

**ZKTECO CO., LTD.**

**2024 Annual Report**

**Announcement No.: 2025-037**

**April 2025**

## **Agilely embracing changes, building customer lifetime value with AI and cloud services**

### **A Letter to Shareholders**

In 2024, ZKTeco continued to invest in and develop along the main trajectory of high-quality development, which focuses on "establishing a service system based on the self-innovated Minerva IoT while emphasizing the lifetime value of customers through BioCV AI productivity." Over the past year, ZKTeco has made significant strides by advancing product concepts, optimizing service details, and continuously innovating. The Company has consistently introduced new application scenarios. Guided by a commitment to continuous innovation and zero-based thinking, ZKTeco staff have steadily progressed various business initiatives with a focus on stable innovation and ongoing excellence. This effort culminates in a straightforward yet impactful report card presented to our shareholders. In 2024, the Company achieved operating revenue of RMB 1,991.2004 million, a YoY increase of 1.07%, and realized a net profit attributable to the parent company of RMB 183.046 million, a YoY increase of 3.26%. While the data may not be extraordinary, this accomplishment is a testament to the hard work and dedication of ZKTeco staff. Here, on behalf of the Board of Directors, I would like to extend my heartfelt gratitude to all our colleagues, users, partners, and investors who have supported ZKTeco. Your collaboration has been invaluable as we navigated challenges together and seized opportunities over the past year. Thank you for your unwavering commitment to advancing alongside ZKTeco.

In 2024, the Company remained committed to its development objectives of precision, expansiveness, and excellence. We concentrated on refining our core business with meticulous attention to detail, cultivating a robust ecosystem through broad engagement, and driving innovation with elevated aspirations. We have integrated products, ecosystems, and services into a cohesive solution, achieving innovative applications in the BioCV unmanned management scenarios at the industry's general entry and exit points. Additionally, we have endeavored to transform ZKTeco's offline platform of high-quality screens into cloud services within the smart retail sector. Through ongoing technological innovation in core computer vision technologies and edge-side multimodal AI human-computer interaction, we have facilitated the enhancement of our products and solutions. This has led to significant opportunities and breakthroughs for multimodal AI technology within the "end-edge-cloud-service" framework related to entry and exit operations. In 2024, we established ZKTeco Cloud Brain-Computer (Hangzhou) Technology Co., Ltd. to conduct research and integrate multimodal data, including biometric iris and retina information, EEG data, clinical records, and genetic data. Utilizing advanced deep learning and data mining technologies for comprehensive analysis, we explored the correlations and potential patterns among various data modalities. This innovative approach enabled us to develop new technologies and products aimed at enhancing technical research and exploring treatment methodologies in the fields of education, healthcare, and elderly care.

In 2025, as the wave of artificial intelligence and large models sweeps across the globe, propelling human society into a new era of AIoT at an unprecedented pace, ZKTeco will undertake a comprehensive integration of customer value within the realm of AI cognitive space computing technology. This integration will occur in a three-dimensional manner—transitioning from digitalization to

intelligence and ultimately to cognition. The Company will prioritize R&D as well as optimization of BioCV TinyML (micro multimodal learning) edge models. The Company is dedicated to integrating autonomous decision-making and evolutionary capabilities into edge devices, thereby enhancing ZKTeco's spatial cognition in the perception of scenarios involving "people, vehicles, objects, and environments."

In 2025, ZKTeco will continue to deeply integrate AI cognitive technology with multimodal biometrics and computer vision technologies. This integration assists enterprises in optimizing their time, space, and resources while enhancing the intelligence of products and user experiences. Furthermore, it will improve operational efficiency by bridging the physical world with the digital realm. ZKTeco's achievements in innovation are not only evident in the continuous expansion and optimization of product functionalities but also in the redefinition and establishment of industry standards. This ensures the Company's technological leadership while providing users with enhanced experiences that are more comfortable, intelligent, safe, and conducive to sustainable development. Furthermore, these advancements promote industrial innovation and usher in a new era of coexistence between humanity and space.

As a global leader in intelligent space evolution services, ZKTeco is poised to transform the industry landscape through innovative strategies. We will adeptly navigate changes and enhance customer lifetime value by leveraging AI and cloud services, thereby setting the course for future development trends. We are committed to meeting the expectations of all our investors!

**Chairman Che Quanhong**

# 2024 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), Xu Ping, hereby declare that the financial information in this report is true, accurate and complete.**

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

**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 5 (tax inclusive) per 10 shares to all shareholders. There**

**will be no bonus shares. Capital reserve will be converted into 2 shares of share capital per 10 shares to all shareholders.**

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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, the Company, ZKTeco	Refers to	ZKTECO CO., LTD.
ZKTeco Times	Refers to	Shenzhen ZKTeco Times Investment Co., Ltd., a controlling shareholder of the Company
JYHY	Refers to	Shenzhen JYHY Investment Enterprise (Limited Partnership), a shareholder of the Company
JYSJ	Refers to	Shenzhen JYSJ Investment Enterprise (Limited Partnership), a shareholder of the Company
LX Investment	Refers to	Dongguan LX Investment Partnership Enterprise (Limited Partnership), a shareholder of the Company
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
Guangdong Zkteco	Refers to	ZKTECO (GUANGDONG) CO., LTD, a wholly-owned subsidiary of the Company
Shenzhen ZKTeco	Refers to	Shenzhen ZKTeco Biometric Identification Technology Co., Ltd., a wholly-owned subsidiary of the Company
XIAMEN ZKTECO	Refers to	XIAMEN ZKTECO CO., LTD., a wholly-owned subsidiary of the Company
Zokon Industry	Refers to	Shenzhen Zokon Industry Development Co., Ltd.
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	2024
End of Reporting Period	Refers to	December 31, 2024
CV	Refers to	Computer Vision
BioCV	Refers to	Biometrics & Computer Vision
Biometrics	Refers to	A computer technology that utilizes the analysis of human biological characteristics to distinguish biological organisms. It is used for personal identification by a close combination of computer technology with high-tech methods such as optics, acoustics, biosensors, and biostatistics, and utilizing the inherent physiological characteristics of the human body (fingerprints, facial features, palm veins, iris, etc.) or behavioral characteristics (sound, gait, etc.)
Computer Vision	Refers to	Used to simulate biological vision using cameras, computers, and related equipment; simulate human visual abilities, capture and process three-dimensional information of the scene by using optical systems and image processing tools, understand and command specific devices to execute decisions
RF, RFID	Refers to	Radio Frequency Identification (RFID), a wireless communication technology that can identify specific targets and read and write relevant data through radio signals without establishing mechanical or optical contact between the identification system and specific targets
Internet of Things/IoT	Refers to	Used to connect any object to the network by using information sensing devices and following agreed protocols. The object exchanges and communicates information through information dissemination media to achieve intelligent recognition, positioning, tracking, supervision, and other functions
SMED	Refers to	Single Minute Exchange of Die, a process improvement method that minimizes the product die exchange time, production startup time, or adjustment time of the die. It can significantly shorten the time required for machine installation and die exchange setting
SaaS	Refers to	Software as a Service, a software application model that provides software services through the Internet
PaaS	Refers to	Platform as a Service (PaaS), a cloud computing-based service that provides a complete platform, including operating systems, database management systems, middleware, development tools, and runtime environments, allowing developers to develop, test, deploy, and manage applications on this platform without having to worry about the setup and

		maintenance of underlying infrastructure such as servers, storage devices, and network devices.
CTID	Refers to	Cyber Trusted Identity, an authoritative network identity certificate issued to individuals by the "Internet+" trusted identity authentication platform (CTID Platform)
MRP	Refers to	Material Requirement Planning, the process in which a production enterprise gradually derives the production and procurement plans for the components, raw materials, and other materials required for the production of the main product based on the production plan, the structure of the main product, and the inventory situation
SAM	Refers to	Secure Access Module, a module used for encrypting and decrypting identity card information
SMT	Refers to	Surface Mount Technology, a circuit assembly technology used to install surface mounted components without pins or with short leads on the surface of printed circuit boards (PCBs) or other substrates, and then solder and assemble them through methods such as reflow soldering or immersion soldering
PCBA	Refers to	Printed Circuit Board Assembly, the process of soldering components onto a PCB substrate to form a printed circuit board (PCB)
asmag	Refers to	A professional industry media company under the Messe Frankfurt Exhibition GmbH, aiming to provide market analysis, technical information, solution evaluation, industry forecasting, etc. for practitioners in smart security, smart life, smart transportation, smart buildings, IT communication, and networking
AI	Refers to	Artificial Intelligence
AIoT	Refers to	The Artificial Intelligence of Things
IoT	Refers to	Internet of Things
Rebate	Refers to	The rebate the Company provides to dealers based on the rebate policy and the completion of dealer performance
SDK	Refers to	Software Development Kit
BioCode	Refers to	Biometric feature code, converted from encrypted biometric features
QR code	Refers to	Two-dimensional barcode format: Quick Response Code, which can quickly read data
Transformer	Refers to	Deep learning model based on attention mechanism
MES	Refers to	Manufacturing Execution System, a production information management system for the shop floor of manufacturing enterprises.
QMS	Refers to	Quality Management System, the management system that directs and controls an organization in terms of quality. It is a systematic quality management model established within an organization to achieve quality objectives.
APS system	Refers to	Advanced Planning and Scheduling system, an information management system used to optimize production planning and scheduling.
GDPR	Refers to	General Data Protection Regulation issued by the European Union.
AIGC	Refers to	Artificial Intelligence Generated Content, the process of generating content using AI technologies, including text, images, audio, and video, etc.
AIGS	Refers to	Artificial Intelligence Generated Service, a type of service based on generative artificial intelligence technology, aiming to automatically generate content such as text, images, audio, and video through AI models.
RESTful API	Refers to	Representational State Transfer API, a type of web application programming interface (API) designed based on the REST architectural style, used for communication between clients and servers.
HTTPS	Refers to	Hyper Text Transfer Protocol Secure, a protocol for secure communication on the World Wide Web and is the secure version of HTTP (Hypertext Transfer Protocol).
CCTV	Refers to	Closed-Circuit Television, the technology of video surveillance through a closed signal transmission system (not public broadcasting).
NLP	Refers to	Natural Language Processing, an important branch of AI that focuses on enabling effective interaction between human natural language and computers.
GPT	Refers to	Generative Pre-trained Transformer, a language model based on artificial intelligence technology and widely used in the field of natural language processing.
ChatGPT	Refers to	The large language model developed by the American company OpenAI.
BERT	Refers to	Bidirectional Encoder Representations from Transformers, a pre-trained language model developed and released by Google in 2018.
SIP	Refers to	Session Initiation Protocol, an application-layer control protocol for multimedia communication over IP networks.
ONVIF	Refers to	Open Network Video Interface Forum, an international organization dedicated to formulating global open interface standards for network video devices.

SMB	Refers to	Small and Medium-sized Businesses.
NFC	Refers to	Near Field Communication, a short-range high-frequency wireless communication technology that enables data exchange between electronic devices.
OTA	Refers to	Over-The-Air Technology, a technology that enables remote updates and upgrades of system software, applications, configuration parameters, etc. of mobile terminal devices or other intelligent devices through mobile communication networks.
SKU	Refers to	Stock Keeping Unit, a unique code used to identify and track each distinct product variant (such as different colors, sizes, and features) in inventory, and serving as the foundation for refined inventory management.

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

## 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		
Website	www.zkteco.com		
Email	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
Email	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 <a href="http://www.szse.cn">http://www.szse.cn</a>
Media and website for the disclosure of the Annual Report	Securities Times, China Securities Journal, Shanghai Securities News, Securities Daily, and CNINFO ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> )
Location for inspection of the Annual Report	Office of the Board of Directors No.32, Pingshan Industrial

Road, Tangxia Town, Dongguan, Guangdong, China
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#### IV. Other Relevant Information

Accounting firm engaged by the Company

Name of the accounting firm	Zhonghui Certified Public Accountants (Special General Partnership)
Office address of the accounting firm	Room 601, Building A, Hualian UDC Times Building, No. 8 Xinye Road, Jianggan District, Hangzhou City
Name of signing accountants	Li Li, Yuan Zongzhi

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	Gong Qian, Cai Zhiwei	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

	2024	2023	YoY change	2022
Operating revenue (RMB)	1,991,200,391.75	1,970,183,682.34	1.07%	1,918,559,191.76
Net profit attributable to shareholders of listed companies (RMB)	183,045,997.93	177,263,675.15	3.26%	192,502,163.93
Net profit attributable to shareholders of listed companies after deducting non-recurring profits and losses (RMB)	165,283,299.30	178,122,838.64	-7.21%	189,604,873.38
Net cash flows from operating activities (RMB)	228,336,583.05	236,000,890.21	-3.25%	124,520,033.18
Basic EPS (RMB/share)	0.9496	0.9176	3.49%	1.1307
Diluted EPS (RMB/share)	0.9496	0.9133	3.97%	1.1275

Weighted average return on net assets	5.60%	5.63%	-0.03%	9.40%
	At the end of 2024	At the end of 2023	Increase or decrease at the end of this year compared to the end of the previous year	At the end of 2022
Total assets (RMB)	4,014,623,523.49	3,923,900,732.70	2.31%	3,664,679,907.15
Net assets attributable to shareholders of listed companies (RMB)	3,350,349,704.08	3,265,413,589.20	2.60%	3,057,662,843.22

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	399,677,922.33	503,425,236.44	507,796,993.98	580,300,239.00
Net profit attributable to shareholders of listed companies	26,334,496.73	52,303,230.60	42,040,658.61	62,367,611.99
Net profit attributable to shareholders of listed companies after deducting non-recurring profits and losses	21,211,610.69	45,960,594.37	38,795,453.63	59,315,640.61
Net cash flows from operating activities	61,516,123.25	5,116,198.60	69,506,278.19	92,197,983.01

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 2024	Amount in 2023	Amount in 2022	Remarks
Losses and gains from disposal of non-current assets (including the offsetting portion of the provision for asset impairment)	-1,122,946.12	-626,426.46	-353,911.28	
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)	6,728,971.26	6,119,808.45	12,705,234.71	
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	16,131,575.37	-2,644,568.64	-5,791,116.41	Mainly due to investment income and fair value changes generated by financial products
Capital occupancy fees charged to non-financial enterprises included in current profits and losses	42,684.28	50,222.65	50,026.13	
Reversal of the provision on receivables with impairment test conducted on an individual basis	409,755.94	239,389.68		
Other non-operating income and expenses other than the above items	-715,235.85	-4,210,700.05	-2,833,347.63	Mainly due to the changes in non-payable amounts and material losses.

Less: income tax impact	2,042,311.18	-281,003.45	722,071.62	
Minority interest impact (after tax)	1,669,795.07	67,892.57	157,523.35	
Total	17,762,698.63	-859,163.49	2,897,290.55	--

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.

Explanations 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

As an internationally recognized innovative enterprise, the Company has consistently committed itself to the domains of smart space, smart office, digital identity authentication, and smart business. We provide advanced smart terminals, industry-specific application software, and platforms equipped with object detection as well as identity recognition and verification capabilities tailored for relevant sectors. We apply multimodal BioCV (computer vision and biometrics) and AI cognitive space computing technologies to build a comprehensive perception system, promoting the transformation of space from static management to autonomous decision-making and evolution, and bringing comfortable, intelligent, safe and sustainable scene experiences to global customers.

In light of the rapid advancements characterizing the intelligent era, the Company has officially unveiled its new mission and vision, with its robust AI cognitive technology serving as the core driving force. Based on this, the Company comprehensively upgraded its business system and built four strategic sectors: smart space, smart office, digital identity authentication, and smart business. This significant initiative marks the official commencement of the Company's new journey to redefine its value system. It will continuously explore the realm of intelligence, striving to create enhanced value for customers and set new trends within the industry.

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 2024

###### (1) Global market overview

The global biometric market size was USD 45.09 billion in 2024 and is projected to grow to USD 173.08 billion by 2033, with a compound annual growth rate (CAGR) of 14.4% (source: IMARC Group).

The main growth drivers of the global market include:

- ① The continuous advancement of edge computing and AI chips has markedly improved the precision of facial recognition and gait behavior analysis, as well as expanded their range of application scenarios.
- ② The combination of multimodal biometric technologies with multiple biological features (such as fingerprint + face + iris) has further enhanced security and reliability. For instance, multimodal systems in airport security inspections combine facial recognition with iris scanning to reduce error rates and improve clearance efficiency.
- ③ The integration of non-contact biometric technologies with the financial industry, such as the binding of biometric features for payment verification in digital currency and cashless societies, Amazon's "Payment by Stretching out Your Hand" palm recognition in unmanned stores, and WeChat's palm payment terminals in major chain convenience stores.
- ④ Policy support and industry standardization. Governments promote technology application through policy support and standard setting. For example, China's "Development Planning for a New Generation of Artificial Intelligence" explicitly supports biometric technology R&D. The EU's GDPR strengthens the protection of biometric data privacy, forcing enterprises to optimize security technologies such as encrypted storage and dynamic biometric feature updates.
- ⑤ The diversified application scenarios are expanded from traditional security and finance to emerging fields such as smart cities, healthcare, and education. For instance, in healthcare, iris recognition is used for patient identity verification to prevent medical record confusion; in education, facial recognition is used for classroom attendance and examination invigilation (such as in smart classrooms in some Chinese universities).

###### (2) Global development of biometric technology

Global biometric technology is undergoing continuous evolution and emergence, particularly evident in the following aspects:

① Multimodal biometric technology improves recognition accuracy and security by combining multiple biological features (such as fingerprint, face, iris, and voiceprint). The core of this technology lies in information fusion, which can be conducted at different levels, including sensor level, feature level, matching score level, rank level, and decision level. Multimodal biometric technology can cover more application scenarios and populations, achieving significant improvements in accuracy, efficiency, and user experience, thereby meeting the demands of high security and convenience.

② Non-contact biometric technology uses machine sensors for identity verification without manual contact. The demand for this technology is increasing in areas such as smart cities, smart homes, e-commerce, financial services, and mobile payments. The market for non-contact biometric technology is growing rapidly. Especially in recent years with the occurrence of public health events, the demand for this technology has further increased. As the technology continues to advance and costs decrease, the application scope of non-contact biometric technology will further expand.

③ The integration of biometric technology with AI is leading a new trend. This fusion technology improves the accuracy and efficiency of biometric systems by introducing AI technologies such as deep learning and computer vision. For example, AI can optimize data processing, reduce false rates, and improve the accuracy and precision of facial detection systems in complex environments. AI can also mine potential patterns from large amounts of historical data to achieve more accurate population profiling, which can assist enterprises in making marketing decisions in the retail sector.

④ With the popularization of edge computing and edge intelligence, biometric technology is shifting from cloud-based to edge and end side computing architectures. This transformation moves most of the computing and storage processes to local edge and end side devices, significantly reducing network transmission latency compared to remote cloud services. This localized processing model can better meet the demands of real-time control and other latency-sensitive edge intelligence applications. Since only the calculation results need to be sent back to the cloud, this model has a relatively low requirement for network bandwidth. Moreover, when the network is unstable or interrupted, the edge devices can still operate independently all or part of their functions, effectively reducing the impact of network fluctuations on applications and demonstrating stronger network adaptability. This architecture not only achieves low latency through local processing but also avoids potential privacy risks by reducing data transmission across the network, providing more efficient and reliable technical support for edge intelligence applications.

The development of global biometric technology shows trends such as multimodal, non-contact, AI integration, and edge side migration. These technological advancements not only enhance the accuracy and security of identity verification but also expand its application scope, driving continuous market growth.

### (3) The application situation of the global biometric industry

From a regional distribution perspective, the application of global biometric technology shows significant regional differences. Each region has its own characteristics due to different policy orientations, technological foundations, and market demands. The Asia-Pacific region has emerged as one of the largest global markets for biometric technology applications, driven primarily by demand from government governance, financial services, and public security sectors. For instance, India has promoted digital governance through the "Aadhaar" biometric identity system, while Japan and South Korea have widely applied fingerprint and facial recognition technologies in financial payments and intelligent security. Meanwhile, emerging economies like Indonesia have accelerated inclusive financial development through mobile identity authentication. At the same time, developed countries in Europe and the United States are also active in the application of biometric technology, covering areas such as government management, public security, financial payments, and enterprise office. Especially under the framework of the EU's GDPR (General Data Protection Regulation), data privacy protection has become a key direction, promoting the implementation of data desensitization, local storage, and compliance solutions, thereby further enhancing the standardization and security of technology applications.

From the perspective of application scenarios, biometric technology has broken through the limitations of traditional identity verification and gradually permeated into broader fields, showing a trend of full-scenario coverage and full-chain closed-loop development. From basic identity authentication to intelligence applications based on behavior analysis and scene perception, and then to the deep integration of active security protection, biometric technology is constantly evolving. The combination of non-contact biometric technologies (such as facial recognition, palm recognition, and iris recognition) and multimodal fusion technologies

(combining multiple biometric features such as fingerprints and voiceprints) is leading the application in areas such as security entrance and exit management, consumer electronics (such as smartphone unlocking), and industrial scenarios (such as identity verification on production lines), while playing a key role in epidemic prevention and control and security expansion. This technological integration not only enhances the convenience and accuracy of authentication but also provides more flexible solutions for diverse scenarios.

In addition, some emerging markets are rapidly rising as new hotspots for biometric technology applications through top-level design at the national strategic level. For example, the NEOM New Future City Project in Saudi Arabia and the smart customs clearance system at Dubai Airport in the Middle East have deeply integrated multimodal biometric technology with smart city construction. In Latin America, Brazil has promoted the leapfrog development of inclusive finance by binding the Central Bank Digital Currency (CBDC) PIX with biometric technology. These emerging markets often adopt an innovative model of "government-led, scenario-closed-loop, and ecosystem-bundled", directly deploying multimodal fusion solutions, which not only accelerates technology implementation but also significantly enhances the space and influence of biometric technology in local applications. This model also provides a new development paradigm for the global biometric industry, demonstrating the adaptability and potential of the technology in different economies.

## 2. China's biometric industry situation in 2024

### (1) Overview of China's biometric market

According to a report released by CICC Qixin International Consulting, it is estimated that the market size of China's biometric industry will grow to RMB 60 billion in 2024, with a compound annual growth rate (CAGR) of 22.6% over the next five years. In 2024, benefiting from policy support and technological progress, the Chinese biometric market is expected to maintain a high growth rate.

In recent years, China has issued multiple policies and regulations to promote the development of the industry. For instance, the implementation rules of the "Personal Information Protection Law of the People's Republic of China" further clarify the norms for the collection and use of biometric data, requiring enterprises to strike a balance between privacy protection and technological applications. Additionally, the "14th Five-Year Plan for Digital Economy Development" proposes to accelerate the construction of a digital identity authentication system, providing policy support for the application of biometric technology in government affairs, finance, and other fields. The "Measures for the Security Management of the Application of Facial Recognition Technology" regulates the processing of facial information by facial recognition technology, thereby better protecting personal information rights and interests. These regulations not only standardize the market order but also inject impetus into industry innovation.

### (2) China's development of biometric technology

In 2024, multimodal biometric technology became the core trend in the industry. Compared with single-modal systems, multimodal technology integrates multiple recognition methods such as fingerprint, finger vein, face, palmprint, palm vein, iris, and voiceprint, significantly improving accuracy, reliability, and anti-forgery capabilities. The application of technology presents three major characteristics:

① Mainstreaming of multimodal products: Non-contact palmprint and palm vein fusion recognition and iris recognition technologies are gradually commercialized and widely applied in high-security scenarios;

② Deep integration of scenarios: Biometric technology is deeply integrated with the IoT, cloud computing, and AI, giving rise to solutions such as intelligent access control and digital identity verification, covering communities, parks, education, healthcare, transportation, and other fields;

③ Technological iteration direction: With the advancement of sensor and optical technologies, biometric devices are evolving towards miniaturization, mobility, and high throughput to meet diverse and personalized demands.

According to IDC's forecast, the market for biometric smart access control integrated machines in China is expected to grow rapidly at a CAGR of 11.6% from 2023 to 2027, reaching nearly USD 900 million by 2027. The trends include non-contact, multimodal recognition integration, integration with other business systems, and product export, demonstrating strong international potential.

### (3) The application situation of the Chinese biometric industry

In 2024, the application of biometric technology in consumer electronics and identity authentication will be further deepened:

① Consumer electronics: Smartphones, smart door locks, and wearable devices enhance security and convenience through biometric technology, promoting the popularization of the technology. According to statistics, over 60% of smart door locks in the Chinese market in 2024 were integrated with biometric functions.

② Identity authentication: Expanding from public security to transportation, finance, social security, education, and healthcare, biometric technology has become a reliable authentication method. In July 2024, the Ministry of Public Security and the Cyberspace Administration of China solicited public opinions on the "Administrative Measures for National Network Identity Authentication Public Services (Draft for Comment)". The implementation of electronic identity cards is anticipated to accelerate in sectors such as finance, taxation, and healthcare, thereby enhancing service efficiency.

The "14th Five-Year Plan for National Informatization" emphasizes the construction of new types of infrastructure and the integrated development of the digital economy. Multimodal biometric technology is increasingly applied in entrance and exit management and digital identity verification. Multiple provinces and cities across the country have piloted electronic identity cards. In June 2024, the Shandong Big Data Bureau and the Provincial Public Security Department jointly issued a notice to promote the application of electronic identity cards throughout the province, facilitating their use in various fields and scenarios such as government services, law enforcement, and social life. In the future, the deep integration of biometric technology with AI, IoT, and cloud computing will become the standard practice within the industry.

### **3. Development of the smart retail industry in 2024**

In recent years, computer technologies such as LLMs, AIGC, and AIGS have developed rapidly and continuously, giving rise to a large number of industry applications and product innovations. In 2024, the retail industry also faces significant opportunities. Based on technologies such as big data, cloud computing, and AI, it can accurately understand consumer needs, provide personalized services and products, and meet diverse consumer demands, thereby enhancing the shopping experience. Retail enterprises are also actively transforming, strengthening the integration of online and offline applications, and implementing intelligent management and optimization to improve retail efficiency and reduce operating costs.

The overall solution for the retail industry is moving towards "deep integration of technologies, full data connectivity, and seamless experience". Enterprises need to strike a balance between technological investment, organizational change, and ecological cooperation to address the dual challenges of upgraded consumer demands and market competition. In the future, the acceleration of digital and physical integration and the iteration of emerging technologies will continue to drive innovation and restructuring in the retail sector.

### **(III) Overview and development trends of major technologies in the industry in 2025**

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?" as well as the empathetic experience ecology of scene interaction.

#### **1. Overview and trends of global biometric technology development**

The global development of biometric technology has experienced significant advancements, driven by the development of AI, chips, algorithms, and various other components. Technically, the rapid evolution from single biometric recognition (such as fingerprints and facial recognition) to multimodal technology integration provides multi-layered authentication and enhances security. The transition from contact-based biometric recognition to non-contact biometric recognition—such as iris recognition, voiceprint recognition, and palmprint recognition—has been underway for some time, particularly in recent years. The promotion of good hygiene practices and the non-invasive characteristics of non-contact biometric systems have contributed to their growing popularity. The integration of multimodal biometrics with artificial intelligence—encompassing dynamic liveness detection, environment-adaptive technology, and behavior recognition techniques—has significantly enhanced the accuracy and efficiency of biometric systems. This advancement has rendered the authentication process more reliable and expedited. Furthermore, the processing of biometric data on

edge devices is on the rise, which reduces data transmission to centralized servers. This development not only reduces latency but also enhances privacy and security.

The global application of biometric technology is expanding to various industries and scenarios, mainly driven by the need for enhanced security and authentication. In governments and law enforcement agencies, biometric technology is used for border control, national ID programs, and public safety, improving the overall security and efficiency of government operations. For instance, biometric systems are used for border security and national identity management, enhancing the overall security and efficiency of government operations. In the banking and financial sector, biometric authentication is used for customer verification and transaction security, reducing the risk of identity theft and fraud. Banks use biometric authentication for mobile banking and ATM transactions, improving the overall security and efficiency of financial services. In the healthcare industry, biometric technology is used for patient identification and access control, reducing medical errors and ensuring secure access to health records. For example, hospitals use biometric systems to verify patient identities and control access to sensitive areas, enhancing the overall efficiency and security of healthcare services. Moreover, the integration of biometric technology with self-service systems is increasing, providing convenient and secure authentication for various services.

The future development of biometric technology is transitioning from a "simple tool attribute" to a "social foundation," thereby redefining the ultimate boundaries of human identity authentication. This evolution occurs within the context of technological innovation while adhering to principles of privacy and security.

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

### **(1) Technological application trends**

In 2024, the following key trends will emerge in China's biometric technology:

**Mainstreaming of multimodal technology:** The integration of multimodal recognition technologies such as fingerprint, face, palmprint, palm vein, iris, and voiceprint will become mainstream due to their advantages in security, reliability, and flexibility. The demand for non-contact identity authentication will continue to rise, and multimodal technology will be flexibly adapted to scenarios such as government, finance, and hotels, promoting the popularization of self-service terminals.

**Empowerment through AI and computer vision:** The field of biometrics is transitioning from conventional algorithms to approaches driven by deep learning, thereby achieving a profound integration with computer vision technology. The improvement in algorithm efficiency and accuracy significantly enhances recognition speed and robustness, supporting precise detection of both biometric and object features. Generative AI technology optimizes algorithms through simulated data, further enhancing performance while ensuring compliance with privacy regulations.

**Scenario-based innovation:** The transformation from traditional physical security to digital and intelligent security is underway, with biometric technology combining with AI and IoT to create "people-oriented" OMO (online-to-offline integration) micro-scenario experiences. There is significant application potential in fields such as healthcare, retail, transportation, education, and government, such as intelligent access control and digital identity verification solutions.

### **(2) Industry demand and policy drivers**

**Demand:** The geometric growth in the demand for identity authentication and security in the digital age is driving the expansion of biometric technology from public safety to all industries. In 2024, the demand for non-contact recognition will surge, and emerging technologies such as behavior recognition (such as network usage habits and payment habits) will be used in conjunction with traditional biometrics, covering both the real and virtual worlds.

**Policy:** The "14th Five-Year Plan for Digital Economy Development" of the state and the new infrastructure strategy accelerate digital transformation, providing a broad stage for biometrics. The "Personal Information Protection Law of the People's Republic of China" further regulates the use of biometric data, while the promotion policy of electronic identity cards is implemented in fields such as finance, healthcare, and social security, releasing huge market space. The "Measures for the Security Management of the Application of Facial Recognition Technology" regulates the processing of facial information by facial recognition technology, thereby better protecting personal information rights and interests.

### **(3) Frontier applications and future prospects**

With the innovation of AI technology and the expansion of application scenarios, biometric technology will continue to make breakthroughs in accuracy, speed, and adaptability. At the same time, as an important support for AI, biometric technology is accelerating its integration into fields such as intelligent robots. The integration of facial recognition and voiceprint recognition enhances personalized services and security, promoting the development of intelligent automation.

Although China's biometric market still accounts for a relatively low proportion globally, as one of the world's fastest-growing economies, its market potential is huge and is expected to further increase in the future. The synergy of policy support, technological innovation, and scene demand will drive China's biometric industry towards a market worth hundreds of billions, providing a solid support for the construction of the digital economy and intelligent society.

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

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

#### 1. Business overview

##### (1) Business overview

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

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

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

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

Unit: RMB '0,000

Item	2024		2023	
	Amount	Proportion	Amount	Proportion
<b>I. Smart space products</b>	149,969.05	75.62%	143,706.66	73.27%
<b>II. Smart office products</b>	30,372.77	15.31%	33,157.70	16.90%
<b>III. Digital identity authentication products</b>	11,413.47	5.75%	15,582.86	7.94%

<b>IV. Smart business products</b>	6,578.09	3.32%	3,703.62	1.89%
<b>Total</b>	198,333.38	100.00%	196,150.83	100.00%

## (2) Core businesses

### ① Smart space products: Intelligent upgrade spanning physical and digital worlds

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

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

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

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

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

### ④ Smart business products: AI-driven, leading business transformation

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

## (3) Innovative businesses

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

The representative innovative businesses of the Company are as follows:

### ① Smart elderly care

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

2022," it is projected that by 2038, the global elderly population will surpass 14%, marking the onset of a significant aging period.

In China, the silver economy is a key industrial direction guided by government policies. As the most important part of the silver economy, smart elderly care has a huge market potential. According to the "China Smart Health and Elderly Care Industry Development Report (2023)", the scale of China's smart health and elderly care industry was approximately RMB 6 trillion in 2023. According to China Report Hall, it is expected that the market size of China's smart elderly care industry will reach RMB 14 trillion in 2024 and exceed RMB 20 trillion by 2027. From the current market perspective, this sector exhibits significant potential for growth and development. Therefore, guided by the principle of "Tech for Social Good," the Company commenced its research into the elderly care industry in 2024. Through collaborative ecological efforts, it has successfully incubated products such as urination and defecation care robots, as well as portable bathing assistance robots. In the future, the Company will conduct comprehensive studies on the living scenarios of the elderly, examining various aspects such as "clothing, food, housing, and transportation," as well as their mental health and experiences of loneliness. Based on these insights, we will develop inclusive solutions tailored to elder-friendly environments and integrate our existing technologies—such as machine vision, multimodal recognition, and spatial agents—with elderly care product solutions. This approach aims to achieve a synergy between AI and smart elderly care, enhancing the dignity of seniors in their later years while ensuring their ongoing happiness and well-being.

### ② E-bike

E-Bike, as an important component of green travel and intelligent transportation, is at a turning point from a niche market to a mainstream one and is expected to be deeply integrated into urban transportation systems in the next decade. With technological advancements, policy support, and increased consumer awareness, its market size is likely to surpass that of traditional bicycles and it will become a core carrier of sustainable travel ecosystems. In recent years, it has experienced explosive growth worldwide. According to the "2024 Global E-Bike Market Insight Report" by Big Data Cross-border, the global E-bike market size is expected to reach USD 35 billion in 2024 and climb to USD 62.25 billion by 2030, with a compound annual growth rate (CAGR) of nearly 10%.

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

### ③ Swimming pool cleaning robots

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

In 2024, the Company released a swimming pool cleaning robot equipped with ultrasonic sensors and four brushless motors. It features powerful and thorough scrubbing and an excellent filtration system. Through brushes and the filtration system, it can clean the bottom, sides, and waterline of the pool, adsorbing obvious impurities in the water and floor drains, thereby achieving higher cleanliness and energy efficiency. Additionally, the Company's swimming pool cleaning robots adopt a new cordless design and come with path planning, offering strong intelligence and agility. It also features wireless induction charging and magnetic suction systems.

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

## 2. Core technology system of the Company

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

### **(1) Core biometric technology**

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

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

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

### **(2) IoT**

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

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

ZKTeco has evolved from a pioneer in single biometric technology to a leader in multimodal BioCV and AI cognitive technology. The Company is no longer limited to "I'll tell you who you are" in identity recognition, but through the integration of computer vision and biometrics, it creates multimodal AI attributes, answering "Who are you? What kind of service should I provide for you?" and

building an empathetic experience ecosystem of scene interaction. Relying on core technologies and its self-developed IoT platform digital infrastructure, the Company has promoted the upgrade of audio and video in smart terminals, and simultaneously launched machine vision analysis, big data analysis, AIGC, and advertising production and distribution platforms. Among them, the ZKDIGIMAX Level3 digital marketing solution has been applied to the retail scenarios of traditional small and medium-sized retailers, deeply exploring the value of smart retail scenarios. The Company always integrates the interaction value and empowerment value between people and scenarios into its innovation practices and continuously deepens its exploration.

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

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

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

### **3. Main products and services**

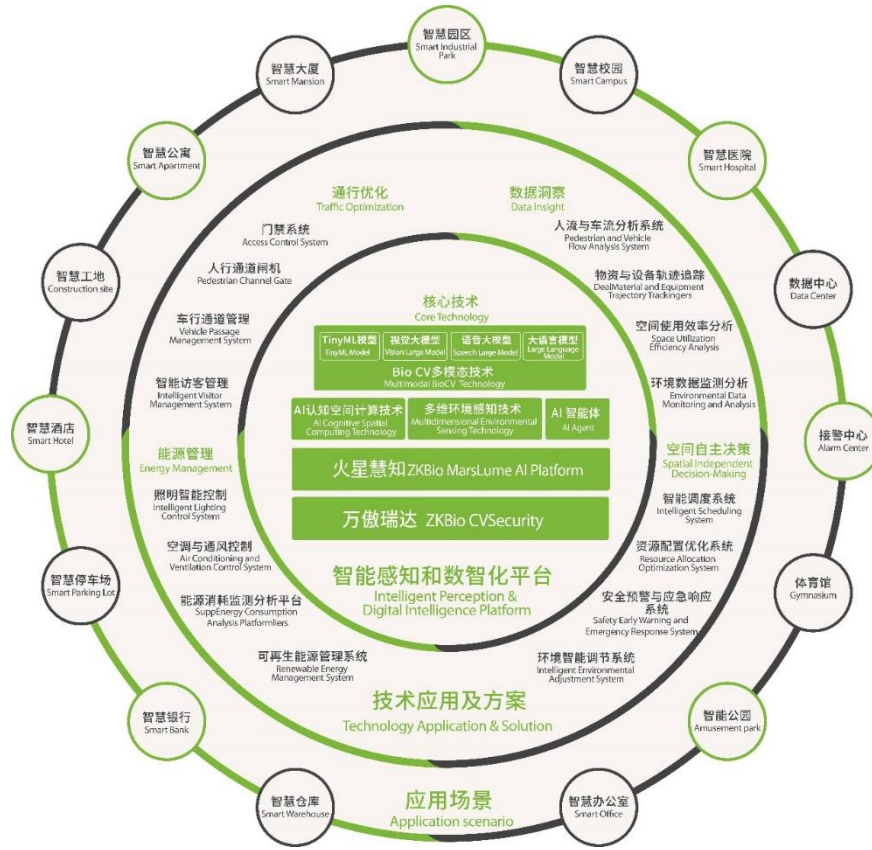
ZKTeco, with its new-generation AI cognitive space computing technology and self-developed multimodal models as the driving force, has comprehensively upgraded its four business segments and deeply laid out in the four strategic fields of smart space, smart office, digital identity authentication, and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

#### **(1) Smart space business**

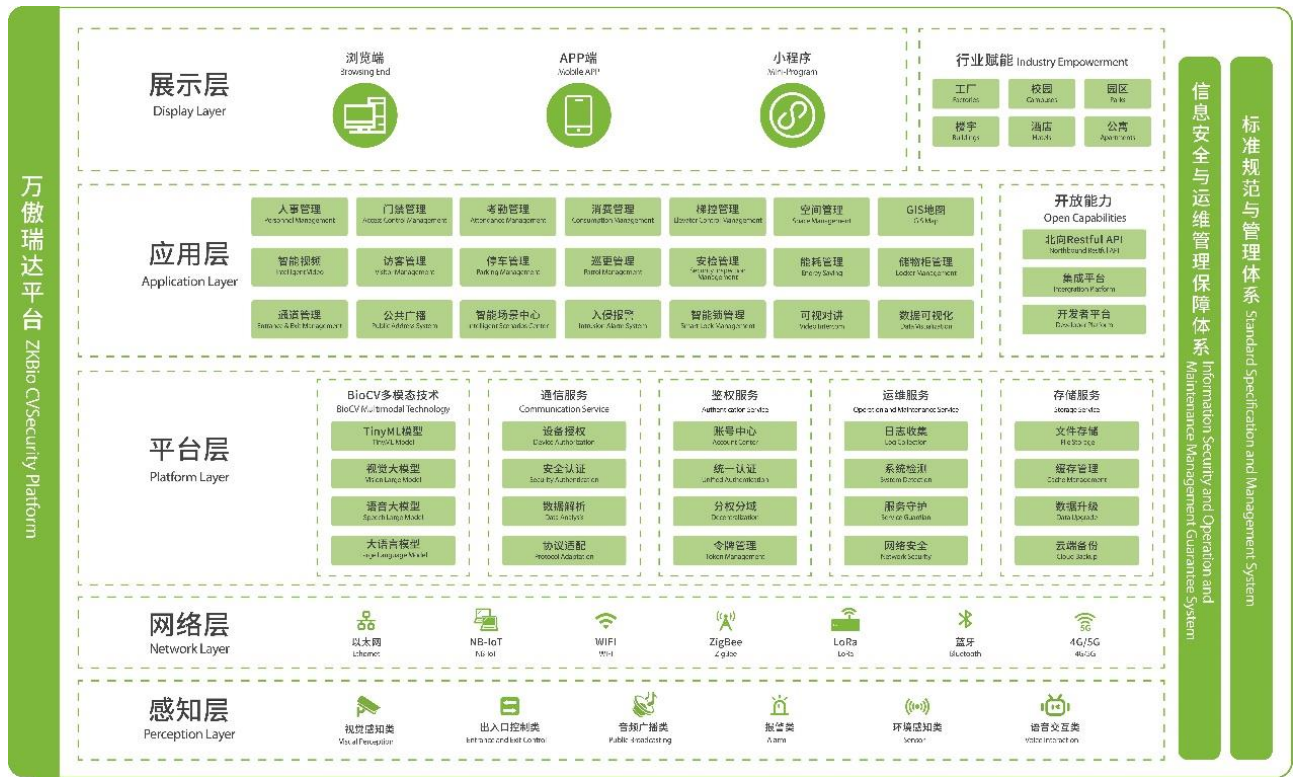
ZKTeco, with the core driving force of the cutting-edge AI cognitive space computing technology, deeply integrates the ZKBio software platform and the Mars Wisdom AI platform to build a comprehensive perception network of people, vehicles, objects, and the environment, providing comprehensive and intelligent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

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





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



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

a. All-scenario integration:

Based on a micro-service distributed architecture, the platform supports the flexible combination of modules such as video

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

b. Intelligent decision-making hub:

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

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

c. Ecological expansion capability:

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

## ② Access control products

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

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

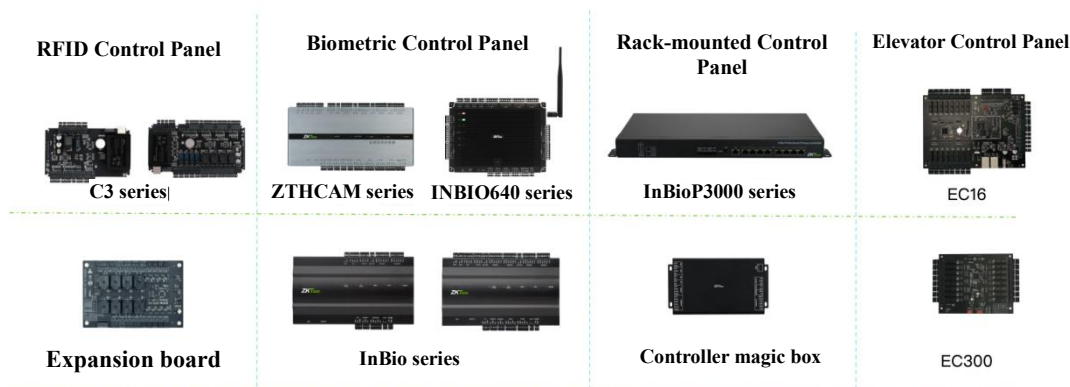
The Company's main access control terminal products are as follows:



In response to complex multi-access control interlocking scenarios, the Company has launched access controller products, which are paired with various biometric data collectors, a wide range of fire, water, electricity and gas sensors, as well as alarm systems, to form a comprehensive system solution integrating personnel identification and spatial security. This solution is mainly applied to medium and large-scale project sites with a large number of access control points and high security requirements. Accessible collection methods include facial features, fingerprints, RFID cards, QR codes and passwords. The device has professional access control function and supports unified management on the software platform.

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

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



③ Channel products

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

The pedestrian gate products meticulously developed by the Company integrate multimodal biometrics and radio frequency identification, and also feature multiple infrared passage detection functions for human bodies and objects, enabling efficient intelligent control and management of the channel. The Company has continuously delved into and expanded in core technologies such as video

detection, image recognition, behavior analysis, and feature comparison. With its leading multimodal BioCV technology and the outstanding ZKTeco cloud IoT platform Minerva IoT, it provides strong and continuous empowerment for pedestrian channel products.

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

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

The Company's main channel products are as follows:



#### ④ Smart parking

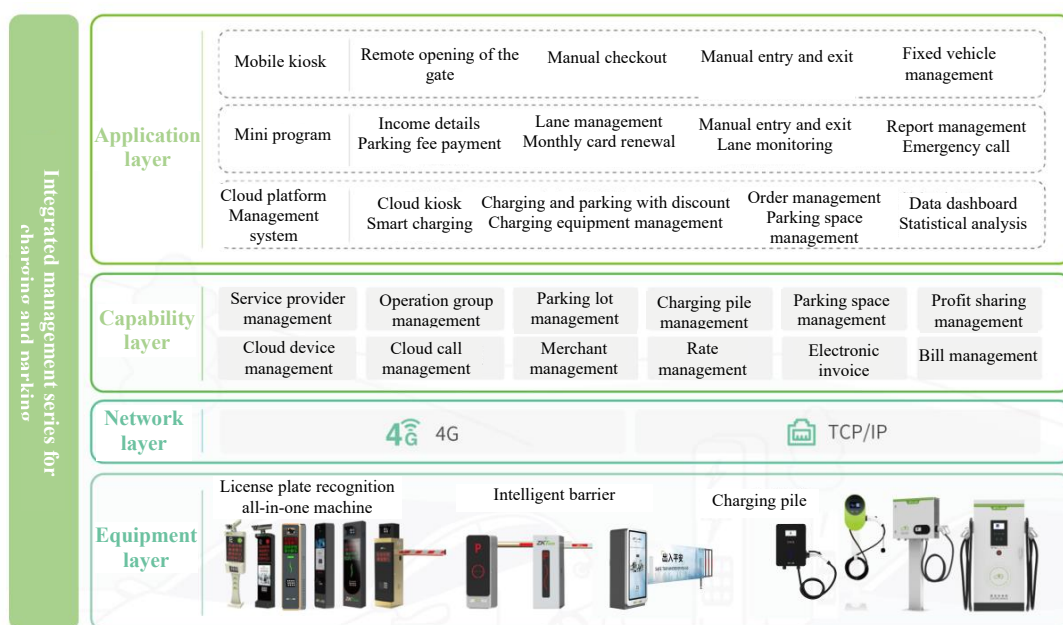
To build a smart space operation ecosystem, the Company relies on a "cloud + edge + AI" technology architecture to create an all-scenario smart parking and charging integrated solution. This solution takes digital twin technology as its core and, through the digital transformation of all elements, achieves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

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

During the reporting period, the Company successively released unmanned self-service terminals, upgraded 5-megapixel license plate recognition all-in-one machines, card-type intelligent barriers, and drop-down barriers and other smart parking products, as well as 7kW AC charging piles, and 30kW and 240kW DC charging piles, making the smart terminal product matrix more complete and better meeting the parking and charging integrated management needs of various application scenarios such as administrative agencies, enterprises and institutions, industrial parks, industrial zones, shopping centers, scenic spots, communities, and public charging stations. This helps operation entities achieve digital operation management, improve the utilization rate of charging and parking, reduce the operating costs of parking lots, increase efficiency and reduce staff, and also provides car owners with a comfortable parking and charging experience.

As of the end of the reporting period, the Company's smart parking solutions have covered over 120 key cities across the country. These solutions are serving more than 3,800 smart space projects and managing over 800,000 parking spaces. Furthermore, a remarkable connection rate of 98% has been achieved for charging facilities. This has culminated in the establishment of a leading operational ecosystem for smart parking lot spaces within the industry.

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



### ⑤ Smart security inspection

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

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

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



⑥ **Broadcasting audio**

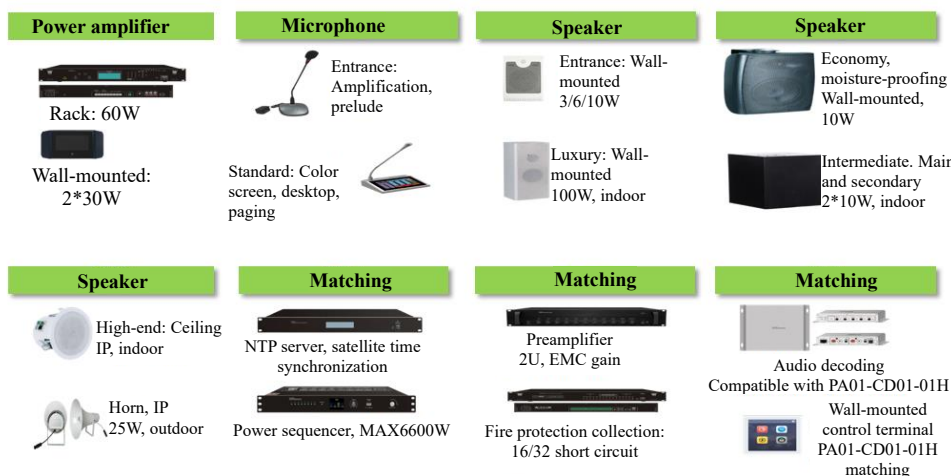
As an auditory perception system, broadcasting audio plays a crucial role in smart building spaces. It provides efficient and precise information transmission for building spaces, ensuring clear and timely broadcasting services in various scenarios such as meetings, performances, and emergency evacuations.

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

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

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

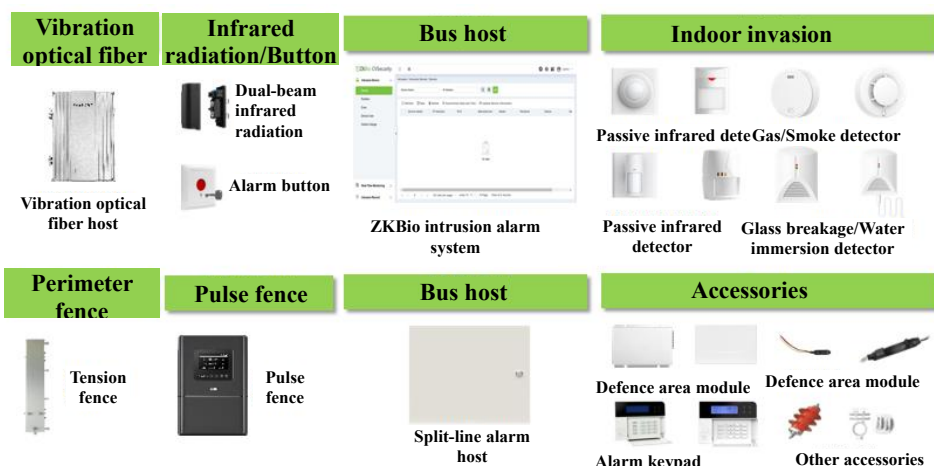
The Company's main broadcasting audio products are as follows:



**⑦ Intrusion alarm**

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

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



**⑧ Smart environmental perception**

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

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

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

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

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



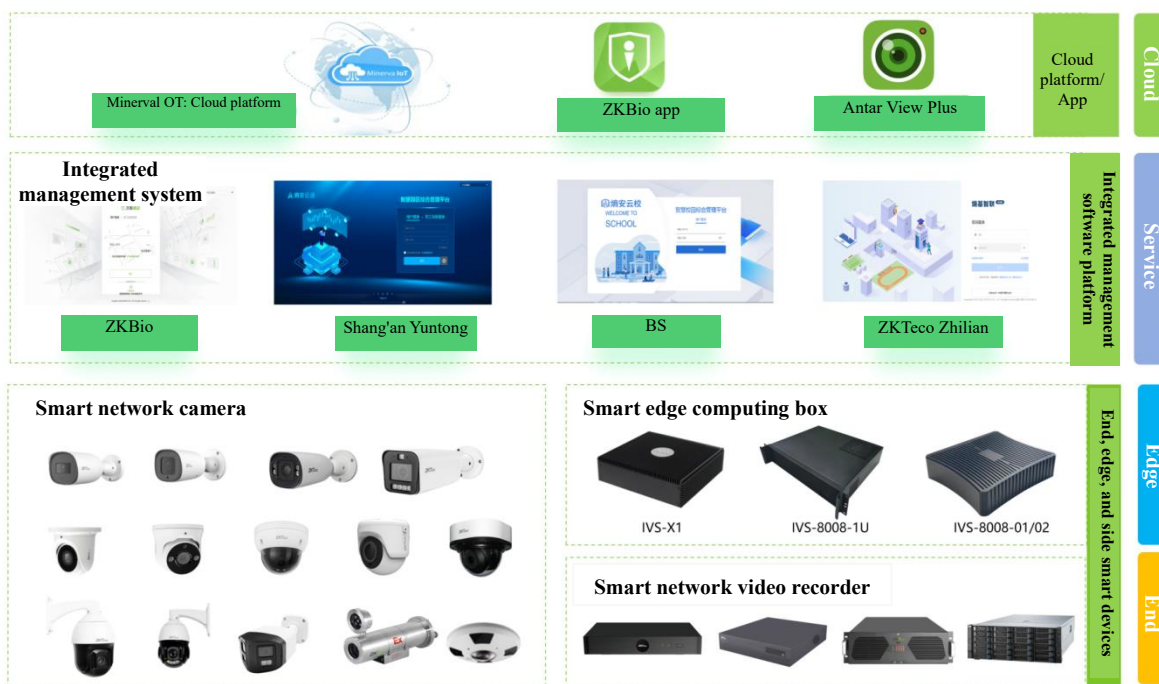
### ⑨ Smart video

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

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

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

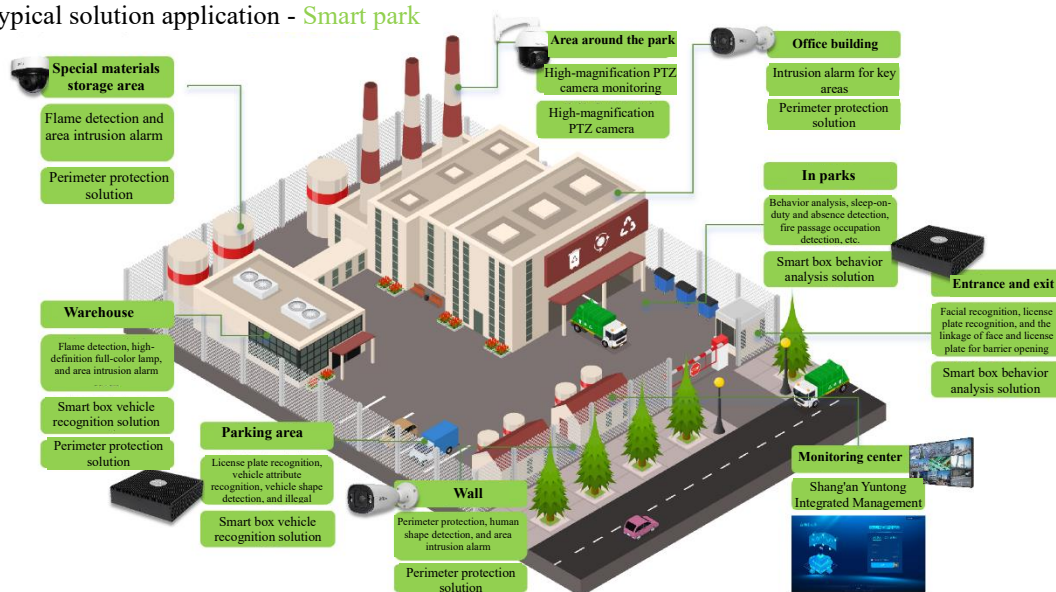
The Company's main smart video product matrix is as follows:



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

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

Typical solution application - Smart park



⑩ Smart building space solution

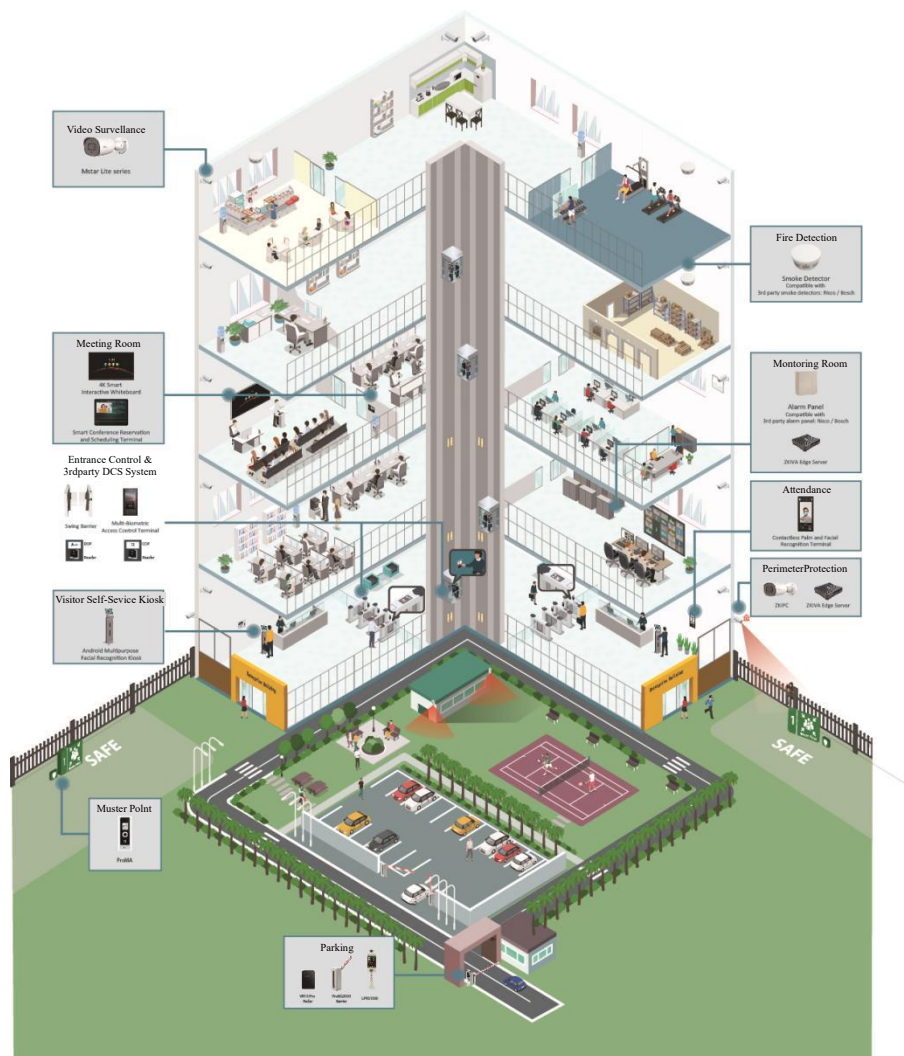
The smart building space solution can provide timely background music to create a relaxing atmosphere, control the fresh air system to keep the air fresh and pleasant, sense temperature and humidity to offer a comfortable environment, simplify user operations with smart voice interaction, reduce elevator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

The smart building space solution aims to achieve intelligent and efficient building operation by integrating multiple functional

modules such as access control systems, visitor systems, elevator control systems, public broadcasting systems, parking systems, video perception systems, and intrusion alarm systems, along with full business integration and global linkage, thereby improving the building's safety and convenience.

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

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



### ⑪ Smart apartment space solution

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

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

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

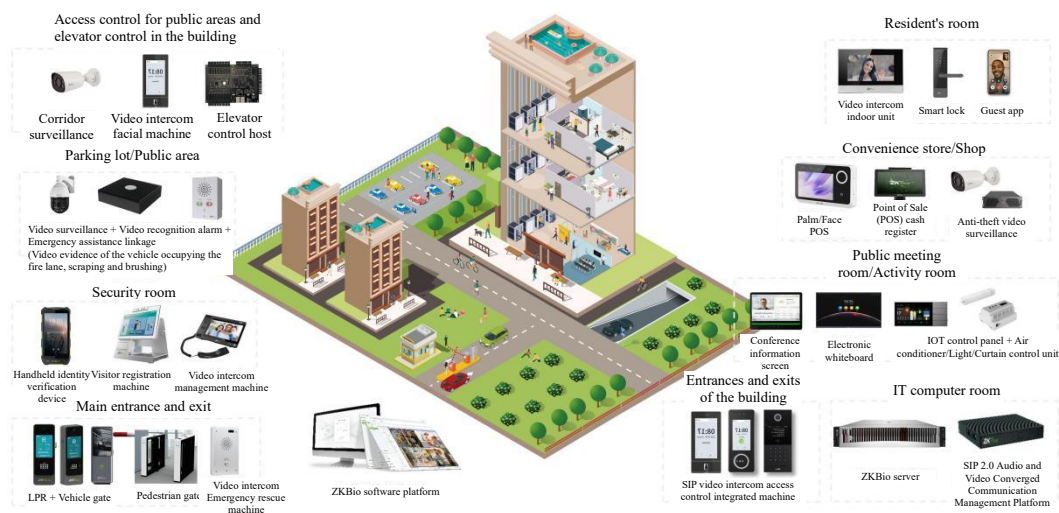
The parking lot management module uses license plate recognition technology to automatically identify and restrict external vehicles from entering, enabling seamless passage and improving user experience.

The video perception and smart analysis module deploys high-definition cameras and intelligent video analysis edge servers to

comprehensively monitor and intelligently analyze key areas of the apartment, such as perimeter protection and key personnel control, effectively enhancing security levels.

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

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



## (2) Smart office business

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

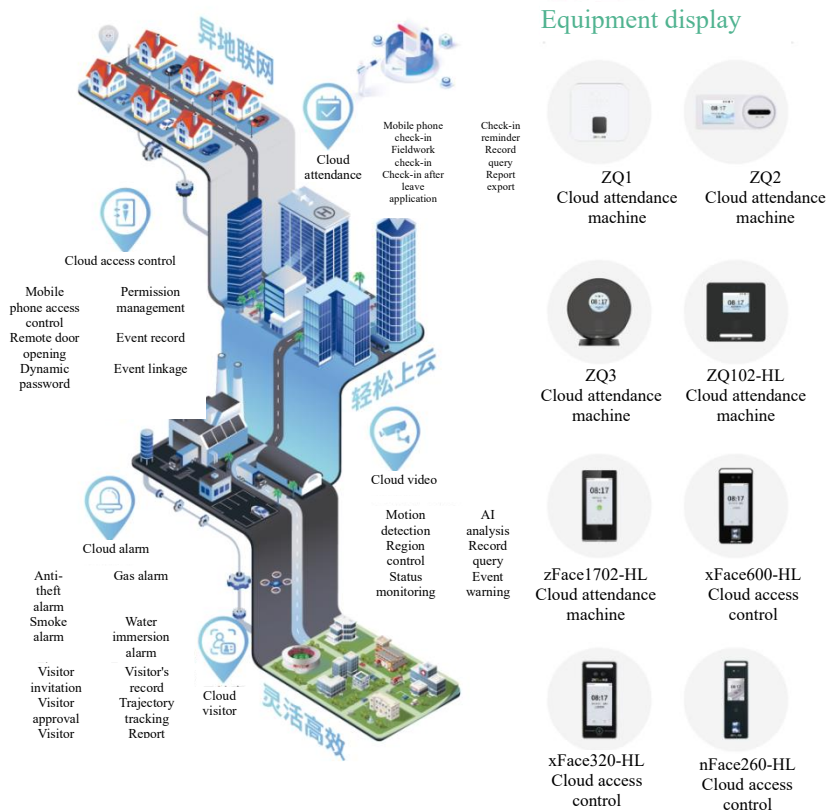
### ① ZKTeco Interconnection: AIoT Cloud Scene Ecosystem Platform

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

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

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

ZKTeco Interconnection: AIoT Cloud Scene Ecosystem Platform



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

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

**Product value of ZKTeco Interconnection Cloud Scene Solution:**

A. Product value provided to partners

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

#### B. Product upgrade provided to customers

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

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

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

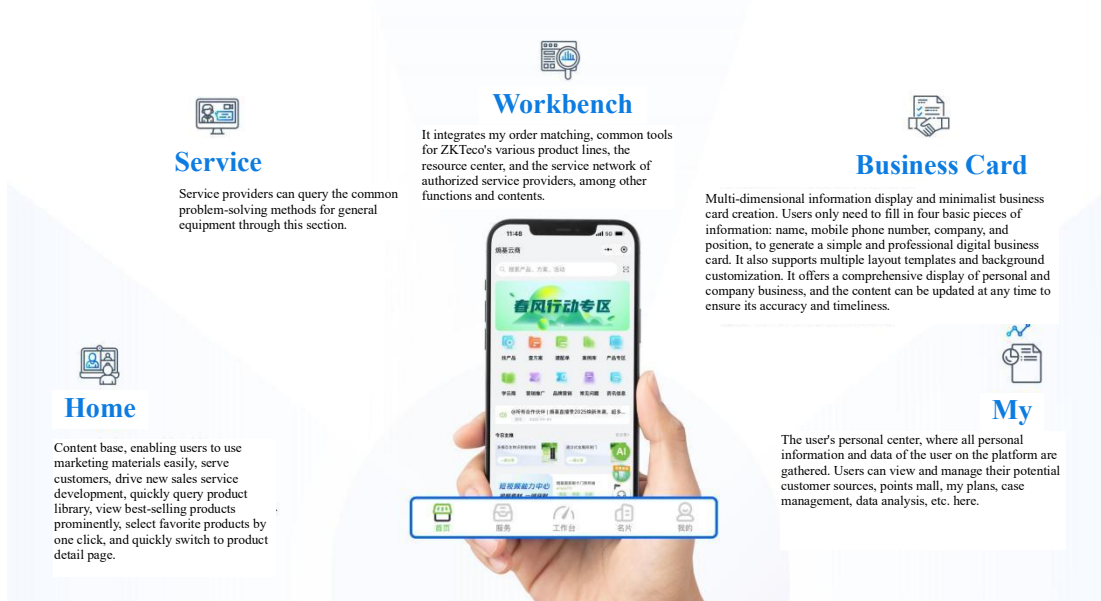
#### D. Upgrade provided to ZKTeco

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

#### ② ZKTeco Cloud Commerce: Digital and Intelligent Marketing Service Platform

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

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



The relevant functions are as follows:

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

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

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

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

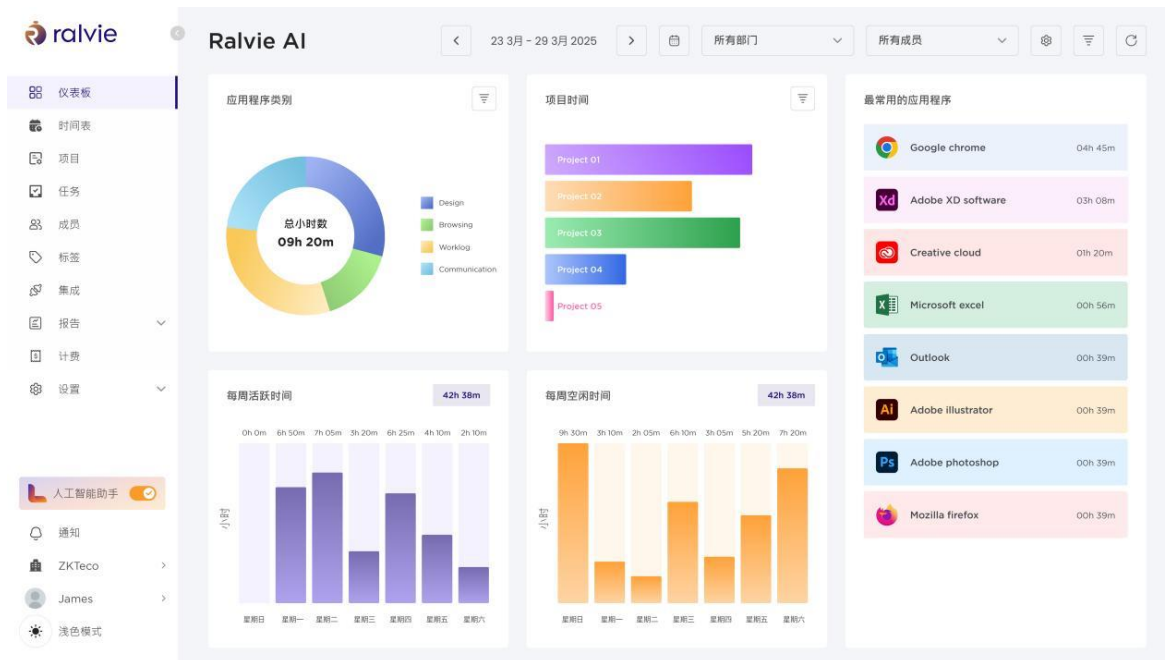
[My]: A system management assistant that makes operations simpler.

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

### ③ Ralvie AI: Intelligent Time Management and Productivity Engine

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

The functional diagram of Ralvie AI is as follows:



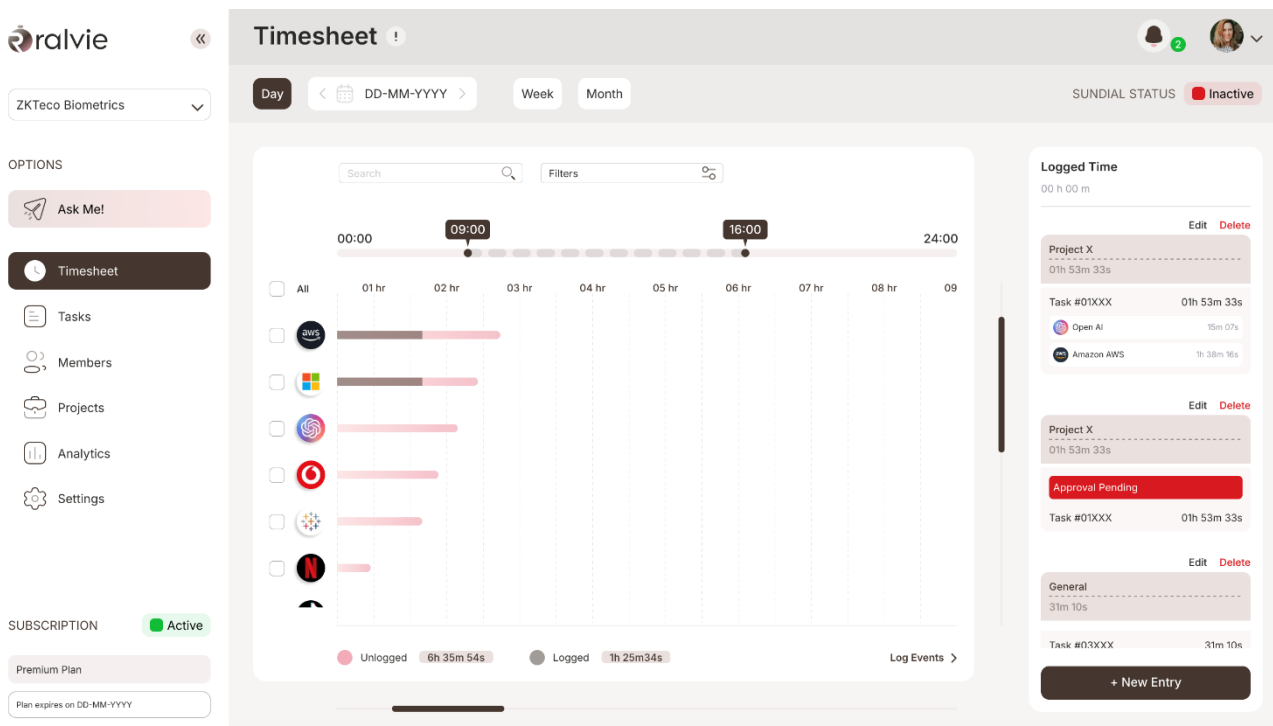
Ralvie AI is an agent designed for efficient work.

It does not merely record time; it redefines its value. Through deep learning and behavior analysis, Ralvie intelligently records, summarizes, and optimizes every effort you make, ensuring that every second yields real results.

**Core concept: Let time work for you.**

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

Ralvie AI Work Time Accounting Form Diagram:



**Core functions of Ralvie AI:**

**A. Automatic work record and activity grouping**

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

**B. Intelligent project and time management**

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

**C. Intelligent work hours statistics and performance suggestions**

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

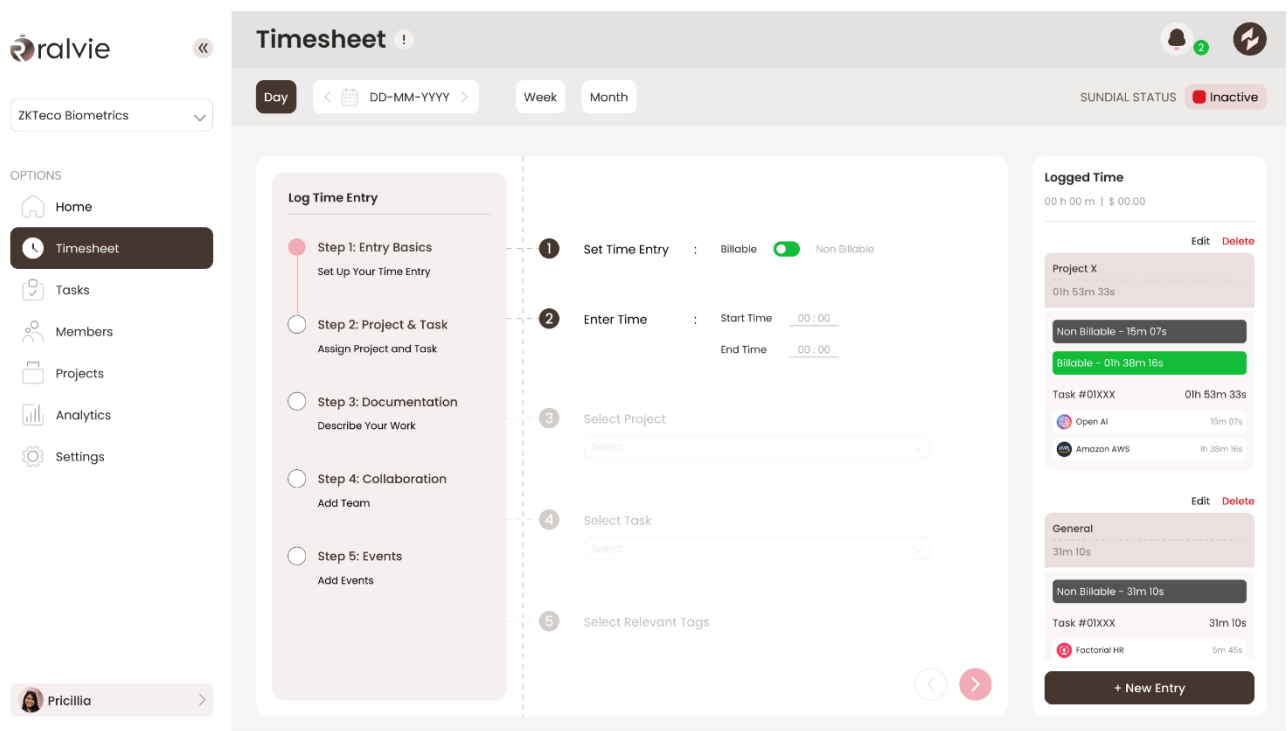
**D. AI-driven summary and mapping function**

- Provide daily and weekly work summaries, extracting key events and data.
- Smartly map user activities to corresponding projects and tags, continuously learning user behavior preferences.

**E. Visual reports and insight support**

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

Ralvie AI Work Time Accounting Form Diagram:



**Applicable scenarios: Comprehensive coverage of all types of work roles**

**•Freelancers/Remote workers**

- Precisely record the time spent switching between multiple projects.
- Enhance the return on investment and optimize the allocation of working hours.

**•Corporate employees/Team members**

- Improve collaboration efficiency and track progress bottlenecks.
- Automatically analyze team resource waste points to help projects be completed on schedule.

**•Students/Researchers**

- Track time input in courses and research.

- Optimize personal learning paths and improve knowledge absorption efficiency.

- **Management/Founders**

- Build a data-driven operational optimization closed loop.

**Business model: Flexible support for individuals and enterprises**

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

**(3) Digital identity authentication business**

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

① Smart terminal products:

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

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

## Smart Human Certificate Verification Terminal



## Biometric Products



## Reading Machine Products

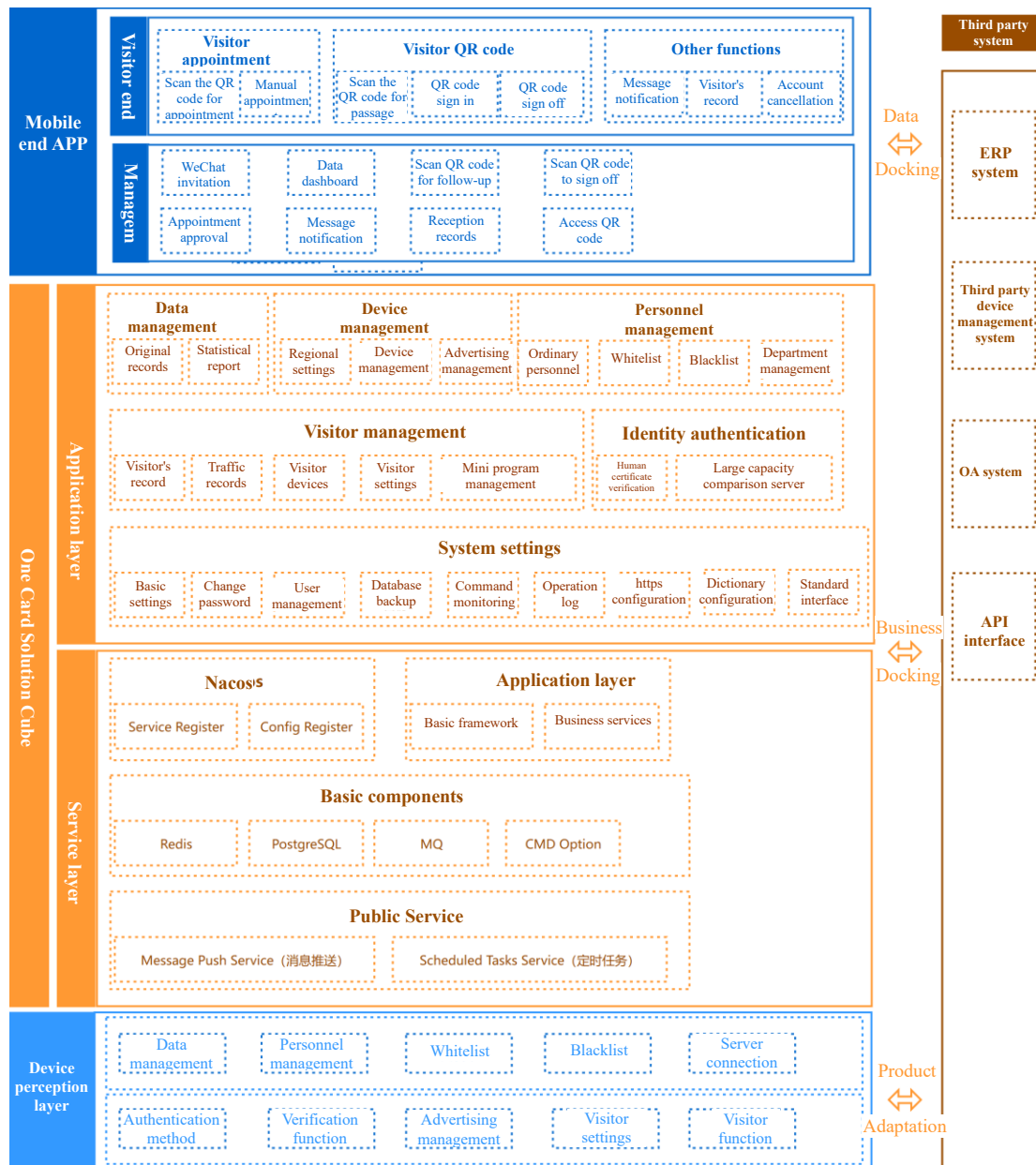


### ② One Card Solution Cube Identity Authentication Management System

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

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

The system topology diagram is as follows:

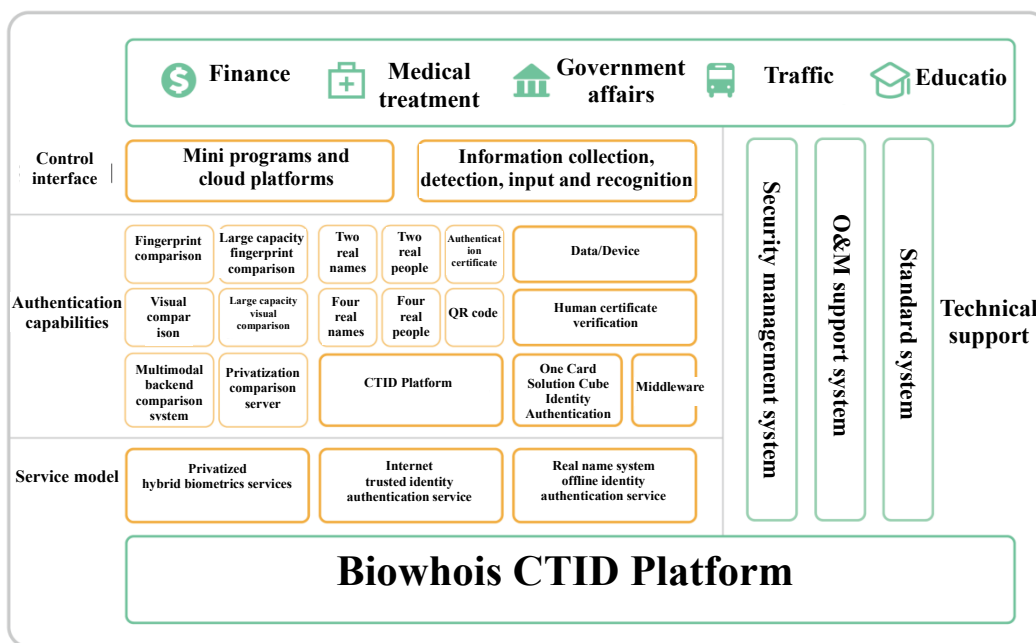


### ③ Biowhois CTID Platform

Biowhois CTID Platform is an identity authentication SaaS service platform launched by the Company based on multimodal biometric technology and an "Internet+" CTID Platform. It can provide developers and industry users with multimodal biometrics, online identity authentication, real name offline identity authentication and other open, scalable, cross-platform multi-dimensional identity verification services. The data interconnection between Biowhois CTID Platform and "Internet+" CTID Platform can provide users with authoritative, reliable, stable and secure online identity authentication services such as two real names, two real people, four

real names, four real people, etc., which can not only intelligently upgrade the existing offline identity authentication scenarios in finance, medical care, government affairs, transportation, education, etc., but also is suitable for internet identity authentication scenarios such as e-commerce, online games, social networking sites, online education, online healthcare, and online live streaming in the digital economy.

The system topology diagram is as follows:



**Industry scenario solutions:**

During the reporting period, based on the existing rich identity verification products, the Company deeply integrated specific segmentation scenarios and incubated identity verification solutions for three major segmentation scenarios: "smart examination, smart healthcare, and smart welcoming".

In terms of intelligent examination, solutions based on the needs of candidate identity verification can cover the entire business scenario of candidate information collection, candidate identity verification, and examination data analysis before, during and after the examination. The solutions can not only be self-contained and directly implemented, but also seamlessly connect with third-party standardized examination place construction plans, with competitive advantages such as intelligence, convenience and flexible deployment.

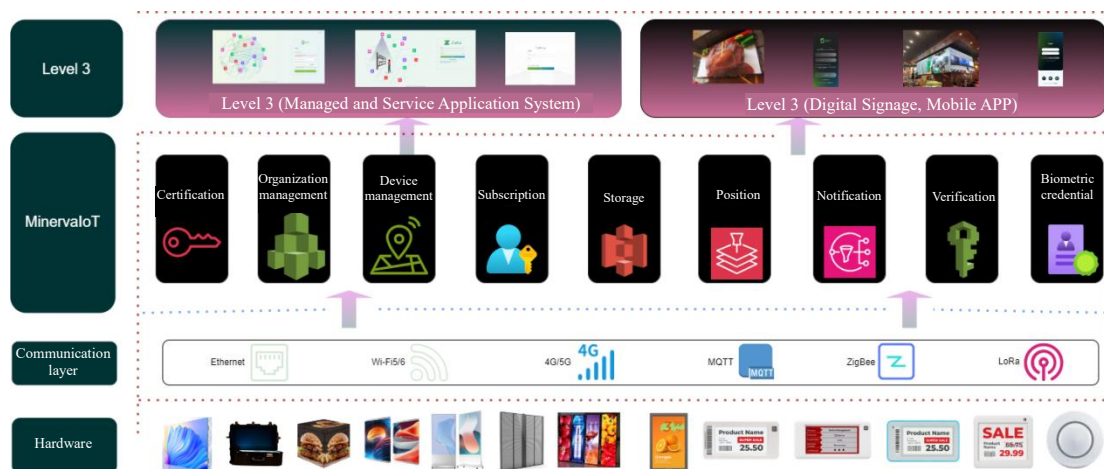
In the medical field, the Company has launched a smart medical identity verification solution for identity verification scenarios such as newborn birth medical certificates and assisted reproductive management. The solution not only meets the information collection and identity verification needs of various windows in the hospital, but also can be securely integrated with the hospital and third-party systems to achieve the embedding of identity verification function modules, helping major medical institutions provide patients with high-quality and caring medical services. The related products have been put into use in hospitals in multiple provinces and cities in China, providing effective assistance for standardized hospital services.

In terms of smart welcoming, it has driven the entire process with the core business of new student enrollment and registration, and created an integrated smart welcoming management solution that combines the new student Human Certificate Verification Terminal and the management platform of the new student enrollment and registration. This solution comprehensively solves the vertical connection of affairs and data between departments before, during, and after the new student enrollment in universities, improves the overall efficiency and quality of the new student enrollment work, and can meet the identity verification and management needs of different universities for new student enrollment.

**(4) Smart business services**

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

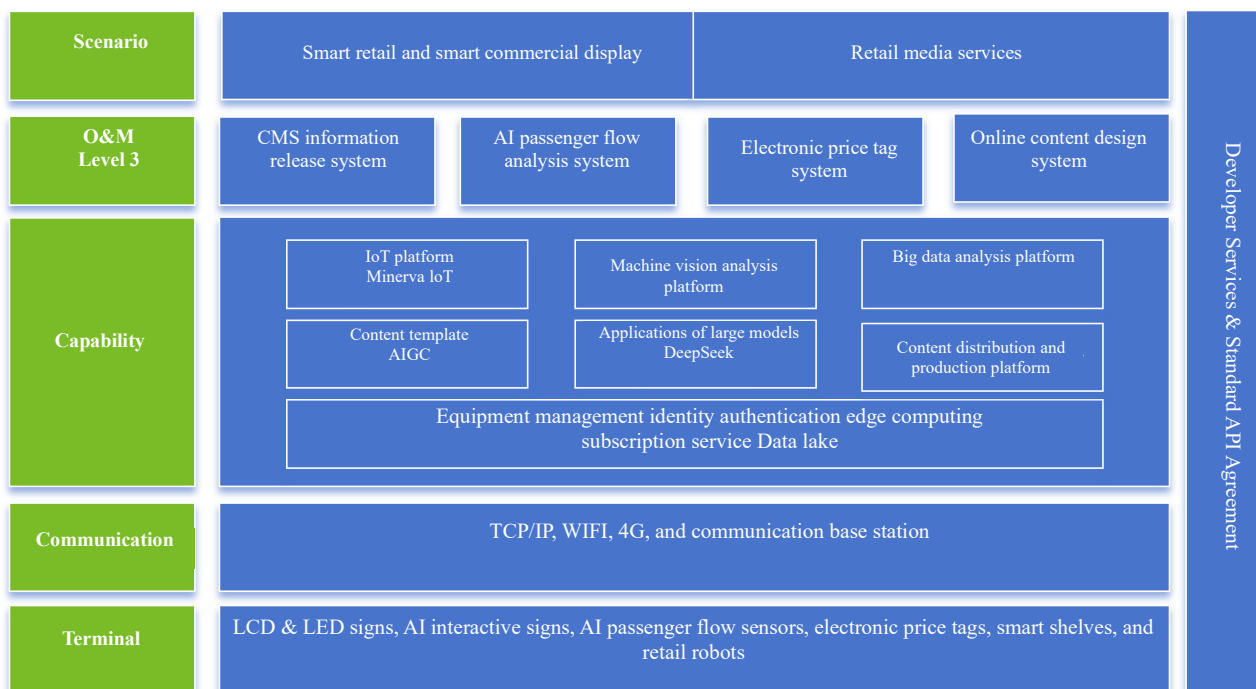
The topology diagram is as follows:



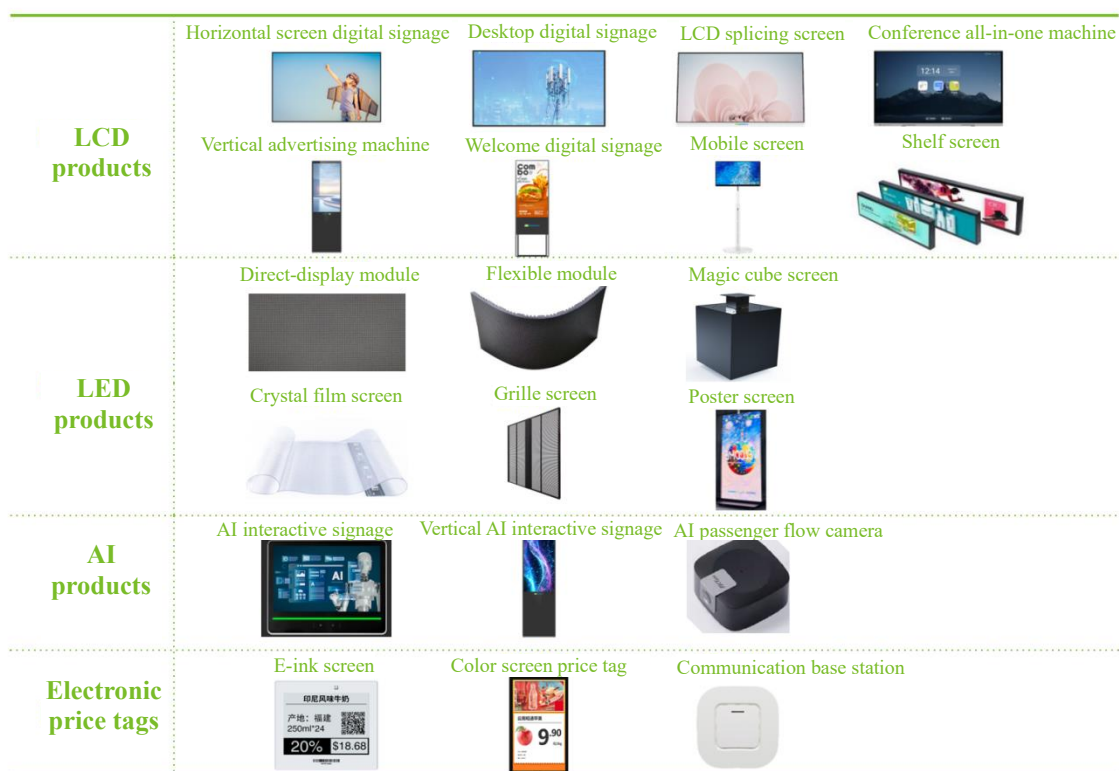
As a smart business brand under the Company, ZKDIGIMAX has launched a new digital visual marketing solution - ZKDIGIMAX Level 3, which is tailor-made for the general retail and catering industries. This solution integrates five core services and six smart perception terminals to build a new ecosystem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

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

The architecture diagram of ZKDIGIMAX Level 3 is as follows:



① Smart business terminal products



② Smart business scenario solutions

A. Digital marketing solution for chain retail scenarios

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

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



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

- a. Store windows, providing LED all-in-one machines and magic cube screens. Through creative content design, it attracts attention and brings in customers for the store.
- b. Store checkout areas, offering ultra-narrow four-sided LCD digital signage. Through physical splicing and content design, it provides a more impactful visual effect for in-store consumers, enhancing the dissemination of corporate culture and brand power.
- c. Store promotion shelf areas, providing intelligent shelf solutions that include digital signage, AI cameras, sensors, and other intelligent hardware. It offers comprehensive perception data for brand launches and promotions.
- d. Store cold storage areas, as high-frequency marketing activity areas, providing digital signage as activity carriers and advertising production and distribution platforms for generating and releasing activity content. It efficiently and quickly completes marketing activities.
- e. Store product areas, providing a complete electronic price tag solution. Through system-level data connection, it makes price changes and adjustments for store products efficient and precise.

#### B. Zero-carbon kiosk solution

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

The application scenario diagram of this solution is as follows:



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

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

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

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

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

## **(II) The Company business model**

### **1. Procurement model**

#### **(1) Procurement execution**

In order to fully leverage the advantages of centralized procurement, reduce procurement costs, improve operational efficiency, and optimize procurement resources, the Company has a Procurement Center that manages the procurement of electronic materials, structural components, and other materials 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). In MTS, the Company makes production plans based on historical sales data and sales strategies for standardized products, and maintains an appropriate amount of finished goods inventory to respond quickly to market demands. In contrast, in MTO, the Company organizes production based on customer orders, taking into account the customers' personalized demands for product types, model specifications, and performance. The finished products are directly delivered to customers without the need for finished goods inventory, thus avoiding inventory overstock and enhancing customer satisfaction.

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

## 3. Marketing and management models

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

### (1) Distribution model

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

### (2) Direct sales model

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

Normally, the Company's direct sales business can be divided into two categories based on whether installation and O&M are required: product sales and project implementation. For project implementation related businesses, the Company will customize its

own smart terminals and application software platforms based on different engineering project requirements and provide O&M services.

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

The Company has been listed as one of the "Top 50 Global Security Companies" by asmag for five consecutive years from 2020 to 2024. In 2024, it ranked 15th on the list and was awarded awards such as "Top 50 Innovation", "Top 10 Brands in Smart Security", "Top 10 Brands in Smart Transportation", "Top 10 Brands in Smart Education", "Top 10 Brands Intelligent Manufacturing", and "Top 10 Brands in Smart Buildings" in 2024 Global Industry Digital Innovation Ranking by asmag. It was selected by the organizing committee and relevant institutions of the DC World as the "2024 DC World - Top Enterprise of the DC World Awards" and the "World Digital City Construction Contribution Award", and awarded the "Honor Security Excellent Solution Award - ZKTeco Human Certificate Verification and Identity Authentication Solution", "Honor Security Excellent Solution Award - ZKTeco Integrated Charging and Parking Solution", and other awards. Meanwhile, the zFace series facial and fingerprint access control terminals and the ZKTeco X-ray security inspection equipment were awarded as the "Top 10 New Products" in China's security industry for 2024. It has been awarded the "2024 Outstanding Security Industry Solution - Smart Park Solution", "2024 Pioneer of Chinese Security Enterprises Going Global", "China Security 'Artificial Intelligence+' Initiative & 2024 AIIA 'AI+ Security' - Typical Case" and other awards by the CHINA SECURITY & PROTECTION INDUSTRY ASSOCIATION (CSPIA). It has been awarded the "Outstanding IoT Solution Award" and "Leading Brand in Access Control" by the organizing committee of the 2024 China IoT Industry Conference and the 21st Huicong Brand Festival. It won the third place in the "2024 Top 10 Access Control Brands Award" and the "2024 Top 10 Smart Security Brands Award" by China Intelligent Building and other entities. It ranked first on the "Top 15 Access Control Brands" list by the Latin American security technology media SecuriTIC in 2023. In addition, since 2016, the Company has been awarded the title of "Top 500 Manufacturing Enterprises in Guangdong Province" by Guangdong Manufacturers Association and other entities for 9 consecutive years. In 2024, the Company joined the China Construction Industry Association and the Fujian Society of Artificial Intelligence Science and Education (FSAISE). Guangdong Zkteco has been rated as a "SRDI small and medium-sized enterprise (SME)" by the Department of Industry and Information Technology of Guangdong Province.

During the reporting period, Guangdong Zkteco has been recognized by the Department of Science and Technology of Guangdong Province as the Guangdong Multimodal Computer Vision and Biometric Engineering Technology Research Center, XIAMEN ZKTECO has obtained the "ITSS Information Technology Service Standard Compliance Certificate" issued by the China Electronics Standardization Association. The "ZKTeco Cloud IoT Platform" (Minerva IoT Platform) developed by XIAMEN ZKTECO has been rated as "Information System Security Level Protection Filing Certificate (Level 3)".

### **(IV) Key performance drivers**

#### **1. Biometric technology innovation and application expansion**

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

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

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

## **2. Empowering business development with AI technology**

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

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

## **3. Policy support and market demand growth**

Continuous support from national industrial policies: The release of policy documents such as the "Outline of the 14th Five-Year Plan (2021-2025) for National Economic and Social Development and Vision 2035 of the People's Republic of China" and the "Overall Layout Plan for the Construction of Digital China" has provided a favorable development environment for the industry in which ZKTeco operates. In the context of new infrastructure and Digital China construction, the Company actively responds to policy calls, increases R&D investment in core technologies such as multimodal BioCV, multi-dimensional perception smart terminals, and scene cloud service software, accelerates product incubation, and contributes to the construction of the digital industry ecosystem.

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

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

# **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 in-depth R&D, the Company has built a 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 resident ID card fingerprint

recognition algorithm has been recognized by regulatory agencies and is listed in the "Qualified List of Quality Consistency Evaluation and Inspection of Resident ID Card Fingerprint Application Algorithms". The Company has become one of the seven recognized manufacturers. In the field of multimodal biometrics, the Company continues to innovate and has launched various multimodal biometric technologies such as "fingerprint+facial recognition", "facial+palm vein recognition", "palm+finger vein recognition", "fingerprint+finger vein recognition", "facial+iris recognition", and "fingerprint+palm+face recognition". It has obtained 18 invention and utility model patents in the field of multimodal biometrics. In the future, the Company will continue to increase investment in multimodal technology R&D to provide users with more innovative products. In 2025, the Company ranked third in the international fingerprint recognition evaluation FCV standard library test, demonstrating the global competitiveness of its algorithms.

The Company possesses core algorithms in the field of biometrics. In addition, the Company also has a comprehensive industry incubation ability to combine various application technologies with biometric technology, providing strong technical support for the development of smart retail, finance, security, and other fields. As of December 31, 2024, the Company has obtained a total of 963 patents, including 171 invention patents, and obtained a total of 739 computer software copyrights and 84 work copyrights, demonstrating its strong R&D capabilities.

#### (2) Ultra short delay supercomputing technology empowering edge deployment

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

**Stability:** 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.

**Low cost:** It can run on mid to low frequency chips (such as the ARM9 with 1GHz main frequency), which can effectively reduce power consumption and hardware costs, and avoid high requirements for chip manufacturing processes. It has achieved the freedom of independent R&D.

**Security:** This technology minimizes the transmission and centralized storage of sensitive information, effectively avoiding the risk of leakage and malicious attacks and ensuring privacy security.

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

#### (3) Deep research on multimodal BioCV AI technology

The Company has evolved from a single biometric recognition 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. Relying on its independently developed ZKTeco cloud IoT platform - Minerva IoT, the Company has launched the ZKDIGIMAX Level 3 digital marketing solution, providing five core services (Minerva IoT, machine vision analysis, big data analysis, AIGC, and advertising production and distribution) and smart terminal support for small and medium-sized retailers. Through IoT, big data, and cloud computing, the Company deeply explores the potential of smart retail, uses machine vision analysis technology to realize the interaction value between people and scenes, builds a multi-dimensional smart business analysis platform based on data lakes, and creates a borderless retail service ecosystem covering all scenarios and the entire chain.

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

Traditional entrance and exit management focus only on the passage control of people and vehicles, limited to basic operations in physical space. Baiaoruida focuses on the physical space computing of people, vehicles, and objects at entrances and exits, emphasizing the control of entities; ZKBio's proposed concept of "general entrance and exit" places people, vehicles, and objects in digital space computing, achieving a certain degree of digital upgrade. Based on the Mars Wisdom AI platform and BioCV TinyML edge AI technology, the Company has broken through the boundaries between the physical and digital spaces through AI cognitive space computing technology. This enables the system to have a "smart brain", capable of deeply understanding the behavior patterns and relationship networks of people, vehicles, objects, and the environment within the space. Essentially, it transforms the "physical space"

into a "companion that understands you", bringing more convenient, safe, and comfortable personal and work experiences. It will also redefine the relationship between humans and technology, from "humans adapting to machines" to "smart devices serving humans". For example, in large commercial complexes, it can not only accurately identify every customer and vehicle but also analyze their movement trajectories, dwell times, and other data to gain insights into consumption preferences and potential demands, providing precise decision-making basis for mall operations and achieving smart marketing and resource optimization allocation while highlighting green environmental protection. The Company will continue to focus on technological integration and innovation, empowering traditional industries, and providing in-depth customization for various industries. Facing the future of AIoT, it will inject more impetus into the intelligent transformation of industries.

(5) Large model technology + Smart office scenarios

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

(6) Large model technology + Smart retail scenarios

In the retail sector, the Company utilizes computer vision technology to achieve shelf supervision, product recommendation, customer flow analysis, and support for unmanned stores. Through the research of the BioCV LLM3.0 large model, the Company empowers smart retail on the edge computing side, supporting smart shopping guidance and content generation. The Company has achieved local deployment of algorithms such as GPT and BERT, and has reached the advanced level of open-source projects on medium-scale corpora, continuously enhancing product interaction experience and market competitiveness.

(7) R&D team and external cooperation advantages

The biometric industry is technology-intensive, and R&D strength is of vital importance. As of December 31, 2024, the Company has 1,118 global R&D and engineering personnel, with R&D centers in Dongguan, Shenzhen, Xiamen, Dalian, and India. The Company has been approved to establish the Guangdong Biometrics and Security Technology Engineering Technology Research Center, which can accelerate the transformation of the technology. Additionally, it has jointly established a key laboratory for multimodal computer vision and biometrics with the Dongguan Institute of Optoelectronics, Peking University, promoting the industrialization of research results and providing talent and technical support for the development of the industry.

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

The Company actively participates in the formulation of 32 national and local industry standards, grasping the direction of technological development, and laying out product R&D in advance to ensure a leading position in market competition.

## 2. Product array advantages

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

In terms of smart terminals, the Company can provide various products in the field of smart space management, such as access control management, pedestrian channels, vehicle channels, security inspection products, intelligent videos, smart locks, elevator controls, charging piles, and self-service visitors; products in the field of digital identity authentication, such as Human Certificate Verification Terminal, biometrics capture devices, biometrics modules, and card readers; products such as employee attendance, smart consumption, and smart conferences in the field of smart office. The field of smart retail focuses on chain customers in various industries, providing smart terminal, business system development, and people, goods, and venue data analysis services for their digital construction. Its core lies in empowering technology to improve sales efficiency, enhance consumer experience and loyalty, reduce operating costs and risks, thereby achieving sustainable growth in the retail industry.

In terms of software systems and platforms, the Company has always attached great importance to the development and design of

software and hardware linkage, focusing on building an AIoT ecosystem that integrates software and hardware. The Company can provide diversified, personalized and customized system software and platforms for different users, application scenarios, and vertical fields. On the one hand, the Company has laid out the ZKTeco cloud IoT platform Minerva IoT based on Amazon cloud technology as the technical foundation, providing deployment-free SaaS application products for smart space scenarios, smart office scenarios, and smart home scenarios. Moreover, for system integration customers, the Company can provide ZKTeco Biowhois CTID Platform. For large park type enterprise customers, the Company can provide ZKBio Smart Park Integrated Management Platform V8800, and ZKTeco ZKBio Intelligent Integrated Management Platform V6600. For medium to large enterprise customers, the Company can provide E-ZKEco Pro Time & Security Refined Service Platform. For overseas customers, the Company can provide ZKTeco Cloud Attendance and Access Control Management System such as BioTime 8.0; on the other hand, the Company combines the mature technical modules and software middleware of the aforementioned platforms for application, providing users with flexible platform function customization and development services, thereby meeting their personalized needs and forming a good brand awareness.

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

### **3. Global marketing service network and localized service advantages**

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

As of December 31, 2024, the Company has established 28 branches, 14 subsidiaries, and 202 service outlets across China mainland, with a sales and service system covering the whole country. The Company has established a total of 49 controlling subsidiaries overseas, located in 34 countries and regions worldwide, with product sales covering over 100 countries and regions.

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

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

### **4. Production and manufacturing advantages**

#### **(1) Integrated production process system**

With a highly integrated production process system and high-quality production facilities at the forefront of the industry, the

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

(2) Customized and flexible production capacity

The Company can provide comprehensive product services in various niche markets such as smart spaces, smart offices, digital identity authentication, and smart business, and 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. During the production process, the Company has introduced robotic arms for multiple procedures and successfully deployed the first automated production line, improving production continuity and product quality. In the digital transformation, systems such as MES, QMS, and APS will be introduced. Through technologies like IoT and big data, production equipment will be networked and data shared, precisely controlling the production process, reducing waiting times and human errors in production steps, and enhancing production efficiency.

## 5. Brand advantages

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

The Company has been listed as one of the "Top 50 Global Security Companies" by asmag for five consecutive years from 2020 to 2024. In 2024, it ranked 15th on the list and was awarded awards such as "Top 50 Innovation", "Top 10 Brands in Smart Security", "Top 10 Brands in Smart Transportation", "Top 10 Brands in Smart Education", "Top 10 Brands Intelligent Manufacturing", and "Top 10 Brands in Smart Buildings" in 2024 Global Industry Digital Innovation Ranking by asmag; it was selected by the organizing committee and relevant institutions of the DC World as the "2024 DC World - Top Enterprise of the DC World Awards" and the "World Digital City Construction Contribution Award", and awarded the "Honor Security Excellent Solution Award - ZKTeco Human Certificate Verification and Identity Authentication Solution", "Honor Security Excellent Solution Award - ZKTeco Integrated Charging and Parking Solution", and other awards. Meanwhile, the zFace series facial and fingerprint access control terminals and the ZKTeco X-ray security inspection equipment were awarded as the "Top 10 New Products" in China's security industry for 2024. It has been awarded the "2024 Outstanding Security Industry Solution - Smart Park Solution", "2024 Pioneer of Chinese Security Enterprises Going Global", "China Security 'Artificial Intelligence+' Initiative & 2024 AIIA 'AI+ Security' - Typical Case" and other awards by the CHINA SECURITY & PROTECTION INDUSTRY ASSOCIATION (CSPIA). It has been awarded the "Outstanding IoT Solution Award" and "Leading Brand in Access Control" by the organizing committee of the 2024 China IoT Industry Conference and the 21st Huicong Brand Festival. It won the third place in the "2024 Top 10 Access Control Brands Award" and the "2024 Top 10 Smart Security

Brands Award" by China Intelligent Building and other entities. It ranked first on the "Top 15 Access Control Brands" list by the Latin American security technology media SecuriTIC in 2023. In addition, since 2016, the Company has been awarded the title of "Top 500 Manufacturing Enterprises in Guangdong Province" by Guangdong Manufacturers Association and other entities for 9 consecutive years. In 2024, the Company joined the China Construction Industry Association and the Fujian Society of Artificial Intelligence Science and Education (FSAISE). Guangdong Zkteco has been rated as a "SRDI small and medium-sized enterprise (SME)" by the Department of Industry and Information Technology of Guangdong Province.

During the reporting period, Guangdong Zkteco has been recognized by the Department of Science and Technology of Guangdong Province as the Guangdong Multimodal Computer Vision and Biometric Engineering Technology Research Center, XIAMEN ZKTECO has obtained the "ITSS Information Technology Service Standard Compliance Certificate" issued by the China Electronics Standardization Association. The "ZKTeco Cloud IoT Platform" (Minerva IoT Platform) developed by XIAMEN ZKTECO has been rated as "Information System Security Level Protection Filing Certificate (Level 3)".

#### **6. Advantages of management team and mechanism**

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

#### **7. Quality control advantages**

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

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

## **IV. Main Business Analysis**

### **1. Overview**

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

## 2. Revenue and costs

### (1) Composition of operating revenue

Composition of revenue

Unit: RMB

	2024		2023		YoY change
	Amount	Proportion in operating revenue	Amount	Proportion in operating revenue	
Total operating revenue	1,991,200,391.75	100%	1,970,183,682.34	100%	1.07%
By industry					
By product					
Smart office products	303,727,652.09	15.25%	331,576,965.31	16.83%	-8.40%
Smart space products	1,499,690,452.95	75.32%	1,437,066,596.69	72.94%	4.36%
Digital identity authentication products	114,134,724.26	5.73%	155,828,574.29	7.91%	-26.76%
Smart business products	65,780,942.95	3.30%	37,036,168.30	1.88%	77.61%
Others	7,866,619.50	0.40%	8,675,377.75	0.44%	-9.32%
By region					
Domestic sales	578,972,159.13	29.08%	643,710,059.42	32.67%	-10.06%
Overseas sales	1,412,228,232.62	70.92%	1,326,473,622.92	67.33%	6.46%
By sales model					
Distribution	1,375,597,572.70	69.08%	1,347,955,344.48	68.42%	2.05%
Direct sales	607,736,199.55	30.52%	613,552,960.11	31.14%	-0.95%
Others	7,866,619.50	0.40%	8,675,377.75	0.44%	-9.32%

### (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	303,727,652.09	98,325,792.77	67.63%	-8.40%	-23.51%	6.40%
Including: attendance products	196,489,609.05	82,270,922.46	58.13%	-15.47%	-24.43%	4.96%
Other products	107,238,043.04	16,054,870.31	85.03%	8.18%	-18.47%	4.89%
Smart space products	1,499,690,452.95	779,723,331.41	48.01%	4.36%	3.17%	0.60%
Including: access control products	954,366,727.58	464,734,236.05	51.30%	6.52%	7.88%	-0.62%
Other products	545,323,725.37	314,989,095.36	42.24%	0.78%	-3.08%	2.30%

Digital identity authentication products	114,134,724.26	78,250,118.16	31.44%	-26.76%	-18.74%	-6.76%
Including: biometrics sensor products	35,343,224.32	14,863,965.85	57.94%	-38.61%	-41.29%	1.91%
Including: card products	70,532,991.69	61,340,396.22	13.03%	-3.07%	-5.09%	1.85%
Other products	8,258,508.25	2,045,756.09	75.23%	-67.60%	-67.80%	0.15%
Smart business products	65,780,942.95	50,302,231.57	23.53%	77.61%	108.79%	-11.42%
Including: commercial products	28,318,053.72	19,877,659.56	29.81%	-10.18%	-1.87%	-5.94%
Including: digital signage products	13,167,050.75	11,608,084.40	11.84%	280.01%	363.69%	-15.91%
Other products	24,295,838.48	18,816,487.61	22.55%	1,089.62%	1,311.41%	-12.17%
Other products	7,866,619.50	1,641,172.08	79.14%	-9.32%		-20.86%
By region						
Domestic sales	578,972,159.13	395,644,140.04	31.66%	-10.06%	-10.60%	0.41%
Overseas sales	1,412,228,232.62	612,598,505.95	56.62%	6.46%	8.96%	-1.00%
By sales model						
Distribution	1,375,597,572.70	763,784,945.17	44.48%	2.05%	2.35%	-0.16%
Direct sales	607,736,199.55	242,816,528.74	60.05%	-0.95%	-6.06%	2.18%
Others	7,866,619.50	1,641,172.08	79.14%	-9.32%		-20.86%

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

Unit: RMB

	Revenue	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	331,576,965.31	128,553,981.23	61.23%	8.86%	-19.66%	13.76%
Smart space products	1,437,066,596.69	755,801,111.86	47.41%	2.92%	-3.36%	3.42%
Digital identity authentication products	155,828,574.29	96,296,978.63	38.20%	-16.83%	-8.32%	-5.74%
Smart business products	37,036,168.30	24,092,464.70	34.95%	46.38%	30.36%	8.00%
Other businesses	8,675,377.75	0.00	100.00%	73.30%	-	0.00%
By region						
Domestic sales	643,710,059.42	442,537,191.43	31.25%	-10.54%	-10.77%	0.18%
Overseas sales	1,326,473,622.92	562,207,344.99	57.62%	10.63%	-1.31%	5.13%
By sales model						
Distribution	1,347,955,344.48	746,275,643.23	44.64%	4.90%	-2.95%	4.48%
Direct sales	613,552,960.11	258,468,893.19	57.87%	-2.40%	-12.89%	5.07%
Others	8,675,377.75	0.00	100.00%	73.30%	-	0.00%

Explanations on the reasons for changing the standard

To help investors clearly understand the Company's comprehensively upgraded business system built around the new mission and vision, and better reflect the classification of the Company's main business composition and the strategic planning and development direction of the Company.

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

Yes  No

Industry classification	Item	Unit	2024	2023	YoY change
Computer, communication, and other electronic equipment manufacturing industry	Sales volume	Pcs./Set	2,611,717	2,688,539	-2.86%
	Production	Pcs./Set	2,616,073	2,681,533	-2.44%
	Inventory	Pcs./Set	466,029	461,673	0.94%

Explanations on 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	2024		2023		YoY change
		Amount	Proportion in operating costs	Amount	Proportion in operating costs	
Computer, communication, and other electronic equipment manufacturing industry	Raw materials	915,878,563.40	90.84%	908,660,143.82	90.44%	0.79%
Computer, communication, and other electronic equipment manufacturing industry	Labor cost	27,850,655.11	2.76%	31,398,131.60	3.12%	-11.30%
Computer, communication, and other electronic equipment manufacturing industry	Manufacture cost	64,513,427.48	6.40%	64,686,261.00	6.44%	-0.27%
Total		1,008,242,645.99	100.00%	1,004,744,536.42	100.00%	0.35%

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	ZKTeco Huayun (Xiamen) Integrated Circuit Co., Ltd.	2017/7/5	RMB 3.69388 million	51	Cancellation (Note 1)
2	Shenzhen Zhongjiang Intelligent Technology Co., Ltd.	2017/4/26	RMB 10 million	51	Taken over by the liquidation group (Note 2)
3	ZKTeco Cloud Brain-Computer (Hangzhou) Technology Co., Ltd.	2024/10/29	RMB 20 million	100	Establishment
4	ZKTECO BUSINESS SOLUTIONS COMPANY	2024/5/15	SAR 1 million	100	Establishment
5	ZKTeco Polska Sp. z o.o.	2024/8/2	PLN 400,000	75.69	Establishment
6	ZKTeco Egypt LLC	2024/1/4	USD 120,000	100	Establishment
7	ZKTeco Latam R & D S.A.	2018/8/27	ARS 2.926 million	98.088	Assignment

Note 1: On April 23, 2024, the registered capital of ZKTeco Huayun (Xiamen) Integrated Circuit Co., Ltd. was reduced from RMB 10 million to RMB 3.69388 million, and the Company was deregistered on December 20, 2024.

Note 2: The subsidiary of the Company, Shenzhen Zhongjiang Intelligent Technology Co., Ltd., is not included in the consolidated scope for this year as it has entered compulsory liquidation due to poor operation. The court appointed Shenzhen Zhongtianzheng Clearing Affairs Co., Ltd. to form a liquidation group to take over the Company starting from April 10, 2024. As of December 31, 2024, the Company is still in the process of liquidation.

**(7) Significant changes or adjustments of the Company's business, products or services during the reporting period**
 Applicable  Not applicable

As an internationally recognized innovative enterprise, the Company has consistently committed itself to the domains of smart space, smart office, and digital identity authentication. We provide advanced smart terminals, industry-specific application software, and platforms equipped with object detection as well as identity recognition and verification capabilities tailored for relevant sectors. In light of the rapid advancements characterizing the intelligent era, the Company has officially unveiled its new mission and vision, with its robust AI cognitive technology serving as the core driving force. Based on this, the Company has comprehensively upgraded its business system and will appropriately increase investment in the smart business in 2023. The Company's smart business segment, propelled by multimodal models, emphasizes the integration of "AI + digital signage" within the general retail and catering sectors. This segment supports traditional businesses in their transition towards intelligent ecosystems. It offers IoT infrastructure, digital solutions, and operational services, thereby establishing a new type of borderless retail platform that is comprehensive, scenario-inclusive, and fully integrated across the supply chain.

The revenue share of the smart business in 2022 and 2023 was still relatively small. With the continuous advancement of this business in 2024, its revenue experienced a significant increase. Therefore, the business scenario has been adjusted to be presented separately. The above adjustment can better reflect the composition of the Company's main business and its strategic planning and development direction, and also help investors clearly understand the comprehensively upgraded business system constructed by the Company around its new mission and vision.

**(8) Major customers and suppliers**

## Major sales customers of the Company

Total sales amount of the top five customers (RMB)	251,392,915.46
Proportion of the total sales amount to the annual total sales amount among the top five customers	12.63%
Proportion of related party sales to annual total sales among the top five customers	2.71%

## Information of top five customers of the Company

S/N	Customer Name	Sales Amount (RMB)	Proportion to Annual Total Sales
1	Customer 1	83,003,799.79	4.17%
2	Customer 2	79,768,721.77	4.01%
3	PT HIT INTERNATIONAL	33,013,373.25	1.66%
4	Customer 4	31,128,137.49	1.56%
5	Zhejiang Shangji Co., Ltd.	24,478,883.16	1.23%
Total	--	251,392,915.46	12.63%

## Other information of major customers

Applicable  Not applicable

## Main suppliers of the Company

Total procurement amount of the top five suppliers (RMB)	136,626,921.54
Proportion of the total procurement amount to the total annual procurement amount among the top five suppliers	15.75%
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	35,236,065.42	4.06%
2	Supplier 2	33,332,667.27	3.84%
3	Shenzhen Junmingwei Technology Co., Ltd.	23,242,774.99	2.68%
4	Supplier 4	22,621,771.33	2.61%
5	SHENZHEN FRIDA LCD CO., LTD.	22,193,642.53	2.56%
Total	--	136,626,921.54	15.75%

## Other information of major suppliers

Applicable  Not applicable

**3. Expenses**

Unit: RMB

	2024	2023	YoY change	Description of major changes
Selling expenses	446,509,619.84	441,537,714.42	1.13%	
Administrative	117,559,541.39	122,693,501.96	-4.18%	

expenses				
Financial expenses	-34,273,821.14	-54,330,867.73	36.92%	Mainly due to the decrease in interest income from fund deposits and the increase in exchange losses (gains for the previous year) caused by exchange rate fluctuations
R&D expenses	215,470,991.40	213,613,414.56	0.87%	

#### 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 3.0 Multimodal Computer Vision Model	With the rapid development of computer vision and natural language processing, multimodal vision model has become a research direction of great concern and one of the most promising and potential fields in recent years. The innovative model combines computer vision and natural language processing capabilities, and can process images, videos and text information at the same time to achieve more efficient and intelligent image and video recognition and understanding. The objective of this project is to develop advanced multimodal visual representation techniques, train universal base models, track the latest developments in NLP model technology, and prepare relevant technical reserves. We will use this model as a basis to improve the accuracy of current computer vision algorithms and biometrics algorithms.	Completed	<ol style="list-style-type: none"> <li>To ensure that the Company remains at the forefront of multimodal visual model technology, we will continue to track the latest technological developments in this field and continuously optimize and improve BioCV VLM 3.0.</li> <li>Based on this model, we are committed to improving the accuracy of biometrics algorithms and maintaining the sustained competitiveness of our products.</li> <li>Based on this model, we will improve computer vision algorithms to further enhance their accuracy and reliability.</li> <li>We will explore the application of multimodal vision models in various fields, such as security monitoring, smart home, office automation, etc., to provide technical support for the Company to expand into new business areas.</li> </ol>	<ol style="list-style-type: none"> <li>Enhancing the Company's technological strength in the field of computer vision, improving the intelligence level of products, providing customers with better and more efficient solutions, and consolidating the Company's competitive advantage in the industry.</li> <li>Promoting the Company's innovation and development in the field of AI, and providing strong technical support for the Company's long-term strategic goals.</li> <li>Accelerating the Company's technological iteration and innovation in the field of computer vision, improving the application ability of computer vision algorithms in various scenarios, and laying a solid foundation for business expansion in the global market.</li> </ol>
Supermarket Customer Flow Attribute Analysis SDK 2.0	The Supermarket Customer Flow Attribute Analysis Project aims to achieve a comprehensive understanding and accurate analysis of supermarket customer flow through in-depth mining of customer attribute data, providing strong decision support for supermarkets, optimizing operational management, improving customer satisfaction, and ultimately achieving better performance. It achieves a transition from "rough" to "refined" management for supermarket stores, enabling users to directly benefit from fierce commercial retail competition.	Completed	<ol style="list-style-type: none"> <li>We will implement counting and analysis of supermarket customer groups, as well as age and gender attribute analysis, optimize algorithms to ensure recognition accuracy, and reach the forefront level of similar products currently.</li> <li>We will achieve convenient and efficient customer flow statistics and analysis for supermarket stores, thereby guiding them to develop more scientific, reliable, and targeted operational strategies, empowering offline scenarios, and improving business efficiency.</li> </ol>	<ol style="list-style-type: none"> <li>Being expected to attract more supermarkets and retail enterprises to adopt it, thereby helping the Company expand its market share.</li> <li>The Company can promote the system to a wider range of fields by expanding into international markets or collaborating with other industries.</li> <li>Expanding market share can help improve the Company's profitability and make it more influential in the industry.</li> </ol>
R&D of a Communication Platform Based on Multimodal AI Audio and Video Technology Fusion	Multimodal AI intelligent products are the third-generation intelligent device terminal products created by the Company, relying on multimodal algorithms, ChatGPT, audio and video, artificial intelligence (AI), cloud services and other technologies. These products integrate information publishing, professional access control, visual intercom and digital human interaction functions. Its core purpose is to provide comprehensive scenario solutions for enterprises, leveraging diverse online and offline system applications as well as intelligent hardware devices, to promote the smooth transformation of enterprise users from	Completed	<ol style="list-style-type: none"> <li>We will precisely identify the pain points of the industry and closely follow the trend of IoE. Through the integration of communication technologies, we have successfully broken the situation of information silos and created a set of entrance and exit industry solutions that integrate "intelligent vision and interconnection".</li> <li>This solution not only realizes seamless connection between devices and efficient data flow, but also enhances the intelligent level of entrance and exit management, providing users with a safe, convenient and efficient passage experience, thereby promoting</li> </ol>	<ol style="list-style-type: none"> <li>The Company can build a full-scenario audio and video interconnection network to achieve seamless integration and efficient collaboration of diversified hardware devices for entrances and exits. Focusing on the entrance and exit scenarios of the Company, through unified interface standards and communication protocols, the Company can deeply integrate audio and video hardware such as access control systems, surveillance cameras, intercom terminals, and visitor verification devices, forming an interconnected and integrated network to ensure real-time data sharing and functional linkage, thereby improving security response efficiency and</li> </ol>

	<p>traditional business models to digital business models.</p>		<p>the intelligent upgrade and innovative development of the entrance and exit management industry.</p>	<p>user experience.</p> <p>2. The Company can deeply integrate international standard protocols such as SIP (Session Initiation Protocol) and ONVIF (Open Network Video Interface Forum) to create a standardized solution for cross-brand device interoperability. Based on global common protocols such as SIP and ONVIF, the Company can develop protocol conversion middleware and intelligent gateways to break down communication barriers between devices from different manufacturers, achieving bidirectional transparent transmission of audio and video streams, control instructions, and metadata, providing a highly scalable and low-coupling technical foundation for system integration in complex environments.</p> <p>3. The Company can empower the intelligent upgrade of frontend hardware, and reshape scene competitiveness through audio and video AI analysis and two-way interaction. By integrating computer vision, speech recognition, and natural language processing technologies, the Company can inject intelligent analysis capabilities (such as behavior analysis and abnormal event detection) and real-time interaction capabilities (such as voice inquiry and remote visual intercom) into entrance and exit hardware, creating a "perception-analysis-decision-response" closed loop, helping enterprises build differentiated competitive advantages and promoting the transformation of traditional security equipment into smart service terminals.</p>
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<p>ZKBio V6600 Wide Access IoT Perception Application Platform V3.0</p>	<p>ZKBio V6600 Wide Access IoT Perception Application Platform V3.0, with multimodal BioCV technology as its core, combines years of experience in entrance and exit management and intelligent video technology to comprehensively achieve security protection and intelligent monitoring management of project scenarios. This platform deeply integrates multiple business subsystems, including personnel, access control, attendance, consumption, visitors, parking, elevator control, patrol, channels, storage cabinets, intrusion alarms, monitoring centers, intelligent scenarios, and system management. Through the intelligent perception capabilities of security entrances and exits, intelligent video, and IoT technology, the ZKBio V6600 platform can monitor, intelligently identify, and analyze the management of entrance and exit situations in real time. By utilizing big data analysis and AI algorithms, the platform can automatically identify abnormal behavior, achieve pre-warning, in-process handling, and post analysis, ensuring timely detection and handling of safety hazards. In addition, through seamless integration with IoT devices, the ZKBio V6600 platform can achieve intelligent control and management of entrances and exits, significantly improving the operational efficiency and convenience of entrances and exits. This innovative platform not only enhances the security management level of enterprises, but also brings users a more intelligent, efficient, and convenient entrance and exit experience.</p>	<p>Completed</p>	<ol style="list-style-type: none"> <li>1. We innovate the traditional entrance and exit mode by utilizing smart entrance and exit, intelligent video, and IoT intelligent perception technology, endowing it with intelligent video analysis and IoT device perception capabilities. This not only achieves a comprehensive upgrade of security management, but also realizes intelligent management of time, fully meeting the diverse and fragmented application needs of users.</li> <li>2. We focus on perception and data empowerment, and through technological innovation and modular design concepts, create a standardized and unified platform to continuously promote innovation and development in industry applications.</li> <li>3. We are committed to continuously improving the base capacity of ZKBio and integrating it into various industries, providing high-quality services for ecological partners, and continuously refining excellent solutions to meet the ever-changing needs of the market.</li> <li>4. Based on the ZKTeco IoT platform foundation, we have built a hybrid cloud platform that solves the challenge of independent management of devices by branch offices and unified supervision of resources by the central group in cross regional and multi-organizational projects. This innovative measure provides strong support for the digital transformation of enterprises.</li> <li>5. Through in-depth mining and precipitation of user scenario data, we provide value-added services to existing ZKBio users and future project clients, achieving maximum conversion of commercial value and creating more business opportunities for enterprises.</li> </ol>	<ol style="list-style-type: none"> <li>1. The application of the platform will assist the Company in providing more comprehensive and intelligent solutions for medium and large-scale security projects, accurately meeting the diversified needs of customers for security management and monitoring, thereby significantly enhancing the Company's market competitiveness in the security field.</li> <li>2. By effectively solving the problem of independent management of equipment by branch offices and unified supervision of resources by the central group in cross regional and multi-organizational projects, the Company will be able to integrate internal and external resources more efficiently, significantly improve operational efficiency and management level, and create more value for the Company.</li> </ol>
<p>Low Code Android Development Platform V2.0 based on BIOCV</p>	<p>Based on the Company's BioCV biometric core technology capabilities, we are committed to optimizing the underlying infrastructure services of Android, achieving clear separation of business functions, and providing customers with more efficient and flexible solutions. By providing rich underlying services, we offer EDK services (Embedded Development Kit) aimed at supporting customers in achieving efficient application development on Android hardware. At the same</p>	<p>Completed</p>	<ol style="list-style-type: none"> <li>1. Based on a deep foundation of customer data, we provide more comprehensive integrated support, empower customer innovation, and help customers quickly launch localized new products. By implementing a business localization strategy, we aim to accurately meet market demands, continuously strengthen our close ties with customers, and achieve mutual growth.</li> <li>2. Leveraging the cloud capabilities of the Minerva IoT, we aim to build efficient cloud communication</li> </ol>	<ol style="list-style-type: none"> <li>1. Based on the new integrated model of Android intelligent hardware+software+cloud services, we aim to connect cloud business customers, promote the implementation of more cloud intelligent solutions, and create a new performance growth model.</li> <li>2. We assist the Company in its efforts in the Android integration market by providing one-stop integration business support, continuously consolidating existing customer relationships, and</li> </ol>

	<p>time, through close integration with the Minerva IoT, we provide our customers with ADK (Application Development Kit), enabling third-party integration customers to easily integrate devices and related data into their software, promoting the intelligence of 3rd business software. In this process, we fully leverage the comprehensive advantages of ZKTeco intelligent hardware, Minerva IoT recognition capabilities, and Minerva IoT platform to provide powerful integrated business support for enterprises, system integrators, and solution providers. Our goal is to help these partners achieve breakthroughs and innovations in areas such as smart office and smart entrance and exit management, and jointly build a smarter and more efficient business ecosystem.</p>		<p>bridges for our customers, promote the flourishing development of cloud services, and assist in enterprise cloud transformation. This strategy will greatly expand the application areas of our products and services, provide customers with more comprehensive and cutting-edge solutions, and attract more like-minded partners. 3. By closely collaborating with integrated clients and continuously incorporating innovative features and business concepts from third-party clients, we lay a solid foundation for the development of mainstream and new projects in the Company, enhancing the overall competitiveness of our products.</p>	<p>attracting numerous new customers to increase the Company's market share in the integration market. 3. In numerous cooperation cases, we deeply explore the advantages and requirements of customer products, and expand into new business areas, bringing more growth opportunities for the Company.</p>
<p>ZKTeco Interconnection Cloud Scenario Service Platform V3.0.0</p>	<p>Based on the Company's core business of "smart office, smart entrance and exit, and smart identity recognition", focusing on the SMB small and medium-sized enterprise (SME) customer group, serve the long tail market, leverage the comprehensive three-dimensional advantages of ZKTeco frontend intelligent hardware+backend offline smart account service system+ Minerva IoT PaaS+SaaS application, provide a "business premises 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.</p>	<p>Completed</p>	<ol style="list-style-type: none"> <li>1. Based on the base capacity of India Minerva IoT, and focusing on the terminal needs of IoT scenario solutions and SME digital and reality integration, serve as the SME cloud scenario linker;</li> <li>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-service-operation;</li> <li>3. Based on the precipitation of user scenario data, we provide a market soil for commercial verification of customer foundation and operational transformation for SaaS subscription services.</li> <li>4. Based on the dual scenario business model of "intelligent business space+digital marketing management", we will continue to promote product iteration and provide rich cloud scenario business functions for SME users.</li> </ol>	<ol style="list-style-type: none"> <li>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;</li> <li>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;</li> <li>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;</li> <li>4. Through the precipitation of user data and scenario data, providing rich product R&amp;D support for commercial transformation models.</li> </ol>

<p>ZKDIGIMAX CMS ScreenDirect v3.0</p>	<p>This project develops an information release service software based on the L3 platform, with a SaaS business model. Users can continue to use the software services through subscription. The software functions focus on the "AI+Digital Signage" field in the retail and catering industries, providing digital infrastructure and smart business cloud services for front-end carriers, accelerating the transformation of traditional retail industry to data-driven smart retail, and helping global retail customers create greater commercial value.</p>	<p>Completed</p>	<ol style="list-style-type: none"> <li>1. Based on the base capacity of the Company's IoT PaaS Platform in India, and focusing on the smart retail scenario, we provide a one-stop cloud platform information publishing solution to meet the terminal needs of integrating data and reality for small and medium-sized enterprises (SMEs), serving as the SME cloud scenario linker.</li> <li>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;</li> <li>3. Based on the perception and labeling of multidimensional data in user scenarios, we provide customers with commercial advertising operation conversion value through SaaS subscription services, and use digital technology to enhance the operational efficiency of the retail industry.</li> </ol>	<ol style="list-style-type: none"> <li>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;</li> <li>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;</li> <li>3. Providing long-term O&amp;M services to increase the Company's service attributes, driving the sales growth of hardware and scenario solutions through cloud hosting services, and bringing about changes in business models and operational model validation through cloud service subscription models;</li> <li>4. Through the precipitation of user data and scenario data, creating richer product models for commercial transformation models.</li> </ol>
<p>InBIO P3000 rack mounted access controller</p>	<p>This project is suitable for rack mounted controllers in the field of smart entrances and exits, supporting 4-door or 8-door control and enabling centralized management. The controller is designed to be compact and can be easily placed in computer rooms or cabinets, seamlessly integrated with existing IT hardware facilities, forming an integrated smart entrance and exit solution. It can provide customers with a plug and play product that significantly reduces the workload of on-site wiring and installation debugging, thereby helping customers reduce construction wiring costs, improve engineering efficiency, and provide customers with safer and more efficient access control services.</p>	<p>Completed</p>	<ol style="list-style-type: none"> <li>1. Break through the difficulties of on-site debugging: In response to the complexity of on-site debugging of existing controller device, we are committed to developing a new type of rack mounted controller. Through intelligent design and functional optimization, it greatly simplifies the debugging process, saving customers a lot of time and cost, and achieving a convenient plug and play experience;</li> <li>2. Real time status monitoring and visualization operation: Our rack mounted controller supports real-time viewing of the door status corresponding to each device. Through an intuitive visualization interface, customers can easily grasp the operating status of the equipment and achieve efficient O&amp;M management. This intelligent management method not only improves work efficiency, but also enhances the stability and security of the device.</li> <li>3. High performance and flexible installation design: We create a high-performance rack mounted controller for our customers, which not only has excellent performance, but also is easy to integrate with other IT hardware facilities, forming an integrated smart entrance and exit solution. At the same time, the controller supports cabinet entry and wall mounted installation, flexibly adapting to</li> </ol>	<ol style="list-style-type: none"> <li>1. The application of rack mounted controllers has significantly improved the intelligence level of the device, making the Company's products more competitive in the market and meeting the growing demand of consumers for intelligent and convenient products.</li> <li>2. As an important part of technological innovation, rack mounted controllers not only promote the Company's in-depth R&amp;D in fields such as AI and IoT, but also lay a solid foundation for the Company to maintain its technological leadership.</li> <li>3. With the widespread application of intelligent controllers in various industries, the Company is expected to further expand its market share, broaden its revenue sources, and achieve sustained growth through high-quality rack mounted controller products.</li> <li>4. Rack mounted controllers, with their excellent stability and reliability, we provide customers with a better service experience, significantly improving customer satisfaction and loyalty, and enhancing the brand influence of the enterprise.</li> </ol>

			<p>various installation environments, meeting the diverse needs of customers, and truly realizing the design concept of easy integration and easy maintenance.</p> <p>4. Rack mounted controllers have comprehensive security protection functions, which can effectively protect the core data and critical equipment of enterprises, ensure the security of enterprise information and stable operation of business, and safeguard the development of enterprises.</p>	
R&D of Hybrid Biometric Access Control Terminal Based on Multimodal AI	<p>This project develops a recognition device based on multimodal AI technology, which can achieve multimodal biometrics. It can realize palmprint and palm vein hybrid recognition from multiple angles, close range, and high precision, and support RFID and QR codes. It is simultaneously equipped with digital visual intercom function, supporting digital service operation functions such as advertising O&amp;M, thereby driving the overall technology and product upgrade of our entrances and exits in the era of cloud networking.</p>	Completed	<p>This project develops a hybrid biometric device based on multimodal AI technology, which will reconstruct the ZKTeco new business model of hard technology, brand stories, and digital service operations. It will comprehensively drive the base capacity of end/edge/cloud/service, create multimodal AI attendance and AI access control, and drive the overall technology and product upgrade of our entrances and exits in the era of cloud networking.</p>	<ol style="list-style-type: none"> <li>1. To further enhance the Company's brand image, the Company has carefully crafted a series of family style intelligent product terminal designs, aimed at showcasing the Company's innovation strength and technological leadership.</li> <li>2. With the help of the cutting-edge technologies of multimode, AI, audio, video and cloud broadcasting, combined with the advantages of the IoT and the Internet, we can accelerate the deployment of the Company's cloud strategy, accelerate the implementation of commercial closed-loop, and improve the enterprise's overall competitiveness.</li> </ol>
R&D of Domestic Multimodal Identity Authentication Device Based on Smart Identity Verification Scenario 1.0	<p>This project develops a device for nationwide production of hardware, operating system, and software, which can achieve multimodal identity recognition and authentication such as fingerprint, facial recognition, card swiping, palm recognition, and QR code. This device can be widely used in identity verification scenarios such as government affairs, hotels, telecommunications, and visitors.</p>	Completed	<p>This project develops a multimodal ID authentication device that is expected to achieve full localization of software, hardware, and system, effectively addressing customer scenarios with high requirements for localization.</p>	<ol style="list-style-type: none"> <li>1. Catering to the trend of domestication of industry equipment.</li> <li>2. Filling the gap in the Company's domestic products.</li> <li>3. Establishing a foundation for the Company in the domestic equipment industry market.</li> </ol>

R&D of Non-contact Palm Recognition Technology Based on Multimodal Palm Acquisition and Recognition	This project develops a multimodal non-contact palm acquisition and recognition system, which can achieve multi-angle, close range, high-precision hybrid palmprint and palm vein recognition. It simultaneously supports RFID and QR codes, etc. It realizes cross platform system registration and application, and adapts to indoor, semi-outdoor and outdoor application environments, mainly used for non-contact identity recognition in various entrance and exit scenarios such as smart attendance and smart access control.	Ongoing projects	This project aims to develop a multimodal, high-precision, payment grade security level palm recognition solution. This device adopts palmprint and palm vein multiple fusion recognition to improve recognition accuracy and live recognition ability, solve the problems of user height compatibility and twin misidentification, and greatly improve safety, stability, and usability.	<ol style="list-style-type: none"> <li>1. Leading the industry to gradually promote the application of new biometrics in payment, smart access control, smart attendance, smart channels and other industries through the further update of palm recognition technology;</li> <li>2. Enriching the usage scenarios of product line of biometric modules and panel machines, and improving the core competitiveness of the products;</li> <li>3. Responding to the Company's strategic plan, and launching a strategic deployment of intelligent recognition terminals that meet market demand based on new platforms and technologies.</li> </ol>
R&D of Apple Wallet and Google Wallet Virtual Card Technology Based on NFC Technology in Attendance and Access Control System Devices	This project develops an attendance and access control system device based on NFC technology for Apple Wallet and Google Wallet virtual card technology. The device can obtain user virtual card information encrypted and stored in the virtual card loaded by the user in the built-in wallet of iPhone and Android phone systems through NFC communication and encryption technology. This can meet the needs of most customers who use their mobile phones for attendance or access control, and can effectively enhance the user experience by recognizing personal identities through non biometric technology, non RFID entity cards, etc.	Completed	This project develops an attendance and access control system device based on NFC technology for Apple Wallet and Google Wallet virtual card technology. The device can interact with the built-in wallet applications on iPhone and Android phones through NFC communication and advanced encryption technology to obtain encrypted user virtual card information stored in the virtual card loaded by the user. After decryption, the device can obtain the user's ID information and achieve user identity recognition. This can meet the needs of most customers who use their mobile phones for attendance or access control, and can effectively enhance the user experience by recognizing personal identities through non biometric technology, non RFID entity cards, etc.	<ol style="list-style-type: none"> <li>1. Strengthening the soft power of enterprise brands by collaborating with leading mobile and RFID enterprises such as Apple, Google, HID, and Legic;</li> <li>2. Filling in or improving the support of attendance access control devices for identity recognition based on mobile personal devices;</li> <li>3. Meeting the majority of users' demand for using mobile personal devices instead of traditional physical cards, and improving the convenience of users in identifying and using attendance and access control devices;</li> <li>4. Realizing value-added services for virtual cards, such as card counting, renewal, customization, and other services by implementing a virtual card issuance platform based on mobile personal devices.</li> </ol>
Multimodal Biometrics SDK V3.0	By continuously iterating and improving the biometric technology, including facial recognition, palm recognition, and fingerprint recognition, we aim to enhance recognition accuracy, anti-counterfeiting accuracy, and quality accuracy. For facial recognition, we are committed to improving the accuracy of biometrics, preventing false authentication, and strengthening quality assessment. In terms of palm recognition, we will continue to optimize algorithms to improve recognition accuracy, prevent fraud, and promote the development of engineering application products. At the same time, regarding fingerprint recognition, we are concerned about the development of non-contact fingerprint recognition technology, hoping to bring higher security and	Completed	<ol style="list-style-type: none"> <li>1. Improve the accuracy of biometric technology: By optimizing algorithms and models, we continuously improve the accuracy of facial recognition, palm recognition, and fingerprint recognition to ensure more accurate biometric results;</li> <li>2. Strengthen anti-counterfeiting capabilities: By introducing advanced anti-fraud technologies and algorithms, we improve the anti-counterfeiting capabilities of identification systems, and effectively curb false authentication and fraudulent behaviors;</li> <li>3. Improve the accuracy of quality assessment: We improve the quality assessment algorithm to ensure accurate judgment of the quality of biometric images, thereby improving the stability and reliability of the overall recognition system;</li> <li>4. Promote the development of engineering</li> </ol>	<ol style="list-style-type: none"> <li>1. By continuously improving biometric technology, the Company will be able to provide more accurate and reliable solutions in areas such as security access control and payment authentication, thereby enhancing the market competitiveness of its products;</li> <li>2. Strengthening anti-counterfeiting capabilities will effectively curb false authentication and fraudulent behaviors, enhance product security and credibility, and help establish a good reputation for the Company in the industry;</li> <li>3. By promoting the development of engineering application products, the Company can better meet market demand and provide users with safer and more convenient application experiences, thereby increasing customer satisfaction and loyalty.</li> </ol>

	<p>more convenient user experience through its non-contact characteristics. Through these efforts, we aim to promote the advancement of biometric technology, enhance security and user experience, and lay a solid foundation for the development of engineering application products.</p>		<p>application products: We apply optimized biometric technology to engineering product development, including security access control systems, payment authentication systems, etc., to provide users with a safer and more convenient application experience; 5. Pay attention to the development of non-contact fingerprint recognition technology: We continuously monitor and research non-contact fingerprint recognition technology, and apply it to practical scenarios to enhance security and user experience.</p>	
<p>R&amp;D of End-Edge-Cloud Collaborative Hybrid Communication Application Based on IoT Platform</p>	<p>In the context of the IoE, the construction of ends, edges, and clouds, as well as the large-scale layout of points, lines, and surfaces, have become the core melody of industry development. We are developing service middleware based on the Mlinerva IoT Platform, aiming to seamlessly integrate the ZKBio platform with APP data, and achieve comprehensive integration of "end, edge, and cloud" by building a cloud forwarding server. The core goal of the project is to provide a flexible, efficient, and secure "online+offline" deployment solution, further improve the smart space security management solution, deeply understand and meet the needs of user scenarios, and promote the digitalization process of enterprise users in complex multi-scenario management to a higher level of development.</p>	<p>Completed</p>	<ol style="list-style-type: none"> <li>1. We will build a hybrid cloud capability for ZKBio, which will serve as the core of the Minerva IoT service middleware, to achieve efficient transmission of data between the Intranet ZKBio platform and ZKBio APP. This measure will not only promote the sales of software licenses, hardware devices, and other system module products, but also form a complete solution closed-loop value, providing customers with comprehensive services and value;</li> <li>2. We are committed to providing mobile solutions for enterprise management, offering convenient online personnel registration and remote control applications for enterprise administrators to meet the growing management needs of enterprises and improve work efficiency and security control;</li> <li>3. We will fully utilize the advantages of the ZKBio platform to promote the sales conversion of products derived from this platform. For existing customers, we will actively explore opportunities for sales and repurchase to achieve sustained business growth.</li> </ol>	<ol style="list-style-type: none"> <li>1. Being committed to further enhancing the Company's professional level in the field of smart entrance and exit solutions, we fully demonstrate the Company's innovation and excellent professional capabilities by carrying out comprehensive construction of ends, edges, and clouds of the IoE. We adhere to technology as the driving force, constantly improving service quality to meet the ever-changing needs of the market;</li> <li>2. Guided by the Company's cloud strategy, we fully leverage the powerful capabilities of the Mlinerva IoT Platform, combined with our years of rich experience in the field of smart entrance and exit, to quickly respond to the needs of enterprise customers. By leveraging our technological innovation advantages, we ensure that we always maintain a leading position in the industry;</li> <li>3. We will quickly capture the growing market of security software APPs. With the continuous expansion of the market size, our solutions and products will continue to meet the growing needs of users, ensuring that we maintain a leading advantage in the field of smart entrance and exit mobile solutions and create more value for customers.</li> </ol>

ZKDigimax-L3 V3.0 (Smart Retail Cloud Management Platform)	This project develops a one-stop management solution for enterprise level advertising operations, content marketing management, product price management, and marketing data analysis based on cloud architecture.	Completed	<ol style="list-style-type: none"> <li>1. Implement a content management business system with market competitiveness, supporting advanced layout functions, virtual screens, and integrated screen playback functions;</li> <li>2. Provide rich external interfaces to easily integrate key data with POS and ERP systems;</li> <li>3. Realize the unified module for managing digital signage, electronic price tags and AI terminal devices;</li> <li>4. By integrating AIGC technology, achieve rapid deployment and implementation of marketing ideas.</li> </ol>	Implementing the Company's strategic layout in the retail scene and providing a comprehensive smart retail solution with market competitiveness.
Multi-dimensional Perception Smart Passage Terminal 1.0	Based on the R&D of multi-dimensional perception smart passage, this project mainly combines multi-dimensional perception AIoT terminals, cloud-edge-end integrated digital intelligence platforms and millimeter-wave radar detection technology, to achieve the overall layout of keel architecture and industrial intelligent manufacturing. By accurately analyzing complex and changeable human behaviors through multi-dimensional perception, it provides real-time behavior tracking and analysis for passage targets and ensures the safety of visitors. It is mainly applied in high-end access scenarios such as buildings, government agencies and transportation tracks.	Completed	Based on the Company's R&D capabilities and guided by market demand, we continuously launch visitor management and solutions. They cater to the access control scenarios of high-end buildings, government agencies, transportation tracks, etc.	<ol style="list-style-type: none"> <li>1. The Company can build the core competitiveness and market share of channel products, and provide customers with more professional product applications and services.</li> <li>2. The Company can achieve technological upgrades of products, meeting the demands of high-end access scenarios.</li> </ol>
R&D of Smart Office Terminal Management Platform and Device Based on Cloud Service Minerva IoT Platform V2.0	The project develops a smart office terminal management platform and device based on the cloud service Minerva IoT 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, and supports intelligent O&M functions such as device O&M, OTA upgrade, etc., connecting smart office attendance, access control, visitors, videos, and other IoT devices, providing a	Completed	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 Minerva IoT smart office cloud platform, applications, and hardware devices. It simultaneously supports intelligent O&M functions such as device O&M and OTA upgrade, while transforming from traditional O&M methods to digital O&M methods.	<ol style="list-style-type: none"> <li>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;</li> <li>2. Provide support for the Company's digital cloud platform strategic layout.</li> </ol>

	one-stop O2O solution for enterprise smart office. It is mainly used in smart office scenarios.			
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## R&amp;D personnel of the Company

	2024	2023	Change ratio
Number of R&D staff (ppl)	1,118	1,226	-8.81%
Proportion of R&D personnel	31.42%	29.86%	1.56%
Education background of R&D personnel			
Bachelor's degree	761	794	-4.16%
Master's degree	64	76	-15.79%
Age composition of R&D personnel			
Under 30 years old	497	652	-23.77%
30~40 years old	501	459	9.15%

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

	2024	2023	2022
R&D investment amount (RMB)	215,470,991.40	213,613,414.56	187,983,847.42
Ratio of R&D investment to operating revenue	10.82%	10.84%	9.80%
Amount of R&D expenditure capitalization (RMB)	0.00	0.00	0.00
Ratio of capitalized R&D expenditure to R&D investment	0.00%	0.00%	0.00%
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&amp;D personnel in the Company

Applicable  Not applicable

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

Applicable  Not applicable

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

Applicable  Not applicable

## 5. Cash flow

Unit: RMB

Item	2024	2023	YoY change
Subtotal of cash inflows from operating activities	2,394,049,601.81	2,165,751,516.53	10.54%
Subtotal of cash outflows from operating activities	2,165,713,018.76	1,929,750,626.32	12.23%
Net cash flows from operating activities	228,336,583.05	236,000,890.21	-3.25%
Subtotal of cash inflows from investing activities	1,663,237,967.53	787,667,352.37	111.16%
Subtotal of cash outflows from investing activities	1,829,043,721.44	718,997,205.91	154.39%

Net cash flows from investing activities	-165,805,753.91	68,670,146.46	-341.45%
Subtotal of cash inflows from financing activities	23,810,988.13	171,289,430.52	-86.10%
Subtotal of cash outflows from financing activities	199,897,055.95	237,940,435.66	-15.99%
Net cash flows from financing activities	-176,086,067.82	-66,651,005.14	-164.19%
Net increase in cash and cash equivalents	-102,676,225.59	239,412,294.92	-142.89%

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

Applicable  Not applicable

(1) In 2024, the net cash flow generated from operating activities decreased by 3.25% year-on-year, mainly due to an increase in payment for purchasing materials in the current period;

(2) The net cash flow generated from investing activities decreased by 341.45% year-on-year, mainly due to the fact that the amount of time deposits maturing and the redemption of financial products in the current period was less than the amount of time deposits and wealth management products purchased, resulting in a decrease in the net cash flows from investing activities.

(3) The net cash flow generated from financing activities decreased by 164.19% year-on-year, mainly due to the Company's share repurchase in the current period and the increase in cash dividends paid for the 2023 annual profit distribution.

Explanations on 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	4,195,000.74	1.95%	Mainly due to the profit and loss generated during the holding period of the financial products purchased during the reporting period	No
Profits and losses from fair value changes	14,859,953.45	6.90%	Mainly due to the profit and loss generated during the holding period of the financial products purchased during the reporting period	No
Losses from impairment of assets	-7,654,897.66	-3.55%	Mainly due to the provision for impairment of current inventory and provision for impairment of contract assets during the reporting period	No
Non-operating revenue	5,545,326.30	2.57%	Mainly due to the transfer of the amount that does not need to be paid during this reporting period to non-operating income.	No
Non-operating	6,513,782.84	3.02%	Mainly due to expenses such as external donations and disposal	No

expenditure			of stagnant materials during the reporting period	
Gains from disposal of assets	-653,718.36	-0.30%	Mainly due to income from disposal of fixed assets during the reporting period	No
Other income	18,367,589.83	8.53%	Mainly due to other income generated by government subsidies during the reporting period	No
Losses from credit impairment	-21,206,975.03	-9.85%	Mainly due to the provision of bad debt reserves for accounts receivable during the reporting period	No

## VI. Analysis of Assets and Liabilities

### 1. Material changes of asset items

Unit: RMB

	At the end of 2024		At the beginning of 2024		Proportion increase or decrease	Description of major changes
	Amount	Proportion to total assets	Amount	Proportion to total assets		
Monetary funds	1,473,334,905.97	36.70%	1,990,924,954.78	50.74%	-14.04%	Mainly due to the purchase of financial products, investment expenses for construction projects, implementation of share repurchases, and distribution of profits (cash dividends) from the previous year in current period
Accounts receivable	519,014,337.89	12.93%	479,803,313.66	12.23%	0.70%	Increase in overseas business, resulting in accounts receivable increase due to the relatively long collection cycle of overseas business
Contract assets	212,795.14	0.01%	282,186.31	0.01%	0.00%	No major change
Inventories	335,306,397.14	8.35%	372,714,784.31	9.50%	-1.15%	Mainly due to the reduction in strategic raw material reserves this year.
Investment real estate	21,504,316.77	0.54%	23,145,488.85	0.59%	-0.05%	No major change
Long-term equity investment	28,982,092.23	0.72%	29,781,888.62	0.76%	-0.04%	No major change
Fixed assets	535,337,384.82	13.33%	470,121,791.29	11.98%	1.35%	Mainly due to transfer to fixed assets for the current period by the Hybrid Biometrics IoT Intelligent Industrial Base Project

						and partial transfer to fixed assets by the Thai factory construction project.
Construction in progress	226,445,932.02	5.64%	138,986,483.73	3.54%	2.10%	Mainly due to new investment in the Multimodal Biometrics Digitalization Industrial Base Construction Project and the Thai factory construction project in current period
Right-of-use asset	48,352,214.14	1.20%	38,669,718.86	0.99%	0.21%	No major change
Contract liabilities	71,168,318.91	1.77%	65,331,106.17	1.66%	0.11%	No major change
Long-term loan	7,021,328.89	0.17%	7,810,405.04	0.20%	-0.03%	No major change
Lease liabilities	29,108,076.76	0.73%	19,713,286.21	0.50%	0.23%	No major change
Trading financial assets	491,331,815.79	12.24%	80,980,203.63	2.06%	10.18%	Mainly due to the increase in financial products

High proportion of overseas assets

Applicable  Not applicable

Specific content of assets	Cause of formation	Asset size	Location	Operation mode	Control measures to ensure asset security	Income	Proportion of overseas assets to the Company's net assets	Is there a significant impairment risk
ZK INVESTMENTS INC.	Wholly-owned subsidiary	16,977.77	America	Overseas investment	Subsidiary control	4,080.72	5.03%	No
ZK TECHNOLOGY LLC	Controlling subsidiary	7,199.82	America	Overseas sales	Subsidiary control	6,900.51	2.13%	No
ZKTECO CO., LIMITED	Wholly-owned subsidiary	47,627.08	Hong Kong	Overseas sales	Subsidiary control	866.87	14.10%	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. Unit: RMB '0,000							

## 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	Cumulative changes in fair value recognized	Impairment accrued in the current	Purchase amount in the current period	Sales amount in current period	Other changes	Ending balance

		period	in equity	period				
<b>Financial assets</b>								
1. Trading financial assets (excluding derivative financial assets)	80,887,585.81	14,952,571.27			1,499,634,199.55	1,104,583,406.82	440,865.98	491,331,815.79
2. Derivative financial assets	92,617.82	-92,617.82						
Subtotal of financial assets	80,980,203.63	14,859,953.45	0.00	0.00	1,499,634,199.55	1,104,583,406.82	440,865.98	491,331,815.79
Total	80,980,203.63	14,859,953.45	0.00	0.00	1,499,634,199.55	1,104,583,406.82	440,865.98	491,331,815.79
Financial liabilities	0.00							0.00

Other changes

Other changes are mainly due to exchange rate fluctuations.

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

Yes  No

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

Please refer to "Section X Financial Report VII. Consolidated Financial Statements 23. Assets with Restricted Ownership or Use Rights" in this report for details.

## VII. Investment Analysis

### 1. Overall

Applicable  Not applicable

Investment in 2024 (RMB)	Investment in 2023 (RMB)	YoY
1,725,309,509.06	508,828,238.94	239.08%

### 2. Significant equity investments obtained during the reporting period

Applicable  Not applicable

### 3. Significant non-equity investments during the reporting period

Applicable  Not applicable

Unit: RMB

Project Name	Investment Mode	Fixed Asset Assessment or Not	Investment Project Industry	Investment Amount During the Reporting Period	Accumulated Actual Investment Amount as of the End of the Reporting Period	Source of Funds	Project Progress	Expected Income	Accumulated Realized Income as of the End of the Reporting Period	Reasons for Not Achieving Planned Progress and Expected Benefits	Disclosure Date (if any)	Disclosure Index (if any)
Hybrid Biometrics IoT Intelligent Industrial Base Project	Self-built	Yes	Plant and supporting facilities	1,208,099.23	226,519,519.55	Own funds, bank loans, and raised funds	Under construction	Not applicable	38,067,128.95	Not applicable		
Multimodal Biometrics Digitalization Industrial Base Construction Project	Self-built	Yes	Plant and supporting facilities	100,910,810.31	188,328,218.01	Own funds and raised funds	Under construction	Not applicable		Not applicable		
Thai factory construction and office buildings	Self-built	Yes	Plant and supporting facilities	53,656,399.97	79,867,187.37	Own funds	Under construction	Not applicable		Not applicable		
Total	--	--	--	155,775,309.51	494,714,924.93	--	--	Not applicable	38,067,128.95	--	--	--

#### 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	824.27	824.27	-9.26	0	0	815.01	0	0.00%

Total	824.27	824.27	-9.26	0	0	815.01	0	0.00%
Accounting policies and specific accounting principles for hedging business during the reporting period, as well as description on whether there have been significant changes compared to the previous reporting period	No major change							
Explanations on actual profit and loss during the reporting period	During the reporting period, the Company obtained investment income of RMB 68.2 thousand through forward foreign exchange settlement and sales, and generated profits and losses from fair value changes of RMB -92.6 thousand.							
Explanations on 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"> <li>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.</li> <li>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.</li> <li>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.</li> <li>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.</li> <li>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.</li> </ol> <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>							

	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
Changes in market price or fair value of products during the reporting period of the invested derivatives. The analysis of the fair value of derivatives shall disclose the specific methods used and the setting of relevant assumptions and parameters	<p>The Company's accounting for the fair value of derivatives mainly focuses on the unexpired contracts for forward foreign exchange settlement and sales transactions signed between the Company and banks during the reporting period. Trading financial assets or trading financial liabilities are recognized based on the difference between the quoted price of the unexpired forward foreign exchange settlement and sales contract at the end of the period and the forward foreign exchange price.</p>
Litigation situation (if applicable)	Not applicable

## 2) Derivative investments for speculative purposes during the reporting period

Applicable  Not applicable

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

## 5. Use of raised funds

Applicable  Not applicable

### (1) Overall use of raised funds

Applicable  Not applicable

Unit: RMB '0,000

Year of fundraising	Fundraising method	Listing date of securities	Total amount of raised funds	Net amount of raised funds (1)	Total amount of raised funds used in this period	Accumulated total amount of raised funds used (2)	Proportion of raised funds utilized at the end of the reporting period (3) = (2)/(1)	Total amount of raised funds with changed purposes during the reporting period	Accumulated total amount of raised funds with changed purposes	Proportion of accumulated total amount of raised funds with change purposes	Total amount of unused raised funds	The purpose and destination of the raised funds that have not been used yet	Amount of raised funds idle for more than two years
2022	Initial public offering of stocks	August 17, 2022	160,816.89	145,729.84	10,098.30	63,001.31	43.23%	3,548.39	32,085.41	22.02%	88,550.68	Stored in the bank's special account for fundraising and wealth management	0
Total	--	--	160,816.89	145,729.84	10,098.30	63,001.31	43.23%	3,548.39	32,085.41	22.02%	88,550.68	--	0

## Description of the overall use of raised funds

1. According to the approval of the "Reply of CSRC to Approval for the Registration of Initial Public Offering of Stocks of ZKTECO CO., LTD." (ZJXK [2022] No. 926), the Company has publicly issued 37,123,013 RMB denominated ordinary shares (A shares) with a face value of RMB 1.00 per share, an issuance price of RMB 43.32 per share, and a total amount of raised funds of RMB 1,608,168,923.16. After deducting the issuance expenses (excluding value-added tax) of RMB 150,870,545.46, the actual net amount of raised funds is RMB 1,457,298,377.70. The receipt date of the raised funds is August 12, 2022. The availability of the raised funds has been verified by Baker Tilly China Certified Public Accountants (Special General Partnership) and a "Capital Verification Report" (TZYZ [2022] No. 38658) has been issued.
2. All the raised funds mentioned above have been deposited in a special account for raised funds for management, and a regulatory agreement for raised funds has been signed with the sponsor and the commercial bank that deposited the raised funds.
3. As of December 31, 2024, the cumulative amount used for the investment projects was RMB 630,013,073.72, and the balance of the remaining raised funds (including interest income and financial product income net of bank handling fees) was RMB 885,506,773.97.

## (2) Committed projects with raised funds

 Applicable  Not applicable

Unit: RMB '0,000

Financing project name	Listing date of securities	Committed investment projects and the investment	Project nature	Has the project been changed	Committed total investment amount of	Adjusted total investment (1)	Investment Amount During the Reporting	Accumulated investment amount as of the end of	Investment progress as of the end of the	Date when the project reaches	Benefits achieved during this	Accumulated benefits achieved as of the end of	Have the expected benefits been	Has there been a major change in
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		direction of over-raised funds		(including partial changes)	raised funds		Period	the period (2)	period (3)=(2)/(1)	its expected conditions for use	reporting period	the reporting period	achieved	the feasibility of the project
Committed investment projects														
Initial public offering of stocks in 2022	August 17, 2022	1. Tangxia Production Base Construction Project	Production and construction	Yes	24,841.18	0					Not applicable	Not applicable	Not applicable	Yes
Initial public offering of stocks in 2022	August 17, 2022	2. Hybrid Biometrics IoT Intelligent Industrial Base Project	Production and construction	No	43,689.94	43,689.94	1,184.51	27,742.37	63.50%	March 31, 2026	2,096.09	3,806.71	Not applicable	No
Initial public offering of stocks in 2022	August 17, 2022	3. American Manufacturing Factory Construction Project	Production and construction	Yes	17,392.21	14,392.65	214.19	320.18	2.22%	August 31, 2026	Not applicable	Not applicable	Not applicable	No
Initial public offering of stocks in 2022	August 17, 2022	4. R&D Center Construction Project	R&D project	Yes	18,240.58	14,692.19	649.39	10,923.73	74.35%	December 31, 2025	Not applicable	Not applicable	Not applicable	No
Initial public offering of stocks in 2022	August 17, 2022	5. Global Marketing Service Network Construction Project	Operational management	No	26,802.01	26,802.01	513.19	8,705.31	32.48%	August 31, 2025	Not applicable	Not applicable	Not applicable	No
Initial public offering of stocks in 2022	August 17, 2022	6. Remaining funds after the previous change in the American Manufacturing Factory	Production and construction	Yes	0	2,999.56					Not applicable	Not applicable	Not applicable	No

		Construction Project												
Initial public offering of stocks in 2022	August 17, 2022	7. Multimodal Biometrics Digitalization Industrial Base Construction Project	Production and construction	Yes	0	39,605.1	7,537.02	15,309.72	38.66%	June 30, 2026	Not applicable	Not applicable	Not applicable	No
Initial public offering of stocks in 2022	August 17, 2022	8. Remaining funds after the change in the R&D Center Construction Project	R&D project	Yes	0	3,548.39					Not applicable	Not applicable	Not applicable	No
Subtotal of committed investment projects				--	130,965.92	145,729.84	10,098.30	63,001.31	--	--	2,096.09	3,806.71	--	--
Direction of over-raised fund investment direction														
1. Undetermined funds	August 17, 2022	14,763.92	Production and construction	Yes	14,763.92								Not applicable	No
Subtotal of over-raised fund investment direction				--	14,763.92				--	--			--	--
Total				--	145,729.84	145,729.84	10,098.30	63,001.31	--	--	2,096.09	3,806.71	--	--
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>R&amp;D Center Construction Project: It has been affected by fluctuations in the domestic and international macroeconomic environment, changes in the market environment, and other factors. The Company has formed a more mature consideration for project construction. In order to control project investment risks, the procurement research, equipment selection, project construction and other aspects of the investment project have gradually been carried out cautiously, resulting in a delay in the implementation progress of the project compared to the original plan, and it is unable to reach the expected conditions for use within the original schedule. Therefore, the Company has postponed the scheduled date for the expected conditions for use of the "R&amp;D Center Construction Project" to December 31, 2025.</p> <p>Hybrid Biometrics IoT Intelligent Industrial Base Project: It has been actively promoting the implementation of the investment project since the funds were received. However, due to changes in terminal demand and external objective environmental factors, the equipment and material procurement and overall construction progress of the investment project have been delayed compared to the original plan. In order to safeguard the interests of all shareholders and the Company, and considering the prudence of the raised funds, while ensuring the effectiveness of the investment and avoiding additional resource waste, the Company will steadily promote the implementation of this project based on its medium - and long-term development strategy, without changing the investment content, total investment amount, and implementation subject of the project, under the principle of gradually laying out the project. The Company reasonably arranges production capacity construction based on customer orders to ensure the smooth implementation of the project. Therefore, after careful consideration, the Company has decided to extend the deadline for the project to reach its expected conditions for use until March 31, 2026. This adjustment aims to ensure the effective implementation of the project and is also in line with the Company's long-term development vision.</p>												

	<p>For these two projects, on April 22, 2024, the Company held the Ninth Session of the Third Board Meeting and the Eighth Session of the Third Supervisory Board Meeting. On May 15, 2024, the Company held 2023 Annual General Meeting, and deliberated and approved the "Proposal on Adjusting the Implementation Method, Total Investment Amount and Delay of Part of the Raised Fund Investment Projects". The Company agreed to postpone the scheduled date for the "Hybrid Biometrics IoT Intelligent Industrial Base Project" and the "R&amp;D Center Construction Project" to reach their expected conditions for use. Based on the market environment and the actual construction situation of the investment projects, for the R&amp;D Center Construction Project, the scheduled date for the project to reach its expected conditions for use before the adjustment is August 17, 2024, and the scheduled date for the project to reach its expected conditions for use after the adjustment is December 31, 2025. For the Hybrid Biometrics IoT Intelligent Industrial Base Project, the scheduled date for the project to reach its expected conditions for use before the adjustment is August 17, 2024, and the scheduled date for the project to reach its expected conditions for use after the adjustment is March 31, 2026. For details, please refer to the "Announcement on Adjusting the Implementation Method, Total Investment Amount and Delay of Part of the Raised Fund Investment Projects" (Announcement No. 2024-020) disclosed by the Company on CNINFO (<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>) on April 24, 2024.</p> <p>Global Marketing Service Network Construction Project: The original Global Marketing Service Network Construction Project was planned in 2020. The overall planning of the overseas marketing network was formulated by the Company based on the global marketing network layout, market environment, economic environment, industry development trends and the Company's actual situation at that time. However, with the changes in global geopolitics, economic conditions, industry competition and other factors, the original investment project planning cannot well match the actual market demand and respond to global development. The current actual situation has deviated from the original planning. The original overall planning of the domestic marketing network was formulated by the Company in 2020 based on the market environment, industry development trends and the Company's actual situation at that time to build and expand the network by itself. With the fluctuations in the macroeconomic situation causing changes in the market environment, the domestic overall planning of the original Global Marketing Service Network Construction Project cannot well match the latest domestic market environment.</p> <p>American Manufacturing Factory Construction Project: Given that the American Manufacturing Factory Construction Project is implemented in the US, due to differences in regulatory environments, the Company's customized requirements and the coordination of supply chain and construction resources, the project has been delayed. The specific influencing factors are as follows: ① Regulatory environment differences: The US government has extremely strict reviews on industrial land planning, environmental protection standards and safety regulations. For example, it requires the submission of detailed environmental impact assessments and complex safety risk analyses and other large amounts of additional materials to prove the project's compliance, which has led to an unexpected approval cycle for building permits; ② Customized design requirements: To meet the Company's intelligent production processes, the factory design incorporates non-standard contents such as customized production line layouts. The teams from China and the US have had multiple rounds of discussions on the engineering details, which has extended the design cycle beyond expectations; ③ Coordination of supply chain and construction resources: In the general contractor bidding process, the Company conducted a comprehensive assessment from multiple dimensions such as qualification levels, construction period commitments, and cost budgets. After several rounds of strict screening, a contractor with rich engineering experience was finally selected. Due to the detailed and comprehensive assessment process, the time for determining the winner in this bidding process was extended.</p> <p>The American Manufacturing Factory Construction Project and Multimodal Biometrics Digitalization Industrial Base Construction Project are in the construction stage and have not yet generated benefits. The R&amp;D Center Construction Project and Global Marketing Service Network Construction Project are investment projects and do not generate benefits.</p>
Explanations on significant changes in project feasibility	Not applicable
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. On January 18, 2023, the Company held the 23rd Session of the Second Board Meeting and the 17th Session of the Second Supervisory Board Meeting. On February 6, 2023, the Company held the Second Extraordinary General Meeting of 2023, and deliberated and approved the "Proposal on Changing the Investment Projects of Raised Funds, Changing the Special Account for Raised Funds, Increasing Capital and Providing Loans to Subsidiaries to Implement Investment Projects". The Company agrees to use the over-raised funds of 147.6392 million to invest in the construction of the Multimodal Biometrics Digitalization Industrial Base Construction Project. The Company transferred the over-raised funds into the special account for the Multimodal Biometrics Digitalization Industrial Base Construction Project on March 1, 2023, for project construction. It is expected to be completed by June 2026.</p>

Changes in the implementation location of projects invested with raised funds	Not applicable for 2024
Adjustment of implementation methods for projects invested with raised funds	Applicable
	Occurred during the reporting period
	On April 22, 2024, the Company held the Ninth Session of the Third Board Meeting and the Eighth Session of the Third Supervisory Board Meeting. On May 15, 2024, the Company held 2023 Annual General Meeting, and deliberated and approved the "Proposal on Adjusting the Implementation Method, Total Investment Amount and Delay of Part of the Raised Fund Investment Projects". The Company agreed to change the construction of Tangxia R&D Center in the investment project "R&D Center Construction Project" from self building to utilizing existing site. Due to the adjustment of the above implementation method, the corresponding total project investment has been adjusted from RMB 182.4058 million to RMB 146.9219 million, a decrease of RMB 35.4839 million.
Advance investment and replacement of raised funds for investment projects	Applicable
	<p>The Company held the 19th Session of the Second Board Meeting and the 13th Session of the Second Supervisory Board Meeting on September 29, 2022, and deliberated and approved the "Proposal on Using Raised Funds to Replace Self Raised Funds for Pre-invested Raised Investment Projects and Paid Issuance Expenses". It is agreed that the Company will use the raised funds to replace the self raised funds of RMB 358.6078 million invested in the raised investment project and paid issuance expenses as of August 21, 2022, as well as the pre-paid issuance fees of RMB 13.8425 million (excluding value-added tax) with the self raised funds.</p> <p>On September 16, 2022, the Company held the 18th Session of the Second Board Meeting and the 12th Session of the Second Supervisory Board Meeting, and deliberated and approved the "Proposal on Using Its Own Funds and Foreign Exchange to Pay for Part of the Funds Raised for Investment Projects and Exchanging Them with the Raised Funds in Equal Amounts". On January 18, 2023, the Company held the 23rd Session of the Second Board Meeting and the 17th Session of the Second Supervisory Board Meeting. On February 6, 2023, the Company held the Second Extraordinary General Meeting, and deliberated and approved the "Proposal on Changing the Investment Projects of Raised Funds, Changing the Special Account for 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&amp;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&amp;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&amp;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, 2024, the Company has used its own funds and foreign exchange replaced with the raised funds to pay a portion of the funds raised for the investment project, totaling RMB 56.9527 million.</p>
Temporary replenishment of working capital with idle raised funds	Not applicable
The amount and reasons	Not applicable

for the surplus of raised funds during project implementation	
The purpose and destination of the raised funds that have not been used yet	As of December 31, 2024, the balance of the Company's unused IPO raised funds is RMB 885.5068 million (including interest income and financial product income net of bank handling fees), including RMB 353.4168 million of demand deposit in the special account for raised funds and RMB 532.09 million of time deposit and other financial products. The above financial products have high safety, meet the requirements of capital preservation, and have good liquidity, which does not affect the normal operation of the investment plan for raised funds.
Problems or other situations in the use and disclosure of raised funds	Not applicable

Note: On April 21, 2025, the Company held the 17th Session of the Third Board Meeting and the 16th Session of the Third Supervisory Board Meeting, which reviewed and approved the "Proposal on Adjusting the Internal Investment Structure, Implementation Method and Extension of Some Raised Fund Investment Projects". It is agreed that the Company, under the premise that the investment purposes and scales of the raised fund investment projects remain unchanged, would adjust the internal investment structure and implementation methods of the Global Marketing Network Construction Project based on the actual progress of the project implementation, and extend the expected dates of the Global Marketing Network Construction Project and the American Manufacturing Factory Construction Project to reach the expected conditions for use. The planned date for the Global Marketing Network Construction Project to reach its expected conditions for use is August 31, 2025 before the adjustment, and August 31, 2028 after the adjustment. The planned date for the American Manufacturing Factory Construction Project to reach its expected conditions for use is August 31, 2026 before the adjustment, and August 31, 2027 after the adjustment.

### (3) Change in the use of raised funds

Applicable  Not applicable

Unit: RMB '0,000

Financing project name	Fundraising method	Changed project	Corresponding original committed projects	The total amount of raised funds to be invested in the project after the change (1)	Actual investment amount during this reporting period	Actual accumulated investment amount as of the end of the period (2)	Investment progress as of the end of the period (3)=(2)/(1)	Date when the project reaches its expected conditions for use	Benefits achieved during this reporting period	Have the expected benefits been achieved	Has there been a significant change in the feasibility of the project after the change

Initial public offering of stocks in 2022	Initial public offering	Multimodal Biometrics Digitalization Industrial Base Construction Project	Tangxia Production Base Construction Project	39,605.10	7,537.02	15,309.72	38.66%	June 30, 2026	Not applicable	Not applicable	No
Initial public offering of stocks in 2022	Initial public offering	American Manufacturing Factory Construction Project	American Manufacturing Factory Construction Project	14,392.65	214.19	320.18	2.22%	August 31, 2026	Not applicable	Not applicable	No
Initial public offering of stocks in 2022	Initial public offering	R&D Center Construction Project	R&D Center Construction Project	14,692.19	649.39	10,923.73	74.35%	December 31, 2025	Not applicable	Not applicable	No
Total	--	--	--	68,689.94	8,400.60	26,553.63	--	--	Not applicable	--	--
Explanations on reasons for changes, decision-making procedures, and information disclosure (by specific project)			<p>Multimodal Biometrics Digitalization Industrial Base Construction Project: 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 original investment project Tangxia Production Project was changed to the Multimodal Biometrics Digitalization Industrial Base Construction Project.</p> <p>Reasons for change: (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 enhance the Company's production capacity and technological process level, thereby improving product quality, production efficiency, and market competitiveness; (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>								

American Manufacturing Factory Construction Project: (1) The Company held the 17th Session of the Second Board Meeting and the 11th Session of the Second Supervisory Board Meeting on August 29, 2022, and the First Extraordinary General Meeting of 2022 on September 15, 2022, and deliberated and approved the "Proposal on Changing the Implementation Location and Total Investment Amount of Partial Raised Fund Investment Projects". The Company plans to adjust the implementation location of the "American Manufacturing Factory Construction Project" from "1600 Union Hill Rd, Alpharetta, GA 30005" to "6775 Meadow Ln, Alpharetta, GA 30005". Due to the Company's use of purchased existing buildings and renovation at a new location, the total investment of the Project has been reduced by RMB 33.477 million after adjustment. The total investment of the Project has decreased from RMB 173.9221 million to RMB 140.4451 million.

Reason for change: The increase in construction and labor costs in the United States. After careful evaluation and investigation by the Company, implementing the investment plan at the new location can reduce cost investment while shortening the construction cycle and accelerating the construction of the investment project without affecting the original planned production capacity of the Project.

(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. 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 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 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 were changed to RMB 29.9956 million.

Reason for change: Due to the 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 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.

R&D Center Construction Project: On April 22, 2024, the Company held the Ninth Session of the Third Board Meeting and the Eighth Session of the Third Supervisory Board Meeting. On May 15, 2024, the Company held 2023 Annual General Meeting, and deliberated and approved the "Proposal on Adjusting the Implementation Method, Total Investment Amount and Delay of Part of the Raised Fund Investment Projects". The Company agreed to change the construction method of the Tangxia R&D Center in the investment project "R&D Center Construction Project" from self building to utilizing the existing site for construction. Due to the adjustment of the above implementation method, the corresponding total project investment has been adjusted from RMB 182.4058 million to RMB 146.9219 million, a decrease of RMB 35.4839 million.

Reason for change: In the implementation process of the investment project, the Company adheres to the principles of rationality, efficiency, and economy, scientifically and prudently uses the raised funds based on the actual needs of the project, fully utilizes the existing site of the Company, and strengthens the supervision and control of project costs while ensuring the quality of project construction and controlling risks, effectively reducing project implementation costs. The adjustment of the above implementation methods and the reduction

	of the total investment amount of the project due to the adjustment of the implementation methods will not have a substantial impact on the investment project.
The situation and reasons for not achieving the planned progress or expected benefits (by specific project)	<p>R&amp;D Center Construction Project: It has been affected by fluctuations in the domestic and international macroeconomic environment, changes in the market environment, and other factors. The Company has formed a more mature consideration for project construction. In order to control project investment risks, the procurement research, equipment selection, project construction and other aspects of the investment project have gradually been carried out cautiously, resulting in a delay in the implementation progress of the project compared to the original plan, and it is unable to reach the expected conditions for use within the original schedule. Therefore, the Company has postponed the scheduled date for the expected conditions for use of the "R&amp;D Center Construction Project" to December 31, 2025.</p> <p>American Manufacturing Factory Construction Project: Given that the American Manufacturing Factory Construction Project is implemented in the US, due to differences in regulatory environments, the Company's customized requirements and the coordination of supply chain and construction resources, the project has been delayed. The specific influencing factors are as follows: ① Regulatory environment differences: The US government has extremely strict reviews on industrial land planning, environmental protection standards and safety regulations. For example, it requires the submission of detailed environmental impact assessments and complex safety risk analyses and other large amounts of additional materials to prove the project's compliance, which has led to an unexpected approval cycle for building permits; ② Customized design requirements: To meet the Company's intelligent production processes, the factory design incorporates non-standard contents such as customized production line layouts. The teams from China and the US have had multiple rounds of discussions on the engineering details, which has extended the design cycle beyond expectations; ③ Coordination of supply chain and construction resources: In the general contractor bidding process, the Company conducted a comprehensive assessment from multiple dimensions such as qualification levels, construction period commitments, and cost budgets. After several rounds of strict screening, a contractor with rich engineering experience was finally selected. Due to the detailed and comprehensive assessment process, the time for determining the winner in this bidding process was extended.</p>
Explanations on major changes in project feasibility after the change	Not applicable

Note: On April 21, 2025, the Company held the 17th Session of the Third Board Meeting and the 16th Session of the Third Supervisory Board Meeting, which reviewed and approved the "Proposal on Adjusting the Internal Investment Structure, Implementation Method and Extension of Some Raised Fund Investment Projects". It is agreed that the Company, under the premise that the investment purposes and scales of the raised fund investment projects remain unchanged, would adjust the internal investment structure and implementation methods of the Global Marketing Network Construction Project based on the actual progress of the project implementation, and extend the expected dates of the Global Marketing Network Construction Project and the American Manufacturing Factory Construction Project to reach the expected conditions for use. The planned date for the Global Marketing Network Construction Project to reach its expected conditions for use is August 31, 2025 before the adjustment, and August 31, 2028 after the adjustment. The planned date for the American Manufacturing Factory Construction Project to reach its expected conditions for use is August 31, 2026 before the adjustment, and August 31, 2027 after the adjustment. The proposal still needs to be reviewed and approved by the Board of Shareholders before implementation.

## 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 TECHNOLOGY LLC	Subsidiaries	Sales of goods	Not applicable	71,998,246.32	27,409,678.52	142,360,759.61	69,425,000.59	69,005,127.60
ZK INVESTMENTS INC.	Subsidiaries	Established	100.00 <sup>1</sup>	169,777,680.11	169,763,303.31	0.00	52,909,969.23	40,807,167.48
XIAMEN ZKTECO CO., LTD.	Subsidiaries	Software development and sales	100,000,000.00	174,024,849.27	154,584,351.89	115,405,582.91	21,142,800.72	20,943,632.39
ZKTECO (GUANGDONG) CO., LTD	Subsidiaries	R&D, production, and sales of products and software	800,000,000.00	1,360,211,358.94	944,278,085.29	759,709,999.39	68,320,817.93	62,617,537.53

Note 1: USD.

Acquisition and disposal of subsidiaries during the reporting period

Applicable  Not applicable

Company Name	Method of acquiring and disposing of subsidiaries during the reporting period	Impact on overall production, operation, and performance
ZKTECO BUSINESS SOLUTIONS COMPANY	New establishment	New establishment, with no significant impact on the overall production, operation, and performance of the Company
ZKTECO EGYPT LLC	New establishment	New establishment, with no significant impact on the overall production, operation, and performance of the Company
ZKTeco Polska Sp. z o.o.	New establishment	New establishment, with no significant impact on the overall production, operation, and performance of the Company
ZKTeco Latam R&D S.A.	Assignment	With no significant impact on the overall

		production, operation, and performance of the Company
Shenzhen Zhongjiang Intelligent Technology Co., Ltd.	Liquidation	With no significant impact on the overall production, operation, and performance of the Company
ZKTeco Cloud Brain-Computer (Hangzhou) Technology Co., Ltd.	New establishment	New establishment, with no significant impact on the overall production, operation, and performance of the Company
ZKTeco Huayun (Xiamen) Integrated Circuit Co., Ltd.	Cancellation	With no significant impact on the overall production, operation, and performance of the Company

Explanations on 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 multimodal BioCV and computer vision as its core technologies, and is committed to providing integrated identity recognition and verification smart terminals, industry application software and platform solutions for smart spaces, digital identity authentication, smart offices, smart business and other fields. During the reporting period, the Company's business further expanded into innovative fields such as smart home and smart health care, and continuously accelerated the strategic layout of new businesses.

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

#### (1) Application of biometric technology in the smart space field

The application of biometric technology in smart space management integrates computer vision and AI cognitive space computing technology through the collection, storage and analysis of data and image information, to build a comprehensive perception system of people, vehicles, objects and the environment. This technology promotes the transformation of smart space from passive management to autonomous decision-making and intelligent evolution, achieving a comprehensive upgrade in space management. Its core application scenarios include physical access control, pedestrian channels and smart locks, etc.

In recent years, with the increasing demand for security, convenience, and intelligent management of entrances and exits in cities, communities, enterprises, parks and hospitals, various biometric technologies such as fingerprint recognition, facial recognition and palmprint recognition have been increasingly applied in the field of smart space. The intelligent transformation of offline scenarios such as transportation hubs, buildings, communities, parks, and parking areas has been accelerating, which enables the rapid development of the smart space market. In the future, based on the consideration of labor costs, the current combination of manual management and equipment management will gradually develop towards self-service and unmanned operation. As an important market for biometrics equipment and supporting solutions, smart space will continue to maintain a high growth trend.

The main product of smart space is access control products. China's access control market was initially dominated by keys and keypad password locks. With 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, facial recognition 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.

Overall, in the field of biometrics access control management, with the proposal of the national policy for new types of infrastructure, smart space management devices based on multimodal biometric technology have been widely applied in scenarios such as parks, communities, and construction sites, bringing new business needs and development opportunities for solution providers of smart space. In the future, biometric technology will further empower smart space and drive the industry towards higher levels of intelligence.

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

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 (mainly used for system access authorization and file encryption), 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.

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.

Biometric authentication is the only large-scale commercial application of biometrics today. The application technology covers facial recognition, fingerprint recognition, palm 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 smart office field**

The biometric office market is a series of intelligent office scene products and solutions that utilize technologies such as biometrics, generative 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 office 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, this 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. In China, the application of biometric technology in smart office scenes such as attendance devices, meeting attendance systems, and visitor registration devices is becoming increasingly widespread, driving the continuous expansion of the market size.

Attendance machines, as the core tool for scientific human resource management, are an important part of the smart office scenarios. New-generation attendance products, such as biometric attendance machines and cloud attendance solutions, meet the demands of enterprises for improving administrative management efficiency and intelligence levels through technological innovation. Among them, biometric attendance machines have gradually expanded from early fingerprint recognition and facial recognition to non-contact palm recognition and other technologies, adapting to the society's higher expectations for comfortable, convenient and smart office methods. They have become an industry trend.

In the overall attendance market, the proportion of biometric attendance market is also constantly increasing. In the future, with

the rapid development of non-contact biometric technology and cloud attendance systems, as well as the integration and upgrading of multiple technologies, the introduction of generative AI technology further enhances the intelligence level of the system, such as optimizing attendance management and office experience through data analysis, injecting new growth momentum into smart offices.

#### **(4) Application of digital humans and large models in the smart business field**

In the smart retail scenario, the integration of digital humans and large model technologies is profoundly reshaping the interaction between consumers and retail spaces, especially in enhancing the interaction experience of digital signage and optimizing the O&M efficiency of advertising content. The following analysis is conducted from two dimensions: scenario application and future trends.

##### **Scenario application: Upgraded interaction experience**

Virtual shopping guide digital humans provide customers with product knowledge and promotional strategy explanations through natural language interaction. When customers focus on specific products, the digital humans automatically trigger the "object-aware speech" function, presenting product parameter comparisons and matching recommendations, and enhancing emotional resonance by dynamically adjusting voice tone and facial expressions. This capability relies on large models, voice recognition, natural language understanding, and BioCV technology, combined with intelligent digital signage to achieve real-time advertising material rendering. For instance, when a product is out of stock, the signage instantly switches to recommend alternative products; by analyzing the customer's style of dress and shopping cart contents, personalized advertisements are precisely pushed. Additionally, based on spatiotemporal prediction models, and integrating data such as weather, traffic, and business district activities, advertising strategies are dynamically optimized (e.g., pushing hot drink advertisements on rainy days).

The application of large models and AIGC technologies further empowers smart retail:

- ① Automated content production: AIGC creative workshops generate graphic and video advertisements and short video scripts in batches by inputting product SKU data, significantly enhancing production efficiency;
- ② Cross-modal adaptation optimization: Diffusion models are used to generate advertising materials of various sizes (from mobile phone vertical screens to large LED screens in shopping malls), seamlessly adapting to various terminals;
- ③ Compliance verification: Legal large models are integrated to automatically review advertising copy, ensuring compliance and reducing the risk of manual review.

##### **Future trends in smart business**

**Emotional interaction upgrade:** Digital humans will possess micro-expression generation and contextual empathy capabilities, strengthening emotional connections with customers;

**Metaverse entry point:** Digital signage will become an AR interaction entry point, allowing customers to scan codes to enter brand virtual spaces and experience immersive shopping and transactions;

**Full-channel content synchronization:** Offline advertising and online private domain traffic are linked in real time, building an integrated online and offline closed-loop ecosystem.

The deep integration of digital humans and large models is driving the transformation of retail spaces from "product display areas" to "immersive service bodies". The Company has built a digital asset system centered on customers' psychological data through the layout of L3 multimodal interaction middleground, striving to achieve a new smart retail landscape of "personalized experiences".

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

##### **1. Overall development strategy of the Company**

###### **AI-driven innovation, reshaping industry landscape**

In the era of rapid technological advancement, ZKTeco, with its deep accumulation in biometric technology, is leveraging its core multimodal BioCV technology as the engine to actively embrace the AI wave and drive intelligent transformation across various industries. ZKTeco will continue to increase R&D investment, attract top AI talents, integrate cutting-edge algorithms and technologies, optimize product performance, expand application boundaries, and reshape industry standards. Driven by AI technology, the Company will focus on core technologies, empower more industries to undergo intelligent transformation, create greater value on the global stage, and lead the industry towards a brilliant future. The Company is committed to becoming a global leader in smart space evolution services and leading the industry to new heights.

### **Smart space: Intelligent upgrade spanning physical and digital worlds**

Under the digital wave, entrance and exit management is transitioning from traditional models to intelligent ones. Unlike traditional systems that only focus on human and vehicle passage control, ZKTeco's Baiaruida focuses on physical space computing, and its ZKBio makes initial breakthroughs in the digitalization of the general entrance and exit. ZKTeco's AI space cognition computing technology achieves a qualitative leap. This technology integrates full-scenario perception of people, vehicles, objects, and the environment, endowing the space management system with a "smart brain" to deeply analyze behavior patterns and correlations.

In terms of efficient passage, the system integrates video, visual perception and high-precision radar technologies to quickly and accurately identify people, vehicles, and objects, optimizing the passage verification process. Whether in busy commercial centers or high-density office areas, it can effectively alleviate congestion and improve circulation efficiency. In terms of energy conservation and environmental protection, the system senses environmental factors such as light and temperature in real time, intelligently regulates lighting and ventilation equipment to reduce energy consumption; and optimizes material circulation to reduce transportation carbon emissions.

Taking large commercial complexes as an example, the system analyzes the trajectories and dwell times of people, vehicles, and objects to gain insights into consumer preferences and operational needs, assisting in precise marketing and resource allocation, thereby enhancing economic benefits and promoting green development. Additionally, users can make remote reservations and self-service passage through mobile devices, enjoying convenient services. In the future, entrance and exit management will further evolve towards intelligence and humanization.

### **Smart office: Innovative transformation of time management**

In the field of smart office, ZKTeco, with its Ralvie AI technology at the core, revolutionizes the time management model. By accurately recording and analyzing employees' working hours and efficiency, it converts time into quantifiable value certificates. This not only provides a basis for performance evaluation but also helps enterprises optimize processes and resource allocation, enhancing operational efficiency, and giving time management a new meaning.

### **Digital identity authentication: Fusion innovation of biometrics and blockchain**

In the digital age, identity authentication is the cornerstone of security. ZKTeco integrates leading biometric and blockchain technologies to create a secure and efficient digital identity authentication system. Biometric recognition accurately captures user identities, AI intelligent analysis quickly verifies the identities, and blockchain ensures decentralized storage and immutability of data. In the financial sector, this system effectively prevents identity fraud and ensures fund security; in access control scenarios, it enables fast passage and efficient management, providing security for various venues.

### **Smart business: AI large model-driven marketing revolution**

In the field of smart business, ZKTeco, with its AI large model technology at the core, relies on intelligent digital signage to drive the digital operation revolution of advertising. By deeply analyzing consumer behavior data, it accurately identifies needs and achieves personalized marketing, enhancing effectiveness and satisfaction. The digital signage management service integrates AI large models, achieving full-process intelligence from content creation to precise placement and effect tracking, and injecting new energy into smart business.

### **Cloud services: Flexible and reliable technical support platform**

ZKTeco's cloud service platform is characterized by high flexibility and security. By leveraging cloud computing, it breaks through the limitations of local devices, and supports anytime access and real-time updates, providing solid technical support for enterprises' digital transformation and ensuring that users always have the advantages of cutting-edge technologies.

## **2. Business plan of the Company for 2025**

### **① Mission and vision upgrade: Reshaping the value system with AI cognition as the engine**

In the intelligent era, ZKTeco, driven by AI cognitive technology, officially releases its new mission and vision, embarking on a new chapter of value system reformation. From a pioneer in biometric technology to a leading enterprise in the global smart entrance and exit field, the Company now aspires to become a global leader in smart space evolution services. The dramatic changes in the external environment have prompted us to more clearly examine ourselves and define our future positioning. The new mission

and vision integrate technological innovation and humanistic care, endowing spaces with the ability to "think" and "evolve" through AI cognition. In the global digital wave, it aims to drive efficiency innovation, safeguard security and trust, and support a green future through smart space experiences, truly serving people and lighting up a better world.

② Implementing a multi-brand strategy: Precise positioning and synergistic development

The Company launches a new multi-brand strategy, operating four brands: "ZKTeco", "ZKDIGIMAX", "NGTeco", and "Armatura". "ZKTeco" leads core business, covering smart spaces, digital identity authentication, and smart offices; "ZKDIGIMAX" focuses on smart business; "NGTeco" is dedicated to smart living; and "Armatura" targets the high-end market in Europe and America. Through the global coordinated operation of these four brands, the Company, in collaboration with partners, precisely meets the needs of different industries and customers, while consolidating core business and opening up new growth spaces.

③ Deepening AI+ application layout: Leading innovation, creating end-to-end solutions

The Company establishes a wholly-owned subsidiary, ZKTeco Cloud Brain-Computer, inheriting ZKTeco's leading AI spatial cognition computing technology and focusing on the R&D and optimization of BioCV TinyML (tiny machine learning) edge models. This subsidiary aims to equip edge devices with autonomous decision-making and evolutionary capabilities, enhancing the spatial perception level of "people, vehicles, objects, and the environment" scenarios, promoting the deep integration of AI with industry scenarios, and building end-to-end intelligent solutions. Its technological layout covers visual language multimodal edge models, vehicle-road-cloud edge computing, intelligent brain-computer technology, and wet computing research, injecting new energy into leading innovation.

④ Continuously advancing the marketing and service network: Deepening cooperation, building an ecological value chain

The Company will continue to deepen regional expansion and market leadership strategies, strengthen cooperation with high-quality partners, integrate external resources, and enhance customer stickiness. By promoting the breadth and depth of the service provider system, it aims to build a complete ecological value chain from products, solutions to scene services, enhancing market competitiveness and service capabilities.

⑤ Continuously promoting the construction of a global supply chain system

In 2025, the Company will accelerate the construction and commissioning of the ZKTeco multimodal biometric digital industrial base and the US manufacturing plant. At the same time, it will comprehensively introduce digital tools such as MES (Manufacturing Execution System), APS (Advanced Planning and Scheduling System), and QMS (Quality Management System), initiating the digital transformation of the production system. Additionally, by deploying more automated production lines and optimizing processes, it aims to enhance efficiency and product quality. These measures are intended to strengthen supply chain resilience and core competitiveness, providing global customers with higher-quality products and services.

**(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 space, smart office, digital identity authentication, smart business, and computer vision applications, including technological and R&D strength, flexible production capacity, brand influence, and marketing service network. However, in recent years, the relevant business sectors of the Company have shown an increasing number of market entities, increased industry concentration, and increasingly fierce market competition. With a large number of domestic competitors turning to "going global", the competitive situation in overseas markets has further intensified. The Company's businesses are facing competition pressure from various aspects such as price, service and brand. Other competitors may compete for market share through different market positioning, strategies or cost controls, making the competition more intense. In order to maintain the Company's leading position in the industry, the Company has continuously increased its R&D investment in recent years, insisting on developing and optimizing single and multimodal biometrics and computer vision technology, and continuously expanding and enriching the types of biometric and computer vision products and services. With the development of AI, the Company pays more attention to the application of AI technology in business, and focuses on the overall linkage design of product software and hardware, strengthening competitiveness of multiple categories, thus consolidating the

Company's leading position in the industry. However, with the increasing market competition, if the Company cannot continuously optimize product design, improve production quality, enhance brand competitiveness, expand and consolidate sales network, and improve market penetration, the Company's existing industry and market position will be affected, and the Company will face the risk of declining market share and profitability.

(2) Overseas business operational risks

In 2024, the Company's overseas sales revenue from countries and regions was RMB 1.4115242 billion, accounting for 71.17% of the Company's main business income. The Company's overseas business income accounted for a relatively large proportion.

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

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

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

As of December 31, 2024, the Company has a total of 49 overseas controlling subsidiaries located in countries and regions such as Hong Kong, the United States, Mexico, the United Arab Emirates, and India. During the reporting period, there were cases where the Company sold products to overseas subsidiaries and sold them locally through these subsidiaries due to business needs between the Company and some overseas subsidiaries. There was a situation of transfer pricing in the above-mentioned transaction links. According to the Company's self inspection, there were no cases of the Company or its overseas subsidiaries being punished by the tax department due to transfer pricing issues during the reporting period. From the perspective of its own compliance, the Company regularly hires professional consulting agencies to analyze and demonstrate the transfer pricing strategies involved in the operation of the Company and some overseas subsidiaries, and issues special reports.

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

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

Laws, regulations, and industry norms such as the "Civil Code of the People's Republic of China", the "Cybersecurity Law of the People's Republic of China", the "Data Security Law of the People's Republic of China", the "Personal Information Protection Law of the People's Republic of China", the "Measures for the Security Management of the Application of Facial Recognition Technology",

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

In recent years, personal information protection and data security have become regulatory priorities in various countries around the world, and regulatory policies related to them have been increasingly strengthened. Although the Company invited a professional compliance lawyer team in 2024 to thoroughly review and improve personal information protection and data security, if it fails to make timely and effective adjustments and responses to relevant policies and regulations in its future business operations, there may be potential legal risks in data compliance 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 space, smart office, digital identity authentication, and smart business where the Company is located. Industry technology is updated and iterated quickly, requiring industry enterprises to have strong technological innovation capabilities to adapt to the rapid development of the industry. The continuous innovation ability of products and technologies is increasingly becoming an important component of the core competitiveness of related product and solution suppliers. The Company always attaches great importance to technological innovation and new product R&D. In 2024, the Company's R&D expenses were RMB 215.471 million, accounting for 10.82% of operating revenue.

As of December 31, 2024, the Company has 963 patents, including 171 invention patents, 739 computer software copyrights and 84 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 of the marketing network of the Company, the Company's scale has constantly 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 2024, the Company achieved a revenue of RMB 1.3755976 billion through the distribution model, accounting for 69.36% of the Company's main business income of 2024.

Except for business cooperation, each dealer is independent of the Company, and its business plan is determined independently based on its own business goals and risk preferences. Although the Company has established strict dealer management systems and effective and reasonable rebate policies, and maintains good cooperative relationships with major dealers, the coverage area of marketing and service networks will continue to expand in the future with the 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 573.6711 million, accounting for 28.81% of the current operating revenue. With the further expansion of the Company's business scale, the amount of accounts receivable may continue to increase. If there are changes in the economic environment, customer operating conditions, etc., and accounts receivable cannot be recovered in a timely manner, resulting in bad debt losses, the Company's operating results may be adversely affected.

### (2) Inventory depreciation risk

With the growth of the Company's business scale, the inventory scale has been increasing year by year. At the end of the reporting period, the book value of the Company's inventory was RMB 335.3064 million, accounting for 11.40% of the total current assets at the end of the period. During the reporting period, the Company comprehensively considered factors such as expected selling price and inventory age, and made sufficient provision for inventory impairment. At the end of the reporting period, the provision ratio for inventory impairment was 5.17%. The Company's inventory mainly consists of raw materials, inventory goods, etc. The Company has always maintained a good cooperative relationship with raw material suppliers and customers, and reasonably arranged the inventory of raw materials and inventory goods. However, with the further growth of the Company's sales revenue and asset size, the Company's inventory also increases accordingly, which may lead to a decline in price, backlog, and unsold inventory due to market changes, resulting in the risk of deteriorating financial position and declining profitability.

### (3) Risk of RMB exchange rate fluctuations

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

### (4) Risk of exchange rate fluctuations in mainstream countries

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

## 5. Risks related to raising funds to invest in projects

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

The investment projects with raised funds are a prudent decision and planning made by the Company based on a thorough analysis of the current market situation, development speed, industrial environment, and future development trends of the industry, as well as the Company's existing technological level, management ability, and expected future customer needs combined with development prospects of the biometric industry and related application fields, as well as the expected changes in the international trade environment. However, if there are significant changes in the future market demand, industry structure, industrial policies or the economic and political situation, it may prevent the smooth implementation of investment projects with raised funds as planned or prevent them from achieving expected returns.

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

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

## 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
May 7, 2024	Value Online ( <a href="https://www.ir-online.cn/">https://www.ir-online.cn/</a> ) Network Interaction	Online Communication on Online Platforms	Others	Investors participating in the Company's 2023 annual performance briefing online	See CNINFO ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> )	CNINFO <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> , Announcement date: May 7, 2024, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2024-01)
September 2, 2024	Value Online ( <a href="https://www.ir-online.cn/">https://www.ir-online.cn/</a> ) Network Interaction	Online Communication on Online Platforms	Others	Investors participating in the Company's 2024 semi-annual performance briefing online	See CNINFO ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> )	CNINFO <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> , Announcement date: September 2, 2024, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2024-02)
December 18, 2024	Online Meeting	Online Communication on Online	Institution	TF Securities, Zheshang Securities, and Yinhua Fund	See CNINFO ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> )	CNINFO <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> , Announcement

		Platforms				date: December 18, 2024, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2024-03)
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### **XIII. Formulation and Implementation of the Market Value Management System and the Plan for Enhancing Valuation**

Has the Company established a market value management system?

Yes  No

Has the Company disclosed its plan for enhancing valuation?

Yes  No

### **XIV. Implementation of the Action Plan for "Double Improvement of Quality and Return"**

Has the Company disclosed an action plan for "dual 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.

#### 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 two extraordinary general meetings, 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 significant events, 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, Finance, 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 entities. The General Manager, Deputy General Manager, CFO, and Board Secretary 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 entities 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 2024	Extraordinary General Meeting	70.34%	January 8, 2024	January 8, 2024	Deliberation and approval of the "Proposal on Changing the Registered Capital, Amending the Articles of Association, and Handling the Procedures for Changing Industrial and Commercial Registration" and Deliberation and approval of the "Proposal on Revising and Adding Relevant Governance Systems" item

					by item
Annual General Meeting of 2023	Annual General Meeting	71.15%	May 15, 2024	May 15, 2024	Deliberation and approval of the "Proposal on the 2023 Annual Report and Its Summary", the "Proposal on the 2023 Work Report of the Board of Directors", the "Proposal on the 2023 Work Report of the Board of Supervisors", the "Proposal on the 2023 Annual Financial Settlement Report", the "Proposal on the 2023 Profit Distribution Plan", the "Proposal on Applying for Comprehensive Credit Line from Banks and Handling Bank Loans, and Providing Guarantee Limit for Holding Subsidiaries", the "Proposal on the 2024 Annual Salary Plan for Directors", the "Proposal on the 2024 Annual Salary Plan for Supervisors", the "Proposal on Adjusting the Implementation Method, Total Investment Amount and Delay of Part of the Raised Fund Investment Projects", and the "Proposal on Using Idle Self-owned Funds to Purchase Financial Products"
The 2nd Extraordinary General Meeting of Shareholders in 2024	Extraordinary General Meeting	70.56%	November 15, 2024	November 15, 2024	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	56	Chairman	Incumbent	December 14, 2007	April 6, 2026	34,022,300				34,022,300	
Jin Hairong	Male	43	Director	Incumbent	April 11, 2020	April 6, 2026	7,800			7,800	15,600	Registration of ownership of Class II restricted shares
Jin Hairong	Male	43	General manager	Incumbent	January 31, 2019	April 6, 2026	7,800			7,800	15,600	Registration of ownership of Class II restricted shares
Ma Wentao	Male	42	Director	Incumbent	June 28, 2016	April 6, 2026						
Ma Wentao	Male	42	Deputy General Manager	Incumbent	June 28, 2016	April 6, 2026						
Fu Zhiqian	Male	41	Director	Incumbent	June 28, 2016	April 6, 2026	7,150			7,150	14,300	Registration of ownership of Class II restricted shares
Dong Xiuqin	Female	53	Independent director	Incumbent	June 3, 2020	April 6, 2026						
Zhuo Shuyan	Female	44	Independent director	Incumbent	April 11, 2020	April 6, 2026						
Pang Chunlin	Male	54	Independent director	Incumbent	January 12, 2021	April 6, 2026						
Jiang Wenna	Female	42	Employee Representative Supervisor, Chairman of the Board of Supervisors	Incumbent	June 28, 2016	April 6, 2026						
Wang Huineng	Male	37	Supervisor	Incumbent	April 7, 2023	April 6, 2026						

Yang Xianfeng	Male	41	Supervisor	Incumbent	April 7, 2023	April 6, 2026							
Li Zhinong	Male	52	Deputy General Manager	Incumbent	June 28, 2016	April 6, 2026							
Guo Yanbo	Female	44	Secretary of the board	Incumbent	April 15, 2020	April 6, 2026							
Guo Yanbo	Female	44	Deputy General Manager	Incumbent	September 16, 2022	April 6, 2026							
Wang Youwu	Male	59	CFO	Incumbent	April 15, 2020	April 6, 2026							
Mu Wenting	Female	38	Deputy General Manager	Incumbent	September 16, 2022	April 6, 2026	11,700			11,700	23,400	Registration of ownership of Class II restricted shares	
Total	--	--	--	--	--	--	34,048,950	0	0	26,650	34,075,600	--	

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

Yes  No

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

Applicable  Not applicable

## 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. 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, President Assistant, General Manager of the Security Division of the Global Marketing Center in China, and Head of the Global Marketing Center in China from January 2008 to December 2024. Since January 2025, he has served as the General Manager of the Global Market and Product Sharing Center of the Company. Since June 2016, he has been a Director of the Company.

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 Zizi 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 January 1, 2025, 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 doctor'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 General Manager, Legal Representative 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 an independent non-executive 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. From October 2022 to present, he has served as an independent director of Beijing Zhixingzhe Technology Co., Ltd. From April 2023 to present, he has served as an independent non-executive director of BOE Varitronix Limited.

#### (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 a Supervisor of the Company. Mr. Yang Xianfeng has held various positions such as Technical Supporter, Department Manager, Product Manager, and Product Director of the Global Marketing Center Armatura and the Global Market Product Sharing Center of the ZKTeco International Business Group in the Company since May 2010. Since January 2025, he has served as the Deputy General Manager of the Global Market and Product Sharing Center of the Company. Since April 7, 2023, he has served as a Supervisor of the Company.

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 Company. 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. From February 2021 to September 2024, he has served as the Manager of the Armatura Global Marketing Center and Project and Ecological Cooperation Department of ZKTeco International Business Group. Since September 2024, he has served as the Operations Director of the NGTECO Business Unit of the Company. Since April 7, 2023, he has served as a 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 Human Resources Department from December 2007 to December 2015. From January 2016 to October 2017, she served as the Head of 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, Board Secretary, 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 February 2022, she served as the General Manager of the Management Department of the Manufacturing Center. From February 2022 to September 2022, she served as the Director of the General Manager's Office and Chairman Assistant. From September 2022 to July 2024, she has served as the Deputy General Manager, Director of the General Manager's Office, and Chairman Assistant of the Company. Since July 2024, she has served as the Deputy General Manager of the Company, as well as the Head of the Human Resources Center and the IT Information Center.

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	Fujian Zhongkong Mining Co., Ltd.	Supervisor	March 26, 2008	December 10, 2024	No

Dong Xiuqin	School of Economics, Shenzhen University	Teacher	August 1, 1996		Yes
	Shenzhen Jingquanhua Technology Co., Ltd.	Independent director	January 10, 2019	January 20, 2025	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
	Zizi Zhongxing Health Culture (Shenzhen) Co., Ltd.	Supervisor	May 1, 2019		No
Pang Chunlin	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.	Independent non-executive director	December 2, 2021		No
	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
	Beijing Zhixingzhe Technology Co., Ltd.	Independent director	October 17, 2022		Yes
	BOE Varitronix Limited	Independent non-executive director	April 7, 2023		Yes

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 150,000 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 6.723 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 obtain remuneration from related parties of the Company
Che Quanhong	Male	56	Chairman	Incumbent	143.78	No
Jin Hairong	Male	43	Director and General Manager	Incumbent	45.00	No
Ma Wentao	Male	42	Director and Deputy General Manager	Incumbent	43.45	No
Fu Zhiqian	Male	41	Director	Incumbent	30.00	No
Dong Xiuqin	Female	53	Independent director	Incumbent	15.00	No
Zhuo Shuyan	Female	44	Independent director	Incumbent	15.00	No
Pang Chunlin	Male	54	Independent director	Incumbent	15.00	No
Jiang Wenna	Female	42	Employee Representative Supervisor, Chairman of the Board of Supervisors	Incumbent	24.25	No
Wang Huineng	Male	37	Supervisor	Incumbent	23.28	No
Yang Xianfeng	Male	41	Supervisor	Incumbent	39.72	No
Li Zhinong	Male	52	Technical	Incumbent	140.21	No

			Director and Deputy General Manager			
Guo Yanbo	Female	44	Secretary of the Board of Directors and Deputy General Manager	Incumbent	44.35	No
Wang Youwu	Male	59	CFO	Incumbent	50.18	No
Mu Wenting	Female	38	Deputy General Manager	Incumbent	43.08	No
Total	--	--	--	--	672.30	--

Other explanations

Applicable  Not applicable

## 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 9th Session of the Third Board Meeting	April 22, 2024	April 24, 2024	See CNINFO "Announcement on the Resolutions of the 9th Session of the Third Board Meeting" (Announcement No. 2024-009)
The 10th Session of the Third Board Meeting	April 25, 2024		"Proposal on the 2024 Q1 Report of ZKTECO CO., LTD."
The 11th Session of the Third Board Meeting	August 28, 2024	August 30, 2024	See CNINFO "Announcement on the Resolutions of the 11th Session of the Third Board Meeting" (Announcement No. 2024-035)
The 12th Session of the Third Board Meeting	October 28, 2024	October 30, 2024	See CNINFO "Announcement on the Resolutions of the 12th Session of the Third Board Meeting" (Announcement No. 2024-045)
The 13th Session of the Third Board Meeting	November 21, 2024	November 21, 2024	See CNINFO "Announcement on the Resolutions of the 13th Session of the Third Board Meeting" (Announcement No. 2024-051)
The 14th Session of the Third Board Meeting	December 31, 2024	January 2, 2025	See CNINFO "Announcement on the Resolutions of the 14th Session of the Third Board Meeting" (Announcement No. 2025-001)

### 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 attending in person for two consecutive times	Presence at shareholders' meetings (times)
Che Quanhong	6	1	5	0	0	N	2
Jin Hairong	6	5	1	0	0	N	3
Ma Wentao	6	6	0	0	0	N	3
Fu Zhiqian	6	4	1	1	0	N	3

Dong Xiuqin	6	2	4	0	0	N	3
Zhuo Shuyan	6	0	6	0	0	N	3
Pang Chunlin	6	0	6	0	0	N	3

Explanations on 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 regarding 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 Meetings Held	Convening Date	Meeting Content	Important Opinions and Suggestions Proposed	Other Performance of Duties	Specifics of Objection (if any)
Audit Committee of the Board of Directors	Zhuo Shuyan, Dong Xiuqin, and Fu Zhiqian	4	April 11, 2024	Deliberation and approval of the "Proposal on the 2023 Annual Report and Its Summary", the "Proposal on the 2023 Annual Financial Settlement Report", the "Proposal on the 2023 Profit Distribution Plan", the "Proposal on the 2023 Internal Audit Work Summary and the 2024 Internal Audit Work Plan", the "Proposal on the Self-evaluation Report on Internal Control in 2023", the "Proposal on Applying for Comprehensive Credit Line from Banks and Handling Bank Loans, and Providing Guarantee Limit for Holding Subsidiaries", the "Proposal on Using Idle Self-owned Funds to Purchase Financial Products", the "Proposal on Conducting Foreign Exchange Derivative Trading Business", and the "Report on the Evaluation of the Performance of the Accounting Firm in 2023 and the Fulfillment of the Supervisory Duties by the Audit Committee"	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 23, 2024	Deliberation and approval of the "Proposal on the 2024 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 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
			August 17, 2024	Deliberation and approval of the "Proposal on the 2024 Half Year Report and Abstract"	The Audit Committee carries out work in strict accordance with the "Company Law", the regulatory rules of the CSRC,	None	None

					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		
			October 24, 2024	Deliberation and approval of the "Proposal on the 2024 Q3 Report" and 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	Jin Hairong, Pang Chunlin, and Zhuo Shuyan	3	April 11, 2024	Deliberation and approval of the "Proposal on the 2024 Compensation Plan for Directors" and the "Proposal on the 2024 Compensation Plan for Senior Management"	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 "Implementation Rules of the Salary and Assessment Committee of the Board of Directors". It is diligent and responsible. Based on the actual situation of the Company, after thorough communication and discussion, the related committee members abstained from voting on the relevant proposals, while the non-related committee members all voted in favor of the relevant proposals.	None	None
Salary and Assessment Committee	Jin Hairong, Pang	3	November 15, 2024	Deliberation and approval of the "Proposal on Adjusting the Granting Price of 2022 Restricted Share Incentive Plan", the "Proposal on Cancelling	The Salary and Assessment Committee carries out work in strict accordance with the "Company Law", the regulatory rules	None	None

	Chunlin, and Zhuo Shuyan			Some Granted but Not Affiliated Restricted Shares", and the "Proposal on the Achievement of the Attribution Conditions for the Second Attribution Period of the 2022 Restricted Share Incentive Plan"	of the CSRC, the "Articles of Association", the "Rules of Procedure of the Board of Directors", and the "Implementation Rules of the Salary and Assessment Committee of the Board of Directors". It is diligent and responsible. Based on the actual situation of the Company, after thorough communication and discussion, the related committee members abstained from voting on the relevant proposals, while the non-related committee members all voted in favor of the relevant proposals.		
Salary and Assessment Committee	Jin Hairong, Pang Chunlin, and Zhuo Shuyan	3	December 27, 2024	Deliberation and approval of the "Proposal on Adjusting the Names of the Incentive Objects for the Reserved Grant Portion of the 2022 Restricted Share Incentive Plan", the "Proposal on Cancelling Some Granted but Not Affiliated Restricted Shares", the "Proposal on the Achievement of the Attribution Conditions for the First Attribution Period of the Reserved Grant in the 2022 Restricted Share Incentive Plan", and the "Proposal on Revising the "Management Measures for Employee Housing Borrowings" and Continuing to Provide Loans to Employees"	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 "Implementation Rules of the Salary and Assessment Committee of the Board of Directors". It is diligent and responsible. Based on the actual situation of the Company, after thorough communication and discussion, the related committee members abstained from voting on the relevant proposals, while the non-related committee members all voted in favor of the relevant proposals.	None	None

## 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 Educational Background of Employee

Number of in-service employees of the parent company at the end of the reporting period	1,077
Number of in-service employees of the major subsidiaries at the end of the reporting period	2,481
Total number of in-service employees at the end of the reporting period	3,558
Total number of employees receiving salaries in current period	3,558
Number of retired employees requiring the parent Company and its subsidiaries to bear costs	17
<b>Professional structure</b>	
Type of professions	Number of employees
Production personnel	805
Sales personnel	1,363
Technical personnel	1,118
Financial personnel	78
Administrative personnel	194
Total	3,558
<b>Education background</b>	
Education background	Number of employees
PhD candidate	1
Master's degree	119
Bachelor degree	1,736
Other	1,702
Total	3,558

### 2. Remuneration policy

In 2024, the Company continues to deepen the digital management of human resources, providing more comprehensive and systematic support for management decisions. By frequently organizing internal performance review meetings, it strengthened the closed-loop mechanism of organizational performance management to ensure alignment of goals at all levels. At the same time, it gradually refined the standardized processes for performance management of middle and lower-level teams, optimized the fixed and floating salary structure and mechanism, and continuously improved the salary management system to ensure the scientific and healthy development of remuneration policies.

### 3. Training plan

In 2024, the Company organized a total of 966 specialized training sessions. Training management and business empowerment were mutually reinforcing. Targeted training sessions such as information system training, AI empowerment training, lean training, and advanced office software usage skills training were organized. At the same time, the content and form of training were continuously optimized to further strengthen the internal learning and development mechanism. The Company actively promoted the certification of trainers, and organized and planned TTT specialized training to enhance the teaching skills of internal trainers, providing a strong guarantee for the high-quality development of training and continuously building an efficient empowerment system.

### 4. Labor outsourcing

Applicable  Not applicable

Sum of working hours of labor outsourcing (hour)	28,169.22
Remuneration sum paid for labor outsourcing (RMB)	1,013,123.48

## 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 plan 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 plan 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 22, 2024 and May 15, 2024, the Company's 9th Session of the Third Board Meeting and the 2023 Annual General Meeting respectively deliberated and approved the "Proposal on the 2023 Profit Distribution Plan". The Company's total share capital was 194,679,508 shares. After deducting the 2,230,000 shares held in the Company's dedicated securities account for repurchase, the share capital was 192,449,508 shares. Based on this, the Company distributed a cash dividend of RMB 4.5 per 10 shares (including tax) to all shareholders, totaling RMB 86,602,278.60. On May 28, 2024, the Company implemented the above profit distribution implementation plan. This profit distribution plan 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 Articles of Association or the requirements of the shareholders' meeting resolution:	Yes
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	Yes

express their opinions and demands, and whether their legitimate rights and interests have been fully protected:	
If the cash dividend policy is adjusted or changed, whether the conditions and procedures are compliant and transparent:	Not applicable

The profit distribution plan 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 plan 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)	5
Additional shares converted from capital reserves per 10 shares (share)	2
Total capital shares as the basis for the distribution plan (share)	194,082,325
Cash dividend amount (RMB) (tax inclusive)	97,041,162.50
Cash dividend amount in other ways (such as repurchase of shares) (RMB)	58,898,543.10
Total cash dividends (including other ways) (RMB)	155,939,705.6
Distributable profit (RMB)	429,659,664.62
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

After comprehensively considering the current share capital situation, operating conditions, profitability, financial positions, and long-term development, the Board of Directors proposed a profit distribution plan for 2024 that benefits all shareholders in sharing the Company's operating results. On April 21, 2025, the Company held the 17th Session of the Third Board Meeting, which reviewed and approved the "Proposal on the 2024 Profit Distribution Plan". The Board of Directors proposed the following profit distribution plan for 2024:

The Company plans to distribute cash dividends of RMB 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. At the same time, capital reserve will be used to increase share capital, with a bonus of 2 shares for every 10 shares to all shareholders, and no bonus shares will be distributed. As of April 23, 2025, the total share capital of the Company is 196,312,325 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 2024 is RMB 97,041,162.50 (including tax). The share capital increased by 38,816,465 shares.

If there is any change in the total share capital of the Company or the number of shares in the repurchase account from the date of approval of this profit distribution plan to the date of equity registration for the implementation of the rights distribution, the Company will adjust the total amount of distribution and the total amount of capital increase based on the total share capital on the equity registration date for the implementation of the distribution plan, excluding the shares already repurchased in the repurchase account, while maintaining the principle that the cash dividend per share and the ratio of capital increase remain unchanged.

This proposal still needs to be submitted to the Company's 2024 annual general meeting for deliberation.

The Company's profit distribution plan for 2024 was proposed by the Board of Directors after comprehensively considering factors such as the current share capital situation, operating conditions, profitability, financial position, and the Company's long-term development. It is beneficial to all shareholders sharing the Company's operating results. It complies with the Company's Articles of Association and relevant deliberation procedures. This profit distribution plan was approved by the third special meeting of the independent directors of the Company's third board of directors, effectively protecting the legitimate rights and interests of small and medium-sized investors.

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 plan 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**

The progress of the 2022 Restricted Share Incentive Plan during the reporting period is as follows:

On November 21, 2024, the Company held the 13th Session of the Third Board Meeting and the 12th Session of the Third Supervisory Board Meeting, and deliberated and approved the "Proposal on Adjusting the Granting Price of 2022 Restricted Share Incentive Plan", the "Proposal on Cancelling Some Granted but Not Affiliated Restricted Shares", and the "Proposal on the Achievement of the Attribution Conditions for the Second Attribution Period of the 2022 Restricted Share Incentive Plan". Due to the circumstances of some incentive objects, including resignation, failure to meet the individual performance assessment requirements for 2023, and voluntary renunciation, the relevant restricted shares that have not be attributed need to be invalidated. A total of 99,970 restricted shares will be invalidated. In light of the Company's announcement of the implementation of the 2023 annual equity distribution, the Board of Directors has agreed to make corresponding adjustments to the grant price of restricted shares under the 2022 Restricted Share Incentive Plan. The initial and reserved grant prices were adjusted from RMB 14.12 per share to RMB 13.67 per share. As the attribution conditions for the second attribution period of the first grand in the Company's 2022 Restricted Share Incentive Plan have been met, the Board of Directors has agreed to attribute a total of 1,557,855 shares to 436 incentive objects. Please refer to the "Announcement on Cancelling Some Granted but Not Affiliated Restricted Shares" (Announcement No. 2024-054), the "Proposal on Adjusting the Granting Price of 2022 Restricted Share Incentive Plan" (Announcement No. 2024-053), and the "Announcement on the Achievement of Attribution Conditions for the Second Attribution Period of the 2022 Restricted Share Incentive Plan" (Announcement No. 2024-055) disclosed by the Company on the website of CNINFO (<http://www.cninfo.com.cn>) on November 21, 2024.

The Company has completed the registration of the second attribution period of the 2022 Restricted Share Incentive Plan in accordance with relevant regulations, and the relevant shares were listed and circulated on November 29, 2024. Please refer to the "Announcement on the Attribution Results of the Second Attribution Period of the 2022 Restricted Share Incentive Plan and the Listing of Shares" (Announcement No. 2024-057) disclosed by the Company on the website of CNINFO (<http://www.cninfo.com.cn>) on November 27, 2024.

On December 31, 2024, the Company held the 14th Session of the Third Board Meeting and the 13th Session of the Third Supervisory Board Meeting, and deliberated and approved the "Proposal on Adjusting the Names of the Incentive Objects for the Reserved Grant Portion of the 2022 Restricted Share Incentive Plan", 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 Reserved Grant in the 2022 Restricted Share Incentive Plan". In the "List of Incentive Objects Reserved for Grant under the 2022 Restricted Share Incentive Plan" disclosed by the Company on the website of CNINFO on June 21, 2023, as some foreign employees followed the writing conventions of their home countries, resulting in the order of their names being reversed when submitting their personal information, the names disclosed in the "List of Incentive Objects Reserved for Grant under the 2022 Restricted Share Incentive Plan" were inconsistent with those recorded in their passports. Considering the requirements for opening securities and bank accounts, the Company has uniformly updated the names to those registered in their passports. Due to the circumstances of some incentive objects, such as resignation, failure to meet the individual performance assessment requirements for 2023, and voluntary renunciation, the relevant granted but unvested shares need to be invalidated. A total of 68,704 restricted shares were invalidated this time. As the

attribution conditions for the first attribution period of the reserved grant in the Company's 2022 Restricted Share Incentive Plan have been met, the Board of Directors has agreed to attribute a total of 74,962 shares to 26 incentive objects. Please refer to the "Announcement on Adjusting the Names of the Incentive Objects for the Reserved Grant Portion of the 2022 Restricted Share Incentive Plan" (Announcement No. 2025-003), the "Announcement on Cancelling Some Granted but Not Affiliated Restricted Shares" (Announcement No. 2025-004), and the "Announcement on the Achievement of the Attribution Conditions for the First Attribution Period of the Reserved Grant in the 2022 Restricted Share Incentive Plan" (Announcement No. 2025-005) disclosed by the Company on the website of CNINFO (<http://www.cninfo.com.cn>) on January 2, 2025.

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	7,800	7,800	0	13.67	0
Fu Zhiqian	Director	0	0	0	0	0	0	0	7,150	7,150	0	13.67	0
Mu Wenting	Deputy General Manager	0	0	0	0	0	0	0	11,700	11,700	0	13.67	0
Total	--	0	0	0	0	--	0	--	26,650	26,650	0	--	0
Remarks (if any)	The restricted shares held by the above personnel are classified as Class II restricted shares. Due to the implementation of the 2023 annual equity distribution by the Company, the above "grant price of restricted shares" is the adjusted grant price of shares based on the equity distribution situation. The "number of restricted shares held at the beginning of the period" refers 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 2024, 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. Evaluation Report on Internal Control or Internal Control Audit Report

### 1. Evaluation report on internal control

Disclosure date of the full text of the internal control evaluation report	April 23, 2025	
Disclosure index of the full text of the internal control evaluation report	CNINFO ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> )	
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	Significant deficiencies: Control environment is ineffective; the	Significant deficiencies: Violation against national laws, regulations, or

	<p>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 significant and important deficiencies mentioned above.</p>	<p>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>
Quantitative Criteria	<p>Significant deficiencies: Misstated amount <math>\geq 1\%</math> of total assets; misstated amount <math>\geq 2\%</math> of main business income; misstated amount <math>\geq 5\%</math> of total profits</p> <p>Important deficiencies: 0.5% of total assets <math>\leq</math> misstated amount <math>&lt; 1\%</math> of total assets; 1% of main business income <math>\leq</math> misstated amount <math>&lt; 2\%</math> of total main business income; 2% of total profits <math>\leq</math> misstated amount <math>&lt; 5\%</math> of total profits</p> <p>General deficiencies: Misstated amount <math>&lt; 0.5\%</math> of total assets; misstated amount <math>&lt; 1\%</math> of total main business income; misstated amount <math>&lt; 2\%</math> of total profits</p>	<p>Significant deficiencies: Loss amount <math>&gt;</math> RMB 10 million; important deficiencies: RMB 1 million <math>&lt;</math> loss amount <math>\leq</math> RMB 10 million; general deficiencies: loss amount <math>\leq</math> 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

Applicable  Not applicable

Opinions on the internal control audit report	
On December 31, 2024, ZKTeco maintained effective internal control over financial reports in all material respects in accordance with the "Basic Norms for the Internal Control of Enterprises" and relevant regulations.	
Disclosure of the internal control audit report	Disclosed
Disclosure date of the full text of the internal control audit report	April 23, 2025
Disclosure index of the full text of the internal control audit report	CNINFO ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> )
Type of the opinions on the internal control audit report	Standard unqualified opinions
Are there any material deficiencies in the non-financial reports?	No

Has the accounting firm issued an internal control audit report with non-standard opinions?

Yes  No

Is the internal control audit report issued by the accounting firm is consistent with the self-evaluation report of the Board of Directors?

Yes  No

## **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 "2024 Sustainable Development Report of ZKTECO CO., LTD." disclosed by the Company on April 23, 2025, on CNINFO (<http://www.cninfo.com.cn>).

### III. Efforts of Poverty Alleviation and Rural Revitalization

For progress in consolidating and expanding poverty alleviation achievements and rural revitalization related work during the reporting period, please refer to the "2024 Sustainable Development Report of ZKTECO CO., LTD." disclosed by the Company on April 23, 2025, 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>	August 17, 2022	February 16, 2026	Strict performance

			4. If there are different provisions in laws, regulations, normative documents, as well as the CSRC or Shenzhen Stock Exchange regarding 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.			
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 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 managers 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 of 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 regarding 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>	August 17, 2022	February 16, 2026	Strict performance

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 regarding 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 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>	August 17, 2022	February 17, 2027	Strict performance

			3. If there are different provisions in laws, regulations, normative documents, as well as the CSRC or Shenzhen Stock Exchange regarding 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.			
IPO-related commitments	JYLY 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 regarding 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	Jin Hairong, Ma Wentao, Fu Zhiqian, Jiang Wenna, Wu Xinke, Liu Jijia, Wang Youwu, Li	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 managers of ZKTeco, I will not transfer more than 25% of the total number of shares of ZKTeco I directly or indirectly hold each year. Within six months after my resignation, I will not transfer</p>	August 17, 2022	Long term	Strict performance

	Zhinong, and Guo Yanbo	<p>any of these shares. If I resign within six months from the date of the initial public offering and listing of shares of ZKTeco, I will not transfer these shares within 18 months from the date of resignation. If I resign on a date between the seventh and twelfth months after the initial public offering and listing of its shares, I will not transfer these shares within 12 months from the date of declaration of 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 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 regarding 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</p>			
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<p>IPO-related commitments</p>	<p>ZKTeco Times</p>	<p>Commitment to avoid horizontal competition</p>	<p>these provisions.</p> <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. 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>	<p>August 17, 2022</p>	<p>Long term</p>	<p>Strict performance</p>
<p>IPO-related commitments</p>	<p>Che Quanhong</p>	<p>Commitment to avoid horizontal competition</p>	<p>1. I and/or the enterprise controlled by me, 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. 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>August 17, 2022</p>	<p>Long term</p>	<p>Strict performance</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, ZKTecos other shareholders or stakeholders as a result.</p>			
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 commitments	Che Quanhong	Commitment to standardize and reduce related party transactions	<p>1. U 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 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</p>	August 17, 2022	Long term	Strict performance

			timely disclose information to ensure that the legitimate rights and interests of ZKTeco and other shareholders are not harmed through related party transactions; 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.			
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 standardize and reduce related party transactions	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. 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; 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.	August 17, 2022	Long term	Strict performance
IPO-related commitments	ZKTeco Times and Che Quanhong	Shareholding and intention to reduce holdings	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. 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 pays dividends, issues bonus shares or converts capital reserve into share capital during this period, the issuance price shall be adjusted accordingly.). 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	August 17, 2022	Long term	Strict performance

			<p>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 regarding 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.</p> <p>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;</p> <p>② Increase in holdings by controlling shareholders;</p> <p>③ Directors (excluding independent directors) and senior managers increase their holdings. Until the stopping conditions of the stable stock price plan are met.</p>	August 17, 2022	August 16, 2025	Strict performance
IPO-related	ZKTeco Times,	Commitment to	When the Company initiates a stock price stabilizing plan in accordance with the	August 17, 2022	August 16,	Strict

commitments	Che Quanhong, Jin Hairong, Ma Wentao, Fu Zhiqian, Wang Youwu, Li Zhinong, and Guo Yanbo	stabilizing stock prices	"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.		2025	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 regarding 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 regarding the absence of false records, misleading	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	August 17, 2022	Long term	Strict performance

		statements, or significant omissions in the prospectus and other information disclosure materials	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 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 Jiajia, Wang Youwu, Li Zhinong, and Guo Yanbo	Commitment letter regarding 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	August 17, 2022	Long term	Strict performance

			<p>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 regarding 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>			
IPO-related commitments	ZKTeco, Che Quanhong, Jin Hairong, Ma Wentao, Fu Zhiqian, Dong Xiuqin, Pang Chunlin, Zhuo Shuyan, Wang Youwu, Li Zhinong, and Guo Yanbo	Commitment on guarantee measures for filling in the diluted immediate return	<p>"In order to ensure the effective implementation of the Company's compensation measures, the Company, directors, and senior managers make the following commitments:</p> <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 regarding 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>	August 17, 2022	Long term	Strict performance
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</p>	August 17, 2022	Long term	Strict performance

			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.			
IPO-related commitments	ZKTeco Times	Commitment on relevant binding measures in case of failure to fulfill commitments	<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 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>	August 17, 2022	Long term	Strict performance
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</p>	August 17, 2022	Long term	Strict performance

			to fulfill the commitments disclosed in the prospectus and causes losses to investors, I promise to bear compensation liability in accordance with the law.			
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 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 shares for fraudulent issuance and listing	<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 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.</p>	August 17, 2022	Long term	Strict performance
IPO-related commitments	ZKTeco Times and Che Quanhong	Commitment to repurchase shares for fraudulent issuance and listing	<p>(1) Guarantee that there will be no fraudulent issuance of shares in ZKTeco's public offering and listing on the ChiNext.</p> <p>(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.</p>	August 17, 2022	Long term	Strict performance
IPO-related commitments	Che Quanhong, Jin Hairong, Ma Wentao, Fu Zhiqian, Dong Xiuqin, Pang Chunlin, Zhuo	Commitment to repurchase shares for fraudulent issuance and listing	<p>(1) I guarantee that there is no fraudulent issuance of ZKTeco's initial public offering and listing on the ChiNext.</p> <p>(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</p>	August 17, 2022	Long term	Strict performance

	<p>Shuyan, Jiang Wenna, Wu Xinke, Liu Jiajia, Wang Youwu, Li Zhinong, and Guo Yanbo</p>		<p>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.</p>			
<p>IPO-related commitments</p>	<p>ZKTeco</p>	<p>Special commitment on shareholder information disclosure</p>	<p>The Company's shareholders include ZKTeco Times, Che Quanhong, LX Investment, JYSJ, JYHY, JYLX, JYQL, Shenzhen Fuhai Junyong No.1 Venture Capital Enterprise (Limited Partnership), Yiwu Huaxin Vision Venture Capital Center (Limited Partnership), and Qingdao Walden Zhongxiang Investment Center (Limited Partnership). 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 natural person De Wang, and JYSJ, JYHY, JYLX and JYQL are the employee stock holding platform of the Company, and Shenzhen Fuhai Junyong No.1 Venture Capital Enterprise (Limited Partnership), Yiwu Huaxin Vision Venture Capital Center (Limited Partnership), and Qingdao Walden Zhongxiang Investment Center (Limited Partnership) are investors introduced by the Company. Shenzhen Fuhai Junyong No.1 Venture Capital Enterprise (Limited Partnership), Yiwu Huaxin Vision Venture Capital Center (Limited Partnership), and Qingdao Walden Zhongxiang Investment Center (Limited Partnership) 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 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. 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</p>	<p>August 17, 2022</p>	<p>Long term</p>	<p>Strict performance</p>

			with the law, fulfilling the obligation of information disclosure.			
IPO-related commitments	ZKTeco Times and Che Quanhong	Other commitments	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.	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. 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	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.	August 17, 2022	Long term	Strict performance
Whether the commitment is fulfilled on time	Yes					
If the commitment is not fulfilled within the promised period, a detailed explanation of the specific reasons for the incomplete fulfillment and the next work plan should be provided.	Not applicable					

**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 regarding 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

Please refer to "Section X Financial Report V. Important Accounting Policies and Estimates 41. Changes in Important Accounting Policies and Estimates

## **VII. Explanations 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 seven subsidiaries within the consolidation, as shown below::

S/N	Company Name	Establishment Date	Registered Capital	Percentage of shares (%)	Reason for Change

1	ZKTeco Huayun (Xiamen) Integrated Circuit Co., Ltd.	2017/7/5	RMB 3.69388 million	51	Cancellation
2	Shenzhen Zhongjiang Intelligent Technology Co., Ltd.	2017/4/26	RMB 10 million	51	Taken over by the liquidation group
3	ZKTeco Cloud Brain-Computer (Hangzhou) Technology Co., Ltd.	2024/10/29	RMB 20 million	100	Establishment
4	ZKTECO BUSINESS SOLUTIONS COMPANY	2024/5/15	SAR 1 million	100	Establishment
5	ZKTeco Polska Sp. z o.o.	2024/8/2	PLN 400,000	75.69	Establishment
6	ZKTeco Egypt LLC	2024/1/4	USD 120,000	100	Establishment
7	ZKTeco Latam R & D S.A.	2018/8/27	ARS 2.926 million	98.088	Assignment

### VIII. Appointment and Dismissal of Accounting Firms

Accounting firm currently employed

Name of domestic accounting firms	Zhonghui Certified Public Accountants (Special General Partnership)
Remuneration of domestic accounting firms (RMB '0,000)	158
Continuous years of audit services of domestic accounting firms	1
Name of certified public accountant (CPA) of domestic accounting firms	Li Li and Yuan Zongzhi
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

Given that the original audit institution, Dahua Certified Public Accountants (Special General Partnership), has been suspended from providing securities services for six months starting from May 10, 2024, based on the principle of prudence and considering the Company's business development and audit needs, in accordance with the relevant provisions of the "Management Measures for the Selection of Accounting Firms for State-owned Enterprises and Listed Companies" and the Company's "Selection System for Accounting Firms", the Company held the 12th Session of the Third Board Meeting on October 28, 2024, and the Second Extraordinary General Meeting of 2024 on November 15, 2024, and reviewed and approved the "Proposal on Proposed Change of Accounting Firm", agreeing to engage Zhonghui Certified Public Accountants (Special General Partnership) as the audit institution for the Company's 2024 financial reports and internal control audit reports.

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

Applicable  Not applicable

The Company held the 12th Session of the Third Board Meeting on October 28, 2024 and the Second Extraordinary General Meeting of 2024 on November 15, 2024, and reviewed and approved the "Proposal on Proposed Change of Accounting Firm", agreeing to appoint Zhonghui Certified Public Accountants (Special General Partnership) as the internal control audit institution for the Company in 2024. The Company paid a total of RMB 1.58 million to the accounting firm for the 2024 report, of which RMB 280,000 was for the internal control audit.

## 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
Unfair competition dispute filed by the Company against Zokon Industry	200	No	Implementation stage	The second instance court ruled that Zokon Industry compensate the Company and Shenzhen ZKTeco for a loss of RMB 2 million	As Zokon Industry has no sufficient assets available for execution and is unable to repay its due debts, the Company submitted a "Bankruptcy Liquidation Application" to the Shenzhen Intermediate People's Court on January 6, 2025, requesting the court to conduct a bankruptcy liquidation of Zokon Industry. The Shenzhen Intermediate People's Court filed the case on January 16, 2025, with the case number (2025) Y 03 PS No. 131.	August 30, 2024	CNINFO ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ) "2024 Half Year Report of ZKTECO CO., LTD." (Announcement No. 2024-037)
Other lawsuits/arbitrations where the Company (including subsidiary companies in the consolidated	1,963.26	No	The Company strictly follows the progress of each case	No significant impact	The Company strictly follows the progress of each case	August 30, 2024	CNINFO ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ) "2024 Half Year Report of ZKTECO

financial statements) as the plaintiff fails to meet the disclosure standards for major lawsuits							CO., LTD." (Announcement No. 2024-037)
Other lawsuits/arbitrations where the Company (including subsidiary companies in the consolidated financial statements) as the defendant fails to meet the disclosure standards for major lawsuits	265.52	No	The Company strictly follows the progress of each case	No significant impact	The Company strictly follows the progress of each case	August 30, 2024	CNINFO ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ) "2024 Half Year Report of ZKTECO CO., LTD." (Announcement No. 2024-037)

## 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
<b>Guarantee of the Company to its subsidiaries</b>										
Name of guarantee object	Disclosure date of guarantee limit related announcements	Guarantee amount	Actual occurrence date	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter guarantee (if any)	Guarantee period	Whether it has been fulfilled	Whether to guarantee for related parties
ZKTECO (GUANG DONG) CO., LTD	April 24, 2024	25,000	December 16, 2019	0	Joint and several liability guarantee			15 years	Yes	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)				0	Total actual guarantee balance for subsidiaries at the end of the reporting period (B4)		0			
<b>Guarantee provided by subsidiaries to subsidiaries</b>										
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
<b>Total amount of company guarantee (i.e. the total of the first three major items)</b>										
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)			0	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				0						

ratio exceeding 70% (E)	
Amount of the total guarantee exceeding 50% of net assets (F)	0
Total amount of the above three guarantees (D+E+F)	0
Explanations on 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 on providing external guarantees in violation of prescribed procedures (if any)	Not applicable

Explanations on 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	5,228.98	3,234.20	0	0
Bank financial products	Own funds	1,931.52	1,931.52	0	0
Bank financial products	Own funds	375.98	375.98	0	0
Bank financial products	Own funds	424.31	39.05	0	0
Bank financial products	Own funds	80.20	80.20	0	0
Bank financial products	Own funds	3,000.00	3,000.00	0	0
Bank financial products	Own funds	174.63	95.01	0	0
Bank financial products	Own funds	49,009.26	5,000.00	0	0
Bank financial products	Fundraising	29,590.00	11,209.00	0	0
Bank financial products	Fundraising	76,500.00	42,000.00	0	0
Bank financial products	Own funds	719.11	719.11	0	0
<b>Total</b>		<b>167,033.99</b>	<b>67,684.07</b>	<b>0</b>	<b>0</b>

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	128,327,159	65.92%	19,987			-8,634,958	-8,614,971	119,712,188	61.00%
1. Shares held by State									
2. Shares held by state-owned legal persons									
3. Shares held by other domestic enterprises	128,327,159	65.92%	19,987			-8,634,958	-8,614,971	119,712,188	61.00%
Including: shares held by domestic legal persons	94,284,872	48.43%				-8,634,958	-8,634,958	85,649,914	43.65%
Shares held by domestic natural persons	34,042,287	17.49%	19,987				19,987	34,062,274	17.36%
4. Foreign shareholding									

Including: shares held by overseas legal persons									
Shares held by overseas natural persons									
II. Shares not subject to trading restrictions	66,352,349	34.08%	1,537,868			8,634,958	10,172,826	76,525,175	39.00%
1. RMB denominated ordinary shares	66,352,349	34.08%	1,537,868			8,634,958	10,172,826	76,525,175	39.00%
2. Domestic listed foreign shares									
3. Overseas listed foreign shares									
4. Others									
III. Total shares	194,679,508	100.00%	1,557,855			0	1,557,855	196,237,363	100.00%

## Reasons for changes in shares

Applicable  Not applicable

1. On August 19, 2024, the lockup period of the shares issued by the Company before the initial public offering expired and the shares went public. The number of shareholders with the restrictions lifted was 4, with 8,634,958 shares, accounting for 4.4355% of the Company's total share capital at the time of lifting the restrictions;

2. On November 27, 2024, the Company disclosed the "Announcement on the Attribution Results of the Second Attribution Period of the 2022 Restricted Share Incentive Plan and the Listing of Shares". After deliberation and approval by the 13th Session of the Third Board Meeting, the attribution condition for the second attribution period of the first grant in the Company's 2022 Restricted Share Incentive Plan was met, and the number of attributed shares was 1,557,855 shares, which were listed for circulation on November 29, 2024. After the completion of the attribution, the total share capital of the Company increased from 194,679,508 shares to 196,237,363 shares.

Some directors and senior managers are incentive objects under the 2022 Restricted Share Incentive Plan. 75% of the shares they received this time were locked, thus increasing the executive lockup shares by 19,987.

## Approval of changes in shares

Applicable  Not applicable

The attribution condition for the second attribution period of the first grant in the Company's 2022 Restricted Share Incentive Plan has been met, and it has been approved by the 13th Session of the Third Board Meeting and the 12th Session of the Third Supervisory Board Meeting held on November 21, 2024. In addition, the "Announcement on the Achievement of Attribution Conditions for the Second Attribution Period of the 2022 Restricted Share Incentive Plan" (Announcement No. 2024-055) was disclosed on November 21, 2024 on CNINFO (<http://www.cninfo.com.cn>).

## Transfer of changes in shares

Applicable  Not applicable

The attribution condition for the second attribution period of the first grant in the Company's 2022 Restricted Share Incentive Plan has been met, and the number of attributed shares was 1,557,855 shares. The shares attributed this time were registered in the relevant incentive object's securities account on November 29, 2024.

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 2022 Restricted Share Incentive Plan granting the second attribution period of shares for the first time, the total share capital increased from 194,679,508 shares to 196,237,363 shares, resulting in corresponding dilution of earnings per share (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	Increase in restricted shares during	Number of shares released from trading	Number of restricted shares at the	Reason for restrictions	Date of releasing from trading
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	beginning of the period	the period	restrictions in this period	end of the period		restrictions
Shenzhen ZKTeco Times Investment Co., Ltd.	58,500,000			58,500,000	Restricted shares before IPO	February 17, 2026
Che Quanhong	34,022,300			34,022,300	Restricted shares before IPO	February 17, 2026
Shenzhen JYSJ Investment Enterprise (Limited Partnership)	10,580,700		3,526,900	7,053,800	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)	10,440,787		3,480,263	6,960,524	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 (Limited Partnership)	9,880,000			9,880,000	Restricted shares before IPO	August 17, 2025
Shenzhen JYLX Consulting Enterprise (Limited Partnership)	3,561,285		1,187,095	2,374,190	Restricted shares before IPO	One quarter of the shares will be unlocked from August 17, 2023, until all shares are unlocked on August 17, 2026
Shenzhen JYQL Investment Consulting Enterprise (Limited Partnership)	1,322,100		440,700	881,400	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
Fu Zhiqian	5,362	5,362		10,724	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	5,850	5,850		11,700	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	8,775	8,775		17,550	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	128,327,159	19,987	8,634,958	119,712,188	--	--

## 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 29, 2024	13.67	1,557,855	November 29, 2024	1,557,855		"Announcement on the Attribution Results of the Second	November 27, 2024

							Attribution Period of the 2022 Restricted Share Incentive Plan and the Listing of Shares of ZKTECO CO., LTD." (Announcement No. 2024-057) on the website of CNINFO	
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 Second Attribution Period of the 2022 Restricted Share Incentive Plan and the Listing of Shares:

On November 21, 2024, the Company held the 13th Session of the Third Board Meeting and the 12th Session of the Third Supervisory Board Meeting, respectively, and deliberated and approved the "Proposal on the Achievement of the Attribution Conditions for the Second Attribution Period of the 2022 Restricted Share Incentive Plan". The attribution condition for the second attribution period of the first grant in the Company's 2022 Restricted Share Incentive Plan has been met. After being reviewed and approved by the Shenzhen Stock Exchange and China Securities Depository and Clearing Co., Ltd. Shenzhen Branch, the number of shares attributed this time was 1,557,855 shares, with an attributable price of RMB 13.67 per share. The listing and circulation date was November 29, 2024.

## 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, the Company's total share capital increased from 194,679,508 shares to 196,237,363 shares due to the fulfillment of the attribution conditions for the second attribution period of the first grant under the 2022 Restricted Share Incentive Plan.

As of the end of 2024, the total assets of the Company were RMB 4.0146235 billion, an increase of 2.31% compared to RMB 3.9239007 billion at the end of 2023; the total liabilities were RMB 636.6231 million, an increase of 0.55% compared to RMB 633.1114 million at the end of 2023, and the asset liability ratio was 15.86%, 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	17,701	Total number of common shareholders at the end of the previous month before the disclosure date of the annual report	17,648	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	Percentage of shares	Total shares held at the end of the reporting period	Changes in increase and decrease during the reporting period	Number of shares with trading restrictions	Number of shares not subject to trading restrictions	Pledge, marking or frozen		
							Share status	Amount	
Shenzhen ZKTeco Times Investment Co., Ltd.	Domestic non state-owned corporation	29.81%	58,500,000	0	58,500,000	0	Not applicable	0	
Che Quanhong	Domestic individual	17.34%	34,022,300	0	34,022,300	0	Not applicable	0	
Shenzhen JYSJ Investment Enterprise (Limited)	Domestic non state-owned corporation	7.15%	14,038,400	-69,200	7,053,800	6,984,600	Not applicable	0	

Partnership)								
Shenzhen JYHY Investment Enterprise (Limited Partnership)	Domestic non state-owned corporation	7.07%	13,874,950	-46,100	6,960,524	6,914,426	Not applicable	0
Dongguan LX Investment Partnership Enterprise (Limited Partnership)	Domestic non state-owned corporation	5.03%	9,880,000	0	9,880,000	0	Not applicable	0
Shenzhen JYLY Consulting Enterprise (Limited Partnership)	Domestic non state-owned corporation	1.84%	3,607,894	-1,110,016	2,374,190	1,233,704	Not applicable	0
Shenzhen JYQL Investment Consulting Enterprise (Limited Partnership)	Domestic non state-owned corporation	0.59%	1,151,750	-579,550	881,400	270,350	Not applicable	0
Shenzhen Gohedge Fund Management Co., Ltd. - Gohedge Pearl No.1 Private Equity Fund	Others	0.35%	688,580	-21,000	0	688,580	Not applicable	0
Gu Meijuan	Domestic individual	0.31%	614,900	Not applicable <sup>1</sup>	0	614,900	Not applicable	0
Hong Kong Securities Clearing Company Limited	Overseas corporation	0.25%	489,063	-768,367	0	489,063	Not applicable	0
Strategic investors or general corporations become the top 10	Not applicable							

shareholders due to the placement of new shares (if any) (see Note 4)			
Explanations on the above shareholder's association or concerted action	<p>Shareholder Che Quanhong is elder brother of shareholder Che Quanzhong from ZKTeco Times are brothers, and son of Che Jun, partner of LX Investment. The shareholder Che Quanhong holds 76.02% of the equity of ZKTeco Times, being the controlling shareholder of ZKTeco Times. Meanwhile, Che Quanhong holds 1.18% of the property share of shareholder LX Investment and 8.65% of the property share of shareholder JYLX. Che Quanzhong, the younger brother of shareholder Che Quanhong, holds a 23.98% stake in ZKTeco Times. Che Jun, the father of shareholder Che Quanhong, holds 98.68% of the property share of LX Investment. In addition, there is no affiliated relationship between the other shareholders of the Company.</p>		
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)	As of December 31, 2024, the Company's repurchase special securities account holds 2,230,000 ordinary A shares, accounting for 1.14% of the current total share capital of the Company. As required, it is not included in the list of the top 10 shareholders of the Company.		
Particulars about the top 10 shareholders not subject to trading restrictions (excluding shares lent through refinancing and executive lockup shares)			
Name of shareholder	Number of shares not subject to trading restrictions held at the end of the reporting period	Types of shares	
		Types	Amount
Shenzhen JYSJ Investment Enterprise (Limited Partnership)	6,984,600	RMB denominated ordinary shares	6,984,600
Shenzhen JYHY Investment Enterprise (Limited Partnership)	6,914,426	RMB denominated ordinary shares	6,914,426
Shenzhen JYLX Consulting Enterprise (Limited Partnership)	1,233,704	RMB denominated ordinary shares	1,233,704
Shenzhen Gohedge Fund Management Co., Ltd. - Gohedge Pearl No.1 Private Equity Fund	688,580	RMB denominated ordinary shares	688,580
Gu Meijuan	614,900	RMB denominated ordinary shares	614,900
Hong Kong Securities Clearing Company Limited	489,063	RMB denominated ordinary shares	489,063
Changjiang Wealth Asset Management - Bank of Nanjing - Changjiang Wealth - ZKTeco Employee Strategic Placement No.1	363,592	RMB denominated ordinary shares	363,592

Collective Asset Management Plan			
GF Securities Co., Ltd. - Bodao Chengzhang Zhihang Stock Securities Investment Fund	324,102	RMB denominated ordinary shares	324,102
Shenzhen JYQL Investment Consulting Enterprise (Limited Partnership)	270,350	RMB denominated ordinary shares	270,350
Liu Lianxiang	202,665	RMB denominated ordinary shares	202,665
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	Shareholder Che Quanhong holds 8.65% of the property shares of shareholder JYLX. In addition, the Company does not know whether there is a related relationship between the top 10 other shareholders of shares not subject to trading restrictions, as well as between the top 10 shareholders of outstanding shares not subject to trading restrictions and the top 10 shareholders, or whether they belong to Concerted Parties.		
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 688,580 A shares of the Company at the end of the reporting period, including 563,520 A shares held through a margin account and 125,060 A shares held through a margin account of CITIC Securities Co., Ltd. At the end of the reporting period, Liu Lianxiang held a total of 202,665 shares of the Company's A shares. Among them, he held 200 shares of the Company's A shares through a margin account and 202,465 shares through the client credit transaction guaranty securities accounts of CITIC Securities (Shandong) Co., Ltd.		

Note: 1 According to the shareholder register issued by the Shenzhen Branch of China Securities Depository and Clearing Co., Ltd., the Company only has information on the top 200 shareholders at the beginning and end of the reporting period. The shareholder Gu Meijuan, who ranked 9th at the end of the reporting period, was not among the top 200 shareholders at the beginning of the period. Therefore, the Company is unable to accurately obtain her shareholding data at the beginning of the reporting period, and thus the "Changes in increase and decrease during the reporting period" for her is "Not applicable".

Participation of shareholders holding more than 5% of the shares, the top 10 shareholders and the top 10 shareholders of outstanding shares not subject to trading restrictions in the lending of shares through refinancing

Applicable  Not applicable

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

Applicable  Not applicable

Does the Company have voting right difference arrangements

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

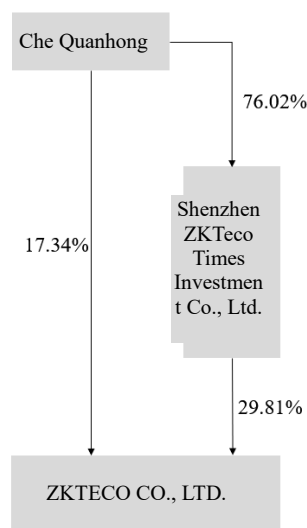
Name of actual controller	Relationship with actual controller	Nationality	Have you obtained residency in other countries or regions
Che Quanhong	Oneself	China	No
Main occupation and position	Che Quanhong is the Chairman of the Company. Please refer to "2. Appointment" in "II. Information on Directors, 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	2,230,000	
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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 21, 2025
Audit institution name	Zhonghui Certified Public Accountants (Special General Partnership)
Audit Report No.	ZHKS [2025] No. 3301
Name of CPA	Li Li, Yuan Zongzhi

#### Audit Report Text

#### All shareholders of ZKTECO CO., LTD.:

##### I. 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, 2024, the consolidated and parent company's profit statement, the consolidated and parent company's cash flow statement, the consolidated statements and parent company's Statement of Changes in Equity and notes to financial statements as of 2024.

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, 2024, as well as the consolidated and parent company's operating results and cash flows as of 2024.

##### II. 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.

##### III. 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.

###### (I) Revenue recognition

###### 1. Description of matters

As stated in Note VII 42 of Chapter X, the operating revenue of ZKTeco in 2024 was RMB 1.9912004 billion. As operating revenue is one of the key performance indicators of ZKTeco, there is an inherent risk that the management may inappropriately recognize revenue to achieve specific targets or expectations. Therefore, we consider the recognition of operating revenue of ZKTeco as a key audit matter.

###### 2. Audit response

Our significant audit procedures for revenue recognition include:

(1) Understand the key internal controls related to revenue recognition, evaluate whether their design is effective, determine whether they are implemented, and test the effectiveness of the operation of relevant internal controls;

(2) Understand the revenue recognition policies through interviews with management, examine the terms of major customer contracts, and analyze whether the conditions, methods and timing of the Company's revenue recognition comply with the requirements of Accounting Standards for Business Enterprises;

(3) Perform analytical procedures on operating revenue, analyze the changes in sales of major products and major customers, compare with the changes in the same period of the previous year, and review the rationality of sales changes;

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

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

(6) Conduct cut-off tests on sales transactions before and after the balance sheet date to evaluate whether the revenue is recorded in the appropriate accounting period.

#### **IV. Other Information**

The management of ZKTeco (hereinafter referred to as the management) is responsible for other information. The other information comprises the information included in the annual report for 2024, 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.

#### **V. 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.

#### **VI. CPA's Responsibilities for the Audit of the Financial Statements**

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

(I) Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform the 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.

(II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

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

(IV) 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.

(V) 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.

(VI) 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, 2024

Unit: RMB

Item	December 31, 2024	January 1, 2024
Current assets:		
Monetary funds	1,473,334,905.97	1,990,924,954.78
Deposit reservation for balance		
Lendings to banks and other financial institutions		
Trading financial assets	491,331,815.79	80,980,203.63
Derivative financial assets		
Notes receivable	165,450.00	
Accounts receivable	519,014,337.89	479,803,313.66
Receivable financing		
Prepayments	26,561,472.98	23,457,907.24

Premiums receivable		
Reinsurance accounts receivable		
Reserves for reinsurance contract receivable		
Other receivables	41,144,121.16	32,744,574.20
Including: interest receivable		
Dividends receivable		
Buying back the sale of financial assets		
Inventories	335,306,397.14	372,714,784.31
Including: Data resources		
Contract assets	212,795.14	282,186.31
Held-for-sale assets		
Non-current assets due within one year	20,383,238.35	17,257,614.74
Other current assets	33,070,816.00	25,865,809.28
Total current assets	2,940,525,350.42	3,024,031,348.15
Non-current assets:		
Loans and advances to customers		
Debt investment	15,775,806.16	42,284,596.90
Other debt investment		
Long-term receivables	5,479,301.55	2,447,228.23
Long-term equity investment	28,982,092.23	29,781,888.62
Other equity instrument investments		
Other non-current financial assets		
Investment real estate	21,504,316.77	23,145,488.85
Fixed assets	535,337,384.82	470,121,791.29
Construction in progress	226,445,932.02	138,986,483.73
Productive biological assets		
Oil and gas assets		
Right-of-use assets	48,352,214.14	38,669,718.86
Intangible assets	99,844,396.80	66,016,371.68
Including: data resources		
Development expenditures		
Including: data resources		
Goodwill	512,337.25	504,803.72
Long-term deferred expenses	5,555,537.61	3,768,847.81
Deferred income tax assets	81,688,798.50	67,257,559.01
Other non-current assets	4,620,055.22	16,884,605.85
Total non-current assets	1,074,098,173.07	899,869,384.55
Total assets	4,014,623,523.49	3,923,900,732.70
Current liabilities:		
Short-term loan		

Borrowings from the Central Bank		
Borrowings from banks and other financial institutions		
Trading financial liabilities		
Derivative financial liabilities		
Notes payable	134,784,219.75	122,573,544.09
Accounts payable	225,414,642.83	245,084,182.32
Advances from customer		
Contract liabilities	71,168,318.91	65,331,106.17
Financial assets sold for repurchase		
Deposit from customers and interbank		
Acting trading securities		
Acting underwriting securities		
Payroll payable	53,990,974.31	56,630,101.98
Taxes payable	20,281,098.96	28,892,229.44
Other payables	45,821,035.19	36,735,314.36
Including: interest payable		
Dividends payable		
Handling charges and commissions payable		
Reinsurance accounts receivable		
Liabilities held for sale		
Non-current liabilities due within one year	22,822,648.87	21,094,682.36
Other current liabilities	12,060,579.96	16,463,934.35
Total current liabilities	586,343,518.78	592,805,095.07
Non-current liabilities:		
Reserves for insurance contracts		
Long-term loan	7,021,328.89	7,810,405.04
Bonds payable		
Including: preferred stock		
Perpetual bonds		
Lease liabilities	29,108,076.76	19,713,286.21
Long-term payables		
Long-term payroll payable		
Estimated liabilities	0.00	600,000.00
Deferred income	1,420,041.44	1,853,549.62
Deferred tax liabilities	12,730,094.50	10,329,053.48
Other non-current liabilities		
Total non-current liabilities	50,279,541.59	40,306,294.35
Total liabilities	636,623,060.37	633,111,389.42
Owner's equity:		
Share capital	196,312,325.00	194,679,508.00

Other equity instruments		
Including: preferred stock		
Perpetual bonds		
Capital reserve	2,107,323,633.23	2,075,479,375.13
Less: treasury stock	59,683,228.10	784,700.00
Other comprehensive income	41,914,807.74	28,000,959.19
Special reserve		
Surplus reserves	64,002,687.03	60,455,422.50
General risk reserves		
Undistributed profits	1,000,479,479.18	907,583,024.38
Total owner's equity attributable to the parent company	3,350,349,704.08	3,265,413,589.20
Minority interests	27,650,759.04	25,375,754.08
Total owner's equity	3,378,000,463.12	3,290,789,343.28
Total liabilities and owner's equity	4,014,623,523.49	3,923,900,732.70

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

## 2. Balance Sheet of Parent Company

Unit: RMB

Item	December 31, 2024	January 1, 2024
Current assets:		
Monetary funds	824,570,527.22	997,496,318.79
Trading financial assets	71,072,880.32	888,780.80
Derivative financial assets		
Notes receivable		
Accounts receivable	516,437,060.81	674,768,619.85
Receivable financing		
Prepayments	10,439,376.39	16,580,313.51
Other receivables	28,468,054.40	59,135,419.22
Including: interest receivable	46,922.03	192,033.24
Dividends receivable		
Inventories	105,623,350.08	220,338,772.92
Including: data resources		
Contract assets	192,777.03	274,794.84
Held-for-sale assets		
Non-current assets due within one year	339,420.08	11,261,761.38
Other current assets	4,922,632.78	2,221,965.93
Total current assets	1,562,066,079.11	1,982,966,747.24
Non-current assets:		
Debt investment	10,260,784.31	
Other debt investment		
Long-term receivables	2,323,586.07	1,553,576.04
Long-term equity investment	1,360,368,042.33	1,273,046,481.87
Other equity instrument investments		

Other non-current financial assets		
Investment real estate		
Fixed assets	46,126,552.33	62,080,079.28
Construction in progress		
Productive biological assets		
Oil and gas assets		
Right-of-use assets	9,186,583.12	11,281,532.81
Intangible assets	31,838,535.17	8,193,258.13
Including: data resources		
Development expenditures		
Including: data resources		
Goodwill		
Long-term deferred expenses	3,048,841.86	1,314,622.72
Deferred income tax assets	49,639,639.95	39,737,047.18
Other non-current assets	589,955.22	15,725,991.21
Total non-current assets	1,513,382,520.36	1,412,932,589.24
Total assets	3,075,448,599.47	3,395,899,336.48
Current liabilities:		
Short-term loan		
Trading financial liabilities		
Derivative financial liabilities		
Notes payable	102,953,171.16	114,437,751.98
Accounts payable	109,367,315.26	293,594,334.82
Advances from customer		
Contract liabilities	27,371,907.92	51,073,453.29
Payroll payable	14,888,641.90	26,129,332.92
Taxes payable	2,599,023.91	4,029,704.54
Other payables	49,256,238.57	48,521,459.02
Including: interest payable		
Dividends payable		
Liabilities held for sale		
Non-current liabilities due within one year	5,620,355.31	6,036,995.12
Other current liabilities	9,674,292.24	17,818,576.02
Total current liabilities	321,730,946.27	561,641,607.71
Non-current liabilities:		
Long-term loan		
Bonds payable		
Including: preferred stock		
Perpetual bonds		
Lease liabilities	3,377,514.34	4,932,540.65
Long-term payables		

Long-term payroll payable		
Estimated liabilities		600,000.00
Deferred income	11,365.24	400,966.62
Deferred tax liabilities	3,443,841.43	4,529,736.45
Other non-current liabilities		
Total non-current liabilities	6,832,721.01	10,463,243.72
Total liabilities	328,563,667.28	572,104,851.43
Owner's equity:		
Share capital	196,312,325.00	194,679,508.00
Other equity instruments		
Including: preferred stock		
Perpetual bonds		
Capital reserve	2,116,684,780.13	2,085,198,988.61
Less: treasury stock	59,683,228.10	784,700.00
Other comprehensive income		
Special reserve		
Surplus reserves	63,911,390.54	60,364,126.01
Undistributed profits	429,659,664.62	484,336,562.43
Total owner's equity	2,746,884,932.19	2,823,794,485.05
Total liabilities and owner's equity	3,075,448,599.47	3,395,899,336.48

### 3. Consolidated Income Statement

Unit: RMB

Item	2024	2023
I. Total operating revenue	1,991,200,391.75	1,970,183,682.34
Including: operating revenue	1,991,200,391.75	1,970,183,682.34
Interest income		
Premium earned		
Revenue from handling charges and commissions		
II. Total operating cost	1,782,774,757.20	1,753,903,528.91
Including: operating cost	1,008,242,645.99	1,004,744,536.42
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	29,265,779.72	25,645,229.28
Selling expenses	446,509,619.84	441,537,714.42
Administrative expenses	117,559,541.39	122,693,501.96

R&D expenses	215,470,991.40	213,613,414.56
Financial expenses	-34,273,821.14	-54,330,867.73
Including: interest expenses	3,871,915.67	4,114,078.22
Interest income	42,321,327.95	59,489,145.42
Plus: other income	18,367,589.83	13,382,751.13
Investment income (loss expressed with "-")	4,195,000.74	-599,875.51
Including: income from investment in associates and joint ventures	3,001,156.73	2,800,122.30
Gains from derecognition of financial assets measured at amortized cost		
Gains from foreign exchange (loss expressed with "-")		
Gains from net exposure hedging (loss expressed with "-")		
Gains from changes in fair value (loss expressed with "-")	14,859,953.45	755,429.17
Losses from credit impairment (loss expressed with "-")	-21,206,975.03	-6,426,264.03
Losses from impairment of assets (loss expressed with "-")	-7,654,897.66	-3,163,733.31
Gains from disposal of assets (loss expressed with "-")	-653,718.36	-129,852.62
III. Operating profit (loss expressed with "-")	216,332,587.52	220,098,608.26
Plus: non-operating revenue	5,545,326.30	834,759.26
Less: non-operating expenditure	6,513,782.84	5,760,416.86
IV. Total profit (loss expressed with "-")	215,364,130.98	215,172,950.66
Less: income tax expenses	14,832,125.82	18,328,946.09
V. Net profit (loss expressed with "-")	200,532,005.16	196,844,004.57
(I) Classification by business continuity		
1. Net profit from continuing operations (net loss expressed with "-")	200,532,005.16	196,844,004.57
2. Net profit from discontinued operations (net loss expressed with "-")		
(II) Classification by ownership		
1. Net profits attributable to shareholders of parent company	183,045,997.93	177,263,675.15
2. Minority shareholders' profit and loss	17,486,007.23	19,580,329.42
VI. Other comprehensive income - after tax	15,860,099.64	23,345,735.16
Net of tax of other comprehensive income attributable to the owner of the parent company	13,913,848.55	22,750,068.83
(I) Other comprehensive income that cannot be transferred to profit or loss		

1. Changes in re-measurement of the defined benefit plan		
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method		
3. Changes in fair value of other equity instrument investments		
4. Changes in the fair value of the Company's own credit risk		
5. Other		
(II) Other comprehensive income that will be reclassified into profit or loss	13,913,848.55	22,750,068.83
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	13,913,848.55	22,750,068.83
7. Others		
After-tax net amount of other comprehensive income attributable to the minority shareholders	1,946,251.09	595,666.33
VII. Total comprehensive income	216,392,104.80	220,189,739.73
Total comprehensive income attributable to owners of the parent company	196,959,846.48	200,013,743.98
Total comprehensive income attributable to minority shareholders	19,432,258.32	20,175,995.75
VIII. EPS		
(I) Basic EPS	0.9496	0.9176
(II) Diluted EPS	0.9496	0.9133

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

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

#### 4. Parent Company's Profit Statement

Unit: RMB

Item	2024	2023
I. Operating revenue	1,343,903,884.64	1,434,036,070.91
Less: operating cost	1,031,003,266.22	1,039,693,858.09
Taxes and surcharges	7,076,042.43	6,684,004.73
Selling expenses	151,644,243.44	172,098,704.26
Administrative expenses	56,626,647.98	67,623,578.42
R&D expenses	115,374,818.03	144,342,341.95

Financial expenses	-30,884,427.41	-38,859,429.21
Including: interest expenses	478,491.92	586,120.76
Interest income	20,496,636.74	34,186,238.20
Plus: other income	7,448,445.44	3,629,196.23
Investment income (loss expressed with "-")	11,170,810.73	16,583,880.30
Including: income from investment in associates and joint ventures	-239,422.08	0.00
Derecognition of income for financial assets measured at amortized cost (loss expressed with "-")		
Gains from net exposure hedging (loss expressed with "-")		
Gains from changes in fair value (loss expressed with "-")	3,218,077.91	92,617.82
Losses from credit impairment (loss expressed with "-")	-7,650,167.42	-2,211,851.80
Losses from impairment of assets (loss expressed with "-")	-3,026,826.74	-409,714.74
Gains from disposal of assets (loss expressed with "-")	-67,696.60	-179,099.95
II. Operating profit (loss expressed with "-")	24,155,937.27	59,958,040.53
Plus: non-operating revenue	2,499,437.54	435,721.28
Less: non-operating expenditure	2,171,217.28	3,911,338.96
III. Total profits (total losses expressed with "-")	24,484,157.53	56,482,422.85
Less: income tax expenses	-10,988,487.79	-8,291,752.76
IV. Net profit (net loss expressed with "-")	35,472,645.32	64,774,175.61
(I) Net profit from continuing operations (net loss expressed with "-")	35,472,645.32	64,774,175.61
(II) Net profit from discontinued operations (net loss expressed with "-")		
V. Net of tax of other comprehensive income		
(I) Other comprehensive income that cannot be transferred to profit or loss		
1. Changes in re-measurement of the defined benefit plan		
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method		
3. Changes in fair value of other equity instrument investments		
4. Changes in the fair value of the Company's own credit risk		
5. Other		
(II) Other comprehensive income that will be reclassified into profit or loss		

1. Other comprehensive income that can be transferred to profit or loss under the equity method		
2. Changes in fair value of other debt investments		
3. Amount of financial assets reclassified into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Cash flow hedging reserve		
6. Translation difference of foreign currency financial statements		
7. Others		
VI. Total comprehensive income	35,472,645.32	64,774,175.61
VII. EPS:		
(I) Basic EPS		
(II) Diluted EPS		

## 5. Consolidated Cash Flow Statement

Unit: RMB

Item	2024	2023
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	2,058,756,161.46	2,033,852,451.38
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	65,423,445.28	60,737,638.17
Cash received from other operating activities	269,869,995.07	71,161,426.98
Subtotal of cash inflows from operating	2,394,049,601.81	2,165,751,516.53

activities		
Cash paid for purchase of goods and rendering of services	1,111,062,232.72	1,044,071,616.08
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	567,299,000.71	561,085,387.58
Payments of all types of taxes	104,157,253.19	82,583,436.99
Other cash payments relating to operating activities	383,194,532.14	242,010,185.67
Subtotal of cash outflows from operating activities	2,165,713,018.76	1,929,750,626.32
Net cash flows from operating activities	228,336,583.05	236,000,890.21
II. Cash flows from investing activities:		
Cash received from disinvestment	1,651,783,573.66	783,138,035.71
Cash received from investment income	10,815,578.51	4,208,115.07
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	638,811.45	321,201.59
Net cash received from disposal of subsidiaries and other business units	3.91	
Cash received from other investing activities		
Subtotal of cash inflows from investing activities	1,663,237,967.53	787,667,352.37
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	197,709,114.77	182,155,154.01
Cash paid for investments	1,631,334,606.67	528,151,496.90
Net increase in pledge loans		
Net cash paid to acquire subsidiaries and other business units		
Cash paid for other investing activities	0.00	8,690,555.00
Subtotal of cash outflows from investing activities	1,829,043,721.44	718,997,205.91
Net cash flows from investing activities	-165,805,753.91	68,670,146.46
III. Cash flows from financing activities:		
Cash received from investors	23,810,988.13	25,584,824.02
Including: cash received by subsidiaries from the absorption of minority shareholders' investments	1,490,379.74	2,430,254.98
Cash received from borrowings	0.00	7,938,955.96
Cash received from other financing	0.00	137,765,650.54

activities		
Subtotal of cash inflows from financing activities	23,810,988.13	171,289,430.52
Cash paid for debt repayments	1,293,275.15	10,237,295.27
Cash paid for distribution of dividends and profits or payment of interest	107,434,308.74	80,004,680.35
Including: dividends and profits paid to minority shareholders by subsidiaries	20,665,840.53	27,714,601.96
Cash paid for other financing activities	91,169,472.06	147,698,460.04
Subtotal of cash outflows from financing activities	199,897,055.95	237,940,435.66
Net cash flows from financing activities	-176,086,067.82	-66,651,005.14
IV. Effect of exchange rate changes on cash and cash equivalents	10,879,013.09	1,392,263.39
V. Net increase in cash and cash equivalents	-102,676,225.59	239,412,294.92
Plus: beginning balance of cash and cash equivalents	1,317,020,553.02	1,077,608,258.10
VI. Closing balance of cash and cash equivalents	1,214,344,327.43	1,317,020,553.02

## 6. Cash Flow Statement of Parent Company

Unit: RMB

Item	2024	2023
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	1,290,725,515.80	1,394,253,617.34
Refund of taxes and surcharges	31,620,174.65	55,671,157.48
Cash received from other operating activities	242,896,415.31	59,485,236.93
Subtotal of cash inflows from operating activities	1,565,242,105.76	1,509,410,011.75
Cash paid for purchase of goods and rendering of services	917,089,300.58	1,006,446,805.25
Cash paid to and for employees	213,562,250.93	248,840,477.65
Payments of all types of taxes	7,939,135.57	8,266,181.82
Other cash payments relating to operating activities	326,219,255.91	274,001,567.18
Subtotal of cash outflows from operating activities	1,464,809,942.99	1,537,555,031.90
Net cash flows from operating activities	100,432,162.77	-28,145,020.15
II. Cash flows from investing activities:		
Cash received from disinvestment	687,213,327.52	677,121,784.42
Cash received from investment income	20,224,512.32	24,931,563.69
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	14,749,016.67	178,820.17
Net cash received from disposal of subsidiaries and other business units		
Cash received from other investing activities		
Subtotal of cash inflows from investing	722,186,856.51	702,232,168.28

activities		
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	21,022,612.56	24,779,496.76
Cash paid for investments	864,683,970.26	479,932,157.86
Net cash paid to acquire subsidiaries and other business units		
Cash paid for other investing activities		8,690,555.00
Subtotal of cash outflows from investing activities	885,706,582.82	513,402,209.62
Net cash flows from investing activities	-163,519,726.31	188,829,958.66
III. Cash flows from financing activities:		
Cash received from investors	22,320,608.39	23,154,569.04
Cash received from borrowings		
Cash received from other financing activities		131,789,487.54
Subtotal of cash inflows from financing activities	22,320,608.39	154,944,056.58
Cash paid for debt repayments	0.00	0.00
Cash paid for distribution of dividends and profits or payment of interest	86,602,278.60	51,972,217.85
Cash paid for other financing activities	66,555,713.14	120,453,358.00
Subtotal of cash outflows from financing activities	153,157,991.74	172,425,575.85
Net cash flows from financing activities	-130,837,383.35	-17,481,519.27
IV. Effect of exchange rate changes on cash and cash equivalents	7,439,355.96	710,387.29
V. Net increase in cash and cash equivalents	-186,485,590.93	143,913,806.53
Plus: beginning balance of cash and cash equivalents	875,420,293.96	731,506,487.43
VI. Closing balance of cash and cash equivalents	688,934,703.03	875,420,293.96

## 7. Consolidated Statement of Changes in Equity

Amount in current period

Unit: RMB

Item	2024														
	Equity attributable to owners of the parent company												Minority interests	Total owner's equity	
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserves	General risk reserves	Undistributed profits	Others			Subtotal
	Preferred stock	Perpetual bonds	Others												
I. Ending balance of previous year	194,679,508.00				2,075,479,375.13	784,700.00	28,000,959.19		60,455,422.50		907,583,024.38		3,265,413,589.20	25,375,754.08	3,290,789,343.28
Plus: changes in accounting policies															
Corrections of prior period errors															
Others															
II. Beginning balance of this year	194,679,508.00				2,075,479,375.13	784,700.00	28,000,959.19		60,455,422.50		907,583,024.38		3,265,413,589.20	25,375,754.08	3,290,789,343.28
III. Amount increase/decrease of the current period (decrease expressed with "-")	1,632,817.00				31,844,258.10	58,898,528.10	13,913,848.55		3,547,264.53		92,896,454.80		84,936,114.88	2,275,004.96	87,211,119.84
(I) Total comprehensive income	0.00				0.00	0.00	13,913,848.55		0.00		183,045,997.93		196,959,846.48	19,432,258.32	216,392,104.80

(II) Capital invested and reduced by the owners	1,632,817.00				31,844,258.10	58,898,528.10	0.00	0.00	0.00			-25,421,453.00	1,545,215.27	-23,876,237.73
1. Common stock contributed by owners	1,632,817.00				20,687,791.39	58,898,528.10	0.00	0.00	0.00			-36,577,919.71	1,490,379.74	-35,087,539.97
2. Capital invested by holders of other equity instruments														
3. Amount of share-based payments recognized in equity	0.00				11,156,466.71	0.00	0.00	0.00	0.00			11,156,466.71	54,835.53	11,211,302.24
4. Others														
(III) Profit distribution								3,547,264.53	-90,149,543.13			-86,602,278.60	-20,665,840.53	-107,268,119.13
1. Surplus reserves withdrawal	0.00				0.00	0.00	0.00	3,547,264.53	-3,547,264.53			0.00	0.00	0.00
2. Withdrawal of general risk preparation														
3. Distribution to owners (or shareholders)	0.00				0.00	0.00	0.00	0.00	-86,602,278.60			-86,602,278.60	-20,665,840.53	-107,268,119.13
4. Others														
(IV) Internal carryover of														

owner's equity															
1. Capital surplus transfer to capital (or equity capital)															
2. Surplus reserve transfer to capital (or equity capital)															
3. Surplus reserve offsetting losses															
4. Changes in defined benefit plans carried forward to retained earnings															
5. Retained income carried forward from other comprehensive income															
6. Others															
(V) Special reserve															
1. Withdrawal in this period															
2. Use in the current period															
(VI) Others													0.00	1,963,371.90	1,963,371.90

IV. Ending balance of current period	196,312,325.00				2,107,323,633.23	59,683,228.10	41,914,807.74		64,002,687.03		1,000,479,479.18		3,350,349,704.08	27,650,759.04	3,378,000,463.12
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Amount of previous 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															
Others															
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							22,750,068.83				177,263,675.15		200,013,743.98	20,175,995.75	220,189,739.73

income															
(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	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	0.00	0.00	22,369,869.04	10,499,575.10	11,870,293.94	
2. Capital invested 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	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	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	0.00	
2. Withdrawal of general risk preparation															
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															
(IV) Internal carryover of	44,547,615.00				-	44,547,615.00									

owner's equity					15.00										
1. Capital surplus transfer to capital (or equity capital)	44,547,615.00				- 44,547,615.00										
2. Surplus reserve transfer to capital (or equity capital)															
3. Surplus reserve offsetting losses															
4. Changes in defined benefit plans carried forward to retained earnings															
5. Retained income carried forward from other comprehensive income															
6. Others															
(V) Special reserve															
1. Withdrawal in this period															
2. Use in the current period															
(VI) Others					- 422,927.54							- 422,927.54	0.00	- 422,927.54	
IV. Ending	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.	25,375,754.08	3,290,789,343.28	

balance of current period													20		
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### 8. Statement of Changes in Equity of the Parent Company

Amount in current period

Unit: RMB

Item	2024											
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserves	Undistributed profits	Others	Total owner's equity
		Preferred stock	Perpetual bonds	Others								
I. Ending balance of previous year	194,679,508.00				2,085,198,988.61	784,700.00			60,364,126.01	484,336,562.43		2,823,794,485.05
Plus: changes in accounting policies												
Corrections of prior period errors												
Others												
II. Beginning balance of this year	194,679,508.00				2,085,198,988.61	784,700.00			60,364,126.01	484,336,562.43		2,823,794,485.05
III. Amount increase/decrease of the current period (decrease expressed with "-")	1,632,817.00				31,485,791.52	58,898,528.10			3,547,264.53	-54,676,897.81		-76,909,552.86
(I) Total comprehensive income										35,472,645.32		35,472,645.32

(II) Capital invested and reduced by the owners	1,632,817.00				31,485,791.52	58,898,528.10			0.00	0.00		-25,779,919.58
1. Common stock contributed by owners	1,632,817.00				20,274,489.28	58,898,528.10						-36,991,221.82
2. Capital invested by holders of other equity instruments												
3. Amount of share-based payments recognized in equity					11,211,302.24							11,211,302.24
4. Others												
(III) Profit distribution								3,547,264.53	-	90,149,543.13		-86,602,278.60
1. Surplus reserves withdrawal								3,547,264.53	-3,547,264.53			0.00
2. Distribution to owners (or shareholders)									-	86,602,278.60		-86,602,278.60
3. Others												
(IV) Internal carryover of owner's equity												
1. Capital surplus transfer to capital (or equity capital)												

2. Surplus reserve transfer to capital (or equity capital)												
3. Surplus reserve offsetting losses												
4. Changes in defined benefit plans carried forward to retained earnings												
5. Retained income carried forward from other comprehensive income												
6. Others												
(V) Special reserve												
1. Withdrawal in this period												
2. Use in the current period												
(VI) Others												
IV. Ending balance of current period	196,312,325.00				2,116,684,780.13	59,683,228.10			63,911,390.54	429,659,664.62		2,746,884,932.19

Amount of previous period

Unit: RMB

Item	2023											
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	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				53,883,789.28	478,054,153.62		2,753,699,015.31
Plus: changes in accounting policies									2,919.17	-42,131.39		-39,212.22
Corrections of prior period errors												
Others												
II. Beginning balance of this year	148,492,051.00				2,073,269,021.41				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			6,477,417.56	6,324,540.20		70,134,681.96
(I) Total comprehensive income										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						57,332,724.20
1. Common stock contributed by owners	1,639,842.00				21,514,727.04	784,700.00						22,369,869.04
2. Capital invested by holders of other												

equity instruments												
3. Amount of share-based payments recognized in equity					34,962,855.16							34,962,855.16
4. Others												
(III) Profit distribution									6,477,417.56	-	58,449,635.41	-
1. Surplus reserves withdrawal									6,477,417.56	-6,477,417.56		
2. Distribution to owners (or shareholders)										-	51,972,217.85	-
3. Others												
(IV) Internal carryover of owner's equity	44,547,615.00				-	44,547,615.00						0.00
1. Capital surplus transfer to capital (or equity capital)	44,547,615.00				-	44,547,615.00						0.00
2. Surplus reserve transfer to capital (or equity capital)												
3. Surplus reserve offsetting losses												
4. Changes in defined benefit plans carried												

forward to retained earnings												
5. Retained income carried forward from other comprehensive income												
6. Others												
(V) Special reserve												
1. Withdrawal in this period												
2. Use in the current period												
(VI) Others												
IV. Ending balance of current period	194,679,508. 00				2,085,198,98 8.61	784,700. 00			60,364,126. 01	484,336,562.4 3		2,823,794,485 .05

### III. Basic Information of the Company

ZKTECO CO., LTD. (hereinafter referred to as "the Company" or "Company"), formerly known as Dongguan ZKTeco Electronic Technology Co., Ltd., was established on December 14, 2007 by Che Jun and Che Quanhong, with registration number 441900000160222 and registered capital of RMB 5,000,000.00 at the time of establishment. Approved by the Dongguan Administration for Market Regulation, the Company obtained the "Business License" with a unified social credit code of 914419006698651618 on July 14, 2016. The Company was listed on the Shenzhen Stock Exchange on August 17, 2022 and currently holds a business license with a unified social credit code of 914419006698651618.

As of December 31, 2024, the Company has issued a total of 196,312,325 shares of share capital after years of converting into share capital and issuing new shares, with a registered capital of RMB 196,312,325. The registered address is: No. 32, Pingshan Industrial Road, Tangxia Town, Dongguan, Guangdong, China. The parent company is Shenzhen ZKTeco Times Investment Co., Ltd., and the actual controller is Che Quanhong.

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

These financial statements and the notes thereto were approved for issue by the Company's Board of Directors on April 21, 2025.

### IV. Preparation Basis for Financial Statements

#### 1. Basis of preparation

The Financial Statements of the Company are prepared on the basis of the going-concern assumption, in accordance with actual transactions and events, and complying with the Accounting Standards for Enterprises - Basic Standards, various specific accounting standards, application guides of accounting standards for business enterprises, interpretation of accounting standards for business enterprises and disclosure rules of other relevant provisions (hereinafter refer to "Accounting Standards for Enterprises") issued by the Ministry of Finance, as well as the disclosure rules of the "Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 - General Provisions on Financial Reports (revised in 2023)" issued by the China Securities Regulatory Commission.

#### 2. Going concern

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

### V. Important Accounting Policies and Estimates

Tips of specific accounting policies and estimates:

The Company and its subsidiaries have, based on their actual production and operation characteristics and in accordance with the relevant provisions of the Accounting Standards for Enterprises, designated several specific accounting policies and accounting estimates for transactions and events such as revenue recognition, depreciation of fixed assets, and amortization of intangible assets. For specific accounting policies, please refer to the relevant explanations in Section V(34), Section V(23), Section V(26), etc. of this chapter.

## 1. Declaration of compliance with Accounting Standards for Business Enterprises

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

## 2. Accounting period

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

## 3. Operating cycle

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

## 4. Recording currency

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

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

## 5. Method for recognizing significance criteria and selection basis

Applicable  Not applicable

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

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

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

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

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

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

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

**(2) Accounting treatment methods for merger under different control**

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

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

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

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

reduced. If the goodwill is insufficient to offset, the difference shall be recognized as current income or loss. Except for above situations, the deferred income tax assets recognized to be related to the business combination shall be included in current profits and losses.

For a merger under different control that is achieved through multiple transactions in steps, it shall be determined in accordance with the Accounting Standards for Enterprises whether such multiple transactions constitute a "package deal". The terms, conditions and economic impact of multiple transactions meet one or more of the following situations, which typically indicate that the multiple transaction matters should be accounted for as a package deal: (1) These transactions were entered into simultaneously or taking into account mutual influence; (2) These transactions as a whole can achieve a complete business result; (3) The occurrence of a transaction depends on the occurrence of at least one other transaction; (4) A transaction alone is not economical, but it is economic when considered with other transactions.

If the transaction belongs to a "package deal", each transaction shall be treated as a transaction to obtain control for accounting treatment. If the transaction is not a "package deal", the equity in the acquiree held before the date of acquisition in the consolidated financial statements shall be remeasured at its fair value as of the date of acquisition, and the difference between the fair value and the book value shall be recognized in the current investment income or retained earnings. The portion of equity in the acquiree held before the date of acquisition involving other comprehensive income and other changes in the owner' equity shall be converted into the current income on the date of acquisition, except for other comprehensive income from the remeasurement of the net liability or net asset of the defined benefit plan of the investee.

### **(3) Treatment of transaction costs in business combinations**

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

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

### **(1) Judgment criteria for control and consolidation scope**

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

### **(2) Preparation methods for consolidated statements**

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

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

During the reporting period, subsidiaries and businesses added due to the merger of enterprises under the same control are treated as having been included in the Company's consolidation scope since the date they were under the control of the ultimate controller. Their operating results and cash flows since that date are respectively incorporated into the consolidated income statement and consolidated cash flow statement. During the reporting period, the opening balances of the consolidated balance sheet are adjusted

simultaneously, and the relevant items of the comparative statements are also adjusted. This is treated as if the consolidated statement entity had existed since the time when the ultimate controller began to exercise control.

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

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

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

For the difference between the newly increased long-term equity investment from the acquisition of minority equity of the Company and the share of net assets in subsidiaries calculated constantly from the date of acquisition or the combination date as per the newly increased equity ratio, as well as the difference between the disposal price obtained from the partial disposal of equity investment in subsidiaries without loss of control and the share of net assets continuously calculated by subsidiaries from the date of acquisition or the combination date corresponding to the disposal of long-term equity investment shall be adjusted for the share premium in the capital reserve in the consolidated balance sheet. If the share premium in the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

**(4) Disposal of subsidiary equity with loss of control**

In the current period, if the Company disposed of a subsidiary, the income, expenses and profits of the subsidiary from the beginning of the period to the disposal date were included in the consolidated income statement; the cash flow of the subsidiary from the beginning of the period to the disposal date is included in the consolidated cash flow statement. In the event the Company loses the right of control over the original subsidiary due to disposal of partial equity investment or other reasons, the remaining equity investment shall be re-measured at the fair value on the date of loss of control. The difference by using the sum of value received from disposal of equity and fair value of the residual equity to deduct the difference between the share of net assets and the sum of goodwill continually counted from the date of acquisition of the original subsidiary (calculated as per original share proportion) shall be recorded into the investment income of the current period in which the control right is lost. While losing of the control right, other comprehensive income related to the equity investment of the original subsidiary shall be subject to the accounting treatment (i.e. except for the changes caused by the original subsidiary remeasuring the net liabilities or net assets outside the defined benefit plan, the rest shall be converted to the current investment income together) by adopting the same basis used by acquiree for direct disposal of relevant assets or liabilities. Thereafter, the follow-up measurement for the remaining equity in this portion shall be carried out according to the Accounting Standards for Enterprises No. 2 - Long-term Equity Investments, or Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments and other related provisions. Refer to "Important Accounting Policies and Estimates - Long-term Equity Investments" or "Important Accounting Policies and Estimates - Financial Instruments" for details.

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

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

If all transactions involving the disposal of equity investment in subsidiaries until the loss of control right are treated as a package deal, the Company shall treat each transaction as the one involving the disposal of subsidiaries and the loss of control right for accounting treatment. However, the difference between each disposal price and the share of the subsidiary's net assets corresponding

to the investment disposal before the loss of control right shall be recognized as other comprehensive income in the consolidated financial statements, and shall be transferred into the current profits and losses when the control right is lost.

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

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

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

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

Joint operation refers to the joint venture arrangement in which the Company enjoys the assets related to the arrangement and undertakes the liabilities related to the arrangement. The Company confirms the following items related to the share of interests in joint operations and conducts accounting treatment in accordance with the relevant Accounting Standards for Enterprises:

- (1) The Company shall recognize the assets held alone and the jointly held assets according to the Company's share;
- (2) The Company shall recognize the liabilities borne alone and the jointly borne assets according to the Company's share;
- (3) Recognize the income generated by the sale of the Company's share of joint operating output;
- (4) Recognize the income generated by the sale of output in the joint operation according to the Company's share;
- (5) Recognize the expenses incurred separately and the expenses incurred in joint operation according to the Company's share.

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

## **9. Recognition criteria of cash and cash equivalents**

When preparing the cash flow statement, the Company recognizes the cash on hand and deposits that can be used for payment at any time as cash. Cash equivalents refer to investments held by enterprises with short term (generally due within 3 months from the date of acquisition), strong liquidity, easy conversion to a known amount of cash, and small risk of value change.

## 10. Foreign currency transactions and foreign currency statement translation

### (1) Foreign currency transaction

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

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

The foreign currency monetary items on the balance sheet date are translated at the spot exchange rate on the balance sheet date; the resulting exchange differences are included in current profits and losses, except for: 1) The exchange differences arising from special foreign currency borrowings related to the acquisition and construction of assets eligible for capitalization, which are treated in accordance with the principle of capitalization of borrowing costs; 2) The exchange differences of hedging instruments used for effective hedging of net investments in foreign operations (such differences are included in other comprehensive income and are recognized in profit or loss only when the net investment is disposed of); and 3) The exchange differences arising from the changes in the book balances other than the amortized cost of foreign currency monetary items measured at fair value with changes recognized in other comprehensive income, which shall be included in current profits and losses.

Non-monetary items denominated in foreign currencies and translated at the balance sheet date are still measured at historical costs using the spot exchange rates at the date of the transactions. Foreign currency non-monetary items measured at fair value shall be translated at the spot exchange rate on the date when the fair value is determined. After conversion, the difference between the amount of recording currency and the amount of the original recording currency shall be included in current profits and losses or other comprehensive income.

### (3) Foreign currency statement translation

The asset items and liability items in the balance sheet shall be translated at the exchange rate of the balance sheet date; the owner's equity items, except for "undistributed profits", shall be translated at the spot rate when incurred; the income and expense items in the income statement are translated at the average spot exchange rate; the undistributed profits at the beginning of the year are the undistributed profits at the end of the previous year after conversion. the undistributed profits at the end of the year are calculated and presented based on the converted profit distribution items. The translation differences of foreign currency financial statements from conversion with the method mentioned above are reflected in "Other comprehensive income" under the shareholders' equity item on the balance sheet. When disposing of overseas operation and losing the control, it is required to transfer the differences in foreign currency statement translation listed under the shareholders' equity in the balance sheet and related to the overseas operation completely or as per the proportion of disposal of such overseas operation into the current profits and losses. If the reduction of the proportion of interests held overseas but not losing control over overseas operations is resulted from the disposing of partial equity investment or other reasons, the translation balance of foreign currency financial statements related to such overseas operations shall be vested in minority equity and will not be transferred to current profits and losses.

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

## 11. Financial instruments

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

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

Recognition and initial measurement of financial assets and financial liabilities

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

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

## 2) Classification and subsequent measurement of financial assets

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

### ① Financial assets measured at the amortized cost

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

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

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

The effective interest rate method refers to the method of calculating the amortized cost of financial assets or financial liabilities and allocating interest income or interest expenses to each accounting period. Actual interest rate refers to the interest rate used to discount the estimated future cash flows of a financial asset or financial liability over its expected lifespan into the book balance of the financial asset or the amortized cost of the financial liability. When determining the actual interest rate, the Company estimates the expected cash flow based on all contract terms of financial assets or liabilities (such as early repayment, extension, call options, or other similar options), but does not consider expected credit losses.

The interest income is calculated and determined by multiplying the book balance of the financial asset by the effective interest rate by the Company, except for the following circumstances: For the purchased or originated financial asset with credit impairment, the interest income is calculated and determined according to the amortized cost of the financial asset and the effective interest rate after credit adjustment from the initial recognition. For the financial asset purchased or originated without credit impairment but with credit impairment in the subsequent period, the interest income shall be calculated and determined according to the amortized cost and the effective interest rate of the financial asset. If the credit risk of the financial instrument improves in subsequent periods and no longer has credit impairment, and this improvement can be objectively linked to an event that occurs after the application of the above provisions, interest income shall be determined by multiplying the actual interest rate by the book balance of the financial asset.

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

Financial assets measured at fair value and whose changes are included in other comprehensive income refer to the financial assets that simultaneously meet the following conditions: ① The financial asset is managed by the Company within a business model whose objective is both to collect the contractual cash flows and to sell the financial asset. ② The contractual terms of the financial asset

provide that the only cash flows generated on a particular date are payments of principal and interest based on the principal amount outstanding.

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

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

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

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

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

3) Classification and subsequent measurement of financial liabilities

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

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

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

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

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

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

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

### ③ Financial guarantee contract

A financial guarantee contract refers to a contract in which the Company is required to pay a specific amount to the contract holder who has suffered losses when the specific debtor is unable to pay its debts at maturity in accordance with the terms of the original or revised debt instrument.

Financial guarantee contracts that do not fall under either of the above circumstances ① or ② shall be subsequently measured after initial recognition at the higher of the following two amounts: the loss allowance amount determined in accordance with the "Impairment of Financial Instruments" in the "Important Accounting Policies and Estimates - Financial Instruments"; the balance after deducting the accumulated amortization amount determined in accordance with the revenue recognition method described in the "Important Accounting Policies and Estimates - Revenue" from the initial recognition amount.

### ④ Financial liabilities measured at amortized costs

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

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

### 4) Equity instruments

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

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

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

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

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

If the entire transfer satisfies the derecognition criteria, the difference between the following amounts shall be included in current profits and losses: 1) The book value of the transferred financial asset on the date of derecognition; 2) The sum of the consideration received for the transfer of financial assets and the amount corresponding to the derecognized part of the cumulative fair value changes originally recognized in other comprehensive income. Where the partial transfer of financial assets meets the conditions for derecognition, the book value of the transferred financial assets as a whole shall be apportioned between the derecognized part and the non-derecognized part according to their respective relative fair values, and the difference between the following two amounts shall be included in current profits and losses: 1) The book value of the derecognized part on the date of derecognition; ② The sum of the consideration received from the derecognized part and the amount corresponding to the derecognized part of the cumulative fair value changes originally recognized in other comprehensive income. For non-trading equity instruments designated by the Company as

measured at fair value with changes included in other comprehensive income, if the transfer of the entire or part of such instruments meets the conditions for derecognition, the difference calculated by the above method shall be included in retained earnings.

### **(3) Conditions for derecognition of financial liabilities**

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

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

### **(4) Determination of fair value of financial instruments**

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

### **(5) Impairment of financial instruments**

The Company performs impairment and recognizes loss provisions on financial assets measured at the amortized cost, contract assets, debt instrument investments measured at fair value with changes recognized in other comprehensive income, lease receivables, and financial guarantee contracts as described in "Classification and subsequent measurement of financial liabilities" of the "Important Accounting Policies and Estimates - Financial Instruments", based on expected credit losses. Expected credit losses refer to the weighted average value of credit losses of financial instruments weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received by the Company at the original effective interest rate, that is, the present value of all cash shortages.

For financial assets purchased or originated by the Company that have suffered credit impairment, only the cumulative changes in expected credit losses during the whole duration after initial recognition are recognized as loss reserves on the balance sheet date.

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

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

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

duration of financial instruments is less than 12 months, it is the expected duration), which is part of the expected credit losses for the whole duration.

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

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

#### (6) Offset of financial assets and financial liabilities

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

## 12. Fair value

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

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

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

### 13. Notes receivable

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

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

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

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

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

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

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

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

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

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

### 14. Accounts receivable

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

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

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

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

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

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

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

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

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

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

## 15. Other receivables

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

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

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

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

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

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

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

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

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

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

## 16. Contract assets

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

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

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

**(2) Impairment of contract assets**

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

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

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

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

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

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

4) Criteria for determining the impairment provisions made individually

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

## 17. Inventories

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

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

2) Enterprises measure inventories at actual cost. ① The cost of purchased inventory is the procurement cost of such inventory. The cost of inventory obtained through further processing consists of the procurement cost and processing cost. ② In debt restructuring, when the debtor uses inventory to settle debts, the entry value of the inventory should be determined based on the fair value of the creditor's claim waived and the directly attributable taxes and fees incurred to bring the inventory to its current location and condition. ③ On the premise that the non-monetary asset exchange has commercial substance and the fair value of the assets received or exchanged can be reliably measured, the entry value of the inventory received from the non-monetary asset exchange is usually determined based on the fair value of the exchanged assets, unless there is conclusive evidence that the fair value of the exchanged assets is more reliable; for non-monetary asset exchanges that do not meet the above conditions, the book value of the exchanged assets and the relevant taxes and fees payable shall be used as the cost for the inventory received. 4) The entry value of the inventory obtained by absorption and merger of enterprises under the same control shall be determined according to the book value of the combined party; the entry value of the inventory obtained by absorption and merger of enterprises not under the same control shall be determined at fair value.

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

4) Amortization method for low value consumables and packaging materials

① Low value consumables are amortized by the one-off write-off method;

② Packaging materials are amortized by the one-off write-off method;

③ Other turnover materials are amortized using the one-off write-off method.

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

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

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

1) For goods inventories directly used for sale, such as finished products, goods and materials for sale, during the normal production and operation process, the net realizable value shall be recognized by the estimated selling price of the inventory minus the estimated selling and distribution expenses and related taxes;

2) For material inventories to be processed, during the normal production and operation process, the net realizable value shall be recognized by the estimated selling price of the finished products produced minus the estimated costs to be incurred upon completion, estimated selling expenses and relevant taxes. On the balance sheet date, if a portion of the same inventory has a contract price agreement and other parts do not have a contract price, their net realizable value shall be determined separately, and compared with their corresponding costs to determine the amount of provision or reversal for inventory depreciation reserves.

At the end of the period, the inventory falling price reserves are accrued according to individual inventory items; however, for the inventory with large quantity and low unit price, the inventory falling price reserves shall be accrued according to the inventory category; and for inventories that are related to product series produced and sold in the same region, have the same or similar end use

or purpose, and are difficult to be measured separately from other items, the inventory falling price reserves shall be accrued on a consolidated basis.

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

## **18. Held-for-sale assets**

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

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

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

2) Their sales are very likely to happen, that is, the Company has already made a resolution on a sales plan and obtained a certain purchase commitment and their sales are expected to be completed within one year. The sale shall be approved by relevant authorities or regulator according to the requirements of pertinent regulations has been approved. The determined purchase commitment refers to the legally binding purchase agreement signed between the Company and other parties, which contains important clauses such as transaction price, time and sufficiently severe penalty for breach of contract, so that the possibility of major adjustment or cancellation of the agreement is extremely small.

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

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

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

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

For non-current assets or disposal groups that are classified as held for sale on the acquisition date, the initial measurement amount and the net amount of fair value (assuming that they are not classified as held for sale) minus selling expenses shall be compared, and the lower amount shall be measured at the initial measurement. Except for non-current assets or disposal groups obtained in a business combination, the difference arising from the initial measurement amount being the net amount of fair value minus selling expenses of non-current assets or disposal groups is included in current profits and losses.

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

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

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

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

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

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

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

### **(4) Conditions for discontinued operations**

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

- 1) This component represents an independent main business or a separate main business area;
- 2) This component is part of an associated plan to dispose an independent main business or a separate main business area;
- 3) This component is a subsidiary acquired exclusively for resale.

### **(5) Presentation of discontinued operations**

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

When non-current assets or disposal groups are no longer classified as held for sale or when non-current assets are removed from a disposal group classified as held for sale, the Company reports the adjustment amount of the book value of the non-current assets or disposal groups in the current income statement as a component of continuing operations. When the Company's investments in

subsidiaries, joint operations, joint ventures, associates, or certain investments in joint ventures or associates are no longer classified as held for sale or removed from a disposal group classified as held for sale, the Company adjusts the comparative data of the comparable accounting periods in the current financial statements accordingly after such classification as held for sale.

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

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

## **19. Debt investment**

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

## **20. Long-term receivables**

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

## **21. Long-term equity investment**

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

### **(1) Judgment standard for common control and significant impact**

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

Significant impact refers to the situation where the Company has the power to participate in the financial and operating decisions of an enterprise, but cannot control, individually or jointly with other parties, the formulation of these policies. Where the Company is able to have material influences on an investee, such investee shall be its associates. When determining whether it can exert significant

impact on the investee, the impact of the investor's direct or indirect holding of the voting shares of the investee and the current enforceable potential voting rights held by the investor and other parties on the assumption of conversion into equity of the investee, including the impact of the current convertible warrants, share options and convertible corporation bonds issued by the investee.

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

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

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

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

based on the fair value of the exchanged assets, unless there is conclusive evidence that the fair value of the exchanged assets is more reliable; for non-monetary asset exchanges that do not meet the above conditions, the book value of the exchanged assets and the relevant taxes and fees payable shall be used as the initial investment cost for the long-term equity investment received. The initial investment cost of long-term equity investments obtained through debt restructuring shall be determined based on the fair value of the creditor's rights given up. Costs, taxes and other necessary expenses directly related to the acquisition of long-term equity investments are also included in the cost of investment.

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

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

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

Long-term equity investments of subsidiaries of the Company are accounted for using the cost method. Except the declared but not released cash dividends or profits which are included in actual amount or consideration paid for acquiring investments, the profit distribution or cash dividends declared by the investees are recognized as the investment income for current period.

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

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

When equity method is adopted in accounting, if the cost of initial investment of long-term equity investment exceeds identifiable fair value of net assets of investees sharable at investment, the initial investment cost of long-term equity investment shall not be adjusted. If the initial investment cost of long-term equity investment is less than the fair value share of the identifiable net assets of the investee at the time of investment, the difference shall be included in current profits and losses and the cost of long-term equity investment shall be adjusted accordingly. After the long-term equity investment is acquired, if the accounting policies and accounting periods adopted by the investee entity are inconsistent with the Company, the financial statements of the investee shall be adjusted according to the accounting policies and accounting periods of the Company and the investment profits and losses and other comprehensive income shall be recognized. The investment income and other comprehensive income shall be recognized respectively according to the share of net profit and loss and other comprehensive income realized by the investee that should be enjoyed or shared, and the book value of the long-term equity investment shall be adjusted. In recognition of the share of the net profit or loss of the investee entity, the net profit of the investee shall be adjusted and confirmed on the basis of the fair value of the identifiable assets of the investee entity when the investment is made. The Company shall calculate the attributable part according to the profits or cash dividends declared to be distributed by the investee, and reduce the book value of long-term equity investment accordingly; the Company shall adjust the book value of long-term equity investment and include it in the owner's equity for other changes in the owner's equity of the investee other than net profits and losses, other comprehensive income and profit distribution. The unrealized profits or losses arising from the intra-company transactions amongst the Company and its associates and joint ventures are eliminated in proportion to the Company's equity interest in the associates and joint ventures, and then based on which the investment income is recognized. The internal trading losses incurred but not realized between the Company and the investees, belonging to asset impairment losses shall be recognized in full amount.

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

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

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

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

#### **(4) Disposal of long-term equity investments**

When disposing of long-term equity investment, the balance between the book value and actual price for acquisition shall be included into the current profits and losses.

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

For long-term equity investments accounted for using the equity method, if the remaining equity is still accounted for using the equity method after disposal, the accounting treatment for the portion originally recognized in other comprehensive income shall be carried out on the same basis as the direct disposal of relevant assets or liabilities by the investee in a corresponding proportion when the investment is disposed of. The owner's equity, which is recognized by the fluctuation of the investee's other owner's equity, except for the net profit or loss, other comprehensive income and profit distribution, shall be carried over into the current profits and losses as per the proportion.

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

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

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

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

If the Company loses control over a subsidiary due to the disposal of part of its equity investment or other reasons, and the remaining equity after disposal can jointly control or exert significant influence over the investee, it shall be accounted for using the equity method. The remaining equity shall be adjusted as if it had been accounted for using the equity method since the date of acquisition. The other comprehensive income and other owner's equity recognized due to the equity method accounting for the equity investment held before the date of acquisition shall be carried forward proportionally; if the remaining equity after disposal cannot exercise joint control or have a significant impact on the investee in the preparation of individual financial statements, the accounting treatment shall be carried out in accordance with the relevant provisions of the "Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments". The difference between the fair value and the book value on the date of loss of control shall be included in current profits and losses. Other comprehensive income and owner's equity shall be carried forward to the current profit and loss.

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

## 22. Investment real estate

Measurement model of investment real estate

Cost method measurement

Depreciation or amortization method

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 (including buildings that have been constructed or developed for the purpose of leasing and buildings that are being constructed or developed for the purpose of leasing).

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

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

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

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

If the investment real estate is disposed or permanently withdrawn from use, and is expected to be unable to obtain economic benefits from its disposal, the confirmation of the investment real estate shall be terminated. The amount of proceeds on sale, transfer, retirement or damage of any investment real estate net of the book value of the investment real estate and the relevant taxes shall be accounted as current profit & loss.

## 23. Fixed assets

### (1) Recognition conditions

Fixed assets mean the tangible assets held for producing commodities, providing services, renting or operating management, with a service life in excess of one accounting year.

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

### (2) Depreciation methods

Category	Depreciation method	Depreciation 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
Transportation vehicles	Straight-line method	3-5	5	19.00-31.67
Electronic equipment and others	Straight-line method	4	5	23.75

Descriptions:

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

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

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

## 24. Construction in process

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

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

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

## 25. Borrowing costs

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

### (1) Recognition principles for capitalization of borrowing costs

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

**(2) Period of capitalization of borrowing costs**

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

2) Suspension of capitalization: If the construction or production of an asset that meets the capitalization conditions is interrupted abnormally and the interruption lasts for more than three consecutive months, the capitalization of borrowing costs shall be suspended. Borrowing costs incurred during the interruption period are recognized as current expenses until the construction or production activities of the asset resume; if the interruption is a necessary step for making the eligible assets under acquisition, construction or production reach the expected conditions for use or marketing, the capitalization of the borrowing costs shall be continued.

3) Cease of capitalization: When the acquisition, construction or production of assets that meet the capitalization conditions is ready for its expected conditions for use or sale, the capitalization of borrowing costs will cease. When a portion of the assets that meet the capitalization conditions are completed and can be used separately, the capitalization of the borrowing costs for that portion of the assets shall cease. If each part of the purchased or produced asset is completed separately, but can only be used or sold to the outside world after the overall completion, the capitalization of borrowing costs shall be stopped when the entire asset is completed.

**(3) Calculation methods for capitalization rate and capitalized amount of borrowing costs**

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

## **26. Intangible assets**

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

#### **1) Initial measurement of intangible assets**

Initial recognition of intangible assets is determined by acquisition costs. Costs of purchased intangible assets include purchase price, related taxes as well as other expenditures directly attributable to making such assets ready for intended use. Where the payment of the acquisition price for intangible assets is delayed beyond the normal credit terms, for those with financing nature, the cost of intangible assets is determined at the present value of the acquisition price. When an intangible asset is obtained from a debtor in debt restructuring as debt settlement, its entry value shall be determined based on the fair value of the abandoned claim and other costs directly attributable to bringing the asset to its intended use, such as taxes. On the premise that a non-monetary asset exchange has

commercial substance and the fair value of the assets exchanged in or out can be reliably measured, the cost of the intangible assets acquired in a non-monetary asset exchange shall be the fair value of the assets given up and the relevant taxes and fees payable, unless there is conclusive evidence that the fair value of the assets acquired is more reliable; for non-monetary asset exchanges that do not meet the above conditions, the book value of the exchanged assets and the relevant taxes and fees payable shall be used as the cost for the intangible asset received, and no profit or loss shall be recognized.

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

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

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

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

For intangible assets with a limited useful life, the following factors are typically considered when estimating their useful lives:

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

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

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

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

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

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

The expenditures of internal research and development projects of the Company are divided into research expenditures and development expenditures. Specific standards for dividing the research stage and development stage of the Company's internal research and development projects: The planned investigation stage carried out to acquire new technologies and knowledge, etc., shall be identified as the research stage, which is characterized by planning and exploration. The stage of applying research results or other

knowledge to a plan or design before commercial production or use, in order to produce new or substantially improved materials, devices, products, etc., shall be identified as the development stage. This stage is characterized by its targeted nature and a relatively high possibility of achieving results.

Expenditures of internal research and development projects during research stage are included in current profits and losses upon occurrence. Expenses incurred during the development phase of internal research and development projects are recognized as intangible assets when the following conditions are met: 1) Complete such intangible asset to make it usable or salable with technical feasibility; 2) Having the intent to finish and use or sell the intangible asset; 3) The ways in which intangible assets generate economic benefits include proving that there is a market for the products produced by using the intangible assets or for the intangible assets themselves, and that the intangible assets will be used internally, their usefulness shall be proved; 4) There is sufficient support from technical, financial resources and other resources, to complete development of such intangible assets, and the ability to use or sell such intangible assets; 5) The expenditures attributable to development stage of such intangible assets shall be measured reliably. Expenditures that do not meet the above conditions shall be included in current profits and losses when incurred. If expenditure in research stage and expenditure in development stage fail to be divided, generated research expenditure shall be concluded in current profits and losses when they are incurred.

## 27. Long-term assets impairment

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

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

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

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

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

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

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

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

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

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

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

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

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

## **28. Long-term deferred expenses**

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

## **29. Contract liabilities**

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

## **30. Employee compensation**

### **(1) Accounting treatment methods for short-term compensation**

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

### **(2) Accounting treatment method for post employment benefits**

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

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

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

### **(3) Accounting treatment method for dismissal benefits**

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

## **31. Estimated liabilities**

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

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

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

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

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

## **32. Share-based payments**

### **(1) Types of share-based payments**

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

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

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

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

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

#### **(4) Accounting treatment for share-based payments**

##### **1) Equity settled share-based payments**

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

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

##### **2) Cash settled share-based payments**

For share-based payments settled in cash that are made in exchange for employee services, if they are immediately exercisable upon grant, the fair value of the liability assumed by the Company on the grant date is recognized as an expense in the relevant cost or expense, and the liability is increased accordingly. For cash settled share-based payment that can be exercised only after completing the services in the waiting period or meeting the prescribed performance conditions in exchange for employee services, on each balance sheet date in the waiting period, based on the best estimate of the exercisable rights, the services obtained in the current period shall be included in the cost or expense and the corresponding liabilities according to the fair value amount of the Company's liabilities. On each balance sheet date and settlement date before the settlement of relevant liabilities, the fair value of liabilities shall be re-measured, and the changes shall be included in the current profits and losses.

##### **3) Modification and termination of share-based payment plans**

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

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

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

instruments that they are intended to replace the cancelled equity instruments, the new equity instruments are treated in the same way as if the terms and conditions of the original equity instruments were modified.

#### **(5) Other**

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

### **33. Share repurchase**

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

### **34. Revenue**

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

#### **(1) General principle for revenue recognition**

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

If any of the following conditions is met, the Company is deemed to have performed its performance obligations over a period of time; otherwise, it is deemed to perform its performance obligations at a point in time: 1) Customers obtain and consume the economic benefits brought by the Company's performance at the same time as the Company's performance; 2) Customers can control the goods under construction in the process of performance of the Company; 3) The goods produced in the process of performance by the Company have irreplaceable uses, and the Company has the right to collect payments for the accumulated performance so far during the whole contract period.

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

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

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

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

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

2) The principle for recognizing revenue from overseas offline sales of products: For domestic companies that directly export and sell products, FOB terms are adopted. For those that declare and export through sea and air freight, the export customs declaration procedures are completed, the customs declaration form is obtained, and the revenue is recognized when obtaining the bill of lading. For customs declaration and export through express delivery, revenue shall be recognized based on the date of the customs declaration. If the overseas subsidiary sells overseas, the goods shall be delivered to the customer or picked up at the customer's doorstep according to the agreed delivery method with the customer. Revenue shall be recognized when the customer receives the goods and the acceptance is qualified.

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

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

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

### **(3) Principles for income processing of specific transactions**

#### **1) A contract with quality assurance clauses attached**

The Company shall assess whether the quality assurance provides a separate service beyond ensuring that the products sold meet established standards to customers. If the Company provides additional services, it shall be treated as a single performance obligation

and subject to accounting treatment in accordance with the income standards; otherwise, the quality assurance responsibility shall be accounted for in accordance with the accounting standards for contingencies.

#### 2) Main responsible persons and agents

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

### **35. Contract cost**

#### **(1) Recognition conditions for contract costs**

Contract costs include contract acquisition costs and contract performance costs.

If the incremental cost incurred by the Company for acquiring the contract is expected to be recovered, it shall be recognized as an asset as the contract acquisition cost. Other expenditures incurred by the Company for the purpose of obtaining the contract, other than the incremental costs expected to be recovered, are included in current profits and losses when incurred, except those expressly borne by the customer.

Cost incurred by the Company for the performance of the contract, which does not fall within the scope of other Accounting Standards for Enterprises other than the revenue standards and meets the following conditions at the same time, is recognized as an asset as the contract performance cost: 1) The cost is directly related to a current or expected contract, including direct labor, direct materials, manufacturing expenses (or similar expenses), costs clearly borne by the customer and other costs incurred solely as a result of the contract; 2) This cost increases the resources that the Company will use to fulfill its performance obligations in the future; 3) The cost is expected to be recovered.

#### **(2) Amortization of assets related to contract costs**

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

#### **(3) Impairment of assets related to contract costs**

When determining the impairment loss of assets related to contract costs, the Company first determines the impairment loss of other assets related to the contract that are recognized in accordance with other Accounting Standards for Enterprises. Then, the Company determines the impairment loss of the assets related to the contract costs. If the book value of the assets related to contract costs is higher than the difference between the expected remaining consideration for the transfer of goods related to the asset and the estimated cost to be incurred for the transfer of the related goods of the Company, the excess shall be subject to provision for impairment and recognized as losses from impairment of assets.

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

## 36. Government subsidies

### (1) Type

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

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

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

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

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

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

### (2) Recognition of government subsidies

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

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

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

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

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

#### (3) Accounting treatment of government subsidies

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

Based on the essence of economic transactions, the Company determines whether a certain type of government subsidy business shall be accounted for using the gross price method or the net amount method.

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

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

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

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

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

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

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

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

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

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

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

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

### **37. Deferred income tax assets/deferred tax liabilities**

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

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

For any deductible temporary difference, any deductible loss or tax credit that can be carried forward to future years, the corresponding deferred income tax assets shall be recognized to the extent that the amount of future taxable income to be offset by the

deductible temporary difference, deductible loss or tax deduction to be likely obtained, unless the said deductible temporary difference is generated in the following transactions:

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

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

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

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

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

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

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

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

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

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

acquire assets and settle liabilities simultaneously, the Company presents the deferred income tax assets and deferred income tax liabilities at the net amount after offsetting.

## **38. Leasing**

### **(1) Accounting treatment method for leasing as a lessee**

#### 1) Right-of-use assets

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

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

#### 2) Lease liabilities

On the beginning date of the lease term, the Company recognizes the lease liability for leases other than short-term leases and low value asset leases. Lease liabilities are initially measured according to the present value of the unpaid lease payments. Lease payments include: Fixed payment and substantial fixed payment. If there is lease incentive, the relevant amount of lease incentive shall be deducted; the variable lease payment amount, which depends on the index or ratio. It is determined at the initial measurement based on the index or ratio on the commencement date of the lease term. The exercise price of the purchase option, provided that the Company reasonably determines that the option will be exercised; The amount to be paid for the exercise of the option to terminate the lease, provided that the lease term reflects that the Company will exercise the option to terminate the lease; The amount expected to be paid according to the residual value of the guarantee provided by the Company. The Company adopts the embedded interest rate of the lease as the discount rate. If the embedded interest rate of the lease cannot be determined, the incremental borrowing rate of the Company shall be used as the discount rate.

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

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

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

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

leased asset is a brand-new asset. Where the Company sublets or expects to sublet the leased assets, the original lease does not belong to the lease of low value assets.

#### 4) Lease change

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

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

## **(2) Accounting treatment method for leasing as a lessor**

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

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

#### 1) Accounting treatment of operating lease

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

#### 2) Accounting treatment of financial lease

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

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

## **39. Restricted shares**

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

## 40. Explanations on Important Accounting Estimates and Judgments

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

### (1) Classification of leases

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

### (2) Impairment of financial instruments

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

### (3) Provision for inventory write-down

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

### (4) Depreciation and amortization

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

### (5) Deferred income tax assets

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

#### (6) Income tax

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

#### (7) Fair value measurement

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

### 41. Changes of significant accounting policies and accounting estimates

#### (1) Significant accounting policy changes

Applicable  Not applicable

The Company implemented the provisions on the accounting treatment for guarantee-type quality assurance that does not constitute a separate performance obligation as stipulated in "Interpretation No. 18 of the Accounting Standards for Business Enterprises" issued by the Ministry of Finance as of December 6, 2024, and retrospectively adjusted the comparable period information. The specific adjustment details are as follows:

Unit: RMB

Name of report items that are significantly affected	Affected amount on consolidated financial statements	Affected amount on the parent company's financial statements
2023 Income Statement Items		
Operating cost	3,876,351.51	3,567,150.28
Selling expenses	-3,876,351.51	-3,567,150.28
Income Statement Items for January to November 2024		
Operating cost	3,701,443.25	3,183,296.96
Selling expenses	-3,701,443.25	-3,183,296.96

The Company implemented the provisions on the classification of current and non-current liabilities as stipulated in the "Interpretation No. 17 of the Accounting Standards for Business Enterprises" (CK [2023] No. 21, hereinafter referred to as "Interpretation No. 17") issued by the Ministry of Finance on October 25, 2023, starting from January 1, 2024. This change in accounting policy will have no significant impact on the Company's financial statements.

The Company implemented the provisions on the disclosure of supplier financing arrangements as stipulated in Interpretation No. 17 starting from January 1, 2024. This change in accounting policy will have no significant impact on the Company's financial statements.

The Company implemented the provisions on the accounting treatment for sale and leaseback transactions as stipulated in Interpretation No. 17 starting from January 1, 2024. This change in accounting policy will have no significant impact on the Company's financial statements.

## (2) Changes in significant accounting estimates

Applicable  Not applicable

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

Applicable  Not applicable

## 42. Others

None

## VI. Taxation

### 1. Main tax types and tax rates

Tax Type	Tax Basis	Tax rates
VAT	Selling goods or providing taxable services	13.00%, 9.00%, 6.00%, 5.00%, 3.00%, and applicable value-added tax rate for overseas subsidiaries in their registered location
Urban maintenance and construction tax	Paid turnover tax amount	7.00%, 5.00%
Enterprise income tax	Taxable income	Please refer to the disclosure statement in the table below.
Property tax	Based on 70% of the original value of the property (or rental income) as the tax benchmark	1.20%、 12.00%
Education surcharge	Actual amount of turnover tax paid	3.00%
Local education surcharges	Actual amount of turnover tax paid	2.00%

Disclosure of information on taxpayers with different corporate income tax rates

Name of Taxpayer	Income tax rate
ZKTECO CO., LTD.	15.00%
Xiamen Zkteco Biometric Identification Technology Co., Ltd.	20.00%
Shenzhen ZKTeco Biometric Identification Technology Co., Ltd.	20.00%
ZK INVESTMENTS INC.	21.00%
ZK TECHNOLOGY LLC	Please refer to Note VI 3 (1).
ZKTeco Sales Co., Ltd.	25.00%
Hangzhou ZKTeco Hanlian E-commerce Co., Ltd.	20.00%
ZKCserv Technology Limited Co., Ltd.	20.00%
Dalian ZKTeo CO., Ltd.	20.00%
XIAMEN ZKTECO CO., LTD.	15.00%
ZKTECO VIETNAM TECHNOLOGY COMPANY LIMITED	20.00%
ZKTECO (GUANGDONG) CO., LTD	15.00%
Xi'an ZKTeco Co., Ltd.	20.00%
ZKTECO CO., LIMITED	16.50%, 8.25%

ZKTECO TURKEY ELEKTRONIK SANAYI VE TICARET LIMITED SIRKETI.	25.00%
ZKTECO LATAM, S.A. DE C.V.	30.00%
ZK SOFTWARE DE MEXICO, S.A. DE C.V.	30.00%
ZKTECO COLOMBIA SAS	35.00%
ZKTECO (M) SDN. BHD.	24.00%
ZKTECO BIOMETRICS INDIA PRIVATE LIMITED	25.00%, 15.00%
ZKTECO EUROPE SL	25.00%
ZKTECO IRELAND LIMITED	12.50%
ZKTeco Deutschland GmbH	31.225%
ZKTECO ITALIA S.R.L.	27.9%
ZKTECO UK LTD	19.00%, 25.00%
ZKTECO PERU SOCIEDAD ANONIMA CERRADA	29.5%
ZKTECO THAI CO., LTD.	20.00%, 15.00%, 0.00%
ZKTeco Chile SpA	27.00%
SOLUCIONES INTEGRALES Y SISTEMAS SpA	27.00%
ZKTECO SECURITY L.L.C	9.00%
ZKTECO ARGENTINA S.A.	25.00%, 30.00%, 35.00%
Limited Liability Company "ZKTeco biometrics and security"	20.00%
ZKTECO Investment Inc.	21.00%
ZKTECO USA LLC	Please refer to Note VI 3 (1).
ARMATURA LLC	Please refer to Note VI 3 (1).
Armatura Co., Ltd.	25.00%, 22.00%, 20.00%, 10.00%
RALVIE AI INC.	26.50%
ZKTeco Japan Co., Ltd.	23.20%
PT. ZKTECO BIOMETRICS INDONESIA	22.00%, 11.00%
ZK INVESTIMENTOS DO BRASIL LTDA.	25.00%
ZKTECO DO BRASIL S.A.	25.00%
ZKTeco Latam R&D S.A.	25.00%, 30.00%, 35.00%
NGTECO CO., LIMITED	16.50%, 8.25%
ZKTECO BIOMETRIC LIMITED	30.00%
ZKTECO PANAMA, S.A.	5.00%
ZK INTELLIGENT SOLUTIONS (PTY) LTD	27.00%
ZKTECO BIOMETRICS KENYA LIMITED	30.00%
ZKTECO ROMANIA S.R.L	16.00%
Hubei ZKTeco Co., Ltd.	20.00%
Wuhan ZKTeco Perception Technology Co., Ltd.	20.00%
ZKTECO SG INVESTMENT PTE. LTD.	4.25%, 8.50%, 17.00%
ZKTECO SINGAPORE PTE. LTD.	4.25%, 8.50%, 17.00%
ZKDIGIMAX PTE. LTD.	4.25%, 8.50%, 17.00%
ZKDIGIMAX PANAMA, S.A.	25.00%
Armatura Tech Co., Ltd.	20.00%, 15.00%, 0.00%
ZKDIGIMAX (PTY) LTD	27.00%
PT. ZKDIGIMAX EXCEL NOBLE	22.00%, 11.00%
ZKDIGIMAX CHINA CO., LTD.	20.00%
ZKDIGIMAX COLOMBIA SAS	35.00%
ZK TECHNOLOGY MOROCCO	30.00%
ZKTECO EGYPT LLC	22.50%
ZKTECO BUSINESS SOLUTIONS COMPANY	20.00%
ZKTeco Polska Sp. z o.o.	19.00%
ZKTeco Cloud Brain-Computer (Hangzhou) Technology Co., Ltd.	20.00%

## 2. Tax incentives

(1) Article 28 of the "Law of the People's Republic of China on Enterprise Income Tax" stipulates that high-tech enterprises that require key support from the state shall be subject to corporate income tax at a rate of 15.00%.

1) In November 2024, the Company obtained a high-tech enterprise certificate (No. GR202444001492), which is valid for three years.

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

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

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

(3) According to the "Announcement on Further Supporting the Development of Micro and Small Enterprises and Individual Industrial and Commercial Households" (Announcement No. 12 of the State Administration of Taxation of the Ministry of Finance, 2023), from January 1, 2023 to December 31, 2027, small-scale value-added tax taxpayers, small and micro profit enterprises, and individual industrial and commercial households can reduce resource tax by half (excluding water resource tax), urban maintenance and construction tax, property tax, urban land use tax, stamp duty (excluding securities transaction stamp duty), farmland occupation tax, education surcharge, and local education surcharge. The policy of reducing the taxable income of small and micro profit enterprises by 25.00% and paying corporate income tax at a rate of 20.00% will continue to be implemented until December 31, 2027. This policy is applicable to Xiamen Zkteco Biometric Identification Technology Co., Ltd., Shenzhen ZKTeco Biometric Identification Technology Co., Ltd., Hangzhou ZKTeco Hanlian E-commerce Co., Ltd., ZKCserv Technology Limited Co., Ltd., Dalian ZKTeo CO., Ltd., Xi'an ZKTeco Co., Ltd., Hubei ZKTeco Co., Ltd., Wuhan ZKTeco Perception Technology Co., Ltd., ZKTeco Huayun (Xiamen) Integrated Circuit Co., Ltd., ZKDIGIMAX CHINA CO., LTD., and ZKTeco Cloud Brain-Computer (Hangzhou) Technology Co., Ltd.

## 3. Others

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

(2) ZKTECO ARGENTINA S.A. and ZKTeco Latam R&D S.A. are taxed at 25.00% on the amount ranging from ARS 0 to ARS 34,703,523.08. For the portion exceeding ARS 34,703,523.08 but not exceeding ARS 347,035,230.79, the tax rate is 30.00%. Any amount exceeding ARS 347,035,230.79 is taxed at 35.00%.

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

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

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

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

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

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

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

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

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

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

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

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

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

(13) The applicable corporate income tax rate for RALVIE AI INC. in 2024 is as follows: The basic tax rate for federal income tax is 38.00%. After deducting the tax exemption items specified in Section 149 (1) (t) of the "Law of the People's Republic of China on Enterprise Income Tax", enterprises can enjoy a 10.00% federal tax credit for income obtained in various provinces (or territories) of Canada. At the same time, the general corporate income tax rate is reduced by 13.00%, resulting in a 15.00% federal income tax rate. The general corporate tax rate in Ontario is 11.50%. The combined federal and Ontario income tax rate is 26.50%.

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

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

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

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

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

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

## VII. Notes to Consolidated Financial Statements

### 1. Monetary funds

Unit: RMB

Item	Ending Balance	Beginning Balance
Cash on hand	772,216.84	1,401,947.05

Cash in bank	1,423,494,905.16	1,921,774,208.61
Other monetary funds	49,067,783.97	67,748,799.12
Total	1,473,334,905.97	1,990,924,954.78
Including: total amount deposited abroad	359,182,516.43	269,209,971.66

Other explanations:

Note 1: As of December 31, 2024, the bank deposits included the principal ending balance of time deposits with a maturity of more than three months and intended to be held to maturity amounting to RMB 198,918,980.00 (December 31, 2023: RMB 598,547,190.12), and the amount of interest receivable that has not yet matured was RMB 12,227,894.14 (December 31, 2023: RMB 20,402,541.16), which are not classified as cash and cash equivalents. Please refer to the explanation in Note VII (59) "Supplementary information of cash flow statement".

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

## 2. Trading financial assets

Unit: RMB

Item	Ending Balance	Beginning Balance
Financial assets measured at fair value and whose changes are included in the current profits and losses	491,331,815.79	80,980,203.63
Including:		
Financial products	491,331,815.79	80,887,585.81
Forward foreign exchange settlement and sales	0.00	92,617.82
Including:		
Total	491,331,815.79	80,980,203.63

Other explanations:

## 3. Notes receivable

### (1) Notes receivable listed by category

Unit: RMB

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

### (2) Disclosure by bad debt accrual method

Unit: RMB

Category	Ending Balance	Beginning Balance
----------	----------------	-------------------

	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve		Book value
	Amount	Proportion	Amount	Accrual proportion		Amount	Proportion	Amount	Accrual proportion	
Including:										
Bills receivable for dad debt reserve withdrawn by portfolio	165,450.00	100.00%			165,450.00	0.00				0.00
Including:										
Total	165,450.00	100.00%			165,450.00	0.00				0.00

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

Applicable  Not applicable

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

Provision for bad debt reserves in current period:

Unit: RMB

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

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

Applicable  Not applicable

Note: No notes receivable which have been endorsed or discounted by the Company at the end of the period but not yet due on the balance sheet date.

## 4. Accounts receivable

### (1) Disclosure by aging

Unit: RMB

Aging	Closing book balance	Opening book balance
Within 1 year (including 1 year)	504,979,612.03	465,244,619.74
1-2 years	47,589,232.67	41,128,894.34
2-3 years	15,397,520.31	4,763,523.90
Over 3 years	5,704,760.98	3,103,189.24
3-4 years	3,287,160.38	1,424,766.06
4-5 years	1,197,968.12	377,084.95
Over 5 years	1,219,632.48	1,301,338.23
Total	573,671,125.99	514,240,227.22

### (2) Disclosure by bad debt accrual method

Unit: RMB

Category	Ending Balance					Beginning Balance				
	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve		Book value
	Amount	Proportion	Amount	Accrual proportion		Amount	Proportion	Amount	Accrual proportion	
Accounts receivable with individual provision for bad debts	19,535,854.24	3.41%	19,535,854.24	100.00%	0.00	7,025,009.31	1.37%	6,009,009.31	85.54%	1,016,000.00
Including:										
Accounts receivable with insignificant single amount and bad debt reserve withdrawn separately	19,535,854.24	3.41%	19,535,854.24	100.00%	0.00	7,025,009.31	1.37%	6,009,009.31	85.54%	1,016,000.00
Receivable with combined provision for bad debt reserve	554,135,271.75	96.59%	35,120,933.86	6.34%	519,014,337.89	507,215,217.91	98.63%	28,427,904.25	5.60%	478,787,313.66
Including:										
Aging portfolio	554,135,271.75	96.59%	35,120,933.86	6.34%	519,014,337.89	507,215,217.91	98.63%	28,427,904.25	5.60%	478,787,313.66
Total	573,671,125.99	100.00%	54,656,788.10	9.53%	519,014,337.89	514,240,227.22	100.00%	34,436,913.56	6.70%	479,803,313.66

Bad debt reserve made individually: 19,535,854.24

Unit: RMB

Name	Beginning Balance		Ending Balance			
	Book balance	Bad debt reserve	Book balance	Bad debt reserve	Accrual proportion	Reasons for provision
AREEJ SECURTECH TRADING LLC	0.00	0.00	13,649,377.28	13,649,377.28	100.00%	Expected non-recoverable
Hainan Jialing Digital Technology Co., Ltd.	2,032,000.00	1,016,000.00	2,032,000.00	2,032,000.00	100.00%	Expected non-recoverable
Noble IT Solutions Co., Ltd	415,485.70	415,485.70	421,686.28	421,686.28	100.00%	Expected non-recoverable
Zicom Electronic Securit	371,452.20	371,452.20	376,995.64	376,995.64	100.00%	Expected non-recoverable

Al Asma Technology	353,391.81	353,391.81	360,448.21	360,448.21	100.00%	Expected non-recoverable
TIMEWATCH INFOCOM PVT. LTD.	300,723.36	300,723.36	305,211.28	305,211.28	100.00%	Expected non-recoverable
Shenzhen Xuhui Information Technology Co., Ltd.	326,350.00	326,350.00	270,358.32	270,358.32	100.00%	Expected non-recoverable
Shanghai Leqi Automation Technology Co., Ltd.	521,950.00	521,950.00	261,950.00	261,950.00	100.00%	Expected non-recoverable
Gansu Fourth Construction Group Co., Ltd.	224,676.00	224,676.00	224,676.00	224,676.00	100.00%	Expected non-recoverable
VENDEMMIA COMERCIO INTERNACIONAL LTDA	201,017.79	201,017.79	204,017.72	204,017.72	100.00%	Expected non-recoverable
ASIA IDENTIFICATION AND SECURITY TECHNOLOGY COMPANY LIMITED	167,864.95	167,864.95	170,370.11	170,370.11	100.00%	Expected non-recoverable
Wanqiao Information Technology Co., Ltd.	165,900.00	165,900.00	165,900.00	165,900.00	100.00%	Expected non-recoverable
Tianjin Eagle Eye Biotechnology Co., Ltd.	178,130.00	178,130.00	162,281.00	162,281.00	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
Hainan Zhongkong IOT Technology Co., Ltd.	200,089.00	200,089.00	122,173.74	122,173.74	100.00%	Expected non-recoverable
PONTO RHJ EIRELI - ME	100,061.62	100,061.62	101,554.91	101,554.91	100.00%	Expected non-recoverable
SECUZAA SECURITY SOLUTIONS LAB PRIVATE LIMITED	98,224.87	98,224.87	99,690.74	99,690.74	100.00%	Expected non-recoverable
INTELLISMARK TECHNOLOGY INC.	74,495.84	74,495.84	75,607.59	75,607.59	100.00%	Expected non-recoverable
Qianxinan Mengku	74,672.00	74,672.00	74,672.00	74,672.00	100.00%	Expected non-recoverable

Business Service Co., Ltd.						
RBB Technologies Private Limited	62,167.12	62,167.12	61,357.44	61,357.44	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
Guizhou Zhongjiang Intelligent Technology Co., Ltd.	334,800.21	334,800.21				
Dongguan Yukong Security Technology Co., Ltd.	53,703.00	53,703.00				
Northwood Investors LLC	244,778.11	244,778.11				
Logile	105,108.97	105,108.97				
Others	206,589.76	206,589.76	184,148.98	184,148.98	100.00%	Expected non-recoverable
<b>Total</b>	<b>7,025,009.31</b>	<b>6,009,009.31</b>	<b>19,535,854.24</b>	<b>19,535,854.24</b>		

Bad debt reserve made by portfolio: 35,120,933.86

Unit: RMB

Name	Ending Balance		
	Book balance	Bad debt reserve	Accrual proportion
Aging portfolio	554,135,271.75	35,120,933.86	6.34%
<b>Total</b>	<b>554,135,271.75</b>	<b>35,120,933.86</b>	

Explanations on the basis for determining the portfolio:

Provision for bad debts by combination: 35,120,933.86

Unit: RMB

Name	Ending Balance		
	Book balance	Bad debt reserve	Accrual proportion
Within 1 year (including 1 year)	494,204,325.69	24,710,216.35	5.00%
1-2 years	44,649,438.08	4,464,943.75	10.00%
2-3 years	13,336,763.23	4,001,029.01	30.00%
Over 3 years	1,944,744.75	1,944,744.75	100.00%
<b>Total</b>	<b>554,135,271.75</b>	<b>35,120,933.86</b>	

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	
Withdrawing bad debt reserves by individual item	6,009,009.31	14,913,211.34	409,755.94	936,550.87	-40,059.60	19,535,854.24
Bad debt reserve withdrawn by portfolio	28,427,904.25	6,663,103.92	0.00	0.00	29,925.69	35,120,933.86
<b>Total</b>	<b>34,436,913.56</b>	<b>21,576,315.26</b>	<b>409,755.94</b>	<b>936,550.87</b>	<b>-10,133.91</b>	<b>54,656,788.10</b>

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	936,550.87

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	47,108,886.15		47,108,886.15	8.21%	2,356,141.69
Customer 2	33,271,684.28		33,271,684.28	5.80%	2,284,123.86
Customer 3	27,516,974.69		27,516,974.69	4.79%	1,375,848.73
Customer 4	19,486,553.08		19,486,553.08	3.39%	1,051,921.51
Customer 5	13,649,377.28		13,649,377.28	2.38%	13,649,377.28
Total	141,033,475.48		141,033,475.48	24.57%	20,717,413.07

## 5. Contract assets

### (1) Contract asset situation

Unit: RMB

Item	Ending Balance			Beginning Balance		
	Book balance	Bad debt reserve	Book value	Book balance	Bad debt reserve	Book value
Quality guarantee deposit receivable	335,494.48	122,699.34	212,795.14	321,793.78	39,607.47	282,186.31
Total	335,494.48	122,699.34	212,795.14	321,793.78	39,607.47	282,186.31

### (2) Amount and reasons for significant changes in book value during the reporting period

Unit: RMB

Item	Change amount	Reasons for changes

### (3) Disclosure by bad debt accrual method

Unit: RMB

Category	Ending Balance					Beginning Balance				
	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve		Book value
	Amount	Proportion	Amount	Accrual proportion		Amount	Proportion	Amount	Accrual proportion	
Withdrawing bad debt reserves by individual item	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00%	0.00
Including:										
Bad debt reserve withdrawn by portfolio	335,494.48	100.00%	122,699.34	36.57%	212,795.14	321,793.78	100.00%	39,607.47	12.31%	282,186.31

Including:										
Aging portfolio	335,494.48	100.00%	122,699.34	36.57%	212,795.14	321,793.78	100.00%	39,607.47	12.31%	282,186.31
Total	335,494.48	100.00%	122,699.34	36.57%	212,795.14	321,793.78	100.00%	39,607.47	12.31%	282,186.31

Bad debt reserve made individually: 0

Unit: RMB

Name	Beginning Balance		Ending Balance			
	Book balance	Bad debt reserve	Book balance	Bad debt reserve	Accrual proportion	Reasons for provision
Single item provision	0.00	0.00	0.00	0.00	0.00%	
Total	0.00	0.00	0.00	0.00		

Bad debt reserve made by portfolio: 122,699.34

Unit: RMB

Name	Ending Balance		
	Book balance	Bad debt reserve	Accrual proportion
Aging portfolio	335,494.48	122,699.34	36.57%
Total	335,494.48	122,699.34	36.57%

Explanations on the basis for determining the portfolio:

Provision for bad debt reserve based on a general model of expected credit losses

Applicable  Not applicable

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

Unit: RMB

Item	Provision in current period	Recovery or reversal in the current period	Charged or written off in current period	Reasons
Provision for impairment by portfolio	83,091.87			Impairment provisions made based on the aging distribution and expected credit risk
Total	83,091.87			—

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) Actual write-off situation of contract assets in the current period**

Unit: RMB

Item	Write-off amount
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Information on important contract asset verification

Unit: RMB

Company name	Payment nature	Write-off amount	Write-off reason	Verification and cancellation programs that have been performed	Whether the payment is incurred due to related transactions
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Explanations on contract asset verification:

Other explanations:

**6. Other receivables**

Unit: RMB

Item	Ending Balance	Beginning Balance
Other receivables	41,144,121.16	32,744,574.20
Total	41,144,121.16	32,744,574.20

**(1) Other receivables****1) Classification of other receivables based on nature of payment**

Unit: RMB

Payment nature	Closing book balance	Opening book balance
Current account	4,674,861.45	14,563,843.76
Guarantee deposit	14,910,797.93	14,264,601.52
Reserve funds and loans	3,115,748.90	5,408,335.70
Collection and payment on behalf of others	2,721,289.57	3,604,884.91
Withholding and paying social security and provident fund on behalf of others	1,642,381.43	1,784,200.95
Export tax refund	15,515,710.55	3,537,610.99
Others	1,778,689.71	1,840,576.77
Total	44,359,479.54	45,004,054.60

**2) Disclosure by aging**

Unit: RMB

Aging	Closing book balance	Opening book balance
Within 1 year (including 1 year)	28,324,198.88	19,030,462.60

1-2 years	1,755,594.41	1,949,905.24
2-3 years	1,554,437.48	3,010,293.84
Over 3 years	12,725,248.77	21,013,392.92
3-4 years	2,869,212.53	1,467,967.79
4-5 years	221,614.92	9,492,724.32
Over 5 years	9,634,421.32	10,052,700.81
<b>Total</b>	<b>44,359,479.54</b>	<b>45,004,054.60</b>

### 3) Disclosure by bad debt accrual method

Applicable  Not applicable

Unit: RMB

Category	Ending Balance					Beginning Balance				
	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve		Book value
	Amount	Proportion	Amount	Accrual proportion		Amount	Proportion	Amount	Accrual proportion	
Withdrawing bad debt reserves by individual item	1,608,349.35	3.63%	1,608,349.35	100.00%	0.00	12,384,636.67	27.52%	10,624,147.18	85.78%	1,760,489.49
Including:										
Withdrawing bad debt reserves by individual item	1,608,349.35	3.63%	1,608,349.35	100.00%	0.00	12,384,636.67	27.52%	10,624,147.18	85.78%	1,760,489.49
Bad debt reserve withdrawn by portfolio	42,751,130.19	96.37%	1,607,009.03	3.76%	41,144,121.16	32,619,417.93	72.48%	1,635,333.22	5.01%	30,984,084.71
Including:										
Aging portfolio	2,802,184.00	6.32%	1,607,009.03	57.35%	1,195,174.97	2,920,550.05	6.49%	1,635,333.22	55.99%	1,285,216.83
Portfolio of deposits, security deposits, employee loans, export tax refunds, etc.	39,948,946.19	90.05%	0.00	0.00%	39,948,946.19	29,698,867.88	65.99%	0.00	0.00%	29,698,867.88
<b>Total</b>	<b>44,359,479.54</b>	<b>100.00%</b>	<b>3,215,358.38</b>	<b>7.25%</b>	<b>41,144,121.16</b>	<b>45,004,054.60</b>	<b>100.00%</b>	<b>12,259,480.40</b>	<b>27.24%</b>	<b>32,744,574.20</b>

Bad debt reserve made individually: 1,608,349.35

Unit: RMB

Name	Beginning Balance		Ending Balance			
	Book balance	Bad debt reserve	Book balance	Bad debt reserve	Accrual proportion	Reasons for provision
CNB TECHNOLOGY INC.	1,289,511.78	1,289,511.78	1,308,756.05	1,308,756.05	100.00%	Expected non-recoverable

New bio	375,838.74	375,838.74	299,593.30	299,593.30	100.00%	Expected non-recoverable
<b>Total</b>	<b>1,665,350.52</b>	<b>1,665,350.52</b>	<b>1,608,349.35</b>	<b>1,608,349.35</b>		

Bad debt reserve made by portfolio: 1,607,009.03

Unit: RMB

Name	Ending Balance		
	Book balance	Bad debt reserve	Accrual proportion
Within 1 year (including 1 year)	1,149,117.83	57,455.82	5.00%
1-2 years	64,695.60	6,469.56	10.00%
2-3 years	64,695.60	19,408.68	30.00%
Over 3 years	1,523,674.97	1,523,674.97	100.00%
<b>Total</b>	<b>2,802,184.00</b>	<b>1,607,009.03</b>	

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, 2024	64,064.26	1,571,268.96	10,624,147.18	12,259,480.40
Balance as of January 1, 2024 in the current period				
Provision in current period	3,838.89	-53,000.00	89,576.82	40,415.71
Canceled after verification in the current period			9,048,373.48	9,048,373.48
Other changes	-10,447.33	31,284.25	-57,001.17	-36,164.25
Balance as of December 31, 2024	57,455.82	1,549,553.21	1,608,349.35	3,215,358.38

Classification basis and bad debt reserve provision ratio for each stage

Changes in book balance with major changes in loss reserves during the current period

Applicable  Not applicable

#### 4) Bad debt reserves withdrawn, recovered or reversed in the current period

Provision for bad debt reserves in current period:

Unit: RMB

Category	Beginning	Current period change amount	Ending Balance
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	Balance	Provision	Return or reversal	Write-off or cancellation	Others	
Withdrawing bad debt reserves by individual item	10,624,147.18	89,576.82	0.00	9,048,373.48	-57,001.17	1,608,349.35
Bad debt reserve withdrawn by portfolio	1,635,333.22	-49,161.11	0.00	0.00	20,836.92	1,607,009.03
<b>Total</b>	<b>12,259,480.40</b>	<b>40,415.71</b>	<b>0.00</b>	<b>9,048,373.48</b>	<b>-36,164.25</b>	<b>3,215,358.38</b>

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	9,048,373.48

Other major receivable written off:

Unit: RMB

Company name	Nature of other accounts receivable	Write-off amount	Write-off reason	Verification and cancellation programs that have been performed	Whether the payment is incurred due to related transactions
Shenzhen Zhongan Intelligent Control Technology Co., Ltd.	Current account	6,052,062.77	Nonrecoverable	Bad debt write off process	No
Shenzhen Zhikongtaike Biometric Technology Co., Ltd.	Current account	2,500,000.00	Nonrecoverable	Bad debt write off process	No
<b>Total</b>		<b>8,552,062.77</b>			

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	Export tax refund	15,515,710.55	Within 1 year	34.98%	0.00
No. 2	Guarantee deposit	4,800,000.00	Over 3 years	10.82%	0.00
No. 3	Current account	1,696,196.57	Within 1 year, 1-2 years, 2-3 years, more than 3 years	3.82%	1,551,709.73
No. 4	Current account	1,308,756.05	Over 3 years	2.95%	1,308,756.05
No. 5	Guarantee deposit	910,055.30	Within 1 year, 2-3 years, more than 3 years	2.05%	0.00
<b>Total</b>		<b>24,230,718.47</b>		<b>54.62%</b>	<b>2,860,465.78</b>

**7. Prepayments****(1) Prepayments listed by aging**

Unit: RMB

Aging	Ending Balance		Beginning Balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	25,493,011.77	95.98%	22,706,163.01	96.80%
1-2 years	1,044,012.35	3.93%	580,816.58	2.48%
2-3 years	450.85	0.00%	20,400.64	0.09%
Over 3 years	23,998.01	0.09%	150,527.01	0.63%
<b>Total</b>	<b>26,561,472.98</b>		<b>23,457,907.24</b>	

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

There were no significant prepayments with an aging period exceeding one year that were not settled in a timely manner at the end of the period.

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

Unit: RMB

Company name	Ending Balance	Proportion of the total amount of prepayments at the end of the period
Supplier 1	3,947,273.28	14.86%
Supplier 2	2,700,514.69	10.17%
Supplier 3	1,578,400.00	5.94%
Supplier 4	1,450,625.23	5.46%

Supplier 5	662,588.49	2.49%
Total	10,339,401.69	38.92%

Other explanations: No obvious impairment signs of the prepayments were found at the end of the period, so no impairment provision was made.

## 8. Inventories

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

No

### (1) Inventory classification

Unit: RMB

Item	Ending Balance			Beginning Balance		
	Book balance	Inventory depreciation reserves or contract performance cost impairment reserves	Book value	Book balance	Inventory depreciation reserves or contract performance cost impairment reserves	Book value
Raw materials	93,407,452.97	4,182,521.26	89,224,931.71	131,431,792.72	2,989,549.95	128,442,242.77
Products in process	10,928,773.18	0.00	10,928,773.18	8,583,812.25	0.00	8,583,812.25
Inventory goods	240,786,117.74	13,846,891.80	226,939,225.94	238,881,580.26	12,576,970.86	226,304,609.40
Sending goods	8,482,461.31	268,995.00	8,213,466.31	9,129,100.21	174,341.27	8,954,758.94
Consigned processing materials				429,360.95	0.00	429,360.95
Total	353,604,805.20	18,298,408.06	335,306,397.14	388,455,646.39	15,740,862.08	372,714,784.31

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

Unit: RMB

Item	Beginning Balance	Increase in current period		Decrease in current period		Ending Balance
		Provision	Others	Reversal or reselling	Others	
Raw materials	2,989,549.95	1,557,658.44	4,580.81	369,267.94	0.00	4,182,521.26
Inventory goods	12,576,970.86	9,758,998.31	-450,618.74	8,038,458.63	0.00	13,846,891.80
Sending goods	174,341.27	240,448.97	0.00	145,795.24	0.00	268,995.00

Total	15,740,862.08	11,557,105.72	-446,037.93	8,553,521.81	0.00	18,298,408.06
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Provision for inventory depreciation made by portfolio

Unit: RMB

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

Provision standards for inventory depreciation reserves made by portfolio

## 9. Non-current assets due within one year

Unit: RMB

Item	Ending Balance	Beginning Balance
Debt investment due within one year	19,802,583.11	16,902,617.83
Other creditor's right investment due within one year	0.00	0.00
Long-term receivables due within one year	580,655.24	354,996.91
Total	20,383,238.35	17,257,614.74

### (1) Debt investment due within one year

Applicable  Not applicable

#### 1) Information on debt investment due within one year

Unit: RMB

Portfolio Name	Ending Balance			Beginning Balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Certificates of Deposit (CD)				11,060,888.54		11,060,888.54
Term deposits	19,802,583.11		19,802,583.11	5,841,729.29		5,841,729.29
Total	19,802,583.11		19,802,583.11	16,902,617.83		16,902,617.83

Changes in provision for depreciation of debt investments due within one year in the current period

Unit: RMB

Item	Beginning Balance	Increase in the current period	Decrease in the current period	Ending Balance
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#### 2) 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
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				Ending Balance	Beginning Balance	Ending Balance	Beginning Balance

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

Applicable  Not applicable

**10. Other current assets**

Unit: RMB

Item	Ending Balance	Beginning Balance
Advance payment of income tax	11,474,437.07	6,221,029.24
Value added tax deduction amount	21,313,002.62	19,249,699.10
Other prepaid taxes	283,376.31	395,080.94
<b>Total</b>	<b>33,070,816.00</b>	<b>25,865,809.28</b>

Other explanations:

**11. Debt investment****(1) Information on debt investment**

Unit: RMB

Item	Ending Balance			Beginning Balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Bank CD - Principal	35,235,692.02		35,235,692.02	57,795,333.29		57,795,333.29
Bank CD - Interest	342,697.25		342,697.25	1,391,881.44		1,391,881.44
Debt investment due within one year	-19,802,583.11		-19,802,583.11	-16,902,617.83		-16,902,617.83
<b>Total</b>	<b>15,775,806.16</b>		<b>15,775,806.16</b>	<b>42,284,596.90</b>		<b>42,284,596.90</b>

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) Provision for impairment**

Unit: RMB

Bad debt reserve	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss in the future 12 months	Expected credit loss within whole duration (no credit impairment occur)	Expected credit loss within whole duration (credit impairment has occurred)	
Balance as of January 1, 2024 in the current period				

Classification basis and bad debt reserve provision ratio for each stage

**(4) Actual verification of debt investments in the current period**

Unit: RMB

Item	Write-off amount
Actually written-off debt investment	0.00

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:

**12. Long-term receivables****(1) Information on long-term receivables**

Unit: RMB

Item	Ending Balance			Beginning Balance			Discount rate range
	Book balance	Bad debt reserve	Book value	Book balance	Bad debt reserve	Book value	
Employee housing loan	6,059,956.79		6,059,956.79	2,802,225.14		2,802,225.14	3.60%-4.30%
Long-term receivables due within one year	-580,655.24		-580,655.24	-354,996.91		-354,996.91	3.60%-4.30%
<b>Total</b>	<b>5,479,301.55</b>		<b>5,479,301.55</b>	<b>2,447,228.23</b>		<b>2,447,228.23</b>	

**(2) Disclosure by bad debt accrual method**

Unit: RMB

Category	Ending Balance					Beginning Balance				
	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve		Book value
	Amount	Proportion	Amount	Accrual proportion		Amount	Proportion	Amount	Accrual proportion	
Including:										
Including:										

Provision for bad debt reserve based on a general model of expected credit losses

Unit: RMB

Bad debt reserve	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss in the future 12 months	Expected credit loss within whole duration (no credit impairment occur)	Expected credit loss within whole duration (credit impairment has occurred)	
Balance as of January 1, 2024 in the current period				

Classification basis and bad debt reserve provision ratio for each stage

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

Unit: RMB

Category	Beginning Balance	Current period change amount				Ending Balance
		Provision	Return or reversal	Write-off or cancellation	Others	

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

Unit: RMB

Company name	Accounts recovered or transferred back	Reason for reversal	Recovery method	The basis and rationality for determining the provision ratio of original bad debt reserves

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
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Explanations on long-term receivable verification:

None

### 13. Long-term equity investment

Unit: RMB

Investee	Beginning balance (book value)	Beginning balance of impairment provision	Increase or decrease in the current period								Ending balance (book value)	Ending balance of impairment provision
			Additional investment	Reduced investment	Investment profit or loss recognized under equity method	Other comprehensive income adjustments	Changes in other equities	Cash dividends or profits declared to pay	Impairment provision	Others		
I. Joint ventures												
Subtotal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Joint venture												
Silk ID Systems Inc.	274,331.88	281,599.25	0.00	- 275,546.00	0.00	0.00	0.00	0.00	0.00	1,214.12	0.00	
CV Squared, Inc.	3,741,608.66		0.00		-12,587.59	0.00	0.00	0.00	0.00	55,707.04	3,784,728.11	
ZKTECO SMART CITY (THAILAND) CO., LTD.	1,765,948.08		0.00		- 351,838.88	0.00	0.00	0.00	0.00	22,677.00	1,436,786.20	
Xiamen Xingniu Yunyu Venture Capital Partnership Enterprise (Limited Partnership)	24,000,000.00		0.00		- 239,422.08	0.00	0.00	0.00	0.00	0.00	23,760,577.92	
Subtotal	29,781,888.62	281,599.25	0.00	- 275,546.00	- 603,848.55	0.00	0.00	0.00	0.00	79,598.16	28,982,092.23	0.00
Total	29,781,888.62	281,599.25	0.00	- 275,546.00	- 603,848.55	0.00	0.00	0.00	0.00	79,598.16	28,982,092.23	0.00

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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

None

Reasons for significant discrepancies between the information used in the Company's impairment tests of previous year and the actual situation of that year

None

Other explanations:

At the end of the period, no obvious signs of impairment were found in the long-term equity investment, so no impairment provision was made.

## 14. Investment real estate

### (1) Investment real estate adopting cost measurement model

Applicable  Not applicable

Unit: RMB

Item	Houses and buildings	Land use rights	Construction in progress	Total
I. Original book value				
1. Beginning Balance	34,416,026.15			34,416,026.15
2. Increase in current period				
(1) Outsourcing				
(2) Transferred from inventory, fixed assets, and construction in progress				
(3) Increase in business merger				
3. Decrease in current period				
(1) Disposal				
(2) Other transfers out				
4. Ending balance	34,416,026.15			34,416,026.15

II. Accumulated depreciation and accumulated amortization				
1. Beginning Balance	11,270,537.30			11,270,537.30
2. Increase in current period	1,641,172.08			1,641,172.08
(1) Provision or amortization	1,641,172.08			1,641,172.08
3. Decrease in current period				
(1) Disposal				
(2) Other transfers out				
4. Ending balance	12,911,709.38			12,911,709.38
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	21,504,316.77			21,504,316.77
2. Beginning book value	23,145,488.85			23,145,488.85

The recoverable amount is determined based on the net amount after deducting disposal expenses from fair value

Applicable  Not applicable

The recoverable amount is determined based on the present value of expected future cash flows

Applicable  Not applicable

Reasons for significant discrepancies between the above information and the information or external information used in impairment tests of previous years

None

Reasons for significant discrepancies between the information used in the Company's impairment tests of previous year and the

actual situation of that year

Other explanations:

**(2) Investment real estate adopting fair value measurement model**

Applicable  Not applicable

**(3) Converted to investment real estate and measured at fair value**

Unit: RMB

Item	Accounting subject before conversion	Amount	Conversion reason	Approval procedure	Impact on profit and loss	Impact on other comprehensive income

**(4) Investment real estate without completed property ownership certificate**

Unit: RMB

Item	Book value	Reasons for not completing the property ownership certificate

Other explanations:

1. Explanations on impairment tests for investment real estate measured at cost model

At the end of the period, no obvious signs of impairment of investment real estate were found, so no impairment provision was made.

2. There was no investment real estate for which the property ownership certificates have not been completed.
3. There was no investment real estate subject to any restrictions on ownership or use rights such as mortgage, pledge, seizure, freezing or detention.

**15. Fixed assets**

Unit: RMB

Item	Ending Balance	Beginning Balance
Fixed assets	535,337,384.82	470,167,242.89
Disposal of fixed assets		-45,451.60
Total	535,337,384.82	470,121,791.29

**(1) Status of fixed assets**

Unit: RMB

Item	Houses and buildings	Machinery equipment	Transportation vehicles	Electronic equipment and others	Total
I. Original book value:					
1. Beginning	436,302,048.48	53,924,758.04	12,969,475.15	105,042,864.86	608,239,146.53

Balance					
2. Increase in current period	82,211,610.79	1,373,506.82	1,093,429.43	13,906,736.35	98,585,283.39
(1) Purchase	8,658,791.83	1,353,199.60	972,441.77	15,340,626.29	26,325,059.49
(2) Transferred from construction in progress	71,236,686.45	14,425.08		857,686.26	72,108,797.79
(3) Increase in business merger					
(4) Differences in foreign currency statement translation	2,316,132.51	5,882.14	120,987.66	-2,291,576.20	151,426.11
3. Decrease in current period	740,350.37	654,668.14	223,711.89	2,226,234.27	3,844,964.67
(1) Disposal or retirement	740,350.37	654,668.14	223,711.89	2,226,234.27	3,844,964.67
4. Ending balance	517,773,308.90	54,643,596.72	13,839,192.69	116,723,366.94	702,979,465.25
II. Accumulated depreciation					
1. Beginning Balance	39,285,147.04	26,521,285.53	7,991,553.19	64,273,917.88	138,071,903.64
2. Increase in current period	11,287,681.98	5,268,158.59	1,281,455.26	14,228,661.43	32,065,957.26
(1) Provision	11,332,262.91	5,152,106.39	1,278,686.66	15,799,154.63	33,562,210.59
(2) Differences in foreign currency statement translation	-44,580.93	116,052.20	2,768.60	-1,570,493.20	-1,496,253.33
3. Decrease in current period	181,866.83	408,147.37	154,352.08	1,751,414.19	2,495,780.47
(1) Disposal or retirement	181,866.83	408,147.37	154,352.08	1,751,414.19	2,495,780.47
4. Ending balance	50,390,962.19	31,381,296.75	9,118,656.37	76,751,165.12	167,642,080.43
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	467,382,346.71	23,262,299.97	4,720,536.32	39,972,201.82	535,337,384.82
2. Beginning book value	397,016,901.44	27,403,472.51	4,977,921.96	40,768,946.98	470,167,242.89

**(2) Temporarily idle fixed assets**

Unit: RMB

Item	Original book value	Accumulated depreciation	Impairment provision	Book value	Remarks
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**(3) Fixed assets leased out through operating leases**

Unit: RMB

Item	Ending book value
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**(4) Fixed assets without completed property ownership certificate**

Unit: RMB

Item	Book value	Reasons for not completing the property rights certificate
Houses and buildings of the Multimodal Biometrics Digitalization Industrial Base Construction Project	8,429,076.60	Part of the factory building has been transferred to fixed assets, but the entire project is not yet completed.

Other explanations:

1. The original value of fixed assets that have been fully depreciated at the end of the period but are still in use is RMB 44,556,666.45.
2. There was no fixed asset subject to any restrictions on ownership or use rights such as mortgage, pledge, seizure, freezing or detention.

**(5) Impairment test of fixed assets**
 Applicable  Not applicable

**(6) Disposal of fixed assets**

Unit: RMB

Item	Ending Balance	Beginning Balance
Transportation vehicles		-45,451.60
Total		-45,451.60

Other explanations:

None

**16. Construction in progress**

Unit: RMB

Item	Ending Balance	Beginning Balance
Construction in progress	226,445,932.02	138,986,483.73
Engineering materials	0.00	0.00
Total	226,445,932.02	138,986,483.73

**(1) Construction in progress**

Unit: RMB

Item	Ending Balance			Beginning Balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Multimodal Biometrics Digitalization Industrial Base Construction Project	179,899,141.41	0.00	179,899,141.41	87,417,407.70	0.00	87,417,407.70
Hybrid Biometrics IoT Intelligent Industrial Base	0.00	0.00	0.00	22,612,110.24	0.00	22,612,110.24
Thai factory construction and office buildings	40,007,675.65	0.00	40,007,675.65	26,210,787.40	0.00	26,210,787.40
American Manufacturing Factory Construction Project	6,539,114.96	0.00	6,539,114.96	2,746,178.39	0.00	2,746,178.39
Total	226,445,932.02	0.00	226,445,932.02	138,986,483.73	0.00	138,986,483.73

**(2) Current changes in important construction in progress**

Unit: RMB

Project Name	Budget amount	Beginning Balance	Increase in current period	Amount transferred to fixed assets in the current period	Other decreases in the current period	Ending Balance	Proportion of accumulated project investment to budget	Engineering progress	Accumulated amount of interest capitalization	Including: current interest capitalized amount	Current interest capitalization rate	Source of Funds
Multimodal Biometrics Digitalization Industrial Base Construction Project	284,566,264.9 1	87,417,407.70	100,910,810.31	8,429,076.60	0.00	179,899,14 1.41	66.18%	Partial completion and transfer to fixed assets	0.00	0.00		1
Hybrid Biometrics IoT Intelligent Industrial Base Project	214,042,000.0 0	22,612,110.24	1,208,099.23	23,820,209.47	0.00	0.00	110.71%	Completed	2,359,113.42	0.00		2
Thai factory construction and office buildings	109,095,400.0 0	26,210,787.40	53,656,399.97	39,859,511.72	0.00	40,007,675 .65	73.21%	Partial completion and transfer to fixed assets	0.00	0.00		3
<b>Total</b>	<b>607,703,664.9 1</b>	<b>136,240,305.34</b>	<b>155,775,309.51</b>	<b>72,108,797.79</b>	<b>0.00</b>	<b>219,906,81 7.06</b>			<b>2,359,113.42</b>	<b>0.00</b>		

Note: 1. Own funds and raised funds

2. Own funds, bank loans, and raised funds

3. Own funds

**(3) Current provision for impairment of construction in progress**

Unit: RMB

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

At the end of the period, no obvious signs of impairment of construction in progress were found, so no impairment provision was made.

**(4) Impairment test of construction in progress**
 Applicable  Not applicable
**(5) Engineering materials**

Unit: RMB

Item	Ending Balance			Beginning Balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Total			0.00			0.00

Other explanations:

None

**17. Right-of-use assets****(1) Information on right-of-use assets**

Unit: RMB

Item	Houses and buildings	Transportation vehicles	Electronic equipment and others	Total
I. Original book value				
1. Beginning Balance	104,168,448.02	2,613,027.10	23,200.93	106,804,676.05
2. Increase in current period	39,109,669.35	1,705,739.22		40,815,408.57
Lease	42,083,046.30	1,825,611.11		43,908,657.41
Differences in foreign currency statement translation	-2,973,376.95	-119,871.89		-3,093,248.84
3. Decrease in current period	37,326,312.73	951,475.14		38,277,787.87
Lease expiration	18,809,281.72	54,879.24		18,864,160.96
Lease change	3,932,495.27			3,932,495.27
Termination of lease	14,584,535.74	896,595.90		15,481,131.64
4. Ending balance	105,951,804.64	3,367,291.18	23,200.93	109,342,296.75
II. Accumulated				

depreciation				
1. Beginning Balance	66,794,766.61	1,327,043.41	13,147.17	68,134,957.19
2. Increase in current period	26,355,051.57	1,065,176.55	4,640.20	27,424,868.32
(1) Provision	27,820,969.78	1,185,097.34	4,640.20	29,010,707.32
Differences in foreign currency statement translation	-1,465,918.21	-119,920.79		-1,585,839.00
3. Decrease in current period	33,968,058.99	601,683.91		34,569,742.90
(1) Disposal				
Lease expiration	18,367,958.90	55,184.13		18,423,143.03
Lease change	3,522,385.87			3,522,385.87
Termination of lease	12,077,714.22	546,499.78		12,624,214.00
4. Ending balance	59,181,759.19	1,790,536.05	17,787.37	60,990,082.61
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	46,770,045.45	1,576,755.13	5,413.56	48,352,214.14
2. Beginning book value	37,373,681.41	1,285,983.69	10,053.76	38,669,718.86

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

Applicable  Not applicable

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

## 18. Intangible assets

### (1) Intangible assets

Unit: RMB

Item	Land use rights	Patent rights	Non-patent	Software	Others	Total
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			technology			
I. Original book value						
1. Beginning Balance	71,989,469.29			13,302,286.08	116,032.85	85,407,788.22
2. Increase in current period	11,700,760.11			26,155,243.91	180.38	37,856,184.40
(1) Purchase	11,886,065.49			26,303,706.83		38,189,772.32
(2) Internal R&D						
(3) Increase in business merger						
(4) Differences in foreign currency statement translation	-185,305.38			-148,462.92	180.38	-333,587.92
3. Decrease in current period				111,927.07		111,927.07
(1) Disposal				5,732.37		5,732.37
(2) Decrease in business merger				106,194.70		106,194.70
4. Ending balance	83,690,229.40			39,345,602.92	116,213.23	123,152,045.55
II. Accumulated amortisation						
1. Beginning Balance	11,344,981.45			7,995,689.88	50,745.21	19,391,416.54
2. Increase in current period	1,242,153.90			2,704,928.73	15,536.64	3,962,619.27
(1) Provision	1,242,153.90			2,826,100.03	13,897.76	4,082,151.69
(2) Differences in foreign currency statement translation				-121,171.30	1,638.88	-119,532.42
3. Decrease in current period				46,387.06		46,387.06
(1) Disposal				4,351.84		4,351.84

(2) Decrease in business merger				42,035.22		42,035.22
4. Ending balance	12,587,135.35			10,654,231.55	66,281.85	23,307,648.75
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	71,103,094.05			28,691,371.37	49,931.38	99,844,396.80
2. Beginning book value	60,644,487.84			5,306,596.20	65,287.64	66,016,371.68

1. 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%.

2. Explanations on the impairment test for intangible assets

At the end of the period, no obvious signs of impairment of intangible assets were found, so no impairment provision was made.

3. There are no land use rights for which the relevant certificates have not been completed.

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

## 19. Goodwill

### (1) Original book value of goodwill

Unit: RMB

Name of invested entity or matters forming goodwill	Beginning Balance	Increase in the current period		Decrease in the current period		Ending Balance
		Formed by business merger	Exchange rate fluctuations	Disposals	Exchange rate fluctuations	
ZKTECO (M) SDN. BHD.	173,149.07		2,584.02			175,733.09
ZK INVESTIMEN	331,654.65		4,949.51			336,604.16

TOS DO BRASIL LTDA.					
Total	504,803.72		7,533.53		512,337.25

**(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.	An asset group or portfolio of asset groups that can independently generate cash flow, taking into account the synergistic effects of business mergers and the management's management or monitoring of production and operating activities.	Not applicable	Yes
ZK INVESTIMENTOS DO BRASIL LTDA	An asset group or portfolio of asset groups that can independently generate cash flow, taking into account the synergistic effects of business mergers and the management's management or monitoring of production and operating activities.	Not applicable	Yes

Changes in asset group or asset portfolio

Name	Composition before change	Composition after change	Objective facts and basis that lead to changes
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Other explanations:

None

**(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:

None

### 20. Long-term deferred expenses

Unit: RMB

Item	Beginning Balance	Increase in current period	Amortization amount for the current period	Other reduced amounts	Ending Balance
Decoration works	2,513,047.50	3,188,981.65	1,568,450.70	-6,060.73	4,139,639.18
Employee housing loan deferred interest	641,657.60	126,179.60	145,563.08		622,274.12
Others	614,142.71	606,045.94	426,564.34		793,624.31
<b>Total</b>	<b>3,768,847.81</b>	<b>3,921,207.19</b>	<b>2,140,578.12</b>	<b>-6,060.73</b>	<b>5,555,537.61</b>

Other explanations:

### 21. Deferred income tax assets/deferred 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	47,192,027.83	6,521,838.09	36,366,162.24	5,804,206.98
Unrealized profits from internal transactions	84,185,246.35	17,508,200.23	98,721,713.02	17,452,699.91
Deductible losses	285,896,113.31	42,872,331.32	207,081,168.58	31,091,802.32
Withholding rebates	10,022,833.77	1,393,756.83	15,007,767.78	2,143,716.17
Estimated liabilities			600,000.00	90,000.00

Share-based payments			7,866,303.64	1,177,039.86
Provision for inventory write-down	14,186,283.12	2,370,858.96	11,003,159.27	1,906,570.77
Deferred income	1,420,041.44	213,006.22	1,853,549.62	278,032.44
Lease liabilities	49,257,032.77	10,466,405.35	35,689,297.38	7,313,490.56
Payroll payable	2,236,010.00	342,401.50		
<b>Total</b>	<b>494,395,588.59</b>	<b>81,688,798.50</b>	<b>414,189,121.53</b>	<b>67,257,559.01</b>

**(2) Non-offsetting deferred income tax liabilities**

Unit: RMB

Item	Ending Balance		Beginning Balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Changes in fair value of trading financial instruments	3,617,185.62	542,577.84	755,429.17	113,314.37
Accelerated depreciation of fixed assets	16,600,073.87	2,490,011.08	22,133,567.26	3,320,431.55
Right-of-use asset	46,681,772.88	9,697,505.58	34,457,850.98	6,895,307.56
<b>Total</b>	<b>66,899,032.37</b>	<b>12,730,094.50</b>	<b>57,346,847.41</b>	<b>10,329,053.48</b>

**(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		81,688,798.50		67,257,559.01
Deferred income tax liabilities		12,730,094.50		10,329,053.48

**(4) Details of unconfirmed deferred income tax assets**

Unit: RMB

Item	Ending Balance	Beginning Balance
Deductible temporary difference	16,623,824.03	12,690,171.04
Deductible losses	96,349,663.36	67,373,596.51
<b>Total</b>	<b>112,973,487.39</b>	<b>80,063,767.55</b>

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

Unit: RMB

Year	Closing amount	Opening amount	Remarks
2024		15,985,752.57	
2025	1,274,747.09	6,481,611.28	

2026	2,241,647.99	3,921,974.11	
2027	6,892,984.64	10,275,824.68	
2028	15,815,109.76	14,889,082.61	
2029 and beyond	70,125,173.88	15,819,351.26	
<b>Total</b>	<b>96,349,663.36</b>	<b>67,373,596.51</b>	

Other explanations:

## 22. Other non-current assets

Unit: RMB

Item	Ending Balance			Beginning Balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Prepayment for decoration	0.00	0.00	0.00	787,973.04	0.00	787,973.04
Prepaid equipment payment	4,620,055.22	0.00	4,620,055.22	370,641.60	0.00	370,641.60
Prepayment for software	0.00	0.00	0.00	15,725,991.21	0.00	15,725,991.21
<b>Total</b>	<b>4,620,055.22</b>	<b>0.00</b>	<b>4,620,055.22</b>	<b>16,884,605.85</b>	<b>0.00</b>	<b>16,884,605.85</b>

Other explanations:

None

## 23. Assets with restricted ownership or use right

Unit: RMB

Item	End of the period				Opening			
	Book balance	Book value	Restricted type	Restricted situation	Book balance	Book value	Restricted type	Restricted situation
Monetary funds	47,843,704.40	47,843,704.40	Deposit and funds in transit	Bill deposit: RMB 45,703,490.78 Funds in transit: RMB 2,140,213.62	54,954,670.48	54,954,670.48	Deposit, funds in transit, frozen funds	Bank acceptance bill margin of RMB 46,693,268.67, funds in transit of RMB 7,461,401.81, frozen litigation funds of RMB 800,000.00
Fixed assets					204,397,423.28	199,029,492.12	Mortgage	Note
Intangible assets					49,453,695.00	43,848,942.89	Mortgage	Note
Construction in progress					110,185,544.37	110,185,544.37	Mortgage	Note
<b>Total</b>	<b>47,843,704.40</b>	<b>47,843,704.40</b>			<b>418,991,333.13</b>	<b>408,018,649.86</b>		

Other explanations:

Note: 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.

On November 27, 2024, the subsidiary of the Company, Zkteco (Guangdong) Co., Ltd., signed the "Agreement on Termination of Mortgage Contract", "Agreement on Termination of Fixed Asset Loan Contract" with Bank of Dongguan Co., Ltd. Dongguan Branch, and the Company signed the "Agreement on Termination of Guarantee Contract" with Bank of Dongguan Co., Ltd. Dongguan Branch. These agreements terminated the aforementioned loan contract, mortgage contract, and guarantee contract, and lifted the mortgage on all mortgaged properties. As of December 31, 2024, the Company has no assets mortgaged to the Bank of Dongguan Co., Ltd. Dongguan Branch.

## 24. Notes payable

Unit: RMB

Category	Ending Balance	Beginning Balance
Bank acceptance bill	134,784,219.75	122,573,544.09
Total	134,784,219.75	122,573,544.09

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	173,900,619.81	217,082,802.45
Equipment payment	898,794.71	932,731.16
Service fee	5,020,813.02	4,834,986.05
Project payment	42,641,363.41	18,294,116.38
Others	2,953,051.88	3,939,546.28
Total	225,414,642.83	245,084,182.32

### (2) Important accounts payable with aging over 1 year or overdue

Unit: RMB

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

Other explanations:

None

**26. Other payables**

Unit: RMB

Item	Ending Balance	Beginning Balance
Other payables	45,821,035.19	36,735,314.36
Total	45,821,035.19	36,735,314.36

**(1) Other payables****1) List of other payables by nature of money**

Unit: RMB

Item	Ending Balance	Beginning Balance
Employee reimbursement	1,648,647.92	5,222,956.92
Payment to be settled	5,241,858.41	3,980,996.11
Withholding and paying social security and provident fund on behalf of others	125,966.01	331,708.81
Current account	6,093,622.83	7,424,919.78
Collection and payment on behalf of others	1,552,934.62	328,337.90
Guarantee deposit	2,489,844.38	3,653,667.64
Others	28,668,161.02	15,792,727.20
Total	45,821,035.19	36,735,314.36

**(2) Important other accounts payable with aging over 1 year or overdue**

Unit: RMB

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

Other explanations:

**27. Contract liabilities**

Unit: RMB

Item	Ending Balance	Beginning Balance
Advances on sales	71,168,318.91	65,331,106.17
Total	71,168,318.91	65,331,106.17

Significant contract liabilities with an aging of over 1 year

Unit: RMB

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

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	56,407,899.55	533,347,611.88	536,918,257.25	52,837,254.18
II. Post-employment welfare - defined contribution plan	222,202.43	28,211,465.15	28,016,857.23	416,810.35
III. Dismissal benefit		2,910,107.17	2,173,197.39	736,909.78
Total	56,630,101.98	564,469,184.20	567,108,311.87	53,990,974.31

**(2) List of short-term compensation**

Unit: RMB

Item	Beginning Balance	Increase in the current period	Decrease in the current period	Ending Balance
1. Salary, bonus, allowance and subsidy	54,515,552.19	491,272,776.51	495,118,424.85	50,669,903.85
2. Employee benefits	463,201.20	8,614,612.85	8,837,229.63	240,584.42
3. Social insurance	196,370.08	27,195,857.31	26,740,502.58	651,724.81
Including: medical insurance premium	195,814.68	26,021,264.47	25,567,396.05	649,683.10
Work-related injury insurance premium	555.40	727,810.61	726,324.30	2,041.71
Birth insurance premium		446,782.23	446,782.23	
4. Housing fund	54,239.09	5,750,542.29	5,711,887.77	92,893.61
5. Labor union expenditure and personnel education fund	1,178,536.99	513,822.92	510,212.42	1,182,147.49
Total	56,407,899.55	533,347,611.88	536,918,257.25	52,837,254.18

**(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	214,173.61	27,184,238.67	27,001,126.93	397,285.35
2. Unemployment insurance	8,028.82	1,027,226.48	1,015,730.30	19,525.00

Total	222,202.43	28,211,465.15	28,016,857.23	416,810.35
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Other explanations:

## 29. Taxes payable

Unit: RMB

Item	Ending Balance	Beginning Balance
VAT	5,579,760.29	7,538,983.47
Consumption tax		34,079.54
Enterprise income tax	6,705,759.08	15,364,635.19
Individual income tax	5,232,563.89	3,712,496.39
Urban maintenance and construction tax	444,230.76	243,439.39
Property tax	488,175.02	496,029.92
Stamp duty	407,386.15	499,102.75
Education surcharge	440,506.80	234,127.14
Others	982,716.97	769,335.65
Total	20,281,098.96	28,892,229.44

Other explanations:

## 30. Non-current liabilities due within one year

Unit: RMB

Item	Ending Balance	Beginning Balance
Long-term loans due within one year	964,811.76	957,265.72
Lease liabilities due within one year	21,857,837.11	20,137,416.64
Total	22,822,648.87	21,094,682.36

Other explanations:

## 31. Other current liabilities

Unit: RMB

Item	Ending Balance	Beginning Balance
Sales rebates payable	10,022,833.77	15,007,767.78
Tax to be transferred to output tax	2,037,746.19	1,456,166.57
Total	12,060,579.96	16,463,934.35

Changes in short-term bonds payable:

Unit: RMB

Bond name	Face value	Coupon rate	Issue Date	Bond duration	Issue amount	Beginning Balance	Current issue	Accruing interest at face value	Amortization of excess and discount	Current repayment	Ending Balance	Whether it is a breach of contract

Total																			
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Other explanations:

## 32. Long-term loan

### (1) Classification of long-term loans

Unit: RMB

Item	Ending Balance	Beginning Balance
Credit borrowings	7,986,140.65	8,767,670.76
Long-term loans due within one year	-964,811.76	-957,265.72
Total	7,021,328.89	7,810,405.04

Explanations on long-term loan classification:

As of December 31, 2024, the credit borrowings included an amount of RMB 8,211.50 for accrued but unpaid interest (December 31, 2023: RMB 9,146.49).

Other explanations, including interest rate range:

None

## 33. Lease liabilities

Unit: RMB

Item	Ending Balance	Beginning Balance
Lease payment amount	57,524,873.16	43,637,253.89
Unrecognized financing charges	-6,558,959.29	-3,786,551.04
Lease liabilities due within one year	-21,857,837.11	-20,137,416.64
Total	29,108,076.76	19,713,286.21

Other explanations:

## 34. Estimated liabilities

Unit: RMB

Item	Ending Balance	Beginning Balance	Cause of formation
Pending litigation	0.00	600,000.00	Note 1
Total	0.00	600,000.00	

Other descriptions, including important assumptions and estimation explanations related to important estimated liabilities:

Note 1: 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. In 2023, the Company set aside an estimated liability of RMB 600,000 for the trademark infringement and unfair competition dispute between Zokon Industry and Shenzhen Xinjiacheng Intelligent Technology Co., Ltd. The court finally ruled that the Company shall compensate Zokon Industry for economic losses and reasonable expenses for rights protection, totaling RMB 600,000. In addition, in the case of unfair competition dispute between the

Company and Zokon Industry, the court finally ruled that Zokon Industry shall compensate the Company and Shenzhen ZKTeco for a loss of RMB 2 million. In April 2024, the Company proposed the Shenzhen Intermediate People's Court to offset the debt related to the above case. That is, the amount payable by the Company to Zokon Industry in this case was fully offset against the amount payable by Zokon Industry to the Company based on the Company's lawsuit against Zokon Industry in the unfair competition dispute case.

### 35. Deferred income

Unit: RMB

Item	Beginning Balance	Increase in the current period	Decrease in the current period	Ending Balance	Cause of formation
Government subsidies	1,853,549.62		433,508.18	1,420,041.44	Financial allocation
Total	1,853,549.62		433,508.18	1,420,041.44	

Other explanations:

### 36. Share capital

Unit: RMB

	Beginning Balance	Increase/decrease in this change (+, -)					Ending Balance
		Issue new shares	Bonus	Share transferred from capital reserve	Others	Subtotal	
Total Shares	194,679,508.00	1,632,817.00				1,632,817.00	196,312,325.00

Other explanations:

Note 1: On December 31, 2024, the Company held the 14th Session of the Third Board Meeting, which reviewed and approved the "Proposal on the Achievement of the Attribution Conditions for the First Attribution Period of the Reserved Grant in the 2022 Restricted Share Incentive Plan", with the number of restricted shares eligible for vesting being 74,962 shares. As of December 31, 2024, the restricted shares that can be attributed to this portion have not yet completed the attribution registration procedures with China Securities Depository and Clearing Co., Ltd.

Note 2: Explanations on changes in the equity in the current period

In 2024, the Company's equity incentive plan led to an increase in share capital by RMB 1,632,817.00 due to the vesting of eligible incentive objects, and an increase in capital reserve - share premium by RMB 20,687,791.39. The above changes in share capital have been verified by Zhonghui Certified Public Accountants (Special General Partnership) through the issuance of ZHKY [2024] No. 10490 and ZHKY [2024] No. 10614 Capital Verification Reports.

### 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)	1,998,953,460.69	40,479,404.91	0.00	2,039,432,865.60
Other capital reserves	76,525,914.44	11,156,466.71	19,791,613.52	67,890,767.63

Total	2,075,479,375.13	51,635,871.62	19,791,613.52	2,107,323,633.23
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Other explanations, including changes in current period and reasons for changes:

(1) The increase in capital reserve - share premium for the current period is due to: ① An increase of RMB 20,687,791.39 in share premium due to the second type of restricted share equity incentive of the Company in 2024 as the incentive objects met the attribution conditions. ② An increase of RMB 19,791,613.52 in share premium due to the transfer from other capital reserve as a result of the vesting of the second type of restricted share equity incentive.

(2) The increase in capital reserve - other capital reserve for the current period is due to payment of RMB 11,156,466.71 for the recognition of share-based payment for the second type of restricted share; the decrease for the current period is due to the decrease of RMB 19,791,613.52 for the adjustment for vesting in the current period.

### 38. Treasury stock

Unit: RMB

Item	Beginning Balance	Increase in the current period	Decrease in the current period	Ending Balance
Implementing equity incentives for repurchasing shares	784,700.00	58,898,528.10		59,683,228.10
Total	784,700.00	58,898,528.10		59,683,228.10

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

The Company held the 7th Session of the Third Board Meeting on November 10, 2023, and deliberated and approved the "Proposal on Repurchasing Company Shares through Centralized Bidding Trading". The Company was agreed to use its own funds to repurchase the issued RMB denominated ordinary shares of the Company through centralized bidding trading, for employee stock ownership plans or equity incentives.

The total transaction amount from January 1, 2024 to February 1, 2024 is RMB 58,898,528.10 (excluding transaction costs). As of February 1, 2024, the Company's share repurchase plan has been implemented, and the actual repurchase period is from November 30, 2023 to February 1, 2024. The Company has repurchased a total of 2,230,000 shares of the Company through a dedicated securities account for share repurchases through centralized bidding trading. It accounts for 1.1455% of the total share capital of the Company 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).

### 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	Less: income tax expenses	Attributable to parent company after tax	Attributable to minority shareholder after tax	

				and loss				
I. Other comprehensive income to be reclassified into profits and losses	28,000,959.19	15,860,099.64				13,913,848.55	1,946,251.09	41,914,807.74
Translation difference of foreign currency financial statements	28,000,959.19	15,860,099.64				13,913,848.55	1,946,251.09	41,914,807.74
Total of other comprehensive income	28,000,959.19	15,860,099.64				13,913,848.55	1,946,251.09	41,914,807.74

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	60,455,422.50	3,547,264.53		64,002,687.03
Total	60,455,422.50	3,547,264.53		64,002,687.03

Explanations on surplus reserve, including changes in current period and reasons for changes:

In accordance with the "Company Law" and the Articles of Association, the Company sets aside 10% of the net profit of the parent company as the statutory surplus reserve.

#### 41. Undistributed profit

Unit: RMB

Item	Current period	Previous period
Undistributed profits before adjustment at end of the previous period	907,583,024.38	788,571,917.98
Total undistributed profits in the adjustment beginning period (increase in "+", decrease in "-")		197,066.66
Undistributed profit at the end of the adjustment period	907,583,024.38	788,768,984.64
Plus: net profits attributable to parent company in this period	183,045,997.93	177,263,675.15
Less: withdrawal of legal surplus reserves	3,547,264.53	6,477,417.56
Dividends payable on ordinary shares	86,602,278.60	51,972,217.85

Undistributed profit at the end of the period	1,000,479,479.18	907,583,024.38
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Details of undistributed profits at the beginning of the adjustment period:

- 1) Due to the retrospective adjustment of the "Accounting Standards for Enterprises" and related new regulations, the undistributed profit at the beginning of the period was affected by RMB 0.00.
- 2) Due to changes in accounting policies, the undistributed profit at the beginning of the period was RMB 0.00.
- 3) Due to significant accounting error correction, the undistributed profit at the beginning of the period was RMB 0.00.
- 4) Due to changes in the scope of consolidation caused by the same control, the undistributed profit at the beginning of the period was RMB 0.00.
- 5) The total impact of other adjustments on the undistributed profit at the beginning of the period was RMB 0.00.

## 42. Operating revenue and operating cost

Unit: RMB

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Revenue	Cost	Revenue	Cost
Main business	1,983,333,772.25	1,006,601,473.91	1,961,508,304.59	1,004,744,536.42
Other businesses	7,866,619.50	1,641,172.08	8,675,377.75	0.00
Total	1,991,200,391.75	1,008,242,645.99	1,970,183,682.34	1,004,744,536.42

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					303,727,652.09	98,325,792.77	303,727,652.09	98,325,792.77
Smart space products					1,499,690,452.95	779,723,331.41	1,499,690,452.95	779,723,331.41
Digital identity authentication products					114,134,724.26	78,250,118.16	114,134,724.26	78,250,118.16
Smart business products					65,780,942.95	50,302,231.57	65,780,942.95	50,302,231.57
Other products					7,866,619.50	1,641,172.08	7,866,619.50	1,641,172.08
Classification by region of operation								
Including:								
Domestic sales					578,972,159.13	395,644,140.04	578,972,159.13	395,644,140.04
Overseas					1,412,228,232.62	612,598,505.95	1,412,228,232.62	612,598,505.95

sales								
Market or customer type								
Including:								
Distribution				1,375,597,572.70	763,784,945.17	1,375,597,572.70	763,784,945.17	
Direct sales				607,736,199.55	242,816,528.74	607,736,199.55	242,816,528.74	
Others				7,866,619.50	1,641,172.08	7,866,619.50	1,641,172.08	
Type of contract								
Including:								
Classification by time of transfer of goods								
Including:								
Classification by contract term								
Including:								
Classification by sales channel								
Including:								
Total				1,991,200,391.75	1,008,242,645.99	1,991,200,391.75	1,008,242,645.99	

## 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 expected contract terms of the Company's revenue are all no more than one year. Therefore, the simplified practical approach allowed by the new revenue standard has been adopted, and the information on the remaining performance obligations has not been disclosed.

## Information related to the transaction price allocated to the remaining performance obligations:

The corresponding income amount for performance obligations that have been signed but have not yet been fulfilled or completed at the end of this reporting period is RMB 0.00.

## Information related to variable consideration in the contract:

## Significant contract changes or significant transaction price adjustments

Unit: RMB

Item	Accounting treatment method	Amount of impact on income
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Other explanations:

### 43. Tax and surcharges

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Urban maintenance and construction tax	3,366,145.88	3,184,784.34
Education surcharge	1,992,030.65	2,042,493.50
Property tax	2,890,612.33	3,074,798.73
Land use tax	298,326.75	298,326.75
Stamp duty	2,022,481.18	1,304,334.77
Local education surcharges	1,328,020.39	1,083,514.29
Other taxes and fees for overseas companies	17,344,570.69	14,630,968.49
Others	23,591.85	26,008.41
<b>Total</b>	<b>29,265,779.72</b>	<b>25,645,229.28</b>

Other explanations:

### 44. Administrative expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee remuneration	50,417,534.06	55,985,922.45
Taxes	1,526,782.37	1,516,305.36
Office allowance	2,961,433.41	3,732,967.28
Depreciation and amortization	13,186,424.02	9,563,920.79
Business entertainment expenses	2,243,795.78	2,181,639.95
Repair fee	507,259.37	623,935.88
Travel expenses	2,077,900.81	2,294,921.81
Car expenses	1,289,240.53	1,153,626.56
Low-value consumables	525,706.51	485,661.27
Agency fees	10,432,632.01	9,725,385.60
Communications fee	906,549.00	1,435,143.82
Depreciation and amortization of right-of-use assets	6,182,069.72	8,215,349.26
Share-based payments	1,561,471.90	5,796,156.11
Software usage fee	2,095,226.38	1,898,576.14
Others	21,645,515.52	18,083,989.68
<b>Total</b>	<b>117,559,541.39</b>	<b>122,693,501.96</b>

Other explanations:

**45. Selling expenses**

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee remuneration	281,002,689.08	263,649,628.44
Depreciation and amortization	4,656,990.00	7,353,199.36
Exhibition and conference fees	11,772,017.30	8,906,402.84
Maintenance and testing fees	3,879,142.09	1,820,432.59
Service fees and commissions	15,670,917.01	13,876,416.30
Rental expenses	4,260,261.42	5,218,203.19
Business entertainment expenses	4,487,589.73	3,350,710.92
Travel expenses	21,362,422.58	25,614,976.83
Office allowance	10,214,366.20	7,861,715.27
Insurance premium	6,161,940.88	5,627,042.24
Agency fees	14,284,822.42	9,444,573.03
Advertising expenses	22,326,499.72	21,164,669.10
Depreciation and amortization of right-of-use assets	17,701,344.47	15,232,460.82
Share-based payments	4,667,672.16	14,025,913.22
Software usage fee	3,539,639.57	4,517,834.19
Others	20,521,305.21	33,873,536.08
<b>Total</b>	<b>446,509,619.84</b>	<b>441,537,714.42</b>

Other explanations:

None

**46. R&D expenses**

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee remuneration	155,949,981.78	158,052,507.71
Depreciation and amortization	5,655,928.84	4,429,001.99
Office allowance	1,538,982.93	735,318.39
Travel expenses	3,765,461.40	5,013,751.62
R&D material costs	9,453,472.80	5,516,851.51
Software and technical service fees	18,927,297.70	10,305,794.57
Depreciation and amortization of right-of-use assets	2,766,889.14	1,914,549.28
Share-based payments	4,171,987.22	14,172,736.25
Others	13,240,989.59	13,472,903.24
<b>Total</b>	<b>215,470,991.40</b>	<b>213,613,414.56</b>

Other explanations:

None

**47. Financial expenses**

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Interest expenses	3,871,915.67	4,114,078.22
Including: interest expenses on lease	3,598,354.76	2,912,273.16

liabilities		
Less: interest income	42,321,327.95	59,489,145.42
Exchange profits and losses	2,642,378.63	-1,409,799.93
Handling fee expenditure	1,516,388.04	2,397,607.32
Others	16,824.47	56,392.08
<b>Total</b>	<b>-34,273,821.14</b>	<b>-54,330,867.73</b>

Other explanations:

None

#### 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	6,728,971.26	6,117,310.30
Refund of individual income tax handling fee	256,046.97	218,383.71
Value added tax credit, additional deduction, and immediate collection and refund	11,382,571.60	7,047,057.12
<b>Total</b>	<b>18,367,589.83</b>	<b>13,382,751.13</b>

#### 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	14,859,953.45	755,429.17
Including: gains from changes in fair value generated by derivative financial instruments	-92,617.82	92,617.82
<b>Total</b>	<b>14,859,953.45</b>	<b>755,429.17</b>

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	3,001,156.73	2,800,122.30
Investment income from disposal of long-term equity investment	-216,007.07	0.00
Investment income obtained from financial products	1,341,696.08	5,290,557.19
Forward foreign exchange settlement and sales contract	68,155.00	-8,690,555.00
<b>Total</b>	<b>4,195,000.74</b>	<b>-599,875.51</b>

Other explanations:

### 51. Losses from credit impairment

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Bad debt losses on accounts receivable	-21,166,559.32	-6,401,719.41
Bad debt losses on other receivables	-40,415.71	-24,544.62
Total	-21,206,975.03	-6,426,264.03

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	-7,571,805.79	-2,865,668.77
II. Loss from long-term equity investment impairment		-281,599.25
XI. Impairment loss from contract assets	-83,091.87	-16,465.29
Total	-7,654,897.66	-3,163,733.31

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
Gains from disposal of non-current assets not classified as held for sale	-653,718.36	-129,852.62
Including: fixed assets	-458,532.59	-162,260.89
Right-of-use assets	-195,185.77	32,408.27

### 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	8,883.21	453.17	8,883.21
Payment not required	4,029,526.74	249,822.34	4,029,526.74
Penalty income	12,840.56	10,861.12	12,840.56
Others	1,494,075.79	573,622.63	1,494,075.79

Total	5,545,326.30	834,759.26	5,545,326.30
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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	2,666,843.49	205,000.00	2,666,843.49
Extraordinary losses	2,857,897.51	4,603,052.11	2,857,897.51
Inventory loss	0.00	21,554.46	0.00
Asset retirement, damage and loss	262,103.90	497,027.01	262,103.90
Penalty expenses	24,762.04	49,041.71	24,762.04
Others	702,175.90	384,741.57	702,175.90
Total	6,513,782.84	5,760,416.86	6,513,782.84

Other explanations:

## 56. Income tax expenses

### (1) Income tax expense statement

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Current income tax expenses	26,862,324.29	31,675,881.56
Deferred income tax expenses	-12,030,198.47	-13,346,935.47
Total	14,832,125.82	18,328,946.09

### (2) Accounting profit and income tax expense adjustment process

Unit: RMB

Item	Amount incurred in the current period
Total profits	215,364,130.98
Income tax expenses calculated based on statutory/applicable tax rates	32,304,619.65
The impact of different tax rates applicable to subsidiaries	-2,401,121.52
The impact of adjusting previous period income tax	-27,466.13
The impact of non-taxable income	-2,652,689.94
The impact of non-deductible costs, expenses, and losses	3,383,640.20
The impact of deductible losses on unrecognized deferred income tax assets in the prior period of use	-2,688,337.67
The impact of deductible temporary differences or deductible losses on unrecognized deferred income tax assets in the current period	11,363,313.36

The impact of additional deductions on R&D expenses	-24,060,723.59
Salary paid for the placement of disabled individuals with additional deductions	-46,675.11
The impact of tax rate changes on the beginning deferred income tax	-342,433.43
Income tax expenses	14,832,125.82

Other explanations:

## 57. Other comprehensive income

Please refer to Note VII (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	50,495,974.97	44,383,418.08
Received government subsidies	6,295,463.08	5,931,157.43
Bill deposit	168,783,921.25	0.00
Current account	33,185,739.49	19,620,625.50
Funds in transit	7,461,401.81	0.00
Others	3,647,494.47	1,226,225.97
Total	269,869,995.07	71,161,426.98

Explanations on other cash received relating to operating activities:

Other cash paid relating to operating activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Expense payment	235,671,385.20	203,811,342.55
Current account	25,853,763.88	28,942,938.49
Restricted funds such as restricted guarantee deposit and funds in transit	2,140,213.62	6,565,746.56
Bill deposit	117,403,463.32	0.00
Others	2,125,706.12	2,690,158.07
Total	383,194,532.14	242,010,185.67

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
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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	1,651,510,021.30	783,138,035.71
Disposal of associates	273,552.36	0.00
<b>Total</b>	<b>1,651,783,573.66</b>	<b>783,138,035.71</b>

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 in forward foreign exchange settlement and sales	0.00	8,690,555.00
<b>Total</b>	<b>0.00</b>	<b>8,690,555.00</b>

Significant cash paid relating to investing activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Time deposit and wealth management	1,631,334,606.67	492,027,131.11
Purchase minority equity		12,124,365.79
Foreign investment in partnership enterprises		24,000,000.00
<b>Total</b>	<b>1,631,334,606.67</b>	<b>528,151,496.90</b>

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	0.00	137,765,650.54
<b>Total</b>	<b>0.00</b>	<b>137,765,650.54</b>

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	32,270,943.96	31,230,265.90
Bill deposit	0.00	115,683,494.14
Share repurchase	58,898,528.10	784,700.00
<b>Total</b>	<b>91,169,472.06</b>	<b>147,698,460.04</b>

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	
Non-current liabilities due within one year	21,094,682.36		24,084,255.33	19,685,232.73	2,671,056.09	22,822,648.87
Long-term loan	7,810,405.04		552,129.12	1,219,704.47	121,500.80	7,021,328.89
Lease liabilities	19,713,286.21		44,316,609.08	12,951,511.04	21,970,307.49	29,108,076.76
Total	48,618,373.61		68,952,993.53	33,856,448.24	24,762,864.38	58,952,054.52

#### (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	200,532,005.16	196,844,004.57
Plus: provision for losses from impairment of assets	28,861,872.69	9,589,997.34
Depreciation of fixed assets, consumption of oil and gas assets and productive biological assets	35,203,382.67	31,557,510.39
Depreciation of right of use assets	29,010,707.32	28,647,400.42
Amortization of intangible assets	4,082,151.69	1,945,108.15
Long-term unamortized expenses	2,140,578.12	1,443,552.51
Loss from disposal of fixed assets, intangible assets and other long-term assets (gains expressed with "-")	653,718.36	129,852.62
Loss on retirement of fixed assets (gains expressed with "-")	253,220.69	496,573.84
Loss from changes in fair value (gains expressed with "-")	-14,859,953.45	-755,429.17
Financial expenses (gains	6,514,294.30	-12,383,912.51

expressed with "-")		
Investment loss (gains expressed with "-")	-589,995.31	3,399,997.81
Decrease of deferred income tax assets (increase expressed with "-")	-14,431,239.49	-11,788,385.88
Increases of deferred income tax liabilities (decrease expressed with "-")	2,401,041.02	-1,719,851.49
Decrease of inventory (increase expressed with "-")	27,585,758.07	-28,429,295.27
Decreases of operational receivables (increase expressed with "-")	-69,488,680.66	-130,159,538.85
Increases of operating payables (decrease expressed with "-")	-20,743,580.37	109,897,948.82
Others	11,211,302.24	37,285,356.91
Net cash flows from operating activities	228,336,583.05	236,000,890.21
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	43,908,657.41	16,689,236.87
3. Net change of cash and cash equivalents:		
Ending balance of cash	1,214,344,327.43	1,317,020,553.02
Less: beginning balance of cash	1,317,020,553.02	1,077,608,258.10
Plus: ending balance of cash equivalents		
Less: beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-102,676,225.59	239,412,294.92

## (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
Cash or cash equivalents received from the disposal of subsidiaries in the current period	3.91
Including:	
ZKTeco Latam R&D S.A.	3.91
Net cash received from disposal of subsidiaries	3.91

Other explanations:

**(4) Composition of cash and cash equivalents**

Unit: RMB

Item	Ending Balance	Beginning Balance
I. Cash	1,214,344,327.43	1,317,020,553.02
Including: cash on hand	772,216.84	1,401,947.05
Bank deposit available for payment at any time	1,212,348,031.02	1,302,024,477.33
Other monetary funds available for payment at any time	1,224,079.57	13,594,128.64
III. Ending balance of cash and cash equivalents	1,214,344,327.43	1,317,020,553.02

**(5) Information on reporting assets with limited scope of use but still classified as cash and cash equivalents**

Unit: RMB

Item	Amount in current period	Amount of previous period	Reasons for still being classified as cash and cash equivalents

**(6) Monetary funds that do not belong to cash and cash equivalents**

Unit: RMB

Item	Amount in current period	Amount of previous period	Reasons for not being classified as cash and cash equivalents
Principal of time deposits and outstanding interest receivable	211,146,874.14	618,949,731.28	Please refer to the note in Note VII (1).
Margin of bank acceptance draft	45,703,490.78	46,693,268.67	Not available for use at any time
Frozen litigation funds	0.00	800,000.00	Not available for use at any time
Funds in transit	2,140,213.62	7,461,401.81	Not actually credited to the account

Total	258,990,578.54	673,904,401.76	
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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			768,628,408.20
Including: USD	93,296,372.03	7.1884	670,651,640.70
EUR	2,420,618.37	7.5257	18,216,847.67
HKD	2,823,103.06	0.9260	2,614,306.36
AED	20,251,865.99	1.9711	39,919,313.23
ZAR	24,250,616.51	0.3844	9,322,140.58
IDR	12,519,464,830.66	0.0005	5,648,456.46
INR	64,348,215.01	0.0840	5,407,631.75
THB	10,156,984.85	0.2126	2,159,773.94
CLP	110,438,868.00	0.0072	798,791.33
JPY	38,237,392.64	0.0462	1,767,829.37
KRW	328,657,517.00	0.0049	1,622,839.80
GBP	176,846.20	9.0765	1,605,144.53
VND	4,866,816,704.00	0.0003	1,372,753.59
SGD	256,682.50	5.3214	1,365,910.26
COP	651,909,441.47	0.0016	1,063,852.65
CAD	198,008.05	5.0498	999,901.05
MYR	540,471.31	1.6199	875,512.39
TRL	3,329,269.73	0.2051	682,857.09
BRL	419,276.76	1.1635	487,840.77
MAD	634,658.52	0.7100	450,592.29
MXN	1,172,885.00	0.3498	410,243.09
NGN	47,742,711.96	0.0047	222,275.72
SAR	107,437.48	1.9284	207,184.28
ARS	20,192,265.82	0.0070	140,785.73
PLN	72,142.82	1.7597	126,951.66
KES	1,841,587.07	0.0556	102,422.16
RUB	5,311,459.43	0.0661	350,853.07
AUD	3,234.00	4.5070	14,575.64

EGP	63,727.37	0.1414	9,010.58
PEN	4,672.30	1.9132	8,938.96
UYU	3,772.00	0.1646	620.83
RSD	110.00	0.0640	7.04
DZD	11,400.00	0.0530	603.63
Accounts receivable			526,908,454.84
Including: USD	55,040,944.67	7.1884	395,656,326.66
EUR	1,343,794.77	7.5257	10,112,996.25
HKD	762.47	0.9260	706.05
AED	26,712,546.13	1.9711	52,654,234.29
MXN	36,362,807.77	0.3498	12,718,715.47
INR	139,250,822.75	0.0840	11,702,223.11
THB	30,165,632.72	0.2126	6,414,398.38
KRW	1,810,299,754.98	0.0049	8,938,869.01
BRL	3,615,303.52	1.1635	4,206,511.36
ZAR	10,314,687.28	0.3844	3,965,052.41
PEN	1,908,035.56	1.9132	3,650,419.89
JPY	62,791,065.00	0.0462	2,903,019.27
CLP	393,503,420.00	0.0072	2,846,163.92
SGD	302,695.46	5.3214	1,610,763.62
MYR	1,268,471.95	1.6199	2,054,804.52
TRL	7,303,662.03	0.2051	1,498,033.45
COP	894,969,676.68	0.0016	1,460,503.26
NGN	304,815,133.54	0.0047	1,419,127.68
IDR	1,669,202,460.20	0.0005	753,100.67
VND	225,388,530.00	0.0003	63,573.98
ARS	9,105,168.17	0.0070	63,483.61
RUB	144,000.00	0.0661	9,512.04
PHP	1,061,523.19	0.1243	131,949.70
AUD	1,742.98	4.5070	7,855.63
CAD	14,786.57	5.0498	74,669.22
GBP	219,406.38	9.0765	1,991,441.39
Other receivables			17,728,461.99
Including: USD	1,043,501.57	7.1884	7,501,109.94
THB	6,523,312.60	0.2126	1,387,112.48
INR	14,240,038.87	0.0840	1,196,690.33
MXN	3,140,908.40	0.3498	1,098,603.87
PEN	415,131.53	1.9132	794,222.31
EUR	100,380.35	7.5257	755,432.41
COP	432,142,797.09	0.0016	705,214.93
JPY	8,814,696.00	0.0462	407,529.84
BRL	342,486.71	1.1635	398,493.31
KRW	80,543,337.21	0.0049	397,705.61
AED	175,919.63	1.9711	346,762.65
CLP	40,438,930.00	0.0072	292,490.02
SGD	61,767.86	5.3214	328,691.73
MAD	257,175.75	0.7100	182,588.60
PLN	72,207.17	1.7597	127,064.90
MYR	60,350.00	1.6199	97,761.28
VND	3,088,671,568.00	0.0003	910,313.91
NGN	16,773,432.94	0.0047	78,092.06
ARS	9,732,059.45	0.0070	67,854.45
RUB	921,066.87	0.0661	60,841.87
ZAR	102,353.73	0.3844	39,345.63
KES	463,609.13	0.0556	25,784.20

SAR	15,070.00	1.9284	29,061.25
TRL	128,820.08	0.2051	26,421.93
IDR	30,600,000.00	0.0005	13,805.92
HKD	166,581.74	0.9260	154,256.31
PHP	187,993.76	0.1243	23,368.05
XOF	12,343,133.00	0.0114	140,837.00
MMK	7,167,000.00	0.0034	24,533.50
GBP	400.00	9.0764	3,630.57
BDT	1,880,411.69	0.0600	112,841.13
Accounts payable			35,262,262.39
Including: USD	3,747,494.92	7.1884	26,938,492.51
EUR	116,418.59	7.5257	876,131.38
AED	22,346.55	1.9711	44,048.21
ZAR	737,664.07	0.3844	283,564.27
MXN	8,643,159.33	0.3498	3,023,140.78
THB	4,495,738.16	0.2126	955,970.58
INR	16,991,861.63	0.0840	1,427,945.32
CLP	92,202,920.71	0.0072	666,892.87
MYR	21,616.60	1.6199	35,016.85
NGN	8,150,251.32	0.0047	37,945.05
PEN	228,751.42	1.9132	437,643.23
ARS	6,166,578.82	0.0070	42,995.11
KRW	13,640,000.00	0.0049	67,351.35
BRL	307,099.48	1.1635	357,319.22
RUB	33,082.92	0.0661	2,185.27
MAD	71,260.87	0.7100	50,593.47
COP	9,208,208.10	0.0016	15,026.92
Other payables			27,720,310.38
Including: USD	3,279,317.74	7.1884	23,573,047.62
EUR	237,248.76	7.5257	1,785,463.00
THB	2,876,533.27	0.2126	611,663.97
EGP	1,900,828.16	0.1414	268,763.04
CLP	27,737,014.00	0.0072	200,618.55
NGN	40,971,402.27	0.0047	190,750.54
MXN	377,516.75	0.3498	132,045.04
SGD	26,003.90	5.3214	138,377.15
BRL	100,000.00	1.1635	116,352.92
KRW	20,113,372.90	0.0049	99,315.49
INR	1,147,278.07	0.0840	96,413.82
JPY	1,798,529.00	0.0462	83,151.39
AED	41,682.95	1.9711	82,163.03
ARS	6,556,272.08	0.0070	45,712.03
PLN	21,123.81	1.7597	37,172.14
MAD	46,888.99	0.7100	33,290.06
MYR	9,856.37	1.6199	15,966.38
VND	46,505,402.00	0.0003	13,117.49
CAD	2,400.00	5.0498	12,119.52
TRL	58,850.36	0.2051	12,070.63
PEN	4,260.40	1.9132	8,150.91
IDR	3,309,680.00	0.0005	1,493.24
ZAR	2,407.74	0.3844	925.56
KES	3,001.30	0.0556	166.92
PKR	3,159,334.62	0.0260	82,142.70
MMK	19,673,894.29	0.0035	68,858.63
HKD	11,707.00	0.9395	10,998.61
Long-term loan			398,117.39

Including: USD	14,676.46	7.1884	105,500.27
EUR			
HKD			
MYR	81,336.38	1.6199	131,757.24
ZAR	418,460.83	0.3844	160,859.88

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

Name	Registered place of business	Recording currency	Basis for adopting recording currency
ZKTECO CO., LIMITED	Hong Kong	US Dollar	Sales and procurement are mainly priced in USD
Armatura Tech Co.,Ltd.	Thailand	THB	Currency used in the place of operation
ZKTECO SECURITY L.L.C	Dubai	AED	Currency used in the place of operation
ZKTECO EUROPE SL	Spain	EUR	Currency used in the place of operation
ZK TECHNOLOGY LLC	America	US Dollar	Currency used in the place of operation
ZKTECO USA LLC	America	US Dollar	Currency used in the place of operation
ZKTECO BIOMETRICS INDIA PRIVATE LIMITED	India	INR	Currency used in the place of operation
ZKTECO PANAMA ,S.A.	Panama	US Dollar	Sales and procurement are mainly priced in USD
ZKTECO LATAM, S.A DE C.V.	Mexico	MXN	Currency used in the place of operation
ZK INTELLIGENT SOLUTIONS (PTY) LTD	South Africa	ZAR	Currency used in the place of operation
NGTECO CO.,LIMITED	Hong Kong	US Dollar	Sales and procurement are mainly priced in USD

## 62. Lease

### (1) The Company as lessee

Applicable  Not applicable

Variable lease payments not included in the measurement of lease liabilities

Applicable Not applicable

Simplified rental fees for short-term leases or low value asset leases

Applicable  Not applicable

(a) Interest expenses on lease liabilities

Item	Amount in the Current Period
Interest on lease liabilities included in financial expenses	3,598,354.76
Total	3,598,354.76

## (b) Simplified rental fees for short-term leases or low value asset leases

Item	Amount in the Current Period
Short-term lease fee	4,340,776.00
Low-value asset lease fee	149,063.86
Total	4,489,839.86

## (c) Total cash outflows related to the lease

Item	Amount in the Current Period
Cash paid for repayment of principal and interest on lease liabilities	32,270,943.96
Simplified short-term lease payments and low-value asset lease payments made	4,489,839.86
Total	36,760,783.82

## Sale and leaseback transactions

None

**(2) The Company as lessor**

## Operating lease as the lessor

Applicable  Not applicable

Unit: RMB

Item	Rental income	Including: revenue related to variable lease payments not included in lease receivables
Houses and buildings	3,857,793.07	
Total	3,857,793.07	

## Financing lease as the lessor

 Applicable  Not applicable

## Undiscounted lease receivables for each of the next five years

 Applicable  Not applicable

Unit: RMB

Item	Annual undiscounted lease receivables	
	Closing amount	Opening amount
1st year	3,007,244.72	3,206,391.95

2nd year	2,861,997.32	3,235,643.17
3rd year	2,906,646.62	3,092,534.84
4th year	2,836,497.96	3,146,244.84
5th year	2,786,532.77	1,573,122.40
Total undiscounted lease receivables after five years	6,966,331.93	
Total	21,365,251.32	14,253,937.20

Reconciliation table of undiscounted lease receivables and net investment in leases

### (3) Gains or losses from finance lease sales recognized as a manufacturer or dealer

Applicable  Not applicable

### 63. Others

## VIII. R&D expenditures

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee remuneration	155,949,981.78	158,052,507.71
Depreciation and amortization	5,655,928.84	4,429,001.99
Office allowance	1,538,982.93	735,318.39
Travel expenses	3,765,461.40	5,013,751.62
R&D material costs	9,453,472.80	5,516,851.51
Software and technical service fees	18,927,297.70	10,305,794.57
Depreciation and amortization of right-of-use assets	2,766,889.14	1,914,549.28
Share-based payments	4,171,987.22	14,172,736.25
Others	13,240,989.59	13,472,903.24
Total	215,470,991.40	213,613,414.56
Including: Expensed R&D expenditures	215,470,991.40	213,613,414.56
Capitalized R&D expenditures	0.00	0.00

## IX. Changes to the scope of consolidation

### 1. Disposal of subsidiaries

Were there any transactions or events during this period that resulted in the loss of control over subsidiaries?

Yes  No

Unit: RMB

Name of Subsidiaries	Disposal price at the point of losing control	Disposal ratio at the point of losing control	Disposal method at the point of losing control	Lost time of the right of control	Determination basis at the point of losing control	The difference between the disposal price and the share of net assets of	Proportion of remaining equity on the date of	Book value of the remaining equity at the consolidated	Fair value of the remaining equity at the consolidated	Recalculation of the profit or loss generated from the	Determination method and assumptions of the fair value	Amount of other comprehensive income related to the equity
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						the subsidiary at the level of consolidated financial statements corresponding to the disposal of investment	loss of control	financial statement level on the date of loss of control	financial statement level on the date of loss of control	remaining equities pursuant to the fair value	of the remaining equity at the consolidated financial statement level on the date of loss of control	investment in the original subsidiary that is transferred to investment profits and losses or retained earnings
ZKTeco Latam R&D S.A.	67.94	98.09%	Assignment	November 21, 2024	Note	67.94						

Other explanations:

Note: Explanations on the situation where the sale of equity leads to the reduction of subsidiaries: On July 12, 2024, the Company's subsidiary, ZKTECO CO., LIMITED, held a board meeting and approved the equity transfer matter. On November 21, 2024, ZKTECO CO., LIMITED signed an equity transfer agreement with Mr. Marcelo Alfredo Sosa, transferring its 95.22% equity in ZKTeco Latam R&D S.A. to Mr. Marcelo Alfredo Sosa for ARS 10,000.00. On the same day, ZKTECO ARGENTINA S.A. signed an equity transfer agreement with Mr. Marcelo Alfredo Sosa, transferring its 4.78% equity in ZKTeco Latam R&D S.A. to Mr. Marcelo Alfredo Sosa for ARS 502.51. The above equity transfers have been registered in the Company's shareholder register, and the equity transfer payments were received in November 2024. Since November 2024, ZKTECO CO., LIMITED has no longer included ZKTeco Latam R&D S.A. in its consolidated financial statements.

Is there a situation where the Company has disposed of its investment in a subsidiary through multiple transactions in steps and lost control over the subsidiary during the current period?

Yes  No

## 2. Changes in consolidation scope for other reasons

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	ZKTeco Huayun (Xiamen) Integrated Circuit Co., Ltd.	2017-07-05	RMB 3.69388 million	51.00	Cancellation (Note 1)
2	Shenzhen Zhongjiang Intelligent Technology Co., Ltd.	2017-04-26	RMB 10 million	51.00	Taken over by the liquidation group (Note 2)
3	ZKTeco Cloud Brain-Computer (Hangzhou) Technology Co., Ltd.	2024-10-29	RMB 20 million	100.00	Establishment
4	ZKTECO BUSINESS SOLUTIONS COMPANY	2024-05-15	SAR 1 million	100.00	Establishment
5	ZKTeco Polska Sp. z o.o.	2024-08-2	PLN 400,000	75.69	Establishment
6	ZKTeco Egypt LLC	2024-01-04	USD 120,000	100.00	Establishment

Note 1: On April 23, 2024, the registered capital of ZKTeco Huayun (Xiamen) Integrated Circuit Co., Ltd. was reduced from RMB 10 million to RMB 3.69388 million, and the Company was deregistered on December 20, 2024.

Note 2: The subsidiary of the Company, Shenzhen Zhongjiang Intelligent Technology Co., Ltd., is not included in the consolidated scope for this year as it has entered compulsory liquidation due to poor operation. The court appointed Shenzhen Zhongtiansheng

Clearing Affairs Co., Ltd. to form a liquidation group to take over the Company starting from April 10, 2024. As of December 31, 2024, the Company is still in the process of liquidation.

## X. Equity in other entities

### 1. Equity in subsidiaries

#### (1) Composition of the enterprise group

Unit: RMB

Name of Subsidiaries	Registered Capital	Main business place	Registration place	Nature of business	Percentage of shares		Acquisition method
					Direct	Indirect	
1. Xiamen Zkteco Biometric Identification Technology Co., Ltd.	38,500,000.00	Xiamen	Xiamen	Software development	100.00%	0.00%	Acquisition
2. Shenzhen ZKTeco Biometric Identification Technology Co., Ltd.	1,000,000.00	Shenzhen	Shenzhen	Sales of goods	100.00%	0.00%	Acquisition
2.1.ZK INVESTMENTS INC.	100.00 <sup>1</sup>	America	America	Established	0.00%	100.00%	Establishment
2.1.1.ZK TECHNOLOGY LLC	Not applicable	America	America	Sales of goods	0.00%	76.92%	Establishment
3. ZKTeco Sales Co., Ltd.	50,000,000.00	Dongguan	Dongguan	Sales of goods	100.00%	0.00%	Establishment
4. Hangzhou ZKTeco Hanlian E-commerce Co., Ltd.	2,000,000.00	Hangzhou	Hangzhou	E-commerce	100.00%	0.00%	Establishment
5. ZKCserv Technology Limited Co., Ltd.	1,000,000.00	Shenzhen	Shenzhen	Software development	51.00%	0.00%	Establishment
6. Dalian ZKTeo CO., Ltd.	3,000,000.00	Dalian	Dalian	Software development and sales	100.00%	0.00%	Establishment
7. XIAMEN ZKTECO CO., LTD.	100,000,000.00	Xiamen	Xiamen	Software development and sales	100.00%	0.00%	Establishment
7.1.ZKTECO VIETNAM TECHNOLOGY COMPANY LIMITED	4,550,000,000.00 <sup>23</sup>	Vietnam	Vietnam	Sales of goods	0.00%	100.00%	Establishment
8. ZKTECO (GUANGDONG) CO., LTD	800,000,000.00	Dongguan	Dongguan	Production and sales of goods	100.00%	0.00%	Establishment
9. Xi'an ZKTeco Co., Ltd.	1,060,000.00	Xi'an	Xi'an	Sales of goods	100.00%	0.00%	Acquisition
10. ZKTeco Cloud Brain-Computer (Hangzhou) Technology Co., Ltd.	20,000,000.00	Hangzhou	Hangzhou	Software development	100.00%	0.00%	Establishment
11. ZKTECO CO., LIMITED	15,000,000.00 <sup>1</sup>	Hong Kong, China	Hong Kong, China	Sales of goods	100.00%	0.00%	Establishment
11.1.ZKTECO TURKEY ELEKTRONIK SANAYI VE TICARET LIMITED SIRKETI.	1,200,000.00 <sup>17</sup>	Turkey	Turkey	Sales of goods	0.00%	88.09%	Establishment
11.2.ZKTECO LATAM, S.A. DE C.V.	4,426,000.00 <sup>8</sup>	Mexico	Mexico	Sales services	0.00%	100.00%	Establishment
11.3.ZK SOFTWARE DE MEXICO, S.A. DE C.V.	3,748,688.00 <sup>8</sup>	Mexico	Mexico	R&D services	0.00%	100.00%	Establishment
11.4.ZKTECO COLOMBIA	1,500,000,000.	Columbia	Columbia	Sales services	0.00%	100.00%	Establishment

SAS	00 <sup>7</sup>						
11.5.ZKTECO (M) SDN.BHD.	646,000.00 <sup>20</sup>	Malaysia	Malaysia	Sales of goods	0.00%	51.00%	Acquisition
11.6.ZKTECO BIOMETRICS INDIA PRIVATE LIMITED	132,765,240.00 <sup>16</sup>	India	India	Sales of goods	0.00%	99.15%	Establishment
11.7.ZKTECO EUROPE SL	538,500.00 <sup>2</sup>	Spain	Spain	Sales of goods	0.00%	75.69%	Acquisition
11.7.1.ZKTECO IRELAND LIMITED	60,000.00 <sup>2</sup>	Ireland	Ireland	Sales services	0.00%	75.69%	Establishment
11.7.2.ZKTeco Deutschland GmbH	100,000.00 <sup>2</sup>	Germany	Germany	Sales of goods	0.00%	75.69%	Establishment
11.7.3.ZKTECO ITALIAS.R.L.	350,000.00 <sup>2</sup>	Italy	Italy	Sales of goods	0.00%	71.37%	Establishment
11.7.4.ZKTECO UK LTD	1,500,000.00 <sup>3</sup>	UK	UK	Sales of goods	0.00%	75.69%	Establishment
11.7.5.ZKTeco Polska Sp. z o.o.	400,000.00 <sup>11</sup>	Poland	Poland	Sales of goods	0.00%	75.69%	Establishment
11.8.ZKTECO PERU SOCIEDAD ANONIMA CERRADA	1,274,336.00 <sup>22</sup>	Peru	Peru	Sales services	0.00%	100.00%	Acquisition
11.9.ZKTECO THAICO.,LTD.	10,000,000.00 <sup>5</sup>	Thailand	Thailand	Sales of goods	0.00%	99.80%	Acquisition
11.10.ZKTeco Chile SpA	146,370,000.00 <sup>9</sup>	Chile	Chile	Sales services	0.00%	100.00%	Establishment
11.10.1.SOLUCIONES INTEGRALES Y SISTEMAS SpA	60,000,000.00 <sup>9</sup>	Chile	Chile	Sales services	0.00%	100.00%	Establishment
11.11.ZKTECO SECURITY L.L.C	300,000.00 <sup>14</sup>	Dubai	Dubai	Sales of goods	0.00%	100.00%	Acquisition
11.12.ZKTECO ARGENTINAS.A.	4,000,000.00 <sup>26</sup>	Argentina	Argentina	Sales of goods	0.00%	60.00%	Acquisition
11.13. Limited Liability Company "ZKTeco biometrics and security"	17,850,554.80 <sup>18</sup>	Russia	Russia	Sales of goods	0.00%	100.00%	Establishment
11.14.ZKTECO Investment Inc.	80,000.00 <sup>1</sup>	America	America	Established	0.00%	100.00%	Establishment
11.14.1.ZKTECO USA LLC	Not applicable	America	America	Sales of goods	0.00%	80.00%	Establishment
11.14.2.Armatura Co.,Ltd.	118,960,000.00 <sup>24</sup>	Korea	Korea	Sales of goods	0.00%	90.00%	Acquisition
11.14.3.ZKTeco Japan Co.,Ltd.	100,000,000.00 <sup>25</sup>	Japan	Japan	Sales of goods	0.00%	100.00%	Establishment
11.14.4.ARMATURA LLC.	Not applicable	America	America	Sales of goods	0.00%	100.00%	Establishment
11.14.5.RALVIE AI INC.	10,000.00 <sup>1</sup>	Canada	Canada	Sales of goods	0.00%	100.00%	Establishment
11.15. PT. ZKTECO BIOMETRICS INDONESIA	2,657,200,000.00 <sup>6</sup>	Indonesia	Indonesia	Sales of goods	0.00%	95.00%	Establishment
11.16. ZK INVESTIMENTOS DO BRASIL LTDA.	611,440.00 <sup>10</sup>	Brazil	Brazil	Established	0.00%	99.68%	Acquisition
11.16.1 ZKTECO DO BRASIL S.A.	1,085,403.06 <sup>10</sup>	Brazil	Brazil	Sales of goods	0.00%	74.76%	Acquisition
11.17.NGTECO CO.,LIMITED	10,000.00 <sup>4</sup>	Hong Kong, China	Hong Kong, China	Sales of goods	0.00%	100.00%	Establishment
11.18. ZKTECO BIOMETRIC LIMITED	100,000,000.00 <sup>15</sup>	Nigeria	Nigeria	Sales of goods	0.00%	60.00%	Establishment
11.19. ZKTECO PANAMA, S.A.	360,000.00 <sup>1</sup>	Panama	Panama	Sales of goods	0.00%	99.86%	Establishment
11.20. ZK INTELLIGENT SOLUTIONS (PTY) LTD	Not applicable	South Africa	South Africa	Sales of goods	0.00%	100.00%	Establishment
11.21. ZKTECO BIOMETRICS KENYA LIMITED	10,910,000.00 <sup>12</sup>	Kenya	Kenya	Sales of goods	0.00%	100.00%	Establishment
11.22.ZKTECO ROMANIAS.R.L	250.00 <sup>21</sup>	Romania	Romania	Sales of goods	0.00%	100.00%	Establishment
11.23 ZKTECO BUSINESS	1,000,000.00 <sup>19</sup>	Saudi	Saudi Arabia	Sales services	0.00%	100.00%	Establishment

SOLUTIONS COMPANY		Arabia					
12. Hubei ZKTeco Co., Ltd.	10,000,000.00	Wuhan	Wuhan	Sales of goods	100.00 %	0.00%	Establishment
13. Wuhan ZKTeco Perception Technology Co., Ltd.	1,000,000.00	Wuhan	Wuhan	Sales of goods	0.00%	51.00%	Establishment
14. ZKTECO SG INVESTMENT PTE. LTD.	1,000,000.00 <sup>1</sup>	Singapore	Singapore	Sales of goods	100.00 %	0.00%	Establishment
14.1. ZKTECO SINGAPORE PTE. LTD.	500,000.00 <sup>27</sup>	Singapore	Singapore	Sales of goods	0.00%	100.00%	Establishment
14.2. ARMATURA TECH CO.,LTD.	602,983,200.0 0 <sup>5</sup>	Thailand	Thailand	Production and sales of goods	0.00%	99.99%	Acquisition
14.3. ZKDIGIMAX PTE. LTD.	20,000,000.00 <sup>1</sup>	Singapore	Singapore	Sales of goods	0.00%	80.00%	Establishment
14.3.1. ZKDIGIMAX PANAMA, S.A.	10,000.00 <sup>1</sup>	Panama	Panama	Sales of goods	0.00%	80.00%	Establishment
14.3.2. ZKDIGIMAX COLOMBIA SAS	10,000,000.00 <sup>7</sup>	Columbia	Columbia	Sales of goods	0.00%	80.00%	Establishment
14.3.3.ZKDIGIMAX(PTY)LTD	0.00	South Africa	South Africa	Sales of goods	0.00%	80.00%	Establishment
14.3.4. PT. ZKDIGIMAX EXCEL NOBLE	10,010,000,00 0.00 <sup>6</sup>	Indonesia	Indonesia	Sales of goods	0.00%	56.00%	Establishment
14.3.5 ZKDIGIMAX CHINA CO., LTD.	300,000.00 <sup>1</sup>	Xiamen	Xiamen	Sales of goods	20.00%	80.00%	Establishment
14.3.6. ZK TECHNOLOGY MOROCCO	1,515,000.00 <sup>13</sup>	Morocco	Morocco	Sales of goods	0.00%	100.00%	Establishment
14.3.7 ZKTECO EGYPT LLC	120,000.00 <sup>1</sup>	Egypt	Egypt	Sales of goods	0.00%	100.00%	Establishment

Note: 1. USD

2. EUR

3. GBP

4. HKD

5. THB

6. IDR

7. COP

8. MXN

9. CLP

10. BRL

11. PLN

12. KES

13. MAD

14. AED

15. NGN

16. Rs

17. TRL

18. RUB

19. SAR

20. MYR

21. RON

22. PEN

23. VND

24. KRW

25. JPY

26. ARS

27. SGD

Explanations on the fact that shareholding percentage is different from the proportion of voting rights in the subsidiaries:

None

Basis for holding half or less of the voting rights but still controlling the investee, and holding more than half of the voting rights but not controlling the investee:

None

For important structured entities included in the consolidation scope, the basis for control is:

None

Basis for determining whether the Company is an agent or principal:

None

## (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%	20,701,538.24	20,275,031.54	7,397,734.26

Explanations on the fact that shareholding percentage is different from the proportion of voting rights for minority shareholders in the subsidiaries:

None

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	70,297,290.30	1,700,956.02	71,998,246.32	44,197,796.74	390,771.06	44,588,567.80	61,698,439.58	440,329.48	62,138,769.06	36,590,588.71	0.00	36,590,588.71

Unit: RMB

Name of	Amount incurred in the current period	Amount incurred in the previous period
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Subsidiaries	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	142,360,759.61	69,005,127.60	69,401,711.46	76,067,028.49	150,842,020.31	71,852,073.38	73,257,606.25	75,770,624.11

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

None

### (2) Effect of transactions on minority equity and owners' equity attributable to the parent company

Unit: RMB

Acquisition cost/disposal consideration	
--Cash	
-- Fair value of non-cash assets	
Total cost/disposal consideration	
Less: Net assets of the subsidiaries calculated based on the proportion of assets acquired/disposed	
Difference	
Including: Adjustment to the capital reserves	
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)	Xi'an	Xi'an	Software and information	19.89%	-	Long-term equity

Information Technology Co., Ltd.			technology services industry			investment
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Explanations on the fact that shareholding percentage is different from the proportion of voting rights in the joint ventures or associates:

Xinhuaxin (Xi'an) Information Technology Co., Ltd. completed its industrial and commercial deregistration on August 21, 2024. There were no significant joint ventures or associates at the end of the period.

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 ratio		
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		
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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	0.00	7,510,080.96
Non-current assets	0.00	307,582.52
Total assets	0.00	7,817,663.48
Current liabilities	0.00	20,381,375.86
Non-current liabilities		
Total liabilities	0.00	20,381,375.86
Minority interests		
Shareholders' equity attributable to the parent company	0.00	-12,563,712.38
Net asset share calculated based on shareholding ratio	0.00	-2,498,470.10
Adjustment matters		
--Goodwill		
--Unrealized profits from internal transactions		
--Others		
Book value of equity investment in associates		
Fair value of equity investments in associates with public offers		
Operating revenue	1,143,428.23	13,220,558.96
Net profit	12,563,712.38	-4,282,521.88
Net profit from discontinued operations		
Other comprehensive income		
Total comprehensive income	12,563,712.38	-4,282,521.88
Dividends received from associates this year		

Other explanations:

### (4) Summary financial information of unimportant joint ventures and associated enterprises

Unit: RMB

	Ending balance/current amount incurred	Beginning balance/amount incurred in the previous period
Joint venture:		
The total number of the following items calculated based on shareholding ratio		
Associates:		
Total investment book value	28,982,092.23	29,781,888.62
The total number of the following items calculated based on shareholding ratio		
-- Net profit	-603,848.55	-356,119.58
--Total comprehensive incomes	-603,848.55	-356,119.58

Other explanations:

**(5) Explanations on significant limitations on the ability of joint ventures or associates to transfer funds to the Company**

None

**(6) Excess losses incurred by joint ventures or associates**

Unit: RMB

Name of joint venture or associate	Accumulated unrecognized losses accumulated in the previous period	Unrecognized losses in the current period (or net profit shared in the current period)	Accumulated unrecognized losses at the end of this period
ZKTECO SOLUTIONS INC.	-716,468.40	-154,811.46	-871,279.86
PT. ZKTECO SECURITY INDONESIA	-427,490.18	-45,825.42	-473,315.60

Other explanations:

Xinhuaxin (Xi'an) Information Technology Co., Ltd. completed its industrial and commercial deregistration on August 21, 2024.

**(7) Unrecognized commitments related to joint venture investments**

None

**(8) Contingent liabilities related to investments in joint ventures or associates**

None

## XI. Government Subsidies

**1. Government subsidies recognized by accounts receivable at the end of the reporting period**

Applicable  Not applicable

Reasons for not receiving the expected amount of government subsidies at the expected time point

Applicable  Not applicable

## 2. Liability items involving government subsidies

Applicable  Not applicable

Unit: RMB

Accounting Subject	Beginning Balance	Newly added subsidy amount in current period	Amount included in non-operating revenue for the current period	Amount of other income transferred in the current period	Other changes in the current period	Ending Balance	Assets/Income-related
Deferred income	1,853,549.62			433,508.18		1,420,041.44	Assets-related
Total	1,853,549.62			433,508.18		1,420,041.44	

## 3. Government subsidies included in current profits and losses

Applicable  Not applicable

Unit: RMB

Accounting Subject	Amount incurred in the current period	Amount incurred in the previous period
Other income	6,728,971.26	6,117,310.30

Other explanations:

None

## XII. Risks Related to Financial Instruments

### 1. Various risks arising from financial instruments

#### 1. Various risks arising from financial instruments

(I) Various risks arising from financial instruments

The Company faces various risks related to financial instruments during its operation, mainly including credit risk, market risk, and liquidity risk. The Company's main financial instruments include cash and cash equivalents, equity investments, debt investments, borrowings, accounts receivable, accounts payable, etc. For detailed information on each type of financial instrument, please refer to the relevant items in Note VII. The risks associated with these financial instruments and the risk management policies adopted by the Company to mitigate these risks are as follows:

The Board of Directors is responsible for planning and establishing the Company's risk management framework, specifying the Company's risk management policies and relevant guidelines, and supervising the implementation of risk management measures. The Company has formulated risk management policies to identify and analyze the risks faced by the Company. These risk management policies specify specific risks and cover many aspects such as market risk, credit risk and liquidity risk management. The Company regularly evaluates changes in the market environment and the Company's operating activities to decide whether to update the risk management policies and systems. The risk management of the Company is carried out in accordance with the policies approved by

the Board of Directors. Our internal audit department conducts regular audits on risk management controls and procedures, and reports the audit results to the Company's Audit Committee.

The Company diversifies its exposure to financial instruments through an appropriately diversified portfolio of investments and businesses, and reduces the risk of concentration in a single industry, a specific region or a specific counterparty by formulating corresponding risk management policies.

#### 1. Market risk

Market risk associated with financial instruments refers to the risk that fair value or future cash flows of financial instruments fluctuate due to variations in market prices, and it includes foreign exchange rate risk, interest rate risk and other price risks.

##### (1) Exchange rate risk

Exchange rate risk refers to the risk that fair value or future cash flows of financial instruments fluctuates due to variations in foreign exchange rate. The main business of the Company is operated within the territory of China, which is settled in RMB. However, there are still foreign exchange risks in the foreign currency assets and liabilities recognized and future foreign currency transactions of the Company (the valuation currency for foreign currency assets and liabilities, as well as foreign currency transactions, is mainly USD). The relevant foreign currency assets and liabilities include: monetary funds denominated in foreign currencies, accounts receivable, other receivables, accounts payable, other payables, non-current liabilities due within one year, and long-term loans. The amounts of foreign currency financial assets and foreign currency financial liabilities converted into RMB are presented in Note VII (61) "Foreign currency monetary items".

The Company closely monitors the impact of exchange rate fluctuations on our exchange rate risk. The Company has not taken any measures to hedge against exchange rate risks at present. However, the management is responsible for monitoring such risks and will consider hedging significant exchange rate risks when necessary. At the end of this period, the foreign exchange risks faced by the Company mainly arise from financial assets and financial liabilities denominated in foreign currencies. The amounts of foreign currency financial assets and foreign currency financial liabilities converted into RMB are presented in Note VII (61) "Foreign currency monetary items".

Assuming all other variables remain unchanged, if the RMB appreciates or depreciates by 5% against foreign currencies, the Company's total profit for the current year will increase or decrease by RMB 48.4551 million.

##### (2) Interest rate risk

Interest rate risk refers to the risk of fluctuations in the fair value or future cash flows of financial instruments due to changes in market interest rates. The risk of changes in market interest rates faced by the Company is mainly related to the borrowings of the Company that are interest-bearing at floating rates. The interest rate risk of the Company mainly arises from long-term bank borrowings and other long-term interest-bearing debts. Floating-rate financial liabilities expose the Company to cash flow interest rate risk while fixed-rate financial liabilities expose the Company to fair value interest rate risk. The Company determines the relative proportion of fixed-rate and floating-rate contracts based on the prevailing market conditions at that time, and maintains an appropriate mix of fixed- and floating-rate instruments through regular review and monitoring.

The Finance Department of the Company continuously monitors the Company's interest rate level. The increases in interest rate will increase the costs of the new interest-bearing debts and the interest expenses of interest-bearing debts failing to be paid up by the Company and subject to the interest calculation at floating interest rate, and will, significantly and adversely, affect the Company's financial results; the management will make an adjustment according to the latest market conditions to reduce the interest rate risks.

##### (3) Other price risks

The Company does not hold equity investments in other listed companies and is not exposed to other price risks.

#### 2. Credit risk

Credit risk refers to the risk of financial losses incurred to the Company due to the counterparty's failure to fulfill contract obligations. Credit risk of the Company mainly arises from bank deposits and accounts receivable.

The Company has adopted a policy of only trading with reputable counterparties. In addition, the Company evaluates the credit qualifications of customers based on their financial position, the possibility of obtaining guarantees from third parties, credit records,

and other factors such as current market conditions, and sets corresponding credit periods. The Company continuously monitors the notes receivable, accounts receivable balance, and collection. For customers with poor credit records, the Company will use written reminders, shorten or cancel credit periods, etc. to ensure that the Company does not face significant credit losses. In addition, the Company reviews the recovery of financial assets on each balance sheet date to ensure that sufficient provisions for expected credit losses have been made for the relevant financial assets.

The credit risk of other financial assets of the Company, including monetary funds, other receivables, debt investments, etc., arises from counterparty defaults, and the maximum credit risk exposure is the carrying amount of each financial asset on the balance sheet. The Company has not provided any other guarantee that may expose the Company to credit risk.

The monetary funds held by the Company are mainly deposited in state-owned holding banks and other large and medium-sized commercial banks and other financial institutions. The management believes that these commercial banks have a high reputation and good asset status, there is no significant credit risk, and there will be no significant losses caused by the default of the counterparty. The Company's policy is to control the amount of deposits held in deposits based on the market reputation, business scale, and financial background of well-known financial institutions, in order to limit the credit risk amount to any individual financial institution.

As part of the Company's credit risk asset management, the Company uses aging to assess impairment losses on accounts receivable and other receivables. The Company's accounts receivable and other receivables involve a large number of customers, and the aging information can reflect the solvency and bad debt risk of these customers for accounts receivable and other receivables. The Company calculates the historical actual bad debt rate for different aging periods based on historical data, and takes into account current and future economic forecasts, such as forward-looking information like national GDP growth rate, total infrastructure investment, and national monetary policy, to adjust the expected loss rate. For long-term receivables, the Company takes into account the settlement period, payment period stipulated in the contract, the financial position of the debtor, and the economic situation of the debtor's industry, and adjusts the expected credit loss based on the forward-looking information mentioned above.

The Company's maximum credit risk exposure is the book value of each financial asset in the balance sheet.

For the bank financial products invested by the Company, the counterparty must have a credit rating higher than or equal to that of the Company. Given the good credit rating of the counterparty, the Company's management does not anticipate that the counterparty will be unable to fulfill its obligations.

### 3. Liquidity risk

The liquidity risk refers to the risk of capital shortage of an enterprise taking place in the course of cash payment or settlement via other financial assets. The policy of the Company is to ensure that there is sufficient cash for the payment of the matured debts. Each member enterprise of the Company is responsible for its cash flow forecast. The Finance Department under the Company continuously monitors the Company's short-term and long-term funding needs at the company level based on the cash flow forecast results of each member enterprise, to ensure the maintenance of sufficient cash reserves; simultaneously, the Finance Department continuously monitors whether it complies with the provisions of the loan agreement and obtains commitments from major financial institutions to provide sufficient reserve funds to meet short-term and long-term funding needs. In addition, the Company has entered into financing and credit agreements with major correspondent banks to provide support for the Company's obligations related to commercial bills.

The financial liabilities and off-balance sheet guarantee items held by the Company are analyzed by the maturity of the remaining undiscounted contractual cash flows as follows (in RMB):

Item	Ending balance			
	Within 1 year	1-5 years	Over 5 years	Total
Notes payable	134,784,219.75	-	-	134,784,219.75
Accounts payable	225,414,642.83	-	-	225,414,642.83
Other payables	45,821,035.19	-	-	45,821,035.19
Non-current liabilities due within one year	22,822,648.87	-	-	22,822,648.87
Other current liabilities	10,022,833.77	-	-	10,022,833.77

Lease liabilities	-	35,667,036.05	-	35,667,036.05
Long-term loan	-	7,246,091.36	-	7,246,091.36
Total	438,865,380.41	42,913,127.41	-	481,778,507.82

Continued:

Item	Beginning 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

#### 4. Capital management

The objective of the Company's capital management policy is to ensure the Company's sustainable operation, thereby providing returns to shareholders and benefiting other stakeholders, while maintaining an optimal capital structure to minimize the cost of capital. To maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors the capital structure based on the asset liability ratio (that is, total liabilities divided by total assets). As of December 31, 2024, the Company's asset liability ratio was 15.86% (December 31, 2023: 16.13%).

### XIII. Disclosure of Fair Value

#### 1. Ending fair value of assets and liabilities measured at fair value

Unit: RMB

Item	Fair value at the end of the period			
	First level fair value measurement	Second level fair value measurement	Third level fair value measurement	Total
I. Continuous fair value measurement	--	--	--	--
(I) Trading financial assets		491,331,815.79		491,331,815.79
1. Financial assets measured at fair value and whose changes are included in the current profits and losses		491,331,815.79		491,331,815.79
(1) Debt instrument investment		491,331,815.79		491,331,815.79
II. Continuous fair value measurement	--	--	--	--

## 2. 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.

## 3. Fair value of financial assets and liabilities not measured at fair value

Financial assets and liabilities measured at the amortized cost of the Company mainly include: monetary funds, notes receivable, accounts receivable, other receivables, notes payable, accounts payable, other payables, etc. The book values of the Company's financial assets and financial liabilities that are not measured at fair value are not materially different from their fair values.

## 4. 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
Silk ID Systems Inc.	Joint venture
Xiamen Xingniu Yunyu Venture Capital Partnership Enterprise (Limited Partnership)	Joint venture

Other explanations:

1. Xinhuaxin (Xi'an) Information Technology Co., Ltd. completed its industrial and commercial deregistration on August 21, 2024.

2. Due to changes in market demand, the shareholders' meeting of Silk ID Systems Inc. has decided to liquidate and deregister the Company. The Company completed its investment registration deregistration with the Bureau of Commerce in China in May 2024.

3. The subsidiary Shenzhen Zhongjiang Intelligent Technology Co., Ltd. has entered into compulsory liquidation due to poor business performance and was taken over by the liquidation group in April 2024. Shenzhen Zhongjiang Intelligent Technology Co., Ltd. holds a 38.75% equity stake in its associate Guizhou Zhongjiang Intelligent Technology Co., Ltd.

#### 4. Conditions of other affiliated parties

Names of other related parties	Relationship between other related parties and the enterprise
PSD SECURITY, S.L.	An enterprise controlled by the minority shareholder Fernando Ducay Real of subsidiary ZKTECO EUROPE SL; Fernando Ducay Real held a 25.2225% stake in Shenzhen JYLX Consulting Enterprise (limited Partnership), which in turn held 1.84% of the Company's shares as of December 31, 2024.
Sibolan (Xiamen) Life Science and Technology Co., Ltd.	A company controlled by the actual controller
Che Quanzhong	Younger brother of Chairman Che Quanhong
Shenzhen Huijiang Industrial Group Co., Ltd.	A shareholder holding 49.00% equity in subsidiary Shenzhen Zhongjiang Intelligent Technology Co., Ltd.
Shenzhen Zhongjiang Intelligent Technology Co., Ltd.	Subsidiaries in the process of compulsory liquidation
Wu Xinke	Former supervisor
Wu Xiongxiang	Supervisor of the controlling shareholder ZKTeco Times
Yang Xianfeng	Supervisor

Other explanations:

The Company acquired all the minority shareholders' equity of subsidiary ZK SOFTWARE DE MEXICO, S.A. DE C.V. in August 2023. TVCENLINEA.COM SA DE CV was a company controlled by minority shareholders. According to the relevant provisions of the "Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange", from August 2023 to August 2024, TVCENLINEA.COM SA DE CV was still be considered as a related party of the listed company. During this period, the transactions between TVCENLINEA.COM SA DE CV and the listed company still constitute related party transactions. Therefore, the transactions between the Company and TVCENLINEA.COM SA DE CV from January to August 2024 constitute related party transactions.

#### 5. Related party transactions

##### (1) Related party transactions for purchasing and selling goods, providing and receiving labor services

Table of Purchasing Goods/Accepting Labor Services

Unit: RMB

Related party	Content of related party transaction	Amount incurred in the current period	Approved transaction limit	Does it exceed the transaction limit	Amount incurred in the previous period
TVCENLINEA.COM SA DE CV	Purchasing goods	2,093,526.92	3,500,000.00	No	2,666,620.76
PSD SECURITY, S.L.	Purchasing goods	0.00	10,000.00	No	9,065.71
ZKTECO SMART CITY (THAILAND) CO., LTD.	Purchasing goods	107,587.16	0.00	Yes	109,591.55
Xinhuaxin (Xi'an) Information Technology Co., Ltd.	Service fee	0.00	0.00	No	1,240,186.51
PT. ZKTECO SECURITY INDONESIA	Marketing expenses	451,840.72	0.00	Yes	511,976.96

Selling goods/rendering labor service

Unit: RMB

Related party	Content of related party transaction	Amount incurred in the current period	Amount incurred in the previous period
Xinhuaxin (Xi'an) Information Technology Co., Ltd.	Selling goods	0.00	24,333.04
PT. ZKTECO SECURITY INDONESIA	Selling goods	1,900,109.71	1,316,828.08
ZKTECO SMART CITY (THAILAND) CO., LTD.	Selling goods	1,046,058.61	1,964,067.81
TVCENLINEA.COM SA DE CV	Selling goods	54,000,420.58	69,479,326.72
PSD SECURITY, S.L.	Selling goods	3,456,201.63	3,505,729.15
ZKTECO SOLUTIONS INC.	Selling goods	11,344,309.84	7,940,059.21
Silk ID Systems Inc.	Selling goods	47,378.56	0.00

Explanations on related party transactions for purchasing and selling goods, providing and receiving labor services

Note 1: 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 2024 were based on the normal production and operation needs of the Company. The related party transactions comply with the principles of fairness, openness, and impartiality, and there is a certain difference between the actual amount incurred and the expected amount. This is mainly due to the Company's appropriate adjustments based on business conditions, and there is no situation that damages the Company and shareholders' rights and interests, which will not affect the independence of the Company.

## (2) Related entrusted management/contracting and entrusted management/outsourcing situation

Table of entrusted management/contracting situation of the Company:

Unit: RMB

Name of Principal/	Name of Trustee/Contractor	Type of Entrusted/Contra	Start Date of Entrusting/	Termination Date of	Pricing Basis for Custody	Custody Income/ Contracting
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Outsourcer		cted Assets	Contracting	Entrusting/Contracting	Income/Contracting Income	Income Recognized in Current Period
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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
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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	190,872.39	278,516.50
Sibolan (Xiamen) Life Science and Technology Co., Ltd.	Houses and buildings	1,834.86	0.00

The Company as lessee:

Unit: RMB

Name of lessor	Types of leased assets	Simplified rental fees for short-term leases and low value asset leases (if applicable)		Variable lease payments not included in the measurement of lease liabilities (if applicable)		Rent paid		Interest 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	106,089.40				762,372.46	1,282,566.12	12,249.36	71,065.13	2,481,817.75	2,481,817.75
Xinhuaxin (Xi'an) Information Technology Co., Ltd.	Houses and buildings	22,935.78				25,000.00	168,256.20		2,461.24		189,265.21

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
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As the guarantor, the Company

Unit: RMB

Guarantor	Guarantee amount	Guarantee start date	Guarantee expiration date	Has the guarantee been fulfilled
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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				

**(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
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**(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	6,722,979.73	7,509,402.60

**(8) Other related party transactions**

On August 16, 2024, the Company released an announcement titled "Announcement of ZKTECO CO., LTD. on Establishing Ecological Innovation Fund and Related Party Transactions through Cooperation with Professional Investment Institutions" based on the latest investment situation. The Company has contributed RMB 24 million, and Mr. Che Quanhong, a related party, has contributed RMB 6 million. The total contribution to the fund amounts to RMB 120 million. As of December 31, 2024, 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	6,058,310.39	781,857.75	4,972,664.59	499,062.11
Accounts receivable	ZKTECO SMART CITY (THAILAND)CO., LTD.	1,301,360.13	65,713.17	1,377,973.61	68,898.68
Accounts receivable	ZKTECO SOLUTIONS INC.	19,486,553.08	1,051,921.51	15,485,450.49	859,347.75
Accounts receivable	Guizhou Zhongjiang Intelligent Technology Co., Ltd.			334,800.21	334,800.21
Accounts receivable	PSD SECURITY,S.L.	1,406,173.58	70,308.68	1,196,725.73	59,836.29
Other receivables	Che Quanhong	767,631.62		131,771.27	
Other receivables	Guizhou Zhongjiang Intelligent Technology Co., Ltd.			397,428.70	397,428.70
Other receivables	Xinhuaxin (Xi'an) Information Technology Co., Ltd.			31,395.00	
Other receivables	Yang Xianfeng	27,771.62		28,208.34	

### (2) Accounts payable

Unit: RMB

Project Name	Related party	Closing book balance	Opening book balance
Accounts payable	ZKTECO SMART CITY (THAILAND)CO.,LTD.	1,709.19	26,708.72
Other payables	PSD SECURITY,S.L.		8,079.96
Other payables	Shenzhen Huijiang Industrial Group Co., Ltd.		1,800,000.00
Other payables	Wu Xinke		61,071.16
Other payables	Wu Xiongxiang		62,109.13
Other payables	PT. ZKTECO SECURITY INDONESIA	87,475.64	
Contract liabilities	CV Squared,Inc.	1,275,140.00	1,275,140.00
Contract liabilities	Silk ID Systems Inc.		53,387.06

## 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)			1,632,817.00	22,320,608.39	1,632,817.00	22,320,608.39	298,044.00	4,074,261.48
<b>Total</b>			1,632,817.00	22,320,608.39	1,632,817.00	22,320,608.39	298,044.00	4,074,261.48

Outstanding stock options or other equity instruments at the end of the period

 Applicable  Not applicable

Grant object category	Outstanding stock options at the period end		Outstanding other equity instruments at the period end	
	Range of exercise price	Remaining term of the contract	Range of exercise price	Remaining term of the contract
Directors, senior managers, middle managers and core technology (business) backbone employees of the Company (including branches and subsidiaries)	The grant price of the Company's outstanding Class II restricted shares granted for the first time and reserved in 2022 is RMB 13.67 per share (adjusted).	The Company's outstanding Class II restricted shares granted for the first time in 2022 have all been fully vested. According to the Company's outstanding share option contracts for the reserved grants in 2022, all the		

		restricted shares that had been granted but not yet vested during the second vesting period were cancelled due to the unfulfilled vesting conditions of the second vesting period. As of the end of the period, there were no outstanding share options.		
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Other explanations:

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". On November 16, 2022, the Company held the 21st Session of the Second Board Meeting and the 15th Session of the Second Supervisory Board Meeting, 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 number of incentive objects for the first grant under the incentive plan was adjusted from 525 to 508, and the number of restricted shares to be granted was adjusted from 2,689,972 shares to 2,655,900 shares. The grant price was set at RMB 18.70 per share. The grant objects included directors, senior managers, and core technical (business) personnel (excluding independent directors and supervisors) who were employed by the Company (including its branches and subsidiaries) at the time of the announcement of the incentive plan.

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". 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.

On November 21, 2024, the Company held the 13th Session of the Third Board Meeting and the 12th Session of the Third Supervisory Board Meeting, and deliberated and approved the "Proposal on the Achievement of the Attribution Conditions for the Second Attribution Period of the 2022 Restricted Share Incentive Plan", the "Proposal on Adjusting the Granting Price of 2022 Restricted Share Incentive Plan", and the "Proposal on Cancelling Some Granted but Not Affiliated Restricted Shares". In light of the Company's announcement of implementing the 2023 annual equity distribution, the grant price of restricted shares has been adjusted from RMB 14.12 per share to RMB 13.67 per share. To handle the attribution related matters for 436 eligible incentive objects, 1,557,855 restricted shares can be attributed.

Given that 30 of the objects of the initial grant have resigned and no longer meet the qualifications of incentive objects, the 79,430 restricted shares they have been granted but have not yet vested shall not be vested and shall be invalidated by the Company. In the 2023 individual-level performance assessment, the assessment results for 10 incentive objects were "D - Unqualified". As a result, the total of 17,550 restricted shares corresponding to them for that year were all not eligible for vesting and were invalidated by the Company. Three of the incentive objects voluntarily gave up all the restricted share rights granted by the Company due to personal reasons. The 2,990 restricted shares that have been granted but have not yet vested shall not be vested and shall be invalidated by the Company.

On December 31, 2024, the Company held the 14th Session of the Third Board Meeting and the 13th Session of the Third Supervisory Board Meeting, and deliberated and approved the "Proposal on Adjusting the Names of the Incentive Objects for the Reserved Grant Portion of the 2022 Restricted Share Incentive Plan", 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 Reserved Grant in the 2022 Restricted Share Incentive Plan". The Company processed the vesting-related matters for 26 eligible incentive objects, with a total of 74,962 restricted shares eligible for vesting. The Board of Supervisors conducted a verification of the list of attributions and issued verification opinions.

Given that 3 of the objects of the reserved grant in the Incentive Plan have resigned and no longer meet the qualifications of incentive objects, the 14,300 restricted shares they have been granted but have not yet vested shall not be vested and shall be invalidated by the Company. In the 2023 individual-level performance assessment, the assessment results for two incentive objects were "D - Unqualified". As a result, the total of 5,525 restricted shares corresponding to them for that year were all not eligible for vesting and were invalidated by the Company. Fifteen of the incentive objects voluntarily gave up some restricted share rights granted by the Company due to personal reasons. The 48,879 restricted shares that have been granted but have not yet vested shall not be vested and shall be invalidated by the Company.

On April 21, 2025, the Company held the 17th Session of the Third Board Meeting and the 16th Session of the Third Supervisory Board Meeting, and deliberated and approved the "Proposal on the Failure to Meet the Attribution Conditions for the Second Attribution Period of the Reserved Grant in the 2022 Restricted Share Incentive Plan and Cancellation of Granted but Not Affiliated Restricted Shares", agreeing to invalidate a total of 129,370 shares of Class II restricted shares that had been granted but not yet vested.

In conclusion, a total of 298,044 restricted shares have been invalidated as mentioned above.

## 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
Important parameters of the fair value of equity instruments on the grant date	-
Basis for Determining the Number of Exercisable Equity Instruments	On each balance sheet date during the waiting period, the Company predicts based on the latest number of exercisable rights, completion of performance indicators, personal assessment status, and other subsequent information
Reasons for significant differences between the current estimate and the previous estimate	None
Accumulated amount of equity settled share-based payments recognized in capital reserve	53,130,548.33
The total amount of expenses recognized for equity settled share-based payments in this period	11,211,302.24

Other explanations:

**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 managers and core technology (business) backbone employees of the Company (including branches and subsidiaries)	11,211,302.24	
Total	11,211,302.24	

Other explanations:

**5. Modification and termination of share-based payment**

In light of the Company's announcement of the implementation of the 2022 and 2023 annual equity distributions, corresponding adjustments are made to the grant price and quantity of the restricted shares under the 2022 Restricted Share Incentive Plan. The initial and reserved grant prices were adjusted from RMB 18.70 per share to RMB 13.67 per share.

**6. Others**

None

**XVI. Commitments and Contingencies****1. Significant commitments**

Significant commitments on the balance sheet date

The Company, professional investment institutions, and related parties registered and established ecological innovation fund Xiamen Xingniu Yunyu Venture Capital Partnership Enterprise (Limited Partnership) in August 2023. The Company, as a limited partner, contributes RMB 48 million of its own funds, with a subscribed capital ratio of 40%. According to the partnership agreement, the fund will make its capital contribution in two installments, unless the executive partner decides otherwise. In principle, each installment of the capital contribution shall be fifty percent (50%) of the committed capital contribution. If the first installment of the capital contribution is actually used up by more than fifty percent (including this number), the general partner has the right to require each partner to make the second installment of the capital contribution.

The Company made a paid-in capital contribution of RMB 24 million in September 2023. As of December 31, 2024, there is still RMB 24 million to be injected upon the fulfillment of certain conditions.

Apart from the matters mentioned above, as of the balance sheet date, the Company has no other significant commitment matters that need to be disclosed.

## 2. Contingencies

### (1) Significant contingencies on the balance sheet date

None

### (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

None

## XVII. Events after the Balance Sheet Date

### 1. Important non adjustment matters

On February 11, 2025, the Company held the first extraordinary general meeting of 2025, and deliberated and approved the "Proposal on the Company's Restricted Share Incentive Plan 2025 (Draft) and its Abstract", the "Proposal on the Company's Restricted Share Incentive Plan Implementation Assessment Management Measures 2025", and the "Proposal on Submitting to the Shareholders' Meeting to Authorize the Board of Directors to Handle Matters Related to the 2025 Restricted Share Incentive Plan". This incentive plan intends to grant 2,144,570 restricted shares to 359 incentive objects, which accounts for approximately 1.09% of the Company's total share capital at the time of the announcement of the draft incentive plan. The grant price of restricted shares is RMB 13.25 per share.

### 2. Profit distribution

Proposed distribution of dividends per 10 shares (RMB)	5
Proposed distribution of bonus shares per 10 shares (share)	0
Proposed distribution of additional shares converted from capital reserves per 10 shares (share)	2
Profit distribution plan	<p>The Company plans to distribute cash dividends of RMB 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. At the same time, capital reserve will be used to increase share capital, with a bonus of 2 shares for every 10 shares to all shareholders, and no bonus shares will be distributed. The latest total share capital of the Company is 196,312,325 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 2024 is RMB 97,041,162.50 (including tax). The share capital increased by 38,816,465 shares.</p> <p>The proposal still needs to be reviewed and approved by the Board of Shareholders. If there is any change in the total share capital of the Company or the number of shares in the repurchase account from the date of approval of this profit distribution plan to the date of equity registration for the implementation of the rights distribution, the Company will</p>

	adjust the total amount of distribution and the total amount of capital increase based on the total share capital on the equity registration date for the implementation of the distribution plan, excluding the shares already repurchased in the repurchase account, while maintaining the principle that the cash dividend per share and the ratio of capital increase remain unchanged.
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**3. Sales return**

None

**4. Explanations on other events after the balance sheet date**

None

**XVIII. Other Important Events****1. Other important transactions and matters that have an impact on investors' decisions**

None

**2. Others**

None

**XIX. Notes to Main Items in the Financial Statements of the Parent Company****1. Accounts receivable****(1) Disclosure by aging**

Unit: RMB

Aging	Closing book balance	Opening book balance
Within 1 year (including 1 year)	471,787,442.13	561,799,833.99
1-2 years	35,016,611.18	119,294,578.24
2-3 years	19,976,746.03	2,319,840.33
Over 3 years	3,550,379.93	2,226,726.86
3-4 years	1,814,634.08	919,305.45
4-5 years	631,687.17	59,185.72
Over 5 years	1,104,058.68	1,248,235.69
Total	530,331,179.27	685,640,979.42

**(2) Disclosure by bad debt accrual method**

Unit: RMB

Category	Ending Balance			Beginning Balance		
	Book balance	Bad debt reserve	Book	Book balance	Bad debt reserve	Book

	Amount	Proportion	Amount	Accrual proportion	value	Amount	Proportion	Amount	Accrual proportion	value
Accounts receivable with individual provision for bad debts	4,702,784.12	0.89%	4,702,784.12	100.00%	0.00	5,262,403.88	0.77%	4,246,403.88	80.69%	1,016,000.00
Including:										
Accounts receivable with insignificant single amount and bad debt reserve withdrawn separately	4,702,784.12	0.89%	4,702,784.12	100.00%	0.00	5,262,403.88	0.77%	4,246,403.88	80.69%	1,016,000.00
Receivable with combined provision for bad debt reserve	525,628,395.15	99.11%	9,191,334.34	1.75%	516,437,060.81	680,378,575.54	99.23%	6,625,955.69	0.97%	673,752,619.85
Including:										
Related party portfolio	390,141,325.00	73.56%		0.00%	390,141,325.00	566,000,672.05	82.55%			566,000,672.05
Aging portfolio	135,487,070.15	25.55%	9,191,334.34	6.78%	126,295,735.81	114,377,903.49	16.68%	6,625,955.69	5.79%	107,751,947.80
Total	530,331,179.27	100.00%	13,894,118.46	2.62%	516,437,060.81	685,640,979.42	100.00%	10,872,359.57	1.59%	674,768,619.85

Bad debt reserve made individually: 4,702,784.12

Unit: RMB

Name	Beginning Balance		Ending Balance			
	Book balance	Bad debt reserve	Book balance	Bad debt reserve	Accrual proportion	Reasons for provision
Hainan Jialing Digital Technology Co., Ltd.	2,032,000.00	1,016,000.00	2,032,000.00	2,032,000.00	100.00%	Expected non-recoverable
Noble IT Solutions Co., Ltd	415,485.70	415,485.70	421,686.28	421,686.28	100.00%	Expected non-recoverable
Zicom Electronic Securit	371,452.20	371,452.20	376,995.64	376,995.64	100.00%	Expected non-recoverable
Shenzhen Xuhui Information Technology Co., Ltd.	326,350.00	326,350.00	270,358.32	270,358.32	100.00%	Expected non-recoverable

Shanghai Leqi Automation Technology Co., Ltd.	521,950.00	521,950.00	261,950.00	261,950.00	100.00%	Expected non-recoverable
Gansu Fourth Construction Group Co., Ltd.	224,676.00	224,676.00	224,676.00	224,676.00	100.00%	Expected non-recoverable
VENDEMMIA COMERCIO INTERNACIONAL LTDA	201,017.79	201,017.79	204,017.72	204,017.72	100.00%	Expected non-recoverable
Wanqiao Information Technology Co., Ltd.	165,900.00	165,900.00	165,900.00	165,900.00	100.00%	Expected non-recoverable
Tianjin Eagle Eye Biotechnology Co., Ltd.	178,130.00	178,130.00	162,281.00	162,281.00	100.00%	Expected non-recoverable
Baoneng Urban Development and Construction Group Co., Ltd.	155,292.00	155,292.00	155,292.00	155,292.00	100.00%	Expected non-recoverable
PONTO RHJ EIRELI - ME	100,061.62	100,061.62	101,554.91	101,554.91	100.00%	Expected non-recoverable
Hainan Zhongkong IOT Technology Co., Ltd.	176,689.00	176,689.00	98,773.74	98,773.74	100.00%	Expected non-recoverable
INTELLISMA RT TECHNOLOGY INC.	74,495.84	74,495.84	75,607.59	75,607.59	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
KWK CELLPHONE AND ACCESSORIES	37,505.80	37,505.80	38,065.52	38,065.52	100.00%	Expected non-recoverable
ELECTRONICA GHANA LIMITED	22,911.47	22,911.47	23,253.40	23,253.40	100.00%	Expected non-recoverable
Nanjing Xianji Technology Co., Ltd.	15,570.00	15,570.00	15,570.00	15,570.00	100.00%	Expected non-recoverable
Guizhou Zhongjiang Intelligent Technology Co., Ltd.	77,919.46	77,919.46				
Dongguan	53,703.00	53,703.00				

Yukong Security Technology Co., Ltd.						
Iss Facility Services (Shanghai) Ltd.	28,152.00	28,152.00				
Gansu Liujiaxia Construction and Installation Engineering Co., Ltd. Linxia Branch	6,490.00	6,490.00				
Guangdong Pinjun Express Co., Ltd.	1,980.00	1,980.00				
Others			130.00	130.00	100.00%	Expected non-recoverable
Subtotal	5,262,403.88	4,246,403.88	4,702,784.12	4,702,784.12		
<b>Total</b>	<b>5,262,403.88</b>	<b>4,246,403.88</b>	<b>4,702,784.12</b>	<b>4,702,784.12</b>		

Bad debt reserve made by portfolio: 9,191,334.34

Unit: RMB

Name	Ending Balance		
	Book balance	Bad debt reserve	Accrual proportion
Related party portfolio	390,141,325.00		0.00%
Aging portfolio	135,487,070.15	9,191,334.34	6.78%
<b>Total</b>	<b>525,628,395.15</b>	<b>9,191,334.34</b>	

Explanations on the basis for determining the portfolio:

Provision for bad debts by combination: 9,191,334.34

Unit: RMB

Name	Ending Balance		
	Book balance	Bad debt reserve	Accrual proportion
Within 1 year (including 1 year)	119,265,784.62	5,963,289.33	5.00%
1-2 years	11,270,743.68	1,127,074.37	10.00%
2-3 years	4,070,816.04	1,221,244.83	30.00%
Over 3 years	879,725.81	879,725.81	100.00%
<b>Total</b>	<b>135,487,070.15</b>	<b>9,191,334.34</b>	

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	
Withdrawing bad debt reserves by individual item	4,246,403.88	1,742,158.45	409,755.94	876,022.27	0.00	4,702,784.12
Bad debt reserve withdrawn by portfolio	6,625,955.69	2,565,378.65	0.00	0.00	0.00	9,191,334.34
<b>Total</b>	<b>10,872,359.57</b>	<b>4,307,537.10</b>	<b>409,755.94</b>	<b>876,022.27</b>	<b>0.00</b>	<b>13,894,118.46</b>

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	876,022.27

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

No. 1	221,918,570.69		221,918,570.69	41.82%	
No. 2	36,988,067.78		36,988,067.78	6.97%	
No. 3	29,693,621.10		29,693,621.10	5.60%	
No. 4	20,423,717.79		20,423,717.79	3.85%	
No. 5	19,366,964.13		19,366,964.13	3.65%	1,045,942.06
<b>Total</b>	<b>328,390,941.49</b>		<b>328,390,941.49</b>	<b>61.89%</b>	<b>1,045,942.06</b>

## 2. Other receivables

Unit: RMB

Item	Ending Balance	Beginning Balance
Interest receivable	46,922.03	192,033.24
Other receivables	28,421,132.37	58,943,385.98
<b>Total</b>	<b>28,468,054.40</b>	<b>59,135,419.22</b>

### (1) Interest receivable

#### 1) Classification of interest receivable

Unit: RMB

Item	Ending Balance	Beginning Balance
Interest on related party loans	46,922.03	192,033.24
<b>Total</b>	<b>46,922.03</b>	<b>192,033.24</b>

#### 2) Significant overdue interest

Unit: RMB

Borrower	Ending Balance	Overdue time	Overdue reason	Whether impairment occurred and its judgment basis

Other explanations:

#### 3) Disclosure by bad debt accrual method

 Applicable  Not applicable

#### 4) Bad debt reserves withdrawn, recovered or reversed in the current period

Unit: RMB

Category	Beginning Balance	Current period change amount				Ending Balance
		Provision	Return or reversal	Write-off or cancellation	Other changes	

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

Unit: RMB

Company name	Accounts recovered or transferred back	Reason for reversal	Recovery method	The basis and rationality for

				determining the provision ratio of original bad debt reserves
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Other explanations:

### 5) Interests receivable actually written off in the current period

Unit: RMB

Item	Write-off amount
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Information on important interests receivable verification

Unit: RMB

Company name	Payment nature	Write-off amount	Write-off reason	Verification and cancellation programs that have been performed	Whether the payment is incurred due to related transactions
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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	15,954,593.23	55,874,629.32
Guarantee deposit	2,035,338.71	1,865,135.74
Reserve funds and loans	1,572,655.42	3,250,242.13
Collection and payment on behalf of others	2,180,706.91	1,863,217.32
Withholding and paying social security and provident fund on behalf of others	723,607.47	1,032,014.38
Export tax refund	5,921,725.86	3,537,610.99
Others	51,379.06	477,297.03
<b>Total</b>	<b>28,440,006.66</b>	<b>67,900,146.91</b>

#### 2) Disclosure by aging

Unit: RMB

Aging	Closing book balance	Opening book balance
Within 1 year (including 1 year)	16,527,198.43	41,743,089.72
1-2 years	920,284.48	13,945,238.29
2-3 years	8,880,717.85	715,606.32

Over 3 years	2,111,805.90	11,496,212.58
3-4 years	388,876.50	257,284.30
4-5 years	249,210.72	2,637,357.00
Over 5 years	1,473,718.68	8,601,571.28
<b>Total</b>	<b>28,440,006.66</b>	<b>67,900,146.91</b>

### 3) Disclosure by bad debt accrual method

Unit: RMB

Category	Ending Balance					Beginning Balance				
	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve		Book value
	Amount	Proportion	Amount	Accrual proportion		Amount	Proportion	Amount	Accrual proportion	
Withdrawing bad debt reserves by individual item	0.00	0.00%	0.00	0.00%	0.00	10,645,126.37	15.68%	8,884,636.88	83.46%	1,760,489.49
Including:										
Bad debt reserve withdrawn by portfolio	28,440,006.66	100.00%	18,874.29	0.07%	28,421,132.37	57,255,020.54	84.32%	72,124.05	0.13%	57,182,896.49
Including:										
Including: related party portfolio	15,577,107.52	54.77%			15,577,107.52	45,178,889.61	66.54%			45,178,889.61
Portfolio of deposits, security deposits, employee loans, export tax refunds, etc.	12,485,413.43	43.90%			12,485,413.43	11,640,649.93	17.14%			11,640,649.93
Aging portfolio	377,485.71	1.33%	18,874.29	5.00%	358,611.42	435,481.00	0.64%	72,124.05	16.56%	363,356.95
<b>Total</b>	<b>28,440,006.66</b>	<b>100.00%</b>	<b>18,874.29</b>	<b>0.07%</b>	<b>28,421,132.37</b>	<b>67,900,146.91</b>	<b>100.00%</b>	<b>8,956,760.93</b>	<b>13.19%</b>	<b>58,943,385.98</b>

Bad debt reserve made by portfolio: 18,874.29

Unit: RMB

Name	Ending Balance		
	Book balance	Bad debt reserve	Accrual proportion
Related party portfolio	15,577,107.52		
Portfolio of deposits, security deposits, employee loans, export tax refunds, etc.	12,485,413.43		
Aging portfolio	377,485.71	18,874.29	5.00%
<b>Total</b>	<b>28,440,006.66</b>	<b>18,874.29</b>	

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, 2024	19,124.05	53,000.00	8,884,636.88	8,956,760.93
Balance as of January 1, 2024 in the current period				
Provision in current period	-249.76	-53,000.00	3,631,540.71	3,578,290.95
Write-off in current period			12,516,177.59	12,516,177.59
Balance as of December 31, 2024	18,874.29			18,874.29

Classification basis and bad debt reserve provision ratio for each stage

Changes in book balance with major changes in loss reserves during the current period

Applicable  Not applicable

#### 4) Bad debt reserves withdrawn, recovered or reversed in the current period

Provision for bad debt reserves in current period:

Unit: RMB

Category	Beginning Balance	Current period change amount				Ending Balance
		Provision	Return or reversal	Write-off or cancellation	Others	
Withdrawing bad debt reserves by individual item	8,884,636.88	3,631,540.71		12,516,177.59		0.00
Bad debt reserve withdrawn by portfolio	72,124.05	-53,249.76		0.00		18,874.29
Total	8,956,760.93	3,578,290.95		12,516,177.59		18,874.29

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

Unit: RMB

Company name	Accounts recovered or transferred back	Reason for reversal	Recovery method	The basis and rationality for determining the provision ratio of

				original bad debt reserves
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### 5) Other accounts receivable actually written off in the current period

Unit: RMB

Item	Write-off amount
Other receivables actually written off	12,516,177.59

Other major receivable written off:

Unit: RMB

Company name	Nature of other accounts receivable	Write-off amount	Write-off reason	Verification and cancellation programs that have been performed	Whether the payment is incurred due to related transactions
Shenzhen Zhongan Intelligent Control Technology Co., Ltd.	Reserve funds and loans	6,052,062.77	Nonrecoverable	Bad debt write off process	No
Shenzhen Zhikongtaike Biometric Technology Co., Ltd.	Reserve funds and loans	2,500,000.00	Nonrecoverable	Bad debt write off process	No
Shenzhen Zhongjiang Intelligent Technology Co., Ltd.	Current account	1,941,963.89	Nonrecoverable	Bad debt write off process	Yes
ZKTeco Huayun (Xiamen) Integrated Circuit Co., Ltd.	Current account	1,600,000.00	Nonrecoverable	Bad debt write off process	Yes
Total		12,094,026.66			

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	6,580,000.00	2-3 years	23.14%	
No. 2	Export tax refund	5,921,725.86	Within 1 year	20.82%	
No. 3	Current account	5,199,133.48	Within 1 year	18.28%	
No. 4	Current account	1,780,000.00	2-3 years	6.26%	
No. 5	Current account	503,901.75	Over 3 years	1.77%	

Total		19,984,761.09		70.27%	
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### 7) Being reported as other receivables due to centralized fund management

Other explanations:

## 3. Long-term equity investment

Unit: RMB

Item	Ending Balance			Beginning Balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment in subsidiaries	1,336,607,464.41		1,336,607,464.41	1,249,046,481.87		1,249,046,481.87
Investment in affiliated and joint ventures	23,760,577.92		23,760,577.92	24,000,000.00		24,000,000.00
Total	1,360,368,042.33		1,360,368,042.33	1,273,046,481.87		1,273,046,481.87

### (1) Investment in subsidiaries

Unit: RMB

Investee	Beginning balance (book value)	Beginning balance of impairment provision	Increase or decrease in the current period				Ending balance (book value)	Ending balance of impairment provision
			Additional investment	Reduced investment	Impairment provision	Others		
Shenzhen ZKTeco Biometric Identification Technology Co., Ltd.	12,608,518.14						12,608,518.14	
Hangzhou ZKTeco Hanlian E-commerce Co., Ltd.	2,079,297.92		24,050.48				2,103,348.40	
ZKTECO CO., LIMITED	169,798,644.35		28,028,779.85	700,768.17			197,126,656.03	
XIAMEN ZKTECO CO., LTD.	105,554,987.20		1,520,325.49				107,075,312.69	
ZKTECO (GUANGDONG) CO., LTD	803,657,033.72		2,502,895.07				806,159,928.79	
ZKTeco Sales Co., Ltd.	21,173,920.26		349,435.18				21,523,355.44	
Xiamen Zkteco Biometric Identification	38,986,734.80						38,986,734.80	

Technology Co., Ltd.								
ZKCserv Technology Limited Co., Ltd.	510,000.00						510,000.00	
Dalian ZKTeo CO., Ltd.	4,008,987.32		223,919.58				4,232,906.90	
Xi'an ZKTeco Co., Ltd.	406,449.24		112,235.57				518,684.81	
Shenzhen Zhongjiang Intelligent Technology Co., Ltd.	5,100,000.00				5,100,000.00			
Hubei ZKTeco Co., Ltd.	3,516,219.44		1,886.32				3,518,105.76	
ZKTECO SG INVESTMENT PTE.LTD.	81,645,689.48		56,298,223.17				137,943,912.65	
ZKTeco Cloud Brain-Computer (Hangzhou) Technology Co., Ltd.			4,300,000.00				4,300,000.00	
<b>Total</b>	<b>1,249,046,481.87</b>		<b>93,361,750.71</b>		<b>5,800,768.17</b>		<b>1,336,607,464.41</b>	

## (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							
			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	Other
I. Joint ventures										
II. Joint venture										
1) Xiamen Xingniu Yunyu Venture Capital Partnership Enterprise (Limited Partnership)	24,000,000.00				- 239,422.08					
Subtotal	24,000,000.00				- 239,422.08					
Total	24,000,000.00				- 239,422.08					

The recoverable amount is determined based on the net amount after deducting disposal expenses from fair value

Applicable  Not applicable

The recoverable amount is determined based on the present value of expected future cash flows

Applicable  Not applicable

Reasons for significant discrepancies between the above information and the information or external information used in impairment tests of previous years

Reasons for significant discrepancies between the information used in the Company's impairment tests of previous year and the actual situation of that year

### (3) Other descriptions

In the current period, the Company increased its investment in its subsidiary ZKTECO CO., LIMITED by RMB 28,028,779.85, in its subsidiary ZKTECO SG INVESTMENT PTE. LTD. by RMB 56,298,223.17, and in its subsidiary ZKTeco Cloud Brain-Computer (Hangzhou) Technology Co., Ltd. by RMB 4,300,000.00. Additionally, it granted Class II restricted share equity incentives worth RMB 4,970,536.69 to the incentive objects of its subsidiaries. The Company reduced the capital of the subsidiary ZKTECO CO., LIMITED by RMB 700,768.17. Due to the takeover by the liquidation group, it lost control over Shenzhen Zhongjiang Intelligent Technology Co., Ltd., and reduced the long-term equity investment by RMB 5,100,000.00.

### 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	1,331,085,325.63	1,020,838,497.53	1,432,704,035.86	1,039,693,858.09
Other businesses	12,818,559.01	10,164,768.69	1,332,035.05	0.00
Total	1,343,903,884.64	1,031,003,266.22	1,434,036,070.91	1,039,693,858.09

Breakdown information of operating revenue and operating costs:

Unit: RMB

Contract classification	Division 1		Division 2		Total			
	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost
Business type								
Including:								
Smart office products					104,325,360.74	80,029,715.05	104,325,360.74	80,029,715.05
Smart space products					1,062,500,049.41	795,473,007.29	1,062,500,049.41	795,473,007.29
Digital identity authentication products					101,859,515.91	94,206,879.28	101,859,515.91	94,206,879.28
Smart business products					62,400,399.57	51,128,895.91	62,400,399.57	51,128,895.91
Others					12,818,559.01	10,164,768.69	12,818,559.01	10,164,768.69
Total					1,343,903,884.64	1,031,003,266.22	1,343,903,884.64	1,031,003,266.22
Classification								

by region of operation								
Including:								
Domestic sales					713,420,952.19	647,819,798.61	713,420,952.19	647,819,798.61
Overseas sales					630,482,932.45	383,183,467.61	630,482,932.45	383,183,467.61
Total					1,343,903,884.64	1,031,003,266.22	1,343,903,884.64	1,031,003,266.22
Market or customer type								
Including:								
Distribution					314,918,396.81	189,333,431.06	314,918,396.81	189,333,431.06
Direct sales					1,016,166,928.82	831,505,066.47	1,016,166,928.82	831,505,066.47
Others					12,818,559.01	10,164,768.69	12,818,559.01	10,164,768.69
Type of contract								
Including:								
Classification by time of transfer of goods								
Including:								
Classification by contract term								
Including:								
Classification by sales channel								
Including:								
Total								

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 expected contract terms of the Company's revenue are all no more than one year. Therefore, the simplified practical approach allowed by the new revenue standard has been adopted, and the information on the remaining performance obligations has not been disclosed.

Information related to the transaction price allocated to the remaining performance obligations:

The corresponding income amount for performance obligations that have been signed but have not yet been fulfilled or completed at the end of this reporting period is RMB 0.00.

Significant contract changes or significant transaction price adjustments

Unit: RMB

Item	Accounting treatment method	Amount of impact on income
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Other explanations:

## 5. Investment income

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Income from long-term equity investment accounted with cost method	16,000,000.00	24,000,000.00
Long-term equity investment income accounted by equity method	-239,422.08	
Investment income during the holding of transactional financial assets	442,077.81	1,274,435.30
Gains from remeasuring the remaining equity at fair value after loss of control	-5,100,000.00	
Forward foreign exchange settlement and sales contract	68,155.00	-8,690,555.00
<b>Total</b>	<b>11,170,810.73</b>	<b>16,583,880.30</b>

## 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	-1,122,946.12	
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)	6,728,971.26	

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	16,131,575.37	Mainly due to investment income and fair value changes generated by financial products
Capital occupancy fees charged to non-financial enterprises included in current profits and losses	42,684.28	
Reversal of the provision on receivables with impairment test conducted on an individual basis	409,755.94	
Other non-operating income and expenses other than the above items	-715,235.85	Mainly due to the changes in non-payable amounts and material losses.
Less: income tax impact	2,042,311.18	
Minority interest impact (after tax)	1,669,795.07	
<b>Total</b>	<b>17,762,698.63</b>	<b>--</b>

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	5.60%	0.9496	0.9496
Net profit attributable to common shareholders of the Company after deducting non-recurring profits and losses	5.06%	0.8574	0.8574

## 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

**4. Others**

None