

ZKTECO CO., LTD.

2023 Annual Report

Announcement No.: 2024-011

April 2024

Adhering to integrity, innovation and stable development, seeing far and wide to win the future

A Letter to Shareholders

The year 2023 is the first complete accounting year since the listing of ZKTeco. This year, we continue to adhere to the globalization strategy, and continuously improve our core competitiveness driven by innovation. In 2023, the Company achieved an operating revenue of RMB 1.9701837 billion, a YoY increase of 2.69%, and a net profit attributable to the owners of the parent company of RMB 177.2637 million, a YoY decrease of 7.92%. Excluding the impact of share-based payment fees, the net profit attributable to the owners of the parent company was RMB 215.4326 million, a YoY increase of 9.04%. ZKTeco is committed to becoming a world-class enterprise for technological innovation and sustainable development in the access control industry. Through continuous R&D investment and market expansion, it has achieved stable business growth and global layout. On behalf of the Board of Directors, I would like to express sincere gratitude to all colleagues, users, partners, as well as investors of the Company!

In 2023, we still focused on the Company's main business, deeply cultivating the three major business sectors of smart entrance and exit, smart identity verification, and smart office. Driven by the market and consumers, we deepened our main business, refined our services, and expanded our ecosystem horizontally.

In 2023, also known as the "Year of Artificial Intelligence", we officially entered the field of smart retail cloud services. It is an innovative business sector newly developed by ZKTeco, and we have integrated the Company's accumulated technology and business capabilities over the years, focusing on the "AI+Digital Signage" field and accelerating the transformation of traditional retail industry to data-driven smart retail.

In the era of AI, ZKTeco continues to focus on edge based multimodal AI for small devices, empowering industries such as home, community, enterprise, and education with technologies such as human-computer interaction, knowledge learning, multimodal fusion, and offline proxy experts. The Company continues to invest in the research of multimodal hybrid biometric recognition algorithms, promoting technological innovation and product upgrades. We ensure

continuous leadership in technology and R&D advantages.

Looking ahead to 2024, stability, innovation and surpassing will be the main keynote of our development.

1. Being stable and practical, simple and responsible, focusing on customer value creation

We always uphold the corporate spirit of simplicity, honesty and practicality, which is not only the cultural gene of the Company, but also the cornerstone of its stable development. In 2024, ZKTeco will continue to deeply cultivate the access control industry, continuously meeting and exceeding customer expectations by providing high-quality products and services. The Company will adhere to the development goals of "being more refined, wider and higher", and achieve continuous optimization and innovation of products and services through refined management and in-depth understanding of consumer needs.

Meanwhile, ZKTeco will take on the social responsibility of the enterprise, not only pursuing profit maximization in commercial activities, but also focusing on creating long-term value for customers, employees, society and the environment. The Company will continue to promote sustainable development strategies, reduce environmental impact through the application of green production and environmental protection technologies, and achieve a win-win situation of economic benefits and social responsibility.

2. Leaping forward in innovation, adhering to and practicing dreams, enhancing core competitiveness

We firmly believe that innovation is the core driving force for enterprise development. The Company will continue to increase R&D investment, especially in the fields of computer vision and edge side multimodal AI human-computer interaction technology. Through continuous technological innovation, ZKTeco will drive the upgrading of products and solutions, thereby enhancing its core competitiveness.

3. Surpassing while setting sail, deepening cultivation while constantly surpassing, seizing historical opportunities of multimodal AI

We will still be committed to seizing the historic opportunities brought by multimodal AI technology in the "cloud-edge-end-server" for access control. The Company will continuously deepen its application in industries such as home furnishings, communities, enterprises and

education, and achieve diversified development of products and services through technological innovation and cross-border cooperation.

We will adhere to the strategy of "agile evolution", respond quickly to market changes and customer needs, and continuously explore innovative products and services. The Company will work together with its partners to build an agile ecosystem, achieving rapid innovation and market response through digital transformation and cross-organizational collaboration. We will grow together with our partners to achieve resource sharing and mutual benefit.

Finally, thank all shareholders for their trust and support in the Company's management team! We will develop through the integration of core technology innovation and main business track innovation, and look forward to the power of vigorous and upward evolution, becoming a leading enterprise in world-class access control industries, and satisfying all investors!

Chairman Che Quanhong

2023 Annual Report

Section I Important Notes, Contents and Definitions

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

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

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

The forward-looking statements regarding future plans in this annual report do not constitute substantial commitments of the Company to investors. Investors are advised to pay attention to investment risks.

Investors are advised to refer to the full text of this annual report and pay special attention to the content of "Section III Management Discussion and Analysis XI. Prospects for the Future Development of the Company (III) Possible Risks and Countermeasures" in this annual report.

The profit distribution proposal passed upon deliberation at the meeting of the Board of Directors is set out as follows: Based on the total share capital on the registration date of future equity distribution, after deducting the

repurchased shares in the Company's repurchase account, the Company proposed to distribute cash dividend of RMB 4.5 (tax inclusive) per 10 shares to all shareholders. There will be no bonus shares or conversion of capital reserve into share capital.

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Documents Available for Inspection

I. Financial statements affixed with official stamps and the signatures of the Company's legal representative, the person in charge of accounting and the charge of accounting institution (accounting supervisor) of the Company.

II. Original of the audit report affixed with the stamp of the accounting firm as well as stamps and signatures of the certified public accountants.

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.

IV. Other relevant documents.

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

Definitions

| Terms | Refers to | Definitions |
|---|-----------|--|
| Company, our Company, joint-stock 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 |
| JYLY | Refers to | Shenzhen JYLY Consulting Enterprise (Limited Partnership), a shareholder of the Company |
| JYQL | Refers to | Shenzhen JYQL Investment Consulting Enterprise (Limited Partnership), a shareholder of the Company |
| Fuhai Juanyong | Refers to | Shenzhen Fuhai Juanyong I Venture Investment Fund (Limited Partnership), a shareholder of the Company |
| Yiwu Walden | Refers to | Yiwu Walden Yuanjing Venture Capital Center (Limited Partnership), a shareholder of the Company |
| Qingdao Walden | Refers to | Qingdao Walden Zhongxiang Investment Center (Limited Partnership), a shareholder of the Company |
| Guangdong ZKTeco | Refers to | ZKTECO (GUANGDONG) CO., LTD, a wholly-owned subsidiary of the Company |
| Shenzhen ZKTeco | Refers to | Shenzhen ZKTeco Biometric Identification Technology Co., Ltd., a wholly-owned subsidiary of the Company |
| Shenzhen Zhongjiang | Refers to | Shenzhen Zhongjiang Intelligent Technology Co., Ltd., a company holding 51% equity of the Company |
| XIAMEN ZKTECO | Refers to | XIAMEN ZKTECO CO., LTD., a wholly-owned subsidiary of the Company |
| Zhongan Intelligent Control | Refers to | Shenzhen Zhongan Intelligent Control Technology Co., Ltd., previously a controlling subsidiary of the Company, with its equity in the Company transferred in 2019 |
| Zokon Industry | Refers to | Shenzhen Zokon Industry Development Co., Ltd. |
| Ministry of Public Security | Refers to | Ministry of Public Security of the PRC |
| 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 | 2023 |
| End of Reporting Period | Refers to | December 31, 2023 |
| 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 |
| GA/T 1012-2019 Technical Specifications for Fingerprint collection and Comparison of Resident Identity Card | Refers to | The national standard for resident identity cards issued by the Ministry of Public Security in 2019, stipulating the requirements for fingerprint collection and comparison of resident identity cards, as well as the technical indicators and testing methods of fingerprint algorithms |
| GA450-2013 General Technical Requirements for Desktop Readers of the Resident ID Card | Refers to | The national standard for general technical requirements of ID card readers issued by the Ministry of Public Security in 2013, stipulating the technical requirements, test methods, inspection rules, marking, packaging, transportation and storage of desktop ID card readers |
| GA/T1011-2012 General Technical Requirements for Fingerprint Capture Device of the Resident ID Card | Refers to | The national standard for General Technical Requirements for Fingerprint Capture Device of the Resident ID Card issued by the Ministry of Public Security in 2012, stipulating the technical requirements, test methods, inspection rules, marking, packaging, transportation and storage of ID card fingerprint capture devices |
| 2nd-Generation ID Card, Resident ID Card | Refers to | 2nd-Generation Resident ID Card |
| SMED | Refers to | Single Minute Exchange of Die, a process improvement method that minimizes the product die exchange time, production startup time, or adjustment time of the die. It can significantly shorten the time required for machine installation and die exchange setting |
| SaaS | Refers to | Software as a Service, a software application model that provides software services through the Internet |
| CTID | Refers to | Cyber Trusted Identity, an authoritative network identity certificate issued to individuals by the "Internet+" trusted identity authentication platform (CTID Platform) |
| ZigBee | Refers to | A wireless network protocol for low speed short distance transmission |
| IP65 | Refers to | A protection level for electrical equipment casings against foreign object intrusion, which can completely prevent dust from entering and wash with water without any harm |
| PUSH | Refers to | The active push technology on the server side, enabling the timely transmission of data updates, which is characterized by high efficiency and low terminal energy consumption |
| MRP Mode | Refers to | Material Requirement Planning, the process in which a production enterprise gradually derives the production and procurement plans for the components, raw materials, and other materials required for the production of the main product based on the production plan, the structure of the main product, and the inventory situation |
| SAM | Refers to | Secure Access Module, a module used for encrypting and decrypting identity card information |
| ISO14001 | Refers to | International standards for environmental management systems developed by the International Organization for Standardization (ISO) |
| Frost & Sullivan | Refers to | Frost & Sullivan Consulting, an independent third-party industry research and analysis institution. The Company purchased the professional report "Independent Market Research of the Global and |

| | | |
|-------------|-----------|---|
| | | Chinese Biometric Industry" from Frost & Sullivan |
| SMT | Refers to | Surface Mount Technology, a circuit assembly technology used to install surface mounted components without pins or with short leads on the surface of printed circuit boards (PCBs) or other substrates, and then solder and assemble them through methods such as reflow soldering or immersion soldering |
| PCB | Refers to | Printed Circuit Board, a substrate used for assembling electronic components |
| PCBA | Refers to | Printed Circuit Board Assembly, the process of soldering components onto a PCB substrate to form a printed circuit board (PCB) |
| asmag | Refers to | A professional industry media company under the Messe Frankfurt Exhibition GmbH, aiming to provide market analysis, technical information, solution evaluation, industry forecasting, etc. for practitioners in smart security, smart life, smart transportation, smart buildings, IT communication, and networking |
| AI | Refers to | Artificial Intelligence |
| AIoT | Refers to | The Artificial Intelligence of Things |
| IoT | Refers to | Internet of Things |
| NB-IOT | Refers to | Narrow Band Internet of Things, NB-IoT |
| Rebate | Refers to | The rebate the Company provides to dealers based on the rebate policy and the completion of dealer performance |
| SDK | Refers to | Software Development Kit |
| OCR | Refers to | Optical character recognition, the process of electronic devices (such as scanners or digital cameras) using image processing and pattern recognition techniques to examine characters on images, bills, or certificates and translate them into computer text |
| WM | Refers to | Warehouse Management |
| SAP | Refers to | System Applications and Products |
| PDA | Refers to | Personal Digital Assistant |
| AGV | Refers to | Automated Guided Vehicle |
| BioCode | Refers to | Biometric feature code, converted from encrypted biometric features |
| QR code | Refers to | Two-dimensional barcode format: Quick Response Code, which can quickly read data |
| Transformer | Refers to | Deep learning model based on attention mechanism |

Note:

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

Section II Company Profile and Key Financial Indicators

I. Company Information

| | | | |
|---|---|------------|--------|
| Stock Abbreviation | ZKTECO | Stock code | 301330 |
| Chinese name of the Company | 熵基科技股份有限公司 | | |
| Chinese abbreviation of the Company | 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 | | |
| Registered address | No.32, Pingshan Industrial Road, Tangxia Town, Dongguan, Guangdong, China | | |
| Postal code of registered address | 523710 | | |
| Historical changes in the registered address of the Company | The registered address of the Company has not changed since its listing | | |
| Office address | No.32, Pingshan Industrial Road, Tangxia Town, Dongguan, Guangdong, China | | |
| Postal code of office address | 523710 | | |
| Company website | www.ZKTeco.com | | |
| E-mail | ir@ZKTeco.com | | |

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 |
| E-mail | ir@ZKTeco.com | ir@ZKTeco.com |

III. Information Disclosure and Place of the Report

| | |
|---|--|
| Website of the stock exchange where the Company discloses its Annual Report | Shenzhen Stock Exchange http://www.szse.cn |
| Media and website for the disclosure of the Annual Report | Securities Times, China Securities Journal, Shanghai Securities News, Securities Daily, and CNINFO (http://www.cninfo.com.cn) |
| Location for inspection of the Annual Report | Office of the Board of Directors No.32, Pingshan Industrial Road, Tangxia Town, Dongguan, Guangdong, China |

IV. Other Relevant Information

Accounting firm engaged by the Company

| | |
|---------------------------------------|---|
| Name of the accounting firm | Dahua Certified Public Accountants (Special General Partnership) |
| Office address of the accounting firm | Room 1101, Building 7, No. 16 West Fourth Ring Middle Road, Haidian District, Beijing |
| Name of signing accountants | Li Hanbing, Chen Ming |

Sponsor engaged by the Company to continuously perform its supervisory function during the reporting period

Applicable Not applicable

| Name of sponsor | Office address of sponsor | Name of sponsor representative | Period of continuous supervision |
|--------------------------|---|--------------------------------|-----------------------------------|
| UBS Securities Co., Ltd. | 12th floor (F1201-F1210, F1211B-F1215A, F1231-F1232) and 15th floor (F1519-F1521, F1523-F1531) Winland International Finance Center, No. 7 Finance Street, Xicheng District, Beijing, China | Luo Yong, Chen Chuan | August 17, 2022-December 31, 2025 |

Financial advisor engaged by the Company to perform the duties of continuous supervision during the reporting period

Applicable Not applicable

V. Main Accounting Data and Financial Indicators

Whether the Company performed a retroactive adjustment or restatement of the previous accounting data

Yes No

Reasons for retroactive adjustment or restatement of the previous accounting data

Accounting policy change

| | 2023 | 2022 | | YoY change | 2021 | |
|--|------------------|-------------------|------------------|------------------|-------------------|------------------|
| | | Before adjustment | After adjustment | After adjustment | Before adjustment | After adjustment |
| Operating revenue (RMB) | 1,970,183,682.34 | 1,918,559,191.76 | 1,918,559,191.76 | 2.69% | 1,955,286,516.10 | 1,955,286,516.10 |
| Net profit attributable to shareholders of listed companies (RMB) | 177,263,675.15 | 192,239,793.75 | 192,502,163.93 | -7.92% | 170,923,050.93 | 170,890,113.76 |
| Net profit attributable to shareholders of listed companies after deducting non-recurring profits and losses (RMB) | 178,122,838.64 | 189,342,503.20 | 189,604,873.38 | -6.06% | 148,069,383.85 | 148,036,446.68 |

| | | | | | | |
|---|--------------------|--------------------|------------------|---|--------------------|------------------|
| Net cash flows from operating activities (RMB) | 236,000,890.21 | 124,520,033.18 | 124,520,033.18 | 89.53% | 98,120,441.87 | 98,120,441.87 |
| Basic EPS (RMB/share) | 0.9176 | 1.5027 | 1.1307 | -18.85% | 1.5347 | 1.0961 |
| Diluted EPS (RMB/share) | 0.9133 | 1.5235 | 1.1275 | -19.00% | 1.5347 | 1.0961 |
| Weighted average return on net assets | 5.63% | 9.39% | 9.40% | -3.77% | 13.20% | 13.20% |
| | At the end of 2023 | At the end of 2022 | | Increase or decrease at the end of this year compared to the end of the previous year | At the end of 2021 | |
| | | Before adjustment | After adjustment | After adjustment | Before adjustment | After adjustment |
| Total assets (RMB) | 3,923,900,732.70 | 3,655,960,456.30 | 3,664,679,907.15 | 7.07% | 2,082,923,037.22 | 2,082,890,100.05 |
| Net assets attributable to shareholders of listed companies (RMB) | 3,265,413,589.20 | 3,057,467,189.68 | 3,057,662,843.22 | 6.79% | 1,372,534,346.38 | 1,372,501,409.21 |

Reasons for changes in accounting policies and situations of correction of accounting errors

1. Changes in important accounting policies

On November 30, 2022, the Ministry of Finance issued and implemented the "Interpretation No. 16 of the Accounting Standards for Business Enterprises", which stipulates that "deferred income tax related to assets and liabilities arising from individual transactions shall not be subject to the accounting treatment of initial recognition exemption". The Company shall implement it from January 1, 2023. For the lease liabilities and right-of-use assets recognized due to the application of this regulation in the earliest period of financial statement presentation for the first time, as well as the estimated liabilities and corresponding assets related to the disposal obligation recognized, which generate taxable temporary differences and deductible temporary differences, the Company shall adjust the cumulative impact to present the initial retained earnings and other related financial statement items for the earliest period in the financial statements in accordance with this regulation and the provisions of "Accounting Standards for Enterprises No. 18 - Income Tax".

2. During the reporting period, the Company increased its total share capital by RMB 44,547,615.00 due to the conversion of capital reserve to share capital, but it did not affect the amount of shareholder equity. According to the "Accounting Standards for Enterprises No. 34- EPS", the latest share capital adjustments were made and the basic EPS and diluted EPS for the past three years were reported.

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

Yes No

The lower of the net profit before and after deducting non-recurring profits and losses is negative

Yes No

VI. Main Financial Indicators by Quarter

Unit: RMB

| | First quarter | Second quarter | Third quarter | Fourth quarter |
|--|----------------|----------------|----------------|----------------|
| Operating revenue | 403,022,827.48 | 534,159,842.52 | 502,800,942.03 | 530,200,070.31 |
| Net profit attributable to shareholders of listed companies | 31,690,542.22 | 57,063,793.40 | 49,889,198.20 | 38,620,141.33 |
| Net profit attributable to shareholders of listed companies after deducting non-recurring profits and losses | 30,281,180.21 | 64,195,296.29 | 50,126,505.67 | 33,519,856.47 |
| Net cash flows from operating activities | 64,369,898.55 | 66,360,128.57 | 52,572,808.75 | 52,698,054.34 |

Whether there is a significant difference between the above financial indicators or their total amount and the financial indicators related to the disclosed quarterly and semi-annual reports of the Company

Yes No

VII. 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

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.

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

Applicable Not applicable

Unit: RMB

| Item | Amount in 2023 | Amount in 2022 | Amount in 2021 | Remarks |
|---|----------------|----------------|----------------|---------|
| Losses and gains from disposal of non-current | -626,426.46 | -353,911.28 | -196,340.91 | |

| | | | | |
|--|---------------|---------------|---------------|---|
| assets (including the offsetting portion of the provision for losses from impairment of assets) | | | | |
| 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) | 6,119,808.45 | 12,705,234.71 | 15,928,005.99 | |
| 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 | -2,644,568.64 | -5,791,116.41 | 9,453,151.11 | Mainly due to investment gains and losses and changes in fair value generated by partial forward exchange settlement to hedge against exchange rate fluctuations risk |
| Capital occupancy fees charged to non-financial enterprises included in current profits and losses | 50,222.65 | 50,026.13 | 45,991.54 | |
| Reversal of the provision on receivables with impairment test conducted on an individual basis | 239,389.68 | | | |
| Other non-operating revenue and expenses other than the above items | -4,210,700.05 | -2,833,347.63 | -695,883.75 | Mainly due to material losses and other extraordinary losses |
| Less: income tax impact | -281,003.45 | 722,071.62 | 1,079,847.30 | |
| Minority interest | 67,892.57 | 157,523.35 | 601,409.60 | |

| | | | | |
|--------------------|-------------|--------------|---------------|----|
| impact (after tax) | | | | |
| Total | -859,163.49 | 2,897,290.55 | 22,853,667.08 | -- |

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. Industry situation of the Company during the reporting period

(I) Basic situation of the industry of the Company

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

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

The downstream end users of the Company involve numerous industries, diverse customer types and a wide range of application scenarios. Therefore, there is no obvious periodicity.

(II) Industry development status of the main application areas of the products

1. Global biometric industry situation in 2023

(1) Global market overview

In 2023, the global biometric market reached a scale of USD 39 billion. Looking ahead, it is expected that the market size will reach USD 144 billion by 2032, and the compound annual growth rate (CAGR) from 2024 to 2032 will reach 15.2%. The continuous progress of technology and innovation, the strengthening of border controls and travel security, and the increasing focus on maintaining workplace security to reduce the risk of unauthorized access are some of the main factors driving the market. (Data source: IMARC Group)

The main driving factor in the global market is the increasing number of data theft incidents among numerous enterprises. This has encouraged some organizations to invest heavily in the deployment of biometric systems, thereby driving the development of the market. Meanwhile, continuous technological progress and the widespread integration of the Internet of Things (IoT) and biometric technology are creating positive market prospects. Due to the sudden outbreak of COVID-19, the demand for non-contact biometric solutions in the entire healthcare industry has rapidly increased. In addition, biometric technology is increasingly integrated into consumer electronics products, including smartphones and laptops, which largely supports global demand. With the emergence of cloud based automatic biometric systems (ABIS), law enforcement agencies and government agencies are also adopting biometric devices, which in turn is a major growth inducing factor. Other factors, including rapid urbanization and industrialization, sustained product innovation, and extensive R&D activities by key participants, also have a positive impact on the market.

(2) Global development of biometric technology

The demand for biometric technology continues to grow as it eliminates the need to remember passwords or carry ID cards, making authentication more convenient and driving market growth. The increasing integration of biometric technology in the medical field to ensure that only authorized medical staff can access sensitive patient records and reduce the risk of data leakage and medical ID theft presents a promising prospect for the market. The application of biometric technology in accessing vehicles and adjusting settings based on individual driver preferences is constantly increasing, which has a positive effect on the development of the market. In addition, increasing attention to maintaining workplace safety to reduce the risk of unauthorized access has also supported market growth. Moreover, the increasing popularity of online transactions on mobile devices has also promoted market growth.

According to Juniper Research, we will see biometric technology used for payments in stores in 2024. One of the main reasons is the development of Amazon One, a biometric system with palm vein scanning function, which is expected to be widely used in supermarkets. Due to the uniqueness of the palm vein, it is less likely to be forged compared to palmprint, fingerprint and facial features. In addition, recognition does not require contact with the skin and is not affected by skin recognition. The pace of implementation of "palm brush" recognition technology is accelerating in 2024.

With higher accuracy, reliability and security, multimodal biometric technology that integrates two or more biometric features has ushered in large-scale commercialization. The performance of multimodal biometrics in the market is outstanding, especially in member self-service scenarios such as retail, catering, and FMCG chains. Multiple retailers around the world have launched self-service retail solutions, all of which combine multimodal biometrics with computer vision, greatly improving customers' offline shopping experience. In addition, computer vision technology is also showcasing its capabilities in smart retail scenarios. Smart retail scenarios integrate front-end perception devices of computer vision technology, helping brand merchants achieve virtual interaction between intelligent devices and consumers from the four dimensions of sound, text, video and image, achieving highly personalized marketing.

(3) The application situation of the global biometric industry

The highlight of the main application scenarios of global biometrics in 2023 is the application of non-contact authentication and mixed online and offline authentication, which continues the trend of application in recent years, while others are still dominated by traditional applications.

At the same time, biometric technology is developing towards diversified and vertical fields. According to a report by Grand View Research, a leading research organization in the United States, "Analyzing the Size, Share, and Trend of the Medical Biometric Market from the Perspective of Technology (Facial Recognition, Fingerprint Recognition, Iris Recognition, Vein Recognition) and Segmentation Prediction from 2013 to 2024". The report shows that the global medical biometric market is expected to reach USD 11.7 billion by 2024. According to CB Insights' Industry Analyst Consumer research, the global market for automotive biometric technology is expected to reach USD 303 million by 2024, with a compound annual growth rate of nearly 17%.

Due to the significant differences in accuracy, security, stability, recognition speed, convenience, cost, power consumption, and other aspects among different biometric technologies, they also have their own unique characteristics and advantages and disadvantages in different application fields. We believe that the integration of multimodal biometric technology will be a major trend in the future. With the accelerated popularization of intelligent hardware technology and cloud computing applications, multimodal biometric technology has become one of the important technologies for the development of modern AI. Biometrics

will have a broader market prospect, meet the business needs of various industries, serve socio-economic development, and further promote the construction of an honest society.

2. China's biometric industry situation in 2023

(1) Overview of China's biometric market

According to data from S&P Consulting Group, the market size of China's biometric technology industry is expected to reach RMB 51.2 billion in 2023, a YoY increase of 28.1%. It is expected that by 2026, the market size of China's biometric technology industry will reach RMB 98 billion, with a compound annual growth rate (CAGR) of 24.8%.

(2) China's development of biometric technology

Multimodal biometric technology is a fusion application of various biometric technologies such as fingerprint recognition, facial recognition, palmprint recognition, palm vein recognition, finger vein recognition, iris recognition, voiceprint recognition, etc. Compared to single modal biometric systems, multimodal biometrics has significant advantages in recognition performance, accuracy, and reliability.

From the perspective of technological applications, new features emerge in China's biometric market in 2023: Multimodal products have gradually become the mainstream choice in the market; non-contact palmprint and palm vein fusion recognition and iris recognition technology are moving towards commercialization; biometric technology is further integrated with industry scenarios, with more extensive applications in various fields.

From the perspective of the interaction between the demand side and the supply side, the biometric intelligent access control with multimodal fusion will break through the function of access control. The integration of IoT, cloud computing and AI technology will form a series of solutions closely related to vertical industry application scenarios such as communities, parks, education, healthcare and transportation, further providing richer and more extensive contents and functions, which will bring broader growth space for market promotion and application. In the future, while placing higher demands on biometric technology, it also provides unprecedented opportunities. Biometric technology should leverage the rapid development of sensors, optics and other fields to shift towards miniaturization, mobility, multimodality and high throughput.

According to IDC's forecast, China's biometric intelligent access control integrated machine market is expected to achieve rapid growth at a CAGR of 11.6% in the coming years, and the market size will exceed USD 870 million by 2027. IDC research also found that biometric intelligent access control will exhibit trends such as non-contact, multimodal recognition fusion, integration with other business systems, and product going overseas. (Data source: IDC "Market Analysis Report on China's Biometric Intelligent Access Control Integrated Machine")

(3) The application situation of the Chinese biometric industry

The rise of smartphones, smart door locks, portable smart devices, and wearable smart devices has improved the security and operation convenience of electronic products through biometric technology, driving the widespread application of biometric technology in consumer products.

Identity authentication has always been a great necessity in today's society, and biometrics is the most convenient, secure, and reliable personal identity authentication technology. China's identity authentication has already expanded from public security needs to various industries, with applications covering transportation, hotels, finance, social security, education, and healthcare. In 2023, we see the rapid growth of biometric authentication applications.

The Report to the 20th National Congress of the Communist Party of China proposes to accelerate the construction of a strong online country and a digital China. Vigorously promoting the construction of new types of infrastructure, accelerating the

development of the digital economy, and promoting the deep integration of the digital economy and the real economy will help to continuously promote the widespread application of entrance and exit management equipment and digital identity verification solutions mainly based on multimodal biometric technology in parks, communities, construction sites and other scenarios. In recent years, these applications have shown a rapid growth trend, and the deep integration of entrance and exit management with biometric technology, AI, IoT, and cloud computing will become the development norm in the future. Promoting the application of electronic resident ID cards is an important measure to build a digital China and improve government service capabilities. In recent years, in order to improve the level of convenient services, various industries in various regions have vigorously promoted the application of electronic ID cards in various scenarios such as finance, education, healthcare, social security, taxation, etc., bringing more convenience in digital lives of the people.

Although China's biometric market currently has a relatively low global share, as one of the countries with rapid global economic development, the size of the biometric market in the future will maintain rapid growth.

3. Development of the smart retail industry

The increasing integration of technologies such as artificial intelligence (AI), virtual reality (VR), augmented reality (AR), and the Internet of Things (IoT) to enhance consumer shopping experience, promote accurate inventory management, and improve store operations is one of the significant trends driving the growth of the smart retail market. Especially, AR changes the retail industry by allowing brands to interact with consumers through mobile devices. Adopting AR in marketing helps establish consumer relationships, enhance customer experience, and subsequently drive sales. The significant increase in the number of retail stores in various regions has also driven the demand for advanced technology.

In 2022, the global smart retail market is expected to grow at a CAGR of 29.1% from 2023 to 2030, with a market size of USD 30.25 billion. (Data source: Grand View Research "2023-2030 Smart Retail Market Size, Share and Trend Analysis Report")

(III) Overview and development trends of major technologies in the industry in 2023

There are various types of biometric technologies, including fingerprint recognition, facial recognition, palmprint recognition, palm vein recognition, finger vein recognition, iris recognition, voiceprint recognition, etc. Due to the development of AI technology, big data, and cloud computing, biometrics is closely combined with computer vision, and it has developed from simple identification to the empathetic experience ecology of scene interaction such as "Who are you? What kind of service should I provide for you?" .

1. Overview and trends of global biometric technology development

The global development of biometric technology, especially in developed Western countries, has always had a high market share in government level applications. The related biometric technology, especially multimodal biometric technology, is an important trend in biometric applications. The fusion application of two or more biometric technologies will greatly improve the computing speed, accuracy, security, and reliability of large systems. Multimodal biometrics will continue to be a key development direction for biometric application technology, and companies with multiple biometric technologies have a first mover advantage.

The popularization and application of biometric technology in consumer electronics, such as applications in smartphones and other portable or wearable devices, as well as the use of smart door locks, smart homes, security devices, IoT, cars, game controllers and other products, are also a huge driving force for the development of biometric industry at present. Fingerprint recognition, facial recognition and palm recognition will, driven by these application needs, evolve iteratively towards

miniaturized computing, low power consumption, low resource allocation, better robustness and ease of use, so that the application of these biometric technologies in consumer electronics will continue to improve rapidly.

Another obvious trend in the global biometric industry is the continuous restructuring, mergers and acquisitions, or strategic cooperation among industry enterprises, especially well-known ones. For example, in 2023, American fingerprint biometrics provider IDEX Biometrics announced an agreement with Eastern Bank (EBL) to jointly launch the first publicly available biometric metal card using IDEX Pay technology; Thales is preparing to deploy its next-generation biometric payment card, Fingerprint Cards AB, which uses the T2 sensor module of fingerprint cards and a biometric payment software platform, providing users with advanced transaction speed, improved power efficiency and enhanced security. In addition to considering commercial interests, these mergers and acquisitions within and outside the relevant industry also have a special driving role in the development of biometric technology: different technological resources are integrated, gradually matching reasonably through trial and error, and achieving high-quality combinations to promote technological development, such as the strong combination of multimodal recognition in the above examples, and the continuous development and application of online behavioral characteristic recognition technology under capital support.

The impact on the market structure of biometric technology and applications in recent years will continue to expand. In the coming years, non-contact technologies such as non-contact fingerprint, facial recognition, iris recognition, palmprint recognition, palm vein recognition, voiceprint recognition, etc. will continue to win priority development opportunities and achieve better technological progress. Due to the rapid development of technologies such as AI, IoT, big data and cloud computing, the integration of biometrics & computer vision has become more closely applied, making it highly efficient for large-scale image and data processing, with stronger real-time performance and faster responsiveness. From the perspective of application form, from the initial simple identification of identity, it has evolved to "Who are you? What kind of service should I provide for you?" . Especially in retail, catering, healthcare, elderly care, and other interactive scenarios, there are huge application and development spaces.

2. Overview and trends of China's biometric technology development

Although China's biometric market currently has a relatively low global share, as one of the countries with rapid global economic development, the size of the biometric market in the future will maintain rapid growth.

China's biometric technology has been widely applied in many fields, including banking, public security, social security, education, healthcare, finance, commercial security, transportation, online consumption, and so on. In the coming years, the following technologies and application development trends will become increasingly evident:

Firstly, multimodal biometric technology will continue to become the mainstream of technological development and market applications. In various segmented application industries, multimodal biometric technology has been widely applied and successfully implemented due to its excellent performance in security, reliability, ease of use, and data management. In recent years, non-contact identity authentication and recognition will continue to become a rigid demand, and multimodal biometrics can provide sufficient flexibility for system design and deployment based on different application needs and scenario changes. With the continuous expansion of the market size in the biometric industry, new demands are also continuously emerging, and multimodal recognition self-service terminals are gradually entering industries such as government, finance, and hotels.

Traditional physical security awareness is no longer sufficient to meet the current development of the biometric industry in the digital era. Due to the government's full investment in social security, the traditional security era of personal safety has come to an end. Instead, how to use the such dimensions as innovative technologies, products and services combining biometric technology

and computer vision technology as OMO "empathetic micro scene ultimate experience" featuring "people-oriented, harmony of body and mind" for recognition. Especially in the fields of healthcare, retail, catering, transportation, education, government affairs, etc., there is enormous potential for application.

The digital transformation vigorously promoted by the strategy for domestic new types of infrastructure and the construction of "digital China" means that there will be a great construction need in the digital infrastructure. Whether in the real physical world or the virtual world, security considerations and accurate identity authentication will be a necessary requirement for geometrics progression. Biometric technologies such as facial recognition, fingerprint recognition, palmprint recognition, palm vein recognition, iris recognition, voiceprint recognition, as well as emerging behavioral recognition technologies such as network usage habits and payment habits, will be widely applied in the synchronous operation of the real and virtual worlds.

In addition, biometric technology is also one of the supporting technologies of AI, and it has transitioned from traditional algorithm driving to deep learning algorithm driving. The advancement of biometric technology is closely linked to the development of computer vision technology. As computer vision algorithms become more efficient and precise, biometric technology has also achieved significant improvements in recognition accuracy, processing speed and data processing. This not only enhances the core functionality of biometrics, but also promotes its effective integration with object detection and recognition technology, making the recognition of biometric and object features from images or videos more precise and reliable. By using AI technology to generate simulated biometric data, the accuracy and robustness of biometric algorithms can be effectively improved without violating personal privacy. Furthermore, the integration of biometric technology and AI algorithms has opened up new ways for technological innovation, especially in the field of intelligent robots. The integration of biometric technology, such as facial recognition and speech recognition, has become a key to providing personalized and enhanced security services. With the continuous progress of technology and the gradual acceptance of the market, the application of biometric technology in intelligent robots and other fields is expected to further expand, promoting the development of personalized services and intelligent automation to new levels, and its application scale will also grow rapidly.

In summary, with the accelerated development of the AI market, technological innovation, and continuous increase in application scenarios, the biometric market will maintain a high-speed growth trend. It is expected that the domestic biometric industry market size will increase to RMB 60 billion by 2024. (Data source: Frost & Sullivan)

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

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

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

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

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

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


Unit: RMB '0,000





| Item | 2023 | | 2022 | |
|--|------------|------------|------------|------------|
| | Amount | Proportion | Amount | Proportion |
| I. Smart entrance and exit management products | 143,755.48 | 73.29% | 139,671.52 | 72.99% |
| II. Smart identity verification products | 15,582.85 | 7.94% | 18,803.78 | 9.83% |
| III. Smart office products | 36,812.50 | 18.77% | 32,880.01 | 17.18% |
| Total | 196,150.83 | 100.00% | 191,355.31 | 100.00% |




1. Smart entrance and exit management


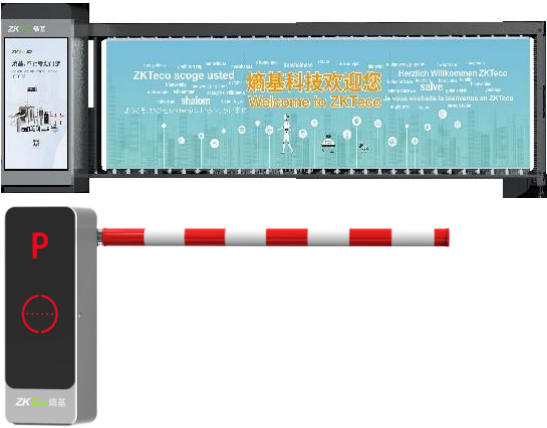

(1) Smart terminal products and functions



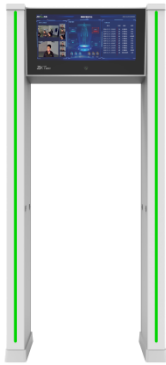

During the reporting period, the Company's smart terminal products for smart entrance and exit management mainly include access control management, pedestrian channels, vehicle channels, security inspection products, intelligent videos, smart locks, elevator control, charging piles, and self-service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

| Product Category | Product Name | Product Description | Product Image |
|-------------------------|----------------|--|--|
| Access control products | Access control | <p>The access control is a smart terminal that achieves single door access control permission verification and logical judgment through biometric information verification or other verification methods. According to different biometric verification methods, it can be divided into fingerprint, facial, palm vein, and palmprint recognition access control integrated machines, equipped with RFID cards, passwords, and other verification methods. The device supports unified management on the software platform.</p> <p>During the reporting period, the Company launched a new generation of multimodal palm recognition technology and under-screen fingerprint recognition technology, accelerating the implementation of technology products.</p> |  |

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| | <p>Access controller</p> | <p>The access controller is a smart terminal used to receive data from biometrics card readers, radio frequency card readers, and access control, and perform access permission verification and logical judgment. It is mainly used in large and medium-sized project locations with a large number of access points and high security requirements. Accessible collection methods include facial features, palms, fingerprints, RFID cards, QR codes and passwords. The device has professional access control function and supports unified management on the software platform.</p> <p>The Company actively deploys advanced access controllers and multiple-step controllers for large and medium-sized enterprises and public sector applications.</p> |  |
| | <p>Facial recognition card reader</p> | <p>Facial recognition card readers are mainly used to collect and verify facial and card information of personnel, and transmit the comparison results to the access controller through Wiegand for access permission verification and logical judgment. Dual verification can greatly improve the security of the control area. With a 2 million pixel binocular live detection camera, it accurately resists various 2D and 3D simulation image and model attacks. By outputting data through Wiegand, most access controllers can be directly upgraded to facial verification methods, which has strong compatibility.</p> |  |
| | <p>RF card reader</p> | <p>The RF card reader is mainly used for the collection and transmission of RFID technologies and passwords, and can send the collected data to the access controller for comparison and verification. The data information whose collection is supported includes RFID cards, passwords, etc.</p> |  |

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

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| | | <p>the safety of control and the accuracy of passage data.</p> <p>During the reporting period, the Company promoted the integration and application of technologies such as pedestrian gates, multimodal recognition, and holographic projection according to the needs of high-end commercial scenarios.</p> | |
| Vehicle channel | <p>License plate recognition all-in-one machine</p> | <p>The license plate recognition all-in-one machine is mainly used to obtain and recognize license plate information such as license plate number, license plate color, and license plate logo type. The Company's license plate recognition all-in-one machine adopts an integrated structure of license plate recognition camera, control panel, display screen, fill light, automatic barrier, etc. It can realize voice broadcasting in local language and display information such as license plate numbers. The license plate recognition parking lot management system can help car owners to park automatically, support various mobile payment functions, and can set flexible and diverse charging rules to meet the needs of different scenarios.</p> |  |
| | <p>Automatic barrier</p> | <p>The automatic barrier can be independently controlled to lift and lower the pole, or it can be accessed through the parking lot management system to lift and lower the pole. The Company's gate is composed of a reducer, motor, balancing device, chassis, gate pole support, gate rod and other parts. According to the application location of the gate, its gate poles can be divided into straight poles, 90° curved arm poles, fence poles, anti-collision round poles, and other pole types. The gate with license plate recognition all-in-one machine is suitable for entrance and exit management of parking lots in different scenarios.</p> |  |
| | <p>Charging pile</p> | <p>New energy vehicle charging piles can be fixed on the ground or walls, installed in public buildings (buildings, shopping malls, public parking lots, etc.), residential parking lots, and dedicated charging stations to provide charging and energy replenishment services for electric vehicles and hybrid vehicles. According to the output power of the charging pile, it is generally divided into various different power charging methods such as AC slow charging, DC fast charging, and overcharging to meet the charging needs of new energy vehicles in different scenarios. On the basis of iteratively upgrading the performance of the 7kW AC charging pile series, the Company has</p> |  |

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| | | <p>developed 30kW/60kW/120kW/160kW DC charging piles and other series products. The main focus is on application scenarios that require fast charging and energy replenishment, such as administrative agencies, enterprises and institutions, industrial parks, shopping centers, scenic spots, communities, public charging stations, etc. It supports functions such as card swiping charging, QR code scanning charging, mobile payment, self-service, online monitoring, cloud management, OTA remote upgrade, etc. (integrated management and service of charging and parking can be achieved with the Company's smart parking business).</p> |  |
| <p>Security inspection products</p> | <p>Walk through metal detector</p> | <p>Intelligent walk through metal detector is a security inspection terminal that integrates identity verification, personnel access and metal detection. It is applied in public places with high pedestrian flow, such as stations, factories, public service departments and large conferences, for personnel identity verification, personnel access, and inspection of metal items carried by personnel. According to usage requirements, the product integrates multiple functions such as metal detection, thermal imaging temperature measurement, real-time monitoring, channel management, real name verification, and environmental gas detection. It is equipped with a 29 inch 21:9 ultra wide screen. Through a brand new software UI visualization platform and the integration of multiple functions and visualized display of data, the product has a wider range of applications.</p> |  |
| | <p>Smartphone detector</p> | <p>The smartphone detector can detect the smartphone and provide audible and visual alarms. On the basis of excluding daily carry-on items such as wallets, glasses, watches, buckles, magnets, keys, cigarettes, lighters, etc., the detector can trigger alarms for smartphones, portable hard drives, laptops, tablets, digital cameras, cameras, etc. The product has the characteristics of high sensitivity, strong stability, easy installation, low power consumption and long service life.</p> |  |
| | <p>X-Ray Scanner</p> | <p>The X-Ray Scanner is a detection device used to detect whether packages and other items contain specific prohibited items. The Company's X-Ray Scanner products have X-ray image acquisition and processing functions, which can intelligently identify, mark the items in the package, and alert for prohibited items such as knives, lighters, batteries, etc. The device can integrate functions such as people and bag association, intelligent video and security inspection management platform.</p> |  |

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| Video surveillance | Entrance and exit video device | Intelligent video cameras have intelligent analysis functions that enable machines to possess the capabilities of the human brain. The cameras can meet the requirements of complex urban scene deployment, as well as the increasingly wide and in-depth analysis of target objects, promoting the era of visual intelligence in intelligent video. They are suitable for various entrance and exit scenarios such as residential areas, campuses and enterprises. |  |
| Smart lock | Biometrics smart lock | Smart locks are mainly used for opening and closing control of doors in homes, hotels, offices, and other areas. The Company's biometrics smart lock products have the function of extracting and comparing various information such as fingerprints, faces, RFID cards, etc. They can be managed through software, smart speakers, or apps, and are compatible with lock bodies in line with national standards, American standards, European standards, and Korean standards. They support WiFi, NB IoT, ZigBee, and Bluetooth communication methods. |  |
| Visitor Terminal | Intelligent visitor terminal | Cooperating with the One Card Solution Cube Visitor Management System, it can achieve "real name" + "real person" visitor authentication; support CTID trusted identity authentication; support mobile visitor appointment, dual screen display, QR code and OCR document scanning, barcode printer, and other functions. SDKs can be provided for customers to conduct secondary development to meet the visitor management needs of users in different industries. |  |

(2) ZKBio Access IVS Integrated Entrance and Exit Management Platform V6000

The ZKBio Access IVS V6000, based on multimodal BioCV technology, provides an integrated entrance and exit management platform that integrates pedestrian, vehicle, and object inspection. It includes multiple business subsystems such as personnel, attendance, access control, visitors, consumption, patrol, parking lot, elevator control, channel, intelligent video, information screen, system management, etc. The platform adopts a micro-service development framework, which has the characteristics of high system performance, high service availability, module scalability, high communication security, and strong third-party integration scalability. At the same time, the platform provides a unified and open smart cloud platform for data unified management and mobile internet applications, creating a virtuous ecological loop of effective pre warning, quick response to

incidents, and precise verification after the incident, providing effective security guarantees for people's production and life.

(3) ZKBio Intelligent Integrated Management Platform V6600

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



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






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





2. Smart identity verification

(1) Smart terminal products and functions

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

| Product Category | Product Name | Product Description | Product Image |
|--------------------------------|---|--|---|
| Multimodal biometrics products | Fingerprint scanner | Fingerprint scanner has the characteristics of large capture area, high fingerprint image pixels, and good imaging effects for dry and wet fingerprints. It supports the development and use of systems such as Windows, Android, and Linux. |  |
| | Fingerprint scanner of the resident ID card | The specialized fingerprint scanner of the resident ID cards complies with the "Technical Specifications for Fingerprint Acquisition and Comparison of Resident Identity Card" (GA/T 1012-2019) and the "General Technical Requirements for Fingerprint Scanner of the Resident ID Card" (GA/T 1011-2012). The device is small and exquisite in appearance. Combined with high-performance processors and international semiconductor fingerprint sensors, it has the characteristics of fast capture speed and excellent image quality. |  |

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| | <p>Finger vein capture device</p> | <p>It can simultaneously collect fingerprint and finger vein information. Fingerprint and finger vein two-factor authentication can improve the anti-counterfeiting ability, and is mostly used in scenarios with high security requirements. It supports the development and use of systems such as Windows, Android, and Linux.</p> |  |
| | <p>Biometrics reader</p> | <p>The biometrics reader is a smart terminal used to collect human biological characteristics, mainly used in access control systems. It can send the collected biometrics information to the access controller for comparison and verification. The data information whose collection is supported includes fingerprints, faces, RFID cards, etc.</p> |  |
| | <p>Palm information capture device</p> | <p>The palm vein information capture device adopts a high-definition near-infrared dedicated lens, which supports near-infrared light compensation, and can obtain clear vein images. It supports palm recognition at large angles.</p> |  |
| <p>Card recognition and reading products</p> | <p>QR code module of CTID terminal</p> | <p>A hardware level module designed for various application scenarios of CTID authentication certificates, fully supporting the recognition and reading of CTID authentication certificate QR codes, mainstream QR codes, and one-dimensional barcodes, with strong decoding and code verification capabilities for CTID authentication certificate.</p> |  |
| | <p>Trusted Digital Identity Authentication Terminal</p> | <p>The built-in ID card reader complies with the "General Technical Requirements for Desktop Readers of the Resident ID Card" (GA 450-2013), and can support the recognition and reading of the 2nd-generation ID Card, Foreign Permanent Resident ID Card, and Residence Card for Hong Kong, Macao and Taiwan Residents. In addition, it supports recognition and reading of CTID authentication certificate QR codes, mainstream QR codes, and one-dimensional barcodes through docking, with strong CTID authentication certificate decoding, code verification, and other capabilities.</p> |  |

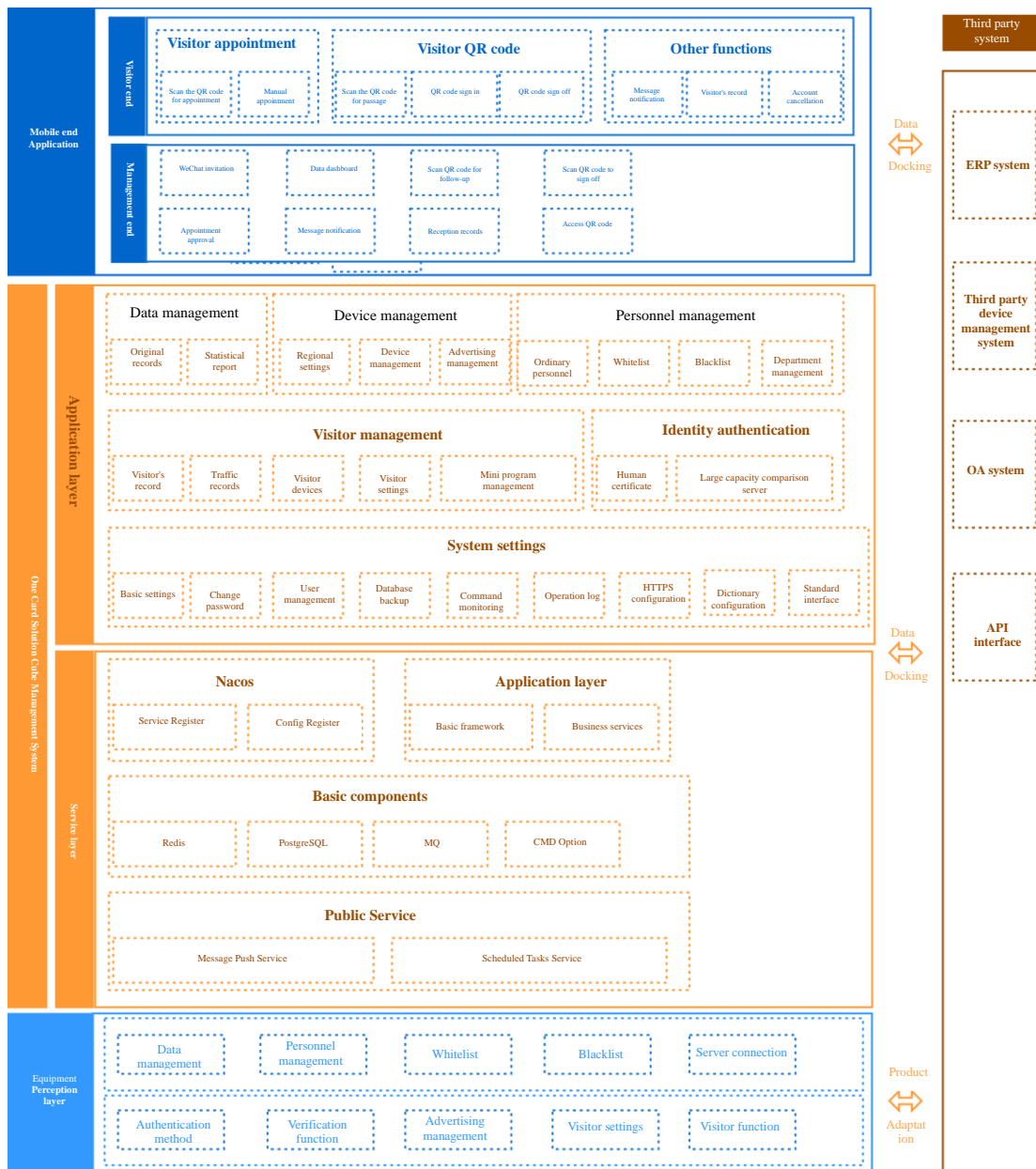
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| | <p>ID card reader</p> | <p>It complies with "General Technical Requirements for Desktop Readers of the Resident ID Card" (GA 450-2013), "Technical Specifications for Fingerprint collection and Comparison of Resident Identity Card" (GA/T 1012-2019), and "General Technical Requirements for Fingerprint Capture Device of the Resident ID Card" (GA/T 1011-2012). It is an ID card reader with fingerprint verification function, and can support the recognition and reading of the 2nd-generation ID Card, Foreign Permanent Resident ID Card and Residence Card for Hong Kong, Macao and Taiwan Residents. According to different application scenarios, the ID card reader can be divided into three types: desktop, built-in, and handheld. Desktop ID card reader can be directly connected to a computer for use, built-in ID card reader can be integrated into various terminal devices to achieve ID card machine reading function, and handheld ID card reader can be directly used offline.</p> |  |
| | <p>Smart Government Terminal</p> | <p>A dual screen smart government terminal that integrates basic functions such as ID card recognition and reading, fingerprint collection and verification, and facial recognition. It is designed with dual screens and supports handwritten electronic signatures. Equipped with a built-in high-definition camera, it supports shooting up to A4 format and can capture and retain documents, certificates, invoices, etc., achieving paperless office.</p> |  |
| <p>Industry Smart Terminal</p> | <p>Human Certificate Verification Terminal</p> | <p>A Smart Human Certificate Verification Terminal that integrates functions such as portrait collection, fingerprint collection, and 2nd-generation ID card reading. It can also support the recognition and reading of various documents such as 2nd-generation Resident ID Card, Foreign Permanent Resident ID Card, and Residence Card for Hong Kong, Macao and Taiwan Residents. According to different application scenarios, it can be divided into four types: wall mounted, handheld, desktop, and floor mounted. The Company's Human Certificate Verification Terminal is pre-installed with One Card Solution Cube Identity Authentication Software, which can be used in conjunction with the certificate One Card Solution Cube Backend Management System for unified use.</p> |  |
| | <p>Medical Insurance Identity Verification Terminal</p> | <p>A desktop device that integrates various functions such as social security card, ID card reading, contact/non-contact smart card recognition and reading, one-dimensional/QR code electronic voucher recognition, fingerprint comparison recognition, etc. The built-in ID card reader meets the requirements of "General Technical Requirements for Desktop Readers of the Resident ID Card" (GA450-</p> |  |

| | | | |
|--|--|--|--|
| | | 2013) and supports reading smart cards such as social security cards and bank cards. The device supports 4 sets of PSAM cards, has a multi-platform SDK, and supports USB (drive free). This product is suitable for scenarios in fields such as social security, health, medical insurance, pharmacies, industry and commerce, taxation, electricity, telecommunications, hotels, transportation, banking, insurance, and fast payment. | |
|--|--|--|--|

(2) One Card Solution Cube Identity Authentication Management System

The One Card Solution Cube Identity Authentication Management System is a "real person system" identity verification system independently developed by the Company based on multimodal biometric technology for "the integration of people and certificates". It consists of two parts: the Human Certificate One Card Solution Cube Terminal Software (APP) and the Identity Authentication Management Platform, integrating the Company's ZKLiveFace facial recognition algorithm and ZKFinger V15.0 ID card fingerprint comparison algorithm. The software can read 2nd-generation ID cards, Hong Kong and Macao resident residence permit, foreign permanent residence permit and other certificate information, compare the fingerprint or face of the holder on the spot for the "integration of people and certificates", and accurately and quickly verify user identity information. One Card Solution Cube Identity Authentication Management Platform has functions such as intelligent device management, personnel management, and black/white list monitoring, which can achieve real-time and comprehensive multi-dimensional monitoring and analysis of devices, personnel, and data. Moreover, the One Card Solution Cube Identity Authentication Management System supports access to large capacity facial recognition servers, CTID Platform (Trusted Identity Authentication Platform), and million-level large capacity facial backend verification and trusted identity authentication capabilities, providing authoritative, reliable, stable and secure identity authentication services for customers in different vertical fields, and providing a one-stop industry solution of "algorithm+smart terminal+authentication platform+application" for the identity authentication industry chain.

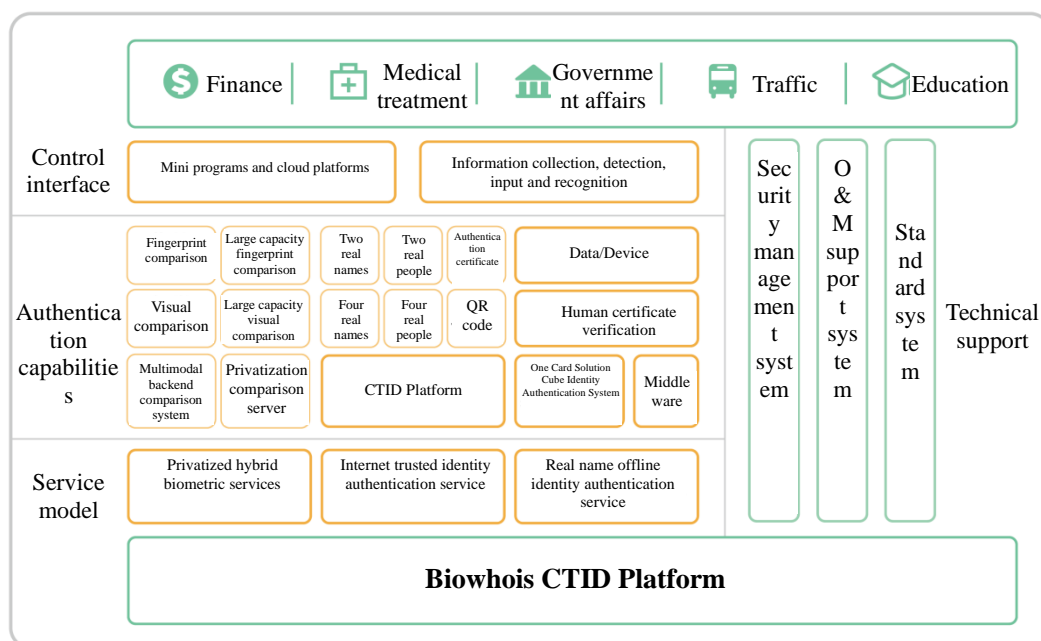
The system topology diagram is as follows:



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

The system topology diagram is as follows:




(4) Scenario solutions



During the reporting period, based on the existing rich identity verification products, the Company deeply integrated specific segmentation scenarios and incubated identity verification solutions for three major segmentation scenarios: "smart examination, smart healthcare, and smart correction". In terms of intelligent examination, solutions based on the needs of candidate identity verification can cover the entire business scenario of candidate information collection, candidate identity verification, and examination data analysis before, during and after the examination. The solutions can not only be self-contained and directly implemented, but also seamlessly connect with third-party standardized examination site construction plans, with competitive advantages such as intelligence, convenience and flexible deployment. In the medical field, the Company has launched a smart medical identity verification solution for identity verification scenarios such as newborn birth medical certificates and assisted reproductive management. The solution not only meets the information collection and identity verification needs of various windows in the hospital, but also can be securely integrated with the hospital and third-party systems to achieve the embedding of identity verification function modules, helping major medical institutions provide patients with high-quality and caring medical services.

3. Smart office

(1) Smart terminal products and functions

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

| Product Category | Product Name | Product Description | Product Image |
|--------------------|---------------------------|--|---|
| Attendance product | Attendance Smart Terminal | A self service attendance terminal, mainly registering and comparing biometrics information, recording personnel attendance time data, and cooperating with backend software to scientifically and effectively manage enterprise personnel. The Company's biometrics attendance terminal can support multiple verification methods such as fingerprint, face, palm, RFID card, and password, and has personnel management functions such as self-service |  |

| | | | |
|------------------|-------------------------|--|---|
| | | scheduling and report generation. The product has fixed installation and handheld applications, combined with wireless communication technology, suitable for a wide range of application scenarios. |  |
| Consumer product | Consumer Smart Terminal | Support face, RFID card, QR code and other verification methods; mainly used in consumption scenarios such as internal canteens, gyms, and schools within enterprises, supporting various consumption modes such as free amount deduction, count deduction, and fixed value deduction. The system can be equipped with mini programs to achieve convenient and intelligent consumption management. |  |

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

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

(3) ZKBioTime

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

(4) ZKTeco Interconnection Smart Office Digital Assistant

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

ZKTeco Interconnection includes an online O&M service system, positioned as a digital tool for collaborating intermediary service providers to develop from traditional operations to digital service operations, providing high-quality products and services to end customers, and working together with service provider partners to build online service and marketing channels.

The ZKTeco Interconnection Platform leverages the front-end intelligent hardware product matrix of ZKTeco, the Paas base capability of the back-end ZKTeco IoT cloud platform MinervaIoT, and the comprehensive three-dimensional advantages of

various SaaS applications to provide "business premise management, comprehensive service management" solutions for SME customers.

(II) The Company business model

1. Procurement model

(1) Procurement execution

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

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

The Company mainly 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, the Manufacturing Center, and the R&D Center to conduct on-site reviews of the supplier. For suppliers who pass the assessment, formal certification will be carried out for storage.

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

2. Production model

From the perspective of process characteristics, the Company's smart terminal products are mainly produced by the production methods of processing and assembly. According to the different production planning methods, the production method can be divided into two production models: Make to Stock (MTS) and Make to Order (MTO). The MTS of the Company mainly combines historical sales data and the Company's sales strategy to predict and produce standardized products, and meets market demand in a timely manner by maintaining a certain amount of finished product inventory. The MTO is a production method according to personalized needs such as variety, model specifications, and performance based on customer orders. Once the product is produced, it can be directly sent to customers without the need to maintain finished product inventory.

After successful development and testing, the Company's application software and platform products are delivered to users through CD or website distribution and download. Both the basic version software and the advanced version software and platform provide users with free trials. The basic version software provides free activation, while the advanced version software and platform require users to pay a software license fee before activation and use. For large-scale engineering projects, the Company

will assign engineering personnel to the user's site for installation, debugging, and training services. The application software and platforms released by the Company are locally deployed, used, and managed by users. The Company does not provide operation services, but only provides necessary after-sales services according to the sales contract.

3. Marketing and management models

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

(1) Distribution model

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

(2) Direct sales model

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

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

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

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

(IV) Key performance drivers

1. Accelerated development of multimodal biometric technology

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

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

2. The rise of non-contact biometric technology applications

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

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

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

3. The rise of mobile terminal biometric technology applications

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

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

The "Outline of the 14th Five-Year Plan (2021-2025) for National Economic and Social Development and Vision 2035 of the

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

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

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

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

With rapidly changing technologies today, AI technology, with its unique charm and unparalleled potential, is causing profound changes worldwide. The large language model represented by ChatGPT of OpenAI reveals that algorithm models with Transformer as the core architecture are steadily moving towards the direction of Artificial General Intelligence (AGI). This transformation not only promotes the depth and breadth of AI research in theory, but also demonstrates enormous potential and value in practical applications. Multimodal large models have become an important means for AI to perceive and understand the real world by integrating natural language, images, speech and various other signals. This integration approach not only improves the understanding ability of AI, but also endows it with stronger adaptability and wider application scope. It can be used in multiple fields such as image recognition, speech recognition, natural language processing, etc., greatly improving the practicality and efficiency of AI. Moreover, AI has demonstrated its important application value in fields such as smart security and smart office. It implements automatic monitoring through image recognition technology to improve security efficiency. By using natural language processing technology, it achieves automated office work and improves work efficiency. In addition, AI is also highly valuable for the Company's smart business scenario based applications. By using AI technology, deep mining and analysis of business data can be achieved, thus providing more accurate basis for company decision-making. Through speech recognition, speech synthesis and Large Language Model (LLM), Q&A robots that interact with natural language can be developed to achieve

intelligent frontend, intelligent customer service and other services. The Company has been committed to conducting in-depth research in the field of AI and has made significant breakthroughs in multiple directions. This includes continuous iteration and frontier tracking of the BioCV LLM and the BioCV VLM multimodal large model. Moreover, the Company actively leverages the power of the open source technology community to maintain synchronous development with the latest global technologies. These technological breakthroughs have provided strong impetus for the Company's new business development. Through continuous technological innovation and business expansion, the Company will be able to achieve greater breakthroughs in the field of AI, thus injecting stronger vitality into its development.

III. Analysis of Core Competitiveness

1. Technological and R&D advantages

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

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

In the field of multimodal biometrics, the Company continues to innovate and has launched various multimodal biometric technologies such as "fingerprint+facial recognition", "facial+palm vein recognition", "fingerprint+finger vein recognition", "facial+iris recognition", and "fingerprint+palm+facial recognition". It has obtained 18 invention and utility model patents in the field of multimodal biometrics.

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

The Company combines basic R&D of biometrics with application R&D. As of December 31, 2023, the Company has obtained a total of 858 patents, including 149 invention patents and obtained a total of 675 computer software copyrights and 67 work copyrights.

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

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

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

Most importantly, this technology minimizes the transmission and centralized storage of sensitive information, effectively avoiding the risk of leakage and malicious attacks and ensuring data security.

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

(3) Deep research on multimodal BioCV AI technology

The Company has evolved from a single biometric technology to a pioneer in computer vision and biometric multimodal BioCV AI technology. It is no longer just about identifying "I'll tell you who you are", but about combining computer vision and biometrics to realize the multimodal AI attribute: "Who are you? What kind of service should I provide for you?" as well as the

empathetic experience ecology of scene interaction. Minerva, an AIoT platform based on smart retail scenarios and independent intellectual property rights, has launched a ZKDIGIMAX Level 3 digital marketing solution for traditional small and medium-sized retailers. This solution provides five core services, including Minerva IoT platform, machine vision analysis platform, big data analysis platform, AIGC platform, advertising production and distribution platform, as well as corresponding smart terminals. Relying on the IoT, big data and cloud computing technologies, the Company has delved into the field of smart retail and utilized machine vision analysis technology to integrate the interactive value of people and scenarios and the empowering value of scenarios into innovative value. The Company is committed to building a multi-dimensional intelligent business analysis platform based on the data lake, and creating a new service provider of boundless all-round, full scene and full chain retail platform.

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

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

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

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

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

The biometric industry belongs to a technology intensive industry, and the R&D strength and industrialization ability largely determine whether the Company can occupy a commanding position in future market competition. Therefore, the Company attaches great importance to R&D investment. As of December 31, 2023, the Company has 1,226 global R&D and engineering technicians, with R&D Centers in Dongguan, Shenzhen, Xiamen, Dalian, and India.

The Company has been approved by the People's Government of Guangdong Province to establish the Guangdong Biometrics and Security Technology Engineering Technology Research Center, strengthen the introduction and training of biometrics engineering technicians, and improves the efficiency of technology transformation. The Guangdong Biometrics and Security Technology Engineering Technology Research Center is the only provincial-level engineering center in the biometric industry in Guangdong Province. Relying on the talent team and research equipment of ZKTeco, the center accelerates the transformation of scientific research achievements into real productivity with the goal of building a provincial-level first-class research platform for deep integration of biometrics by researching and developing key common technologies in the industry, thereby promoting industrial technological progress.

The Company and Dongguan Institute of Optoelectronics, Peking University jointly established the Dongguan Key Laboratory of Multimodal Computer Vision and Biometric Recognition. Taking advantage of the advantages of both parties in cooperation, we actively carry out research on multimodal computer vision and biometric related technologies, timely realize the

industrialization transformation of research results, provide a platform for the development dynamics of industry technology, and cultivate talents for enterprises.

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

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

2. Product array advantages

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

In terms of smart terminals, the Company can provide various products in the field of smart entrance and exit management, such as access control management, pedestrian channels, vehicle channels, security inspection products, intelligent videos, smart locks, elevator controls, charging piles, and self-service visitors; products in the field of smart identity verification, such as Human Certificate Verification Terminal, biometrics capture devices, biometrics modules, and card readers; products such as employee attendance, smart consumption, and smart conferences in the field of smart office; products such as employee attendance, smart consumption, and smart conferences in the field of smart office; digital signage, self-service machines, and POS machines in the field of smart retail.

In terms of smart retail business, we provide smart commercial products, commercial display products, electronic tag products, and a series of products that apply AI technology. The commercial display product array of the smart commercial product includes two categories: indoor and outdoor. The information screens and advertising screens used indoors are mainly high brightness commercial LCDs and small pitch commercial LEDs; commercial outdoor waterproof LEDs are mainly used outdoors. The core advantage of the Company is a one-stop vertical solution from device application to platform management, providing a multi-end operation interface. The electronic tag product array of the smart commercial product includes color LCDs and multi-color e-ink screens, which are implemented through fully self-developed solutions. A series of smart business products that apply AI technology, including terminal devices that use self-developed machine vision algorithms for passenger flow counting and customer group analysis, have accurate statistical results.

In terms of software systems and platforms, the Company has always attached great importance to the development and design of software and hardware linkage, focusing on building an AIoT ecosystem that integrates software and hardware. The Company can provide diversified, personalized and customized system software and platforms for different users, application scenarios, and vertical fields. On the one hand, the Company has laid out the ZKTeco cloud IoT platform Minerva IoT based on Amazon cloud technology as the technical foundation, providing deployment-free SaaS application products for smart office scenarios, smart entrance and exit scenarios, and smart home scenarios. Moreover, for system integration customers, the Company can provide ZKTeco Biowhois CTID Platform. For large park type enterprise customers, the Company can provide ZKBio Smart Park Integrated Management Platform V8800, ZKTeco ZKBio Intelligent Integrated Management Platform V6600, and ZKBio Access IVS Integrated Entrance and Exit Management Platform V6000. 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 December 31, 2023, the Company has established 28 branches, 14 subsidiaries, and 193 service outlets in 31 provinces, cities, and autonomous regions across China, with a sales and service system covering the whole country. The Company has established a total of 47 controlling subsidiaries overseas, located in 31 countries and regions worldwide, with product sales covering over 100 countries and regions.

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

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

4. Production and manufacturing advantages

(1) Integrated production process chain configuration

The Company's rich product array benefits from its integrated production process chain and high-quality production supporting facilities. The Company has a complete process chain for injection molding, laser cutting, optical processing, sheet metal processing, SMT, plug-in welding, algorithm burning program, PCBA production, final assembly, testing, and packaging programs required for various products. The complete process depth provides favorable conditions for the Company to achieve pull production based on market demand. The Company's various process flows are closely connected, with smooth coordination between production capacity and production pace, and the Company has a strong competitive advantage in the industry.

(2) Customized and flexible production capacity

The Company can provide comprehensive product services in segmented scenarios such as smart entrance and exit management, smart identity verification, and smart office, and has the ability to quickly respond to customized needs in mass

production. The Company's customized and flexible production capacity benefits from a professional R&D and engineering technical team, diverse product component production capabilities, and flexible product component coupling characteristics. The Company has achieved SMED in the production process, from SMT to injection molding, which can achieve rapid exchange of production equipment. In addition, the refined material supply system and lean line design in the assembly workshop can meet the flexible production needs of customers from different countries for small batches, multiple varieties, and customization.

(3) Advantages of lean production

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

(4) Advantages of automation and informatization

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

5. Brand advantages

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

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

6. Advantages of management team and mechanism

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

7. Quality control advantages

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

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

IV. Main Business Analysis

1. Overview

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

In 2023, the operating revenue and gross profit increased by RMB 51.6245 million and RMB 116.3954 million respectively, an increase of 2.69% and 13.65%, respectively. However, the net profit attributable to shareholders of the listed company decreased by RMB 15.2385 million or 7.92% compared to last year, due to the significant impact of share-based payment fees generated by the Company's equity incentives. In 2023, the share-based payment fees generated by the Company's equity incentives amounted to RMB 37.2854 million, an increase of RMB 32.6515 million or 704.62% compared to RMB 4.6339 million generated by the equity incentives in 2022. If the impact of share-based payment fees is excluded, the net profit attributable to shareholders of the listed company in 2023 is RMB 215.4326 million, an increase of RMB 17.8596 million or 9.04% compared to the previous year.

2. Revenue and costs

(1) Composition of operating revenue

Composition of revenue

Unit: RMB

| | 2023 | | 2022 | | YoY change |
|---|------------------|---------------------------------|------------------|---------------------------------|------------|
| | Amount | Proportion in operating revenue | Amount | Proportion in operating revenue | |
| Total operating revenue | 1,970,183,682.34 | 100% | 1,918,559,191.76 | 100% | 2.69% |
| By industry | | | | | |
| By product | | | | | |
| Smart office products | 368,124,957.10 | 18.68% | 328,800,143.52 | 17.14% | 11.96% |
| Smart entrance and exit management products | 1,437,554,773.20 | 72.97% | 1,396,715,150.30 | 72.80% | 2.92% |
| Smart identity verification products | 155,828,574.29 | 7.91% | 188,037,838.90 | 9.80% | -17.13% |
| Others | 8,675,377.75 | 0.44% | 5,006,059.04 | 0.26% | 73.30% |
| By region | | | | | |
| Domestic sales | 643,710,059.42 | 32.67% | 719,564,575.31 | 37.51% | -10.54% |
| Overseas sales | 1,326,473,622.92 | 67.33% | 1,198,994,616.45 | 62.49% | 10.63% |
| By sales model | | | | | |
| Distribution | 1,347,955,344.48 | 68.42% | 1,284,940,494.64 | 66.98% | 4.90% |
| Direct sales | 613,552,960.11 | 31.14% | 628,612,638.08 | 32.76% | -2.40% |
| Others | 8,675,377.75 | 0.44% | 5,006,059.04 | 0.26% | 73.30% |

(2) Industries, products, regions, or sales models that accounted for more than 10% of the Company's operating revenue or profit

Applicable Not applicable

Unit: RMB

| | Operating revenue | Operating cost | Gross profit margin | YoY change of revenue | YoY change of costs | YoY change of gross profit margin |
|---|-------------------|----------------|---------------------|-----------------------|---------------------|-----------------------------------|
| By industry | | | | | | |
| By product | | | | | | |
| Smart office products | 368,124,957.10 | 151,678,099.49 | 58.80% | 11.96% | -14.72% | 12.90% |
| Including: attendance products | 232,446,335.40 | 108,241,727.33 | 53.43% | 18.89% | -7.22% | 13.10% |
| Other products | 135,678,621.70 | 43,436,372.16 | 67.99% | 1.80% | -29.03% | 13.91% |
| Smart entrance and exit management products | 1,437,554,773.20 | 753,156,799.23 | 47.61% | 2.92% | -3.74% | 3.63% |
| Including: access control products | 895,951,790.36 | 429,557,409.77 | 52.06% | 3.78% | -6.20% | 5.11% |
| Other products | 541,602,982.84 | 323,599,389.46 | 40.25% | 1.54% | -0.26% | 1.08% |
| Smart identity verification products | 155,828,574.29 | 96,033,286.19 | 38.37% | -17.13% | -8.85% | -5.60% |
| Including: biometrics | 57,573,145.76 | 25,254,246.82 | 56.14% | -15.65% | -12.51% | -1.57% |

| | | | | | | |
|-----------------------|------------------|----------------|---------|---------|---------|--------|
| sensor products | | | | | | |
| Card products | 72,764,681.34 | 64,433,475.71 | 11.45% | -12.40% | -4.63% | -7.21% |
| Other products | 25,490,747.19 | 6,345,563.66 | 75.11% | -30.57% | -28.97% | -0.56% |
| Other products | 8,675,377.75 | 0.00 | 100.00% | 73.30% | | 0.00% |
| By region | | | | | | |
| Domestic sales | 643,710,059.42 | 438,877,805.00 | 31.82% | -10.54% | -11.51% | 0.75% |
| Overseas sales | 1,326,473,622.92 | 561,990,379.91 | 57.63% | 10.63% | -1.35% | 5.14% |
| By sales model | | | | | | |
| Distribution | 1,347,955,344.48 | 744,098,760.98 | 44.80% | 4.90% | -3.23% | 4.64% |
| Direct sales | 613,552,960.11 | 256,769,423.93 | 58.15% | -2.40% | -13.46% | 5.35% |
| Others | 8,675,377.75 | 0.00 | 100.00% | 73.30% | | 0.00% |

In the event that the statistical scope of the Company's main business data is adjusted during the reporting period, the main business data of the Company has been adjusted according to the scope at the end of the reporting period in the past year

Applicable Not applicable

(3) Whether the Company's physical products sales greater than revenue from labor services

Yes No

| Industry classification | Item | Unit | 2023 | 2022 | YoY change |
|--|--------------|----------|-----------|-----------|------------|
| Computer, communication, and other electronic equipment manufacturing industry | Sales volume | Pcs./Set | 2,688,539 | 2,836,800 | -5.23% |
| | Production | Pcs./Set | 2,681,533 | 2,777,191 | -3.44% |
| | Inventory | Pcs./Set | 461,673 | 468,679 | -1.49% |

Description of the reasons for the year-on-year change of over 30% in relevant data

Applicable Not applicable

(4) Performance status of major sales and procurement contracts signed by the Company as of this reporting period

Applicable Not applicable

(5) Composition of operating costs

Unit: RMB

| Industry classification | Item | 2023 | | 2022 | | YoY change |
|--|---------------|----------------|-------------------------------|----------------|-------------------------------|------------|
| | | Amount | Proportion in operating costs | Amount | Proportion in operating costs | |
| Computer, communication, and other electronic equipment manufacturing industry | Raw materials | 905,130,307.33 | 90.43% | 981,136,835.29 | 92.07% | -7.75% |
| Computer, communication | Labor cost | 31,279,084.44 | 3.13% | 29,057,564.72 | 2.73% | 7.65% |

| | | | | | | |
|--|---------------------|------------------|---------|------------------|---------|--------|
| , and other electronic equipment manufacturing industry | | | | | | |
| Computer, communication, and other electronic equipment manufacturing industry | Manufacture re cost | 64,458,793.14 | 6.44% | 55,444,719.42 | 5.20% | 16.26% |
| Total | | 1,000,868,184.91 | 100.00% | 1,065,639,119.43 | 100.00% | -6.08% |

Remarks

No major change

(6) Any change in consolidation scope during the reporting period

Yes No

| S/N | Company Name | Establishment Date | Registered Capital | Percentage of Shares (%) | Reason for Change |
|-----|---------------------------|--------------------|--------------------|--------------------------|-------------------|
| 1 | RALVIE AI INC. | August 22, 2023 | USD 10,000 | 100.00 | New establishment |
| 2 | ZKDIGIMAX PTE. LTD. | March 7, 2023 | USD 20 million | 80.00 | New establishment |
| 3 | ZKDIGIMAX PANAMA, S.A. | April 11, 2023 | USD 10,000 | 80.00 | New establishment |
| 4 | ZKDIGIMAX COLOMBIA SAS | April 26, 2023 | COP 10 million | 80.00 | New establishment |
| 5 | ZKDIGIMAX (PTY) LTD | March 14, 2023 | --- | 80.00 | New establishment |
| 6 | PT. ZKDIGIMAX EXCEL NOBLE | May 25, 2023 | IDR 10.01 billion | 56.00 | New establishment |
| 7 | ZKDIGIMAX CHINA CO., LTD. | May 18, 2023 | USD 300,000 | 80.00 | New establishment |
| 8 | ZK TECHNOLOGY MOROCCO | October 17, 2023 | MAD 100,000 | 100.00 | New establishment |

Note: ZKDIGIMAX (PTY) LTD uses the paid up capital as its registered capital, which has not been paid as of the end of the period; on August 7, 2023, Xiamen ZKTeco Cloud Valley Design and Development Co., Ltd. was deregistered, and at the end of the period, the subsidiary was no longer included in the consolidation scope.

(7) Significant changes or adjustments of the Company's business, products or services during the reporting period

Applicable Not applicable

(8) Major customers and suppliers

Major sales customers of the Company

| | |
|--|----------------|
| Total sales amount of the top five customers (RMB) | 234,894,344.56 |
| Proportion of the total sales amount to the annual total sales amount among the top five customers | 11.93% |
| Proportion of related party sales to annual total sales among the top five customers | 3.53% |

Information of top five customers of the Company

| S/N | Customer Name | Sales Amount (RMB) | Proportion to Annual Total Sales |
|-------|---------------|--------------------|----------------------------------|
| 1 | Customer 1 | 75,844,465.86 | 3.85% |
| 2 | Customer 2 | 69,479,326.72 | 3.53% |
| 3 | Customer 3 | 31,265,809.71 | 1.59% |
| 4 | Paylocity | 29,476,583.72 | 1.50% |
| 5 | Customer 5 | 28,828,158.55 | 1.46% |
| Total | -- | 234,894,344.56 | 11.93% |

Other information of major customers

Applicable Not applicable

Main suppliers of the Company

| | |
|--|----------------|
| Total procurement amount of the top five suppliers (RMB) | 172,935,367.73 |
| Proportion of the total procurement amount to the total annual procurement amount among the top five suppliers | 18.87% |
| Proportion of related party procurement amount to annual total procurement amount among the top five suppliers | 0.00% |

Information of top five suppliers of the Company

| S/N | Supplier Name | Procurement Amount (RMB) | Proportion to Annual Total Procurement Amount |
|-------|---------------|--------------------------|---|
| 1 | Supplier 1 | 45,723,008.87 | 4.99% |
| 2 | Supplier 2 | 40,817,098.98 | 4.46% |
| 3 | Supplier 3 | 32,137,781.27 | 3.51% |
| 4 | Supplier 4 | 29,553,048.92 | 3.22% |
| 5 | Supplier 5 | 24,704,429.69 | 2.69% |
| Total | -- | 172,935,367.73 | 18.87% |

Other information of major suppliers

Applicable Not applicable

3. Expenses

Unit: RMB

| | 2023 | 2022 | YoY change | Description of major changes |
|------------------|----------------|----------------|------------|---|
| Selling expenses | 445,414,065.93 | 361,264,181.17 | 23.29% | Mainly due to the increased advertising and promotional expenses for business expansion and exhibition expenses, the growth of overseas sales business, an increase in employee compensation due to the increase in personnel in international business groups, as well as an increase in share-based payment fees for the current period |

| | | | | |
|-------------------------|----------------|----------------|---------|--|
| Administrative expenses | 122,693,501.96 | 106,748,932.32 | 14.94% | Mainly due to an increase in share-based payment fees and intermediary consulting fees in the current period |
| Financial expenses | -54,330,867.73 | -40,928,834.96 | -32.74% | Mainly due to an increase in interest income from fund deposits and a decrease in exchange gains and losses caused by exchange rate fluctuations |
| R&D expenses | 213,613,414.56 | 187,983,847.42 | 13.63% | Mainly due to an increase in salaries of R&D personnel, technical service fees and sample and prototype fees, as well as an increase in share-based payment fees in the current period |

4. R&D Investment

Applicable Not applicable

| Main R&D Project Name | Project Objective | Project Progress | Proposed Objective | Expected Impact on the Company's Future Development |
|---|---|-----------------------|---|---|
| BioCV VLM 2.0 Multimodal Computer Vision Model | With the rapid development of computer vision and natural language processing, multimodal vision model has gradually become a popular research direction. The multimodal vision model combines computer vision and natural language processing, and can process images, videos and text information to achieve more efficient and intelligent image and video recognition and understanding. The Project aims to develop a model training technology with advanced multimodal visual representation capabilities, and train a universal base model. Based on this base model, it aims to improve the accuracy of current computer vision algorithms and biometric technology. | In the research stage | <ol style="list-style-type: none"> 1. Track the latest development of multimodal vision model technology, and continuously optimize and improve BioCV VLM 2.0, ensuring that the Company maintains a leading position in this field; 2. Based on this model, improve the accuracy of palm recognition algorithms and promote their commercialization; 3. Based on this model, improve other biometrics algorithms and computer vision algorithms; 4. 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. | <ol style="list-style-type: none"> 1. Improving the core technical capabilities of the Company's products in the field of computer vision and natural language processing, and providing customers with more intelligent and efficient solutions; 2. Promoting the Company's innovation and development in the field of AI, and providing technical support for the Company's long-term strategic goals; 3. Greatly accelerating the Company's algorithm development and iteration speed in the field of computer vision; 4. Having improved the Company's ability to apply computer vision algorithms in various scenarios, laying a solid foundation for expanding its business in the global market. |
| ZKTeco Interconnection Cloud Scenario Service Platform V2.0.0 | Based on the Company's core business of "smart office, smart entrance and exit, and smart multimodal BioCV", focusing on the SMB small and medium-sized enterprise customer group, serve the long tail market, leverage the comprehensive three-dimensional advantages of ZKTeco frontend intelligent hardware+backend offline smart account service system+Goddess Cloud Platform PaaS+SaaS application, provide a "business premises management | Closed | <ol style="list-style-type: none"> 1. Based on the base capacity of IoT PaaS Platform, and focusing on the terminal needs of IoT scenario solutions and SME digital and reality integration, serve as the SME cloud scenario linker; 2. Through ZKTeco Interconnection (for small and medium-sized enterprise users) and ZKTeco Cloud Commerce (for intermediate service provider users), jointly establish a comprehensive operation system for IoT product research, sales, operation, and service through end-edge-management-cloud-use- | <ol style="list-style-type: none"> 1. Assisting the Company in leveraging its customer base in the long tail market, and creating a new performance growth model focusing on the needs of small and medium-sized enterprise customer base based on cloud service scenarios and the digital and reality integration; 2. By utilizing a digital and intelligent scenario solution of software+hardware+cloud services, laying out a new track in advance to meet the needs of the post-90s and post-00s for enterprise management and business management; |

| | | | | |
|---|---|-----------------------|---|--|
| | scenario+business management scenario+service scenario" solution for the small and medium-sized enterprise customer group, accompany small and medium-sized enterprises in the growth, and provide multiple digital and intelligent "assistants" for enterprises from "rough" to "refined" management. | | service-operation; 3. Based on the precipitation of user scenario data, provide a market soil for commercial verification of customer foundation and operational transformation for SaaS subscription services. | 3. Driving the sales of hardware or scenario solutions through cloud services, and bringing about changes in business models such as operational model validation through cloud service subscription models; 4. Through the precipitation of user data and scenario data, providing rich product R&D support for commercial transformation models. |
| Research on the Application of Retail Scenario Detection and Recognition | In the retail application of supermarkets, multi-dimensional perception of targets in the scenario is the foundation of intelligent application through computer vision technology. | In the research stage | Train detection and recognition algorithms for cigarette and bottled beverage products, with a detection accuracy of over 80% and a recognition accuracy of over 90%. Train detection and recognition algorithms for bulk weighing commodities, with a detection accuracy of over 80% and a recognition accuracy of over 90%. | Satisfy the Company's computer vision technology needs in supermarket application scenarios, and better support the Company's smart retail related business. |
| Cloud Attendance Scenario Service Platform V3.0 | The Project aims to develop an enterprise level time management solution based on cloud architecture for Europe and America. | In the research stage | The Project integrates Workday, Synerion, Prime Point, 3M and other software to provide enterprise level time management solutions for cloud architecture. | Implement a solution for cloud time management to enhance the Company's cloud product capabilities. |
| R&D of Technology and Device for Authentication Application Based on CTID Digital Identity Card | The Project plans to develop an identity authentication terminal device based on the CTID authentication certificate recognition technology, which can identify the information encrypted by the CTID digital identity card and complete the corresponding scenario applications. The identification device supports both the physical ID card and the electronic identity card, which can effectively guarantee the network data transmission security of the identity card information. | In the research stage | The Project aims to implement terminal device equipment based on authentication and verification methods such as CTID authentication certificate and physical identity card; this recognition device supports both physical and electronic identity cards, which not only ensures the convenience of physical identity cards, but also solves the problems of network data transmission security and personal privacy of identity card information. | 1. Meeting the general trend of the construction of a digital China; 2. Improving the technical gap of digital identity card identification and information security transmission; 3. Improving the basic ability of digital identity card application technology, and laying a foundation for the subsequent development of digital identity card products; 4. Giving the Company a leading edge in the field of digital identity cards. |
| BioCV LLM 3.0 NLP Model | The NLP model has become one of the most promising and potential fields in recent years. With its widespread application in fields such as natural language processing, intelligent customer service, and intelligent translation, the NLP model has gradually become an indispensable part of the field of AI. The Project aims to track the latest development of the NLP model technology and | Closed | The Project achieves efficient fine-tuning training of models based on application scenario data and the research on related technologies in engineering implementation of NLP model applications. | In the era of AI, continuous innovation in product service interaction experience lays the foundation for core technology capabilities and enhances the Company's competitiveness. |

| | | | | |
|--|--|--------|--|--|
| | prepare relevant technical reserves. | | | |
| R&D of Core Technology Platform and Device for Access Controller Based on IoT Video Technology | The Project plans to develop a visual access control core technology platform and device based on IoT video technology, break through industrial level IoT communication access technology mainly based on the cloud platform, with BIOCV as the core technology, and audio and video as the core technology, especially based on hardware devices. Based on intelligent video+access controller, a multifunctional intelligent video access control box with a combination of access control and video linkage and with facial recognition capture supported in videos, solving the problem of independent two-part products in the current market, which greatly troubles customers in product selection and configuration operations, and greatly compresses the product cost of video+access control; it is widely used in residential communities, commercial buildings, logistics parks and other scenarios. | Closed | Taking user demands as the starting point, based on IoT video technology, access controller, and NVR technology, the Project develops an access control+video+gateway multi-functional control device relying on ZKBioCV Security offline software and cloud platform, achieving multiple door control, multiple video channels, access control events, alarms, and other functions, solving the problem of users' independent configuration of access control and video, and providing customers with a new choice. | <ol style="list-style-type: none"> 1. Breaking through BioCV video access control terminal of audio and video, access control, and IoT communication access technologies, and breaking the current situation of on-site access control and video business separation in the industry; 2. Enriching the array of access control video products by highly integrating video and access control; 3. Providing new technological directions for access control video products and accumulating core technologies for the Company in building video access control capabilities. |
| R&D of Structured Light Module for Face and Palm Hybrid Recognition Based on High Security and High Accuracy | The Project aims to develop a recognition module based on face, palm, and 3D structural anti-counterfeiting technology, achieving simultaneous recognition of face and palm. The 3D live projection system has over 30,000 speckle points, and can decode 1 million 3D coordinate point clouds and complete comprehensive and secure recognition of face and palm databases, widely used in the equipment of manufacturers of face and palm applications. | Closed | The Project aims to solve the problem of high security for palms and faces. Face anti-counterfeiting can prevent electronic image attacks, live video attacks, synthetic video attacks, 2D laser photo and ordinary photo attacks, hole digging photo attacks, 3D mask attacks, injection attacks, etc. Palm anti-counterfeiting can prevent electronic image attacks, palm video attacks, synthetic video attacks, 2D laser photo and ordinary photo attacks, 3D palm attacks, injection attacks, etc. | The face anti-counterfeiting covers and meets the requirements of face attack risk and UnionPay face live detection of GB/T 38427.1-2019 issued by the Ministry of Public Security in July 2020, and improves palm anti-counterfeiting ability, effectively enhances the competitiveness of the Company's products, enhances economic benefits, and drives the sound development of the industry's intelligent access control and attendance industries towards high-end technology industries. |
| Wide Access IoT Perception Application Platform V1.0 (formerly known as ZKBioCV) | Relying on computer vision technology+multimodal BIOCV core technology as the core, implement security supervision linkage and joint defense and intelligent video analysis management, and build a reliable and stable security | Closed | Focusing on the actual needs of intelligence and scenario, the Project implements uniform monitoring of front-end and back-end devices, entrances and exits, application software, and perception data, implements the platform's intelligent analysis and | <ol style="list-style-type: none"> 1. Relying on the accumulation and sedimentation of existing technology, the Project can quickly respond to market demand; 2. The Project can increase the share of products in enterprises, parks, shopping malls, hospitals, |

| | | | | |
|---|---|-----------------------|---|---|
| Security V1) | integration and visualization platform and solution by utilizing intelligent video technology, based on access control, vehicle recognition, emergency alarm, perimeter defense, etc., combined with multiple business subsystems such as personnel, attendance, access control, visitor, consumption, patrol, elevator control, passage, storage cabinet, intrusion alarm, monitoring center, wide access, and system management. | | security management and control to meet the needs of diversified and fragmentation application scenarios of users. Build an intelligent security comprehensive management platform with intelligent security, collaborative efficiency, and scenario application, and enhance customers' intelligent perception and precise control capabilities in enterprises, parks, shopping malls, hospitals, factories, construction sites, and other venues. | factories, construction sites and other scenes, integrate intelligent perception to improve precision management and control capabilities, and help the industry digital transformation; 3. The Project helps the Company further expand and consolidate its market position, bringing greater profits. |
| ZLink (International Version) V2.0 (ZKTeco Interconnection Cloud Scenario Service Platform) | Provide intelligent solutions for office scenes, supporting multi-user, multi-company, and multi-role SaaS software, thus providing users with better scenario adaptability, better user experience and lower costs. | Closed | Connect end/edge/cloud to enhance customer experience. | Implement a solution for smart office scenarios to enhance the Company's cloud service capabilities. |
| ZKDigimax-L3 V1.0 (Cloud Digital Retail Management Platform) | In addition to the Company's traditional three core businesses of "smart office, entrance and exit, and smart identity recognition", we also focus on launching a new innovative business segment - smart retail. By integrating the resources, technology and business capabilities accumulated over the years by ZKTeco and DMMX, we focus on the "AI+Digital Signage" field in the retail and catering industries, providing digital infrastructure and smart business cloud services for front-end carriers, accelerating the transformation of traditional retail industry to data-driven smart retail, and helping global retail customers create greater commercial value. | In the research stage | <ol style="list-style-type: none"> 1. Based on the base capacity of Goddess's IoT PaaS Platform in India, and focusing on the smart retail scenario, the cloud broadcasting system provided provides a one-stop solution to meet the terminal needs of integrating data and reality for small and medium-sized enterprises (SMEs), serving as the SME cloud scenario linker; 2. Integrate the rich AIoT hardware ecosystem, AI, big data, and cloud service capabilities of ZKTeco, and provide end/edge/cloud/server one-stop smart retail scenario solutions; 3. Based on the precipitation of user scenario data, provide a market soil for commercial verification of customer foundation and operational transformation of commercial advertising for SaaS subscription services. | <ol style="list-style-type: none"> 1. Assist the Company in expanding its arsenal of smart retail business, provide more powerful weapons, and create a new performance growth model based on cloud services and hosting services around enterprise customer groups in the retail industry; 2. By utilizing a digital and intelligent scenario solution of cloud software+AI hardware+cloud hosting services, laying out a new track in advance for smart retail scenarios; 3. Providing long-term O&M services to increase the Company's service attributes, driving the sales of hardware or scenario solutions through cloud hosting services, and bringing about changes in business models such as operational model validation through cloud service subscription models; 4. Through the precipitation of user data and scenario data, creating richer product models for commercial transformation models. |
| Continuous Capacity Building of the IoT | Continuously build IoT platforms in accordance with the Company's end/edge/cloud strategy. | Closed | Continue to build capabilities based on the IoT platform, including device connectivity, payment, subscription, and video | In the era of the Internet of Everything (IoE), providing infrastructure support for building a cloud/edge/end ecosystem and |

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|---|---|-----------------------|--|--|
| Platform (Minerva/Goddess Platform) V3.0 | | | based multimodal processing capabilities. | enhancing the competitiveness of IoT capabilities. |
| R&D of Smart Terminal Based on LLM and Large Model Technology of Multimodal Computer Vision | The Project plans to develop an intelligent AI robot based on AI scenarios, utilizing ChatGPT technology and the fusion of machine vision and speech recognition technology to achieve multiple interactive methods such as dialogue, vision and speech, thus achieving comprehensive intelligent applications in various scenarios. The content of the Project covers multiple aspects such as semantic understanding, emotional analysis, natural language generation, image recognition, speech recognition, intelligent recommendation, etc. It can achieve natural dialogue between humans and computers, provide a fast and efficient user experience, and has a wide range of application scenarios. | In the research stage | Integrate LLM technology and machine vision technology, develop an intelligent terminal that enables multiple interactive modes such as visual and voice between humans and computers, and provide a fast and efficient user experience. | Integrate LLM technology and machine vision technology to enhance product interaction experience and enhance the Company's competitiveness. |
| Research on Algorithms Related to Digital Human Generation | In security and supermarket applications, people are often the most concerned visual targets. This project aims to explore the analysis and image generation methods of various facial features, in order to provide strong support for practical scenario based applications and achieve human-oriented computer vision applications | In the research stage | <ol style="list-style-type: none"> 1. Conduct attribute analysis based on an open facial image dataset for refined control of various attributes in digital human synthesis; 2. Implement augmented reality technologies such as makeup and wear testing to serve smart retail scenarios and enhance customer shopping experience; 3. Research on digital human generation technology based on AIGC; 4. Investigation and research on voice driven digital human speech video generation technology. | Meet the Company's demand for digital human generation technology in smart retail scenarios, and better support the Company's basic business. |
| R&D of Device for Collecting and Recognizing Mixed Images of Humans, Vehicles and Objects Based on Multispectral Analysis | This project aims to develop a hybrid image acquisition and intelligent recognition device based on the application technology of target recognition for people, vehicles and objects in multispectral environments, achieving image acquisition and intelligent recognition of people, vehicles and objects in different environments and regions. At the same time, it can also have multi-channel, multi- | Closed | This project aims to use human, vehicle and object target recognition technology combined with sound and light warning interactive application technology to enhance the image acquisition and recognition ability in different environments, and to enhance the user experience and practicality through perceivable sound and light warnings and real-time voice interaction. At the same time, the linkage between storage devices | <ol style="list-style-type: none"> 1. Wide market applications: This device can be widely used in multiple scenarios such as smart parks, smart communities, smart transportation, smart office, logistics, supermarkets, etc., to explore a wider market space for the Company; 2. Technological leadership and continuous innovation: The project involves numerous technical fields and requires continuous iteration and |

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| | light source controllable sound and light warning functions, as well as real-time voice interaction, mobile interaction and other functions. On the end side, the use of embedded LINUX platform based NVR storage to collect images and alarm signal output can achieve linkage with the controller. It can be widely used in smart parks, smart communities, smart transportation, intelligent office, logistics, supermarkets and many other scenarios. | | and controllers can be triggered by the collected image signals, further enhancing the intelligence and practicality of the system. | upgrading to maintain a competitive advantage. Therefore, this project helps to drive the Company's continuous technological R&D and innovation, thereby maintaining a leading position in market competition. Meanwhile, continuous technological innovation also helps the Company acquire more patents and technological barriers, and improve industry barriers and competitiveness. |
| R&D of Smart Office Terminal Management Platform and Device Based on Cloud Service MinervaIoT platform | The project plans to develop a smart office terminal management platform and device based on the cloud service MinervaIoT platform, mainly combining the ZKTeco Minerva IoT smart office cloud platform, with "time management+security management" as the key service core, cloud platform as the core, application as the carrier, and hardware devices as the foundation, archiving device data on a high security cloud platform for management, and providing a more refined enterprise smart office management mode; the feature is that the terminal device supports various biometric (fingerprint, face), RFID, QR code information collection, and video intercom capabilities, connecting smart office attendance, access control, visitors, videos, and other IoT devices, providing a one-stop O2O solution for enterprise smart office. It is mainly used in smart office scenarios. | Closed | This project aims to develop a smart office terminal management platform and device based on the cloud service MinervaIoT platform. This platform takes "time management+security management" as its core service, providing enterprises with a more refined smart office management model by integrating the ZKTeco MinervaIoT smart office cloud platform, applications, and hardware devices. | <ol style="list-style-type: none"> 1. Connect IoT devices such as smart office attendance, access control, visitors, and videos to provide a one-stop O2O solution for enterprise smart office. It improved the management efficiency and security of the enterprise; 2. Provide support for the Company's digital cloud platform strategic layout. |
| R&D of Mobile Access Solution Device Based on Multimodal BioCV Technology and Bluetooth/NFC Near-field | This project plans to develop a mobile access control scheme device based on multimodal BioCV technology and Bluetooth/NFC near-field communication technology, which is mainly oriented to smart entrance and exit scenarios, integrates mobile Internet technology, realizes the integration scheme of mobile access control, and supports | Closed | The goal of the project is to develop a mobile access control solution based on multimodal BioCV technology and Bluetooth/NFC near-field communication technology, which aims to provide an integrated solution for smart entrance and exit scenarios, and achieve convenient access control solutions by integrating mobile Internet technology. | The project adds a high security and privacy access authentication method to provide more options for scenario solutions. |

| | | | | |
|---|--|--------|--|--|
| Communication Technology | NFC&BLE mobile card swiping. The permission virtual card is managed uniformly by a credential management system developed based on the Goddess Platform. It can enable individuals to log in with multimodal biological templates on their own mobile App, implement the application of mobile access solutions for end users, and redefine the application of access control services in SMBG scenarios. | | | |
| R&D of Electromechanical Product O&M Platform Based on Bluetooth Near-field Communication Technology and IoT Cloud Platform | This project is based on Bluetooth near-field communication technology, which enables data exchange between mobile devices and electromechanical products. Through IoT communication technology, it achieves a network topology of cloud, edge and end, enhancing cloud O&M attributes on the basis of electromechanical products such as brakes, achieving remote device O&M and control capabilities, greatly improving efficiency and reducing product maintenance costs. | Closed | This project aims to optimize electromechanical products using mobile IoT technology, and achieve unified management and control of mobile, IoT cloud, and device ends. This project improved equipment O&M capabilities and reduced management costs. | <ol style="list-style-type: none"> 1. It increased the added value of electromechanical products and enhanced product competitiveness; 2. It realized data aggregation and created a digital ecosystem together with the Company's related products. |

R&D personnel of the Company

| | 2023 | 2022 | Change ratio |
|---------------------------------------|--------|--------|--------------|
| Number of R&D staff (ppl) | 1,226 | 1,125 | 8.98% |
| Proportion of R&D personnel | 29.86% | 29.70% | 0.16% |
| Education background of R&D personnel | | | |
| Bachelor's degree | 794 | 702 | 13.11% |
| Master's degree | 76 | 66 | 15.15% |
| Age composition of R&D personnel | | | |
| Under 30 years old | 652 | 665 | -1.95% |
| 30~40 years old | 459 | 376 | 22.07% |

Amount of R&D investment and its proportion in operating revenue of the Company in the past three years

| | 2023 | 2022 | 2021 |
|--|----------------|----------------|----------------|
| R&D investment amount (RMB) | 213,613,414.56 | 187,983,847.42 | 196,786,694.35 |
| Ratio of R&D investment to operating revenue | 10.84% | 9.80% | 10.06% |
| Amount of R&D expenditure capitalization (RMB) | 0.00 | 0.00 | 0.00 |
| Ratio of capitalized R&D expenditure to R&D | 0.00% | 0.00% | 0.00% |

| | | | |
|---|-------|-------|-------|
| investment | | | |
| Proportion of capitalized R&D expenditure to current net profit | 0.00% | 0.00% | 0.00% |

Reasons and impacts of significant changes in the composition of R&D personnel in the Company

Applicable Not applicable

Reasons for significant changes in the proportion of total R&D investment to operating revenue compared to the previous year

Applicable Not applicable

Reasons for significant changes in the capitalization rate of R&D investment and their rationality explanation

Applicable Not applicable

5. Cash flow

Unit: RMB

| Item | 2023 | 2022 | YoY change |
|---|------------------|-------------------|------------|
| Subtotal of cash inflows from operating activities | 2,165,751,516.53 | 2,042,594,811.28 | 6.03% |
| Subtotal of cash outflows from operating activities | 1,929,750,626.32 | 1,918,074,778.10 | 0.61% |
| Net cash flows from operating activities | 236,000,890.21 | 124,520,033.18 | 89.53% |
| Subtotal of cash inflows from investing activities | 787,667,352.37 | 101,984,070.59 | 672.34% |
| Subtotal of cash outflows from investing activities | 718,997,205.91 | 1,118,723,941.52 | -35.73% |
| Net cash flows from operating activities | 68,670,146.46 | -1,016,739,870.93 | 106.75% |
| Subtotal of cash inflows from financing activities | 171,289,430.52 | 1,496,730,622.16 | -88.56% |
| Subtotal of cash outflows from financing activities | 237,940,435.66 | 61,330,346.01 | 287.97% |
| Net cash flows from financing activities | -66,651,005.14 | 1,435,400,276.15 | -104.64% |
| Net increase in cash and cash equivalents | 239,412,294.92 | 561,319,832.34 | -57.35% |

Main influencing factors for significant year-on-year changes in relevant data

Applicable Not applicable

Description of reason:

- (1) The net cash flow generated from operating activities increased, mainly due to an increase in sales receipts in the current period and a decrease in payment for purchasing materials;
- (2) The increase in the subtotal of cash inflows from investing activities is mainly due to the increase in time deposits and redemption of financial products in the current period;
- (3) The net cash flow generated from investing activities decreased, mainly due to an increase in cash inflows from investing activities caused by the increase in time deposits and redemption of financial products in the current period, and an increase in cash outflows from investment payments due to the decrease in the purchase of financial products during the year; the cash inflow

from investing activities is greater than the cash outflow from investing activities, resulting in an increase in the net cash flow generated from investing activities;

(4) The decrease in net cash flow generated by financing activities is mainly due to the Company's initial public offering and listing of stocks in August 2022, the receipt of raised funds, and the payment of cash dividends for the 2022 profit distribution in the current period.

Description of the significant difference between the net cash flow generated by the Company's operating activities and the net profit of the current year during the reporting period

Applicable Not applicable

V. Non-main Business

Applicable Not applicable

Unit: RMB

| | Amount | Proportion to Total Profit | Description of Reason | Sustainable or Not |
|--|---------------|----------------------------|---|--------------------|
| Investment income | -599,875.51 | -0.28% | Mainly due to the gains and losses generated from the purchase of financial products and the mature delivery of forward foreign exchange settlement and sales contracts | No |
| Profits and losses from fair value changes | 755,429.17 | 0.35% | Mainly due to the gains and losses generated from the purchase of financial products and the mature delivery of forward foreign exchange settlement and sales contracts | No |
| Losses from impairment of assets | -3,163,733.31 | -1.47% | Mainly due to the provision for depreciation of current inventory, long-term equity investments and provision for depreciation of contract assets | No |
| Non-operating revenue | 834,759.26 | 0.39% | Mainly due to government subsidies and other income received during the reporting period that are not related to production and operation | No |
| Non-operating expenditure | 5,760,416.86 | 2.68% | Mainly due to expenses for disposal of obsolescence materials and disposal of non-current assets during the reporting period | No |
| Other income | 13,382,751.13 | 6.22% | Mainly due to other income generated by government subsidies during the reporting period | No |
| Losses from credit impairment | -6,426,264.03 | -2.99% | Mainly due to the provision of bad debt reserves for accounts receivable during the reporting period | No |
| Gains from disposal of assets | -129,852.62 | -0.06% | Mainly due to income from disposal of fixed assets during the reporting period | No |

VI. Analysis of Assets and Liabilities

1. Material changes of asset items

Unit: RMB '0,000

| | At the end of 2023 | | At the beginning of 2023 | | Proportion increase or decrease | Description of major changes |
|-----------------------------|--------------------|----------------------------|--------------------------|----------------------------|---------------------------------|---|
| | Amount | Proportion to total assets | Amount | Proportion to total assets | | |
| Monetary funds | 199,092.50 | 50.74% | 191,294.50 | 52.20% | -1.46% | No major change |
| Accounts receivable | 47,980.33 | 12.23% | 40,349.79 | 11.01% | 1.22% | Increase in overseas business, resulting in accounts receivable increase due to the relatively long collection cycle of overseas business |
| Contract assets | 28.22 | 0.01% | 30.68 | 0.01% | 0.00% | No major change |
| Inventories | 37,271.48 | 9.50% | 34,828.06 | 9.50% | 0.00% | No major change |
| Investment real estate | 2,314.55 | 0.59% | 0.00 | 0.00% | 0.59% | Part of the properties of Xiamen ZKTeco Biometric Identification Technology Co., Ltd. were converted from self use to rent |
| Long-term equity investment | 2,978.19 | 0.76% | 715.13 | 0.20% | 0.56% | Due to the increased capital for establishment of the ecological innovation fund by Xiamen Xingniu Yunyu Venture Capital Partnership Enterprise (Limited Partnership) in the current period |
| Fixed assets | 47,012.18 | 11.98% | 44,685.75 | 12.19% | -0.21% | Due to transfer to fixed assets for the current period by the Hybrid Biometrics IoT Intelligent Industrial Base Project |
| Construction in progress | 13,898.65 | 3.54% | 5,704.13 | 1.56% | 1.98% | Due to new investment in the Multimodal Biometrics Digitalization Industrial Base Construction Project and the Thai factory construction in current period |
| Right-of-use asset | 3,866.97 | 0.99% | 5,064.07 | 1.38% | -0.39% | No major change |
| Short-term loan | 0.00 | 0.00% | 985.50 | 0.27% | -0.27% | No major change |
| Contract liabilities | 6,533.11 | 1.66% | 5,883.88 | 1.61% | 0.05% | No major change |
| Long-term loan | 781.04 | 0.20% | 14.18 | 0.00% | 0.20% | No major change |
| Lease liabilities | 1,971.33 | 0.50% | 2,825.67 | 0.77% | -0.27% | No major change |
| Trading financial asset | 8,098.02 | 2.06% | 20,431.84 | 5.58% | -3.52% | Mainly due to the decrease in financial products |

High proportion of overseas assets

 Applicable Not applicable

Unit: RMB '0,000

| Specific content of assets | Cause of formation | Asset size | Location | Operation mode | Control measures to ensure asset security | Income | Proportion of overseas assets to the Company's net assets | Is there a significant impairment risk |
|----------------------------|-------------------------|------------|----------|---------------------|---|----------|---|--|
| ZK INVESTMENTS INC. | Wholly-owned subsidiary | 12,663.97 | America | Overseas investment | Subsidiary control | 5,560.28 | 3.85% | No |

| | | | | | | | | |
|---------------------|--|-----------|-----------|----------------|--------------------|----------|--------|----|
| ZK TECHNOLOGY LLC | Controlling subsidiary | 6,213.88 | America | Overseas sales | Subsidiary control | 7,185.21 | 1.89% | No |
| ZKTECO CO., LIMITED | Wholly-owned subsidiary | 44,403.04 | Hong Kong | Overseas sales | Subsidiary control | 2,079.34 | 13.49% | No |
| Other explanations | Note: Significant 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 | | | | | | | |

2. 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) | 204,318,406.05 | 662,811.35 | | | 74,559,524.77 | 200,057,224.36 | 1,404,068.00 | 80,887,585.81 |
| 2. Derivative financial assets | | 92,617.82 | | | | | | 92,617.82 |
| Subtotal of financial assets | 204,318,406.05 | 755,429.17 | | | 74,559,524.77 | 200,057,224.36 | 1,404,068.00 | 80,980,203.63 |
| Others | | | | | | | | |
| Total | 204,318,406.05 | 755,429.17 | | | 74,559,524.77 | 200,057,224.36 | 1,404,068.00 | 80,980,203.63 |
| Financial liabilities | 0.00 | 0.00 | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

Other changes

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

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

Yes No

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

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

VII. Investment Analysis

1. Overall

Applicable Not applicable

| Investment in 2023(RMB) | Investment in 2022 (RMB) | YoY |
|-------------------------|--------------------------|-------|
| 508,828,238.94 | 468,954,619.82 | 8.50% |

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 | 17,044,756.02 | 225,311,420.32 | Own funds, bank loans, and raised funds | Under construction | Not applicable | 17,106,181.03 | Not applicable | | |
| Multimodal Biometrics Digitalization Industrial Base Construction Project | Self-built | Yes | Plant and supporting facilities | 84,434,465.75 | 87,417,407.70 | 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 | 26,210,787.40 | 26,210,787.40 | Own funds | Under construction | Not applicable | Not applicable | Not applicable | | |
| Total | -- | -- | -- | 127,690,009.17 | 338,939,615.42 | -- | -- | Not applicable | | -- | -- | -- |

4. Financial asset investment

(1) Securities investment

Applicable Not applicable

There were no securities investments during the Company's reporting period.

(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 | 0 | 9.26 | 0 | 30,657.87 | 29,833.6 | 824.27 | 0.25% |
| Total | 0 | 0 | 9.26 | 0 | 30,657.87 | 29,833.6 | 824.27 | 0.25% |
| Accounting policies and specific accounting principles for hedging business during the reporting period, as well as description on whether there have been significant changes compared to the previous reporting period | No major change | | | | | | | |
| Description of actual profit and loss during the reporting period | During the reporting period, the Company obtained investment income of RMB -8.6906 million through forward foreign exchange settlement and sales, and generated profits and losses from fair value changes of RMB 92,600 | | | | | | | |

| | |
|---|--|
| Description of hedging effect | In the daily operation process of the Company, foreign currency transaction is involved. In order to prevent exchange rate fluctuation risks, it is necessary for the Company to carry out foreign exchange derivative trading business related to daily operation needs according to specific circumstances to reduce the risk of exchange rate or interest rate fluctuations that the Company continues to face. The Company's forward foreign exchange settlement and sales business can achieve the goal of locking in business contract profits at most time points, without significant risks, which achieves the purpose of hedging. |
| Source of funding for derivative investment | Own funds |
| Risk analysis and control measures of derivatives positions during the reporting period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.) | <p>I. Risk analysis of the Company's hedging business</p> <p>Forward foreign exchange settlement and sales business can reduce the impact of exchange rate fluctuations on the Company's production and operation in the event of significant fluctuations in exchange rates, but there are still certain risks in conducting forward foreign exchange settlement and sales transactions:</p> <ol style="list-style-type: none"> 1. Exchange rate fluctuation risk: In cases of significant fluctuations in exchange rate courses, exchange losses may occur when the exchange rate of the forward foreign exchange settlement and sales agreed in the confirmation letter for the forward foreign exchange settlement and sales is lower than the real-time exchange rate. 2. Risk of payment collection prediction: Business departments make payment prediction based on customer orders and expected orders. During the actual execution process, customers may adjust their own orders and predictions, resulting in inaccurate company payment prediction and the risk of delayed delivery of forward exchange settlement. 3. Internal control risk: Forward foreign exchange settlement and sales transactions are highly specialized and complex, which may result in risks due to imperfect internal control systems. 4. Customer default risk: If the customer's accounts receivable are overdue and the payment cannot be collected within the predicted payment period, it will cause a delay in forward exchange settlement and result in losses to the Company. 5. Transaction performance risk: Conducting financial derivative trading business carries the risk of default caused by the inability of counterparties to perform when the contract expires. <p>II. Preparation work and risk control measures for hedging by the Company</p> <p>The Company follows the principle of hedging when conducting forward foreign exchange settlement and sales transactions, and does not engage in speculative arbitrage transactions. The main risk control measures are as follows:</p> <ol style="list-style-type: none"> 1. When signing forward foreign exchange settlement and sales contracts, transactions are carried out in strict accordance with the Company's predicted collection amount, and all forward foreign exchange settlement and sales businesses have a true trade background. 2. The Company has formulated the "Management System for Forward Foreign Exchange Settlement and Sales of ZKTECO CO., LTD.", which clearly stipulates the amount, variety, approval authority, internal audit process, information disclosure, and other aspects of forward foreign exchange settlement and sales. Moreover, the Company has strengthened the business training and professional ethics of relevant personnel, improved the quality of relevant personnel, and established a timely reporting system for abnormal conditions to avoid the occurrence of operational risk to the maximum extent. 3. To prevent the delayed delivery of forward foreign exchange settlement and sales, the Company will attach great importance to the management of foreign currency accounts receivable, avoid the phenomenon of overdue accounts receivable, and strive to improve the accuracy of payment collection prediction and reduce prediction risks. Meanwhile, the Company has purchased credit insurance for some export products, thus reducing the customer default risk. 4. To control transaction performance risks, the Company carefully selects counterparties engaged in financial derivatives business. The Company only conducts financial derivative trading business with legally qualified large commercial banks and other financial institutions, and carefully reviews the contract terms signed with the counterparties to prevent credit and legal risks. |
| Changes in market price or fair value of products during | The 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 |

| | |
|---|---|
| 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 | 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 28, 2023 |
| Disclosure date of announcement by the Board of Shareholders for approval of derivative investment (if any) | |
| Special opinions of independent directors on the Company's derivative investment and risk control | The Company's business of forward foreign exchange settlement and sales meets the Company's business development needs, and the Company has established corresponding internal control systems and risk management mechanisms. The feasibility analysis report issued by the Company for conducting forward foreign exchange settlement and sales complies with the provisions of laws and regulations and the Company's business development needs, and is feasible. |

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.

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 | Total amount of raised funds | Net amount of raised funds | Total amount of raised funds used in this period | Accumulated total amount of raised funds used | 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 of stocks | 160,816.89 | 145,729.84 | 15,104.71 | 52,903.01 | 25,189.32 | 28,537.02 | 17.75% | 95,816.81 | Stored in the bank's special account for fundraising and wealth management | 0 |
| Total | -- | 160,816.89 | 145,729.84 | 15,104.71 | 52,903.01 | 25,189.32 | 28,537.02 | 17.75% | 95,816.81 | -- | 0 |

Description of the overall use of raised funds

1. According to the approval of the "Reply 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 December 31, 2023, the Company has invested a total of RMB 529.0301 million in raised funds, with a total of RMB 958.1681 million in unused raised funds (including related interest income after deducting handling fees).

(2) Committed projects with raised funds
Applicable Not applicable

| Committed investment projects and the investment direction of over-raised funds | Has the project been changed (including partial changes) | 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 significant change in the feasibility of the project |
|---|--|---|-------------------------------|---|---|---|---|--|---|--|---|
| Committed investment projects | | | | | | | | | | | |
| 1. Tangxia Production Base Construction Project | Yes | 24,841.18 | 0 | 0 | 0 | 0.00% | | Not applicable | Not applicable | Not applicable | Yes |
| 2. Hybrid Biometrics IoT Intelligent Industrial Base Project | No | 43,689.94 | 43,689.94 | 3,136.59 | 26,557.86 | 60.79% | August 31, 2024 | 1,710.62 | 1,710.62 | Not applicable | No |
| 3. American Manufacturing Factory Construction Project | Yes | 17,392.21 | 14,392.65 | 8.46 | 105.99 | 0.74% | August 31, 2026 | Not applicable | Not applicable | Not applicable | No |
| 4. R&D Center Construction Project | No | 18,240.58 | 18,240.58 | 1,253.28 | 10,274.35 | 56.33% | August 31, 2024 | Not applicable | Not applicable | Not applicable | No |
| 5. Global Marketing Service Network Construction Project | No | 26,802.01 | 26,802.01 | 2,933.69 | 8,192.12 | 30.57% | August 31, 2025 | Not applicable | Not applicable | Not applicable | No |
| 6. Remaining funds after the previous change in the American Manufacturing Factory Construction Project | Yes | 0 | 2,999.56 | 0 | 0 | 0.00% | | Not applicable | Not applicable | Not applicable | No |
| 7. Multimodal Biometrics Digitalization Industrial Base Construction Project | Yes | 0 | 39,605.1 | 7,772.69 | 7,772.69 | 19.63% | June 30, 2026 | Not applicable | Not applicable | Not applicable | No |
| Subtotal of committed | -- | 130,965.92 | 145,729.84 | 15,104.71 | 52,903.01 | -- | -- | | | -- | -- |

| investment projects | | | | | | | | | | | |
|---|--|------------|------------|-----------|-----------|-------|----|----------------|----------------|----------------|----|
| Direction of over-raised fund investment direction | | | | | | | | | | | |
| Undetermined funds | Yes | 14,763.92 | 0 | 0 | 0.00 | 0.00% | | Not applicable | Not applicable | Not applicable | No |
| Subtotal of over-raised fund investment direction | -- | 14,763.92 | 0 | 0 | 0 | -- | -- | | | -- | -- |
| Total | -- | 145,729.84 | 145,729.84 | 15,104.71 | 52,903.01 | -- | -- | | | -- | -- |
| Describe the situation and reasons why the planned progress and expected benefits have not been achieved by projects (including the reason for selecting "not applicable" for "whether the expected benefits have been achieved") | <p>The planned investment for the "Tangxia Production Project" is RMB 248.4118 million, with a construction period of 2 years. The Project plans to build a production base in Tangxia Town, Dongguan City to meet the Company's future business development needs, including the expansion of production capacity for access control products, biometrics module products, and card products, as well as the need for supporting production, office, and living facilities. As of December 31, 2022, the Project has not yet started investment, and the difference between the actual use of the raised funds in the year of the investment project and the estimated use amount of the raised funds disclosed last time exceeds 30%.</p> <p>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". This matter does not constitute a related party transaction. In order to further promote the development of the Company's business, accelerate production capacity planning and industrial layout, and improve the efficiency of the use of raised funds, the original investment project Tangxia Production Project has been changed to "Digitalization Base Project", and the Tangxia Production Project will no longer be constructed. The Tangxia Production Project was constructed by the Company as the main entity, while the Digitalization Base Project was constructed by Guangdong ZKTeco, a wholly-owned subsidiary of the Company, as the implementation entity. The total investment amount of the Digitalization Base Project is RMB 431.8689 million. The Digitalization Base Project uses the unused raised funds and over-raised funds of the Tangxia Production Project, as well as the corresponding fund returns. Among them, the raised funds of the Tangxia Production Project are RMB 248.4118 million, and the over-raised funds are RMB 147.6392 million. The actual income of the funds corresponding to these two parts shall be based on the net income of the funds corresponding to the transfer of relevant funds to the special account for the Digitalization Base Project after approval by the shareholders' meeting. The insufficient part will be invested by Guangdong ZKTeco with its own funds.</p> | | | | | | | | | | |
| Description of significant changes in project feasibility | <p>The original investment project (Tangxia Production Base Construction Project) was formulated in 2020, which was a comprehensive layout of the Company based on factors such as the market environment, industry development trends and the actual situation of the Company at that time. With the development of the Company and market changes, the planning of the original Tangxia Production Base Construction Project can no longer meet the current production and operation needs of the Company, and cannot reflect the development trend of new technologies and new formats. In order to further promote the development of the Company's business, accelerate production capacity planning and industrial layout, and improve the efficiency of the use of raised funds, the Company reviewed and approved relevant proposals during the reporting period to change the original investment project: Tangxia Production Base Construction Project to the Digitalization Base Project. The original Tangxia Production Base Construction Project will no longer be constructed, and the implementation entity of the Digitalization Base Project will be changed to the Company's wholly-owned subsidiary Guangdong ZKTeco.</p> <p>The specific reasons for the change are as follows:</p> <ol style="list-style-type: none"> 1. At present, the Company's production sites are scattered. According to the overall plan of the Company at this stage, Guangdong ZKTeco will mainly undertake the Company's manufacturing functions, and will transfer the investment projects of production nature to Guangdong ZKTeco for implementation, facilitating the Company's centralized production management, saving management costs, and improving production efficiency. 2. As the current production model and capacity of Guangdong ZKTeco are not conducive to controlling the Company's costs, quality, and delivery time, and cannot meet the Company's future sustainable development needs after Guangdong ZKTeco mainly undertakes the Company's manufacturing function. The change of investment projects helps to | | | | | | | | | | |

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| | <p>enhance the Company's production capacity and technological process level, thereby improving product quality, production efficiency, and market competitiveness.</p> <p>3. With the change of the market, multimodal biometrics and non-contact biometric technology have developed rapidly. Computer vision products such as edge computing and intelligent perception self-help of the IoT, intelligent robots and so on have entered the field of smart wide entrance and exit, and the business model has also been upgraded rapidly, from the original products and solutions to the subscription and cloud service model. The Company closely tracks cutting-edge technologies and standards in the market, continuously promotes production technology innovation, and conducts technological application engineering transformation based on biometrics core technology, continuously develops and designs products to meet market demand. The changes in investment projects are also necessary for the Company's business development and technological achievement transformation.</p> <p>In summary, firstly, it can meet the Company's production capacity and technical process requirements, improve the production capacity of core components, ensure product quality stability, reduce product production costs, and enhance product market competitiveness through the implementation of the Digitalization Base Project; secondly, it can fundamentally solve the problem of mismatch between the Company's development and production sites, unify the layout and scientific centralized management of production bases, improve production efficiency, and reduce costs; thirdly, it is beneficial for the Company to combine its acquired knowledge achievements with the latest industry technical standards, and achieve the industrialization of the Company's technological achievements.</p> |
| The amount, purpose, and progress of the over-raised funds | <p>Applicable</p> <p>The amount of over-raised funds from the Company's initial public offering of stocks was RMB 147.6392 million.</p> <p>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 Digitalization Industrial Base Project.</p> |
| Changes in the implementation location of projects invested with raised funds | <p>Applicable</p> <p>Occurred during the reporting period</p> <p>On April 26, 2023, the Company held the Second Session of the Third Board Meeting and the Second Session of the Third Supervisory Board Meeting. On May 19, 2023, the Company held 2022 Annual General Meeting, and deliberated and approved the "Proposal on Changing the Implementation Location and Total Investment Amount of Some Raised Fund Investment Projects, and Adjusting Some Construction Contents", and adjusted the implementation location of the investment project "American Manufacturing Factory Construction Project" from "6775 Meadow Ln, Alpharetta, GA 30005" to "1600 Union Hill Rd, Alpharetta, GA 30005".</p> |
| Adjustment of implementation methods for projects invested with raised funds | <p>Applicable</p> <p>Occurred during the reporting period</p> <p>On April 26, 2023, the Company held the Second Session of the Third Board Meeting and the Second Session of the Third Supervisory Board Meeting. On May 19, 2023, the Company held 2022 Annual General Meeting, and deliberated and approved the "Proposal on Changing the Implementation Location and Total Investment Amount of Some Raised Fund Investment Projects, and Adjusting Some Construction Contents", and changed the construction method of the investment project "American Manufacturing Factory Construction Project" from purchase to self-construction.</p> |
| Advance investment and replacement of raised funds for investment projects | <p>Applicable</p> <p>The Company held the 19th Session of the Second Board Meeting and the 13th Session of the Second Supervisory Board Meeting on September 29, 2022, and deliberated and approved the "Proposal on Using Raised Funds to Replace Self Raised Funds for Pre-invested Raised Investment Projects and Paid Issuance Expenses". It is agreed that the Company will use the raised funds to replace the self raised funds of RMB 358.6078 million invested in the raised investment project and paid issuance expenses as of August 21, 2022, as well as the pre-paid issuance fees of RMB 13.8425 million (excluding value-added tax) with the self raised funds.</p> <p>On September 16, 2022, the Company held the 18th Session of the Second Board Meeting and the 12th Session of the Second Supervisory Board Meeting, and deliberated and approved the "Proposal on Using Its Own Funds and Foreign Exchange to Pay for Part of the Funds Raised for Investment Projects and Exchanging Them with the Raised Funds in Equal Amounts". On January 18, 2023, the Company held the 23rd Session of the Second Board Meeting and the 17th Session of the Second Supervisory Board Meeting. On February 6, 2023, the Company held the Second Extraordinary General Meeting, and deliberated and approved the "Proposal on Changing the Investment Projects of Raised Funds, Changing</p> |

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| | <p>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.</p> <p>As of December 31, 2023, 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 44.4275 million.</p> |
| Temporary replenishment of working capital with idle raised funds | Not applicable |
| The amount and reasons for the surplus of raised funds during project implementation | Not applicable |
| The purpose and destination of the raised funds that have not been used yet | As of December 31, 2023, the balance of the Company's unused IPO raised funds is RMB 958.1681 million (including interest income and deducting handling fees), including RMB 395.9781 million of demand deposit in the special account for raised funds and RMB 562.19 million of time deposit. 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

| 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 |
|--|---|---|---|--|---|---|--|--|--|
| Multimodal Biometrics Digitalization Industrial Base Construction Project | Tangxia Production Base Construction Project | 39,605.1 | 7,772.69 | 7,772.69 | 19.63% | June 30, 2026 | Not applicable | Not applicable | No |
| American Manufacturing Factory Construction Project | American Manufacturing Factory Construction Project | 14,392.65 | 8.46 | 105.99 | 0.74% | August 31, 2026 | Not applicable | Not applicable | No |
| Total | -- | 53,997.75 | 7,781.15 | 7,878.68 | -- | -- | -- | -- | -- |
| Description of reasons for changes, decision-making procedures, and information disclosure (by specific project) | | <p>1. The Tangxia Production Base Construction Project has been changed to the Multimodal Biometrics Digitalization Industrial Base Construction Project. For details, please refer to "The situation and reasons for not achieving the planned progress or expected benefits" and "Explanations on major changes in project feasibility" columns in the "Comparison Table for the Use of Raised Funds".</p> <p>2. On April 26, 2023, the Company held the Second Session of the Third Board Meeting and the Second Session of the Third Supervisory Board Meeting for the American Manufacturing Factory Construction Project, and deliberated and approved the "Proposal on Changing the Implementation Location and Total Investment Amount of Some Raised Fund Investment Projects, and Adjusting Some Construction Contents". On May 19, 2023, the Company held the 2022 Annual General Meeting, and deliberated and approved the "Proposal on Changing the Implementation Location and Total Investment Amount of Some Raised Funds Investment Projects and Adjusting the Construction Content of Some Projects". The Company adjusted the implementation location of the investment project "American Manufacturing Factory Construction Project" from "6775 Meadow Ln, Alpharetta, GA 30005" to "1600 Union Hill Rd, Alpharetta, GA 30005", and the construction method of the Project was changed from purchase to self-construction. After adjustment, the total investment of the Project increased by RMB 3.4814 million, and the total investment of the Project increased from RMB 140.4451 million to RMB 143.9265 million. After this change, the additional investment amount of RMB 3.4814 million for the Project was paid out of the previously reduced RMB 33.477 million for the Project. After this adjustment, the Project planned to use the raised funds of RMB 143.9265 million for investment and construction. The remaining funds after this change was changed to RMB 29.9956 million.</p> <p>Reason for change:</p> <p>The Company originally planned to purchase the property at "6775 Meadow Ln, Alpharetta, GA 30005" to build American Manufacturing Factory Construction Project. Due to the</p> | | | | | | | |

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|---|---|
| | continuous rise in real estate prices in Georgia, the original planned purchase price of the factory building has been constantly adjusted. The adjusted purchase cost of the building has increased by more than 40% compared to the Company's initial budget, which has hindered the Company's purchase plan for the factory building. At the same time, the Company has been actively seeking suitable locations for the implementation of the American Manufacturing Factory Investment Project, but has not been able to find suitable properties for the construction of the investment project. Given the importance and urgency of implementing the US investment project, as well as considering various factors such as supply chain stability and security, the Company plans to adjust the implementation location of the US investment project from "6775 Meadow Ln, Alpharetta, GA 30005" to "1600 Union Hill Rd, Alpharetta, GA 30005", and to implement the US factory construction project from purchasing factory buildings to building new facilities on the US subsidiary's own premises. |
| The situation and reasons for not achieving the planned progress or expected benefits (by specific project) | Not applicable |
| Description of significant changes in project feasibility after the change | Not applicable |

VIII. 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

IX. Analysis of Major Holding and Joint-stock Companies

Applicable Not applicable

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

Unit: RMB

| Company Name | Company type | Main business | Registered Capital | Total assets | Net assets | Operating revenue | Operating profit | Net profit |
|-----------------------------|--------------|--|--------------------|------------------|----------------|-------------------|------------------|---------------|
| ZK INVESTMENTS INC. | Subsidiaries | Established | 2,049,570.00 | 126,639,700.44 | 126,639,700.44 | 0.00 | 68,315,376.24 | 55,602,758.92 |
| ZK TECHNOLOGY LLC | Subsidiaries | Sales of goods | 2,716,194.00 | 62,138,769.06 | 25,548,180.34 | 150,842,020.31 | 71,852,073.39 | 71,852,073.39 |
| ZKTECO CO., LIMITED | Subsidiaries | Sales of goods | 104,469,000.00 | 444,030,382.71 | 267,761,165.40 | 430,025,149.79 | 24,623,871.26 | 20,793,438.25 |
| ZKTECO (GUANGDONG) CO., LTD | Subsidiaries | R&D, production, and sales of products | 800,000,000.00 | 1,308,313,567.83 | 879,157,652.69 | 434,527,828.99 | 39,679,411.94 | 34,127,028.54 |

| | | | | | | | | |
|--|--|--------------|--|--|--|--|--|--|
| | | and software | | | | | | |
|--|--|--------------|--|--|--|--|--|--|

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 |
|---|---|--|
| RALVIE AI INC. | New establishment | New establishment, with no significant impact on the overall production, operation, and performance of the Company |
| ZKDIGIMAX PTE. LTD. | New establishment | New establishment, with no significant impact on the overall production, operation, and performance of the Company |
| ZKDIGIMAX PANAMA, S.A. | New establishment | New establishment, with no significant impact on the overall production, operation, and performance of the Company |
| ZKDIGIMAX COLOMBIA SAS | New establishment | New establishment, with no significant impact on the overall production, operation, and performance of the Company |
| ZKDIGIMAX (PTY) LTD | New establishment | New establishment, with no significant impact on the overall production, operation, and performance of the Company |
| PT. ZKDIGIMAX EXCEL NOBLE | New establishment | New establishment, with no significant impact on the overall production, operation, and performance of the Company |
| ZKDIGIMAX CHINA CO., LTD. | New establishment | New establishment, with no significant impact on the overall production, operation, and performance of the Company |
| ZK TECHNOLOGY MOROCCO | New establishment | New establishment, with no significant impact on the overall production, operation, and performance of the Company |
| Xiamen ZKTeco Cloud Valley Design and Development Co., Ltd. | 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 X Financial Report - X. Equity in Other Entities" for details

X. Structured Entities Controlled by the Company

Applicable Not applicable

XI. Outlook for the Future Development of the Company

(I) Industry structure and trends

Since its establishment, the Company has been focusing on providing smart terminals with identity recognition and verification functions, industry application software and platforms for three main application scenarios, namely smart entrance and

exit management, smart identity verification, and smart office using multimodal "Computer Vision and Biometrics" (BioCV) as the core technology. During the reporting period, the Company expanded its smart retail business and continued to promote the layout of new businesses.

The application and trends of biometric technology in relevant scenarios are as follows:

(1) Application of biometric technology in the field of entrance and exit management

The biometrics entrance and exit management achieves control and management of access permissions, identity recognition, fees, records, and alarms for people, vehicles, and objects by collecting, storing, analyzing, calculating, and processing data, images, and other information with the biometric technology.

The application of biometric technology in the entrance and exit management industry mainly includes physical access control, pedestrian and vehicle channels, and smart locks.

In recent years, with the increasing demand for safety, convenience, and intelligent management of entrances and exits in cities, communities, enterprises, parks, and hospitals, as well as the continuous promotion of various biometric technologies such as fingerprint recognition, facial recognition and palm recognition in the field of entrance and exit control management, the intelligent transformation and construction of many offline scenarios such as transportation, buildings, communities, parks, and parking areas have been accelerating, which enables the rapid development of the biometrics entrance and exit management market. In the future, based on the consideration of labor costs, the current combination of manual management and equipment management in the field of entrance and exit management and control will gradually develop towards self-service and unmanned direction. As an important market for biometrics equipment and supporting solutions, entrance and exit management will continue to maintain a rapid growth trend.

The main product of biometrics entrance and exit management is access control products. China's access control market was initially dominated by keys and keyboard password locks. With the continuous expansion of market size and the development of biometric and sensor technologies, the access control product market has shown a trend of product diversification and intelligence. New access control management methods such as fingerprint door opening, face brushing door opening, code scanning door opening, and remote door opening are becoming increasingly common. With the maturity of biometric technology, it has become more and more outstanding in terms of security, convenience, non-contact, and ease of management, and its application fields are becoming wider and wider.

With the development of the commercial intelligent buildings, as well as the promotion of the security industry and the further intelligent upgrading of access control products, the size of China's access control market is expected to grow from RMB 14.7 billion in 2020 to RMB 23.6 billion in 2024, with a compound annual growth rate of 12.6%.

Overall, in the field of biometrics entrance and exit management, with the proposal of the national policy for new types of infrastructure, entrance and exit management equipment mainly based on multimodal biometric technology and digital identity verification solutions have been more widely applied in scenarios such as parks, communities, and construction sites, bringing new business needs and development opportunities for solution providers of intelligent entrance and exit management and smart identity verification scenarios. It is expected that the size of the domestic biometrics entrance and exit management market will reach RMB 14.2 billion by 2024. (Data source: Frost & Sullivan)

(2) Application of biometric technology in the field of identity authentication

The application of biometric technology in the field of information security has also started very early in the Chinese market. The application of information security starts with simple product forms such as fingerprint USB drives, fingerprint mice, and fingerprint hard drives (system and data access authorization, file encryption, etc.), and gradually occupies the market starting from the financial industry (internal personnel operation authorization). The development and promotion of authentication systems (platforms) that belong to infrastructure and are compatible with various biometric technology products started around 2014, and the initial progress was slow. Now, they have achieved fruitful results, and the number and strength of manufacturers involved in this application field have greatly increased.

With the continuous maturity of biometric technology, biometric authentication is widely used in industries such as

government affairs, public security, finance, social security, civil aviation, railways, hotels, etc. The continuous development of the IoT, cloud applications, intelligent devices, and gradually mature biometric technology are key factors driving the growth of the biometric authentication market. In addition, an increasing number of identity theft and fraud behaviors have made small and medium-sized enterprises and large enterprises realize the importance of identity verification, and they have begun to adopt biometric authentication solutions and services to combat these behaviors. According to a report by Frost & Sullivan, it is expected that the global market size for biometric authentication will increase at a compound annual growth rate of 13.9% from USD 4.1 billion in 2020 to USD 6.9 billion in 2024. The continuously expanding global market will also provide a favorable market environment and development opportunities for China's biometric authentication market.

In addition, with the requirements of the real name system for various public services and the increasing awareness of safety requirements in society, China's identity verification is currently developing from the initial public security needs to various industries, including aviation, railways, hotels, finance, campuses, and hospitals. With the extension and expansion of industry applications, the size of the biometric authentication market will continue to increase. The market size of China's biometric authentication industry is expected to reach RMB 8 billion by 2024.

Biometric authentication is the only large-scale commercial application of biometrics today. The application technology covers facial recognition, fingerprint recognition, iris recognition, etc., and the huge demand will inevitably promote the continuous iterative progress of these technologies.

(3) Application of biometric technology in the office field

The biometric office market is a series of intelligent office scene products and solutions that utilize technologies such as biometrics, AI, and cloud computing to create a new type of office system that is "safe, efficient, energy-saving, healthy, and intelligent". The main products include attendance machines, visitor machines, meeting attendance systems, and cloud attendance systems.

With the improvement of enterprise informatization level and the increasing demand for intelligent office, as well as the continuous development and upgrading of biometric technology, the biometric office market has developed rapidly. In the future, based on the integrated development and application of various technologies such as biometric technology and the IoT, the global level of office intelligence will further improve, and the biometric office market will enter a broad development space. According to a report by Frost & Sullivan, the global biometric office market is expected to grow at a compound annual growth rate of 20.7%, from USD 1.6 billion in 2020 to USD 3.4 billion in 2024.

With the application of biometric technology in various office smart devices such as attendance devices, meeting attendance devices, and visitor registration devices, the size of China's biometric office market has expanded. According to a report by Frost & Sullivan, with the further development of various biometric technologies and their application in the office field, the size of China's biometric office market will further expand to RMB 2.8 billion by 2024 in the future, with an annual compound growth rate of 21.1%.

Attendance machines are important products for scientific human resource management in office scenes. New technologies are adopted for biometric attendance machines, cloud attendance solutions, etc. With the further improvement of administrative management requirements by enterprises, the improvement of intelligent office capabilities, and the further penetration and integration of biometric technology and IoT technology in the attendance field, the size of China's attendance market will increase from RMB 3.1 billion in 2020 to RMB 5.5 billion in 2024, with a compound annual growth rate of 15.4% according to statistics from CICC Qixin.

With the development of social economy and the improvement of living standards, people's demand for comfortable, convenient, and intelligent working methods has become more urgent. Higher requirements have been put forward in terms of intelligent and convenient office work, and intelligent attendance has become an industry trend. Currently, with the continuous development and improvement of biometric technology, its application in attendance scenarios has become very widespread. In the early days, biometric attendance machines mainly included fingerprint recognition attendance machines. However, with the development of other biometric technologies, facial recognition and palm recognition have gradually entered the attendance

market due to their non-contact characteristics.

In the overall attendance market, the proportion of biometric attendance market is also constantly increasing. In the future, with the acceleration of the construction of the biometric office industry, as well as the upgrading and integration of various biometric technologies, especially the development of non-contact biometric technology and cloud attendance software systems, the size of China's biometric attendance market is expected to further expand to RMB 2.5 billion by 2024 at a compound annual growth rate of 22.8% according to the report by Frost & Sullivan.

(4) The application of computer vision and AIGC in the field of smart retail

With the development of social economy and the acceleration of people's pace of life, convenience stores have become an indispensable part of people's daily lives. Convenience stores are popular among consumers for their convenience, speed, and 24-hour operation.

Currently, the global convenience store market is showing a rapid growth trend. Especially in first tier cities, the number and scale of convenience stores are constantly expanding, and brand competition is becoming increasingly fierce. Meanwhile, the business model of convenience stores is constantly innovating, shifting from traditional single sales models to diversified and intelligent models. For example, many convenience stores have begun to introduce intelligent means such as self-service selling and mobile payments to improve service efficiency and user experience.

However, the convenience store market also faces some challenges. On the one hand, with the rise of e-commerce, the traditional retail industry has been impacted to a certain extent, so do convenience stores. On the other hand, due to the relatively low entry threshold of the convenience store industry, there is a large amount of homogeneous competition in the market, making it difficult to form a differentiated competitive advantage.

So, what is the future development trend of convenience stores? Firstly, convenience stores will place greater emphasis on brand building. Building a brand image with differentiated competitive advantages through strengthening brand image and improving service quality is the key to the development of convenience stores. Secondly, convenience stores will place greater emphasis on intelligent development. With the advancement of technology, intelligent means will become an important means for convenience stores to improve service efficiency and user experience. For example, by introducing technologies such as self-service selling, mobile payment, and intelligent recommendation, intelligent service upgrades can be achieved. Finally, convenience stores will place greater emphasis on diversified development. In addition to traditional food and beverage products, convenience stores can also consider introducing more types of goods and services, such as coffee, quick meals, express delivery collection, etc., to meet the diversified needs of consumers.

Computer vision refers to the technology that utilizes cameras and machine vision algorithms to classify, track and recognize target objects, allowing computers to replace the human eye and output structured event data in real time. The application of computer vision technology in traditional retail scenarios can obtain potential multi-dimensional data, such as passenger flow, customer group situation, regional hotspots, and movement trajectories, achieving scientific management of people, goods, and venues, improving operational decision-making efficiency, and improving sales per square foot.

AIGC refers to Artificial Intelligence Generated Content, which can currently include text, videos, etc. In smart retail scenarios, the application of AIGC can quickly realize the implementation of marketing ideas, and through one click deployment of smart retail cloud solutions, greatly improve the production efficiency of the solution.

With the rapid development of computer vision and AIGC technology, the smart retail business will also usher in opportunities.

(II) The Company's future development strategy and specific plans

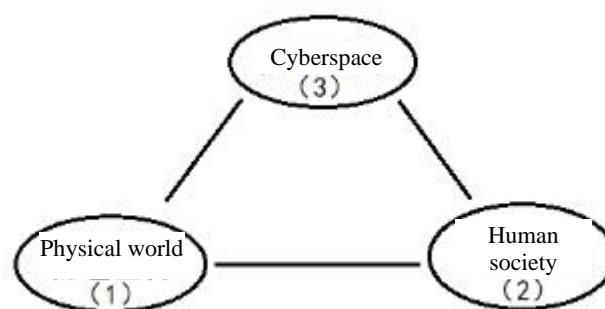
1. Overall development strategy of the Company

The root cause for the development of biometric technology is to verify "who are you?" and prove "I am me". Contemporary biometrics has undergone more than 50 years of technological progress and widespread commercial applications. In today's information and network society, the connotation and application of biometrics have begun to undergo a paradigm shift.

ZKTeco provides insights into the trend of transformation, elevating the attribute of biometric technology from "I tell you

who you are" to a combination of computer vision and biometric recognition: "I know who you are and I will serve you". From a simple technical switch function to an intelligent channel leading to personalized services, it has opened up a vast field of value-added services.

The continuous development of information technology and the emergence of IoT have given rise to the arrival of the cyber-physical-human ternary universe (ternary universe refers to the physical world, human society, and cyberspace). The interaction and integration of the ternary universe constitute a complete and unified smart society. The essence of a smart society is the extension, expansion, and closed-loop evolution of human intelligence in the ternary universe. In the development and construction of a smart society, information technology plays an essential foundational role. The network and big data are the bonds of the ternary universe, while AI strengthens and accelerates the communication and interaction efficiency of the ternary universe.



In the era of IoE, we believe that the innovative value of ZKTeco lies in the interaction value between people and scenes and the empowering value of scenes. This value is fully reflected in the interaction and integration of the ternary universe and the construction process of a smart society. The core technology of ZKTeco BioCV multimodal computer vision (including biometrics), is the most efficient intelligent means and tool for communicating with the ternary universe. ZKTeco has built an ecosystem of end, edge, cloud, and server technologies. These innovative elements of ZKTeco not only conform to the trend of technological and industry evolution, but also lay a solid foundation for the healthy development and technological leadership of the enterprise.

Smart entrance and exit management makes the interaction smoother, safer, and more intelligent by reprocessing, integrating and mapping the original direct interaction process between people and the physical space in the cyberspace. In addition, the system loads and presents more information to bring more services and value to customers. Based on multimodal BioCV core technology, AI big model, audio and video technology, etc., ZKTeco smart entrance and exit system consolidates user scene needs and a warm space for longing for a better experience, as well as an implementation platform for cloud, edge and end all-round value-added services. With data as the core link, it creates true intelligent management and services, providing enterprises with a one-stop and all-round digital transformation and upgrading solution.

Smart time management will integrate AI technology to substantially improve the level of digitization and intelligence based on years of deep cultivation and development. Digital employees can achieve precise time management by projecting data on social factors of people and job management factors into the cyberspace. In details such as working hour statistics, job compensation evaluation, time cost accounting, cost reduction and efficiency improvement, and fragmented time management, personal information, time data, management, and financial information are seamlessly integrated and comprehensively utilized, elevating the level of refined and intelligent management to a new level.

2. Specific plan for company development

(1) Technological development planning

Continuously promote the deep integration of various products and software platforms, create a scenario data connectivity ecosystem, and enhance the scenario customization and delivery capabilities of software platforms

The Company will continue to deeply integrate multimodal BioCV with technologies such as AI and the IoT utilizing

independent intellectual property rights to meet the diverse management needs of users. The Company will collaborate with global localization technical service personnel to deeply explore user personalized needs, enhance the scene customization and delivery capabilities of software platforms in major regions around the world, and provide more diverse scene customization services to target customers worldwide. Accelerating the implementation of technical solutions for smart retail business is an important task currently.

Increase investment in core technologies of multimodal biometrics and deepen the integration of computer vision and biometric technology

The Company will continue to promote the iteration of core technologies of multimodal biometrics and computer vision on the basis of existing technologies, focusing on improving the accuracy of small models, training large models, and enhancing anti-counterfeiting capabilities, and accelerating the application of AIGC algorithm combined with smart retail scenarios. The Company will increase the investment in computer vision and AI research to achieve the ability to comprehensively use AI technology to conduct structured analysis on specific scene data.

Accelerate the upgrading of product globalization engineering design capabilities and agile production capabilities, and enhance engineering integration capabilities

The Company has a rich product line with a solid product foundation and huge integration potential. The Company will continue to improve product design and manufacturing processes, strengthen development team building, and enhance the intelligence level of equipment production lines. In the field of smart space entrance and exit for enterprise level applications, the Company will continuously improve its comprehensive capabilities in engineering integration, modular manufacturing, and linkage with global assembly plants, committed to becoming the largest manufacturer of front-end intelligent perception devices and a localized engineering service provider in the industry.

(2) Market development plan

On the basis of the existing marketing and service network layout, the Company will continue to increase the promotion of the investment project Global Marketing Service Network Construction Project based on domestic and international business and market conditions, improve the coverage of potential customers, and enhance the penetration rate of current key sales areas.

(3) Continuously promoting intelligent manufacturing plans

As a global provider of biometric products and solutions, the Company will fully promote the construction and operation of production oriented investment projects, including the Hybrid Biometrics IoT Intelligent Industrial Base Project, the ZKTeco Multimodal Biometrics Digitalization Industrial Base Construction Project, and the American Manufacturing Factory Construction Project. In addition, the Company will invest in the construction of a Thai factory project with its own funds to enhance global manufacturing capacity, satisfy global order delivery and provide strong global production capacity support for the Company's subsequent development.

(4) Human resource development plan

Human resource development is the support and guarantee for the Company's business development. The Company will focus on introducing professional technical personnel and expert senior talents as needed, optimizing the talent structure, and establishing a talent team that adapts to market development and technological upgrading needs. From the international aspects, the Company will continue to introduce international localized talents, strengthen the localization team, and achieve a soft landing in culture, management, talent, and business.

The Company will carry out training on management, professional fields and job skills for senior managers, core technicians, middle managers and ordinary employees respectively; meanwhile, the Company will establish a human resource compensation system that is suitable for the development of the Company and employees, and make good use of equity incentive tools to achieve a virtuous cycle of company performance growth and employee personal wealth growth.

(5) Information construction plan

The Company will accelerate digital transformation and comprehensively promote the construction of information systems. In 2024, the Company will continue to be committed to promoting the development of information technology. The Company

plans to further optimize the functionality and performance of the SAP system to meet ever-changing business needs. At the same time, we will strengthen training and technical support for employees to enhance their work abilities in the information environment. In addition, we will also explore new information technology and solutions to further enhance the digital transformation level of the enterprise.

(III) Risks Faced by the Company and Countermeasures

1. Operational risk

(1) Market competition risk

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

(2) Overseas business operational risks

In 2023, the Company's overseas sales revenue from countries and regions was RMB 1.3264736 billion, accounting for 67.33% of the Company's main business income. The Company's overseas business income accounted for a relatively large proportion.

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

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

management, and standardized operation, it will also affect its operational efficiency and profitability.

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

As of December 31, 2023, the Company has a total of 47 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", 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 individuals by processing facial information in violation of regulations.

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

2. Technology and product innovation risks

Driven by market demand and technological development, biometric technology has achieved rapid development globally. Biometric technology is gradually iterating towards non-contact and multimodal biometrics. In addition, with the development of cutting-edge technologies such as cloud computing, the IoT, and AI, users' personalized needs for smart terminal products and even ecological platforms are constantly increasing in the fields of biometric technology applications such as smart entrance and exit management, smart identity verification, and smart office where the Company is located. Industry technology is updated and iterated quickly, requiring industry enterprises to have strong technological innovation capabilities to adapt to the rapid development of the industry. The continuous innovation ability of products and technologies is increasingly becoming an important component of the core competitiveness of related product and solution suppliers. The Company always attaches great importance to technological innovation and new product R&D. In 2023, the Company's R&D expenses were RMB 213.6134

million, accounting for 10.84% of operating revenue. As of December 31, 2023, the Company has 858 patents, including 149 invention patents; 675 computer software copyrights and 67 work copyrights, as well as strong sustained innovation capabilities. However, if the Company cannot keep up with the development trends of domestic and foreign biometric technology and related application products, and fully pay attention to the diverse individual needs of customers, and the subsequent R&D investment is insufficient, resulting in the Company's technology development and product upgrading not being able to adapt to industry technology iterations and market demand changes in a timely manner, it will face the risk of declining market competitiveness due to the inability to maintain sustained innovation capabilities.

3. Internal control risk

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

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

(2) Dealer management risk

During the reporting period, the Company mainly adopted a sales model that combines distribution and direct sales, and the proportion of distribution was relatively high. In 2023, the Company achieved a revenue of RMB 1.3479553 billion through the distribution model, accounting for 68.72% of the Company's main business income of 2023.

Except for business cooperation, each dealer is independent of the Company, and its business plan is determined independently based on its own business goals and risk preferences. Although the Company has established strict dealer management systems and effective and reasonable rebate policies, and maintains good cooperative relationships with major dealers, the coverage area of marketing and service networks will continue to expand in the future with the rapid development of the Company, and the difficulty of training, organizing, and risk management for dealers will also continue to increase. If the Company is unable to improve its management capabilities for dealers in a timely manner, and if dealers engage in disorderly management, poor management, illegal or irregular behavior, or if the Company cannot maintain good relationships with dealers in the future, resulting in dealers ceasing to cooperate with the Company, and the Company is unable to quickly obtain orders from other channels in the short term, or the incentive effect of the rebate policy decreases, it may lead to a regional decline in the sales of the Company's products, and have a negative impact on the Company's market promotion.

4. Financial risk

(1) Risk of bad debt losses on accounts receivable

At the end of the reporting period, the book balance of the Company's accounts receivable was RMB 514.2402 million, accounting for 26.10% 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 macroeconomic 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 372.7148 million, accounting for 12.33% 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 depreciation. At the end of the reporting period, the provision ratio for inventory depreciation was 4.05%. 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, currencies in many countries have depreciated, and countries with weak industrial capabilities may even implement foreign exchange controls, which will lead to longer payment collection times for downstream customers and increased risks. Although the Company has effectively reduced this risk through measures such as Sinasure in the past year, further interest rate hikes in the United States this year may further exacerbate the situation and pose risks to the Company's accounts receivable.

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 major changes in the future market demand, industry structure, industrial policies or the global 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 global economic 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.

XII. 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 9, 2023 | Company Meeting Room | Field research | Institution | CITIC Securities: Yan Li, Liang Nan, Liang Shilin, and Ni Yancheng Harmony Capital: Cui Danwei Beijing Xiaoying Investment Management Co., Ltd.: Deng Haocheng Yinhua Fund Management Co., Ltd.: Shao Zihao V-FUND Management Co., Ltd.: Zeng Jie ICBC-AXA Asset Management Co., Ltd.: Liu Shang Lion Fund Management Co, Ltd.: Lu Weicheng Shenzhen Self-knowledge Investment Management Co., Ltd. : Zhou Jie | See CNINFO (http://www.cninfo.com.cn) | CNINFO http://www.cninfo.com.cn , Announcement date: February 11, 2023, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2023-001) |
| February 14, 2023 | Company Meeting Room | Field research | Institution | Pacific Securities Co., Ltd.: Cao Pei Shanghai Qisheng Asset Management Co., Ltd.: He Zheng Guangdong Hengli Asset Management Co., Ltd.: Li Jinbo | See CNINFO (http://www.cninfo.com.cn) | CNINFO http://www.cninfo.com.cn , Announcement date: February 15, 2023, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2023-002) |
| March 12, 2023 | Online Meeting | Others | Institution | Host: Joint Chief Analyst of Computer at CSC: Jin Ge Chief Analyst of AI at CSC: Yu Fangbo Other participating organizations: Hotland Innovation Asset Management Co., Ltd., HZBANK WEALTH MANAGEMENT CO., LTD., China Merchants Fund Management Co., Ltd., Shanghai Boomleading Investment Management Co., Ltd., Shanghai Mingyu Asset Management Co., Ltd., AXA SPDB Investment Managers Co., Ltd., RBC Global Asset Management (Asia) Limited, Sage Investment Management Co., Ltd., Prudence Investment Management (Hong Kong) Ltd., Comein Finance, Truvalue Asset Management Co., Ltd., Western Leadbank Fund Management Co., Ltd., Beijing Longrising Asset Management Co., Ltd., HFT Investment Management Co., Ltd., Harvest Fund Management Co., Ltd., China Post Life Insurance Company Limited, Guotai Junan Securities Co., Ltd., Shanghai Jiupeng Asset Management Center (Limited Partnership), CITIC Group Corporation, Shenzhen Mingda Capital Management Co., Ltd., Shanghai Xitai Investment Management Co., Ltd., Penghua Fund Management Co., Ltd., King Tower Asset Management Company Ltd., Pacific Asset Management Co., Ltd., China Capital Management | See CNINFO (http://www.cninfo.com.cn) | CNINFO http://www.cninfo.com.cn , Announcement date: March 13, 2023, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2023-003) |

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| | | | <p>Co., Ltd., Caitong Fund Management Co., Ltd., Fujian Haixia Bank Co., Ltd., China Universal Asset Management Co., Ltd., China International Fund Management Co., Ltd., PICC Asset Management Company Limited, Shanghai Harmony Huiyi Asset Management Co., Ltd., Changjiang Securities Company Limited, SWS MU Fund Management Co., Ltd., AIA Company Limited Shanghai Branch, Huatai-PineBridge Fund Management Co., Ltd., Xi'an Curiosity Investment Management Co., Ltd., Dajia Asset Management Co., Ltd., Shanghai Chaser Asset Management Company Limited, Qian He Capital Management Co., Ltd., Shanghai Hexi Investment Management Co., Ltd., Kingsun (Shanghai) Investment Co., Ltd., Zhejiang Jingan Investment Management Co., Ltd., China Coal Energy Company Limited, Shanghai Chengshi Asset Management Co., Ltd., Jiangsu Ruihua Investment Holding Group Co., Limited, Soochow Asset Management Co., Ltd., Baoying Fund Management Co., Ltd., Beijing Zechang Asset Management Co., Ltd., Shenzhen Sandstone Fund Management Co., Ltd., Zhong Ou Asset Management Co., Ltd., Shanghai Panwen Investment Management Co., Ltd., Chang'an Fund Management Co., Ltd., Beijing Ren Bridge Asset Management Co., Ltd., Shanghai Quanxi Investment Management Co., Ltd., Customer of Wealth Management Department of CSC Economic and Management Commission, Orient Fund Management Co., Ltd., Zhejiang BUTTONWOOD&RIGHT Asset Management Co., Ltd., Guotai Asset Management Co., Ltd., Huashang Fund Management Co., Ltd., China Southern Fund Management Co., Ltd., Hangzhou Yudi Investment Management Co., Ltd., Harfor Fund Management Co., Ltd., Beijing Derivative Sailing Investment Co., Ltd., Hua An Fund Management Co., Ltd., Xiamen JIN HENG YU Investment Management Co., Ltd., Gfund Management Co., Ltd., Three Gorges Capital Holding Co., Ltd., ABC-CA Fund Management Co., Ltd., Huaxi Fund Management Co., Ltd., Shanghai Chengyi Private Equity Fund Management Center (Limited Partnership), Everbright Wealth Management Co., Ltd., The Green Le Investment management (Shanghai) Co., Ltd., Xiamen Zhonglue Investment Management Co., Ltd., ABC Wealth Management Co., Ltd., Shanghai Feng Run Capital Company Ltd., Oriental Alpha Fund Management Co., Ltd., Zhongrong Fund Management Co., Ltd., China Life Asset Management Company Limited, ICBC Credit Suisse Asset Management Co., Ltd., Haijin (Dalian) Investment Management Co., Ltd., Yaokang Private Equity Fund (Hangzhou) Co., Ltd., Minsheng Royal Fund, Shanghai Eureka Investment Partner Co., Ltd., Beijing Eastern Smart Rock Asset Management Co., Ltd., Beijing Heju Investment Management Co., Ltd., GF Fund Management Co., Ltd., Shanghai XCFund Management Co., Ltd., Qianhai Life Insurance Co., Ltd., Orient Securities Asset Management Company Limited, Chang Xin Asset Management Co., Ltd., Taikang</p> | | |
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|-----------------------|---|--|-------------|---|--|--|
| | | | | Asset Management Co., Ltd., Fullerton Investment Management (Shanghai) Co., Ltd., Tongtai Fund Management Co., Ltd., China Securities (International) Finance Holding Company Limited, Zhejiang Longhang Asset Management Co., Ltd., Industrial Fund Management Co., Ltd., Invesco Great Wall Fund Management Co., Ltd., Securities Asset Management Branch of Sealand Securities Co., Ltd., Harvest Forever Capital Management (Beijing) Co., Ltd., Shanghai Jingxi Asset Management Co., Ltd., Yuance (Shanghai) Investment Management LLP, National Council for Social Security Fund, CCT Fund Management Co., Ltd., Purekind Fund Management Co., Ltd., Yingda Insurance Asset Management Co., Ltd., Huatai Asset Management Co., Ltd., Shanghai Panjing Investment Center (Limited Partnership), Xinhua Asset Management Co., Ltd., and CCB Life Insurance Asset Management Company Limited. | | |
| March 15, 2023 | XIAMEN ZKTECO CO., LTD. Meeting Room | Field research | Institution | China Securities Co., Ltd.: Jin Ge Shenzhen Minsen Investment Co., Ltd.: Li Yajun Shenzhen Upright Asset Management Co., Ltd.: Ma Li Shanghai Guotai Junan Securities Asset Management Co., Ltd.: Fan Ming Sunon Investment Management Co., Ltd.: Tang Heng | See CNINFO (http://www.cninfo.com.cn) | CNINFO http://www.cninfo.com.cn , Announcement date: March 17, 2023, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2023-004) |
| March 22 and 23, 2023 | Company Meeting Rooms and Online Meetings | Online Communication on Online Platforms | Institution | Shenzhen Branch of Haiyin Wealth Management Co., Ltd., Haitong Securities Co., Ltd., Shenzhen Qianhai Decheng Asset Management Co., Ltd., Everbright Securities Co., Ltd., Shenzhen Qianhai Wanli Private Equity Fund Management Co., Ltd., Beijing Ding Investment Co., Ltd., China Merchants Securities Co., Ltd., Shenzhen Qianhai Deyun Investment Co., Ltd., Elitimes Capital Management Co., Ltd., :China Great Wall Securities Co., Ltd., Zheshang Securities Co., Ltd., Shenzhen Kingstone Investment Management Limited, Guangdong Branch of Shenwan Hongyuan Securities Co., Ltd., Shenzhen Hongliwan Investment Management Co., Ltd., Shenzhen Gaoyi Private Equity Fund Management Co., Ltd., Upright Asset, Mingfu Fund, Minmetals Securities Co., Ltd., Shenzhen Xinzheng Asset Management Co., Ltd., Tebon Securities Co., Ltd., Sinolink Securities Co., Ltd., CHINAMATE INTERNATIONAL INVESTMENT HOLDINGS LIMITED, China Securities Co., Ltd., Huachuang Asset Management, China Capital Management, Shanghai Tourmaline Asset Management, Broad Fund, CICC Fund, Sunrise Asset, QIN CHEN ASSET, Soochow Self-management, Yuexi Investment, Guangzhou Xuan Yuan Investment, Fuyun Private Equity Fund, Tiancheng Investment, Valoran Investment, Songxi Private Fund, Hongsheng Asset, and CITIC-Prudential Fund | See CNINFO (http://www.cninfo.com.cn) | CNINFO http://www.cninfo.com.cn , Announcement date: March 24, 2023, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2023-005) |
| May 8, 2023 | Quanjing "Investor | Online Communication | Others | Investors participating in the 2022 annual performance briefing | See CNINFO (http://www.cninfo.com.cn) | CNINFO http://www.cninfo.com.cn , |

| | Relations Interactive Platform" (https://ir.p5w.net) | tion on Online Platforms | | | o.com.cn) | Announcement date: May 12, 2023, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2023-006) |
|--------------|--|--------------------------|-------------|---|---------------------------------------|---|
| May 29, 2023 | Online Meeting | Others | Institution | <p>Host: Chief Analyst of AI at CSC: Yu Fangbo Researcher of AI at CSC: Chen Siyue</p> <p>Other participating organizations and personnel: Baoying Fund Management Co., Ltd., China Post Life Insurance Company Limited, Dajia Asset Management Co., Ltd., Mingshi Partners Private Equity Fund Management (Zhuhai) Co., Ltd., Shanghai Mingyu Asset Management Co., Ltd., CSOP Asset Management Limited, Huiquan Fund Management Co., Ltd., Chasing Securities Co., Ltd., Shanghai Xunbao Investment Management Co., Ltd., Springs Capital (Beijing) Limited, Xinghe Fund Management Co., Ltd., Fengyan Investment Management (Shanghai) Co., Ltd., Shanghai Chaos Investment (Group) Co., Ltd., Harvest Fund Management Co., Ltd., Shanghai Chaser Asset Management Company Limited, Shanghai Alluvium Asset Management (Limited Partnership), Changjiang Securities Company Limited, China Universal Asset Management Co., Ltd., Shanghai Qiyao Capital Management Partnership Limited, CITIC Group Corporation, Beijing Longrising Asset Management Co., Ltd., Shaanxi Baopu Rongyi Asset Management Co., Ltd., Tianjin Yixinan Asset Management Co., Ltd., CCB Life Insurance Asset Management Company Limited, Evergrande Life Insurance Co., Ltd., Bank of Beijing Scotiabank Asset Management Co., Ltd., Hangzhou Linnuo Private Equity Fund Management Co., Ltd., Shanghai Simike Materials Technology Co., Ltd., Zheshang Securities Co., Ltd., Guorong Securities Co., Ltd., First State Cinda Fund Management Co., Ltd., Kingsun (Shanghai) Investment Co., Ltd., Hainan Tuopu Private Equity Fund Management Co., Ltd., BOSERA FUNDS MANAGEMENT CO., LIMITED, Dacheng Fund Management Co., Ltd., Xiamen JIN HENG YU Investment Managerment Co., Ltd., Harfor Fund Management Co., Ltd., Donghai Securities Co., Ltd., ABC-CA Fund Management Co., Ltd., Green Court Capital Management Ltd, Tebon Fund Management Co., Ltd., Wealth Management Department of CSC Economic and Management Commission, Broad VISION Investment Co., Ltd., Nanhua Fund Management Co., Ltd., Securities Asset Management Branch of Sealand Securities Co., Ltd., Tianhong Asset Management Co., Ltd., Guangzhou Loongzi Investment Management Co., Ltd., China Securities (International) Finance Holding Company Limited, Beihai Dizeng Investment Consulting Co.,</p> | See CNINFO (http://www.cninfo.com.cn) | <p>CNINFO http://www.cninfo.com.cn, Announcement date: May 30, 2023, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2023-007)</p> |

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|----------------------|--|--|-------------|--|--|---|
| | | | | Ltd., Caitong Securities Co., Ltd., Western Leadbank Fund Management Co., Ltd., Shenzhen Sandstone Fund Management Co., Ltd., Amundi BOC Wealth Management Co., Ltd., Beijing Ziwei Private Fund Management Co., Ltd., AXA SPDB Investment Managers Co., Ltd., Hangzhou Yudi Investment Management Co., Ltd., China Resources Yuanda Fund Management Co., Ltd., China Life Pension Company Limited, Shanghai Zhonglan Fund Management Co., Ltd., Shanghai Liling Private Fund Management Co., Ltd., Gelin Fund Management Co., Ltd., Zhejiang BUTTONWOOD&RIGHT Asset Management Co., Ltd., Soochow Asset Management Co., Ltd., GF Fund Management Co., Ltd., Shanghai Eureka Investment Partner Co., Ltd., ZHONG CHUAN FINANCE COMPANY LIMITED, Shanghai Kemai Asset Management Co., Ltd., China Capital Management Co., Ltd., Fuanda Fund Management Co., Ltd., Zhongke Richland Asset Management Co., Ltd., Jiangdong Holdings Group Co., Ltd., Founder Securities Co., Ltd., China Guangfa Bank Co., Ltd., Hainan Fudao Private Equity Fund Management Co., Ltd., Cathay Lujiazui Life Insurance Company Limited, New China Fund Management Co., Ltd., Jinxin Fund Management Co., Ltd., Shanghai Xiangyi Asset Management Co., Ltd., and Fuzhou Development Zone Sanxin Asset Management Co., Ltd., etc. | | |
| June 12 and 14, 2023 | XIAMEN ZKTECO and ZKTeco Meeting Room | Field research | Institution | COFCO Futures Co., Ltd., Nomura Orient International Securities Co., Ltd., Sunon Investment Management Co., Ltd., Beijing Suncapital Co., Ltd., Zheshang Securities Co., Ltd., Wisdomshire Asset Management Co., Ltd., Minsheng Royal Fund Management Co., Ltd., Khazanah Nasional Berhad, Matthews Asia, Modular Asset Management, Sunshine Life, Yiheng Capital, and UBS | See CNINFO (http://www.cninfo.com.cn) | CNINFO http://www.cninfo.com.cn , Announcement date: June 15, 2023, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2023-008) |
| August 30, 2023 | Value Online (https://www.ir-online.cn/) | Online Communication on Online Platforms | Others | Investors participating in the Company's 2023 semi-annual performance briefing online | See CNINFO (http://www.cninfo.com.cn) | CNINFO http://www.cninfo.com.cn , Announcement date: August 30, 2023, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2023-009) |
| September 4, 2023 | ZKTeco Meeting Room and Online Meetings | Online Communication on Online Platforms | Institution | CICC Yin Hai (Hong Kong) Fund Co., Ltd., Happy Factorial (Hong Kong) Private Equity Fund, Shandong Futuo Private Equity Fund, Capital Securities Corporation Limited, Beijing Ziyi Private Equity Fund, Beijing Red Flag Bearer Investment Management Consulting Co., Ltd., Yuekai Securities Co., Ltd., Lion Fund Management Co., Ltd., Guorong Fund Management Co., Ltd., China Reform Securities Fund Management Co., Ltd., Beijing Midastouch Investment Co., Ltd., Shenzhen Gohedge Fund Management Co., Ltd., Xi'an Fengxiang Investment | See CNINFO (http://www.cninfo.com.cn) | CNINFO http://www.cninfo.com.cn , Announcement date: September 4, 2023, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2023-010) |

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|--------------------|--|--|-------------|---|--|--|
| | | | | Management Co., Ltd., Hongyun Private Equity Fund Management (Hainan) Co., Ltd., Zhuhai Haize Equity Investment Fund Management Co., Ltd., Shenzhen Qianhai Julong Investment Co., Ltd., Jiangxi BoRun Investment Management Co., Ltd., and Zhuhai Heying Rongtong Investment Co., Ltd. | | |
| September 5, 2023 | ZKTeco Meeting Room | Field research | Others | Institutional investors: Zeng Yigang from ShenZhen Qian Hai Hua Lin He Chuang Asset Management Ltd. and Xiao Meng from Shenzhen Junhong Investment Co., Ltd. Individual investors: Jiang Zheng, Peng Chaohui, Li Yuchong | See CNINFO (http://www.cninfo.com.cn) | CNINFO http://www.cninfo.com.cn , Announcement date: September 5, 2023, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2023-11) |
| September 19, 2023 | Quanjing "Investor Relations Interactive Platform" (https://ir.p5w.net) | Online Communication on Online Platforms | Others | Online investors | See CNINFO (http://www.cninfo.com.cn) | CNINFO http://www.cninfo.com.cn , Announcement date: September 19, 2023, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2023-12) |
| September 21, 2023 | Shenzhen Stock Exchange Listing Hall and Shenzhen Stock Exchange "Easy to Interact" Platform (http://irm.cninfo.com.cn) | Others | Others | All investors participating in the "Digital Economy Vitality - 2023 Half Year Collective Performance Briefing of Shenzhen Private Listed Companies" | See CNINFO (http://www.cninfo.com.cn) | CNINFO http://www.cninfo.com.cn , Announcement date: September 21, 2023, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2023-13) |
| November 13, 2023 | ZKTeco Meeting Room | Field research | Institution | Guangdong Mingxi Investment Private Equity Fund Management Co., Ltd., Shenzhen Century Zhiyuan Private Securities Fund Management Co., Ltd., Xiamen International Bank Co., Ltd., Essence Securities Co., Ltd., and Shenzhen Hongyuan Jufu Asset Management Co., Ltd. | See CNINFO (http://www.cninfo.com.cn) | CNINFO http://www.cninfo.com.cn , Announcement date: November 13, 2023, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2023-14) |

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|-------------------|---------------------|----------------|-------------|--|--|--|
| November 23, 2023 | ZKTeco Meeting Room | Field research | Institution | China Post Securities Co., Ltd., Ningbo Ruoxi Investment Management Co., Ltd., China Merchants Securities Asset Management Co., Ltd., Xiangcai Securities Co., Ltd., Guolian Securities Co., Ltd., Shenzhen Leader Investment Holdings Co., Ltd., and Prima Capital Investment Limited | See CNINFO (http://www.cninfo.com.cn) | CNINFO http://www.cninfo.com.cn , Announcement date: November 23, 2023, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2023-15) |
|-------------------|---------------------|----------------|-------------|--|--|--|

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

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

Yes No

Section IV Corporate Governance

I. Basic Situation of Corporate Governance

During the reporting period, the Company continuously improved its corporate governance structure based on the specific situation of the Company, established and improved the internal management and control system of the Company, continuously carried out in-depth corporate governance activities, and promoted standardized operation of the Company in strict accordance with the requirements of laws, regulations, and normative documents such as the "Company Law", "Securities Law", "Code of Corporate Governance for Listed Companies", "Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange", "Shenzhen Stock Exchange Guideline No. 2 on Self Regulation of Listed Companies - Normative Operation of Listed Companies on the Growth Enterprise Board". The Company has established a corporate governance structure composed of the board of shareholders, Board of Directors, Board of Supervisors, and management, established and improved the rules of procedure for board of shareholders, Board of Directors, Board of Supervisors, and independent director work system, and established an Audit Committee, Strategy and Development Committee, Salary and Assessment Committee, and Nomination Committee under the Board of Directors.

During the reporting period, based on the revision of relevant laws and regulations and in combination with the actual situation of the Company, the Company improved its governance system and formulated the "Special Meeting System for Independent Directors of ZKTECO CO., LTD.", the "Registration Management System for Insider Information of ZKTECO CO., LTD.", and the "Selection System for Accounting Firms of ZKTECO CO., LTD.", and revised relevant regulatory governance systems, including the "Rules of Procedure for Shareholders' Meeting of ZKTECO CO., LTD.", the "Rules of Procedure of the Board of Directors of ZKTECO CO., LTD.", the "Independent Director System of ZKTECO CO., LTD.", the "Related Party Transaction Management System of ZKTECO CO., LTD.", the "Fundraising Management System of ZKTECO CO., LTD.", the "External Guarantee Management System of ZKTECO CO., LTD." the "Implementation Rules of the Audit Committee of the Board of Directors of ZKTECO CO., LTD.", the "Implementation Rules of the Nomination Committee of the Board of Directors of ZKTECO CO., LTD.", the "Implementation Rules of the Salary and Assessment Committee of the Board of Directors of ZKTECO CO., LTD.", the "Information Disclosure Management System of ZKTECO CO., LTD.", and the "Standardized Management System for Related Party Fund Transactions of ZKTECO CO., LTD."

1. Shareholders and shareholders' meeting

The Company standardizes the convening of the shareholders' meeting in strict accordance with the requirements of the "Rules for the Shareholders' Meetings of Listed Companies", "Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange", "Articles of Association", "Rules of Procedure for Shareholders' Meeting" and other regulations, treats all shareholders equally, and creates convenient conditions for shareholders to participate in the shareholders' meeting as much as possible, enabling them to fully exercise their shareholder rights and protect the interests of all shareholders. Meanwhile, the Company hires professional lawyers to witness the shareholders' meeting, ensuring that the convening and voting procedures of the meeting comply with relevant laws and regulations, and safeguarding the legitimate rights and interests of shareholders.

During the reporting period, the Company held one annual general meeting and four extraordinary general meetings of shareholders, all of which were held through a combination of on-site and online voting. The Company hired lawyers to attend and witness the General Meetings, and provides legal opinions on the convening and voting procedures of the General Meetings, fully respecting and safeguarding the legitimate rights and interests of all shareholders.

2. The Company and the controlling shareholders

The Company has independent and complete business and independent management capabilities, which are separated from the controlling shareholders in terms of personnel, assets, finance, institutions, business, and other aspects. Each of them independently calculates and assumes responsibilities and risks. During the reporting period, major decisions of the Company were

made by the board of shareholders and the Board of Directors in accordance with the law. The controlling shareholders exercised their shareholder rights through the board of shareholders, and there were no direct or indirect interventions beyond the shareholders' meeting in the Company's decision-making and operating activities. There were no violations of commitments, and there were no situations such as occupying company funds or requiring guarantees for them or others.

3. Directors and the Board of Directors

The Company's Board of Directors has 7 directors, including 3 independent directors. The number of directors and personnel composition meet the requirements of laws, regulations, and the Company's Articles of Association. All directors fulfill their duties with integrity, diligence, and conscientiousness, attend meetings on time, actively participate in training, and continuously improve their performance level. The Board of Directors of the Company has four specialized committees: the Audit Committee, the Strategy and Development Committee, the Salary and Assessment Committee, and the Nomination Committee. Each specialized committee strictly performs its duties in accordance with relevant laws and regulations, the Company's "Articles of Association", and the rules of procedure of each specialized committee of the Board of Directors, and operates well. During the reporting period, the Company established a special meeting mechanism for independent directors of the Board of Directors to make decisions on relevant matters, which played a positive role in improving the Company's governance structure and standardizing operations, and safeguarding the interests of public shareholders.

4. Supervisors and the Board of Supervisors

The Company's Board of Supervisors is composed of three supervisors, with one employee representative supervisor. The number of members, appointment and removal of members, composition and qualifications of the Board of Directors all comply with the requirements of the Company's "Articles of Association" and the "Rules of Procedure for the Board of Supervisors".

The supervisors and Board of Supervisors of the Company strictly implement the relevant provisions of the Company's "Articles of Association" and the "Rules of Procedure for the Board of Supervisors", conscientiously fulfill their responsibilities, and are able to attend the supervisory board meetings, attend board meetings, and shareholders' meetings in a spirit of being responsible to shareholders; review the regular reports prepared by the Board of Directors and provide written verification opinions, effectively supervise the legality and compliance of the Company's major issues, financial position, and the performance of duties by directors and senior managers, and effectively safeguard the legitimate rights and interests of all shareholders.

5. Performance appraisal and incentive and restraint mechanisms

The Company has gradually established and improved an enterprise performance evaluation and incentive system, and the appointment of senior managers is open and transparent, in accordance with laws and regulations. During the reporting period, the senior managers of the Company have conscientiously fulfilled their work responsibilities, as indicated by assessment.

6. Improve the quality of information disclosure and effectively protect the rights and interests of investors

The Company truthfully, accurately, timely, fairly, and completely discloses relevant information in strict accordance with relevant laws and regulations, as well as the requirements of the "Articles of Association" and the "Information Disclosure Management System". The Board Secretary of the Company is designated to be responsible for information disclosure and investor relationship management, strengthen communication with investors through channels such as investor hotlines, faxes, dedicated email, exchange interactive platforms, and receiving shareholder visits, strictly implement the requirements for insider information management, ensure that all shareholders and investors of the Company can obtain information fairly, and continuously improve the transparency of the Company.

7. Regarding stakeholders

The Company fully respects and safeguards the legitimate rights and interests of stakeholders, achieves coordination and balance of interests among shareholders, employees, society, and other parties, and jointly promotes the sustained and sound development of the Company.

Are there significant differences between the actual situation of corporate governance and laws, administrative regulations, and the regulations on listed company governance issued by the CSRC

Yes No

There are no significant differences between the actual situation of corporate governance and laws, administrative regulations, and the regulations on listed company governance issued by the CSRC.

II. Company's Independence in Assets, Personnel, Finances, Organizations and Businesses from Controlling Shareholders and Actual Controller

The Company operates in strict accordance with relevant laws, regulations, and the requirements of the "Company Law", "Securities Law", and the "Articles of Association". It is independent of the controlling shareholders and actual controllers of the Company in terms of assets, personnel, finance, institutions, and business, and has a complete asset and business system and the ability to operate independently in the market.

1. Asset Completeness

The ownership of the necessary assets for the Company's current business and production operations is fully enjoyed by the Company independently, with complete control and domination over all assets, and there is no situation of sharing with shareholder units. The Company has an independent R&D, procurement, production, and sales system, as well as a business system and main assets related to operations.

2. Personnel independence

The Company shall appoint directors and supervisors in accordance with the relevant provisions of the "Company Law" and the "Articles of Association". The Board of Directors shall appoint senior managers, and the labor, personnel, and salary management of the Company shall be completely independent of the shareholder unit. The general manager, deputy general manager, CFO, and secretary of the Board of Directors and other senior managers of the Company have not held any positions other than directors or supervisors in other enterprises controlled by the controlling shareholder or actual controller, and have not received salaries in other enterprises controlled by the controlling shareholder or actual controller. The financial personnel of the Company do not work part-time in other enterprises controlled by the controlling shareholder or actual controller.

3. Financial independence

The Company has established an independent financial accounting system, capable of making financial decisions independently, with standardized financial accounting systems and financial management systems for branches and subsidiaries. The Company has not shared bank accounts with controlling shareholders, actual controllers, and other enterprises under its control.

4. Independence in organizations

The Company has established and improved its internal business management structure, independently exercising its business management powers, and there is no institutional confusion with other enterprises controlled by controlling shareholders or actual controllers.

5. Business independence

The Company uses multimodal "Computer Vision and Biometrics" (BioCV) as its core technology and does not rely on shareholder units or their affiliated enterprises. There is no situation where shareholders intervene in the Company's business operations by retaining procurement and sales institutions, monopolizing business channels, etc. There is no horizontal competition or significantly unfair related party transactions between the Company and other enterprises controlled by the controlling shareholder or actual controller, and the controlling shareholder or actual controller has promised not to engage in any business or activity that constitutes or may constitute horizontal competition with ZKTeco and enterprises controlled by ZKTeco.

III. Horizontal Competition

Applicable Not applicable

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

1. General Meetings convened during this reporting period

| Meeting | Meeting Type | Proportion of participating investors | Convening Date | Disclosure Date | Resolution of the Meeting |
|---|-------------------------------|---------------------------------------|-------------------|-------------------|---|
| The 1st Extraordinary General Meeting of Shareholders in 2023 | Extraordinary General Meeting | 70.96% | January 16, 2023 | January 16, 2023 | Deliberation and approval of the "Proposal on Renewing the Appointment of Accounting Firms" |
| The 2nd Extraordinary General Meeting of Shareholders in 2023 | Extraordinary General Meeting | 70.97% | February 6, 2023 | February 6, 2023 | Deliberation and approval of 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 3rd Extraordinary General Meeting of Shareholders in 2023 | Extraordinary General Meeting | 73.65% | April 7, 2023 | April 7, 2023 | Deliberation and approval of the "Proposal on the Election and Nomination of Non-Independent Director Candidates for the Third Board of Directors", the "Proposal on the Election and Nomination of Independent Director Candidates for the Third Board of Directors", and the "Proposal on the Election and Nomination of Candidates for Non-employee Representative Supervisors of the 3rd Board of Supervisors" |
| Annual General Meeting of 2022 | Annual General Meeting | 73.66% | May 19, 2023 | May 19, 2023 | Deliberation and approval of the "Proposal on the 2022 Annual Report and Its Summary", the "Proposal on the 2022 Work Report of the Board of Directors", the "Proposal on the 2022 Work Report of the Board of Supervisors", the "Proposal on the 2022 Annual Financial Settlement Report", the "Proposal on the 2022 Profit Distribution proposal", the "Proposal on Changing the Registered Capital, Amending the Articles of Association, and Handling the Procedures for Changing Industrial and Commercial Registration", the "Proposal on Applying for Comprehensive Credit Line from Banks and Handling Bank Loans", the "Proposal on Using Idle Self-owned Funds to Purchase Financial Products", the "Proposal on 2023 Compensation Plan for Directors", the "Proposal on 2023 Compensation Plan for Supervisors", and the "Proposal on Changing the Implementation Location and Total Investment Amount of Some Raised Funds Investment Projects and Adjusting the Construction Content of Some Projects" |
| The 4th Extraordinary General Meeting of Shareholders in 2023 | Extraordinary General Meeting | 70.36% | November 27, 2023 | November 27, 2023 | Deliberation and approval of the "Proposal on Proposed Change of Accounting Firm" |

2. Extraordinary General Meetings Convened at the Request of Preferred Shareholders with Resumed Voting Rights

Applicable Not applicable

V. Arrangement for Differences in Voting Rights of the Company

Applicable Not applicable

VI. Governance of Red Chip Structured Companies

Applicable Not applicable

VII. Information about Directors, Supervisors, and Senior Managers

1. Basic information

| Name | Gender | Age | Positions | Tenure status | Commencement of term of office | Termination of term of office | Shares held at the beginning of the period (shares) | Shares increased during the period (shares) | Shares decreased during the period (shares) | Other changes in increase or decrease (shares) | Shares held at the end of the period (shares) | Reasons for changes in share increase or decrease |
|--------------|--------|-----|------------------------|---------------|--------------------------------|-------------------------------|---|---|---|--|---|---|
| Che Quanhong | Male | 55 | Chairman | Incumbent | December 14, 2007 | April 6, 2026 | 26,171,000.00 | | | 7,851,300.00 | 34,022,300.00 | Equity distribution |
| Jin Hainong | Male | 42 | Director | Incumbent | April 11, 2020 | April 6, 2026 | 0.00 | | | 7,800.00 | 7,800.00 | Registration of ownership of Class II restricted shares |
| | | | General manager | Incumbent | January 31, 2019 | April 6, 2026 | | | | | | |
| Ma Wentao | Male | 41 | Director | Incumbent | June 28, 2016 | April 6, 2026 | 0.00 | | | | | |
| | | | Deputy General Manager | Incumbent | June 28, 2016 | April 6, 2026 | | | | | | |
| Fu Zhiqian | Male | 40 | Director | Incumbent | June 28, 2016 | April 6, 2026 | 0.00 | | | 7,150.00 | 7,150.00 | Registration of ownership of Class II restricted shares |
| Dong Xiuqin | Female | 52 | Independent director | Incumbent | June 3, 2020 | April 6, 2026 | 0.00 | | | | | |
| Zhuo Shuyun | Female | 43 | Independent director | Incumbent | April 11, 2020 | April 6, 2026 | 0.00 | | | | | |
| Pang Chunli | Male | 53 | Independent | Incumbent | January 12, 2021 | April 6, 2026 | 0.00 | | | | | |

| n | | | director | | | | | | | | | |
|---------------|--------|----|--|-----------|--------------------|---------------|---------------|------|------|--------------|---------------|---|
| Jiang Wenna | Female | 41 | Employee Representative Supervisor, Chairman of the Board of Supervisors | Incumbent | June 28, 2016 | April 6, 2026 | 0.00 | | | | | |
| Wu Xinke | Male | 42 | Supervisor | Resigned | April 11, 2020 | April 7, 2023 | 0.00 | | | | | |
| Liu Jiajia | Female | 40 | Supervisor | Resigned | June 28, 2016 | April 7, 2023 | 0.00 | | | | | |
| Li Zhinong | Male | 51 | Deputy General Manager | Incumbent | June 28, 2016 | April 6, 2026 | 0.00 | | | | | |
| Guo Yanbo | Female | 43 | Secretary of the board | Incumbent | April 15, 2020 | April 6, 2026 | 0.00 | | | | | |
| | | | Deputy General Manager | Incumbent | September 16, 2022 | April 6, 2026 | 0.00 | | | | | |
| Wang Youwu | Male | 58 | CFO | Incumbent | April 15, 2020 | April 6, 2026 | 0.00 | | | | | |
| Mu Wenting | Female | 37 | Deputy General Manager | Incumbent | September 16, 2022 | April 6, 2026 | 0.00 | | | 11,700.00 | 11,700.00 | Registration of ownership of Class II restricted shares |
| Wang Huineing | Male | 36 | Supervisor | Incumbent | April 7, 2023 | April 6, 2026 | 0.00 | | | | | |
| Yang Xianfeng | Male | 40 | Supervisor | Incumbent | April 7, 2023 | April 6, 2026 | 0.00 | | | | | |
| Total | -- | -- | -- | -- | -- | -- | 26,171,000.00 | 0.00 | 0.00 | 7,877,950.00 | 34,048,950.00 | -- |

Any resignation of directors or supervisors and dismissals of senior managers during their term of office during the reporting period

Yes No

The Company's supervisors Liu Jiajia and Wu Xinke will no longer serve as supervisors from April 7, 2023 due to the expiration of their terms of office.

Changes of directors, supervisors, and senior managers of the Company

Applicable Not applicable

| Name | Positions | Type | Date | Reasons |
|------------|------------|-------------------------------------|---------------|-------------------------------------|
| Liu Jiajia | Supervisor | Resignation upon expiration of term | April 7, 2023 | Resignation upon expiration of term |
| Wu Xinke | Supervisor | Resignation upon expiration of term | April 7, 2023 | Resignation upon expiration of |

| | | | | term |
|---------------|------------|---------|---------------|-----------------|
| Yang Xianfeng | Supervisor | Elected | April 7, 2023 | Newly appointed |
| Wang Huineng | Supervisor | Elected | April 7, 2023 | Newly appointed |

2. Positions and Incumbency

The professional background, main work experience, and current responsibilities of the Company's current directors, supervisors, and senior managers

(1) Directors

Mr. Che Quanhong, born in August 1968, Chinese nationality, without permanent residency abroad, holds a bachelor's degree. He graduated from Lanzhou University with a major in Semiconductor Physics in July 1991 and currently serves as the Chairman of the Company. Mr. Che Quanhong served as the Chairman and General Manager of the Company from December 2007 to January 2019, and has been serving as the Chairman of the Company since January 2019. Mr. Che Quanhong is currently a supervisor of Fujian Zhongkong Mining Co., Ltd. and a member of the First Council of Lanzhou University.

Mr. Jin Hairong, born in July 1981, Chinese nationality, without permanent residency abroad, holds a bachelor's degree, and currently serves as the Legal Representative, Director, and General Manager of the Company. Mr. Jin Hairong served as the Sales Manager and General Manager Assistant of the Company from February 2008 to February 2014. From February 2014 to January 2019, he served as the General Manager of the Card Business Unit of the Global Marketing Center of the Company. From February 2019 to March 2020, he served as the General Manager and Legal Representative of the Company. From April 2020 to present, he has served as a Director, General Manager, and Legal Representative of the Company.

Mr. Ma Wentao, born in August 1982, Chinese nationality, without permanent residency abroad, holds a bachelor's degree and currently serves as the Director and Deputy General Manager of the Company. Mr. Ma Wentao served as the European Regional Head of the Global Marketing Center and the Sales Director of the International Business Group from December 2007 to June 2016. From June 2016 to February 2020, he served as a Director and Deputy General Manager of the Company. From February 2020 to present, he has served as a Director, Deputy General Manager, and Head of the R&D Center.

Mr. Fu Zhiqian, born in February 1984, Chinese nationality, without permanent residency abroad, holds a bachelor's degree and currently serves as a Director of the Company. Mr. Fu Zhiqian served as the Marketing Manager of the Global Marketing Center from January 2008 to December 2009, President Assistant from January 2010 to December 2012, General Manager of the Security Division of the Global Marketing Center in China from January 2013 to December 2018, Director of the Company from June 2016 to December 2018, and Director and Head of the Global Marketing Center in China from January 2019 to present.

Ms. Zhuo Shuyan, born in November 1980, Chinese nationality, without permanent residency abroad, holds a bachelor's degree and currently serves as an independent director of the Company. Ms. Zhuo Shuyan served as a legal assistant/lawyer at China Commercial Law Firm from June 2004 to March 2009, and as a lawyer at Guangdong Gaorui Law Firm from March 2009 to July 2015. From November 2017 to October 2020, she served as a Supervisor of Shenzhen Landa Investment Development Co., Ltd. She currently serves as an independent director of the Company, a partner of Shanghai GF Law Firm (Shenzhen Branch), a Supervisor of Guangzhou Aiji Food Co., Ltd. and a Supervisor of Zizai Zhongxing Health Culture (Shenzhen) Co., Ltd.

Ms. Dong Xiuqin, born in October 1971, Chinese nationality, without permanent residency abroad, holds a doctoral degree, is a CPA, and currently serves as an independent director of the Company. Ms. Dong Xiuqin has been a teacher at the School of Economics at Shenzhen University since August 1996. From November 2014 to October 2019, she served as an independent director of Shenzhen Tempus Global Business Service Group Holding Ltd. From February 2015 to August 2020, she served as an independent director of Shenzhen Invt Electric Co., Ltd. From October 2020 to April 2021, she served as an independent director of Shenzhen Soocas Technology Co., Ltd. From October 2018 to March, 2024, she has served as an independent director of Shenzhen Longood Intelligent Electric Co., Ltd. From January 2019 to present, she has served as an independent director of Shenzhen Jingquanhua Technology Co., Ltd. From February 2021 to January, 2024, she has served as an independent director of

Colorlight Cloud Tech Ltd. From July 2021 to present, she has served as an independent director of Shenzhen Riland Industry Co., Ltd.

Mr. Pang Chunlin, born in 1971, Chinese nationality, without permanent residency abroad, holds a master's degree and currently serves as an independent director of the Company. Mr. Pang Chunlin served as an engineer at Oriental STAR Machine Manufacture Co., Ltd. from 1993 to 1996. From 1997 to 2000, he served as the Technical Manager of Murakami Shanghai Office. From 2000 to 2006, he served as the Deputy General Manager of Shenzhen Qingyi Photomask Limited. From 2007 to December 2017, he served as the Executive Director and Deputy Secretary General of the China Electronics Standardization Association. From November 2014 to March 2018, he served as an independent director of Zhuhai TOPSUN Electronic Technology Co., Ltd. From 2015 to December 2018, he served as the Deputy Secretary General of the Chinese Association of Automation. From September 2016 to June 2019, he served as the Director of Unicom Intelligent Network Technology Co., Ltd. From January 2015 to May 2021, he served as the independent director of Shenzhen Qingyi Photomask Limited. From February 2015 to present, he has served as the Legal Representative, General Manager and Executive Director of Chelian Innovation (Beijing) Science and Technology Center. From December 2016 to present, he has served as the Secretary General of the Zhongguancun Telematics Industry Application Alliance. From June 2018 to present, he has been serving as the Legal Representative and the Executive Director of Open Unmanned Farm Engineering Technology (Jiangsu) Co., Ltd. From November 2021 to present, he has been serving as the Legal Representative and Executive Director of the Whole Process Unmanned Operation Technology Promotion (Jiangsu) Co., Ltd. From December 2021 to present, he has served as a Director of Shanghai Pateo Electronic Equipment Manufacturing Co., Ltd. From May 2022 to April 2023, he has served as a Director of Shenzhen Qingyi Photomask Limited. From February 2023 to present, he has served as an Executive Director of Qiaosuan Information Technology (Beijing) Co., Ltd. From June 2023 to present, he has served as the General Manager, Legal Representative, and Executive Director of Onman Intelligent Machinery (Beijing) Co., Ltd. From August 2023 to present, he has served as the General Manager, Legal Representative, and Executive Director of Onman International Trade (Beijing) Co., Ltd.

(2) Supervisors

Ms. Jiang Wenna, born in February 1983, Chinese nationality, without permanent residency abroad, holds a bachelor's degree, and currently serves as the Chairman of the Company's Board of Supervisors. Ms. Jiang Wenna served as Assistant Manager, Marketing Specialist, Manager of International Comprehensive Department, Manager of International Human Resources Department, and Manager of Group Human Resources Center in Shenzhen ZKTeco Overseas Department from September 2007 to May 2016. From June 2016 to April 2018, he served as the Manager of the Company's Human Resources Center, and since April 2018, he has been the Head of the Company's Business and Tourism Department. Since June 2016, he has served as the Chairman of the Company's Board of Supervisors.

Mr. Yang Xianfeng, born in December 1984, Chinese nationality, without permanent residency abroad, holds a bachelor's degree and currently serves as the Product Director of the Product Department of Xiamen ZKTeco International Business Group. Mr. Yang Xianfeng has held various positions such as Technical Supporter, Department Manager, and Product Manager in the Company since May 2010. He is currently the Product Director of the Global Marketing Center Armatura and the Global Market Product Sharing Center of the ZKTeco International Business Group. He has been serving as the Supervisor of the Company since April 7, 2023.

Mr. Wang Huineng, born in June 1987, Chinese nationality, without permanent residency abroad, holds a bachelor's degree and currently serves as the Manager of International Project and Ecological Cooperation Department of XIAMEN ZKTECO. Mr. Wang Huineng served as the Hardware Assistant Engineer, Testing Team Leader of the Pre-research Department, Software Testing Department Manager, and Testing Department Manager in Shenzhen ZKTeco from March 2010 to November 2013. From December 2013 to November 2017, he served as the Operations Director, General Manager of the Management Department, and Operations Director of the Biometric Card Business Unit of Xiamen ZKTeco Biometric Identification Technology Co., Ltd. From December 2017 to November 2019, he served as the Operations Director and General Manager of Guizhou Zhongjiang Intelligent Technology Co., Ltd. From February 2019 to January 2021, he served as the Head of the International Security and Project

Services Department of the International Business Group of the Company's Global Marketing Center. Since February 2021, he has been serving as the Manager of the Armatura Global Marketing Center and Project and Ecological Cooperation Department of ZKTeco International Business Group. Since April 7, 2023, he has been serving as the Supervisor of the Company.

(3) Senior managers

Mr. Jin Hairong is the Director and General Manager of the Company, and his resume can be found in "(1) Appointment of directors" in this section.

Mr. Ma Wentao is the Director and Deputy General Manager of the Company, and his resume can be found in "(1) Appointment of directors" in this section.

Mr. Li Zhinong, born in July 1972, Chinese nationality, without permanent residency abroad, holds a master's degree. Mr. Li Zhinong served as the Technical Director of Shenzhen ZKTeco from May 2006 to December 2007, the Technical Director of the Company from December 2007 to May 2016, and the Deputy General Manager and Technical Director of the Company from June 2016 to present.

Mr. Wang Youwu, born in December 1965, Chinese nationality, without permanent residency abroad, holds a bachelor's degree. Mr. Wang Youwu served as the Investment Banking Headquarters Manager of Dongxing Securities Co., Ltd. from October 2007 to December 2009. From January 2010 to December 2015, he served as the Executive General Manager of the Enterprise Financing Department of Changjiang Securities Consignment Inward & Sponsoring Broker Co., Ltd. He joined the Company in January 2016 and served as a Director and Deputy General Manager from June 2016 to April 2020. Since April 2020, he has been serving as the Company's CFO and has also served as the Chairman Assistant of the Company since January 2022.

Ms. Guo Yanbo, born in January 1981, Chinese nationality, without permanent residency abroad, holds a bachelor's degree, is Certified Management Accountant (CMA), and currently serves as the Secretary of the Board of Directors, Head of the Investment and Financing Department, and Deputy General Manager of the Company. Ms. Guo Yanbo served as the Head of the Company's Overseas Department, CFO, and the Head of HR Department from December 2007 to December 2015. From January 2016 to October 2017, she served as the Head of the Company's Audit Department. From October 2017 to March 2020, she served as the Head of the Audit and Investment and Financing Department. From April 2020 to September 2022, she served as the Secretary of the Company's Board of Directors and the Head of the Investment and Financing Department. From September 2022 to present, she has served as the Deputy General Manager, Secretary of the Company's Board of Directors, and the Head of the Investment and Financing Department. From February 2018 to October 2022, she served as a Supervisor of Xinhuaixin (Xi'an) Information Technology Co., Ltd. (formerly known as "Xi'an Huaxin Smart Digital Technology Co., Ltd.").

Ms. Mu Wenting, born in December 1986, Chinese nationality, without permanent residency abroad, holds a bachelor's degree. From August 2010 to January 2017, Ms. Mu Wenting served as the Sales Representative for the Latin American Business Group of the International Sales Department, Project Management Specialist for the AFIS Project Group of the R&D Business Group, Marketing Specialist and Department Manager for the International Market and Brand Strategy Department, and Manager for the Company's Brand Strategy Department. From February 2017 to February 2018, she served as the Director of the Chairman's Office and Chairman Assistant. From February 2018 to January 2022, she served as the General Manager of the Management Department of the Manufacturing Center. From January 2022 to September 2022, she served as the Director of the General Manager's Office and Chairman Assistant. From September 2022 to present, she has served as the Deputy General Manager, Director of the General Manager's Office, and Chairman Assistant of the Company.

Employment in shareholder units

Applicable Not applicable

Positions held in other entities

Applicable Not applicable

| Name | Name of other entities | Positions held in other entities | Commencement of the term | Termination of the term | Compensation and allowance from the other entities |
|------|------------------------|----------------------------------|--------------------------|-------------------------|--|
| | | | | | |

| | | | | | |
|-----------------|--|--|----------------------|------------------|-----|
| Che Quanhong | ZK TIMES CO., LIMITED | Director | December 30, 2016 | March 3, 2023 | No |
| | Fujian Zhongkong Mining Co., Ltd. | Supervisor | March 26, 2008 | | No |
| Dong Xiuqin | School of Economics, Shenzhen University | Teacher | August 1, 1996 | | Yes |
| | Shenzhen Jingquanhua Technology Co., Ltd. | Independent director | January 10, 2019 | | Yes |
| | Shenzhen Longood Intelligent Electric Co., Ltd. | Independent director | October 12, 2018 | March 27, 2024 | Yes |
| | Colorlight Cloud Tech Ltd. | Independent director | February 3, 2021 | January 19, 2024 | Yes |
| | Shenzhen Riland Industry Co., Ltd. | Independent director | July 13, 2021 | | Yes |
| Zhuo Shuyan | Shanghai GF Law Firm (Shenzhen Branch) | Partner, Lawyer | July 1, 2015 | | Yes |
| | Guangzhou Aiji Food Co., Ltd. | Supervisor | October 1, 2013 | | No |
| | ZiZai Zhongxing Health Culture (Shenzhen) Co., Ltd. | Supervisor | May 1, 2019 | | No |
| Pang Chunlin | Qingyi Photomask Limited | Director | May 12, 2022 | April 4, 2023 | Yes |
| | Chelian Innovation (Beijing) Science and Technology Center | Legal Representative, General Manager and Executive Director | February 1, 2015 | | No |
| | Zhongguancun Telematics Industry Application Alliance | Secretary General | December 9, 2016 | | Yes |
| | Open Unmanned Farm Engineering Technology (Jiangsu) Co., Ltd. | Legal representative and executive director | June 1, 2018 | | No |
| | Whole Process Unmanned Operation Technology Promotion (Jiangsu) Co., Ltd. | Legal representative and executive director | November 5, 2021 | | No |
| | Shanghai Pateo Electronic Equipment Manufacturing Co., Ltd. | Director | December 2, 2021 | | Yes |
| | Qiaosuan Information Technology (Beijing) Co., Ltd. | Executive Director | February 15, 2023 | | No |
| | Onman Intelligent Machinery (Beijing) Co., Ltd. | Legal Representative, General Manager and Executive Director | June 9, 2023 | | No |
| | Onman International Trade (Beijing) Co., Ltd. | Legal Representative, General Manager and Executive Director | August 7, 2023 | | No |

Penalties imposed by securities regulatory authorities on current and resignation directors, supervisors, and senior managers of the Company in the past three years during the reporting period

Applicable Not applicable

3. Remuneration of directors, supervisors and senior managers

Decision making process, determination basis and actual payment situation of remuneration for directors, supervisors and senior managers

The decision-making procedure for the remuneration of directors, supervisors and senior managers: In accordance with relevant provisions such as the "Articles of Association", the remuneration of directors and supervisors of the Company shall be determined by the board of shareholders of the Company after being deliberated and approved by the Board of Directors, and the remuneration of senior managers shall be determined by the Board of Directors of the Company.

The basis for determining the remuneration of directors, supervisors and senior managers: Independent directors of the Company only receive allowances, with each person receiving RMB 120,000 per year. Mr. Che Quanhong, as the Full-time Chairman of the Company, receives the Chairman's salary, which is based on the salary standards of senior managers. Non-independent directors who hold other positions within the Company shall not receive additional director allowances in addition to their own position salary. Directors, supervisors, and senior managers serving in the Company shall receive compensation in accordance with the Company's relevant salary and performance evaluation management system based on their specific management positions in the Company. Salary is divided into basic salary and performance related pay. The basic salary is paid monthly based on fixed salary, while performance related pay is assessed based on annual business goals, and is determined and paid based on the annual achievement of benefits and personal work performance completion.

The actual payment of compensation for directors, supervisors and senior managers: During the reporting period, the total compensation for directors, supervisors and senior managers of the Company was RMB 7.5094 million.

Remuneration of directors, supervisors, and senior managers during the reporting period of the Company

Unit: RMB '0,000

| Name | Gender | Age | Position | Tenure status | Total pre-tax compensation received from the Company | Whether to receive remuneration from related parties of the Company |
|---------------|--------|-----|--|---------------|--|---|
| Che Quanhong | Male | 55 | Chairman | Incumbent | 122.47 | No |
| Jin Hairong | Male | 42 | Director and General Manager | Incumbent | 60.92 | No |
| Ma Wentao | Male | 41 | Director and Deputy General Manager | Incumbent | 57.43 | No |
| Fu Zhiqian | Male | 40 | Director | Incumbent | 46.12 | No |
| Dong Xiuqin | Female | 52 | Independent director | Incumbent | 12 | No |
| Zhuo Shuyan | Female | 43 | Independent director | Incumbent | 12 | No |
| Pang Chunlin | Male | 53 | Independent director | Incumbent | 12 | No |
| Jiang Wenna | Female | 41 | Employee Representative Supervisor, Chairman of the Board of Supervisors | Incumbent | 22.76 | No |
| Wu Xinke | Male | 42 | Supervisor | Resigned | 16.74 | No |
| Liu Jiajia | Female | 40 | Supervisor | Resigned | 11.27 | No |
| Wang Huineng | Male | 36 | Supervisor | Incumbent | 20.98 | No |
| Yang Xianfeng | Male | 40 | Supervisor | Incumbent | 31.05 | No |

| | | | | | | |
|------------|--------|----|--|-----------|--------|----|
| Li Zhinong | Male | 51 | Deputy General Manager | Incumbent | 149.26 | No |
| Guo Yanbo | Female | 43 | Secretary of the Board of Directors and Deputy General Manager | Incumbent | 51.46 | No |
| Wang Youwu | Male | 58 | CFO | Incumbent | 65.05 | No |
| Mu Wenting | Female | 37 | Deputy General Manager | Incumbent | 59.43 | No |
| Total | -- | -- | -- | -- | 750.94 | -- |

Other explanations

Applicable Not applicable

In 2023, Li Zhinong, the Deputy General Manager of the Company, mainly engaged in R&D and its management work abroad. His salary for the year was RMB 1.4926 million, an increase of 136.55% compared to the previous year. In addition, the salaries of other directors (excluding independent directors), supervisors, and senior managers for the year 2023 have slightly increased compared to the previous year, consistent with the trend of slight increase in net profit attributable to the parent company after excluding share-based payment fees.

VIII. Performance of Duties by Directors during the Reporting Period

1. The Board of Directors during this reporting period

| Session | Convening Date | Disclosure Date | Resolution of the Meeting |
|---|-------------------|-------------------|---|
| The 23rd Session of the Second Board Meeting | January 18, 2023 | January 20, 2023 | See CNINFO "Announcement on the Resolutions of the 23rd Session of the Second Board Meeting" (Announcement No. 2023-002) |
| The 24th Session of the Second Board Meeting | March 21, 2023 | March 23, 2023 | See CNINFO "Announcement on the Resolutions of the 24th Session of the Second Board Meeting" (Announcement No. 2023-014) |
| The 1st Session of the Third Board Meeting | April 7, 2023 | April 7, 2023 | See CNINFO "Announcement on the Resolutions of the 1st Session of the Third Board Meeting" (Announcement No. 2023-027) |
| The Second Session of the Third Board Meeting | April 26, 2023 | April 28, 2023 | See CNINFO "Announcement on the Resolutions of the Second Session of the Third Board Meeting" (Announcement No. 2023-031) |
| The 3rd Session of the Third Board Meeting | June 21, 2023 | June 21, 2023 | See CNINFO "Announcement on the Resolutions of the 3rd Session of the Third Board Meeting" (Announcement No. 2023-051) |
| The 4th Session of the Third Board Meeting | August 28, 2023 | August 30, 2023 | See CNINFO "Announcement on the Resolutions of the 4th Session of the Third Board Meeting" (Announcement No. 2023-064) |
| The 5th Session of the Third Board Meeting | October 13, 2023 | October 13, 2023 | See CNINFO "Announcement on the Resolutions of the 5th Session of the Third Board Meeting" (Announcement No. 2023-072) |
| The 6th Session of the Third Board Meeting | October 25, 2023 | Not applicable | Deliberation and approval of the "Proposal on the Third Quarter Report of the Company in 2023" |
| The 7th | November 10, 2023 | November 11, 2023 | See CNINFO "Announcement on the Resolutions of the 7th |

| | | | |
|--|-------------------|-------------------|--|
| Session of the Third Board Meeting | | | Session of the Third Board Meeting" (Announcement No. 2023-077) |
| The 8th Session of the Third Board Meeting | December 22, 2023 | December 23, 2023 | See CNINFO "Announcement on the Resolutions of the 8th Session of the Third Board Meeting" (Announcement No. 2023-091) |

2. Attendance of directors in Board Meetings and General Meetings

| Attendance of directors in board meetings and general meetings | | | | | | | |
|--|---|--|---|--|-------------------------------|--|--|
| Name of director | Board meeting presence required in the reporting period (times) | Board meeting presence on site (times) | Board meeting presence by telecommunication (times) | Board meeting presence through a proxy (times) | Board meeting absence (times) | Board meeting not attend in person for two consecutive times | Presence at shareholders' meetings (times) |
| Che Quanhong | 10 | 1 | 9 | 0 | 0 | N | 5 |
| Jin Hairong | 10 | 5 | 5 | 0 | 0 | N | 5 |
| Ma Wentao | 10 | 8 | 2 | 0 | 0 | N | 5 |
| Fu Zhiqian | 10 | 4 | 6 | 0 | 0 | N | 5 |
| Dong Xiuqin | 10 | 0 | 10 | 0 | 0 | N | 5 |
| Zhuo Shuyan | 10 | 0 | 10 | 0 | 0 | N | 5 |
| Pang Chunlin | 10 | 0 | 10 | 0 | 0 | N | 4 |

Description of not attending the board meeting in person for two consecutive times

Not applicable

3. Objections from Directors on Related Issues of the Company

Do directors raise objections to relevant matters of the Company

Yes No

During the reporting period, the directors did not raise any objections to the relevant matters of the Company.

4. Other descriptions for directors performing their duties

Whether the directors' suggestions on the Company have been adopted

Yes No

Directors' explanation on whether the Company's relevant suggestions have been adopted or not

During the reporting period, the directors of the Company were diligent and responsible in accordance with relevant laws and regulations, attended relevant meetings on time, carefully reviewed various proposals, objectively expressed their opinions and ideas, and the Company adopted all reasonable suggestions put forward by the directors.

IX. The Special Committees under the Board of Directors during the Reporting Period

| Committee Name | Members | Number of Meeting | Convening Date | Meeting Content | Important Opinions and Suggestions Proposed | Other Performance of | Specifics of Objection |
|----------------|---------|-------------------|----------------|-----------------|---|----------------------|------------------------|
|----------------|---------|-------------------|----------------|-----------------|---|----------------------|------------------------|

| | | s Held | | | | Duties | (if any) |
|--|---|--------|----------------|---|--|--------|----------|
| Nomination Committee of the Board of Directors | Che Quanhong, Pang Chunlin, and Zhuo Shuyan | 2 | March 17, 2023 | Deliberation and approval of the "Proposal on the Election and Nomination of Non-Independent Director Candidates for the Third Board of Directors" and the "Proposal on the Election and Nomination of Independent Director Candidates for the Third Board of Directors" | The Nomination Committee strictly carried out its work in accordance with relevant laws and regulations, as well as the provisions of the Company's "Articles of Association" and the "Implementation Rules of the Nomination Committee". The qualifications of the Company's director candidates were reviewed and the relevant proposals were unanimously passed. | None | None |
| | | | April 4, 2023 | Deliberation and approval of the "Proposal on the Appointment of the General Manager of the Company", the "Proposal on the Appointment of the Deputy General Manager of the Company", the "Proposal on the Appointment of the Secretary of the Board of Directors of the Company", and the "Proposal on the Appointment of CFO of the Company" | The Nomination Committee strictly carried out its work in accordance with relevant laws and regulations, as well as the provisions of the Company's "Articles of Association" and the "Implementation Rules of the Nomination Committee". The qualifications of the Company's senior executives were reviewed and the relevant proposals were unanimously passed. | None | None |
| Audit Committee of the Board of Directors | Zhuo Shuyan, Dong Xiuqin, and Fu Zhiqian | 5 | April 14, 2023 | Deliberation and approval of the "Proposal on the 2022 Annual Report and Its Summary", the "Proposal on the 2022 Annual Financial Settlement Report", the "Proposal on the 2022 Profit Distribution proposal", the "Proposal on the 2022 Internal Audit Work Summary and the 2023 Internal Audit Work Plan", the "Proposal on the 2022 Annual Internal Control Self Evaluation Report", the "Proposal on Applying for Comprehensive Credit Line from Banks and Handling Bank Loans", the "Proposal on Using Idle Self-owned Funds to Purchase Financial Products", and the "Proposal on Carrying out Forward Foreign Exchange Settlement and Sales in 2023" | The Audit Committee carries out work in strict accordance with the "Company Law", the regulatory rules of the CSRC, the "Articles of Association", the "Rules of Procedure of the Board of Directors", and the "Implementation Rules of the Audit Committee of the Board of Directors". It is diligent and responsible, and after sufficient communication and discussion, unanimously adopts relevant proposals | None | None |
| | | | April 25, 2023 | Deliberation and approval of the "Proposal on the 2023 Q1 Report of ZKTECO CO., LTD." | The Audit Committee carries out work in strict accordance with the "Company Law", the regulatory rules of the CSRC, the "Articles of Association", the "Rules of Procedure of the | None | None |

| | | | | | | | |
|---|--|---|------------------|--|--|------|------|
| | | | | | Board of Directors", and the "Implementation Rules of the Audit Committee of the Board of Directors". It is diligent and responsible, and after sufficient communication and discussion, unanimously adopts relevant proposals | | |
| | | | August 17, 2023 | Deliberation and approval of the "Proposal on the 2023 Half Year Report and Abstract" | The Audit Committee carries out work in strict accordance with the "Company Law", the regulatory rules of the CSRC, the "Articles of Association", the "Rules of Procedure of the Board of Directors", and the "Implementation Rules of the Audit Committee of the Board of Directors". It is diligent and responsible, and after sufficient communication and discussion, unanimously adopts relevant proposals | None | None |
| | | | October 21, 2023 | Deliberation and approval of the "Proposal on the 2023 Q3 Report of ZKTECO CO., LTD." | The Audit Committee carries out work in strict accordance with the "Company Law", the regulatory rules of the CSRC, the "Articles of Association", the "Rules of Procedure of the Board of Directors", and the "Implementation Rules of the Audit Committee of the Board of Directors". It is diligent and responsible, and after sufficient communication and discussion, unanimously adopts relevant proposals | None | None |
| | | | November 6, 2023 | Deliberation and approval of the "Proposal on Proposed Change of Accounting Firm" | The Audit Committee carries out work in strict accordance with the "Company Law", the regulatory rules of the CSRC, the "Articles of Association", the "Rules of Procedure of the Board of Directors", and the "Implementation Rules of the Audit Committee of the Board of Directors". It is diligent and responsible, and after sufficient communication and discussion, unanimously adopts relevant proposals | None | None |
| Salary and Assessment Committee of the Board of Directors | Jin Hairong, Pang Chunlin, and Zhuo Shuyan | 1 | April 14, 2023 | Deliberation and approval of the "Proposal on 2023 Compensation Plan for Directors" and the "Proposal on the 2023 Compensation Plan for Senior Managers" | The Salary and Assessment Committee carries out work in strict accordance with the "Company Law", the regulatory rules of the CSRC, the "Articles of Association", the "Rules of Procedure of the Board of Directors", and the | None | None |

| | | | | | | | |
|--|--|--|--|--|--|--|--|
| | | | | | "Implementation Rules of the Salary and Assessment Committee of the Board of Directors". It is diligent and responsible, and after sufficient communication and discussion, unanimously adopts all proposals according to the actual situation of the Company. | | |
|--|--|--|--|--|--|--|--|

X. Performance of Duties by the Board of Supervisors

Were there any risks to the Company identified by Board of Supervisors when performing its duties during the reporting period

Yes No

The Board of Supervisors has no objection to the supervision matters during the reporting period.

XI. Employee of the Company

1. Number, Professional Structure and Education Background of Employee

| | |
|---|---------------------|
| Number of in-service employees of the parent company at the end of the reporting period | 1,800 |
| Number of in-service employees of the major subsidiaries at the end of the reporting period | 2,306 |
| Total number of in-service employees at the end of the reporting period | 4,106 |
| Total number of employees receiving salaries in current period | 4,106 |
| Number of retired employees requiring the parent Company and its subsidiaries to bear costs | 20 |
| Professional structure | |
| Type of professions | Number of employees |
| Production personnel | 994 |
| Sales personnel | 1,568 |
| Technical personnel | 1,226 |
| Financial personnel | 79 |
| Administrative personnel | 239 |
| Total | 4,106 |
| Education background | |
| Education background | Number of employees |
| PhD candidate | 2 |
| Master's degree | 135 |
| Bachelor degree | 1,902 |
| Other | 2,067 |
| Total | 4,106 |

2. Remuneration policy

In 2023, the Human Resources Department completed the SAP information system layout, and the Group's Human Resources Data Center was successfully established. The organization's personnel data achieved cross software process interconnection, significantly improving the efficiency and experience of human resources. At the same time, the salary and performance system has also been professionally and uniformly standardized, achieving automated salary calculation and further strengthening the correlation between performance and salary. A differentiated salary system based on performance and individual contributions has been implemented, achieving a close linkage between salary and individual, team and overall business performance of the Company.

3. Training plan

This year, the Company organized a total of 1,081 specialized training sessions and completed the comprehensive deployment of online training platforms. The online learning and operation mechanism of employees have been significantly improved. Meanwhile, the Group Human Resources Center organized various departments to provide diversified vocational skills training and modern enterprise management development courses, broaden internal promotion channels, and encourage employees to continue learning and career growth. Through regular talent inventory and development plans, cross departmental communication and rotation were activated, and diverse talent training measures were taken to cultivate diverse and high potential teams, injecting inexhaustible momentum into the long-term stable development of the Company.

4. Labor outsourcing

Applicable Not applicable

XII. Profit Distribution and Conversion of Capital Reserve to Share Capital of the Company

Formulation, implementation or adjustment of profit distribution policies of ordinary shares especially the cash dividend plan during the reporting period

Applicable Not applicable

During the reporting period, the Company reviewed and implemented the profit distribution proposal in strict accordance with the profit distribution policy stipulated in the Company's "Articles of Association". The relevant decision-making procedures and mechanisms were complete, and the profit distribution proposal was implemented within the specified time after being reviewed and approved, ensuring the interests of all shareholders. During the reporting period, the Company did not make any changes to its profit distribution policy.

On April 26, 2023 and May 19, 2023, the Second Session of the Third Board Meeting and the 2022 Annual General Meeting held by the Company respectively deliberated and approved the "Proposal on the 2022 Profit Distribution proposal": to distribute a cash dividend of RMB 3.5 (including tax) per 10 shares to all shareholders based on the Company's total capital of 148,492,051 shares, with the total amount of RMB 51,972,217.85; at the same time, to convert capital reserves to share capital by converting 3 shares per 10 shares to all shareholders, with the total conversion of 44,547,615 shares. After the conversion, the total share capital of the Company will increase to 193,039,666 shares. On May 31, 2023, the Company implemented the above profit distribution implementation plan. This profit distribution proposal complies with the provisions of the Company's "Articles of Association" and the requirements of the resolution on the General Meetings.

| Special explanation of cash dividend policy | |
|--|-----|
| Whether it complies with the provisions of the Company's | Yes |

| | |
|--|----------------|
| Articles of Association or the requirements of the shareholders' meeting resolution: | |
| Whether dividend standards and ratio are definite and clear: | Yes |
| Whether the relevant decision-making procedures and mechanisms are complete: | Yes |
| Whether independent directors performed their duties and played their due role: | Yes |
| If the Company does not distribute cash dividends, specific reasons, as well as the measures to be taken next to enhance investor returns should be disclosed: | Not applicable |
| Whether minority shareholders have the opportunity to fully express their opinions and demands, and whether their legitimate rights and interests have been fully protected: | Yes |
| If the cash dividend policy is adjusted or changed, whether the conditions and procedures are compliant and transparent: | Not applicable |

The profit distribution proposal and the plan for converting capital reserve into share capital during the reporting period of the Company are consistent with the relevant provisions of the Company's Articles of Association and dividend management measures

Yes No Not applicable

The profit distribution proposal and the plan for converting capital reserve into share capital during the reporting period of the Company comply with relevant regulations such as the Company's Articles of Association.

Profit distribution and conversion of capital reserve into share capital for the current year

| | |
|---|----------------|
| Bonus issue per 10 shares (share) | 0 |
| Cash dividend per 10 shares (RMB) (tax inclusive) | 4.5 |
| Additional shares converted from capital reserves per 10 shares (share) | 0 |
| Total capital shares as the basis for the distribution proposal (share) | 192,449,508 |
| Cash dividend amount (RMB) (tax inclusive) | 86,602,278.60 |
| Cash dividend amount in other ways (such as repurchase of shares) (RMB) | 784,685.00 |
| Total cash dividends (including other ways) (RMB) | 87,386,963.60 |
| Distributable profit (RMB) | 484,336,562.43 |
| Proportion of total cash dividends (including other ways) to total profit distribution | 100.00% |
| Cash dividend of the reporting period | |
| If the Company is in a growth stage of development and there are significant capital expenditure arrangements, the minimum proportion of cash dividends in this profit distribution shall reach 20% | |
| Details of profit distribution or plan for converting capital reserve into share capital | |
| <p>After the audit by Dahua Certified Public Accountants (Special General Partnership), the net profit attributable to the owners of the parent company in the 2023 consolidated statements of the Company was RMB 177,263,675.15, and the net profit realized by the parent company in 2023 was RMB 64,774,175.61. According to the provisions of the "Company Law" and the "Articles of Association", after withdrawing the statutory surplus reserve fund of RMB 6,477,417.56 from 10% of the parent company's net profit, the net profit available for distribution for the parent company in 2023 was RMB 58,296,758.05. As of the end of 2023, the accumulated undistributed profit of the Company's consolidated statements was RMB 907,583,024.38, while the accumulated undistributed profit of the parent company was RMB 484,336,562.43. According to the principle of profit distribution of whichever is lower in the consolidated statements or parent company's statements, the Company's profit available for distribution to shareholders in 2023 was RMB 484,336,562.43.</p> <p>According to the guidance of the CSRC on encouraging cash dividends for listed companies, the Company has formulated a profit distribution proposal for 2023 as follows based on the current operating conditions and profitability of the Company, while ensuring the normal operation and long-term development of the Company, taking into account shareholder returns and company</p> | |

development, according to the "Regulatory Guidelines for Listed Companies No. 3 - Distribution of Cash Dividends of Listed Companies", the "Articles of Association", and the "Plan for Dividend Returns within Three Years after the Initial Public Offering and Listing of ZKTECO CO., LTD.": The Company plans to distribute a cash dividend of RMB 4.5 (including tax) per 10 shares to all shareholders based on the total share capital on the registration date of future equity distribution, after deducting the repurchased shares in the Company's repurchase special account. No bonus shares will be given, no capital reserve will be converted into share capital, and the remaining undistributed profits will be carried forward to future years. As of April 22, 2024, the total share capital of the Company is 194,679,508 shares. After deducting 2,230,000 shares that have been repurchased in the Company's repurchase account, the total amount of cash dividends planned to be distributed for 2023 is RMB 86,602,278.60 (including tax).

During the reporting period, the Company made profits and the parent company had a positive profit available for shareholder distribution, but no cash dividend distribution proposal was proposed

Applicable Not applicable

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

Applicable Not applicable

1. Equity incentives

On September 29, 2022, the Company held the 19th Session of the Second Board Meeting and the 13th Session of the Second Supervisory Board Meeting. On October 17, 2022, the Company held the second extraordinary general meeting of 2022, deliberated and approved the "Proposal on the Company's Restricted Share Incentive Plan 2022 (Draft) and its Abstract", the "Proposal on the Company's Restricted Share Incentive Plan Implementation Assessment Management Measures 2022", and the "Proposal on Submitting to the Shareholders' Meeting to Authorize the Board of Directors to Handle Matters Related to Equity Incentive" and other relevant proposals.

During the period from September 29, 2022 to October 9, 2022, the Company publicly announced the names and positions of the incentive objects granted for the first time under this incentive plan. During the announcement period, the Company's board of supervisor did not receive any objections related to the proposed incentive objects of this incentive plan for the first time. On October 11, 2022, the Company announced the "Statement and Verification Opinions of the Board of Supervisors on the Publicity of the List of Incentive Objects First Granted with the Incentive Plan of Restricted Share in 2022".

According to the "Proposal on the Company's Restricted Share Incentive Plan 2022 (Draft) and its Abstract" and the authorization of the shareholders' meeting to the Board of Directors, the Company held the 21st Session of the Second Board Meeting and the 15th Session of the Second Supervisory Board Meeting on November 16, 2022, and deliberated and approved the "Proposal on Adjusting the List of Incentive Objects of Restricted Share Incentive Plan in 2022 and the Number of Granted Objects" and the "Proposal on Granting Restricted Share to Incentive Objects of 2022 Restricted Share Incentive Plan for the First Time". The independent directors gave their opinions on the above equity incentive plan, adjustment and grant, and the Board of Supervisors verified the list of incentive objects granted with restricted share.

The progress of the 2022 restricted share incentive plan during the reporting period is as follows:

On June 21, 2023, the Company held the Third Session of the Third Board Meeting and the Third Session of the Third Supervisory Board Meeting, and deliberated and approved the "Proposal on Adjusting the Granting Price and Quantity of 2022 Restricted Share Incentive Plan", "Proposal on Cancelling Some Granted but Not Affiliated Restricted Shares", and "Proposal on Granting Reserved Restricted Shares to the Incentive Objects of 2022 Restricted Share Incentive Plan". The Board of Directors of the Company believes that the reserved grant conditions stipulated in this incentive plan have been met, and agrees to determine June 21, 2023 as the reserved grant date to grant reserved restricted shares to the incentive objects of the 2022 restricted share incentive plan. The independent directors gave their opinions on the above equity incentive adjustment, cancellation and reserved grant, and the Board of Supervisors verified the list of incentive objects granted with reserved restricted share. Please refer to the "Announcement on Adjusting the Granting Price and Quantity of 2022 Restricted Share Incentive Plan" (Announcement No.

2023-053), "Announcement on Cancelling Some Granted but Not Affiliated Restricted Shares" (Announcement No. 2023-054), and "Announcement on Granting Reserved Restricted Shares to the Incentive Objects of 2022 Restricted Share Incentive Plan" (Announcement No. 2023-055) disclosed by the Company on the website of CNINFO (<http://www.cninfo.com.cn>) on June 21, 2023.

On November 10, 2023, the Company held the 7th Session of the Third Board Meeting and the 7th Session of the Third Supervisory Board Meeting, and deliberated and approved the "Proposal on Cancelling Some Granted but Not Affiliated Restricted Shares" and the "Proposal on the Achievement of the Attribution Conditions for the First Attribution Period of the 2022 Restricted Share Incentive Plan". Due to the resignation, unqualified assessment, or voluntary abandonment of some incentive objects, a total of 53,603 restricted shares that have been granted but not yet attributed to the relevant incentive objects were invalidated; due to the achievement of the attribution condition for the first grant of the first attribution period under the Company's 2022 restricted share incentive plan, the Board of Directors has agreed to allocate a total of 1,639,842 shares to 466 incentive objects. The independent directors have expressed their agreement on the invalidation of some of the incentive object shares and the achievement of the attribution condition for the first grant of the first attribution period. The Board of Supervisors has verified the list of attribution for the first attribution period granted for the first time. Please refer to the "Announcement on Cancelling Some Granted but Not Affiliated Restricted Shares" (Announcement No. 2023-080), and the "Announcement on the Achievement of Attribution Conditions for the First Attribution Period of the 2022 Restricted Share Incentive Plan" (Announcement No. 2023-081) disclosed by the Company on the website of CNINFO (<http://www.cninfo.com.cn>) on November 11, 2023.

The Company has completed the registration of the first attribution period of the 2022 restricted share incentive plan in accordance with relevant regulations, and the relevant shares were listed and circulated on November 22, 2023. Please refer to the "Announcement on the Attribution Results of the First Attribution Period of the 2022 Restricted Share Incentive Plan and the Listing of Shares" (Announcement No. 2023-087) disclosed by the Company on the website of CNINFO (<http://www.cninfo.com.cn>) on November 17, 2023.

Equity incentives obtained by the directors and senior managers

Applicable Not applicable

Unit: share

| Name | Position | Number of stock options held at the beginning of the year | Number of new stock options granted during the reporting period | Exercisable shares during the reporting period | Number of exercised shares during the reporting period | Exercise price of exercised shares during the reporting period (RMB /share) | Number of stock options held at the end of the period | Market price at the end of the reporting period (RMB /share) | Number of restricted shares held at the beginning of the period | Number of unlocked shares in this period | Number of newly granted restricted shares in the reporting period | Grant price of restricted shares (RMB /share) | Number of restricted shares held at the end of the period |
|-------------|------------------------------|---|---|--|--|---|---|--|---|--|---|---|---|
| Jin Hairong | Director and General Manager | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 15,600 | 7,800 | | 14.12 | 7,800 |
| Fu Zhiqian | Director | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 14,300 | 7,150 | | 14.12 | 7,150 |

| | | | | | | | | | | | | | |
|------------------|---|---|---|---|---|----|---|----|--------|--------|---|-------|--------|
| Mu Wenting | Deputy General Manager | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 23,400 | 11,700 | | 14.12 | 11,700 |
| Total | -- | 0 | 0 | 0 | 0 | -- | 0 | -- | 53,300 | 26,650 | 0 | -- | 26,650 |
| Remarks (if any) | The restricted shares held by the above personnel are classified as Class II restricted shares. Due to the implementation of the 2022 annual equity distribution by the Company, the above "number of restricted shares held at the beginning of the period" and "grant price of restricted shares" are the adjusted number of shares and grant price based on the equity distribution situation. The "number of restricted shares held at the beginning of the period" and "number of restricted shares held at the end of the period" refer to the number of shares granted but not yet attributed, while "number of unlocked shares in this period" refers to the number of shares attributed to individuals in this period. | | | | | | | | | | | | |

Assessment and incentive mechanism of the senior managers

The Board of Directors of the Company formulated the "Salary and Assessment Management System for Directors, Supervisors, and Senior Managers" on September 28, 2020, and established a relatively complete performance evaluation system for senior managers. The salary of senior managers in the Company consists of basic salary and year-end bonus. The calculation formula is: annual salary=basic salary+year-end bonus. The basic salary is mainly determined based on factors such as position, responsibility, ability, and market salary level, while the year-end bonus is determined based on the Company's annual business performance, job performance evaluation, and other comprehensive factors. The assessment is annual assessment, and the final payment will be calculated based on the assessment results of the current year. During the reporting period, the Company strictly implemented the "Salary and Assessment Management System for Directors, Supervisors, and Senior Managers".

2. Implementation of employee stock ownership plan

Applicable Not applicable

3. Other employee incentive plans

Applicable Not applicable

XIV. Construction and Implementation of Internal Control System during the Reporting Period

1. Construction and Implementation of Internal Control

The Company has formed a relatively complete internal control system in accordance with the "Basic Norms for the Internal Control of Enterprises" and its supporting guidelines, as well as other regulatory requirements, and combined with the actual situation of the Company, and continuously optimized to adapt to the constantly changing external environment and internal management requirements. With the joint efforts of the Board of Directors, management, and all employees, the Company has established a relatively complete and effective internal control management system. From the company level to the business process level, a systematic internal control system and necessary internal supervision mechanisms have been established to provide reasonable guarantees for the legality and compliance of the Company's business management, asset safety, truthfulness and completeness of financial reports and related information, improvement of operational efficiency and effectiveness, and the implementation of development strategies.

During the reporting period, the Company organized an internal control evaluation for 2023, and there were no significant or important deficiencies in internal control related to financial and non-financial reporting.

2. Particulars of material internal control defects detected during the reporting period

Yes No

XV. Management and Control of Subsidiaries During the Reporting Period of the Company

| Company Name | Integration Plan | Integration Progress | Problems in Integration | Solutions Taken | Resolution Progress | Subsequent Resolution Plan |
|----------------|------------------|----------------------|-------------------------|-----------------|---------------------|----------------------------|
| Not applicable | Not applicable | Not applicable | Not applicable | Not applicable | Not applicable | Not applicable |

XVI. Self-evaluation Report on Internal Control or Internal Control Audit Report

1. Self-evaluation report on internal control

| Disclosure date of the full text of the internal control evaluation report | April 24, 2024 | |
|---|--|---|
| Disclosure index of the full text of the internal control evaluation report | CNINFO (http://www.cninfo.com.cn) | |
| The proportion of the total assets of the unit included in the evaluation scope to the total assets of the Company in the consolidated financial statements | 100.00% | |
| The proportion of operating revenue of the unit included in the evaluation scope to the operating revenue of the Company in the consolidated financial statements | 100.00% | |
| Deficiency Identification Criteria | | |
| Category | Financial Reports | Non-financial Reports |
| Qualitative Criteria | <p>Significant deficiencies: control environment is ineffective; the supervision of internal control by the Company's Audit Committee and internal audit institutions is ineffective; discovering fraud by directors, supervisors, and senior managers; the Company has made significant corrections to the published financial statements; significant deficiencies that have been identified and reported to management have not been corrected within a reasonable time frame; other deficiencies that may affect the correct judgment of report users.</p> <p>Important deficiencies: failure to select and apply accounting policies in accordance with generally accepted accounting standards; invalid anti-fraud procedures and control measures; one or more deficiencies in the control of the final financial reporting process.</p> <p>Although the significant deficiency criteria have not been met, there is no reasonable guarantee that the financial statements prepared will achieve true and accurate objectives.</p> <p>General deficiencies: refer to other control deficiencies besides the</p> | <p>Significant deficiencies: violation against national laws, regulations, or normative documents; lack of decision-making procedures or unscientific decision-making procedures, leading to significant errors; lack of institutional control or systematic failure of important businesses; the results of internal control evaluation, especially significant or important deficiencies, have not been rectified; other situations that have a significant impact on the Company.</p> <p>Important deficiencies: deficiencies in important business institutions or systems; important deficiencies in the results of internal control evaluation are not promptly rectified; other situations that have a significant negative impact on the Company, with a severity lower than significant deficiencies, but may still lead to the Company deviating from its control objectives.</p> <p>General deficiencies: refer to internal control deficiencies that do not constitute significant or important deficiencies.</p> |

| | | |
|---|--|--|
| | significant and important deficiencies mentioned above. | |
| Quantitative Criteria | <p>Significant deficiencies: misstated amount $\geq 1\%$ of total assets; misstated amount $\geq 2\%$ of main business income; misstated amount $\geq 5\%$ of total profits</p> <p>Important deficiencies: 0.5% of total assets \leq misstated amount $< 1\%$ of total assets; 1% of main business income \leq misstated amount $< 2\%$ of total main business income; 2% of total profits \leq misstated amount $< 5\%$ of total profits</p> <p>General deficiencies: misstated amount $< 0.5\%$ of total assets; misstated amount $< 1\%$ of total main business income; misstated amount $< 2\%$ of total profits</p> | <p>Significant deficiencies: loss amount $>$ RMB 10 million; important deficiencies: RMB 1 million $<$ loss amount \leq RMB 10 million; general deficiencies: loss amount \leq RMB 1 million</p> |
| Number of significant deficiencies in financial reports | | 0 |
| Number of significant deficiencies in non-financial reports | | 0 |
| Number of important deficiencies in financial reports | | 0 |
| Number of important deficiencies in non-financial reports | | 0 |

2. Internal control audit report

Not applicable

XVII. Special Rectification Actions for Self-inspected Problems of Listed Companies

Not applicable.

Section V Environmental and Social Responsibility

I. Significant Environmental Issues

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

Yes No

Administrative penalties for environmental problems during the reporting period

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

Refer to other environmental information disclosed by key pollutant discharge units

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

The Company has passed the ISO14001:2015 environmental management system certification, and has developed and implemented systems such as the "Environmental Factor Identification and Evaluation Procedure", the "Environmental Monitoring and Control Procedure", and the "Waste Management Specification".

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

Applicable Not applicable

Reasons for not disclosing other environmental information

Not applicable

II. Social Responsibilities

For specific information, please refer to the "2023 Environmental, Social and Corporate Governance (ESG) Report of ZKTECO CO., LTD." disclosed by the Company on April 24, 2024, on CNINFO (<http://www.cninfo.com.cn>).

III. Efforts of Poverty Alleviation and Rural Revitalization

For progress of consolidating and expanding poverty alleviation achievements and rural revitalization related work during the reporting period, please refer to the "2023 Environmental, Social and Corporate Governance (ESG) Report of ZKTECO CO., LTD." disclosed by the Company on April 24, 2024, on CNINFO (<http://www.cninfo.com.cn>).

Section VI Significant Events

I. Performance of Commitments

1. 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

| Causes of Commitment | Undertaking Party | Commitment Type | Commitment Content | Date of commitments | Term of commitments | Performance |
|-------------------------|-------------------|-----------------|---|---------------------|---------------------|--------------------|
| IPO-related commitments | ZKTeco Times | Stock lockup | <p>1. Within 36 months from the date of ZKTeco's initial public offering and listing, I will not transfer or entrust others to manage the previously issued shares of ZKTeco that the Company holds before the public offering, nor will ZKTeco repurchase such shares.</p> <p>2. Within six months after ZKTeco's initial public offering and listing, if the closing price of ZKTeco's shares is lower than the issuance price of ZKTeco's initial public offering for twenty consecutive trading days (if ex-right or ex-dividend is carried out due to reasons such as cash dividend distribution, stock dividend, conversion to share capital, or issuance of new shares, corresponding adjustments must be made in accordance with the relevant regulations of the CSRC and the Shenzhen Stock Exchange), or the closing price is lower than the issuance price of ZKTeco's initial public offering of stocks at the end of the six-month period after listing (if that day is not a trading day, it is the first trading day after that day) (if ex-right or ex-dividend is carried out due to reasons such as cash dividends distribution, stock dividends, conversion to share capital, or issuance of new shares, corresponding adjustments must be made in accordance with the relevant regulations of the CSRC and the Shenzhen Stock Exchange), the lockup period for ZKTeco stocks the Company holds is automatically extended by six months.</p> <p>3. The Company will faithfully fulfill the above commitments and bear corresponding legal responsibilities. If I fail to fulfill the obligations and responsibilities conferred by this commitment, the company will bear any losses suffered by ZKTeco, other shareholders or stakeholders of ZKTeco. The profits from illegal reduction of stocks will belong to ZKTeco.</p> <p>4. If there are different provisions in laws, regulations, normative documents, as well as the CSRC or Shenzhen Stock Exchange on the lockup period of the aforementioned shares and the relevant responsibilities that the company should bear due to violating the above commitments, the company will voluntarily and unconditionally comply with these provisions.</p> | August 17, 2022 | February 16, 2026 | Strict performance |
| IPO-related commitments | Che Quanhong | Stock lockup | <p>1. Within 36 months from the date of ZKTeco's initial public offering and listing, I will not transfer or entrust others to manage the previously issued shares of ZKTeco that I directly or indirectly hold before the public offering, nor will ZKTeco repurchase such shares.</p> <p>2. Within six months after ZKTeco's initial public offering and listing, if the closing price of ZKTeco's shares is lower than the issuance price of ZKTeco's initial public offering for twenty consecutive trading days (if ex-right or ex-dividend is carried out due to reasons such as cash dividend distribution, stock dividend, conversion to share capital, or issuance of new shares, corresponding adjustments must be made in accordance with the relevant regulations of the CSRC and the Shenzhen Stock Exchange), or the closing price is lower than the issuance price of ZKTeco's initial public offering of stocks at the end of the six-month period after listing (if that day is not a trading day, it is the first trading day after that day) (if ex-right or ex-dividend is carried out due to reasons such as cash dividends distribution, stock dividends, conversion to</p> | August 17, 2022 | February 16, 2026 | Strict performance |

| | | | | | | |
|-------------------------|---------------|--------------|---|-----------------|-------------------|--------------------|
| | | | <p>share capital, or issuance of new shares, corresponding adjustments must be made in accordance with the relevant regulations of the CSRC and the Shenzhen Stock Exchange), the lockup period for ZKTeco stocks I hold directly or indirectly is automatically extended by six months.</p> <p>3. After the expiration of the aforementioned stock lockup period, during my tenure as a director and senior manager of ZKTeco, I will not directly or indirectly transfer more than 25% of the total number of ZKTeco shares held by me each year. Within six months after resignation, I will not transfer or entrust others to manage ZKTeco shares I directly and indirectly hold.</p> <p>4. I will faithfully fulfill the above commitments and bear corresponding legal responsibilities. If I fail to fulfill the obligations and responsibilities conferred by this commitment, I will bear any losses suffered by ZKTeco, other shareholders or stakeholders of ZKTeco. The profits from illegal reduction of company stocks will belong to ZKTeco.</p> <p>5. If there are different provisions in laws, regulations, normative documents, as well as the CSRC or Shenzhen Stock Exchange on the lockup period of the aforementioned shares and the relevant responsibilities that I should bear due to violating the above commitments, I voluntarily and unconditionally comply with these provisions.</p> | | | |
| IPO-related commitments | LX Investment | Stock lockup | <p>1. Within 36 months from the date of ZKTeco's initial public offering and listing, I will not transfer or entrust others to manage the previously issued shares of ZKTeco that the enterprise holds before the public offering, nor will ZKTeco repurchase such shares.</p> <p>2. The enterprise will faithfully fulfill the above commitments and bear corresponding legal responsibilities. If I fail to fulfill the obligations and responsibilities conferred by this commitment, the enterprise will bear any losses suffered by ZKTeco, other shareholders or stakeholders of ZKTeco. The profits from illegal reduction of stocks will belong to ZKTeco.</p> <p>3. If there are different provisions in laws, regulations, normative documents, as well as the CSRC or Shenzhen Stock Exchange on the lockup period of the aforementioned shares and the relevant responsibilities that the enterprise should bear due to violating the above commitments, the enterprise will voluntarily and unconditionally comply with these provisions.</p> | August 17, 2022 | August 16, 2025 | Strict performance |
| IPO-related commitments | JYSJ and JYHY | Stock lockup | <p>1. The enterprise promises to lock in the shares of ZKTeco held in accordance with the following principles:</p> <p>(1) The shares held by the enterprise in ZKTeco are unlocked in four batches, with each batch unlocking one fourth of the shares held by the enterprise. The unlocking period is one year, two years, three years, and four years from the date of ZKTeco's initial public offering and listing. For the shares involved in the aforementioned lockup period arrangement that have not been unlocked, the enterprise will not transfer or entrust others to manage the shares already issued by ZKTeco before its public offering, nor will ZKTeco repurchase such shares.</p> <p>(2) For the newly added shares subscribed by the enterprise by participating in the capital increase of ZKTeco within 6 months prior to the completion of the initial public offering of shares by ZKTeco, the enterprise will not transfer or entrust others to manage the newly added shares held by the enterprise, nor will ZKTeco repurchase such shares within three years from the date of completing the industrial and commercial registration procedures for the</p> | August 17, 2022 | February 17, 2027 | Strict performance |

| | | | | | | |
|-------------------------|--|--------------|---|-----------------|-------------------|--------------------|
| | | | <p>aforementioned capital increase. If a portion of the shares held by a Japanese enterprise whose lockup period expires earlier than the expiration date of the lockup period promised in the first item of this article, the corresponding lockup period for that portion of the shares shall be subject to the first item of this article.</p> <p>2. The enterprise will faithfully fulfill the above commitments and bear corresponding legal responsibilities. If I fail to fulfill the obligations and responsibilities conferred by this commitment, the enterprise will bear any losses suffered by ZKTeco, other shareholders or stakeholders of ZKTeco. The profits from illegal reduction of stocks will belong to ZKTeco.</p> <p>3. If there are different provisions in laws, regulations, normative documents, as well as the CSRC or Shenzhen Stock Exchange on the lockup period of the aforementioned shares and the relevant responsibilities that the enterprise should bear due to violating the above commitments, the enterprise will voluntarily and unconditionally comply with these provisions.</p> | | | |
| IPO-related commitments | JYLX and JYQL | Stock lockup | <p>1. The enterprise promises to lock in the shares of ZKTeco held in accordance with the following principles:</p> <p>(1) The shares held by the enterprise in ZKTeco are unlocked in four batches, with each batch unlocking one fourth of the shares held by the enterprise. The unlocking period is one year, two years, three years, and four years from the date of ZKTeco's initial public offering and listing. For the shares involved in the aforementioned lockup period arrangement that have not been unlocked, the enterprise will not transfer or entrust others to manage the shares already issued by ZKTeco before its public offering, nor will ZKTeco repurchase such shares.</p> <p>(2) For the newly added shares subscribed by the enterprise by participating in the capital increase of ZKTeco within 6 months prior to the completion of the initial public offering of shares by ZKTeco, the enterprise will not transfer or entrust others to manage the newly added shares held by the enterprise, nor will ZKTeco repurchase such shares within three years from the date of completing the industrial and commercial registration procedures for the aforementioned capital increase. If a portion of the shares held by a Japanese enterprise whose lockup period expires earlier than the expiration date of the lockup period promised in the first item of this article, the corresponding lockup period for that portion of the shares shall be subject to the first item of this article.</p> <p>2. The enterprise is willing to bear legal responsibilities arising from violating the above commitments.</p> <p>3. If there are different provisions in laws, regulations, normative documents, as well as the CSRC or Shenzhen Stock Exchange on the lockup period of the aforementioned shares and the relevant responsibilities that the enterprise should bear due to violating the above commitments, the enterprise will voluntarily and unconditionally comply with these provisions.</p> | August 17, 2022 | February 17, 2027 | Strict performance |
| IPO-related commitments | Qingdao Walden, Fuhai Juanyong and Yiwu Walden | Stock lockup | <p>1. If the period from the date of participating in the capital increase subscription of ZKTeco and completing the relevant industrial and commercial changes to the filing date of ZKTeco's initial public offering of stocks is less than 6 months, then within three years from the date of completing the industrial and commercial change registration procedures for the aforementioned</p> | August 17, 2022 | August 16, 2023 | Fulfilled |

| | | | | | | |
|-------------------------|---|--------------|--|-----------------|-----------|--------------------|
| | | | <p>capital increase, the enterprise shall not transfer or entrust others to manage the abovementioned shares held by the enterprise, nor shall ZKTeco repurchase such shares.</p> <p>2. If the newly added shares subscribed for by the enterprise by participating in the capital increase of ZKTeco are more than 6 months away from the filing date of ZKTeco's initial public offering, we will not transfer or entrust others manage the shares of ZKTeco held by the enterprise within one year from the date of ZKTeco's initial public offering and listing, nor shall ZKTeco repurchase such shares.</p> <p>The enterprise is willing to bear legal responsibilities arising from violating the above commitments.</p> <p>If there are different provisions in laws, regulations, normative documents, as well as the CSRC or Shenzhen Stock Exchange on the lockup period of the aforementioned shares and the relevant responsibilities that the enterprise should bear due to violating the above commitments, the enterprise will voluntarily and unconditionally comply with these provisions.</p> | | | |
| IPO-related commitments | Jin Hairong, Ma Wentao, Fu Zhiqian, Jiang Wenna, Wu Xinke, Liu Jijia, Wang Youwu, Li Zhinong, and Guo Yanbo | Stock lockup | <p>1. Strictly abide by the stock lockup commitments made by myself and my shareholding platform, and during the stock lockup period, I will not transfer or entrust others to manage the previously issued shares of ZKTeco that I directly or indirectly hold before the public offering, nor will ZKTeco repurchase such shares;</p> <p>2. During my tenure as a director/supervisor and/or senior manager of ZKTeco, the number of ZKTeco shares transferred annually shall not exceed 25% of the total number of ZKTeco shares held directly or indirectly by me. Within six months after my resignation, I will not transfer the ZKTeco shares held directly or indirectly by me. If I declare my resignation within six months from the date of the initial public offering of ZKTeco, I will not transfer the shares of ZKTeco that I directly or indirectly hold within eighteen months from the date of my resignation. If I declare the resignation between the seventh and twelfth months from the date of the initial public offering of ZKTeco, I will not transfer the ZKTeco shares directly or indirectly held by me within twelve months from the date of declaration for resignation.</p> <p>3. If I reduce my holdings of ZKTeco stocks within two years after the expiration of the lockup period, the reduction price shall not be lower than the issuance price of ZKTeco's initial public offering (if an ex-right or ex-dividend is made due to the distribution of cash dividends, stock dividends, conversion into capital stock, or issuance of new shares after this issuance, corresponding adjustments shall be made in accordance with the relevant regulations of the CSRC and the Shenzhen Stock Exchange).</p> <p>4. Within six months after ZKTeco's initial public offering and listing, if the closing price of ZKTeco's shares is lower than the issuance price of ZKTeco's initial public offering for twenty consecutive trading days (if ex-right or ex-dividend is carried out due to reasons such as cash dividend distribution, stock dividend, conversion to share capital, or issuance of new shares, corresponding adjustments must be made in accordance with the relevant regulations of the CSRC and the Shenzhen Stock Exchange), or the closing price is lower than the issuance price of ZKTeco's initial public offering of stocks at the end of the six-month period after listing (if</p> | August 17, 2022 | Long term | Strict performance |

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| | | | <p>that day is not a trading day, it is the first trading day after that day) (if ex-right or ex-dividend is carried out due to reasons such as cash dividends distribution, stock dividends, conversion to share capital, or issuance of new shares, corresponding adjustments must be made in accordance with the relevant regulations of the CSRC and the Shenzhen Stock Exchange), the lockup period for ZKTeco stocks I hold is automatically extended by six months. The commitment shall not be terminated due to job change or resignation.</p> <p>5. I will faithfully fulfill the above commitments and bear corresponding legal responsibilities. If I fail to fulfill the obligations and responsibilities conferred by this commitment, I will bear any losses suffered by ZKTeco, other shareholders or stakeholders of ZKTeco. The profits from illegal reduction of stocks will belong to ZKTeco.</p> <p>6. If I resign or change my position, it will not affect the validity of this commitment letter, and I will continue to fulfill the above commitments.</p> <p>7. If there are different provisions in laws, regulations, normative documents, as well as the CSRC or Shenzhen Stock Exchange on the lockup period of the aforementioned shares and the relevant responsibilities that I should bear due to violating the above commitments, I voluntarily and unconditionally comply with these provisions.</p> | | | |
| IPO-related commitments | ZKTeco Times | Commitment to avoid horizontal competition | <p>1. The Company and/or any enterprise controlled by the Company, jointly controlled with others, or with significant influence, currently does not engage in any business or activity that constitutes or may constitute horizontal competition with ZKTeco and enterprises controlled by ZKTeco. The Company and/or enterprises controlled by the Company, jointly controlled with others, and with significant influence will not engage in any business or activities that constitute or may constitute horizontal competition with ZKTeco and enterprises controlled by ZKTeco in the future.</p> <p>2. If, due to changes in national laws, policies, or other unavoidable reasons, the Company and/or enterprises controlled by the Company, jointly controlled with others, or with significant influence, constitute or may constitute horizontal competition with ZKTeco, the Company will cease the business and activities that exist in horizontal competition, or the entrusted management, contracted operation, or acquisition of such business that constitutes horizontal competition, and ZKTeco will enjoy priority under equal conditions.</p> <p>3. If ZKTeco expands into new business areas in the future, ZKTeco enjoys priority. The Company and other enterprises or economic organizations controlled by the Company, jointly controlled with others, and with significant influence (excluding ZKTeco and its subsidiaries) will no longer develop similar businesses.</p> <p>The aforementioned commitment shall come into effect from the date of signing, and shall continue to be valid and irrevocable during the period when the Company serves as the controlling shareholder of ZKTeco. If the Company and other companies controlled by the Company violate the aforementioned commitments, the Company will bear the relevant losses suffered by ZKTeco, ZKTeco's other shareholders or stakeholders as a result.</p> | August 17, 2022 | Long term | Strict performance |
| IPO-related | Che Quanhong | Commitment | 1. I and/or the enterprise controlled by me, jointly controlled with others, or with significant | August 17, | Long term | Strict |

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|-------------------------|--------------|---|--|-----------------|-----------|--------------------|
| commitments | | t to avoid horizontal competition | <p>influence, currently does not engage in any business or activity that constitutes or may constitute horizontal competition with ZKTeco and enterprises controlled by ZKTeco. I and/or enterprises controlled by me, jointly controlled with others, and with significant influence will not engage in any business or activities that constitute or may constitute horizontal competition with ZKTeco and enterprises controlled by ZKTeco in the future.</p> <p>2. If, due to changes in national laws, policies, or other unavoidable reasons, I and/or enterprises controlled by me, jointly controlled with others, or with significant influence, constitute or may constitute horizontal competition with ZKTeco, I will cease the business and activities that exist in horizontal competition, or the entrusted management, contracted operation, or acquisition of such business that constitutes horizontal competition, and ZKTeco will enjoy priority under equal conditions.</p> <p>3. If ZKTeco expands into new business areas in the future, ZKTeco enjoys priority. I and other enterprises or economic organizations controlled by me, jointly controlled with others, and with significant influence (excluding ZKTeco and its subsidiaries) will no longer develop similar businesses.</p> <p>The aforementioned commitment shall come into effect from the date of signing, and shall continue to be valid and irrevocable during the period when I serve as the actual controller of ZKTeco. If I and other companies controlled by me violate the aforementioned commitments, I will bear the relevant losses suffered by ZKTeco, ZKTeco's other shareholders or stakeholders as a result.</p> | 2022 | | performance |
| IPO-related commitments | ZKTeco Times | Commitment to standardize and reduce related party transactions | <p>1. The Company and/or enterprises controlled by the Company, jointly controlled with others, and with significant influence will make every effort to reduce related party transactions with ZKTeco and other enterprises under its control.</p> <p>2. For necessary and unavoidable related party transactions, the Company guarantees that the related party transactions will be conducted under normal commercial conditions, and does not require ZKTeco and enterprises under its control to provide any conditions superior to those given to third parties in fair market transactions. The related party transactions involved will comply with relevant laws and regulations, the "Articles of Association", and the "Related Party Transaction Management System", and other relevant provisions of the relevant documents. The Company will timely disclose information to ensure that the legitimate rights and interests of ZKTeco and other shareholders are not harmed through related party transactions;</p> <p>3. During the period when the Company serves as the controlling shareholder of ZKTeco, the Company will faithfully fulfill the above commitments and assume corresponding legal responsibilities. If the violation of the above commitments by the Company and other enterprises controlled by the Company results in damage to the interests of ZKTeco or the legitimate interests of other shareholders, the Company will bear corresponding compensation responsibilities in accordance with the law.</p> | August 17, 2022 | Long term | Strict performance |
| IPO-related commitment | Che Quanhong | Commitment to | 1. I and/or enterprises controlled by me, jointly controlled with others, and with significant influence will make every effort to reduce related party transactions with ZKTeco and other | August 17, 2022 | Long term | Strict performance |

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| s | | standardize and reduce related party transactions | <p>enterprises under its control.</p> <p>2. For necessary and unavoidable related party transactions, I guarantee that the related party transactions will be conducted under normal commercial conditions, and do not require ZKTeco and enterprises under its control to provide any conditions superior to those given to third parties in fair market transactions. The related party transactions involved will comply with relevant laws and regulations, the "Articles of Association", and the "Related Party Transaction Management System", and other relevant provisions of the relevant documents. The Company will timely disclose information to ensure that the legitimate rights and interests of ZKTeco and other shareholders are not harmed through related party transactions;</p> <p>3. During the period when I serve as the actual controller of ZKTeco, the Company will faithfully fulfill the above commitments and assume corresponding legal responsibilities. If the violation of the above commitments by me and other enterprises controlled by me results in damage to the interests of ZKTeco or the legitimate interests of other shareholders, I will bear corresponding compensation responsibilities in accordance with the law.</p> | | | ce |
| IPO-related commitments | Che Quanhong, Jin Hairong, Ma Wentao, Fu Zhiqian, Dong Xiuqin, Pang Chunlin, Zhuo Shuyan, Jiang Wenna, Wu Xinke, Liu Jijia, Wang Youwu, Li Zhinong, and Guo Yanbo | Commitment to standardize and reduce related party transactions | <p>1. I and my immediate family members/other enterprises controlled by me and my immediate family members will make every effort to reduce related party transactions with ZKTeco and other enterprises under its control.</p> <p>2. For necessary and unavoidable related party transactions, I guarantee that the related party transactions will be conducted under normal commercial conditions, and do not require ZKTeco and enterprises under its control to provide any conditions superior to those given to third parties in fair market transactions. The related party transactions involved will comply with relevant laws and regulations, the "Articles of Association", and the "Related Party Transaction Management System", and other relevant provisions of the relevant documents. The Company will timely disclose information to ensure that the legitimate rights and interests of ZKTeco and other shareholders are not harmed through related party transactions;</p> <p>3. I will faithfully fulfill the above commitments and bear corresponding legal responsibilities. If the violation of the above commitments by me and other enterprises controlled by me results in damage to the interests of ZKTeco or the legitimate interests of other shareholders, I will bear corresponding compensation responsibilities in accordance with the law.</p> | August 17, 2022 | Long term | Strict performance |
| IPO-related commitments | ZKTeco Times and Che Quanhong | Shareholding and intention to reduce holdings | <p>1. The Company/I will strictly abide by the restrictions on the circulation of ZKTeco shares and the commitment to voluntary lockup issued by the Company/me, and strictly comply with the relevant provisions of laws, regulations, and normative documents. The Company/I will not reduce our holdings of ZKTeco shares during the lockup period.</p> <p>2. Within two years after the expiration of the lockup period promised by the Company/me, if the Company/I plan(s) to reduce our holdings of ZKTeco shares, the reduction price will not be lower than the issuance price at the time of the initial public offering of the shares (if ZKTeco experiences dividends, stock dividends, or capital gains during this period)</p> <p>For matters such as the conversion of the reserve into shares and other ex-right and ex-dividend matters, the issuance price shall be adjusted accordingly.</p> | August 17, 2022 | Long term | Strict performance |

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| | | | <p>3. After the expiration of the lockup period promised by the Company/me, the Company/I will reduce our holdings of ZKTeco stocks in strict accordance with the relevant provisions of the "Company Law", "Securities Law", CSRC, and stock exchange.</p> <p>4. If the Company/I obtain(s) (excess) income due to failure to fulfill the above commitments, the (excess) income shall belong to ZKTeco and shall be paid to the designated account of ZKTeco within five days of receiving the income. If the Company/I fail(s) to fulfill the above commitments and cause(s) losses to ZKTeco or other investors, the Company/I will bear compensation liability to ZKTeco or other investors in accordance with the law.</p> | | | |
| IPO-related commitments | JYSJ, JYHY and LX Investment | Shareholding and intention to reduce holdings | <p>1. The enterprise will not reduce its holdings of ZKTeco stocks during the lockup period in strict accordance with the commitments issued by the enterprise on the circulation restrictions and voluntary lockup of its holdings of ZKTeco shares, and with the relevant provisions of laws, regulations, and normative documents.</p> <p>2. After the expiration of the lockup period promised by the enterprise, if the enterprise plans to reduce its holdings, it will notify ZKTeco of the reduction in accordance with the regulations of the CSRC and the Shenzhen Stock Exchange, and after the reduction is announced, it will reduce its holdings in accordance with the relevant regulations of the CSRC and the Shenzhen Stock Exchange. If the enterprise fails to fulfill the above commitments, it will agree to bear the legal liability arising from the violation of the above commitments.</p> | August 17, 2022 | Long term | Strict performance |
| IPO-related commitments | ZKTeco | Commitment to stabilizing stock prices | <p>Within three years from the date of the official listing of the Company's stocks, if there is a situation where the closing price of the stocks for 20 consecutive trading days is lower than the latest audited net assets per share of the Company, it will meet the starting conditions of the stable stock price plan.</p> <p>When the closing price of the Company's stock for 20 consecutive trading days is lower than the latest audited net assets per share of the Company, it reaches the starting condition of the stable stock price plan. The Company shall convene a board meeting within 10 trading days to review specific plans for stabilizing the Company's stock price, clarify the implementation period of such specific plans, and initiate the implementation of specific plans for stabilizing the stock price within 5 trading days after the approval of such plans by the shareholders' meeting.</p> <p>When the Company meets the starting conditions for the stable stock price plan, the Company, controlling shareholders, directors (excluding independent directors), and senior managers will carry out the implementation in the following order:</p> <p>① Company repurchase; ② Increase in holdings by controlling shareholders; ③ Directors (excluding independent directors) and senior managers increase their holdings.</p> <p>Until the stopping conditions of the stable stock price plan are met.</p> | August 17, 2022 | August 16, 2025 | Strict performance |

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| IPO-related commitments | ZKTeco Times, Che Quanhong, Jin Hairong, Ma Wentao, Fu Zhiqian, Wang Youwu, Li Zhinong, and Guo Yanbo | Commitment to stabilizing stock prices | When the Company initiates a stock price stabilizing plan in accordance with the "Plan for Stabilizing the Stock Price within Three Years after Listing", it will fulfill corresponding obligations in accordance with the law in strict accordance with the requirements of the stock price stabilizing plan. | August 17, 2022 | August 16, 2025 | Strict performance |
| IPO-related commitments | Mu Wenting | Commitment to stabilizing stock prices | When the Company initiates a stock price stabilizing plan in accordance with the "Plan for Stabilizing the Stock Price within Three Years after Listing", it will fulfill corresponding obligations in accordance with the law in strict accordance with the requirements of the stock price stabilizing plan. | September 16, 2022 | August 16, 2025 | Strict performance |
| IPO-related commitments | ZKTeco | Commitment letter on the absence of false records, misleading statements, or significant omissions in the prospectus and other information disclosure materials | There are no false records, misleading statements, or significant omissions in the prospectus and other information disclosure materials of the Company's initial public offering of stocks and listing on the ChiNext. If it is determined by the CSRC, Shenzhen Stock Exchange, or other competent departments that there are false records, misleading statements, or significant omissions in the prospectus and other information disclosure materials of the Company's initial public offering of stocks and listing on the ChiNext, which constitutes a significant and substantial impact on determining whether the Company meets the issuance conditions stipulated by law: Within 10 trading days from the date when the Shenzhen Stock Exchange or other competent departments determine that the Company has the aforementioned situation, the Company will convene a board meeting and propose to convene a shareholders' meeting to review the proposal to repurchase all shares issued for the initial public offering. The repurchase price will be determined based on the issuance price and with reference to relevant market factors. If it is determined by the CSRC, Shenzhen Stock Exchange, or other competent departments that there are false records, misleading statements, or significant omissions in the prospectus and other information disclosure materials of the Company's initial public offering of stocks and listing on the ChiNext, resulting in losses to investors in securities trading, the Company will compensate investors for losses in accordance with the law according to the relevant decisions of the CSRC, Shenzhen Stock Exchange, or other competent departments. | August 17, 2022 | Long term | Strict performance |
| IPO-related commitments | ZKTeco Times and Che Quanhong | Commitment letter on the absence of false records, misleading statements, or | The prospectus and other information disclosure materials of ZKTeco's initial public offering of stocks and listing on the ChiNext are true, accurate, and complete, without any false records, misleading statements, or significant omissions. If it is determined by the CSRC, Shenzhen Stock Exchange, or other competent departments that ZKTeco has false records, misleading statements, or significant omissions in the prospectus and other information disclosure materials of its initial public offering of stocks and listing on the ChiNext, resulting in losses to investors in securities issuance and trading, the Company/I will compensate investors for losses in accordance with the law according to the provisions of the | August 17, 2022 | Long term | Strict performance |

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| | | significant omissions in the prospectus and other information disclosure materials | relevant decisions of the CSRC, Shenzhen Stock Exchange or other authorized departments. If it is determined by the CSRC, Shenzhen Stock Exchange, or other competent departments that there are false records, misleading statements, or significant omissions in the prospectus and other information disclosure materials of ZKTeco's initial public offering of stocks and its listing on the ChiNext, which constitutes a significant and substantial impact on determining whether ZKTeco meets the issuance conditions stipulated by law, the Company/I will urge ZKTeco to repurchase all new shares issued in the initial public offering in accordance with the law, and at the same time, the Company/I will repurchase the original restricted shares that have been transferred at the price in the secondary market in accordance with the law. When the Company/I repurchase(s) stocks, we will comply with the relevant provisions of the "Company Law", "Securities Law", CSRC and Shenzhen Stock Exchange, as well as the "Articles of Association". | | | |
| IPO-related commitments | Che Quanhong, Jin Hairong, Ma Wentao, Fu Zhiqian, Dong Xiuqin, Pang Chunlin, Zhuo Shuyan, Jiang Wenna, Wu Xinke, Liu Jijia, Wang Youwu, Li Zhinong, and Guo Yanbo | Commitment letter on the absence of false records, misleading statements, or significant omissions in the prospectus and other information disclosure materials | There are no false records, misleading statements, or significant omissions in the prospectus and other information disclosure materials of the Company's initial public offering of stocks and listing on the ChiNext. If there are false records, misleading statements, or significant omissions in the Company's prospectus and other information disclosure materials, resulting in losses to investors in securities issuance and trading, I will compensate the investors for the losses in accordance with the law. If I fail to fulfill the above commitments, I will publicly explain the specific reasons for my failure in the Company's shareholders' meeting and newspapers and magazines designated by the CSRC, apologize to the Company's shareholders and public investors, and cease receiving salary, allowances, and shareholder dividends from the Company from the date of violating the above commitments. Meanwhile, my shares directly or indirectly held in the Company will not be transferred, until I take corresponding compensation measures according to the above commitments and implement them completely. | August 17, 2022 | Long term | Strict performance |
| IPO-related commitments | ZKTeco Times and Che Quanhong | Commitment to fill in diluted immediate returns | (1) Do not interfere with the Company's management activities beyond my authority, and do not encroach on the Company's interests. (2) From the date of issuance of this commitment letter to the completion of the Company's public offering of stocks, if the CSRC makes other new regulatory provisions on filling in return measures and commitments, and the above commitments cannot meet the requirements of the CSRC, the commitment will be issued in accordance with the latest regulations of the CSRC. I promise to effectively fulfill relevant measures for filling in returns in the Company's system and any commitments made on these measures. If I violate these commitments and cause losses to the Company or investors, I will be liable for compensation for the Company or investors in accordance with the law. | August 17, 2022 | Long term | Strict performance |
| IPO-related commitment | ZKTeco, Che Quanhong, Jin | Commitment on | "In order to ensure the effective implementation of the Company's compensation measures, the Company, directors, and senior managers make the following commitments: | August 17, 2022 | Long term | Strict performance |

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| s | Hairong, Ma Wentao, Fu Zhiqian, Dong Xiuqin, Pang Chunlin, Zhuo Shuyan, Wang Youwu, Li Zhinong, and Guo Yanbo | guarantee measures for filling in the diluted immediate return | <p>(1) They will not transfer benefits to other units or individuals free of charge or under unfair conditions, nor will they damage the interests of the Company in other ways;</p> <p>(2) They will constrain duty consumption behavior;</p> <p>(3) They will not use company assets to engage in investment or consumption activities unrelated to their performance of duties;</p> <p>(4) They will actively promote the further improvement of the Company's compensation system, and fully support the linkage between the compensation system formulated by the Company's Board of Directors or compensation committee and the implementation of the Company's compensation measures;</p> <p>(5) If the Company launches an equity incentive plan in the future, I promise to make every effort within my own responsibilities and authority to link the exercise conditions of the equity incentive that the Company intends to announce with the implementation of the Company's compensation and return measures;</p> <p>(6) From the date of issuance of this commitment letter to the completion of the Company's public offering of stocks, if the CSRC makes other new regulatory provisions on filling in return measures and commitments, and the above commitments cannot meet the requirements of the CSRC, the commitment will be issued in accordance with the latest regulations of the CSRC.</p> <p>I promise to effectively fulfill relevant measures for filling in returns in the Company's system and any commitments made on these measures. If I violate these commitments and cause losses to the Company or investors, I will be liable for compensation for the Company or investors in accordance with the law."</p> | | | ce |
| IPO-related commitments | ZKTeco | Commitment on relevant binding measures in case of failure to fulfill commitments | <p>If the Company fails to fulfill the commitments disclosed in the prospectus, the specific reasons for the failure will be disclosed through the Company's shareholders' meeting, securities regulatory authority, or designated channels of the Shenzhen Stock Exchange, as appropriate, and supplementary or alternative commitments will be proposed to the Company's investors to protect their rights and interests as much as possible.</p> <p>If investors suffer losses in securities trading due to the Company's failure to fulfill relevant commitments, the Company will compensate the investors for the relevant losses in accordance with the law. Within 10 days after the securities regulatory authority or other competent departments determine that the Company has the aforementioned situation, the Company will initiate relevant work to compensate investors for losses. Investor losses are determined based on the amount determined through consultation with investors, or based on methods or amounts recognized by securities regulatory authorities or judicial authorities.</p> | August 17, 2022 | Long term | Strict performance |
| IPO-related commitments | ZKTeco Times | Commitment on relevant binding measures in case of failure to | <p>1. If the Company fails to fulfill the commitments disclosed in the prospectus, the specific reasons for the failure will be disclosed through ZKTeco's shareholders' meeting, securities regulatory authority, or designated channels of the Stock Exchange, as appropriate, and supplementary or alternative commitments will be proposed to ZKTeco's investors to protect their rights and interests as much as possible.</p> <p>2. If investors suffer losses in securities trading due to the Company's failure to fulfill relevant</p> | August 17, 2022 | Long term | Strict performance |

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| | | fulfill commitments | <p>commitments, the Company will compensate the investors for the relevant losses in accordance with the law.</p> <p>3. If the Company fails to bear the aforementioned compensation liability, the shares of ZKTeco held by the Company shall not be transferred until the Company has fulfilled the aforementioned compensation liability, and ZKTeco has the right to deduct the cash dividends distributed to the Company for bearing the aforementioned compensation liability.</p> <p>4. During the period when the Company serves as the controlling shareholder of ZKTeco, if ZKTeco fails to fulfill the commitments disclosed in the prospectus and causes losses to investors, the Company promises to bear compensation liability in accordance with the law.</p> | | | |
| IPO-related commitments | Che Quanhong | Commitment on relevant binding measures in case of failure to fulfill commitments | <p>1. If I fail to fulfill the commitments disclosed in the prospectus, the specific reasons for the failure will be disclosed through ZKTeco's shareholders' meeting, securities regulatory authority, or designated channels of the Stock Exchange, as appropriate, and supplementary or alternative commitments will be proposed to ZKTeco's investors to protect their rights and interests as much as possible.</p> <p>2. If investors suffer losses in securities trading due to my failure to fulfill relevant commitments, I will compensate the investors for the relevant losses in accordance with the law.</p> <p>3. If I fail to bear the aforementioned compensation liability, the shares of ZKTeco held by me shall not be transferred until I have fulfilled the aforementioned compensation liability, and ZKTeco has the right to deduct the cash dividends distributed to me for bearing the aforementioned compensation liability.</p> <p>4. During the period when I serve as the actual controller of ZKTeco, if ZKTeco fails to fulfill the commitments disclosed in the prospectus and causes losses to investors, I promise to bear compensation liability in accordance with the law.</p> | August 17, 2022 | Long term | Strict performance |
| IPO-related commitments | Che Quanhong, Jin Hairong, Ma Wentao, Fu Zhiqian, Dong Xiuqin, Pang Chunlin, Zhuo Shuyan, Jiang Wenna, Wu Xinke, Liu Jiajia, Wang Youwu, Li Zhinong, and Guo Yanbo | Commitment on relevant binding measures in case of failure to fulfill commitments | <p>1. If I fail to fulfill the public commitments made by myself in the prospectus of ZKTeco's initial public offering and listing on the ChiNext:</p> <p>(1) I will publicly explain the specific reasons for not fulfilling my commitments in the Company's shareholders' meeting and newspapers and magazines designated by the CSRC, and apologize to the Company's shareholders and public investors.</p> <p>(2) I will stop receiving my salary within 10 trading days from the date of the aforementioned event, and my shares directly or indirectly held in the Company (if any) shall not be transferred until I fulfill the relevant commitments.</p> <p>2. If I fail to fulfill the relevant commitments, I will be liable for compensation to the Company or investors in accordance with the law.</p> | August 17, 2022 | Long term | Strict performance |
| IPO-related commitments | ZKTeco | Commitment to repurchase | <p>(1) The Company guarantees that there will be no fraudulent issuance of shares in this public offering and listing on the ChiNext.</p> <p>(2) If the securities regulatory authorities, stock exchanges, or judicial authorities determine that</p> | August 17, 2022 | Long term | Strict performance |

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| | | shares for fraudulent issuance and listing | the Company has engaged in fraudulent issuance behavior, which has a significant substantive impact on determining whether the Company meets the issuance conditions stipulated by law, the Company will initiate the share repurchase procedure in accordance with relevant laws and regulations and the Company's Articles of Association within 5 working days after final determination by the securities regulatory authorities, stock exchanges, or judicial authorities to repurchase all new shares issued by the Company in this public offering. | | | |
| IPO-related commitments | ZKTeco Times and Che Quanhong | Commitment to repurchase shares for fraudulent issuance and listing | (1) Guarantee that there will be no fraudulent issuance of shares in ZKTeco's public offering and listing on the ChiNext. (2) If the securities regulatory authorities, stock exchanges, or judicial authorities determine that ZKTeco has engaged in fraudulent issuance, the Company/I will initiate a share repurchase procedure within 5 working days after confirmation by the securities regulatory authorities, stock exchanges, or judicial authorities to repurchase all original restricted shares transferred by the Company/me. | August 17, 2022 | Long term | Strict performance |
| IPO-related commitments | Che Quanhong, Jin Hairong, Ma Wentao, Fu Zhiqian, Dong Xiuqin, Pang Chunlin, Zhuo Shuyan, Jiang Wenna, Wu Xinke, Liu Jiajia, Wang Youwu, Li Zhinong, and Guo Yanbo | Commitment to repurchase shares for fraudulent issuance and listing | (1) I guarantee that there is no fraudulent issuance of ZKTeco's initial public offering and listing on the ChiNext. (2) If the securities regulatory authorities, stock exchanges, or judicial authorities determine that ZKTeco has engaged in fraudulent issuance behavior, causing investors to suffer losses in securities issuance and trading, I will compensate investors for their losses in accordance with the law after the securities regulatory authorities, stock exchanges, or judicial authorities determine the compensation liability. (3) If I violate the above commitments, I will publicly explain the specific reasons for my failure to fulfill them in the shareholders' meeting of ZKTeco and newspapers and magazines designated by the CSRC, and apologize to shareholders and public investors. Within 5 working days from the date of the violation of the above commitments, I will stop receiving salary or allowances and shareholder dividends from ZKTeco, and my shares in ZKTeco will not be transferred, until I take corresponding compensation measures according to the above commitments and implement them completely. | August 17, 2022 | Long term | Strict performance |
| IPO-related commitments | ZKTeco | Special commitment on shareholder information disclosure | The Company's shareholders include ZKTeco Times, Che Quanhong, LX Investment, JYSJ, JYHY, JYLX, JYQL, Fuhai Juanyong, Yiwu Walden, and Qingdao Walden. Among them, Che Quanhong is the actual controller of the Company, ZKTeco Times is a limited liability company jointly held by Che Quanhong and his brother Che Quanzhong, LX Investment is a limited partnership jointly held by Che Quanhong and his father Che Jun, and individual De Wang, and JYSJ, JYHY, JYLX and JYQL are the employee stock holding platform of the Company, and Fuhai Juanyong, Yiwu Walden and Qingdao Walden are investors introduced by the Company. Fuhai Junyong, Yiwu Walden and Qingdao Walden are private investment funds registered with the Asset Management Association of China (AMAC). The aforementioned entities all have the qualification to hold shares in the Company, and there is no situation where entities prohibited by laws and regulations from holding shares directly or indirectly hold shares in the Company. The intermediary or its responsible persons, senior managers, or handlers involved in this issuance do | August 17, 2022 | Long term | Strict performance |

| | | | | | | |
|---|-------------------------------|-------------------|---|-----------------|-----------|--------------------|
| | | | <p>not directly or indirectly hold any shares or other interests of the Company. There is no situation where shareholders of the Company engage in improper transfer of benefits through the Company's equity.</p> <p>The Company and its shareholders have promptly provided truthful, accurate, and complete information to the intermediary involved in this issuance, actively and comprehensively cooperated with the intermediary involved in this issuance to conduct due diligence, and truthfully, accurately, and completely disclosed shareholder information in the application documents for this issuance in accordance with the law, fulfilling the obligation of information disclosure.</p> | | | |
| IPO-related commitments | ZKTeco Times and Che Quanhong | Other commitments | <p>If a lawsuit, arbitration dispute, or administrative penalty occurs due to the Company's involvement in the installation and use of unauthorized software, we voluntarily and jointly bear all economic consequences and losses for the Company, and will not seek compensation from the Company under any conditions or methods.</p> | August 17, 2022 | Long term | Strict performance |
| IPO-related commitments | ZKTeco Times and Che Quanhong | Other commitments | <p>1. If ZKTeco (including its predecessor) and its controlling subsidiaries fail to pay social insurance premiums and/or housing provident fund for employees in accordance with the law or in full, causing ZKTeco and/or its controlling subsidiaries to have a supplementary payment obligation or suffer any fines or losses, the Company/I will unconditionally and voluntarily bear such supplementary payment obligation, fines or losses to ensure that ZKTeco and its holding subsidiaries do not suffer any economic losses due to such matters.</p> <p>2. If ZKTeco (including its predecessor) and its controlling subsidiaries use labor employment methods in certain positions, causing ZKTeco and/or its controlling subsidiaries to suffer any fines or losses, the Company/I will unconditionally and voluntarily bear such fines or losses to ensure that ZKTeco and its controlling subsidiaries do not suffer any economic losses due to such matters.</p> <p>The aforementioned commitments are unconditional and irrevocable.</p> <p>The Company/I will bear any losses suffered by stakeholders as a result of violating the aforementioned commitments.</p> | August 17, 2022 | Long term | Strict performance |
| IPO-related commitments | ZKTeco Times and Che Quanhong | Other commitments | <p>If the Company is unable to continue using the defective property due to defects, or if the relevant government authorities require the demolition of the relevant property or impose penalties on the Company in the future, they will unconditionally bear all losses, costs, and expenses incurred by the Company arising therefrom.</p> | August 17, 2022 | Long term | Strict performance |
| Whether the commitment is fulfilled on time | Yes | | | | | |

2. If there are assets or projects of the Company which have profit forecast while the reporting period is still in the profit forecast period, the Company shall state whether the assets or projects meet the original profit forecast and the reasons

Applicable Not applicable

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. Explanation Given by the Board of Directors on the Latest "Non-standard Audit Report"

Applicable Not applicable

V. Explanation Given by the Board of Directors, Board of Supervisors, and Independent Directors (if any) on the "Non-standard Audit Report" Issued by the CPA Firm for the Current Reporting Period

Applicable Not applicable

VI. Explanation Given by the Board of Directors on Changes in Accounting Policies, Accounting Estimates, or Correction of Major Accounting Errors during the Reporting Period

Applicable Not applicable

VII. Explanation on Changes in the Scope of Consolidated Financial Statements Compared to the Financial Report for the Previous Year

Applicable Not applicable

During the reporting period, the Company established eight new subsidiaries within the consolidation scope, as shown below:

| S/N | Company Name | Establishment Date | Registered Capital | Percentage of shares (%) | Reason for Change |
|-----|---------------------|--------------------|--------------------|--------------------------|-------------------|
| 1 | RALVIE AI INC. | August 22, 2023 | USD 10,000 | 100.00 | New establishment |
| 2 | ZKDIGIMAX PTE. LTD. | March 7, 2023 | USD 20 million | 80.00 | New establishment |

| | | | | | |
|---|---------------------------|------------------|-------------------|--------|-------------------|
| 3 | ZKDIGIMAX PANAMA, S.A. | April 11, 2023 | USD 10,000 | 80.00 | New establishment |
| 4 | ZKDIGIMAX COLOMBIA SAS | April 26, 2023 | COP 10 million | 80.00 | New establishment |
| 5 | ZKDIGIMAX (PTY) LTD | March 14, 2023 | --- | 80.00 | New establishment |
| 6 | PT. ZKDIGIMAX EXCEL NOBLE | May 25, 2023 | IDR 10.01 billion | 56.00 | New establishment |
| 7 | ZKDIGIMAX CHINA CO., LTD. | May 18, 2023 | USD 300,000 | 80.00 | New establishment |
| 8 | ZK TECHNOLOGY MOROCCO | October 17, 2023 | MAD 100,000 | 100.00 | New establishment |

Note: ZKDIGIMAX (PTY) LTD uses the paid up capital as its registered capital, which has not been paid as of the end of the period; on August 7, 2023, Xiamen ZKTeco Cloud Valley Design and Development Co., Ltd. was deregistered, and at the end of the period, the subsidiary was no longer included in the consolidation scope.

VIII. Appointment and Dismissal of Accounting Firms

Accounting firm currently employed

| | |
|---|--|
| Name of domestic accounting firms | Dahua Certified Public Accountants (Special General Partnership) |
| Remuneration of domestic accounting firms (RMB '0,000) | 130 |
| Continuous years of audit services of domestic accounting firms | 1 |
| Name of certified public accountant (CPA) of domestic accounting firms | Li Hanbing, Chen Ming |
| Continuous years of audit services provided by certified public accountant (CPA) of domestic accounting firms | 1 |

Whether the accounting firm was changed in the reporting period

Yes No

Whether to hire a new accounting firm during the audit period

Yes No

Whether the replacement of the accounting firm follows the approval procedure

Yes No

Explanations on the appointment and dismissal of accounting firms

Whereas the audit institution Baker Tilly China Certified Public Accountants (Special General Partnership) has provided audit services to the Company for 7 consecutive years, and in accordance with the relevant provisions of the "Notice on Issuing the Management Measures for the Selection of Accounting Firms for State-owned Enterprises and Listed Companies" (CK [2023] No. 4) issued by the Ministry of Finance of the People's Republic of China, the State-owned Assets Supervision and Administration Commission of the State Council, and the China Securities Regulatory Commission, in order to ensure the independence and objectivity of audit, and taking into account the Company's future business development, demand for audit services, personnel arrangements and work plans of the accounting firm, the Company held the 7th Session of the Third Board Meeting on November 10, 2023 and the 4th Extraordinary General Meeting of Shareholders in 2023 on November 27, 2023, which deliberated and approved the "Proposal on Proposed Change of Accounting Firm". They agreed to hire Dahua Certified Public Accountants (Special General Partnership) as the Company's audit institution for the year 2023.

Appointment of audit accounting firms, financial advisors or sponsors for internal control

Applicable Not applicable

IX. Delisting after the Disclosure of the Annual Report

Applicable Not applicable

X. Matters Related to Bankruptcy Reorganization

Applicable Not applicable

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

XI. Material Litigation and Arbitration

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 |
|---|------------------------------|--|--|--|--|-----------------|--|
| Patent dispute filed by Hanwang Technology Co., Ltd. against the Company and its subsidiary XIAMEN ZKTECO | 11,048.6 | No | The Beijing Intellectual Property Court has ruled to reject all lawsuits filed by the other party | The court ruled to dismiss the other party's lawsuit, which has no impact on the Company | Not involved | June 30, 2023 | "Announcement on the Progress of Litigation Matters" on CNINFO (Announcement No.: 2023-059) |
| Unfair competition dispute filed by the Company against Zokon Industry | 200 | No | The Guangdong Higher People's Court ruled on August 25, 2023 to reject the application for retrial | The second instance court ruled that Zokon Industry compensate the Company and Shenzhen ZKTeco for a loss of RMB 2 million | The Company and Shenzhen ZKTeco submitted an "Application for Execution" to the Shenzhen Intermediate People's Court and was accepted by the Shenzhen Intermediate People's Court. As the other party had no property available for execution, the court ruled on September 25, 2023 to terminate the execution. On October 27, 2023, the court notified the Company to freeze the execution fee of RMB 25,004.51 from Zokon | August 30, 2023 | CNINFO (http://www.cninfo.com.cn) "2023 Half Year Report of ZKTECO CO., LTD." (Announcement No. 2023-062) |

| | | | | | Industry | | |
|--|---------|-----|--|--|--|-----------------|--|
| Disputes filed by Zokon Industry over infringement of trademark rights and unfair competition against the Company and Shenzhen Xinjiacheng Intelligent Technology Co., Ltd. | 60 | Yes | The Guangdong Higher People's Court issued a civil judgment (2022) YMZ No. 4634 on December 29, 2023, rejecting the appeal of the Company and upholding the original judgment. | The Company has suspended the description of "Zokon" on relevant platforms and compensated Zokon Industry with a total of RMB 600,000 for economic losses and reasonable expenses for rights protection; the judgment result has no significant impact on the Company's production and operation | Not yet executed | August 30, 2023 | CNINFO (http://www.cninfo.com.cn) "2023 Half Year Report of ZKTECO CO., LTD." (Announcement No. 2023-062) |
| Other lawsuits/arbitrations where the Company (including subsidiary companies in the consolidated financial statements) as the plaintiff fails to meet the disclosure standards for major lawsuits | 1,688.2 | No | The Company strictly follows the progress of each case | No significant impact | The Company strictly follows the progress of each case | August 30, 2023 | CNINFO (http://www.cninfo.com.cn) "2023 Half Year Report of ZKTECO CO., LTD." (Announcement No. 2023-062) |
| 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 | 155.48 | No | The Company strictly follows the progress of each case | No significant impact | The Company strictly follows the progress of each case | August 30, 2023 | CNINFO (http://www.cninfo.com.cn) "2023 Half Year Report of ZKTECO CO., LTD." (Announcement No. 2023-062) |

XII. Punishment and Rectification

Applicable Not applicable

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

XIII. 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.

XIV. 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 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.

XV. 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

Explanations on leasing

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

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

Applicable Not applicable

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

2. Significant guarantee

Applicable Not applicable

Unit: RMB '0,000

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

| Object | Guarantee limit related announcements | Amount | Effective date | Guarantee amount | Type | Collateral (if any) | Counter guarantee (if any) | Guarantee period | Whether fulfilled | Guarantee for related parties |
|--|--|------------------|------------------------|---|---------------------------------------|---------------------|----------------------------|------------------|-------------------------------|--|
| ZKTECO (GUANGDONG) CO., LTD | April 28, 2023 | 25,000 | December 16, 2019 | 0.00 | Joint and several liability guarantee | | | 15 years | No | No |
| Total approved guarantee amount for subsidiaries during the reporting period (B1) | | 100,000 | | Total actual amount of guarantee for subsidiaries during the reporting period (B2) | | 0 | | | | |
| Total approved guarantee amount for subsidiaries at the end of the reporting period (B3) | | 100,000 | | Total actual guarantee balance for subsidiaries at the end of the reporting period (B4) | | 0 | | | | |
| Guarantee provided by subsidiaries to subsidiaries | | | | | | | | | | |
| Name of guarantee object | Disclosure date of guarantee limit related announcements | Guarantee amount | Actual occurrence date | Actual guarantee amount | Type of guarantee | Collateral (if any) | Counter guarantee (if any) | Guarantee period | Whether it has been fulfilled | Whether to guarantee for related parties |
| Total amount of company guarantee (i.e. the total of the first three major items) | | | | | | | | | | |
| Total approved guarantee amount during the reporting period (A1+B1+C1) | | 100,000 | | Total actual amount of guarantees incurred during the reporting period (A2+B2+C2) | | 0 | | | | |
| Total approved guarantee amount at the end of the reporting period (A3+B3+C3) | | 100,000 | | Total actual guarantee balance at the end of the reporting period (A4+B4+C4) | | 0 | | | | |
| Proportion of actual total guarantee amount (i.e. A4+B4+C4) to the Company's net assets | | | | 0.00% | | | | | | |
| Including: | | | | | | | | | | |
| Balance of guarantees provided to shareholders, actual controllers, and their related parties (D) | | | | 0 | | | | | | |
| Balance of debt guarantee provided directly or indirectly for guaranteed objects with an asset liability ratio exceeding 70% (E) | | | | 0 | | | | | | |
| Amount of the total guarantee exceeding | | | | 0 | | | | | | |

| | |
|--|----------------|
| 50% of net assets (F) | |
| Total amount of the above three guarantees (D+E+F) | 0 |
| Explanations of situations where there is a guarantee liability or evidence indicating the possibility of assuming joint and several liability for the unexpired guarantee contract during the reporting period (if any) | Not applicable |
| Explanations of providing external guarantees in violation of prescribed procedures (if any) | Not applicable |

Explanations of the specific situation of using composite guarantee

Not applicable

3. Entrustment of others to manage cash assets

(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 | 5,571.68 | 2,965.63 | 0 | 0 |
| Bank financial products | Own funds | 1,902.11 | 1,902.11 | 0 | 0 |
| Bank financial products | Own funds | 42.38 | 0 | 0 | 0 |
| Bank financial products | Own funds | 145.95 | 75.12 | 0 | 0 |
| Bank financial products | Own funds | 3,000 | 3,000 | 0 | 0 |
| Bank financial products | Fundraising | 14,760 | 0 | 0 | 0 |
| Other categories | Own funds | 133.35 | 79.62 | 0 | 0 |
| Total | | 25,555.47 | 8,022.48 | 0 | 0 |

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

Applicable Not applicable

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

Applicable Not applicable

(2) Entrusted loan

Applicable Not applicable

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

4. Other significant contracts

Applicable Not applicable

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

XVI. Other Significant Events

Applicable Not applicable

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

XVII. Significant Events of the Company's Subsidiaries

Applicable Not applicable

Section VII Changes in Shares and Information about Shareholders

I. Changes in Shares

1. Changes in shares

Unit: share

| | Before the change | | Increase or decrease in this change (+, -) | | | | | After this change | |
|--|-------------------|------------|--|-------|--|-------------|------------|-------------------|------------|
| | Quantity | Proportion | Issue new shares | Bonus | Share transferred from capital reserve | Others | Subtotal | Quantity | Proportion |
| I. Restricted shares | 115,239,376 | 77.61% | 19,987 | | 34,012,262 | -20,944,466 | 13,087,783 | 128,327,159 | 65.92% |
| 1. Shares held by State | | | | | | | | | |
| 2. Shares held by state-owned legal persons | 6,996 | 0.00% | | | | -6,996 | -6,996 | 0 | |
| 3. Shares held by other domestic enterprises | 115,227,138 | 77.60% | 19,987 | | 34,012,262 | -20,932,228 | 13,100,021 | 128,327,159 | 65.92% |
| Including: shares held by domestic legal persons | 89,051,893 | 59.97% | | | 26,160,962 | -20,927,983 | 5,232,979 | 94,284,872 | 48.43% |
| Shares held by domestic natural persons | 26,175,245 | 17.63% | 19,987 | | 7,851,300 | -4,245 | 7,867,042 | 34,042,287 | 17.49% |
| 4. Foreign shareholding | 5,242 | 0.00% | | | | -5,242 | -5,242 | 0 | |
| Including: shares held by overseas legal persons | 5,158 | 0.00% | | | | -5,158 | -5,158 | 0 | |
| Shares held by overseas natural persons | 84 | 0.00% | | | | -84 | -84 | 0 | |
| II. Shares not subject to trading restrictions | 33,252,675 | 22.39% | 1,619,855 | | 10,535,353 | 20,944,466 | 33,099,674 | 66,352,349 | 34.08% |
| 1. RMB | 33,252,675 | 22.39% | 1,619,855 | | 10,535,353 | 20,944,466 | 33,099,674 | 66,352,349 | 34.08% |

| | | | | | | | | | |
|-----------------------------------|-------------|---------|-----------|--|------------|--|------------|-------------|---------|
| denominated ordinary shares | | | | | | | | | |
| 2. Domestic listed foreign shares | | | | | | | | | |
| 3. Overseas listed foreign shares | | | | | | | | | |
| 4. Others | | | | | | | | | |
| III. Total shares | 148,492,051 | 100.00% | 1,639,842 | | 44,547,615 | | 46,187,457 | 194,679,508 | 100.00% |

Reasons for changes in shares

Applicable Not applicable

1、 Reasons for changes in restricted shares

On February 17, 2023, the lockup period of the Company's initial public offering of offline restricted shares expired and the shares went public. The number of shareholders with the restrictions lifted was 5,361, with 1,865,168 shares, accounting for 1.26% of the Company's total share capital at the time of lifting the restrictions;

On August 22, 2023, some of the shares already issued before the Company's initial public offering and the strategic allocation shares in the initial public offering were lifted from restrictions and listed for circulation. The number of shareholders with the restrictions lifted was 9, with 19,079,298 shares, accounting for 9.8836% of the Company's total share capital at the time of lifting the restrictions;

On November 22, 2023, the shares obtained by Jin Hairong, the Director and General Manager of the Company, Fu Zhiqian, the Director, and Mu Wenting, the senior managers, from the first grant of the first attribution period under the 2022 restricted share incentive plan were locked up at a ratio of 75% in accordance with relevant regulations. A total of 19,987 restricted shares were added.

2、 Reasons for changes in total shares

Conversion of capital reserve to share capital: On May 25, 2023, the Company disclosed the "2022 Annual Equity Distribution Implementation Announcement". After deliberation and approval by the Company's 2022 Annual General Meeting, the Company converted 3 shares of capital reserve to all shareholders for every 10 shares. After the completion of the capital reserve conversion, the total share capital of the Company increased from 148,492,051 shares to 193,039,666 shares.

On November 17, 2023, the Company disclosed the "Announcement on the Attribution Results of the First Attribution Period of the 2022 Restricted Share Incentive Plan and the Listing of Shares". After deliberation and approval by the 7th Session of the Third Board Meeting, the attribution condition for the first grant of the first attribution period under the Company's 2022 Restricted Share Incentive Plan was met, and the number of attributed shares was 1,639,842 shares, which were listed for circulation on November 22, 2023. After the completion of the attribution, the total share capital of the Company increased from 193,039,666 shares to 194,679,508 shares.

Approval of changes in shares

Applicable Not applicable

The 2022 annual equity distribution proposal of the Company has been deliberated and approved by the 2022 annual general meeting held on May 19, 2023, and the Company disclosed the "2022 Annual Equity Distribution Implementation Announcement" (Announcement No.: 2023-049) on CNINFO (<http://www.cninfo.com.cn>) on May 25, 2023;

The attribution condition for the first attribution period of the first grant under the 2022 Restricted Share Incentive Plan of the Company has been met, and it has been approved by the 7th Session of the Third Board Meeting and the 7th Session of the Third Supervisory Board Meeting held on November 10, 2023. In addition, the "Announcement on the Achievement of Attribution Conditions for the First Attribution Period of the 2022 Restricted Share Incentive Plan" (Announcement No. 2023-081) was disclosed on November 11, 2023 on CNINFO (<http://www.cninfo.com.cn>).

Transfer of changes in shares

Applicable Not applicable

The registration date for the Company's annual equity distribution in 2022 is May 30, 2023, and the ex-dividend date is May 31, 2023. The increased shares were registered in the shareholder's securities account on May 31, 2023.

The attribution condition for the first grant of the first attribution period under the Company's 2022 Restricted Share Incentive Plan was met, and the number of attributed shares was 1,639,842 shares. The shares attributed this time were registered in the relevant incentive object's securities account on November 21, 2023.

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

Applicable Not applicable

During the reporting period, due to the Company's implementation of converting capital reserve to share capital and the 2022 restricted share incentive plan granting the first attribution period of shares for the first time, the total share capital increased from 148,492,051 shares to 194,679,508 shares, resulting in corresponding dilution of EPS and net assets per share. The relevant data can be found in "V. Main Accounting Data and Financial Indicators" of "Section II Company Profile and Key Financial Indicators" of the report.

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

Applicable Not applicable

2. Changes in restricted shares

Applicable Not applicable

Unit: share

| Name of shareholder | Number of restricted shares at the beginning of the period | Increase in restricted shares during the period | Number of shares released from trading restrictions in this period | Number of restricted shares at the end of the period | Reason for restrictions | Date of releasing from trading restrictions |
|---|--|---|--|--|------------------------------|---|
| Shenzhen ZKTeco Times Investment Co., Ltd. | 45,000,000 | 13,500,000 | 0 | 58,500,000 | Restricted shares before IPO | February 17, 2026 |
| Che Quanhong | 26,171,000 | 7,851,300 | 0 | 34,022,300 | Restricted shares before IPO | February 17, 2026 |
| Shenzhen JYSJ Investment Enterprise (Limited Partnership) | 10,852,000 | 3,255,600 | 3,526,900 | 10,580,700 | 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 JYHY Investment Enterprise (Limited Partnership) | 10,708,500 | 3,212,550 | 3,480,263 | 10,440,787 | 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 |
| Dongguan LX Investment Partnership Enterprise | 7,600,000 | 2,280,000 | 0 | 9,880,000 | Restricted shares before IPO | August 17, 2025 |

| | | | | | | |
|---|-----------|-----------|-----------|-----------|------------------------------|---|
| (Limited Partnership) | | | | | | |
| Shenzhen JYLY Consulting Enterprise (Limited Partnership) | 3,652,600 | 1,095,780 | 1,187,095 | 3,561,285 | 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 Fuhai Juanyong I Venture Investment Fund (Limited Partnership) | 2,009,646 | 602,894 | 2,612,540 | 0 | Restricted shares before IPO | August 22, 2023 |
| Huaxin Yuanchuang (Qingdao) Investment Management Co., Ltd. - Yiwu Walden Yuanjing Venture Capital Center (Limited Partnership) | 1,406,752 | 422,025 | 1,828,777 | 0 | Restricted shares before IPO | August 22, 2023 |
| Huaxin Yuanchuang (Qingdao) Investment Management Co., Ltd. - Qingdao Walden Zhongxiang Investment Center (Limited Partnership) | 2,612,540 | 783,762 | 3,396,302 | 0 | Restricted shares before IPO | August 22, 2023 |
| Shenzhen JYQL Investment Consulting Enterprise (Limited Partnership) | 1,356,000 | 406,800 | 440,700 | 1,322,100 | 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 |
| Changjiang Wealth Asset Management - Bank of Nanjing - Changjiang Wealth - ZKTeco Employee | 1,733,148 | 519,944 | 2,253,092 | 0 | Restricted shares after IPO | August 22, 2023 |

| | | | | | | |
|--|-----------|--------|-----------|-------|-----------------------------|---|
| Strategic Placement No.1 Collective Asset Management Plan | | | | | | |
| Changjiang Wealth Asset Management - Bank of Nanjing - Changjiang Wealth - ZKTeco Employee Strategic Placement No.2 Collective Asset Management Plan | 272,022 | 81,607 | 353,629 | 0 | Restricted shares after IPO | August 22, 2023 |
| Offline issuance restricted shares | 1,865,168 | 0 | 1,865,168 | 0 | Restricted shares after IPO | February 17, 2023 |
| Fu Zhiqian | 0 | 5,362 | 0 | 5,362 | 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 |
| Jin Hairong | 0 | 5,850 | 0 | 5,850 | 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 | 0 | 8,775 | 0 | 8,775 | 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 | 115,239,376 | 34,032,249 | 20,944,466 | 128,327,159 | -- | -- |

II. Issuance and Listing of Securities

1. Securities issuance (excluding preferred shares) during the reporting period

Applicable Not applicable

| Type of stocks and derivative securities | Issue Date | Issue Price (or Interest Rate) | Number of Issues | Listing Date | Listing approved amount (share) | Transaction Termination Date | Disclosure Index | Disclosure Date |
|--|-------------------|--------------------------------|------------------|-------------------|---------------------------------|------------------------------|--|-------------------|
| Stock Category | | | | | | | | |
| Restricted share | November 22, 2023 | RMB 14.12/share | 1,639,842 | November 22, 2023 | 1,639,842 | | "Announcement on the Attribution Results of the First Attribution Period of the 2022 Restricted Share Incentive Plan and the Listing of Shares of ZKTECO CO., LTD." (Announcement No. 2023-087) on the website of CNINFO | November 17, 2023 |
| Convertible corporate bonds, convertible corporate bonds with separate transactions and other derivative securities of corporate bonds | | | | | | | | |

Explanations on securities issuance (excluding preferred shares) during the reporting period

Explanations on the Attribution Results of the First Attribution Period of the 2022 Restricted Share Incentive Plan and the Listing of Shares:

On November 10, 2023, the Company held the 7th Session of the Third Board Meeting and the 7th 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 2022 Restricted Share Incentive Plan". The attribution condition for the first grant of the first attribution period under the Company's 2022 Restricted Share Incentive Plan was 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 1,639,842 shares, with an attributable price of RMB 14.12 per share. The listing and circulation date was November 22, 2023.

2. Explanations on Changes in Total Share Capital, the Structure of Shareholders, and the Structure of Assets and Liabilities of the Company

Applicable Not applicable

During the reporting period, due to the implementation of the 2022 annual equity distribution proposal, the Company increased its total share capital from 148,492,051 shares to 193,039,666 shares by converting 3 shares per 10 shares to share capital for all shareholders; due to the share attribution when the attribution condition for the first grant of the first attribution period under the Company's 2022 Restricted Share Incentive Plan is met, the total share capital of the Company increased from 193,039,666 shares to 194,679,508 shares.

As of the end of 2023, the total assets of the Company were RMB 3.9239007 billion, an increase of 7.07% compared to the end of 2022 (RMB 3.6646799 billion); the total liabilities were RMB 633.1114 million, an increase of 12.26% compared to the end of 2022 (RMB 563.9592 million), and the asset liability ratio was 16.13%, maintaining within a reasonable range.

3. Internal employee shares

Applicable Not applicable

III. Shareholders and Actual Controllers

1. Number of shareholders of the Company and shareholding

Unit: share

| Total number of common shareholders at the end of the reporting period | 20,213 | Total number of common shareholders at the end of the previous month before the disclosure date of the annual report | 19,470 | Total number of preferred shareholders whose voting rights have been recovered at the end of the reporting period (if any) (see Note 9) | 0 | Total number of preferred shareholders whose voting rights have been recovered at the end of last month before the disclosure date of the annual report (if any) (see Note 9) | 0 | Total number of shareholders holding special voting shares (if any) | 0 |
|--|-----------------------|--|--|---|--|---|---------------------------|---|---|
| Particulars about shareholders holding more than 5% or the top 10 shareholders (excluding shares lent through refinancing) | | | | | | | | | |
| Name of shareholder | Nature of shareholder | Percent age of shares | Total shares held at the end of the reporting period | Changes in increase and decrease during the reporting | Number of shares with trading restrictions | Number of shares not subject to trading restrictions | Pledge, marking or frozen | | |
| | | | | | | | Share status | Amount | |

| | | | | period | | | | |
|---|--------------------------------------|-----------------------|------------|------------|------------|-----------|----------------|---|
| Shenzhen ZKTeco Times Investment Co., Ltd. | Domestic non state-owned corporation | 30.05% | 58,500,000 | 13,500,000 | 58,500,000 | 0 | Not applicable | 0 |
| Che Quanhong | Domestic individual | 17.48% | 34,022,300 | 7,851,300 | 34,022,300 | 0 | Not applicable | 0 |
| Shenzhen JYSJ Investment Enterprise (Limited Partnership) | Domestic non state-owned corporation | 7.25% | 14,107,600 | 3,255,600 | 10,580,700 | 3,526,900 | Not applicable | 0 |
| Shenzhen JYHY Investment Enterprise (Limited Partnership) | Domestic non state-owned corporation | 7.15% | 13,921,050 | 3,212,550 | 10,440,787 | 3,480,263 | Not applicable | 0 |
| Dongguan LX Investment Partnership Enterprise (Limited Partnership) | Domestic non state-owned corporation | 5.08% | 9,880,000 | 2,280,000 | 9,880,000 | 0 | Not applicable | 0 |
| Shenzhen JYLY Consulting Enterprise (Limited Partnership) | Domestic non state-owned corporation | 2.42% | 4,717,910 | 1,065,310 | 3,561,285 | 1,156,625 | Not applicable | 0 |
| Huaxin Yuanchuang (Qingdao) Investment Management Co., Ltd. - Qingdao Walden Zhongxiang Investment Center (Limited Partnership) | Others | 0.89% | 1,742,121 | -870,419 | 0 | 1,742,121 | Not applicable | 0 |
| Shenzhen JYQL Investment Consulting Enterprise (Limited Partnership) | Domestic non state-owned corporation | 0.89% | 1,731,300 | 375,300 | 1,322,100 | 409,200 | Not applicable | 0 |
| Hong Kong Securities Clearing Company Limited | Overseas corporation | 0.65% | 1,257,430 | 1,257,430 | 0 | 1,257,430 | Not applicable | 0 |
| Shenzhen Gohedge Fund Management Co., Ltd. - Gohedge Pearl No.1 Private Equity Fund | Others | 0.36% | 709,580 | 709,580 | 0 | 709,580 | Not applicable | 0 |
| Strategic investors or general corporations | | Not applicable | | | | | | |

| become the top 10 shareholders due to the placement of new shares (if any) (see Note 4) | | | |
|---|--|---------------------------------|-----------|
| Explanations on 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. Che Quanzhong, the younger brother of shareholder Che Quanhong, holds a 23.98% equity 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. | | |
| Explanations on the above shareholders' involvement in entrusting/entrusted voting rights and waiver of voting rights | Not involved | | |
| Special explanations on the existence of repurchased accounts among the top 10 shareholders (if any) (see Note 10) | Not involved | | |
| Particulars about the top 10 common shareholders that are not subject to trading restrictions | | | |
| Name of shareholder | Number of shares not subject to trading restrictions held at the end of the reporting period | Types of shares | |
| | | Types | Amount |
| Shenzhen JYSJ Investment Enterprise (Limited Partnership) | 3,526,900 | RMB denominated ordinary shares | 3,526,900 |
| Shenzhen JYHY Investment Enterprise (Limited Partnership) | 3,480,263 | RMB denominated ordinary shares | 3,480,263 |
| Huaxin Yuanchuang (Qingdao) Investment Management Co., Ltd. - Qingdao Walden Zhongxiang Investment Center (Limited Partnership) | 1,742,121 | RMB denominated ordinary shares | 1,742,121 |
| Hong Kong Securities Clearing Company Limited | 1,257,430 | RMB denominated ordinary shares | 1,257,430 |
| Shenzhen JYLX Consulting Enterprise (Limited Partnership) | 1,156,625 | RMB denominated ordinary shares | 1,156,625 |
| Shenzhen Gohedge Fund Management Co., Ltd. - Gohedge Pearl No.1 Private Equity Fund | 709,580 | RMB denominated ordinary shares | 709,580 |
| Shenzhen Fuhai Juanyong I Venture Investment Fund (Limited Partnership) | 666,138 | RMB denominated ordinary shares | 666,138 |
| Zhu Yongjian | 610,484 | RMB denominated ordinary shares | 610,484 |
| Changjiang Wealth Asset | 418,092 | RMB | 418,092 |

| | | | |
|---|--|---------------------------------|---------|
| Management - Bank of Nanjing - Changjiang Wealth - ZKTeco Employee Strategic Placement No.1 Collective Asset Management Plan | | denominated ordinary shares | |
| Shenzhen JYQL Investment Consulting Enterprise (Limited Partnership) | 409,200 | RMB denominated ordinary shares | 409,200 |
| Explanations on the association or concerted action between the top 10 shareholders of outstanding shares not subject to trading restrictions, as well as between the top 10 shareholders of outstanding shares not subject to trading restrictions and the top 10 shareholders | The Company does not know whether there is a related relationship between the top 10 shareholders of shares not subject to trading restrictions, as well as between the top 10 shareholders outstanding shares not subject to trading restrictions and the top 10 shareholders, or whether they belong to persons acting in concert. | | |
| Explanations on shareholders participating in margin trading (if any) (see Note 5) | Among the top 10 shareholders not subject to trading restrictions, Shenzhen Gohedge Fund Management Co., Ltd. - Gohedge Pearl No.1 Private Equity Fund held a total of 709,580 shares of the Company at the end of the reporting period, including 584,520 shares held through ordinary securities accounts and 125,060 shares held through a margin account of CITIC Securities Co., Ltd. At the end of the reporting period, Zhu Yongjian held a total of 610,484 shares of the Company, including 0 share held through ordinary securities accounts and 610,484 shares held through a margin account of Industrial Securities Co., Ltd. | | |

Participation of Top Ten Shareholders in Lending of Shares Through Refinancing Business

Applicable Not applicable

Changes to Top Ten Shareholders Compared to the Previous Period

Applicable Not applicable

Unit: share

| Changes to Top Ten Shareholders Compared to the End of the Previous Period | | | | | |
|---|---|---|-----------------------------------|---|-----------------------------------|
| Name of shareholder (full name) | Entries/exits during the reporting period | Number of shares lent through refinancing and not yet repaid at the end of the period | | Number of shares held in the ordinary account and credit account of shareholders at the end of the period, as well as the shares lent through refinancing that have not yet been returned | |
| | | Total quantity | Proportion to total share capital | Total quantity | Proportion to total share capital |
| Shenzhen JYQL Investment Consulting Enterprise (Limited Partnership) | Entry | 0 | 0.00% | 1,731,300 | 0.89% |
| Hong Kong Securities Clearing Company Limited | Entry | 0 | 0.00% | 1,257,430 | 0.65% |
| Shenzhen Gohedge Fund Management Co., Ltd. - Gohedge Pearl No.1 Private Equity Fund | Entry | 0 | 0.00% | 709,580 | 0.36% |

| | | | | | |
|--|------|---------|---------|---------|---------|
| Shenzhen Fuhai Juanyong I Venture Investment Fund (Limited Partnership) | Exit | Unknown | Unknown | 666,138 | 0.34% |
| Changjiang Wealth Asset Management - Bank of Nanjing - Changjiang Wealth - ZKTeco Employee Strategic Placement No.1 Collective Asset Management Plan | Exit | Unknown | Unknown | 418,092 | 0.21% |
| Huaxin Yuanchuang (Qingdao) Investment Management Co., Ltd. - Yiwu Walden Yuanjing Venture Capital Center (Limited Partnership) | Exit | Unknown | Unknown | Unknown | Unknown |

Note: The Company is unaware of whether other shareholders other than the top ten shareholders have participated in the lending of shares through refinancing; the Company is unaware of the shareholding information of shareholders outside the list of top 200 shareholders issued by CSDC at the end of the period.

Does the Company have voting right difference arrangements

Applicable Not applicable

Did the top 10 common shareholders and the top 10 shareholders of ordinary shares not subject to trading restrictions engage in agreed repurchase transactions during the reporting period

Yes No

The top 10 common shareholders and the top 10 shareholders of ordinary shares not subject to trading restrictions did not engage in any agreed repurchase transactions during the reporting period.

2. Controlling shareholders of the Company

Nature of controlling shareholder: controlled by individual

Type of controlling shareholder: corporation

| Name of controlling shareholder | Legal representative | Date of establishment | Organizational code | Main business |
|--|---|-----------------------|---------------------|---------------|
| Shenzhen ZKTeco Times Investment Co., Ltd. | Wang Haitao | July 13, 2015 | 91440300335415347N | Investment |
| Equity of other domestic and foreign listed companies controlled and participated in by controlling shareholders during the reporting period | The controlling shareholders of the Company did not hold or participate in other domestic and foreign listed companies. | | | |

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.

3. Particulars about the Company's Actual Controller & Concerted Parties

Nature of actual controller: domestic individual

Type of actual controller: individual

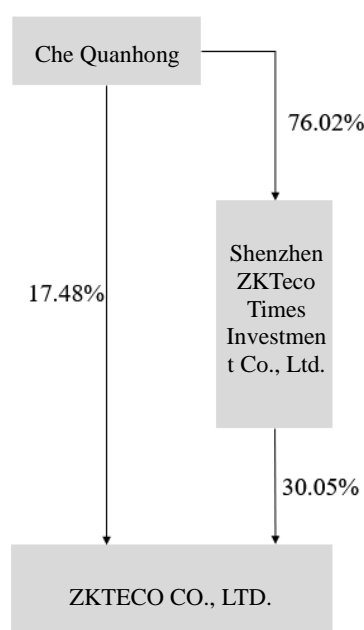
| Name of actual controller | Relationship with actual controller | Nationality | Have you obtained residency in other countries or regions |
|---|---|-------------|---|
| Che Quanhong | Oneself | China | No |
| Main occupation and position | Che Quanhong is the Chairman of the Company. Please refer to "2. Appointment" in "II. Information on Directors, Supervisors, and Senior Managers" in "Section IV Corporate Governance" of this annual report for details. | | |
| Domestic and foreign listed companies that have controlled in the past 10 years | None | | |

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.

Block diagram of property rights and control relationship between the Company and actual controller



The actual controller controls the Company through trust or other asset management methods

Applicable Not applicable

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

Applicable Not applicable

5. Particulars about Other Corporate Shareholders with Shareholding Proportion over 10%

Applicable Not applicable

6. Restricted reduction of shares held by controlling shareholders, actual controllers, restructuring parties, and other committed entities

Applicable Not applicable

IV. Specific Implementation of Share Repurchase During the Reporting Period

Implementation progress of share repurchase

Applicable Not applicable

| Plan disclosure time | Number of shares to be repurchased (shares) | Proportion to total share capital | Proposed repurchase amount (RMB '0,000) | Proposed repurchase period | Repurchase purpose | Number of repurchased shares | Proportion of repurchased quantity to the underlying shares involved in the equity incentive plan (if any) |
|----------------------|---|---|---|-------------------------------------|---|------------------------------|--|
| November 11, 2023 | Based on the upper limit of the repurchase price of RMB 48.07 per share (inclusive), the expected number of repurchased shares is 624,090 to 1,248,180 shares | The proportion of 193,039,666 shares of the total share capital of the Company as of the disclosure date of the repurchase plan is 0.32% -0.65% | Not less than RMB 30 million (inclusive) and not more than RMB 60 million (inclusive) | November 10, 2023- November 9, 2024 | Implement employee stock ownership plans or equity incentives | 25,000 | |

The Company held the 7th Session of the Third Board Meeting on November 10, 2023, and deliberated and approved the "Proposal on Repurchasing Company Shares through Centralized Bidding Trading": it plans to use its own funds to repurchase some of the Company's shares through centralized bidding trading, for the implementation of employee stock ownership plans or equity incentives. The total amount of repurchase funds is not less than RMB 30 million and not more than RMB 60 million. As of February 1, 2024, the share repurchase plan has been completed. The Company has repurchased a total of 2,230,000 shares of the Company through a dedicated securities account for share repurchases. The cumulative number of repurchased shares accounts for 1.1455% of the total share capital of the Company at that time, with a maximum transaction price of RMB 31.40 per share and a minimum transaction price of RMB 23.20 per share. The total transaction amount is RMB 59,683,228.10 (excluding transaction costs).

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

Applicable Not applicable

Section VIII Information of Preferred Shares

Applicable Not applicable

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

Section IX Bonds

Applicable Not applicable

Section X Financial Report

I. Audit Report

| | |
|---------------------------|--|
| Audit opinion | Standard unqualified opinions |
| Audit report signing date | April 22, 2024 |
| Audit institution name | Dahua Certified Public Accountants (Special General Partnership) |
| Audit Report No. | DHSZ [2024] No. 0011001165 |
| Name of CPA | Li Hanbing, Chen Ming |

Audit Report Text

1. Audit Opinion

We have audited the financial statements of ZKTECO CO., LTD. (hereinafter referred to as "ZKTeco"), including the consolidated and parent company's balance sheet as of December 31, 2023, the consolidated and parent company's profit statement, the consolidated and parent company's cash flow statement, the consolidated and parent company's Statement of Changes in Equity and notes to financial statements as of 2023.

In our opinion, the accompanying financial statements have been prepared in accordance with the provisions of the Accounting Standards for Enterprises in all material aspects and fairly reflect the ZKTeco's consolidated and parent company's financial position as of December 31, 2023, as well as the consolidated and parent company's operating results and cash flows as of 2023.

2. Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). The "CPA's Responsibility for the Audit of Financial Statements" section of the Audit Report further elaborates our responsibilities under these standards. We are independent of ZKTeco in accordance with the China Code of Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Key Audit Matters

Key audit matters are the most important matters we believe to audit the current financial statements according to our professional judgment. The response to these matters is based on the audit of the financial statements as a whole and the formation of an audit opinion, and we do not express an opinion on these matters separately.

We have identified the following key audit matters that need to be communicated in the audit report.

Revenue recognition

(1) Description of matters

ZKTeco is mainly engaged in the R&D, design, production, sales, and service of biometric technology and related products. The operating revenue of ZKTeco in 2023 was RMB 1.9701837 billion. Due to the fact that operating revenue is a key performance indicator of ZKTeco and its significant amount, the authenticity of revenue and whether revenue is included in the appropriate accounting period have a significant impact on ZKTeco's operating results, and there may be potential misstatements. Therefore, we consider the recognition of operating revenue of ZKTeco as a key audit matter.

Please refer to Note V 34 and Note VII 42 for relevant information disclosure.

(2) Audit response

Our significant audit procedures for revenue recognition include:

1) Understand, evaluate, and test the effectiveness of internal control design and operation related to sales and collection of ZKTeco;

2) Understand revenue recognition policies through interviews with management, examine relevant clauses of major customer contracts, analyze and evaluate whether the actual revenue recognition policies are appropriate, and review whether relevant accounting policies have been consistently applied;

3) Implement analysis procedures for operating revenue, analyze the rationality of changes in the sales structure of major products, compare with the gross profit margin of the same industry in the same period of history, analyze the changes in gross profit margin of major products and major customers, and review the rationality of sales revenue;

4) Confirm the sales revenue of major customers combined with the audit of accounts receivable, and perform substitution test on customers who have not responded to the letter;

5) Check the major customer contracts, sales outbound orders, acceptance certificates, logistics documents, customs declarations, invoices, and statements of accounts to verify the authenticity of ZKTeco's revenue confirmation;

6) Conduct cut-off tests on revenue transactions recorded before and after the balance sheet date, select samples to verify with relevant supporting documents for revenue recognition under each sales model, to evaluate whether sales revenue is recorded in the appropriate accounting period.

Based on the audit work performed, we believe that revenue recognition complies with the Accounting Standards for Enterprises and the Company's accounting policies for revenue recognition.

4. Other Information

The management of ZKTeco is responsible for other information. The other information comprises the information included in the annual report for 2023, but does not include the financial statements and our audit report thereon.

Our audit opinions published in the financial statements do not cover other information and we do not publish any form of assured conclusion on other information.

In combination with our audit of the financial statements, our responsibility is to read other information. In the process, we consider whether there is significant inconsistency in other information with the financial statements or what we have learned during the audit process, or other material misstatement existed.

Based on the work we have performed, if we determine that there is a material misstatement of other information, we should report that fact. In this regard, we have nothing to report. In this regard, we have nothing to report.

5. Responsibilities of Management and Those Charged with Governance for the Financial Statements

The management of ZKTeco is responsible for the preparation of financial statements that give a fair view in accordance with the Accounting Standards for Enterprises and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the statements, management of ZKTeco is responsible for assessing ZKTeco's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern assumption unless the management either intends to liquidate ZKTeco or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing ZKTeco's financial reporting process.

6. CPA's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material

misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

(3) Evaluate the appropriateness of accounting policies selected by the Management Layer and the reasonableness of accounting estimates and related disclosures.

(4) Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on ZKTeco's ability to continue as a going concern. If we conclude that there is a material uncertainty, we are required to draw attention in our Audit Report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Audit Report. However, future events or conditions may cause ZKTeco to cease to continue as a going concern.

(5) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient appropriate audit evidence on the financial information of the entities or business activities within ZKTeco to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit on the Company, and we remain solely responsible for our audit opinion.

We communicate with those charged with governance on, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide a statement to those charged with governance that we have complied with ethical requirements related to independence and communicate with those charged with governance all relationships and other matters that may reasonably be considered to affect our independence, as well as related precautions, if applicable.

From the matters communicated with those charged with governance, we determine which matters are most important to the audit of the current financial statements, thus constituting key audit matters. We describe these matters in the audit report unless laws and regulations prohibit public disclosure of these matters, or in rare cases, if the negative consequences of communicating a matter in the audit report are reasonably expected to exceed the benefits in the public interest, we determine that the matter should not be communicated in the audit report.

II. Financial Statements

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

1. Consolidated Balance Sheet

Prepared by: ZKTECO CO., LTD.

December 31, 2023

Unit: RMB

| Item | December 31, 2023 | January 1, 2023 |
|------|-------------------|-----------------|
|------|-------------------|-----------------|

| | | |
|--|------------------|------------------|
| Current assets: | | |
| Monetary funds | 1,990,924,954.78 | 1,912,945,031.97 |
| Deposit reservation for balance | | |
| Lendings to banks and other financial institutions | | |
| Trading financial asset | 80,980,203.63 | 204,318,406.05 |
| Derivative financial assets | | |
| Notes receivable | | |
| Accounts receivable | 479,803,313.66 | 403,497,924.27 |
| Receivable financing | | |
| Prepayment | 23,457,907.24 | 30,954,685.58 |
| Premiums receivable | | |
| Reinsurance accounts receivable | | |
| Reserves for reinsurance contract receivable | | |
| Other receivables | 32,744,574.20 | 34,207,287.53 |
| Including: interest receivable | | |
| Dividends receivable | | |
| Buying back the sale of financial assets | | |
| Inventories | 372,714,784.31 | 348,280,641.59 |
| Contract assets | 282,186.31 | 306,799.94 |
| Held-for-sale assets | | |
| Non-current assets due within one year | 17,257,614.74 | 10,025,638.89 |
| Other current assets | 25,865,809.28 | 17,861,354.81 |
| Total current assets | 3,024,031,348.15 | 2,962,397,770.63 |
| Non-current assets: | | |
| Loans and advances to customers | | |
| Debt investment | 42,284,596.90 | 12,331,160.29 |
| Other debt investment | | |
| Long-term receivables | 2,447,228.23 | 0.00 |
| Long-term equity investment | 29,781,888.62 | 7,151,332.70 |
| Other equity instrument investments | | |
| Other non-current financial assets | | 0.00 |
| Investment real estate | 23,145,488.85 | 0.00 |
| Fixed assets | 470,121,791.29 | 446,857,509.06 |
| Construction in progress | 138,986,483.73 | 57,041,298.90 |
| Productive biological assets | | |
| Oil and gas assets | | |
| Right-of-use asset | 38,669,718.86 | 50,640,675.59 |
| Intangible assets | 66,016,371.68 | 68,110,512.79 |
| Development expenditures | | |
| Goodwill | 504,803.72 | 496,386.40 |

| | | |
|--|------------------|------------------|
| Long-term deferred expenses | 3,768,847.81 | 3,056,310.34 |
| Deferred income tax assets | 67,257,559.01 | 55,469,173.13 |
| Other non-current assets | 16,884,605.85 | 1,127,777.32 |
| Total non-current assets | 899,869,384.55 | 702,282,136.52 |
| Total assets | 3,923,900,732.70 | 3,664,679,907.15 |
| Current liabilities: | | |
| Short-term loan | 0.00 | 9,855,000.00 |
| Borrowings from the Central Bank | | |
| Borrowings from banks and other financial institutions | | |
| Trading financial liabilities | 0.00 | 0.00 |
| Derivative financial liabilities | | |
| Notes payable | 122,573,544.09 | 68,293,818.22 |
| Accounts payable | 245,084,182.32 | 226,000,476.96 |
| Advances from customer | | |
| Contract liabilities | 65,331,106.17 | 58,838,840.39 |
| Financial assets sold for repurchase | | |
| Deposit from customers and interbank | | |
| Acting trading securities | | |
| Acting underwriting securities | | |
| Payroll payable | 56,630,101.98 | 58,940,852.80 |
| Taxes and dues payable | 28,892,229.44 | 22,621,805.04 |
| Other payables | 36,735,314.36 | 31,429,478.43 |
| Including: interest payable | | |
| Dividends payable | | |
| Handling charges and commissions payable | | |
| Reinsurance accounts receivable | | |
| Liabilities held for sale | | |
| Non-current liabilities due within one year | 21,094,682.36 | 23,718,225.39 |
| Other current liabilities | 16,463,934.35 | 21,173,620.79 |
| Total current liabilities | 592,805,095.07 | 520,872,118.02 |
| Non-current liabilities: | | |
| Reserves for insurance contracts | | |
| Long-term loan | 7,810,405.04 | 141,757.54 |
| Bonds payable | | |
| Including: preferred stock | | |
| Perpetual bonds | | |
| Lease liabilities | 19,713,286.21 | 28,256,717.44 |
| Long-term payables | | |
| Long-term payroll payable | | |
| Estimated liabilities | 600,000.00 | 600,000.00 |

| | | |
|---|------------------|------------------|
| Deferred income | 1,853,549.62 | 2,039,702.49 |
| Deferred tax liability | 10,329,053.48 | 12,048,904.97 |
| Other non-current liabilities | | |
| Total non-current liabilities | 40,306,294.35 | 43,087,082.44 |
| Total liabilities | 633,111,389.42 | 563,959,200.46 |
| Owner's equity: | | |
| Share capital | 194,679,508.00 | 148,492,051.00 |
| Other equity instruments | | |
| Including: preferred stock | | |
| Perpetual bonds | | |
| Capital reserve | 2,075,479,375.13 | 2,061,172,912.28 |
| Less: treasury stock | 784,700.00 | 0.00 |
| Other comprehensive income | 28,000,959.19 | 5,250,890.36 |
| Special reserve | | |
| Surplus reserves | 60,455,422.50 | 53,978,004.94 |
| General risk reserves | | |
| Undistributed profits | 907,583,024.38 | 788,768,984.64 |
| Total owner's equity attributable to the parent company | 3,265,413,589.20 | 3,057,662,843.22 |
| Minority interests | 25,375,754.08 | 43,057,863.47 |
| Total owner's equity | 3,290,789,343.28 | 3,100,720,706.69 |
| Total liabilities and owner's equity | 3,923,900,732.70 | 3,664,679,907.15 |

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

2. Balance Sheet of Parent Company

Unit: RMB

| Item | December 31, 2023 | January 1, 2023 |
|--|-------------------|------------------|
| Current assets: | | |
| Monetary funds | 997,496,318.79 | 1,356,208,501.46 |
| Trading financial asset | 888,780.80 | 147,962,384.55 |
| Derivative financial assets | 0.00 | 0.00 |
| Notes receivable | 0.00 | 0.00 |
| Accounts receivable | 674,768,619.85 | 584,894,333.69 |
| Receivable financing | 0.00 | 0.00 |
| Prepayment | 16,580,313.51 | 27,798,174.17 |
| Other receivables | 59,135,419.22 | 33,980,555.26 |
| Including: interest receivable | 192,033.24 | 122,433.25 |
| Dividends receivable | | |
| Inventories | 220,338,772.92 | 201,604,881.25 |
| Contract assets | 274,794.84 | 297,021.59 |
| Held-for-sale assets | 0.00 | 0.00 |
| Non-current assets due within one year | 11,261,761.38 | 10,025,638.89 |
| Other current assets | 2,221,965.93 | 4,880,995.15 |
| Total current assets | 1,982,966,747.24 | 2,367,652,486.01 |
| Non-current assets: | | |

| | | |
|---|------------------|------------------|
| Debt investment | 0.00 | 10,670,541.33 |
| Other debt investment | 0.00 | 0.00 |
| Long-term receivables | 1,553,576.04 | 0.00 |
| Long-term equity investment | 1,273,046,481.87 | 781,906,396.17 |
| Other equity instrument investments | 0.00 | 0.00 |
| Other non-current financial assets | | 0.00 |
| Investment real estate | 0.00 | 0.00 |
| Fixed assets | 62,080,079.28 | 66,876,094.68 |
| Construction in progress | 0.00 | 0.00 |
| Productive biological assets | 0.00 | 0.00 |
| Oil and gas assets | 0.00 | 0.00 |
| Right-of-use asset | 11,281,532.81 | 14,733,170.98 |
| Intangible assets | 8,193,258.13 | 8,082,316.47 |
| Development expenditures | 0.00 | 0.00 |
| Goodwill | 0.00 | 0.00 |
| Long-term deferred expenses | 1,314,622.72 | 1,312,121.13 |
| Deferred income tax assets | 39,737,047.18 | 29,799,536.02 |
| Other non-current assets | 15,725,991.21 | 0.00 |
| Total non-current assets | 1,412,932,589.24 | 913,380,176.78 |
| Total assets | 3,395,899,336.48 | 3,281,032,662.79 |
| Current liabilities: | | |
| Short-term loan | 0.00 | 0.00 |
| Trading financial liabilities | 0.00 | 0.00 |
| Derivative financial liabilities | 0.00 | 0.00 |
| Notes payable | 114,437,751.98 | 71,337,129.13 |
| Accounts payable | 293,594,334.82 | 268,538,611.36 |
| Advances from customer | 0.00 | 0.00 |
| Contract liabilities | 51,073,453.29 | 29,070,869.80 |
| Payroll payable | 26,129,332.92 | 31,351,658.90 |
| Taxes and dues payable | 4,029,704.54 | 1,986,839.30 |
| Other payables | 48,521,459.02 | 86,241,351.29 |
| Including: interest payable | | |
| Dividends payable | | |
| Liabilities held for sale | 0.00 | 0.00 |
| Non-current liabilities due within one year | 6,036,995.12 | 7,376,143.83 |
| Other current liabilities | 17,818,576.02 | 17,999,117.66 |
| Total current liabilities | 561,641,607.71 | 513,901,721.27 |
| Non-current liabilities: | | |
| Long-term loan | 0.00 | 0.00 |
| Bonds payable | 0.00 | 0.00 |
| Including: preferred stock | 0.00 | 0.00 |
| Perpetual bonds | 0.00 | 0.00 |

| | | |
|--------------------------------------|------------------|------------------|
| Lease liabilities | 4,932,540.65 | 7,095,945.72 |
| Long-term payables | 0.00 | 0.00 |
| Long-term payroll payable | 0.00 | 0.00 |
| Estimated liabilities | 600,000.00 | 600,000.00 |
| Deferred income | 400,966.62 | 543,212.69 |
| Deferred tax liability | 4,529,736.45 | 5,231,980.02 |
| Other non-current liabilities | 0.00 | 0.00 |
| Total non-current liabilities | 10,463,243.72 | 13,471,138.43 |
| Total liabilities | 572,104,851.43 | 527,372,859.70 |
| Owner's equity: | | |
| Share capital | 194,679,508.00 | 148,492,051.00 |
| Other equity instruments | 0.00 | 0.00 |
| Including: preferred stock | 0.00 | 0.00 |
| Perpetual bonds | 0.00 | 0.00 |
| Capital reserve | 2,085,198,988.61 | 2,073,269,021.41 |
| Less: treasury stock | 784,700.00 | 0.00 |
| Other comprehensive income | 0.00 | 0.00 |
| Special reserve | 0.00 | 0.00 |
| Surplus reserves | 60,364,126.01 | 53,886,708.45 |
| Undistributed profits | 484,336,562.43 | 478,012,022.23 |
| Total owner's equity | 2,823,794,485.05 | 2,753,659,803.09 |
| Total liabilities and owner's equity | 3,395,899,336.48 | 3,281,032,662.79 |

3. Consolidated Income Statement

Unit: RMB

| Item | 2023 | 2022 |
|--|------------------|------------------|
| I. Total operating revenue | 1,970,183,682.34 | 1,918,559,191.76 |
| Including: operating revenue | 1,970,183,682.34 | 1,918,559,191.76 |
| Interest income | | |
| Premium earned | | |
| Revenue from handling charges and commissions | | |
| II. Total operating cost | 1,753,903,528.91 | 1,699,753,810.25 |
| Including: operating cost | 1,000,868,184.91 | 1,065,639,119.43 |
| 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 | 25,645,229.28 | 19,046,564.87 |
| Selling expenses | 445,414,065.93 | 361,264,181.17 |

| | | |
|--|----------------|----------------|
| Administrative expenses | 122,693,501.96 | 106,748,932.32 |
| R&D expenses | 213,613,414.56 | 187,983,847.42 |
| Financial expenses | -54,330,867.73 | -40,928,834.96 |
| Including: interest expenses | 4,114,078.22 | 3,101,947.12 |
| Interest income | 59,489,145.42 | 28,810,088.84 |
| Plus: other income | 13,382,751.13 | 17,849,018.68 |
| Investment income (loss expressed with "-") | -599,875.51 | -2,429,189.18 |
| Including: income from investment in associates and joint ventures | 2,800,122.30 | 2,660,914.13 |
| Gains from derecognition of financial assets measured at amortized cost | 0.00 | 0.00 |
| Gains from foreign exchange (loss expressed with "-") | | |
| Gains from net exposure hedging (loss expressed with "-") | | |
| Gains from changes in fair value (loss expressed with "-") | 755,429.17 | -701,013.10 |
| Losses from credit impairment (loss expressed with "-") | -6,426,264.03 | -10,954,110.82 |
| Losses from impairment of assets (loss expressed with "-") | -3,163,733.31 | -6,294,754.92 |
| Gains from disposal of assets (loss expressed with "-") | -129,852.62 | 88,133.35 |
| III. Operating profit (loss expressed with "-") | 220,098,608.26 | 216,363,465.52 |
| Plus: non-operating revenue | 834,759.26 | 859,519.49 |
| Less: non-operating expenditure | 5,760,416.86 | 4,134,911.75 |
| IV. Total profit (loss expressed with "-") | 215,172,950.66 | 213,088,073.26 |
| Less: income tax expenses | 18,328,946.09 | 8,754,314.92 |
| V. Net profit (loss expressed with "-") | 196,844,004.57 | 204,333,758.34 |
| (I) Classification by business continuity | | |
| 1. Net profit from continuing operations (net loss expressed with "-") | 196,844,004.57 | 204,333,758.34 |
| 2. Net profit from discontinued operations (net loss expressed with "-") | | |
| (II) Classification by ownership | | |
| 1. Net profits attributable to shareholders of parent company | 177,263,675.15 | 192,502,163.93 |
| 2. Minority shareholders' profit and loss | 19,580,329.42 | 11,831,594.41 |
| VI. Other comprehensive income - after tax | 23,345,735.16 | 32,564,473.55 |
| Net of tax of other comprehensive income attributable to the owner of the parent company | 22,750,068.83 | 30,740,713.70 |
| Other comprehensive income that | | |

| | | |
|--|----------------|----------------|
| cannot be transferred to profit or loss | | |
| 1. Changes in re-measurement of the defined benefit plan | | |
| 2. Other comprehensive income that cannot be transferred to profit or loss under the equity method | | |
| 3. Changes in fair value of other equity instrument investments | | |
| 4. Changes in the fair value of the Company's own credit risk | | |
| 5. Other | | |
| (2) Other comprehensive income that will be reclassified into profit or loss | 22,750,068.83 | 30,740,713.70 |
| 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 | 22,750,068.83 | 30,740,713.70 |
| 7. Others | | |
| After-tax net amount of other comprehensive income attributable to the minority shareholders | 595,666.33 | 1,823,759.85 |
| VII. Total comprehensive income | 220,189,739.73 | 236,898,231.89 |
| Total comprehensive income attributable to owners of the parent company | 200,013,743.98 | 223,242,877.63 |
| Total comprehensive income attributable to minority shareholders | 20,175,995.75 | 13,655,354.26 |
| VIII. EPS | | |
| (I) Basic EPS | 0.9176 | 1.1307 |
| (II) Diluted EPS | 0.9133 | 1.1275 |

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 , and the net profit realized by the combined party in the previous period is RMB .

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

4. Parent Company's Profit Statement

Unit: RMB

| Item | 2023 | 2022 |
|-------------------------|------------------|------------------|
| I. Operating revenue | 1,434,036,070.91 | 1,542,538,719.71 |
| Less: operating cost | 1,036,126,707.81 | 1,144,810,483.95 |
| Taxes and surcharges | 6,684,004.73 | 7,105,264.81 |
| Selling expenses | 175,665,854.54 | 164,958,281.03 |
| Administrative expenses | 67,623,578.42 | 65,358,679.39 |
| R&D expenses | 144,342,341.95 | 133,296,955.01 |

| | | |
|--|----------------|----------------|
| Financial expenses | -38,859,429.21 | -45,203,220.06 |
| Including: interest expenses | 586,120.76 | 447,465.80 |
| Interest income | 34,186,238.20 | 25,178,318.31 |
| Plus: other income | 3,629,196.23 | 7,416,424.52 |
| Investment income (loss expressed with "-") | 16,583,880.30 | 34,313,370.27 |
| Including: income from investment in associates and joint ventures | 0.00 | 0.00 |
| Derecognition of income for financial assets measured at amortized cost (loss expressed with "-") | 0.00 | 0.00 |
| Gains from net exposure hedging (loss expressed with "-") | 0.00 | 0.00 |
| Gains from changes in fair value (loss expressed with "-") | 92,617.82 | -752,215.42 |
| Losses from credit impairment (loss expressed with "-") | -2,211,851.80 | -1,228,959.32 |
| Losses from impairment of assets (loss expressed with "-") | -409,714.74 | -1,832,657.66 |
| Gains from disposal of assets (loss expressed with "-") | -179,099.95 | 12,558.50 |
| II. Operating profit (loss expressed with "-") | 59,958,040.53 | 110,140,796.47 |
| Plus: non-operating revenue | 435,721.28 | 758,163.67 |
| Less: non-operating expenditure | 3,911,338.96 | 3,619,836.60 |
| III. Total profits (total losses expressed with "-") | 56,482,422.85 | 107,279,123.54 |
| Less: income tax expenses | -8,291,752.76 | -6,682,392.19 |
| IV. Net profit (net loss expressed with "-") | 64,774,175.61 | 113,961,515.73 |
| (I) Net profit from continuing operations (net loss expressed with "-") | 64,774,175.61 | 113,961,515.73 |
| (II) Net profit from discontinued operations (net loss expressed with "-") | | |
| V. Net of tax of other comprehensive income | | |
| Other comprehensive income that cannot be transferred to profit or loss | | |
| 1. Changes in re-measurement of the defined benefit plan | | |
| 2. Other comprehensive income that cannot be transferred to profit or loss under the equity method | | |
| 3. Changes in fair value of other equity instrument investments | | |
| 4. Changes in the fair value of the Company's own credit risk | | |
| 5. Other | | |
| (2) Other comprehensive income that will be reclassified into profit or loss | | |

| | | |
|---|---------------|----------------|
| 1. Other comprehensive income that can be transferred to profit or loss under the equity method | | |
| 2. Changes in fair value of other debt investments | | |
| 3. Amount of financial assets reclassified into other comprehensive income | | |
| 4. Provision for credit impairment of other debt investments | | |
| 5. Cash flow hedging reserve | | |
| 6. Translation difference of foreign currency financial statements | | |
| 7. Others | | |
| VI. Total comprehensive income | 64,774,175.61 | 113,961,515.73 |
| VII. EPS: | | |
| (I) Basic EPS | | |
| (II) Diluted EPS | | |

5. Consolidated Cash Flow Statement

Unit: RMB

| Item | 2023 | 2022 |
|--|------------------|------------------|
| I. Cash flows from operating activities: | | |
| Cash received from sale of goods and rendering of services | 2,033,852,451.38 | 1,914,391,818.50 |
| 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 | 60,737,638.17 | 51,679,360.47 |
| Cash received from other operating activities | 71,161,426.98 | 76,523,632.31 |
| Subtotal of cash inflows from operating activities | 2,165,751,516.53 | 2,042,594,811.28 |
| Cash paid for purchase of goods and | 1,044,071,616.08 | 1,122,518,900.85 |

| | | |
|--|------------------|-------------------|
| rendering of services | | |
| 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 | 561,085,387.58 | 513,551,759.10 |
| Payments of all types of taxes | 82,583,436.99 | 80,036,076.98 |
| Other cash payments relating to operating activities | 242,010,185.67 | 201,968,041.17 |
| Subtotal of cash outflows from operating activities | 1,929,750,626.32 | 1,918,074,778.10 |
| Net cash flows from operating activities | 236,000,890.21 | 124,520,033.18 |
| II. Cash flows from investing activities: | | |
| Cash received from disinvestment | 783,138,035.71 | 100,302,919.28 |
| Cash received from investment income | 4,208,115.07 | 1,111,481.30 |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | 321,201.59 | 569,670.01 |
| Net cash received from disposal of subsidiaries and other business units | | |
| Cash received from other investing activities | | |
| Subtotal of cash inflows from investing activities | 787,667,352.37 | 101,984,070.59 |
| Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets | 182,155,154.01 | 77,486,733.93 |
| Cash paid for investments | 528,151,496.90 | 1,034,748,807.59 |
| Net increase in pledge loans | | |
| Net cash paid to acquire subsidiaries and other business units | | |
| Cash paid for other investing activities | 8,690,555.00 | 6,488,400.00 |
| Subtotal of cash outflows from investing activities | 718,997,205.91 | 1,118,723,941.52 |
| Net cash flows from operating activities | 68,670,146.46 | -1,016,739,870.93 |
| III. Cash flows from financing activities: | | |
| Cash received from investors | 25,584,824.02 | 1,486,667,165.16 |
| Including: cash received by subsidiaries from the absorption of minority shareholders' investments | 2,430,254.98 | 0.00 |
| Cash received from borrowings | 7,938,955.96 | 10,063,457.00 |
| Cash received from other financing activities | 137,765,650.54 | 0.00 |
| Subtotal of cash inflows from financing activities | 171,289,430.52 | 1,496,730,622.16 |
| Cash paid for debt repayments | 10,237,295.27 | 467,504.08 |

| | | |
|--|------------------|------------------|
| Cash paid for distribution of dividends and profits or payment of interest | 80,004,680.35 | 6,797,610.36 |
| Including: dividends and profits paid to minority shareholders by subsidiaries | 27,714,601.96 | 6,781,992.94 |
| Cash paid for other financing activities | 147,698,460.04 | 54,065,231.57 |
| Subtotal of cash outflows from financing activities | 237,940,435.66 | 61,330,346.01 |
| Net cash flows from financing activities | -66,651,005.14 | 1,435,400,276.15 |
| IV. Effect of exchange rate changes on cash and cash equivalents | 1,392,263.39 | 18,139,393.94 |
| V. Net increase in cash and cash equivalents | 239,412,294.92 | 561,319,832.34 |
| Plus: beginning balance of cash and cash equivalents | 1,077,608,258.10 | 516,288,425.76 |
| VI. Closing balance of cash and cash equivalents | 1,317,020,553.02 | 1,077,608,258.10 |

6. Cash Flow Statement of Parent Company

Unit: RMB

| Item | 2023 | 2022 |
|---|------------------|------------------|
| I. Cash flows from operating activities: | | |
| Cash received from sale of goods and rendering of services | 1,394,253,617.34 | 1,588,277,476.82 |
| Refund of taxes and surcharges | 55,671,157.48 | 46,142,202.38 |
| Cash received from other operating activities | 59,485,236.93 | 266,424,568.39 |
| Subtotal of cash inflows from operating activities | 1,509,410,011.75 | 1,900,844,247.59 |
| Cash paid for purchase of goods and rendering of services | 1,006,446,805.25 | 1,265,144,062.65 |
| Cash paid to and for employees | 248,840,477.65 | 245,811,321.01 |
| Payments of all types of taxes | 8,266,181.82 | 13,005,949.72 |
| Other cash payments relating to operating activities | 274,001,567.18 | 326,385,829.93 |
| Subtotal of cash outflows from operating activities | 1,537,555,031.90 | 1,850,347,163.31 |
| Net cash flows from operating activities | -28,145,020.15 | 50,497,084.28 |
| II. Cash flows from investing activities: | | |
| Cash received from disinvestment | 677,121,784.42 | 62,764,651.20 |
| Cash received from investment income | 24,931,563.69 | 17,195,540.59 |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | 178,820.17 | 2,874,752.46 |
| Net cash received from disposal of subsidiaries and other business units | 0.00 | 0.00 |
| Cash received from other investing activities | 0.00 | 0.00 |
| Subtotal of cash inflows from investing activities | 702,232,168.28 | 82,834,944.25 |
| Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets | 24,779,496.76 | 2,241,859.00 |
| Cash paid for investments | 479,932,157.86 | 1,139,688,242.70 |
| Net cash paid to acquire subsidiaries | 0.00 | 0.00 |

| | | |
|--|----------------|-------------------|
| and other business units | | |
| Cash paid for other investing activities | 8,690,555.00 | 6,488,400.00 |
| Subtotal of cash outflows from investing activities | 513,402,209.62 | 1,148,418,501.70 |
| Net cash flows from operating activities | 188,829,958.66 | -1,065,583,557.45 |
| III. Cash flows from financing activities: | | |
| Cash received from investors | 23,154,569.04 | 1,486,667,165.16 |
| Cash received from borrowings | 0.00 | 0.00 |
| Cash received from other financing activities | 131,789,487.54 | 0.00 |
| Subtotal of cash inflows from financing activities | 154,944,056.58 | 1,486,667,165.16 |
| Cash paid for debt repayments | 0.00 | 0.00 |
| Cash paid for distribution of dividends and profits or payment of interest | 51,972,217.85 | 0.00 |
| Cash paid for other financing activities | 120,453,358.00 | 33,873,386.92 |
| Subtotal of cash outflows from financing activities | 172,425,575.85 | 33,873,386.92 |
| Net cash flows from financing activities | -17,481,519.27 | 1,452,793,778.24 |
| IV. Effect of exchange rate changes on cash and cash equivalents | 710,387.29 | 3,470,318.23 |
| V. Net increase in cash and cash equivalents | 143,913,806.53 | 441,177,623.30 |
| Plus: beginning balance of cash and cash equivalents | 731,506,487.43 | 290,328,864.13 |
| VI. Closing balance of cash and cash equivalents | 875,420,293.96 | 731,506,487.43 |

7. Consolidated Statement of Changes in Equity

Amount in current period

Unit: RMB

| Item | 2023 | | | | | | | | | | | | | | |
|---|---|--------------------------|--------|--|------------------|----------------------|----------------------------|-----------------|------------------|-----------------------|-----------------------|--------|--------------------|----------------------|------------------|
| | Equity attributable to owners of the parent company | | | | | | | | | | | | Minority interests | Total owner's equity | |
| | Share capital | Other equity instruments | | | Capital reserve | Less: treasury stock | Other comprehensive income | Special reserve | Surplus reserves | General risk reserves | Undistributed profits | Others | | | Subtotal |
| | Preferred stock | Perpetual bonds | Others | | | | | | | | | | | | |
| I. Ending balance of previous year | 148,492,051.00 | | | | 2,061,172,912.28 | 0.00 | 5,255,222.65 | | 53,975,085.77 | | 788,571,917.98 | | 3,057,467,189.68 | 43,025,126.30 | 3,100,492,315.98 |
| Plus: changes in accounting policies | 0.00 | | | | 0.00 | 0.00 | -4,332.29 | | 2,919.17 | | 197,066.66 | | 195,653.54 | 32,737.17 | 228,390.71 |
| Corrections of prior period errors | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | | 0.00 | | 0.00 | 0.00 | 0.00 |
| Others | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | | 0.00 | | 0.00 | 0.00 | 0.00 |
| II. Beginning balance of this year | 148,492,051.00 | | | | 2,061,172,912.28 | 0.00 | 5,250,890.36 | | 53,978,004.94 | | 788,768,984.64 | | 3,057,662,843.22 | 43,057,863.47 | 3,100,720,706.69 |
| III. Amount increase/decrease of the current period (decrease expressed with "-") | 46,187,457.00 | | | | 14,306,462.85 | 784,700.00 | 22,750,068.83 | | 6,477,417.56 | | 118,814,039.74 | | 207,750,745.98 | -17,682,109.39 | 190,068,636.59 |
| (I) Total comprehensive income | 0.00 | | | | 0.00 | 0.00 | 22,750,068.83 | | 0.00 | | 177,263,675.15 | | 200,013,743.98 | 20,175,995.75 | 220,189,739.73 |
| (II) Capital invested and reduced by the owners | 1,639,842.00 | | | | 59,277,005.39 | 784,700.00 | 0.00 | | 0.00 | | 0.00 | | 60,132,147.39 | -10,143,503.18 | 49,988,644.21 |
| 1. Common stock contributed by owners | 1,639,842.00 | | | | 21,514,727.04 | 784,700.00 | 0.00 | | 0.00 | | 0.00 | | 22,369,869.04 | -10,499,575.10 | 11,870,293.94 |
| 2. Capital invested | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | | 0.00 | | 0.00 | 0.00 | 0.00 |

| | | | | | | | | | | | | | | |
|--|---------------|--|--|--|----------------|------|------|--------------|------|----------------|--|----------------|----------------|----------------|
| by holders of other equity instruments | | | | | | | | | | | | | | |
| 3. Amount of share-based payments recognized in equity | 0.00 | | | | 36,929,284.99 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | 36,929,284.99 | 356,071.92 | 37,285,356.91 |
| 4. Others | 0.00 | | | | 832,993.36 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | 832,993.36 | 0.00 | 832,993.36 |
| (III) Profit distribution | 0.00 | | | | 0.00 | 0.00 | 0.00 | 6,477,417.56 | | -58,449,635.41 | | -51,972,217.85 | -27,714,601.96 | -79,686,819.81 |
| 1. Surplus reserves withdrawal | 0.00 | | | | 0.00 | 0.00 | 0.00 | 6,477,417.56 | | -6,477,417.56 | | 0.00 | 0.00 | 0.00 |
| 2. Withdrawal of general risk preparation | | | | | | | | | | | | 0.00 | | 0.00 |
| 3. Distribution to owners (or shareholders) | 0.00 | | | | 0.00 | 0.00 | 0.00 | 0.00 | | -51,972,217.85 | | -51,972,217.85 | -27,714,601.96 | -79,686,819.81 |
| 4. Others | 0.00 | | | | 0.00 | 0.00 | 0.00 | 0.00 | | 0.00 | | 0.00 | 0.00 | 0.00 |
| (IV) Internal carryover of owner's equity | 44,547,615.00 | | | | -44,547,615.00 | 0.00 | 0.00 | 0.00 | | 0.00 | | 0.00 | 0.00 | 0.00 |
| 1. Capital surplus transfer to capital (or equity capital) | 44,547,615.00 | | | | -44,547,615.00 | 0.00 | 0.00 | 0.00 | | 0.00 | | 0.00 | 0.00 | 0.00 |
| 2. Surplus reserve transfer to capital (or equity capital) | 0.00 | | | | 0.00 | 0.00 | 0.00 | 0.00 | | 0.00 | | 0.00 | 0.00 | 0.00 |
| 3. Surplus reserve offsetting losses | 0.00 | | | | 0.00 | 0.00 | 0.00 | 0.00 | | 0.00 | | 0.00 | 0.00 | 0.00 |
| 4. Changes in defined benefit plans carried forward to retained earnings | 0.00 | | | | 0.00 | 0.00 | 0.00 | 0.00 | | 0.00 | | 0.00 | 0.00 | 0.00 |
| 5. Retained income carried forward from other comprehensive | 0.00 | | | | 0.00 | 0.00 | 0.00 | 0.00 | | 0.00 | | 0.00 | 0.00 | 0.00 |

| | | | | | | | | | | | | | | | |
|--------------------------------------|----------------|--|--|--|------------------|------------|---------------|--|---------------|--|----------------|--|------------------|---------------|------------------|
| income | | | | | | | | | | | | | | | |
| 6. Others | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | | 0.00 | | 0.00 | 0.00 | |
| (V) Special reserve | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | | 0.00 | | 0.00 | 0.00 | |
| 1. Withdrawal in this period | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | | 0.00 | | 0.00 | 0.00 | |
| 2. Use in the current period | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | | 0.00 | | 0.00 | 0.00 | |
| (VI) Others | 0.00 | | | | -422,927.54 | 0.00 | 0.00 | | 0.00 | | 0.00 | | -422,927.54 | 0.00 | |
| IV. Ending balance of current period | 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 |

Amount of previous period

Unit: RMB

| Item | 2022 | | | | | | | | | | | | | Minority interests | Total owner's equity |
|--|---|--------------------------|--------|--|------------------|----------------------|----------------------------|-----------------|------------------|-----------------------|-----------------------|--------|------------------|--------------------|----------------------|
| | Equity attributable to owners of the parent company | | | | | | | | | | | | | | |
| | 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 | 111,369,038.00 | | | | 636,363,658.40 | 0.00 | -25,505,560.02 | | 42,581,853.37 | | 607,725,356.63 | | 1,372,534,346.38 | 36,170,791.65 | 1,408,705,138.03 |
| Plus: changes in accounting policies | 0.00 | | | | 0.00 | 0.00 | 15,736.68 | | -6,835.39 | | -55,548.96 | | -46,647.67 | 13,710.50 | -32,937.17 |
| Corrections of prior period errors | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | | 0.00 | | 0.00 | 0.00 | 0.00 |
| Others | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | | 0.00 | | 0.00 | 0.00 | 0.00 |
| II. Beginning balance of this year | 111,369,038.00 | | | | 636,363,658.40 | 0.00 | -25,489,823.34 | | 42,575,017.98 | | 607,669,807.67 | | 1,372,487,698.71 | 36,184,502.15 | 1,408,672,200.86 |
| III. Amount increase/decrease of the current period (decrease) | 37,123,013.00 | | | | 1,424,809,253.88 | 0.00 | 30,740,713.70 | | 11,402,986.96 | | 181,099,176.97 | | 1,685,175,144.51 | 6,873,361.32 | 1,692,048,505.83 |

| | | | | | | | | | | | | | | |
|--|---------------|--|--|------------------|------|---------------|--|---------------|--|----------------|--|------------------|---------------|------------------|
| expressed with "-") | | | | | | | | | | | | | | |
| (I) Total comprehensive income | 0.00 | | | 0.00 | 0.00 | 30,740,713.70 | | 0.00 | | 192,502,163.93 | | 223,242,877.63 | 13,655,354.26 | 236,898,231.89 |
| (II) Capital invested and reduced by the owners | 37,123,013.00 | | | 1,424,809,253.88 | 0.00 | 0.00 | | 0.00 | | 0.00 | | 1,461,932,266.88 | 0.00 | 1,461,932,266.88 |
| 1. Common stock contributed by owners | 37,123,013.00 | | | 1,420,175,364.70 | 0.00 | 0.00 | | 0.00 | | 0.00 | | 1,457,298,377.70 | 0.00 | 1,457,298,377.70 |
| 2. Capital invested by holders of other equity instruments | 0.00 | | | 0.00 | 0.00 | 0.00 | | 0.00 | | 0.00 | | 0.00 | 0.00 | 0.00 |
| 3. Amount of share-based payments recognized in equity | 0.00 | | | 4,633,889.18 | 0.00 | 0.00 | | 0.00 | | 0.00 | | 4,633,889.18 | 0.00 | 4,633,889.18 |
| 4. Others | 0.00 | | | 0.00 | 0.00 | 0.00 | | 0.00 | | 0.00 | | 0.00 | 0.00 | 0.00 |
| (III) Profit distribution | 0.00 | | | 0.00 | 0.00 | 0.00 | | 11,402,986.96 | | -11,402,986.96 | | 0.00 | -6,781,992.94 | -6,781,992.94 |
| 1. Surplus reserves withdrawal | 0.00 | | | 0.00 | 0.00 | 0.00 | | 11,402,986.96 | | -11,402,986.96 | | 0.00 | 0.00 | 0.00 |
| 2. Withdrawal of general risk preparation | | | | | | | | | | | | | | 0.00 |
| 3. Distribution to owners (or shareholders) | 0.00 | | | 0.00 | 0.00 | 0.00 | | 0.00 | | 0.00 | | 0.00 | -6,781,992.94 | -6,781,992.94 |
| 4. Others | 0.00 | | | 0.00 | 0.00 | 0.00 | | 0.00 | | 0.00 | | 0.00 | 0.00 | 0.00 |
| (IV) Internal carryover of owner's equity | 0.00 | | | 0.00 | 0.00 | 0.00 | | 0.00 | | 0.00 | | 0.00 | 0.00 | 0.00 |
| 1. Capital surplus transfer to capital (or equity capital) | 0.00 | | | 0.00 | 0.00 | 0.00 | | 0.00 | | 0.00 | | 0.00 | 0.00 | 0.00 |
| 2. Surplus reserve transfer to capital (or equity capital) | 0.00 | | | 0.00 | 0.00 | 0.00 | | 0.00 | | 0.00 | | 0.00 | 0.00 | 0.00 |
| 3. Surplus reserve offsetting losses | 0.00 | | | 0.00 | 0.00 | 0.00 | | 0.00 | | 0.00 | | 0.00 | 0.00 | 0.00 |
| 4. Changes in defined | 0.00 | | | 0.00 | 0.00 | 0.00 | | 0.00 | | 0.00 | | 0.00 | 0.00 | 0.00 |

| | | | | | | | | | | | | | | | |
|--|----------------|--|--|--|------------------|------|--------------|--|---------------|--|----------------|--|------------------|---------------|------------------|
| benefit plans carried forward to retained earnings | | | | | | | | | | | | | | | |
| 5. Retained income carried forward from other comprehensive income | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | | 0.00 | | 0.00 | 0.00 | 0.00 |
| 6. Others | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | | 0.00 | | 0.00 | 0.00 | 0.00 |
| (V) Special reserve | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | | 0.00 | | 0.00 | 0.00 | 0.00 |
| 1. Withdrawal in this period | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | | 0.00 | | 0.00 | 0.00 | 0.00 |
| 2. Use in the current period | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | | 0.00 | | 0.00 | 0.00 | 0.00 |
| (VI) Others | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | | 0.00 | | 0.00 | 0.00 | 0.00 |
| IV. Ending balance of current period | 148,492,051.00 | | | | 2,061,172,912.28 | 0.00 | 5,250,890.36 | | 53,978,004.94 | | 788,768,984.64 | | 3,057,662,843.22 | 43,057,863.47 | 3,100,720,706.69 |

8. Statement of Changes in Equity of the Parent Company

Amount in current period

Unit: RMB

| Item | 2023 | | | | | | | | | | | |
|------------------------------------|----------------|--------------------------|-----------------|--------|------------------|----------------------|----------------------------|-----------------|------------------|-----------------------|--------|----------------------|
| | Share capital | Other equity instruments | | | Capital reserve | Less: treasury stock | Other comprehensive income | Special reserve | Surplus reserves | Undistributed profits | Others | Total owner's equity |
| | | Preferred stock | Perpetual bonds | Others | | | | | | | | |
| I. Ending balance of previous year | 148,492,051.00 | | | | 2,073,269,021.41 | 0.00 | 0.00 | | 53,883,789.28 | 478,054,153.62 | | 2,753,699,015.31 |
| Plus: changes in accounting | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 2,919.17 | -42,131.39 | | -39,212.22 |

| | | | | | | | | | | | | |
|---|----------------|--|--|--|------------------|------------|------|--|---------------|----------------|--|------------------|
| policies | | | | | | | | | | | | |
| Corrections of prior period errors | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 |
| Others | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 |
| II. Beginning balance of this year | 148,492,051.00 | | | | 2,073,269,021.41 | 0.00 | 0.00 | | 53,886,708.45 | 478,012,022.23 | | 2,753,659,803.09 |
| III. Amount increase/decrease of the current period (decrease expressed with "-") | 46,187,457.00 | | | | 11,929,967.20 | 784,700.00 | 0.00 | | 6,477,417.56 | 6,324,540.20 | | 70,134,681.96 |
| (I) Total comprehensive income | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | 64,774,175.61 | | 64,774,175.61 |
| (II) Capital invested and reduced by the owners | 1,639,842.00 | | | | 56,477,582.20 | 784,700.00 | 0.00 | | 0.00 | 0.00 | | 57,332,724.20 |
| 1. Common stock contributed by owners | 1,639,842.00 | | | | 21,514,727.04 | 784,700.00 | 0.00 | | 0.00 | 0.00 | | 22,369,869.04 |
| 2. Capital invested by holders of other equity instruments | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 |
| 3. Amount | 0.00 | | | | 34,962,855.16 | 0.00 | 0.00 | | 0.00 | 0.00 | | 34,962,855.16 |

| | | | | | | | | | | | | |
|--|---------------|--|--|--|----------------|------|------|--|--------------|----------------|--|----------------|
| of share-based payments recognized in equity | | | | | | | | | | | | |
| 4. Others | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 |
| (III) Profit distribution | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 6,477,417.56 | -58,449,635.41 | | -51,972,217.85 |
| 1. Surplus reserves withdrawal | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 6,477,417.56 | -6,477,417.56 | | 0.00 |
| 2. Distribution to owners (or shareholders) | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | -51,972,217.85 | | -51,972,217.85 |
| 3. Others | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 |
| (IV) Internal carryover of owner's equity | 44,547,615.00 | | | | -44,547,615.00 | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 |
| 1. Capital surplus transfer to capital (or equity capital) | 44,547,615.00 | | | | -44,547,615.00 | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 |
| 2. Surplus reserve transfer to capital (or equity capital) | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 |
| 3. Surplus reserve | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 |

| | | | | | | | | | | | | |
|--|----------------|--|--|--|------------------|------------|------|--|---------------|----------------|--|------------------|
| offsetting losses | | | | | | | | | | | | |
| 4. Changes in defined benefit plans carried forward to retained earnings | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 |
| 5. Retained income carried forward from other comprehensive income | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 |
| 6. Others | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 |
| (V) Special reserve | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 |
| 1. Withdrawal in this period | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 |
| 2. Use in the current period | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 |
| (VI) Others | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 |
| IV. Ending balance of current period | 194,679,508.00 | | | | 2,085,198,988.61 | 784,700.00 | 0.00 | | 60,364,126.01 | 484,336,562.43 | | 2,823,794,485.05 |

Amount of previous period

Unit: RMB

| | |
|------|------|
| Item | 2022 |
|------|------|

| | 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 | 111,369,038.00 | | | | 648,463,311.34 | 0.00 | 0.00 | | 42,490,556.88 | 375,515,011.98 | | 1,177,837,918.20 |
| Plus: changes in accounting policies | 0.00 | | | | 0.00 | 0.00 | 0.00 | | -6,835.39 | -61,518.52 | | -68,353.91 |
| Corrections of prior period errors | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 |
| Others | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 |
| II. Beginning balance of this year | 111,369,038.00 | | | | 648,463,311.34 | 0.00 | 0.00 | | 42,483,721.49 | 375,453,493.46 | | 1,177,769,564.29 |
| III. Amount increase/decrease of the current period (decrease expressed with "-") | 37,123,013.00 | | | | 1,424,805,710.07 | 0.00 | 0.00 | | 11,402,986.96 | 102,558,528.77 | | 1,575,890,238.80 |
| (I) Total comprehensive income | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | 113,961,515.73 | | 113,961,515.73 |
| (II) Capital invested and reduced by the owners | 37,123,013.00 | | | | 1,424,805,710.07 | 0.00 | 0.00 | | 0.00 | 0.00 | | 1,461,928,723.07 |
| 1. Common stock | 37,123,013.00 | | | | 1,420,175,364.70 | 0.00 | 0.00 | | 0.00 | 0.00 | | 1,457,298,377.70 |

| | | | | | | | | | | | | |
|--|------|--|--|--|--------------|------|------|--|---------------|----------------|--|--------------|
| contributed by owners | | | | | | | | | | | | |
| 2. Capital invested by holders of other equity instruments | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 |
| 3. Amount of share-based payments recognized in equity | 0.00 | | | | 4,630,345.37 | 0.00 | 0.00 | | 0.00 | 0.00 | | 4,630,345.37 |
| 4. Others | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 |
| (III) Profit distribution | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 11,402,986.96 | -11,402,986.96 | | 0.00 |
| 1. Surplus reserves withdrawal | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 11,402,986.96 | -11,402,986.96 | | 0.00 |
| 2. Distribution to owners (or shareholders) | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 |
| 3. Others | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 |
| (IV) Internal carryover of owner's equity | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 |
| 1. Capital surplus transfer to capital (or equity capital) | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 |
| 2. Surplus reserve transfer to capital (or equity capital) | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 |

| | | | | | | | | | | | | |
|--|----------------|--|--|--|------------------|------|------|--|---------------|----------------|--|------------------|
| 3. Surplus reserve offsetting losses | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 |
| 4. Changes in defined benefit plans carried forward to retained earnings | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 |
| 5. Retained income carried forward from other comprehensive income | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 |
| 6. Others | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 |
| (V) Special reserve | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 |
| 1. Withdrawal in this period | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 |
| 2. Use in the current period | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 |
| (VI) Others | 0.00 | | | | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 |
| IV. Ending balance of current period | 148,492,051.00 | | | | 2,073,269,021.41 | 0.00 | 0.00 | | 53,886,708.45 | 478,012,022.23 | | 2,753,659,803.09 |

III. Basic Information of the Company

1. Company registration location, organizational form and headquarters address

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

As of December 31, 2023, the Company has issued a total of 194,679,508.00 shares of share capital after years of converting into share capital and issuing new shares, with a registered capital of RMB 194,679,508.00. The registered address is: No. 32, Pingshan Industrial Road, Tangxia Town, Dongguan, Guangdong, China. The parent company is Shenzhen ZKTeco Times Investment Co., Ltd., and the actual controller is Che Quanhong.

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

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

3. Scope of consolidated financial statements

There are 61 subsidiaries incorporated in the consolidation scope of the Company in current period, as detailed in Note X "Rights and Interests in Other Entities". Compared to the previous period, the number of entities included in the scope of consolidated financial statements in the current period increased by 8 and decreased by 1. For specific information on the entities subject to changes in the scope of consolidation, please refer to Note IX Changes in Consolidation Scope.

4. Approval of financial statements

This financial statement was approved by the Board of Directors of the Company on April 22, 2024.

IV. Preparation Basis for Financial Statements

1. Basis of preparation

Based on actual transactions and events, the Company recognizes and measures them in accordance with the "Accounting Standards for Enterprises - Basic Standards" issued by the Ministry of Finance, specific enterprise accounting standards, application guidelines for Accounting Standards for Enterprises, interpretations of Accounting Standards for Enterprises, and other relevant regulations (hereinafter collectively referred to as "Accounting Standards for Enterprises"). On this basis, we prepare financial statements in accordance with the provisions of the

"Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 - General Provisions on Financial Reports" (revised in 2023) issued by China Securities Regulatory Commission.

2. Going concern

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

V. Important Accounting Policies and Estimates

Tips of specific accounting policies and estimates:

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

1. Declaration of compliance with Accounting Standards for Business Enterprises

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

2. Accounting period

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

3. Operating cycle

The Company's operating cycle is 12 months.

4. Recording currency

Renminbi is adopted as the recording currency.

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

5. Method for recognizing significance criteria and selection basis

Applicable Not applicable

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

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

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

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

(2) Business merger under the common control

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

The assets and liabilities obtained by the Company in the business merger shall be measured according to the book value of the assets and liabilities of the combined party (including the goodwill formed by the acquisition of the combined party by the ultimate controller) in the consolidated financial statements of the ultimate controller on the combination date. The stock premium in capital reserves is adjusted according to the difference between the book value of net assets acquired through combination and the book value of consideration paid for the combination (or

total par value of shares issued). If the stock premium in capital reserves is insufficient to cover the difference, the remaining amount will be charged against retained earnings.

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

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

(3) Business merger not under common control

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

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

The difference between the merger cost and the fair value of the identifiable net assets obtained from the acquiree is recognized as goodwill by the Company. If the merger cost is less than the fair value share of the identifiable net assets obtained from the acquiree in the merger, the fair values of the identifiable assets, liabilities, and contingent liabilities obtained from the acquiree, as well as the measurement of the merger cost, are first reviewed. After review, if the merger cost is still less than the fair value share of the identifiable net assets obtained from the acquiree in the merger, the difference is included in current profits and losses.

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

(4) Related expenses incurred for the merger

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

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

(1) Judgment criteria for control

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

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

- 1) The purpose of the establishment of the investee.
- 2) The relevant activities of the investee and how to make decisions on these activities.
- 3) Whether the rights enjoyed by the investor currently enable them to lead the relevant activities of the investee.
- 4) Whether the investor enjoys variable returns by participating in related activities of the investee.

- 5) Whether the investor has the ability to exercise the power over the investee to affect its return amount.
- 6) The relationship between the investor and other parties.

(2) Consolidation scope

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

(3) Consolidation procedure

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

The accounting policies and accounting periods adopted by all subsidiaries included in the scope of consolidated financial statements are consistent with those of the Company. If the accounting policy or accounting period of any subsidiary is different from that of the Company, the consolidated financial statements of the subsidiary, upon preparation, will be adjusted according to the accounting policy and accounting period of the Company.

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

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

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

1) Increase of subsidiaries or business

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

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

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

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

2) Disposal of subsidiaries or businesses

① General disposal method

During the reporting period, if the Company disposed of a subsidiary or business, the income, expenses and profits of the subsidiary or business from the beginning of the period to the disposal date were included in the consolidated income statement; the cash flow of the subsidiary or business from the beginning of the period to the disposal date is included in the consolidated cash flow statement.

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

② Disposal of subsidiaries step by step

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

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

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

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

3) Purchase of minority shares of subsidiaries

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

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

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

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

(1) Classification of joint venture arrangements

The Company divides the joint venture arrangement into joint operation and joint venture based on factors such as the structure, legal form, provisions stipulated in the joint venture arrangement, other relevant facts and circumstances. Joint operations refer to an arrangement that the joint party enjoys the assets related to such arrangement and bears the liabilities related to such arrangement. Joint venture refers to a joint venture arrangement in which the joint venture party only has rights to the net assets of the arrangement.

(2) Accounting treatment of joint operations

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

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

5) Recognize the expenses incurred separately and the expenses incurred in joint operation according to their share.

9. Recognition criteria of cash and cash equivalents

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

10. Foreign currency transactions and foreign currency statement translation

(1) Foreign currency transaction

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

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

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

(2) Translation of foreign currency financial statements

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

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

11. Financial instruments

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

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

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

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

(1) Classification, recognition and measurement of financial assets

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

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

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

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

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

1) Classified as financial assets measured at the amortized cost

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

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

① For financial assets that have been purchased or generated with credit impairment, the Company determines their interest income from initial recognition based on the amortized cost of the financial asset and the actual interest rate adjusted by credit.

② For the financial asset purchased or originated without credit impairment but with credit impairment in the subsequent period, the interest income shall be calculated and determined by the Company according to the amortized cost and the effective interest rate of the financial asset in the subsequent period. If the financial instrument no longer experiences credit impairment due to an improvement in its credit risk in subsequent periods, the Company will calculate and determine interest income by multiplying the actual interest rate by the book balance of the financial asset.

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

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

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

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

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

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

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

If equity instrument investment meets one of the following conditions, it belongs to financial assets measured at fair value and whose changes are included in the current profits and losses: the main purpose of acquiring the financial asset is to sell it in the near future; at initial recognition, it is a part of the identifiable financial asset instrument portfolio under centralized management, and there is objective evidence to suggest the existence of short-

term profit models in the near future; it belongs to derivative instruments (excluding derivative instruments that meet the definition of financial guarantee contracts and are designated as effective hedging instruments).

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

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

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

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

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

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

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

① Embedded derivative instruments will not cause significant changes to the cash flow of the mixed contract.

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

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

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

(2) Classification, recognition and measurement of financial liabilities

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

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

The subsequent measurement of financial liabilities depends on their classification:

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

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

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

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

① It is possible to eliminate or significantly reduce accounting mismatches.

② Management and performance evaluation are conducted for the financial liability portfolio or the portfolio of financial assets and financial liabilities based on fair value in accordance with the enterprise risk management or

investment strategy specified in the official written documents, and report to the key management personnel on this basis inside the enterprise.

The Company adopts fair value for subsequent measurement of such financial liabilities. Except for fair value changes caused by changes in the Company's own credit risk, which are included in other comprehensive income, other fair value changes are included in current profits and losses. Unless fair value changes caused by changes in the Company's own credit risk are included in other comprehensive income, which would cause or expand accounting mismatches in profit or loss, the company will include all fair value changes (including the amount affected by changes in its own credit risk) in current profits and losses.

1) Other financial liabilities

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

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

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

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

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

(3) Derecognition of financial assets and financial liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(6) Impairment of financial instruments

The Company conducts impairment accounting and recognizes loss provisions based on expected credit losses for financial assets measured at the amortized cost, financial assets measured at fair value and whose changes are included in other comprehensive income, lease receivables, contract assets, loan commitments other than financial liabilities measured at fair value and whose changes are included in the current profits and losses, financial liabilities other than financial liabilities measured at fair value and whose changes are included in the current profits and losses, as well as financial guarantee contracts formed by financial asset transfers that do not meet the derecognition conditions or continue to be involved in transferred financial assets.

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

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

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

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

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

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

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

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

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

1) Significant increase in credit risk

The Company utilizes available and reasonable forward-looking information to determine whether the credit risk of financial instruments has significantly increased since initial recognition by comparing the risk of default on

the balance sheet date with the risk of default on the initial recognition date. For financial guarantee contracts, when applying impairment provisions for financial instruments, the date on which the Company becomes the party making an irrevocable commitment shall be regarded as the initial recognition date.

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

① Whether there has been a significant change in the actual or expected operating results of the debtor;

② Whether there have been significant adverse changes in the regulatory, economic, or technological environment in which the debtor is located;

③ Whether there has been a significant change in the value of collateral as collateral for debt collateral or the quality of collateral or credit enhancement provided by third parties, which is expected to reduce the economic motivation of the debtor to repay within the period stipulated in the contract or affect the probability of default;

④ Whether there have been significant changes in the debtor's expected performance and repayment behavior;

⑤ Whether there have been changes in the Company's credit management methods for financial instruments.

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

2) Financial assets that have experienced credit impairment

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

① Significant financial difficulties of the issuer or the debtor;

② The debtor violates the contract, such as default or overdue payment of interest or principal;

③ The creditor grants concessions that the debtor would not otherwise make for economic or contractual reasons related to the debtor's financial difficulties;

④ The debtor is likely to go bankrupt or undergo other financial restructuring;

⑤ The financial difficulties of the issuer or the debtor lead to the disappearance of the active market of the financial asset;

⑥ A financial asset is purchased or originated at a substantial discount that reflects the fact that a credit loss has occurred.

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

3) Determination of expected credit losses

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

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

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

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

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

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

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

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

4) Write down financial assets

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

(7) Offset of financial assets and financial liabilities

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

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

12. Notes receivable

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

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

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

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

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

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

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

13. Accounts receivable

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

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

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

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

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

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

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

14. Receivable financing

Notes receivable classified as measured at fair value with changes recognized in other comprehensive income, with a maturity period of one year (including one year) from the initial recognition date, are listed as receivable financing; if the maturity period is more than one year from the initial recognition date, they shall be listed as other debt investments. The relevant accounting policies are detailed in Note V 11.

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

15. Other receivables

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

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

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

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

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

| Aging | Expected credit loss rate of other receivables (%) |
|---------------|--|
| Within 1 year | 5.00 |

| | |
|--------------|--------|
| 1-2 years | 10.00 |
| 2-3 years | 30.00 |
| Over 3 years | 100.00 |

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

16. Contract assets

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

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

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

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

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

17. Inventory

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

1) Inventory category

Inventories refer to finished products or commodities held by the Company for sale in daily activities, products in process of production, and materials consumed in the process of production or provision of labor services. Mainly

including raw materials, products in process, goods in stock, goods in transit, consigned processing materials, contract performance costs, etc.

2) Valuation method for issuing inventory

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

3) Inventory taking system

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

4) Amortization method for low value consumables and packaging materials

① Low value consumables are amortized by the one-off write-off method;

② Packaging materials are amortized by the one-off write-off method;

③ Other turnover materials are amortized using the one-off write-off method.

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

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

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.

18. Held-for-sale assets

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

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

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

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

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

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

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

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

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

19. Debt investment

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

20. Other debt investments

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

21. Long-term receivables

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

22. Long-term equity investment

(1) Recognition of initial investment cost

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

2) Long-term equity investments obtained through other means

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

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

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

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

(2) Subsequent measurement and profit and loss recognition

1) Cost method

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

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

2) Equity method

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

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

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

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

When the Company confirms that it shall share the losses incurred by the investee, it shall handle them in the following order: firstly, offset the book value of long-term equity investments. Secondly, if the book value of long-

term equity investments is not sufficient to offset, investment losses shall be recognized to the extent of other long-term equity book values that essentially constitute net investments in the investee, and the book value of long-term accounts receivable shall be offset. Finally, after the above processing, if the enterprise still bears additional obligations as stipulated in the investment contract or agreement, the expected liabilities shall be recognized based on the expected obligations and included in the current investment loss.

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

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

1) Fair value measurement to equity method accounting

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

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

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

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

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

If the equity investments held before the date of acquisition are accounted for in accordance with the relevant provisions of the "Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments", the cumulative fair value changes originally recognized in other comprehensive income are transferred to the current profits and losses when the cost method is used for accounting.

3) Equity method accounting to fair value measurement

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

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

4) Cost method to equity method

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

5) Cost method to fair value measurement

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

(4) Disposal of long-term equity investments

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

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

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

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

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

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

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

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

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

(5) Judgment standard for common control and significant impact

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

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

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

23. Investment real estate

Measurement model of investment real estate

Cost method measurement

Depreciation or amortization method

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

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

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

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

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

24. Fixed assets

(1) Recognition conditions

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

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

(2) Depreciation methods

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

25. Construction in progress

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

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

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

26. Borrowing costs

(1) Recognition principles for capitalization of borrowing costs

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

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

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

1) Expenditures on an asset have been incurred, and expenditures on the asset comprise payments in cash, transfer of non-cash assets or assumption of debts with interest for acquisition and construction or production of the asset qualifying for capitalization;

2) The borrowing costs have already been incurred;

3) Acquisition, construction or production activities necessary to bring the asset to reach expected conditions for use or sale are in progress.

(2) Period of capitalization of borrowing costs

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

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

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

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

(3) Suspension period of capitalization

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

(4) Calculation methods for capitalized amount of borrowing costs

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

The amount of capitalization of the interest amount shall be determined by multiplying the weighted average of difference between accumulative assets expenditure and assets expenditure of specially borrowed loans by the

capitalization rate of general borrowings. The capitalization rate is calculated and determined based on the weighted average interest rate of general borrowings.

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

27. Intangible assets

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

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

1) Initial measurement of intangible assets

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

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

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

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

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

2) Subsequent measurement of intangible assets

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

① Intangible assets with limited useful life

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

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

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

② Tangible assets with unclear useful life

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

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

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

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

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

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

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

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

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

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

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

28. Long-term assets impairment

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

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

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

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

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

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

29. Long-term unamortized expenses

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

30. Contract liabilities

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

31. Employee compensation

(1) Accounting treatment methods for short-term compensation

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

(2) Accounting treatment method for post employment benefits

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

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

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

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

(3) Accounting treatment method for dismissal benefits

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

32. Estimated liabilities

(1) Recognition standards for estimated liabilities

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

(2) Measurement method for estimated liabilities

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

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

The best estimate is handled in the following situations:

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

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

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

33. Share-based payments

(1) Types of share-based payments

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

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

For equity instruments such as options granted in an active market, their fair value is determined based on the quoted price in the active market. For equity instruments such as options granted without an active market, the fair value is determined using option pricing models, etc. The selected option pricing model considers the following factors: 1) The exercise price of the option; 2) The validity period of the option; 3) The current price of the underlying shares; 4) The expected volatility of stock price; 5) The expected dividend of the shares; 6) The risk-free interest rate during the validity period of the option.

When determining the fair value of equity instruments on the grant date, the Company shall consider the impact of market conditions and non-vesting conditions specified in the share-based payment agreement. If there are non-vesting conditions for share-based payment, as long as the employee or other party meets all non-market conditions

(such as service period, etc.) of the vesting conditions, it is confirmed that the corresponding cost of the service has been received.

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

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

(4) Accounting treatment method

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

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

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

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

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

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

If the modification increases the number of equity instruments granted, the enterprise will recognize the fair value of the increased equity instruments as an increase in the acquisition of services. If the modification occurs during the waiting period, the fair value of the services obtained between the confirmation of the modification date and the vesting date of the added equity instruments shall include both the service amount determined based on the fair value of the original equity instrument on the grant date during the remaining original waiting period and the increase in the fair value of the equity instrument.

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

3) Accounting treatment for cancellation of share-based payment

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

34. Revenue

The Company's revenue mainly comes from selling goods.

(1) General principles for revenue recognition

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

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

For performance obligations performed within a certain period of time, the Company adopts the input method to determine the appropriate progress of performance based on the nature of goods and services. The input method is to determine the progress of performance based on the investment made by the Company to fulfill its obligations. If the performance progress cannot be reasonably determined and the costs incurred are expected to be compensated, the Company will recognize the revenue according to the amount of costs incurred until the performance progress can be reasonably determined.

(2) Specific methods of revenue recognition

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

2) The principle for recognizing revenue from overseas offline sales of products: For domestic companies that directly export and sell products, FOB terms are adopted. For those that declare and export through sea and air freight, the export customs declaration procedures are completed, the customs declaration form is obtained, and the revenue is recognized when obtaining the bill of lading. For customs declaration and export through express delivery, revenue

shall be recognized based on the date of the customs declaration. If the overseas subsidiary sells overseas, the goods shall be delivered to the customer or picked up at the customer's doorstep according to the agreed delivery method with the customer. Revenue shall be recognized when the customer receives the goods and the acceptance is qualified.

3) The principle for recognizing sales revenue through online self operation mode of products: In self operation mode, the Company mainly sells products directly to consumers through domestic e-commerce platforms (Tmall, Taobao, JD, PDD, Suning) and overseas e-commerce platforms (Amazon, Lazada, 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.

35. Contract cost

(1) Contract performance cost

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

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

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

(2) Contract acquisition cost

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

(3) Amortization of contract costs

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

(4) Impairment of contract costs

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

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

36. Government subsidies

(1) Type

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

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

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

(2) Recognition of government subsidies

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

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

(3) Accounting treatment method

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

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

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 revenue and expenditure.

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

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

37. Deferred income tax assets/deferred income tax liabilities

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

(1) Basis for recognizing deferred income tax assets

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

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

(2) Basis for recognizing deferred income tax liabilities

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

1) Temporary differences formed by the initial recognition of goodwill;

2) Transactions or events that are not formed by business mergers and do not affect accounting profits or temporary differences in taxable income (or deductible losses) at the time of their occurrence;

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

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

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

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

38. Leasing

(1) Accounting treatment method for leasing as a lessee

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

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

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

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

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

2) Accounting policies for right-of-use assets

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

- ① The initial measurement amount of lease liabilities;
- ② For the lease payment paid on or before the commencement date of the lease term, if there is lease incentive, the relevant amount of lease incentive enjoyed shall be deducted;
- ③ Initial direct expenses incurred by the Company;
- ④ The costs expected to be incurred by the Company to dismantle and remove the leased assets, restore the site where the leased assets are located or restore the leased assets to the state agreed in the lease terms, but excluding the costs incurred for the production of inventories.

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

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

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

3) Accounting policies for lease liabilities

Lease liabilities are initially measured by the Company according to the present value of the unpaid lease payments on the commencement date of the lease term. In calculating the present value of the lease payment, the Company adopts the embedded interest rate of the lease as the discount rate; if the embedded interest rate of the lease

cannot be determined, the incremental borrowing rate of the Company shall be used as the discount rate. Lease payments include:

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

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

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

(2) Accounting treatment method for leasing as a lessor

1) Classification of leases

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

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

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

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

① If the lessee cancels the lease, the losses incurred by the lessor due to the cancellation of the lease shall be borne by the lessee.

② The gains or losses arising from fluctuations in the fair value of residual assets are attributable to the lessee.

③ The lessee has the ability to continue leasing at a rent significantly lower than the market level until the next period.

2) Accounting treatment of financial leasing

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

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

① The fixed payment amount and substantial fixed payment amount after deducting the amount related to lease incentives;

② Variable lease payments depending on index or ratio;

③ When it is reasonably determined that the lessee will exercise the purchase option, the lease receipt amount includes the exercise price of the purchase option;

④ When the lease term reflects that the lessee will exercise the right to terminate the lease, the lease receipt amount includes the amount that needs to be paid by the lessee to exercise the right to terminate the lease;

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

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

3) Accounting treatment of operating leases

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

39. Other important accounting policies and estimates

None

40. Changes of significant accounting policies and accounting estimates**(1) Significant accounting policy changes** Applicable Not applicable

Unit: RMB

| Contents and reasons for changes in accounting policies | Name of report items that are significantly affected | Affected amount |
|---|--|-----------------|
|---|--|-----------------|

1) The impact of implementing Interpretation No. 16 of the Accounting Standards for Business Enterprises on the Company

On December 13, 2022, the Ministry of Finance issued the "Interpretation No. 16 of the Accounting Standards for Business Enterprises" (CK [2022] No. 31, hereinafter referred to as "Interpretation No. 16"). The provision "deferred income tax related to assets and liabilities arising from individual transactions shall not be subject to the accounting treatment of initial recognition exemption" of Interpretation No. 16 was implemented from January 1, 2023, allowing the enterprise to execute it ahead of schedule from the year of publication. The Company implemented accounting treatment related to this matter in the current year.

For the lease liabilities and right-of-use assets recognized due to the application of Interpretation No. 16 in the earliest period of financial statement presentation for the first time (i.e. January 1, 2022), as well as the estimated liabilities and corresponding assets related to the disposal obligation recognized, which generate taxable temporary differences and deductible temporary differences, the Company shall adjust the cumulative impact to present the initial retained earnings and other related financial statement items for the earliest period (i.e. January 1, 2022) in the financial statements in accordance with Interpretation No. 16 and the provisions of "Accounting Standards for Enterprises No. 18 - Income Tax".

According to the relevant provisions of Interpretation No. 16, the Company has adjusted the cumulative impact of financial statement related items as follows:

| Item | January 1, 2022 Original reported amount | Cumulative impact amount | January 1, 2022 Adjusted reported amount |
|----------------------------|---|--------------------------|---|
| Deferred income tax assets | 37,494,061.22 | 5,549,831.23 | 43,043,892.45 |
| Deferred tax liability | 3,150,369.30 | 5,582,768.40 | 8,733,137.70 |
| Other comprehensive income | -25,505,560.02 | 15,736.68 | -25,489,823.34 |
| Surplus reserves | 42,581,853.37 | -6,835.39 | 42,575,017.98 |
| Undistributed profits | 607,725,356.63 | -55,548.96 | 607,669,807.67 |

| Item | January 1, 2022 Original reported amount | Cumulative impact amount | January 1, 2022 Adjusted reported amount |
|--------------------|---|--------------------------|---|
| Minority interests | 36,170,791.65 | 13,710.50 | 36,184,502.15 |

For the lease liabilities and right-of-use assets recognized due to the application of Interpretation No. 16 from the earliest period of financial statement presentation for the first time (January 1, 2022) to the implementation date of the Implementation (i.e. January 1, 2023), as well as the estimated liabilities and corresponding assets related to the disposal obligation recognized, the Company shall handle in accordance with Interpretation No. 16.

According to Interpretation No. 16, the Company has adjusted the relevant items on the balance sheet as follows:

| Balance Sheet Items | December 31, 2022 | | |
|----------------------------|-------------------|--------------------------|------------------|
| | Before the change | Cumulative impact amount | After the change |
| Deferred income tax assets | 46,749,722.28 | 8,719,450.85 | 55,469,173.13 |
| Deferred tax liability | 3,557,844.83 | 8,491,060.14 | 12,048,904.97 |
| Other comprehensive income | 5,255,222.65 | -4,332.29 | 5,250,890.36 |
| Surplus reserves | 53,975,085.77 | 2,919.17 | 53,978,004.94 |
| Undistributed profits | 788,571,917.98 | 197,066.66 | 788,768,984.64 |
| Minority interests | 43,025,126.30 | 32,737.17 | 43,057,863.47 |

According to Interpretation No. 16, the Company has adjusted the relevant items on the income statement as follows:

| Income statement items | 2022 | | |
|------------------------|-------------------|--------------------------|------------------|
| | Before the change | Cumulative impact amount | After the change |
| Income tax expenses | 9,035,711.77 | -281,396.85 | 8,754,314.92 |

2) On October 25, 2023, the Ministry of Finance issued the "Interpretation No. 17 of the Accounting Standards for Enterprises" (CK [2023] No. 21, hereinafter referred to as "Interpretation No. 17"), and the Company implemented the "Accounting Treatment for Sale and Leaseback Transactions" from October 25, 2023.

The implementation of the "Accounting Treatment for Sale and Leaseback Transactions" has no significant impact on the financial statements for the current period.

(2) Changes in significant accounting estimates

Applicable Not applicable

(3) Implementation of new accounting standards adjustment for the first time starting from 2023. Relevant project information on financial statements at the beginning of the year

Applicable Not applicable

Explanations on adjustment situation: Please refer to Note V 40 (1) Changes in significant accounting policies

41. Others

None

VI. Taxation

1. Main tax types and tax rates

| Tax Type | Tax Basis | Tax rates |
|--|--|--|
| VAT | Selling goods or providing taxable services | 13.00%, 9.00%, 6.00%, 5.00%, 3.00%, and applicable value-added tax rate for overseas subsidiaries in their registered location |
| Urban maintenance and construction tax | Paid turnover tax amount | 7.00%、5.00% |
| Education surcharge | Paid turnover tax amount | 3% |
| Local education surcharges | Paid turnover tax amount | 2% |
| Property tax | Based on 70% of the original value of the property (or rental income) as the tax benchmark | 1.2%、12% |

Disclosure of information on taxpayers with different corporate income tax rates

| Name of Taxpayer | Income tax rate |
|---|-----------------|
| ZKTECO CO., LTD. | 15% |
| Xiamen ZKTeco Biometric Identification Technology Co., Ltd. | 25% |
| Shenzhen ZKTeco Biometric Identification Technology Co., Ltd. | 20% |
| ZK INVESTMENTS INC. | 21% |
| ZK TECHNOLOGY LLC | Not applicable |
| ZKTeco Sales Co., Ltd. | 25% |
| Hangzhou ZKTeco Hanlian E-commerce Co., Ltd. | 20% |
| ZKCserv Technology Limited Co., Ltd. | 25% |
| Dalian ZKTeo Co., Ltd. | 20% |
| XIAMEN ZKTECO CO., LTD. | 15% |
| ZKTeco Huayun (Xiamen) Integrated Circuit Co., Ltd. | 25% |
| Xiamen ZKTeco Cloud Valley Design and Development Co., Ltd. | 25% |
| ZKTECO VIETNAM TECHNOLOGY COMPANY LIMITED | 20% |
| ZKTECO (GUANGDONG) CO., LTD | 15% |
| Xi'an ZKTeco Co., Ltd. | 20% |
| Shenzhen Zhongjiang Intelligent Technology Co., Ltd. | 25% |
| ZKTECO CO., LIMITED | 16.50%、8.25% |
| ZKTECO TURKEY ELEKTRONIK SANAYI VE TICARET LIMITED SIRKETI. | 25% |
| ZKTECO LATAM, S.A. DE C.V. | 30% |
| ZK SOFTWARE DE MEXICO, S.A. DE C.V. | 30% |
| ZKTECO COLOMBIA SAS | 31% |
| ZKTECO (M) SDN. BHD. | 24% |
| ZKTECO BIOMETRICS INDIA PRIVATE LIMITED | 25.00%、15.00% |
| ZKTECO EUROPE SL | 25% |
| ZKTECO IRELAND LIMITED | 12.5% |
| ZKTECO Deutschland GmbH | 31.225% |
| ZKTECO ITALIA S.R.L. | 27.9% |
| ZKTECO UK LTD | 19%、25% |
| ZKTECO PERU SOCIEDAD ANONIMA CERRADA | 29.5% |
| ZKTECO THAI CO., LTD. | 20%、15%、0% |

| | |
|--|-----------------------------|
| ZKTECO Chile SpA | 27% |
| SOLUCIONES INTEGRALES Y SISTEMAS SpA | 27% |
| ZKTECO SECURITY L.L.C | 0% |
| ZKTECO ARGENTINA S.A. | 25.00%、30.00%、35.00% |
| Limited Liability Company "ZKTeco biometrics and security" | 20% |
| ZKTeco Investment Inc. | 21% |
| ZKTECO USA LLC | Not applicable |
| ARMATURA LLC. | Not applicable |
| Armatura Co., Ltd. | 25.00%、22.00%、20.00%、10.00% |
| RALVIE AI INC. | 38% |
| ZKTeco Japan Co., Ltd. | 15.00%、23.20% |
| PT. ZKTECO BIOMETRICS INDONESIA | 22.00%、11.00% |
| ZK INVESTIMENTOS DO BRASIL LTDA. | 25.00%、15.00% |
| ZKTECO DO BRASIL S.A. | 25.00%、15.00% |
| ZKTeco Latam R&D S.A. | 25.00%、30.00%、35.00% |
| NGTECO CO., LIMITED | 16.50%、8.25% |
| ZKTECO BIOMETRIC LIMITED | 30% |
| ZKTECO PANAMA, S.A. | 5.00% |
| ZK INTELLIGENT SOLUTIONS (PTY) LTD | 27.00%、28.00% |
| ZKTECO BIOMETRICS KENYA LIMITED | 30% |
| ZKTECO ROMANIA S.R.L | 16% |
| Hubei ZKTeco Co., Ltd. | 20% |
| Wuhan ZKTeco Perception Technology Co., Ltd. | 20% |
| ZKTECO SG INVESTMENT PTE. LTD. | 17.00%、4.25% |
| ZKTECO SINGAPORE PTE. LTD. | 17.00%、4.25% |
| ZKDIGIMAX PTE. LTD. | 4.25%、8.5%、17% |
| ZKDIGIMAX PANAMA, S.A. | 25% |
| Armatura Tech Co., Ltd. | 20%、15%、0% |
| ZKDIGIMAX (PTY) LTD | 27% |
| PT. ZKDIGIMAX EXCEL NOBLE | 0.5%、22% |
| ZKDIGIMAX CHINA CO., LTD. | 25% |
| ZKDIGIMAX COLOMBIA SAS | 35% |

2. Tax incentives

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

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

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

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

(2) According to the relevant provisions of the "Notice of the Ministry of Finance and the State Administration of Taxation on Value-added Tax Policies for Software Products" (CS [2011] No. 100) and the "Notice on Questions of Policies on Encouraging the Development of the Software and Integrated Circuit Industries" (CS [2000] No. 25),

from January 1, 2011, for general taxpayers of value-added tax who sell software products developed and produced by themselves, after value-added tax is levied at the applicable tax rate, a policy of taxation and drawback has been implemented for the portion of its actual value-added tax burden exceeding 3.00%.

(3) According to the "Announcement on Further Supporting the Development of Micro and Small Enterprises and Individual Industrial and Commercial Households" (Announcement No. 12 of the State Administration of Taxation of the Ministry of Finance, 2023), from January 1, 2023 to December 31, 2027, small-scale value-added tax taxpayers, small and micro profit enterprises, and individual industrial and commercial households can reduce resource tax by half (excluding water resource tax), urban maintenance and construction tax, property tax, urban land use tax, stamp duty (excluding securities transaction stamp duty), farmland occupation tax, education surcharge, and local education surcharge. The policy of reducing the taxable income of small and micro profit enterprises by 25% and paying corporate income tax at a rate of 20% will continue to be implemented until December 31, 2027. This policy is applicable to Shenzhen ZKTeco Biometric Identification Technology Co., Ltd., Hangzhou ZKTeco Hanlian E-commerce Co., Ltd., Xi'an ZKTeco Co., Ltd., Hubei ZKTeco Co., Ltd., and Wuhan ZKTeco Perception Technology Co., Ltd., and Dalian ZKTeo CO., Ltd.

3. Others

When the total taxable income of ZK INVESTIMENTOS DO BRASIL LTDA. and ZKTECO DO BRASIL S.A. is below 240,000 Reals, the tax rate is 15.00%; an additional 10.00% will be levied on the portion exceeding 240,000 Reals.

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.

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

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 2023, 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.

The corporate income tax rate for ZKTeco Deutschland GmbH in 2023 is 31.225%.

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%, 15%, and 0%, 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 is 20.00%. If the above two conditions are not met, the tax rate is applicable at 20.00%.

The corporate income tax rate of ZKTECO TURKEY ELEKTRONIK SANAYI VE TICARET LIMITED SIRKETI for the year 2023 was 25%.

PT. ZKTECO BIOMETRICS INDONESIA, an Indonesian subsidiary, applies the corporate income tax rate for the year 2023 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.

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.

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%.

The applicable income tax rates for ZKTECO SG INVESTMENT PTE. LTD. and ZKTECO SINGAPORE PTE. LTD. in 2023 were 4.25% and 17.00% respectively; the income tax rate was 4.25% for those within SGD 100,000, and 17.00% for those exceeding SGD 100,000.

The applicable income tax rates for ZKDIGIMAX PTE.LTD. in 2023 were 4.25%, 8.5% and 17.00% respectively; the taxable income rate was 4.25% for those within SGD 10,000, 8.5% for those between SGD 10,000 and SGD 200,000, and 17% for the excess.

PT.ZKDIGIMAX EXCEL NOBLE was established in May 2023, with tax incentives for the first year. The tax rate is 0.5% for income below IDR 4.8 billion, and 22% for excess tax.

The applicable corporate income tax rate for ZKTECO UK LTD in 2023 is as follows: Starting from April 2023, if the profit exceeds GBP 250,000, the income tax rate is 25%; if the profit is below GBP 50,000, 19% still applies; if the profit is between GBP 50,000 and GBP 250,000, 25% applies, and marginal relief is implemented.

The applicable corporate income tax rate for RALVIE AI INC. in 2023 is as follows: The basic tax rate for federal income tax is 38%. 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% federal tax credit for income obtained in various provinces (or territories) of Canada, which is a preferential tax rate of 28%. However, for income sourced from outside Canada, the 10% credit policy is not applicable.

If the registered capital of ZKTeco Japan Co., Ltd. is less than JPY 100 million and there is no capital fund, the corporate tax rate (income tax) is 15.00% for the income of less than JPY 8 million; for income exceeding JPY 8 million, the corporate tax rate (income tax) is 23.20%.

For ZK INTELLIGENT SOLUTIONS (PTY) LTD, the corporate income tax rate for residents on or after March 31, 2023 is 27%, and for the period from April 1, 2022 to March 30, 2023, the corporate income tax rate is 28%.

VII. Notes to Consolidated Financial Statements

1. Monetary fund

| Unit: RMB | | |
|--|------------------|-------------------|
| Item | Ending Balance | Beginning Balance |
| Cash on hand | 1,401,947.05 | 2,646,715.85 |
| Cash in bank | 1,921,774,208.61 | 1,876,652,122.37 |
| Other monetary funds | 67,748,799.12 | 33,646,193.75 |
| Total | 1,990,924,954.78 | 1,912,945,031.97 |
| Including: total amount deposited abroad | 269,209,971.66 | 200,783,792.34 |

Other explanations:

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

| Item | Ending Balance | Beginning Balance |
|-------------------------|-----------------------|-----------------------|
| ZK INVESTMENTS INC. | 50,836,806.93 | 5,488,562.65 |
| ZKTECO CO., LIMITED | 21,156,346.88 | 15,460,746.98 |
| ZKTECO EUROPE SL | 31,524,794.43 | 13,570,285.55 |
| ZKTeco Investment Inc. | 14,446,108.58 | 12,478,045.71 |
| ZK TECHNOLOGY LLC | 14,890,877.77 | 49,108,592.44 |
| ZKTECO SECURITY L.L.C | 30,848,104.48 | 17,077,386.32 |
| Armatura Tech Co., Ltd. | 22,185,840.84 | 33,067,155.46 |
| Total | <u>185,888,879.91</u> | <u>146,250,775.11</u> |

Note 2: As of December 31, 2023, in the ending balance of bank deposits, the principal ending balance of the time deposit was RMB 598,547,190.12, and the unearned interest receivable amount was RMB 20,402,541.16, which does not belong to cash and cash equivalents. Please refer to "VII. Notes to Main Items in the Consolidated Financial Statements Note 59. Supplementary information of cash flow statement" for details.

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

| Item | Ending Balance | Beginning Balance |
|--|----------------|-------------------|
| Margin of bank acceptance draft | 46,693,268.67 | 30,551,118.11 |
| Non withdrawable funds on e-commerce platforms | --- | 8,000.00 |
| Pledged guarantee time deposits | --- | 2,243.32 |
| Frozen litigation funds | 800,000.00 | 18.71 |
| Funds in transit | 7,461,401.81 | 557,108.80 |
| Total | 54,954,670.48 | 31,118,488.94 |

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 | 80,980,203.63 | 204,318,406.05 |
| Including: | | |
| Financial products | 80,887,585.81 | 204,318,406.05 |
| Forward foreign exchange settlement and sales | 92,617.82 | |
| Including: | | |
| Total | 80,980,203.63 | 204,318,406.05 |

Other explanations:

3. Accounts receivable

(1) Disclosure by aging

Unit: RMB

| Aging | Closing book balance | Opening book balance |
|----------------------------------|----------------------|----------------------|
| Within 1 year (including 1 year) | 465,244,619.74 | 408,148,527.11 |
| 1-2 years | 41,128,894.34 | 19,594,239.86 |
| 2-3 years | 4,763,523.90 | 1,938,043.20 |
| Over 3 years | 3,103,189.24 | 1,922,892.18 |
| 3-4 years | 1,424,766.06 | 539,762.25 |
| 4-5 years | 377,084.95 | 752,784.17 |
| Over 5 years | 1,301,338.23 | 630,345.76 |
| Total | 514,240,227.22 | 431,603,702.35 |

(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 | 7,025,009.31 | 1.37% | 6,009,009.31 | 85.54% | 1,016,000.00 | 5,430,619.60 | 1.26% | 5,430,619.60 | 100.00% | 0.00 |
| Including: | | | | | | | | | | |
| Accounts receivable with insignificant single amount and bad debt reserve withdrawn separately | 7,025,009.31 | 1.37% | 6,009,009.31 | 85.54% | 1,016,000.00 | 5,430,619.60 | 1.26% | 5,430,619.60 | 100.00% | 0.00 |
| Receivable with combined provision for bad debt reserve | 507,215,217.91 | 98.63% | 28,427,904.25 | 5.60% | 478,787,313.66 | 426,173,082.75 | 98.74% | 22,675,158.48 | 5.32% | 403,497,924.27 |
| Including: | | | | | | | | | | |
| Aging portfolio | 507,215,217.91 | 98.63% | 28,427,904.25 | 5.60% | 478,787,313.66 | 426,173,082.75 | 98.74% | 22,675,158.48 | 5.32% | 403,497,924.27 |

| | | | | | | | | | | |
|-------|----------------|---------|---------------|-------|----------------|----------------|---------|---------------|-------|----------------|
| Total | 514,240,227.22 | 100.00% | 34,436,913.56 | 6.70% | 479,803,313.66 | 431,603,702.35 | 100.00% | 28,105,778.08 | 6.51% | 403,497,924.27 |
|-------|----------------|---------|---------------|-------|----------------|----------------|---------|---------------|-------|----------------|

Bad debt reserve made individually: 6,009,009.31

Unit: RMB

| Name | Beginning Balance | | Ending Balance | | | |
|---|-------------------|------------------|----------------|------------------|--------------------|----------------------------|
| | Book balance | Bad debt reserve | Book balance | Bad debt reserve | Accrual proportion | Reasons for provision |
| Hainan Jialing Digital Technology Co., Ltd. | | | 2,032,000.00 | 1,016,000.00 | 50.00% | Risk in payment collection |
| Shanghai Leqi Automation Technology Co., Ltd. | 490,186.63 | 490,186.63 | 521,950.00 | 521,950.00 | 100.00% | Expected non-recoverable |
| Noble IT Solutions Co., Ltd | 408,557.71 | 408,557.71 | 415,485.70 | 415,485.70 | 100.00% | Expected non-recoverable |
| Zicom Electronic Securit | 365,258.45 | 365,258.45 | 371,452.20 | 371,452.20 | 100.00% | Expected non-recoverable |
| Al Asma Technology | 346,077.38 | 346,077.38 | 353,391.81 | 353,391.81 | 100.00% | Expected non-recoverable |
| Guizhou Zhongjiang Intelligent Technology Co., Ltd. | 334,800.21 | 334,800.21 | 334,800.21 | 334,800.21 | 100.00% | Expected non-recoverable |
| Shenzhen Xuhui Information Technology Co., Ltd. | 326,350.00 | 326,350.00 | 326,350.00 | 326,350.00 | 100.00% | Expected non-recoverable |
| TIMEWATCH INFOCOM PVT. LTD. | 295,708.98 | 295,708.98 | 300,723.36 | 300,723.36 | 100.00% | Expected non-recoverable |
| Northwood Investors LLC | 240,696.58 | 240,696.58 | 244,778.11 | 244,778.11 | 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 | 197,665.93 | 197,665.93 | 201,017.79 | 201,017.79 | 100.00% | Expected non-recoverable |
| Hainan Zhongkong IOT Technology Co., Ltd. | 199,579.00 | 199,579.00 | 200,089.00 | 200,089.00 | 100.00% | Expected non-recoverable |
| Tianjin Eagle Eye Biotechnology Co., Ltd. | 193,330.00 | 193,330.00 | 178,130.00 | 178,130.00 | 100.00% | Expected non-recoverable |
| ASIA IDENTIFICATION AND SECURITY TECHNOLOGY COMPANY LIMITED | 165,065.90 | 165,065.90 | 167,864.95 | 167,864.95 | 100.00% | Expected non-recoverable |
| Wanqiao Information Technology Co.,Ltd. | 165,900.00 | 165,900.00 | 165,900.00 | 165,900.00 | 100.00% | Expected non-recoverable |
| Baoneng Urban Development and Construction Group Co., Ltd. | 155,292.00 | 155,292.00 | 155,292.00 | 155,292.00 | 100.00% | Expected non-recoverable |
| Logile | | | 105,108.97 | 105,108.97 | 100.00% | Expected non-recoverable |
| PONTO RHJ EIRELI - ME | 98,393.15 | 98,393.15 | 100,061.62 | 100,061.62 | 100.00% | Expected non-recoverable |
| SE DASSAULT SYSTEMES | 241,994.64 | 241,994.64 | | | | |
| Green Electricity Renewable Energy Co., Ltd., of Nanhai, Foshan | 98,024.64 | 98,024.64 | | | | |
| SECUZAA SECURITY SOLUTIONS LAB PRIVATE LIMITED | 96,587.02 | 96,587.02 | 98,224.87 | 98,224.87 | 100.00% | Expected non-recoverable |
| Qianxinan Mengku | 74,672.00 | 74,672.00 | 74,672.00 | 74,672.00 | 100.00% | Expected non- |

| | | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------|--------------------------|
| Business Service Co., Ltd. | | | | | | recoverable |
| INTELLISMART TECHNOLOGY INC. | 73,253.66 | 73,253.66 | 74,495.84 | 74,495.84 | 100.00% | Expected non-recoverable |
| RBB Technologies Private Limited | 61,422.97 | 61,422.97 | 62,167.12 | 62,167.12 | 100.00% | Expected non-recoverable |
| Yichang Anlian Intelligent Technology Development Co., Ltd. | 56,085.00 | 56,085.00 | 56,085.00 | 56,085.00 | 100.00% | Expected non-recoverable |
| Dongguan Yukong Security Technology Co., Ltd. | 53,703.00 | 53,703.00 | 53,703.00 | 53,703.00 | 100.00% | Expected non-recoverable |
| Others | 467,338.75 | 467,338.75 | 206,589.76 | 206,589.76 | 100.00% | Expected non-recoverable |
| Total | 5,430,619.60 | 5,430,619.60 | 7,025,009.31 | 6,009,009.31 | | |

Bad debt reserve made by portfolio: 28,427,904.25

Unit: RMB

| Name | Ending Balance | | |
|---------------|-----------------------|----------------------|--------------------|
| | Book balance | Bad debt reserve | Accrual proportion |
| Within 1 year | 465,109,048.30 | 23,255,452.65 | 5.00% |
| 1-2 years | 39,314,648.70 | 3,931,464.87 | 10.00% |
| 2-3 years | 2,215,048.83 | 664,514.65 | 30.00% |
| Over 3 years | 576,472.08 | 576,472.08 | 100.00% |
| Total | 507,215,217.91 | 28,427,904.25 | |

Explanations on the basis for determining the portfolio:

Provision for bad debts by combination:

Unit: RMB

| Name | Ending Balance | | |
|-----------------|-----------------------|----------------------|--------------------|
| | Book balance | Bad debt reserve | Accrual proportion |
| Aging portfolio | 507,215,217.91 | 28,427,904.25 | 5.60% |
| Total | 507,215,217.91 | 28,427,904.25 | |

Explanations on the basis for determining the portfolio:

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

Applicable Not applicable

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

Provision for bad debt reserves in current period:

Unit: RMB

| Category | Beginning Balance | Current period change amount | | | | Ending Balance |
|--|-------------------|------------------------------|--------------------|-------------------|-------------|----------------|
| | | Provision | Return or reversal | Redeem/redemption | Others | |
| Accounts receivable with insignificant | 5,430,619.60 | 1,115,424.44 | 213,475.99 | 477,491.31 | -153,932.57 | 6,009,009.31 |

| | | | | | | |
|---|---------------|--------------|------------|------------|-------------|---------------|
| single amount and bad debt reserve withdrawn separately | | | | | | |
| Aging portfolio | 22,675,158.48 | 5,499,770.96 | | 47,308.74 | -300,283.55 | 28,427,904.25 |
| Total | 28,105,778.08 | 6,615,195.40 | 213,475.99 | 524,800.05 | -454,216.12 | 34,436,913.56 |

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 | 524,800.05 |

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 |
|--------------|-------------------------------|------------------|------------------|---|---|
| | | | | | |

Explanations on 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 | 39,268,877.47 | | 39,268,877.47 | 7.63% | 1,963,443.92 |
| Customer 2 | 30,641,091.96 | | 30,641,091.96 | 5.95% | 1,543,793.44 |
| Customer 3 | 15,485,450.49 | | 15,485,450.49 | 3.01% | 859,347.75 |
| Customer 4 | 14,478,991.27 | | 14,478,991.27 | 2.81% | 976,184.42 |
| Customer 5 | 13,980,571.77 | | 13,980,571.77 | 2.72% | 982,553.50 |
| Total | 113,854,982.96 | | 113,854,982.96 | 22.12% | 6,325,323.03 |

4. Contract assets

(1) Contract asset situation

Unit: RMB

| Item | Ending Balance | | | Beginning Balance | | |
|--------------------------------------|-------------------|------------------|-------------------|-------------------|------------------|-------------------|
| | Book balance | Bad debt reserve | Book value | Book balance | Bad debt reserve | Book value |
| Quality guarantee deposit receivable | 321,793.78 | 39,607.47 | 282,186.31 | 329,942.12 | 23,142.18 | 306,799.94 |
| Total | 321,793.78 | 39,607.47 | 282,186.31 | 329,942.12 | 23,142.18 | 306,799.94 |

(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 | |
| Withdrawing bad debt reserves by individual item | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00 | 0.00% | 0.00 | 0.00% | 0.00 |
| Including: | | | | | | | | | | |
| Bad debt reserve withdrawn by portfolio | 321,793.78 | 100.00% | 39,607.47 | 12.31% | 282,186.31 | 329,942.12 | 100.00% | 23,142.18 | 7.01% | 306,799.94 |
| Including: | | | | | | | | | | |
| Aging portfolio | 321,793.78 | 100.00% | 39,607.47 | 12.31% | 282,186.31 | 329,942.12 | 100.00% | 23,142.18 | 7.01% | 306,799.94 |
| Total | 321,793.78 | 100.00% | 39,607.47 | 12.31% | 282,186.31 | 329,942.12 | 100.00% | 23,142.18 | 7.01% | 306,799.94 |

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 |
|-----------------|-----------------------------|--|--|---|
| Aging portfolio | 16,465.29 | 0.00 | 0.00 | Provision of bad debts by aging portfolio |
| Total | 16,465.29 | 0.00 | 0.00 | — |

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. Other receivables

Unit: RMB

| Item | Ending Balance | Beginning Balance |
|-------------------|----------------|-------------------|
| Other receivables | 32,744,574.20 | 34,207,287.53 |
| Total | 32,744,574.20 | 34,207,287.53 |

(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 | 14,563,843.76 | 11,109,121.37 |
| Guarantee deposit | 14,264,601.52 | 14,623,016.19 |
| Reserve funds and loans | 5,408,335.70 | 8,156,672.47 |
| Collection and payment on behalf of others | 3,604,884.91 | 826,216.46 |
| Withholding and paying social security and capital reserve on behalf of others | 1,784,200.95 | 1,664,032.00 |
| Export tax refund | 3,537,610.99 | 9,631,295.37 |
| Others | 1,840,576.77 | 694,798.92 |
| Total | 45,004,054.60 | 46,705,152.78 |

2) Disclosure by aging

Unit: RMB

| Aging | Closing book balance | Opening book balance |
|----------------------------------|----------------------|----------------------|
| Within 1 year (including 1 year) | 19,030,462.60 | 19,689,275.63 |
| 1-2 years | 1,949,905.24 | 4,470,977.43 |
| 2-3 years | 3,010,293.84 | 1,529,919.42 |

| | | |
|--------------|---------------|---------------|
| Over 3 years | 21,013,392.92 | 21,014,980.30 |
| 3-4 years | 1,467,967.79 | 9,890,703.33 |
| 4-5 years | 9,492,724.32 | 9,786,089.34 |
| Over 5 years | 10,052,700.81 | 1,338,187.63 |
| Total | 45,004,054.60 | 46,705,152.78 |

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 | 12,384,636.67 | 27.52% | 10,624,147.18 | 85.78% | 1,760,489.49 | 12,737,453.08 | 27.27% | 10,976,963.59 | 86.18% | 1,760,489.49 |
| Including: | | | | | | | | | | |
| Bad debt reserve withdrawn by portfolio | 32,619,417.93 | 72.48% | 1,635,333.22 | 5.01% | 30,984,084.71 | 33,967,699.70 | 72.73% | 1,520,901.66 | 4.48% | 32,446,798.04 |
| Including: | | | | | | | | | | |
| Aging portfolio | 2,920,550.05 | 6.49% | 1,635,333.22 | 55.99% | 1,285,216.83 | 1,997,242.12 | 4.28% | 1,520,901.66 | 76.15% | 476,340.46 |
| Portfolio of deposits, security deposits, employee loans, etc. | 29,698,867.88 | 65.99% | | | 29,698,867.88 | 31,970,457.58 | 68.45% | | | 31,970,457.58 |
| Total | 45,004,054.60 | 100.00% | 12,259,480.40 | 27.24% | 32,744,574.20 | 46,705,152.78 | 100.00% | 12,497,865.25 | 26.76% | 34,207,287.53 |

Bad debt reserve made individually: 10,624,147.18

Unit: RMB

| Name | Beginning Balance | | Ending Balance | | | |
|---|-------------------|------------------|----------------|------------------|--------------------|----------------------------|
| | Book balance | Bad debt reserve | Book balance | Bad debt reserve | Accrual proportion | Reasons for provision |
| Shenzhen Zhongan Intelligent Control Technology Co., Ltd. | 7,772,552.26 | 6,012,062.77 | 7,772,552.26 | 6,012,062.77 | 77.35% | Risk in payment collection |
| Shenzhen Zhikongtaike Biometric Technology Co., Ltd. | 2,500,000.00 | 2,500,000.00 | 2,500,000.00 | 2,500,000.00 | 100.00% | Expected non-recoverable |
| CNB TECHNOLOGY | 1,268,009.09 | 1,268,009.09 | 1,289,511.78 | 1,289,511.78 | 100.00% | Expected non-recoverable |

| | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|---------|--------------------------|
| INC. | | | | | | |
| Guizhou Zhongjiang Intelligent Technology Co., Ltd. | 397,428.70 | 397,428.70 | 397,428.70 | 397,428.70 | 100.00% | Expected non-recoverable |
| Green Electricity Renewable Energy Co., Ltd., of Nanhai, Foshan | 125,565.41 | 125,565.41 | | | | |
| New bio | 339,221.01 | 339,221.01 | 375,838.74 | 375,838.74 | 100.00% | Expected non-recoverable |
| ZKTeco Africa R & D Ltd | 260,575.01 | 260,575.01 | | | | |
| Others | 74,101.60 | 74,101.60 | 49,305.19 | 49,305.19 | 100.00% | Expected non-recoverable |
| Total | 12,737,453.08 | 10,976,963.59 | 12,384,636.67 | 10,624,147.18 | | |

Bad debt reserve made by portfolio: aging portfolio

Unit: RMB

| Name | Ending Balance | | |
|---------------|---------------------|---------------------|--------------------|
| | Book balance | Bad debt reserve | Accrual proportion |
| Within 1 year | 1,281,287.17 | 64,064.26 | 5.00% |
| 1-2 years | 42,496.20 | 4,249.62 | 10.00% |
| 2-3 years | 42,496.20 | 12,748.86 | 30.00% |
| Over 3 years | 1,554,270.48 | 1,554,270.48 | 100.00% |
| Total | 2,920,550.05 | 1,635,333.22 | |

Explanations on the basis for determining the portfolio:

Bad debt reserve made by portfolio: deposits, security deposits, employee loans, etc.

Unit: RMB

| Name | Ending Balance | | |
|---------------|----------------------|------------------|--------------------|
| | Book balance | Bad debt reserve | Accrual proportion |
| Within 1 year | 17,703,793.42 | | |
| 1-2 years | 1,907,409.04 | | |
| 2-3 years | 2,644,528.72 | | |
| Over 3 years | 7,443,136.70 | | |
| Total | 29,698,867.88 | | |

Explanations on 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, 2023 | 1,520,901.66 | | 10,976,963.59 | 12,497,865.25 |
| Balance as of January | | | | |

| | | | | |
|---|--------------|--|---------------|---------------|
| 1, 2023 in the current period | | | | |
| Provision in current period | 5,076.30 | | 45,382.01 | 50,458.31 |
| Reversals in the current period | | | 25,913.69 | 25,913.69 |
| Canceled after verification in the current period | | | 170,677.68 | 170,677.68 |
| Other changes | -109,355.26 | | 201,607.05 | 92,251.79 |
| Balance as of December 31, 2023 | 1,635,333.22 | | 10,624,147.18 | 12,259,480.40 |

Classification basis and bad debt reserve provision ratio for each stage

Changes in book balance with major changes in loss reserves during the current period

Applicable Not applicable

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

Provision for bad debt reserves in current period:

Unit: RMB

| Category | Beginning Balance | Current period change amount | | | | Ending Balance |
|--|----------------------|------------------------------|--------------------|---------------------------|------------------|----------------------|
| | | Provision | Return or reversal | Write-off or cancellation | Others | |
| Withdrawing bad debt reserves by individual item | 10,976,963.59 | 45,382.01 | 25,913.69 | 170,677.68 | 201,607.05 | 10,624,147.18 |
| Bad debt reserve made by aging portfolio | 1,520,901.66 | 5,076.30 | | | -109,355.26 | 1,635,333.22 |
| Total | 12,497,865.25 | 50,458.31 | 25,913.69 | 170,677.68 | 92,251.79 | 12,259,480.40 |

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 | 170,677.68 |

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 |
|--------------|-------------------------------------|------------------|------------------|---|---|
|--------------|-------------------------------------|------------------|------------------|---|---|

Explanations on 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 | Current account | 7,772,552.26 | Over 3 years | 17.27% | 6,012,062.77 |
| No. 2 | Guarantee deposit | 4,800,000.00 | Over 3 years | 10.67% | |
| No. 3 | Export tax refund | 3,537,610.99 | Within 1 year | 7.86% | |
| No. 4 | Current account | 2,500,000.00 | Over 3 years | 5.56% | 2,500,000.00 |
| No. 5 | Current account | 1,628,759.08 | Within 1 year, 1-2 years, 2-3 years, more than 3 years | 3.62% | 1,520,393.77 |
| Total | | 20,238,922.33 | | 44.98% | 10,032,456.54 |

6. Prepayments

(1) Prepayments listed by aging

Unit: RMB

| Aging | Ending Balance | | Beginning Balance | |
|---------------|----------------|------------|-------------------|------------|
| | Amount | Proportion | Amount | Proportion |
| Within 1 year | 22,706,163.01 | 96.80% | 30,444,433.08 | 98.35% |
| 1-2 years | 580,816.58 | 2.48% | 343,416.74 | 1.11% |
| 2-3 years | 20,400.64 | 0.09% | 135,428.00 | 0.44% |
| Over 3 years | 150,527.01 | 0.63% | 31,407.76 | 0.10% |
| Total | 23,457,907.24 | | 30,954,685.58 | |

Explanations on 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

| Company name | Ending Balance | Proportion to total prepayment (%) | Prepayment time | Reasons for unsettlement |
|--------------|----------------|------------------------------------|-----------------|--------------------------|
| Supplier 1 | 3,262,764.60 | 13.91 | 2023 | Project unsettled |
| Supplier 2 | 3,087,787.60 | 13.16 | 2023 | Project unsettled |
| Supplier 3 | 2,578,545.23 | 10.99 | 2023 | Project unsettled |
| Supplier 4 | 1,149,601.61 | 4.90 | 2023 | Project unsettled |
| Supplier 5 | 900,000.00 | 3.84 | 2023 | Project unsettled |
| Total | 10,978,699.04 | 46.80 | --- | --- |

Other explanations:

7. Inventory

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 contract performance cost impairment reserves | Book value | Book balance | Inventory depreciation reserves or contract performance cost impairment reserves | Book value |
| Raw materials | 131,431,792.72 | 2,989,549.95 | 128,442,242.77 | 95,807,941.08 | 2,700,265.89 | 93,107,675.19 |
| Products in process | 8,583,812.25 | | 8,583,812.25 | 22,655,606.68 | | 22,655,606.68 |
| Inventory goods | 238,881,580.26 | 12,576,970.86 | 226,304,609.40 | 233,342,447.37 | 11,987,915.23 | 221,354,532.14 |
| Contract performance cost | | | | 240,067.45 | | 240,067.45 |
| Sending goods | 9,129,100.21 | 174,341.27 | 8,954,758.94 | 9,566,960.12 | 80,028.51 | 9,486,931.61 |
| Consigned processing materials | 429,360.95 | | 429,360.95 | 1,435,828.52 | | 1,435,828.52 |
| Total | 388,455,646.39 | 15,740,862.08 | 372,714,784.31 | 363,048,851.22 | 14,768,209.63 | 348,280,641.59 |

(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 | Others | |

| | | | | reselling | | |
|-----------------|---------------|--------------|------------|--------------|--|---------------|
| Raw materials | 2,700,265.89 | 280,194.91 | 9,347.35 | 258.20 | | 2,989,549.95 |
| Inventory goods | 11,987,915.23 | 2,433,168.46 | 301,614.42 | 2,145,727.25 | | 12,576,970.86 |
| Sending goods | 80,028.51 | 152,305.40 | | 57,992.64 | | 174,341.27 |
| Total | 14,768,209.63 | 2,865,668.77 | 310,961.77 | 2,203,978.09 | | 15,740,862.08 |

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

(3) Explanations on the capitalized amount of borrowing costs included in the ending balance of inventory

(4) Explanations on the current amortization amount of contract performance cost

8. Non-current assets due within one year

Unit: RMB

| Item | Ending Balance | Beginning Balance |
|---|----------------|-------------------|
| Debt investment due within one year | 16,902,617.83 | 10,025,638.89 |
| Other creditor's right investment due within one year | 0.00 | 0.00 |
| Long-term receivables due within one year | 354,996.91 | 0.00 |
| Total | 17,257,614.74 | 10,025,638.89 |

(1) Debt investment due within one year

Applicable Not applicable

1) Information on debt investment due within one year

Unit: RMB

| Portfolio Name | Ending Balance | | | Beginning Balance | | |
|------------------------------|----------------|----------------------|---------------|-------------------|----------------------|---------------|
| | Book balance | Impairment provision | Book value | Book balance | Impairment provision | Book value |
| Certificates of Deposit (CD) | 11,060,888.54 | | 11,060,888.54 | 10,025,638.89 | | 10,025,638.89 |
| Term deposits | 5,841,729.29 | | 5,841,729.29 | | | |
| Total | 16,902,617.83 | | 16,902,617.83 | 10,025,638.89 | | 10,025,638.89 |

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 |
| CD of Bank of China | 10,000,000.00 | 3.85% | April 7, 2024 | | | | |
| Total | 10,000,000.00 | | | | | | |

Other explanations: On April 20, 2022, the Company signed a transfer confirmation letter with Jiangmen Haoxin New Energy Co., Ltd. for a CD issued by the Bank of China on April 7, 2021, with the CD number CD003210407143640620, the CD amount of RMB 10,000,000.00, the YTM of 3.85%, and the maturity date of April 7, 2024, as a time deposit product from 2022 to 2024. The principal of the Company corresponds to the face value of the CD of RMB 10,000,000.00 and the interest paid from April 7, 2021 to April 19, 2022 of RMB 397,833.00.

9. Other current assets

Unit: RMB

| Item | Ending Balance | Beginning Balance |
|--|----------------|-------------------|
| Income tax prepaid amount presented as net amount after offsetting | 6,221,029.24 | 10,774,743.22 |
| Value added tax deduction amount | 19,249,699.10 | 5,880,824.30 |
| Other prepaid taxes | 395,080.94 | 1,205,787.29 |
| Total | 25,865,809.28 | 17,861,354.81 |

Other explanations:

10. Debt investment

(1) Information on debt investment

Unit: RMB

| Item | Ending Balance | | | Beginning Balance | | |
|-------------------------------------|----------------|----------------------|----------------|-------------------|----------------------|----------------|
| | Book balance | Impairment provision | Book value | Book balance | Impairment provision | Book value |
| Bank CD - Principal | 57,795,333.29 | | 57,795,333.29 | 22,022,831.83 | | 22,022,831.83 |
| Bank CD - Interest | 1,391,881.44 | | 1,391,881.44 | 333,967.35 | | 333,967.35 |
| Debt investment due within one year | -16,902,617.83 | | -16,902,617.83 | -10,025,638.89 | | -10,025,638.89 |
| Total | 42,284,596.90 | | 42,284,596.90 | 12,331,160.29 | | 12,331,160.29 |

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 |
|------|-------------------|--------------------------------|--------------------------------|----------------|
|------|-------------------|--------------------------------|--------------------------------|----------------|

(2) Important debt investments at the end of the period

Unit: RMB

| Debt items | Ending Balance | | | | | Beginning Balance | | | | |
|------------|----------------|-------------|-------------------------|----------|-------------------|-------------------|-------------|-------------------------|----------|-------------------|
| | Face value | Coupon rate | Effective interest rate | Due Date | Overdue principal | Face value | Coupon rate | Effective interest rate | Due Date | Overdue principal |

(3) Actual verification of debt investments in the current period

Unit: RMB

| Item | Write-off amount |
|------|------------------|
|------|------------------|

Information on important debt investment verification

Explanations on debt investment verification:

Changes in book balance with major changes in loss reserves during the current period

 Applicable Not applicable

Other explanations:

11. Long-term receivables**(1) Information on long-term receivables**

Unit: RMB

| Item | Ending Balance | | | Beginning Balance | | | Discount rate range |
|---|---------------------|------------------|---------------------|-------------------|------------------|------------|---------------------|
| | Book balance | Bad debt reserve | Book value | Book balance | Bad debt reserve | Book value | |
| Employee housing loan | 2,802,225.14 | | 2,802,225.14 | | | | 4.2%-4.3% |
| Long-term receivables due within one year | -354,996.91 | | -354,996.91 | | | | |
| Total | 2,447,228.23 | | 2,447,228.23 | | | | |

(2) Disclosure by bad debt accrual method

Unit: RMB

| Category | Ending Balance | | | | | Beginning Balance | | | | |
|----------|----------------|------------|------------------|--------------------|------------|-------------------|------------|------------------|--------------------|------------|
| | Book balance | | Bad debt reserve | | Book value | Book balance | | Bad debt reserve | | Book value |
| | Amount | Proportion | Amount | Accrual proportion | | Amount | Proportion | Amount | Accrual proportion | |

| | | | | | | | | | | |
|------------|--|--|--|----|--|--|--|--|----|--|
| | | | | on | | | | | on | |
| Including: | | | | | | | | | | |
| Including: | | | | | | | | | | |

Provision for bad debt reserve based on a general model of expected credit losses

Unit: RMB

| Bad debt reserve | Stage 1 | Stage 2 | Stage 3 | Total |
|---|--|---|---|-------|
| | Expected credit loss in the future 12 months | Expected credit loss within whole duration (no credit impairment occur) | Expected credit loss within whole duration (credit impairment has occurred) | |
| Balance as of January 1, 2023 in the current period | | | | |

Classification basis and bad debt reserve provision ratio for each stage

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

Unit: RMB

| Category | Beginning Balance | Current period change amount | | | | Ending Balance |
|----------|-------------------|------------------------------|--------------------|---------------------------|--------|----------------|
| | | Provision | Return or reversal | Write-off or cancellation | Others | |
| | | | | | | |

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

Unit: RMB

| Company name | Accounts recovered or transferred back | Reason for reversal | Recovery method | The basis and rationality for determining the provision ratio of original bad debt reserves |
|--------------|--|---------------------|-----------------|---|
| | | | | |

Other explanations:

(4) Long-term receivables actually written off in the current period

Unit: RMB

| Item | Write-off amount |
|------|------------------|
| | |

Information on important long-term receivable verification:

Unit: RMB

| Company name | Payment nature | Write-off amount | Write-off reason | Verification and cancellation programs that have been performed | Whether the payment is incurred due to related transactions |
|--------------|----------------|------------------|------------------|---|---|
| | | | | | |

Explanations on long-term receivable verification:

12. Long-term equity investment

Unit: RMB

| Investee | Beginning balance (book value) | Beginning balance of impairment provision | Increase or decrease in the current period | | | | | | | | Ending balance (book value) | Ending balance of impairment provision | |
|---|--------------------------------|---|--|--------------------|--|--|---------------------------|---|----------------------|------------|-----------------------------|--|------------|
| | | | Additional investment | Reduced investment | Investment profit or loss recognized under equity method | Other comprehensive income adjustments | Changes in other equities | Cash dividends or profits declared to pay | Impairment provision | Others | | | |
| I. Joint ventures | | | | | | | | | | | | | |
| Subtotal | | | | | | | | | | | | | |
| II. Joint venture | | | | | | | | | | | | | |
| Silk ID Systems Inc. | 1,557,356.71 | | | 422,927.54 | 175,710.11 | | | 422,927.54 | | 281,599.25 | 20,139.61 | 274,331.88 | 281,599.25 |
| CV Squared, Inc. | 3,689,002.99 | | | | 9,901.79 | | | | | | 62,507.46 | 3,741,608.66 | |
| PT. ZKTECO SECURITY INDONESIA | 91,727.34 | | | | 92,836.19 | | | | | | 1,108.85 | | |
| ZKTECO SMART CITY (THAILAND) CO., LTD. | 1,813,245.66 | | | | 77,671.49 | | | | | | 30,373.91 | 1,765,948.08 | |
| Xiamen Kingniu Yunyu Venture Capital Partnership Enterprise (Limited Partnership) | | | 24,000.00 | | | | | | | | | 24,000.00 | |
| Subtotal | 7,151,332.70 | | 24,000.00 | 422,927.54 | 356,119.58 | | | 422,927.54 | | 281,599.25 | 114,129.83 | 29,781.88 | 281,599.25 |
| Total | 7,151,332.70 | | 24,000.00 | 422,927.54 | 356,119.58 | | | 422,927.54 | | 281,599.25 | 114,129.83 | 29,781.88 | 281,599.25 |

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: The Company, professional investment institutions, and related parties registered and established Xiamen Kingniu Yunyu Venture Capital Partnership Enterprise (Limited Partnership) for Ecological Innovation Fund in August 2023, and invested RMB 24 million in September 2023.

13. Investment real estate

(1) Investment real estate adopting cost measurement model

Applicable Not applicable

Unit: RMB

| Item | Houses and buildings | Land use rights | Construction in progress | Total |
|--|----------------------|-----------------|--------------------------|---------------|
| I. Original book value | | | | |
| 1. Beginning Balance | | | | |
| 2. Increase in current period | 34,416,026.15 | | | 34,416,026.15 |
| (1) Outsourcing | | | | |
| (2) Transferred from inventory, fixed assets, and construction in progress | 34,416,026.15 | | | 34,416,026.15 |
| (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 | | | | |
| 2. Increase in current period | 11,270,537.30 | | | 11,270,537.30 |
| (1) Provision or amortization | 547,057.36 | | | 547,057.36 |
| (2) Fixed assets transfer-in | 10,723,479.94 | | | 10,723,479.94 |
| 3. Decrease in current period | | | | |
| (1) Disposal | | | | |
| (2) Other transfers out | | | | |
| 4. Ending balance | 11,270,537.30 | | | 11,270,537.30 |

| | | | | |
|-------------------------------|---------------|--|--|---------------|
| 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 | 23,145,488.85 | | | 23,145,488.85 |
| 2. Beginning book value | | | | 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:

(2) Investment real estate adopting fair value measurement model

Applicable Not applicable

(3) Investment real estate without completed property ownership certificate

Unit: RMB

| Item | Book value | Reasons for not completing the property ownership certificate |
|------|------------|---|
|------|------------|---|

Other explanations:

14. Fixed assets

Unit: RMB

| Item | Ending Balance | Beginning Balance |
|--------------------------|----------------|-------------------|
| Fixed assets | 470,167,242.89 | 446,391,810.26 |
| Disposal of fixed assets | -45,451.60 | 465,698.80 |
| Total | 470,121,791.29 | 446,857,509.06 |

(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 | 419,672,406.02 | 49,603,033.57 | 9,813,482.95 | 92,362,437.18 | 571,451,359.72 |
| 2. Increase in current period | 52,760,047.40 | 5,395,577.34 | 3,470,613.24 | 15,999,436.04 | 77,625,674.02 |
| (1) Purchase | 8,419,129.20 | 5,312,676.21 | 3,336,016.78 | 18,198,128.89 | 35,265,951.08 |
| (2) Transferred from construction in progress | 42,880,907.16 | | | | 42,880,907.16 |
| (3) Increase in business merger | | | | | |
| (4) Differences in foreign currency statement translation | 1,460,011.04 | 82,901.13 | 134,596.46 | -2,198,692.85 | -521,184.22 |
| 3. Decrease in current period | 36,130,404.94 | 1,073,852.87 | 314,621.04 | 3,319,008.36 | 40,837,887.21 |
| (1) Disposal or retirement | | 1,073,852.87 | 314,621.04 | 3,319,008.36 | 4,707,482.27 |
| (2) Transferred to investment real estate | 34,416,026.15 | | | | 34,416,026.15 |
| (3) Other decreases | 1,714,378.79 | | | | 1,714,378.79 |
| 4. Ending balance | 436,302,048.48 | 53,924,758.04 | 12,969,475.15 | 105,042,864.86 | 608,239,146.53 |
| II. Accumulated depreciation | | | | | |
| 1. Beginning Balance | 37,089,625.89 | 22,647,760.07 | 7,317,412.32 | 58,004,751.18 | 125,059,549.46 |
| 2. Increase in current period | 12,919,001.09 | 4,740,652.18 | 971,248.49 | 9,348,544.61 | 27,979,446.37 |
| (1) Provision | 12,818,509.34 | 5,071,111.33 | 944,660.60 | 12,176,171.76 | 31,010,453.03 |
| (2) Differences in foreign currency statement | 100,491.75 | -330,459.15 | 26,587.89 | -2,827,627.15 | -3,031,006.66 |

| | | | | | |
|---|----------------|---------------|--------------|---------------|----------------|
| translation | | | | | |
| 3. Decrease in current period | 10,723,479.94 | 867,126.72 | 297,107.62 | 3,079,377.91 | 14,967,092.19 |
| (1) Disposal or retirement | | 867,126.72 | 297,107.62 | 3,079,377.91 | 4,243,612.25 |
| (2) Transferred to investment real estate | 10,723,479.94 | | | | 10,723,479.94 |
| 4. Ending balance | 39,285,147.04 | 26,521,285.53 | 7,991,553.19 | 64,273,917.88 | 138,071,903.64 |
| III. Provision for impairment | | | | | |
| 1. Beginning Balance | | | | | |
| 2. Increase in current period | | | | | |
| (1) Provision | | | | | |
| | | | | | |
| 3. Decrease in current period | | | | | |
| (1) Disposal or retirement | | | | | |
| | | | | | |
| 4. Ending balance | | | | | |
| IV. Book value | | | | | |
| 1. Ending book value | 397,016,901.44 | 27,403,472.51 | 4,977,921.96 | 40,768,946.98 | 470,167,242.89 |
| 2. Beginning book value | 382,582,780.13 | 26,955,273.50 | 2,496,070.63 | 34,357,686.00 | 446,391,810.26 |

(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 Hybrid Biometrics IoT Intelligent Industrial Base Project | 199,029,492.12 | In progress |

Other explanations:

(5) Impairment test of fixed assets

Applicable Not applicable

(6) Disposal of fixed assets

Unit: RMB

| Item | Ending Balance | Beginning Balance |
|-------------------------|-------------------|-------------------|
| Machinery equipment | | 461,708.97 |
| Electronic equipment | | 2,457.35 |
| Transportation vehicles | -45,451.60 | |
| Other equipment | | 1,532.48 |
| Total | -45,451.60 | 465,698.80 |

Other explanations:

15. Project under construction

Unit: RMB

| Item | Ending Balance | Beginning Balance |
|--------------------------|-----------------------|----------------------|
| Construction in progress | 138,986,483.73 | 57,041,298.90 |
| Engineering materials | 0.00 | 0.00 |
| Total | 138,986,483.73 | 57,041,298.90 |

(1) Construction in progress

Unit: RMB

| Item | Ending Balance | | | Beginning Balance | | |
|---|----------------|----------------------|---------------|-------------------|----------------------|---------------|
| | Book balance | Impairment provision | Book value | Book balance | Impairment provision | Book value |
| Hybrid Biometrics IoT Intelligent Industrial Base Project | 22,612,110.24 | 0.00 | 22,612,110.24 | 48,448,261.38 | 0.00 | 48,448,261.38 |
| Multimodal Biometrics Digitalization Industrial Base Construction Project | 87,417,407.70 | 0.00 | 87,417,407.70 | 2,982,941.95 | 0.00 | 2,982,941.95 |
| Equipment | 0.00 | 0.00 | 0.00 | 5,610,095.57 | 0.00 | 5,610,095.57 |
| American Manufacturing Factory Construction Project | 2,746,178.39 | 0.00 | 2,746,178.39 | 0.00 | 0.00 | 0.00 |
| Thai factory construction | 26,210,787.40 | 0.00 | 26,210,787.40 | 0.00 | 0.00 | 0.00 |

| | | | | | | |
|----------------------|----------------|------|----------------|---------------|------|---------------|
| and office buildings | | | | | | |
| Total | 138,986,483.73 | 0.00 | 138,986,483.73 | 57,041,298.90 | 0.00 | 57,041,298.90 |

(2) Current changes in important construction in progress

Unit: RMB

| Project Name | Budget amount | Beginning Balance | Increase in current period | Amount transferred to fixed assets in the current period | Other decreases in the current period | Ending Balance | Proportion of accumulated project investment to budget | Engineering progress | Accumulated amount of interest capitalization | Including : current interest capitalized amount | Current interest capitalization rate | Source of Funds |
|---|----------------|-------------------|----------------------------|--|---------------------------------------|----------------|--|----------------------|---|---|--------------------------------------|--------------------|
| Hybrid Biometrics IoT Intelligent Industrial Base Project | 214,042,000.00 | 48,448,261.38 | 17,044,756.02 | 42,880,907.16 | 0.00 | 22,612,110.24 | 110.15% | Under construction | 2,359,113.42 | 0.00 | 0.00% | ¹ |
| Multimodal Biometrics Digitalization Industrial Base Construction Project | 284,566,264.91 | 2,982,941.95 | 84,434,465.75 | 0.00 | 0.00 | 87,417,407.70 | 30.72% | Under construction | 0.00 | | 0.00% | ² |
| Thai factory construction and office buildings | 109,095,400.00 | 0.00 | 26,210,787.40 | 0.00 | 0.00 | 26,210,787.40 | 24.03% | Under construction | 0.00 | 0.00 | 0.00% | Other ³ |
| Total | 607,703,664.91 | 51,431,203.33 | 127,690,009.17 | 42,880,907.16 | 0.00 | 136,240,305.34 | | | 2,359,113.42 | 0.00 | 0.00% | |

Note: 1. Source of funds for the Hybrid Biometrics IoT Intelligent Industrial Base Project: fundraising, self owned funds, and bank loans

2. Source of funds for the Multimodal Biometrics Digitalization Industrial Base Construction Project: fundraising and self owned funds

3. Source of funds for Thai factory construction and office buildings: self owned 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:

(4) Impairment test of construction in progress

Applicable Not applicable

16. Right-of-use assets

(1) Information on right-of-use assets

Unit: RMB

| Item | Houses and buildings | Transportation vehicles | Electronic equipment and others | Total |
|---|----------------------|-------------------------|---------------------------------|----------------|
| I. Original book value | | | | |
| 1. Beginning Balance | 95,533,396.63 | 1,487,226.07 | 23,200.93 | 97,043,823.63 |
| 2. Increase in current period | 16,890,130.66 | 1,264,992.26 | | 18,155,122.92 |
| Lease | 15,186,402.14 | 1,502,834.73 | | 16,689,236.87 |
| Exchange differences arising from foreign currency transactions | 1,703,728.52 | -237,842.47 | | 1,465,886.05 |
| 3. Decrease in current period | 8,255,079.27 | 139,191.23 | | 8,394,270.50 |
| Lease expiration | 7,744,905.95 | 139,191.23 | | 7,884,097.18 |
| Lease change | 510,173.32 | | | 510,173.32 |
| 4. Ending balance | 104,168,448.02 | 2,613,027.10 | 23,200.93 | 106,804,676.05 |
| II. Accumulated depreciation | | | | |
| 1. Beginning Balance | 45,566,705.77 | 827,935.30 | 8,506.97 | 46,403,148.04 |
| 2. Increase in current period | 28,820,827.45 | 638,299.34 | 4,640.20 | 29,463,766.99 |
| (1) Provision | 27,814,896.48 | 827,863.74 | 4,640.20 | 28,647,400.42 |
| Exchange differences arising from foreign currency transactions | 1,005,930.97 | -189,564.40 | | 816,366.57 |
| 3. Decrease in current period | 7,592,766.61 | 139,191.23 | | 7,731,957.84 |
| (1) Disposal | | | | |
| Lease expiration | 7,289,043.34 | 139,191.23 | | 7,428,234.57 |
| Lease change | 303,723.27 | | | 303,723.27 |
| 4. Ending balance | 66,794,766.61 | 1,327,043.41 | 13,147.17 | 68,134,957.19 |
| 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 | 37,373,681.41 | 1,285,983.69 | 10,053.76 | 38,669,718.86 |
| 2. Beginning book value | 49,966,690.86 | 659,290.77 | 14,693.96 | 50,640,675.59 |

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

Applicable Not applicable

Other explanations:

17. Intangible assets

(1) Intangible assets

Unit: RMB

| Item | Land use rights | Patent rights | Non-patent technology | Software | Others | Total |
|---|-----------------|---------------|-----------------------|---------------|------------|---------------|
| I. Original book value | | | | | | |
| 1. Beginning Balance | 72,034,013.37 | | | 12,835,073.96 | 104,614.54 | 84,973,701.87 |
| 2. Increase in current period | -44,544.08 | | | 1,027,040.56 | 11,418.31 | 993,914.79 |
| (1) Purchase | | | | 290,677.81 | 13,539.81 | 304,217.62 |
| (2) Internal R&D | | | | | | |
| (3) Increase in business merger | | | | | | |
| (4) Differences in foreign currency statement translation | -44,544.08 | | | 736,362.75 | -2,121.50 | 689,697.17 |
| 3. Decrease in current period | | | | 559,828.44 | | 559,828.44 |
| (1) Disposal | | | | 559,828.44 | | 559,828.44 |
| 4. Ending balance | 71,989,469.29 | | | 13,302,286.08 | 116,032.85 | 85,407,788.22 |
| II. Accumulated amortisation | | | | | | |
| 1. Beginning Balance | 10,102,827.54 | | | 6,719,776.65 | 40,584.89 | 16,863,189.08 |
| 2. Increase in current period | 1,242,153.91 | | | 1,817,058.15 | 10,160.32 | 3,069,372.38 |
| (1) Provision | 1,242,153.91 | | | 1,680,592.82 | 11,435.33 | 2,934,182.06 |

| | | | | | | |
|---|---------------|--|--|--------------|-----------|---------------|
| (2) Differences in foreign currency statement translation | | | | 136,465.33 | -1,275.01 | 135,190.32 |
| 3. Decrease in current period | | | | 541,144.92 | | 541,144.92 |
| (1) Disposal | | | | 541,144.92 | | 541,144.92 |
| 4. Ending balance | 11,344,981.45 | | | 7,995,689.88 | 50,745.21 | 19,391,416.54 |
| 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 | 60,644,487.84 | | | 5,306,596.20 | 65,287.64 | 66,016,371.68 |
| 2. Beginning book value | 61,931,185.83 | | | 6,115,297.31 | 64,029.65 | 68,110,512.79 |

The proportion of intangible assets formed through internal R&D of the company to the balance of intangible assets at the end of this period is 0.00%.

18. Goodwill

(1) Original book value of goodwill

Unit: RMB

| Name of invested entity or matters forming goodwill | Beginning Balance | Increase in the current period | | Decrease in the current period | | Ending Balance |
|---|-------------------|--------------------------------|----------------------------|--------------------------------|----------------------------|----------------|
| | | Formed by business merger | Exchange rate fluctuations | Disposals | Exchange rate fluctuations | |
| ZKTECO (M) SDN. BHD. | 170,261.90 | | 2,887.17 | | | 173,149.07 |
| ZK INVESTIMEN TOS DO BRASIL LTDA. | 326,124.50 | | 5,530.15 | | | 331,654.65 |
| Total | 496,386.40 | | 8,417.32 | | | 504,803.72 |

(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 which it belongs | Operating segments and basis | Is it consistent with previous years |
|---------------------------------|--|------------------------------|--------------------------------------|
| ZKTECO (M) SDN.BHD | It can bring independent cash flow and can be recognized as a separate asset group | Not applicable | Yes |
| ZK INVESTIMENTOS DO BRASIL LTDA | It can bring independent cash flow and can be recognized as a separate asset group | Not applicable | Yes |

Changes in asset group or asset portfolio

| Name | Composition before change | Composition after change | Objective facts and basis that lead to changes |
|------|---------------------------|--------------------------|--|
| | | | |

Other explanations:

| Book value of goodwill | Asset group or portfolio of asset groups | | | |
|------------------------|--|--------------|---|---|
| | Main components | Book value | Determination method | Has there been any change in the current period |
| 173,149.07 | ZKTECO (M) SDN.BHD. | 828,719.06 | An asset group or portfolio of asset groups that can independently generate cash flow, taking into account the synergistic effects of business mergers and the management's management or monitoring of production and operating activities | Conversion rate changes, no other changes |
| 331,654.65 | ZK INVESTIMENTOS DO BRASIL LTDA. | 2,940,003.92 | An asset group or portfolio of asset groups that can independently generate cash flow, taking into account the synergistic effects of business mergers and the management's management or monitoring of production and operating activities | Conversion rate changes, no other changes |

(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:

19. Long-term deferred expenses

Unit: RMB

| Item | Beginning Balance | Increase in current period | Amortization amount for the current period | Other reduced amounts | Ending Balance |
|---|-------------------|----------------------------|--|-----------------------|----------------|
| Decoration works | 2,528,270.50 | 1,040,682.53 | 1,075,331.52 | -19,425.99 | 2,513,047.50 |
| Employee housing loan deferred interest | | 708,393.52 | 66,735.92 | | 641,657.60 |
| Others | 528,039.84 | 389,670.55 | 301,485.07 | 2,082.61 | 614,142.71 |
| Total | 3,056,310.34 | 2,138,746.60 | 1,443,552.51 | -17,343.38 | 3,768,847.81 |

Other explanations:

20. Deferred income tax assets/deferred income tax liabilities

(1) Deferred income tax assets not offset

Unit: RMB

| Item | Ending Balance | | Beginning Balance | |
|---|---------------------------------|----------------------------|---------------------------------|----------------------------|
| | Deductible temporary difference | Deferred income tax assets | Deductible temporary difference | Deferred income tax assets |
| Provision for impairment of assets | 36,366,162.24 | 5,804,206.98 | 32,373,054.68 | 5,178,158.90 |
| Unrealized profits from internal transactions | 98,721,713.02 | 17,452,699.91 | 75,228,978.61 | 14,665,616.31 |
| Deductible losses | 207,081,168.58 | 31,091,802.32 | 144,679,629.19 | 21,701,944.38 |
| Withholding rebates | 15,007,767.78 | 2,143,716.17 | 19,110,934.94 | 2,746,709.94 |
| Estimated liabilities | 600,000.00 | 90,000.00 | 600,000.00 | 90,000.00 |
| Share-based payments | 7,866,303.64 | 1,177,039.86 | 2,925,355.23 | 438,714.49 |
| Provision for inventory write-down | 11,003,159.27 | 1,906,570.77 | 9,624,621.36 | 1,622,622.89 |

| | | | | |
|-------------------|----------------|---------------|----------------|---------------|
| Deferred income | 1,853,549.62 | 278,032.44 | 2,039,702.49 | 305,955.37 |
| Lease liabilities | 35,689,297.38 | 7,313,490.56 | 47,124,132.02 | 8,719,450.85 |
| Total | 414,189,121.53 | 67,257,559.01 | 333,706,408.52 | 55,469,173.13 |

(2) Non-offsetting deferred income tax liabilities

Unit: RMB

| Item | Ending Balance | | Beginning Balance | |
|--|------------------------------|------------------------|------------------------------|------------------------|
| | Taxable temporary difference | Deferred tax liability | Taxable temporary difference | Deferred tax liability |
| Changes in fair value of trading financial instruments | 755,429.17 | 113,314.37 | 21,836.71 | 3,275.51 |
| Accelerated depreciation of fixed assets | 22,133,567.26 | 3,320,431.55 | 23,697,128.76 | 3,554,569.32 |
| Right-of-use asset | 34,457,850.98 | 6,895,307.56 | 35,399,341.50 | 8,491,060.14 |
| Total | 57,346,847.41 | 10,329,053.48 | 59,118,306.97 | 12,048,904.97 |

(3) Deferred income tax assets or liabilities listed at net amount after offset

Unit: RMB

| Item | Amount of mutual offset between deferred income tax assets and liabilities at the end of period | Ending balance of deferred income tax assets and liabilities after offset | Amount of mutual offset between deferred income tax assets and liabilities at the beginning of period | Beginning balance of deferred income tax assets and liabilities after offset |
|----------------------------|---|---|---|--|
| Deferred income tax assets | | 67,257,559.00 | | 55,469,173.13 |
| Deferred tax liability | | 10,329,053.48 | | 12,048,904.97 |

(4) Details of unconfirmed deferred income tax assets

Unit: RMB

| Item | Ending Balance | Beginning Balance |
|---------------------------------|----------------|-------------------|
| Deductible temporary difference | 12,690,171.04 | 17,753,649.06 |
| Deductible losses | 67,373,596.51 | 78,251,101.86 |
| Total | 80,063,767.55 | 96,004,750.92 |

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

Unit: RMB

| Year | Closing amount | Opening amount | Remarks |
|------|----------------|----------------|---------|
| 2023 | | 22,728,613.61 | |
| 2024 | 15,985,752.57 | 19,643,972.43 | |
| 2025 | 6,481,611.28 | 8,690,163.50 | |
| 2026 | 3,921,974.11 | 6,092,224.82 | |
| 2027 | 10,275,824.68 | 11,597,031.35 | |
| 2028 | 14,889,082.61 | | |
| 2029 | 2,887,686.36 | | |

| | | | |
|------------------------|----------------------|----------------------|--|
| 2030 | 2,282,920.00 | | |
| 2031 | 1,251,676.88 | 604,137.52 | |
| 2032 | 2,515,226.48 | 427,900.39 | |
| 2033 | 245,967.32 | | |
| 2037 | | 2,388,691.10 | |
| 2038 | 6,482,774.72 | | |
| Infinite carry forward | 153,099.50 | 6,078,367.14 | |
| Total | 67,373,596.51 | 78,251,101.86 | |

Other explanations:

21. Other non-current assets

Unit: RMB

| Item | Ending Balance | | | Beginning Balance | | |
|---------------------------|----------------------|----------------------|----------------------|---------------------|----------------------|---------------------|
| | Book balance | Impairment provision | Book value | Book balance | Impairment provision | Book value |
| Prepayment for decoration | 787,973.04 | 0.00 | 787,973.04 | 563,981.71 | 0.00 | 563,981.71 |
| Prepaid equipment payment | 370,641.60 | 0.00 | 370,641.60 | 563,795.61 | 0.00 | 563,795.61 |
| Prepayment for software | 15,725,991.21 | 0.00 | 15,725,991.21 | 0.00 | 0.00 | 0.00 |
| Total | 16,884,605.85 | 0.00 | 16,884,605.85 | 1,127,777.32 | 0.00 | 1,127,777.32 |

Other explanations:

None

22. Assets with restricted ownership or use right

Unit: RMB

| Item | End of the period | | | | Opening | | | |
|----------------|-------------------|---------------|---|---|---------------|---------------|---|--|
| | Book balance | Book value | Restricted type | Restricted situation | Book balance | Book value | Restricted type | Restricted situation |
| Monetary funds | 54,954,670.48 | 54,954,670.48 | Deposit, funds in transit, frozen funds | Bank acceptance bill margin of RMB 46,693,268.67, funds in transit of RMB 7,461,401.81, frozen litigation funds of RMB 800,000.00 | 31,118,488.94 | 31,118,488.94 | Deposit, funds in transit, frozen funds, etc. | The bill deposit is RMB 30,551,118.11, the funds in transit are RMB 557,108.80, the frozen litigation funds are RMB 18.71, the restricted funds of e-commerce platform stores are RMB 8,000.00, and bank guarantees are provided to customers. A pledge right of |

| | | | | | | | | |
|--------------------------|----------------|----------------|----------|------------------------|----------------|----------------|------------------|--|
| | | | | | | | | RMB 2,243.32 is established for short-term time deposits; |
| Fixed assets | 204,397,423.28 | 199,029,492.12 | Mortgage | See other explanations | 161,516,516.12 | 159,995,332.53 | Mortgage | Loan mortgage |
| Intangible assets | 49,453,695.00 | 43,848,942.89 | Mortgage | See other explanations | 49,453,695.00 | 44,838,016.80 | Mortgage | Loan mortgage |
| Construction in progress | 110,185,544.37 | 110,185,544.37 | Mortgage | See other explanations | 51,431,203.33 | 51,431,203.33 | Mortgage | Loan mortgage |
| Bond investment | | | | | 67,092.75 | 67,092.75 | Guarantee pledge | Provide bank guarantees to customers and establish pledge rights for long-term time deposits |
| Total | 418,991,333.13 | 408,018,649.86 | | | 293,586,996.14 | 287,450,134.35 | | |

Other explanations:

On December 16, 2019, the subsidiary of the Company, ZKTECO (GUANGDONG) CO., LTD, signed a "Fixed Asset Loan Contract" with the number of DY (3100) 2019 GD Zi No. 013346 and a maximum mortgage contract with the number of DY (3100) 2019 GD Zi No. 024957 with the Dongguan Branch of Bank of Dongguan Co., Ltd., agreeing to a loan amount of RMB 206 million and a loan term from December 16, 2019 to December 15, 2029, and agree that the land with the number Y (2018) DGBDCQ No. 0259880 is used as collateral, and the Company has signed a contract with Dongguan Branch of Bank of Dongguan Co., Ltd. with the number DY (3100) 2019 ZGB Zi No. 024956, with a maximum guarantee amount of RMB 250 million. Considering that the land area of the Company's collateral has changed and a new real estate certificate has been obtained for the collateral, on October 19, 2020, the subsidiary of the Company, ZKTECO (GUANGDONG) CO., LTD, has signed a supplementary agreement with the number 20201013001 with Dongguan Branch of Bank of Dongguan Co., Ltd., which stipulates to change the collateral to Y (2020) DGBDCQ No. 0248681 land.

23. Short-term loan

(1) Classification of short-term loans

Unit: RMB

| Item | Ending Balance | Beginning Balance |
|---|----------------|-------------------|
| Discounted domestic letters of credit that cannot be derecognized before expiration | 0.00 | 9,855,000.00 |
| Total | 0.00 | 9,855,000.00 |

Explanations on short-term loan classification:

(2) Information of overdue and unpaid short-term loans

The total amount of overdue and unpaid short-term loans at the end of this period is RMB , among which the important overdue

and unpaid short-term loans are as follows:

Unit: RMB

| Borrower | Ending Balance | Loan interest rate | Overdue time | Overdue interest rate |
|----------|----------------|--------------------|--------------|-----------------------|
|----------|----------------|--------------------|--------------|-----------------------|

Other explanations:

24. Notes payable

Unit: RMB

| Category | Ending Balance | Beginning Balance |
|----------------------|----------------|-------------------|
| Bank acceptance bill | 122,573,544.09 | 68,293,818.22 |
| Total | 122,573,544.09 | 68,293,818.22 |

The total amount of unpaid notes payable at the end of this period is RMB 0.00.

25. Accounts payable

(1) Listing of accounts payable

Unit: RMB

| Item | Ending Balance | Beginning Balance |
|-------------------|----------------|-------------------|
| Material payment | 217,082,802.45 | 210,894,468.56 |
| Equipment payment | 932,731.16 | 3,130,476.79 |
| Service fee | 4,834,986.05 | 742,705.27 |
| Project payment | 18,294,116.38 | 10,886,449.82 |
| Others | 3,939,546.28 | 346,376.52 |
| Total | 245,084,182.32 | 226,000,476.96 |

(2) Important accounts payable with aging over 1 year or overdue

Unit: RMB

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

Other explanations:

None

26. Other payables

Unit: RMB

| Item | Ending Balance | Beginning Balance |
|----------------|----------------|-------------------|
| Other payables | 36,735,314.36 | 31,429,478.43 |
| Total | 36,735,314.36 | 31,429,478.43 |

1) List of other payables by nature of money

Unit: RMB

| Item | Ending Balance | Beginning Balance |
|------------------------|----------------|-------------------|
| Employee reimbursement | 5,222,956.92 | 6,747,819.07 |

| | | |
|--|---------------|---------------|
| Payment to be settled | 3,980,996.11 | 9,597,128.66 |
| Withholding and paying social security and capital reserve on behalf of others | 331,708.81 | 66,013.83 |
| Current account | 7,424,919.78 | 3,561,040.08 |
| Collection and payment on behalf of others | 328,337.90 | 208,657.13 |
| Guarantee deposit | 3,653,667.64 | 3,321,927.78 |
| Others | 15,792,727.20 | 7,926,891.88 |
| Total | 36,735,314.36 | 31,429,478.43 |

2) Other payables of the top five ending balances collected by counterparties

Other explanations:

27. Contract liabilities

Unit: RMB

| Item | Ending Balance | Beginning Balance |
|-------------------|----------------|-------------------|
| Advances on sales | 65,331,106.17 | 58,838,840.39 |
| Total | 65,331,106.17 | 58,838,840.39 |

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 |
|------|---------------|---------------------|
| | | |

28. 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 | 58,505,505.72 | 534,528,539.80 | 536,626,145.97 | 56,407,899.55 |
| II. Post-employment welfare - defined contribution plan | 325,697.88 | 31,875,263.60 | 31,978,759.05 | 222,202.43 |
| III. Dismissal benefit | 109,649.20 | 12,000.00 | 121,649.20 | |
| Total | 58,940,852.80 | 566,415,803.40 | 568,726,554.22 | 56,630,101.98 |

(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 | 56,728,600.85 | 501,465,425.86 | 503,678,474.52 | 54,515,552.19 |
| 2. Employee benefits | 155,656.42 | 9,624,996.84 | 9,317,452.06 | 463,201.20 |
| 3. Social insurance | 344,455.53 | 17,285,117.18 | 17,433,202.63 | 196,370.08 |
| Including: medical insurance premium | 308,232.54 | 15,799,702.29 | 15,912,120.15 | 195,814.68 |
| Work-related injury insurance premium | 1,888.88 | 648,863.62 | 650,197.10 | 555.40 |
| Birth insurance premium | 34,334.11 | 836,551.27 | 870,885.38 | |
| 4. Housing fund | 80,431.85 | 5,536,580.15 | 5,562,772.91 | 54,239.09 |
| 5. Labor union expenditure and personnel education fund | 1,196,361.07 | 615,642.08 | 633,466.16 | 1,178,536.99 |
| 6. Others | | 777.69 | 777.69 | |
| Total | 58,505,505.72 | 534,528,539.80 | 536,626,145.97 | 56,407,899.55 |

(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 expenses | 322,188.36 | 30,882,474.72 | 30,990,489.47 | 214,173.61 |
| 2. Unemployment insurance | 3,509.52 | 992,788.88 | 988,269.58 | 8,028.82 |
| Total | 325,697.88 | 31,875,263.60 | 31,978,759.05 | 222,202.43 |

Other explanations:

29. Taxes and dues payable

Unit: RMB

| Item | Ending Balance | Beginning Balance |
|--|----------------|-------------------|
| VAT | 7,538,983.47 | 6,423,184.92 |
| Consumption tax | 34,079.54 | |
| Enterprise income tax | 15,364,635.19 | 12,861,731.77 |
| Individual income tax | 3,712,496.39 | 1,582,183.19 |
| Urban maintenance and construction tax | 243,439.39 | 423,601.95 |
| Property tax | 496,029.92 | 499,264.69 |
| Land use tax | 7,368.53 | 8,200.43 |
| Stamp duty | 499,102.75 | 195,980.34 |
| Education surcharge | 234,127.14 | 449,094.47 |
| Others | 761,967.12 | 178,563.28 |
| Total | 28,892,229.44 | 22,621,805.04 |

Other explanations:

30. Non-current liabilities due within one year

Unit: RMB

| Item | Ending Balance | Beginning Balance |
|--|----------------|-------------------|
| Long-term loans due within one year | 957,265.72 | 54,873.94 |
| Long-term payables due within one year | | |
| Lease liabilities due within one year | 20,137,416.64 | 23,663,351.45 |
| Total | 21,094,682.36 | 23,718,225.39 |

Other explanations:

31. Other current liabilities

Unit: RMB

| Item | Ending Balance | Beginning Balance |
|-------------------------------------|----------------|-------------------|
| Sales rebates payable | 15,007,767.78 | 19,110,934.94 |
| Tax to be transferred to output tax | 1,456,166.57 | 2,062,685.85 |
| Total | 16,463,934.35 | 21,173,620.79 |

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:

32. Long-term loan**(1) Classification of long-term loans**

Unit: RMB

| Item | Ending Balance | Beginning Balance |
|-------------------------------------|----------------|-------------------|
| Credit borrowings | 8,758,524.27 | 162,002.06 |
| Unexpired interest payable | 9,146.49 | 34,629.42 |
| Long-term loans due within one year | -957,265.72 | -54,873.94 |
| Total | 7,810,405.04 | 141,757.54 |

Explanations on long-term loan classification:

Other explanations, including interest rate range:

The increase in credit loans for long-term loans in this period is mainly due to the technology innovation fund syndicated loan obtained by XIAMEN ZKTECO CO., LTD., a subsidiary of the Company. The contract

stipulates that the borrower shall use each fund withdrawn for the Company's R&D investment, with a loan term of 36 months. The interest shall be paid on a quarterly basis. The ending balance of loan principal is RMB 8.315 million.

33. Lease liabilities

Unit: RMB

| Item | Ending Balance | Beginning Balance |
|---------------------------------------|----------------|-------------------|
| Lease payment amount | 43,637,253.89 | 59,266,343.29 |
| Unrecognized financing charges | -3,786,551.04 | -7,346,274.40 |
| Lease liabilities due within one year | -20,137,416.64 | -23,663,351.45 |
| Total | 19,713,286.21 | 28,256,717.44 |

Other explanations:

34. Estimated liabilities

Unit: RMB

| Item | Ending Balance | Beginning Balance | Cause of formation |
|--------------------|----------------|-------------------|--|
| Pending litigation | 600,000.00 | 600,000.00 | The main reason for the pending litigation is the estimated liabilities provided from the trademark infringement dispute between the Company and Shenzhen Zokon Industry Development Co., Ltd. |
| Total | 600,000.00 | 600,000.00 | |

Other explanations, including important assumptions and estimation explanations related to important estimated liabilities:

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 | 2,039,702.49 | | 186,152.87 | 1,853,549.62 | Financial allocation |
| Total | 2,039,702.49 | | 186,152.87 | 1,853,549.62 | |

Other explanations:

Deferred income related to government subsidies

The government subsidies of the Company are detailed in Note XI Government subsidies 2. Liability items involving government subsidies.

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 Shares | 148,492,051.00 | 1,639,842.00 | | 44,547,615.00 | | 46,187,457.00 | 194,679,508.00 |

Other explanations:

Explanations on changes in share capital:

1. The Company converts 3 shares of capital reserve to all shareholders for every 10 shares, increasing the total share capital by RMB 44,547,615.00 and reducing the capital reserve - share premium by RMB 44,547,615.00;

2. In 2023, the Company's stock equity incentive increased the share capital by RMB 1,639,842.00 due to the eligible exercise of the incentive objects, and increased the capital reserve - share premium by RMB 21,514,727.04. The above-mentioned changes in share capital have been verified by a Capital Verification Report issued by Baker Tilly China Certified Public Accountants (Special General Partnership) (TZYZ [2023] No. 49775).

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) | 1,988,225,327.93 | 55,275,747.76 | 44,547,615.00 | 1,998,953,460.69 |
| Other capital reserves | 72,947,584.35 | 36,929,284.99 | 33,350,954.90 | 76,525,914.44 |
| Total | 2,061,172,912.28 | 92,205,032.75 | 77,898,569.90 | 2,075,479,375.13 |

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

1. The increase in the capital reserve - share premium in the current period is due to: ① In 2023, Class II restricted share equity incentive of the Company increased the share premium by RMB 21,514,727.04 due to the eligible exercise of the incentive object; ② Due to the exercise of Class II restricted share equity incentive, the premium transferred from other capital reserves to share capital increased by RMB 32,928,027.36; ③ Subsidiary ZKTECO CO., LIMITED acquired a minority equity to increase its share premium by RMB 832,993.36. The decrease in the current period is due to the conversion of capital reserves into share capital, resulting in a decrease in share premium of RMB 44,547,615.00;

2. The increase in the capital reserve - other capital reserves in the current period is due to the confirmation of share-based payments for Class II restricted shares of RMB 36,929,284.99, while the decrease in the current period is due to the exercise adjustment of RMB 32,928,027.36 and changes in other equity of associates of RMB 422,927.54.

38. Treasury stock

Unit: RMB

| Item | Beginning Balance | Increase in the current period | Decrease in the current period | Ending Balance |
|--------------------------------------|-------------------|--------------------------------|--------------------------------|----------------|
| Reduce registered capital repurchase | | 784,700.00 | | 784,700.00 |
| Total | 0.00 | 784,700.00 | | 784,700.00 |

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

According to the "Proposal on Repurchasing Company Shares through Centralized Bidding Trading" approved by the Board of Directors, the Company uses its own funds to repurchase the issued RMB denominated ordinary shares of the Company through centralized bidding trading, for employee stock ownership plans or equity incentives, with a total increase of RMB 784,700.00 in treasury shares.

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 | 5,250,890.36 | 23,353,274.19 | | | | 22,750,068.83 | 595,666.33 | 28,000,959.19 |
| Translation difference of foreign | 5,250,890.36 | 23,353,274.19 | | | | 22,750,068.83 | 595,666.33 | 28,000,959.19 |

| | | | | | | | | |
|-------------------------------------|--------------|---------------|--|--|--|---------------|------------|---------------|
| currency financial statements | | | | | | | | |
| Total of other comprehensive income | 5,250,890.36 | 23,353,274.19 | | | | 22,750,068.83 | 595,666.33 | 28,000,959.19 |

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 | 53,978,004.94 | 6,477,417.56 | | 60,455,422.50 |
| Total | 53,978,004.94 | 6,477,417.56 | | 60,455,422.50 |

Explanations on surplus reserves, including changes in current period and reasons for changes: The increased surplus reserves in the current period are statutory surplus reserve funds provisioned by the parent company based on 10% of net profit.

41. Undistributed profit

Unit: RMB

| Item | Current period | Previous period |
|---|----------------|-----------------|
| Undistributed profits before adjustment at end of the previous period | 788,571,917.98 | 607,725,356.63 |
| Total undistributed profits in the adjustment beginning period (increase in "+", decrease in "-") | 197,066.66 | -55,548.96 |
| Undistributed profit at the end of the adjustment period | 788,768,984.64 | 607,669,807.67 |
| Plus: Net profits attributable to parent company in this period | 177,263,675.15 | 192,502,163.93 |
| Less: withdrawal of legal surplus reserves | 6,477,417.56 | 11,402,986.96 |
| Dividends payable on ordinary shares | 51,972,217.85 | |
| Undistributed profit at the end of the period | 907,583,024.38 | 788,768,984.64 |

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 197,066.66.
- 2) Due to changes in accounting policies, the undistributed profit at the beginning of the period was RMB 197,066.66.
- 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 | |
|------------------|---------------------------------------|------------------|--|------------------|
| | Revenue | Cost | Revenue | Cost |
| Main business | 1,961,508,304.59 | 1,000,868,184.91 | 1,913,553,132.72 | 1,065,639,119.43 |
| Other businesses | 8,675,377.75 | | 5,006,059.04 | |
| Total | 1,970,183,682.34 | 1,000,868,184.91 | 1,918,559,191.76 | 1,065,639,119.43 |

Is the lower of net profit before and after deducting non-recurring profits and losses audited negative

Yes No

Breakdown information of operating revenue and operating costs:

Unit: RMB

| Contract classification | Division 1 | | Division 2 | | Operating revenue | | Total | |
|---|-------------------|----------------|-------------------|----------------|-------------------|----------------|-------------------|----------------|
| | Operating revenue | Operating cost | Operating revenue | Operating cost | Operating revenue | Operating cost | Operating revenue | Operating cost |
| Business type | | | | | | | | |
| Including: | | | | | | | | |
| Smart office products | | | | | 368,124,957.10 | 151,678,099.49 | 368,124,957.10 | 151,678,099.49 |
| Smart entrance and exit management products | | | | | 1,437,554,773.20 | 753,156,799.23 | 1,437,554,773.20 | 753,156,799.23 |
| Smart identity verification products | | | | | 155,828,574.29 | 96,033,286.19 | 155,828,574.29 | 96,033,286.19 |
| Others | | | | | 8,675,377.75 | | 8,675,377.75 | |
| Classification by region of operation | | | | | | | | |
| Including: | | | | | | | | |
| Domestic sales | | | | | 643,710,059.42 | 438,877,805.00 | 643,710,059.42 | 438,877,805.00 |
| Overseas sales | | | | | 1,326,473,622.92 | 561,990,379.91 | 1,326,473,622.92 | 561,990,379.91 |
| Market or customer type | | | | | | | | |
| Including: | | | | | | | | |
| Distribution | | | | | 1,347,955,344.48 | 744,098,760.98 | 1,347,955,344.48 | 744,098,760.98 |
| Direct sales | | | | | 613,552,960.11 | 256,769,423.93 | 613,552,960.11 | 256,769,423.93 |
| Others | | | | | 8,675,377.75 | | 8,675,377.75 | |
| Type of contract | | | | | | | | |
| Including: | | | | | | | | |
| Classification by time of transfer of | | | | | | | | |

| | | | | | | | | |
|---------------------------------|--|--|--|--|------------------|------------------|------------------|------------------|
| goods | | | | | | | | |
| Including: | | | | | | | | |
| Classification by contract term | | | | | | | | |
| Including: | | | | | | | | |
| Classification by sales channel | | | | | | | | |
| Including: | | | | | | | | |
| Total | | | | | 1,970,183,682.34 | 1,000,868,184.91 | 1,970,183,682.34 | 1,000,868,184.91 |

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:

The Company, as the main responsible person in accordance with the contract, timely fulfills the supply obligations according to the customer's requirements for the category, standards and time. The Company provides a certain credit period of 30-90 days based on the customer's industry status, financial strength, credit status and cooperation history. For overseas customers, the Company will also refer to the credit report issued by Sinosure to the customer.

Information related to the transaction price allocated to the remaining performance obligations:

The corresponding income amount for performance obligations that have been signed but have not yet been fulfilled or completed at the end of this reporting period is RMB 0.00.

Information related to variable consideration in the contract:

Significant contract changes or significant transaction price adjustments

Unit: RMB

| Item | Accounting treatment method | Amount of impact on income |
|------|-----------------------------|----------------------------|
|------|-----------------------------|----------------------------|

Other explanations:

43. Tax and surcharges

Unit: RMB

| Item | Amount incurred in the current period | Amount incurred in the previous period |
|--|---------------------------------------|--|
| Urban maintenance and construction tax | 3,184,784.34 | 3,193,940.53 |
| Education surcharge | 2,042,493.50 | 2,128,701.68 |
| Property tax | 3,074,798.73 | 2,846,813.65 |
| Land use tax | 298,326.75 | 106,384.86 |

| | | |
|---|---------------|---------------|
| Stamp duty | 1,304,334.77 | 964,342.89 |
| Local education surcharges | 1,083,514.29 | 1,415,907.22 |
| Other taxes and fees for overseas companies | 14,630,968.49 | 8,365,735.32 |
| Others | 26,008.41 | 24,738.72 |
| Total | 25,645,229.28 | 19,046,564.87 |

Other explanations:

44. Administrative expenses

Unit: RMB

| Item | Amount incurred in the current period | Amount incurred in the previous period |
|--|---------------------------------------|--|
| Employee remuneration | 55,985,922.45 | 56,013,706.43 |
| Taxes | 1,516,305.36 | 1,454,391.49 |
| Office allowance | 3,732,967.28 | 3,796,088.25 |
| Depreciation and amortization | 9,563,920.79 | 9,165,472.53 |
| Business entertainment expenses | 2,181,639.95 | 1,656,274.22 |
| Repair fee | 623,935.88 | 521,617.42 |
| Travel expenses | 2,294,921.81 | 1,681,329.66 |
| Rent and utilities | 3,343,577.95 | 3,913,363.05 |
| Car expenses | 1,153,626.56 | 1,648,594.21 |
| Low-value consumables | 485,661.27 | 198,337.81 |
| Agency fees | 9,725,385.60 | 7,357,020.27 |
| Communications fee | 1,435,143.82 | 1,496,049.38 |
| Depreciation and amortization of right-of-use assets | 8,215,349.26 | 8,134,347.68 |
| Share-based payments | 5,796,156.11 | 763,691.57 |
| Others | 16,638,987.87 | 8,948,648.35 |
| Total | 122,693,501.96 | 106,748,932.32 |

Other explanations:

45. Selling expenses

Unit: RMB

| Item | Amount incurred in the current period | Amount incurred in the previous period |
|--|---------------------------------------|--|
| Employee remuneration | 263,649,628.44 | 236,617,683.30 |
| Depreciation and amortization | 7,353,199.36 | 5,743,382.82 |
| Exhibition and conference fees | 8,906,402.84 | 6,391,411.66 |
| Transport cost | 1,635,613.27 | 1,662,004.78 |
| Maintenance and testing fees | 5,696,784.10 | 5,077,448.63 |
| Service fees and commissions | 18,394,250.49 | 14,982,316.55 |
| Rental expenses | 5,218,203.19 | 4,453,303.67 |
| Business entertainment expenses | 3,350,710.92 | 2,225,867.93 |
| Travel expenses | 25,614,976.83 | 18,980,805.21 |
| Office allowance | 7,861,715.27 | 6,169,710.05 |
| Insurance premium | 5,627,042.24 | 5,209,135.96 |
| Agency fees | 9,444,573.03 | 8,428,564.29 |
| Advertising expenses | 21,164,669.10 | 15,590,300.37 |
| Depreciation and amortization of right-of-use assets | 15,232,460.82 | 13,459,130.31 |
| Share-based payments | 14,025,913.22 | 1,633,697.55 |
| Others | 32,237,922.81 | 14,639,418.09 |

| | | |
|-------|----------------|----------------|
| Total | 445,414,065.93 | 361,264,181.17 |
|-------|----------------|----------------|

Other explanations:

46. R&D expenses

Unit: RMB

| Item | Amount incurred in the current period | Amount incurred in the previous period |
|--|---------------------------------------|--|
| Employee remuneration | 158,052,507.71 | 150,553,917.43 |
| Depreciation and amortization | 4,429,001.99 | 4,252,503.03 |
| Office allowance | 735,318.39 | 584,001.49 |
| Travel expenses | 5,013,751.62 | 2,717,699.76 |
| Business entertainment expenses | 79,446.35 | 32,132.91 |
| Rental fees and utilities | 1,136,494.86 | 949,867.41 |
| R&D material costs | 5,516,851.51 | 8,240,298.32 |
| Software and technical service fees | 10,305,794.57 | 8,945,903.92 |
| Testing and certification fees | 1,844,771.63 | 1,817,748.28 |
| Depreciation and amortization of right-of-use assets | 1,914,549.28 | 2,477,285.95 |
| Share-based payments | 14,172,736.25 | 1,288,530.21 |
| Others | 10,412,190.40 | 6,123,958.71 |
| Total | 213,613,414.56 | 187,983,847.42 |

Other explanations:

47. Financial expenses

Unit: RMB

| Item | Amount incurred in the current period | Amount incurred in the previous period |
|-----------------------------|---------------------------------------|--|
| Interest expenses | 4,114,078.22 | 3,101,947.12 |
| Less: interest income | 59,489,145.42 | 28,810,088.84 |
| Exchange profits and losses | -1,409,799.93 | -16,566,918.67 |
| Bank charge | 2,397,607.32 | 1,346,372.88 |
| Others | 56,392.08 | -147.45 |
| Total | -54,330,867.73 | -40,928,834.96 |

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 | 13,164,367.42 | 17,703,715.35 |
| Other items related to daily activities | 218,383.71 | 145,303.33 |
| Including: refund of individual income tax handling fee | 218,383.71 | 145,303.33 |
| Total | 13,382,751.13 | 17,849,018.68 |

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 | 755,429.17 | -701,013.10 |
| Including: gains from changes in fair value generated by derivative financial instruments | 92,617.82 | -802,315.17 |
| Total | 755,429.17 | -701,013.10 |

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 | 2,800,122.30 | 2,660,914.13 |
| Investment income obtained from financial products | 5,290,557.19 | 1,398,296.69 |
| Forward foreign exchange settlement and sales contract | -8,690,555.00 | -6,488,400.00 |
| Total | -599,875.51 | -2,429,189.18 |

Other explanations:

51. Credit impairment loss

Unit: RMB

| Item | Amount incurred in the current period | Amount incurred in the previous period |
|--|---------------------------------------|--|
| Bad debt losses on accounts receivable | -6,401,719.41 | -9,854,307.18 |
| Bad debt losses on other receivables | -24,544.62 | -1,099,803.64 |
| Total | -6,426,264.03 | -10,954,110.82 |

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 | -2,865,668.77 | -6,322,267.18 |
| II. Loss from long-term equity investment impairment | -281,599.25 | |
| III. Impairment loss from contract assets | -16,465.29 | 27,512.26 |
| Total | -3,163,733.31 | -6,294,754.92 |

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 |
|--|---------------------------------------|--|
| Income from disposal of non-current assets - fixed assets | -162,260.89 | 6,255.32 |
| Income from disposal of non-current assets - right-of-use assets | 32,408.27 | 81,878.03 |
| Total | -129,852.62 | 88,133.35 |

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 scrapping and damaging non-current assets | 453.17 | 850.14 | 453.17 |
| Payment not required | 249,822.34 | 0.00 | 249,822.34 |
| Penalty income | 10,861.12 | 1,100.00 | 10,861.12 |
| Others | 573,622.63 | 857,569.35 | 573,622.63 |
| Total | 834,759.26 | 859,519.49 | 834,759.26 |

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 | 205,000.00 | 229,024.07 | 205,000.00 |
| Extraordinary losses | 4,603,052.11 | 2,234,814.59 | 4,603,052.11 |
| Inventory loss | 21,554.46 | 33.77 | 21,554.46 |
| Non-current assets damage and retirement loss | 497,027.01 | 442,894.77 | 497,027.01 |
| Penalty expenses | 49,041.71 | 42,440.26 | 49,041.71 |
| Others | 384,741.57 | 1,185,704.29 | 384,741.57 |
| Total | 5,760,416.86 | 4,134,911.75 | 5,760,416.86 |

Other explanations:

56. Income tax expenses

(1) Income tax expenses statement

Unit: RMB

| Item | Amount incurred in the current period | Amount incurred in the previous period |
|------------------------------|---------------------------------------|--|
| Current income tax expenses | 31,675,881.56 | 17,540,609.91 |
| Deferred income tax expenses | -13,346,935.47 | -8,786,294.99 |
| Total | 18,328,946.09 | 8,754,314.92 |

(2) Accounting profit and income tax expenses adjustment process

Unit: RMB

| Item | Amount incurred in the current period |
|------|---------------------------------------|
|------|---------------------------------------|

| | |
|--|----------------|
| Total profits | 215,172,950.66 |
| Income tax expenses calculated based on statutory/applicable tax rates | 22,722,294.22 |
| The impact of different tax rates applicable to subsidiaries | 10,455,338.01 |
| The impact of adjusting previous period income tax | 4,366,794.60 |
| The impact of non-taxable income | -473,436.28 |
| The impact of non-deductible costs, expenses, and losses | 2,928,245.21 |
| The impact of deductible losses on unrecognized deferred income tax assets in the prior period of use | -800,989.72 |
| The impact of deductible temporary differences or deductible losses on unrecognized deferred income tax assets in the current period | 2,531,876.60 |
| Deduction of technology development expenses | -23,361,880.97 |
| Salary paid for the placement of disabled individuals with additional deductions | -47,287.23 |
| The impact of tax rate changes on the beginning deferred income tax | 7,991.65 |
| Income tax expenses | 18,328,946.09 |

Other explanations:

57. Other comprehensive income

Please refer to Note 39. Other comprehensive income for details.

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 | 44,383,418.08 | 23,512,457.10 |
| Received government subsidies | 5,931,157.43 | 14,002,267.31 |
| Current account | 19,620,625.50 | 11,104,272.06 |
| Restricted funds such as restricted guarantee deposit and funds in transit | | 27,155,933.36 |
| Others | 1,226,225.97 | 748,702.48 |
| Total | 71,161,426.98 | 76,523,632.31 |

Explanations 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 |
|-------------------------------------|---------------------------------------|--|
| Expenses payment | 203,811,342.55 | 167,491,966.00 |
| Current account | 28,942,938.49 | 30,365,380.88 |
| Restricted funds such as restricted | 6,565,746.56 | 1,870,861.48 |

| | | |
|--|----------------|----------------|
| guarantee deposit and funds in transit | | |
| Others | 2,690,158.07 | 2,239,832.81 |
| Total | 242,010,185.67 | 201,968,041.17 |

Explanations on 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 |
|------|---------------------------------------|--|
|------|---------------------------------------|--|

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 | 783,138,035.71 | 100,302,919.28 |
| Total | 783,138,035.71 | 100,302,919.28 |

Explanations on other cash received relating to investing activities:

Other cash paid relating to investment activities

Unit: RMB

| Item | Amount incurred in the current period | Amount incurred in the previous period |
|--|---------------------------------------|--|
| Investment losses on forward foreign exchange settlement and sales | 8,690,555.00 | 6,488,400.00 |
| Total | 8,690,555.00 | 6,488,400.00 |

Significant cash paid relating to investing activities

Unit: RMB

| Item | Amount incurred in the current period | Amount incurred in the previous period |
|---|---------------------------------------|--|
| Time deposit and wealth management | 492,027,131.11 | 1,034,748,807.59 |
| Purchase minority equity | 12,124,365.79 | |
| Foreign investment in partnership enterprises | 24,000,000.00 | |
| Total | 528,151,496.90 | 1,034,748,807.59 |

Explanations on 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 | 137,765,650.54 | 0.00 |
| Total | 137,765,650.54 | 0.00 |

Explanations on 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 | 31,230,265.90 | 29,105,104.03 |
| IPO issuance expenses | | 24,960,127.54 |
| Bill deposit | 115,683,494.14 | |
| Share repurchase | 784,700.00 | |
| Total | 147,698,460.04 | 54,065,231.57 |

Explanations on 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 | 9,855,000.00 | | 145,000.00 | 10,000,000.00 | | |
| Non-current liabilities due within one year | 23,718,225.39 | | 21,290,192.94 | 23,443,687.06 | 470,048.91 | 21,094,682.36 |
| Long-term loan | 141,757.54 | 8,643,835.19 | 140,500.99 | 79,810.85 | 1,035,877.83 | 7,810,405.04 |
| Lease liabilities | 28,256,717.44 | | 18,698,763.37 | 7,786,578.84 | 19,455,615.76 | 19,713,286.21 |
| Total | 61,971,700.37 | 8,643,835.19 | 40,274,457.30 | 41,310,076.75 | 20,961,542.50 | 48,618,373.61 |

(4) Explanations on 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 | 196,844,004.57 | 204,333,758.34 |
| Plus: provision for losses from impairment of assets | 9,589,997.34 | 17,248,865.74 |
| Depreciation of fixed assets, consumption of oil and gas assets and productive biological assets | 31,557,510.39 | 25,015,873.26 |
| Depreciation of right of use assets | 28,647,400.42 | 27,141,695.03 |
| Amortization of intangible assets | 1,945,108.15 | 2,074,371.52 |
| Long-term unamortized expenses | 1,443,552.51 | 2,671,892.05 |

| | | |
|---|------------------|------------------|
| Loss from disposal of fixed assets, intangible assets and other long-term assets (gains expressed with "-") | 129,852.62 | -88,133.35 |
| Loss on retirement of fixed assets (gains expressed with "-") | 496,573.84 | 442,044.63 |
| Loss from changes in fair value (gains expressed with "-") | -755,429.17 | 701,013.10 |
| Financial expenses (gains expressed with "-") | -12,383,912.51 | -1,587,290.64 |
| Investment loss (gains expressed with "-") | 3,399,997.81 | 6,223,097.99 |
| Decrease of deferred income tax assets (increase expressed with "-") | -11,788,385.88 | -17,684,830.66 |
| Increases of deferred income tax liabilities (decrease expressed with "-") | -1,719,851.49 | 8,898,535.67 |
| Decrease of inventory (increase expressed with "-") | -28,429,295.27 | 73,754,064.85 |
| Decreases of operational receivables (increase expressed with "-") | -130,159,538.85 | -71,663,669.41 |
| Increases of operating payables (decrease expressed with "-") | 109,897,948.82 | -157,595,144.12 |
| Others | 37,285,356.91 | 4,633,889.18 |
| Net cash flows from operating activities | 236,000,890.21 | 124,520,033.18 |
| 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 | 16,689,236.87 | 35,417,269.99 |
| 3. Net change of cash and cash equivalents: | | |
| Ending balance of cash | 1,317,020,553.02 | 1,077,608,258.10 |
| Less: beginning balance of cash | 1,077,608,258.10 | 516,288,425.76 |
| Plus: ending balance of cash equivalents | | |
| Less: beginning balance of cash equivalents | | |
| Net increase in cash and cash equivalents | 239,412,294.92 | 561,319,832.34 |

(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 | 1,317,020,553.02 | 1,077,608,258.10 |
| Including: Cash on hand | 1,401,947.05 | 2,646,715.85 |
| Bank deposit available for payment at any time | 1,302,024,477.33 | 1,072,431,575.41 |
| Other monetary funds available for payment at any time | 13,594,128.64 | 2,529,966.84 |
| III. Ending balance of cash and cash equivalents | 1,317,020,553.02 | 1,077,608,258.10 |

(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 still being classified as cash and cash equivalents |
|--|--------------------------|---------------------------|---|
| Principal of time deposits and outstanding interest receivable | 618,949,731.28 | 804,218,284.93 | Not meeting the standards for cash and cash equivalents |
| Margin of bank acceptance draft | 46,693,268.67 | 30,551,118.11 | Not meeting the standards for cash and cash equivalents |
| Non withdrawable funds on e-commerce platforms | | 8,000.00 | Not meeting the standards for cash and cash equivalents |
| Pledged guarantee time deposits | | 2,243.32 | Not meeting the standards for cash and cash equivalents |
| Frozen litigation funds | 800,000.00 | 18.71 | Not meeting the standards for cash and cash equivalents |
| Funds in transit | 7,461,401.81 | 557,108.80 | Not meeting the standards for cash and cash equivalents |

| | | | |
|-------|----------------|----------------|--|
| Total | 673,904,401.76 | 835,336,773.87 | |
|-------|----------------|----------------|--|

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 | | | 399,960,359.63 |
| Including: USD | 40,329,619.94 | 7.0827 | 285,642,599.05 |
| EUR | 6,208,474.76 | 7.8592 | 48,793,636.61 |
| HKD | 1,046,481.71 | 0.9062 | 948,350.20 |
| ARS | 43,744,180.19 | 0.0088 | 383,461.00 |
| AUD | 6,566.89 | 4.8484 | 31,838.86 |
| BRL | 517,584.34 | 1.4596 | 755,488.50 |
| DNS | 14,545,788.90 | 1.9326 | 28,110,520.63 |
| DZD | 11,400.00 | 0.0531 | 605.68 |
| RUB | 8,542,424.59 | 0.0803 | 685,686.90 |
| COP | 506,540,967.87 | 0.0018 | 926,091.30 |
| KRW | 104,571,958.00 | 0.0055 | 576,598.80 |
| CAD | 439,472.24 | 5.3673 | 2,358,778.78 |
| KES | 831,104.14 | 0.0451 | 37,493.38 |
| MYR | 554,686.22 | 1.5415 | 855,073.56 |
| PEN | 11,743.09 | 1.918 | 22,523.26 |
| MAD | 395,233.00 | 0.7145 | 282,394.15 |
| MXN | 5,524,369.79 | 0.4181 | 2,310,002.31 |
| ZAR | 19,647,399.23 | 0.3819 | 7,503,876.27 |
| NGN | 3,033,885.37 | 0.0079 | 23,942.17 |
| JPY | 43,927,044.00 | 0.0502 | 2,205,767.39 |
| THB | 18,028,790.00 | 0.2074 | 3,738,473.81 |
| TRL | 1,803,922.79 | 0.2405 | 433,859.50 |
| SGD | 154,866.38 | 5.3772 | 832,748.52 |
| INR | 53,632,136.91 | 0.0851 | 4,566,562.11 |
| IDR | 5,492,227,206.92 | 0.0005 | 2,530,607.10 |
| GBP | 188,358.41 | 9.0411 | 1,702,967.42 |
| VND | 3,853,877,740.00 | 0.0003 | 1,125,602.47 |
| CLP | 321,733,756.20 | 0.008 | 2,574,182.61 |
| UYU | 200.00 | 0.18 | 36.00 |
| PYG | 602,000.00 | 0.001 | 591.29 |
| Accounts receivable | | | 458,189,580.61 |
| Including: USD | 46,272,183.77 | 7.0827 | 327,731,995.97 |
| EUR | 2,838,850.10 | 7.8592 | 22,311,090.71 |
| HKD | | | |
| VND | 170,503,278.06 | 0.0003 | 49,798.91 |

| | | | |
|-------------------|------------------|--------|---------------|
| KRW | 1,934,583,654.44 | 0.0055 | 10,667,090.93 |
| CLP | 207,234,697.65 | 0.008 | 1,658,078.91 |
| ZAR | 8,319,987.48 | 0.3819 | 3,177,629.56 |
| MXN | 36,428,435.08 | 0.4181 | 15,232,496.10 |
| MYR | 1,240,463.97 | 1.5415 | 1,912,230.57 |
| ARS | 859,532.14 | 0.0088 | 7,534.65 |
| NGN | 253,121,921.17 | 0.0079 | 1,997,533.85 |
| INR | 117,164,693.77 | 0.0851 | 9,976,105.41 |
| BRL | 2,224,655.45 | 1.4596 | 3,247,203.35 |
| JPY | 10,356,821.24 | 0.0502 | 520,081.67 |
| PEN | 1,247,466.34 | 1.918 | 2,392,642.29 |
| DNS | 22,058,699.95 | 1.9326 | 42,630,643.53 |
| THB | 54,436,878.09 | 0.2074 | 11,288,031.04 |
| TRL | 2,850,360.47 | 0.2405 | 685,537.08 |
| COP | 880,699,280.29 | 0.0018 | 1,610,151.99 |
| IDR | 1,050,147,703.26 | 0.0005 | 483,867.68 |
| SGD | 113,411.82 | 5.3772 | 609,836.41 |
| Other receivables | | | 15,578,879.11 |
| Including: VND | 200,877,218.79 | 0.0003 | 58,670.23 |
| USD | 761,454.47 | 7.0827 | 5,393,153.57 |
| KRW | 82,190,007.04 | 0.0055 | 453,187.06 |
| CLP | 72,948,891.28 | 0.008 | 583,662.00 |
| ZAR | 102,353.73 | 0.3819 | 39,091.67 |
| MXN | 4,519,915.78 | 0.4181 | 1,889,996.08 |
| MYR | 56,786.90 | 1.5415 | 87,539.54 |
| ARS | 4,314,391.17 | 0.0088 | 37,819.91 |
| NGN | 17,168,222.03 | 0.0079 | 135,484.53 |
| INR | 12,752,847.31 | 0.0851 | 1,085,853.98 |
| EUR | 77,759.70 | 7.8592 | 611,129.03 |
| BRL | 385,151.71 | 1.4596 | 562,184.10 |
| JPY | 6,766,959.34 | 0.0502 | 339,811.94 |
| PEN | 446,298.41 | 1.918 | 856,001.02 |
| DNS | 603,023.45 | 1.9326 | 1,165,403.11 |
| THB | 7,016,675.44 | 0.2074 | 1,454,977.82 |
| TRL | 111,370.67 | 0.2405 | 26,785.64 |
| COP | 199,686,583.71 | 0.0018 | 365,080.06 |
| IDR | 30,000,072.92 | 0.0005 | 13,822.88 |
| SGD | 54,233.93 | 5.3772 | 291,625.92 |
| RUB | 938,399.96 | 0.0803 | 75,323.88 |
| CAD | 5,050.00 | 5.3673 | 27,104.86 |
| KES | 553,924.18 | 0.0451 | 24,989.04 |
| HK\$ | 200.00 | 0.9062 | 181.24 |
| Accounts payable | | | 8,202,657.82 |
| Including: USD | 183,094.68 | 7.0827 | 1,296,804.69 |
| CLP | 55,286,237.25 | 0.008 | 442,343.61 |
| ZAR | 597,965.41 | 0.3819 | 228,379.26 |
| MXN | 3,378,887.22 | 0.4181 | 1,412,876.68 |
| MYR | 45,689.06 | 1.5415 | 70,431.72 |
| ARS | 668,414.78 | 0.0088 | 5,859.32 |
| NGN | 11,418,541.52 | 0.0079 | 90,110.42 |
| INR | 8,400,282.71 | 0.0851 | 715,250.50 |
| EUR | 73,346.75 | 7.8592 | 576,446.78 |
| BRL | 243,692.26 | 1.4596 | 355,703.77 |
| PEN | 135,948.17 | 1.918 | 260,748.79 |
| DNS | 1,076,293.99 | 1.9326 | 2,080,045.77 |
| THB | 3,018,647.86 | 0.2074 | 625,946.82 |

| | | | |
|----------------|----------------|--------|--------------|
| COP | 5,026,792.00 | 0.0018 | 9,190.31 |
| IDR | 65,560,725.41 | 0.0005 | 30,207.86 |
| RUB | 3,010.15 | 0.0803 | 241.62 |
| KES | 45,882.93 | 0.0451 | 2,069.90 |
| Other payables | | | 6,520,975.76 |
| Including: VND | 2,160,097.84 | 0.0003 | 630.90 |
| USD | 485,575.36 | 7.0827 | 3,439,184.60 |
| EUR | 127,098.20 | 7.8592 | 998,890.17 |
| KRW | 47,486,902.66 | 0.0055 | 261,837.79 |
| CLP | 12,690,101.05 | 0.008 | 101,533.14 |
| ZAR | 20.03 | 0.3819 | 7.65 |
| MXN | 587,442.45 | 0.4181 | 245,638.19 |
| MYR | 22,149.99 | 1.5415 | 34,145.20 |
| ARS | 3,951,482.37 | 0.0088 | 34,638.65 |
| NGN | 4,388,030.08 | 0.0079 | 34,628.52 |
| INR | 1,114,778.69 | 0.0851 | 94,918.95 |
| BRL | 136,069.24 | 1.4596 | 198,612.55 |
| JPY | 7,017,651.84 | 0.0502 | 352,400.80 |
| PEN | 4,205.97 | 1.918 | 8,067.05 |
| DNS | 21,077.35 | 1.9326 | 40,734.09 |
| THB | 1,900,373.89 | 0.2074 | 394,061.53 |
| TRL | 49,478.40 | 0.2405 | 11,900.00 |
| IDR | 299,999,974.26 | 0.0005 | 138,228.45 |
| SGD | 16,361.22 | 5.3772 | 87,977.33 |
| MAD | 60,098.21 | 0.7145 | 42,940.20 |
| Long-term loan | | | 336,258.52 |
| Including: ZAR | 506,120.51 | 0.3819 | 193,301.19 |
| MYR | 92,736.42 | 1.5415 | 142,957.33 |

Other explanations:

(2) Explanations on overseas operating entities, including for important overseas operating entities, disclosure of their main overseas operating location, recording currency, and selection basis. Reasons for changes in the recording currency should also be disclosed.

Applicable Not applicable

| Subsidiaries | Registered place of business | Recording currency | Basis for adopting recording currency |
|---|------------------------------|--------------------|--|
| ZKTECO CO.,LIMITED | Hong Kong | USD | Sales and procurement are mainly priced in USD |
| Armatura Tech Co.,Ltd. | Thailand | THB | Currency used in the place of operation |
| ZKTECO SECURITY L.L.C | Dubai | DNS | Currency used in the place of operation |
| ZKTECO EUROPE SL | Spain | EUR | Currency used in the place of operation |
| ZK TECHNOLOGY LLC | America | USD | Currency used in the place of operation |
| ZKTECO USA LLC | America | USD | 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 | USD | 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 | USD | Sales and procurement are mainly priced in USD |

Note: Starting from 2023, ZKTECO SECURITY L.L.C. will replace its recording currency from USD to dirhams. The main reason is that dirham is a commonly used settlement currency in the local area, and the proportion of dirhams in sales settlement is higher.

VIII. R&D expenditures

Unit: RMB

| Item | Amount incurred in the current period | Amount incurred in the previous period |
|--|---------------------------------------|--|
| Employee remuneration | 158,052,507.71 | 150,553,917.43 |
| Depreciation and amortization | 4,429,001.99 | 4,252,503.03 |
| Office allowance | 735,318.39 | 584,001.49 |
| Travel expenses | 5,013,751.62 | 2,717,699.76 |
| Business entertainment expenses | 79,446.35 | 32,132.91 |
| Rental fees and utilities | 1,136,494.86 | 949,867.41 |
| R&D material costs | 5,516,851.51 | 8,240,298.32 |
| Software and technical service fees | 10,305,794.57 | 8,945,903.92 |
| Testing and certification fees | 1,844,771.63 | 1,817,748.28 |
| Depreciation and amortization of right-of-use assets | 1,914,549.28 | 2,477,285.95 |
| Share-based payments | 14,172,736.25 | 1,288,530.21 |
| Others | 10,412,190.40 | 6,123,958.71 |
| Total | 213,613,414.56 | 187,983,847.42 |
| Including: Expensed R&D expenditures | 213,613,414.56 | 187,983,847.42 |

IX. Changes to the scope of consolidation

1. Changes in the scope of consolidation due to other reasons

Explanations on 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 | Percentage of Shares (%) | Reason for Change |
|-----|---------------------------|--------------------|--------------------|--------------------------|-------------------|
| 1 | RALVIE AI INC. | August 22, 2023 | USD 10,000 | 100.00 | New establishment |
| 2 | ZKDIGIMAX PTE. LTD. | March 7, 2023 | USD 20 million | 80.00 | New establishment |
| 3 | ZKDIGIMAX PANAMA, S.A. | April 11, 2023 | USD 10,000 | 80.00 | New establishment |
| 4 | ZKDIGIMAX COLOMBIA SAS | April 26, 2023 | COP 10 million | 80.00 | New establishment |
| 5 | ZKDIGIMAX (PTY) LTD | March 14, 2023 | --- | 80.00 | New establishment |
| 6 | PT. ZKDIGIMAX EXCEL NOBLE | May 25, 2023 | IDR 10.01 billion | 56.00 | New establishment |

| | | | | | |
|---|---------------------------|------------------|-------------|--------|-------------------|
| 7 | ZKDIGIMAX CHINA CO., LTD. | May 18, 2023 | USD 300,000 | 80.00 | New establishment |
| 8 | ZK TECHNOLOGY MOROCCO | October 17, 2023 | MAD 100,000 | 100.00 | New establishment |

Note: ZKDIGIMAX (PTY) LTD uses the paid up capital as its registered capital, which has not been paid as of the end of the period; on August 7, 2023, Xiamen ZKTeco Cloud Valley Design and Development Co., Ltd. was deregistered, and at the end of the period, the subsidiary was no longer included in the consolidation scope.

2. Others

None

X. Equity in other entities

1. Equity in subsidiaries

(1) Composition of the enterprise group

Unit: RMB

| Name of Subsidiaries | Registered Capital | Main business place | Registration place | Nature of business | Percentage of shares | | Acquisition method |
|--|--------------------|---------------------|--------------------|----------------------|----------------------|----------|--------------------|
| | | | | | Direct | Indirect | |
| 1. Xiamen ZKTeco Biometric Identification Technology Co., Ltd. | 38,500,000.00 | Xiamen | Xiamen | Software development | 100.00% | 0.00% | Acquisition |
| 2. Shenzhen ZKTeco Biometric Identification Technology Co., Ltd. | 1,000,000.00 | Shenzhen | Shenzhen | Sales of goods | 100.00% | 0.00% | Acquisition |
| 2.1.ZK INVESTMENT S INC. | USD 300,000.00 | America | America | Established | 0.00% | 100.00% | by investment |
| 2.1.1.ZK TECHNOLOGY LLC | USD 300,000.00 | America | America | Sales of goods | 0.00% | 76.92% | by investment |
| 3. ZKTeco Sales Co., Ltd. | 50,000,000.00 | Dongguan | Dongguan | Sales of goods | 100.00% | 0.00% | by investment |
| 4. Hangzhou ZKTeco Hanlian E-commerce Co., Ltd. | 2,000,000.00 | Hangzhou | Hangzhou | E-commerce | 100.00% | 0.00% | by investment |
| 5. ZKCserv Technology Limited Co., Ltd. | 1,000,000.00 | Shenzhen | Shenzhen | Software development | 51.00% | 0.00% | by investment |
| 6. Dalian ZKTeo CO., | 3,000,000.00 | Dalian | Dalian | Software development | 100.00% | 0.00% | by investment |

| | | | | | | | |
|--|--------------------|------------------|------------------|--------------------------------|---------|---------|--|
| Ltd. | | | | and sales | | | |
| 7. XIAMEN ZKTECO CO., LTD. | 100,000,000.00 | Xiamen | Xiamen | Software development and sales | 100.00% | 0.00% | by investment |
| 7.1 ZKTECO Huayun (Xiamen) Integrated Circuit Co., Ltd. | 10,000,000.00 | Xiamen | Xiamen | Software development | 0.00% | 51.00% | by investment |
| 7.2.ZKTECO VIETNAM TECHNOLOGY COMPANY LIMITED | USD 200,000.00 | Vietnam | Vietnam | Sales of goods | 0.00% | 100.00% | by investment |
| 8. ZKTECO (GUANGDONG) CO., LTD | 800,000,000.00 | Dongguan | Dongguan | Production and sales of goods | 100.00% | 0.00% | by investment |
| 9. Xi'an ZKTeco Co., Ltd. | 1,060,000.00 | Xi'an | Xi'an | Sales of goods | 100.00% | 0.00% | Acquisition |
| 10. Shenzhen Zhongjiang Intelligent Technology Co., Ltd. | 10,000,000.00 | Shenzhen | Shenzhen | Project construction and sales | 51.00% | 0.00% | by investment |
| 11. ZKTECO CO., LIMITED | USD 15,000,000.00 | Hong Kong, China | Hong Kong, China | Sales of goods | 100.00% | 0.00% | by investment |
| 11.1.ZKTECO TURKEY ELEKTRONIK SANAYI VE TICARET LIMITED SIRKETI. | TRL 1,200,000.00 | Turkey | Turkey | Sales of goods | 0.00% | 88.09% | by investment |
| 11.2.ZKTECO LATAM, S.A. DE C.V. | MXN 44,260,000.00 | Mexico | Mexico | Sales services | 0.00% | 100.00% | by investment |
| 11.3.ZK SOFTWARE DE MEXICO, S.A. DE C.V. | MXN 3,748,688.33 | Mexico | Mexico | R&D services | 0.00% | 100.00% | Capital increase and equity investment |
| 11.4.ZKTECO COLOMBIA SAS | USD 525,000.00 | Columbia | Columbia | Sales services | 0.00% | 100.00% | by investment |
| 11.5.ZKTECO (M) SDN. BHD. | MYR 646,000.00 | Malaysia | Malaysia | Sales of goods | 0.00% | 51.00% | Acquisition |
| 11.6.ZKTECO BIOMETRICS INDIA PRIVATE LIMITED | IDR 132,765,240.00 | India | India | Sales of goods | 0.00% | 99.15% | Capital increase and equity investment |
| 11.7.ZKTECO EUROPE SL | EUR 538,500.00 | Spain | Spain | Sales of goods | 0.00% | 75.69% | Acquisition |
| 11.7.1.ZKTECO IRELAND LIMITED | EUR 60,000.00 | Ireland | Ireland | Sales services | 0.00% | 75.69% | by investment |

| | | | | | | | |
|--|-------------------|-----------|-----------|----------------|-------|---------|---------------|
| 11.7.2.ZKTeco Deutschland GmbH | EUR 100,000.00 | Germany | Germany | Sales of goods | 0.00% | 75.69% | by investment |
| 11.7.3.ZKTECO ITALIA S.R.L. | EUR 350,000.00 | Italy | Italy | Sales of goods | 0.00% | 71.37% | by investment |
| 11.7.4.ZKTECO UK LTD | GBP 500,000.00 | UK | UK | Sales of goods | 0.00% | 75.69% | by investment |
| 11.8.ZKTECO PERU SOCIEDAD ANONIMA CERRADA | USD 503,900.48 | Peru | Peru | Sales services | 0.00% | 100.00% | Acquisition |
| 11.9.ZKTECO THAI CO., LTD. | THB 10,000,000.00 | Thailand | Thailand | Sales of goods | 0.00% | 99.80% | Acquisition |
| 11.10.ZKTeco Chile SpA | USD 225,000.00 | Chile | Chile | Sales services | 0.00% | 100.00% | by investment |
| 11.10.1.SOLUCIONES INTEGRALES Y SISTEMAS SpA | CLP 60,000,000.00 | Chile | Chile | Sales services | 0.00% | 100.00% | by investment |
| 11.11.ZKTECO SECURITY L.L.C | AED 147,000.00 | Dubai | Dubai | Sales of goods | 0.00% | 100.00% | Acquisition |
| 11.12.ZKTECO ARGENTINA S.A. | USD 247,756.00 | Argentina | Argentina | Sales of goods | 0.00% | 60.00% | Acquisition |
| 11.13.Limited Liability Company "ZKTeco biometrics and security" | RUB 17,850,554.80 | Russia | Russia | Sales of goods | 0.00% | 100.00% | by investment |
| 11.14.ZKTeco Investment Inc. | USD 7,084,934.7 | America | America | Established | 0.00% | 100.00% | by investment |
| 11.14.1.ZKTECO USA LLC | USD 250,000.00 | America | America | Sales of goods | 0.00% | 80.00% | by investment |
| 11.14.2.Armatura Co., Ltd. | USD 100,000.00 | Korea | Korea | Sales of goods | 0.00% | 90.00% | Acquisition |
| 11.14.3.ZKTeco Japan Co., Ltd. | USD 784,611.82 | Japan | Japan | Sales of goods | 0.00% | 100.00% | by investment |
| 11.14.4.ARMATURA LLC. | USD 1,000,000.00 | America | America | Sales of goods | 0.00% | 100.00% | by investment |
| 11.14.5.RALVIE AI INC. | USD 10,000.00 | Canada | Canada | Sales of goods | 0.00% | 100.00% | by investment |
| 11.15.PT. ZKTECO BIOMETRICS INDONESIA | USD 200,000.00 | Indonesia | Indonesia | Sales of goods | 0.00% | 95.00% | by investment |
| 11.16.ZK INVESTIMENTOS DO BRASIL LTDA. | BRL 4,131,712.79 | Brazil | Brazil | Established | 0.00% | 99.68% | Acquisition |
| 11.16.1.ZKTECO DO BRASIL S.A. | BRL 4,605,675.86 | Brazil | Brazil | Sales of goods | 0.00% | 74.76% | Acquisition |

| | | | | | | | |
|--|----------------------|------------------|------------------|-------------------------------|---------|---------|---------------|
| 11.17.ZKTeco Latam R&D S.A. | USD 73,514.00 | Argentina | Argentina | Sales of goods | 0.00% | 99.20% | by investment |
| 11.18.NGTECO CO., LIMITED | HKD 10,000.00 | Hong Kong, China | Hong Kong, China | Sales of goods | 0.00% | 100.00% | by investment |
| 11.19.ZKTECO BIOMETRIC LIMITED | NGN 102,029,950.71 | Nigeria | Nigeria | Sales of goods | 0.00% | 60.00% | by investment |
| 11.20.ZKTECO PANAMA, S.A. | USD 323,500.00 | Panama | Panama | Sales of goods | 0.00% | 99.86% | by investment |
| 11.21.ZK INTELLIGENT SOLUTIONS (PTY) LTD | ZAR 3,097,057.33 | South Africa | South Africa | Sales of goods | 0.00% | 100.00% | by investment |
| 11.22.ZKTECO BIOMETRICS KENYA LIMITED | KES 10,910,000.00 | Kenya | Kenya | Sales of goods | 0.00% | 100.00% | by investment |
| 11.23.ZKTECO ROMANIA S.R.L | RON 250.00 | Romania | Romania | Sales of goods | 0.00% | 100.00% | by investment |
| 12. Hubei ZKTeco Co., Ltd. | 10,000,000.00 | Wuhan | Wuhan | Sales of goods | 100.00% | 0.00% | by investment |
| 13. Wuhan ZKTeco Perception Technology Co., Ltd. | 1,000,000.00 | Wuhan | Wuhan | Sales of goods | 0.00% | 51.00% | by investment |
| 14.ZKTECO SG INVESTMENT PTE. LTD. | USD 100,000.00 | Singapore | Singapore | Sales of goods | 100.00% | 0.00% | by investment |
| 14.1.ZKTECO SINGAPORE PTE. LTD. | USD 365,000.00 | Singapore | Singapore | Sales of goods | 0.00% | 100.00% | by investment |
| 14.2.Armatura Tech Co., Ltd. | THB 337,223,776.99 | Thailand | Thailand | Production and sales of goods | 0.00% | 99.99% | Acquisition |
| 14.3.ZKDIGIM AX PTE. LTD. | USD 20,000,000 | Singapore | Singapore | Sales of goods | 0.00% | 80.00% | by investment |
| 14.3.1.ZKDIGI MAX PANAMA, S.A. | USD 10,000.00 | Panama | Panama | Sales of goods | 0.00% | 80.00% | by investment |
| 14.3.2.ZKDIGI MAX COLOMBIA SAS | COP 10,000,000.00 | Columbia | Columbia | Sales of goods | 0.00% | 80.00% | by investment |
| 14.3.3.ZKDIGI MAX (PTY) LTD | | South Africa | South Africa | Sales of goods | 0.00% | 80.00% | by investment |
| 14.3.4.PT. ZKDIGIMAX EXCEL NOBLE | IDR 10,010,000,00.00 | Indonesia | Indonesia | Sales of goods | 0.00% | 56.00% | by investment |
| 14.3.5 | USD 300,000.00 | Xiamen | Xiamen | Sales of | 0.00% | 80.00% | by |

| | | | | | | | |
|------------------------------|----------------|---------|---------|----------------|-------|---------|---------------|
| ZKDIGIMAX CHINA CO., LTD. | | | | goods | | | investment |
| 14.3.6.ZK TECHNOLOGY MOROCCO | MAD 100,000.00 | Morocco | Morocco | Sales of goods | 0.00% | 100.00% | by investment |

Explanations on the fact that shareholding percentage is different from the proportion of voting rights in the subsidiaries:

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: The Russian subsidiary of the Company, Limited Liability Company "ZKTeco biometrics and security", is currently undergoing liquidation and cancellation; ZKDIGIMAX (PTY) LTD uses the paid up capital as its registered capital, which has not been paid as of the end of the period.

(2) Important partly-owned subsidiaries

Unit: RMB

| Name of Subsidiaries | Minority shareholding percentage | 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% | 21,738,055.07 | 27,490,290.00 | 6,851,418.40 |
| ZKTECO USA LLC | 20.00% | -108,837.65 | 35,243.96 | 5,062,572.63 |

Explanations on 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 | 61,698,439.58 | 440,329.48 | 62,138,769.06 | 36,590,588.71 | | 36,590,588.71 | 71,976,229.04 | 1,110,736.14 | 73,086,965.18 | 28,686,703.92 | 475,387.16 | 29,162,091.08 |
| ZKTECO USA LLC | 34,544,702.45 | 845,428.04 | 35,390,130.49 | 9,526,303.95 | 116,606.17 | 9,642,910.12 | 40,257,368.66 | 1,147,107.78 | 41,404,476.44 | 15,808,239.19 | 272,710.13 | 16,080,949.32 |

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 | 150,842,020.31 | 71,852,073.38 | 73,257,606.25 | 75,770,624.11 | 105,152,101.01 | 40,799,217.21 | 43,681,037.32 | 45,981,089.51 |
| ZKTECO USA LLC | 51,841,360.16 | -544,188.18 | -150,043.83 | 2,621,831.23 | 82,261,486.98 | 5,833,234.64 | 7,950,859.05 | 2,703,493.03 |

Other explanations:

(4) Significant restrictions on the use of enterprise group assets and the repayment of enterprise group debts**(5) Financial or other support provided to structured entities included in the scope of consolidated financial statements**

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**

1) Our subsidiary ZKTECO CO., LIMITED will acquire 17.07% of the shares (700 shares) held by the foreign shareholder FERNANDO DUCAY REAL in the sub-subsidiary of the Company ZKTECO EUROPE SL at a price of EUR 2,149.71 per share. After the acquisition is completed, ZKTECO CO., LIMITED held 68% of the equity in ZKTECO EUROPE SL, while the foreign shareholder FERNANDO DUCAY REAL held 32% of the equity. In December 2023, ZKTECO CO., LIMITED made a new investment of USD 3.02889952 million in ZKTECO EUROPE SL. After the capital increase was completed, ZKTECO CO., LIMITED made a cumulative investment of USD 11.60667706 million in ZKTECO EUROPE SL, and the shareholding percentage increased from 68% to 75.69%.

2) Our subsidiary ZKTECO CO., LIMITED and the sub-subsidiary of the Company ZKTECO LATAM, S.A DE C.V. signed an agreement with the foreign shareholder SARAHÍ ZÚÑIGA RUIZ to acquire 49% of the shares (1,836,858 shares) of the sub-subsidiary of the Company ZK SOFTWARE DE MEXICO, S.A. DE C.V. held by the foreign shareholder at a price of MXN 1 per share. After the acquisition is completed, ZKTECO CO., LIMITED held 99% equity in ZK SOFTWARE DE MEXICO, S.A. DE C.V., and ZKTECO LATAM, S.A DE C.V. held 1% of the equity in ZK SOFTWARE DE MEXICO, S.A. DE C.V.

3) Our subsidiary ZKTECO CO., LIMITED and the sub-subsidiary of the Company ZKTeco Investment Inc. signed an agreement with the foreign shareholder LEE KYU WHAN to acquire 100% of the shares (23,792 shares) of the sub-subsidiary of the Company Armatura Co., Ltd. held by the sub-subsidiary of the Company ZKTeco Investment Inc. at a price of KRW 3,819 per share. After the acquisition was completed, ZKTECO CO., LIMITED held 90% of the equity in Armatura Co., Ltd.; LEE KYU WHAN held 10% of the equity in Armatura Co., Ltd.

4) ZKTECO EUROPE SL, a sub-subsidiary of the Company, has increased its capital by EUR 250,000 to ZKTECO ITALIA S.R.L., a sub-subsidiary of the Company, based on its own profits (with no increase from foreign shareholders); after the capital increase was completed, ZKTECO EUROPE SL held 94.28% of the equity of ZKTECO ITALIA S.R.L., while the foreign shareholders TERRANOVA ROBERTO, ALPINI LUCA, DELLA CHIESA STEFANO, and CALBOLI ROBERTO each held 1.43% of the equity of ZKTECO ITALIA S.R.L.

(2) Effect of transactions on minority equity and owners' equity attributable to the parent company

Unit: RMB

| | ZKTECO EUROPE SL | ZK SOFTWARE DE MEXICO, S.A. DE C.V. |
|---|------------------|-------------------------------------|
| Acquisition cost/disposal consideration | | |
| --Cash | 32,704,983.17 | 769,466.26 |
| -- Fair value of non-cash assets | | |
| Total cost/disposal consideration | 32,704,983.17 | 769,466.26 |
| Less: Net assets of the subsidiaries calculated based on the proportion of assets acquired/disposed | 33,334,979.15 | 972,463.65 |
| Difference | 629,995.98 | 202,997.39 |
| Including: Adjustment to the capital reserves | 629,995.98 | 202,997.39 |
| Adjustment to surplus reserve | | |
| Adjustment to undistributed profit | | |

Other explanations:

3. Equity in joint arrangements or associates**(1) Important joint ventures or associates**

| Name of joint venture or associate | Main business place | Registration place | Nature of business | Percentage of shares | | Accounting treatment methods for investments in joint ventures or associates |
|--|---------------------|--------------------|---|----------------------|----------|--|
| | | | | Direct | Indirect | |
| Xinhuaxin (Xi'an) Information Technology Co., Ltd. | Xi'an | Xi'an | Software and information technology services industry | 19.89% | | Long-term equity investment |

Explanations on the fact that shareholding percentage is different from the proportion of voting rights in the joint ventures or associates:

Basis for holding less than 20% of voting rights but having significant impact, or holding 20% or more of voting rights but not having significant impact:

(2) Main financial information of important joint ventures

Unit: RMB

| | Ending balance/current amount incurred | Beginning balance/amount incurred in the previous period |
|--------------------------------------|--|--|
| Current assets | | |
| Including: Cash and cash equivalents | | |

| | | |
|---|--|--|
| Non-current assets | | |
| Total assets | | |
| Current liabilities | | |
| Non-current liabilities | | |
| Total liabilities | | |
| Minority interests | | |
| Shareholders' equity attributable to the parent company | | |
| Net asset share calculated based on shareholding percentage | | |
| Adjustment matters | | |
| --Goodwill | | |
| --Unrealized profits from internal transactions | | |
| --Others | | |
| Book value of equity investment in joint ventures | | |
| Fair value of equity investment in joint ventures with public offer | | |
| Operating revenue | | |
| Financial expenses | | |
| Income tax expenses | | |
| Net profit | | |
| Net profit from discontinued operations | | |
| Other comprehensive income | | |
| Total comprehensive income | | |
| | | |
| Dividends received from joint ventures of current year | | |

Other explanations:

(3) Main financial information of important associates

Unit: RMB

| | Ending balance/current amount incurred | Beginning balance/amount incurred in the previous period |
|--|--|--|
| Current assets | 7,510,080.96 | 9,875,903.92 |
| Non-current assets | 307,582.52 | 2,116,980.59 |
| Total assets | 7,817,663.48 | 11,992,884.51 |
| Current liabilities | 20,381,375.86 | 19,966,606.53 |
| Non-current liabilities | | 337,468.89 |
| Total liabilities | 20,381,375.86 | 20,304,075.42 |
| | | |
| Minority interests | | |
| Shareholders' equity attributable to the | -12,563,712.38 | -8,311,190.91 |

| | | |
|---|---------------|---------------|
| parent company | | |
| Net asset share calculated based on shareholding percentage | -2,498,470.10 | -1,652,796.67 |
| Adjustment matters | | |
| --Goodwill | | |
| --Unrealized profits from internal transactions | | |
| --Others | | |
| Book value of equity investment in associates | | |
| Fair value of equity investments in associates with public offers | | |
| Operating revenue | 13,220,558.96 | 15,177,322.02 |
| Net profit | -4,282,521.88 | -9,790,310.97 |
| Net profit from discontinued operations | | |
| Other comprehensive income | | |
| Total comprehensive income | | |
| | | |
| Dividends received from associates this year | | |

Other explanations:

(4) Excess losses incurred by joint ventures or associates

Unit: RMB

| Name of joint venture or associate | Accumulated unrecognized losses accumulated in the previous period | Unrecognized losses in the current period (or net profit shared in the current period) | Accumulated unrecognized losses at the end of this period |
|--|--|--|---|
| Xinhuaxin (Xi'an) Information Technology Co., Ltd. | -12,164,220.89 | -851,639.43 | -13,015,860.32 |
| ZKTECO SOLUTIONS INC. | -538,127.48 | -178,340.92 | -716,468.40 |
| PT. ZKTECO SECURITY INDONESIA | -14,844.38 | -412,645.80 | -427,490.18 |

Other explanations:

4. Others

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 | 2,039,702.49 | | | 186,152.87 | | 1,853,549.62 | Assets-related |
| Total | 2,039,702.49 | | | 186,152.87 | | 1,853,549.62 | |

3. Government subsidies included in current profits and losses

Applicable Not applicable

Unit: RMB

| Accounting Subject | Amount incurred in the current period | Amount incurred in the previous period |
|---|---------------------------------------|--|
| Value added tax is collected and refunded immediately | 4,905,473.02 | 5,143,783.97 |
| Value added tax credit | 2,139,085.95 | |
| Dongguan Economic and Information Technology Bureau "Human Replacement by Machine" Fund | 58,999.10 | 58,999.06 |
| Automation Project Subsidy of Dongguan Bureau of Industry and Information Technology | 60,596.75 | 60,596.78 |
| Industrial Support and Transformation and Upgrading Special Fund (Integration of Informatization and Industrialization) of Dongguan Bureau of Industry and Information Technology | 22,650.22 | 25,330.17 |
| Subsidy for Residency and Decoration of Management Committee of Xiamen Torch High-Tech Industry Development Zone | 27,848.40 | 9,282.80 |
| Subsidy for Exhibition Hall Decoration of Management Committee of Xiamen Torch High-Tech Industry Development Zone | 16,058.40 | 2,676.40 |
| Stabilization allowance | 146,679.07 | 337,478.73 |
| Value added tax deduction | 2,498.15 | 20,596.19 |
| Employment value-added tax reduction | | 41,600.00 |
| Rewards for high-tech enterprise recognition | 310,000.00 | 50,000.00 |
| Economic Development Bureau of Zhangmutou Town, Dongguan City - Issuing rewards, publicity subsidies, and verification of electronic consumption vouchers on behalf of others | | 50,000.00 |
| 2022 Innovation Enterprise R&D Investment Subsidy of Dongguan | | 1,000,000.00 |

| | | |
|--|------------|--------------|
| Science and Technology Bureau | | |
| Dongguan Enterprise Vocational Skill Level Recognition Award and Subsidy | | 50,000.00 |
| One-time job expansion subsidy | 45,000.00 | 109,500.00 |
| The 23rd China Patent Award and the 9th Guangdong Patent Award (China Patent Excellence Award) | | 500,000.00 |
| 2022 Dongguan "Double Growth Plan" Service Package Award of Dongguan Finance Bureau Treasury Payment Center | | 663,500.00 |
| Subsidy Funds from Dongguan Administration for Market Regulation | | 489,906.38 |
| Fujian Province Patent Award Bonus (National Patent Award Part) | | 200,000.00 |
| Subsidies for enterprise R&D expenses | | 760,800.00 |
| Development Award of Management Committee of Xiamen Torch High-Tech Industry Development Zone | | 100,000.00 |
| Special Subsidy for Encouraging Enterprise Application of the Management Committee of Xiamen Torch High-Tech Industry Development Zone | | 70,000.00 |
| Support Fund for Increasing R&D Investment of the Management Committee of Xiamen Torch High-Tech Industry Development Zone | | 1,727,200.00 |
| Contribution Award of Two Zones from the Management Committee of Xiamen Torch High-Tech Industry Development Zone | | 740,317.00 |
| Supporting Expenses for the China Patent Award of Xiamen Municipal Market Supervision Bureau | | 100,000.00 |
| Singapore Employment Support Scheme | | 258,163.62 |
| One-time Training Subsidy for Retention of Workers of Social Security Bureau | 149,500.00 | 1,202,550.00 |
| 2022 Employment Support Scheme | | 163,331.30 |
| Government subsidies | | 97,648.46 |
| Policy Funding for Software and Emerging Digital Industries | | 177,800.00 |
| The 8th Guangdong Patent Award City Fund Supporting Award of Dongguan Administration for Market Regulation | | 200,000.00 |
| 2022 Provincial Special Fund for Promoting High Quality Economic Development of Bureau of Commerce of Dongguan City | | 955,805.29 |
| 2022 Dongguan Municipal Special Fund for Promoting High Quality Development of Open Economy of Bureau of Commerce of Dongguan City | | 1,977,600.00 |
| Funds for the Second Batch of High-tech Enterprise Recognition and Support Projects in Shenzhen in 2020 | | 100,000.00 |
| Reduction and Exemption of Value- | | 1,043.10 |

| | | |
|--|--------------|-----------|
| added Tax for Small-scale Enterprises | | |
| Graduates' Social Security Subsidies | 75,634.19 | 14,048.70 |
| The government encourages enterprises to recruit workers | | 7,500.00 |
| Subsidy from the Social Security Bureau to replace work with training | 6,000.00 | 15,540.00 |
| National High-tech Subsidies of Management Committee of Xiamen Torch High-Tech Industry Development Zone | 250,000.00 | |
| Dongguan Administration for Market Regulation - Special Fund for Promoting High-quality Development in 2023 to Support Enterprise Standard Projects. | 125,000.00 | |
| Bureau of Commerce of Dongguan City - Special Fund for New Round of Economic Stability and Enterprise Relief of Bureau of Commerce of Dongguan City (Third Batch of Export Credit Insurance in 2023. | 510,863.00 | |
| Received the Industrial Design Award bonus from Dongguan Bureau of Industry and Information Technology | 200,000.00 | |
| 2023 High Value Patent Cultivation Layout Center Construction Project | 300,000.00 | |
| Special Fund for Promoting High Quality Development of Economy in 2023 (Promoting the Development of Foreign Trade) | 1,101,719.86 | |
| Special Fund for 2023 Central Foreign Economic and Trade Development of Guangdong Province (Promoting Foreign Investment Cooperation) - Policy Credit Insurance Subsidy | 46,993.00 | |
| 2023 Innovation Enterprise R&D Investment Subsidy | 669,543.00 | |
| 2022 Dongguan International Trademark Registration Project | 34,439.59 | |
| 2022 Dongguan Invention Patent Funding Project | 24,000.00 | |
| Provincial Funds for Ensuring Stability in Foreign Trade (the Second Batch of Projects Supporting Enterprises to Grab Orders in 2022) | 15,361.00 | |
| 2023 Dongguan Special Fund for Promoting High Quality Economic Development - Intellectual Property Protection - Enterprise and Individual Intellectual Property Rights Protection Assistance Project | 10,000.00 | |
| Notice on the Second Batch of Funds for Promoting High Quality Development of Open Economy in Dongguan City (Business Service Special Fund - External Investment Cooperation Matters) for the Year 2023 (2023 Project) | 11,519.00 | |
| Economic Development Bureau's RMB | 362,069.00 | |

| | | |
|---|---------------|---------------|
| 100 Billion Enterprise Cultivation Fund | | |
| Funding from Zhangmutou Town Economic Development Bureau | 30,000.00 | |
| The Second Batch of Enterprise R&D Expenses Subsidies from Xiamen Science and Technology Bureau in 2022 | 400,000.00 | |
| 2022 National Intellectual Property Advantage Enterprise Award of Xiamen Municipal Market Supervision Bureau | 200,000.00 | |
| 2023 Provincial Special Fund for Promoting High Quality Economic Development (Consumer Hub Construction Project) - Reward for Supporting Stable Growth of Retail Industry/Bureau of Commerce of Dongguan City | 500,000.00 | |
| Employment Subsidies for Poverty Alleviation Population | 55,200.00 | |
| Subsidies for a Growth of over 20% in Output Value in 2023 Q1 | 50,000.00 | |
| Social Security Subsidies for Individuals Facing Employment Difficulties of Dongguan Social Security Bureau | 29,052.21 | |
| Employment Post Subsidy of Dongguan Human Resources and Social Security Bureau Tangxia Branch | 26,172.95 | |
| Others | 246,411.56 | 221,117.40 |
| Total | 13,164,367.42 | 17,703,715.35 |

Other explanations:

XII. Risks Related to Financial Instruments

1. Various risks arising from financial instruments

1. Credit risk

Credit risk refers to the risk of financial losses incurred by the Company due to the counterparty's failure to fulfill contract obligations. The management has established appropriate credit policies and continuously monitors the exposure to credit risk.

The Company has adopted a policy of only trading with reputable counterparties. In addition, the Company evaluates the credit qualifications of customers based on their financial position, the possibility of obtaining guarantees from third parties, credit records, and other factors such as current market conditions, and sets corresponding credit periods. The Company continuously monitors the notes receivable, accounts receivable balance, and collection. For customers with poor credit records, the Company will use written reminders, shorten or cancel credit periods, etc. to ensure that the Company does not face significant credit losses. In addition, the Company reviews the recovery of financial assets on each balance sheet date to ensure that sufficient provisions for expected credit losses have been made for the relevant financial assets.

The credit risk of other financial assets of the Company, including monetary funds, other receivables, debt investments, etc., arises from counterparty defaults, and the maximum credit risk exposure is the carrying amount of each financial asset on the balance sheet. The Company has not provided any other guarantee that may expose the Company to credit risk.

The monetary funds held by the Company are mainly deposited in state-owned holding banks and other large and medium-sized commercial banks and other financial institutions. The management believes that these commercial banks have a high reputation and good asset status, there is no significant credit risk, and there will be no significant losses caused by the default of the counterparty. The Company's policy is to control the amount of deposits held in deposits based on the market reputation, business scale, and financial background of well-known financial institutions, in order to limit the credit risk amount to any individual financial institution.

As part of the Company's credit risk asset management, the Company uses aging to assess impairment losses on accounts receivable and other receivables. The Company's accounts receivable and other receivables involve a large number of customers, and the aging information can reflect the solvency and bad debt risk of these customers for accounts receivable and other receivables. The Company calculates the historical actual bad debt rate for different aging periods based on historical data, and takes into account current and future economic forecasts, such as forward-looking information like national GDP growth rate, total infrastructure investment, and national monetary policy, to adjust the expected loss rate. For long-term receivables, the Company takes into account the settlement period, payment period stipulated in the contract, the financial position of the debtor, and the economic situation of the debtor's industry, and adjusts the expected credit loss based on the forward-looking information mentioned above.

As of December 31, 2023, the book balances and expected credit impairment losses of related assets are as follows:

| Item | Book balance | Impairment provision |
|--|----------------|----------------------|
| Accounts receivable | 514,240,227.22 | 34,436,913.56 |
| Other receivables | 45,004,054.60 | 12,259,480.40 |
| Debt investment | 42,284,596.90 | 0.00 |
| Long-term receivables (including payments due within one year) | 2,802,225.14 | 0.00 |
| Total | 604,331,103.86 | 46,696,393.96 |

Due to the fact that the Company's receivable risk points are distributed among multiple partners and customers, as of December 31, 2023, 22.14% (December 31, 2022: 25.08%) of the Company's receivables came from the top five customers with outstanding balances, and the Company did not have significant credit concentration risks.

The Company's maximum credit risk exposure is the book value of each financial asset in the balance sheet.

For the bank financial products invested by the Company, the counterparty must have a credit rating higher than or equal to that of the Company. Given the good credit rating of the counterparty, the Company's management does not anticipate that the counterparty will be unable to fulfill its obligations.

2. Liquidity risk

The liquidity risk refers to the risk of capital shortage of the Company taking place in the course of cash payment or settlement via other financial assets. The policy of the Company is to ensure that there is sufficient cash for the payment of the matured debts. Each member enterprise of the Company is responsible for its cash flow forecast. The Finance Department under the Company continuously monitors the Company's short-term and long-term funding needs at the company level based on the cash flow forecast results of each member enterprise, to ensure the maintenance of sufficient cash reserves; simultaneously, the Finance Department continuously monitors whether it complies with the provisions of the loan agreement and obtain commitments from major financial institutions to provide sufficient reserve funds to meet short-term and long-term funding needs. In addition, the Company has entered into financing and credit agreements with major correspondent banks to provide support for the Company's obligations related to commercial bills. As of December 31, 2023, the Company has obtained credit lines from multiple domestic banks, with a total amount of RMB 962.9158 million, of which RMB 134.4149 million has been used.

As of December 31, 2023, the Company's financial liabilities and off balance sheet guarantee items are presented as undiscounted contract cash flows over the remaining term of the contract as follows:

| Item | Ending Balance | | | |
|---|----------------|---------------|--------------|----------------|
| | Within 1 year | 1-5 years | Over 5 years | Total |
| Notes payable | 122,573,544.09 | --- | --- | 122,573,544.09 |
| Accounts payable | 245,084,182.32 | --- | --- | 245,084,182.32 |
| Other payables | 36,735,314.36 | --- | --- | 36,735,314.36 |
| Non-current liabilities due within one year | 21,094,682.36 | --- | --- | 21,094,682.36 |
| Other current liabilities | 15,007,767.78 | --- | --- | 15,007,767.78 |
| Lease liabilities | --- | 19,713,286.21 | --- | 19,713,286.21 |
| Long-term loan | --- | 7,810,405.04 | --- | 7,810,405.04 |
| Total | 440,495,490.91 | 27,523,691.25 | --- | 468,019,182.16 |

3. Market risk

(1) Exchange rate risk

The main business of the Company is operated within the territory of China, which is settled in RMB. However, there are still exchange risks in the foreign currency assets and liabilities recognized and future foreign currency

transactions of the Company (the valuation currency for foreign currency assets and liabilities, as well as foreign currency transactions, is mainly USD). The Finance Department of the Company is responsible for monitoring the scale of foreign currency transactions and foreign currency assets and liabilities to minimize the exchange rate risk faced.

The foreign currency financial assets and foreign currency financial liabilities of the Company at the end of the period are presented in Note V Note 61. Foreign currency monetary items.

(2) Interest rate risk

The Company's interest rate risk mainly arises from bank loans, etc. Floating-rate financial liabilities expose the Company to cash flow interest rate risk while fixed-rate financial liabilities expose the Company to fair value interest rate risk. The Company determines the relative proportion of contracts with fixed interest rate and contracts with floating interest rate according to the current market environment.

The Finance Department of the Company continuously monitors the Company's interest rate level. The increases in interest rate will increase the costs of the new interest-bearing debts and the interest expenses of interest-bearing debts failing to be paid up by the Company and subject to the interest calculation at floating interest rate, and will, significantly and adversely, affect the Company's financial results; the management will make an adjustment according to the latest market conditions to reduce the interest rate risks.

XIII. Disclosure of Fair Value

1. Ending fair value of assets and liabilities measured at fair value

Unit: RMB

| Item | Fair value at the end of the period | | | |
|---|-------------------------------------|-------------------------------------|------------------------------------|---------------|
| | First level fair value measurement | Second level fair value measurement | Third level fair value measurement | Total |
| I. Continuous fair value measurement | -- | -- | -- | -- |
| (1) Trading financial assets | | 80,980,203.63 | | 80,980,203.63 |
| 1. Financial assets measured at fair value and whose changes are included in the current profits and losses | | 80,980,203.63 | | 80,980,203.63 |
| (1) Debt instrument investment | | 80,887,585.81 | | 80,887,585.81 |
| (2) Equity instrument investment | | | | |
| (3) Derivative financial assets | | 92,617.82 | | 92,617.82 |
| (II) Other equity instrument investments | | | | |
| Total assets continuously measured at fair value | | 80,980,203.63 | | 80,980,203.63 |

| | | | | |
|---------------------------------------|----|----|----|----|
| II. Continuous fair value measurement | -- | -- | -- | -- |
|---------------------------------------|----|----|----|----|

2. Basis for determining the market value of continuous and non-continuous first level fair value measurement items

None

3. Qualitative and quantitative information on valuation techniques and important parameters used for continuous and non-continuous second level fair value measurement items

The Company divides its bank financial products into financial assets measured at fair value and whose changes are included in the current profits and losses, and subsequently measures them at fair value. At the end of the period, the expected income is calculated based on the expected return rate of the bank financial products, and it is used as the fair value with the principal at the end of the period.

4. Qualitative and quantitative information on valuation techniques and important parameters used for continuous and non-continuous third level fair value measurement items

The third level fair value measurement items of the Company include other non-current financial assets. Other non-current financial assets are "three no equity investments" held by the Company without control, joint control, and significant impact. The determination of fair value is based on the input value of the third level. Where there is insufficient recent information to determine fair value, or where there is a wide range of estimates of fair value, and the cost represents the best estimate of fair value within that range, the cost may represent an appropriate estimate of fair value within that range.

5. Information on adjustment between beginning book value and ending book value of items subject to Level 3 on a going fair value measurement and sensitivity analysis of non-observable parameters

None

6. Continuous fair value measurement items that undergo conversion between different levels during the current period, the reasons for conversion, and the policy for determining the conversion time point

None

7. Changes in valuation techniques and reasons for such changes during the current period

None

8. Fair value of financial assets and liabilities not measured at fair value

Financial assets and liabilities not measured at fair value mainly include accounts receivable, short-term loans, payables, non-current liabilities due within one year, and long-term loans. The difference between the carrying amounts of financial assets and liabilities not measured at fair value and fair value is very small.

9. Other

None

XIV. Related Parties and Related Party Transactions

1. Information of the parent company of the enterprise

| Name of the parent company | Registration place | Nature of business | Registered Capital | Share proportion held by parent company in the enterprise | Proportion of voting rights of the parent company to the Company |
|--|--------------------|--------------------|--------------------|---|--|
| Shenzhen ZKTeco Times Investment Co., Ltd. | Shenzhen | Established | RMB 9 million | 30.05% | 30.05% |

Explanations on 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

For important joint ventures or associates of the enterprise, please refer to Note X 3. Equity in joint venture arrangements or associates.

Related party transactions with the Company occurred in the current period, the information of other joint ventures or associates that have formed balances through related party transactions with the Company in the early stage is as follows:

| Name of joint venture or associate | Relationship with the enterprise |
|---|----------------------------------|
| ZKTECO SMART CITY (THAILAND) CO., LTD. | Joint venture |
| PT. ZKTECO SECURITY INDONESIA | Joint venture |
| ZKTECO SOLUTIONS INC. | Joint venture |
| CV Squared, Inc. | Joint venture |
| Guizhou Zhongjiang Intelligent Technology Co., Ltd. | Joint venture |
| Xinhuaxin (Xi'an) Information Technology Co., Ltd. | Joint venture |
| Xiamen Xingniu Yunyu Venture Capital Partnership Enterprise (Limited Partnership) | Joint venture |
| Silk ID Systems Inc. | Joint venture |

Other explanations:

4. Conditions of other affiliated parties

| Names of other related parties | Relationship between other related parties and the enterprise |
|--|---|
| TVCENLINEA.COM SA DE CV | An enterprise controlled by minority shareholders of subsidiary ZK SOFTWARE DE MEXICO, S.A. DE C.V. |
| PSD SECURITY, S.L. | An enterprise controlled by the minority shareholder Fernando Ducay Real of subsidiary ZKTECO EUROPE SL; Fernando Ducay Real also holds 27.38% of the capital contribution share of JYLY, which holds 2.42% of the Company's shares (as of December 31, 2023) |
| Liu Jiajia | Former supervisor |
| Shenzhen Huijiang Industrial Group Co., Ltd. | A shareholder holding 49.00% equity in subsidiary Shenzhen Zhongjiang |
| Wu Xinke | Former supervisor |
| Yang Xianfeng | Supervisor |
| Wu Xiongxiang | Supervisor of the controlling shareholder ZKTeco Times |

Other explanations:

Acquired all the minority shareholders' equity of subsidiary ZK SOFTWARE DE MEXICO, S.A. DE C.V. in the period. At the end of the period, TVCENLINEA.COM SA DE CV was not a related party.

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 |
|--|--------------------------------------|---------------------------------------|----------------------------|--------------------------------------|--|
| TVCENLINEA.COM SA DE CV | Purchasing goods | 2,666,620.76 | 3,300,000.00 | No | 3,188,128.36 |
| PSD SECURITY, S.L. | Purchasing goods | 9,065.71 | 5,000.00 | Yes | 2,338.21 |
| ZKTECO SMART CITY (THAILAND) CO., LTD. | Purchasing goods | 109,591.55 | | Yes | 56,390.11 |
| Silk ID Systems Inc. | Technology license fee | 0.00 | 0.00 | No | 201,308.93 |
| Xinhuaxin (Xi'an) Information Technology Co., Ltd. | Service fee | 1,240,186.51 | 8,100,000.00 | No | 268,419.29 |
| PT. ZKTECO SECURITY INDONESIA | Marketing expenses | 511,976.96 | 500,000.00 | Yes | 426,544.55 |
| Total | | 4,537,441.49 | 11,905,000.00 | | 4,143,129.45 |

Selling goods/rendering labor service

Unit: RMB

| Related party | Content of related party | Amount incurred in the | Amount incurred in the |
|---------------|--------------------------|------------------------|------------------------|
|---------------|--------------------------|------------------------|------------------------|

| | transaction | current period | previous period |
|---|---------------|----------------|-----------------|
| Xinhuaixin (Xi'an) Information Technology Co., Ltd. | Selling goods | 24,333.04 | 0.00 |
| PT. ZKTECO SECURITY INDONESIA | Selling goods | 1,316,828.08 | 1,444,138.35 |
| ZKTECO SMART CITY (THAILAND) CO., LTD. | Selling goods | 1,964,067.81 | 1,755,587.44 |
| TVCENLINEA.COM SA DE CV | Selling goods | 69,479,326.72 | 33,887,845.85 |
| PSD SECURITY, S.L. | Selling goods | 3,505,729.15 | 7,351,670.43 |
| ZKTECO SOLUTIONS INC. | Selling goods | 7,940,059.21 | 11,418,513.01 |
| Total | | 84,230,344.01 | 55,857,755.08 |

Explanations on related party transactions for purchasing and selling goods, providing and receiving labor services

Note: The expected daily related party transaction limit of the Company is the maximum amount that both parties may sign a contract, and the actual amount incurred is determined based on the business development of both parties, resulting in a certain difference between the actual amount incurred and the expected amount. The difference in amount is relatively small and does not meet the criteria for review by the Board of Directors. The daily related party transactions of the Company in 2023 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 |
|------------------------------|----------------------------|-------------------------------------|--------------------------------------|--|---|--|
|------------------------------|----------------------------|-------------------------------------|--------------------------------------|--|---|--|

Explanations on 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 |
|------------------------------|----------------------------|---------------------------------|--------------------------------------|--|---|--|
|------------------------------|----------------------------|---------------------------------|--------------------------------------|--|---|--|

Explanations on related management/outsourcing situation

(3) Related leasing

The Company as lessor:

Unit: RMB

| Name of lessee | 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 | 278,516.50 | 178,667.91 |

The Company as lessee:

Unit: RMB

| Name of lessor | Types of leased assets | Simplified rental fees for short-term leases and low value asset leases (if applicable) | | Variable lease payments not included in the measurement of lease liabilities (if applicable) | | Rent paid | | Interest expenses on lease liabilities assumed | | Increased right-of-use assets | |
|--|------------------------|---|--|--|--|---------------------------------------|--|--|--|---------------------------------------|--|
| | | Amount incurred in the current period | Amount incurred in the previous period | Amount incurred in the current period | Amount incurred in the previous period | Amount incurred in the current period | Amount incurred in the previous period | Amount incurred in the current period | Amount incurred in the previous period | Amount incurred in the current period | Amount incurred in the previous period |
| Che Quanzhong | Houses and buildings | | 17,500.00 | | | 1,282,566.12 | 1,039,994.86 | 71,065.13 | 7,890.96 | 2,481,817.75 | 2,676,066.19 |
| Xinhuaxin (Xi'an) Information Technology Co., Ltd. | Houses and buildings | | | | | 168,256.20 | 109,000.00 | 2,461.24 | 10,310.19 | -189,265.21 | 257,801.80 |
| Total | | | 17,500.00 | | | 1,450,822.32 | 1,148,994.86 | 73,526.37 | 18,201.15 | 2,292,552.54 | 2,933,867.99 |

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 |
|-----------|------------------|----------------------|---------------------------|----------------------------------|
|-----------|------------------|----------------------|---------------------------|----------------------------------|

Explanations on related party guarantees

(5) Related party fund borrowing and lending

Unit: RMB

| Related party | Lending amount | Start Date | Due Date | Remarks |
|-----------------------|----------------|----------------|-------------------|--|
| Borrowing | | | | |
| Lending | | | | |
| ZKTECO SOLUTIONS INC. | | March 28, 2021 | December 31, 2024 | The subsidiary of the Company, ZKTECO CO., LIMITED, signed a loan agreement with ZKTECO SOLUTIONS INC. on March 29, 2021, agreeing to provide a maximum loan of USD 240,000.00; on March 31, 2021, the amount of the loan remitted was USD 50,000.00, with an exchange rate of 6.5713 for the loan on the same day, which was converted into RMB 328,565.00. Both parties agreed to repay the loan within 12 months after its expiration, with an interest rate of 3.00%. After the expiration, both parties will negotiate to extend until December 31, 2024, and as of December 31, 2023, ZKTeco SOLUTIONS INC. has repaid the loan. |

(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 | 7,509,402.65 | 6,078,614.43 |

(8) Other related party transactions

| Transaction type | Names of affiliated parties | Amount incurred in the current period | Amount incurred in the previous period | Remarks |
|-------------------|---|---------------------------------------|--|---------|
| Equity investment | Xiamen Xingniu Yunyu Venture Capital Partnership Enterprise (Limited Partnership) | 24,000,000.00 | --- | Note 1 |
| Total | | 24,000,000.00 | | |

Note 1: On June 21, 2023, the Company held the Third Session of the Third Board Meeting and the Third Session of the Third Supervisory Board Meeting, and deliberated and approved the "Proposal on Establishing Ecological Innovation Fund and Related Party Transactions through Cooperation with Professional Investment Institutions". It was agreed that the Company and related parties would invest in the establishment of an ecological innovation fund. The Company planned to contribute RMB 48 million, the related party Mr. Che Quanhong planned to contribute RMB 12 million, and other investors planned to contribute a total of RMB 60 million, with a total

investment of RMB 120 million, to establish an ecological innovation fund, namely Xiamen Xingniu Yunyu Venture Capital Partnership Enterprise (Limited Partnership). As of December 31, 2023, the Company has actually contributed RMB 24 million.

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 | 4,972,664.59 | 499,062.11 | 4,038,062.35 | 287,436.39 |
| Accounts receivable | TVCENLINEA.COM SA DE CV | | | 18,800,631.46 | 940,031.57 |
| Accounts receivable | ZKTECO SMART CITY (THAILAND) CO., LTD. | 1,377,973.61 | 68,898.68 | 453,023.76 | 22,651.19 |
| Accounts receivable | ZKTECO SOLUTIONS INC. | 15,485,450.49 | 859,347.75 | 14,290,503.53 | 714,525.18 |
| Accounts receivable | Guizhou Zhongjiang Intelligent Technology Co., Ltd. | 334,800.21 | 334,800.21 | 334,800.21 | 334,800.21 |
| Accounts receivable | PSD SECURITY, S.L. (formerly PROFESSIONAL SOFTWARE DEVELOPMENT,S.L.) | 1,196,725.73 | 59,836.29 | 2,833,385.37 | 141,669.27 |
| Other receivables | Che Quanhong | 131,771.27 | | | |
| Other receivables | Guizhou Zhongjiang Intelligent Technology Co., Ltd. | 397,428.70 | 397,428.70 | 397,428.70 | 397,428.70 |
| Other receivables | Xinhuaxin (Xi'an) Information Technology Co., Ltd. | 31,395.00 | | | |
| Other receivables | Yang Xianfeng | 28,208.34 | | | |
| Other receivables | ZKTECO SOLUTIONS INC. | | | 366,547.87 | 36,132.41 |
| Other receivables | Liu Jiajia | | | 20,893.80 | |

(2) Accounts payable

Unit: RMB

| Project Name | Related party | Closing book balance | Opening book balance |
|------------------|--|----------------------|----------------------|
| Accounts payable | TVCENLINEA.COM SA DE CV | | 428,030.88 |
| Accounts payable | ZKTECO SMART CITY (THAILAND) CO., LTD. | 26,708.72 | 1,379.34 |
| Accounts payable | Xinhuaxin (Xi'an) Information Technology Co., Ltd. | | 268,420.07 |
| Other payables | PSD SECURITY, S.L. | 8,079.96 | |
| Other payables | Shenzhen Huijiang Industrial Group Co., Ltd. | 1,800,000.00 | 1,800,000.00 |

| | | | |
|----------------------|-------------------------------|--------------|--------------|
| Other payables | Wu Xinke | 61,071.16 | 18,525.84 |
| Other payables | Wu Xiongxiang | 62,109.13 | |
| Other payables | PT. ZKTECO SECURITY INDONESIA | | 295,856.20 |
| Contract liabilities | CV Squared,Inc. | 1,275,140.00 | 1,275,140.00 |
| Contract liabilities | Silk ID Systems Inc. | 53,387.06 | 52,496.86 |

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 managers, middle managers and core technology (business) backbone employees of the Company (including branches and subsidiaries) | 273,036.00 | 7,012,900.00 | 1,639,842.00 | 32,928,027.36 | 1,639,842.00 | 32,928,027.36 | 136,608.00 | 2,760,866.69 |
| Total | 273,036.00 | 7,012,900.00 | 1,639,842.00 | 32,928,027.36 | 1,639,842.00 | 32,928,027.36 | 136,608.00 | 2,760,866.69 |

Outstanding stock options or other equity instruments at the end of the period

Applicable Not applicable

| Grant object category | Outstanding stock options at the end of the period | | Outstanding other equity instruments at the end of the period | |
|--|---|--|---|--------------------------------|
| | Range of exercise price | Remaining term of the contract | Range of exercise price | Remaining term of the contract |
| Directors, senior managers, middle managers and core technology (business) backbone employees of the Company (including branches and subsidiaries) | The exercise price for the first grant of stock options issued by the Company in 2022 is RMB 14.12 per share, while the exercise price for the reserved grant of stock options issued by the Company in | The remaining term of the share option contracts issued by the Company for the first time in 2022 is from January 1, 2024 to November 16, 2024. The remaining term of the share option | | |

| | | | | |
|--|------------------------------|--|--|--|
| | 2022 is RMB 14.12 per share. | contracts issued by the Company for the reserved grant in 2022 is from January 1, 2024 to June 21, 2025. | | |
|--|------------------------------|--|--|--|

Other explanations:

According to the authorization of the second extraordinary general meeting of shareholders in 2022, the Company held the Third Session of the Third Board Meeting on June 21, 2023, and deliberated and approved the "Proposal on Adjusting the Granting Price and Quantity of 2022 Restricted Share Incentive Plan", "Proposal on Cancelling Some Granted but Not Affiliated Restricted Shares", and "Proposal on Granting Reserved Restricted Shares to the Incentive Objects of 2022 Restricted Share Incentive Plan". Considering that the Company has announced the implementation of the 2022 annual equity distribution, corresponding adjustments have been made to the grant price and number of restricted shares in the 2022 restricted share incentive plan. The initial and reserved grant prices have been adjusted from RMB 18.70 per share to RMB 14.12 per share, and the number of restricted shares granted for the first time has been adjusted from 2.6559 million shares to 3.45267 million shares. The number of reserved restricted shares that are granted has been adjusted from 210,028 shares to 273,036 shares. At the same time, the reserved grant conditions stipulated in the 2022 restricted share incentive plan of the Company have been met. The Board of Directors has agreed to determine June 21, 2023 as the reserved grant date, and has agreed to grant 273,036 restricted shares to 46 incentive objects who meet the grant conditions.

On November 10, 2023, the Company held the 7th Session of the Third Board Meeting and the 7th Session of the Third Supervisory Board Meeting, and deliberated and approved the "Proposal on the Achievement of the Attribution Conditions for the First Attribution Period of the 2022 Restricted Share Incentive Plan". To handle the attribution related matters for 466 eligible incentive objects, 1,639,842 restricted shares can be attributed.

Whereas ① Yang Xianfeng, the incentive object, was elected as the Supervisor of the Company on April 7, 2023, and according to relevant regulations, the Supervisor cannot be the incentive object, the total number of 7,020 Class II restricted shares granted to him but not yet attributed shall not be attributed and shall be invalidated by the Company; ② Among the incentive objects, 29 of them do not meet the incentive qualifications due to resignation. The corresponding 124,670 shares of Class II restricted shares that have been granted but have not yet been attributed cannot be attributed and will be invalidated by the Company; ③ In the 2023 individual level performance assessment, 6 incentive objects were evaluated as "D-unqualified", and their corresponding total of 1,170 restricted shares for the year were not attributable and were invalidated by the Company; ④ For the first grant of incentive objects, 10 incentive objects voluntarily relinquish part or all of the restricted share rights granted by the Company during the first attribution period due to personal reasons. All 3,748 restricted shares that have been granted but have not yet been attributed shall not be attributed and shall be invalidated by the Company. (Note: The number of invalidated shares as mentioned above is the number of shares adjusted according to the Company's 2023 equity distribution proposal.)

2. Equity settled share-based payments

Applicable Not applicable

Unit: RMB

| | |
|--|---|
| Method for determining the fair value of equity instruments on the grant date | Determination of Fair Value Based on the Black Scholes Model |
| Basis for Determining the Number of Exercisable Equity Instruments | On each balance sheet date during the waiting period, the Company predicts based on the latest number of exercisable rights, completion of performance indicators, personal assessment status, and other subsequent information |
| Reasons for significant differences between the current estimate and the previous estimate | None |
| Accumulated amount of equity settled share-based payments recognized in capital reserve | 41,919,246.09 |
| The total amount of expenses recognized for equity settled share-based payments in this period | 37,285,356.91 |

Other explanations:

On November 16, 2022, the Company held the 21st Session of the Second Board Meeting, and deliberated and approved the "Proposal on Granting Restricted Share to Incentive Objects of 2022 Restricted Share Incentive Plan for the First Time". The independent directors of the Company expressed relevant opinions on this matter, and believed that the conditions for granting stipulated in the Company's incentive plan had been met, the determined grant date was in line with relevant regulations, the scope of incentive objects stipulated in the Company's restricted share incentive plan, and its subject qualification as the incentive object of the Company's restricted share incentive plan was legal and effective. The Board of Supervisors verified the list of incentive objects granted on the grant date and issued verification opinions.

On June 21, 2023, the Company held the Third Session of the Third Board Meeting, and deliberated and approved the "Proposal on Adjusting the Granting Price and Quantity of 2022 Restricted Share Incentive Plan", "Proposal on Cancelling Some Granted but Not Affiliated Restricted Shares", and "Proposal on Granting Reserved Restricted Shares to the Incentive Objects of 2022 Restricted Share Incentive Plan". The independent directors of the Company have expressed relevant opinions on this matter, believing that the grant date complies with the relevant provisions of the "Management Measures" and the Company's restricted share incentive plan on the grant date. The Company and the incentive objects of reserved grant have not experienced any circumstances where rights and interests cannot be granted, and the grant conditions stipulated in the Company's incentive plan have been met. The Board of Supervisors verified the list of incentive objects granted on the grant date and issued verification opinions.

3. Cash settled share-based payments

Applicable Not applicable

4. Share-based payment fees in the current period

Applicable Not applicable

Unit: RMB

| Grant object category | Equity settled share-based payment fees | Cash settled share-based payment fees |
|------------------------------------|---|---------------------------------------|
| Directors, senior managers, middle | 37,285,356.91 | |

| | | |
|---|---------------|--|
| managers and core technology (business) backbone employees of the Company (including branches and subsidiaries) | | |
| Total | 37,285,356.91 | |

Other explanations:

5. Modification and termination of share-based payment

Considering that the Company has announced the implementation of the 2022 annual equity distribution, corresponding adjustments have been made to the grant price and number of restricted shares in the 2022 restricted share incentive plan. The initial and reserved grant prices have been adjusted from RMB 18.70 per share to RMB 14.12 per share, and the number of restricted shares granted for the first time has been adjusted from 2.6559 million shares to 3.45267 million shares. The number of reserved restricted shares that are granted has been adjusted from 210,028 shares to 273,036 shares.

6. Others

None.

XVI. Commitments and Contingencies

1. Significant commitments

Significant commitments on the balance sheet date

There are no significant commitments that need to be disclosed by the Company.

2. Contingencies

(1) Significant contingencies on the balance sheet date

Contingencies arising from pending litigation or arbitration and their financial impact

1) Lease contract dispute with Guizhou Yiyun Big Data Service Co., Ltd.

The associate of the Company, Guizhou Zhongjiang Intelligent Technology Co., Ltd., has been sued for a leasing dispute with Guizhou Yiyun Big Data Service Co., Ltd. As of the date of approval for the financial statements, this case has been adjudicated in the second instance and is currently in the application for compulsory enforcement.

The controlling subsidiary of the Company, Shenzhen Zhongjiang Intelligent Technology Co., Ltd. and He Siting, as a shareholder of Guizhou Zhongjiang Intelligent Technology Co., Ltd., bear joint and several liability, with a litigation amount of ① RMB 501,307.00 and the penalty for overdue payment (based on unpaid rent and calculated

at an annual interest rate of 3.85%, from April 23, 2020 to the date when the rent is fully paid); ② Pay a rent free period loss of RMB 100,000.00.

As of the date of approval for these financial statements, the controlling subsidiary of the Company, Shenzhen Zhongjiang Intelligent Technology Co., Ltd., has become insolvent and the Company is currently applying for compulsory liquidation.

Except for the above contingencies, as of December 31, 2023, the Company does not have other important contingencies that should be disclosed but not disclosed.

(2) The Company shall also provide a description if there are no important contingencies that need to be disclosed

There are no significant contingencies that need to be disclosed by the Company.

3. Others

XVII. Events after the Balance Sheet Date

1. Important non adjustment matters

Unit: RMB

| Item | Content | Number of impacts on financial position and operating results | The reason for the inability to estimate the number of impacts |
|------|---------|---|--|
|------|---------|---|--|

2. Profit distribution

| | |
|--|---|
| Proposed distribution of dividends per 10 shares (RMB) | 4.50 |
| Proposed distribution of bonus shares per 10 shares (share) | 0 |
| Proposed distribution of additional shares converted from capital reserves per 10 shares (share) | 0 |
| Profit distribution proposal | <p>The Company plans to distribute cash dividends of RMB 4.5 (including tax) per 10 shares to all shareholders based on the total share capital deducted from the repurchased shares in the Company's repurchase special account on the registration date of equity distribution. No bonus shares will be given, and no capital reserve will be converted into share capital. The remaining undistributed profits will be carried forward to future years. As of April 22, 2024, the total share capital of the Company is 194,679,508 shares. 2,230,000 shares have been repurchased in the Company's repurchase account, and the total amount of cash dividends planned to be distributed for 2023 is RMB 86,602,278.60 (including tax).</p> <p>The proposal still needs to be reviewed and approved by the Board of Shareholders. If there is a change in the total amount of the Company's share capital or shares in the repurchase special account from the approval of the profit distribution</p> |

| | |
|--|---|
| | proposal by the Board of Directors and the Board of Shareholders to the implementation, the Company will adjust the distribution proposal accordingly according to the principle of "fixed total cash dividends". |
|--|---|

3. Explanations on other events after the balance sheet date

XVIII. Other Important Events

1. Other important transactions and matters that have an impact on investors' decisions

(1) ZKTeco filed a lawsuit against Zhongan Intelligent Control, Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen on a loan contract dispute

On July 31, 2019, the Company filed a lawsuit against Shenzhen Zhongan Intelligent Control Technology Co., Ltd. (hereafter referred to as "Zhongan Intelligent Control"), Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen in the Third People's Court of Dongguan City, Guangdong Province on a loan contract dispute, requesting judgment that Zhongan Intelligent Control repay the loan of RMB 7,757,380.00 and pay interest of RMB 262,560.75 (calculated from April 1, 2019 at an annual interest rate of 8.70% and temporarily recorded until July 31, 2019); request judgment that Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen bear joint and several payment responsibilities for the loan and interest; request that Zhongan Intelligent Control, Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen pay an attorney fee of RMB 240,000.00, a guarantee fee of RMB 8,200.00, and all legal costs in this case in the judgment.

The cause of action was in December 2017. Zhongan Intelligent Control borrowed RMB 7,000,000.00 from the Company for business development reasons, with a repayment deadline of May 9, 2018. Afterwards, Zhongan Intelligent Control was unable to repay the aforementioned loan, and after negotiation, the repayment date was changed to January 10, 2019. In October 2018, due to a shortage of working capital, Zhongan Intelligent Control proposed to advance the mold opening fee of RMB 757,380.00 to the Company, and the Company once again provided a loan of RMB 757,380.00 to Zhongan Intelligent Control. In April 2019, the Company signed a supplementary agreement with Zhongan Intelligent Control, stipulating that the loan and interest would be repaid on a monthly basis starting from April 2019. Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen would bear unlimited joint and several guarantee liability. After the contract was signed, Zhongan Intelligent Control did not repay on time.

The case has been accepted by the Third People's Court of Dongguan City, Guangdong Province. The case number is (2019) Y 1973 MC No. 12578. On October 31, 2020, Zhongan Intelligent Control was sentenced to repay the loan of RMB 7,757,380.00 and interest (with RMB 7,757,380.00 as the principal, calculated at an annual interest rate of 8.70% from April 1, 2019 to the actual payment date). Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen

bear joint and several liability for the repayment of the above-mentioned debt scope. At the same time, Zhongan Intelligent Control shall bear the actual attorney fee of RMB 240,000.00 and preservation and guarantee service fees of RMB 8,200.00 in this lawsuit.

On October 29, 2020, the People's Court of Longgang District, Shenzhen City, Guangdong Province accepted the bankruptcy liquidation case of Zhongan Intelligent Control, with case number (2020) Y 0307 PS No. 33, and designated the bankruptcy administrator for the case. According to the (2020) Y 0307 P No. 30-1 "Civil Ruling" issued by the People's Court of Longgang District, Shenzhen on May 14, 2021, it was determined to confirm the creditor's rights recorded in the "Debt Statement of Shenzhen Zhongan Intelligent Control Technology Co., Ltd.", and the amount of the Company's ordinary creditor's rights was RMB 9,150,710.78. On July 2, 2021, the People's Court of Longgang District, Shenzhen City issued the (2020) Y 0307 P No. 30-4 "Civil Ruling", declaring Zhongan Intelligent Control's bankruptcy; on July 14, 2021, the People's Court of Longgang District, Shenzhen City issued the (2020) Y 0307 P No. 30-5 "Civil Ruling", approving the bankruptcy property distribution proposal of Zhongan Intelligent Control. After the completion of the bankruptcy property distribution proposal, the assets under the name of Zhongan Intelligent Control were insufficient to repay all of its debts, and the Company did not receive repayment.

On July 20, 2021, the People's Court of Longgang District, Shenzhen City, Guangdong Province issued the (2020) Y 0307 P No. 30-8 "Civil Ruling", ruling to terminate the bankruptcy proceedings of Zhongan Intelligent Control. As of the date of approval of the financial report, Zhongan Intelligent Control has not yet been deregistered.

(2) ZKTeco filed a lawsuit against Zhikongtaike, Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen in the case on equity transfer dispute

On July 31, 2019, the Company filed a lawsuit against Shenzhen Zhikongtaike Biometric Technology Co., Ltd. (hereinafter referred to as "Zhikongtaike"), Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen in a dispute over equity transfer with the Third People's Court of Dongguan City, Guangdong Province, requesting that Zhikongtaike pay the remaining equity transfer fee of RMB 2,500,000.00 and interest of RMB 84,616.44 (calculated from April 1, 2019 at an annual interest rate of 8.70% and temporarily recorded until July 31, 2019), as well as liquidated damages of RMB 1,020,000.00 for non fulfillment of the agreement; request a judgment that Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen bear joint and several payment responsibilities for the loan, interest, and liquidated damages; request the judgment that Zhikongtaike, Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen pay the attorney fee of RMB 110,000.00, the guarantee fee of RMB 3,600.00, and all legal costs in this case in the judgment.

The cause of action was in August 2016, when the Company and Zhikongtaike jointly invested to establish Shenzhen Zhongan Intelligent Control Technology Co., Ltd. with a registered capital of RMB 10,000,000.00, the Company contributed RMB 5,100,000.00, holding 51.00% of the shares, and Zhikongtaike contributed RMB

4,900,000.00, holding 49.00% of the shares. After the establishment of Shenzhen Zhongan Intelligent Control Technology Co., Ltd., due to conflicts between the Company's and Zhongan Intelligent Control's business philosophy, after mutual consultation, the Company withdrew from Shenzhen Zhongan Intelligent Control Technology Co., Ltd. and transferred its equity to Zhikongtaike. On April 22, 2019, both parties signed an "Equity Transfer Agreement" and a "Guarantee Contract" on the transfer of equity. It was agreed that the Company would transfer its 51% equity to Zhikongtaike for RMB 5,100,000.00, and Zhikongtaike would pay RMB 2,600,000.00 in advance. The remaining RMB 2,500,000.00 would be paid and interest calculated over 21 months, and Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen would bear unlimited joint and several guarantee liability for the payable amount. After the contract was signed, both parties completed the equity transfer procedures as agreed, but Zhikongtaike did not make the remaining equity transfer payment as agreed.

The case has been accepted by the Third People's Court of Dongguan City, Guangdong Province, with case number (2019) Y 1973 MC No. 12579. On October 13, 2020, the court ruled that Zhikongtaike should pay the Company an equity transfer fee of RMB 2,500,000.00 and interest, as well as liquidated damages of RMB 1,020,000. Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen shall be jointly and severally liable for the above-mentioned debt scope. At the same time, Zhikongtaike, Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen shall bear the attorney fee of RMB 110,000.00 in this lawsuit.

On January 8, 2021, the Company submitted an application for compulsory execution to the Third People's Court of Dongguan City, requesting the enforcement of the (2019) Y 1973 MC No. 12579 judgment against Zhikongtaike, Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen. They shall repay the loan of RMB 2,500,000.00 and interest to the Company (with RMB 2,500,000.00 as the principal, calculated at an annual interest rate of 8.70% from April 1, 2019 to the actual repayment date), and pay liquidated damages of RMB 1,020,000.00, the attorney fee of RMB 110,000.00, and the guarantee fee of RMB 3,600.00 to the Company, and double the debt interest during the delayed performance period.

On June 24, 2021, the Company reached an "Implementation Settlement Agreement" (hereinafter referred to as the "Original Agreement") with Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen, agreeing that Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen shall bear joint and several liability for the equity transfer payment of RMB 2,500,000.00 and interest (with RMB 2,500,000.00 as the principal, and calculated at an annual interest rate of 8.7% from April 1, 2019) and liquidated damages of RMB 1,020,000 for Zhikongtaike to the Company within one year from the date of signing the settlement agreement. At the same time, they shall pay the attorney fee of RMB 110,000.00 and the guarantee fee of RMB 3,600.00.

The Company submitted an Implementation Settlement Agreement for compulsory measures against Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen to the Third People's Court of Dongguan City, Guangdong Province. On July 21, 2021, the Company applied to withdraw the enforcement application against Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen. On the same day, the Third People's Court of Dongguan City, Guangdong Province issued an enforcement notice (2021) Y 1973 Z No. 3006 to the Company, informing that the Company had not yet discovered any other property available for enforcement in Zhikongtaike, Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen. The court requested the Company to provide it with property clues available for enforcement within three days after receiving the enforcement notice, and if it failed to provide them within the time limit and did not provide other opinions in writing, the execution procedure would be terminated.

On September 9, 2021, the Company received the (2021) Y 1973 Z No. 3006-1 document of ruling issued by the Third People's Court of Dongguan City, Guangdong Province on July 22, 2021, ruling to terminate this execution procedure.

On June 24, 2022, the Company signed a settlement extension agreement with Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen, agreeing to extend the payment term by 6 months on the basis of the Original Agreement. Before December 24, 2022, Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen shall pay all the payable amounts to the Company. The debt interest during the delayed performance period shall be subject to the Original Agreement. If Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen fail to fulfill their payment obligations on time, the Company has the right to apply to the court to resume compulsory enforcement measures against them.

On December 24, 2022, the Company signed a settlement extension agreement with Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen, agreeing to extend the payment term by 1 year on the basis of the Original Agreement. Before December 24, 2023, Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen shall pay all the payable amounts to the Company. The debt interest during the delayed performance period shall be subject to the Original Agreement. If Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen fail to fulfill their payment obligations on time, the Company has the right to apply to the court to resume compulsory enforcement measures against them.

2. Others

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

1. Accounts receivable

(1) Disclosure by aging

Unit: RMB

| Aging | Closing book balance | Opening book balance |
|-------|----------------------|----------------------|
|-------|----------------------|----------------------|

| | | |
|----------------------------------|----------------|----------------|
| Within 1 year (including 1 year) | 561,799,833.99 | 584,084,680.04 |
| 1-2 years | 119,294,578.24 | 7,182,125.21 |
| 2-3 years | 2,319,840.33 | 987,195.33 |
| Over 3 years | 2,226,726.86 | 1,397,263.74 |
| 3-4 years | 919,305.45 | 70,004.12 |
| 4-5 years | 59,185.72 | 700,525.86 |
| Over 5 years | 1,248,235.69 | 626,733.76 |
| Total | 685,640,979.42 | 593,651,264.32 |

(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 | 5,262,403.88 | 0.77% | 4,246,403.88 | 80.69% | 1,016,000.00 | 3,224,671.15 | 0.54% | 3,224,671.15 | 100.00% | |
| Including: | | | | | | | | | | |
| Accounts receivable with insignificant single amount and bad debt reserve withdrawn separately | 5,262,403.88 | 0.77% | 4,246,403.88 | 80.69% | 1,016,000.00 | 3,224,671.15 | 0.54% | 3,224,671.15 | 100.00% | |
| Receivable with combined provision for bad debt reserve | 680,378,575.54 | 99.23% | 6,625,955.69 | 0.97% | 673,752,619.85 | 590,426,593.17 | 99.46% | 5,532,259.48 | 0.94% | 584,894,333.69 |
| Including: | | | | | | | | | | |
| Related party portfolio | 566,000,672.05 | 82.55% | | | 566,000,672.05 | 492,232,071.11 | 82.92% | | | 492,232,071.11 |
| Aging portfolio | 114,377,903.49 | 16.68% | 6,625,955.69 | 5.79% | 107,751,947.80 | 98,194,522.06 | 16.54% | 5,532,259.48 | 5.63% | 92,662,262.58 |
| Total | 685,640,979.42 | 100.00% | 10,872,359.57 | 1.59% | 674,768,619.85 | 593,651,264.32 | 100.00% | 8,756,930.63 | 1.48% | 584,894,333.69 |

Bad debt reserve made individually: 4,246,403.88

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. | 0.00 | 0.00 | 2,032,000.00 | 1,016,000.00 | 50.00% | Expected non-recoverable |
| Shanghai Leqi Automation Technology Co., Ltd. | 490,186.63 | 490,186.63 | 521,950.00 | 521,950.00 | 100.00% | Expected non-recoverable |
| Noble IT Solutions Co., Ltd | 408,557.71 | 408,557.71 | 415,485.70 | 415,485.70 | 100.00% | Expected non-recoverable |

| | | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------|--------------------------|
| Zicom Electronic Securit | 365,258.45 | 365,258.45 | 371,452.20 | 371,452.20 | 100.00% | Expected non-recoverable |
| Shenzhen Xuhui Information Technology Co., Ltd. | 326,350.00 | 326,350.00 | 326,350.00 | 326,350.00 | 100.00% | Expected non-recoverable |
| 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 | 197,665.93 | 197,665.93 | 201,017.79 | 201,017.79 | 100.00% | Expected non-recoverable |
| Tianjin Eagle Eye Biotechnology Co., Ltd. | 193,330.00 | 193,330.00 | 178,130.00 | 178,130.00 | 100.00% | Expected non-recoverable |
| Hainan Zhongkong IOT Technology Co., Ltd. | 176,179.00 | 176,179.00 | 176,689.00 | 176,689.00 | 100.00% | Expected non-recoverable |
| Wanqiao Information Technology Co.,Ltd. | 165,900.00 | 165,900.00 | 165,900.00 | 165,900.00 | 100.00% | Expected non-recoverable |
| Baoneng Urban Development and Construction Group Co., Ltd. | 155,292.00 | 155,292.00 | 155,292.00 | 155,292.00 | 100.00% | Expected non-recoverable |
| PONTO RHJ EIRELI - ME | 98,393.15 | 98,393.15 | 100,061.62 | 100,061.62 | 100.00% | Expected non-recoverable |
| Guizhou Zhongjiang Intelligent Technology Co., Ltd. | 77,919.46 | 77,919.46 | 77,919.46 | 77,919.46 | 100.00% | Expected non-recoverable |
| Qianxinan Mengku Business Service Co., Ltd. | 74,672.00 | 74,672.00 | 74,672.00 | 74,672.00 | 100.00% | Expected non-recoverable |
| INTELLISMART TECHNOLOGY INC. | 73,253.66 | 73,253.66 | 74,495.84 | 74,495.84 | 100.00% | Expected non-recoverable |
| Dongguan Yukong Security Technology Co., Ltd. | 53,703.00 | 53,703.00 | 53,703.00 | 53,703.00 | 100.00% | Expected non-recoverable |
| KWK CELLPHONE AND ACCESSORIES | 36,880.41 | 36,880.41 | 37,505.80 | 37,505.80 | 100.00% | Expected non-recoverable |
| Iss Facility Services (Shanghai) Ltd. | 28,152.00 | 28,152.00 | 28,152.00 | 28,152.00 | 100.00% | Expected non-recoverable |
| ELECTRONICA GHANA LIMITED | 0.00 | 0.00 | 22,911.47 | 22,911.47 | 100.00% | Expected non-recoverable |
| Nanjing Xianji Technology Co., Ltd. | 31,850.00 | 31,850.00 | 15,570.00 | 15,570.00 | 100.00% | Expected non-recoverable |
| Gansu Liujiaxia Construction and Installation Engineering Co., Ltd. Linxia Branch | 0.00 | 0.00 | 6,490.00 | 6,490.00 | 100.00% | Expected non-recoverable |
| Guangdong Pinjun Express Co., Ltd. | 0.00 | 0.00 | 1,980.00 | 1,980.00 | 100.00% | Expected non-recoverable |
| Entropy Electronic Technology Yangzhou Co., Ltd. | 31,122.66 | 31,122.66 | | | | |
| Others | 15,329.09 | 15,329.09 | | | | |
| Total | 3,224,671.15 | 3,224,671.15 | 5,262,403.88 | 4,246,403.88 | | |

Bad debt reserve made by portfolio: 6,625,955.69

Unit: RMB

| Name | Ending Balance |
|------|----------------|
|------|----------------|

| | Book balance | Bad debt reserve | Accrual proportion |
|---------------|-----------------------|---------------------|--------------------|
| Within 1 year | 105,382,270.69 | 5,269,113.54 | 5.00% |
| 1-2 years | 7,936,199.83 | 793,619.99 | 10.00% |
| 2-3 years | 708,872.59 | 212,661.78 | 30.00% |
| Over 3 years | 350,560.38 | 350,560.38 | 100.00% |
| Total | 114,377,903.49 | 6,625,955.69 | |

Explanations on the basis for determining the portfolio:

Provision for bad debts by combination:

Unit: RMB

| Name | Ending Balance | | |
|-------------------------|-----------------------|---------------------|--------------------|
| | Book balance | Bad debt reserve | Accrual proportion |
| Related party portfolio | 566,000,672.05 | | |
| Aging portfolio | 114,377,903.49 | 6,625,955.69 | 5.79% |
| Total | 680,378,575.54 | 6,625,955.69 | |

Explanations on the basis for determining the portfolio:

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

Applicable Not applicable

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

Provision for bad debt reserves in current period:

Unit: RMB

| Category | Beginning Balance | Current period change amount | | | | Ending Balance |
|--|-------------------|------------------------------|--------------------|-------------------|-------------|----------------|
| | | Provision | Return or reversal | Redeem/redemption | Others | |
| Accounts receivable with insignificant single amount and bad debt reserve withdrawn separately | 3,224,671.15 | 964,160.39 | 30,685.86 | 31,916.80 | -120,175.00 | 4,246,403.88 |
| Accounts receivable with significant individual amounts and separate provision for bad debt reserves | | | | | | |
| Accounts receivable with consolidated provision for bad debt | 5,532,259.48 | 1,275,680.76 | 61,809.55 | | 120,175.00 | 6,625,955.69 |

| | | | | | | |
|---|--------------|--------------|-----------|-----------|--|---------------|
| reserves according to the credit risk characteristics | | | | | | |
| Total | 8,756,930.63 | 2,239,841.15 | 92,495.41 | 31,916.80 | | 10,872,359.57 |

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 | 31,916.80 |

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 |
|--|-------------------------------|------------------|------------------|---|---|
| Entropy Electronic Technology Yangzhou Co., Ltd. | Goods payment | 31,916.80 | Nonrecoverable | | No |
| Total | | 31,916.80 | | | |

Explanations on 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 | 322,103,055.77 | | 322,103,055.77 | 46.96% | |
| Customer 2 | 91,299,909.04 | | 91,299,909.04 | 13.31% | |
| Customer 3 | 28,398,539.91 | | 28,398,539.91 | 4.14% | |
| Customer 4 | 21,903,309.82 | | 21,903,309.82 | 3.19% | |
| Customer 5 | 19,494,312.74 | | 19,494,312.74 | 2.84% | |

| | | | | | |
|-------|----------------|--|----------------|--------|--|
| Total | 483,199,127.28 | | 483,199,127.28 | 70.44% | |
|-------|----------------|--|----------------|--------|--|

2. Other receivables

Unit: RMB

| Item | Ending Balance | Beginning Balance |
|---------------------|----------------|-------------------|
| Interest receivable | 192,033.24 | 122,433.25 |
| Other receivables | 58,943,385.98 | 33,858,122.01 |
| Total | 59,135,419.22 | 33,980,555.26 |

(1) Interest receivable

1) Classification of interest receivable

Unit: RMB

| Item | Ending Balance | Beginning Balance |
|---------------------------------|----------------|-------------------|
| Interest on related party loans | 192,033.24 | 122,433.25 |
| Total | 192,033.24 | 122,433.25 |

2) Significant overdue interest

Unit: RMB

| Borrower | Ending Balance | Overdue time | Overdue reason | Whether impairment occurred and its judgment basis |
|----------|----------------|--------------|----------------|--|
| | | | | |

Other explanations:

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

Unit: RMB

| Category | Beginning Balance | Current period change amount | | | | Ending Balance |
|----------|-------------------|------------------------------|--------------------|---------------------------|---------------|----------------|
| | | Provision | Return or reversal | Write-off or cancellation | 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:

4) 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 |
|--------------|----------------|------------------|------------------|---|---|
|--------------|----------------|------------------|------------------|---|---|

Explanations on writing off:

Other explanations:

(2) Other receivables**1) Classification of other receivables based on nature of payment**

Unit: RMB

| Payment nature | Closing book balance | Opening book balance |
|--|----------------------|----------------------|
| Current account | 55,874,629.32 | 26,728,933.46 |
| Guarantee deposit | 1,865,135.74 | 1,910,792.36 |
| Reserve funds and loans | 3,250,242.13 | 3,231,834.22 |
| Collection and payment on behalf of others | 1,863,217.32 | 286,952.43 |
| Withholding and paying social security and capital reserve on behalf of others | 1,032,014.38 | 960,569.04 |
| Export tax refund | 3,537,610.99 | 9,631,295.37 |
| Others | 477,297.03 | |
| Total | 67,900,146.91 | 42,750,376.88 |

2) Disclosure by aging

Unit: RMB

| Aging | Closing book balance | Opening book balance |
|----------------------------------|----------------------|----------------------|
| Within 1 year (including 1 year) | 41,743,089.72 | 15,916,616.20 |
| 1-2 years | 13,945,238.29 | 14,792,826.76 |
| 2-3 years | 715,606.32 | 409,311.13 |
| Over 3 years | 11,496,212.58 | 11,631,622.79 |
| 3-4 years | 257,284.30 | 2,747,578.23 |
| 4-5 years | 2,637,357.00 | 8,133,140.36 |
| Over 5 years | 8,601,571.28 | 750,904.20 |
| Total | 67,900,146.91 | 42,750,376.88 |

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 | 10,645,126.37 | 15.68% | 8,884,636.88 | 83.46% | 1,760,489.49 | 10,599,744.36 | 24.79% | 8,839,254.87 | 83.39% | 1,760,489.49 |
| Including: | | | | | | | | | | |
| Bad debt reserve withdrawn by portfolio | 57,255,020.54 | 84.32% | 72,124.05 | 0.13% | 57,182,896.49 | 32,150,632.52 | 75.21% | 53,000.00 | 0.16% | 32,097,632.52 |
| Including: | | | | | | | | | | |
| Related party portfolio | 45,178,889.61 | 66.54% | | | 45,178,889.61 | 16,080,112.28 | 37.62% | | | 16,080,112.28 |
| Portfolio of deposits, security deposits, employee loans, etc. | 11,640,649.93 | 17.14% | | | 11,640,649.93 | 16,017,520.24 | 37.47% | | | 16,017,520.24 |
| Aging portfolio | 435,481.00 | 0.64% | 72,124.05 | 16.56% | 363,356.95 | 53,000.00 | 0.12% | 53,000.00 | 100.00% | |
| Total | 67,900,146.91 | 100.00% | 8,956,760.93 | 13.19% | 58,943,385.98 | 42,750,376.88 | 100.00% | 8,892,254.87 | 20.80% | 33,858,122.01 |

Bad debt reserve made individually: 8,884,636.88

Unit: RMB

| Name | Beginning Balance | | Ending Balance | | | |
|---|-------------------|------------------|----------------|------------------|--------------------|--------------------------|
| | Book balance | Bad debt reserve | Book balance | Bad debt reserve | Accrual proportion | Reasons for provision |
| Shenzhen Zhongan Intelligent Control Technology Co., Ltd. | 7,772,552.26 | 6,012,062.77 | 7,772,552.26 | 6,012,062.77 | 77.35% | Expected non-recoverable |
| Shenzhen Zhikongtaike Biometric Technology Co., Ltd. | 2,500,000.00 | 2,500,000.00 | 2,500,000.00 | 2,500,000.00 | 100.00% | Expected non-recoverable |
| Guizhou Zhongjiang Intelligent Technology Co., Ltd. | 323,268.92 | 323,268.92 | 323,268.92 | 323,268.92 | 100.00% | Expected non-recoverable |
| Dongguan Zhenyu Hardware Products Co., Ltd. | | | 42,305.46 | 42,305.46 | 100.00% | Expected non-recoverable |
| Shenzhen Xinyuantong Electronics Co., Ltd. | 3,500.00 | 3,500.00 | 3,500.00 | 3,500.00 | 100.00% | Expected non-recoverable |
| Shenzhen Shanjing Optics Co., Ltd. | | | 1,839.60 | 1,839.60 | 100.00% | Expected non-recoverable |

| | | | | | | |
|--|----------------------|---------------------|----------------------|---------------------|---------|--------------------------|
| Shenzhen Great-island Technology Co., Ltd. | | | 456.00 | 456.00 | 100.00% | Expected non-recoverable |
| Wang Jinpeng | 403.18 | 403.18 | 403.18 | 403.18 | 100.00% | Expected non-recoverable |
| Guilin Boyou Electronic Technology Co., Ltd. | | | 400.95 | 400.95 | 100.00% | Expected non-recoverable |
| Shenzhen Mercedes Technology Co., Ltd. | | | 380.00 | 380.00 | 100.00% | Expected non-recoverable |
| Liu Mingyang | 20.00 | 20.00 | 20.00 | 20.00 | 100.00% | Expected non-recoverable |
| Total | 10,599,744.36 | 8,839,254.87 | 10,645,126.37 | 8,884,636.88 | | |

Bad debt reserve made by portfolio: 72,124.05

Unit: RMB

| Name | Ending Balance | | |
|--|----------------------|------------------|--------------------|
| | Book balance | Bad debt reserve | Accrual proportion |
| Related party portfolio | 45,178,889.61 | | |
| Portfolio of deposits, security deposits, employee loans, etc. | 11,640,649.93 | | |
| Aging portfolio | 435,481.00 | 72,124.05 | 16.56% |
| Total | 57,255,020.54 | 72,124.05 | |

Explanations on 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, 2023 | 53,000.00 | | 8,839,254.87 | 8,892,254.87 |
| Balance as of January 1, 2023 in the current period | | | | |
| Provision in current period | 19,124.05 | | 45,382.01 | 64,506.06 |
| Balance as of December 31, 2023 | 72,124.05 | | 8,884,636.88 | 8,956,760.93 |

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 | 6,012,062.77 | | | | | 6,012,062.77 |
| Other receivables with provision for bad debt reserves based on a combination of credit risk characteristics | 53,000.00 | 19,124.05 | | | | 72,124.05 |
| Other receivables with insignificant individual amounts but separate provision for bad debt reserves | 2,827,192.10 | 45,382.01 | | | | 2,872,574.11 |
| Total | 8,892,254.87 | 64,506.06 | | | | 8,956,760.93 |

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 | Write-off amount | Write-off reason | Verification and cancellation | Whether the payment is |
|--------------|--------------------------|------------------|------------------|-------------------------------|------------------------|
| | | | | | |

| | | | | | |
|--|------------|--|--|-----------------------------------|--------------------------------------|
| | receivable | | | programs that have been performed | incurred due to related transactions |
|--|------------|--|--|-----------------------------------|--------------------------------------|

Explanations on writing off other receivables:

No other accounts receivable actually written off in the current period.

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 | Current account | 31,256,738.98 | Within 1 year | 46.03% | |
| No. 2 | Current account | 7,772,552.26 | Over 3 years | 11.45% | 6,012,062.77 |
| No. 3 | Current account | 6,580,000.00 | 1-2 years | 9.69% | |
| No. 4 | Export tax refund | 3,537,610.99 | Within 1 year | 5.21% | |
| No. 5 | Current account | 2,500,000.00 | Over 3 years | 3.68% | 2,500,000.00 |
| Total | | 51,646,902.23 | | 76.06% | 8,512,062.77 |

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 | 1,249,046,481.87 | | 1,249,046,481.87 | 781,906,396.17 | | 781,906,396.17 |
| Investment in affiliated and joint ventures | 24,000,000.00 | | 24,000,000.00 | | | |
| Total | 1,273,046,481.87 | | 1,273,046,481.87 | 781,906,396.17 | | 781,906,396.17 |

(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 | | | | | 0.00 | 12,608,518.14 | |
| Hangzhou | 2,011,694.58 | | | | | 67,603.34 | 2,079,297.92 | |

| | | | | | | | | | | | | |
|---|-----------------------|--|-----------------------|--|--|--|--|----------------------|--|--|-------------------------|--|
| ZKTeco Hanlian E-commerce Co., Ltd. | | | | | | | | | | | | |
| ZKTeco CO., LIMITED | 133,541,486.20 | | 35,568,322.82 | | | | | 688,835.33 | | | 169,798,644.35 | |
| XIAMEN ZKTeco CO., LTD. | 100,650,998.35 | | | | | | | 4,903,988.85 | | | 105,554,987.20 | |
| ZKTeco (GUANGDON G) CO., LTD | 436,416,752.35 | | 364,000,000.00 | | | | | 3,240,281.37 | | | 803,657,033.72 | |
| ZKTeco Sales Co., Ltd. | 133,778.92 | | 20,000,000.00 | | | | | 1,040,141.34 | | | 21,173,920.26 | |
| Xiamen ZKTeco Biometric Identification Technology Co., Ltd. | 38,986,734.80 | | | | | | | 0.00 | | | 38,986,734.80 | |
| ZKCserv Technology Limited Co., Ltd. | 510,000.00 | | | | | | | 0.00 | | | 510,000.00 | |
| Dalian ZKTeo CO., Ltd. | 3,075,306.01 | | | | | | | 933,681.31 | | | 4,008,987.32 | |
| Xi'an ZKTeco Co., Ltd. | 78,563.62 | | | | | | | 327,885.62 | | | 406,449.24 | |
| Shenzhen Zhongjiang Intelligent Technology Co., Ltd. | 5,100,000.00 | | | | | | | 0.00 | | | 5,100,000.00 | |
| Hubei ZKTeco Co., Ltd. | 3,510,708.76 | | | | | | | 5,510.68 | | | 3,516,219.44 | |
| ZKTECO SG INVESTMENT PTE. LTD. | 45,281,854.44 | | 36,363,835.04 | | | | | 0.00 | | | 81,645,689.48 | |
| Total | 781,906,396.17 | | 455,932,157.86 | | | | | 11,207,927.84 | | | 1,249,046,481.87 | |

(2) Investment in affiliated and joint ventures

Unit: RMB

| Investee | Beginning balance (book value) | Beginning balance of impairment provision | Increase or decrease in the current period | | | | | | | | Ending balance (book value) | Ending balance of impairment provision | |
|--------------------------------------|--------------------------------|---|--|--------------------|--|--|---------------------------|---|----------------------|--------|-----------------------------|--|--|
| | | | Additional investment | Reduced investment | Investment profit or loss recognized under equity method | Other comprehensive income adjustments | Changes in other equities | Cash dividends or profits declared to pay | Impairment provision | Others | | | |
| I. Joint ventures | | | | | | | | | | | | | |
| II. Joint venture | | | | | | | | | | | | | |
| Xiamen Xingniu Yunyu Venture Capital | | | 24,000,000.00 | | | | | | | | | 24,000,000.00 | |

| | | | | | | | | | | | |
|--|--|--|---------------|--|--|--|--|--|--|---------------|--|
| Partnership Enterprise (Limited Partnership) | | | | | | | | | | | |
| Subtotal | | | 24,000,000.00 | | | | | | | 24,000,000.00 | |
| Total | | | 24,000,000.00 | | | | | | | 24,000,000.00 | |

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

(3) Other explanations

In the current period, a capital increase of RMB 35,568,322.82 was made to its subsidiary ZKTECO CO., LIMITED, RMB 364,000,000.00 was made to its subsidiary ZKTeco (Guangdong) Co., LTD, RMB 20,000,000.00 was made to its subsidiary ZKTeco Sales Co., Ltd., and RMB 36,363,835.04 was made to its subsidiary ZKTECO SG INVESTMENT PTE. LTD. Class II restricted share equity incentive amount of RMB 11,207,927.84 was granted to the incentive objects of the subsidiary.

4. Operating revenue and operating cost

Unit: RMB

| Item | Amount incurred in the current period | | Amount incurred in the previous period | |
|------------------|---------------------------------------|------------------|--|------------------|
| | Revenue | Cost | Revenue | Cost |
| Main business | 1,432,704,035.86 | 1,036,126,707.81 | 1,540,809,415.40 | 1,144,810,483.95 |
| Other businesses | 1,332,035.05 | | 1,729,304.31 | |
| Total | 1,434,036,070.91 | 1,036,126,707.81 | 1,542,538,719.71 | 1,144,810,483.95 |

Breakdown information of operating revenue and operating costs:

Unit: RMB

| Contract classification | Division 1 | | Division 2 | | Operating revenue | | Total | |
|-------------------------|-------------------|----------------|-------------------|----------------|-------------------|----------------|-------------------|----------------|
| | Operating revenue | Operating cost | Operating revenue | Operating cost | Operating revenue | Operating cost | Operating revenue | Operating cost |
| Business type | | | | | | | | |
| Including: | | | | | | | | |

| | | | | | | | | |
|---|--|--|--|--|------------------|----------------|------------------|----------------|
| Smart office products | | | | | 211,069,861.57 | 153,388,927.14 | 211,069,861.57 | 153,388,927.14 |
| Smart entrance and exit management products | | | | | 1,094,668,407.94 | 780,220,971.41 | 1,094,668,407.94 | 780,220,971.41 |
| Smart identity verification products | | | | | 126,965,766.35 | 102,516,809.26 | 126,965,766.35 | 102,516,809.26 |
| Others | | | | | 1,332,035.05 | | 1,332,035.05 | |
| Classification by region of operation | | | | | | | | |
| Including: | | | | | | | | |
| Domestic sales | | | | | 623,936,577.02 | 541,185,608.25 | 623,936,577.02 | 541,185,608.25 |
| Overseas sales | | | | | 810,099,493.89 | 494,941,099.56 | 810,099,493.89 | 494,941,099.56 |
| Market or customer type | | | | | | | | |
| Including: | | | | | | | | |
| Distribution | | | | | 1,289,163,287.35 | 936,468,996.90 | 1,289,163,287.35 | 936,468,996.90 |
| Direct sales | | | | | 143,540,748.51 | 99,657,710.91 | 143,540,748.51 | 99,657,710.91 |
| Others | | | | | 1,332,035.05 | | 1,332,035.05 | |
| Type of contract | | | | | | | | |
| Including: | | | | | | | | |
| | | | | | | | | |
| Classification by time of transfer of goods | | | | | | | | |
| Including: | | | | | | | | |
| | | | | | | | | |
| Classification by contract term | | | | | | | | |
| Including: | | | | | | | | |
| | | | | | | | | |

| | | | | | | | | |
|---------------------------------|--|--|--|------------------|------------------|------------------|------------------|--|
| Classification by sales channel | | | | | | | | |
| Including: | | | | | | | | |
| | | | | | | | | |
| Total | | | | 1,434,036,070.91 | 1,036,126,707.81 | 1,434,036,070.91 | 1,036,126,707.81 | |

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 investment accounted with cost method | 24,000,000.00 | 40,000,000.00 |
| Investment income from financial products | 1,274,435.30 | 801,770.27 |
| Forward foreign exchange settlement and sales contract | -8,690,555.00 | -6,488,400.00 |
| Total | 16,583,880.30 | 34,313,370.27 |

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 | -626,426.46 | |
| 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) | 6,119,808.45 | |
| 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 | -2,644,568.64 | Mainly due to investment gains and losses and changes in fair value generated by partial forward exchange settlement to hedge against exchange rate fluctuations risk |
| Capital occupancy fees charged to non-financial enterprises included in current profits and losses | 50,222.65 | |
| Reversal of the provision on receivables with impairment test conducted on an individual basis | 239,389.68 | |
| Other non-operating revenue and expenses other than the above items | -4,210,700.05 | Mainly due to material losses and other extraordinary losses |
| Less: income tax impact | -281,003.45 | |
| Minority interest impact (after tax) | 67,892.57 | |
| Total | -859,163.49 | -- |

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

Applicable Not applicable

The Company does not have other specific conditions of profit and loss items that meet the definition of non-recurring profits and losses.

Explanations on classifying any non-recurring gain/loss item mentioned in the "Explanatory Announcement for Information Disclosure by Companies that Issue Securities to the Public No. 1 - Non-recurring Gains and Losses" as recurring gain/loss item

Applicable Not applicable

2. Net return on assets and EPS

| Profit during the reporting period | Weighted average return on net assets | EPS | |
|--|---------------------------------------|-----------------------|-------------------------|
| | | Basic EPS (RMB/share) | Diluted EPS (RMB/share) |
| Net profit attributable to common shareholders of the Company | 5.63% | 0.9176 | 0.9133 |
| Net profit attributable to common shareholders of the Company after deducting non-recurring profits and losses | 5.66% | 0.9221 | 0.9178 |

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) Explanations on 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