cninfo.com.cn) (Announcement No.: 2025-061). On June 4, 2025, based on the total share capital of 196,312,325 shares after deducting 195,196,125 shares from the Company's repurchase account in which 1,116,200 shares had been repurchased, 2 additional were issued for every 10 shares held by all shareholders from capital reserve, for a total of 39,039,225 shares. Following the capital increase by transfers, the Company's total share capital increased to 235,351,550 shares.

Transfer of changes in shares

☑Applicable □ Not applicable

The attribution condition for the reserved grant of the first attribution period under the Company's 2022 Restricted Share Incentive Plan was met, and the number of attributed shares was 74,962 shares. The shares attributed this time were registered in the relevant incentive object's securities account on January 10, 2025. Shares converted from capital reserve as part of the Company's 2024 annual equity distribution were registered to the securities accounts of relevant shareholders on June 4, 2025.

Implementation progress of share repurchase

□ Applicable ☑Not applicable

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

For details about 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, please refer to "IV. Main Accounting Data and Financial Indicators" in "Section II Company Profile and Key Financial Indicators".

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

☑Applicable □ Not applicable

The 1,113,800 shares of company stock held in the Company's dedicated securities account for share repurchases were transferred by way of non-trading transfer to the Company's 2025 employee stock ownership plan securities account on May 22, 2025. As of the end of the reporting period, the number of shares held in the Company's dedicated securities account for share repurchases was 1,116,200.

2. Changes in restricted shares

☑Applicable □ Not applicable

Unit: share

Name of shareholder	Number of restricted shares at the beginning of the period	Number of shares released from trading restrictions in this period	Increase in restricted shares during the period	Number of restricted shares at the end of the period	Reason for restrictions	Date of releasing from trading restrictions
Che Quanhong	34,022,300	0	6,804,460	40,826,760	Restricted shares before IPO	February 17, 2026
Shenzhen ZKTeco Times Investment Co., Ltd.	58,500,000	0	11,700,000	70,200,000	Restricted shares before IPO	February 17, 2026
Dongguan LX Investment Partnership Enterprise (Limited Partnership)	9,880,000	0	1,976,000	11,856,000	Restricted shares before IPO	August 17, 2025
Shenzhen JYHY Investment Enterprise (Limited Partnership)	6,960,524	0	1,392,105	8,352,629	Restricted shares before IPO	One quarter of the shares will be unlocked from August 17, 2023, until all shares are unlocked on August 17, 2026
Shenzhen JYSJ Investment Enterprise (Limited Partnership)	7,053,800	0	1,410,760	8,464,560	Restricted shares before IPO	One quarter of the shares will be unlocked from August 17, 2023, until all shares are unlocked on August 17, 2026
Shenzhen JYQL Investment and Consulting Enterprise (Limited	881,400	0	176,280	1,057,680	Restricted shares before IPO	One quarter of the shares will be unlocked from August 17, 2023, until all shares are unlocked on

Partnership)						August 17, 2026
Shenzhen JYLX Consulting Enterprise (Limited Partnership)	2,374,190	0	474,838	2,849,028	Restricted shares before IPO	One quarter of the shares will be unlocked from August 17, 2023, until all shares are unlocked on August 17, 2026
Jin Hairong	11,700	0	2,340	14,040	Executive lockup shares	During the tenure of supervisors, directors and senior executives, 25% of the total number of shares held will be unlocked annually, while the remaining 75% will be automatically locked
Mu Wenting	17,550	0	3,510	21,060	Executive lockup shares	During the tenure of supervisors, directors and senior executives, 25% of the total number of shares held will be unlocked annually, while the remaining 75% will be automatically locked
Fu Zhiqian	10,724	0	2,146	12,870	Executive lockup shares	During the tenure of supervisors, directors and senior executives, 25% of the total number of shares held will be unlocked annually, while the remaining 75% will be automatically locked
Total	119,712,188	0	23,942,439	143,654,627	--	--

II. Issuance and Listing of Securities

☑Applicable □ Not applicable

Type of stocks and derivative	Issue Date	Issue Price (or Interest	Number of Issues	Listing Date	Listing approved amount	Transaction Termination Date	Disclosure Index	Disclosure Date

securities		Rate)			(share)			
Stock Category								
Restricted share (Class II)	January 10, 2025	13.67	74,962	January 10, 2025	74,962		"Announcement on the Attribution Results of the First Attribution Period of the Reserved Grant in the 2022 Restricted Share Incentive Plan and the Listing of Shares" (Announcement No. 2025-009) on the website of CNINFO	January 08, 2025
Convertible corporate bonds, convertible corporate bonds with separate transactions and								
other derivative securities of corporate bonds								

Explanation of securities issuance during the reporting period

Explanation of the Attribution Results of the First Attribution Period of the Reserved Grant in the 2022 Restricted Share Incentive Plan and the Listing of Shares:

On December 31, 2024, the Company held the 14th Session of the Third Board Meeting and the 13th Session of the Third Supervisory Board Meeting, respectively, and deliberated and approved the "Proposal on the Achievement of the Attribution Conditions for the First Attribution Period of the Reserved Grant in the 2022 Restricted Share Incentive Plan". The attribution condition for the first attribution period of the reserved grant in the Company's 2022 Restricted Share Incentive Plan has been met. After being reviewed and approved by the Shenzhen Stock Exchange and China Securities Depository and Clearing Co., Ltd. Shenzhen Branch, the number of shares attributed this time was 74,962 shares, with an attributable price of RMB 13.67 per share. The listing and circulation date was January 10, 2025.

III. Number of Shareholders of the Company and Shareholding

Unit: share

Total number of ordinary shareholders at the end of the reporting period		22,198	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 shareholders holding more than 5% or the top 10 shareholders (excluding shares lent through refinancing)							
Name of shareholder	Nature of shareholder	Percentage of shares	Number of shares held at the end of the reporting period	Changes in increase and decrease during the reporting period	Number of shares with selling restrictions	Number of shares without trading restrictions	Pledge, marking or freezing	
							Share status	Quantity

Shenzhen ZKTeco Times Investment Co., Ltd.	Domestic non state-owned legal persons	29.83%	70,200,000	11,700,000	70,200,000	0	Not applicable	0
Che Quanhong	Domestic natural persons	17.35%	40,826,760	6,804,460	40,826,760	0	Not applicable	0
Shenzhen JYHY Investment Enterprise (Limited Partnership)	Domestic non state-owned legal persons	5.94%	13,978,512	103,562	8,352,629	5,625,883	Not applicable	0
Shenzhen JYSJ Investment Enterprise (Limited Partnership)	Domestic non state-owned legal persons	5.92%	13,938,856	-99,544	8,464,560	5,474,296	Not applicable	0
Dongguan LX Investment Partnership Enterprise (Limited Partnership)	Domestic non state-owned legal persons	5.04%	11,856,000	1,976,000	11,856,000	0	Not applicable	0
Shenzhen JYLX Consulting Enterprise (Limited Partnership)	Domestic non state-owned legal persons	1.81%	4,252,073	644,179	2,849,028	1,403,045	Not applicable	0
ZKTECO CO., LTD. - 2025 Employee Stock Ownership Plan	Others	0.57%	1,336,560	1,336,560	0	1,336,560	Not applicable	0
Shenzhen JYQL Investment and Consulting Enterprise (Limited Partnership)	Domestic non state-owned legal persons	0.54%	1,260,620	108,870	1,057,680	202,940	Not applicable	0
Hong Kong Securities Clearing Company Limited	Overseas legal person	0.47%	1,106,944	617,881	0	1,106,944	Not applicable	0
GF Securities Co., Ltd. - Bodao	Others	0.21%	491,060	166,958	0	491,060	Not applicable	0

Chengzhang Zhihang Stock Securities Investment Fund								
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		Shareholder Che Quanhong is elder brother of shareholder Che Quanzhong from ZKTeco Times are brothers, and son of Che Jun, partner of LX Investment. 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 8.65% of the property share of shareholder JYLX. Che Quanzhong, the younger brother of shareholder Che Quanhong, holds a 23.98% stake in ZKTeco Times. 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.						
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 Note 11)		As of June 30, 2025, the Company's dedicated securities account for share repurchases holds 1,116,200 A ordinary shares, accounting for 0.47% 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.						

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	Quantity
Shenzhen JYHY Investment Enterprise (Limited Partnership)	5,625,883	RMB denominated ordinary shares	5,625,883
Shenzhen JYSJ Investment Enterprise (Limited Partnership)	5,474,296	RMB denominated ordinary shares	5,474,296
Shenzhen JYLX Consulting Enterprise (Limited Partnership)	1,403,045	RMB denominated ordinary shares	1,403,045
ZKTECO CO., LTD. - 2025 Employee Stock Ownership Plan	1,336,560	RMB denominated ordinary shares	1,336,560
Hong Kong Securities Clearing Company Limited	1,106,944	RMB denominated ordinary shares	1,106,944
GF Securities Co., Ltd. - Bodao Chengzhang Zhihang Stock Securities Investment Fund	491,060	RMB denominated ordinary shares	491,060
J. P. Morgan Securities PLC – Proprietary Funds	475,895	RMB denominated ordinary shares	475,895
Changjiang Wealth Asset Management - Bank of	436,310	RMB denominated ordinary shares	436,310

Nanjing - Changjiang Wealth - ZKTeco Employee Strategic Placement No.1 Collective Asset Management Plan			
Han Xiao	428,100	RMB denominated ordinary shares	428,100
Bank of Communications Co., Ltd. - Cinda Core Technology Hybrid Securities Investment Fund	405,244	RMB denominated ordinary shares	405,244
Description of the association or concerted action between the top 10 shareholders of outstanding shares without trading restrictions, as well as between the top 10 shareholders of outstanding shares without trading restrictions and the top 10 shareholders	Shareholder Che Quanhong holds 8.65% of the property shares of shareholder JYLX. In addition, the Company does not know whether there is a related relationship between the top 10 other shareholders of 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, or whether they belong to Concerted Parties.		
Description of top 10 ordinary shareholders participating in margin trading (if any) (see Note 4)	Among the top 10 shareholders not subject to trading restrictions, at the period end, Han Xiao held a total of 428,100 A shares of the Company, including 57,600 A shares held through margin accounts and 370,500 A shares held through client credit transaction guaranty securities accounts of China Galaxy Securities Co., Ltd.		

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

☑Applicable □ Not applicable

Name	Position	Tenure status	Shares held at the beginning of the period (shares)	Shares increased during the period (shares)	Shares decreased during the period (shares)	Shares held at the end of the period (shares)	Number of restricted stocks granted at the beginning of the	Number of restricted stocks granted in this period (shares)	Number of restricted stocks granted at the end of the period

							period (shares)		(shares)
Che Quanhong	Chairman	Incumbent	34,022,300			40,826,760			
Jin Hairong	Director and General Manager	Incumbent	15,600			18,720			
Mu Wenting	Deputy General Manager	Incumbent	23,400			28,080		7,150	7,150
Fu Zhiqian	Director	Incumbent	14,300			17,160		6,500	6,500
Total	--	--	34,075,600	0	0	40,890,720	0	13,650	13,650

Note: The change in the above-mentioned period-end shareholding is due to the equity distribution implemented during the reporting period.

V. 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.

VI. Preferred Shares

□ Applicable ☑Not applicable

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

Section VII Bonds

□ Applicable ☑Not applicable

Section VIII Financial Report

I. Audit Report

Whether the Half Year Report has been audited

□ Yes ☑No

The Company's semi-annual 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, 2025

Unit: RMB

Item	Ending Balance	Beginning Balance
Current assets:		
Monetary funds	1,303,913,618.46	1,473,334,905.97
Deposit reservation for balance		
Lendings to banks and other financial institutions		
Trading financial assets	781,091,002.96	491,331,815.79
Derivative financial assets		
Notes receivable	372,725.58	165,450.00
Accounts receivable	528,788,174.89	519,014,337.89
Receivable financing		
Prepayments	24,706,043.33	26,561,472.98
Premiums receivable		
Reinsurance accounts receivable		
Reserves for reinsurance contract receivable		
Other receivables	29,543,091.46	41,144,121.16
Including: interest receivable		
Dividends receivable		
Buying back the sale of financial assets		
Inventories	355,595,477.00	335,306,397.14
Including: Data resources		
Contract assets	33,581.84	212,795.14
Held-for-sale assets		
Non-current assets due within one year	19,228,842.89	20,383,238.35
Other current assets	27,700,160.77	33,070,816.00

Total current assets	3,070,972,719.18	2,940,525,350.42
Non-current assets:		
Loans and advances to customers		
Debt investment	17,784,828.21	15,775,806.16
Other debt investment		
Long-term receivables	11,292,621.24	5,479,301.55
Long-term equity investment	29,216,116.25	28,982,092.23
Other equity instrument investments		
Other non-current financial assets		
Investment real estate	20,683,730.73	21,504,316.77
Fixed assets	599,912,936.02	535,337,384.82
Construction in progress	208,311,207.77	226,445,932.02
Productive biological assets		
Oil and gas assets		
Right-of-use assets	51,425,459.62	48,352,214.14
Intangible assets	99,754,444.05	99,844,396.80
Including: Data resources		
Development expenditures		
Including: Data resources		
Goodwill	510,213.32	512,337.25
Long-term deferred expenses	7,363,855.01	5,555,537.61
Deferred income tax assets	88,689,270.14	81,688,798.50
Other non-current assets	7,010,017.40	4,620,055.22
Total non-current assets	1,141,954,699.76	1,074,098,173.07
Total assets	4,212,927,418.94	4,014,623,523.49
Current liabilities:		
Short-term loan	74,552,050.16	
Borrowings from the Central Bank		
Borrowings from banks and other financial institutions		
Trading financial liabilities		
Derivative financial liabilities		
Notes payable	237,011,100.20	134,784,219.75
Accounts payable	205,803,262.63	225,414,642.83
Advances from customer		
Contract liabilities	76,175,981.93	71,168,318.91
Financial assets sold for repurchase		
Deposit from customers and interbank		
Acting trading securities		
Acting underwriting securities		
Payroll payable	48,810,658.14	53,990,974.31
Taxes payable	26,884,835.36	20,281,098.96
Other payables	57,377,148.21	45,821,035.19

Including: interest payable		
Dividends payable	556,900.00	
Handling charges and commissions payable		
Reinsurance accounts receivable		
Liabilities held for sale		
Non-current liabilities due within one year	25,880,992.79	22,822,648.87
Other current liabilities	6,573,319.05	12,060,579.96
Total current liabilities	759,069,348.47	586,343,518.78
Non-current liabilities:		
Reserves for insurance contracts		
Long-term loan	6,448,024.17	7,021,328.89
Bonds payable		
Including: preferred stock		
Perpetual bonds		
Lease liabilities	29,522,243.80	29,108,076.76
Long-term payables		
Long-term payroll payable		
Estimated liabilities		
Deferred income	1,386,722.80	1,420,041.44
Deferred income tax liabilities	12,867,934.19	12,730,094.50
Other non-current liabilities		
Total non-current liabilities	50,224,924.96	50,279,541.59
Total liabilities	809,294,273.43	636,623,060.37
Owner's equity:		
Share capital	235,351,550.00	196,312,325.00
Other equity instruments		
Including: preferred stock		
Perpetual bonds		
Capital reserve	2,055,085,307.45	2,107,323,633.23
Less: treasury stock	44,078,890.10	59,683,228.10
Other comprehensive income	53,004,940.98	41,914,807.74
Special reserve		
Surplus reserves	64,002,687.03	64,002,687.03
General risk reserves		
Undistributed profits	996,116,972.96	1,000,479,479.18
Total owner's equity attributable to the parent company	3,359,482,568.32	3,350,349,704.08
Minority interests	44,150,577.19	27,650,759.04
Total owner's equity	3,403,633,145.51	3,378,000,463.12
Total liabilities and owner's equity	4,212,927,418.94	4,014,623,523.49

Legal Representative: Jin Hairong Person in charge of the accounting work: Wang Youwu Person in charge of accounting institution: Xu Ping

2. Balance Sheet of Parent Company

Unit: RMB

Item	Ending Balance	Beginning Balance
Current assets:		
Monetary funds	539,590,409.29	824,570,527.22
Trading financial assets	373,988,305.97	71,072,880.32
Derivative financial assets		
Notes receivable	269,041.58	
Accounts receivable	459,860,056.83	516,437,060.81
Receivable financing		
Prepayments	10,878,603.40	10,439,376.39
Other receivables	42,533,705.23	28,468,054.40
Including: interest receivable	46,922.03	46,922.03
Dividends receivable	19,000,000.00	
Inventories	79,788,971.15	105,623,350.08
Including: Data resources		
Contract assets	13,563.73	192,777.03
Held-for-sale assets		
Non-current assets due within one year	363,648.16	339,420.08
Other current assets	1,663,242.63	4,922,632.78
Total current assets	1,508,949,547.97	1,562,066,079.11
Non-current assets:		
Debt investment	10,407,671.21	10,260,784.31
Other debt investment		
Long-term receivables	3,804,207.90	2,323,586.07
Long-term equity investment	1,390,028,530.81	1,360,368,042.33
Other equity instrument investments		
Other non-current financial assets		
Investment real estate		
Fixed assets	41,342,575.02	46,126,552.33
Construction in progress	116,956.35	
Productive biological assets		
Oil and gas assets		
Right-of-use assets	6,447,476.20	9,186,583.12
Intangible assets	30,111,064.29	31,838,535.17
Including: Data resources		
Development expenditures		
Including: Data resources		
Goodwill		
Long-term deferred expenses	3,025,290.38	3,048,841.86
Deferred income tax assets	52,298,538.85	49,639,639.95
Other non-current assets		589,955.22
Total non-current assets	1,537,582,311.01	1,513,382,520.36
Total assets	3,046,531,858.98	3,075,448,599.47

Current liabilities:		
Short-term loan		
Trading financial liabilities		
Derivative financial liabilities		
Notes payable	133,403,418.62	102,953,171.16
Accounts payable	108,355,841.50	109,367,315.26
Advances from customer		
Contract liabilities	22,036,832.59	27,371,907.92
Payroll payable	13,260,444.29	14,888,641.90
Taxes payable	2,842,967.40	2,599,023.91
Other payables	69,781,659.24	49,256,238.57
Including: interest payable		
Dividends payable	556,900.00	
Liabilities held for sale		
Non-current liabilities due within one year	4,203,496.15	5,620,355.31
Other current liabilities	4,292,589.72	9,674,292.24
Total current liabilities	358,177,249.51	321,730,946.27
Non-current liabilities:		
Long-term loan		
Bonds payable		
Including: preferred stock		
Perpetual bonds		
Lease liabilities	2,163,111.41	3,377,514.34
Long-term payables		
Long-term payroll payable		
Estimated liabilities		
Deferred income		11,365.24
Deferred income tax liabilities	3,264,039.81	3,443,841.43
Other non-current liabilities		
Total non-current liabilities	5,427,151.22	6,832,721.01
Total liabilities	363,604,400.73	328,563,667.28
Owner's equity:		
Share capital	235,351,550.00	196,312,325.00
Other equity instruments		
Including: preferred stock		
Perpetual bonds		
Capital reserve	2,068,126,094.36	2,116,684,780.13
Less: treasury stock	44,078,890.10	59,683,228.10
Other comprehensive income		
Special reserve		
Surplus reserves	63,911,390.54	63,911,390.54
Undistributed profits	359,617,313.45	429,659,664.62
Total owner's equity	2,682,927,458.25	2,746,884,932.19
Total liabilities and owner's equity	3,046,531,858.98	3,075,448,599.47

3. Consolidated Profit Statement

Unit: RMB

Item	Half Year of 2025	Half Year of 2024
I. Total operating revenue	929,258,759.50	903,103,158.77
Including: operating revenue	929,258,759.50	903,103,158.77
Interest income		
Premium earned		
Revenue from handling charges and commissions		
II. Total operating cost	810,404,715.03	824,250,410.31
Including: operating cost	454,165,899.16	456,172,112.83
Interest expenses		
Expenses from handling charges and commissions		
Surrender value		
Net payments for insurance claims		
Net provisions for reserves in insurance liability contracts		
Policy dividend expenses		
Reinsurance expenses		
Taxes and surcharges	12,100,939.14	13,044,317.00
Selling expenses	209,649,741.81	214,636,210.94
Administrative expenses	57,337,406.90	53,529,882.13
R&D expenses	104,067,183.21	105,650,008.20
Financial expenses	-26,916,455.19	-18,782,120.79
Including: interest expenses	1,322,384.38	1,576,340.90
Interest income	18,677,549.88	23,834,740.57
Plus: other income	6,937,337.84	8,367,842.99
Investment income (loss expressed with "-")	2,885,464.65	2,900,142.97
Including: income from investment in associates and joint ventures	1,265,201.27	989,323.74
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 "-")	7,977,831.68	4,288,802.32
Losses from credit impairment (loss expressed with "-")	-3,853,667.85	-771,004.22
Losses from impairment of assets (loss expressed with "-")	-9,329,887.04	-5,196,924.78

Gains from disposal of assets (loss expressed with "-")	141,757.67	-83,513.11
III. Operating profit (loss expressed with "-")	123,612,881.42	88,358,094.63
Plus: non-operating revenue	299,936.36	2,456,249.93
Less: non-operating expenditure	1,737,567.87	1,048,561.28
IV. Total profit (loss expressed with "-")	122,175,249.91	89,765,783.28
Less: income tax expenses	10,696,749.06	4,902,747.31
V. Net profit (loss expressed with "-")	111,478,500.85	84,863,035.97
(I) Classification by business continuity		
1. Net profit from continuing operations (net loss expressed with "-")	111,478,500.85	84,863,035.97
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 "-")	93,235,556.28	78,637,727.33
2. Minority shareholders' profit and loss (net loss expressed with "-")	18,242,944.57	6,225,308.64
VI. Other comprehensive income - after tax	13,551,797.73	-4,827,043.56
Net of tax of other comprehensive income attributable to the owner of the parent company	11,090,133.24	-5,722,101.19
(I) 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		
(II) Other comprehensive income that will be reclassified into profit or loss	11,090,133.24	-5,722,101.19
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	11,090,133.24	-5,722,101.19
7. Others		
After-tax net amount of other comprehensive income attributable to the minority shareholders	2,461,664.49	895,057.63

VII. Total comprehensive income	125,030,298.58	80,035,992.41
Total comprehensive income attributable to owners of the parent company	104,325,689.52	72,915,626.14
Total comprehensive income attributable to minority shareholders	20,704,609.06	7,120,366.27
VIII. EPS:		
(I) Basic EPS	0.3999	0.3386
(II) Diluted EPS	0.3996	0.3372

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 the accounting work: Wang Youwu Person in charge of accounting institution: Xu Ping

4. Parent Company's Profit Statement

Unit: RMB

Item	Half Year of 2025	Half Year of 2024
I. Operating revenue	399,608,284.19	647,819,547.32
Less: operating cost	274,399,587.13	496,879,095.81
Taxes and surcharges	1,725,090.87	3,255,592.42
Selling expenses	63,003,265.18	73,667,450.00
Administrative expenses	23,491,068.76	24,735,982.08
R&D expenses	39,065,003.66	62,060,996.17
Financial expenses	-11,249,381.24	-17,528,945.14
Including: interest expenses	151,110.67	278,823.58
Interest income	9,565,323.02	13,097,924.13
Plus: other income	1,698,822.06	1,415,280.88
Investment income (loss expressed with "-")	20,211,693.27	16,051,868.96
Including: income from investment in associates and joint ventures	44,575.58	
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 "-")	2,501,228.42	452,371.07
Losses from credit impairment (loss expressed with "-")	-7,683,700.45	-2,701,198.72
Losses from impairment of assets (loss expressed with "-")	-868,834.34	-6,694,294.85
Gains from disposal of assets (loss expressed with "-")	-48,176.51	-92,272.68
II. Operating profit (loss expressed with "-")	24,984,682.28	13,181,130.64
Plus: non-operating revenue	134,172.76	2,032,935.23
Less: non-operating expenditure	408,366.76	126,963.88
III. Total profits (total losses expressed	24,710,488.28	15,087,101.99

with "-")		
Less: income tax expenses	-2,845,223.05	-5,893,764.58
IV. Net profit (net loss expressed with "-")	27,555,711.33	20,980,866.57
(I) Net profit from continuing operations (net loss expressed with "-")	27,555,711.33	20,980,866.57
(II) Net profit from discontinued operations (net loss expressed with "-")		
V. Net of tax of other comprehensive income		
(I) 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		
(II) 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	27,555,711.33	20,980,866.57
VII. EPS:		
(I) Basic EPS		
(II) Diluted EPS		

5. Consolidated Cash Flow Statement

Unit: RMB

Item	Half Year of 2025	Half Year of 2024
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	972,536,504.27	987,598,999.46
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	54,248,297.48	38,702,440.49
Cash received from other operating activities	79,222,721.97	42,692,501.49
Subtotal of cash inflows from operating activities	1,106,007,523.72	1,068,993,941.44
Cash paid for purchase of goods and rendering of services	422,815,870.66	513,173,787.14
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	269,063,841.06	289,353,780.70
Payments of all types of taxes	40,252,008.01	50,283,470.29
Other cash payments relating to operating activities	204,692,650.43	149,550,581.46
Subtotal of cash outflows from operating activities	936,824,370.16	1,002,361,619.59
Net cash flows from operating activities	169,183,153.56	66,632,321.85
II. Cash flows from investing activities:		
Cash received from disinvestment	934,811,362.57	522,835,114.48
Cash received from investment income	4,289,144.22	3,280,492.40
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	81,406.35	64,151.25
Net cash received from disposal of subsidiaries and other business units		
Cash received from other investing activities	285,803.23	68,155.00
Subtotal of cash inflows from investing activities	939,467,716.37	526,247,913.13
Cash paid to acquire and construct fixed assets, intangible assets and other long-	79,189,512.48	122,974,400.98

term assets		
Cash paid for investments	1,315,253,169.16	649,403,947.08
Net increase in pledge loans		
Net cash paid to acquire subsidiaries and other business units		
Cash paid for other investing activities		
Subtotal of cash outflows from investing activities	1,394,442,681.64	772,378,348.06
Net cash flows from investing activities	-454,974,965.27	-246,130,434.93
III. Cash flows from financing activities:		
Cash received from investors	981,714.84	
Including: cash received by subsidiaries from the absorption of minority shareholders' investments	981,714.84	
Cash received from borrowings		
Cash received from other financing activities	89,309,900.16	3,512,381.80
Subtotal of cash inflows from financing activities	90,291,615.00	3,512,381.80
Cash paid for debt repayments	524,174.15	494,458.32
Cash paid for distribution of dividends and profits or payment of interest	104,321,613.66	97,339,032.69
Including: dividends and profits paid to minority shareholders by subsidiaries	8,902,314.29	10,655,807.14
Cash paid for other financing activities	15,293,492.76	78,886,895.58
Subtotal of cash outflows from financing activities	120,139,280.57	176,720,386.59
Net cash flows from financing activities	-29,847,665.57	-173,208,004.79
IV. Effect of exchange rate changes on cash and cash equivalents	5,463,575.55	2,155,653.57
V. Net increase in cash and cash equivalents	-310,175,901.73	-350,550,464.30
Plus: beginning balance of cash and cash equivalents	1,214,344,327.43	1,317,020,553.02
VI. Closing balance of cash and cash equivalents	904,168,425.70	966,470,088.72

6. Cash Flow Statement of Parent Company

Unit: RMB

Item	Half Year of 2025	Half Year of 2024
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	415,337,253.75	686,692,249.18
Refund of taxes and surcharges	25,222,229.18	20,889,299.35
Cash received from other operating activities	72,727,351.01	55,574,317.42
Subtotal of cash inflows from operating activities	513,286,833.94	763,155,865.95
Cash paid for purchase of goods and rendering of services	170,338,570.68	454,533,033.49
Cash paid to and for employees	77,341,779.52	118,642,728.71
Payments of all types of taxes	6,065,323.29	3,888,977.04
Other cash payments relating to operating activities	132,304,972.21	112,488,304.96

Subtotal of cash outflows from operating activities	386,050,645.70	689,553,044.20
Net cash flows from operating activities	127,236,188.24	73,602,821.75
II. Cash flows from investing activities:		
Cash received from disinvestment	681,413,782.78	30,000,000.00
Cash received from investment income	1,915,897.25	9,155,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	1,974,486.44	3,535.05
Net cash received from disposal of subsidiaries and other business units		
Cash received from other investing activities	285,803.23	68,155.00
Subtotal of cash inflows from investing activities	685,589,969.70	39,226,690.05
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	1,297,573.72	15,884,167.26
Cash paid for investments	1,081,583,640.72	215,070,884.43
Net cash paid to acquire subsidiaries and other business units		
Cash paid for other investing activities		
Subtotal of cash outflows from investing activities	1,082,881,214.44	230,955,051.69
Net cash flows from investing activities	-397,291,244.74	-191,728,361.64
III. Cash flows from financing activities:		
Cash received from investors		
Cash received from borrowings		
Cash received from other financing activities	14,757,850.00	
Subtotal of cash inflows from financing activities	14,757,850.00	
Cash paid for debt repayments		
Cash paid for distribution of dividends and profits or payment of interest	95,340,047.50	86,602,278.60
Cash paid for other financing activities	3,153,682.13	63,228,099.14
Subtotal of cash outflows from financing activities	98,493,729.63	149,830,377.74
Net cash flows from financing activities	-83,735,879.63	-149,830,377.74
IV. Effect of exchange rate changes on cash and cash equivalents	1,588,106.03	3,239,301.33
V. Net increase in cash and cash equivalents	-352,202,830.10	-264,716,616.30
Plus: beginning balance of cash and cash equivalents	688,934,703.03	875,420,293.96
VI. Closing balance of cash and cash equivalents	336,731,872.93	610,703,677.66

7. Consolidated Statement of Changes in Equity

Amount in current period

Unit: RMB

Item	Half Year of 2025														
	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											
I. Ending balance of previous year	196,312,325.00				2,107,323,633.23	59,683,228.10	41,914,807.74		64,002,687.03		1,000,479,479.18		3,350,349,704.08	27,650,759.04	3,378,000,463.12
Plus: changes in accounting policies															
Corrections of prior period errors															
Others															
II. Beginning balance of this year	196,312,325.00	0.00	0.00	0.00	2,107,323,633.23	59,683,228.10	41,914,807.74	0.00	64,002,687.03	0.00	1,000,479,479.18	0.00	3,350,349,704.08	27,650,759.04	3,378,000,463.12
III. Amount increase/decrease of the current period (decrease expressed with "-")	39,039,225.00				-52,238,325.78	-15,604,338.00	11,090,133.24				-4,362,506.22		9,132,864.24	16,499,818.15	25,632,682.39
(I) Total comprehensive income							11,090,133.24				93,235,556.28		104,325,689.52	20,704,609.06	125,030,298.58
(II) Capital invested and reduced by the owners					-13,199,100.78	-15,604,338.00							2,405,237.22	4,697,523.38	7,102,760.60

1. Common stock contributed by owners														981,714.84	981,714.84
2. Capital invested by holders of other equity instruments															
3. Amount of share-based payments recognized in equity					5,569,086.64								5,569,086.64	4,216.32	5,573,302.96
4. Others					-18,768,187.42	-15,604,338.00							-3,163,849.42	3,711,592.22	547,742.80
(III) Profit distribution											-97,598,062.50		-97,598,062.50	-8,902,314.29	-106,500,376.79
1. Surplus reserves withdrawal															
2. Withdrawal of general risk preparation															
3. Distribution to owners (or shareholders)											-97,598,062.50		-97,598,062.50	-8,902,314.29	-106,500,376.79
4. Others													0.00		0.00
(IV) Internal carryover of owner's equity	39,039,225.00				-39,039,225.00								0.00		0.00
1. Capital surplus transfer to capital (or equity capital)	39,039,225.00				-39,039,225.00								0.00		0.00

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															
2. Use in the current period															
(VI) Others													0.00		0.00
IV. Ending balance of current period	235,351,550.00				2,055,085,307.45	44,078,890.10	53,004,940.98		64,002,687.03		996,116,972.96		3,359,482,568.32	44,150,577.19	3,403,633,145.51

Amount of previous year

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											
I.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							-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		-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		60,455,422.50		899,618,473.11		3,200,457,211.25	28,840,194.10	3,229,297,405.35

8. Statement of Changes in Equity of the Parent Company

Amount in current period

Unit: RMB

Item	Half Year of 2025											
	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	Perpetual	Others								

		stock	bonds									
I. Ending balance of previous year	196,312,325.00				2,116,684,780.13	59,683,228.10			63,911,390.54	429,659,664.62		2,746,884,932.19
Plus: changes in accounting policies												
Corrections of prior period errors												
Others												
II. Beginning balance of this year	196,312,325.00				2,116,684,780.13	59,683,228.10			63,911,390.54	429,659,664.62		2,746,884,932.19
III. Amount increase/decrease of the current period (decrease expressed with "-")	39,039,225.00				-48,558,685.77	-15,604,338.00				-70,042,351.17		-63,957,473.94
(I) Total comprehensive income										27,555,711.33		27,555,711.33
(II) Capital invested and reduced by the owners					-9,519,460.77	-15,604,338.00						6,084,877.23
1. Common stock contributed by owners												
2. Capital invested by holders of other equity instruments												
3. Amount of					5,527,977.23							5,527,977.23

share-based payments recognized in equity												
4. Others					-15,047,438.00	-15,604,338.00						556,900.00
(III) Profit distribution										-97,598,062.50		-97,598,062.50
1. Surplus reserves withdrawal												
2. Distribution to owners (or shareholders)										-97,598,062.50		-97,598,062.50
3. Others												
(IV) Internal carryover of owner's equity	39,039,225.00				-39,039,225.00							0.00
1. Capital surplus transfer to capital (or equity capital)	39,039,225.00				-39,039,225.00							0.00
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												
2. Use in the current period												
(VI) Others												
IV. Ending balance of current period	235,351,550.00				2,068,126,094.36	44,078,890.10			63,911,390.54	359,617,313.45		2,682,927,458.25

Amount1 of previous 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								
I. 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					6,573,698.77	58,898,528.10				-65,621,412.03		-117,946,241.36

period (decrease expressed with "-")												
(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												
2. Distribution to owners (or shareholders)										-86,602,278.60		-86,602,278.60
3. 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				2,091,772,687.38	59,683,228.10			60,364,126.01	418,715,150.40		2,705,848,243.69

III. Basic Information of the Company

ZKTECO CO., LTD. (hereinafter referred to as "the Company" or "Company"), formerly known as Dongguan Zhongkong Electronic Technology Co., Ltd., was established on December 14, 2007 by Che Jun and Che Quanhong, with registration number 441900000160222 and registered capital of RMB 5,000,000.00 at the time of establishment. Approved by the Dongguan Administration for Market Regulation, the Company obtained the "Business License" with a unified social credit code of 914419006698651618 on July 14, 2016. 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, 2025, the Company has issued a total of 235,351,550 shares of share capital after years of converting into share capital and issuing new shares, with a registered capital of RMB 235,351,550. 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.

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.

IV. Preparation Basis for Financial Statements

1. Basis of preparation

The Financial Statements of the Company are prepared on the basis of the going-concern assumption, in accordance with actual transactions and events, and complying with the Accounting Standards for Enterprises - Basic Standards, various specific accounting standards, application guides of accounting standards for business enterprises, interpretation of accounting standards for business enterprises and disclosure rules of other relevant provisions (hereinafter refer to "Accounting Standards for Enterprises") issued by the Ministry of Finance, as well as the disclosure rules 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 the China Securities Regulatory Commission.

2. Going concern

The Company has no events or circumstances that cause material doubts about the going-concern assumption within 12 months from the end of the reporting period.

V. Important Accounting Policies and Estimates

Tips of specific accounting policies and estimates:

The Company and its subsidiaries have, based on their actual production and operation characteristics and in accordance with the relevant provisions of the Accounting Standards for Enterprises, designated several specific accounting policies and accounting estimates for transactions and events such as revenue recognition, depreciation of fixed assets, and amortization of intangible assets.

For specific accounting policies, please refer to the relevant explanations in Section V(34), Section V(23), Section V(26), etc. of this chapter.

1. Declaration of compliance with Accounting Standards for Business Enterprises

The financial statements prepared by the Company meet the requirements of the Accounting Standards for Enterprises, and authentically and completely reflect financial position, business performance, cash flow and other relative information on the Company.

2. Accounting period

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

3. Operating cycle

The normal operating cycle refers to the period from the time when the Company purchases the assets for processing to the time when the cash or cash equivalents are realized. The Company takes 12 months as its operating cycle and adopts it as its liquidity division criteria for assets and liabilities.

4. Recording currency

Renminbi is adopted as the recording currency of the Company and the domestic subsidiaries. Overseas subsidiaries of the Company 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.

The Company's financial statements are prepared by using RMB as currency.

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

6. Accounting treatment methods of business merger under the common control and merger under different control

Business combination refers to the transactions or events which merger two or more than two separate businesses into one reporting entity. Business combination involves entities under common control and not under common control.

(1) Accounting treatment methods for merger of enterprises under the same 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.

In a business combination, the assets and liabilities of the combined party, except for adjustments made due to differences in accounting policies, shall be measured at their book values as reflected in the consolidated financial statements of the ultimate controller on the combination date. The difference between the share of the book value of the owner's equity of the combined party in the consolidated financial statements of the ultimate controller and the book value of the consideration paid for the consolidation (or the total par value of the shares issued) shall be adjusted to the capital reserve; if the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

When a business combination under common control is achieved through multiple transactions in steps, the difference between the sum of the book value of the investment held before the combination and the book value of the new consideration paid on the combination date and the book value of the net assets acquired in the combination shall be adjusted to the capital reserve (share premium). If the capital reserve is insufficient to offset the difference, the retained earnings shall be adjusted. For the long-term equity investment held by the combining party before obtaining control of the combined party, the gains or losses, other comprehensive income and other changes in owners' equity are recognized from the later date of the date on which the original equity was obtained and the date on which both the combining party and the combined party were under the ultimate control of the same party until the combination date. The opening retained earnings or current income or loss of the comparative reporting period shall be offset respectively, except for other comprehensive income from the remeasurement of the net liability or net asset of the defined benefit plan of the investee.

(2) Accounting treatment methods for merger under different 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.

The difference between the merger cost and the fair value of the identifiable net assets obtained from the acquiree on the date of acquisition is recognized as goodwill by the Company. The acquirer shall treat the balance between the combination costs and the fair values of the identifiable net assets it obtains from the acquiree: it shall firstly reexamine the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquiree as well as the combination costs; and if, after the reexamination, the combination costs are still less than the fair values of the identifiable net assets it obtains from the acquiree, it shall record the difference into the current profits and losses.

If, on the date of acquisition or at the end of the consolidation period, due to various factors, it is impossible to reasonably determine the fair value of each asset paid as the consolidation consideration, or the fair value of each identifiable asset and liability obtained from the acquiree in the consolidation, the Company will account for the business combination based on temporarily determined values at the end of the consolidation period. If further information is obtained within 12 months from the date of acquisition indicating that the originally provisionally determined value needs to be adjusted, it shall be treated as if it occurred on the date of acquisition, and retroactive adjustments shall be made. At the same time, relevant adjustments shall be made to the comparative statement information provided on the basis of the provisional value. Adjustments to the cost of the business combination or the value of identifiable assets and liabilities acquired in the combination made after 12 months from the date of acquisition shall be handled in accordance with the principles set forth in "Accounting Standards for Enterprises No. 28 - Explanation of Changes in Accounting Policies, Accounting Estimates and Corrections of Errors".

The deductible temporary differences of the acquiree obtained by the Company in a business combination that do not meet the recognition conditions for deferred income tax assets on the date of acquisition shall not be recognized. Within 12 months after the date of acquisition, if new or further information is obtained indicating that the relevant circumstances on the date of acquisition already existed and it is expected that the economic benefits brought by the deductible temporary differences of the acquiree on the date of acquisition can be realized, the related deferred income tax assets shall be recognized, and at the same time, the goodwill shall be reduced. If the goodwill is insufficient to offset, the difference shall be recognized as current income or loss. Except for above situations, the deferred income tax assets recognized to be related to the business combination shall be included in current profits and losses.

For a merger under different control that is achieved through multiple transactions in steps, it shall be determined in accordance with the Accounting Standards for Enterprises whether such multiple transactions constitute a "package deal". The terms, conditions and economic impact of multiple transactions meet one or more of the following situations, which typically indicate that the multiple transaction matters should 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 transaction belongs to a "package deal", each transaction shall be treated as a transaction to obtain control for accounting treatment. If the transaction is not a "package deal", the equity in the acquiree held before the date of acquisition in the consolidated financial statements shall be remeasured at its fair value as of the date of acquisition, and the difference between the fair value and the book value shall be recognized in the current investment income or retained earnings. The portion of equity in the acquiree held before the date of acquisition involving other comprehensive income and other changes in the owner' equity shall be converted into the current income on the date of acquisition, except for other comprehensive income from the remeasurement of the net liability or net asset of the defined benefit plan of the investee.

(3) Treatment of transaction costs in business combinations

The agency fees and other related administrative expenses of the auditing, legal services, assessment consulting incurred for the business combination shall be included in current profits and losses when incurred. The transaction costs of the equity securities or debt securities as consideration for the merger shall be included in the initial recognition amount of the equity securities or debt securities.

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

(1) Judgment criteria for control and consolidation scope

The scope of consolidation of the consolidated financial statement is determined by whether the Company has the power to control over other entities. Control refers to the control power of the Company over the investee. Through the control, the Company can obtain variable return by participating in relevant activities of the investee and can affect the return amount by using the control power over the investee. The scope of consolidation includes the Company and its subsidiaries. A subsidiary refers to an entity (including enterprises, separable parts of an investee, structured entities, etc.) that is controlled by the Company.

(2) Preparation methods for consolidated statements

The Company prepares consolidated 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 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 the consolidated statement of changes in 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.

During the reporting period, subsidiaries and businesses added due to the merger of enterprises under the same control are treated as having been included in the Company's consolidation scope since the date they were under the control of the ultimate controller. Their operating results and cash flows since that date are respectively incorporated into the consolidated income statement and consolidated cash flow statement. During the reporting period, the opening balances of the consolidated balance sheet are adjusted simultaneously, and the relevant items of the comparative statements are also adjusted. This is treated as if the consolidated statement entity had existed since the time when the ultimate controller began to exercise control.

In the current period, if a subsidiary is added due to a merger under different control, the opening balance of the consolidated balance sheet shall not be adjusted; Adjustments shall be made to the financial statements according to the fair values of the identifiable assets on the date of acquisition. the income, expenses, and profits of subsidiaries from the date of acquisition to the end of the reporting period are incorporated into the consolidated income statement; the cash flows of subsidiaries from the date of acquisition to the end of the reporting period are included in the consolidated cash flow statement.

The minority shareholders' equity, profit or loss and current comprehensive income of subsidiaries shall be separately presented under the owner's equity items in the consolidated balance sheet, the net profit item in the consolidated income statement and the total comprehensive income item respectively. 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.

(3) Partial disposal of subsidiary equity in the acquisition of minority shareholders' equity without loss of control

For the difference between the newly increased long-term equity investment from the acquisition of minority equity of the Company and the share of net assets in subsidiaries calculated constantly from the date of acquisition or the combination date as per the newly increased equity ratio, as well as the difference between the disposal price obtained from the partial disposal of equity investment in subsidiaries without loss of control 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.

(4) Disposal of subsidiary equity with loss of control

In the current period, if the Company disposed of a subsidiary, the income, expenses and profits of the subsidiary from the beginning of the period to the disposal date were included in the consolidated income statement; the cash flow of the subsidiary 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 original subsidiary 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 date of acquisition 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. While losing of the control right, other comprehensive income related to the equity investment of the original subsidiary shall be subject to the accounting treatment (i.e. except for the changes caused by the original subsidiary remeasuring the net liabilities or net assets outside the defined benefit plan, the rest shall be converted to the current investment income together) by adopting the same basis used by acquiree for direct disposal of relevant assets or liabilities. Thereafter, the follow-up measurement for the remaining equity in this portion shall be carried out according to the Accounting Standards for Enterprises No. 2 - Long-term Equity Investments, or Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments and other related provisions. Refer to "Important Accounting Policies and Estimates - Long-term Equity Investments" or "Important Accounting Policies and Estimates - Financial Instruments" for details.

(5) Treatment of step-by-step disposal of equity investment in subsidiaries until control is lost

Where the Company disposes the equity of the subsidiaries through several transactions by steps until it loses the right of control, it is necessary to distinguish whether all transactions for disposal of the equity of the subsidiaries and losing the right of control are the package deal.

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.

For these transactions not belonging to package deal, the accounting treatment for each transaction shall be conducted in accordance with the applicable principles of "Disposal of Partial Long-Term Equity Investment to Subsidiary under the Condition of Not Losing Control Right" and "Losing Control Right over the Original Subsidiary due to Disposal of Partial Equity Investment or Other Reasons" (see previous paragraph for details). That is, before losing control, the difference between each disposal price and the share of the book value of the net asset of the subsidiary continuously calculated from the date of acquisition corresponding to the disposed investment shall be treated as an equity transaction and recorded in capital reserve (share premium). It shall not be transferred to the profit or loss of the period when control is lost.

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

A joint venture arrangement is an arrangement jointly controlled by two or more participants. The Company classifies joint venture arrangements as joint operations or joint ventures based on the rights and obligations it enjoys and assumes in the joint venture arrangements.

A joint venture refers to a joint venture arrangement in which the Company has rights only to the net assets of the arrangement. The Company accounts for its investment in the joint venture using the equity method, in accordance with the accounting policies for "Long-term equity investment calculated by using the equity method" as described in the section "Important Accounting Policies and Estimates - Long-term Equity Investments".

Joint operation refers to the joint venture arrangement in which the Company enjoys the assets related to the arrangement and undertakes the liabilities related to the arrangement. 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) The Company shall recognize the assets held alone and the jointly held assets according to the Company's share;

(2) The Company shall recognize the liabilities borne alone and the jointly borne assets according to the Company's share;

(3) Recognize the income generated by the sale of the Company's share of joint operating output;

(4) Recognize the income generated by the sale of output in the joint operation according to the Company's share;

(5) Recognize the expenses incurred separately and the expenses incurred in joint operation according to the Company's share.

When the Company, as a joint venture, contributes or sells assets to a joint operation (such assets do not constitute a business, the same below) or purchases assets from a joint operation, before such assets are sold to a third party, the Company only recognizes the portion of the gains or losses arising from such transactions that belong to the other participating parties of the joint operation. In the event that such assets suffer impairment losses in accordance with the provisions of "Accounting Standards for Enterprises No. 8 - Asset Impairment" and other relevant regulations, for the situation where the Company invests or sells assets to a joint operation, the Company shall fully recognize the loss. For the situation where the Company purchases assets from the joint operation, the Company recognizes the loss based on its share of the undertaking.

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. Cash equivalents refer to investments held by enterprises with short term (generally due within 3 months from the date of acquisition), strong liquidity, easy conversion to a known amount of cash, and small risk of value change.

10. Foreign currency transactions and foreign currency statement translation

(1) Foreign currency transaction

For foreign currency transactions that occur, the spot exchange rate on the transaction date (usually referring to the middle rate of the foreign exchange rate announced by the People's Bank of China on that day, the same below) is used to convert them into the recording currency for accounting purposes. However, for foreign currency exchange transactions or transactions involving foreign currency exchange that occur within the Company, they should be converted into the amount of the recording currency based on the actual exchange rate adopted.

(2) Translation methods of foreign currency monetary items and non-monetary items

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: 1) 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; 2) The exchange differences of hedging instruments used for effective hedging of net investments in foreign operations (such differences are included in other comprehensive income and are recognized in profit or loss only when the net investment is disposed of); and 3) The exchange differences arising from the changes in the book balances other than the amortized cost of foreign currency monetary items measured at fair value with changes recognized in other comprehensive income, which shall be included in current profits and losses.

Non-monetary items denominated in foreign currencies and translated at the balance sheet date are still measured at historical costs using the spot exchange rates at the date of the transactions. 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 included in current profits and losses or other comprehensive income.

(3) Foreign currency statement translation

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 undistributed profits at the beginning of the year are the undistributed profits at the end of the previous year after conversion. the undistributed profits at the end of the year are calculated and presented based on the converted profit distribution items. The translation differences of foreign currency financial statements from conversion with the method mentioned above are reflected in "Other comprehensive income" under the shareholders' equity item on the balance sheet. When disposing of overseas operation and losing the control, it is required to transfer the differences in foreign currency statement translation listed under the shareholders' equity in the balance sheet and related to the overseas operation completely or as per the proportion of disposal of such overseas operation into the current profits and losses. 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.

The cash flow statement is translated at the average exchange rate of the period in which the cash flows occur. The impact of exchange rate changes on cash is taken as a reconciliation item, and the item "impact of exchange rate changes on cash and cash equivalents" is separately presented in the Statement of Cash Flows.

11. Financial instruments

Financial instruments refer to contracts that create a financial asset for one party and a financial liability or an equity instrument for another party. Financial instruments include financial assets, financial liabilities and equity instruments.

(1) Classification, recognition basis and measurement method of financial instruments

Recognition and initial measurement of financial assets and financial liabilities

A financial asset or financial liability is recognized when the Company becomes a party to a financial instrument contract. For the purchase of financial assets in the conventional way, the Company recognizes the assets to be received and the liabilities to be assumed on the trading day.

Financial assets and financial liabilities are measured at fair value at initial recognition. For financial assets measured at fair value and whose changes are included in the current profits and losses, transaction costs shall be directly included in current profits and losses. For financial assets and financial liabilities classified into other categories, transaction costs shall be included into the initial recognized amounts. For accounts receivable that do not have a significant financing component at initial recognition, they are initially measured at the transaction price determined in accordance with the revenue recognition method described in the "Important Accounting Policies and Estimates - Revenue".

2) Classification and subsequent measurement of financial assets

According to the business model of the financial assets under management and the contractual cash flow characteristics of the financial assets, the Company divides the financial assets into three categories: financial assets measured at the amortized cost, financial assets measured at fair value and whose changes are included in other comprehensive income, and financial assets measured at fair value and whose changes are included in the current profits and losses.

① Financial assets measured at the amortized cost

Financial assets measured at the amortized cost refer to financial assets that simultaneously meet the following conditions: The business model of the Company in managing such financial assets is aimed at collecting contractual cash flows; the contract terms of the financial asset provide that the only cash flows generated on a particular date are payments of principal and interest based on the principal amount outstanding.

This type of financial asset is measured at the amortized cost using the effective interest rate method after initial recognition. Any gains or losses arising therefrom are included in current profits and losses upon derecognition, amortization in accordance with the effective interest rate method, or impairment recognition.

The amortized cost of a financial asset shall be determined by adjusting the initial recognition amount of the financial asset as follows: deducting the principal repaid; plus or minus the accumulated amortization amount formed by amortizing the difference between the initial recognition amount and the maturity amount using the effective interest rate method; deducting the accumulated loss provisions.

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, the Company estimates 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 does not consider expected credit losses.

The interest income is calculated and determined by multiplying the book balance of the financial asset by the effective interest rate by the Company, except for the following circumstances: For the purchased or originated financial asset with credit impairment, the interest income is calculated and determined according to the amortized cost of the financial asset and the effective interest rate after credit adjustment from the initial recognition. 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 according to the amortized cost and the effective interest rate of the financial asset. If the credit risk of the financial instrument improves in subsequent periods and no longer has credit impairment, and this improvement can be objectively linked to an event that occurs after the application of the above provisions, interest income shall be determined by multiplying the actual interest rate by the book balance of the financial asset.

② Financial assets measured at fair value and whose changes are included in other comprehensive income

Financial assets measured at fair value and whose changes are included in other comprehensive income refer to the financial assets that simultaneously meet the following conditions: ① The financial asset is managed by the Company within a business model whose objective is both to collect the contractual cash flows and to sell the financial asset. ② The contractual terms of the financial asset provide that the only cash flows generated on a particular date are payments of principal and interest based on the principal amount outstanding.

This type of financial asset is subsequently measured at fair value after initial recognition. Interest, impairment losses or gains and exchange gains and losses calculated using the effective interest rate method are included in current profits and losses, while other gains or losses are included in other comprehensive income. At the derecognition, the accumulated gains or losses previously included in other comprehensive incomes are transferred and included in current profits and losses.

For non-trading equity instrument investments, the Company may irrevocably designate them as financial assets measured at fair value and whose changes are included in other comprehensive income at initial recognition. This designation is made on the basis of a single non-trading equity instrument investment, and the relevant investment conforms to the definition of an equity instrument from the perspective of the issuer of the instrument. Such investments, after their initial designation, have all gains or losses (including exchange gains and losses) other than dividends received that are included in current profits and losses (except for the portion that represents the recovery of the investment cost) included in other comprehensive income. At the derecognition, the accumulated profits and losses previously included in other comprehensive incomes are transferred from there to the retained earnings.

③ Financial assets measured at fair value and whose changes are included in the current profits and losses

Financial assets other than above ① and ② are classified by the Company as financial assets measured at fair value and whose changes are included in the current profits and losses. At the time of initial recognition, the Company may irrevocably designate certain financial assets as financial assets measured at fair value and whose changes are included in the current profits and losses in order to eliminate or significantly reduce accounting mismatch. Where the contingent consideration recognized by the Company in a business combination not under the same control constitutes a financial asset, the financial asset shall be classified as a financial asset measured at fair value and whose changes are included in the current profits and losses.

This type of financial asset is subsequently measured at fair value after initial recognition, and the gains or losses are included in current profits and losses.

3) Classification and subsequent measurement of financial liabilities

The Company classifies financial liabilities into financial liabilities measured at fair value and whose changes are included in the current profits and losses, financial liabilities arising from the transfer of financial assets where the conditions for derecognition are not met or where the Company continues to be involved in the transferred financial assets, financial guarantee contracts, and financial liabilities measured at amortized costs.

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

Financial liabilities measured at fair value and whose changes are included in the current profits and losses include trading financial liabilities (including derivatives belonging to financial liabilities) and financial liabilities designated at fair value with changes included in current profits and losses. In a business combination not under common control, if the Company, as the acquirer, recognizes contingent consideration as a financial liability, such financial liability shall be accounted for at fair value with changes included in current profits and losses.

Financial liabilities measured at fair value and whose changes are included in the current profits and losses are subsequently measured at fair value after initial recognition, and the resulting gains or losses are included in current profits and losses.

The changes in the fair value of financial liabilities measured at fair value and whose changes are included in the current profits and losses due to changes in the Company's own credit risk are included in other comprehensive income, unless such treatment would cause or increase an accounting mismatch in profit or loss. Other changes in fair value of the financial liabilities are included in current profits and losses. At the derecognition, the accumulated profits and losses previously included in other comprehensive incomes are transferred from there to the retained earnings.

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.

This type of financial liabilities is measured in accordance with the method described in "Recognition basis and measurement method of financial asset transfer" of the "Important Accounting Policies and Estimates - Financial Instruments".

③ Financial guarantee contract

A financial guarantee contract refers to a contract in which the Company 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 fall under either of the above circumstances ① or ② shall be subsequently measured after initial recognition at the higher of the following two amounts: the loss allowance amount determined in accordance with the "Impairment of Financial Instruments" in the "Important Accounting Policies and Estimates - Financial Instruments"; the balance after deducting the accumulated amortization amount determined in accordance with the revenue recognition method described in the "Important Accounting Policies and Estimates - Revenue" from the initial recognition amount.

④ Financial liabilities measured at amortized costs

Except for the situations described in ①, ② and ③ above, the Company classifies all other financial liabilities as financial liabilities measured at amortized costs.

This type of financial liabilities is measured at the amortized cost using the effective interest rate method after initial recognition. Any gains or losses arising therefrom are included in current profits and losses upon derecognition or amortization in accordance with the effective interest rate method.

4) Equity instruments

Equity instrument refers to a contract that can prove that the Company has the remaining equity in the assets after deducting all liabilities. The Company's issuance (including refinancing), repurchase, sale or cancellation of equity instruments shall be treated as changes in equity. Transaction costs related to equity transactions are deducted from equity. Any distribution of interests (exclusive of dividends) paid to equity holders by the Company is deducted from shareholders' equity. The Company does not recognize changes in the fair value of equity instruments.

(2) Recognition basis and measurement method for transfer of financial assets

The transfer of financial assets refers to the act of the Company assigning or delivering financial assets (or their cash flows) to a party other than the issuer of such financial assets. The derecognition of financial assets refers to the removal of previously recognized financial assets from the Company's balance sheet.

Financial assets that meet one of the following conditions shall be derecognized by the Company: 1) The contractual right to receive the cash flow of the financial asset is terminated; 2) The financial asset has been transferred, and almost all risks and rewards of the ownership of the financial asset have been transferred to the transferee; 3) The financial asset has been transferred. Although the Company has neither transferred nor retained almost all the risks and rewards of the ownership of the financial asset, it has given up control of the financial asset.

If the Company neither transfers nor retains almost all the risks and rewards of the ownership of financial assets, and does not give a control of the financial assets, the relevant financial assets shall be recognized according to the degree of continued involvement in the transferred financial assets, and the relevant liabilities shall be recognized accordingly. The degree of continued involvement in the transferred financial assets refers to the level of risk faced by the enterprise due to changes in the value of the financial assets.

If the entire transfer satisfies the derecognition criteria, the difference between the following amounts 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. Where the partial transfer of financial assets meets the conditions for derecognition, the book value of the transferred financial assets as a whole shall be apportioned between the derecognized part and the non-derecognized part according to their respective relative fair values, 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. For non-trading equity instruments designated by the Company as measured at fair value with changes included in other comprehensive income, if the transfer of the entire or part of such instruments meets the conditions for derecognition, the difference calculated by the above method shall be included in retained earnings.

(3) Conditions for derecognition of financial liabilities

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 by the Company. When the Company (the borrower) enters into an agreement with the lender to replace an existing financial liability with a new one, and the contract terms of the new financial liability are substantially different from those of the original one, the original financial liability shall be derecognized and a new financial liability shall be recognized simultaneously. When the Company makes substantive modifications to the contract terms of the original financial liability (or a portion thereof), it derecognizes the original financial liability and simultaneously recognizes a new financial liability in accordance with the modified terms.

Where a financial liability (or part thereof) is derecognized, the Company shall include the difference between its book value and the consideration paid (including non-cash assets transferred out or liabilities assumed) 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) Determination of fair value of financial instruments

The methods for determining the fair value of financial assets and financial liabilities are described in the "Important Accounting Policies and Estimates - Fair Value".

(5) Impairment of financial instruments

The Company performs impairment and recognizes loss provisions on financial assets measured at the amortized cost, contract assets, debt instrument investments measured at fair value with changes recognized in other comprehensive income, lease receivables, and financial guarantee contracts as described in "Classification and subsequent measurement of financial liabilities" of the "Important Accounting Policies and Estimates - Financial Instruments", based on expected credit losses. 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.

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.

For receivables or contract assets that do not contain significant financing components and are generated in transactions as specified in the "Accounting Standards for Enterprises No. 14 - Revenue", the Company uses a simplified measurement method to measure loss preparations based on the amount of expected credit losses equivalent to the entire duration of the life.

For financial instruments other than those measured by the above-mentioned methods, the Company measures loss provisions in accordance with the general approach and assesses at each balance sheet date whether the credit risk has significantly increased since initial recognition. If the credit risk of a financial instrument has not significantly increased since initial recognition and is in the first stage, the Company measures the loss provisions at an amount equal to the expected credit losses over the next 12 months. If the credit risk has significantly increased since initial recognition but no credit impairment has occurred, and the asset is in the second stage, the Company measures the loss provisions at the amount of expected credit losses over the entire duration. If a financial asset has experienced credit impairment since its initial recognition and is in the third stage, the Company measures the loss provisions at the amount of expected credit losses over the entire duration.

Expected credit losses over the entire remaining term refer to the expected credit losses resulting from all possible default events that may occur throughout the entire duration of a financial instrument. The expected credit loss in the next 12 months refers to the expected credit loss caused by the possible default of financial instruments within 12 months after the balance sheet date (if the expected duration of financial instruments is less than 12 months, it is the expected duration), which is part of the expected credit losses for the whole duration.

Considering all reasonable and well-grounded information, including forward-looking information, the Company determines the relative changes of default risk of the financial instrument that occurred in the duration by comparing the risk of default of the financial instrument on the balance sheet date with the risk of default on the initial recognition date to assess whether credit risk of the financial instrument has been increased significantly since the initial recognition. For financial instruments where sufficient evidence regarding a significant increase in the credit risk cannot be obtained at a reasonable cost at the individual instrument level, the Company considers and assesses whether the credit risk has significantly increased on a portfolio basis. If the Company determines that a financial instrument has only a low credit risk as of the balance sheet date, it is assumed that the credit risk of the financial instrument has not significantly increased since its initial recognition.

The Company re-measures expected credit losses on each balance sheet date. The increase or reversal amount of the loss provision formed thereby is included in current profits and losses as impairment loss or gain. For financial assets measured at the amortized cost, the loss provision offsets the book value of the financial asset as presented on the balance sheet. For debt instrument investments measured at fair value with changes recognized in other comprehensive income, the Company recognizes loss provisions in other comprehensive income and does not reduce the book value of the financial asset as presented in the balance sheet.

(6) Offset of financial assets and financial liabilities

When the Company has the legal right to offset the recognized financial assets and financial liabilities and is currently capable of executing such legal rights and the Company plans to settle the financial assets and liquidate the financial liabilities at the same time. the financial assets and the amount of financial liabilities are shown in the balance sheet after the offsetting. In addition, financial assets and financial liabilities are listed separately in the balance sheet and are not offset against each other.

12. Fair value

Fair value refers to the price receivable by the market participant from selling an asset or transferring a liability in an ordered transaction on the date of measurement. The Company measures the relevant assets or liabilities at fair value, assuming that the orderly transactions for the sale of assets or transfer of liabilities take place in the principal market for the relevant assets or liabilities. If there is no main market, the Company assumes that the transaction is conducted in the most favorable market for the relevant assets or liabilities. The principal market (or the most advantageous market) is the trading market that the Company can access on the measurement date.

The Company adopts valuation techniques that are applicable under the current circumstances and supported by sufficient available data and other information. The Company considers the ability of market participants to generate economic benefits by using the asset for its best use, or by selling it to other market participants who can use it for its best use. Priority is given to using relevant observable input values. Only when observable input values cannot be obtained or it is not feasible to obtain them, do we use unobservable input values.

Assets and liabilities measured or disclosed at fair value in the financial statements are classified into fair value levels based on the lowest level input value that is significant to the overall fair value measurement: The first level input value is an unadjusted quote for the same asset or liability that can be obtained on the measurement date in an active market; the second level input value is an input value that is directly or indirectly observable for related assets or liabilities other than the first level input value, including quotes for similar assets or liabilities in an active market; quotes for identical or similar assets or liabilities in a non-active market; observable inputs other than quoted prices, including interests and yield curves that are observable during the normal quote interval; the third level input value is an unobservable input for the relevant assets or liabilities, including interest rates, stock volatility, future cash flows of the abandonment obligations assumed in business combinations, and financial forecasts made using one's own data, which cannot be directly observed or verified by observable market data. On each balance sheet date, the Company re-evaluates the assets and liabilities that are recognized in the financial statements and measured at fair value on a continuing basis to determine whether there has been a transfer between fair value measurement levels.

13. Notes receivable

(1) Determination method and accounting treatment method of expected credit losses of notes receivable

The Company determines the expected credit losses of notes receivable and makes accounting treatment in accordance with the simplified measurement method as described in "Impairment of Financial Instruments" of the "Important Accounting Policies and Estimates - Financial Instruments". On the balance sheet date, the credit loss of the notes receivable is measured at the present value of the difference between the contractual cash flows receivable and the expected cash flows to be received. The Company conducts separate impairment tests on notes receivable with significantly different credit risk characteristics and estimates expected credit losses. The remaining notes receivable are classified into several groups based on credit risk characteristics. The expected credit losses are estimated on the portfolio basis with reference to the historical credit loss experience, based on the current situation, and considering forward-looking information.

(2) Combination categories for bad debt reserves based on credit risk characteristics and the determination basis

Portfolio Name	Basis for determining portfolio
Bank acceptance bill 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
Commercial acceptance bill portfolio	According to the credit rating of the acceptor.

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 (%)
Within 1 year	5.00
1-2 years	10.00
2-3 years	30.00
Over 3 years	100.00

(3) Calculation method of aging of the credit risk characteristic combination confirmed by aging

The Company calculates the aging of notes receivable based on the principle of first in, first out.

(4) Criteria for determining the bad debt reserve made individually

The Company conducts separate impairment tests on notes receivable with significantly different credit risk characteristics, such as a marked deterioration in the debtor's credit status, a low possibility of future collection, and the occurrence of credit impairment.

14. Accounts receivable

(1) Determination method and accounting treatment method of expected credit losses of accounts receivable

The Company determines the expected credit losses of accounts receivable and makes accounting treatment in accordance with the simplified measurement method as described in "Impairment of Financial Instruments" of the "Important Accounting Policies and

Estimates - Financial Instruments". On the balance sheet date, the credit loss of the accounts receivable is measured at the present value of the difference between the contractual cash flows receivable and the expected cash flows to be received. The Company conducts separate impairment tests on accounts receivable with significantly different credit risk characteristics and estimates expected credit losses. The remaining accounts receivable are classified into several groups based on credit risk characteristics. The expected credit losses are estimated on the portfolio basis with reference to the historical credit loss experience, based on the current situation, and considering forward-looking information.

(2) Combination categories for bad debt reserves based on credit risk characteristics and the determination basis

Portfolio Name	Basis for determining portfolio
Related party portfolio	Accounts receivable from related parties within the scope of the Company's consolidated financial statements
Aging portfolio	Including accounts receivable other than the above portfolio

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

(3) Calculation method of aging of the credit risk characteristic combination confirmed by aging

The Company calculates the aging of accounts receivable based on the principle of first in, first out.

(4) Criteria for determining the bad debt reserve made individually

The Company conducts separate impairment tests on accounts receivable with significantly different credit risk characteristics, such as a marked deterioration in the debtor's credit status, a low possibility of future collection, and the occurrence of credit impairment.

15. Other receivables

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

(1) Determination method and accounting treatment method of expected credit losses of other receivables

The Company determines the expected credit losses of other accounts receivable and makes accounting treatment in accordance with the general method as described in "Impairment of Financial Instruments" of the "Important Accounting Policies and Estimates - Financial Instruments". On the balance sheet date, the credit loss of other accounts receivable is measured at the present value of the difference between the contractual cash flows receivable and the expected cash flows to be received. The Company conducts separate impairment tests on other accounts receivable with significantly different credit risk characteristics and estimates expected credit losses. The remaining accounts receivable are classified into several groups based on credit risk characteristics. The expected credit losses are estimated on the portfolio basis with reference to the historical credit loss experience, based on the current situation, and considering forward-looking information.

(2) Combination categories for bad debt reserves based on credit risk characteristics and the determination basis

Portfolio Name	Basis for determining portfolio
Aging portfolio	Other receivables classified by age with similar credit risk characteristics.
Portfolio of deposits, security deposits, employee loans, export tax refunds, etc.	(1) All kinds of security deposit and cash pledge related to production and operation projects and can be recovered at the expiration of the period; (2) Employee provisions and collection and payment on behalf of others; (3) Taxes and fees for the goods to be recovered when declared for export according to the tax policy.
Related party portfolio	This portfolio includes accounts receivable from subsidiaries within the consolidation scope.

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

(3) Calculation method of aging of the credit risk characteristic combination confirmed by aging

The Company calculates the aging of other accounts receivable based on the principle of first in, first out.

(4) Criteria for determining the bad debt reserve made individually

The Company conducts separate impairment tests on other accounts receivable with significantly different credit risk characteristics, such as a marked deterioration in the debtor's credit status, a low possibility of future collection, and the occurrence of credit impairment.

16. Contract assets

(1) Methods and standards for the recognition of contract assets

Contract assets refer to the right of the Company to receive consideration for the transfer of goods to customers, and the right depends on other factors other than the passage of time. The Company's unconditional (i.e., only depending on the time lapses) right to collect consideration from the customers shall be listed as receivables.

The Company offsets contract assets and contract liabilities under the same contract and presents them on a net basis.

(2) Impairment of contract assets

1) Determination methods and accounting treatment methods of the expected credit losses of contract assets

The Company determines the expected credit losses of contract assets and makes accounting treatment in accordance with the simplified measurement method as described in "Impairment of Financial Instruments" of the "Important Accounting Policies and Estimates - Financial Instruments". On the balance sheet date, the credit loss of the contract assets is measured at the present value of the difference between the contractual cash flows receivable and the expected cash flows to be received. The Company conducts separate impairment tests on contract assets with significantly different credit risk characteristics and estimates expected credit losses. The remaining contract assets are classified into several groups based on credit risk characteristics. The expected credit losses are estimated on the portfolio basis with reference to the historical credit loss experience, based on the current situation, and considering forward-looking information.

2) Combination categories for impairment provisions based on credit risk characteristics and the determination basis

Portfolio Name	Basis for determining portfolio
Aging portfolio	Other accounts receivable classified by age with similar credit risk characteristics

3) Calculation method of aging of the credit risk characteristic combination confirmed by aging

The Company calculates the aging of contract assets based on the principle of first in, first out.

4) Criteria for determining the impairment provisions made individually

The Company conducts separate impairment tests on contract assets with significantly different credit risk characteristics, such as a marked deterioration in the debtor's credit status, a low possibility of future collection, and the occurrence of credit impairment.

17. Inventory

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

1) Inventories include finished products or commodities held by the Company for sale in daily activities, products in process of production, materials consumed in the process of production or provision of labor services, in-transit materials, consigned processing materials, and contract performance costs.

2) Enterprises measure inventories at actual cost. ① The cost of purchased inventory is the procurement cost of such inventory. The cost of inventory obtained through further processing consists of the procurement cost and processing cost. ② In debt restructuring,

when the debtor uses inventory to settle debts, the entry value of the inventory should be determined based on the fair value of the creditor's claim waived and the directly attributable taxes and fees incurred to bring the inventory to its current location and condition. ③ 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 inventory received from the non-monetary asset exchange is usually 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 inventory received. 4) The entry value of the inventory 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 the inventory obtained by absorption and merger of enterprises not under the same control shall be determined at fair value.

3) The cost of inventory issued by the enterprise is measured by the weighted average method.

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.

5) Inventory taking system of the company is a perpetual inventory system.

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

On the balance sheet date, inventories are measured at the lower of their costs and net realizable value. The net realizable value of the inventory is based on the amount that the estimated selling price of the inventory subtracts the estimated cost, selling expenses and relevant taxes and fees occurring in the future. Confirmation of net realizable value should be based on the strong evidence for acquisition and ownership of the inventory, while taking into consideration the purpose of holding inventories as well as the effects of the event after the balance sheet date. Except where there is clear evidence that the market price on the balance sheet date is abnormal, the net realizable value of inventory items at the end of the current period is determined based on the market price on the balance sheet date, among which:

1) For goods inventories directly used for sale, such as finished products, goods 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 inventory minus the estimated selling and distribution expenses and related taxes;

2) 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 expenses and relevant taxes. On the balance sheet date, if a portion of the same inventory has a contract price agreement and other parts do not have a contract price, their net realizable value shall be determined separately, and compared with their corresponding costs to determine the amount of provision or reversal for inventory depreciation reserves.

At the end of the period, the inventory falling price reserves are accrued according to individual inventory items; however, for the inventory with large quantity and low unit price, the inventory falling price reserves shall be accrued according to the inventory 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 inventory falling price reserves shall be accrued on a consolidated basis.

After the provision for inventory write-down, if the factors causing any write-down of the inventories do not exist any more and the net realizable value of inventory is higher than its book value, it shall be reversed in the amount of original provision for inventory write-down. The reversed amount shall be included in the current profits and losses.

18. Held-for-sale assets

(1) Criteria for classification as held-for-sale assets

If the Company recovers the book value mainly by selling (including non-monetary assets exchange with commercial essence, the same below), rather than continuously using one non-current asset or disposal group, it shall divide it into the held-for-sale category when the following conditions are met:

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) Their sales are very likely to happen, that is, the Company has already made a resolution on a sales plan and obtained a certain purchase commitment and their sales are expected to be completed within one year. The sale shall be approved by relevant authorities or regulator according to the requirements of pertinent regulations has been approved. 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.

If the Company loses control over a subsidiary due to the sale of its investment in the subsidiary or other reasons, the overall investment in the subsidiary shall be classified as held for sale in the parent company's individual financial statements when the proposed investment in the subsidiary meets the criteria for classification as held for sale. In the consolidated financial statements, all assets and liabilities of the subsidiary are classified as held for sale.

When non-current assets or disposal groups held for sale no longer meet the classification criteria for held-for-sale assets, the Company ceases to classify them as held-for-sale assets. If some assets or liabilities are removed from a disposal group held for sale, and the remaining assets or liabilities in the disposal group form a new disposal group that still meets the classification criteria for held-for-sale assets, the Company will classify the new disposal group as held-for-sale assets. Otherwise, non-current assets that meet the classification criteria for held-for-sale assets will be classified as held-for-sale assets individually.

For non-current assets or disposal groups that first meet the classification criteria for held-for-sale assets in the current period, the balance sheet of comparable accounting periods shall not be adjusted.

(2) Initial measurement and subsequent measurement of held-for-sale non-current assets or disposal groups

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. Except for non-current assets or disposal groups obtained in a business combination, the difference arising from the initial measurement amount being the net amount of fair value minus selling expenses of non-current assets or disposal groups is included in current profits and losses.

Before the Company initially classifies a non-current asset or a disposal group as held for sale, it measures the book values of the individual assets and liabilities within the non-current asset or disposal group in accordance with the relevant accounting standards. When the Company initially measures or remeasures the non-current assets or disposal groups held for sale on the balance sheet date, if the book value is higher than the net value of fair value minus selling expenses, the book value shall be written down to the net value of fair value minus selling expenses, and the amount written down shall be recognized as losses from impairment of assets and included in current profits and losses. At the same time, provision for impairment of held-for-sale assets shall be made. The non-current assets held for sale or the non-current assets of the disposal group are not depreciated or amortized, and the interest on debt and other fees of the disposal group held for sale shall be recognized further.

For the amount of losses from impairment of assets recognized by the disposal group held for sale, the book value of goodwill in the disposal group shall be offset first, and then the book value shall be offset proportionally according to the proportion of the book value of non-current assets measured and stipulated in the "Accounting Standards for Business Enterprises No. 42 - Non-Current Assets Held for Sale, Disposal Group and Termination of Business of the Disposal Group" (hereinafter referred to as No. 42 Standard) in the disposal group. When the Company remeasures the disposal group held for sale on the balance sheet date, it first measures the book values of the assets and liabilities in the disposal group that are not subject to the measurement provisions of No. 42 Standard in accordance with the relevant accounting standards, and then conducts accounting treatment in accordance with the above-mentioned relevant provisions.

If the net amount of the fair value of non-current assets held for sale minus the selling expenses increases on the subsequent balance sheet date, the amount previously written down shall be restored and reversed within the amount of losses from impairment of assets recognized after being classified as held for sale, and the reversed amount shall be included in current profits and losses. The impairment loss of assets recognized before being classified as held for sale is not reversed.

If the net amount of the fair value of the disposal group held for sale minus the selling expenses increases on the subsequent balance sheet date, the amount previously written down shall be restored and reversed within the amount of losses from impairment of assets recognized for non-current assets to which the measurement provisions of No. 42 Standard are applicable after being classified as held for sale, and the reversed amount shall be proportionally increased to the book value of each non-current asset in the disposal group, excluding goodwill, in accordance with the proportion of the book value of such assets to the total book value of the disposal group as measured under the applicable provisions of No. 42 Standard, and the reversed amount shall be included in current profits and losses. The book value of goodwill that has been offset and the losses from impairment of assets shall not be reversed before they are classified as held for sale.

(3) Derecognition and measurement of non-current assets or disposal groups classified as held for sale

When non-current assets or disposal groups are no longer classified as held for sale categories or non-current assets are removed from the disposal groups held for sale because they no longer meet the classification conditions of held for sale categories, they shall be measured according to the lower of the following two: (1) The book value before being divided into held-for-sale category should have been recognized to be the amount after adjustments such as depreciation, amortization or impairment based on the situation in case it is not divided into the held-for-sale category; (2) Recoverable amount.

When the Company terminates the recognition of non-current assets or disposal groups held for sale, the unrecognized gains or losses shall be included in the current profits and losses.

(4) Conditions for discontinued operations

Discontinued operations are components that meet one of the following conditions and can be distinguished separately, and have been disposed of or classified as held for sale:

1) This component represents an independent main business or a separate main business area;

2) This component is part of an associated plan to dispose an independent main business or a separate main business area;

3) This component is a subsidiary acquired exclusively for resale.

(5) Presentation of discontinued operations

Disposal groups intended for disposal by ceasing use rather than by sale that meet the definition of discontinued operations in terms of components shall be presented as discontinued operations from the date of cessation of use. When the Company loses control over a subsidiary due to the sale of its investment in the subsidiary or other reasons, and the subsidiary meets the definition of discontinued operations, the relevant gains or losses from discontinued operations shall be presented in the consolidated financial statements. In the income statement, the adjustment amount of the gain or loss from the disposal of discontinued operations shall be presented as the gain or loss from discontinued operations.

When non-current assets or disposal groups are no longer classified as held for sale or when non-current assets are removed from a disposal group classified as held for sale, the Company reports the adjustment amount of the book value of the non-current assets or disposal groups in the current income statement as a component of continuing operations. When the Company's investments in subsidiaries, joint operations, joint ventures, associates, or certain investments in joint ventures or associates are no longer classified as held for sale or removed from a disposal group classified as held for sale, the Company adjusts the comparative data of the comparable accounting periods in the current financial statements accordingly after such classification as held for sale.

Impairment losses or reversals and gains or losses from disposal of non-current assets or disposal groups held for sale that do not meet the definition of discontinued operations are presented as part of continuing operations. Operating profit and loss and disposal profit and loss such as impairment loss and reversal amount of discontinued operations are presented as discontinued operating profit and loss.

For the discontinued operations presented in the current period, the Company will represent the information originally presented as the profit and loss from continuing operations as the profit and loss from discontinued operations in the comparable accounting period in the current financial statements. If the discontinued operation no longer meets the classification criteria for the held-for-sale assets, the Company shall, in the current financial statements, reclassify the information previously presented as discontinued operation gains or losses as continuing operation gains or losses for the comparable accounting periods.

19. Debt investment

The Company determines the expected credit losses of debt investments and makes accounting treatment in accordance with the general method as described in "Impairment of Financial Instruments" of the "Important Accounting Policies and Estimates - Financial Instruments". On the balance sheet date, the Company measures the credit loss of debt investments by the present value of the difference between the contractual cash flows receivable from each individual debt investment and the expected cash flows to be received.

20. Long-term receivables

The Company determines the expected credit losses of lease receivables and long-term receivables with significant financing components formed by transactions regulated by the "Accounting Standards for Enterprises No. 14 - Revenue" in accordance with the simplified measurement method described in "Impairment of Financial Instruments" of the "Important Accounting Policies and Estimates - Financial Instruments". For other long-term receivables, the expected credit losses are determined and accounted for in accordance with the general method described in "Impairment of Financial Instruments" of the "Important Accounting Policies and Estimates - Financial Instruments". On the balance sheet date, the Company measures the credit loss of long-term receivables based on the present value of the difference between the contractual cash flows receivable and the expected cash flows receivable for each individual long-term receivable.

21. Long-term equity investment

The long-term equity investment referred to in this section means the long-term equity investment of the Company in the investee over which the Company has control, joint control or significant impact, including equity investments in subsidiaries, joint ventures and associates.

(1) Judgment standard for common control and significant impact

Common control refers to the sharing of control over a certain arrangement under related agreements, while related activities of such arrangement must be recognized only with the unanimous consent of the parties involved in the sharing of control. Where the Company and other joint parties have common control over an investee and are entitled to the net assets of the investee, such investee shall be a joint venture of the Company. When determining whether there is joint control, the protective rights enjoyed are not taken into account.

Significant impact refers to the situation where the Company has the power to participate in the financial and operating decisions of an enterprise, but cannot control, individually or jointly with other parties, the formulation of these policies. Where the Company is able to have material influences on an investee, such investee shall be its associates. When determining whether it can exert significant impact on the investee, the impact of the investor's direct or indirect holding of the voting shares of the investee and the current enforceable potential voting rights held by the investor and other parties on the assumption of conversion into equity of the investee, including the impact of the current convertible warrants, share options and convertible corporation bonds issued by the investee.

(2) Determination of the initial investment cost of long-term equity investment

1) In case of a business combination under the same control, if the combining party pays cash, transfers non-cash assets, assumes debts, or issues equity securities as the combination consideration, the initial investment cost shall be the share of the book value of the owner's equity of the combined party in the ultimate controller's consolidated financial statements on the combination date. The difference between the initial investment cost of long-term equity investment and the cash paid, the book value of non-cash assets transferred, the book value of debts assumed or the total par value of shares issued shall be adjusted to the capital reserve. if the capital reserve is insufficient to offset, the retained earnings shall be adjusted. If the equity of the combined party under common control is obtained step by step through multiple transactions, and the business merger under common control is finally formed, whether it belongs to a "package deal" shall be dealt with respectively: if it belongs to a "package deal", each transaction shall be accounted for as a transaction to obtain control. If it does not belong to the "package deal", on the combination date, the initial investment cost of the long-term equity investment shall be the share of the book value of the shareholders' equity of the combined party in the consolidated financial statements of the ultimate controller. The capital reserve shall be adjusted according to 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 consideration for the shares further obtained on the merger date; if the capital reserve is insufficient to offset, the retained earnings shall be adjusted. Other comprehensive income recognized for equity investment held before the combination date due to equity method accounting or other equity instrument investments is not subject to accounting treatment for the time being.

2) In case of a business combination under different control, the Company recognizes the combination cost recognized on the date of acquisition as the initial investment cost of long-term equity investment. The combination cost refers to the fair value of the assets paid, liabilities incurred or assumed and equity securities issued by the acquirer on the date of acquisition for the purpose of acquiring the control over the acquiree. The agency fees and other related administrative expenses of the auditing, legal services, assessment consulting incurred by the acquirer for the business combination shall be included in current profits and losses when incurred. The transaction costs of the equity securities or debt securities issued by the acquirer as consideration for the merger shall be included in the initial recognition amount of the equity securities or debt securities. The Company treats the contingent consideration stipulated in the combination agreement as part of the consideration transferred in the business combination and includes it in the cost of the business combination at its fair value on the date of acquisition. For a merger under different control that is achieved through multiple transactions in steps, it shall be determined in accordance with the Accounting Standards for Enterprises whether such multiple transactions constitute a "package deal". If the transaction 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 the "package deal", the sum of the book value of the equity investment originally held by the acquiree and the new investment cost shall be used as the initial investment cost of the long-term equity investment calculated by the cost method. If the originally held equity is accounted for by the equity method, the relevant other comprehensive income will not be accounted for temporarily. For equity investments that were previously classified as other equity instruments, the difference between their fair value and book value, as well as the accumulated fair value changes previously recorded in other comprehensive income, shall be directly transferred to retained earnings.

3) For other equity investments except long-term equity investments formed through business combinations, they are initially measured at cost: If they are acquired by paying cash, the actual purchase price paid shall be taken as the initial investment cost. If they are acquired by issuing equity securities, the fair value of the equity securities issued shall be taken as the initial investment cost. The expenses directly related to the issuance of equity securities shall be determined in accordance with the relevant provisions of the "Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments". On the premise that the non-monetary asset exchange has commercial substance and the fair value of the assets received or exchanged and the tariffs payable 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 shall be determined based on the fair value of the creditor's rights given up. Costs, taxes and other necessary expenses directly related to the acquisition of long-term equity investments are also included in the cost of investment.

If the investment can be added for material influence or common control on the investee but without control, the cost of long-term equity investment shall be the sum of the fair value of the originally held equity investment determined as per the "Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments" and the additional investment cost. It shall be used as the initial investment cost accounted for using the equity method. For equity investments that were previously classified as other equity instruments, the difference between their fair value and book value, as well as the accumulated fair value changes previously recorded in other comprehensive income, shall be directly transferred to retained earnings.

(3) Subsequent measurement and profit or loss recognition methods for long-term equity investments

1) Long-term equity investments accounted for using the cost method

Long-term equity investments of subsidiaries of the Company are accounted for using the cost method. 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 investment income for current period.

2) Long-term equity investment accounted for using equity method

Long-term equity investments in associates and joint ventures are accounted for using the equity method.

When equity method is adopted in accounting, if the cost of initial investment of long-term equity investment exceeds identifiable fair value of net assets of investees sharable at investment, the initial investment cost of long-term equity investment shall not be adjusted. If the initial investment cost of long-term equity investment is less than the fair value share of the identifiable net assets of the investee at the time of investment, the difference shall be included in current profits and losses and the cost of long-term equity investment shall be adjusted accordingly. After the long-term equity investment is acquired, if the accounting policies and accounting periods adopted by the investee entity are inconsistent with the Company, the financial statements of the investee shall be adjusted according to the accounting policies and accounting periods of the Company and the investment profits and losses and other comprehensive income shall be recognized. 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. In recognition of the share of the net profit or loss of the investee entity, 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 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. 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 income is recognized. The internal trading losses incurred but not realized between the Company and the investees, belonging to losses from impairment of assets shall be recognized in full amount.

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 entity realizes the net profit in the later period, the Company will resume the recognition of the revenue after the unrecognized loss share has been made up by the revenue share.

During the holding period of the investment, if the investee prepares consolidated financial statements, the calculation shall be based on the amount attributable to the investee in the net profit, other comprehensive income and other changes in owner's equity in the consolidated financial statements.

If the assets invested by the Company to the joint venture or associate constitute the business, and the investor obtains the long-term equity investment but does not obtain the control right, the fair value of the investment business shall be taken as the initial investment cost of the new long-term equity investment, and the difference between the initial investment cost and the book value of the investment business shall be fully included in current profits and losses. If the assets sold by the Company to joint ventures or associates constitute a business, the difference between the consideration obtained and the book value of the business shall be included in current profits and losses. If the assets acquired by the Company from associates or joint ventures constitute a business, the accounting treatment shall be carried out in accordance with the "Accounting Standards for Business Enterprises No. 20 – Business Combinations", and the gains or losses related to the transaction shall be recognized in full.

(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 into the current profits and losses.

1) Disposal of long-term equity investment accounted for using the equity method

For long-term equity investments accounted for using the equity method, if the remaining equity is still accounted for using the equity method after disposal, 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 when the investment is disposed of. The owner's equity, which is recognized by the fluctuation of the investee's other owner's equity, except for the net profit or loss, other comprehensive income and profit distribution, shall be carried over into the current profits and losses as per the proportion.

If the Company loses joint control or significant influence on the investee due to the disposal of part of the equity investment, the remaining equity after the disposal shall be accounted for in accordance with the financial instrument recognition and measurement standards. The difference between the fair value and the book value on the day when the joint control or significant influence is lost 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. All the owner's equity recognized due to the changes in the owner's equity of the investee other than net profit or loss, other comprehensive income and profit distribution shall be transferred to the current profit or loss in full when the equity method of accounting is no longer adopted.

2) Disposal of long-term equity investment accounted for using the cost method

For long-term equity investments that are accounted for by the cost method and the remaining equity is still accounted for by the cost method after disposal, other comprehensive income recognized by the equity method accounting or the Recognition and Measurement of Financial Instruments before obtaining the control over the invested company shall be accounted for on the same basis as the direct disposal of related assets or liabilities by the investee, and shall be carried forward to the current profits and losses in proportion. Changes in other owner's equity other than net profit or loss, other comprehensive income and profit distribution in the net assets of the investee recognized by the equity method shall be carried forward to the current profit and loss in proportion.

Where the Company's shareholding ratio decreases due to capital increase by other investors, resulting in the loss of control but the ability to exercise joint control or significant influence over the investee, the Company shall recognize its share of the increase in the investee's net assets resulting from the capital increase based on the new shareholding ratio. The difference between this amount and the book value of the long-term equity investment corresponding to the decreased shareholding ratio shall be included in current profits and losses. Then, adjustments shall be made as if the equity method had been applied since the acquisition of the investment, in accordance with the new shareholding ratio.

If the Company loses control over a subsidiary due to the disposal of part of its equity investment or other reasons, and the remaining equity after disposal can jointly control or exert significant influence over the investee, it shall be accounted for using the equity method. The remaining equity shall be adjusted as if it had been accounted for using the equity method since the date of acquisition. The other comprehensive income and other owner's equity recognized due to the equity method accounting for the equity investment held before the date of acquisition shall be carried forward proportionally; 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. Other comprehensive income and owner's equity shall be carried forward to the current profit and loss.

The Company disposes of equity investment in subsidiaries step by step through multiple transactions until the loss of control. If the above transactions belong to a package deal, each transaction shall be accounted for as a transaction to dispose of equity investment in subsidiaries and lose control. Before the loss of control, the difference between each disposal price and the book value of long-term equity investment corresponding to the disposed equity shall be recognized as other comprehensive income, when the control right is lost, it will be transferred to the current profits and losses of the control right.

22. Investment real estate

Measurement model of investment real estate
Cost method measurement
Depreciation or amortization method

Investment real estate refers to the assets held for capital appreciation or lease earning as well as the aims of 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 (including buildings that have been constructed or developed for the purpose of leasing and buildings that are being constructed or developed for the purpose of leasing).

Investment real estate is initially measured at cost and subsequently measured using the cost model. Expenditures related to investment real estate can be incorporated into their cost if the potential economic benefits related to them are likely to flow into the Company and their cost can be reliably measured. Otherwise, subsequent expenditures should be recognized in current profits and losses in which they are incurred.

For investment real estate measured under the cost model, depreciation or amortization is provided for using the same methods as those for fixed assets and intangible assets.

When the use of investment real estate changes to self-use, from the date of change, the investment real estate shall be converted into fixed assets or intangible assets, and the book value before conversion shall be taken as the entry value after conversion. When the use of self-used real estate or inventory changes to earning rents or capital appreciation, from the date of change, fixed assets, intangible assets or inventory shall be converted into investment real estate, and the book value before conversion shall be taken as the entry value after conversion.

The impairment test method and impairment provision method for investment real estate are detailed in "Long-term assets impairment" of the "Important Accounting Policies and Estimates".

If the investment real estate is disposed or permanently withdrawn from use, and is expected to be unable to obtain economic benefits from its disposal, the confirmation 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 accounted as current profit & loss.

23. Fixed assets

(1) Recognition conditions

Fixed assets refer to tangible assets that simultaneously possess the following characteristics: 1) Held for the production of commodities, the provision of labor services, the rental or operation and management; 2) With a useful life of more than one fiscal year.

No fixed asset may be recognized unless it simultaneously satisfies the following conditions: 1) The economic benefits relating to the fixed asset are likely to flow into the enterprise; and 2) Cost of such fixed assets can be measured reliably. Subsequent expenditures related to fixed assets that meet the recognition criteria shall be included in the cost of fixed assets Expenditures that do not meet the above conditions shall be included in current profits and losses when incurred.

(2) Depreciation methods

Category	Depreciation method	Depreciation period	Residual value rate	Annual depreciation rate
Houses and buildings	Straight-line method	20-50 years	5.00%	1.90%-4.75%
Machinery equipment	Straight-line method	5-10 years	5.00%	9.50%-19.00%
Transportation vehicles	Straight-line method	3-5 years	5.00%	19.00%-31.67%
Electronic equipment and others	Straight-line method	4 years	5.00%	23.75%

Descriptions:

1) For the decoration expenses of fixed assets that meet the capitalization conditions, depreciation is separately accrued using the straight-line method over the shorter period between the intervals of two renovations and the remaining useful life of the fixed assets.

2) The depreciation rate of fixed assets with provision for impairment shall also be calculated and determined by deducting the cumulative amount of provision for impairment of fixed assets.

3) The Company shall at least review the useful life and estimated net residual value and depreciation method of fixed assets at the end of year. Any change shall be accounted for as the change in accounting estimate.

24. Project under construction

Construction in progress is recognized when it is probable that economic benefits will flow in and the cost can be measured reliably. Construction in progress is measured at the actual cost incurred before the asset reaches its expected conditions for use.

Construction in progress is transferred to fixed assets when it reaches the expected conditions for use according to the actual project cost. For those that have reached the expected conditions for use but have not yet been subjected to final accounts, they shall be transferred to fixed assets based on the estimated value. After the final accounts are processed, the original estimated value shall be adjusted based on the actual cost, but the depreciation already calculated shall not be adjusted.

The impairment test method and impairment provision method for construction in progress are detailed in "Long-term assets impairment" of the "Important Accounting Policies and Estimates".

25. Borrowing costs

Borrowing costs are loan interests, amortization of depreciation or appreciation, auxiliary expenses, and exchange differences from foreign currency borrowings, etc.

(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.

(2) Period of capitalization of borrowing costs

1) The borrowing costs shall be capitalized when all of the following conditions are satisfied: 1) Asset expenditure has already incurred; 2) The borrowing costs have already incurred; 3) Acquisition, construction or production activities necessary to bring the asset to reach expected conditions for use or sale are in progress.

2) Suspension of capitalization: If the construction or production of an asset that meets the capitalization conditions is interrupted abnormally and the interruption lasts for more than three consecutive months, the capitalization of borrowing costs shall be suspended. Borrowing costs incurred during the interruption period are recognized as current expenses until the construction or production activities of the asset resume; 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.

3) Cease of capitalization: When the acquisition, construction or production of assets that meet the capitalization conditions is ready for its expected conditions for 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) Calculation methods for capitalization rate and capitalized amount of borrowing costs

Where a special loan is borrowed for the purchase and construction or production of assets eligible for capitalization, the amount of interest to be capitalized is determined by subtracting the interest income from depositing the unused loan funds in the bank or the investment income from temporary investments from the actual interest expenses incurred during the current period of the specific loan (including the amortization of discount or premium determined by the effective interest rate method). For the acquisition or production of assets that meet the capitalization conditions and have occupied general borrowings, the amount of interest on general borrowings that should be capitalized is determined by multiplying the weighted average of the asset expenditures exceeding the asset expenditures of specific borrowings by the capitalization rate (weighted average interest rate) of the occupied general borrowings. During the capitalization period, the capitalized amount of interest for each accounting period shall not exceed the actual interest amount incurred on the relevant borrowings in the current period. The exchange differences arising from the principal and interest of foreign currency-specific borrowings are capitalized during the capitalization period. Auxiliary expenses incurred for specific borrowings shall be capitalized if they occur before the assets being constructed or produced, which meet the capitalization conditions, reach the expected conditions for use or sale. Expenses incurred after the assets reach the expected conditions for use or sale are included in current profits and losses. The auxiliary expenses incurred in general borrowings are included in current profits and losses when incurred. 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.

26. Intangible assets

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

1) Initial measurement of intangible assets

Initial recognition of intangible assets is determined by acquisition costs. 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. When an intangible asset is obtained from a debtor in debt restructuring as debt settlement, its entry value shall be determined based on the fair value of the abandoned claim and other costs directly attributable to bringing the asset to its intended use, such as taxes. On the premise that a non-monetary asset exchange has commercial substance and the fair value of the assets exchanged in or out can be reliably measured, the cost of the intangible assets acquired in a non-monetary asset exchange shall be the fair value of the assets given up and the relevant taxes and fees payable, unless there is conclusive evidence that the fair value of the assets acquired 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.

Expenditures related to intangible assets are concluded into cost of intangible assets only if relevant economic benefits are likely to flow to the entity and the cost can be measured reliably; all other expenditures shall be included in current profits and losses.

Acquired land-use rights are usually recognized as intangible assets. Regarding self-constructed land or buildings, relevant land-use rights expenditures and construction costs of buildings shall be recognized as intangible assets and fixed assets separately. Regarding purchased plant and buildings, expenditures shall be distributed into land-use rights and buildings. Whereas it is difficult to reasonably distribute, it shall be wholly recognized as fixed assets.

2) Useful life and its determination basis, estimated situation, amortization method or review procedure of intangible assets

Based on a comprehensive assessment of factors such as the contractual or statutory rights of intangible assets, industry conditions, historical experience, and expert opinions, if it can be reasonably determined that an intangible asset will bring economic benefits to the Company for a certain period, it is classified as an intangible asset with a limited useful life; otherwise, it is regarded as an intangible asset with an indefinite useful life.

For intangible assets with a limited useful life, the following factors are typically considered when estimating their useful lives: ① The normal life cycle of the products produced by using the asset and information on the useful lives of similar assets; ② The current situation and future development trends in technology and processes; ③ The market demand for the products or services provided by the asset; ④ The expected actions of current or potential competitors; ⑤ The expected maintenance expenditures to maintain the asset's ability to generate economic benefits and the Company's ability to pay such expenditures; ⑥ Relevant legal provisions or similar restrictions on the control period of the asset, such as the term of a license or lease; ⑦ The correlation with the useful lives of other assets held by the Company, etc. The estimated useful lives of intangible assets with a limited useful life are as follows:

Item	Basis for estimated useful life	Period (year)
Software	Benefit period	2-10
Land use rights	Benefit period	From obtaining the land use right to the termination date of the land use right

For intangible assets with an indefinite useful life, the basis for determining the indefinite useful life is as follows:

Intangible assets with a finite useful life are amortized systematically and reasonably within their useful lives in accordance with the expected realization method of the economic benefits related to such intangible assets. If the expected realization method cannot be reliably determined, the straight-line method is adopted for amortization. Intangible assets with an indefinite useful life are not amortized, but their useful lives are reviewed annually and impairment tests are conducted.

At the end of each year, the Company reviews the useful life and amortization method of intangible assets with limited useful life. If it is different from previous estimates, the original estimates shall be adjusted and changed according to accounting estimates. If the Company expects that certain intangible assets cannot bring future economic benefits to it, the book value of the intangible asset shall be all transferred into the current profits and losses.

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

The expenditures of internal research and development projects of the Company are divided into research expenditures and development expenditures. Specific standards for dividing the research stage and development stage of the Company's internal research and development projects: The planned investigation stage carried out to acquire new technologies and knowledge, etc., shall be identified as the research stage, which is characterized by planning and exploration. The stage of applying research results or other knowledge to a plan or design before commercial production or use, in order to produce new or substantially improved materials, devices, products, etc., shall be identified as the development stage. This stage is characterized by its targeted nature and a relatively high possibility of achieving results.

Expenditures of internal research and development projects during research stage are included in current profits and losses upon occurrence. 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) Having the intent to finish and use or sell the intangible asset; 3) The ways in which intangible assets generate economic benefits include proving that there is a market for the products produced by using the intangible assets or for the intangible assets themselves, and that the intangible assets will be used internally, their usefulness shall be proved; 4) There is sufficient support from technical, financial resources and other resources, to complete development of such intangible assets, and the ability to use or sell such intangible assets; 5) The expenditures attributable to development stage of such intangible assets shall be measured reliably. Expenditures that do not meet the above conditions shall be included in 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.

27. Long-term assets impairment

Long-term assets such as long-term equity investments, investment real estate measured at cost, fixed assets, construction in progress, right-of-use assets, intangible assets and goodwill, etc., may indicate that impairment has occurred if any of the following signs are present:

(1) The market price of the asset has dropped significantly in the current period, and the decline is much greater than the expected decline due to the passage of time or normal use.

(2) The economic, technological or legal environment in which the enterprise operates, or the market in which the asset is located, has undergone or will undergo major changes in the current period or in the near future, which will have an adverse impact on the enterprise.

(3) The market interest rate or other market investment return rate has increased in the current period, affecting the discount rate used by the enterprise to calculate the present value of the expected future cash flows of the asset, resulting in a significant reduction in the recoverable amount of the asset.

(4) There is evidence that the asset has become outdated or its physical entity has been damaged.

(5) The asset has been or will be idle, discontinued or planned for early disposal.

(6) Internal reports of the enterprise indicate that the economic performance of the asset has been or will be lower than expected, such as the net cash flow or operating profit (or loss) generated by the asset being far lower (or higher) than the expected amount.

(7) Other indications that the asset may have suffered impairment.

If there are indications of impairment of the above-mentioned long-term assets as of the balance sheet date, impairment tests shall be conducted. If the result of the impairment test indicates that the recoverable amount of the asset is lower than its book value, an impairment provision shall be made according to the difference and included in the impairment loss. The recoverable amount is the higher of the fair value of the asset less disposal costs and the present value of the asset's estimated future cash flows. The determination method of fair value is detailed in Note V 12. The disposal expenses shall include the relevant legal expenses, relevant taxes, truckage as well as the direct expenses for bringing the assets into a marketable state. The present value of the asset's estimated future cash flow shall be determined per the estimated future cash flow generated in the process of the asset's continuous use and the final disposal, based on the account upon selecting proper discount rate to discount the asset.

The provision for asset impairment shall be calculated and recognized on an individual basis. If it is difficult to estimate the recoverable amount of any individual asset, its recoverable amount shall be determined based on the asset group to which the concerned asset belongs. The group of assets is the minimum group of assets forming a cash-generating unit.

During the impairment test, the book value of the goodwill shown separately in financial statements is dividing to the asset group or combination of group assets that are expected benefit from the enterprise merger synergies. In case that the test results show that the recoverable amount of assets group or combination of assets groups including the allocated goodwill is lower than the book value, the corresponding impairment loss is recognized accordingly. The amount of the impairment loss shall be offset by the carrying amount of such goodwill apportioned to the asset group or the combination of asset groups, then offset the book value of other assets proportionally based on the proportion of the book value of other assets other than goodwill in the asset group or the combination of asset groups.

Goodwill and intangible assets with indefinite useful lives shall be subject to impairment tests at least annually at the end of each fiscal year.

Once the above losses from impairment of assets are recognized, they will not be reversed for the value recovered in the subsequent periods.

28. Long-term deferred expense

Long-term deferred expenses are recorded based on the actual amount incurred and amortized evenly over the benefit period or specified period. If a long-term deferred expense item cannot benefit future accounting periods, the amortized value of the item that has not yet been amortized will be fully transferred to the current profit and loss.

29. Contract liabilities

Contract liabilities refer to the obligation of the Company to transfer goods to customers for consideration received or receivable from customers. The Company offsets contract assets and contract liabilities under the same contract and presents them on a net basis.

30. Employee compensation

(1) Accounting treatment methods for short-term compensation

During the accounting period when employees of the Company provide services, the actual employee wages and bonuses, as well as the social insurance premiums including medical insurance, work-related injury insurance and maternity insurance, and housing provident fund paid by the Company in accordance with the prescribed standards and ratios, are recognized as liabilities and included in current profits and losses or the cost of related assets. Employee benefits that are non-monetary benefits shall be measured at fair value if they can be reliably measured. If the liability is expected not to be fully settled within twelve months after the end of the annual reporting period in which the employee provides the related services, and the financial impact is significant, the liability shall be measured at its discounted amount.

(2) Accounting treatment method for post employment benefits

The post employment welfare plan includes a defined contribution plan and a defined benefit plan. Where the defined contribution plan is a post employment welfare plan in which the enterprise will no longer assume further payment obligations after paying fixed fees to an independent fund; a defined benefit plan refers to a post employment welfare plan other than a defined contribution plan.

The Company contributes to the basic endowment insurance and unemployment insurance for its employees in accordance with the relevant regulations of the current government. During the accounting period when the employees provide services to the Company, the amount to be contributed as calculated based on the defined contribution plan is recognized as a liability and included in current profits and losses or the cost of related assets.

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 employee compensation liabilities arising from dismission welfare shall be recognized and included in current profits and losses when the Company cannot unilaterally withdraw the dismission welfare provided by the labor relationship termination plan or the reduction proposal and the Company confirms the costs or expenses related to the reorganization involving the payment of termination benefits, whichever is earlier. But for the condition in which the welfare after firing cannot be fully paid within twelve months after the date indicated on the annual report, it should be paid as other long-term employee benefits.

(4) Accounting treatment of other long-term employee benefits

31. Estimated liabilities

When the obligation related to product quality guarantee or contingent matters meets the following conditions simultaneously, they shall be recognized as estimated liabilities: (1) The obligation is the current obligation of the Company; (2) Performance of this obligation will probably cause outflow of economic interest of the Company; (3) The amount of such obligation can be measured reliably.

The estimated liabilities are initially measured according to the best estimate of the expenditure required to fulfill the relevant current obligations, and factors such as risks, uncertainties and time value of money related to contingencies are taken into account. If the time value of money has a significant impact, the best estimate is determined by discounting the relevant future cash outflows.

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.

The book value of the estimated liabilities is reviewed on each balance sheet date. Where there is concrete evidence proving that the book value cannot truly reflect the current best estimate, the book value of estimated liabilities shall be adjusted according to the current best estimate.

32. Share-based payment

(1) Types of share-based payments

The Company's share-based payments are transactions that grant equity instruments or assume liabilities based on equity instruments to obtain services provided by employees or other parties. This includes equity settled share-based payments and cash settled share-based payments.

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

1) If there is an active market, it shall be determined based on the quoted prices in the active market; 2) Valuation techniques are adopted if there is no active market, including reference to prices used in recent market transactions by various parties who are familiar with the situation and voluntary transactions, reference to the current fair value of other financial instruments that are substantially the same, discounted cash flow method and option pricing model.

(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 by the Company 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 for share-based payments

1) Equity settled share-based payments

For share-based payments settled in equity that are made in exchange for services provided by employees, if the rights are immediately exercisable after grant, the fair value of the equity instrument on the grant date is recognized as an expense in the relevant cost or expense account and the capital reserve is adjusted accordingly. If the rights are exercisable only after the completion of a service period or the achievement of a performance condition, on each balance sheet date during the waiting period, the fair value of the equity instrument on the grant date is recognized as an expense in the relevant cost or expense account based on the best estimate of the number of equity instruments that will be exercisable, and the capital reserve is adjusted accordingly. No further adjustments are made to the recognized cost or expense and the total owner's equity after the vesting date.

For share-based payments settled in equity that are made in exchange for services provided by other parties, if the fair value of the services provided by the other parties can be reliably measured, it shall be measured at the fair value of the services on the acquisition date. If the fair value of the services provided by the other parties cannot be reliably measured but the fair value of the equity instrument can be reliably measured, it shall be measured at the fair value of the equity instrument on the acquisition date, and it is included in the relevant cost or expense, with the owner's equity increased accordingly.

2) Cash settled share-based payments

For share-based payments settled in cash that are made in exchange for employee services, if they are immediately exercisable upon grant, the fair value of the liability assumed by the Company on the grant date is recognized as an expense in the relevant cost or expense, and the liability is 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 in exchange for employee services, 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.

3) Modification and termination of share-based payment plans

If the modification increases the fair value of the granted equity instrument, the Company recognizes the increase in the fair value of the equity instrument as an increase in the amount of services obtained; if the modification increases the number of granted equity instruments, the Company recognizes the increase in the fair value of the additional equity instruments as an increase in the amount of services obtained; if the company modifies the vesting conditions in a way that is favorable to the employees, the Company considers the modified vesting conditions when dealing with the vesting conditions.

If the modification reduces the fair value of the granted equity instrument, the Company continues to recognize the amount of services obtained based on the fair value of the equity instrument on the grant date, without considering the reduction in the fair value of the equity instrument; if the modification reduces the number of granted equity instruments, the Company treats the reduction as the cancellation of the granted equity instruments; if the vesting conditions are modified in a way that is unfavorable to the employees, the modified vesting conditions are not considered when the Company deals with the vesting conditions.

If the equity-settled share-based payment is cancelled, it is treated as accelerated vesting on the cancellation date, and the unrecognized amount is immediately recognized (the amount that should be recognized during the remaining waiting period is immediately included in current profits and losses, and capital reserve is recognized at the same time). If the employee or other parties are able to meet the non-vesting conditions but fail to do so during the waiting period, it is treated as the cancellation of the equity-settled share-based payment. However, if new equity instruments are granted and it is determined on the grant date of the new equity instruments that they are intended to replace the cancelled equity instruments, the new equity instruments are treated in the same way as if the terms and conditions of the original equity instruments were modified.

(5) Other

Share-based payment transactions involving enterprises within the scope of the Company's consolidation, the Company and its actual controller or other shareholders, or the Company and other enterprises within the same group shall be handled in accordance with the relevant provisions of Article 7 of the Interpretation No. 4 of the Accounting Standards for Business Enterprises on share-based payments within a group.

33. Share repurchase

When the Company acquires its own shares due to reduction of registered capital or rewarding employees, etc., the actual payment amount shall be treated as treasury shares and recorded for reference. If the repurchased shares are cancelled, the difference between the total par value of the cancelled shares (calculated based on the par value per share and the number of cancelled shares) and the actual payment amount for the repurchase shall be offset against the capital reserve. If the capital reserve is insufficient to cover the offset, the retained earnings shall be offset. If the repurchased shares are awarded to the Company's employees, they shall be treated as share-based payments settled in equity. When the employees exercise their rights to purchase the Company's shares and the Company receives the payment, the cost of the treasury shares delivered to the employees and the accumulated amount of the capital reserve (other capital reserves) during the waiting period shall be written off, and the difference shall be adjusted to the capital reserve (share premium).

34. Revenue

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

(1) General principle for revenue recognition

The Company's revenue mainly comes from the sale of goods. The Company uses the transfer of control as the criterion for determining the timing of revenue recognition. The Company recognizes the revenue when performance obligations under the contract are performed, i.e., the consumer obtains the control power over relevant goods.

If any of the following conditions is met, the Company is deemed to have performed its performance obligations over a period of time; otherwise, it is deemed to perform its performance obligations at a point in time: 1) Customers obtain and consume the economic benefits brought by the Company's performance at the same time as 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.

For the performance obligations within a certain period of time, the Company recognizes the revenue in accordance with the performance progress during the period, except that the performance progress cannot be determined reasonably. When the performance of the performance cannot be reasonably determined, if the cost incurred by the Company is expected to be compensated, the revenue will be recognized according to the amount of cost incurred, until the performance of the performance can be reasonably determined.

For the performance obligations performed at a certain time point, the Company recognizes revenue at the time when the customer obtains control over the relevant goods. In the judgment of whether the customer has obtained the control over the goods, the Company will consider the following indications: 1) The Company enjoys the current collection right in respect of the goods, that is, the customer has the current payment obligation in respect of the goods; 2) The Company has transferred the legal title of the goods to the customer, that is, the customer already owns the legal title of the goods; 3) The Company has transferred the physical goods to the customer, that is, the customer has possessed the physical goods; 4) The Company has transferred the main risks and rewards of the ownership of the goods to the customer, that is, the customer has obtained the main risks and rewards of the ownership of the goods; 5) The customer has accepted the product; 6) Other signs that customers have gained control of the goods.

If the contract contains two or more performance obligations, the Company shall, on the commencement date of the contract, apportion the transaction price to each individual performance obligation according to the relative proportion of the individual selling price of the goods promised by each individual performance obligation, and measure the income according to the transaction price apportioned to each individual performance obligation. The transaction price is the amount of consideration that the Company is expected to be entitled to receive for the transfer of goods to customers. Amounts collected by the Company on behalf of third parties and amounts that the Company expects to refund to customers are accounted for as liabilities and are not included in the transaction price. Where there is variable consideration in a contract, the Company determines the best estimate of variable consideration based on expected value or the most likely amount to occur, but the transaction price including variable consideration shall not exceed the amount of the cumulative recognized revenue that is highly unlikely to result in a significant reversal when the relevant uncertainty is eliminated. If there are significant financing components in the Contract, the Company will determine the transaction price based on the amount payable which is assumed to be paid by the customer in cash when obtaining the control right on goods. The difference between the transaction price and the contract consideration shall be amortized using the effective interest rate method during the contract period. On the commencement date of the contract, if the Company expects that the interval between the customer's acquisition of control over the goods and the customer's payment of the price shall not exceed one year, the significant financing component of the contract shall not be taken into account.

(2) Specific principles for recognizing the Company's revenue

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, Shoppe). 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.

The adoption of different business models for similar businesses involves different revenue recognition methods and measurement methods

35. Contract cost

(1) Recognition conditions for contract costs

Contract costs include contract acquisition costs and contract performance costs.

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. Other expenditures incurred by the Company for the purpose of obtaining the contract, other than the incremental costs expected to be recovered, are included in current profits and losses when incurred, except those expressly borne by the customer.

Cost incurred by the Company for the performance of the contract, which does not fall within the scope of other Accounting Standards for Enterprises other than the revenue standards and meets the following conditions at the same time, is recognized as an asset as the contract performance cost: 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 Company will use to fulfill its performance obligations in the future; 3) The cost is expected to be recovered.

(2) Amortization of assets related to contract costs

The assets recognized at the cost of contract acquisition and the assets recognized at the contract performance costs (hereinafter referred to as the assets related to contract costs) are amortized on the same basis as the recognition of goods or services related to the assets and included in current profits and losses. For amortization periods of contract acquisition costs not exceeding one year, they are included in current profits and losses when incurred.

(3) Impairment of assets related to contract costs

When determining the impairment loss of assets related to contract costs, the Company first determines the impairment loss of other assets related to the contract that are recognized in accordance with other Accounting Standards for Enterprises. Then, the Company determines the impairment loss of the assets related to the contract costs. If the book value of the assets related to contract costs 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 subject to provision for impairment and recognized as losses from impairment of assets.

After impairment provisions have been made, if the factors that led to the impairment in previous periods change, and the difference between the expected remaining consideration that the Company can obtain from the transfer of the goods related to the asset and the estimated costs to be incurred for the transfer of such goods exceeds the book value of the asset, the previously recognized impairment provisions shall be reversed and included in current profits and losses. However, the book value of the asset after the reversal shall not exceed the book value that would have been recorded if no impairment provision had been made.

36. Government subsidies

(1) Classification of government subsidies

Government subsidies refer to monetary and non-monetary assets acquired by the Company from the government for free. It is divided into government subsidies related to assets and those related to income.

Government subsidies related to assets 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, including fiscal grants for the purchase of fixed assets or intangible assets, and fiscal subsidies for the interest on specific borrowings for fixed assets, etc. The government subsidies related to income refer to other government subsidies other than those related to assets. For the government subsidies that include both asset-related and income-related portions, accounting treatments shall be subject to different portions; if difficult to distinguish them, they shall be classified as government subsidies related to income in whole.

The specific criteria adopted by the Company for classifying government subsidies are as follows:

1) If the government subsidy document stipulates that the subsidy target uses the subsidy to purchase, construct or otherwise form long-term assets, or if the subsidy target's expenditure is mainly used for purchasing, constructing or otherwise forming long-term assets, it is classified as government subsidies related to assets.

2) If the government subsidy obtained based on the government subsidy document is entirely or mainly used to compensate for expenses or losses that will occur in the future or have already occurred, it is classified as government subsidies related to income.

3) If the government document does not clearly specify the subsidy target, the government subsidy will be classified as either a government subsidy related to assets or a government subsidy related to income in the following ways: 1) If the government document clearly specifies the particular project the subsidy is intended for, the classification is made based on the relative proportion of the expenditure amount that will form assets and the expenditure amount that will be recorded as expenses in the budget of that particular project. This classification ratio needs to be reviewed on each balance sheet date and changed if necessary; 2) If the government document only makes a general statement about the purpose and does not specify a particular project, it is classified as a government subsidy related to income.

(2) Recognition time point for government subsidies

The Company usually confirms and measures government subsidies based on the actually received amount when they are actually received. However, at the end of the period, there is conclusive evidence showing that it can meet the relevant conditions stipulated by the financial support policy. The government subsidies measured according to the receivable amount shall meet all the following requirements:

1) The subsidy is based on the financial support project officially issued and actively publicized by local finance department in accordance with the provisions of the "Regulations on the Disclosure of Government Information", and its financial fund management method which shall be inclusive (any enterprise which meets the specified requirements may apply) rather than dedicated to specific enterprise;

2) The amount of subsidy receivable has been recognized by government authority departments via issuance of documents, or the amount can be reasonably calculated according to relevant regulations in the financial fund management method officially issued and no significant uncertainty is expected for such amount;

3) The appropriation period has been specified in relevant approved subsidy document and there is corresponding financial budget for the appropriation of such subsidy, so it is reasonable certain that the subsidy can be received within specified period;

4) Any other relevant requirements which shall be met according to the specific conditions of the Company and the subsidy.

(3) Accounting treatment of government subsidies

If government subsidies are monetary assets, they 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. Government subsidies measured at their nominal amounts are directly included in the current profits and losses.

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.

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

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.

The policy-based preferential loan discount obtained by the Company will be accounted according to the following two conditions:

1) Where the finance allocates the discount fund to the lending bank and the lending bank provides a loan at the policy-based preferential interest rate for the enterprise, the Company includes the actually received loan amount as the entry value of the loan and counts relevant borrowing costs based on loan principal and the policy-based preferential interest rate.

2) Where the finance directly allocates the discount fund to the Company, the Company uses the corresponding discount to offset relevant borrowing costs.

If the recognized government subsidies need to be returned, the Company will conduct accounting treatment for the current period when they need to be returned:

1) If the book value of the relevant assets is offset at the time of initial recognition, the book value of the assets shall be adjusted.

2) If there is relevant deferred income, the book balance of relevant deferred income shall be offset, and the excess shall be included in current profits and losses.

3) If it belongs to other circumstances, it shall be directly included in current profits and losses.

The principle for distinguishing government subsidies recorded in different profit and loss items is: The governmental subsidies related with the Company's daily activities shall be included in other income or write down related costs according to the economic business essence. Government subsidies unrelated to the Company's daily activities are included in non-operating income and expenditure.

37. Deferred income tax assets/deferred income tax liabilities

(1) Recognition and measurement of deferred income tax assets and deferred income tax liabilities

The Company adopts the balance sheet liabilities method to recognize deferred income tax based on the temporary difference between the book value of assets/liabilities and tax basis at the balance sheet date. The current income tax and deferred income tax of the Company are included in current profits and losses as income tax expense or income, except for the income tax arising from the following circumstances: 1) Business combination; 2) Transactions or events directly recognized in owner's equity; 3) Dividend expenditures on financial instruments classified as equity instruments in accordance with the "Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments", etc., can be deducted before corporate income tax in accordance with tax policies, provided that the distributed profits are derived from transactions or events previously recognized in the owner's equity.

For any deductible temporary difference, any deductible loss or tax credit that can be carried forward to future years, the corresponding deferred income tax assets shall be recognized to the extent that the amount of future taxable income to be offset by the deductible temporary difference, deductible loss or tax deduction to be likely obtained, unless the said deductible temporary difference is generated in the following transactions:

(1) This transaction is not a business combination. At the time of the transaction, it neither affects accounting profit nor taxable income (or deductible losses), and the initially recognized assets and liabilities will not generate equivalent taxable temporary differences and deductible temporary differences.

(2) For deductible temporary differences related to the investments of subsidiaries, associates and joint ventures, 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.

Deferred income tax liabilities shall be recognized for all taxable temporary difference, unless the said taxable temporary difference is generated in the following transactions:

1) The initial recognition of the goodwill, or the initial recognition of the assets or liabilities caused in the dealing with the following feature: This transaction is not a business combination. At the time of the transaction, it neither affects accounting profit nor taxable income (or deductible losses), and the initially recognized assets and liabilities will not generate equivalent taxable temporary differences and deductible temporary differences.

2) The temporary taxable difference related to the subsidiaries, joint ventures and associates, whose time of the reverse can be controlled and which is unlikely to be reversed in the excepted future.

Based on the differences between the book value and the tax base of assets and liabilities (for items not recognized as assets or liabilities, the differences between their tax bases determined in accordance with tax laws and their book values), deferred income tax assets or deferred income tax liabilities are recognized by calculating at the applicable tax rate during the period expected to recover the asset or settle the liability.

For individual transactions that are not business combinations and do not affect accounting profits or taxable income (or deductible losses) at the time of occurrence, and where the initial recognition of assets and liabilities results in equal amounts of taxable temporary differences and deductible temporary differences (including lease transactions where the lessee initially recognizes lease liabilities and includes them in right-of-use assets on the commencement date of the lease term, and transactions where estimated liabilities are recognized due to the existence of disposal obligations for fixed assets and other assets and included in the cost of the relevant assets, etc.), the Company recognizes the corresponding deferred income tax liabilities and deferred income tax assets for the taxable temporary differences and deductible temporary differences arising from the initial recognition of assets and liabilities at the time of the transaction.

The recognition of deferred income tax assets is limited to the extent that it is probable that sufficient taxable income will be available in future periods to utilize the deductible temporary differences. On the balance sheet date, if there is conclusive evidence that it is probable that sufficient taxable income will be available in future periods to utilize the deductible temporary differences, the Company recognizes deferred income tax assets that were not recognized in previous accounting periods. The book value of deferred income tax assets is reviewed. If it is probable that sufficient taxable income will not be available in future periods to utilize the benefit of deferred income tax assets, the book value of deferred income tax assets is reduced. When it is probable that sufficient taxable income will be available, the reduction is reversed.

(2) The current income tax assets and liabilities of the Company shall be presented as the net amount after being offset when the Company has the legal right to carry out net settlement, and intends to carry out net settlement or when the assets are acquired at the same time when liabilities are paid off.

When the Company has the legal right to settle current income tax assets and current income tax liabilities on a net basis, and the deferred income tax assets and deferred income tax liabilities are related to income taxes levied by the same tax authority on the same taxable entity or on different taxable entities, but during each significant period in which the deferred income tax assets and liabilities are reversed in the future, the taxable entities involved intend to settle the current income tax assets and liabilities on a net basis or to acquire assets and settle liabilities simultaneously, the Company presents the deferred income tax assets and deferred income tax liabilities at the net amount after offsetting.

38. Leasing

(1) Accounting treatment method for leasing as a lessee

1) Right-of-use assets

On the beginning date of the lease term, the Company recognizes the right to use assets for leases other than short-term leases and low value asset leases. The right-of-use asset is initially measured at cost, which includes: the initial measurement amount of the lease liability; Lease payments made before or on the commencement date of the lease term (net of any lease incentives received); Initial direct expenses incurred; The costs that the Company expects to incur for dismantling and removing the leased assets, restoring the site where the leased assets are located, or restoring the leased assets to the state agreed in the lease terms.

The Company depreciates the right-of-use assets using the straight-line method. For leased assets where it is reasonably certain that the ownership of the leased assets can be obtained at the end of the lease term, the Company depreciates the assets over the remaining useful life of the leased assets. If it is not reasonably certain that the ownership of the leased assets can be obtained at the end of the lease term, the leased assets shall be depreciated over the shorter of the lease term and the remaining useful life of the leased assets.

2) Lease liabilities

On the beginning date of the lease term, the Company recognizes the lease liability for leases other than short-term leases and low value asset leases. Lease liabilities are initially measured according to the present value of the unpaid lease payments. Lease payments include: Fixed payment and substantial fixed payment. If there is lease incentive, the relevant amount of lease incentive shall be deducted; the variable lease payment amount, which depends on the index or ratio. It is determined at the initial measurement based on the index or ratio on the commencement date of the lease term. The exercise price of the purchase option, provided that the Company reasonably determines that the option will be exercised; The amount to be paid for the exercise of the option to terminate the lease, provided that the lease term reflects that the Company will exercise the option to terminate the lease; The amount expected to be paid according to the residual value of the guarantee provided by the Company. 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.

The Company calculates the interest expense of the lease liability in each period of the lease term according to the fixed periodic interest rate and records it into the current profit and loss or the cost of relevant assets. The amount of variable lease payments not included in the measurement of lease liabilities shall be included in the current profits and losses or relevant asset costs when actually incurred.

After the commencement date of the lease term, the Company remeasures the lease liability based on the present value of the revised lease payments in the following circumstances: The Company's assessment of the purchase option, renewal option or termination option changes, or the actual exercise of the renewal option or termination option is inconsistent with the original assessment; the expected amount payable for the residual value guarantee changes; or the index or rate used to determine the lease payments changes. When remeasuring the lease liability, the Company adjusts the book value of the right-of-use asset accordingly. Where the book value of the right-of-use asset has been reduced to zero, but the lease liability still needs to be further reduced, the Company will include the remaining amount in the current profits and losses.

3) Basis for judgment and accounting treatment for simplified processing of short-term leases and leases of low-value assets

The Company chooses not to recognize the right of use assets and lease liabilities for short-term leases and low-value asset leases, and the relevant lease payments are included in the current profit and loss or relevant asset costs according to the straight-line method in each period of the lease term. Short-term lease refers to a lease with a lease term of no more than 12 months and excluding the purchase option on the beginning date of the lease term. Low value asset lease refers to the lease with lower value when the single leased asset is a brand-new asset. Where the Company sublets or expects to sublet the leased assets, the original lease does not belong to the lease of low value assets.

4) Lease change

If the lease is changed and the following conditions are met at the same time, the Company shall treat the change of the lease as a separate lease for accounting treatment: The change of the lease expands the scope of the lease or extends the lease term by adding the right to use one or more leased assets; The increased consideration is equivalent to the amount adjusted according to the conditions of the contract at the separate price for most of the expansion of the lease scope.

Where the lease change is not accounted for as a separate lease, on the effective date of the lease change, the Company re-allocates the consideration of the contract after the change, re-determines the lease term, and re-measures the lease liability according to the present value calculated by the lease payment after the change and the revised discount rate.

(2) Accounting treatment method for leasing as a lessor

On the lease commencement date, the Company divides the lease into financial lease and operating lease. Finance lease refers to a lease that essentially transfers almost all the risks and rewards related to the ownership of leased assets regardless of whether the ownership is finally transferred or not. Operating leases refer to leases other than finance leases.

When the Company is the sublessee lessor, the sublease is classified based on the use right assets generated from the original lease. If the original lease is a short-term lease and the Company elects not to recognize a right-of-use asset and lease liability for the original lease, the Company classifies the sublease as an operating lease.

1) Accounting treatment of operating lease

The lease receipts from operating leases are recognized as rental income on a straight-line basis in each period of the lease term. The Company capitalizes the initial direct expenses related to operating leases, and allocates them into the current profits and losses on the same basis as the recognition of rental income during the lease term. The amount of variable lease payments not included in the lease receipts shall be included in the current profits and losses when actually incurred.

2) Accounting treatment of financial lease

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. When the Company initially measures the finance lease receivables, the net amount of the lease investment is taken as the entry value of the finance lease receivables. The net lease investment is the sum of the unguaranteed residual value and the present value of the lease receipts not received on the beginning date of the lease term discounted at the interest rate embedded in the lease.

The Company calculates and recognizes the interest income of each period within the lease term according to the fixed periodic interest rate. The derecognition and impairment of finance lease receivables shall be accounted for in accordance with "Important Accounting Policies and Estimates - Financial Instruments". The amount of variable lease payments not included in the measurement of net lease investment shall be included in the current profit and loss when it actually occurs.

39. Restricted Shares

Under the equity incentive plan, the Company grants restricted shares to the incentive objects. The incentive objects first subscribe for the shares. If the unlocking conditions stipulated in the equity incentive plan are not met subsequently, the Company will repurchase the shares at the pre-agreed price. If the restricted shares issued to employees have completed the registration and other capital increase procedures in accordance with relevant regulations, on the grant date, the Company recognizes the share capital and capital reserve (share premium) based on the subscription proceeds received from the employees; at the same time, it recognizes treasury shares and other payables for the repurchase obligation.

40. Explanation of Important Accounting Estimates and Judgments

In the application of accounting policies, due to the inherent uncertainties in operating activities, the Company needs to make judgments, estimates and assumptions regarding the book values of certain items in the financial statements that cannot be accurately measured. These judgments, estimates and assumptions are based on the past experience of the Company's management and are made after considering other relevant factors. These judgments, estimates and assumptions can affect the reported amounts of revenue, expenses, assets and liabilities, as well as the disclosure of contingent liabilities as of the balance sheet date. However, the actual results resulting from the uncertainties of these estimates may differ from the current estimates of the Company's management, which may lead to significant adjustments to the carrying amounts of affected assets or liabilities in the future. The Company regularly reviews the aforementioned judgments, estimates and assumptions on a going concern basis. Changes in accounting estimates that only affect the current period are recognized in the period of change; changes that affect both the current period and future periods are recognized in both the period of change and future periods. As of the balance sheet date, the significant areas where the Company needs to make judgments, estimates and assumptions regarding the amounts of financial statement items are as follows:

(1) Classification of leases

When the Company acts as a lessor, in accordance with the "Accounting Standards for Enterprises No. 21 - Leases", leases are classified as operating leases and finance leases. In making the classification, management needs to analyze and judge whether all the risks and rewards related to the ownership of the leased assets have been substantially transferred to the lessee.

(2) Impairment of financial instruments

The Company assesses the impairment of accounts receivable measured at amortized cost, debt investments, contract assets, and receivable financing measured at fair value and included in other comprehensive income, as well as other debt investments, using the expected credit loss model. The application of the expected credit loss model involves significant judgments and estimates by management. Key parameters for measuring expected credit losses include probability of default, loss given default, and exposure at default. The Company establishes models for probability of default, loss given default, and exposure at default based on quantitative analysis of historical data and forward-looking information. Differences between the actual impairment results of financial instruments and the original estimates will affect the book value of the financial instruments and the recognition or reversal of losses from credit impairment in the period when the estimates are changed.

(3) Provision for inventory write-down

The Company measures inventories at the lower of cost and net realizable value in accordance with its inventory accounting policy. Provision for inventory write-down is made for inventories with costs higher than net realizable value and for obsolete and slow-moving inventories. The impairment of inventories to net realizable value is based on an assessment of the marketability of the inventories and their net realizable value. The identification of inventory impairment requires management to make judgments and estimates based on conclusive evidence and taking into account factors such as the purpose of holding the inventories and the impact of events after the balance sheet date. Differences between the actual results and the original estimates will affect the book value of the inventories and the recognition or reversal of the provision for inventory write-down in the period when the estimates are changed.

(4) Depreciation and amortization

The Company depreciates and amortizes investment real estate, fixed assets, and intangible assets measured at cost over their useful lives, taking into account their residual values, using the straight-line method. The Company reviews the useful lives of these assets regularly to determine the amount of depreciation and amortization to be recognized in each reporting period. The useful lives are determined by the Company based on its past experience with similar assets and expectations of technological updates. If there are major changes in previous estimates, adjustments will be made to the depreciation and amortization expenses in future periods.

(5) Deferred income tax assets

The Company recognizes deferred income tax assets for all unused tax losses to the extent that it is probable that there will be sufficient taxable profits in the future to offset these losses. This requires management of the Company to make significant judgments to estimate the timing and amount of future taxable profits, taking into account tax planning strategies, to determine the amount of deferred income tax assets to be recognized.

(6) Income tax

In the normal course of operating activities, there is a certain degree of uncertainty regarding the final tax treatment and calculation of some transactions. Whether certain items can be deducted before tax requires the approval of the tax authorities. If the final determination of these tax matters differs from the initially estimated amount, such differences will affect the current income tax and deferred income tax for the period in which the final determination is made.

(7) Fair value measurement

Some of the Company's assets and liabilities are measured at fair value in the financial statements. When estimating the fair value of an asset or liability, the Company uses observable market data available; if the first level input values cannot be obtained, it engages a qualified third-party valuation agency to conduct the valuation, during which the Company's management closely cooperates with it to determine the appropriate valuation techniques and input values for the relevant models. Information on the valuation techniques and input values used in determining the fair value of various assets and liabilities is detailed in Note V 12 "Disclosure of Fair Value".

41. Changes of material accounting policies and accounting estimates

(1) Significant accounting policy changes

☑Applicable □ Not applicable

Unit: RMB

Contents and reasons for changes in accounting policies	Name of report items that are significantly affected	Affected amount
The Company implemented the provisions on the accounting treatment for guarantee-type quality assurance that does not constitute a separate performance obligation as stipulated in "Interpretation No. 18 of the Accounting Standards for Business Enterprises" issued by the Ministry of Finance as of December 6, 2024, and retrospectively adjusted the comparable period information.	Operating cost (January-June 2025 Consolidated Financial Statements)	1,870,289.28
The Company implemented the provisions on the accounting treatment for guarantee-type quality assurance that does not constitute a separate performance obligation as stipulated in "Interpretation No. 18 of the Accounting Standards for Business Enterprises" issued by the Ministry of Finance as of December 6, 2024, and retrospectively adjusted the comparable period information.	Selling expense (January-June 2025 Consolidated Financial Statements)	-1,870,289.28
The Company implemented the provisions on the accounting treatment for guarantee-type quality assurance that does not constitute a separate performance obligation as stipulated in "Interpretation No. 18 of the Accounting Standards for Business Enterprises" issued by the Ministry of Finance as of December 6, 2024, and retrospectively adjusted the comparable period information.	Operating cost (January-June 2025 Parent Company Financial Statements)	1,575,408.33
The Company implemented the provisions on the accounting treatment for guarantee-type quality assurance that does not constitute a separate performance obligation as stipulated in "Interpretation No. 18 of the Accounting Standards for Business Enterprises" issued by the Ministry of Finance as of December 6, 2024, and retrospectively adjusted the comparable period information.	Selling expense (January-June 2025 Parent Company Financial Statements)	-1,575,408.33

(2) Changes in significant accounting estimates

□ Applicable ☑Not applicable

(3) Implementation of new accounting standards adjustment for the first time starting from 2025. Relevant project information on financial statements at the beginning of the year

□ Applicable ☑Not applicable

42. 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 disclosure statement in the table below.
Property tax	Based on 70% of the original value of the property (or rental income) as the tax benchmark	1.20%、12.00%
Education surcharge	Actual amount of turnover tax paid	3.00%
Local education surcharges	Actual amount of turnover tax paid	2.00%

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	Please refer to Note VI 3 (1).
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 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	9.00%
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	Please refer to Note VI 3 (1).
ARMATURA LLC	Please refer to Note VI 3 (1).
Armatura Co., Ltd.	25.00%、22.00%、20.00%、10.00%
RALVIE AI INC.	26.50%
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%
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%
ZKTeco Yunlian (Xiamen) Technology 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%
ZKTeco Polska Sp. z o.o.	19.00%、9.00%
ZKTeco Cloud Brain-Computer (Hangzhou) Technology Co., Ltd.	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 15.00%.

1) In November 2024, the Company obtained a high-tech enterprise certificate (No. GR202444001492), 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 25.00% 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 Xiamen Zkteco Biometric Identification Technology Co., Ltd., Shenzhen ZKTeco Biometric Identification Technology Co., Ltd., Hangzhou ZKTeco Hanlian E-commerce Co., Ltd., ZKCserv Technology Limited Co., Ltd., Dalian ZKTeo CO., Ltd., Xi'an ZKTeco Co., Ltd., Hubei ZKTeco Co., Ltd., Wuhan ZKTeco Perception Technology Co., Ltd., ZKDIGIMAX CHINA CO., LTD., and ZKTeco Cloud Brain-Computer (Hangzhou) Technology 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) ZKTECO ARGENTINA S.A. and ZKTeco Latam R&D S.A. are taxed at 25.00% on the amount ranging from ARS 0 to ARS 34,703,523.08. For the portion exceeding ARS 34,703,523.08 but not exceeding ARS 347,035,230.79, the tax rate is 30.00%. Any amount exceeding ARS 347,035,230.79 is taxed at 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 2025, 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 2025 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 2025 was 25%.

(7) PT.ZKTECO BIOMETRICS INDONESIA and PT. ZKDIGIMAX EXCEL NOBLE apply the corporate income tax rate for the year 2025 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 2025 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 2025 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. At the same time, the general corporate income tax rate is reduced by 13.00%, resulting in a 15.00% federal income tax rate. The general corporate tax rate in Ontario is 11.50%. The combined federal and Ontario income tax rate is 26.50%.

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

(15) The corporate tax of ZKTECO SECURITY L.L.C. is levied on taxable income at the following rates:

1) For enterprises with taxable income not exceeding the tax threshold stipulated in the Cabinet decision (375,000 dirhams), the applicable tax rate is 0.00%;

2) For enterprises with taxable income exceeding the tax threshold, the applicable tax rate is 9.00%;

3) For the compliant income portion of free zone compliant enterprises, the applicable tax rate is 0.00%;

4) For the non-compliant income portion of free zone compliant enterprises, the applicable tax rate is 9.00%.

(16) The preferential tax rate of ZKTeco Polska Sp. z o.o. was 9%. Enterprises must continuously qualify as small taxpayers within the current tax year (annual turnover not exceeding EUR 2 million, converted to PLN at the Euro to PLN exchange rate published by the National Bank of Poland, rounded to the nearest thousand for the first year). If the cumulative quarterly or monthly turnover exceeds the threshold, the standard tax rate of 19% will be reinstated from the next reporting period, and the difference in tax calculated at the 9% rate, plus interest, must be paid.

VII. Notes to Consolidated Financial Statements

1. Monetary funds

Unit: RMB

Item	Ending Balance	Beginning Balance
Cash on hand	490,485.81	772,216.84
Cash in bank	1,214,284,695.20	1,423,494,905.16
Other monetary funds	89,138,437.45	49,067,783.97
Total	1,303,913,618.46	1,473,334,905.97
Including: total amount deposited abroad	421,430,458.69	359,182,516.43

Other explanations:

Note 1: As of June 30, 2025, the bank deposits included the principal ending balance of time deposits with a maturity of more than three months and intended to be held to maturity amounting to RMB 298,862,984.66 (December 31, 2024: RMB 198,918,980.00), and the amount of interest receivable that has not yet matured was RMB 14,933,155.59 (December 31, 2024: RMB 12,227,894.14), which are not classified as cash and cash equivalents. Please refer to the explanation in Note VII (59) "Supplementary information of cash flow statement".

Note 2: For details of funds with restricted ownership or usage rights such as those mortgaged, pledged, seized, frozen, or detained, please refer to the explanation in Note VII (23) "Assets with restricted ownership or use rights".

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	781,091,002.96	491,331,815.79
Including:		
Financial products	781,091,002.96	491,331,815.79
Including:		
Total	781,091,002.96	491,331,815.79

Other explanations:

3. Notes receivable

(1) Notes receivable listed by category

Unit: RMB

Item	Ending Balance	Beginning Balance
Banker's acceptance	372,725.58	165,450.00
Trade acceptance		0.00
Total	372,725.58	165,450.00

(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:										
Bills receivable for dad debt reserve withdrawn by portfolio	372,725.58	100.00%			372,725.58	165,450.00	100.00%			165,450.00
Including:										
Total	372,725.58	100.00%			372,725.58	165,450.00	100.00%			165,450.00

If the bad debt reserve of notes 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	

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

□ Applicable ☑Not applicable

4. Accounts receivable

(1) Disclosure by aging

Unit: RMB

Aging	Closing book balance	Opening book balance
Within 1 year (including 1 year)	493,125,235.92	504,979,612.03
1-2 years	61,790,888.12	47,589,232.67
2-3 years	22,910,485.48	15,397,520.31
Over 3 years	9,677,442.17	5,704,760.98
3-4 years	5,105,898.87	3,287,160.38
4-5 years	2,711,150.14	1,197,968.12
Over 5 years	1,860,393.16	1,219,632.48
Total	587,504,051.69	573,671,125.99

(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	20,387,713.40	3.47%	20,387,713.40	100.00%	0.00	19,535,854.24	3.41%	19,535,854.24	100.00%	0.00
Including:										
Accounts receivable with insignificant single amount and bad debt reserve withdrawn separately	20,387,713.40	3.47%	20,387,713.40	100.00%	0.00	19,535,854.24	3.41%	19,535,854.24	100.00%	0.00
Receivable with combined provision for bad debt reserve	567,116,338.29	96.53%	38,328,163.40	6.76%	528,788,174.89	554,135,271.75	96.59%	35,120,933.86	6.34%	519,014,337.89
Including:										
Aging portfolio	567,116,338.29	96.53%	38,328,163.40	6.76%	528,788,174.89	554,135,271.75	96.59%	35,120,933.86	6.34%	519,014,337.89
Total	587,504,051.69	100.00%	58,715,876.80	9.99%	528,788,174.89	573,671,125.99	100.00%	54,656,788.10	9.53%	519,014,337.89

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
AREEJ SECURTECH TRADING LLC	13,649,377.28	13,649,377.28	13,509,046.22	13,509,046.22	100.00%	Expected non-recoverable
Hainan Jialing Digital Technology Co., Ltd.	2,032,000.00	2,032,000.00	2,032,000.00	2,032,000.00	100.00%	Expected non-recoverable
BBT (Naira)			457,382.88	457,382.88	100.00%	Expected non-recoverable
Noble IT Solutions Co., Ltd	421,686.28	421,686.28	419,938.15	419,938.15	100.00%	Expected non-recoverable
Zicom Electronic Securit	376,995.64	376,995.64	375,432.78	375,432.78	100.00%	Expected non-recoverable
Al Asma Technology	360,448.21	360,448.21	356,742.41	356,742.41	100.00%	Expected non-recoverable
TIMEWATCH INFOCOM PVT. LTD.	305,211.28	305,211.28	303,946.00	303,946.00	100.00%	Expected non-recoverable
Shenzhen Xuhui Information Technology Co., Ltd.	270,358.32	270,358.32	270,358.32	270,358.32	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	204,017.72	204,017.72	203,171.95	203,171.95	100.00%	Expected non-recoverable
Shanghai Leqi Automation Technology Co., Ltd.	261,950.00	261,950.00	171,950.00	171,950.00	100.00%	Expected non-recoverable
ASIA IDENTIFICATION AND SECURITY TECHNOLOGY COMPANY LIMITED	170,370.11	170,370.11	169,663.83	169,663.83	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
Tianjin Eagle Eye Biotechnology	162,281.00	162,281.00	162,281.00	162,281.00	100.00%	Expected non-recoverable

Co., Ltd.						
One Network (PVT) Ltd.			158,290.96	158,290.96	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
WESTGATE TECHNOLOGIES LIMITED			141,295.59	141,295.59	100.00%	Expected non-recoverable
Hainan Zhongkong IOT Technology Co., Ltd.	122,173.74	122,173.74	122,173.74	122,173.74	100.00%	Expected non-recoverable
PONTO RHJ EIRELI - ME	101,554.91	101,554.91	101,133.91	101,133.91	100.00%	Expected non-recoverable
SECUZAA SECURITY SOLUTIONS LAB PRIVATE LIMITED	99,690.74	99,690.74	99,277.47	99,277.47	100.00%	Expected non-recoverable
U.S. Plast			82,681.83	82,681.83	100.00%	Expected non-recoverable
True Security Consultant Limited			79,828.27	79,828.27	100.00%	Expected non-recoverable
INTELLISMART TECHNOLOGY INC.	75,607.59	75,607.59	75,294.15	75,294.15	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
Rahat Telecom LLC			74,145.84	74,145.84	100.00%	Expected non-recoverable
RBB Technologies Private Limited	61,357.44	61,357.44	61,162.78	61,162.78	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
Global Communications LLC			53,621.14	53,621.14	100.00%	Expected non-recoverable
Others	184,148.98	184,148.98	230,269.18	230,269.18	100.00%	Expected non-recoverable
Total	19,535,854.24	19,535,854.24	20,387,713.40	20,387,713.40		

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	567,116,338.29	38,328,163.40	6.76%
Total	567,116,338.29	38,328,163.40	

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	
Withdrawing bad debt reserves by individual item	19,535,854.24	1,125,657.50	97,177.50	25,113.28	-151,507.56	20,387,713.40
Bad debt reserve withdrawn by portfolio	35,120,933.86	2,833,096.89			374,132.65	38,328,163.40
Total	54,656,788.10	3,958,754.39	97,177.50	25,113.28	222,625.09	58,715,876.80

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	25,113.28

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

Explanation of accounts receivable verification:

None

(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	43,039,493.79		43,039,493.79	7.32%	2,399,371.29
Customer 2	36,662,051.49		36,662,051.49	6.24%	2,304,991.19
Customer 3	23,254,176.57		23,254,176.57	3.96%	1,162,708.84
Customer 4	19,763,037.08		19,763,037.08	3.36%	1,245,964.51
Customer 5	14,900,734.21		14,900,734.21	2.54%	745,036.71
Total	137,619,493.14		137,619,493.14	23.42%	7,858,072.54

5. 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	79,475.48	45,893.64	33,581.84	335,494.48	122,699.34	212,795.14
Total	79,475.48	45,893.64	33,581.84	335,494.48	122,699.34	212,795.14

(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:										
Bad debt reserve withdrawn by portfolio	79,475.48	100.00%	45,893.64	57.75%	33,581.84	335,494.48	100.00%	122,699.34	36.57%	212,795.14
Including:										
Aging portfolio	79,475.48	100.00%	45,893.64	57.75%	33,581.84	335,494.48	100.00%	122,699.34	36.57%	212,795.14
Total	79,475.48	100.00%	45,893.64	57.75%	33,581.84	335,494.48	100.00%	122,699.34	36.57%	212,795.14

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	79,475.48	45,893.64	57.75%

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

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

Unit: RMB

Item	Provision in current period	Recovery or reversal in the current period	Charged or written off in current period	Reasons
Provision for impairment by portfolio	-76,805.70			Impairment provisions made based on the aging distribution and expected credit risk
Total	-76,805.70			——

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

Other explanations:

6. Other receivables

Unit: RMB

Item	Ending Balance	Beginning Balance
Other receivables	29,543,091.46	41,144,121.16
Total	29,543,091.46	41,144,121.16

(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	3,579,854.51	4,674,861.45
Guarantee deposit	10,199,456.31	14,910,797.93
Reserve funds and loans	4,830,544.15	3,115,748.90
Collection and payment on behalf of others	1,247,311.12	2,721,289.57

Withholding and paying social security and provident fund on behalf of others	1,550,780.93	1,642,381.43
Export tax refund	10,566,182.56	15,515,710.55
Others	802,425.25	1,778,689.71
Total	32,776,554.83	44,359,479.54

2) Disclosure by aging

Unit: RMB

Aging	Closing book balance	Opening book balance
Within 1 year (including 1 year)	20,836,884.57	28,324,198.88
1-2 years	1,879,110.66	1,755,594.41
2-3 years	1,468,990.12	1,554,437.48
Over 3 years	8,591,569.48	12,725,248.77
3-4 years	2,514,862.85	2,869,212.53
4-5 years	1,566,085.57	221,614.92
Over 5 years	4,510,621.06	9,634,421.32
Total	32,776,554.83	44,359,479.54

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	1,639,799.46	5.00%	1,639,799.46	100.00%	0.00	1,608,349.35	3.63%	1,608,349.35	100.00%	0.00
Including:										
Single item provision	1,639,799.46	5.00%	1,639,799.46	100.00%	0.00	1,608,349.35	3.63%	1,608,349.35	100.00%	0.00
Bad debt reserve withdrawn by portfolio	31,136,755.37	95.00%	1,593,663.91	5.12%	29,543,091.46	42,751,130.19	96.37%	1,607,009.03	3.76%	41,144,121.16
Including:										
Aging portfolio	2,139,724.26	6.53%	1,593,663.91	74.48%	546,060.35	2,802,184.00	6.32%	1,607,009.03	57.35%	1,195,174.97
Portfolio of deposits, security deposits, employee loans, etc.	28,997,031.11	88.47%	0.00	0.00%	28,997,031.11	39,948,946.19	90.05%	0.00	0.00%	39,948,946.19
Total	32,776,554.83	100.00%	3,233,463.37	9.87%	29,543,091.46	44,359,479.54	100.00%	3,215,358.38	7.25%	41,144,121.16

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
CNB TECHNOLOGY INC.	1,308,756.05	1,308,756.05	1,303,330.51	1,303,330.51	100.00%	Expected non-recoverable
New bio	299,593.30	299,593.30	336,468.95	336,468.95	100.00%	Expected non-recoverable
Total	1,608,349.35	1,608,349.35	1,639,799.46	1,639,799.46		

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	148,138.72	7,406.94	5.00%
1-2 years	416,958.31	41,695.83	10.00%
2-3 years	42,951.60	12,885.51	30.00%
Over 3 years	1,531,675.63	1,531,675.63	100.00%
Total	2,139,724.26	1,593,663.91	

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, 2025	57,455.82	1,549,553.21	1,608,349.35	3,215,358.38
Balance as of January 1, 2025 in the current period				
Provision in current period	-50,048.88	42,139.84	0.00	-7,909.04
Reversals in the current period			0.00	0.00
Write-off in current period				0.00
Other changes		-5,436.08	31,450.11	26,014.03
Balance as of June 30, 2025	7,406.94	1,586,256.97	1,639,799.46	3,233,463.37

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	1,608,349.35				31,450.11	1,639,799.46
Bad debt reserve made by aging portfolio	1,607,009.03	-7,909.04			-5,436.08	1,593,663.91
Total	3,215,358.38	-7,909.04			26,014.03	3,233,463.37

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	0.00

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

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
No. 1	Export tax refund	10,566,182.56	Within 1 year	32.24%	0.00
No. 2	Current account	1,660,530.47	Over 3 years	5.07%	1,660,530.47

No. 3	Current account	1,303,330.51	Over 3 years	3.98%	1,303,330.51
No. 4	Guarantee deposit	907,168.15	Over 3 years	2.77%	0.00
No. 5	Guarantee deposit	567,882.33	1-2 years	1.73%	0.00
Total		15,005,094.02		45.78%	2,963,860.98

7. Prepayments

(1) Prepayments listed by aging

Unit: RMB

Aging	Ending Balance		Beginning Balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	21,516,706.20	87.09%	25,493,011.77	95.98%
1-2 years	2,767,673.47	11.20%	1,044,012.35	3.93%
2-3 years	397,665.65	1.61%	450.85	0.00%
Over 3 years	23,998.01	0.10%	23,998.01	0.09%
Total	24,706,043.33		26,561,472.98	

Explanation of the reasons why prepayments with an aging of over 1 year and significant amounts were not settled in a timely manner:

None

(2) Prepayments of the top five ending balances collected by prepayment object

Unit: RMB

Company name	Ending Balance	Proportion of the total amount of prepayments at the end of the period
Supplier 1	2,288,554.95	9.26%
Supplier 2	2,017,406.03	8.17%
Supplier 3	1,578,400.00	6.39%
Supplier 4	1,124,249.80	4.55%
Supplier 5	1,115,265.64	4.51%
Total	8,123,876.42	32.88%

Other explanations:

8. Inventories

Whether the Company needs to comply with disclosure requirements in the real estate industry

No

(1) Inventory classification

Unit: RMB

Item	Ending Balance			Beginning Balance		
	Book balance	Inventory depreciation reserves or	Book value	Book balance	Inventory depreciation reserves or	Book value

		contract performance cost impairment reserves			contract performance cost impairment reserves	
Raw materials	112,238,867.64	4,053,216.21	108,185,651.43	93,407,452.97	4,182,521.26	89,224,931.71
Products in process	7,413,961.54	0.00	7,413,961.54	10,928,773.18	0.00	10,928,773.18
Inventory goods	256,982,128.02	22,030,340.52	234,951,787.50	240,786,117.74	13,846,891.80	226,939,225.94
Sending goods	5,214,978.00	170,901.47	5,044,076.53	8,482,461.31	268,995.00	8,213,466.31
Total	381,849,935.20	26,254,458.20	355,595,477.00	353,604,805.20	18,298,408.06	335,306,397.14

(2) Inventory depreciation reserves and contract performance cost impairment reserves

Unit: RMB

Item	Beginning Balance	Increase in current period		Decrease in current period		Ending Balance
		Provision	Others	Reversal or reselling	Others	
Raw materials	4,182,521.26	1,267,764.95	29,343.94	1,426,413.94		4,053,216.21
Products in process	0.00					0.00
Inventory goods	13,846,891.80	13,307,361.68	503,438.69	5,627,351.65		22,030,340.52
Sending goods	268,995.00	110,263.62	0.00	208,357.15		170,901.47
Total	18,298,408.06	14,685,390.25	532,782.63	7,262,122.74		26,254,458.20

Provision for inventory depreciation made by portfolio

Unit: RMB

Portfolio Name	End of the period			Opening		
	Ending Balance	Revaluation reserve	Provision ratio for inventory depreciation	Beginning Balance	Revaluation reserve	Provision ratio for inventory depreciation

Provision standards for inventory depreciation reserves made by portfolio

9. Non-current assets due within one year

Unit: RMB

Item	Ending Balance	Beginning Balance
Debt investment due within one year	18,150,144.37	19,802,583.11
Long-term receivables due within one year	1,078,698.52	580,655.24
Total	19,228,842.89	20,383,238.35

(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
CD						
Term deposits	18,150,144.37		18,150,144.37	19,802,583.11		19,802,583.11
Total	18,150,144.37		18,150,144.37	19,802,583.11		19,802,583.11

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

2) Important debt investments due within one year at the end of the period

Unit: RMB

Item	Face value	Coupon rate	Due Date	Effective interest rate		Overdue principal	
				Ending Balance	Beginning Balance	Ending Balance	Beginning Balance

(2) Other creditor's debt investment due within one year

□ Applicable ☑Not applicable

10. Other current assets

Unit: RMB

Item	Ending Balance	Beginning Balance
Advance payment of income tax	7,588,339.09	11,474,437.07
Value added tax deduction amount	18,486,705.79	21,313,002.62
Other prepaid taxes	1,625,115.89	283,376.31
Total	27,700,160.77	33,070,816.00

Other explanations:

11. 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	34,835,741.71		34,835,741.71	35,235,692.02		35,235,692.02
Bank CD - Interest	1,099,230.87		1,099,230.87	342,697.25		342,697.25

Debt investment due within one year	-18,150,144.37		-18,150,144.37	-19,802,583.11		-19,802,583.11
Total	17,784,828.21		17,784,828.21	15,775,806.16		15,775,806.16

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

12. 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	12,371,319.76		12,371,319.76	6,059,956.79		6,059,956.79	3.60%~4.30%
Long-term receivables due within one year	-1,078,698.52		-1,078,698.52	-580,655.24		-580,655.24	3.60%~4.30%
Total	11,292,621.24		11,292,621.24	5,479,301.55		5,479,301.55	

13. 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												
Subtotal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Joint venture												
CV Squared, Inc.	3,784,728.11	0.00	0.00	0.00	-5,169.23	0.00	0.00	0.00	0.00	-15,674.95	3,763,883.93	0.00
ZKTECO SMART CITY (THAILAND) CO., LTD.	1,436,786.20	0.00	0.00	0.00	216,873.80	0.00	0.00	0.00	0.00	-6,581.18	1,647,078.82	0.00
Xiamen Xingniu Yunyu Venture Capital Partnership Enterprise (Limited Partnership)	23,760,577.92	0.00	0.00	0.00	44,575.58	0.00	0.00	0.00	0.00	0.00	23,805,153.50	0.00
Subtotal	28,982,092.23	0.00	0.00	0.00	256,280.15	0.00	0.00	0.00	0.00	-22,256.13	29,216,116.25	0.00
Total	28,982,092.23	0.00	0.00	0.00	256,280.15	0.00	0.00	0.00	0.00	-22,256.13	29,216,116.25	0.00

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:

14. 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 inventory, 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	12,911,709.38			12,911,709.38
2. Increase in current period	820,586.04			820,586.04
(1) Provision or amortization	820,586.04			820,586.04
3. Decrease in current period				
(1) Disposal				
(2) Other transfers out				
4. Ending balance	13,732,295.42			13,732,295.42
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	20,683,730.73			20,683,730.73
2. Beginning book value	21,504,316.77			21,504,316.77

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

(4) Investment real estate without completed property ownership certificate

Unit: RMB

Item	Book value	Reasons for not completing the property ownership certificate

Other explanations:

15. Fixed assets

Unit: RMB

Item	Ending Balance	Beginning Balance
Fixed assets	599,912,936.02	535,337,384.82
Disposal of fixed assets	0.00	0.00

Total	599,912,936.02	535,337,384.82

(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	517,773,308.90	54,643,596.72	13,839,192.69	116,723,366.94	702,979,465.25
2. Increase in current period	70,519,425.60	2,647,599.71	1,651,045.80	13,965,079.89	88,783,151.00
(1) Purchase	26,840,744.48	2,406,207.63	1,578,153.34	10,002,620.70	40,827,726.15
(2) Transferred from construction in progress	40,526,428.97			1,726,217.83	42,252,646.80
(3) Increase in business merger					
(4) Differences in foreign currency statement translation	3,152,252.15	241,392.08	72,892.46	2,236,241.36	5,702,778.05
3. Decrease in current period		3,822,630.84	252,949.88	5,767,819.74	9,843,400.46
(1) Disposal or retirement		3,822,630.84	252,949.88	5,767,819.74	9,843,400.46
4. Ending balance	588,292,734.50	53,468,565.59	15,237,288.61	124,920,627.09	781,919,215.79
II. Accumulated depreciation					
1. Beginning Balance	50,390,962.19	31,381,296.75	9,118,656.37	76,751,165.12	167,642,080.43
2. Increase in current period	8,787,204.86	3,515,336.46	903,681.11	7,947,442.98	21,153,665.41
(1) Provision	8,550,335.76	3,362,601.72	818,049.27	7,198,084.27	19,929,071.02
(2) Differences in foreign currency statement translation	236,869.10	152,734.74	85,631.84	749,358.71	1,224,594.39
3. Decrease in current period		2,409,381.13	234,323.56	4,145,761.38	6,789,466.07
(1) Disposal or retirement		2,409,381.13	234,323.56	4,145,761.38	6,789,466.07
4. Ending balance	59,178,167.05	32,487,252.08	9,788,013.92	80,552,846.72	182,006,279.77
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	529,114,567.45	20,981,313.51	5,449,274.69	44,367,780.37	599,912,936.02
2. Beginning book value	467,382,346.71	23,262,299.97	4,720,536.32	39,972,201.82	535,337,384.82

(2) Temporarily idle fixed assets

Unit: RMB

Item	Original book value	Accumulated depreciation	Impairment provision	Book value	Remarks

(3) Fixed assets leased out through operating leases

Unit: RMB

Item	Ending book value

(4) Fixed assets without completed property ownership certificate

Unit: RMB

Item	Book value	Reasons for not completing the property rights certificate
Houses and buildings of the Multimodal Biometrics Digitalization Industrial Base Construction Project	189,590,748.85	Part of the factory building has been transferred to fixed assets, but the entire project is not yet completed.

Other explanations:

1. The original value of fixed assets that have been fully depreciated at the end of the period but are still in use is RMB 49,941,852.26.

2. There was no fixed asset subject to any restrictions on ownership or use rights such as mortgage, pledge, seizure, freezing or detention.

(5) Impairment test of fixed assets

□ Applicable ☑Not applicable

(6) Disposal of fixed assets

Unit: RMB

Item	Ending Balance	Beginning Balance
Total	0.00	0.00

Other explanations:

16. Construction in progress

Unit: RMB

Item	Ending Balance	Beginning Balance
Construction in progress	208,311,207.77	226,445,932.02
Total	208,311,207.77	226,445,932.02

(1) Construction in progress

Unit: RMB

Item	Ending Balance			Beginning Balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Multimodal Biometrics Digitalization Industrial Base Construction Project	189,590,748.85		189,590,748.85	179,899,141.41	0.00	179,899,141.41
American Manufacturing Factory Construction Project	18,531,276.90		18,531,276.90	6,539,114.96	0.00	6,539,114.96
Thai factory construction and office buildings	0.00		0.00	40,007,675.65	0.00	40,007,675.65
Administration Department Large Screen	116,956.35		116,956.35	0.00		0.00
Zhangmutou Main Gate Security Room No. 2	72,225.67		72,225.67	0.00		0.00
Total	208,311,207.77		208,311,207.77	226,445,932.02		226,445,932.02

(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
Multimodal Biometrics Digitalization Industrial Base Construction Project	284,566,264.91	179,899,141.41	9,691,607.44	0.00	0.00	189,590,748.85	69.59%	Partial completion and transfer to fixed assets				1
Thai factory construction and office buildings	109,095,400.00	40,007,675.65	1,675,814.43	42,252,646.80	-569,156.72	0.00	100.00%	Completed				2
Total	393,661,664.91	219,906,817.06	11,367,421.87	42,252,646.80	-569,156.72	189,590,748.85						

Note: 1. Own funds and raised funds

2. Own funds

(3) Current provision for impairment of construction in progress

Unit: RMB

Item	Beginning Balance	Increase in the current period	Decrease in the current period	Ending Balance	Reason for provision

Other explanations:

None

(4) Impairment test of construction in progress

□ Applicable ☑Not applicable

(5) Engineering materials

Unit: RMB

Item	Ending Balance			Beginning Balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value

Other explanations:

17. 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	105,951,804.64	3,367,291.18	23,200.93	109,342,296.75
2. Increase in current period	20,899,834.43	684,891.55	0.00	21,584,725.98
(1) Lease	19,078,731.99	494,275.35	0.00	19,573,007.34
(2) Differences in foreign currency statement translation	1,821,102.44	190,616.20	0.00	2,011,718.64
3. Decrease in current period	18,751,985.08	907,936.75	0.00	19,659,921.83
(1) Expiration of lease	10,603,884.10	907,936.75	0.00	11,511,820.85
(2) Lease change	5,206,454.56	0.00	0.00	5,206,454.56
(3) Termination of lease	2,941,646.42	0.00	0.00	2,941,646.42
4. Ending balance	108,099,653.99	3,144,245.98	23,200.93	111,267,100.90
II. Accumulated depreciation				
1. Beginning Balance	59,181,759.19	1,790,536.05	17,787.37	60,990,082.61
2. Increase in current period	13,817,172.78	1,029,358.03	2,320.10	14,848,850.91
(1) Provision	13,918,414.57	879,128.43	2,320.10	14,799,863.10
(2) Differences in foreign currency statement translation	-101,241.79	150,229.60	0.00	48,987.81
3. Decrease in current period	15,044,824.34	952,467.90	0.00	15,997,292.24
(1) Disposal				0.00
(2) Expiration of lease	10,038,409.20	952,467.90	0.00	10,990,877.10
(3) Lease change	3,904,371.81	0.00	0.00	3,904,371.81
(4) Termination of lease	1,102,043.33	0.00	0.00	1,102,043.33
4. Ending balance	57,954,107.63	1,867,426.18	20,107.47	59,841,641.28
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	50,145,546.36	1,276,819.80	3,093.46	51,425,459.62
2. Beginning book value	46,770,045.45	1,576,755.13	5,413.56	48,352,214.14

(2) Impairment test of right-of-use assets

□ Applicable ☑Not applicable

Other explanations:

No impairment signs of the right-of-use assets were found at the end of the period, so no impairment provision was made.

18. 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	83,690,229.40			39,345,602.92	116,213.23	123,152,045.55
2. Increase in current period	2,104,302.39			663,913.92	809.21	2,769,025.52
(1) Purchase				360,676.48		360,676.48
(2) Internal R&D						
(3) Increase in business merger						
(4) Differences in foreign currency statement translation	2,104,302.39			303,237.44	809.21	2,408,349.04
3. Decrease in current period				32,772.51		32,772.51

(1) Disposal				32,772.51		32,772.51
4. Ending balance	85,794,531.79			39,976,744.33	117,022.44	125,888,298.56
II. Accumulated amortisation						
1. Beginning Balance	12,587,135.35			10,654,231.55	66,281.85	23,307,648.75
2. Increase in current period	621,076.95			2,169,332.57	48,904.90	2,839,314.42
(1) Provision	621,076.95			1,921,515.20	50,117.60	2,592,709.75
(2) Differences in foreign currency statement translation				247,817.37	-1,212.70	246,604.67
3. Decrease in current period				13,108.66		13,108.66
(1) Disposal				13,108.66		13,108.66
4. Ending balance	13,208,212.30			12,810,455.46	115,186.75	26,133,854.51
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	72,586,319.49			27,166,288.87	1,835.69	99,754,444.05
2. Beginning book value	71,103,094.05			28,691,371.37	49,931.38	99,844,396.80

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%

(2) Data resources recognized as intangible assets

Unit: RMB

Item	Purchased Data	Self-Developed Data	Data Resource	Total

	Resource Intangible Assets	Resource Intangible Assets	Intangible Assets Acquired by Other Means	

(3) Land use rights without completed property ownership certificates

Unit: RMB

Item	Book value	Reasons for not completing the property rights certificate

Other explanations:

(4) Impairment test for intangible assets

□ Applicable ☑Not applicable

19. 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		
ZKTECO (M) SDN. BHD.	175,733.09		-728.51			175,004.58
ZK INVESTIMENTOS DO BRASIL LTDA	336,604.16		-1,395.42			335,208.74
Total	512,337.25		-2,123.93			510,213.32

(2) Provision for impairment 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
		Provision		Disposals		
Total						

(3) 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	Operating segments and basis	Is it consistent with previous years

	which it belongs		
ZKTECO (M) SDN. BHD.	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.	Not applicable	Yes
ZK INVESTIMENTOS DO BRASIL LTDA	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.	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

Other explanations:

(4) 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

(5) 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:

20. 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	4,139,639.18	1,435,444.50	739,940.66	6,504.52	4,828,638.50
Employee housing	622,274.12	1,393,101.71	280,496.41	46,387.36	1,688,492.06

loan deferred interest					
Others	793,624.31	265,190.62	212,090.48	0.00	846,724.45
Total	5,555,537.61	3,093,736.83	1,232,527.55	52,891.88	7,363,855.01

Other explanations:

21. 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	56,651,418.14	7,873,797.66	47,192,027.83	6,521,838.09
Unrealized profits from internal transactions	97,440,529.71	20,844,979.15	84,185,246.35	17,508,200.23
Deductible losses	304,166,465.22	45,160,518.07	285,896,113.31	42,872,331.32
Withholding rebates	4,543,371.32	653,344.16	10,022,833.77	1,393,756.83
Share-based payments	3,916,825.96	589,480.65		
Provision for inventory write-down	17,272,730.01	3,028,040.79	14,186,283.12	2,370,858.96
Deferred income	1,386,722.80	208,008.42	1,420,041.44	213,006.22
Lease liabilities	49,945,160.95	9,992,699.74	49,257,032.77	10,466,405.35
Payroll payable	2,156,010.00	338,401.50	2,236,010.00	342,401.50
Total	537,479,234.11	88,689,270.14	494,395,588.59	81,688,798.50

(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	8,129,445.86	1,219,416.88	3,617,185.62	542,577.84
Accelerated depreciation of fixed assets	16,638,455.53	2,503,082.60	16,600,073.87	2,490,011.08
Right-of-use asset	46,659,196.97	9,145,434.71	46,681,772.88	9,697,505.58
Total	71,427,098.36	12,867,934.19	66,899,032.37	12,730,094.50

(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	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 balance of deferred income tax assets and liabilities after offset

	period		beginning of period	
Deferred income tax assets		88,689,270.14		81,688,798.50
Deferred income tax liabilities		12,867,934.19		12,730,094.50

(4) Details of unconfirmed deferred income tax assets

Unit: RMB

Item	Ending Balance	Beginning Balance
Deductible temporary difference	26,652,960.58	16,623,824.03
Deductible losses	97,383,303.56	96,349,663.36
Total	124,036,264.14	112,973,487.39

(5) The deductible losses of unrecognized deferred income tax assets will expire in the following years

Unit: RMB

Year	Closing amount	Opening amount	Remarks
2025	337,438.78	1,274,747.09	
2026	1,562,105.03	2,241,647.99	
2027	6,955,709.91	6,892,984.64	
2028	17,278,632.64	15,815,109.76	
2029 and beyond	71,249,417.20	70,125,173.88	
Total	97,383,303.56	96,349,663.36	

Other explanations:

22. Other non-current assets

Unit: RMB

Item	Ending Balance			Beginning Balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Prepaid equipment payment	6,350,017.40	0.00	6,350,017.40	4,620,055.22	0.00	4,620,055.22
Prepayment for software	660,000.00	0.00	660,000.00	0.00	0.00	0.00
Total	7,010,017.40	0.00	7,010,017.40	4,620,055.22	0.00	4,620,055.22

Other explanations:

23. 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	85,949,052.51	85,949,052.51	Deposit and funds	Bill deposit: RMB	47,843,704.40	47,843,704.40	Deposit and funds	Bill deposit: RMB

			in transit	77,434,579.93, funds in transit: RMB 8,514,472.58			in transit	45,703,490.78, funds in transit: RMB 2,140,213.62
Total	85,949,052.51	85,949,052.51			47,843,704.40	47,843,704.40		

Other explanations:

24. Short-term loan

(1) Classification of short-term loans

Unit: RMB

Item	Ending Balance	Beginning Balance
Discounted loan	74,552,050.16	
Total	74,552,050.16	

Explanation of short-term loan classification:

The short-term loan for the current period was obtained by discounting bank acceptance bills with the bank.

25. Notes payable

Unit: RMB

Category	Ending Balance	Beginning Balance
Bank acceptance bill	237,011,100.20	134,784,219.75
Total	237,011,100.20	134,784,219.75

The total amount of unpaid notes payable at the end of this period is RMB 0.00, with no reason for non-payment at maturity.

26. Accounts payable

(1) Listing of accounts payable

Unit: RMB

Item	Ending Balance	Beginning Balance
Material payment	166,179,354.45	173,900,619.81
Equipment payment	915,421.98	898,794.71
Service fee	6,343,072.51	5,020,813.02
Project payment	26,795,022.32	42,641,363.41
Others	5,570,391.37	2,953,051.88
Total	205,803,262.63	225,414,642.83

27. Other payables

Unit: RMB

Item	Ending Balance	Beginning Balance
Dividends payable	556,900.00	
Other payables	56,820,248.21	45,821,035.19
Total	57,377,148.21	45,821,035.19

(1) Dividends payable

Unit: RMB

Item	Ending Balance	Beginning Balance
Common stock dividend	556,900.00	
Total	556,900.00	

Other explanations, including important dividends payable that have not been paid for more than one year, whose reasons for the non-payment shall be disclosed:

None

(2) Other payables

1) List of other payables by nature of money

Unit: RMB

Item	Ending Balance	Beginning Balance
Employee reimbursement	3,555,223.69	1,648,647.92
Payment to be settled	3,123,274.51	5,241,858.41
Withholding and paying social security and provident fund on behalf of others	59,803.80	125,966.01
Current account	3,518,881.39	6,093,622.83
Collection and payment on behalf of others	1,011,979.18	1,552,934.62
Guarantee deposit	2,524,615.10	2,489,844.38
Liabilities recognized for repurchase obligations under share-based payment arrangements	14,200,950.00	
Others	28,825,520.54	28,668,161.02
Total	56,820,248.21	45,821,035.19

28. Contract liabilities

Unit: RMB

Item	Ending Balance	Beginning Balance
Advances on sales	76,175,981.93	71,168,318.91
Total	76,175,981.93	71,168,318.91

Significant contract liabilities with an aging of over 1 year

Unit: RMB

Item	Ending Balance	Reasons for non-repayment or carry-forward

Amount and reasons for significant changes in book value during the reporting period

Unit: RMB

Item	Change amount	Reasons for changes

29. 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	52,837,254.18	247,554,988.89	252,475,706.86	47,916,536.21
II. Post-employment welfare - defined contribution plan	416,810.35	14,225,790.62	14,238,560.73	404,040.24
III. Dismissal benefit	736,909.78	819,254.63	1,066,082.72	490,081.69
Total	53,990,974.31	262,600,034.14	267,780,350.31	48,810,658.14

(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	50,669,903.85	228,688,003.75	233,227,539.99	46,130,367.61
2. Employee benefits	240,584.42	4,282,120.68	4,172,246.41	350,458.69
3.Social insurance	651,724.81	11,405,678.19	11,866,791.94	190,611.06
Including: medical insurance premium	649,683.10	10,734,365.67	11,212,428.83	171,619.94
Work-related injury insurance premium	2,041.71	462,414.18	445,464.77	18,991.12
Birth insurance premium		208,898.34	208,898.34	
4. Housing fund	92,893.61	2,753,371.07	2,788,033.19	58,231.49
5. Labor union expenditure and personnel education fund	1,182,147.49	221,585.65	217,740.92	1,185,992.22
6. Other short-term compensation		204,229.55	203,354.41	875.14
Total	52,837,254.18	247,554,988.89	252,475,706.86	47,916,536.21

(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	397,285.35	13,586,797.80	13,610,189.92	373,893.23
2.Unemployment insurance	19,525.00	638,992.82	628,370.81	30,147.01

Total	416,810.35	14,225,790.62	14,238,560.73	404,040.24

Other explanations:

30. Taxes payable

Unit: RMB

Item	Ending Balance	Beginning Balance
VAT	6,330,608.13	5,579,760.29
Enterprise income tax	8,544,419.68	6,705,759.08
Individual income tax	5,793,247.33	5,232,563.89
Urban maintenance and construction tax	119,519.57	444,230.76
Property tax	1,453,735.73	488,175.02
Stamp duty	317,094.44	407,386.15
Education surcharge	114,403.07	440,506.80
Others	4,211,807.41	982,716.97
Total	26,884,835.36	20,281,098.96

Other explanations:

31. Non-current liabilities due within one year

Unit: RMB

Item	Ending Balance	Beginning Balance
Long-term loans due within one year	1,030,434.94	964,811.76
Lease liabilities due within one year	24,850,557.85	21,857,837.11
Total	25,880,992.79	22,822,648.87

Other explanations:

32. Other current liabilities

Unit: RMB

Item	Ending Balance	Beginning Balance
Sales rebates payable	4,543,371.32	10,022,833.77
Tax to be transferred to output tax	2,029,947.73	2,037,746.19
Total	6,573,319.05	12,060,579.96

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:

33. Long-term loan

(1) Classification of long-term loans

Unit: RMB

Item	Ending Balance	Beginning Balance
Credit borrowings	7,478,459.11	7,986,140.65
Long-term loans due within one year	-1,030,434.94	-964,811.76
Total	6,448,024.17	7,021,328.89

Explanation of long-term loan classification:

As of June 30, 2025, the credit borrowings included an amount of RMB 7,040.00 for accrued but unpaid interest (December 31, 2024: RMB 8,211.50).

Other explanations, including interest rate range:

None

34. Lease liabilities

Unit: RMB

Item	Ending Balance	Beginning Balance
Lease payment amount	61,271,778.17	57,524,873.16
Unrecognized financing charges	-6,898,976.52	-6,558,959.29
Lease liabilities due within one year	-24,850,557.85	-21,857,837.11
Total	29,522,243.80	29,108,076.76

Other explanations:

35. Deferred income

Unit: RMB

Item	Beginning Balance	Increase in the current period	Decrease in the current period	Ending Balance	Cause of formation
Government subsidies	1,420,041.44	0.00	33,318.64	1,386,722.80	Financial allocation
Total	1,420,041.44	0.00	33,318.64	1,386,722.80	

Other explanations:

36. 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	196,312,325.00			39,039,225.00		39,039,225.00	235,351,550.00

Shares							

Other explanations:

According to the resolution of the Company's 2024 annual general meeting, the Company will, based on the share capital after deducting the shares in the Company's dedicated securities account for share repurchases from the total share capital on the record date for the implementation of equity distribution, capitalize capital reserve by issuing 2 shares for every 10 shares to all shareholders, with the capital reserve converted into share capital amounting to RMB 39,039,225.00.

37. Capital reserve

Unit: RMB

Item	Beginning Balance	Increase in the current period	Decrease in the current period	Ending Balance
Capital premium (share capital premium)	2,039,432,865.60		57,807,412.42	1,981,625,453.18
Other capital reserves	67,890,767.63	5,569,086.64		73,459,854.27
Total	2,107,323,633.23	5,569,086.64	57,807,412.42	2,055,085,307.45

Other descriptions, including changes in current period and reasons for changes:

(1)The decrease in capital reserve - share premium in the current period is mainly due to the following: ① Pursuant to the "Proposal on the Company's 2025 Employee Stock Ownership Plan (Draft) and Its Abstract", the "Proposal on the Company's 2025 Employee Stock Ownership Plan Management Measures", and the "Proposal on Submitting the Company's General Meetings to Authorize the Board of Directors to Handle Matters Related to the 2025 Employee Stock Ownership Plan", which were respectively deliberated and approved at the 15th Session of the Third Board Meeting, the 14th Session of the Third Supervisory Board Meeting, and the First Extraordinary General Meeting of 2025, the Company granted 1,113,800 shares to employees at a grant price of RMB 13.25 per share. The difference between the subscription payment for employee shares received (RMB 14,757,850.00) and the treasury shares of the same number calculated at the average repurchase price (RMB 29,805,288.00) was offset against share premium (RMB 15,047,438.00). ② As of June 3, 2025, based on the total share capital of 196,312,325 shares after deducting 195,196,125 shares from the Company's repurchase account in which 1,116,200 shares had been repurchased, 2 shares were issued for every 10 shares to all shareholders, reducing capital reserve - share premium by RMB 39,039,225.00.

(2) The increase of RMB 5,569,086.64 in capital reserve - other capital reserve is due to share-based payment fees recognized under the 2025 Equity Incentive Plan. For detailed information, please refer to "Note XV".

38. 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	59,683,228.10		15,604,338.00	44,078,890.10
Total	59,683,228.10		15,604,338.00	44,078,890.10

Other descriptions, including changes in current period and reasons for changes:

The decrease in treasury shares in the current period is due to the following: ① Pursuant to the "Proposal on the Company's 2025 Employee Stock Ownership Plan (Draft) and Its Abstract", the "Proposal on the Company's 2025 Employee Stock Ownership Plan Management Measures", and the "Proposal on Submitting the Company's General Meetings to Authorize the Board of Directors to

Handle Matters Related to the 2025 Employee Stock Ownership Plan", which were respectively deliberated and approved at the 15th Session of the Third Board Meeting, the 14th Session of the Third Supervisory Board Meeting, and the First Extraordinary General Meeting of 2025, the Company granted 1,113,800 shares to employees. The amount of treasury shares to be offset, calculated at the average repurchase price, was RMB 29,805,288.00. Concurrently, a liability was recognized for the repurchase transaction, increasing the amount of treasury shares by RMB 14,757,850.00. ② The employee stock ownership plan offset the corresponding treasury shares by RMB 556,900.00, based on a dividend distribution of RMB 5 per ten shares in the current period.

39. 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	41,914,807.74	13,551,797.73				11,090,133.24	2,461,664.49	53,004,940.98
Translation difference of foreign currency financial statements	41,914,807.74	13,551,797.73				11,090,133.24	2,461,664.49	53,004,940.98
Total of other comprehensive income	41,914,807.74	13,551,797.73				11,090,133.24	2,461,664.49	53,004,940.98

Other explanations, including adjusting the effective portion of cash flow hedging gains and losses to the initial recognition amount of the hedged item:

40. Surplus reserves

Unit: RMB

Item	Beginning Balance	Increase in the current period	Decrease in the current period	Ending Balance
Legal surplus reserve	64,002,687.03			64,002,687.03
Total	64,002,687.03			64,002,687.03

Description of surplus reserve, including changes in current period and reasons for changes:

41. Undistributed profits

Unit: RMB

Item	Current period	Previous period
Undistributed profits before adjustment at end of the previous period	1,000,479,479.18	907,583,024.38
Undistributed profit at the end of the adjustment period	1,000,479,479.18	907,583,024.38
Plus: Net profits attributable to parent company in this period	93,235,556.28	183,045,997.93
Less: withdrawal of legal surplus reserves		3,547,264.53
Dividends payable on ordinary shares	97,598,062.50	86,602,278.60
Undistributed profit at the end of the period	996,116,972.96	1,000,479,479.18

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.

42. Operating revenue and operating cost

Unit: RMB

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Income	Cost	Income	Cost
Main business	925,627,146.27	453,345,313.12	899,298,084.45	455,351,526.79
Other businesses	3,631,613.23	820,586.04	3,805,074.32	820,586.04
Total	929,258,759.50	454,165,899.16	903,103,158.77	456,172,112.83

Breakdown information of operating revenue and operating costs:

Unit: RMB

Contract classification	Division 1		Division 2				Total	
	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost
Business type								
Including:								
Smart office					170,351,364.94	49,955,004.77	170,351,364.94	49,955,004.77
Smart space					686,171,421.87	354,954,954.62	686,171,421.87	354,954,954.62
Digital identity authentication					40,163,072.57	26,311,868.13	40,163,072.57	26,311,868.13
Smart business					28,941,286.89	22,123,485.60	28,941,286.89	22,123,485.60
Other products					3,631,613.23	820,586.04	3,631,613.23	820,586.04

Classification by region of operation								
Including:								
Domestic sales					225,526,933.68	155,150,552.06	225,526,933.68	155,150,552.06
Overseas sales					703,731,825.82	299,015,347.10	703,731,825.82	299,015,347.10
Market or customer type								
Including:								
Distribution					606,844,149.80	334,230,434.97	606,844,149.80	334,230,434.97
Direct sales					318,782,996.47	119,114,878.15	318,782,996.47	119,114,878.15
Others					3,631,613.23	820,586.04	3,631,613.23	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					929,258,759.50	454,165,899.16	929,258,759.50	454,165,899.16

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

Other explanations:

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

Other explanations:

43. Taxes and surcharges

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Urban maintenance and construction tax	1,081,144.01	1,313,026.35
Education surcharge	640,116.95	774,884.49
Property tax	1,516,598.02	790,526.59
Land use tax	53,192.27	53,192.27
Stamp duty	592,617.78	1,273,419.68
Local education surcharges	426,744.56	516,589.62
Other taxes and fees for overseas companies	7,778,404.67	8,309,729.91
Others	12,120.88	12,948.09
Total	12,100,939.14	13,044,317.00

Other explanations:

44. Administrative expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee remuneration	23,662,952.00	23,903,152.68
Office allowance	1,497,450.76	1,394,754.13
Travel expense	625,145.17	1,572,016.50
Low-value consumables	216,174.14	292,293.53
Share-based payments	801,317.95	719,846.67
Car expenses	512,186.16	358,274.00
Software usage fee	815,514.18	654,161.87
Depreciation and amortization of right-of-use assets	2,762,201.05	3,113,740.46
Taxes	274,580.42	198,914.56
Communications fee	377,946.79	298,281.74
Repair fee	192,877.31	324,653.19
Business entertainment expenses	949,272.01	1,236,467.04
Depreciation and amortization	9,119,447.66	6,046,891.71
Agency fees	3,907,439.27	3,688,497.16
Others	11,622,902.03	9,727,936.89
Total	57,337,406.90	53,529,882.13

Other explanations:

45. Selling expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee remuneration	130,371,321.56	128,756,323.33
Travel expense	10,064,633.43	13,058,671.93

Depreciation and amortization of right-of-use assets	9,099,763.94	8,710,857.10
Advertising expenses	7,734,351.84	13,042,036.99
Service fees and commissions	7,635,393.54	5,959,250.01
Agency fees	7,003,206.27	6,985,958.39
Exhibition and conference fees	6,039,204.97	6,216,072.66
Office allowance	4,778,609.60	5,095,135.43
Depreciation and amortization	2,970,776.05	3,487,498.16
Share-based payments	2,923,688.14	3,741,494.90
Rental expenses	2,799,483.37	2,672,349.49
Insurance premium	2,587,046.52	2,993,136.00
Maintenance and testing fees	2,543,660.51	2,131,723.55
Software usage fee	1,970,852.76	2,089,695.96
Business entertainment expenses	1,895,840.13	1,833,773.74
Others	9,231,909.18	7,862,233.30
Total	209,649,741.81	214,636,210.94

Other explanations:

46. R&D expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee remuneration	75,869,647.82	81,473,986.07
Office allowance	869,093.76	723,170.03
Travel expense	1,429,082.97	2,128,700.33
Share-based payments	1,373,315.54	2,908,870.45
Software and technical service fees	9,290,419.57	4,745,229.55
Depreciation and amortization of right-of-use assets	894,401.61	882,806.79
R&D material costs	3,100,377.47	3,182,303.79
Depreciation and amortization	4,036,414.77	2,581,016.27
Others	7,204,429.70	7,023,924.92
Total	104,067,183.21	105,650,008.20

Other explanations:

47. Financial expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Interest expense	1,322,384.38	1,576,340.90
Including: interest expenses on lease liabilities	1,677,473.84	598,981.62
Less: interest income	18,677,549.88	23,834,740.57
Exchange profits and losses	-10,706,325.87	2,516,264.93
Handling fee expenditure	1,183,331.50	947,989.18
Others	-38,295.32	12,024.77
Total	-26,916,455.19	-18,782,120.79

Other explanations:

48. 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	1,640,887.62	4,790,479.66
Refund of individual income tax handling fee	247,010.14	239,983.22
Value added tax credit, additional deduction, and immediate collection and refund	5,049,440.08	3,337,380.11
Total	6,937,337.84	8,367,842.99

49. 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	7,977,831.68	4,288,802.32
Including: gains from changes in fair value generated by derivative financial instruments		-92,617.82
Total	7,977,831.68	4,288,802.32

Other explanations:

50. 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	1,265,201.27	989,323.74
Investment income from disposal of long-term equity investment		-216,072.16
Investment income obtained from financial products	1,334,460.15	2,058,736.39
Forward foreign exchange settlement and sales contract	285,803.23	68,155.00
Total	2,885,464.65	2,900,142.97

Other explanations:

51. Losses from credit impairment

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Bad debt losses on accounts receivable	-3,861,576.89	-728,583.49
Bad debt losses on other receivables	7,909.04	-42,420.73
Total	-3,853,667.85	-771,004.22

Other explanations:

52. Losses from impairment of assets

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
I. Inventory depreciation loss and contract performance cost impairment loss	-9,406,692.74	-5,196,924.78
II. Impairment losses on contract assets	76,805.70	
Total	-9,329,887.04	-5,196,924.78

Other explanations:

53. Gains from disposal of assets

Unit: RMB

Source of gains from disposal of assets	Amount incurred in the current period	Amount incurred in the previous period
Gain recognized on disposal of non-current assets not classified as held for sale	141,757.67	-83,513.11
Including: fixed assets	161,769.11	-76,794.85
Right-of-use assets	-20,011.44	-6,718.26

54. Non-operating revenue

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 impairment and retirement of non-current assets	30,333.70	5,007.30	30,333.70
Penalty income		7,840.56	
Others	269,602.66	2,443,402.07	269,602.66
Total	299,936.36	2,456,249.93	299,936.36

Other explanations:

55. 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	904,338.66	410,712.93	904,338.66
Asset retirement, damage and loss	328,890.25	65,449.79	328,890.25
Extraordinary losses		457,628.84	
Penalty expenses	120,359.15	3,280.71	120,359.15
Others	383,979.81	111,489.01	383,979.81
Total	1,737,567.87	1,048,561.28	1,737,567.87

Other explanations:

56. Income tax expenses

(1) Income tax expense statement

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Current income tax expenses	17,559,381.01	11,186,808.91
Deferred income tax expense	-6,862,631.95	-6,284,061.60
Total	10,696,749.06	4,902,747.31

(2) Accounting profit and income tax expense adjustment process

Unit: RMB

Item	Amount incurred in the current period
Total profits	122,175,249.91
Income tax expenses calculated based on statutory/applicable tax rates	18,326,287.49
The impact of different tax rates applicable to subsidiaries	5,390,085.94
The impact of adjusting previous period income tax	490,136.04
The impact of non-taxable income	-7,941,604.19
The impact of non-deductible costs, expenses, and losses	849,515.78
The impact of deductible losses on unrecognized deferred income tax assets in the prior period of use	-2,050,332.59
The impact of deductible temporary differences or deductible losses on unrecognized deferred income tax assets in the current period	7,393,318.95
The impact of additional deductions on R&D expenses	-11,739,780.26
Salary paid for the placement of disabled individuals with additional deductions	-13,039.97
The impact of tax rate changes on the beginning deferred income tax	-7,838.13
Income tax expense	10,696,749.06

Other explanations:

57. Other comprehensive income

Please refer to Note 39.

58. 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	14,539,538.96	33,260,268.95
Government subsidies	1,607,568.98	4,952,825.13
Current account	5,778,367.31	1,844,175.02

Restricted funds such as restricted bill deposit, guarantee deposit and funds in transit	53,841,815.00	808,538.31
Others	3,455,431.72	1,826,694.08
Total	79,222,721.97	42,692,501.49

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	90,471,076.32	103,961,087.89
Current account	46,699,693.62	26,147,972.24
Restricted funds such as restricted bill deposit, guarantee deposit and funds in transit	62,372,488.73	16,607,790.66
Others	5,149,391.76	2,833,730.67
Total	204,692,650.43	149,550,581.46

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	285,803.23	68,155.00
Total	285,803.23	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	909,643,512.57	522,835,114.48
Expiration of forward foreign exchange settlement	25,167,850.00	
Total	934,811,362.57	522,835,114.48

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

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	1,290,085,319.16	649,403,947.08
Forward foreign exchange settlement purchase	25,167,850.00	
Total	1,315,253,169.16	649,403,947.08

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	0.00	3,512,381.80
Equity incentive subscription funds	14,757,850.00	
Proceeds from discounting notes receivable received	74,552,050.16	
Total	89,309,900.16	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	15,293,492.76	16,270,394.68
Bill deposit		3,717,972.80
Share repurchase		58,898,528.10
Total	15,293,492.76	78,886,895.58

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	
Short-term loan	0.00	74,552,050.16	0.00	0.00	0.00	74,552,050.16
Non-current liabilities due within one year	22,822,648.87	0.00	18,670,569.23	14,170,711.49	1,441,513.82	25,880,992.79
Long-term loan	7,021,328.89	0.00	11,697.94	529,610.37	55,392.29	6,448,024.17
Lease liabilities	29,108,076.76	0.00	31,868,789.26	1,122,781.17	30,331,841.05	29,522,243.80
Total	58,952,054.52	74,552,050.16	50,551,056.43	15,823,103.03	31,828,747.16	136,403,310.92

(4) Description of cash flows presented as net amount

Item	Related facts	Basis for reporting net amount	Financial impact

(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

59. 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	111,478,500.85	84,863,035.97
Plus: provision for asset impairment	13,183,554.89	5,967,929.00
Depreciation of fixed assets, consumption of oil and gas assets and productive biological assets	19,929,071.02	16,949,822.52
Depreciation of right of use assets	14,799,863.10	14,446,245.08
Amortization of intangible assets	2,098,172.80	1,112,025.07
Long-term unamortized expenses	1,232,527.55	1,703,204.79
Loss from disposal of fixed assets, intangible assets and other long-term assets (gains expressed with "-")	-141,757.67	83,513.11
Loss on retirement of fixed assets (gains expressed with "-")	298,556.55	60,442.48
Loss from changes in fair value (gains expressed with "-")	-7,977,831.68	-4,288,802.32
Financial expenses (gains expressed with "-")	-9,383,947.15	-2,794,360.99
Investment loss (gains expressed with "-")	-1,876,543.53	-2,900,142.90
Decrease of deferred income tax assets (increase expressed with "-")	-7,000,471.64	-7,856,218.33
Increases of deferred income tax liabilities (decrease expressed with "-")	137,839.69	1,572,156.78
Decrease of inventory (increase expressed with "-")	-30,924,354.73	-13,366,506.95
Decreases of operational receivables (increase expressed with "-")	6,325,505.21	-32,843,911.15
Increases of operating payables (decrease expressed with "-")	51,431,165.34	-3,841,421.92
Others	5,573,302.96	7,765,311.61
Net cash flows from operating activities	169,183,153.56	66,632,321.85
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	19,573,007.34	19,856,763.01
3. Net change of cash and cash equivalents:		
Ending balance of cash	904,168,425.70	966,470,088.72
Less: beginning balance of cash	1,214,344,327.43	1,317,020,553.02
Plus: ending balance of cash equivalents		
Less: beginning balance of cash equivalents		

Net increase in cash and cash equivalents	-310,175,901.73	-350,550,464.30

(2) Net cash paid for acquiring subsidiaries in the current period

Unit: RMB

	Amount
Including:	
Including:	
Including:	

Other explanations:

(3) Net cash received from disposal of subsidiaries in the current period

Unit: RMB

	Amount
Including:	
Including:	
Including:	

Other explanations:

(4) Composition of cash and cash equivalents

Unit: RMB

Item	Ending Balance	Beginning Balance
I. Cash	904,168,425.70	1,214,344,327.43
Including: Cash on hand	490,485.81	772,216.84
Bank deposit available for payment at any time	900,488,554.95	1,212,348,031.02
Other monetary funds available for payment at any time	3,189,384.94	1,224,079.57
II. Ending balance of cash and cash equivalents	904,168,425.70	1,214,344,327.43

(5) Information on reporting assets with limited scope of use but still classified as cash and cash equivalents

Unit: RMB

Item	Amount in current period	Amount of previous period	Reasons for still being classified as cash and cash equivalents

(6) 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	313,796,140.25	211,146,874.14	Please refer to the note in

outstanding interest receivable			Note VII (1).
Margin of bank acceptance draft	77,434,579.93	45,703,490.78	Not available for use at any time
Funds in transit	8,514,472.58	2,140,213.62	Not actually credited to the account
Total	399,745,192.76	258,990,578.54	

Other explanations:

(7) Other significant activity explanations

60. 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

61. Foreign currency monetary items

(1) Foreign currency monetary items

Unit: RMB

Item	Ending foreign currency balance	Conversion rate	Ending equivalent RMB Balance
Monetary funds			896,675,533.17
Including: USD	111,459,618.68	7.1586	797,894,826.28
EUR	3,086,621.65	8.4024	25,935,029.75
HKD	3,401,876.92	0.9120	3,102,341.66
GBP	105,921.40	9.8300	1,041,207.36
MYR	1,273,544.83	1.6950	2,158,696.91
INR	25,172,141.00	0.0838	2,108,680.46
COP	453,849,781.73	0.0018	795,331.47
MXN	2,153,859.11	0.3809	820,361.50
PEN	37,936.99	2.0168	76,510.98
TRL	2,581,729.89	0.1797	463,828.53
ZAR	24,160,610.09	0.4031	9,739,432.45
THB	18,198,183.76	0.2197	3,997,843.53
AED	15,697,970.48	1.9509	30,624,808.29
IDR	4,417,727,167.60	0.0004	1,954,115.34
CLP	179,006,971.00	0.0076	1,363,378.34
ARS	11,863,275.08	0.0060	71,470.18
RUB	6,558,726.61	0.0913	598,653.37
KRW	36,485,479.00	0.0053	192,028.84
BRL	498,543.12	1.3067	651,467.78
SGD	634,444.37	5.6179	3,564,245.03
KES	2,024,743.17	0.0554	112,141.79
NGN	37,368,121.47	0.0046	173,534.50
AUD	43,754.17	4.6817	204,843.90
JPY	131,553,215.37	0.0496	6,524,250.16
DZD	11,400.00	0.0553	630.72
RSD	110.00	0.0716	7.88
MAD	410,240.72	0.7924	325,077.40

EGP	49,198.50	0.1441	7,087.79
CAD	248,394.31	5.2358	1,300,542.93
PLN	216,992.72	1.9826	430,216.74
SAR	231,848.77	1.9105	442,941.31
Accounts receivable			530,573,045.77
Including: USD	53,071,928.82	7.1586	379,920,709.65
EUR	2,005,621.42	8.4024	16,852,033.42
HKD	449.00	0.9120	409.47
GBP	262,548.24	9.8300	2,580,849.20
MYR	1,632,747.42	1.6950	2,767,556.14
INR	126,050,323.78	0.0838	10,559,286.73
COP	1,092,728,669.40	0.0018	1,914,910.03
MXN	56,376,732.46	0.3809	21,472,760.41
PEN	331,695.89	2.0168	668,961.32
TRL	3,920,035.09	0.1797	704,265.82
ZAR	10,823,011.05	0.4031	4,362,885.90
THB	50,931,514.36	0.2197	11,188,821.26
DNS	24,285,641.80	1.9509	47,378,298.05
IDR	19,453,076,340.20	0.0004	8,604,776.48
CLP	368,807,420.00	0.0076	2,808,963.50
ARS	17,705,471.68	0.0060	106,666.43
RUB	144,000.00	0.0913	13,143.72
KRW	1,389,610,892.00	0.0053	7,313,741.54
BRL	3,363,336.17	1.3067	4,395,016.30
SGD	155,776.03	5.6179	875,134.16
NGN	406,290,768.69	0.0046	1,886,781.12
VND	3,590,687,409.00	0.0003	985,027.59
JPY	46,117,610.00	0.0496	2,287,156.75
PLN	466,496.41	1.9826	924,890.78
Other receivables			15,402,902.55
US Dollar	1,029,312.22	7.1586	7,368,434.44
EUR	132,006.26	8.4024	1,109,169.36
HKD	166,068.49	0.9120	151,446.16
MYR	60,286.94	1.6950	102,188.18
INR	14,614,229.85	0.0838	1,224,239.96
COP	113,070,031.50	0.0018	198,145.20
MXN	3,281,181.11	0.3809	1,249,735.71
PEN	29,745.91	2.0168	59,991.29
TRL	159,608.30	0.1797	28,674.91
ZAR	102,353.73	0.4031	41,260.02
THB	3,665,967.11	0.2197	805,353.06
DNS	146,878.96	1.9509	286,542.77
IDR	70,027,600.00	0.0004	30,975.66
CLP	44,902,006.00	0.0076	341,989.04
ARS	13,208,275.47	0.0060	79,573.12
RUB	921,066.88	0.0913	84,071.17
KRW	80,670,109.90	0.0053	424,579.53
BRL	85,000.00	1.3067	111,073.16
SGD	61,767.86	5.6179	347,005.66
KES	458,000.00	0.0554	25,366.64
NGN	17,227,815.66	0.0046	80,004.57
VND	1,020,358,603.00	0.0003	279,913.36
JPY	8,863,276.00	0.0496	439,565.31
MMK	5,438,522.53	0.0034	18,539.15
PHP	180,000.00	0.1267	22,799.30

BDT	2,313,087.40	0.0586	135,431.71
XOF	12,919,684.00	0.0128	165,172.27
EGP	123,056.00	0.1441	17,728.09
PLN	73,207.17	1.9826	145,142.89
SAR	15,070.00	1.9105	28,790.86
Accounts payable			49,825,972.24
US Dollar	4,942,038.22	7.1586	35,378,074.80
EUR	132,545.99	8.4024	1,113,704.43
GBP	4,520.00	9.8300	44,431.60
MYR	3,750.00	1.6950	6,356.36
INR	6,716,376.18	0.0838	562,633.56
COP	1,280,276.00	0.0018	2,243.57
MXN	20,195,835.18	0.3809	7,692,186.32
PEN	37,846.10	2.0168	76,327.68
TRL	65,930.85	0.1797	11,845.01
ZAR	509,382.60	0.4031	205,338.25
THB	10,499,604.92	0.2197	2,306,591.59
DNS	948.15	1.9509	1,849.72
IDR	2,890,819,061.06	0.0004	1,278,710.44
CLP	70,947,743.00	0.0076	540,362.29
ARS	6,204,286.97	0.0060	37,377.66
RUB	13,492.14	0.0913	1,231.51
BRL	305,173.09	1.3067	398,782.83
NGN	24,533,838.81	0.0046	113,933.14
MAD	68,136.09	0.7924	53,991.48
Other payables			5,792,804.55
US Dollar	203,711.89	7.1586	1,458,291.92
EUR	39,319.66	8.4024	330,379.48
HKD	11,769.00	0.9120	10,732.74
GBP	42,439.99	9.8300	417,185.10
MYR	7,030.50	1.6950	11,916.91
INR	1,552,278.07	0.0838	130,034.96
MXN	1,510,740.04	0.3809	575,410.41
PEN	257.69	2.0168	519.71
TRL	372,819.72	0.1797	66,980.06
ZAR	241,092.74	0.4031	97,187.38
THB	5,873,630.67	0.2197	1,290,340.66
DNS	500.00	1.9509	975.44
CLP	25,909,771.00	0.0076	197,337.68
ARS	5,985,735.71	0.0060	36,061.00
KRW	1,526,997.80	0.0053	8,036.83
SGD	79,493.32	5.6179	446,585.52
KES	379,844.72	0.0554	21,037.96
NGN	33,209,433.75	0.0046	154,221.90
VND	50,200,412.00	0.0003	13,771.40
JPY	1,264,489.00	0.0496	62,711.07
MAD	46,443.31	0.7924	36,801.98
CAD	2,400.00	5.2358	12,565.92
EGP	2,085,291.11	0.1441	300,417.89
PKR	665,393.64	0.0252	16,792.83
PLN	42,725.47	1.9826	84,708.89
MMK	3,461,250.28	0.0034	11,798.91
Long-term loan			322,931.51
Including: USD	10,483.12	7.1586	75,044.46
EUR	0.00	8.4024	0.00

HKD	0.00	0.9120	0.00
MYR	75,213.43	1.6950	127,489.03
ZAR	298,671.36	0.4031	120,398.02

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

Name	Main business place	Recording currency	Selection basis
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	AED	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

62. Lease

(1) The Company as lessee

☑Applicable □ Not applicable

Variable lease payments not included in the measurement of lease liabilities

□ Applicable ☑Not applicable

Simplified rental fees for short-term leases or low value asset leases

☑Applicable □ Not applicable

(a) Interest expenses on lease liabilities

Item	Amount in the Current Period
Interest on lease liabilities included in financial expenses	1,677,473.84
Total	1,677,473.84

(b) Simplified rental fees for short-term leases or low value asset leases

Item	Amount in the Current Period
Short-term lease fee	1,877,944.88
Low-value asset lease fee	2,057,162.23
Total	3,935,107.11

(c) Total cash outflows related to the lease

Item	Amount in the Current Period
Cash paid for repayment of principal and interest on lease liabilities	15,293,492.76
Simplified short-term lease payments and low-value asset lease payments made	3,935,107.11
Total	19,228,599.87

Sale and leaseback transactions

None

(2) The Company as lessor

Operating lease as the lessor

☑Applicable □ Not applicable

Unit: RMB

Item	Rental income	Including: revenue related to variable lease payments not included in lease receivables
Houses and buildings	2,785,089.04	
Total	2,785,089.04	

Financing lease as the lessor

□ Applicable ☑Not applicable

Undiscounted lease receivables for each of the next five years

☑Applicable □ Not applicable

Unit: RMB

Item	Annual undiscounted lease receivables	
	Closing amount	Opening amount
1st year	3,501,596.44	441,089.43
2nd year	3,052,749.38	165,827.50
3rd year	3,039,446.64	165,827.50
4th year	2,930,341.95	152,983.48
5th year	2,930,341.95	143,809.18
Total undiscounted lease receivables after five years	5,716,874.72	143,809.18

Reconciliation table of undiscounted lease receivables and net investment in leases

(3) Gains or losses from finance lease sales recognized as a manufacturer or dealer

□ Applicable ☑Not applicable

VIII. R&D expenditures

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee remuneration	75,869,647.82	81,473,986.07
Office allowance	869,093.76	723,170.03
Travel expense	1,429,082.97	2,128,700.33
Share-based payments	1,373,315.54	2,908,870.45
Software and technical service fees	9,290,419.57	4,745,229.55
Depreciation and amortization of right-of-use assets	894,401.61	882,806.79
R&D material costs	3,100,377.47	3,182,303.79
Depreciation and amortization	4,036,414.77	2,581,016.27
Others	7,204,429.70	7,023,924.92
Total	104,067,183.21	105,650,008.20
Including: Expensed R&D expenditures	104,067,183.21	105,650,008.20

IX. Changes to the scope of consolidation

1. Disposal of subsidiaries

Were there any transactions or events during this period that resulted in the loss of control over subsidiaries?

□ Yes ☑No

Is there a situation where the Company has disposed of its investment in a subsidiary through multiple transactions in steps and lost control over the subsidiary during the current period?

□ Yes ☑No

2. Changes in consolidation scope for 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 ROMANIA S.R.L.	September 8, 2022	250. RON	100%	Cancellation

3. Others

X. Equity in other entities

1. Equity in subsidiaries

(1) Composition of the enterprise group

Unit: RMB

Name of Subsidiaries	Registered Capital	Main	Registration	Nature of	Percentage of shares	Acquisition

		business place	place	business	Direct	Indirect	method
1. Xiamen Zkteco Biometric Identification Technology Co., Ltd.	38,500,000.00	Xiamen	Xiamen	Software development	100.00%		Acquisition
2. Shenzhen ZKTeco Biometric Identification Technology Co., Ltd.	1,000,000.00	Shenzhen	Shenzhen	Sales of goods	100.00%		Acquisition
2.1.ZK INVESTMENTS INC.	100.00[1]	America	America	Established		100.00%	by investment
2.1.1.ZK TECHNOLOGY LLC	Not applicable	America	America	Sales of goods		76.92%	by investment
3. ZKTeco Sales Co., Ltd.	50,000,000.00	Dongguan	Dongguan	Sales of goods	100.00%		by investment
4. Hangzhou ZKTeco Hanlian E-commerce Co., Ltd.	2,000,000.00	Hangzhou	Hangzhou	E-commerce	100.00%		by investment
5. ZKCserv Technology Limited Co., Ltd.	1,000,000.00	Shenzhen	Shenzhen	Software development	51.00%		by investment
6. Dalian ZKTeo CO., Ltd.	3,000,000.00	Dalian	Dalian	Software development and sales	100.00%		by investment
7. XIAMEN ZKTECO CO., LTD.	100,000,000.00	Xiamen	Xiamen	Software development and sales	100.00%		by investment
7.1.ZKTECO VIETNAM TECHNOLOGY COMPANY LIMITED	4,550,000,000.00[22]	Vietnam	Vietnam	Sales of goods		100.00%	by investment
8. ZKTECO (GUANGDONG) CO., LTD	800,000,000.00	Dongguan	Dongguan	Production and sales of goods	100.00%		by investment
9. Xi'an ZKTeco Co., Ltd.	1,060,000.00	Xi'an	Xi'an	Sales of goods	100.00%		Acquisition
10. ZKTeco Cloud Brain-Computer (Hangzhou) Technology Co., Ltd.	20,000,000.00	Hangzhou	Hangzhou	Software development	100.00%		by investment
11. ZKTECO CO., LIMITED	15,000,000.00[1]	Hong Kong, China	Hong Kong, China	Sales of goods	100.00%		by investment
11.1.ZKTECO TURKEY ELEKTRONIK SANAYI VE TICARET LIMITED SIRKETI.	1,200,000.00[17]	Turkey	Turkey	Sales of goods		88.09%	by investment
11.2.ZKTECO LATAM, S.A. DE C.V.	4,426,000.00[8]	Mexico	Mexico	Sales services		100.00%	by investment
11.3.ZK SOFTWARE DE MEXICO, S.A. DE C.V.	3,748,688.00[8]	Mexico	Mexico	R&D services		100.00%	Capital increase and equity investment

11.4.ZKTECO COLOMBIA SAS	1,500,000,000.00[7]	Columbia	Columbia	Sales services		100.00%	by investment
11.5.ZKTECO （M） SDN. BHD.	646,000.00[20]	Malaysia	Malaysia	Sales of goods		51.00%	Acquisition
11.6.ZKTECO BIOMETRICS INDIA PRIVATE LIMITED	132,765,240.00[16]	India	India	Sales of goods		99.15%	Capital increase and equity investment
11.7.ZKTECO EUROPE SL	538,500.00[2]	Spain	Spain	Sales of goods		75.69%	Acquisition
11.7.1.ZKTECO IRELAND LIMITED	60,000.00[2]	Ireland	Ireland	Sales services		75.69%	by investment
11.7.2.ZKTeco Deutschland GmbH	100,000.00[2]	Germany	Germany	Sales of goods		75.69%	by investment
11.7.3.ZKTECO ITALIA S.R.L.	350,000.00[2]	Italy	Italy	Sales of goods		71.37%	by investment
11.7.4.ZKTECO UK LTD	1,500,000.00[3]	UK	UK	Sales of goods		75.69%	by investment
11.7.5.ZKTeco Polska Sp. z o.o.	400,000.00[11]	Poland	Poland	Sales of goods		75.69%	by investment
11.8.ZKTECO PERU SOCIEDAD ANONIMA CERRADA	1,274,336.00[21]	Peru	Peru	Sales services		100.00%	Acquisition
11.9.ZKTECO THAI CO., LTD.	10,000,000.00[5]	Thailand	Thailand	Sales of goods		99.80%	Acquisition
11.10.ZKTeco Chile SpA	146,370,000.00[9]	Chile	Chile	Sales services		100.00%	by investment
11.10.1.SOLUCIONES INTEGRALES Y SISTEMAS SpA	60,000,000.00[9]	Chile	Chile	Sales services		100.00%	by investment
11.11.ZKTECO SECURITY L.L.C	300,000.00[14]	Dubai	Dubai	Sales of goods		100.00%	Acquisition
11.12.ZKTECO ARGENTINA S.A.	4,000,000.00[25]	Argentina	Argentina	Sales of goods		98.00%	Acquisition
11.13.Limited Liability Company "ZKTeco biometrics and security"	17,850,554.80[18]	Russia	Russia	Sales of goods		100.00%	by investment
11.14.ZKTECO Investment Inc.	80,000.00[1]	America	America	Established		100.00%	by investment
11.14.1.ZKTECO USA LLC		America	America	Sales of goods		80.00%	by investment
11.14.2.Armatura Co., Ltd.	118,960,000.00[23]	Korea	Korea	Sales of goods		90.00%	Acquisition
11.14.3.ZKTeco Japan Co., Ltd.	100,000,000.00[24]	Japan	Japan	Sales of goods		100.00%	by investment
11.14.4.ARMATURA LLC.		America	America	Sales of goods		100.00%	by investment
11.14.5.RALVIE AI INC.	10,000.00[1]	Canada	Canada	Sales of goods		100.00%	by investment
11.15.PT. ZKTECO BIOMETRICS INDONESIA	2,657,200,000.00[6]	Indonesia	Indonesia	Sales of goods		95.00%	by investment
11.16.ZK INVESTIMENTOS DO BRASIL LTDA.	611,440.00[10]	Brazil	Brazil	Established		99.68%	Acquisition

11.16.1 ZKTECO DO BRASIL S.A.	1,085,403.06[10]	Brazil	Brazil	Sales of goods		74.76%	Acquisition
11.17.NGTECO CO.,LIMITED	10,000.00[4]	Hong Kong, China	Hong Kong, China	Sales of goods		100.00%	by investment
11.18. ZKTECO BIOMETRIC LIMITED	100,000,000.00[15]	Nigeria	Nigeria	Sales of goods		60.00%	by investment
11.19. ZKTECO PANAMA, S.A.	360,000.00[1]	Panama	Panama	Sales of goods		99.86%	by investment
11.20. ZK INTELLIGENT SOLUTIONS (PTY) LTD		South Africa	South Africa	Sales of goods		100.00%	by investment
11.21. ZKTECO BIOMETRICS KENYA LIMITED	10,910,000.00[12]	Kenya	Kenya	Sales of goods		100.00%	by investment
11.22 ZKTECO BUSINESS SOLUTIONS COMPANY	1,000,000.00[19]	Saudi Arabia	Saudi Arabia	Sales services		100.00%	by investment
12. Hubei ZKTeco Co., Ltd.	10,000,000.00	Wuhan	Wuhan	Sales of goods	100.00%		by investment
13. Wuhan ZKTeco Perception Technology Co., Ltd.	1,000,000.00	Wuhan	Wuhan	Sales of goods		51.00%	by investment
14.ZKTECO SG INVESTMENT PTE. LTD.	1,000,000.00[1]	Singapore	Singapore	Sales of goods	100.00%		by investment
14.1.ZKTECO SINGAPORE PTE. LTD.	500,000.00[26]	Singapore	Singapore	Sales of goods		100.00%	by investment
14.2.Armatura Tech Co., Ltd.	602,983,200.00[5]	Thailand	Thailand	Production and sales of goods		99.99%	Acquisition
14.3.ZKDIGIMAX PTE. LTD.	20,000,000.00[1]	Singapore	Singapore	Sales of goods		80.00%	by investment
14.3.1.ZKDIGIMAX PANAMA, S.A.	10,000.00[1]	Panama	Panama	Sales of goods		80.00%	by investment
14.3.2.ZKDIGIMAX COLOMBIA SAS	10,000,000.00[7]	Columbia	Columbia	Sales of goods		80.00%	by investment
14.3.3.ZKDIGIMAX (PTY) LTD		South Africa	South Africa	Sales of goods		80.00%	by investment
14.3.4.PT. ZKDIGIMAX EXCEL NOBLE	1,001,000,000.00[6]	Indonesia	Indonesia	Sales of goods		56.00%	by investment
14.3.5 ZKTeco Yunlian (Xiamen) Technology Co., Ltd.	300,000.00[1]	Xiamen	Xiamen	Sales of goods		80.00%	by investment
14.3.6.ZK TECHNOLOGY MOROCCO	1,515,000.00[13]	Morocco	Morocco	Sales of goods		100.00%	by investment
14.3.7 ZKTECO EGYPT LLC	120,000.00[1]	Egypt	Egypt	Sales of goods		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. PLN
12. KES
13. MAD
14. AED
15. NGN
16. Rs
17. TRL
18. RUB
19. SAR
20. MYR
21. PEN
22. VND
23. KRW
24. JPY
25. ARS
26. SGD

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:

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:

(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%	18,869,995.01	8,615,142.86	17,592,371.25

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	110,488,348.35	4,712,518.83	115,200,867.18	51,472,839.31	2,347,628.72	53,820,468.03	70,297,290.30	1,700,956.02	71,998,246.32	44,197,796.74	390,771.06	44,588,567.80

Unit: RMB

Name of Subsidiaries	Amount incurred in the current period				Amount incurred in the previous period			
	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities
ZK TECHNOLOGY LLC	104,110,346.53	62,899,983.41	62,687,863.49	63,050,126.83	56,247,880.47	31,949,659.82	32,228,136.86	38,230,718.47

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 shareholders of ZKTECO ARGENTINA S.A., a subsidiary of the Company, are ZKTECO CO., LIMITED and Marcelo Alfredo Sosa, with ZKTECO CO., LIMITED holding 24,000 shares (60% equity stake) and Marcelo Alfredo Sosa holding 16,000 shares (40% equity stake). On June 6, 2025, Marcelo Alfredo Sosa transferred 800 shares of ZKTECO ARGENTINA S.A. to Lorenzo Antonio HERNANDEZ JAIMES, and the remaining 15,200 shares to ZKTECO CO., LIMITED. Following the transfer, the equity stake of ZKTECO CO., LIMITED in ZKTECO ARGENTINA S.A. was 98%, and that of Lorenzo Antonio HERNANDEZ JAIMES in ZKTECO ARGENTINA S.A. was 2%. The agreed price for this share transaction was 1,600,000.00 Pesos, of which ZKTECO CO., LIMITED paid ARS 1,520,00.00 to Marcelo Alfredo Sosa, and Lorenzo Antonio HERNANDEZ JAIMES paid ARS 80,000 to Marcelo Alfredo Sosa. As of June 30, 2025, the payment remains outstanding.

(2) Effect of transactions on minority equity and owners' equity attributable to the parent company

Unit: RMB

Acquisition cost/disposal consideration	9,157.21
--Cash	9,157.21
-- Fair value of non-cash assets	
Total cost/disposal consideration	9,157.21
Less: Net assets of the subsidiaries calculated based on the proportion of assets acquired/disposed	-487,392.21
Difference	496,549.42
Including: Adjustment to the capital reserves	496,549.42
Adjustment to surplus reserve	
Adjustment to undistributed profit	

Other explanations:

3. Equity in joint ventures or associates

(1) 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	29,216,116.25	28,982,092.23
The total number of the following items calculated based on shareholding ratio		

-- Net profit	-389,620.58	-1,006,921.81
-- Other comprehensive income	33,632.60	91,638.47
--Total comprehensive incomes	-355,987.98	-915,283.34

Other explanations:

(2) Description of significant limitations on the ability of joint ventures or associates to transfer funds to the Company

None

(3) 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
ZKTECO SOLUTIONS INC.	-871,279.86	-664,696.27	-1,535,976.13
PT. ZKTECO SECURITY INDONESIA	-473,315.60	32,693.35	-440,622.25

Other explanations:

(4) Unrecognized commitments related to joint venture investments

None

(5) Contingent liabilities related to investments in joint ventures or associates

None

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 revenue 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	1,420,041.44			33,318.64		1,386,722.80	Assets-related

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
Other income	1,640,887.62	4,790,479.66

Other explanations:

None

XII. Risks Related to Financial Instruments

1. Various risks arising from financial instruments

(I) Various risks arising from financial instruments

The Company faces various risks related to financial instruments during its operation, mainly including credit risk, market risk, and liquidity risk. The Company's main financial instruments include cash and cash equivalents, equity investments, debt investments, borrowings, accounts receivable, accounts payable, etc. For detailed information on each type of financial instrument, please refer to the relevant items in Note VII. The risks associated with these financial instruments and the risk management policies adopted by the Company to mitigate these risks are as follows:

The Board of Directors is responsible for planning and establishing the Company's risk management framework, specifying the Company's risk management policies and relevant guidelines, and supervising the implementation of risk management measures. The Company has formulated risk management policies to identify and analyze the risks faced by the Company. These risk management policies specify specific risks and cover many aspects such as market risk, credit risk and liquidity risk management. The Company regularly evaluates changes in the market environment and the Company's operating activities to decide whether to update the risk management policies and systems. The risk management of the Company is carried out in accordance with the policies approved by the Board of Directors. Our internal audit department conducts regular audits on risk management controls and procedures, and reports the audit results to the Company's Audit Committee.

The Company diversifies its exposure to financial instruments through an appropriately diversified portfolio of investments and businesses, and reduces the risk of concentration in a single industry, a specific region or a specific counterparty by formulating corresponding risk management policies.

1. Market risk

Market risk associated with financial instruments refers to the risk that fair value or future cash flows of financial instruments fluctuate due to variations in market prices, and it includes foreign exchange rate risk, interest rate risk and other price risks.

(1) Exchange rate risk

Exchange rate risk refers to the risk that fair value or future cash flows of financial instruments fluctuates due to variations in foreign exchange rate. The main business of the Company is operated within the territory of China, which is settled in RMB. However, there are still foreign 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 relevant foreign currency assets and liabilities include: monetary funds denominated in foreign currencies, accounts receivable, other receivables, accounts payable, other payables, non-current liabilities due within one year, and long-term loans. The amounts of foreign currency financial assets and foreign currency financial liabilities converted into RMB are presented in Note VII (61) "Foreign currency monetary items".

The Company closely monitors the impact of exchange rate fluctuations on our exchange rate risk. The Company has not taken any measures to hedge against exchange rate risks at present. However, the management is responsible for monitoring such risks and will consider hedging significant exchange rate risks when necessary. At the end of this period, the foreign exchange risks faced by the Company mainly arise from financial assets and financial liabilities denominated in foreign currencies. The amounts of foreign currency financial assets and foreign currency financial liabilities converted into RMB are presented in Note VII (61) "Foreign currency monetary items".

(2) Interest rate risk

Interest rate risk refers to the risk of fluctuations in the fair value or future cash flows of financial instruments due to changes in market interest rates. The risk of changes in market interest rates faced by the Company is mainly related to the borrowings of the Company that are interest-bearing at floating rates. The interest rate risk of the Company mainly arises from long-term bank borrowings and other long-term interest-bearing debts. 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 fixed-rate and floating-rate contracts based on the prevailing market conditions at that time, and maintains an appropriate mix of fixed- and floating-rate instruments through regular review and monitoring.

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.

(3) Other price risks

The Company does not hold equity investments in other listed companies and is not exposed to other price risks.

2. Credit risk

Credit risk refers to the risk of financial loss to the Company caused by the counterparty's failure to perform its contractual obligations. Credit risk of the Company mainly arises from bank deposits and accounts receivable.

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.

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.

3. Liquidity risk

The liquidity risk refers to the risk of capital shortage of an enterprise 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.

The financial liabilities and off-balance sheet guarantee items held by the Company are analyzed by the maturity of the remaining undiscounted contractual cash flows as follows (in RMB):

Item	Ending balance			
	Within 1 year	1-5 years	Over 5 years	Total
Notes payable	237,011,100.20	-	-	237,011,100.20
Accounts payable	205,803,262.63	-	-	205,803,262.63
Other payables	57,377,148.21	-	-	57,377,148.21
Non-current liabilities due within one year	25,880,992.79	-	-	25,880,992.79
Other current liabilities	4,543,371.32	-	-	4,543,371.32
Lease liabilities	-	36,421,220.32	-	36,421,220.32
Long-term loan	-	6,455,064.17	-	6,455,064.17
Short-term loan	74,552,050.16			74,552,050.16
Total	605,167,925.31	42,876,284.49	0.00	648,044,209.80

Continued:

Item	Beginning balance			
	Within 1 year	1-5 years	Over 5 years	Total
Notes payable	134,784,219.75	-	-	134,784,219.75
Accounts payable	225,414,642.83	-	-	225,414,642.83
Other payables	45,821,035.19	-	-	45,821,035.19
Non-current liabilities due within one year	22,822,648.87	-	-	22,822,648.87
Other current liabilities	10,022,833.77	-	-	10,022,833.77
Lease liabilities	-	35,667,036.05	-	35,667,036.05
Long-term loan	-	7,246,091.36	-	7,246,091.36
Total	438,865,380.41	42,913,127.41	-	481,778,507.82

4. Capital management

The objective of the Company's capital management policy is to ensure the Company's sustainable operation, thereby providing returns to shareholders and benefiting other stakeholders, while maintaining an optimal capital structure to minimize the cost of capital. To maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors the capital structure based on the asset liability ratio (that is, total liabilities divided by total assets). As of June 30, 2025, the Company's asset liability ratio was 19.21% (December 31, 2024: 15.86%).

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		781,091,002.96		781,091,002.96
1. Financial assets measured at fair value and whose changes are included in the current profits and losses		781,091,002.96		781,091,002.96
(1) Debt instrument investment		781,091,002.96		781,091,002.96
II. Continuous fair value measurement	--	--	--	--

2. Basis for determining the market value of continuous and non-continuous first 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.

3. Fair value of financial assets and liabilities not measured at fair value

The financial assets and liabilities measured at the amortized cost of the Company mainly include: monetary funds, notes receivable, accounts receivable, other receivables, notes payable, accounts payable, other payables, etc. The book values of the Company's financial assets and financial liabilities that are not measured at fair value are not materially different from their fair values.

4. Others

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	29.83%	29.83%

Explanation of the parent company of the enterprise

The ultimate controller of this enterprise is Che Quanhong.

Other explanations:

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

Important joint ventures or associates of the Company are detailed in the notes.

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
Xiamen Xingniu Yunyu Venture Capital Partnership Enterprise (Limited Partnership)	Joint venture

Other explanations:

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 held a 25.22% stake in Shenzhen Elite Lixin Consulting Enterprise (Limited Partnership), which in turn held 1.81% of the Company's shares as of June 30, 2025.
Sibolan (Xiamen) Life Science and Technology Co., Ltd.	A company controlled by the actual controller
Dongguan LX Investment Partnership Enterprise (Limited Partnership)	Holding a 5.04% stake in the Company.
Che Quanhong	Chairman

Che Quanzhong	Younger brother of Chairman Che Quanhong
Shenzhen Huijiang Industrial Group Co., Ltd.	A shareholder holding 49.00% equity in subsidiary Shenzhen Zhongjiang Intelligent Technology Co., Ltd.
Shenzhen Zhongjiang Intelligent Technology Co., Ltd.	Subsidiaries in the process of compulsory liquidation
Yang Xianfeng	Supervisor

Other explanations:

None

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 period	Approved transaction limit	Does it exceed the transaction limit	Amount incurred in the previous period
ZKTECO SMART CITY (THAILAND) CO., LTD.	Purchasing goods	24,752.62		Yes	86,270.11
PT. ZKTECO SECURITY INDONESIA	Marketing expenses	124,235.43		Yes	

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
PT. ZKTECO SECURITY INDONESIA	Selling goods	1,176,633.58	867,424.05
ZKTECO SMART CITY (THAILAND) CO., LTD.	Selling goods	906,213.51	411,149.62
PSD SECURITY, S.L.	Selling goods	2,598,729.23	2,331,543.67
ZKTECO SOLUTIONS INC.	Selling goods	3,657,871.22	4,751,125.29

Description of related party transactions for purchasing and selling goods, providing and receiving labor services

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 2025 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 entrusted management/contracting and entrusted management/outsourcing situation

Table of entrusted management/contracting situation of the Company:

Unit: RMB

Name of Principal/Outsourcer	Name of Trustee/Contractor	Type of Entrusted/Contracted Assets	Start Date of Entrusting/Contracting	Termination Date of Entrusting/Contracting	Pricing Basis for Custody Income/Contracting Income	Custody Income/Contracting Income Recognized in Current Period

Description of related custody/contracting situation

The Company's Entrusted Management/Outsourcing Situation:

Unit: RMB

Name of Principal/Outsourcer	Name of Trustee/Contractor	Entrusted/Outsourced Asset Type	Start Date of Entrusting/Outsourcing	Termination Date of Entrusting/Outsourcing	Pricing Basis for Custody Fee/Outsourcing Fee	Custody Fee/Contracting Fee Recognized in Current Period

Description of related management/outsourcing situation

(3) Related leasing

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	94,118.54	140,413.28
Sibolan (Xiamen) Life Science and Technology Co., Ltd.	Houses and buildings	11,009.16	0.00
Dongguan LX Investment Partnership Enterprise (Limited Partnership)	Houses and buildings	2,293.60	0.00

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 expense 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 Quanhong	Houses and buildings	361,933.99	0.00			542,901.00					
Che Quanzhong	Houses and buildings	15,000.00	0.00			30,000.00	656,283.06		12,249.36		-4,041,291.00

Information of related leasing situation

(4) Related guarantee

As the guarantor, the Company

Unit: RMB

Guaranteed party	Guarantee amount	Guarantee start date	Guarantee expiration date	Has the guarantee been fulfilled

As the guarantor, the Company

Unit: RMB

Guarantor	Guarantee amount	Guarantee start date	Guarantee expiration date	Has the guarantee been fulfilled

Description of related party guarantees

(5) Related party fund borrowing and lending

Unit: RMB

Related party	Lending amount	Start Date	Due Date	Remarks
Borrowing				
Lending				

(6) Asset transfer and debt restructuring of related parties

Unit: RMB

Related party	Content of related party transaction	Amount incurred in the current period	Amount incurred in the previous period

(7) 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	3,345,620.95	3,787,829.58

(8) Other related party transactions

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	4,842,473.39	380,384.22	6,058,310.39	781,857.75
Accounts	ZKTECO SMART	1,274,660.17	64,375.49	1,301,360.13	65,713.17

receivable	CITY (THAILAND) CO., LTD.				
Accounts receivable	ZKTECO SOLUTIONS INC.	19,763,037.08	1,245,964.51	19,486,553.08	1,051,921.51
Accounts receivable	PSD SECURITY, S.L.			1,406,173.58	70,308.68
Other receivables	Che Quanhong	60,322.00		767,631.62	
Other receivables	Yang Xianfeng	28,208.34		27,771.62	
Prepayment	Che Quanzhong	15,000.00			
Prepayment	Che Quanhong	180,967.00			

(2) Accounts payable

Unit: RMB

Project Name	Related party	Closing book balance	Opening book balance
Accounts payable	ZKTECO SMART CITY (THAILAND) CO., LTD.	6,790.93	1,709.19
Accounts payable	PSD SECURITY, S.L.	2,484.76	
Other payables	PT. ZKTECO SECURITY INDONESIA	54,834.88	87,475.64
Contract liabilities	CV Squared, Inc.	1,275,140.00	1,275,140.00
Contract liabilities	Dongguan LX Investment Partnership Enterprise (Limited Partnership)	3,500.00	

7. Commitments of related parties

None

8. Others

None

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 period		Expired in current period	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Directors, senior management, middle managers and core technology	3,234,970.00	42,863,352.50	0	0.00	0	0.00	0	0.00

(business) backbone employees of the Company (including branches and subsidiaries)								
Total	3,234,970.00	42,863,352.50	0	0.00	0	0.00	0	0.00

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 both the restricted shares granted by the Company and the employee stock ownership plan was RMB 13.25/share.	The remaining unlocking period for the Company's outstanding 2025 restricted share contract is March 28, 2025 - March 27, 2028. The remaining unlocking period for the Company's employee stock ownership plan is May 23, 2025 - May 22, 2028.		

Other explanations:

None

2. Equity settled share-based payments

☑Applicable □ Not applicable

Unit: RMB

Method for determining the fair value of equity instruments on the grant date	For the Company's employee stock ownership plan, the fair value is determined by the closing price of the Company's shares on the grant date. For restricted shares, the fair value of stock options is calculated using the Black-Scholes model (B-S model).
Important parameters of the fair value of equity instruments on the grant date	-
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	5,569,086.64

The total amount of expenses recognized for equity settled share-based payments in this period	5,573,302.96

Other explanations:

On January 23, 2025, the Company held the 15th Session of the Third Board Meeting and the 14th Session of the Third Supervisory Board Meeting. On February 11, 2025, the Company held the First Extraordinary General Meeting of 2025, deliberated and approved the "Proposal on the Company's Restricted Share Incentive Plan 2025 (Draft) and Its Abstract", the "Proposal on the Company's Restricted Share Incentive Plan Implementation Assessment Management Measures 2025", and the "Proposal on Submitting to the Company's General Meetings to Authorize the Board of Directors to Handle Matters Related to Equity Incentive". On March 28, 2025, the Company held the 16th Session of the Third Board Meeting and the 15th Session of the Third Supervisory Board Meeting, deliberated and approved the "Proposal on Adjusting the List of Incentive Objects of Restricted Share Incentive Plan in 2025 and the Number of Granted Objects" and the "Proposal on Granting Restricted Shares to the Incentive Objects of 2025 Restricted Share Incentive Plan". The Board of Supervisors verified the list of incentive objects for this grant of restricted shares and issued verification opinions.

On January 23, 2025, the Company held the 15th Session of the Third Board Meeting and the 14th Session of the Third Supervisory Board Meeting. On February 11, 2025, the Company held the First Extraordinary General Meeting of 2025, deliberated and approved the "Proposal on the Company's 2025 Employee Stock Ownership Plan (Draft) and Its Abstract", the "Proposal on the Company's 2025 Employee Stock Ownership Plan Management Measures", and the "Proposal on Submitting the Company's General Meetings to Authorize the Board of Directors to Handle Matters Related to the 2025 Employee Stock Ownership Plan", and agreed to implement the 2025 Employee Stock Ownership Plan. The Board of Supervisors verified matters related to the Company's 2025 Employee Stock Ownership Plan and issued verification opinions. The 1,113,800 shares of company stock held in the Company's dedicated securities account for share repurchases were transferred by way of non-trading transfer to the Company's 2025 employee stock ownership plan securities account on May 22, 2025.

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)	5,573,302.96	
Total	5,573,302.96	

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

2. Contingencies

(1) Significant contingencies on the balance sheet date

(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

2. Profit distribution

None

3. Sales return

None

4. Description of other events after the balance sheet date

None

XVIII. Other Important Events

1. Other important transactions and matters that have an impact on investors' decisions

None

2. Others

None

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)	398,160,061.25	471,787,442.13
1-2 years	44,298,507.86	35,016,611.18
2-3 years	16,685,053.55	19,976,746.03
Over 3 years	15,695,726.70	3,550,379.93
3-4 years	12,506,142.42	1,814,634.08
4-5 years	1,736,255.14	631,687.17
Over 5 years	1,453,329.14	1,104,058.68
Total	474,839,349.36	530,331,179.27

(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	5,146,279.34	1.08%	5,146,279.34	100.00%	0.00	4,702,784.12	0.89%	4,702,784.12	100.00%	0.00
Including:										
Accounts receivable with insignificant single amount and bad debt reserve withdrawn separately	5,146,279.34	1.08%	5,146,279.34	100.00%	0.00	4,702,784.12	0.89%	4,702,784.12	100.00%	0.00
Receivable with combined provision for bad debt reserve	469,693,070.02	98.92%	9,833,013.19	2.09%	459,860,056.83	525,628,395.15	99.11%	9,191,334.34	1.75%	516,437,060.81
Including:										
Related party portfolio	350,197,587.15	73.75%			350,197,587.15	390,141,325.00	73.56%		0.00%	390,141,325.00
Aging portfolio	119,495,482.87	25.17%	9,833,013.19	8.23%	109,662,469.68	135,487,070.15	25.55%	9,191,334.34	6.78%	126,295,735.81
Total	474,839,349.36	100.00%	14,979,292.53	3.15%	459,860,056.83	530,331,179.27	100.00%	13,894,118.46	2.62%	516,437,060.81

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
Hainan Jialing Digital Technology Co., Ltd.	2,032,000.00	2,032,000.00	2,032,000.00	2,032,000.00	100.00%	Expected non-recoverable
Noble IT Solutions Co., Ltd	421,686.28	421,686.28	419,938.15	419,938.15	100.00%	Expected non-recoverable
Zicom Electronic Securit	376,995.64	376,995.64	375,432.78	375,432.78	100.00%	Expected non-recoverable
Shenzhen Xuhui Information Technology Co., Ltd.	270,358.32	270,358.32	270,358.32	270,358.32	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	204,017.72	204,017.72	203,171.95	203,171.95	100.00%	Expected non-recoverable
Shanghai Leqi Automation Technology Co., Ltd.	261,950.00	261,950.00	171,950.00	171,950.00	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
Tianjin Eagle Eye Biotechnology Co., Ltd.	162,281.00	162,281.00	162,281.00	162,281.00	100.00%	Expected non-recoverable
One Network (PVT) Ltd.			158,290.96	158,290.96	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
WESTGATE TECHNOLOGIES LIMITED			141,295.59	141,295.59	100.00%	Expected non-recoverable
PONTO RHJ EIRELI - ME	101,554.91	101,554.91	101,133.91	101,133.91	100.00%	Expected non-recoverable
Hainan Zhongkong IOT Technology Co., Ltd.	98,773.74	98,773.74	98,773.74	98,773.74	100.00%	Expected non-recoverable

U.S. Plast			82,681.83	82,681.83	100.00%	Expected non-recoverable
True Security Consultant Limited			79,828.27	79,828.27	100.00%	Expected non-recoverable
INTELLISMART TECHNOLOGY INC.	75,607.59	75,607.59	75,294.15	75,294.15	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
Rahat Telecom LLC			74,145.84	74,145.84	100.00%	Expected non-recoverable
KWK CELLPHONE AND ACCESSORIES	38,065.52	38,065.52	37,907.72	37,907.72	100.00%	Expected non-recoverable
ELECTRONICA GHANA LIMITED	23,253.40	23,253.40	15,998.40	15,998.40	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
Others	130.00	130.00	9,686.73	9,686.73	100.00%	Expected non-recoverable
Total	4,702,784.12	4,702,784.12	5,146,279.34	5,146,279.34		

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	100,240,685.41	5,012,034.30	5.00%
1-2 years	13,318,273.76	1,331,827.38	10.00%
2-3 years	3,496,245.98	1,048,873.79	30.00%
Over 3 years	2,440,277.72	2,440,277.72	100.00%
Total	119,495,482.87	9,833,013.19	

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	
Withdrawing bad debt	4,702,784.12	545,799.22	97,177.50		-5,126.50	5,146,279.34

reserves by individual item						
Bad debt reserve withdrawn by portfolio	9,191,334.34	629,374.85			12,304.00	9,833,013.19
Total	13,894,118.46	1,175,174.07	97,177.50	0.00	7,177.50	14,979,292.53

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

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	210,058,645.29		210,058,645.29	44.24%	
Customer 2	43,837,191.34		43,837,191.34	9.23%	
Customer 3	20,692,755.60		20,692,755.60	4.36%	
Customer 4	18,270,754.97		18,270,754.97	3.85%	1,171,350.37
Customer 5	18,156,398.23		18,156,398.23	3.82%	
Total	311,015,745.43		311,015,745.43	65.50%	1,171,350.37

2. Other receivables

Unit: RMB

Item	Ending Balance	Beginning Balance
Interest receivable	46,922.03	46,922.03
Dividends receivable	19,000,000.00	
Other receivables	23,486,783.20	28,421,132.37
Total	42,533,705.23	28,468,054.40

(1) Interest receivable

1) Classification of interest receivable

Unit: RMB

Item	Ending Balance	Beginning Balance
Interest on related party loans	46,922.03	46,922.03
Total	46,922.03	46,922.03

2) Significant overdue interest

Unit: RMB

Borrower	Ending Balance	Overdue time	Overdue reason	Whether impairment occurred and its judgment basis

Other explanations:

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

Other explanations:

5) Interests receivable actually written off in the current period

Unit: RMB

Item	Write-off amount

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

Explanation of writing off:

Other explanations:

(2) Dividends receivable

1) Classification of dividends receivable

Unit: RMB

Item (or the investee)	Ending Balance	Beginning Balance
XIAMEN ZKTECO CO., LTD.	19,000,000.00	0.00
Total	19,000,000.00	

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	

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

Other explanations:

5) 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

Explanation of writing off:

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	12,191,872.35	15,954,593.23
Guarantee deposit	1,599,208.02	2,035,338.71
Reserve funds and loans	11,294,991.90	1,572,655.42
Collection and payment on behalf of others	521,054.12	2,180,706.91
Withholding and paying social security and provident fund on behalf of others	601,969.53	723,607.47
Export tax refund	1,913,187.28	5,921,725.86
Others	1,981,900.67	51,379.06
Total	30,104,183.87	28,440,006.66

2) Disclosure by aging

Unit: RMB

Aging	Closing book balance	Opening book balance
Within 1 year (including 1 year)	18,062,969.91	16,527,198.43
1-2 years	540,417.40	920,284.48
2-3 years	2,706,186.02	8,880,717.85
Over 3 years	8,794,610.54	2,111,805.90
3-4 years	7,828,560.84	388,876.50
4-5 years	171,853.89	249,210.72
Over 5 years	794,195.81	1,473,718.68
Total	30,104,183.87	28,440,006.66

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	6,580,000.00	21.86%	6,580,000.00	100.00%	0.00					
Including:										
Other receivables with significant individual amounts and separate provision for bad debt reserves	6,580,000.00	21.86%	6,580,000.00	100.00%	0.00					
Bad debt reserve withdrawn by portfolio	23,524,183.87	78.14%	37,400.67	0.16%	23,486,783.20	28,440,006.66	100.00%	18,874.29	0.07%	28,421,132.37
Including:										
Related party portfolio	15,794,264.69	52.47%			15,794,264.69	15,577,107.52	54.77%			15,577,107.52
Portfolio of deposits, security deposits, employee	7,355,912.47	24.43%			7,355,912.47	12,485,413.43	43.90%			12,485,413.43

loans, export tax refunds, etc.										
Aging portfolio	374,006.71	1.24%	37,400.67	10.00%	336,606.04	377,485.71	1.33%	18,874.29	5.00%	358,611.42
Total	30,104,183.87	100.00%	6,617,400.67	21.98%	23,486,783.20	28,440,006.66	100.00%	18,874.29	0.07%	28,421,132.37

Category name of bad debt reserve made individually: other receivables with significant individual amounts and 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
Wuhan ZKTeco Perception Technology Co., Ltd.			6,580,000.00	6,580,000.00	100.00%	Long-term non-recoverable
Total			6,580,000.00	6,580,000.00		

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	15,794,264.69		
Portfolio of deposits, security deposits, employee loans, etc.	7,355,912.47		
Aging portfolio	374,006.71	37,400.67	10.00%
Total	23,524,183.87	37,400.67	

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, 2025	18,874.29	0.00	0.00	18,874.29
Balance as of January 1, 2025 in the current period				
- Transfer to stage 2	-18,874.29	18,874.29		0.00
Provision in current period		18,526.38	6,580,000.00	6,598,526.38
Balance as of June 30, 2025	0.00	37,400.67	6,580,000.00	6,617,400.67

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	
Other receivables with significant individual amounts and separate provision for bad debt reserves	0.00	6,580,000.00				6,580,000.00
Other receivables with provision for bad debt reserves based on a combination of credit risk characteristics	18,874.29	18,526.38				37,400.67
Total	18,874.29	6,598,526.38				6,617,400.67

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 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
					No

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	12,161,613.08	Within 1 year	40.40%	
Customer 2	Reserve funds and loans	6,580,000.00	Over 3 years	21.86%	6,580,000.00
Customer 3	Export tax refund	1,913,187.28	Within 1 year	6.36%	
Customer 4	Reserve funds and loans	1,780,000.00	Over 3 years	5.91%	
Customer 5	Others	503,851.75	Over 3 years	1.67%	
Total		22,938,652.11		76.20%	6,580,000.00

7) Being reported as other receivables due to centralized fund management

Unit: RMB

Other explanations:

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	1,366,223,377.31		1,366,223,377.31	1,336,607,464.41		1,336,607,464.41
Investment in affiliated and joint ventures	23,805,153.50		23,805,153.50	23,760,577.92		23,760,577.92
Total	1,390,028,530.81		1,390,028,530.81	1,360,368,042.33		1,360,368,042.33

(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.	2,103,348.40		5,162.84				2,108,511.24	
ZKTECO CO.,	197,126,656.03		19,928,572.32				217,055,228.35	

LIMITED								
XIAMEN ZKTECO CO., LTD.	107,075,312.69		683,045.04				107,758,357.73	
Xiamen Zkteco Biometric Identification Technology Co., Ltd.	38,986,734.80		32,697.99				39,019,432.79	
ZKCserv Technology Limited Co., Ltd.	510,000.00						510,000.00	
ZKTECO (GUANGDONG) CO., LTD	806,159,928.79		1,539,853.26				807,699,782.05	
Dalian ZKTeo CO., Ltd.	4,232,906.90		24,093.26				4,257,000.16	
Xi'an ZKTeco Co., Ltd.	518,684.81		51,052.33				569,737.14	
Hubei ZKTeco Co., Ltd.	3,518,105.76		27,535.15				3,545,640.91	
ZKTeco Sales Co., Ltd.	21,523,355.44		318,375.16				21,841,730.60	
ZKTECO SG INVESTMENT PTE. LTD	137,943,912.65		2,705,525.55				140,649,438.20	
ZKTeco Cloud Brain-Computer (Hangzhou) Technology Co., Ltd.	4,300,000.00		4,300,000.00				8,600,000.00	
Total	1,336,607,464.41		29,615,912.90				1,366,223,377.31	

(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
			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												
Xiamen Xingniu Yunyu Venture Capital Partnership Enterprise (Limited Partnership)	23,760,577.92				44,575.58						23,805,153.50	

Subtotal	23,760,577.92				44,575.58						23,805,153.50	
Total	23,760,577.92				44,575.58						23,805,153.50	

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

4. Operating revenue and operating cost

Unit: RMB

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Income	Cost	Income	Cost
Main business	389,272,089.20	270,233,983.91	647,059,913.82	496,879,095.81
Other businesses	10,336,194.99	4,165,603.22	759,633.50	
Total	399,608,284.19	274,399,587.13	647,819,547.32	496,879,095.81

Breakdown information of operating revenue and operating costs:

Unit: RMB

Contract classification	Division 1		Division 2				Total	
	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost
Business type								
Including:								
Digital identity authentication					31,123,848.57	28,093,347.65	31,123,848.57	28,093,347.65
Smart office					21,298,007.76	13,855,022.08	21,298,007.76	13,855,022.08
Smart space					326,871,051.23	219,375,961.01	326,871,051.23	219,375,961.01
Smart business					9,979,181.64	8,909,653.17	9,979,181.64	8,909,653.17
Others					10,336,194.99	4,165,603.22	10,336,194.99	4,165,603.22
Classification by region of operation								
Including:								
Domestic sales					170,338,013.93	135,286,061.43	170,338,013.93	135,286,061.43
Overseas sales					229,270,270.26	139,113,525.70	229,270,270.26	139,113,525.70
Market or customer type								
Including:								

Distribution sales					334,946,045.93	233,306,891.16	334,946,045.93	233,306,891.16
Direct sales					54,326,043.27	36,927,092.75	54,326,043.27	36,927,092.75
Others					10,336,194.99	4,165,603.22	10,336,194.99	4,165,603.22
Type of contract								
Including:								
Classification by time of transfer of goods								
Including:								
Classification by contract term								
Including:								
Classification by sales channel								
Including:								
Total					399,608,284.19	274,399,587.13	399,608,284.19	274,399,587.13

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

Other explanations:

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

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	19,000,000.00	16,000,000.00

investment accounted with cost method		
Long-term equity investment income accounted by equity method	44,575.58	-110,397.50
Gains from remeasuring the remaining equity at fair value after loss of control		0.00
Forward foreign exchange settlement and sales contract	285,803.23	68,155.00
Financial products	881,314.46	94,111.46
Total	20,211,693.27	16,051,868.96

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	-156,798.86	
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)	1,606,387.41	
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	9,451,208.11	Mainly due to investment income and fair value changes generated by financial products
Reversal of the provision on receivables with impairment test conducted on an individual basis	97,177.50	
Other non-operating income and expenses other than the above items	-1,139,074.93	
Less: income tax impact	832,560.81	
Minority interest impact (after tax)	221,695.63	
Total	8,804,642.79	--

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 earnings per share

Profit during the reporting period	Weighted average return on net assets	Earnings per share	
		Basic earnings per share (RMB/share)	Diluted earnings per share (RMB/share)
Net profit attributable to ordinary shareholders of the Company	2.75%	0.3999	0.3996
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profits and losses	2.49%	0.3622	0.3618

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