

ZKTECO CO., LTD.

2023 Half Year Report

Announcement No.: 2023-062

August 2023

Section I Important Notes, Contents and Definitions

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

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

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

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

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

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Documents Available for Inspection

- I. The original text of the 2023 Half Year Report signed by the Company's legal representative and stamped by the Company;
- II. Financial statements affixed with official stamps and the signatures of the Company's legal representative, the person in charge of the accounting work and the person in charge of accounting institution (accounting supervisor) of the Company.
- III. All original copies of the Company's documents and the original drafts of the Company's announcements as disclosed on websites designated by the CSRC during the reporting period.

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

Definitions

Terms	Refers to	Definitions
Company, our Company, joint-stock company, ZKTECO	Refers to	ZKTECO CO., LTD.
ZKTeco Times	Refers to	Shenzhen ZKTeco Times Investment Co., Ltd., a controlling shareholder of the Company
LX Investment	Refers to	Dongguan LX Investment Partnership (Limited Partnership), a shareholder of the Company
JYLY	Refers to	Shenzhen JYLY Consulting Enterprise (Limited Partnership), a shareholder of the Company
Yiwu Walden	Refers to	Yiwu Walden Yuanjing Venture Capital Center (Limited Partnership), a shareholder of the Company
Qingdao Walden	Refers to	Qingdao Walden Zhongxiang Equity Investment Center (Limited Partnership), a shareholder of the Company
Guangdong Zkteco	Refers to	ZKTECO (GUANGDONG) CO., LTD, a wholly-owned subsidiary of the Company
Shenzhen ZKTeco	Refers to	Shenzhen ZKTeco Biometric Identification Technology Co., Ltd., a wholly-owned subsidiary of the Company
ZKCserv	Refers to	ZKCserv Technology Limited Co., Ltd., a company holding 51% equity of the Company
Shenzhen Zhongjiang	Refers to	Shenzhen Zhongjiang Intelligent Technology Co., Ltd., a company holding 51% equity of the Company
XIAMEN ZKTECO	Refers to	XIAMEN ZKTECO CO., LTD., a wholly-owned subsidiary of the Company
Xingniu Fund	Refers to	Hefei Xingniu Private Equity Fund Management Co., Ltd.
Zhongan Intelligent Control	Refers to	Shenzhen Zhongan Intelligent Control Technology Co., Ltd., previously a controlling subsidiary of the Company, with its equity in the Company transferred in 2019
Zokon Industry	Refers to	Shenzhen Zokon Industry Development Co., Ltd.
Ministry of Public Security	Refers to	Ministry of Public Security of the PRC
MIIT	Refers to	Ministry of Industry and Information Technology of the People's Republic of China
Company Law	Refers to	Company Law of the People's Republic of China
Securities Law	Refers to	Securities Law of the People's Republic of China
Articles of Association	Refers to	Articles of Association of ZKTECO CO., LTD.
A shares	Refers to	RMB denominated ordinary shares
RMB, RMB '0,000	Refers to	RMB, RMB '0,000
Reporting Period	Refers to	January-June 2023
End of Reporting Period	Refers to	June 30, 2023
CV	Refers to	Computer Vision
BioCV	Refers to	Biometrics & Computer Vision
Biometrics	Refers to	A computer technology that utilizes the analysis of human biological characteristics to distinguish biological organisms. It is used for personal identification by a close combination of computer technology with high-tech methods such as optics, acoustics, biosensors, and biostatistics, and utilizing the inherent physiological characteristics of the human body (fingerprints, facial features, palm veins, iris, etc.) or behavioral characteristics (sound, gait, etc.)
Computer Vision	Refers to	Used to simulate biological vision using cameras, computers, and related equipment; simulate human visual abilities, capture and process three-dimensional information of the scene by using optical systems and image

		processing tools, understand and command specific devices to execute decisions
RF, RFID	Refers to	Radio Frequency Identification (RFID), a wireless communication technology that can identify specific targets and read and write relevant data through radio signals without establishing mechanical or optical contact between the identification system and specific targets
Internet of Things/IoT	Refers to	Used to connect any object to the network by using information sensing devices and following agreed protocols. The object exchanges and communicates information through information dissemination media to achieve intelligent recognition, positioning, tracking, supervision, and other functions
GA/T 1012-2019 Technical Specifications for Fingerprint Acquisition and Comparison of Resident Identity Card	Refers to	The national standard for resident identity cards issued by the Ministry of Public Security in 2019, stipulating the requirements for fingerprint collection and comparison of resident identity cards, as well as the technical indicators and testing methods of fingerprint algorithms
GA450-2013 General Technical Requirements for Desktop Readers of the Resident ID Card	Refers to	The national standard for general technical requirements of ID card readers issued by the Ministry of Public Security in 2013, stipulating the technical requirements, test methods, inspection rules, marking, packaging, transportation and storage of desktop ID card readers
GA/T1011-2012 General Technical Requirements for Fingerprint Capture Device of the Resident ID Card	Refers to	The national standard for General Technical Requirements for Fingerprint Capture Device of the Resident ID Card issued by the Ministry of Public Security in 2012, stipulating the technical requirements, test methods, inspection rules, marking, packaging, transportation and storage of ID card fingerprint capture devices
2nd-Generation ID Card, Resident ID Card	Refers to	2nd-Generation Resident ID Card
SMED	Refers to	Single Minute Exchange of Die, a process improvement method that minimizes the product die exchange time, production startup time, or adjustment time of the die. It can significantly shorten the time required for machine installation and die exchange setting
Middleware	Refers to	A type of software that lies between application systems and system software. It uses the basic services and functions provided by system software to connect various parts or different applications of application systems on the network, achieving the goal of resource and function sharing
SaaS	Refers to	Software as a Service, a software application model that provides software services through the Internet
CTID	Refers to	Cyber Trusted Identity, an authoritative network identity certificate issued to individuals by the "Internet+" trusted identity authentication platform (CTID Platform)
ZigBee	Refers to	A wireless network protocol for low speed short distance transmission
IP65	Refers to	A protection level for electrical equipment casings against foreign object intrusion, which can completely prevent dust from entering and wash with water without any harm
PUSH	Refers to	The active push technology on the server side, enabling the timely transmission of data updates, which is characterized by high efficiency and low terminal energy consumption
MRP	Refers to	Material Requirement Planning, the process in which a production enterprise gradually derives the production and procurement plans for the components, raw materials, and other materials required for the production of the main product based on the production plan, the structure of the main product, and the inventory situation
SAM	Refers to	Secure Access Module, a module used for encrypting and decrypting identity card information
ISO14001	Refers to	International standards for environmental management systems developed by the International Organization for Standardization (ISO)
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
CNC	Refers to	Computer Numerical Control Machine Tools, an automated machine tool equipped with a program control system
AI	Refers to	Artificial Intelligence
AIoT	Refers to	The Artificial Intelligence of Things
IoT	Refers to	Internet of Things
NB-IOT	Refers to	Narrow Band Internet of Things, NB-IoT
Rebate	Refers to	The rebate the Company provides to dealers based on the rebate policy and the completion of dealer performance
SDK	Refers to	Software Development Kit
OCR	Refers to	Optical character recognition, the process of electronic devices (such as scanners or digital cameras) using image processing and pattern recognition techniques to examine characters on images, bills, or certificates and translate them into computer text
AIGC	Refers to	AIGC (Artificial Intelligence Generated Content) refers to a technology that generates text, images, audio, video, and other contents through learning existing data based on deep learning and other methods

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

Section II Company Profile and Key Financial Indicators

I. Company Information

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

II. Contacts and Contact Information

	Board Secretary	Representative of Securities Affairs
Name	Guo Yanbo	Wang Jia
Contact address	No.32, Pingshan Industrial Road, Tangxia Town, Dongguan, Guangdong, China	No.32, Pingshan Industrial Road, Tangxia Town, Dongguan, Guangdong, China
Tel.	0769-82618868	0769-82618868
Fax	0769-82618848	0769-82618848
E-mail	ir@zkteco.com	ir@zkteco.com

III. Other Information

1. Company's Contact Information

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

Applicable Not applicable

The registered address, office address, postal code, website, email address, etc. of the Company have not changed during the reporting period, as detailed in the 2022 Annual Report.

2. Information Disclosure and Place of the Report

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

Applicable Not applicable

The website and media name and website of the stock exchange where the Company disclosed its Half Year Report. The filing location of the Company's Half Year Report remains unchanged during the reporting period, as detailed in the 2022 Annual Report.

3. Registration Change

Whether the registration changed during the reporting period?

Applicable Not applicable

The Company's registration remained unchanged during the reporting period, as detailed in the 2022 Annual Report.

4. Other Relevant Information

Whether other relevant information changed during the reporting period?

Applicable Not applicable

During the reporting period, due to the implementation of the 2022 annual equity distribution, the registered capital of the Company was changed from RMB 148,492,051 to RMB 193,039,666, as detailed in the "Announcement on Completing Industrial and Commercial Change Registration" (Announcement No. 2023-060) disclosed by the Company on June 30, 2023.

IV. Main Accounting Data and Financial Indicators

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

Yes No

Reasons for retroactive adjustment or restatement of the previous accounting data

Accounting policy change

	Current reporting period	The same period last year		YoY change during the reporting period
		Before adjustment	After adjustment	After adjustment
Operating revenue (RMB)	937,182,670.00	925,114,950.16	925,114,950.16	1.30%
Net profit attributable to shareholders of listed companies (RMB)	88,754,335.62	70,265,221.96	70,231,661.43	26.37%
Net profit attributable to shareholders of listed companies after deducting non-recurring profits and losses (RMB)	94,476,476.50	74,002,831.16	73,969,270.63	27.72%
Net cash flows from operating activities (RMB)	130,730,027.12	-21,915,202.10	-21,915,202.10	696.53%
Basic earnings per share (RMB/share)	0.4598	0.4853	0.4851	-5.22%
Diluted earnings per share (RMB/share)	0.4579	0.4853	0.4851	-5.61%
Weighted average return on net assets	2.85%	4.97%	4.96%	-2.11%
	At the end of this reporting period	At the end of 2022		Increase or decrease at the end of this year compared to the end of

				the previous year
		Before adjustment	After adjustment	After adjustment
Total assets (RMB)	3,761,253,561.10	3,655,960,456.30	3,662,519,973.00	2.70%
Net assets attributable to shareholders of listed companies (RMB)	3,134,825,464.69	3,057,467,189.68	3,057,720,783.95	2.52%

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

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

V. Differences in accounting data between domestic and overseas accounting standards

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

Applicable Not applicable

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

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

Applicable Not applicable

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

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

Applicable Not applicable

Unit: RMB

Item	Amount	Remarks
Losses and gains from disposal of non-current assets (including the offsetting portion of the provision for asset impairment)	-433,635.76	
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 and continue to be enjoyed in accordance with certain standards or quotas)	3,012,356.92	
Capital occupancy fees charged to non-financial enterprises included in current profits and losses	26,607.00	

In addition to the effective hedging business related to the normal business of the Company, the profits and losses from fair value changes arising from the holding of trading financial assets and trading financial liabilities as well as investment income from the disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets	-7,809,909.35	Mainly due to investment gains and losses and changes in fair value generated by partial forward exchange settlement to hedge against exchange rate fluctuations risk
Other non-operating income and expenses other than the above items	-130,111.10	
Less: income tax impact	457,610.55	
Minority interest impact (after tax)	-70,161.96	
Total	-5,722,140.88	

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

Applicable Not applicable

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

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

Applicable Not applicable

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

Section III Management Discussion and Analysis

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

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

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

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

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

The main business income obtained from the three major scenarios is as follows:

Unit: RMB '0,000




Item	January-June 2023		January-June 2022	
	Amount	Proportion	Amount	Proportion
I. Smart entrance and exit management products	68,498.68	73.34%	67,859.06	73.55%
II. Smart identity verification products	7,693.09	8.24%	9,903.53	10.74%
III. Smart office products	17,199.26	18.42%	14,488.36	15.71%
Total	93,391.03	100.00%	92,250.95	100.00%



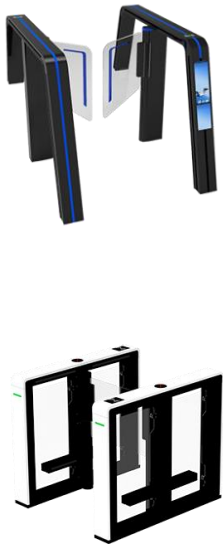
1. Smart entrance and exit management



(1) Smart terminal products and functions




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



Product Category	Product Name	Product Description	Product Image
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Access control products	Access control	<p>The access control is a smart terminal that achieves single door access control permission verification and logical judgment through biometric information verification or radio frequency verification. According to different biometric verification methods, it can be divided into fingerprint, facial, finger vein, and palmprint recognition access control integrated machines, equipped with RFID cards, passwords, and other verification methods. The device has professional access control function and supports unified management on the software platform. The access control is equipped with high-definition binocular cameras, configured with facial recognition and liveness detection algorithms, which can quickly collect facial information. It has strong anti-counterfeiting capabilities for printing photos, videos, and 3D simulation masks. It can also form a visual intercom system with the indoor unit, calling the indoor unit with one click through the doorbell button, achieving indoor control of door opening and voice bidirectional intercom function.</p> <p>During the reporting period, the Company launched a new generation of multimodal palmprint recognition technology and accelerated the implementation of technology products.</p>	
	Access controller	<p>The access controller is a smart terminal used to receive data from biometrics readers, radio frequency readers, and access control, and perform access permission verification and logical judgment. It is mainly used in large and medium-sized project locations with a large number of access points and high security requirements. Accessible collection methods include fingerprints, RFID cards, and passwords. The device has professional access control function and supports unified management on the software platform.</p> <p>The Company actively deploys advanced access controllers for large and medium-sized enterprises and public sector applications.</p>	
	RF card reader	<p>The RF card reader is mainly used for the collection and transmission of RFID cards and passwords, and can send the collected data to the access controller for comparison and verification. The data information whose collection is supported includes RFID cards, passwords, etc.</p>	

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

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

	<p>Charging pile</p>	<p>New energy vehicle charging piles can be fixed on the ground or walls, installed in public buildings (buildings, shopping malls, public parking lots, etc.), residential parking lots, and dedicated charging stations to provide charging and energy replenishment services for electric vehicles and hybrid vehicles. According to the output power of the charging pile, it is generally divided into various different power charging methods such as AC slow charging, DC fast charging, and overcharging to meet the charging needs of new energy vehicles in different scenarios. On the basis of iteratively upgrading the performance of the 7KW AC charging pile series, the Company has developed a DC fast charging pile for new energy vehicles. It mainly focuses on charging scenarios at the departure or destination of car owners in households, communities, office buildings, industrial parks, government agencies and other areas with greater demand in the future. It supports functions such as card swiping charging, QR code scanning charging, mobile payment, self-service, online monitoring, cloud management, OTA remote upgrade, etc. (integrated management and service of charging and parking can be achieved with the Company's smart parking business).</p>	
<p>Security inspection products</p>	<p>Walk through metal detector</p>	<p>Metal detectors are mainly used in public places with high pedestrian flow, such as stations, factories, public service departments, and large conference venues, to inspect metal objects on people, such as guns and controlled knives. The metal detector device has functions such as adjusting metal detection sensitivity, detecting location, and automatic counting. According to usage requirements, the device can integrate functions such as facial recognition and channel management.</p>	
	<p>X-Ray Scanner</p>	<p>The X-Ray Scanner is a detection device used to detect whether packages and other items contain specific prohibited items. The Company's X-Ray Scanner products have X-ray image acquisition and processing functions, which can intelligently identify, mark the items in the package, and alert for prohibited items such as knives, lighters, batteries, etc. The device can integrate functions such as people and bag association, intelligent video and security inspection management platform.</p>	

<p>Video surveillance</p>	<p>Entrance and exit video device</p>	<p>The entrance and exit video side devices extract target features from the video stream and analyze and process them in smart cameras or smart edge boxes, suitable for various entrance and exit scenarios such as residential areas, campuses and enterprises.</p>	
<p>Smart lock</p>	<p>Biometrics smart lock</p>	<p>Smart locks are mainly used for opening and closing control of doors in homes, hotels, offices, and other areas. The Company's biometrics smart lock products have the function of extracting and comparing various information such as fingerprints, faces, RFID cards, etc. They can be managed through software, smart speakers, or apps, and are compatible with lock bodies in line with national standards, American standards, European standards, and Korean standards. They support WiFi, NB IoT, ZigBee, and Bluetooth communication methods.</p>	
<p>Visitor Terminal</p>	<p>Visitor Identity Verification Terminal</p>	<p>Cooperating with the Human Certificate One Card Solution Cube Visitor Management System, it can achieve "real name" + "real person" visitor authentication; support CTID trusted identity authentication; support mobile visitor appointment, dual screen display, QR code and OCR document scanning, barcode printer, and other functions. SDKs can be provided for customers to conduct secondary development to meet the visitor management needs of users in different industries.</p>	

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

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

(3) ZKBio Intelligent Integrated Management Platform V6600

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

control, channel, information screen, intelligent video, and smart scenarios.




(4) ZKBio Smart Park Integrated Management Platform V8800






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





2. Smart identity verification

(1) Smart terminal products and functions

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

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

	Iris capture device	A non-contact binocular iris capture device that can quickly capture iris images of standard compatible citizen identity quality within a comfortable capture distance of 35-50cm. Moreover, it can be adjusted with the knob to adapt to different heights, and image data can be powered and transmitted through dual USB interfaces, suitable for large-scale iris data collection and database building.	
	Biometrics reader	The biometrics reader is a smart terminal used to collect human biological characteristics, mainly used in access control systems. It can send the collected biometrics information to the access controller for comparison and verification. The data information whose collection is supported includes fingerprints, faces, RFID cards, etc.	
	Palm information capture device	The palm vein information capture device adopts a high-definition near-infrared dedicated lens, which supports near-infrared light compensation, and can obtain clear vein images. It supports palm recognition at large angles.	
Card recognition and reading products	QR code module of CTID terminal	A hardware level module designed for various application scenarios of CTID authentication certificates, fully supporting the recognition and reading of CTID authentication certificate QR codes, mainstream QR codes, and one-dimensional barcodes, with strong decoding and code verification capabilities for CTID authentication certificate.	
	Trusted Digital Identity Authentication Terminal	The built-in ID card reader complies with the "General Technical Requirements for Desktop Readers of the Resident ID Card" (GA 450-2013), and can support the recognition and reading of the 2nd-generation ID Card, Foreign Permanent Resident ID Card, and Residence Card for Hong Kong, Macao and Taiwan Residents. In addition, it supports recognition and reading of CTID authentication certificate QR codes, mainstream QR codes, and one-dimensional barcodes through docking, with strong CTID authentication certificate decoding, code verification, and other capabilities.	

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

		device supports 4 sets of PSAM cards, has a multi-platform SDK, and supports USB (drive free). This product is suitable for scenarios in fields such as social security, health, medical insurance, pharmacies, industry and commerce, taxation, electricity, telecommunications, hotels, transportation, banking, insurance, and fast payment.	
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(2) One Card Solution Cube Identity Authentication Management System

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

(3) Biowhois CTID Platform



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

3. Smart office

(1) Smart terminal products and functions

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

Product Category	Product Name	Product Description	Product Image
Attendance product	Attendance Smart Terminal	A self service attendance terminal, mainly registering and comparing biometrics information, recording personnel attendance time data, and cooperating with backend software to scientifically and effectively manage enterprise personnel. The Company's biometrics attendance	

		terminal can support multiple verification methods such as fingerprint, face, palmprint, RFID card, and password, and has personnel management functions such as self-service scheduling and report generation.	
Consumer product	Consumer Smart Terminal	Support face, RFID card, QR code and other verification methods; mainly used in consumption scenarios such as internal canteens, gyms, and schools within enterprises, supporting various consumption modes such as free amount deduction, count deduction, and fixed value deduction. The system can be equipped with mini programs to achieve convenient and intelligent consumption management.	

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

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

(3) BioTime 8.0

BioTime 8.0 is an independently developed attendance management software platform that supports remote, multi-branch, and multi-site attendance management based on the needs and characteristics of overseas markets. BioTime 8.0 can be stably connected to standard attendance PUSH devices of the Company. At the same time, employees perform various self-service office operations such as check-in, check-out, out of office check-in, leave approval, and self query reports through mobile apps and browsers. The platform can ultimately record employee attendance status and output attendance reports based on attendance rules. In addition, the software has gradually been localized in more than ten countries around the world, including attendance rules, attendance reports, localized languages, and localized Payroll rules. The interface between localization and third-party social security, tax, banking, and other institutions is seamlessly connected, greatly improving the efficiency of enterprise office operations and receiving high praise.

(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. The Comprehensive Procurement Department is mainly responsible for administrative, office, and fixed asset procurement,

except for production materials.

The Company mainly adopts the MRP procurement model. The material control specialist of the Company's Manufacturing Center mainly analyzes the raw material usage based on the production plan and the material structure of the product, formulates priority levels, allocates materials based on inventory, and gradually deduces the raw material procurement plan required for the production of the product. For some general materials, the Company has set up a minimum safe stocking point for inventory warning and replenishment.

(2) Supplier selection and management

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

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

2. Production model

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

After successful development and testing, the Company's application software and platform products are delivered to users through CD or website distribution and download. The basic version of the software can be used without customer activation; the advanced version of the software and platforms require activation. In basic parameter configurations, customers are not required to pay for activation and use. In case of upgrading parameter configurations, users are required to pay a software license fee before activation and use. For large-scale engineering projects, the Company will assign engineering personnel to the user's site for installation, debugging, and training services. The application software and platforms released by the Company are locally deployed, used, and managed by users. The Company does not provide operation services, but only provides necessary after-sales services according to the sales contract.

3. Marketing and management models

The Company adopts a sales model that combines distribution and direct sales. During the reporting period, the main business income of the Company's various sales models was as follows:

Unit: RMB '0,000

Sales model	January-June 2023		January-June 2022	
	Amount	Proportion	Amount	Proportion
Distribution	63,695.11	68.20%	59,863.34	64.89%
Direct sales	29,695.92	31.80%	32,387.61	35.11%

Total	93,391.03	100.00%	92,250.95	100.00%
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(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 debugging are required: product sales and project implementation. For project implementation related businesses, the Company will customize or transform its own smart terminals and application software platforms based on different engineering project requirements.

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

From 2020 to 2022, the Company has been listed as one of the "Top 50 Global Security Companies" by asmag for three consecutive years, ranking 14th, 13th, and 12th respectively; and won the "2022 Honor Security Technology Innovation Award" and "2022 Smart IoT and Security Ecology Most Growing Enterprise" from CPS; "Smart City" Construction Excellent Solution and Innovative Technology Award (Smart Government), "Smart City" Construction Excellent Solution and Innovative Technology Award (Smart Campus) from Beijing Security Industry Network; Huicong IoT "Top 10 IoT Solution Awards for 2022" and "Top 10 Entrance and Exit Control Brands for 2022"; the "11th Top 30 Enterprises in China's Intelligent Transportation Network in 2022"; the Company was also awarded the "Technical Activity Unit of the Chinese Information Technology Application Innovation Working Committee", and was shortlisted in the list of trusted digital identity QR code module suppliers, smart education products and service suppliers (the first batch). 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 units for 7 consecutive years. In 2022, the Company was selected as a "Sample Enterprise of China's Foreign Trade Export Leading Index" by the General Administration of Customs of the People's Republic of China. In May 2023, the Company's trusted digital identity QR code module ZKB10M was successfully shortlisted for the "Trusted Digital Identity Ecological Product Recommendation List" of Beijing Zhongdun Security Technology Development Co., Ltd. In June 2023, the Company's ZKTeco perception data gate was awarded the "Excellent Innovative Product Award" at the 16th China International Public Safety Products Expo. Internationally, the Company has won 6 industrial design industry awards, including 2 German Red Dot Awards and 4 iF Design Awards.

(IV) Key performance drivers

1. Accelerated development of multimodal biometric technology

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

Multimodal recognition technology has better recognition performance than single biometric technology, greatly improving product security. Multimodal biometric technology is not a simple superposition of biometric technologies, but rather the R&D of new algorithms based on the characteristics of different biometrics to improve computational efficiency and accuracy. This requires enterprises to have a deep understanding of different biometric technologies and be able to innovate products through algorithm

optimization. At present, multimodal biometrics, which integrates multiple biometric technologies, will become more flexible. Suitable fusion methods and weight decisions can be selected based on different application needs and scenario changes, which becomes a development trend in the biometric market.

2. The rise of non-contact biometric technology applications

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

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

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

3. The rise of mobile terminal biometric technology applications

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

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

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

5. The development of new types of infrastructure in China brings market increment

With the acceleration of digital transformation and intelligent upgrading of the economy and society, the IoT has become an

important part of new types of infrastructure. In September 2021, the MIIT and seven other departments jointly issued the "Three-year Action Plan (2021-2023) for the Construction of New Types of Infrastructure for the Internet of Things" (hereinafter referred to as the "Action Plan"), which specifies that by the end of 2023, new types of infrastructure of IoT will be preliminarily built in major cities in China, with the number of IoT connections exceeding 2 billion. Facing the application field of the IoT, the Company actively embraces digital transformation, deeply focuses on industry and customer needs, and creates a series of scenario based products and solutions that are suitable for scenarios; promotes the ability of back-end software platform, improves the ability of data service, continues to meet the fragmentation and personalized needs of the Artificial Internet of Things (AIoT), and promotes the innovative application of urban and industrial smart scenes.

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

On February 27, 2023, the CPC Central Committee and the State Council issued the "Overall Layout Plan for the Construction of Digital China" (hereinafter referred to as the "Plan"), pointing out that building a digital China is an important engine to promote Chinese path to modernization in the digital era and a strong support to build a new competitive advantage of the country. The "Plan" will propose to ensure capital investment, innovate funding support methods, strengthen the overall guidance of various funds, play the role of the national industry finance cooperation platform, guide financial resources to support digital development, encourage and guide capital in the construction of digital China in a standardized manner, and build an investment and financing system with effective participation of social capital. According to the "Report on the Development of China's Digital Economy (2023)" released by the China Academy of Information and Communications Technology (CAICT), the scale of China's digital economy reached RMB 50.2 trillion in 2022, accounting for 41.5% of GDP. The digital economy policies, including the "Plan", will catalyze the further development of new smart city projects. In the wave of digital economy, the Company, as the driver and practitioner of digitalization and intelligence, actively explores, builds and improves the computer vision field, multi-dimensional perception smart terminals, scene interactive robots, scene cloud service software, AR digital twins, digital identity cards and other track industry chains, forms a digital ecosystem integrating upstream, downstream and cross industries, and works with Xingniu Fund to jointly establish an ecological innovation fund to accelerate product incubation, and assist in the ecological construction of the digital industry.

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

With rapidly changing technologies today, AI technology, with its unique charm and unparalleled potential, is causing profound changes worldwide. The large language model represented by ChatGPT of OpenAI reveals that algorithm models with Transformer as the core architecture are steadily moving towards the direction of Artificial General Intelligence (AGI). This transformation not only promotes the depth and breadth of AI research in theory, but also demonstrates enormous potential and value in practical applications. Multimodal large models have become an important means for AI to perceive and understand the real world by integrating natural language, images, speech and various other signals. This integration approach not only improves the understanding ability of AI, but also endows it with stronger adaptability and wider application scope. It can be used in multiple fields such as image recognition, speech recognition, natural language processing, etc., greatly improving the practicality and efficiency of AI. Moreover, AI has demonstrated its important application value in fields such as smart security and smart office. It implements automatic monitoring through image recognition technology to improve security efficiency. By using natural language processing technology, it achieves automated office work and improves work efficiency. In addition, AI is also highly valuable for the Company's smart business scenario based applications. By using AI technology, deep mining and analysis of business data can be achieved, thus providing more accurate basis for company decision-making. Through speech recognition, speech synthesis and Large Language Model (LLM), Q&A robots that interact with natural language can be developed to achieve intelligent frontend, intelligent customer service and other services. The Company has been committed to conducting in-depth research in the field of AI and has made significant breakthroughs in multiple directions. This includes continuous iteration and frontier tracking of the BioCV LLM and the BioCV VLM multimodal large model. Moreover, the Company actively leverages the power of the open source technology community to maintain synchronous development with the latest global technologies. These technological breakthroughs have provided strong impetus for the Company's new business development. Through continuous technological innovation and business expansion, the Company will be able to achieve greater breakthroughs in the field of AI, thus injecting stronger vitality into its development.

II. Analysis of Core Competitiveness

1. Technological and R&D advantages

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

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

In the field of multimodal biometrics, the Company continues to innovate and has launched various multimodal biometric technologies such as "fingerprint+facial recognition", "facial+palm vein recognition", "fingerprint+finger vein recognition", "facial+iris recognition", and "fingerprint+palmprint+facial recognition". It has obtained 14 invention and utility model patents in the field of multimodal biometrics.

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

The Company combines basic R&D of biometrics with application R&D. As of June 30, 2023, the Company has obtained a total of 799 patents, including 126 invention patents and obtained a total of 659 computer software copyrights and 65 work copyrights. The Company was awarded the titles of "Guangdong Intellectual Property Advantage Enterprise" and "Guangdong Intellectual Property Demonstration Enterprise" by the Guangdong IP Protection Association (GDIPPA) in 2018 and 2019, respectively. In 2022, XIAMEN ZKTECO was awarded the title of National Intellectual Property Advantage Enterprise.

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

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

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

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

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

(3) Deep research on multimodal BioCV AI technology

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

Company is committed to building a multi-dimensional intelligent business analysis platform based on the data lake, and creating a new service provider of boundless all-round, full scene and full chain retail platform.

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

Computer vision, as an important branch of AI, has been widely applied in various industries. In the retail industry, computer vision technology has multiple functions such as supervising shelves, identifying and recommending products, analyzing passenger flow density, and supporting unmanned retail stores. The Company has focused on laying out the basic technology of universal large models and launched the BioCV LLM3.0 self-developed large model project. Large model technology has emerged in recent years as a promising field that can be applied to smart shopping guidance, product advertising content generation, and online and offline interaction experiences.

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

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

The biometric industry belongs to a technology intensive industry, and the R&D strength and industrialization ability largely determine whether the Company can occupy a commanding position in future market competition. Therefore, the Company attaches great importance to R&D investment. As of June 30, 2023, the Company has 1,181 global R&D and engineering technicians, with R&D Centers in Dongguan, Shenzhen, Xiamen, Dalian, and India.

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

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

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

The relevant R&D achievements made by the Company during the reporting period are as follows:

(1) Wide access IoT perception application platform V1.0

Based on computer vision and multimodal BioCV technology, the Company has introduced multi-dimensional perception technology and launched a new wide access IoT perception application platform V1.0. This platform comprehensively monitors devices, entrances and exits, application software, and perception data focusing on intelligent and scenario oriented requirements, thus achieving intelligent analysis and precise control, and meeting diverse application scenario requirements. The Company focuses on building a comprehensive management platform across different fields, aiming to enhance the intelligent perception and precise control level of users in different fields (enterprises, parks, shopping malls, hospitals, factories, construction sites, etc.). Through the integration of intelligent perception technology, the Company aims to enhance precise control capabilities, promote digital transformation, and increase market share. In addition, the platform takes full advantage of edge computing and can quickly adapt to market changes.

(2) Smart retail content publishing management system CMS

The Company's smart retail content publishing management system CMS is an intelligent operational partner for digital signage, specifically tailored for smart retail scenarios. It aims to promote in-store advertising, marketing and training contents. The system is easy to operate and friendly, supports private deployment and managed operation and maintenance, and is suitable for digital signage devices of various operating systems. The perfect combination of optimized players and stable network protocols provides an excellent playback experience. In addition, the CMS has powerful store and device management functions. It supports multi-role and multi-account permission management, enabling efficient collaboration among different related parties in the same system.

(3) AI digital signage

AI intelligent edge digital signage integrates advanced edge computing capabilities, presenting a new kind of smart experience. Its powerful processing performance supports the edge BioCV LLM model, achieving natural voice interaction, intelligent Q&A, and even specified target perception functions on the edge side. This not only highlights the unique advantages of signage in edge computing, but also shows its comprehensive support in intelligent interactions on voice, text and video.

(4) ZKDIGIMAX L3

ZKDIGIMAX L3 is an SaaS cloud based digital marketing solution for traditional small and medium-sized retailers. With a comprehensive hosting and O&M model, it provides integrated digital tools, including content delivery, interaction experience, intelligent storefront analysis, electronic tags, POS, data analysis, device O&M, and business data analysis, to provide retailers with comprehensive solutions. Focusing on creating outstanding scenario based experiences, intelligent tools are used for commercial analysis, a deeper understanding is made to customer behaviors and trends, and customized services and promotion strategies are provided for retailers to improve operational efficiency and unleash value potential.

(5) Research on retail scenario detection and recognition applications and edge AI computing terminals

The retail scenario detection and recognition platform developed by the Company focuses on supermarket retail. Targets in the scenario are accurately identified through multi-dimensional perception technology, including products and shelves, weighing and checkout counter products, clothing logos, and even fine-grained features of specific products (such as cigarettes and beverage bottles). The platform integrates high-precision edge AI computing power, integrates product identification, statistics, passenger flow and customer group analysis, assists in shelf management and shortage monitoring, reduces errors, and improves business efficiency.

The device is easy to use and convenient, supporting fast field deployment and networking. In addition, it has local data analysis to ensure data privacy and security.

(6) Smart terminal based on LLM and large model technology of multimodal computer vision

The new smart terminal developed by the Company cleverly integrates ChatGPT technology, machine vision and speech recognition technology, achieving the integration of multiple interaction methods such as dialogue, vision and speech, thus creating new possibilities for intelligent applications in diverse scenarios. This terminal has a wide screen of 21 inches or more, combined with an audio and video interaction perception system, to achieve human-machine dialogue and bring efficient user experience, with a wide range of applications. It integrates LLM and machine vision technology to further improve interaction performance.

2. Product array advantages

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

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

In terms of software systems and platforms, the Company has always attached great importance to the development and design of software and hardware linkage, focusing on building an AIoT ecosystem that integrates software and hardware. The Company can provide diversified, personalized and customized system software and platforms for different users, application scenarios, and vertical fields. On the one hand, the Company has laid out the ZKTECO cloud IoT platform Minerva IoT based on Amazon cloud technology as the technical foundation, providing deployment-free SaaS application products for smart office scenarios, smart entrance and exit scenarios, and smart home scenarios. Moreover, for system integration customers, the Company can provide ZKTeco Biowhois CTID Platform. For large park type enterprise customers, the Company can provide ZKBio Smart Park Integrated Management Platform V8800, ZKTeco ZKBio Intelligent Integrated Management Platform V6600, and ZKBio Access IVS Integrated Entrance and Exit Management Platform V6000. For medium to large enterprise customers, the Company can provide E-ZKEco Pro Time & Security Refined Service Platform. For overseas customers, the Company can provide ZKTeco Cloud Attendance and Access Control Management System such as BioTime 8.0; on the other hand, the Company combines the mature technical modules and software middleware of the aforementioned platforms for application, providing users with flexible platform function customization and development services, thereby meeting their personalized needs and forming a good brand awareness.

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

3. Global marketing service network and localized service advantages

After years of development, the Company has accumulated rich experience in operating channel products, has a large number of customer resources, and has established a relatively complete global marketing service network system. Sales channels and service networks cover major cities in China and in multiple countries and regions around the world. Moreover, the Company actively expands its online sales channels and has established a comprehensive online marketing network on major e-commerce platforms and self built shopping malls. The integration and complementarity of international, domestic, online, and offline channels have formed a strong marketing service network advantage. As of June 30, 2023, the Company has established 28 branches, 15 subsidiaries, and 194 service outlets in 31 provinces, cities, and autonomous regions across China, with a sales and service system covering the whole country. During the reporting period, the Company continued to implement regional expansion and market lead strategies, 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. In the future, the Company will continue to develop the market in the third and fourth tier cities to build marketing and service outlets, and continue to enhance brand awareness. The Company has established a total of 45 subsidiaries overseas, located in 29 countries and regions worldwide, with product sales covering over 100 countries and regions.

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

4. Production and manufacturing advantages

(1) Integrated production process chain configuration

The Company's rich product array benefits from its integrated production process chain and high-quality production supporting facilities. The Company has a complete process chain for injection molding, laser cutting, optical processing, sheet metal processing,

SMT, plug-in welding, algorithm burning program, PCBA production, final assembly, testing, and packaging programs required for various products. The complete process depth provides favorable conditions for the Company to achieve pull production based on market demand. The Company's various process flows are closely connected, with smooth coordination between production capacity and production pace, and the Company has a strong competitive advantage in the industry.

(2) Customized and flexible production capacity

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

(3) Advantages of lean production

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

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.

From 2020 to 2022, the Company has been listed as one of the "Top 50 Global Security Companies" by Asmag for three consecutive years, ranking 14th, 13th, and 12th respectively; and won the "2022 Honor Security Technology Innovation Award" and "2022 Smart IoT and Security Ecology Most Growing Enterprise" from CPS; "Smart City" Construction Excellent Solution and Innovative Technology Award (Smart Government), "Smart City" Construction Excellent Solution and Innovative Technology Award (Smart Campus) from Beijing Security Industry Network; Huicong IoT "Top 10 IoT Solution Awards for 2022" and "Top 10 Entrance and Exit Control Brands for 2022"; the "11th Top 30 Enterprises in China's Intelligent Transportation Network in 2022"; the Company was also awarded the "Technical Activity Unit of the Chinese Information Technology Application Innovation Working Committee", and was shortlisted in the list of trusted digital identity QR code module suppliers, smart education products and service suppliers (the first batch). Internationally, in 2023, the Company won 6 industrial design awards, including 2 German Red Dot Awards and 4 iF Design Awards. In addition, since 2016, the Company has been awarded the title of "Top 500 Manufacturing Enterprises in Guangdong Province" by Guangdong Manufacturers Association and other units for 7 consecutive years. In 2022, the Company was selected as a "Sample Enterprise of China's Foreign Trade Export Leading Index" by the General Administration of Customs of the People's Republic of China. In May 2023, the Company's trusted digital identity QR code module ZKB10M was successfully shortlisted for the "Trusted Digital Identity Ecological Product Recommendation List" of Beijing Zhongdun Security Technology Development Co., Ltd. In June 2023, the Company's ZKTeco perception data gate was awarded the "Excellent Innovative Product Award" at the 16th China International Public Safety Products Expo.

6. Advantages of management team and mechanism

The core team of the Company has over two decades of industry experience, and has a deep understanding of the development trends of biometrics related technologies and products. They have a clear understanding of the Company's development strategy, product direction, technology roadmap, and marketing strategy. From user needs to solutions, from product architecture to software and hardware development, from product trial production to standardized mass production, from large-scale production organization to improved quality assurance system, from model market creation to global sales service network construction, the Company has accumulated rich operational management experience, laying a solid foundation for the Company's subsequent sound and rapid

development. The core management team of the Company is stable, and currently, core team members and key employees also directly or indirectly hold shares in the Company. The Company focuses on the design of future equity structure, which is conducive to sustainable and sound development in the future.

7. Quality control advantages

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

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

III. Main Business Analysis

Overview

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

YoY Changes in Major Financial Data

Unit: RMB

	Current reporting period	The same period last year	YoY change	Reasons for changes
Operating revenue	937,182,670.00	925,114,950.16	1.30%	
Operating cost	488,923,174.83	529,108,492.93	-7.59%	
Selling expense	196,138,701.98	168,605,074.74	16.33%	
Administrative expense	60,476,345.47	54,789,860.07	10.38%	
Financial expenses	-34,623,511.50	-14,713,473.71	-135.32%	Mainly due to the increase in interest income for the current period
Income tax expense	9,350,242.66	5,933,954.65	57.57%	Mainly due to the increase in taxable income for the current period
R&D investment	100,984,101.72	92,094,542.70	9.65%	
Net cash flows from operating activities	130,730,027.12	-21,915,202.10	696.53%	Mainly due to an increase in cash received from selling goods and providing services in the current period and a decrease in cash paid for purchasing goods and receiving services

Net cash flows from operating activities	-99,684,331.48	13,248,113.10	-852.44%	Mainly due to an increase in cash paid for purchasing financial products in the current period
Net cash flows from financing activities	-76,269,456.65	-15,816,720.71	-382.21%	Mainly due to the distribution of cash dividends in the current period
Net increase in cash and cash equivalents	-37,683,116.58	-11,624,640.23	-224.17%	Mainly due to a decrease in net cash flow from investing activities and financing activities in the current period
Cash received from disinvestment	509,707,506.64	82,990,700.78	514.17%	Mainly due to an increase in the maturity or redemption amount of time deposits and financial products compared to the same period last year
Cash received from investment income	1,864,089.86	1,333,253.66	39.82%	Mainly due to the increase in overseas investment and wealth management income in the current period
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	54,738,953.74	37,895,915.27	44.45%	Mainly due to an increase in fixed asset expenses for the construction of factories and dormitories in Guangdong Zkteco
Cash paid for investments	554,750,509.91	30,223,471.89	1,735.50%	Mainly due to an increase in cash paid for purchasing financial products in the current period
Refund of taxes and surcharges	33,538,290.52	22,977,739.93	45.96%	Mainly due to the increase in export tax refunds in the current period
Cash paid for other investing activities	2,046,795.00	3,315,980.00	-38.27%	Mainly due to a YoY decrease in the amount of forward foreign exchange settlement and sales delivered in the current period
Cash paid for distribution of dividends and profits or payment of interest	64,829,721.10	345,152.50	18,682.92%	Mainly due to the increase in cash paid for cash dividends distributed in the current period

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

Applicable Not applicable

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

Products or services accounting for more than 10%

Applicable Not applicable

Unit: RMB

	Operating revenue	Operating cost	Gross profit margin	YoY change of operating revenue	YoY change of operating costs	YoY change of gross profit margin
By products or services						
Smart office products	171,992,572.40	73,838,973.07	57.07%	18.71%	-22.24%	22.61%
Including: attendance products	113,070,613.15	55,614,136.80	50.81%	28.83%	-7.39%	19.23%
Other products	58,921,959.25	18,224,836.27	69.07%	3.16%	-47.80%	30.19%
Smart entrance and exit management products	684,986,802.49	366,460,088.82	46.50%	0.94%	-2.90%	2.12%
Including: access control products	426,031,487.76	211,340,607.49	50.39%	2.41%	-4.82%	3.76%
Other products	258,955,314.73	155,119,481.33	40.10%	-1.38%	-0.17%	-0.73%
Smart identity verification products	76,930,864.35	48,624,112.94	36.80%	-22.32%	-14.28%	-5.92%
Including: biometrics sensor products	27,679,631.39	12,308,635.90	55.53%	-16.43%	-5.27%	-5.24%
Card products	35,473,635.58	32,088,967.90	9.54%	-23.46%	-12.06%	-11.72%
Other products	13,777,597.38	4,226,509.14	69.32%	-29.60%	-41.63%	6.32%
Other products	3,272,430.76		100.00%	25.60%		
By region						
Domestic sales	306,584,149.97	213,159,868.63	30.47%	-18.78%	-18.04%	-0.64%
Overseas sales	630,598,520.03	275,763,306.20	56.27%	15.15%	2.50%	5.40%
By sales model						
Distribution	636,951,088.35	362,358,407.32	43.11%	6.40%	-0.40%	3.88%
Direct sales	296,959,150.89	126,564,767.51	57.38%	-8.31%	-23.44%	8.42%
Others	3,272,430.76		100.00%	25.60%		

Note: The presentation standard for the data in the current period by products or services and sales models will be adjusted. The original other business income (mainly waste income) will be separately listed in other products and other categories, and the data for the same period last year will be adjusted according to this standard.

The impact of the above standard adjustment is as follows:

	Before adjustment for the same period last year		Adjustments for the same period last year		After adjustment for the same period last year	
	Revenue	Cost	Revenue	Cost	Revenue	Cost
By products or services						
Smart office products	144,913,706.88	94,961,185.66	-30,105.06		144,883,601.82	94,961,185.66

Smart entrance and exit management products	681,165,981.09	377,423,039.59	-2,575,315.19		678,590,665.90	377,423,039.59
Smart identity verification products	99,035,262.19	56,724,267.68			99,035,262.19	56,724,267.68
Other products			2,605,420.25		2,605,420.25	
By sales model						
Distribution	598,633,417.88	363,799,897.27			598,633,417.88	363,799,897.27
Direct sales	326,481,532.28	165,308,595.66	-2,605,420.25		323,876,112.03	165,308,595.66
Others			2,605,420.25		2,605,420.25	

R&D investment

1. R&D investment table

	Amount in the Current Period (RMB)	Amount in the Same Period of Previous Year (RMB)	Change
R&D investment amount (RMB)	100,984,101.72	92,094,542.70	9.65%
Ratio of R&D investment to operating revenue	10.78%	9.95%	0.83%
Amount of R&D expenditure capitalization (RMB)	-	-	-
Ratio of capitalized R&D expenditure to R&D investment	0.00%	0.00%	-
Proportion of capitalized R&D expenditure to current net profit	0.00%	0.00%	-

2. Main R&D project

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
1	BioCV LLM 3.0 (Large Language Model)	The LLM has become one of the most promising and potential fields in recent years. With its widespread application in fields such as natural language processing, intelligent customer service, and intelligent translation, the LLM has gradually become an indispensable part of the field of AI. The Project aims to track the latest development of LLM technology and prepare relevant technical reserves.	In the research stage	The Project achieves efficient fine-tuning training of large models based on application scenario data and the research on related technologies in engineering implementation of LLM applications.	In the era of AI, continuous innovation in product service interaction experience lays the foundation for core technology capabilities and enhances the Company's competitiveness.

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
2	BioCV VLM 2.0 Multimodal Computer Vision Large Model	With the rapid development of computer vision and natural language processing, multimodal vision large model has gradually become a popular research direction. The multimodal vision large model combines computer vision and natural language processing, and can process images, videos and text information to achieve more efficient and intelligent image and video recognition and understanding. The Project aims to develop a large model training technology with advanced multimodal visual representation capabilities, and train a universal base large model. Based on this base large model, it aims to improve the accuracy of current computer vision algorithms and biometric technology.	In the research stage	<ol style="list-style-type: none"> 1. Track the latest development of multimodal vision large model technology, and continuously optimize and improve BioCV VLM 2.0, ensuring that the Company maintains a leading position in this field; 2. Based on this large model, improve the accuracy of palm recognition algorithms and promote their commercialization; 3. Based on this large model, improve other biometrics algorithms and computer vision algorithms; 4. Explore the application of multimodal vision large models in various fields, such as security monitoring, smart home, office automation, etc., to provide technical support for the Company to expand into new business areas. 	<ol style="list-style-type: none"> 1. Improving the core technical capabilities of the Company's products in the field of computer vision and natural language processing, and providing customers with more intelligent and efficient solutions; 2. Promoting the Company's innovation and development in the field of AI, and providing technical support for the Company's long-term strategic goals; 3. Greatly accelerating the Company's algorithm development and iteration speed in the field of computer vision; 4. Having improved the Company's ability to apply computer vision algorithms in various scenarios, laying a solid foundation for expanding its business in the global market.
3	Research on the Application of Retail Scenario Detection and Recognition	In the retail application of supermarkets, multi-dimensional perception of targets in the scenario is the foundation of intelligent application through computer vision technology.	In the research stage	<ol style="list-style-type: none"> 1. Algorithm for detecting and identifying goods and shelves; 2. Product identification algorithm for weighing and checkout counter platform; 3. Clothing Logo detection; 4. A fine-grained product feature extraction algorithm for specific products (cigarettes and beverage bottles). 	Satisfy the Company's computer vision technology needs in supermarket application scenarios, and better support the Company's smart retail related business
4	Wide Access IoT Perception Application Platform V1.0 (formerly known as ZKBioCV Security V1)	Relying on computer vision technology+multimodal BIOCV core technology as the core, implement security supervision linkage and joint defense and intelligent video analysis management, and build a reliable and stable security integration and visualization platform and solution by utilizing intelligent video technology, based on access control, vehicle recognition, emergency alarm, perimeter defense, etc., combined with multiple business subsystems such as personnel, attendance, access control, visitor, consumption, patrol, elevator control, passage, storage cabinet, intrusion alarm, monitoring center, wide access, and system management.	Completed	Focusing on the actual needs of intelligence and scenario, the Project implements uniform monitoring of front-end and back-end devices, entrances and exits, application software, and perception data, implements the platform's intelligent analysis and security management and control to meet the needs of diversified and fragmentation application scenarios of users. Build an intelligent security comprehensive management platform with intelligent security, collaborative efficiency, and scenario application, and enhance customers' intelligent perception and	<ol style="list-style-type: none"> 1. Relying on the accumulation and sedimentation of existing technology, the Project can quickly respond to market demand; 2. The Project can increase the share of products in enterprises, parks, shopping malls, hospitals, factories, construction sites and other scenes, integrate intelligent perception to improve precision management and control capabilities, and help the industry digital transformation; 3. The Project helps the Company further expand and consolidate its market position, bringing greater profits.

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
				precise control capabilities in enterprises, parks, shopping malls, hospitals, factories, construction sites, and other venues.	
5	Recognition SDK Based on Non-contact and Contact Fingerprint Matching (1.0)	For traditional contact fingerprint recognition products, non-contact fingerprint recognition products have many advantages such as high imaging quality, hygiene and health, and high recognition rate. Through non-contact and contact fingerprint matching and recognition technology, two modes of compatible recognition can be achieved, providing customers with more efficient and secure fingerprint recognition solutions, and improving the customer experience.	Completed	Make non-contact fingerprints interconnect and integrate with contact fingerprints in the same recognition system mainly through research and implementation of the integration of non-contact and contact fingerprint recognition technologies, and develop a fingerprint recognition SDK that is easy to integrate to ensure its support for various mainstream operating systems and platforms, and reduce customer integration costs. Meanwhile, optimize algorithm performance to ensure stability and robustness in various scenarios, meeting the needs of different customers.	<ol style="list-style-type: none"> 1. Enhancing the Company's technical strength and market competitiveness in the field of multimodal BioCV, and providing customers with more efficient and secure fingerprint recognition solutions; 2. Assisting the Company in expanding its wider application scenarios, such as security monitoring, intelligent access control, mobile payment, etc., and promoting the diversified development of the Company's business; 3. Accumulating technical experience in the field of multimodal BioCV, laying a solid foundation for the Company's future development in this field.
6	ZKTeco Interconnection Cloud Scenario Service Platform V2.0.0	Based on the Company's core business of "smart office, smart entrance and exit, and smart multimodal BioCV", focusing on the SMB small and medium-sized enterprise customer group, serve the long tail market, leverage the comprehensive three-dimensional advantages of ZKTECO frontend intelligent hardware+backend offline smart account service system+Goddess Cloud Platform PaaS+SaaS application, provide a "business premises management 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.	In the research stage	<ol style="list-style-type: none"> 1. Based on the base capacity of IoT PaaS Platform, and focusing on the terminal needs of IoT scenario solutions and SME digital and reality integration, serve as the SME cloud scenario linker; 2. Through ZKTeco Interconnection (for small and medium-sized enterprise users) and ZKTeco Cloud Commerce (for intermediate service provider users), jointly establish a comprehensive operation system for IoT product research, sales, operation, and service through end-edge-management-cloud-use-service-operation; 3. Based on the precipitation of user scenario data, provide a market soil for commercial verification of customer 	<ol style="list-style-type: none"> 1. Assisting the Company in leveraging its customer base in the long tail market, and creating a new performance growth model focusing on the needs of small and medium-sized enterprise customer base based on cloud service scenarios and the digital and reality integration; 2. By utilizing a digital and intelligent scenario solution of software+hardware+cloud services, laying out a new track in advance to meet the needs of the post-90s and post-00s for enterprise management and business management; 3. Driving the sales of hardware or scenario solutions through cloud services, and bringing about changes in business models such as operational model validation through cloud service subscription models; 4. Through the precipitation of

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
				foundation and operational transformation for SaaS subscription services.	user data and scenario data, providing rich product R&D support for commercial transformation models.
7	Smart Supermarket Voice Assistant V1.0 Based on LLM	Develop text information feature extraction algorithms, speech recognition algorithms, speech synthesis algorithms, and feature clustering and retrieval algorithms for the LLM, as well as a complete core operation process of the Q&A system and a backend maintenance module for storing supermarket information.	In the research stage	<p>1. Provide text information feature extraction algorithms using LLM/Baidu ERNIE Bot to provide technical support for the Company's long-term strategic goals;</p> <p>2. Provide speech recognition algorithms and improve functional modules;</p> <p>3. Provide speech synthesis algorithms and improve functional modules;</p> <p>4. Provide feature clustering and retrieval algorithms to achieve high-precision and efficient information processing and recognition;</p> <p>5. Provide a complete core operation process of the Q&A system to provide customers with more efficient and convenient solutions;</p> <p>6. Provide a backend maintenance module for storing supermarket information and promote its productization.</p>	<p>1. Having improved the Company's technical capabilities in the field of personalized recommendation, with the use of data mining and machine learning technology in voice assistants, which can better provide more accurate personalized product recommendations and services based on user preferences and purchase history;</p> <p>2. Having improved the Company's technical capabilities in big data analysis and data mining. The large amount of data generated by voice assistants in interactions can be used to analyze user behavior and trend prediction, and have better insight into market trends, customer needs and behaviors, thereby optimizing the Company's strategic planning;</p> <p>3. Having improved the Company's technical capabilities in speech recognition/synthesis, enabling high accuracy speech recognition and natural and smooth speech synthesis. It can respond intelligently based on previous conversations and user behaviors, and also enhance the Company's technical capabilities in context awareness, conversation management and multi-round conversation processing;</p> <p>4. By showcasing the Company's leading position in AI and LLM, the Company can set industry benchmarks in technological innovation, and attract more attention and cooperation opportunities.</p>

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
8	ZKDigm ax-Level3 V1.0 (Cloud Digital Advertising Retail Management Platform)	The Project aims to develop enterprise level cloud digital advertising, content templates, and retail management solutions based on cloud architecture.	In the research stage	Connect end/edge/cloud to enhance digital advertising retail product capabilities of global cloud.	Implement a solution for cloud digital advertising retail management to enhance the Company's cloud product capabilities.
9	ZLink (International Version) V2.0 (ZKTeco Interconnection Cloud Scenario Service Platform)	Provide intelligent solutions for office scenarios, supporting multi-user, multi-company, and multi-role SaaS software, thus providing users with better scenario adaptability, better user experience and lower costs.	In the research stage	Connect end/edge/cloud to enhance customer experience.	Implement a solution for smart office scenarios to enhance the Company's cloud service capabilities.
10	Cloud Attendance Scenario Service Platform V3.0	The Project aims to develop an enterprise level time management solution based on cloud architecture for Europe and America.	In the research stage	The Project integrates workday, synerion, prime point, 3M and other software to provide enterprise level time management solutions for SaaS.	Implement a solution for cloud time management to enhance the Company's cloud product capabilities.
11	R&D of Technology and Device for Authentication Application Based on CTID Digital Identity Card	The Project plans to develop an identity authentication terminal device based on the CTID authentication certificate recognition technology, which can identify the information encrypted by the CTID digital identity card and complete the corresponding scenario applications. The identification device supports both the physical ID card and the electronic identity card, which can effectively guarantee the network data transmission security of the identity card information.	In the research stage	The Project aims to implement terminal device equipment based on authentication and verification methods such as CTID authentication certificate and physical identity card; this recognition device supports both physical and electronic identity cards, which not only ensures the convenience of physical identity cards, but also solves the problems of network data transmission security and personal privacy of identity card information.	<ol style="list-style-type: none"> 1. Meeting the general trend of the construction of a digital China; 2. Improving the technical gap of digital identity card identification and information security transmission; 3. Improving the basic ability of digital identity card application technology, and lay a foundation for the subsequent development of digital identity card products; 4. Giving the Company a leading edge in the field of digital identity cards.
12	R&D of Structured Light Module for Face and Palm Hybrid Recognition Based on High Security and High Accuracy	The Project aims to develop a recognition module based on face, palm, and 3D structural anti-counterfeiting technology, achieving simultaneous recognition of face and palm. The 3D live projection system has over 30,000 speckle points, and can decode 1 million 3D coordinate point clouds and complete comprehensive and secure recognition of face and palm databases, widely used in the	In the research stage	The Project aims to solve the problem of high security for palms and faces. Face anti-counterfeiting can prevent electronic image attacks, live video attacks, synthetic video attacks, 2D laser photo and ordinary photo attacks, hole digging photo attacks, 3D mask attacks, injection attacks, etc. Palm anti-counterfeiting can prevent electronic image attacks,	The face anti-counterfeiting covers and meets the requirements of face attack risk and UnionPay face live detection of GB/T 38427.1-2019 issued by the Ministry of Public Security in July 2020, and improves palm anti-counterfeiting ability, effectively enhances the competitiveness of the Company's products, enhances economic benefits, and drives

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
		equipment of manufacturers of face and palm applications.		palm video attacks, synthetic video attacks, 2D laser photo and ordinary photo attacks, 3D palm attacks, injection attacks, etc.	the sound development of the industry's intelligent access control and attendance industries towards high-end technology industries.
13	R&D of Core Technology Platform and Device for Access Controller Based on IoT Video Technology	The Project plans to develop a visual access control core technology platform and device based on IoT video technology, break through industrial level IoT communication access technology mainly based on the cloud platform, with BIOCV as the core technology, and audio and video as the core technology, especially based on hardware equipment. Based on intelligent video+access controller, a multifunctional intelligent video access control box with a combination of access control and video linkage and with facial recognition capture supported in videos, solving the problem of independent two-part products in the current market, which greatly troubles customers in product selection and configuration operations, and greatly compresses the product cost of video+access control; it is widely used in residential communities, commercial buildings, logistics parks and other scenarios.	In the research stage	Taking user demands as the starting point, based on IoT video technology, access controller, and NVR technology, the Project develops an access control+video+gateway multi-functional control device relying on ZKBioCV Security offline software and cloud platform, achieving multiple door control, multiple video channels, access control events, alarms, and other functions, solving the problem of users' independent configuration of access control and video, and providing customers with a new choice.	<ol style="list-style-type: none"> 1. Breaking through BioCV video access control terminal of audio and video, access control, and IoT communication access technologies, and breaking the current situation of on-site access control and video business separation in the industry; 2. Enriching the array of access control video products by highly integrating video and access control; 3. Providing new technological directions for access control video products and accumulating core technologies for the Company in building video access control capabilities.
14	R&D of Smart Terminal Based on LLM and Large Model Technology of Multimodal Computer Vision	The Project plans to develop an intelligent AI robot based on AI scenarios, utilizing ChatGPT technology and the fusion of machine vision and speech recognition technology to achieve multiple interactive methods such as dialogue, vision and speech, thus achieving comprehensive intelligent applications in various scenarios. The content of the Project covers multiple aspects such as semantic understanding, emotional analysis, natural language generation, image recognition, speech recognition, intelligent recommendation, etc. It can achieve natural dialogue between humans and computers, provide a fast and efficient user experience, and has a wide range of application scenarios.	In the research stage	Integrate LLM technology and machine vision technology, develop an intelligent terminal that enables multiple interactive modes such as visual and voice between humans and computers, and provide a fast and efficient user experience.	Integrate LLM technology and machine vision technology to enhance product interaction experience and enhance the Company's competitiveness.

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
15	R&D of Digital IoT Integration Based on Smart Retail Scenarios	The Project aims to develop a new digital display solution in the smart retail scenario, including digital tags, bar screen displays and gateway base stations, aiming to enable more efficient and intelligent interaction between merchants and customers in the smart retail field. Through digital tags, merchants can quickly update goods information and prices, achieve real-time display, and improve sales efficiency. The display of the bar screen serves as a prominent advertising area for merchants, which can display more promotional information and product characteristics. The gateway base station connects digital tags in series for overall control and data collection, which can better manage the smart retail system. The innovative project aims to make smart retail more convenient, fast and user-friendly, improve the sales ability of stores, improve the user experience, deeply integrate the IoT+AI technology, and achieve the strategic upgrade of "Internet+retail".	In the research stage	The project aims to make smart retail more convenient, fast and user-friendly, deeply integrate the IoT+AI technology, and achieve the strategic upgrade of "Internet+retail".	Satisfy the Company's IoT technology needs in smart retail application scenarios, and better support the Company's smart retail related business

IV. Non-main Business

Applicable Not applicable

Unit: RMB

	Amount	Proportion to Total Profit	Description of Reason	Sustainable or Not
Investment income	1,237,665.06	1.13%	Mainly due to the gains and losses generated from the purchase of financial products and the mature delivery of forward foreign exchange settlement and sales contracts	No
Profits and losses from fair value changes	-7,045,482.43	-6.45%	Mainly due to the gains and losses generated from the purchase of financial products and the mature delivery of forward foreign exchange settlement and sales contracts	No
Asset impairment	-3,693,840.00	-3.38%	Mainly due to the provision for impairment of current inventory and provision for impairment of contract assets	No
Non-operating income	281,042.36	0.26%		No

Non-operating expenditure	597,424.53	0.55%	Mainly due to expenses such as non current asset retirement losses and external donations during the reporting period	No
Other income	5,763,414.14	5.28%	Mainly due to other income generated by government subsidies during the reporting period	No
Losses from credit impairment	-2,759,705.20	-2.53%	Mainly due to the provision of bad debt reserves for accounts receivable during the reporting period	No
Income from asset disposal	-245,859.71	-0.23%	Mainly due to income from disposal of non-current assets during the reporting period	No

V. Analysis of Assets and Liabilities

1. Major changes of asset items

Unit: RMB '0,000

	At the end of this reporting period		At the end of 2022		Proportion increase or decrease	Description of major changes
	Amount	Proportion to total assets	Amount	Proportion to total assets		
Monetary funds	204,846.43	54.46%	191,294.50	52.23%	2.23%	No major change
Accounts receivable	44,645.00	11.87%	40,349.79	11.02%	0.85%	No major change
Contract assets	30.12	0.01%	30.68	0.01%	0.00%	No major change
Inventories	32,983.85	8.77%	34,828.06	9.51%	-0.74%	No major change
Investment real estate						
Long-term equity investment	723.53	0.19%	715.13	0.20%	-0.01%	No major change
Fixed assets	46,024.08	12.24%	44,685.75	12.20%	0.04%	No major change
Construction in progress	7,691.21	2.04%	5,704.13	1.56%	0.48%	No major change
Right-of-use asset	4,609.59	1.23%	5,064.07	1.38%	-0.15%	No major change
Short-term loan	985.50	0.26%	985.50	0.27%	-0.01%	No major change
Contract liabilities	6,826.08	1.81%	5,883.88	1.61%	0.20%	No major change
Long-term loan	380.74	0.10%	14.18	0.00%	0.10%	No major change
Lease liabilities	2,205.21	0.59%	2,825.67	0.77%	-0.18%	No major change

2. Information on main overseas assets

Applicable Not applicable

Unit: RMB '0,000

Specific content of assets	Cause of formation	Asset size	Location	Operation mode	Control measures to ensure asset security	Income	Proportion of overseas assets to the Company's net assets	Is there a significant impairment risk
ZK TECHNOLOGY LLC	Controlling subsidiary	8,093.52	America	Overseas sales	Control by subsidiary	4,408.96	2.54%	No
ZKTECO CO., LIMITED	Wholly-owned subsidiary	41,253.64	Hong Kong	Overseas sales	Control by subsidiary	1,167.99	12.97%	No
ZKTECO SECURITY L.L.C	Wholly-owned subsidiary	9,591.94	Dubai	Overseas sales	Control by subsidiary	891.28	3.02%	No
Armatura Tech Co., Ltd.	Wholly-owned subsidiary	9,326.75	Thailand	Overseas sales	Control by subsidiary	603.39	2.93%	No
ZKTECO PANAMA, S.A.	Controlling subsidiary	5,041.76	Panama	Overseas sales	Control by subsidiary	221.27	1.59%	No
ZKTECO BIOMETRICS INDIA PRIVATE LIMITED	Controlling subsidiary	5,140.58	India	Overseas sales	Control by subsidiary	235.31	1.62%	No
ZKTECO EUROPE SL	Controlling subsidiary	9,266.41	Europe	Overseas sales	Control by subsidiary	172.67	2.91%	No
Other explanations	The overseas assets are RMB 914,095,279.61 (currency: RMB), accounting for 24.30% of the total assets. The "Income Status" in the above table is a net profit indicator.							

3. Assets and liabilities measured at fair value

Applicable Not applicable

Unit: RMB

Item	Beginning balance	Profits and losses from fair value changes in the current period	Cumulative changes in fair value recognized in equity	Impairment accrued in the current period	Purchase amount in the current period	Sales amount in current period	Other changes	Ending balance
Financial assets								
1. Trading financial assets (excluding derivative financial assets)	204,318,406.05	3,616.44			51,141,968.12	156,006,015.69		99,457,974.92
Subtotal of financial assets	204,318,406.05	3,616.44			51,141,968.12	156,006,015.69		99,457,974.92

Total	204,318,406.05	3,616.44			51,141,968.12	156,006,015.69		99,457,974.92
Financial liabilities	0.00	7,049,098.87						7,049,098.87

Other changes

None

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

Yes No

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

Please refer to "Section X Financial Report VII. Notes to Consolidated Financial Statements 59. Assets with Restricted Ownership or Use Rights" in this report for details

VI. Investment Analysis

1. Overall

Applicable Not applicable

Investment in the reporting period (RMB)	Investment in the same period of the previous year (RMB)	YoY
333,844,991.15	212,108,040.00	57.39%

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	10,077,460.79	218,344,125.09	Own funds, bank loans, and raised funds	Under construction	Not applicable	Not applicable	Not applicable		
Multimodal Biometrics Digitalization Industrial Base Construction Project	Self-built	Yes	Plant and supporting facilities	15,288,387.24	18,271,329.19	Own funds and raised funds	Under construction	Not applicable	Not applicable	Not applicable		
Total	--	--	--	25,365,848.03	236,615,454.28	--	--			--	--	--

4. Financial assets measured at fair value

Applicable Not applicable

Unit: RMB

Asset Category	Initial investment outlay	Profits and losses from fair value	Cumulative changes	Purchase amount during the reporting	Sales amount during the reporting period	Accumulated investment	Other change	Closing amount	Source of Funds
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		changes in the current period	in fair value recognized in equity	period		t income	ges		
Financial derivatives	0.00	-7,049,098.87		257,337,175.00	64,867,925.00			-7,049,098.87	Own funds
Others	206,170,753.29	3,616.44		51,141,968.12	156,006,015.69	59,678.01		99,457,974.92	Own funds
Total	206,170,753.29	-7,045,482.43	0.00	308,479,143.12	220,873,940.69	59,678.01	0.00	92,408,876.05	--

5. Use of raised funds

Applicable Not applicable

(1) Overall use of raised funds

Applicable Not applicable

Unit: RMB '0,000

Total amount of raised funds	145,729.84
Total amount of raised funds used in this period	5,230.06
Accumulated total amount of raised funds used	43,028.36
Total amount of raised funds with changed purposes during the reporting period	25,189.32
Accumulated total amount of raised funds with changed purposes	28,537.02
Proportion of accumulated total amount of raised funds with change purposes	19.58%

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." (ZJXX [2022] No. 926), the Company has publicly issued 37,123,013 RMB denominated ordinary shares (A shares) with a face value of RMB 1.00 per share, an issuance price of RMB 43.32 per share, and a total amount of raised funds of RMB 1,608,168,923.16. After deducting the issuance expenses (excluding value-added tax) of RMB 150,870,545.46, the actual net amount of raised funds is RMB 1,457,298,377.70. The receipt date of the raised funds is August 12, 2022. The availability of the raised funds has been verified by Baker Tilly China Certified Public Accountants (Special General Partnership) and a "Capital Verification Report" (TZYZ [2022] No. 38658) has been issued.
2. All the raised funds mentioned above have been deposited in a special account for raised funds for management, and a regulatory agreement for raised funds has been signed with the sponsor and the commercial bank that deposited the raised funds.
3. As of June 30, 2023, the Company has invested a total of RMB 430.2836 million in raised funds, with a total of RMB 1.0481666 billion in unused raised funds (including related interest income after deducting handling fees).

(2) Committed projects with raised funds

Applicable Not applicable

Unit: RMB '0,000

Committed investment projects and	Has the projec	Commit ted total investm	Adjusted total investment	Investm ent Amount	Accumula ted investmen	Investm ent progres	Date when the	Benefit s achieve	Accum ulated benefits	Have the expecte	Has there been a
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the investment direction of over-raised funds	t been changed (including partial changes)	ent amount of raised funds	(1)	During the Reporting Period	t amount as of the end of the period (2)	s as of the end of the period (3)=(2)/(1)	project reaches its expected conditions for use	d during this reporting period	achieved as of the end of the reporting period	d benefits been achieved	major change in the feasibility of the project
Committed investment projects											
1. Tangxia Production Base Construction Project	Yes	24,841.18	-	-	-	-	Not applicable	Not applicable	Not applicable	Not applicable	Yes
2. Hybrid Biometrics IoT Intelligent Industrial Base Project	No	43,689.94	43,689.94	2,073.75	25,495.02	58.35%	August 31, 2024	Not applicable	Not applicable	Not applicable	No
3. American Manufacturing Factory Construction Project	Yes	17,392.21	14,392.65		97.54	0.68%	August 31, 2026	Not applicable	Not applicable	Not applicable	No
4. R&D Center Construction Project	No	18,240.58	18,240.58	863.93	9,884.99	54.19%	August 31, 2024	Not applicable	Not applicable	Not applicable	No
5. Global Marketing Service Network Construction Project	No	26,802.01	26,802.01	697.45	5,955.88	22.22%	August 31, 2025	Not applicable	Not applicable	Not applicable	No
6. Remaining funds after the previous change in the American Manufacturing Factory Construction Project	Yes	-	2,999.56					Not applicable	Not applicable	Not applicable	No
7. Multimodal Biometrics Digitalization Industrial Base Construction Project	Yes	-	39,605.1	1,594.93	1,594.93	4.03%	June 30, 2026	Not applicable	Not applicable	Not applicable	No
Subtotal of committed investment	--	130,965.92	145,729.84	5,230.06	43,028.36	--	--			--	--

projects											
Direction of over-raised fund investment direction											
Undetermined funds	Yes	14,763.92							-	Not applicable	No
Subtotal of over-raised fund investment direction	--	14,763.92				--	--	Not applicable	Not applicable	--	--
Total	--	145,729.84	145,729.84	5,230.06	43,028.36	--	--			--	--
Describe the situation and reasons why the planned progress and expected benefits have not been achieved by projects (including the reason for selecting "not applicable" for "whether the expected benefits have been achieved")	<p>The planned investment for the "Tangxia Production Base Construction Project" (hereinafter referred to as "Tangxia Production Project") is RMB 248.4118 million, with a construction period of 2 years. The Project plans to build a production base in Tangxia Town, Dongguan City to meet the Company's future business development needs, including the expansion of production capacity for access control products, biometrics module products, and card products, as well as the need for supporting production, office, and living facilities. As of December 31, 2022, the Project has not yet started investment, and the difference between the actual use of the raised funds in the year of the investment project and the estimated use amount of the raised funds disclosed last time exceeds 30%.</p> <p>On January 18, 2023, the Company held the 23rd Session of the Second Board Meeting and the 17th Session of the Second Supervisory Board Meeting. On February 6, 2023, the Company held the Second Extraordinary General Meeting of 2023, and deliberated and approved the "Proposal on Changing the Investment Projects of Raised Funds, Changing the Special Account for Raised Funds, Increasing Capital and Providing Loans to Subsidiaries to Implement Investment Projects". This matter does not constitute a related party transaction. In order to further promote the development of the Company's business, accelerate production capacity planning and industrial layout, and improve the efficiency of the use of raised funds, the original Tangxia Production Project has been changed to ZKTECO Multimodal Biometrics Digitalization Industrial Base Construction Project (hereinafter referred to as the "Digitalization Base Project"), and the Tangxia Production Project will no longer be constructed. The Tangxia Production Project was constructed by the Company as the main entity, while the Digitalization Base Project was constructed by Guangdong Zkteco, a wholly-owned subsidiary of the Company, as the implementation entity. The total investment amount of the Digitalization Base Project is RMB 431.8689 million. The Digitalization Base Project uses the unused raised funds and over-raised funds of the Tangxia Production Project, as well as the corresponding fund returns. Among them, the raised funds of the Tangxia Production Project are RMB 248.4118 million, and the over-raised funds are RMB 147.6392 million. The actual income of the funds corresponding to these two parts shall be based on the net income of the funds corresponding to the transfer of relevant funds to the special account for the Digitalization Base Project after approval by the shareholders' meeting. The insufficient part will be invested by Guangdong Zkteco with its own funds.</p>										
Description of major changes in project feasibility	<p>The original investment project (Tangxia Production Base Construction Project) was formulated in 2020, which was a comprehensive layout of the Company based on factors such as the market environment, industry development trends and the actual situation of the Company at that time. With the development of the Company and market changes, the planning of the original Tangxia Production Base Construction Project can no longer meet the current production and operation needs of the Company, and cannot reflect the development trend of new technologies and new formats. In order to further promote the development of the Company's business, accelerate production capacity planning and industrial layout, and improve the efficiency of the use of raised funds, the Company reviewed and approved relevant proposals during the reporting period to change the original investment project: Tangxia Production Base Construction Project to the Digitalization Base Project. The original Tangxia Production Base Construction Project will no longer be constructed, and the implementation entity of the Digitalization Base Project will be changed to the Company's wholly-owned subsidiary Guangdong Zkteco.</p> <p>The specific reasons for the change are as follows:</p> <p>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.</p> <p>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.</p> <p>③ With the change of the market, multimodal biometrics and non-contact biometric technology have developed rapidly. Computer vision products such as edge computing and intelligent perception self-help of the IoT, intelligent robots and so on</p>										

	<p>have entered the field of smart wide entrance and exit, and the business model has also been upgraded rapidly, from the original products and solutions to the subscription and cloud service model. The Company closely tracks cutting-edge technologies and standards in the market, continuously promotes production technology innovation, and conducts technological application engineering transformation based on biometrics core technology, continuously develops and designs products to meet market demand. The changes in investment projects are also necessary for the Company's business development and technological achievement transformation.</p> <p>In summary, firstly, it can meet the Company's production capacity and technical process requirements, improve the production capacity of core components, ensure product quality stability, reduce product production costs, and enhance product market competitiveness through the implementation of the Digitalization Base Project; secondly, it can fundamentally solve the problem of mismatch between the Company's development and production sites, unify the layout and scientific centralized management of production bases, improve production efficiency, and reduce costs; thirdly, it is beneficial for the Company to combine its acquired knowledge achievements with the latest industry technical standards, and achieve the industrialization of the Company's technological achievements.</p>
The amount, purpose, and progress of the over-raised funds	<p>Applicable</p> <p>The amount of over-raised funds from the Company's initial public offering of stocks was RMB 147.6392 million. On September 29, 2022, the Company held the 19th Session of the Second Board Meeting and the 13th Session of the Second Supervisory Board Meeting. On October 17, 2022, the Company held the Second Extraordinary General Meeting of 2022 and deliberated and approved the "Proposal on Using Part of the Temporarily Idle Raised Funds for Cash Management". The Company and its subsidiaries plan to use a portion of the temporarily idle raised funds that does not exceed RMB 1 billion (including) for cash management for the appropriate purchase of products with high safety and good liquidity with an investment period of not more than 12 months. The above idle fund limit shall be valid for a period of 12 months from the date of approval by the shareholders' meeting, and the fund shall be used in a rolling manner within the above limit. As of June 30, 2023, the Company has used temporarily idle raised funds for cash management, with an outstanding amount of RMB 642.19 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 Digitalization Industrial Base Project.</p>
Changes in the implementation location of projects invested with raised funds	<p>Applicable</p> <p>Occurred during the reporting period</p> <p>On April 26, 2023, the Company held the Second Session of the Third Board Meeting and the Second Session of the Third Supervisory Board Meeting. On May 19, 2023, the Company held Annual General Meeting of 2022, and deliberated and approved the "Proposal on Changing the Implementation Location and Total Investment Amount of Some Raised Fund Investment Projects, and Adjusting Some Construction Contents", and adjusted the implementation location of the investment project "American Manufacturing Factory Construction Project" from "6775 Meadow Ln, Alpharetta, GA 30005" to "1600 Union Hill Rd, Alpharetta, GA 30005".</p>
Adjustment of implementation methods for projects invested with raised funds	<p>Applicable</p> <p>Occurred during the reporting period</p> <p>On April 26, 2023, the Company held the Second Session of the Third Board Meeting and the Second Session of the Third Supervisory Board Meeting. On May 19, 2023, the Company held Annual General Meeting of 2022, and deliberated and approved the "Proposal on Changing the Implementation Location and Total Investment Amount of Some Raised Fund Investment Projects, and Adjusting Some Construction Contents", and changed the construction method of the investment project "American Manufacturing Factory Construction Project" from purchase to self-construction.</p>
Advance investment and replacement of raised funds for investment projects	<p>Applicable</p> <p>The Company held the 19th Session of the Second Board Meeting and the 13th Session of the Second Supervisory Board Meeting on September 29, 2022, and deliberated and approved the "Proposal on Using Raised Funds to Replace Self Raised Funds for Pre-invested Raised Investment Projects and Paid Issuance Expenses". It is agreed that the Company will use the raised funds to replace the self raised funds of RMB 358.6078 million invested in the raised investment project and paid issuance expenses as of August 21, 2022, as well as the pre-paid issuance fees of RMB 13.8425 million (excluding value-added tax) with the self raised funds.</p> <p>On September 16, 2022, the Company held the 18th Session of the Second Board Meeting and the 12th Session of the Second Supervisory Board Meeting, and deliberated and approved the "Proposal on Using Its Own Funds and Foreign Exchange to Pay for Part of the Funds Raised for Investment Projects and Exchanging Them with the Raised Funds in Equal Amounts". On January 18, 2023, the Company held the 23rd Session of the Second Board Meeting and the 17th Session of the Second Supervisory Board Meeting. On February 6, 2023, the Company held the Second Extraordinary General Meeting, and</p>

	<p>deliberated and approved the "Proposal on Changing the Investment Projects of Raised Funds, Changing the Special Account for Raised Funds, Increasing Capital and Providing Loans to Subsidiaries to Implement Investment Projects". The salaries, social insurance premiums, housing provident fund, utilities, etc. of domestic personnel of the Company in implementing the investment projects "Hybrid Biometrics IoT Intelligent Industrial Base Project", "R&D Center Construction Project", "Global Marketing Service Network Construction Project" and the "Multimodal Biometrics Digitalization Industrial Base Construction Project of ZKTECO" are planned to be paid by the Company or its subsidiary implementing the investment projects in advance with their own funds. The Company collected and calculated the aforementioned advance expenses incurred by each investment project on a monthly basis, and then transferred an equal amount of funds from the special account for investment to the Company's or its subsidiary's own fund account for implementing the investment projects. The implementation location of the Company's investment project "American Manufacturing Factory Construction Project" is in the United States, and the investment project construction funds need to be paid in USD. The Company's investment projects "Global Marketing Service Network Construction Project" and "R&D Center Construction Project" include overseas construction content, and the operability of paying funds required for overseas construction directly from the special account for raised funds is poor. Therefore, the Company plans to use its own foreign exchange to pay the required funds for the overseas parts of the "Global Marketing Service Network Construction Project", "American Manufacturing Factory Construction Project", and "R&D Center Construction Project". Subsequently, the amount of advance payments will be calculated monthly, and equal amounts will be transferred from the special account for raised funds to the Company's own fund account. As of June 30, 2023, the Company has used its own funds and foreign exchange replaced with the raised funds to pay a portion of the funds raised for the investment project, totaling RMB 17.4119 million.</p>
Temporary replenishment of working capital with idle raised funds	Not applicable
The amount and reasons for the surplus of raised funds during project implementation	Not applicable
The purpose and destination of the raised funds that have not been used yet	As of June 30, 2023, the balance of the Company's unused IPO raised funds is RMB 1.0481666 billion (including interest income and deducting handling fees), including RMB 405.9766 million of demand deposit in the special account for raised funds and RMB 642.19 million of time deposit. The above financial products have high safety, meet the requirements of capital preservation, and have good liquidity, which does not affect the normal operation of the investment plan for raised funds.
Problems or other situations in the use and disclosure of raised funds	None

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

Unit: RMB '0,000

Changed project	Corresponding original committed projects	The total amount of raised funds to be invested in the project after the change (1)	Actual investment amount during this reporting period	Actual accumulated investment amount as of the end of the period (2)	Investment progress as of the end of the period (3)=(2)/(1)	Date when the project reaches its expected conditions for use	Benefits achieved during this reporting period	Have the expected benefits been achieved	Has there been a major change in the feasibility of the project after the change
Digitalization Base Project	Tangxia Production Project	39,605.1	1,594.93	1,594.93	4.03%	June 30, 2026	Not applicable	Not applicable	No
American Manufacturing Factory Construction Project	American Manufacturing Factory Construction Project	14,392.65	0	97.54	0.68%	August 31, 2026	Not applicable	Not applicable	No
Total	--	53,997.75	1,594.93	1,692.47	--	--	--	--	--
<p>Description of reasons for changes, decision-making procedures, and information disclosure (by specific project)</p> <p>① The Tangxia Production Project has been changed to the Digitalization Base Project. For details, please refer to "The situation and reasons for not achieving the planned progress or expected benefits" and "Description of major changes in project feasibility" columns in the "Comparison Table for the Use of Raised Funds".</p> <p>② On April 26, 2023, the Company held the Second Session of the Third Board Meeting and the Second Session of the Third Supervisory Board Meeting for the American Manufacturing Factory Construction Project, and deliberated and approved the "Proposal on Changing the Implementation Location and Total Investment Amount of Some Raised Fund Investment Projects, and Adjusting Some Construction Contents". On May 19, 2023, the Company held the 2022 Annual General Meeting, and deliberated and approved the "Proposal on Changing the Implementation Location and Total Investment Amount of Some Raised Funds Investment Projects and Adjusting the Construction Content of Some Projects". The Company adjusted the implementation location of the investment project "American Manufacturing Factory Construction Project" from "6775 Meadow Ln, Alpharetta, GA 30005" to "1600 Union Hill Rd, Alpharetta, GA 30005", and the construction method of the Project was changed from purchase to self-construction. After adjustment, the total investment of the Project increased by RMB 3.4814 million, and the total investment of the Project increased from RMB 140.4451 million to RMB 143.9265 million. After this change, the additional investment amount of RMB 3.4814 million for the Project was paid out of the previously reduced RMB 33.477 million for the Project. After this adjustment, the Project planned to use the raised funds of RMB 143.9265 million for investment and construction. The remaining funds after this change was changed to RMB 29.9956 million.</p> <p>Reason for change:</p> <p>1. The reason for the change in implementation location and total investment of the American Manufacturing Factory Construction Project is 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.</p> <p>2. Based on industry technology development trends and market changes, combined with the actual business development needs of the Company, the Company plans to adjust part of the construction content of the investment project after sufficient market research in order to effectively use the raised funds, which is conducive to further strengthening the Company's main business and core technology competitiveness, and is conducive to the</p>									

	<p>Company's sustainable development, thereby further improving the efficiency of using the raised funds and maximizing shareholder interests.</p> <p>The specific content mentioned above can be found in the Company's "Announcement 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" (Announcement No. 2023-004) and "Announcement on Changing the Implementation Location and Total Investment Amount of Some Raised Fund Investment Projects, and Adjusting Some Construction Contents" (Announcement No. 2023-044) published on CNINFO.</p>
The situation and reasons for not achieving the planned progress or expected benefits (by specific project)	None
Description of major changes in project feasibility after the change	None

6. Entrusted financial management, derivative investment and entrusted loans

(1) Entrustment of financial management

Applicable Not applicable

Overview of entrusted financial management during the reporting period

Unit: RMB '0,000

Specific types	Source of funds for entrusted financial management	Amount of entrusted financial management	Outstanding balance	Overdue uncollected amount	Provision for impairment amount of overdue uncollected financial assets
Bank financial products	Fundraising	14,760	0	0	0
Bank financial products	Own funds	3,000	3,000.36	0	0
Bank financial products	Own funds	5,571.68	5,180.63	0	0
Bank financial products	Own funds	1,589.68	1,602.75	0	0
Bank financial products	Own funds	144.52	146.22	0	0
Bank financial products	Own funds	42.38	0	0	0
Other categories	Own funds	34.05	15.84	0	0
Total		25,142.31	9,945.8	0	0

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

Applicable Not applicable

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

Applicable Not applicable

(2) Derivative investment

Applicable Not applicable

1) Derivative investments for hedging purposes during the reporting period

Applicable Not applicable

Unit: RMB '0,000

Types of derivative investments	Initial investment amount	Profits and losses from fair value changes in the current period	Cumulative changes in fair value recognized in equity	Purchase amount during the reporting period	Sales amount during the reporting period	Closing amount	Ratio of ending investment amount to the Company's net assets at the end of the reporting period
Forward foreign exchange settlement and sales	0	-704.91	0	25,733.72	6,486.79	19,246.93	6.14%
Total	0	-704.91	0	25,733.72	6,486.79	19,246.93	6.14%
Accounting policies and specific accounting principles for hedging business during the reporting period, as well as description on whether there have been major changes compared to the previous reporting period	No major change						
Description of actual profit and loss during the reporting period	During the reporting period, the Company obtained investment income of RMB -2.0468 million through forward foreign exchange settlement and sales, and generated fair value change profit and loss of RMB -7.0491 million						
Description of hedging effect	Reducing the impact of exchange rate fluctuations on the Company's exchange rate						
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> <p>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.</p> <p>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.</p> <p>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.</p>						

	<p>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.</p> <p>5. Transaction performance risk: Conducting financial derivative trading business carries the risk of default caused by the inability of counterparties to perform when the contract expires.</p> <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>
<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>	<p>The fair value changes are determined at the end of each month based on market quotations from external financial institutions.</p>
<p>Litigation situation (if applicable)</p>	<p>Not applicable</p>
<p>Disclosure date of announcement by the Board of Directors for approval of derivative investment (if any)</p>	<p>April 28, 2023</p>
<p>Special opinions of independent directors on the Company's derivative investment and risk</p>	<p>The Company's business of forward foreign exchange settlement and sales meets the Company's business development needs, and the Company has established corresponding internal control systems and risk management mechanisms. The feasibility analysis report issued by the Company for conducting forward foreign exchange settlement and sales complies with the provisions of laws and regulations and the Company's business development needs, and is feasible.</p>

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2) Derivative investments for speculative purposes during the reporting period Applicable Not applicable

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

(3) Entrusted loan Applicable Not applicable

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

VII. Disposal of Significant Assets and Equity**1. Disposal of significant assets** Applicable Not applicable

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

2. Disposal of significant equity Applicable Not applicable**VIII. Analysis of Major Holding and Joint-stock Companies** Applicable Not applicable

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

Unit: RMB

Company Name	Company type	Principal activities	Registered Capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
ZK INVESTMENTS INC.	Subsidiaries	Established	2,049,570.00	98,856,824.75	97,257,835.20	0.00	31,400,455.04	24,605,618.05
ZK TECHNOLOGY LLC	Subsidiaries	Sales of goods	2,716,194.00	80,935,242.25	47,202,533.01	74,892,637.61	44,089,564.44	44,089,564.44
ZKTECO CO., LIMITED	Subsidiaries	Sales of goods	104,469,000.00	412,536,361.94	227,317,631.64	211,563,906.33	13,753,599.12	11,679,856.07
ZKTECO (GUANGDONG) CO., LTD	Subsidiaries	R&D, production, and sales of products and software	800,000,000.00	1,117,763,952.74	854,419,609.59	178,809,902.50	12,236,673.29	10,947,381.80

Acquisition and disposal of subsidiaries during the reporting period

 Applicable Not applicable

Company Name	Method of acquiring and disposing of	Impact on overall production, operation,
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	subsidiaries during the reporting period	and performance
ZKDIGIMAX PTE. LTD.	New establishment	New establishment, with no significant impact on the overall production, operation, and performance of the Company
ZKDIGIMAX PANAMA, S.A.	New establishment	New establishment, with no significant impact on the overall production, operation, and performance of the Company
ZKDIGIMAX COLOMBIA SAS	New establishment	New establishment, with no significant impact on the overall production, operation, and performance of the Company
ZKDIGIMAX (PTY) LTD	New establishment	New establishment, with no significant impact on the overall production, operation, and performance of the Company
PT. ZKDIGIMAX EXCEL NOBLE	New establishment	New establishment, with no significant impact on the overall production, operation, and performance of the Company
ZKTeco Yunlian (Xiamen) Technology Co., Ltd.	New establishment	New establishment, with no significant impact on the overall production, operation, and performance of the Company

Description of the main controlling and participating companies: Please refer to the relevant content of "Section X Financial Report - IX. Equity in Other Entities" for details

IX. Structured Entities Controlled by the Company

Applicable Not applicable

X. Risks Faced by the Company and Countermeasures

1. Operational risk

(1) Market competition risk

After years of deep cultivation in the biometric industry, the Company has formed competitive advantages in the fields of smart entrance and exit management, smart identity verification, and smart office applications, including technological and R&D strength, production capacity, brand influence, and marketing service network. However, in recent years, China's entrance and exit control and management, identity authentication, and office industries have formed a diversified and market-oriented competition pattern, with a large number of enterprises. The Company's main business products are facing competition pressure from various aspects such as quality, price, and brand. In response to market competition, the Company has continuously increased its R&D investment in recent years, insisting on developing and optimizing single and multimodal hybrid biometric technologies, continuously expanding and enriching the types of biometric products and services, and paying more attention to the overall linkage design of product software and hardware, 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, the Company's existing industry and market position will be affected, and the Company will face the risk of declining market share and profitability.

(2) Overseas business operational risks

In the first half of 2023, the Company's overseas sales revenue from countries and regions was RMB 630.3064 million, accounting for 67.49% of the Company's main business income. The Company's overseas business income accounted for a relatively large proportion.

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

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

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

As of June 30, 2023, the Company has a total of 45 overseas subsidiaries located in countries and regions such as Hong Kong, the United States, Mexico, the United Arab Emirates, and India. During the reporting period, there were cases where the Company sold products to overseas subsidiaries and sold them locally through these subsidiaries due to business needs between the Company and some overseas subsidiaries. There was a situation of transfer pricing in the above-mentioned transaction links. According to the Company's self inspection, there were no cases of the Company or its overseas subsidiaries being punished by the tax department due to transfer pricing issues during the reporting period. From the perspective of its own compliance, the Company regularly hires professional consulting agencies to analyze and demonstrate the transfer pricing strategies involved in the operation of the Company and some overseas subsidiaries, and issues special reports.

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

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

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

information processors who violate the personal rights and interests of natural persons by processing facial information in violation of regulations.

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

2. Technology and product innovation risks

Driven by market demand and technological development, biometric technology has achieved rapid development globally. Biometric technology is gradually iterating towards non-contact and multimodal hybrid biometrics. In addition, with the development of cutting-edge technologies such as cloud computing, the IoT, and AI, users' personalized needs for smart terminal products and even ecological platforms are constantly increasing in the fields of biometric technology applications such as smart entrance and exit management, smart identity verification, and smart office where the Company is located. Industry technology is updated and iterated quickly, requiring industry enterprises to have strong technological innovation capabilities to adapt to the rapid development of the industry. The continuous innovation ability of products and technologies is increasingly becoming an important component of the core competitiveness of related product and solution suppliers. The Company always attaches great importance to technological innovation and new product R&D. In the first half of 2023, the Company's R&D expenses were RMB 100.9841 million, accounting for 10.78% of operating revenue. As of June 30, 2023, the Company has 799 patents, including 126 invention patents; 659 computer software copyrights and 65 work copyrights, as well as strong sustained innovation capabilities. However, if the Company cannot keep up with the development trends of domestic and foreign biometric technology and related application products, and fully pay attention to the diverse individual needs of customers, and the subsequent R&D investment is insufficient, resulting in the Company's technology development and product upgrading not being able to adapt to industry technology iterations and market demand changes in a timely manner, it will face the risk of declining market competitiveness due to the inability to maintain sustained innovation capabilities.

3. Internal control risk

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

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

(2) Dealer management risk

During the reporting period, the Company mainly adopted a sales model that combines distribution and direct sales, and the proportion of distribution was relatively high. In the first half of 2023, the Company achieved a revenue of RMB 636.9511 million through the distribution model, accounting for 68.20% of the Company's main business income in the first half of 2023.

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

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

4. Financial risk

(1) Risk of bad debt losses on accounts receivable

At the end of the reporting period, the book balance of the Company's accounts receivable was RMB 476.9039 million, accounting for 50.89% of the current operating revenue. With the further expansion of the Company's business scale, the amount of accounts receivable may continue to increase. If there are changes in the macroeconomic environment, customer operating conditions, etc., and accounts receivable cannot be recovered in a timely manner, resulting in bad debt losses, the Company's operating results may be adversely affected.

(2) Inventory depreciation risk

With the growth of the Company's business scale, the inventory scale has been increasing year by year. At the end of the reporting period, the book value of the Company's inventory was RMB 329.8385 million, accounting for 10.93% 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 5.01%. 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 cause corresponding exchange gains and losses to 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

Due to the high degree of internationalization of the Company, with the increase in interest rates in the United States, currencies in many countries have depreciated, and countries with weak industrial capabilities may even implement foreign exchange controls, which will lead to longer payment collection times for downstream customers and increased risks. Although the Company has effectively reduced this risk through measures such as Sinosure in the past year, further interest rate hikes in the United States this year may further exacerbate the situation and pose risks to the Company's accounts receivable.

5. Risks related to raising funds to invest in projects

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

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

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

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

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

Applicable Not applicable

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

			<p>Harvest Fund Management Co., Ltd., China Post Life Insurance Company Limited, Guotai Junan Securities Co., Ltd., Shanghai Jiupeng Asset Management Center (Limited Partnership), CITIC Group Corporation, Shenzhen Mingda Capital Management Co., Ltd., Shanghai Xitai Investment Management Co., Ltd., Penghua Fund Management Co., Ltd., King Tower Asset Management Company Ltd., Pacific Asset Management Co., Ltd., China Capital Management Co., Ltd., Caitong Fund Management Co., Ltd., Fujian Haixia Bank Co., Ltd., China Universal Asset Management Co., Ltd., China International Fund Management Co., Ltd., PICC Asset Management Company Limited, Shanghai Harmony Huiyi Asset Management Co., Ltd., Changjiang Securities Company Limited, SWS MU Fund Management Co., Ltd., AIA Company Limited Shanghai Branch, Huatai-PineBridge Fund Management Co., Ltd., Xi'an Curiosity Investment Management Co., Ltd., Dajia Asset Management Co., Ltd., Shanghai Chaser Asset Management Company Limited, Qian He Capital Management Co., Ltd., Shanghai Hexi Investment Management Co., Ltd., Kingsun (Shanghai) Investment Co., Ltd., Zhejiang Jingan Investment Management Co., Ltd., China Coal Energy Company Limited, Shanghai Chengshi Asset Management Co., Ltd., Jiangsu Ruihua Investment Holding Group Co., Limited, Soochow Asset Management Co., Ltd., Baoying Fund Management Co., Ltd., Beijing Zechang Asset Management Co., Ltd., Shenzhen Sandstone Fund Management Co., Ltd., Zhong Ou Asset Management Co., Ltd., Shanghai Panwen Investment Management Co., Ltd., Chang'an Fund Management Co., Ltd., Beijing Ren Bridge Asset Management Co., Ltd, Shanghai Quanxi Investment Management Co., Ltd., Customer of Wealth Management Department of CSC Economic and Management Commission, Orient Fund Management Co., Ltd., Zhejiang BUTTONWOOD&RIGHT Asset Management Co., Ltd., Guotai Asset Management Co., Ltd., Huashang Fund Management Co., Ltd., China Southern Fund Management Co., Ltd., Hangzhou Yudi Investment Management Co., Ltd., Harfor Fund Management Co., Ltd., Beijing Derivative Sailing Investment Co., Ltd., Hua An Fund Management Co., Ltd., Xiamen JIN HENG YU Investment Managerment Co., Ltd., Gfund Management Co., Ltd., Three Gorges Capital Holding Co., Ltd., ABC-CA Fund Management Co., Ltd., Huaxi Fund Management</p>		
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				Co., Ltd., Shanghai Chengyi Private Equity Fund Management Center (Limited Partnership), Everbright Wealth Management Co., Ltd., The Green Le Investment management (Shanghai) Co., Ltd., Xiamen Zhonglue Investment Management Co., Ltd., ABC Wealth Management Co., Ltd., Shanghai Feng Run Capital Company Ltd., Oriental Alpha Fund Management Co., Ltd., Zhongrong Fund Management Co., Ltd., China Life Asset Management Company Limited, ICBC Credit Suisse Asset Management Co., Ltd., Haijin (Dalian) Investment Management Co., Ltd., Yaokang Private Equity Fund (Hangzhou) Co., Ltd., Minsheng Royal Fund, Shanghai Eureka Investment Partner Co., Ltd., Beijing Eastern Smart Rock Asset Management Co., Ltd., Beijing Heju Investment Management Co., Ltd., GF Fund Management Co., Ltd., Shanghai XCFund Management Co., Ltd., Qianhai Life Insurance Co., Ltd., Orient Securities Asset Management Company Limited, Chang Xin Asset Management Co., Ltd., Taikang Asset Management Co., Ltd., Fullerton Investment Management (Shanghai) Co., Ltd., Tongtai Fund Management Co., Ltd., China Securities (International) Finance Holding Company Limited, Zhejiang Longhang Asset Management Co., Ltd., Industrial Fund Management Co., Ltd., Invesco Great Wall Fund Management Co., Ltd., Securities Asset Management Branch of Sealand Securities Co., Ltd., Harvest Forever Capital Management (Beijing) Co., Ltd., Shanghai Jingxi Asset Management Co., Ltd., Yuance (Shanghai) Investment Management LLP, National Council for Social Security Fund, CCT Fund Management Co., Ltd., Purekind Fund Management Co., Ltd., Yingda Insurance Asset Management Co., Ltd., Huatai Asset Management Co., Ltd., Shanghai Panjing Investment Center (Limited Partnership), Xinhua Asset Management Co., Ltd., and CCB Life Insurance Asset Management Company Limited.		
March 15, 2023	XIAMEN ZKTECO Meeting Room	Field research	Institution	China Securities Co., Ltd.: Jin Ge Shenzhen Minsen Investment Co., Ltd.: Li Yajun Shenzhen Upright Asset Management Co., Ltd.: Ma Li Shanghai Guotai Junan Securities Asset Management Co., Ltd.: Fan Ming Sunon Investment Management Co., Ltd.: Tang Heng	See CNINFO (http://www.cninfo.com.cn)	CNINFO http://www.cninfo.com.cn, Announcement date: March 17, 2023, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2023-004)
March 22 and	Company	Telephone	Institution	Shenzhen Branch of Haiyin Wealth Management Co., Ltd., Haitong	See CNINFO	CNINFO

23, 2023	Meeting Rooms and Online Meetings	Communication		Securities Co., Ltd., Shenzhen Qianhai Decheng Asset Management Co., Ltd., Everbright Securities Co., Ltd., Shenzhen Qianhai Wanli Private Equity Fund Management Co., Ltd., Beijing Ding Investment Co., Ltd., China Merchants Securities Co., Ltd., Shenzhen Qianhai Deyun Investment Co., Ltd., Elitimes Capital Management Co., Ltd., :China Great Wall Securities Co., Ltd., Zheshang Securities Co., Ltd., Shenzhen Kingstone Investment Management Limited, Guangdong Branch of Shenwan Hongyuan Securities Co., Ltd., Shenzhen Hongliwan Investment Management Co., Ltd., Shenzhen Gaoyi Private Equity Fund Management Co., Ltd., Upright Asset, Mingfu Fund, Minmetals Securities Co., Ltd., Shenzhen Xinzheng Asset Management Co., Ltd., Tebon Securities Co., Ltd., Sinolink Securities Co., Ltd., CHINAMATE INTERNATIONAL INVESTMENT HOLDINGS LIMITED, China Securities Co., Ltd., Huachuang Asset Management, China Capital Management, Shanghai Tourmaline Asset Management, Broad Fund, CICC Fund, Sunrise Asset, QIN CHEN ASSET, Soochow Self-management, Yuexi Investment, Guangzhou Xuan Yuan Investment, Fuyun Private Equity Fund, Tiancheng Investment, Valoran Investment, Songxi Private Fund, Hongsheng Asset, and CITIC-Prudential Fund	(http://www.cninfo.com.cn)	http://www.cninfo.com.cn, Announcement date: March 24, 2023, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2023-005)
May 8, 2023	Quanjing "Investor Relations Interactive Platform" (https://ir.p5w.net)	Remote text communication on network	Others	Investors participating in the 2022 annual performance briefing	See CNINFO (http://www.cninfo.com.cn)	CNINFO http://www.cninfo.com.cn, Announcement date: May 12, 2023, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2023-006)
May 29, 2023	Online Meeting	Others	Institution	Host: Chief Analyst of AI at CSC: Yu Fangbo Researcher of AI at CSC: Chen Siyue Other participating organizations and personnel: Baoying Fund Management Co., Ltd., China Post Life Insurance Company Limited, Dajia Asset Management Co., Ltd., Mingshi Partners Private Equity Fund Management (Zhuhai) Co., Ltd., Shanghai Mingyu Asset Management Co., Ltd., CSOP Asset Management Limited, Huiquan Fund Management Co., Ltd.,	See CNINFO (http://www.cninfo.com.cn)	CNINFO http://www.cninfo.com.cn, Announcement date: May 30, 2023, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2023-007)

			<p>Chasing Securities Co., Ltd., Shanghai Xunbao Investment Management Co., Ltd., Springs Capital (Beijing) Limited, Xinghe Fund Management Co., Ltd., Fengyan Investment Management (Shanghai) Co., Ltd., Shanghai Chaos Investment (Group) Co., Ltd., Harvest Fund Management Co., Ltd., Shanghai Chaser Asset Management Company Limited, Shanghai Alluvium Asset Management (Limited Partnership), Changjiang Securities Company Limited, China Universal Asset Management Co., Ltd., Shanghai Qiyao Capital Management Partnership Limited, CITIC Group Corporation, Beijing Longrising Asset Management Co., Ltd., Shaanxi Baopu Rongyi Asset Management Co., Ltd., Tianjin Yixinan Asset Management Co., Ltd., CCB Life Insurance Asset Management Company Limited, Evergrande Life Insurance Co., Ltd., Bank of Beijing Scotiabank Asset Management Co., Ltd., Hangzhou Linnuo Private Equity Fund Management Co., Ltd., Shanghai Simike Materials Technology Co., Ltd., Zheshang Securities Co., Ltd., Guorong Securities Co., Ltd., First State Cinda Fund Management Co., Ltd., Kingsun (Shanghai) Investment Co., Ltd., Hainan Tuopu Private Equity Fund Management Co., Ltd., BOSERA FUNDS MANAGEMENT CO., LIMITED, Dacheng Fund Management Co., Ltd., Xiamen JIN HENG YU Investment Management Co., Ltd., Harfor Fund Management Co., Ltd., Donghai Securities Co., Ltd., ABC-CA Fund Management Co., Ltd., Green Court Capital Management Ltd, Tebon Fund Management Co., Ltd., Wealth Management Department of CSC Economic and Management Commission, Broad VISION Investment Co., Ltd., Nanhua Fund Management Co., Ltd., Securities Asset Management Branch of Sealand Securities Co., Ltd., Tianhong Asset Management Co., Ltd., Guangzhou Loongzi Investment Management Co., Ltd., China Securities (International) Finance Holding Company Limited, Beihai Dizeng Investment Consulting Co., Ltd., Caitong Securities Co., Ltd., Western Leadbank Fund Management Co., Ltd., Shenzhen Sandstone Fund Management Co., Ltd., Amundi BOC Wealth Management Co., Ltd., Beijing Ziwei Private Fund Management Co., Ltd., AXA SPDB Investment Managers Co., Ltd., Hangzhou Yudi Investment Management Co., Ltd., China Resources Yuanda Fund Management Co., Ltd., China Life Pension Company Limited, Shanghai Zhonglan Fund Management Co., Ltd., Shanghai Liling Private</p>		
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				Fund Management Co., Ltd., Gelin Fund Management Co., Ltd., Zhejiang BUTTONWOOD&RIGHT Asset Management Co., Ltd., Soochow Asset Management Co., Ltd., GF Fund Management Co., Ltd., Shanghai Eureka Investment Partner Co., Ltd., ZHONG CHUAN FINANCE COMPANY LIMITED, Shanghai Kemai Asset Management Co., Ltd., China Capital Management Co., Ltd., Fuanda Fund Management Co., Ltd., Zhongke Richland Asset Management Co., Ltd., Jiangdong Holdings Group Co., Ltd., Founder Securities Co., Ltd., China Guangfa Bank Co., Ltd., Hainan Fudao Private Equity Fund Management Co., Ltd., Cathay Lujiazui Life Insurance Company Limited, New China Fund Management Co., Ltd., Jinxin Fund Management Co., Ltd., Shanghai Xiangyi Asset Management Co., Ltd., and Fuzhou Development Zone Sanxin Asset Management Co., Ltd., etc.		
June 12 and 14, 2023	XIAMEN ZKTECO and ZKTECO Meeting Room	Field research	Institution	COFCO Futures Co., Ltd., Nomura Orient International Securities Co., Ltd., Sunon Investment Management Co., Ltd., Beijing Suncapital Co., Ltd., Zheshang Securities Co., Ltd., Wisdomshire Asset Management Co., Ltd., Minsheng Royal Fund Management Co., Ltd., Khazanah Nasional Berhad, Matthews Asia, Modular Asset Management, Sunshine Life, Yiheng Capital, and UBS	See CNINFO (http://www.cninfo.com.cn)	CNINFO http://www.cninfo.com.cn , Announcement date: June 15, 2023, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2023-008)

Section IV Corporate Governance

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

1. General Meetings convened during this reporting period

Meeting	Meeting Type	Proportion of participating investors	Convening Date	Disclosure Date	Resolution of the Meeting
The 1st Extraordinary General Meeting of Shareholders in 2023	Extraordinary General Meeting	70.96%	January 16, 2023	January 16, 2023	"Proposal on Renewing the Appointment of Accounting Firms"
The 2nd Extraordinary General Meeting of Shareholders in 2023	Extraordinary General Meeting	70.97%	February 6, 2023	February 6, 2023	"Proposal on Changing the Investment Projects of Raised Funds, Changing the Special Account for Raised Funds, Increasing Capital and Providing Loans to Subsidiaries to Implement Investment Projects"
The 3rd Extraordinary General Meeting of Shareholders in 2023	Extraordinary General Meeting	73.65%	April 7, 2023	April 7, 2023	(I) "Proposal on the Election and Nomination of Non-Independent Director Candidates for the Third Board of Directors" (1) "Election of Mr. Che Quanhong as a Non-Independent Director Candidate for the Third Board of Directors of the Company"; (2) "Election of Mr. Jin Hairong as a Non-Independent Director Candidate for the Third Board of Directors of the Company"; (3) "Election of Mr. Ma Wentao as a Non-Independent Director Candidate for the Third Board of Directors of the Company"; (4) "Election of Mr. Fu Zhiqian as a Non-Independent Director Candidate for the Third Board of Directors of the Company". (II) "Proposal on the Election and Nomination of Independent Director Candidates for the Third Board of Directors" (1) "Election of Mr. Pang Chunlin as an Independent Director Candidate for the Third Board of Directors of the Company"; (2) "Election of Ms. Zhuo Shuyan as an Independent Director Candidate for the

					<p>Third Board of Directors of the Company";</p> <p>(3) "Election of Ms. Dong Xiuqin as an Independent Director Candidate for the Third Board of Directors of the Company".</p> <p>(III) "Proposal on the Election and Nomination of Candidates for Non-employee Representative Supervisors of the 3rd Board of Supervisors"</p> <p>(1) "Election of Wang Huineng as a Candidate for Non-Employee Representative Supervisors of the 3rd Board of Supervisors";</p> <p>(2) "Election of Yang Xianfeng as a Candidate for Non-Employee Representative Supervisors of the 3rd Board of Supervisors".</p>
Annual General Meeting of 2022	Annual General Meeting	73.66%	May 19, 2023	May 19, 2023	<p>(I) Proposal on the "2022 Annual Report" and Its Summary;</p> <p>(II) Proposal on the "2022 Work Report of the Board of Directors";</p> <p>(III) Proposal on the "2022 Work Report of the Board of Supervisors";</p> <p>(IV) Proposal on the "2022 Annual Financial Settlement Report";</p> <p>(V) "Proposal on the 2022 Profit Distribution Plan";</p> <p>(VI) Proposal on Changing the Registered Capital, Amending the Articles of Association, and Handling the Procedures for Changing Industrial and Commercial Registration;</p> <p>(VII) "Proposal on Applying for Comprehensive Credit Line from Banks and Handling Bank Loans";</p> <p>(VIII) "Proposal on Using Idle Self-owned Funds to Purchase Financial Products";</p> <p>(IX) "Proposal on 2023 Compensation Plan for Directors";</p> <p>(X) "Proposal on 2023 Compensation Plan for Supervisors";</p> <p>(XI) "Proposal on Changing the Implementation Location and Total Investment Amount of Some Raised Funds Investment Projects and Adjusting the Construction Content of Some Projects".</p>

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

Applicable Not applicable

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

Applicable Not applicable

Name	Positions	Type	Date	Reasons
Wang Huineng	Supervisor	Elected	April 7, 2023	Election of the Board of Supervisors
Yang Xianfeng	Supervisor	Elected	April 7, 2023	Election of the Board of Supervisors
Liu Jiajia	Supervisor	Resignation upon expiration of term	April 7, 2023	Resignation upon expiration of term and no longer serve as a supervisor of the Company
Wu Xinke	Supervisor	Resignation upon expiration of term	April 7, 2023	Resignation upon expiration of term and no longer serve as a supervisor of the Company

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

Applicable Not applicable

The Company plans not to distribute cash dividends, issue bonus shares, or distribute shares from capital reserve during the first half of 2023.

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

Applicable Not applicable

1. Equity incentives

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

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

According to the "Proposal on the Company's Restricted Stock Incentive Plan 2022 (Draft) and its Abstract" and the authorization of the shareholders' meeting to the Board of Directors, the Company held the 21st Session of the Second Board Meeting and the 15th Session of the Second Supervisory Board Meeting on November 16, 2022, and deliberated and approved the "Proposal on Adjusting the List of Incentive Objects of Restricted Stock Incentive Plan in 2022 and the Number of Granted Objects" and the "Proposal on Granting Restricted Stock to Incentive Objects of 2022 Restricted Stock Incentive Plan for the First Time".

The independent directors gave their independent opinions on the above equity incentive plan, adjustment and grant, and the Board of Supervisors verified the list of incentive objects granted with restricted stock.

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

On June 21, 2023, the Company held the Third Session of the Third Board Meeting and the Third Session of the Third Supervisory Board Meeting, and deliberated and approved the "Proposal on Adjusting the Granting Price and Quantity of 2022 Restricted Stock Incentive Plan", "Proposal on Cancelling Some Granted but Not Affiliated Restricted Stocks", and "Proposal on Granting Reserved Restricted Stocks to the Incentive Objects of 2022 Restricted Stock Incentive Plan". The Board of Directors of the Company believes that the reserved grant conditions stipulated in this incentive plan have been met, and agrees to determine June 21, 2023 as the reserved grant date to grant reserved restricted stocks to the incentive objects of the 2022 restricted stock incentive plan. The independent directors gave their independent opinions on the above equity incentive adjustment, cancellation and reserved grant, and the Board of Supervisors verified the list of incentive objects granted with reserved restricted stock. Please refer to the "Announcement on Adjusting the Granting Price and Quantity of 2022 Restricted Stock Incentive Plan" (Announcement No. 2023-053), "Announcement on Cancelling Some Granted but Not Affiliated Restricted Stocks" (Announcement No. 2023-054), and "Announcement on Granting Reserved Restricted Stocks to the Incentive Objects of 2022 Restricted Stock Incentive Plan" (Announcement No. 2023-055) disclosed by the Company on the website of CNINFO (<http://www.cninfo.com.cn>) on June 21, 2023.

2. Implementation of employee stock ownership plan

Applicable Not applicable

3. Other employee incentive plans

Applicable Not applicable

Section V Environmental and Social Responsibility

I. Significant Environmental Issues

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

Yes No

Administrative penalties for environmental problems during the reporting period

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

Refer to other environmental information disclosed by key pollutant discharge units

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

The Company has 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

(I) Shareholders' equity protection

The Company has formed a modern corporate governance structure that separates, supports, and balances the board of shareholders, Board of Directors, Board of Supervisors, and management in strict accordance with the requirements of laws and regulations such as the "Company Law", the "Securities Law", the "Code of Corporate Governance for Listed Companies", the "Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange", and the "Shenzhen Stock Exchange Guideline No. 2 on Self Regulation of Listed Companies - Normative Operation of Listed Companies on the Growth Enterprise Board", and established an internal control system based on the Company's "Articles of Association", with core structures such as the "Rules of

Procedure for Shareholders' Meeting", the "Rules of Procedure of the Board of Directors", and the "Rules of Procedure for the Board of Supervisors".

The Company attaches great importance to the protection of investors' rights and interests, strictly fulfills its information disclosure obligations in accordance with regulatory requirements, and communicates with investors through various means such as on-site research, investor phone calls, and investor relationship interaction platforms to improve the Company's transparency and effectively protect the legitimate rights and interests of investors, especially small and medium-sized investors.

During the reporting period, the Company held one annual general meeting and three extraordinary general meetings. The convening and voting procedures of the shareholders' meeting strictly follow the provisions of laws, regulations, and the Company's Articles of Association. A combination of on-site voting and online voting is adopted at the shareholders' meeting, providing convenient conditions for investors to fully participate in the shareholders' meeting and ensuring shareholders' right to know, participate, and vote on significant events of the Company. When the major matters that affect the interests of small and medium-sized investors are deliberated at the shareholders' meeting, separate counting of votes for small and medium-sized investors shall be carried out and timely public disclosure shall be made in the resolutions of the shareholders' meeting to fully protect the rights and interests of small and medium-sized investors.

(II) Protection of employee rights and interests

The Company always adheres to the "people-oriented" talent concept, strictly implements various laws and regulations such as the "Labor Law", plays the role of trade unions, respects and protects the legitimate rights and interests of employees, and effectively guarantees their occupational health and safety.

For new employees, the Company actively cultivates and promotes the corporate culture spirit of responsibility, integrity, practicality, and excellence. Through the 1,700 m² corporate development and cultural exhibition hall visit and learning, the Company strengthens employees' sense of organizational responsibility, and enhances employees' sense of honor and pride.

The Company attaches great importance to employee skill training to improve their skill quality. The Company makes efforts to promote employee education and training, improve the treatment of skilled workers, and focuses on recognition and rewards towards the frontline. The Company establishes a talent training mechanism, including on-the-job training, job rotation communication, mentorship, internal trainers, and professional technical training, to accelerate employee career growth and broaden employee development channels.

The Company adheres to the concept of "safety first, precaution crucial", pays attention to the occupational health of employees, and formulates systems such as the "Occupational Disease Management System" and "Occupational Disease Physical Examination Management Process" in accordance with relevant laws and regulations. By focusing on controlling the operation and activities related to important occupational health and safety risk factors, pasting occupational health notification cards on site, distributing labor protection equipment regularly, developing work safety operation manuals, and strengthening their work skills, quality awareness and occupational health and safety awareness through on-the-job training, the Company continuously improves employees' ideological awareness of work safety. The office area is equipped with emergency medicine, fire prevention equipment, gas masks and other items for emergency use. The Company regularly holds fire drills and training, showcasing the usage methods of commonly used fire extinguishers to employees, and guiding them to learn initial fire fighting and other knowledge. At the same time, ZKTECO and Guangdong Zkteco have passed the ISO45001 occupational health and safety management system certification. They conduct annual occupational disease hazard factor testing in the workplace, and conduct professional occupational health examinations for personnel in positions exposed to hazardous factors through testing, pay attention to employee health and reduce the risk of occupational diseases. An inspection team is established within the enterprise, the safety inspection system is strictly implemented, and a combination of safety self-inspection and special inspection, routine inspection and surprise inspection, and inspection and rectification is adopted, to continuously eliminate unsafe factors in production such as human, machine and environmental factors.

The Company listens to the voices of its employees and effectively solves their difficulties. The Company innovatively carries out the "ZKTeco Tree Hole" activity to collect employee opinions, continues to provide traditional holiday condolences, improves employee accommodation environment, and provides multiple services such as child-care centers, libraries, medical and health

promotion, and annual physical examinations for employees. The Company regularly holds employee birthday parties, sports events, outdoor activities, employee interest clubs, cultural salons, and other forms of activities. Moreover, the Company establishes employee assistance funds. In addition, the Company provides interest free housing loans to eligible key personnel to effectively safeguard and ensure the interests of employees and enhance employees' sense of belonging, which has won the trust and support of the majority of employees.

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

The cooperation between the Company and suppliers is based on the principles of fairness, justice, mutual benefit, and win-win cooperation. The mutual trust, conventions, and contracts established by both parties in the cooperation are the foundation of business cooperation, and improving efficiency and common development are the common goals of both parties. The supply chain has always adhered to the principles of "sunshine purchase, honesty and trustworthiness, integrity and self-discipline", requiring suppliers to also bear relevant responsibilities for social responsibility and environmental impact. By formulating complete procurement management agreements, including the "Integrity Agreement", "Procurement Framework Agreement", and "CSR Agreement", and continuously improving the procurement process, the Company ensures that the source of materials is legal and compliant. The Company attaches great importance to the quality and safety of its products, and has established quality management systems such as the "Supply Quality Agreement" with suppliers to further standardize supplier management, improve efficiency and service quality, and work together with supply chain partners to create better products for customers.

Starting from customer needs and experiences, the Company continuously improves organizational construction, institutional management, financial supervision, process control and comprehensive audit of budget and final accounts. While providing high-quality products and services for customers, as well as creating greater value for society, partners and customers, the Company continuously enhances its own value. The Company adheres to the value concept of "working together to achieve win-win cooperation". The Company goes forward hand in hand with partners and customers. With integrity and reputation as the foundation of business, the Company constantly listens to the opinions of partners and customers, and strives to improve product quality and jointly create a healthy, long-term, stable and win-win cooperation ecosystem to assist in the sustainable development of the industry.

The Company attaches great importance to product quality and safety, protects the interests of partners and customers, and effectively fulfills the Company's social responsibility to suppliers, partners, and customers. The Company adheres to business rules and operates with integrity as the foundation. It promises to strictly abide by applicable laws and regulations, respect the rights and interests of suppliers, partners, and customers, and keep trade secrets confidential.

(IV) Environmental protection and sustainable development

The Company has been committed to protecting and improving the natural environment, and adhering to people orientation, energy conservation, and work safety, adheres to the code of ethics and conscientiously implements relevant national laws and regulations in ecological environment protection, energy consumption, and work safety.

The Company strives to achieve energy conservation, emission reduction, and sustainable development in the production and operation process, committed to reducing resource and energy consumption and environmental costs during production and operation, and improving resource utilization efficiency. Various energy-saving systems have been formulated, such as the "Energy Conservation Target Management System", the "Energy Conservation Publicity System", and the "Energy Conservation and Emission Reduction Reward and Punishment System". The Company actively responded to various environmental protection measures issued by the Environmental Protection Department, actively cooperated with the work instructed by the Municipal Environmental Protection Bureau, enhancing employees' environmental awareness; carried out promotional activities, strengthened supervision and inspection, and promoted the progress of environmental protection matters, playing a good leading role in environmental protection, and fulfilling social responsibilities. During the reporting period, the Company was awarded the titles of "Dongguan Environmental Management Demonstration Enterprise" and "Dongguan Safe Enterprise".

(V) Public relations and social welfare undertakings

The Company continued to deepen the role of the labor union, organized employees to participate in various large-scale activities organized by the city/town federation of labor unions, such as "Civilized City Co-creation", "Anti-fraud Propaganda", and "Employee

Library Construction". The Company allowed them to widely participate in corporate social responsibility and public welfare undertakings, continuously enriching their leisure lives. Give movie tickets and consumption vouchers to employees.

In addition, the Company provided pedestrian, vehicle and access control solutions for international event venues and service areas such as the Hangzhou Asian Games Esports Hall, creating a safe, convenient and efficient travel experience to support the development of the sports industry.

The Company actively participated in the 2023 "6·30" Assistance to Rural Revitalization and Dongguan Charity Day activities in Tangxia Town and Zhangmutou Town, making positive contributions to consolidating and expanding poverty alleviation achievements and rural revitalization, and promoting common prosperity.

Section VI Significant Events

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

Applicable Not applicable

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

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

Applicable Not applicable

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

III. Illegal Provision of Guarantees for External Parties

Applicable Not applicable

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

IV. Appointment and Dismissal of Accounting Firms

Whether the half year financial report has been audited?

Yes No

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

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

Applicable Not applicable

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

Applicable Not applicable

VII. Matters Related to Bankruptcy Reorganization

Applicable Not applicable

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

VIII. Litigation Matters

Major litigation and arbitration matters

Applicable Not applicable

Basic information of litigation (arbitration)	Amount involved (RMB '0,000)	Is there an estimated liability formed	Progress of litigation (arbitration)	Litigation (arbitration) trial results and effects	Execution of litigation (arbitration) judgments	Disclosure Date	Disclosure Index
Patent dispute filed by Hanwang Technology Co., Ltd. against the Company and its subsidiary XIAMEN ZKTECO	11,048.6	No	The Beijing Intellectual Property Court has ruled to reject all lawsuits filed by the other party	The court ruled to dismiss the other party's lawsuit, which has no impact on the Company	Not involved	June 30, 2023	"Announcement on the Progress of Litigation Matters" on CNINFO (Announcement No.: 2023-059)
Unfair competition dispute filed by the Company against Zokon Industry	200	No	After the second instance judgment, Zokon Industry filed a retrial application, and the Guangdong Higher People's Court issued a notice of appearance for civil application retrial case (2022) YMS No. 17262 to the Company on February 15, 2023	The second instance court ruled that Zokon Industry compensate the Company and Shenzhen ZKTeco for a loss of RMB 2 million, and the retrial application does not affect the execution of the second instance judgment	The Company and Shenzhen ZKTeco submitted an "Application for Execution" to the Shenzhen Intermediate People's Court and was accepted by the Shenzhen Intermediate People's Court. Currently, the Company and Shenzhen ZKTeco have not received compensation from the other party	April 28, 2023	CNINFO (http://www.cninfo.com.cn) "2022 Annual Report of ZKTECO CO., LTD."
Disputes filed by Zokon Industry over infringement of trademark rights and unfair competition	500	Yes (of which RMB 600,000 forms estimated liabilities)	The Guangdong Higher People's Court has accepted the appeal application between the	The first instance judgment has not taken effect, and the second instance trial is ongoing	The second instance trial is ongoing	April 28, 2023	CNINFO (http://www.cninfo.com.cn) "2022 Annual Report of ZKTECO CO., LTD."

against the Company and Shenzhen Xinjiacheng Intelligent Technology Co., Ltd.			Company and Shenzhen Xinjiacheng Intelligent Technology Co., Ltd., and the second instance is ongoing				
Other lawsuits/arbitrations where the Company (including subsidiary companies in the consolidated financial statements) as the plaintiff fails to meet the disclosure standards for major lawsuits	1,193.83	No	The Company strictly follows the progress of each case	No significant impact	The Company strictly follows the progress of each case	Not applicable	Not applicable
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	14.78	No	The Company strictly follows the progress of each case	No significant impact	The Company strictly follows the progress of each case	Not applicable	Not applicable

Other litigation matters

Applicable Not applicable

IX. Punishment and Rectification

Applicable Not applicable

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

Applicable Not applicable

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

XI. Significant Related-Party Transactions

1. Related-party transactions related to daily operations

Applicable Not applicable

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

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

Applicable Not applicable

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

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

Applicable Not applicable

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

4. Related Credit and Debt Transactions

Applicable Not applicable

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

5. Transactions with Related Financial Companies

Applicable Not applicable

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

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

Applicable Not applicable

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

7. Other significant related party transactions

Applicable Not applicable

On June 21, 2023, the Company held the Third Session of the Third Board Meeting and the Third Session of the Third Supervisory Board Meeting, and deliberated and approved the "Proposal on Establishing Ecological Innovation Fund and Related Party Transactions through Cooperation with Professional Investment Institutions". It was agreed that the Company and related parties would invest in the establishment of an ecological innovation fund. The Company planned to contribute RMB 48 million, the related party Mr. Che

Quanhong planned to contribute RMB 12 million, and other investors planned to contribute a total of RMB 60 million, with a total investment of RMB 120 million, to establish an ecological innovation fund. Please refer to the "Announcement on Establishing Ecological Innovation Fund and Related Party Transactions through Cooperation with Professional Investment Institutions" (Announcement No. 2023-056) disclosed by the Company on CNINFO on June 21, 2023.

Related Queries on the Disclosure Website of Temporary Reports on Major Related Party Transactions

Temporary Announcement Name	Temporary Announcement Disclosure Date	Temporary Announcement Disclosure Website Name
"Announcement on Establishing Ecological Innovation Fund and Related Party Transactions through Cooperation with Professional Investment Institutions"	June 21, 2023	CNINFO

XII. Significant Contracts and Their Performance

1. Custody, contracting, and leasing matters

(1) Custody

Applicable Not applicable

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

(2) Contracting

Applicable Not applicable

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

(3) Leasing

Applicable Not applicable

Description of leasing

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

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

Applicable Not applicable

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

2. Significant guarantee

Applicable Not applicable

Unit: RMB '0,000

External guarantees provided by the Company and its subsidiaries (excluding guarantees provided to subsidiaries)										
Name of	Disclosu	Guarante	Actual	Actual	Type of	Collatera	Counter	Guarante	Whether	Whether

guarantee object	re date of guarantee limit related announcements	Guarantee amount	occurrence date	guarantee amount	guarantee	Collateral (if any)	Counter guarantee (if any)	Guarantee period	it has been fulfilled	to guarantee for related parties
Guarantee of the Company to its subsidiaries										
Name of guarantee object	Disclosure date of guarantee limit related announcements	Guarantee amount	Actual occurrence date	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter guarantee (if any)	Guarantee period	Whether it has been fulfilled	Whether to guarantee for related parties
ZKTECO (GUANGDONG) CO., LTD		25,000	December 16, 2019	0				15 years	No	No
Total approved guarantee amount for subsidiaries during the reporting period (B1)		100,000		Total actual amount of guarantee for subsidiaries during the reporting period (B2)		0				
Total approved guarantee amount for subsidiaries at the end of the reporting period (B3)		100,000		Total actual guarantee balance for subsidiaries at the end of the reporting period (B4)		0				
Guarantee provided by subsidiaries to subsidiaries										
Name of guarantee object	Disclosure date of guarantee limit related announcements	Guarantee amount	Actual occurrence date	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter guarantee (if any)	Guarantee period	Whether it has been fulfilled	Whether to guarantee for related parties
Total amount of company guarantee (i.e. the total of the first three major items)										
Total approved guarantee amount during the reporting period (A1+B1+C1)		100,000		Total actual amount of guarantees incurred during the reporting period (A2+B2+C2)		0				
Total approved guarantee amount at the end of the reporting period (A3+B3+C3)		100,000		Total actual guarantee balance at the end of the reporting period (A4+B4+C4)		0				
Proportion of actual total guarantee amount				0.00%						

(i.e. A4+B4+C4) to the Company's net assets	
Including:	
Balance of guarantees provided to shareholders, actual controllers, and their related parties (D)	0
Balance of debt guarantee provided directly or indirectly for guaranteed objects with an asset liability ratio exceeding 70% (E)	0
Amount of the total guarantee exceeding 50% of net assets (F)	0
Total amount of the above three guarantees (D+E+F)	0
Explanation of situations where there is a guarantee liability or evidence indicating the possibility of assuming joint and several liability for the unexpired guarantee contract during the reporting period (if any)	Not applicable
Explanation of providing external guarantees in violation of prescribed procedures (if any)	Not applicable

Explanation of the specific situation of using composite guarantee

3. Significant contracts for daily operations

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

4. Other significant contracts

Applicable Not applicable

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

XIII. Explanation of Other Significant Events

Applicable Not applicable

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

XIV. Significant Events of the Company's Subsidiaries

Applicable Not applicable

Section VII Changes in Shares and Information about Shareholders

I. Changes in Shares

1. Changes in shares

Unit: share

	Before the change		Increase or decrease in this change (+, -)					After the change	
	Quantity	Proportion	Issue new shares	Bonus	Share transferred from capital reserve	Others	Subtotal	Quantity	Proportion
I. Restricted shares	115,239,376	77.61%			34,012,262	-1,865,168	32,147,094	147,386,470	76.35%
1. Shares held by State									
2. Shares held by state-owned legal persons	6,996	0.00%				-6,996	-6,996	0	
3. Shares held by other domestic enterprises	115,227,138	77.60%			34,012,262	-1,852,930	32,159,332	147,386,470	76.35%
Including: shares held by domestic legal persons	89,051,893	59.97%			26,160,962	-1,848,685	24,312,277	113,364,170	58.73%
Shares held by domestic natural persons	26,175,245	17.63%			7,851,300	-4,245	7,847,055	34,022,300	17.62%
4. Foreign shareholding	5,242	0.00%				-5,242	-5,242	0	
Including: shares held by overseas legal persons	5,158	0.00%				-5,158	-5,158	0	
Shares held by overseas natural person	84	0.00%				-84	-84	0	
II. Shares without trading restrictions	33,252,675	22.39%			10,535,353	1,865,168	12,400,521	45,653,196	23.65%
1. RMB denominated ordinary shares	33,252,675	22.39%			10,535,353	1,865,168	12,400,521	45,653,196	23.65%
2. Domestic listed foreign shares									
3. Overseas									

listed foreign shares									
4. Others									
III. Total shares	148,492,051	100.00%			44,547,615		44,547,615	193,039,666	100.00%

Reasons for changes in shares

Applicable Not applicable

1. Reasons for changes in restricted shares

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

2. Reasons for changes in total shares

Conversion of public reserve funds to share capital: The Company's equity distribution plan for 2022 is as follows: to distribute a cash dividend of RMB 3.5 (including tax) per 10 shares to all shareholders based on the Company's total capital of 148,492,051 shares as of December 31, 2022, with the total cash dividend distribution of RMB 51,972,217.85 (including tax); at the same time, to convert capital reserves to share capital, and convert 3 shares per 10 shares to all shareholders with a total of 148,492,051 shares, with the total conversion of 44,547,615 shares. After the conversion, the total share capital of the Company will increase to 193,039,666 shares; no bonus shares will be given.

Approval of changes in shares

Applicable Not applicable

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

Transfer of changes in shares

Applicable Not applicable

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

Implementation progress of share repurchase

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

During the reporting period, due to the Company's implementation of converting capital reserve to share capital, the total share capital increased from 148,492,051 shares to 193,039,666 shares, resulting in corresponding dilution of earnings per share and net assets per

share. The relevant data can be found in "IV. Main Accounting Data and Financial Indicators" of "Section II Company Profile and Key Financial Indicators" of the report.

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

Applicable Not applicable

2. Changes in restricted shares

Applicable Not applicable

Unit: share

Name of shareholder	Number of restricted shares at the beginning of the period	Number of shares released from trading restrictions in this period	Increase in restricted shares during the period	Number of restricted shares at the end of the period	Reason for restrictions	Date of releasing from trading restrictions
Shenzhen ZKTeco Times Investment Co., Ltd.	45,000,000		13,500,000	58,500,000	Restricted shares before IPO	February 17, 2026
Che Quanhong	26,171,000		7,851,300	34,022,300	Restricted shares before IPO	February 17, 2026
Shenzhen JYSJ Investment Enterprise (Limited Partnership)	10,852,000		3,255,600	14,107,600	Restricted shares before IPO	One quarter of the shares will be unlocked from August 17, 2023, until all shares are unlocked on August 17, 2026
Shenzhen JYHY Investment Enterprise (Limited Partnership)	10,708,500		3,212,550	13,921,050	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 (Limited Partnership)	7,600,000		2,280,000	9,880,000	Restricted shares before IPO	August 17, 2025
Shenzhen JYLX Consulting Enterprise (Limited Partnership)	3,652,600		1,095,780	4,748,380	Restricted shares before IPO	One quarter of the shares will be unlocked from August 17, 2023, until all shares are unlocked on August 17, 2026

Shenzhen Fuhai Juanyong I Venture Investment Fund (Limited Partnership)	2,009,646		602,894	2,612,540	Restricted shares before IPO	August 17, 2023
Huaxin Yuanchuang (Qingdao) Capital Management Co., Ltd. - Yiwu Walden Yuanjing Venture Capital Centre (Limited Partnership)	1,406,752		422,025	1,828,777	Restricted shares before IPO	August 17, 2023
Huaxin Yuanchuang (Qingdao) Capital Management Co., Ltd. - Qingdao Walden Zhongxiang Investment Centre (Limited Partnership)	2,612,540		783,762	3,396,302	Restricted shares before IPO	August 17, 2023
Shenzhen JYQL Investment and Consulting Enterprise (Limited Partnership)	1,356,000		406,800	1,762,800	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
Changjiang Wealth Asset Management - Bank of Nanjing - Changjiang Wealth - ZKTeco Employee Strategic Placement No.1 Collective Asset Management Plan	1,733,148		519,944	2,253,092	Restricted shares after IPO	August 17, 2023
Changjiang Wealth Asset Management - Bank of Nanjing -	272,022		81,607	353,629	Restricted shares after IPO	August 17, 2023

Changjiang Wealth - ZKTeco Employee Strategic Placement No.2 Collective Asset Management Plan						
Offline issuance restricted shares	1,865,168	1,865,168		0	Restricted shares after IPO	February 17, 2023
Total	115,239,376	1,865,168	34,012,262	147,386,470	--	--

II. Issuance and Listing of Securities

Applicable Not applicable

III. Number of Shareholders of the Company and Shareholding

Unit: share

Total number of ordinary shareholders at the end of the reporting period		18,664	Total number of preferred shareholders with restored voting rights at the end of the reporting period (if any) (see Note 8)	0	Total number of shareholders holding special voting shares (if any)	0		
Shareholding of ordinary shareholders holding more than 5% or the top 10 shareholders								
Name of shareholder	Nature of shareholder	Percentage of shares	Number of shares held at the end of the reporting period	Changes in increase and decrease during the reporting period	Number of shares with selling restrictions	Number of shares without trading restrictions	Pledge, marking or freezing	
							Share status	Quantity
Shenzhen ZKTeco Times Investment Co., Ltd.	Domestic non state-owned legal persons	30.30%	58,500,000	13,500,000	58,500,000			
Che Quanhong	Domestic natural persons	17.62%	34,022,300	7,851,300	34,022,300			
Shenzhen JYSJ Investment Enterprise (Limited Partnership)	Domestic non state-owned legal persons	7.31%	14,107,600	3,255,600	14,107,600			
Shenzhen JYHY Investment	Domestic non state-	7.21%	13,921,050	3,212,550	13,921,050			

Enterprise (Limited Partnership)	owned legal persons							
Dongguan LX Investment Partnership (Limited Partnership)	Domestic non state-owned legal persons	5.12%	9,880,000	2,280,000	9,880,000			
Shenzhen JYLX Consulting Enterprise (Limited Partnership)	Domestic non state-owned legal persons	2.46%	4,748,380	1,095,780	4,748,380			
Huaxin Yuanchuang (Qingdao) Capital Management Co., Ltd. - Qingdao Walden Zhongxiang Investment Centre (Limited Partnership)	Others	1.76%	3,396,302	783,762	3,396,302			
Shenzhen Fuhai Juanyong I Venture Investment Fund (Limited Partnership)	Domestic non state-owned legal persons	1.35%	2,612,540	602,894	2,612,540			
Changjiang Wealth Asset Management - Bank of Nanjing - Changjiang Wealth - ZKTeco Employee Strategic Placement No.1 Collective Asset Management Plan	Others	1.17%	2,253,092	519,944	2,253,092			
Huaxin Yuanchuang (Qingdao) Capital Management Co., Ltd. - Yiwu Walden Yuanjing Venture Capital Centre (Limited Partnership)	Others	0.95%	1,828,777	422,025	1,828,777			

Strategic investors or general legal persons become the top 10 shareholders due to the placement of new shares (if any) (see Note 3)	Changjiang Wealth Asset Management - Bank of Nanjing - Changjiang Wealth - ZKTeco Employee Strategic Placement No.1 Collective Asset Management Plan is a strategic placement plan established by the executives and core employees of ZKTECO CO., LTD. The restricted share trade period of this part of the shares is 12 months after the Company goes public. In addition, the start and end dates of the shareholding period have not been agreed with the shareholders.		
Description of the above shareholder's association or concerted action	<p>Shareholder Che Quanhong is elder brother of shareholder Che Quanzhong from ZKTeco Times are brothers, and son of Che Jun, partner of LX Investment.</p> <p>The shareholder Che Quanhong holds 76.02% of the equity of ZKTeco Times, being the controlling shareholder of ZKTeco Times. Meanwhile, Che Quanhong holds 1.18% of the property share of shareholder LX Investment.</p> <p>Che Quanzhong, the younger brother of shareholder Che Quanhong, holds a 23.98% stake in ZKTeco Times.</p> <p>Che Jun, the father of shareholder Che Quanhong, holds 98.68% of the property share of LX Investment.</p> <p>The fund managers of shareholders Qingdao Walden and Yiwu Walden are both Huaxin Yuanchuang (Qingdao) Capital Management Co., Ltd.</p> <p>In addition, there is no affiliated relationship between the other shareholders of the Company.</p>		
Description of the above shareholders' involvement in entrusting/entrusted voting rights and waiver of voting rights	Not involved		
Special description of the existence of special repurchase accounts among the top 10 shareholders (see Note 11)	Non-existent		
Shareholding of the top 10 shareholders without trading restrictions			
Name of shareholder	Number of shares without trading restrictions held at the end of the reporting period	Types of shares	
		Types of shares	Quantity
Shenzhen Gohedge Fund Management Co., Ltd. - Gohedge Pearl No.1 Private Equity Fund	799,630	RMB denominated ordinary shares	799,630
Zhu Yongjian	726,213	RMB denominated ordinary shares	726,213
Hong Kong Securities Clearing Company Limited	487,917	RMB denominated ordinary shares	487,917
Xu Jie	333,730	RMB denominated ordinary shares	333,730
Ping An Securities Ltd.	294,888	RMB denominated ordinary shares	294,888
China International Capital Corporation Hong Kong Asset Management Limited - CICCFT4 (QFII)	281,317	RMB denominated ordinary shares	281,317
CITIC Securities Co., Ltd.	253,672	RMB denominated ordinary shares	253,672
Liu Lianxiang	248,465	RMB denominated ordinary shares	248,465
Shenzhen Gohedge Fund Management Co., Ltd. - Gohedge Pearl No. 3 Private Equity Securities Investment Fund	247,000	RMB denominated ordinary shares	247,000

Liu Xiaojun	212,940	RMB denominated ordinary shares	212,940
Description of the association or concerted action between the top 10 shareholders of outstanding shares without trading restrictions, as well as between the top 10 shareholders of outstanding shares without trading restrictions and the top 10 shareholders	The Company does not know whether there is a related relationship between the top 10 shareholders of shares without trading restrictions, as well as between the top 10 shareholders outstanding shares without trading restrictions and the top 10 shareholders, or whether they belong to persons acting in concert.		
Description of top 10 ordinary shareholders participating in margin trading (if any) (see Note 4)	None		

Does the Company have voting right difference arrangements

Yes No

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

Yes No

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

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

Applicable Not applicable

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

Applicable Not applicable

Name	Position	Tenure status	Shares held at the beginning of the period (shares)	Shares increased during the period (shares)	Shares decreased during the period (shares)	Shares held at the end of the period (shares)	Number of restricted stocks granted at the beginning of the period (shares)	Number of restricted stocks granted in this period (shares)	Number of restricted stocks granted at the end of the period (shares)
Che Quanhong	Chairman	Incumbent	26,171,000	7,851,300	0	34,022,300	0	0	0
Total	--	--	26,171,000	7,851,300	0	34,022,300	0	0	0

Note: The increase in shareholding during the reporting period mentioned above was due to the implementation of the 2022 equity distribution and conversion of provident fund to share capital.

VI. Changes in Controlling Shareholders and Actual Controllers

Changes in controlling shareholders during the reporting period

Applicable Not applicable

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

Changes in actual controller during the reporting period

Applicable Not applicable

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

Section VIII Information of Preferred Shares

Applicable Not applicable

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

Section IX Bonds

Applicable Not applicable

Section X Financial Report

I. Audit Report

Whether the Half Year Report has been audited

Yes No

The Company's half year financial report has not been audited.

II. Financial Statements

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

1. Consolidated Balance Sheet

Prepared by: ZKTECO CO., LTD.

June 30, 2023

Unit: RMB

Item	June 30, 2023	January 1, 2023
Current assets:		
Monetary funds	2,048,464,279.07	1,912,945,031.97
Deposit reservation for balance		
Lendings to banks and other financial institutions		
Trading financial asset	99,457,974.92	204,318,406.05
Derivative financial assets		
Notes receivable		
Accounts receivable	446,450,001.33	403,497,924.27
Receivable financing		
Prepayment	32,082,331.76	30,954,685.58
Premiums receivable		
Reinsurance accounts receivable		
Reserves for reinsurance contract receivable		
Other receivables	35,432,462.72	34,207,287.53
Including: interest receivable		
Dividends receivable		
Buying back the sale of financial assets		
Inventories	329,838,529.45	348,280,641.59
Contract assets	301,199.94	306,799.94
Held-for-sale assets		
Non-current assets due within one year	10,025,638.89	10,025,638.89
Other current assets	16,856,210.52	17,861,354.81
Total current assets	3,018,908,628.60	2,962,397,770.63

Non-current assets:		
Loans and advances to customers		
Debt investment	18,251,667.30	12,331,160.29
Other debt investment		
Long-term receivables		
Long-term equity investment	7,235,342.83	7,151,332.70
Other equity instrument investments		
Other non-current financial assets		
Investment real estate		
Fixed assets	460,240,750.81	446,857,509.06
Construction in progress	76,912,095.63	57,041,298.90
Productive biological assets		
Oil and gas assets		
Right-of-use asset	46,095,938.53	50,640,675.59
Intangible assets	67,243,840.13	68,110,512.79
Development expenditures		
Goodwill	515,002.85	496,386.40
Long-term deferred expenses	2,965,962.30	3,056,310.34
Deferred income tax assets	61,230,141.46	53,309,238.98
Other non-current assets	1,654,190.66	1,127,777.32
Total non-current assets	742,344,932.50	700,122,202.37
Total assets	3,761,253,561.10	3,662,519,973.00
Current liabilities:		
Short-term loan	9,855,000.00	9,855,000.00
Borrowings from the Central Bank		
Borrowings from banks and other financial institutions		
Trading financial liabilities	7,049,098.87	
Derivative financial liabilities		
Notes payable	119,716,487.54	68,293,818.22
Accounts payable	177,829,570.61	226,000,476.96
Advances from customer		
Contract liabilities	68,260,778.43	58,838,840.39
Financial assets sold for repurchase		
Deposit from customers and interbank		
Acting trading securities		
Acting underwriting securities		
Payroll payable	44,534,329.61	58,940,852.80
Taxes and dues payable	32,115,867.21	22,621,805.04
Other payables	39,934,593.04	31,429,478.43
Including: interest payable		
Dividends payable		
Handling charges and commissions		

payable		
Reinsurance accounts receivable		
Liabilities held for sale		
Non-current liabilities due within one year	24,719,773.28	23,718,225.39
Other current liabilities	18,378,205.63	21,173,620.79
Total current liabilities	542,393,704.22	520,872,118.02
Non-current liabilities:		
Reserves for insurance contracts		
Long-term loan	3,807,390.06	141,757.54
Bonds payable		
Including: preferred stock		
Perpetual bonds		
Lease liabilities	22,052,086.02	28,256,717.44
Long-term payables		
Long-term payroll payable		
Estimated liabilities	600,000.00	600,000.00
Deferred income	1,946,626.06	2,039,702.49
Deferred tax liability	9,517,145.98	9,833,050.63
Other non-current liabilities	115,660.38	
Total non-current liabilities	38,038,908.50	40,871,228.10
Total liabilities	580,432,612.72	561,743,346.12
Owner's equity:		
Share capital	193,039,666.00	148,492,051.00
Other equity instruments		
Including: preferred stock		
Perpetual bonds		
Capital reserve	2,035,632,270.11	2,061,172,912.28
Less: treasury stock		
Other comprehensive income	26,569,765.95	5,254,175.81
Special reserve		
Surplus reserves	53,975,085.77	53,975,085.77
General risk reserves		
Undistributed profits	825,608,676.86	788,826,559.09
Total owner's equity attributable to the parent company	3,134,825,464.69	3,057,720,783.95
Minority interests	45,995,483.69	43,055,842.93
Total owner's equity	3,180,820,948.38	3,100,776,626.88
Total liabilities and owner's equity	3,761,253,561.10	3,662,519,973.00

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

2. Balance Sheet of Parent Company

Unit: RMB

Item	June 30, 2023	January 1, 2023
Current assets:		

Monetary funds	1,112,655,172.33	1,356,208,501.46
Trading financial asset	158,367.81	147,962,384.55
Derivative financial assets		
Notes receivable		
Accounts receivable	575,335,724.07	584,894,333.69
Receivable financing		
Prepayment	23,623,252.50	27,798,174.17
Other receivables	80,992,427.16	33,980,555.26
Including: interest receivable	156,947.22	122,433.25
Dividends receivable	14,000,000.00	
Inventories	195,949,623.46	201,604,881.25
Contract assets	291,421.59	297,021.59
Held-for-sale assets		
Non-current assets due within one year	10,025,638.89	10,025,638.89
Other current assets	4,282,639.21	4,880,995.15
Total current assets	2,003,314,267.02	2,367,652,486.01
Non-current assets:		
Debt investment	10,857,694.10	10,670,541.33
Other debt investment		
Long-term receivables		
Long-term equity investment	1,151,771,457.95	781,906,396.17
Other equity instrument investments		
Other non-current financial assets		
Investment real estate		
Fixed assets	63,824,484.73	66,876,094.68
Construction in progress		
Productive biological assets		
Oil and gas assets		
Right-of-use asset	13,380,471.74	14,733,170.98
Intangible assets	8,738,989.81	8,082,316.47
Development expenditures		
Goodwill		
Long-term deferred expenses	1,038,079.01	1,312,121.13
Deferred income tax assets	32,418,097.70	29,799,536.02
Other non-current assets		
Total non-current assets	1,282,029,275.04	913,380,176.78
Total assets	3,285,343,542.06	3,281,032,662.79
Current liabilities:		
Short-term loan		
Trading financial liabilities	7,049,098.87	
Derivative financial liabilities		
Notes payable	123,247,078.21	71,337,129.13

Accounts payable	225,679,808.28	268,538,611.36
Advances from customer		
Contract liabilities	36,104,797.94	29,070,869.80
Payroll payable	21,946,599.59	31,351,658.90
Taxes and dues payable	1,915,140.11	1,986,839.30
Other payables	57,374,082.66	86,241,351.29
Including: interest payable		
Dividends payable		
Liabilities held for sale		
Non-current liabilities due within one year	6,957,649.47	7,376,143.83
Other current liabilities	14,718,950.54	17,999,117.66
Total current liabilities	494,993,205.67	513,901,721.27
Non-current liabilities:		
Long-term loan		
Bonds payable		
Including: preferred stock		
Perpetual bonds		
Lease liabilities	5,506,549.49	7,095,945.72
Long-term payables		
Long-term payroll payable		
Estimated liabilities	600,000.00	600,000.00
Deferred income	472,089.66	543,212.69
Deferred tax liability	4,905,741.00	5,231,980.02
Other non-current liabilities	115,660.38	
Total non-current liabilities	11,600,040.53	13,471,138.43
Total liabilities	506,593,246.20	527,372,859.70
Owner's equity:		
Share capital	193,039,666.00	148,492,051.00
Other equity instruments		
Including: preferred stock		
Perpetual bonds		
Capital reserve	2,047,491,577.03	2,073,269,021.41
Less: treasury stock		
Other comprehensive income		
Special reserve		
Surplus reserves	53,883,789.28	53,883,789.28
Undistributed profits	484,335,263.55	478,014,941.40
Total owner's equity	2,778,750,295.86	2,753,659,803.09
Total liabilities and owner's equity	3,285,343,542.06	3,281,032,662.79

3. Consolidated Profit Statement

Unit: RMB

Item	Half Year of 2023	Half Year of 2022
Total operating revenue	937,182,670.00	925,114,950.16

Including: operating revenue	937,182,670.00	925,114,950.16
Interest income		
Premium earned		
Revenue from handling charges and commissions		
II. Total operating cost	820,963,431.57	838,342,425.13
Including: operating cost	488,923,174.83	529,108,492.93
Interest expense		
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	9,064,619.07	8,457,928.40
Selling expense	196,138,701.98	168,605,074.74
Administrative expense	60,476,345.47	54,789,860.07
R&D expenses	100,984,101.72	92,094,542.70
Financial expenses	-34,623,511.50	-14,713,473.71
Including: interest expenses	1,807,293.55	1,516,520.94
Interest income	31,152,457.27	4,360,354.56
Plus: other income	5,763,414.14	6,357,304.91
Investment income (loss expressed with "-")	1,237,665.06	-1,145,360.70
Including: income from investment in associates and joint ventures	1,092,924.55	703,737.77
Gains from derecognition of financial assets measured at amortized cost		
Gains from foreign exchange (loss expressed with "-")		
Gains from net exposure hedging (loss expressed with "-")		
Gains from changes in fair value (loss expressed with "-")	-7,045,482.43	-3,258,877.56
Losses from credit impairment (loss expressed with "-")	-2,759,705.20	-2,685,995.01
Losses from impairment of assets (loss expressed with "-")	-3,693,840.00	-3,232,502.13
Gains from disposal of assets (loss expressed with "-")	-245,859.71	-41,828.07
III. Operating profit (loss expressed with "-")	109,475,430.29	82,765,266.47

Plus: non-operating revenue	281,042.36	692,545.13
Less: non-operating expenditure	597,424.53	1,383,097.91
IV. Total profit (loss expressed with "-")	109,159,048.12	82,074,713.69
Less: income tax expenses	9,350,242.66	5,933,954.65
V. Net profit (loss expressed with "-")	99,808,805.46	76,140,759.04
(I) Classification by business continuity		
1. Net profit from continuing operations (net loss expressed with "-")	99,808,805.46	76,140,759.04
2. Net profit from discontinued operations (net loss expressed with "-")		
(II) Classification by ownership		
1. Net profit attributable to shareholders of the parent company (net loss expressed with "-")	88,754,335.62	70,231,661.43
2. Minority shareholders' profit and loss (net loss expressed with "-")	11,054,469.84	5,909,097.61
VI. Other comprehensive income - after tax	24,565,469.12	13,472,794.75
Net of tax of other comprehensive income attributable to the owner of the parent company	21,315,590.14	14,003,638.80
Other comprehensive income that cannot be transferred to profit or loss		
1. Changes in re-measurement of the defined benefit plan		
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method		
3. Changes in fair value of other equity instrument investments		
4. Changes in the fair value of the Company's own credit risk		
5. Other		
(2) Other comprehensive income that will be reclassified into profit or loss	21,315,590.14	14,003,638.80
1. Other comprehensive income that can be transferred to profit or loss under the equity method		
2. Change 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	21,315,590.14	14,003,638.80
7. Others		
After-tax net amount of other comprehensive income attributable to the minority shareholders	3,249,878.98	-530,844.05
VII. Total comprehensive income	124,374,274.58	89,613,553.79
Total comprehensive income attributable to owners of the parent	110,069,925.76	84,235,300.23

company		
Total comprehensive income attributable to minority shareholders	14,304,348.82	5,378,253.56
VIII. Earnings per share:		
(I) Basic earnings per share	0.4598	0.4851
(II) Diluted earnings per share	0.4579	0.4851

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

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

4. Parent Company's Profit Statement

Unit: RMB

Item	Half Year of 2023	Half Year of 2022
I. Operating revenue	668,101,346.15	804,593,627.52
Less: operating cost	470,747,145.91	611,165,964.32
Taxes and surcharges	2,642,445.40	3,904,677.66
Selling expense	86,562,114.29	76,810,089.46
Administrative expense	32,097,381.53	31,977,615.07
R&D expenses	68,222,616.46	66,583,440.83
Financial expenses	-31,969,286.63	-16,232,086.76
Including: interest expenses	326,423.56	107,859.01
Interest income	20,391,414.57	4,093,598.85
Plus: other income	1,426,313.93	2,519,587.64
Investment income (loss expressed with "-")	22,862,372.43	38,087,950.57
Including: income from investment in associates and joint ventures		
Gains from derecognition of financial assets measured at amortized cost		
Gains from net exposure hedging (loss expressed with "-")		
Gains from changes in fair value (loss expressed with "-")	-7,049,098.87	-3,296,677.52
Losses from credit impairment (loss expressed with "-")	-1,004,071.90	657,172.54
Losses from impairment of assets (loss expressed with "-")	-449,231.75	-874,634.97
Gains from disposal of assets (loss expressed with "-")	-177,330.46	10,611.57
II. Operating profit (loss expressed with "-")	55,407,882.57	67,487,936.77
Plus: non-operating revenue	132,788.43	662,503.05
Less: non-operating expenditure	217,320.55	1,173,458.93
III. Total profits (total losses expressed	55,323,350.45	66,976,980.89

with "-")		
Less: income tax expenses	-2,969,189.55	-4,495,314.60
IV. Net profit (net loss expressed with "-")	58,292,540.00	71,472,295.49
(I) Net profit from continuing operations (net loss expressed with "-")	58,292,540.00	71,472,295.49
(II) Net profit from discontinued operations (net loss expressed with "-")		
V. Net of tax of other comprehensive income		
Other comprehensive income that cannot be transferred to profit or loss		
1. Changes in re-measurement of the defined benefit plan		
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method		
3. Changes in fair value of other equity instrument investments		
4. Changes in the fair value of the Company's own credit risk		
5. Other		
(2) Other comprehensive income that will be reclassified into profit or loss		
1. Other comprehensive income that can be transferred to profit or loss under the equity method		
2. Change 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	58,292,540.00	71,472,295.49
VII. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

5. Consolidated Cash Flow Statement

Unit: RMB

Item	Half Year of 2023	Half Year of 2022
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	971,520,477.90	948,394,064.73
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	33,538,290.52	22,977,739.93
Cash received from other operating activities	23,184,790.91	20,152,097.90
Subtotal of cash inflows from operating activities	1,028,243,559.33	991,523,902.56
Cash paid for purchase of goods and rendering of services	464,265,830.40	593,827,640.57
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	275,369,361.95	257,817,884.32
Payments of all types of taxes	35,397,636.97	42,534,871.74
Other cash payments relating to operating activities	122,480,702.89	119,258,708.03
Subtotal of cash outflows from operating activities	897,513,532.21	1,013,439,104.66
Net cash flows from operating activities	130,730,027.12	-21,915,202.10
II. Cash flows from investing activities:		
Cash received from disinvestment	509,707,506.64	82,990,700.78
Cash received from investment income	1,864,089.86	1,333,253.66
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	280,330.67	359,525.82
Net cash received from disposal of subsidiaries and other business units	0.00	
Cash received from other investing activities	0.00	

Subtotal of cash inflows from investing activities	511,851,927.17	84,683,480.26
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	54,738,953.74	37,895,915.27
Cash paid for investments	554,750,509.91	30,223,471.89
Net increase in pledge loans		
Net cash paid to acquire subsidiaries and other business units		
Cash paid for other investing activities	2,046,795.00	3,315,980.00
Subtotal of cash outflows from investing activities	611,536,258.65	71,435,367.16
Net cash flows from operating activities	-99,684,331.48	13,248,113.10
III. Cash flows from financing activities:		
Cash received from investors	1,415,200.02	0.00
Including: cash received by subsidiaries from the absorption of minority shareholders' investments	1,415,200.02	0.00
Cash received from borrowings	3,700,000.00	
Cash received from other financing activities	0.00	
Subtotal of cash inflows from financing activities	5,115,200.02	0.00
Cash paid for debt repayments	26,952.47	101,210.46
Cash paid for distribution of dividends and profits or payment of interest	64,829,721.10	345,152.50
Including: dividends and profits paid to minority shareholders by subsidiaries	12,806,836.00	329,794.92
Cash paid for other financing activities	16,527,983.10	15,370,357.75
Subtotal of cash outflows from financing activities	81,384,656.67	15,816,720.71
Net cash flows from financing activities	-76,269,456.65	-15,816,720.71
IV. Effect of exchange rate changes on cash and cash equivalents	7,540,644.43	12,859,169.48
V. Net increase in cash and cash equivalents	-37,683,116.58	-11,624,640.23
Plus: beginning balance of cash and cash equivalents	1,077,608,258.10	516,288,425.76
VI. Closing balance of cash and cash equivalents	1,039,925,141.52	504,663,785.53

6. Cash Flow Statement of Parent Company

Unit: RMB

Item	Half Year of 2023	Half Year of 2022
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	730,327,882.57	856,762,939.77
Refund of taxes and surcharges	30,787,233.30	20,216,813.85
Cash received from other operating activities	13,045,527.91	23,199,549.23
Subtotal of cash inflows from operating activities	774,160,643.78	900,179,302.85
Cash paid for purchase of goods and rendering of services	471,387,756.01	716,444,477.99

Cash paid to and for employees	126,389,611.09	131,421,104.42
Payments of all types of taxes	2,854,237.65	8,901,305.92
Other cash payments relating to operating activities	169,870,087.91	94,595,490.74
Subtotal of cash outflows from operating activities	770,501,692.66	951,362,379.07
Net cash flows from operating activities	3,658,951.12	-51,183,076.22
II. Cash flows from investing activities:		
Cash received from disinvestment	406,011,800.00	50,679,575.47
Cash received from investment income	10,743,851.37	9,933,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	178,820.17	2,869,012.46
Net cash received from disposal of subsidiaries and other business units		
Cash received from other investing activities	0.00	
Subtotal of cash inflows from investing activities	416,934,471.54	63,481,587.93
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	1,659,867.55	999,742.00
Cash paid for investments	364,000,000.00	65,291,797.43
Net cash paid to acquire subsidiaries and other business units		
Cash paid for other investing activities	2,046,795.00	3,315,980.00
Subtotal of cash outflows from investing activities	367,706,662.55	69,607,519.43
Net cash flows from operating activities	49,227,808.99	-6,125,931.50
III. Cash flows from financing activities:		
Cash received from investors		
Cash received from borrowings		
Cash received from other financing activities		
Subtotal of cash inflows from financing activities		
Cash paid for debt repayments		
Cash paid for distribution of dividends and profits or payment of interest	51,972,217.85	
Cash paid for other financing activities	5,671,917.65	4,080,741.56
Subtotal of cash outflows from financing activities	57,644,135.50	4,080,741.56
Net cash flows from financing activities	-57,644,135.50	-4,080,741.56
IV. Effect of exchange rate changes on cash and cash equivalents	1,493,480.05	3,017,330.55
V. Net increase in cash and cash equivalents	-3,263,895.34	-58,372,418.73
Plus: beginning balance of cash and cash equivalents	731,506,487.43	290,328,864.13
VI. Closing balance of cash and cash equivalents	728,242,592.09	231,956,445.40

7. Consolidated Statement of Changes in Equity

Amount in current period

Unit: RMB

Item	Half Year of 2023													Minority interests	Total owner's equity
	Equity attributable to owners of the parent company											Subtotal			
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserves	General risk reserves	Undistributed profits		Others		
Preferred stock		Perpetual bonds	Others												
Ending balance of previous year	148,492,051.00				2,061,172,912.28		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							-1,046.84				254,641.11		253,594.27	30,716.63	284,310.90
Corrections of prior period errors															
Merger of enterprise under the same control															
Other															

hers														
II. Beginning balance of this year	148,492,051.00				2,061,172,912.28	5,254,175.81	53,975,085.77	788,826,559.09	3,057,720,783.95	43,055,842.93	3,100,776,626.88			
III. Amount increase/decrease of the current period (decrease expressed with "-")	44,547,615.00				-25,540,642.17	21,315,590.14		36,782,117.77	77,104,680.74	2,939,640.76	80,044,321.50			
(I) Total comprehensive income						21,315,590.14		88,754,335.62	110,069,925.76	14,304,348.82	124,374,274.58			
(II) Capital invested and reduced by the owners					19,006,972.83			0.00	19,006,972.83	1,442,127.94	20,449,100.77			
1. Common stock contributed by owners									0.00	1,415,200.02	1,415,200.02			
2. Capital invested by holders of other equity instruments														
3. Amount of share-based payments recognized in equity					18,876,651.21				18,876,651.21	26,927.92	18,903,579.13			
4. Others					130,321.62				130,321.62		130,321.62			

(III) Profit distribution											-51,972,217.85		-51,972,217.85	12,806,836.00	-	-64,779,053.85
1. Surplus reserves withdrawal																
2. Withdrawal of general risk preparation																
3. Distribution to owners (or shareholders)											-51,972,217.85		-51,972,217.85	12,806,836.00	-	-64,779,053.85
4. Others																
(IV) Internal carryover of owner's equity	44,547,615.00				-44,547,615.00											
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															
IV. Ending balance of current period	193,039,666.00				2,035,632,270.11	26,569,765.95		53,975,085.77		825,608,676.86		3,134,825,464.69	45,995,483.69	3,180,820,948.38	

Amount of previous year

Unit: RMB

Item	Half Year of 2022														
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	Equity attributable to owners of the parent company												Minority interests	Total owner's equity	
	Share capital	Other equity instruments			Capital reserve	Less : treasury stock	Other comprehensive income	Special reserve	Surplus reserves	General risk reserves	Undistributed profits	Others			Subtotal
		Preferred stock	Perpetual bonds	Others											
Ending balance of previous year	111,369,038.00				636,363,658.40		-25,505,560.02		42,581,853.37		607,725,356.63		1,372,534,346.38	36,170,791.65	1,408,705,138.03
Plus: changes in accounting policies							-3,149.17				58,510.83		55,361.66	10,573.26	65,934.92
C Corrections of prior period errors															
M Merger of enterprise under the same control															
Ot hers															
II. Beginning balance of this year	111,369,038.00				636,363,658.40		-25,508,709.19		42,581,853.37		607,783,867.46		1,372,589,708.04	36,181,364.91	1,408,771,072.95
III. Amount							14,003,638.80				70,231,661.43		84,235,300.23	5,048,458.64	89,283,758.87

increase/decrease of the current period (decrease expressed with "-")															
(I) Total comprehensive income						14,003,638.80				70,231,661.43			84,235,300.23	5,378,253.56	89,613,553.79
(II) Capital invested and reduced by the owners															
1. Common stock contributed by owners															
2. Capital invested by holders of other equity instruments															
3. Amount of share-based payments recognized in equity															
4. Others															
(III) Profit distribution														-329,794.92	-329,794.92
1. Surplus reserves withdrawal															
2.															

Withdrawal of general risk preparation															
3. Distribution to owners (or shareholders)														-329,794.92	-329,794.92
4. Others															
(IV) Internal carryover of owner's equity															
1. Capital surplus transfer to capital (or equity capital)															
2. Surplus reserve transfer to capital (or equity capital)															
3. Surplus reserve offsetting losses															
4. Changes in defined benefit plans carried forward to															

retained earnings																		
5. Retained income carried forward from other comprehensive income																		
6. Others																		
(V) Special reserve																		
1. Withdrawal in this period																		
2. Use in the current period																		
(VI) Others																		
IV. Ending balance of current period	111,369,038.00				636,363,658.40		-11,505,070.39		42,581,853.37		678,015,528.89		1,456,825,008.27	41,229,823.55			1,498,054,831.82	

8. Statement of Changes in Equity of the Parent Company

Amount in current period

Unit: RMB

Item	Half Year of 2023											
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserves	Undistributed profits	Others	Total owner's equity
		Preferred stock	Perpetual bonds	Others								

Ending balance of previous year	148,492,051.00				2,073,269,021.41				53,883,789.28	478,054,103.62		2,753,698,965.31
Plus: changes in accounting policies										-39,162.22		-39,162.22
Corrections of prior period errors												
Others												
II. Beginning balance of this year	148,492,051.00				2,073,269,021.41				53,883,789.28	478,014,941.40		2,753,659,803.09
III. Amount increase/decrease of the current period (decrease expressed with "-")	44,547,615.00				-25,777,444.38					6,320,322.15		25,090,492.77
(I) Total comprehensive income										58,292,540.00		58,292,540.00
(II) Capital invested and reduced by the owners					18,770,170.62							18,770,170.62
1. Common stock contributed by owners												0.00
2. Capital invested by holders of other equity instruments												
3. Amount of share-based payments recognized in equity					18,770,170.62							18,770,170.62
4. Others												
(III) Profit distribution										-51,972,217.85		-51,972,217.85
1. Surplus reserves withdrawal												
2. Distribution to owners (or shareholders)										-51,972,217.85		-51,972,217.85
3. Others												
(IV) Internal carryover of	44,547,615.00				-44,547,615.00							

owner's equity												
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												
IV. Ending balance of current period	193,039,666.00				2,047,491,577.03				53,883,789.28	484,335,263.55		2,778,750,295.86

Amount of previous period

Unit: RMB

Item	Half Year of 2022											
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserves	Undistributed profits	Others	Total owner's equity
		Preferred stock	Perpetual bonds	Others								
Ending balance of previous year	111,369,038.00				648,463,311.34				42,490,556.88	375,515,011.98		1,177,837,918.20
Plus: changes in accounting policies										-68,353.91		-68,353.91
Corrections of												

prior period errors												
Others												
II. Beginning balance of this year	111,369,038.00				648,463,311.34				42,490,556.88	375,446,658.07		1,177,769,564.29
III. Amount increase/decrease of the current period (decrease expressed with "-")										71,472,295.49		71,472,295.49
(I) Total comprehensive income										71,472,295.49		71,472,295.49
(II) Capital invested and reduced by the owners												
1. Common stock contributed by owners												
2. Capital invested by holders of other equity instruments												
3. Amount of share-based payments recognized in equity												
4. Others												
(III) Profit distribution												
1. Surplus reserves withdrawal												
2. Distribution to owners (or shareholders)												
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	111,369,038.00				648,463,311.34				42,490,556.88	446,918,953.56		1,249,241,859.78

III. Basic Information of the Company

ZKTECO 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. The Company obtained the "Business License" with a unified social credit code of 914419006698651618 on July 14, 2016.

According to the "Reply of CSRC to Approval for the Registration of Initial Public Offering of Stocks of ZKTECO CO., LTD." (ZJXX [2022] No. 926), the Company publicly issues 37,123,013 RMB denominated ordinary shares (A shares) to the public, with a changed capital of RMB 148,492,051.00.

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 Annual General Meeting of 2022, and deliberated and approved the "Proposal on the 2022 Profit Distribution Plan". The Company's profit distribution plan for 2022 is as follows: to distribute a cash dividend of RMB 3.5 (including tax) per 10 shares to all shareholders based on the Company's total capital of 148,492,051 shares as of December 31, 2022, with the total cash dividend distribution of RMB 51,972,217.85 (including tax); at the same time, to convert capital reserves to share capital, and convert 3 shares per 10 shares to all shareholders with a total of 148,492,051 shares, with the total conversion of 44,547,615 shares. After the conversion, the total share capital of the Company will increase to 193,039,666 shares; no bonus shares will be given. The Company has completed the registration of industrial and commercial changes, and its share capital has increased from 148,492,051 shares to 193,039,666 shares. The registered capital has been changed from RMB 148,492,051 to RMB 193,039,666.

Main business address of the Company: No.32, Pingshan Industrial Road, Tangxia Town, Dongguan, Guangdong, China

Main operating activities of the Company: ZKTeco is mainly engaged in the R&D, design, production, sales, and service of biometric technology and related products.

The ultimate controller of the Company is Che Quanhong, who directly holds 17.62% of the Company's shares and indirectly controls 30.30% of the Company's shares through the controlling shareholder ZKTeco Times, totaling 47.92% of the Company's shares.

This financial statement was approved by the Board of Directors of the Company on August 28, 2023.

As of June 30, 2023, the scope and changes included in the consolidated financial statements are detailed in "Section X Financial Report VIII. Changes to the Consolidation Scope" and "Section X Financial Report IX. Equity in Other Entities".

IV. Preparation Basis for Financial Statements

1. Basis of preparation

This financial statement is prepared based on the assumption of the Company's going concern and actual transaction events, in accordance with the relevant provisions of the Accounting Standards for Enterprises, and based on the important accounting policies and estimates described below.

2. Going concern

The Company has the ability to continue as a going concern for at least 12 months from the end of the reporting period, and there are no major events affecting the ability to continue as a going concern.

V. Important Accounting Policies and Estimates

Tips of specific accounting policies and estimates:

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

1. Declaration of compliance with Accounting Standards for Business Enterprises

The financial statements prepared by the Company based on the above preparation basis comply with the latest Accounting Standards for Enterprises and their application guidelines, interpretations, and other relevant regulations (collectively referred to as "Accounting Standards for Enterprises") issued by the Ministry of Finance, and truly and completely reflect the Company's financial position, operating results, cash flows, and other relevant information.

In addition, this financial report has been prepared in accordance with the reporting and disclosure requirements of the "Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 - General Provisions on Financial Reports (revised in 2014) (hereinafter referred to as No. 15 Document (revised in 2014))" of the CSRC and the "Notice on Matters Related to the Implementation of the New Accounting Standards for Enterprises by Listed Companies" (Accounting Department Letter [2018] No. 453).

2. Accounting period

The accounting year of the Company starts from January 1 to December 31 in the Gregorian calendar.

3. Operating cycle

The Company's operating cycle is 12 months.

4. Recording currency

Renminbi is adopted as the recording currency.

5. Accounting treatment methods of business merger under the common control and not under the common control

1. Accounting treatment methods for merger of enterprise under the same control

The assets and liabilities acquired by the Company through the merger of enterprise under the same control in a single transaction or through multiple transactions step by step are measured at the book value of the combined party in the ultimate controller's consolidated financial statements on the merger date. The difference between the book value of the net assets obtained by the Company and the book value of the merger consideration paid (or the total face value of the issued shares) shall be adjusted to the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

2. Accounting treatment methods for merger under different 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. If the merger cost is less than the fair value share of the identifiable net assets obtained from the acquiree in the merger, the fair values of the identifiable assets, liabilities,

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

To achieve a merger under different control through multiple transactions step by step, the following order shall be followed:

(1) Adjust the initial investment cost of long-term equity investments. If the equity held before the date of acquisition is accounted by the equity method, it shall be remeasured according to the fair value of the equity on the date of acquisition, and the difference between the fair value and its book value shall be included in the current investment income; if the equity of the acquiree held before the acquisition date involves changes in other comprehensive income and other owner's equity accounted by the equity method, it shall be transferred to the current income on the date of acquisition, except for other comprehensive income arising from the investee's remeasurement of the changes in net liabilities or net assets of the defined benefit plan.

(2) Recognize goodwill (or the amount included in current profits and losses). Compare the initial investment cost of the long-term equity investment after the adjustment in the first step with the fair value share of the identifiable net assets of the subsidiary that shall be enjoyed on the date of acquisition. If the former is greater than the latter, the difference is recognized as goodwill; if the former is smaller than the latter, the difference is included in current profits and losses.

The situation where the equity is disposed of step by step through multiple transactions until the loss of control over the subsidiary

(1) The principle of determining whether all transactions in the process from step-by-step disposal of equity to loss of control over subsidiaries belong to a "package deal"

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

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

(2) Accounting treatment methods for transactions in the process from step-by-step disposal of equity to loss of control over subsidiaries as a "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.

In the consolidated financial statements, the remaining equity shall be remeasured at its fair value on the date of loss of control. The difference between the sum of the consideration obtained from the disposal of equity and the fair values of the remaining equity minus the shares of the net assets that shall be continuously calculated by the original subsidiary

from the date of acquisition calculated as per the original shareholding ratio shall be included in the current investment income when the control right is lost. Other comprehensive income related to equity investments in the original subsidiary shall be converted into current investment income when control is lost.

(3) Accounting treatment methods for transactions in the process from step-by-step disposal of equity to loss of control over subsidiaries not as a "package deal"

If the disposal of an investment in a subsidiary does not result in the loss of control, the difference between the disposal price in the consolidated financial statements and the corresponding share of the subsidiary's net assets enjoyed by the disposal investment is included in the capital reserve (capital premium or share capital premium). If the capital premium is insufficient to offset, the retained earnings shall be adjusted.

If control is lost in the disposal of investments in subsidiaries, in the consolidated financial statements, the remaining equity shall be remeasured at its fair value on the date of loss of control. The difference between the sum of the consideration obtained from the disposal of equity and the fair values of the remaining equity minus the shares of the net assets that shall be continuously calculated by the original subsidiary from the acquisition date calculated as per the original shareholding ratio shall be included in the current investment income when the control right is lost. Other comprehensive income related to equity investments in the original subsidiary shall be converted into current investment income when control is lost.

6. Preparation method for consolidated financial statements

The Company will include all subsidiaries under its control in the consolidation scope of the consolidated financial statements. The consolidated financial statements are prepared by the Company in accordance with the "Accounting Standards for Enterprises No. 33 - Consolidated Financial Statements" based on the financial statements of the parent company and its subsidiaries according to other relevant information.

7. Classification of joint-operation arrangement and accountant treatment method of joint operation

1. Recognition and classification of joint venture arrangements

A joint venture arrangement is an arrangement jointly controlled by two or more participants. The joint venture arrangement has the following characteristics: 1) All participating parties are bound by the arrangement; 2) Two or more participants exercise joint control over the arrangement. No participant can independently control the arrangement, and any participant with joint control over the arrangement can prevent other participants or a combination of participants from independently controlling the arrangement.

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.

Joint arrangement can be classified into joint operations and joint ventures. Joint operations refer to an arrangement that the joint party enjoys the assets related to such arrangement and bears the liabilities related to such arrangement. Joint venture refers to a joint venture arrangement in which the joint venture party only has rights to the net assets of the arrangement.

2. Accounting treatment of joint venture arrangements

The joint venture participants shall confirm the following items related to their share of interests in the joint venture and conduct accounting treatment in accordance with the relevant Accounting Standards for Enterprises: 1) Recognize the assets held individually, and the assets held jointly based on their share; 2) Recognize the liabilities undertaken individually and jointly based on their respective shares; 3) Recognize the revenue generated from the sale of its share of joint operating output; 4) Recognize the revenue generated from the sale of output in joint operations based on their share; 5) Recognize the expenses incurred individually and the expenses incurred in joint operations based on their share.

The joint venture participants shall conduct accounting treatment on the investment of the joint venture in accordance with the provisions of the "Accounting Standards for Enterprises No. 2 - Long-term Equity Investments".

8. Recognition criteria for cash and cash equivalents

The cash in the cash flow statement refers to the cash on hand and deposits that can be used for payment at any time. Cash equivalent refers to the short term and highly liquid investments (generally expired within three months from the date of acquisition) of the Company that is easily converted to the cash of known amount and subject to an insignificant risk of change in value.

9. Foreign currency transactions and foreign currency statement translation

1. Translation of foreign currency transactions

Foreign currency transactions are initially recognized and converted into RMB using the spot exchange rate on the transaction date. On the balance sheet date, foreign currency monetary items are converted using the spot exchange rate on the balance sheet date. The exchange differences arising from different exchange rates, except for the exchange differences related to the purchase and construction of assets eligible for capitalization, are included in current profits and losses. Foreign currency non-monetary items measured at historical cost are still converted using the spot exchange rate on the transaction date, without changing their RMB amount. Foreign currency non-monetary items measured at fair value are converted using the spot exchange rate on the date of fair value determination, and the difference is included in current profits and losses or other comprehensive income.

2. Conversion of foreign currency financial statements

The asset and liability items in the balance sheet are converted using the spot exchange rate on the balance sheet date. The owner's equity items, except for the "undistributed profits" item, are converted using the spot exchange rate on the transaction date. The income and expense items in the income statement are converted using the approximate exchange rate of the spot exchange rate on the transaction date. The foreign currency financial statement conversion difference generated by the above conversion is presented in other comprehensive income under the owner's equity item in the balance sheet.

10. Financial instruments

1. Recognition and derecognition of financial instruments

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

Trading financial assets in conventional ways shall be recognized and derecognized according to the accounting on the trading day. The conventional method of buying and selling financial assets refers to the collection or delivery of financial assets within the

period specified by regulations or common practices, in accordance with the terms of the contract. Trading day refers to the date on which the Company promises to buy or sell financial assets.

If the following conditions are met, the recognition of financial assets (or a portion of financial assets, or a group of similar financial assets) shall be terminated, and they shall be written off from their accounts and balance sheets:

(1) The right to receive cash flows from financial assets expires;

(2) Transferred the right to receive cash flows from financial assets, or assumed the obligation to promptly pay the full amount of the received cash flows to a third party under the "pass-through agreement"; and (a) substantially transferred almost all the risks and rewards of ownership of the financial assets, or (b) relinquished control over the financial asset even though substantially neither transferred nor retained almost all the risks and rewards of ownership of the financial assets.

2. Classification and measurement of financial assets

According to the operation mode of financial assets management and the contract cash flow characteristics of financial assets of the Company, the financial assets of the Company, at the initial recognition, are classified into: the financial assets measured at the amortized cost; the financial assets measured at fair value and whose changes are included in other comprehensive income; and the financial assets measured at fair value and whose changes are included in the current profits and losses. The subsequent measurement of financial assets depends on their classification.

The classification of financial assets by the Company is based on the business model of managing financial assets and the cash flow characteristics of financial assets.

(1) Financial assets measured at amortized costs

Financial assets that meet the following conditions are classified as financial assets measured at the amortized cost: the business model of the Company's management of the financial assets is aimed at collecting contractual cash flows. The contractual terms of the financial asset stipulate that the cash flow generated on a specific date is only the payment of principal and interest based on the outstanding principal amount. The financial assets are subsequently measured at amortised cost using the effective interest rate method. The gains or losses arising from amortisation or impairment are included in current profits and losses.

(2) Debt instrument investments measured at fair value with changes recognized in other comprehensive income

Financial assets that meet the following conditions are classified as financial assets measured at fair value and whose changes are included in other comprehensive income: the business model of the Company's management of the financial assets is aimed at collecting contractual cash flows and the sales of financial assets. The contractual terms of the financial asset stipulate that the cash flow generated on a specific date is only the payment of principal and interest based on the outstanding principal amount. For such financial assets, the Company adopts fair value for subsequent measurement. The discount or premium is amortized using the effective interest rate method and recognized as interest income or expense. Except for impairment losses and exchange differences of foreign currency monetary financial assets recognized as current profit and loss, changes in fair value of such financial assets are recognized as other comprehensive income until the financial asset is derecognized, and its cumulative gains or losses are transferred to current profit and loss. Interest income related to such financial assets is included in current profits and losses.

(3) Equity instrument investments measured at fair value with changes recognized in other comprehensive income

The Company irrevocably chooses to designate some non-trading equity instrument investments as financial assets measured at fair value and whose changes are included in other comprehensive income. Only relevant dividend income is included in current profits and losses, and changes in fair value are recognized as other comprehensive income until the financial asset is derecognized, and its cumulative gains or losses are transferred to retained earnings.

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

Financial assets other than above financial assets measured at the amortized cost and financial assets measured at fair value and whose changes are included in other comprehensive income are classified as financial assets measured at fair value and whose changes are included in the current profits and losses. At the time of initial recognition, the Company may 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. For such financial assets, the Company adopts fair value for subsequent measurement, and all changes in fair value are included in current profits and losses.

All affected related financial assets are reclassified only when the Company changes its business model of managing financial assets.

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

3. Classification and measurement of financial liabilities

The financial liabilities of the Company are classified at initial recognition as financial liabilities measured at amortized costs and financial liabilities measured at fair value and whose changes are included in the current profits and losses.

Financial liabilities that meet one of the following conditions can be designated as financial liabilities measured at fair value and whose changes are included in the current profits and losses at initial measurement: (1) This designation can eliminate or significantly reduce accounting mismatch; (2) Manage and evaluate financial liability portfolios or financial asset and financial liability portfolios based on fair value, in accordance with the group's risk management or investment strategy as stated in formal written documents, and report to key management personnel within the group on this basis; (3) This financial liability includes embedded derivative instruments that need to be splitted separately.

The Company determines the classification of financial liabilities at initial recognition. For financial liabilities measured at fair value through current profits and losses, the related transaction expense is directly recognised in current profits and losses. The related transaction expense of other financial liabilities is included in the initial recognition amount.

The subsequent measurement of financial liabilities depends on their classification:

(1) Financial liabilities measured at amortized costs

The financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

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

Financial liabilities measured at fair value through current profits and losses, including financial liabilities (including derivatives that are financial liabilities) and financial liabilities that are designated at fair value through current profits and losses.

4. Offset of financial instruments

If the following conditions are met simultaneously, financial assets and financial liabilities shall be presented in the balance sheet at the net amount after mutual offset: they have the legal right to offset the recognized amount, and such legal right is currently enforceable; it is planned to settle on a net basis, or simultaneously realize the financial asset and settle the financial liability.

5. Impairment of financial assets

The Company recognizes loss provisions based on expected credit losses for financial assets measured at the amortized cost, debt instrument investments measured at fair value with changes recognized in other comprehensive income, and financial guarantee contracts. 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.

The Company considers all reasonable and evidence-based information, including forward-looking information, to estimate the expected credit losses of financial assets measured at the amortized cost and financial assets measured at fair value and whose changes are included in other comprehensive income (debt instruments), either individually or in combination.

(1) General model of expected credit loss

If the credit risk of the financial instrument has been increased significantly since the initial recognition, the Company will measure its loss provision based on the amount of expected credit loss over the whole duration of the financial instrument; if the credit risk of the financial instrument has not been significantly increased since the initial recognition, the Company will measure its loss provision based on the amount of expected credit losses for the financial instrument in the next 12 months. The resultant increased or reversed amount of the loss provision will be included in current profits and losses as impairment loss or gain. The specific assessment of credit risk by the Company is detailed in Note "X. Risks Related to Financial Instruments".

Normally, after 30 days overdue, unless there is conclusive evidence indicating that the credit risk of the financial instrument has not significantly increased since the initial recognition, the Company will deem that the credit risk of the financial instrument has significantly increased.

Specifically, the Company divides the process of credit impairment of financial instruments that have not experienced credit impairment at the time of purchase or origin into three stages, and there are different accounting treatments for the impairment of financial instruments at different stages:

Stage 1: Credit risk has not significantly increased since initial recognition

For financial instruments in this stage, the enterprise shall measure the provision for losses based on the expected credit losses in the next 12 months, and calculate interest income based on their book balance (i.e. without deducting impairment provisions) and actual interest rate (if the instrument is a financial asset, the same below).

Stage 2: Credit risk has significantly increased since initial recognition, but credit impairment has not yet occurred

For financial instruments in this stage, the enterprise shall measure the provision for losses based on the expected credit losses of the instrument throughout its lifespan, and calculate interest income based on its book balance and actual interest rate.

Stage 3: Credit impairment occurs after initial recognition

For financial instruments in this stage, the enterprise shall measure the loss provision based on the expected credit loss of the instrument throughout its lifespan, but the calculation of interest income is different from that of financial assets in the first two stages. For financial assets that have undergone credit impairment, the enterprise shall calculate interest income based on their amortized cost (book balance minus impairment provision, i.e. book value) and actual interest rate.

For financial assets that have experienced credit impairment at the time of purchase or origin, the enterprise shall only recognize the changes in expected credit losses during the entire lifespan after initial recognition as loss reserves, and calculate interest income based on their amortized cost and the actual interest rate adjusted by credit.

(2) The Company chooses not to compare the credit risk of financial instruments with their initial recognition on the balance sheet date, but directly assumes that the credit risk of the instrument has not significantly increased since initial recognition.

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

(3) Receivables and lease receivables

The Company adopts a simplified model of expected credit losses for accounts receivable that do not contain significant financing components (including those that do not consider financing components in contracts that do not exceed one year) according to the "Accounting Standards for Enterprises No. 14 - Revenues", and always measures its loss provision based on the amount of expected credit losses throughout the entire lifespan.

The Company has made an accounting policy choice to adopt a simplified model of expected credit losses for accounts receivable that contain significant financing components and lease receivables regulated by the "Accounting Standards for Enterprises No. 21 - Leases", that is, to measure loss reserves at an amount equivalent to expected credit losses throughout the entire lifespan.

The Company evaluates the expected credit losses of financial instruments based on individual and combination assessments. The Company has considered the credit risk characteristics of different customers and evaluated the expected credit losses of commercial acceptance bills, accounts receivable, and other receivables based on aging portfolio. The comparison table between the Company's aging portfolio and the expected credit loss rate for the entire duration is as follows:

Accounts receivable aging	Expected credit loss rate (%)
Within 1 year (including 1 year)	5
1-2 years (including 2 years)	10

2-3 years (including 3 years)	30
Over 3 years	100

When evaluating expected credit losses, the Company considers reasonable and evidence-based information about past events, current conditions, and future economic forecasts. When the Company no longer reasonably expects to fully or partially recover the contractual cash flow of financial assets, the Company directly writes down the book balance of the financial assets.

6. Transfer of financial assets

If the Company has transferred almost all the risks and rewards of ownership of the financial assets to the transferee, the recognition of the financial assets shall be terminated. If almost all risks and rewards related to the ownership of the financial assets are retained, the recognition of the financial assets will not be terminated.

If the Company neither transfers nor retains almost all the risks and rewards related to the ownership of financial assets, they shall be treated as follows: if the Company gives up control over the financial assets, the recognition of the financial assets shall be terminated and the resulting assets and liabilities shall be recognized. If the control over the financial assets has not been relinquished, the relevant financial assets shall be recognized based on their continued involvement in the transferred financial assets, and the relevant liability shall be recognized accordingly.

If the Company continues to be involved by providing financial guarantees for the transferred financial assets, the assets formed by the continued involvement shall be recognized based on the lower of the book value of the financial assets and the amount of financial guarantees. The financial guarantee amount refers to the highest amount of consideration received that will be required to be repaid.

11. Accounts receivable

The Company adopts a simplified model of expected credit losses for notes receivable, accounts receivable, other receivables, and financing lease payments that do not include significant financing components (including those that do not consider financing components in contracts that do not exceed one year) in accordance with the "Accounting Standards for Enterprises No. 14 - Revenues", that is, the loss provision is always measured based on the amount of expected credit losses throughout the entire lifespan, and the increase or reversal of the loss provision resulting therefrom is recognized as an impairment loss or gain is included in current profits and losses.

For accounts receivable containing significant financing components, the Company chooses to adopt a simplified model of expected credit losses, which always measures its loss provision based on the amount of expected credit losses throughout the entire duration.

1. At the end of the period, a separate impairment test shall be conducted on accounts receivable that have objective evidence indicating impairment. Based on the difference between their expected future cash flow present value and their book value, impairment losses shall be recognized and bad debt reserves shall be withdrawn.

2. When the expected credit loss information cannot be assessed through a single financial asset at a reasonable cost, the Company divides accounts receivable portfolios based on credit risk characteristics and calculates expected credit losses on the portfolio basis.

Portfolio Name	Accrual method
Accounting age combination	This portfolio takes the aging of accounts receivable as the credit risk characteristics.
Related party portfolio	This portfolio includes accounts receivable from subsidiaries and other related parties within the consolidation scope.
Portfolio of deposits, security deposits, employee loans, etc.	This portfolio features deposits, security deposits and employee loans as credit risk characteristics.

(1) Aging portfolio

Aging	Expected credit loss rate of accounts receivable (%)
Within 1 year (including 1 year)	5
1-2 years (including 2 years)	10
2-3 years (including 3 years)	30
Over 3 years	100

(2) Related party portfolio

Related party portfolio: refer to historical credit loss experience, combined with the current situation and the forecast of future economic conditions, through default risk exposure and the expected credit loss rate of the entire duration.

12. Receivable financing

Financial assets that meet the following conditions are classified as financial assets measured at fair value and whose changes are included in other comprehensive income: the business model of the Company's management of the financial assets is aimed at collecting contractual cash flows and the sales of financial assets. The contractual terms of the financial asset stipulate that the cash flow generated on a specific date is only the payment of principal and interest based on the outstanding principal amount.

The Company transfers its accounts receivable in the form of discounts or endorsements, and if this type of business is frequent and involves a large amount, its management business model essentially involves both receiving contract cash flows and selling them. In accordance with the relevant provisions of the financial instrument standards, it is classified as financial assets measured at fair value with changes recognized in other comprehensive income.

13. Other receivables

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

1. At the end of the period, a separate impairment test shall be conducted on other receivables that have objective evidence indicating impairment. Based on the difference between their expected future cash flow present value and their book value, impairment losses shall be recognized and bad debt reserves shall be withdrawn.

2. When the expected credit loss information cannot be assessed through a single financial asset at a reasonable cost, the Company divides accounts receivable portfolios based on credit risk characteristics and calculates expected credit losses on the portfolio basis.

(1) Aging portfolio

Aging	Expected credit loss rate of other receivables (%)
Within 1 year (including 1 year)	5
1-2 years (including 2 years)	10
2-3 years (including 3 years)	30

Over 3 years	100
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(2) Related party portfolio

Related party portfolio: refer to historical credit loss experience, combined with the current situation and the forecast of future economic conditions, through default risk exposure and the expected credit loss rate of the entire duration.

(3) Portfolio of deposits, security deposits, employee loans, etc.

Portfolio of deposits, security deposits, employee loans, etc.: refer to historical credit loss experience, combined with the current situation and the forecast of future economic conditions, through default risk exposure and the expected credit loss rate of the entire duration.

14. Inventory

1. Inventory classification

Inventories include finished products or commodities held by the Company for sale in daily activities, products in process of production, and materials consumed in the process of production or provision of labor services.

2. Method of valuation for inventory acquisition and delivery

All types of inventory of the Company are valued at actual cost upon receipt, and are valued using the weighted average method upon delivery.

3. Determination basis for net realizable value of inventory and provision method for inventory depreciation reserves

On the balance sheet date, inventory is measured at the lower of cost and net realizable value, and a provision for inventory depreciation is made based on the difference between the cost of the inventory category and the net realizable value.

The net realizable value of inventory directly used for sale is determined in the normal production and operation process based on the estimated selling price of the inventory minus the estimated selling expenses and related taxes and fees. The net realizable value of inventory that needs to be processed in the normal production and operation process is determined by subtracting the estimated cost to be incurred until completion, estimated sales expenses, and relevant taxes from the estimated selling price of the finished product produced. 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.

4. Inventory taking system

The perpetual inventory system is adopted.

5. Amortization method for low value consumables and packaging materials

Low value consumables and packaging materials are amortized using the one-off amortization method when received.

15. Contract assets

1. Methods and standards for the recognition of contract assets

The Company lists contract assets or contract liabilities in the balance sheet according to the relationship between the performance of performance obligations and customer payment. The consideration (excluding accounts receivable) that the Company is entitled to receive for transferring goods or providing services to customers is listed as contract assets.

2. Determination methods and accounting treatment methods of the expected credit loss of contract assets

For contract assets that do not contain significant financing components, the Company adopts a simplified model of expected credit losses, which always measures its loss provision at an amount equivalent to the expected credit losses for the entire duration. The increase or reversal of the loss provision resulting therefrom is recognized as a loss reduction or gain is included in current profits and losses.

(1) At the end of the period, a separate impairment test shall be conducted on accounts receivable that have objective evidence indicating impairment. Based on the difference between their expected future cash flow present value and their book value, impairment losses shall be recognized and bad debt reserves shall be withdrawn.

(2) When the expected credit loss information cannot be assessed through a single financial asset at a reasonable cost, the Company establishes aging portfolios based on credit risk characteristics and calculates expected credit losses on the aging portfolio basis.

Aging	Expected credit loss rate of contract assets (%)
Within 1 year (including 1 year)	5
1-2 years (including 2 years)	10
2-3 years (including 3 years)	30
Over 3 years	100

For contract assets that contain significant financing components, the Company chooses to adopt a simplified model of expected credit losses, which always measures its loss provision at an amount equivalent to the expected credit losses for the entire duration. The increase or reversal of the loss provision resulting therefrom is recognized as a loss reduction or gain is included in current profits and losses.

16. Contract cost

The contract cost shall include the contract performance cost and the contract acquisition cost.

If the cost incurred by the Company in fulfilling a contract simultaneously meets the following conditions, it shall be recognized as a contract performance cost as an asset:

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 due to the contract;
2. Such cost increases the enterprise's resources used for future performance of performance obligations;
3. This cost is expected to be recovered.

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. However, if the asset is amortized for no more than one year, it can be included in current profits and losses when incurred.

Assets related to contract costs are amortized on the same basis as the recognition of revenue from goods or services related to the assets.

If the book value of the assets related to the contract cost is higher than the difference between the following two items, the Company shall withdraw the impairment provision for the excess part and recognize it as assets impairment loss:

1. The remaining consideration which the Company is expected to obtain due to the transfer of the commodities or services related to such assets;
2. The cost estimated to be incurred for the transfer of the relevant commodities or services.

If the above-mentioned asset impairment provision is subsequently reversed, the book value of the reversed asset shall not exceed the book value of the asset on the date of reversal assuming no impairment provision is made.

17. Held-for-sale assets

The Company classifies group components (or non-current assets) that meet the following conditions simultaneously as held for sale: (1) According to the convention of selling such assets or disposal groups in similar transactions, they can be immediately sold

under current conditions; (2) The sale is highly likely to occur, and a decision has been made on a sale plan and a confirmed purchase commitment has been obtained. The confirmed purchase commitment refers to a legally binding purchase agreement signed between the enterprise and other parties, which includes important terms such as transaction price, time, and sufficiently severe breach penalties, making the possibility of significant adjustment or revocation of the agreement extremely low. The sale is expected to be completed within one year. Approval from relevant authorities or regulatory authorities has been obtained in accordance with relevant regulations.

The Company adjusts the held-for-sale expected net residual value to reflect the net amount of its fair value minus selling expenses (but not exceeding the original book value of the held for sale assets). The difference between the original book value and the adjusted expected net residual value is recognized as an asset impairment loss and included in current profits and losses, and a provision for impairment of held-for-sale assets is also made. For the amount of asset impairment loss 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 in the disposal group.

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 asset impairment loss 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 asset impairment loss recognized for non-current assets to which the measurement provisions of the Accounting Standards are applicable after being classified as held for sale, and the reversed amount shall be included in current profits and losses. The book value of goodwill that has been offset and the impairment loss of non-current assets that are subject to the measurement provisions of these standards before they are classified as held for sale shall not be reversed. For the subsequent reversed amount of asset impairment loss recognized by the disposal group held for sale, the book value shall be increased in proportion to the book value of non-current assets measured and stipulated in the Accounting Standards in the disposal group except for goodwill.

If an enterprise loses control over a subsidiary due to the sale of its investment in the subsidiary or other reasons, regardless of whether the enterprise retains a portion of its equity investment after the sale, 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.

18. Long-term equity investment

1. Determination of investment cost

(1) In case of a business merger under the same control, if the combining party pays cash, transfers non-cash assets, assumes debts, or issues equity securities as the merger consideration, the initial investment cost shall be the share of the owner's equity of the combined party in the ultimate controller's consolidated financial statements on the merger date. The difference between the initial investment cost of long-term equity investment and the book value of the paid merger consideration or the total face value of the issued shares is adjusted to the capital reserve (capital premium or equity premium). If the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

In case of a merger of enterprise under the same control step by step, the initial investment cost of the investment shall be the share of the owner's equity of the combined party on the merger date calculated based on the shareholding ratio. The difference between the initial investment cost and the book value of the original long-term equity investment plus the book value of the newly paid consideration for further shares obtained on the merger date shall be adjusted to the capital reserve (capital premium or equity premium). If the capital reserve is insufficient to offset, the retained earnings shall be offset.

(2) For a merger under different control, the fair value of the paid merger consideration shall be used as the initial investment cost on the date of acquisition.

(3) Except for those formed through business merger: for those acquired through cash payment, the initial investment cost shall be the actual purchase price paid; for those acquired through the issuance of equity securities, their initial investment cost shall be the fair value of the issued equity securities; if it is invested by an investor, the initial investment cost shall be the value agreed upon in the investment contract or agreement (except for those with unfair value agreed upon in the contract or agreement).

2. Subsequent measurement and profit and loss recognition methods

The long-term equity investment that the Company can control over the investee is accounted for using the cost method in individual financial statements of the Company; the long-term equity investment with joint control or significant influence shall be accounted for by the equity method.

When the cost method is adopted, long-term equity investments are valued at the initial investment cost. Except for the declared but not yet distributed cash dividends or profits included in the actual payment or consideration when obtaining the investment, the cash dividends or profits declared to be distributed by the investee are recognized as current investment income, and the impairment of long-term investments is considered based on relevant asset impairment policies.

When equity method is adopted, if the cost of initial investment of long-term equity investment exceeds identifiable fair value of net assets of invested units sharable at investment, cost of initial investment of long-term equity investment is included; if the cost of initial investment of long-term equity investment is less than identifiable fair value of net assets of invested units sharable at investment, the difference is included in current profits and losses when it is incurred and meanwhile the cost of long-term equity investment shall be adjusted.

When the equity method is adopted, after obtaining the long-term equity investment, the investment profits and losses shall be recognized and the book value of the long-term equity investment shall be adjusted according to the share of the net profits and losses realized by the investee that shall be enjoyed or shared. When recognizing the attributable share of the net profit and loss of the investee, it shall be recognized after adjustment of the net profit of the investee based on the fair value of the identifiable assets of the investee at the time of acquisition of the investment, and in accordance with the Company's accounting policies and accounting period, and after the portion of internal transaction losses incurred between associates and joint ventures is offset, and the portion attributable to the investing enterprise is calculated based on the shareholding ratio (but if internal transaction losses belong to asset impairment losses, they shall be fully recognized). The portion that shall be distributed shall be calculated based on the profits or cash dividends declared by the investee, and the book value of long-term equity investments shall be correspondingly reduced. The Company recognizes the net loss incurred by the investee to the extent that the book value of the long-term equity investment and other long-term equities that substantially constitute the net investment in the investee are reduced to zero, except for the situation where the Company is obligated to bear additional losses. For changes in owner's equity of the investee other than net profit or loss, the book value of long-term equity investments shall be adjusted and recorded in owner's equity.

3. Basis for determining control and significant impact on the investee

Control refers to having the power over the invested party, enjoying variable returns through participation in related activities of the investee, and having the ability to use the power over the investee to influence the return amount. Significant influence refers to the investor having the power to participate in decision-making on the financial and operational policies of the investee, but not being able to control or jointly control the formulation of these policies with other parties.

4. Disposal of long-term equity investments

(1) Partial disposal of long-term equity investments in subsidiaries without losing control

When disposing of a long-term equity investment in a subsidiary without losing control, the difference between the disposal price and the corresponding book value of the disposed investment shall be recognized as current investment income.

(2) Partial disposal of equity investments or loss of control over subsidiaries due to other reasons

If control over a subsidiary is lost due to partial disposal of equity investments or other reasons, the book value of the long-term equity investment corresponding to the sold equity shall be carried forward. The difference between the sale price and the book value of the long-term equity investment shall be recognized as investment income (loss); meanwhile, the remaining equity shall be recognized as long-term equity investment or other related financial assets based on its book value. If the remaining equity after disposal can exercise joint control or significant influence on the subsidiary, accounting treatment shall be carried out in accordance with the relevant provisions on the conversion of the cost method to the equity method.

5. Impairment test method and method of provision for assets impairment

If there is objective evidence indicating impairment of investments in subsidiaries, associates, and joint ventures on the balance sheet date, corresponding impairment provisions shall be made based on the difference between the book value and the recoverable amount.

19. Fixed assets

(1) Recognition conditions

Fixed assets of the Company are physical assets held by the Company for use in the production of goods, labor service, leasing and for administrative purposes. Fixed assets shall be recognized when the following conditions are met simultaneously:

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

(2) Depreciation methods

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

(3) Recognition basis, valuation method and depreciation methods of fixed assets under financing lease

Not applicable

20. Construction in progress

1. 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.

2. On the balance sheet date, if there are signs indicating impairment of construction in progress, corresponding impairment provisions shall be made based on the difference between the book value and the recoverable amount.

21. Borrowing costs

1. Recognition principles for capitalization of borrowing costs

Borrowing costs are loan interests, amortization of depreciation or appreciation arising from borrowings, auxiliary expenses, and exchange differences from foreign currency borrowings, etc. The borrowing costs for inventory and investment properties that can be directly attributed to the purchase and construction of fixed assets and require a construction or production process of more than one year (including one year) to reach the expected conditions for use and sales shall be capitalized; other borrowing costs are recognized as expenses based on their amount when incurred and included in current profits and losses. The borrowing costs that shall be capitalized begin capitalizing when the following three conditions are met simultaneously:

(1) Asset expenditure has already incurred;

(2) The borrowing costs have already been incurred;

(3) Acquisition, construction or production activities necessary to bring the asset to be ready for its intended use or sale are in progress.

2. The period of capitalization of borrowing costs: For the borrowing costs that shall be capitalized, if they meet the above capitalization conditions, and incur before the relevant assets that meet the capitalization conditions have reached their expected conditions for use or sale, they shall be included in the cost of the relevant assets. If there is an abnormal interruption in the acquisition, construction or production activities of the relevant assets, and the interruption lasts for more than 3 consecutive months, the capitalization of borrowing costs shall be suspended. The borrowing costs incurred during the interruption period shall be recognized as expenses and included in current profits and losses until the acquisition, construction or production activities of the assets restart. When the relevant assets reach their expected conditions for use or sale, the capitalization of borrowing costs shall be stopped, and subsequent borrowing costs shall be directly recorded in the current financial expenses based on their amount when incurred.

3. Calculation methods for capitalized amount of borrowing costs

(1) Capitalized amount of loan interest: For specialized loans borrowed for the purchase, construction, or production of assets that meet the capitalization conditions, the capitalized amount of interest for each accounting period shall not exceed the actual interest expenses incurred in the current period of the specialized loan, minus the interest income obtained from depositing unused loan funds in the bank or the investment income obtained from temporary investments.

As for general borrowings for the acquisition, construction or production and development of assets eligible for capitalization, the amount of capitalization of the interest amount shall be determined by multiplying the weighted average of difference between accumulative assets expenditure and assets expenditure of specially borrowed loans by the capitalization rate of general borrowings. The capitalization rate is calculated and determined based on the weighted average interest rate of general borrowings. 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.

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.

(2) Auxiliary expenses: Auxiliary expenses incurred for specialized loans that incur before the assets purchased, constructed or produced that meet the capitalization conditions reach their intended conditions for use and sale shall be capitalized based on their amount when incurred and included in the cost of assets that meet the capitalization conditions. If an asset that meets the capitalization conditions and is purchased, constructed or produced reaches its intended conditions for use and sale, it shall be recognized as an expense based on its amount when incurred and included in current profits and losses.

The auxiliary expenses incurred in general borrowing are recognized as expenses based on their amount when incurred and included in current profits and losses.

(3) During the capitalization period, the exchange difference between the principal and interest of foreign currency loans that fall within the scope of capitalization of borrowing costs shall be capitalized.

22. Right-of-use assets

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

The right-of-use assets are initially measured at cost by the Company. The cost includes:

1. The initial measurement amount of lease liabilities;
2. For the lease payment paid on or before the commencement date of the lease term, if there is lease incentive, the relevant amount of lease incentive enjoyed shall be deducted;
3. Initial direct expenses incurred;
4. 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. Where the aforementioned costs are incurred for the production of inventory, the "Accounting Standards for Enterprises No.1 - Inventories" shall apply.

The Company recognizes and measures the costs mentioned in item 4 in accordance with the "Accounting Standards for Enterprises No. 13 - Contingencies".

The initial direct cost refers to the incremental cost incurred to achieve the lease. Incremental cost refers to the cost that would not incur if the enterprise did not acquire the lease.

The Company makes depreciation for the right-of-use assets with reference to the relevant depreciation provisions of the "Accounting Standards for Enterprises No. 4 - Fixed Assets". If the lessee can be reasonably determined that the ownership of the leased asset can be obtained when the lease term expires, depreciation shall be accrued during the remaining useful life of the leased asset. If it cannot be reasonably determined that the ownership of the leased asset can be obtained when the lease term expires, depreciation shall be accrued during the shorter period of the lease term and the remaining useful life of the leased asset.

The Company determines whether the right-of-use assets have been impaired and accounts for any identified impairment losses according to the "Accounting Standards for Enterprises No. 8 - Asset Impairment".

23. Intangible assets

(1) Valuation method, service life and impairment test

The intangible assets of the Company are valued at their actual cost at the time of acquisition.

If the service life of intangible assets is limited, they shall be amortized evenly in installments over the expected service life from the month of acquisition. If it is impossible to foresee the period during which intangible assets will bring economic benefits to the enterprise, they shall be considered as intangible assets with uncertain service lives and shall not be amortized. The amortization period of the expected service life shall be determined based on the following principles: For intangible assets derived from contractual or other legal rights, their service life shall not exceed the term of the contractual or other legal rights. If the contractual or other legal rights are extended upon expiration due to renewal or other reasons, and there is evidence indicating that the enterprise does not need to pay a significant cost for renewal, the renewal period shall be included in the service life. If the contract or law does not specify a service life, the enterprise shall make a comprehensive judgment based on various factors to determine the period during which intangible assets can bring economic benefits to the enterprise. If the period during which intangible assets bring economic benefits to the enterprise cannot be reasonably determined according to the above methods, the intangible asset shall be treated as an intangible asset with an uncertain service life.

Category	Estimated service life (year)	Depreciation method
Land use rights	From obtaining the land use right to the termination date of the land use right	Straight-line method

Software	2-10	Straight-line method
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Recognition criteria and provision methods for impairment of intangible assets:

For intangible assets with uncertain benefit periods such as trademarks, impairment tests are conducted at the end of each year to estimate their recoverable amount. An impairment provision for intangible assets is made based on the difference between their recoverable amount and their book value.

For other intangible assets, an inspection is conducted at the end of the year. When there are signs of impairment, the recoverable amount is estimated, and an impairment provision for intangible assets is made based on the difference between the recoverable amount and the book value.

(1) It has been replaced by other new technologies, causing significant adverse effects on its ability to create economic benefits for the Company;

(2) The market price has significantly declined in the current period and is not expected to recover within the remaining amortization period;

(3) It has exceeded the legal protection period, but still has partial use value;

(4) Other circumstances that are sufficient to prove that impairment has actually incurred.

(2) Internal R&D expenditure accounting policy

Specific standards for expenditure during the R&D stages of internal R&D projects

Expenditure on R&D projects inside the Company can be divided into expenditure in research stage and expenditure in development stage;

(1) The expenditures during research shall be included in current profits and losses as incurred.

(2) Expenditures during the development stage shall be recognized as intangible assets when proving the following:

① Complete such intangible asset to make it usable or salable with technical feasibility;

② Intention of completing such intangible asset for use or sale;

③ Method for intangible assets to produce future economic benefits, including the ability to prove that the products from such intangible assets exist in the market or that the intangible assets themselves exist in the market, and the ability to prove the serviceability of the intangible asset if used internally;

④ There is sufficient support from technical, financial resources and other resources, to complete development of such intangible assets, and the ability of using or selling such intangible assets;

⑤ The expenditures attributable to development stage of such intangible assets shall be measured reliably.

The expenses incurred during the research stage of intangible assets developed through self research are included in current profits and losses when incurred; the expenses incurred during the development stage that meet the following conditions are recognized as intangible assets (patented technology and non patented technology):

(1) Complete such intangible asset to make it usable or salable with technical feasibility;

(2) Intention of completing such intangible asset for use or sale;

(3) The products produced using the intangible asset have a market or the intangible asset itself has a market;

(4) There is sufficient support from technical, financial resources and other resources, to complete development of such intangible assets, and the ability of using or selling such intangible assets;

(5) The expenditures attributable to development stage of such intangible assets shall be measured reliably.

24. Long-term assets impairment

The enterprise shall determine whether there are any signs of possible impairment of assets on the balance sheet date.

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

The presence of the following signs indicates that assets may have been impaired:

(1) The market price of assets has significantly decreased in the current period, and its decline is significantly higher 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, as well as the market of the assets, have undergone major changes in the current period or in the near future, resulting in adverse effects on the enterprise; (3) The market interest rate or other market investment return rates have increased in the current period, which affects the discount rate of the enterprise to calculate the present value of the expected future cash flow of the assets, resulting in a significant reduction in the recoverable amount of the assets; (4) There is evidence indicating that the assets have become outdated or its entity has been damaged; (5) Assets have been or will be idle, terminated or planned for early disposal; (6) The evidence in the internal report of the enterprise indicates that the economic performance of the assets has been or will be lower than expected, such as the net cash flow created by the assets or the operating profit (or loss) realized being much lower (or higher) than the expected amount; (7) Other signs indicating that assets may have been impaired.

Where there are signs of impairment of assets, the recoverable amount shall be estimated.

The recoverable amounts are the higher between the net amount of their fair values less the disposal expenses and the present values of estimated future cash flows of the assets.

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 present value of the future cash flow of an asset shall be predicted in comprehensive consideration of the future cash flow, service life, discount rate and other factors of the asset.

The measurement results of the recoverable amount indicate that if the recoverable amount of an asset is lower than its book value, the book value of the asset shall be written down to the recoverable amount. The written down amount is recognized as an asset impairment loss and included in current profits and losses. At the same time, a corresponding asset impairment provision shall be made.

25. 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.

26. Contract liabilities

The Company lists contract assets or contract liabilities in the balance sheet according to the relationship between the performance of performance obligations and customer payment. The Company lists contract assets or contract liabilities in the balance sheet according to the relationship between the performance of performance obligations and customer payment.

27. Employee compensation

(1) Accounting treatment methods for short-term compensation

During the accounting period when the employees work for the Company, the actual short-term compensation is recognized as liabilities, and included in current profits and losses for the current period or relevant asset costs. Among them, non-monetary benefits are measured at the fair value.

(2) Accounting treatment method for post employment benefits

Post employment benefits mainly include basic pension insurance premiums, unemployment insurance premiums, etc., classified as defined contribution plans based on the risks and obligations borne by the Company. During the accounting period when employees provide services, the Company will recognize the payable amount calculated in accordance with the above social security regulations as a liability and include it in the current profits and losses or related asset costs.

(3) Accounting treatment method for dismissal benefits

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

28. Lease liabilities

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

Lease liabilities are initially measured according to the present value of the unpaid lease payments on the commencement date of the lease term.

The lease payment amount refers to the amount paid by the Company to the lessor related to the right to use the leased asset during the lease term, including:

1. Fixed payment and substantial fixed payment. If there is lease incentive, the relevant amount of lease incentive shall be deducted;
2. The variable lease payment amount depends on the index or ratio, which is determined at the initial measurement based on the index or ratio on the commencement date of the lease term;
3. The exercise price of the purchase option, provided that the Company reasonably determines that the option will be exercised;

4. 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;

5. The amount expected to be paid according to the residual value of the guarantee provided by the Company.

When calculating the present value of lease payments, the Company uses the interest rate implicit in the lease as the discount rate. If the interest rate implicit in the lease cannot be determined, the incremental borrowing interest rate shall be used as the discount rate.

29. Estimated liabilities

1. When the obligation formed by providing external guarantees, litigation matters, product quality assurance, loss contracts, and other contingencies becomes a current obligation undertaken by the Company, and the performance of this obligation is likely to result in economic benefits flowing out of the Company, and the amount of this obligation can be reliably measured, the Company recognizes this obligation as an estimated liability.

2. The Company initially measures the estimated liabilities based on the best estimate of the expenses required to fulfill the relevant current obligations, and reviews the book value of the estimated liabilities on the balance sheet date.

30. Share-based payment

1. Types of share-based payments

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

Estimate based on the latest changes in the number of employees with feasible rights and other subsequent information.

4. Accounting treatment for the implementation, modification and termination of share-based payment plans

(1) Equity settled share-based payments

Equity settled share-based payments that are immediately exercisable after grant in exchange for employee services shall be recognized as relevant costs or expenses based on the fair value of the equity instrument on the grant date, and the capital reserve shall be adjusted accordingly. For equity settled share-based payments that require the completion of services during the waiting period or the achievement of specified performance conditions in exchange for employee services, on each balance sheet date during the waiting period, the services obtained in the current period shall be recognized as relevant costs or expenses at the fair value of the equity instrument grant date based on the best estimate of the number of vested equity instruments, and the capital reserve shall be adjusted accordingly.

For equity settled share-based payments in exchange for services from other parties, if the fair value of the services from other parties can be reliably measured, they shall be measured at the fair value of the services from other parties on the date of acquisition. If the fair value of services provided by other parties cannot be reliably measured, but the fair

value of equity instruments can be reliably measured, the fair value of equity instruments on the date of service acquisition shall be measured and included in relevant costs or expenses, with corresponding increase in owner's equity.

(2) Cash settled share-based payments

Cash settled share-based payments that are immediately exercisable after the grant in exchange for employee services are recognized as relevant costs or expenses at the fair value of the Company's liabilities on the grant date, with corresponding increases in liabilities. 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.

(3) Modify or terminate the share-based payment plan

If the modification increases the fair value of the granted equity instrument, the Company shall recognize the increase in services obtained accordingly based on the increase in fair value of the equity instrument; if the modification increases the number of equity instruments granted, the Company will recognize the fair value of the increased equity instruments as an increase in the acquisition of services accordingly; if the Company modifies the vesting conditions in a way that benefits employees, the Company will consider the modified vesting conditions when dealing with the vesting conditions.

If the modification reduces the fair value of the granted equity instrument, the Company will continue to recognize the amount of services obtained based on the fair value of the equity instrument on the grant date, without considering the decrease in the fair value of the equity instrument; if the modification reduces the number of granted equity instruments, the Company will treat the reduced portion as cancellation of the granted equity instruments; if the vesting conditions are modified in a way that is not conducive to employees, the modified vesting conditions will not be considered when dealing with the vesting conditions.

If the Company cancels or settles the granted equity instruments during the waiting period (except for those cancelled due to failure to meet the vesting conditions), the cancellation or settlement will be treated as accelerated vesting, and the amount originally confirmed during the remaining waiting period will be immediately confirmed.

31. Revenue

Accounting policies adopted for revenue recognition and measurement

1. 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. Obtaining the control power over the relevant goods means being able to dominate the use of such goods and obtain almost all economic benefits from them.

2. According to the relevant provisions of the revenue standards, the Company determines that the nature of the relevant performance obligations belongs to "performance obligations performed within a certain period of time" or "performance obligations performed at a certain point of time", and recognizes revenue according to the following principles.

(1) When any of the following conditions is satisfied, it will be deemed as that the Company fulfills its performance obligations during certain period:

① The customers obtain and consume the economic benefit arising from the performance of the Company at the time of the performance of the Company.

② The customer is able to control the in-process assets during the Company's performance.

③ The assets produced during the performance of the Company are for an irreplaceable purpose, and during the contract period, the Company has the right to ask for the payment for the completed performance accumulated so far.

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. The Company considers the nature of the goods and uses the output method or input method to determine the appropriate performance schedule.

(2) For performance obligations that are not fulfilled within a certain period of time and are fulfilled at a certain time point, the Company recognizes revenue at the time when the customer obtains control of 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 has the current right to collect the goods, that is, the customer has a current payment obligation for the goods.

② The Company has transferred the legal ownership of the goods to the customer, that is, the customer has obtained the legal ownership 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 existing in the ownership of the goods to the customers, that is, the customer has obtained the main risks and rewards existing in the ownership of the goods.

⑤ The customer has accepted the item.

⑥ Other signs that customers have gained control of the goods.

3. Measurement of revenue

Revenue shall be measured by the Company according to the transaction price apportioned to each individual performance obligation. In determining the transaction price, the Company considers the impact of variable consideration, major financing components in the contract, non-cash consideration, and consideration payable to customers.

(1) Variable consideration

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. When evaluating whether the cumulative recognized revenue is highly unlikely to undergo a significant reversal, the enterprise shall also consider the possibility and proportion of revenue reversal.

(2) Significant financing components

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.

(3) Non-cash consideration

Where a customer pays non-cash consideration, the Company determines the transaction price based on the fair value of the non-cash consideration. Where the fair value of the non-cash consideration cannot be reasonably estimated, the Company indirectly determines the transaction price with reference to the separate selling price of the goods it undertakes to transfer to customers.

(4) Consideration payable to customers

For the consideration payable to customers, the payable consideration shall be offset against the transaction price, and the current income shall be offset at the later of the recognition of relevant income and the payment (or commitment to pay) of customer consideration, except for the consideration payable to customers to obtain other clearly distinguishable goods from customers.

The consideration payable by the enterprise to customers is to obtain other clearly distinguishable goods from customers, and the purchased goods shall be confirmed in a manner consistent with other purchases of the enterprise. Where the consideration payable by the enterprise to the customer exceeds the fair value of the identifiable goods obtained from the customer, the excess amount shall be

offset against the transaction price. If the fair value of clearly distinguishable goods obtained from customers cannot be reasonably estimated, the Company shall offset the transaction price in full with the consideration payable to customers.

Differences in accounting policies for revenue recognition due to different business models used in similar businesses

The Company recognizes revenue at different time points under different business models, which can be divided into the following situations:

(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.

32. Government subsidies

1. Government subsidies include government subsidies related to assets and government subsidies related to income.

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

3. The gross price method is adopted for government subsidies:

(1) 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 relevant assets in a reasonable and systematic way. If the relevant assets are sold, transferred, scrapped or damaged before the end of their service lives, the balance of relevant deferred income that has not been allocated shall be transferred to the current profits and losses of asset disposal.

(2) Government subsidies related to income that are used to compensate related costs or losses in subsequent periods shall be recognized as deferred income, and shall be included in current profits and losses during the period when the related costs are

recognized. Those used to compensate related costs or losses that have already occurred are directly included in current profits and losses.

4. 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 income-related government subsidies in whole.

5. The government subsidies related to the Company's daily activities shall be included in other income or offset against relevant costs according to the essence of economic business; and the governmental subsidies unrelated to daily activities of the Company shall be included in non-operating income and expenditure.

6. The policy preferential loans obtained by the Company will be treated in two ways: The government will allocate the discount funds to the lending bank and the government will directly allocate the discount funds to the Company:

(1) Where the finance department allocates the discount fund to the lending bank and the lending bank provides a loan at the policy-based preferential interest rate for the Company, the Company chooses to conduct accounting treatment according to the following methods:

1) Use 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) The fair value of the loan is used as the entry value of the loan and the borrowing costs are calculated using the effective interest rate method. The difference between the actual received amount and the fair value of the loan is recognized as deferred income. Deferred income is amortized using the effective interest rate method during the duration of the loan to offset related borrowing costs.

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

33. Deferred income tax assets/deferred income tax liabilities

The Company adopts the balance sheet liabilities method to provide deferred income tax based on the temporary difference between the book value of assets/liabilities and tax basis at the balance sheet date. On the balance sheet date, the deferred income tax assets and deferred income tax liabilities shall be measured according to the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be paid off.

1. Recognition of deferred income tax assets

(1) The Company recognizes the deferred income tax assets arising from the deductible temporary differences to the extent that it is likely to obtain the taxable income used to offset the deductible temporary differences. However, deferred income tax assets arising from the initial recognition of assets or liabilities in transactions with the following characteristics shall not be recognized:

1) This transaction is not a business merger;

2) When a transaction occurs, it does not affect accounting profits or taxable income (or deductible losses).

(2) The Company recognizes deferred income tax assets for deductible temporary differences related to investments in subsidiaries, associates, and joint ventures that meet the following conditions:

1) The temporary difference is likely to reverse in the foreseeable future;

2) It is likely to obtain taxable income to offset temporary differences in the future.

(3) As for any deductible loss and tax deduction which can be carried forward to the next year, the corresponding deferred income tax assets are recognized by the Company to the extent the taxable income which is likely to be obtained for offsetting the deductible loss and tax deduction.

2. Recognition of deferred income tax liabilities

Except for deferred income tax liabilities arising from the following situations, the Company recognizes all deferred income tax liabilities arising from taxable temporary differences:

(1) Initial recognition of goodwill;

(2) The initial recognition of assets or liabilities arising from transactions that simultaneously meet the following characteristics:

1) This transaction is not a business merger;

2) When a transaction occurs, it does not affect accounting profits or taxable income (or deductible losses).

(3) The Company has taxable temporary differences related to investments in subsidiaries, associates, and joint ventures that meet the following conditions:

- 1) The investment enterprise can control the timing of the reversal of temporary differences;
- 2) The temporary difference is likely not to reverse in the foreseeable future.

34. Leasing

(1) Accounting treatment methods for operating leases

(1) The Company as lessor

As the lessor, the Company adopts the straight-line method to recognize the rental income from operating leases during each period of the lease term. The Company capitalizes the initial direct expenses related to operating leases, and allocates them on the same basis as the recognition of rental income during the lease term, and includes them in the current profits and losses.

For fixed assets in assets under operating lease, the Company shall adopt a depreciation policy similar to that of assets to calculate depreciation; for other assets under operating lease, they shall be amortized using systematic and reasonable methods in accordance with the applicable Accounting Standards for Enterprises. The Company determines whether the assets under operating lease have been impaired and conducts the corresponding accounting treatment according to the "Accounting Standards for Enterprises No. 8 - Asset Impairment".

(2) The Company as lessee

When the Company is the lessee, on the commencement date of the lease term, except for short-term leases and low value asset leases for which simplified treatment is adopted, the right-to-use assets and lease liabilities are recognized for the lease.

After the commencement date of the lease term, the Company adopts a cost model for subsequent measurement of the right-of-use asset. The Company makes depreciation for the right-of-use assets with reference to the relevant depreciation provisions of the "Accounting Standards for Enterprises No. 4 - Fixed Assets". If the lessee can be reasonably determined that the ownership of the leased asset can be obtained when the lease term expires, depreciation shall be accrued during the remaining useful life of the leased asset. If it cannot be reasonably determined that the ownership of the leased asset can be obtained when the lease term expires, depreciation shall be accrued during the shorter period of the lease term and the remaining useful life of the leased asset. The Company determines whether the right-of-use assets have been impaired and accounts for any identified impairment losses according to the "Accounting Standards for Enterprises No. 8 - Asset Impairment".

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 profits and losses. Where they shall be included in the cost of relevant assets according to other standards such as the "Accounting Standards for Enterprises No. 17- Borrowing Costs", the provisions shall apply.

For short-term leases and low value asset leases, the Company chooses not to recognize the right-of-use assets and lease liabilities. The lease payments for short-term leases and low value asset leases are recorded in the relevant asset costs or current profit and loss using the straight-line method during each period of the lease term.

(2) Accounting treatment methods for financial leasing

(1) The Company as lessor

As the lessor, the Company recognizes the receivable financing lease payments for financing leases on the commencement date of the lease term, terminates the recognition of financing lease assets, and calculates and recognizes interest income for each period of the lease term at a fixed periodic interest rate.

(2) The Company as lessee

When the Company is the lessee, on the commencement date of the lease term, except for short-term leases and low value asset leases for which simplified treatment is adopted, the right-to-use assets and lease liabilities are recognized for the lease.

After the commencement date of the lease term, the Company adopts a cost model for subsequent measurement of the right-of-use asset. The Company makes depreciation for the right-of-use assets with reference to the relevant depreciation provisions of the "Accounting Standards for Enterprises No. 4 - Fixed Assets". If the lessee can be reasonably determined that the ownership of the leased asset can be obtained when the lease term expires, depreciation shall be accrued during the remaining useful life of the leased asset. If it cannot be reasonably determined that the ownership of the leased asset can be obtained when the lease term expires, depreciation shall be accrued during the shorter period of the lease term and the remaining useful life of the leased asset. The Company determines whether the right-of-use assets have been impaired and accounts for any identified impairment losses according to the "Accounting Standards for Enterprises No. 8 - Asset Impairment".

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 profits and losses. Where they shall be included in the cost of relevant assets according to other standards such as the "Accounting Standards for Enterprises No. 17- Borrowing Costs", the provisions shall apply.

For short-term leases and low value asset leases, the Company chooses not to recognize the right-of-use assets and lease liabilities. The lease payments for short-term leases and low value asset leases are recorded in the relevant asset costs or current profit and loss using the straight-line method during each period of the lease term.

35. Other important accounting policies and estimates

None

36. Changes of significant accounting policies and accounting estimates

(1) Significant accounting policy changes

Applicable Not applicable

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

earnings and other related financial statement items for the earliest period in the financial statements in accordance with this regulation and the provisions of "Accounting Standards for Enterprises No. 18 - Income Tax".		
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The specific impacts of changes in accounting policies are as follows:

Report items that are significantly affected	Affected amount	Remarks
Balance Sheet Items as of December 31, 2022		
Deferred income tax assets	6,559,516.70	
Deferred tax liability	6,275,205.80	
Other comprehensive income	-1,046.84	
Undistributed profits	254,641.11	
Minority interests	30,716.63	
2022 Income Statement Items		
Income tax expense	-285,138.71	Deferred income tax expense
Minority interest	30,497.60	

(2) Changes in significant accounting estimates

Applicable Not applicable

(3) Implementation of new accounting standards adjustment for the first time starting from 2023. Relevant information on financial statements at the beginning of the year

Applicable Not applicable

According to the relevant provisions of the "Interpretation No. 16 of the Accounting Standards for Business Enterprises", the Company has made the following adjustments to the beginning balance of 2023 for certain accounts in the consolidated balance sheet and parent company's balance sheet:

Adjustment of some accounts involved in the consolidated balance sheet

Item	December 31, 2022	January 1, 2023	Adjustments
Deferred income tax assets	46,749,722.28	53,309,238.98	6,559,516.70
Deferred tax liability	3,557,844.83	9,833,050.63	6,275,205.80
Other comprehensive income	5,255,222.65	5,254,175.81	-1,046.84
Undistributed profits	788,571,917.98	788,826,559.09	254,641.11
Minority interests	43,025,126.30	43,055,842.93	30,716.63

Adjustment of some accounts involved in the parent company's balance sheet

Item	December 31, 2022	January 1, 2023	Adjustments
Deferred income tax assets	27,628,722.59	29,799,536.02	2,170,813.43
Deferred tax liability	3,022,004.37	5,231,980.02	2,209,975.65

Undistributed profits	478,054,103.62	478,014,941.40	-39,162.22
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VI. Taxation

1. Main tax types and tax rates

Tax Type	Tax Basis	Tax rates
VAT	Selling goods or providing taxable services	13%, 9%, 6%, 5%, 3%, and applicable value-added tax rate for overseas subsidiaries in their registered location
Urban maintenance and construction tax	Payable turnover tax amount	7%, 5%
Property tax	For ad valorem taxes, the remaining value after deducting 30% from the original value of the property in one go	1.20%
Education surcharges	Payable turnover tax amount	3%
Local education surcharges	Payable turnover tax amount	2%

Disclosure of information on taxpayers with different corporate income tax rates

Name of Taxpayer	Income tax rate
ZKTECO CO., LTD.	15%
Xiamen Zkteco Biometric Identification Technology Co., Ltd.	25%
Shenzhen ZKTeco Biometric Identification Technology Co., Ltd.	20%
Hangzhou ZKTeco Hanlian E-commerce Co., Ltd.	20%
Xi'an ZKTeco Co., Ltd.	20%
Dalian ZKTeo CO., Ltd.	20%
Hubei ZKTeco Co., Ltd.	20%
ZKCserv Technology Limited Co., Ltd.	20%, 15%
XIAMEN ZKTECO CO., LTD.	15%
ZKTeco Huayun (Xiamen) Integrated Circuit Co., Ltd.	25%
ZKTECO (GUANGDONG) CO., LTD	15%
Shenzhen Zhongjiang Intelligent Technology Co., Ltd.	25%
Xiamen ZKTeco Cloud Valley Design and Development Co., Ltd.	25%
Wuhan ZKTeco Perception Technology Co., Ltd.	20%, 15%
ZKTeco Sales Co., Ltd.	25%
ZK INVESTIMENTOS DO BRASIL LTDA.	25%, 15%
ZKTECO DO BRASIL S.A.	25%, 15%
Limited Liability Company "ZKTeco biometrics and security"	20%
ZK TECHNOLOGY LLC	Not applicable
ZKTECO USA LLC	Not applicable
ZKTECO ARGENTINA S.A.	25%, 30%, 35%
ZKTeco Latam R&D S.A.	25%, 30%, 35%
ZKTECO BIOMETRICS INDIA PRIVATE LIMITED	25%, 15%
ZKTECO COLOMBIA SAS	35%
ZKTECO EUROPE SL	25%
ZKTECO IRELAND LIMITED	12.5%
ZKTECO ITALIA S.R.L.	27.9%
ZKTeco Deutschland GmbH	31.225%
ZKTECO LATAM, S.A. DE C.V.	30%
ZK SOFTWARE DE MEXICO, S.A. DE C.V.	30%
ZKTECO PERU SOCIEDAD ANONIMA CERRADA	29.5%
ZKTECO SECURITY L.L.C	0%
ZKTECO THAI CO., LTD.	20%, 15%, 0%

Armatura Tech Co., Ltd.	20%, 15%, 0%
ZKTECO TURKEY ELEKTRONIK SANAYI VE TICARET LIMITED SIRKETI.	25%
ZKTECO (M) SDN. BHD.	24%
PT. ZKTECO BIOMETRICS INDONESIA	22%, 11%
Armatura Co., Ltd.	25%, 22%, 20%, 10%
ZKTeco Chile SpA	27%
SOLUCIONES INTEGRALES Y SISTEMAS SPA	27%
ZKTECO CO., LIMITED	16.50%, 8.25%
NGTECO CO., LIMITED	16.50%, 8.25%
ZKTECO PANAMA, S.A.	5%
ZKTECO SG INVESTMENT PTE. LTD.	17%, 4.25%, 8.5%
ZKTECO SINGAPORE PTE. LTD.	17%, 4.25%, 8.5%
ZK INTELLIGENT SOLUTIONS (PTY) LTD	27%
ZKTECO BIOMETRIC LIMITED	30%
ZKTECO BIOMETRICS KENYA LIMITED	30%
ZKTECO Investment Inc.	21%
ZK INVESTMENTS INC.	21%
ARMATURA LLC.	21%
ZKTeco Japan Co., Ltd.	23.20%, 15%
ZKTECO UK LTD	19%
ZKTECO VIETNAM TECHNOLOGY COMPANY LIMITED	20%
ZKTECO ROMANIA S.R.L	16%
ZKTeco Yunlian (Xiamen) Technology Co., Ltd.	25%
ZKDIGIMAX PTE.LTD.	4.25%, 8.5%, 17%
ZKDIGIMAX PANAMA, S.A.	25%
ZKDIGIMAX COLOMBIA SAS	35%
ZKDIGIMAX (PTY) LTD	27%
PT. ZKDIGIMAX EXCEL NOBLE	0.5%, 22%

2. Tax incentives

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%.

Dalian ZKTeo CO., Ltd. and Wuhan ZKTeco Perception Technology Co., Ltd. are taxpayers who provide postal services, telecommunications services, modern services and daily life services, with sales revenue accounting for over 50% of the total sales revenue. They are taxpayers in the productive service industry. According to the "Announcement of the Ministry of Finance and the State Administration of Taxation on Extending the Implementation Period of the VAT Reduction and Exemption Policy for Small-Scale Taxpayers" (Announcement of the Ministry of Finance and the State Administration of Taxation [2023] No.1), from January 1, 2023 to December 31, 2023, taxpayers in the production service industry are allowed to deduct 5% of the current deductible input tax to offset the taxable amount.

According to the Announcement on Further Implementing the "Announcement of the Ministry of Finance and the State Taxation Administration on Further Implementing the "Six Taxes and Two Fees" Reduction and Exemption Policies for Micro and Small Enterprises" (Announcement No. 10 of the State Administration of Taxation of the Ministry of Finance, 2022), from January 1, 2022 to December 31, 2024, small-scale value-added tax taxpayers, small and micro profit enterprises, and individual industrial and commercial households can reduce 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 within a tax amount range of 50.00%. This policy is applicable to Shenzhen ZKTeco Biometric Identification Technology Co., Ltd., Hangzhou

ZKTeco Hanlian E-commerce Co., Ltd., Xi'an ZKTeco Co., Ltd., Dalian ZKTeo CO., Ltd., Hubei ZKTeco Co., Ltd., ZKCserv Technology Limited Co., Ltd. and Wuhan ZKTeco Perception Technology Co., Ltd.

On December 20, 2021, ZKTECO CO., LTD. passed the high-tech review and recognition (high-tech enterprise certificate number: GR202144002274, valid for 3 years, and the income tax preferential period is from January 1, 2021 to December 31, 2023). According to relevant regulations such as the "Law of the People's Republic of China on Enterprise Income Tax", the Company would enjoy a preferential corporate income tax rate of 15.00% for high-tech enterprises in 2023.

According to the "Announcement of the Ministry of Finance and the State Taxation Administration on Implementing the Preferential Income Tax Policies for Micro and Small Enterprises and Individual Industrial and Commercial Households" (Announcement No. 6 of the Ministry of Finance and the State Administration of Taxation, 2023), from January 1, 2023 to December 31, 2024, the portion of Shenzhen ZKTeco Biometric Identification Technology Co., Ltd., Hangzhou ZKTeco Hanlian E-commerce Co., Ltd., Xi'an ZKTeco Co., Ltd., Dalian ZKTeo CO., Ltd. and Hubei ZKTeco Co., Ltd. that does not exceed RMB 1 million shall be subject to corporate income tax reduction by 25%, and the corporate income tax shall be paid at a tax rate of 20%.

According to the "Announcement of the Ministry of Finance and the State Taxation Administration on Further Implementing the Preferential Income Tax Policies for Micro and Small Enterprises" (Announcement No. 13 of the Ministry of Finance and the State Administration of Taxation, 2022), from January 1, 2022 to December 31, 2024, the portion of Shenzhen ZKTeco Biometric Identification Technology Co., Ltd., Hangzhou ZKTeco Hanlian E-commerce Co., Ltd., Xi'an ZKTeco Co., Ltd., Dalian ZKTeo CO., Ltd. and Hubei ZKTeco Co., Ltd. that exceeds RMB 1 million but does not exceed RMB 3 million shall be subject to corporate income tax reduction by 25.00%, and the corporate income tax shall be paid at a tax rate of 20.00%.

According to the "Announcement of the Ministry of Finance and the State Taxation Administration on Implementing the Preferential Income Tax Policies for Micro and Small Enterprises and Individual Industrial and Commercial Households" (Announcement No. 6 of the Ministry of Finance and the State Administration of Taxation, 2023), from January 1, 2023 to December 31, 2024, the portion of ZKCserv Technology Limited Co., Ltd. that does not exceed RMB 1 million shall be subject to corporate income tax reduction by 25%, and the corporate income tax shall be paid at a tax rate of 20%.

According to the "Announcement of the Ministry of Finance and the State Taxation Administration on Further Implementing the Preferential Income Tax Policies for Micro and Small Enterprises" (Announcement No. 13 of the Ministry of Finance and the State Administration of Taxation, 2022), from January 1, 2022 to December 31, 2024, the portion of ZKCserv Technology Limited Co., Ltd. that exceeds RMB 1 million but does not exceed RMB 3 million shall be subject to corporate income tax reduction by 25.00%, and the corporate income tax shall be paid at a tax rate of 20.00%.

On December 11, 2020, ZKCserv Technology Limited Co., Ltd. passed the high-tech identification (high-tech enterprise certificate number: GR202044201143, valid for 3 years, and the income tax preferential period is from January 1, 2020 to December 31, 2022). According to the "Announcement of the State Administration of Taxation on Relevant Issues Concerning the Implementation of Preferential Tax Policies for High and New-Technology Enterprise" (Announcement No. 24 of 2017), in the year when an enterprise's high-tech enterprise qualification expires, its enterprise income tax is temporarily prepaid at a 15% tax rate before being re-recognized. If the enterprise has not yet obtained the high-tech enterprise qualification before the end of the year, the tax in the corresponding period shall be paid in accordance with regulations. According to regulations, ZKCserv Technology Limited Co., Ltd. will temporarily prepay at a tax rate of 15% for 2023.

On November 17, 2022, XIAMEN ZKTECO CO., LTD. passed the high-tech identification (high-tech enterprise certificate number: GR202235100737, valid for 3 years, and the income tax preferential period is from January 1, 2022 to December 31, 2024). According to relevant regulations such as the "Law of the People's Republic of China on Enterprise Income Tax", XIAMEN ZKTECO CO., LTD. would enjoy a preferential corporate income tax rate of 15.00% for high-tech enterprises in 2023.

On December 19, 2022, ZKTECO (GUANGDONG) CO., LTD passed the high-tech identification (high-tech enterprise certificate number: GR202244002616, valid for 3 years, and the income tax preferential period is from January 1, 2022 to December 31, 2024). According to relevant regulations such as the "Law of the People's Republic of China on Enterprise Income Tax", ZKTECO (GUANGDONG) CO., LTD would enjoy a preferential corporate income tax rate of 15.00% for high-tech enterprises in 2023.

According to the "Announcement of the Ministry of Finance and the State Taxation Administration on Implementing the Preferential Income Tax Policies for Micro and Small Enterprises and Individual Industrial and Commercial Households" (Announcement No. 6 of the Ministry of Finance and the State Administration of Taxation, 2023), from January 1, 2023 to December 31, 2024, the portion of Wuhan ZKTeco Perception Technology Co., Ltd. that does not exceed RMB 1 million shall be subject to corporate income tax reduction by 25%, and the corporate income tax shall be paid at a tax rate of 20%.

According to the "Announcement of the Ministry of Finance and the State Taxation Administration on Further Implementing the Preferential Income Tax Policies for Micro and Small Enterprises" (Announcement No. 13 of the Ministry of Finance and the State Administration of Taxation, 2022), from January 1, 2022 to December 31, 2024, the portion of Wuhan ZKTeco Perception Technology Co., Ltd. that exceeds RMB 1 million but does not exceed RMB 3 million shall be subject to corporate income tax reduction by 25.00%, and the corporate income tax shall be paid at a tax rate of 20.00%.

On December 1, 2020, Wuhan ZKTeco Perception Technology Co., Ltd. passed the high-tech identification (high-tech enterprise certificate number: GR202042002298, valid for 3 years, and the income tax preferential period is from January 1, 2020 to December 31, 2022). According to the "Announcement of the State Administration of Taxation on Relevant Issues Concerning the Implementation of Preferential Tax Policies for High and New-Technology Enterprise" (Announcement No. 24 of 2017), in the year when an enterprise's high-tech enterprise qualification expires, its enterprise income tax is temporarily prepaid at a 15% tax rate before being re-recognized. If the enterprise has not yet obtained the high-tech enterprise qualification before the end of the year, the tax in the corresponding period shall be paid in accordance with regulations. According to regulations, Wuhan ZKTeco Perception Technology Co., Ltd. will temporarily prepay at a tax rate of 15% for 2023.

3. Others

When the total taxable income of ZK INVESTIMENTOS DO BRASIL LTDA. and ZKTECO DO BRASIL S.A. is below 240,000 Reals, the tax rate is 15.00%; an additional 10.00% will be levied on the portion exceeding 240,000 Reals.

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

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

Coexistence of two types of corporate income tax of ZKTECO BIOMETRICS INDIA PRIVATE LIMITED: (1) Normal Tax corporate income tax rate is 25.00%; (2) MAT Tax: In 2022, the MAT Tax rate was 15.00%. When the Company's tax payable is less than 15.00% of its book profit, the minimum alternative tax is paid, calculated as 15.00% of its book profit; Normal Tax and MAT Tax, whichever is higher.

The corporate income tax rate for ZKTeco Deutschland GmbH in 2023 is 31.225%.

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

The corporate income tax rate of ZKTECO TURKEY ELEKTRONIK SANAYI VE TICARET LIMITED SIRKETI for the year 2023 was 25%.

PT. ZKTECO BIOMETRICS INDONESIA, an Indonesian subsidiary, applies the corporate income tax rate for the year 2023 as follows:

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

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

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

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

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

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

The applicable income tax rates for ZKTECO SG INVESTMENT PTE. LTD. and ZKTECO SINGAPORE PTE. LTD. in 2023 were 4.25%, 8.5% and 17.00% respectively; the taxable income rate was 4.25% for those within SGD 100,000, 8.5% for those between SGD 100,000 and SGD 200,000, and 17% for the excess;

If the registered capital of ZKTeco Japan Co., Ltd. is less than JPY 100 million and there is no capital fund, the corporate tax rate (income tax) is 15.00% for the income of less than JPY 8 million; for income exceeding JPY 8 million, the corporate tax rate (income tax) is 23.20%.

The applicable income tax rates for ZKDIGIMAX PTE.LTD. in 2023 were 4.25%, 8.5% and 17.00% respectively; the taxable income rate was 4.25% for those within SGD 100,000, 8.5% for those between SGD 100,000 and SGD 200,000, and 17% for the excess.

PT. ZKDIGIMAX EXCEL NOBLE was established in May 2023, with tax incentives for the first year. The tax rate is 0.5% for income below IDR 4.8 billion, and 22% for excess tax.

VII. Notes to Consolidated Financial Statements

1. Monetary fund

Unit: RMB

Item	Ending Balance	Beginning Balance
Cash on hand	2,643,551.19	2,646,715.85
Cash in bank	2,000,091,555.96	1,876,652,122.37
Other monetary funds	45,729,171.92	33,646,193.75
Total	2,048,464,279.07	1,912,945,031.97
Including: total amount deposited abroad	229,988,345.74	200,783,792.34
The total amount of funds with restrictions on use due to mortgage, pledge, or freezing	41,202,050.72	31,118,488.94

Other explanations:

Note 1: Other monetary funds are mainly restricted funds such as bank acceptance bill margin, funds in transit, withdrawable funds on e-commerce platforms and other funds deposited on WeChat Alipay.

Note 2: The funds deposited overseas mainly refer to the monetary funds of subsidiary companies ZK INVESTMENTS INC., ZKTECO CO., LIMITED, ZKTECO EUROPE SL, ZKTECO Investment Inc., ZK TECHNOLOGY LLC, ZKTECO SECURITY L.L.C and Armatura Tech Co., Ltd., as shown in the table below:

Item	Ending Balance	Beginning Balance
ZK INVESTMENTS INC.	36,280,542.80	5,488,562.65
ZKTECO CO., LIMITED	13,432,856.63	15,460,746.98
ZKTECO EUROPE SL	15,118,933.99	13,570,285.55
ZKTECO Investment Inc.	18,358,720.70	12,478,045.71
ZK TECHNOLOGY LLC	43,221,551.77	49,108,592.44
ZKTECO SECURITY L.L.C	19,214,535.10	17,077,386.32
Armatura Tech Co., Ltd.	25,557,535.64	33,067,155.46
Total	171,184,676.63	146,250,775.11

Note 3: As of June 30, 2023, the restricted funds include bank acceptance bill margin of RMB 40,776,865.92, funds in transit of RMB 425,166.07 and frozen litigation funds of RMB 18.73. Except for the restricted funds mentioned above, there are no other restrictions on the use of funds such as mortgages or pledges. Please refer to "VII. 59. Assets with Restricted Ownership or Use Rights" for details.

Note 4: As of June 30, 2023, in the balance of bank deposits at the end of the period, the principal ending balance of time deposits and CDs was RMB 946,164,535.64, and the accrued interest amount was RMB 16,171,424.08, which does not belong to cash and cash equivalents. Please refer to "VII. 57. Supplementary information of cash flow statement" for details.

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	99,457,974.92	204,318,406.05
Including:		
Financial products	99,457,974.92	204,318,406.05
Including:		
Total	99,457,974.92	204,318,406.05

3. Accounts receivable

(1) Disclosure of accounts receivable classification

Unit: RMB

Category	Ending Balance				Book value	Beginning Balance				
	Book balance		Bad debt reserve			Book balance		Bad debt reserve		Book value
	Amount	Proportion	Amount	Accrual proportion		Amount	Proportion	Amount	Accrual proportion	

				on					on	
Accounts receivable with individual provision for bad debts	5,232,365.31	1.10%	5,232,365.31	100.00%	0.00	5,430,619.60	1.26%	5,430,619.60	100.00%	0.00
Including:										
Accounts receivable with insignificant single amount and bad debt reserve withdrawn separately	5,232,365.31	1.10%	5,232,365.31	100.00%	0.00	5,430,619.60	1.26%	5,430,619.60	100.00%	0.00
Receivable with combined provision for bad debt reserve	471,671,503.01	98.90%	25,221,501.68	5.35%	446,450,001.33	426,173,082.75	98.74%	22,675,158.48	5.32%	403,497,924.27
Including:										
Accounts receivable with consolidated provision for bad debt reserves according to the credit risk characteristics	471,671,503.01	98.90%	25,221,501.68	5.35%	446,450,001.33	426,173,082.75	98.74%	22,675,158.48	5.32%	403,497,924.27
Total	476,903,868.32	100.00%	30,453,866.99	6.39%	446,450,001.33	431,603,702.35	100.00%	28,105,778.08	6.51%	403,497,924.27

Bad debt reserve made individually: 5,232,365.31

Unit: RMB

Name	Ending Balance			
	Book balance	Bad debt reserve	Accrual proportion	Reasons for provision
Shanghai Leqi Automation Technology Co., Ltd.	490,186.63	490,186.63	100.00%	Expected non-recoverable
Noble IT Solutions Co., Ltd	423,880.24	423,880.24	100.00%	Expected non-recoverable
Zicom Electronic Securit	378,957.08	378,957.08	100.00%	Expected non-recoverable
Al Asma Technology	360,996.13	360,996.13	100.00%	Expected non-recoverable
Guizhou Zhongjiang Intelligent Technology Co., Ltd.	334,800.21	334,800.21	100.00%	Expected non-recoverable
Shenzhen Xuhui Information Technology Co., Ltd.	326,350.00	326,350.00	100.00%	Expected non-recoverable
TIMEWATCH INFOCOM PVT. LTD.	306,799.23	306,799.23	100.00%	Expected non-recoverable
Northwood Investors LLC	249,723.65	249,723.65	100.00%	Expected non-recoverable
Gansu Fourth Construction Group Co., Ltd.	224,676.00	224,676.00	100.00%	Expected non-recoverable
VENDEMMIA COMERCIO INTERNACIONAL LTDA	205,079.19	205,079.19	100.00%	Expected non-recoverable
Hainan Zhongkong IOT Technology Co., Ltd.	199,579.00	199,579.00	100.00%	Expected non-recoverable
Tianjin Eagle Eye Biotechnology Co., Ltd.	193,330.00	193,330.00	100.00%	Expected non-recoverable
ASIA IDENTIFICATION AND SECURITY TECHNOLOGY COMPANY LIMITED	171,256.52	171,256.52	100.00%	Expected non-recoverable
Wanqiao Information Technology Co.,Ltd.	165,900.00	165,900.00	100.00%	Expected non-recoverable
Baoneng Urban Development and Construction Group Co., Ltd.	155,292.00	155,292.00	100.00%	Expected non-recoverable
PONTO RHJ EIRELI - ME	102,083.28	102,083.28	100.00%	Expected non-recoverable
SECUZAA SECURITY SOLUTIONS LAB PRIVATE LIMITED	100,209.42	100,209.42	100.00%	Expected non-recoverable
Green Electricity Renewable Energy Co., Ltd., of Nanhai, Foshan	98,024.64	98,024.64	100.00%	Expected non-recoverable
INTELLISMART	76,000.96	76,000.96	100.00%	Expected non-

TECHNOLOGY INC.				recoverable
Qianxinan Mengku Business Service Co., Ltd.	74,672.00	74,672.00	100.00%	Expected non-recoverable
RBB Technologies Private Limited	64,268.81	64,268.81	100.00%	Expected non-recoverable
Yichang Anlian Intelligent Technology Development Co., Ltd.	56,085.00	56,085.00	100.00%	Expected non-recoverable
Dongguan Yukong Security Technology Co., Ltd.	53,703.00	53,703.00	100.00%	Expected non-recoverable
KWK CELLPHONE AND ACCESSORIES	38,263.57	38,263.57	100.00%	Expected non-recoverable
Nanjing Xianji Technology Co., Ltd.	31,850.00	31,850.00	100.00%	Expected non-recoverable
Entropy Electronic Technology Yangzhou Co., Ltd.	31,122.66	31,122.66	100.00%	Expected non-recoverable
SARL MICHEL HENRY LEPAUTE	30,818.05	30,818.05	100.00%	Expected non-recoverable
Iss Facility Services (Shanghai) Ltd.	28,152.00	28,152.00	100.00%	Expected non-recoverable
Huawei Technologies (Netherlands) B.V.	27,653.19	27,653.19	100.00%	Expected non-recoverable
SMARTTECH CO. LIMITED	26,038.62	26,038.62	100.00%	Expected non-recoverable
ELECTRONICA GHANA LIMITED	23,374.38	23,374.38	100.00%	Expected non-recoverable
AVANTI SYSTEM D.O.O	21,504.48	21,504.48	100.00%	Expected non-recoverable
Others	161,735.37	161,735.37	100.00%	Expected non-recoverable
Total	5,232,365.31	5,232,365.31		

Bad debt reserve made by portfolio: 25,221,501.68

Unit: RMB

Name	Ending Balance		
	Book balance	Bad debt reserve	Accrual proportion
Within 1 year (including 1 year)	458,684,309.13	22,934,215.37	5.00%
1-2 years (including 2 years)	10,558,996.89	1,055,899.87	10.00%
2-3 years (including 3 years)	1,709,729.52	512,918.97	30.00%
Over 3 years	718,467.47	718,467.47	100.00%
Total	471,671,503.01	25,221,501.68	

Explanation of the basis for determining the portfolio:

Accounts receivable with bad debt reserves based on expected credit loss combinations based on aging characteristics

If the provision for bad debt reserve of accounts receivable is made based on the general model of expected credit losses, please disclose the relevant information of the bad debt reserve with reference to the disclosure methods of other accounts receivable:

Applicable Not applicable

Disclosure by aging

Unit: RMB

Aging	Ending Balance
Within 1 year (including 1 year)	458,726,067.01
1-2 years	11,476,126.66
2-3 years	3,310,894.37
Over 3 years	3,390,780.28
3-4 years	1,869,027.53
4-5 years	591,452.28
Over 5 years	930,300.47
Total	476,903,868.32

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

Provision for bad debt reserves in current period:

Unit: RMB

Category	Beginning Balance	Current period change amount				Ending Balance
		Provision	Return or reversal	Redeem/redemption	Others	
Accounts receivable with insignificant single amount and bad debt reserve withdrawn separately	5,430,619.60	58,547.57		256,801.86		5,232,365.31
Accounts receivable with significant individual amounts and separate provision for bad debt reserves						
Accounts receivable with consolidated provision for bad debt reserves according to the credit risk characteristics	22,675,158.48	2,546,343.20				25,221,501.68
Total	28,105,778.08	2,604,890.77		256,801.86		30,453,866.99

(3) Actual verification of accounts receivable in the current period

Unit: RMB

Item	Write-off amount
SE DASSAULT SYSTEMES	256,801.86

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
SE DASSAULT SYSTEMES	Goods payment	256,801.86	Customer closure		No
Total		256,801.86			

Explanation of accounts receivable verification:

The current written off amount is RMB 256,801.86, which is due to the bankruptcy of SE DASSAULT SYSTEMS, a customer of our subsidiary ZKTECO EUROPE SL, and it is expected that the accounts receivable will not be recovered, resulting in a change in the bad debt reserves for accounts receivable.

(4) Accounts receivable from top five borrowers classified based on the ending balance

Unit: RMB

Company name	Ending balance of accounts receivable	Proportion in the total ending balance of accounts receivable	Ending balance of bad debt reserve
Customer 1	37,619,136.24	7.89%	1,880,956.81
Customer 2	17,229,905.44	3.61%	902,643.32
Customer 3	16,663,593.67	3.49%	833,179.68
Customer 4	14,636,305.97	3.07%	733,233.56
Customer 5	11,589,102.73	2.43%	579,455.14
Total	97,738,044.05	20.49%	

(5) Accounts receivable derecognized due to transfer of financial assets

No accounts receivable derecognized due to transfer of financial assets in current period.

(6) The amount of assets and liabilities formed by transferring accounts receivable and continuing to be involved

If there are no transferred accounts receivable at the end of the period and they continue to be involved, the amount of assets and liabilities formed by the continued involvement shall be listed.

Other explanations:

None

4. Prepayment

(1) Prepayments listed by aging

Unit: RMB

Aging	Ending Balance		Beginning Balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	31,565,784.87	98.38%	30,444,433.08	98.35%
1-2 years	150,075.26	0.47%	343,416.74	1.11%
2-3 years	335,453.61	1.05%	135,428.00	0.44%
Over 3 years	31,018.02	0.10%	31,407.76	0.10%
Total	32,082,331.76		30,954,685.58	

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

None in this period

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

Company name	Closing amount	Proportion in total prepayment (%)
Supplier 1	7,071,927.06	22.04
Supplier 2	5,101,238.71	15.90
Supplier 3	2,299,508.18	7.17
Supplier 4	1,396,776.03	4.35
Supplier 5	1,136,753.80	3.54
Total	17,006,203.78	53.00

Other explanations:

None

5. Other receivables

Unit: RMB

Item	Ending Balance	Beginning Balance
Other receivables	35,432,462.72	34,207,287.53
Total	35,432,462.72	34,207,287.53

(1) Other receivables

1) Classification of other receivables based on nature of payment

Unit: RMB

Payment nature	Closing book balance	Opening book balance
Current account	11,386,457.18	11,109,121.37
Guarantee deposit	16,849,395.53	14,623,016.19
Reserve funds and loans	11,808,149.25	8,156,672.47
Collection and payment on behalf of others	1,748,982.43	826,216.46
Withholding and paying social security and provident fund on behalf of others	1,593,211.39	1,664,032.00
Export tax refund	3,928,644.22	9,631,295.37
Others	770,302.40	694,798.92
Total	48,085,142.40	46,705,152.78

2) Provision for bad debt reserves

Unit: RMB

Bad debt reserve	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss in the future 12 months	Expected credit loss within whole duration (no credit impairment occur)	Expected credit loss within whole duration (credit impairment has occurred)	
Balance as of January 1, 2023	1,520,901.66		10,976,963.59	12,497,865.25
Balance as of January 1, 2023 in the current period				
Provision in current period	157,204.33			157,204.33
Reversals in the current period			2,389.90	2,389.90
Balance as of June 30, 2023	1,678,105.99		10,974,573.69	12,652,679.68

Changes in book balance with major changes in loss reserves during the current period

Applicable Not applicable

Disclosure by aging

Unit: RMB

Aging	Ending Balance
Within 1 year (including 1 year)	20,924,440.55
1-2 years	3,040,749.85
2-3 years	3,013,773.09
Over 3 years	21,106,178.91
3-4 years	4,571,581.41
4-5 years	14,200,092.57
Over 5 years	2,334,504.93
Total	48,085,142.40

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	
Other receivables with significant individual amounts and separate provision for bad debt reserves	6,012,062.77					6,012,062.77
Other receivables with provision for bad debt reserves based on a combination of credit risk characteristics	1,520,901.66	157,204.33				1,678,105.99
Other receivables with insignificant individual amounts but separate provision for bad debt reserves	4,964,900.82		2,389.90			4,962,510.92
Total	12,497,865.25	157,204.33	2,389.90			12,652,679.68

4) 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
Shenzhen Zhongan Intelligent Control Technology Co., Ltd.	Current account	7,772,552.26	Over 3 years	16.16%	6,012,062.77
Zhangmutou Branch of Dongguan Finance Bureau	Guarantee deposit	4,800,000.00	Over 3 years	9.98%	0.00

Export tax refund	Export tax refund	3,928,644.22	Within 1 year	8.17%	0.00
Shenzhen Zhikongtaike Biometric Technology Co., Ltd.	Current account	2,500,000.00	Over 3 years	5.20%	2,500,000.00
ADVANNOTECH (PTY) LTD	Current account	1,639,989.39	Within 1 year, 1-2 years, 2-3 years, more than 3 years	3.41%	1,486,706.42
Total		20,641,185.87		42.92%	9,998,769.19

6. Inventory

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

No

(1) Inventory classification

Unit: RMB

Item	Ending Balance			Beginning Balance		
	Book balance	Inventory depreciation reserves or contract performance cost impairment reserves	Book value	Book balance	Inventory depreciation reserves or contract performance cost impairment reserves	Book value
Raw materials	92,904,227.35	5,254,221.05	87,650,006.30	95,807,941.08	2,700,265.89	93,107,675.19
Products in process	12,680,683.61		12,680,683.61	22,655,606.68		22,655,606.68
Inventory goods	229,829,842.97	11,983,085.01	217,846,757.96	233,342,447.37	11,987,915.23	221,354,532.14
Contract performance cost	22,022.56		22,022.56	240,067.45		240,067.45
Sending goods	10,432,323.85	148,556.13	10,283,767.72	9,566,960.12	80,028.51	9,486,931.61
Consigned processing materials	1,355,291.30		1,355,291.30	1,435,828.52		1,435,828.52
Total	347,224,391.64	17,385,862.19	329,838,529.45	363,048,851.22	14,768,209.63	348,280,641.59

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

Unit: RMB

Item	Beginning Balance	Increase in current period		Decrease in current period		Ending Balance
		Provision	Others	Reversal or reselling	Others	
Raw materials	2,700,265.89	2,702,293.22		148,338.06		5,254,221.05
Inventory	11,987,915.23	2,332,193.43		2,337,023.65		11,983,085.01

goods					
Sending goods	80,028.51	148,555.61		80,027.99	148,556.13
Total	14,768,209.63	5,183,042.26		2,565,389.70	17,385,862.19

(3) Explanation of the capitalized amount of borrowing costs included in the ending balance of inventory

None

(4) Explanation of the current amortization amount of contract performance cost

None

7. Contract assets

Unit: RMB

Item	Ending Balance			Beginning Balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Quality guarantee deposit receivable	321,942.12	20,742.18	301,199.94	329,942.12	23,142.18	306,799.94
Total	321,942.12	20,742.18	301,199.94	329,942.12	23,142.18	306,799.94

The amount and reasons for major changes in the book value of contract assets during the current period:

Unit: RMB

Item	Change amount	Reasons for changes
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If the provision for impairment of contract assets is made based on the general model of expected credit losses, please disclose the relevant information of the provision for impairment with reference to the disclosure methods of other accounts receivable:

 Applicable Not applicable

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	
Provision for impairment by portfolio	321,942.12	100%	20,742.18	6.44%	301,199.94	329,942.12	100.00%	23,142.18	7.01%	306,799.94
Including:										
Provision for impairment based on a general model of expected credit losses	321,942.12	100%	20,742.18	6.44%	301,199.94	329,942.12	100.00%	23,142.18	7.01%	306,799.94
Total	321,942.12	100%	20,742.18	6.44%	301,199.94	329,942.12	100.00%	23,142.18	7.01%	306,799.94

Provision for impairment of contract assets in current period:

Unit: RMB

Item	Provision in current period	Reversals in the current period	Charged or written off in current period	Reasons
Quality guarantee deposit receivable	-2,400.00			Provision of bad debts by aging portfolio
Total	-2,400.00			—

8. Non-current assets due within one year

Unit: RMB

Item	Ending Balance	Beginning Balance
Debt investment due within one year	10,025,638.89	10,025,638.89
Total	10,025,638.89	10,025,638.89

Important debt investments/other debt investments

Unit: RMB

Debt items	Ending Balance				Beginning Balance			
	Face value	Coupon rate	Effective interest rate	Due Date	Face value	Coupon rate	Effective interest rate	Due Date
Certificates of Deposit (CD) of Industrial Bank	10,000,000.00	3.55%	3.55%	September 30, 2023	10,000,000.00	3.55%	3.55%	September 30, 2023
Total	10,000,000.00				10,000,000.00			

Other explanations:

On January 17, 2022, the Company signed a transfer confirmation letter with Guangfa Qianhe Investment Co., Ltd. for the CD issued by Industrial Bank on September 30, 2020 with the CD number 20200583395100100200097239. The principal of the CD is RMB 10,000,000.00, with a yield to maturity (YTM) of 3.55% and a maturity date of September 30, 2023. The non-current assets of the Company that mature within one year are the face value of the CD of RMB 10,000,000.00 and the interest paid from December 21, 2021 to January 16, 2022 of RMB 25,638.89 upon transfer.

9. Other current assets

Unit: RMB

Item	Ending Balance	Beginning Balance
Input tax to be deducted for value-added tax	5,125,604.93	5,880,824.30
Prepaid income tax	10,040,378.32	10,774,743.22
Other prepaid taxes	1,690,227.27	1,205,787.29
Total	16,856,210.52	17,861,354.81

10. Debt investment

Unit: RMB

Item	Ending Balance			Beginning Balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Bank CD - Principal	17,715,619.61		17,715,619.61	11,997,192.94		11,997,192.94
Bank CD - Interest	536,047.69		536,047.69	333,967.35		333,967.35
Total	18,251,667.30		18,251,667.30	12,331,160.29		12,331,160.29

Important debt investment

Unit: RMB

Debt items	Ending Balance				Beginning Balance			
	Face value	Coupon rate	Effective interest rate	Due Date	Face value	Coupon rate	Effective interest rate	Due Date
CD of Bank of China	10,000,000.00	3.85%	3.85%	April 7, 2024	10,000,000.00	3.85%	3.85%	April 7, 2024
Total	10,000,000.00				10,000,000.00			

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, 2023	0.00	0.00	0.00	
Balance as of January 1, 2023 in the current period				
-- Move to stage 2	0.00	0.00	0.00	
-- Move to stage 3	0.00	0.00	0.00	
-- Return to stage 2	0.00	0.00	0.00	
-- Return to stage 1	0.00	0.00	0.00	
Provision in current period	0.00	0.00	0.00	
Reversals in the current period	0.00	0.00	0.00	
Write-off in current period	0.00	0.00	0.00	
Canceled after verification in the current period	0.00	0.00	0.00	
Other changes	0.00	0.00	0.00	
Balance as of June 30, 2023	0.00	0.00	0.00	

Changes in book balance with major changes in loss reserves during the current period

 Applicable Not applicable

Other explanations:

On April 20, 2022, the Company signed a transfer confirmation letter with Jiangmen Haoxin New Energy Co., Ltd. for a CD issued by the Bank of China on April 7, 2021, with the CD number CD003210407143640620, the CD amount of RMB 10,000,000.00, the YTM of 3.85%, and the maturity date of April 7, 2024, as a time deposit product from 2022 to 2024. The principal of the Company corresponds to the face value of the CD of RMB 10,000,000.00 and the interest paid from April 7, 2021 to April 19, 2022 of RMB 397,833.00.

11. Long-term equity investment

Unit: RMB

Investee	Beginning balance (book value)	Increase or decrease in the current period								Ending balance (book value)	Ending balance of impairment provision
		Additonal investment	Reduced investment	Investment profit or loss recognized under equity method	Other comprehensive income adjustments	Changes in other equities	Cash dividends or profits declared to pay	Impairment provision	Others		
I. Joint ventures											
II. Joint venture											
PT. ZKTECO SECURITY INDONESIA	91,727.34			-93,447.40					1,720.06	0.00	
CV Squared, Inc.	3,689,002.99			-3,577.05					138,286.34	3,823,712.28	
Silk ID Systems Inc.	1,557,356.71			-175,088.68					55,184.22	1,437,452.25	
ZKTECO SMART CITY (THAILAND) CO., LTD.	1,813,245.66			91,249.17					69,683.47	1,974,178.30	
Subtotal	7,151,332.70			-180,863.96					264,874.09	7,235,342.83	
Total	7,151,332.70			-180,863.96					264,874.09	7,235,342.83	

Other explanations:

The increase or decrease in long-term equity investment in the current period mainly refers to the amount of exchange rate changes in long-term equity investment of the Company.

12. Fixed assets

Unit: RMB

Item	Ending Balance	Beginning Balance
Fixed assets	460,240,750.81	446,391,810.26
Liquidation of fixed assets		465,698.80
Total	460,240,750.81	446,857,509.06

(1) Status of fixed assets

Unit: RMB

Item	Houses and buildings	Machinery equipment	Transportation vehicles	Electronic equipment and others	Total
I. Original book value:					
1. Beginning Balance	419,672,406.02	49,603,033.57	9,813,482.95	92,362,437.18	571,451,359.72
2. Increase in current period	11,357,561.08	5,315,868.85	1,680,963.21	10,321,021.30	28,675,414.44
(1) Purchase	8,573,640.87	774,922.42	969,201.78	9,847,236.00	20,165,001.07
(2) Transferred from construction in progress		4,467,617.67	633,628.32	393,805.31	5,495,051.30
(3) Foreign currency translation difference	2,783,920.21	73,328.76	78,133.11	79,979.99	3,015,362.07
3. Decrease in current period		169,270.39	598.29	404,999.79	574,868.47
(1) Disposal or retirement		169,270.39	598.29	404,999.79	574,868.47
4. Ending balance	431,029,967.10	54,749,632.03	11,493,847.87	102,278,458.69	599,551,905.69
II. Accumulated depreciation					
1. Beginning Balance	37,089,625.89	22,647,760.07	7,317,412.32	58,004,751.18	125,059,549.46
2. Increase in current period	6,349,371.20	2,645,706.01	463,118.44	5,093,589.24	14,551,784.89
(1) Provision	6,243,915.73	2,622,677.26	383,638.19	5,446,778.54	14,697,009.72
(2) Foreign currency translation difference	105,455.47	23,028.75	79,480.25	-353,189.30	-145,224.83
3. Decrease in current period		105,831.83	568.38	193,779.26	300,179.47
(1) Disposal or retirement		105,831.83	568.38	193,779.26	300,179.47
4. Ending balance	43,438,997.09	25,187,634.25	7,779,962.38	62,904,561.16	139,311,154.88
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	387,590,970.01	29,561,997.78	3,713,885.49	39,373,897.53	460,240,750.81
2. Beginning book value	382,582,780.13	26,955,273.50	2,496,070.63	34,357,686.00	446,391,810.26

(2) Disposal of fixed assets

Unit: RMB

Item	Ending Balance	Beginning Balance
Machinery equipment		461,708.97
Electronic equipment		2,457.35
Other equipment		1,532.48
Total		465,698.80

13. Construction in progress

Unit: RMB

Item	Ending Balance	Beginning Balance
Construction in progress	76,912,095.63	57,041,298.90
Total	76,912,095.63	57,041,298.90

(1) Construction in progress

Unit: RMB

Item	Ending Balance			Beginning Balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Hybrid Biometrics IoT Intelligent Industrial Base Project	58,525,722.17		58,525,722.17	48,448,261.38		48,448,261.38
Multimodal Biometrics Digitalization Industrial Base Construction Project	18,271,329.19		18,271,329.19	2,982,941.95		2,982,941.95
Equipment	115,044.27		115,044.27	5,610,095.57		5,610,095.57

Total	76,912,095.63		76,912,095.63	57,041,298.90		57,041,298.90
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(2) Current changes in important construction in progress

Unit: RMB

Project Name	Budget amount	Beginning Balance	Increase in current period	Amount transferred to fixed assets in the current period	Other decreases in the current period	Ending Balance	Proportion of accumulated project investment to budget	Engineering progress	Accumulated amount of interest capitalization	Including: current interest capitalized amount	Current interest capitalization rate	Source of Funds
Hybrid Biometrics IoT Intelligent Industrial Base Project	214,042,000.00	48,448,261.38	10,077,460.79			58,525,722.17	102.01%	Under construction	2,359,113.42			Fundraising, self owned funds, bank loans
Multimodal Biometrics Digitalization Industrial Base Construction Project	284,566,264.91	2,982,941.95	15,288,387.24			18,271,329.19	6.42%	Under construction				Fundraising and self owned funds
Total	498,608,264.91	51,431,203.33	25,365,848.03			76,797,051.36			2,359,113.42			

(3) Current provision for impairment of construction in progress

Unit: RMB

Item	Current provision amount	Reason for provision
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Other explanations:

No signs of impairment were found in the current period, so no provision for impairment was made

(4) Engineering materials

Unit: RMB

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

Other explanations:

None

14. Right-of-use assets

Unit: RMB

Item	Houses and buildings	Machinery equipment	Transportation vehicles	Electronic equipment and others	Total
I. Original book value					
1. Beginning Balance	95,533,396.63		1,487,226.07	23,200.93	97,043,823.63
2. Increase in current period	10,547,607.80	90,606.43	1,088,201.83		11,726,416.06
(1) New lease	8,349,275.82	87,975.93	1,098,200.71		9,535,452.46
(2) Foreign currency translation difference	2,198,331.98	2,630.50	-9,998.88		2,190,963.60
3. Decrease in current period	2,130,606.32		1,215,772.17		3,346,378.49
(1) Expiration of lease contract	1,986,624.50		1,215,772.17		3,202,396.67
(2) Lease change	65,989.40				65,989.40
(3) Termination of lease	77,992.42				77,992.42
4. Ending balance	103,950,398.11	90,606.43	1,359,655.73	23,200.93	105,423,861.20
II. Accumulated depreciation					
1. Beginning Balance	45,566,705.77		827,935.30	8,506.97	46,403,148.04
2. Increase in current period	14,890,028.11	31,064.05	809,304.68	2,320.08	15,732,716.92
(1) Provision	13,727,449.84	30,162.20	813,735.41	2,320.08	14,573,667.53
(2) Foreign currency translation difference	1,162,578.27	901.85	-4,430.73		1,159,049.39
3. Decrease in current period	1,592,170.12		1,215,772.17		2,807,942.29
(1) Disposal					
(2) Expiration of lease contract	1,227,162.25		1,215,772.17		2,442,934.42
(3) Lease change	281,842.71				281,842.71
(4) Termination of lease	83,165.16				83,165.16
4. Ending balance	58,864,563.76	31,064.05	421,467.81	10,827.05	59,327,922.67
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	45,085,834.35	59,542.38	938,187.92	12,373.88	46,095,938.53
2. Beginning book value	49,966,690.86		659,290.77	14,693.96	50,640,675.59

15. Intangible assets

(1) Intangible assets

Unit: RMB

Item	Land use rights	Patent rights	Non-Patent Technology]	Software	Others	Total
I. Original book value						
1. Beginning Balance	72,034,013.37			12,835,073.96	104,614.54	84,973,701.87
2. Increase in current period	456,927.03			164,859.52	63,108.31	684,894.86
(1) Purchase				144,936.84	59,436.14	204,372.98
(2) Internal R&D						
(3) Increase in business merger						
(4) Differences in foreign currency statement translation	456,927.03			19,922.68	3,672.17	480,521.88
3. Decrease in current period						

(1) Disposal						
4. Ending balance	72,490,940.40			12,999,933.48	167,722.85	85,658,596.73
II. Accumulated amortisation						
1. Beginning Balance	10,102,827.54			6,719,776.65	40,584.89	16,863,189.08
2. Increase in current period	621,076.98			918,225.53	12,265.01	1,551,567.52
(1) Provision	621,076.98			830,354.84	10,625.15	1,462,056.97
(2) Differences in foreign currency statement translation				87,870.69	1,639.86	89,510.55
3. Decrease in current period						
(1) Disposal						
4. Ending balance	10,723,904.52			7,638,002.18	52,849.90	18,414,756.60
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	61,767,035.88			5,361,931.30	114,872.95	67,243,840.13
2. Beginning book value	61,931,185.83			6,115,297.31	64,029.65	68,110,512.79

The proportion of intangible assets formed through internal research and development of the company to the balance of intangible assets at the end of this period is 0.00%

16. 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	Caused by exchange rate fluctuations	Disposals	Caused by exchange rate fluctuations	
ZKTECO (M) SDN. BHD.	170,261.90		6,385.49			176,647.39
ZK INVESTIMEN TOS DO BRASIL LTDA.	326,124.50		12,230.96			338,355.46
Total	496,386.40		18,616.45			515,002.85

(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						

Information related to the asset group or combination of asset groups where goodwill is located

Book value of goodwill	Asset group or portfolio of asset groups			
	Main components	Book value	Determination method	Has there been any change in the current period
176,647.39	ZKTECO (M) SDN. BHD.	2,363,134.45	An asset group or portfolio of asset groups that can independently generate cash flow, taking into account the synergistic effects of business mergers and the management's management or monitoring of production and operating activities.	Conversion rate changes, no other changes
338,355.46	ZK INVESTIMENTOS DO BRASIL LTDA.	-3,396,363.37	An asset group or portfolio of asset groups that can independently generate cash flow, taking into account the synergistic effects of business mergers and the management's management or monitoring of production and operating activities.	Conversion rate changes, no other changes

Describe the goodwill impairment test process, key parameters (such as the growth rate in the forecast period, the growth rate in the stable period, the profit rate, the Discount rate, the forecast period) and the recognition method of goodwill impairment loss:

Impact of goodwill impairment test

17. Long-term deferred expenses

Unit: RMB

Item	Beginning Balance	Increase in current period	Amortization amount for the current period	Other reduced amounts	Ending Balance
Decoration works	2,528,270.50	406,191.30	514,428.81	-34,499.79	2,454,532.78
Others	528,039.84	120,000.00	136,067.60	542.72	511,429.52
Total	3,056,310.34	526,191.30	650,496.41	-33,957.07	2,965,962.30

Other explanations:

Other decreases are due to the foreign currency translation difference of RMB -28,328.28 for the subsidiary of the Company, ZKTECO CO., LIMITED, RMB -5,135.06 for the subsidiary of the Company, ZKTECO SG INVESTMENT PTE. LTD., and RMB -493.73 for the sub-subsidiary of the Company, ZKTECO VIETNAM TECHNOLOGY COMPANY LIMITED.

18. Deferred income tax assets/deferred income tax liabilities

(1) Deferred income tax assets not offset

Unit: RMB

Item	Ending Balance		Beginning Balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for impairment of assets	46,977,217.52	7,659,625.60	41,997,676.04	6,800,781.79
Unrealized profits from internal transactions	91,068,319.61	19,078,979.36	75,228,978.61	14,665,616.31
Deductible losses	144,979,082.13	21,670,871.79	144,679,629.19	21,701,944.38
Deferred income	1,946,626.06	291,993.91	2,039,702.49	305,955.37
Withholding rebates	15,725,144.28	2,270,014.50	19,110,934.94	2,746,709.94
Estimated liabilities	600,000.00	90,000.00	600,000.00	90,000.00
Changes in fair value of trading financial instruments	7,049,098.87	1,057,364.83		
Share-based payments	18,599,461.97	2,790,446.07	2,925,355.23	438,714.49
Lease liabilities	37,180,868.64	6,320,845.40	37,561,906.50	6,559,516.70
Total	364,125,819.08	61,230,141.46	324,144,183.00	53,309,238.98

(2) Non-offsetting deferred income tax liabilities

Unit: RMB

Item	Ending Balance		Beginning Balance	
	Taxable temporary difference	Deferred tax liability	Taxable temporary difference	Deferred tax liability
Accelerated depreciation of fixed	22,812,708.11	3,422,358.15	23,697,128.76	3,554,569.32

assets				
Changes in fair value of trading financial instruments	3,616.44	542.47	21,836.71	3,275.51
Right-of-use asset	36,610,065.44	6,094,245.36	36,562,097.39	6,275,205.80
Total	59,426,389.99	9,517,145.98	60,281,062.86	9,833,050.63

(3) Details of unconfirmed deferred income tax assets

Unit: RMB

Item	Ending Balance	Beginning Balance
Deductible temporary difference	32,075,571.88	29,464,015.44
Deductible losses	95,784,295.56	78,251,101.86
Total	127,859,867.44	107,715,117.30

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

Unit: RMB

Year	Closing amount	Opening amount	Remarks
2023	20,528,323.30	22,728,613.61	
2024	18,904,009.00	19,643,972.43	
2025	8,824,780.47	8,690,163.50	
2026	5,978,381.33	6,092,224.82	
2027	16,700,454.46	11,597,031.35	
2028	7,814,943.87		
2029			
2030			
2031	385,904.10	604,137.52	
2032	455,168.01	427,900.39	
2033	491,689.86		
2034			
2035			
2036			
2037	2,540,908.54	2,388,691.10	
Infinite carry forward	13,159,732.62	6,078,367.14	
Total	95,784,295.56	78,251,101.86	

19. Other non-current assets

Unit: RMB

Item	Ending Balance			Beginning Balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Prepaid decoration fee	773,049.06		773,049.06	563,981.71		563,981.71
Prepaid equipment payment	881,141.60		881,141.60	563,795.61		563,795.61
Total	1,654,190.66		1,654,190.66	1,127,777.32		1,127,777.32

20. Short-term loan**(1) Classification of short-term loans**

Unit: RMB

Item	Ending Balance	Beginning Balance
Discounted domestic letters of credit that cannot be derecognized before expiration	9,855,000.00	9,855,000.00
Total	9,855,000.00	9,855,000.00

21. Trading financial liabilities

Unit: RMB

Item	Ending Balance	Beginning Balance
Trading financial liabilities	7,049,098.87	
Including:		
Unexpired contract for forward foreign exchange settlement and sales	7,049,098.87	
Including:		
Total	7,049,098.87	

22. Notes payable

Unit: RMB

Category	Ending Balance	Beginning Balance
Bank acceptance bill	119,716,487.54	68,293,818.22
Total	119,716,487.54	68,293,818.22

The total amount of unpaid notes payable at the end of this period is RMB 0.00.

23. Accounts payable**(1) Listing of accounts payable**

Unit: RMB

Item	Ending Balance	Beginning Balance
Material payment	167,890,795.79	210,894,468.56
Equipment payment	969,521.99	3,130,476.79
Service fee	2,484,450.14	742,705.27
Project payment	6,424,032.69	10,886,449.82
Others	60,770.00	346,376.52
Total	177,829,570.61	226,000,476.96

(2) Important accounts payable with account age over 1 year

Unit: RMB

Item	Ending Balance	Reasons for non-repayment or carry-forward
Dongguan Saini Electromechanical Equipment Co., Ltd.	684,562.10	There are quality issues with the supplier's supply, and payment is on hold. As of the end of this period, the supplier has not initiated any litigation
Total	684,562.10	

Other explanations:

None

24. Contract liabilities

Unit: RMB

Item	Ending Balance	Beginning Balance
Within 1 year (including 1 year)	51,387,462.95	45,906,147.23
1-2 years (including 2 years)	5,818,216.83	5,800,889.87
2-3 years (including 3 years)	3,950,490.68	4,347,121.85
Over 3 years	7,104,607.97	2,784,681.44
Total	68,260,778.43	58,838,840.39

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

Unit: RMB

Item	Change amount	Reasons for changes
Shenzhen Zhongan Intelligent Control Technology Co., Ltd.	1,551,645.74	Bankruptcy liquidation
CV Squared, Inc.	1,275,140.00	The project has not yet been accepted
Total	2,826,785.74	

25. Payroll payable**(1) List of Payroll payable**

Unit: RMB

Item	Beginning Balance	Increase in the current period	Decrease in the current period	Ending Balance
I. Short-term compensation	58,505,505.72	250,655,130.28	265,154,178.24	44,006,457.76
II. Post-employment welfare - defined contribution plan	325,697.88	14,498,740.26	14,296,566.29	527,871.85
III. Dismissal benefit	109,649.20	5,000.00	114,649.20	
Total	58,940,852.80	265,158,870.54	279,565,393.73	44,534,329.61

(2) List of short-term compensation

Unit: RMB

Item	Beginning Balance	Increase in the current period	Decrease in the current period	Ending Balance
1. Salary, bonus, allowance and subsidy	56,728,600.85	234,314,422.47	248,745,575.11	42,297,448.21
2. Employee benefits	155,656.42	4,596,908.01	4,501,532.63	251,031.80
3. Social insurance	344,455.53	8,559,925.92	8,697,134.24	207,247.21
Including: medical insurance premium	308,232.54	7,840,824.56	7,943,849.26	205,207.84
Work-related injury insurance premium	1,888.88	304,927.08	304,776.59	2,039.37
Birth insurance premium	34,334.11	414,174.28	448,508.39	
4. Housing fund	80,431.85	2,781,830.60	2,809,909.56	52,352.89
5. Labor union expenditure and personnel education fund	1,196,361.07	349,947.41	347,930.83	1,198,377.65
8. Other short-term compensation		52,095.87	52,095.87	
Total	58,505,505.72	250,655,130.28	265,154,178.24	44,006,457.76

(3) List of defined contribution plan

Unit: RMB

Item	Beginning Balance	Increase in the current period	Decrease in the current period	Ending Balance
1. Basic endowment insurance expense	322,188.36	14,036,039.67	13,840,091.49	518,136.54
2. Unemployment insurance	3,509.52	462,700.59	456,474.80	9,735.31
Total	325,697.88	14,498,740.26	14,296,566.29	527,871.85

26. Taxes and dues payable

Unit: RMB

Item	Ending Balance	Beginning Balance
VAT	7,191,677.16	6,423,184.92
Enterprise income tax	21,711,305.34	12,861,731.77
Individual income tax	1,278,161.67	1,582,183.19
Urban maintenance and construction tax	245,286.62	423,601.95
Land use tax	53,192.27	8,200.43
Property tax	791,924.68	499,264.69

Education surcharges	235,953.35	449,094.47
Stamp duty	268,123.75	195,980.34
Others	340,242.37	178,563.28
Total	32,115,867.21	22,621,805.04

27. Other payables

Unit: RMB

Item	Ending Balance	Beginning Balance
Other payables	39,934,593.04	31,429,478.43
Total	39,934,593.04	31,429,478.43

(1) Other payables

1) List of other payables by nature of money

Unit: RMB

Item	Ending Balance	Beginning Balance
Employee reimbursement	4,353,806.87	6,747,819.07
Payment to be settled	8,148,881.66	9,597,128.66
Withholding and paying social security and provident fund on behalf of others	232,646.48	66,013.83
Current account	10,453,605.41	3,561,040.08
Collection and payment on behalf of others	764,869.62	208,657.13
Guarantee deposit	4,110,342.21	3,321,927.78
Others	11,870,440.79	7,926,891.88
Total	39,934,593.04	31,429,478.43

2) Other important accounts payable with aging over 1 year

Unit: RMB

Item	Ending Balance	Reasons for non-repayment or carry-forward
Shenzhen Huijiang Industrial Group Co., Ltd.	1,800,000.00	Unexpired
Total	1,800,000.00	

28. Non-current liabilities due within one year

Unit: RMB

Item	Ending Balance	Beginning Balance
Long-term loans due within one year	51,547.27	54,873.94
Lease liabilities due within one year	24,668,226.01	23,663,351.45
Total	24,719,773.28	23,718,225.39

29. Other current liabilities

Unit: RMB

Item	Ending Balance	Beginning Balance
Sales rebates payable	15,725,144.28	19,110,934.94
Tax to be transferred to output tax	2,653,061.35	2,062,685.85
Total	18,378,205.63	21,173,620.79

Changes in short-term bonds payable:

Unit: RMB

Bond name	Face value	Issue Date	Bond duration	Issue amount	Beginning Balance	Current issue	Accruing interest at face value	Amortization of excess and discount	Current repayment	Ending Balance
Total										

30. Long-term loan

(1) Classification of long-term loans

Unit: RMB

Item	Ending Balance	Beginning Balance
Credit borrowings	3,807,390.06	141,757.54
Total	3,807,390.06	141,757.54

Explanation of long-term loan classification:

Note: The sub-subsidiary of the Company, ZK INTELLIGENT SOLUTIONS (PTY), signed a loan agreement with NEDBANK on June 14, 2022 (No. 1951/000009/06). The agreement stipulates a loan amount of RMB 164,280.75 (equivalent to ZAR 425,175.00), with a loan term from June 14, 2022 to July 1, 2026. As of June 30, 2023, the loan balance was RMB 134,442.83, and the interest balance was RMB 24,494.47, of which RMB 51,547.24 will be repaid within one year.

On January 30, 2023, XIAMEN ZKTECO CO., LTD. (hereinafter referred to as the "borrower") signed a "Technology Innovation Fund Syndicated Loan Contract" with Xiamen Branch of Industrial Bank Co., Ltd. (hereinafter referred to as the "lender" or "lead bank") and Xiamen International Trust Co., Ltd. (hereinafter referred to as the "lender", "participating bank"). The amount of the loan contract is RMB 8.5 million. The participating bank and the lead bank, as lenders, shall undertake loans in a ratio of 5:95. The commitment amount of the participating bank shall not exceed RMB 425,000.00, and the commitment amount of the lead bank shall not exceed RMB 8,075,000.00. The Contract stipulates that the borrower shall use each fund withdrawn for the R&D investment of XIAMEN ZKTECO CO., LTD. The fixed interest rate of the loan is 3.60%, with Xiamen International Trust Co., Ltd. bearing 1.60% of the interest expense. The loan term is 3 years and interest is paid quarterly. This R&D loan is granted in batches according to the needs of the enterprise. As of June 30, 2023, XIAMEN ZKTECO has applied for and received a R&D loan of RMB 3,700,000.00 from Industrial Bank, of which RMB 2,000,000.00 was received on April 11 and RMB 1,700,000.00 was received on June 12.

31. Lease liabilities

Unit: RMB

Item	Ending Balance	Beginning Balance
Lease payment amount	53,570,793.63	59,266,343.29
Unrecognized financing charges	-6,850,481.60	-7,346,274.40
Lease liabilities due within one year	-24,668,226.01	-23,663,351.45
Total	22,052,086.02	28,256,717.44

32. Estimated liabilities

Unit: RMB

Item	Ending Balance	Beginning Balance	Cause of formation
Pending litigation	600,000.00	600,000.00	The main reason for the pending litigation on June 30, 2023 is the estimated liabilities based on the judgment of the civil judgment (2021) Y 03 MC No. 5383 on the trademark infringement dispute between the Company and Shenzhen Zokon Industry Development Co., Ltd.
Total	600,000.00	600,000.00	

33. Deferred income

Unit: RMB

Item	Beginning Balance	Increase in the current period	Decrease in the current period	Ending Balance	Cause of formation
Government subsidies	2,039,702.49		93,076.43	1,946,626.06	Financial allocation
Total	2,039,702.49		93,076.43	1,946,626.06	

Items involving government subsidies:

Unit: RMB

Liability items	Beginning Balance	Newly added subsidy amount in current period	Amount included in non-operating revenue for the current period	Amount included in other income in the current period	Current offset cost expense amount	Other changes	Ending Balance	Related to assets/related to returns
Dongguan Economic and Information Technology Bureau "Human Replacement by Machine" Project	196,931.43			29,499.56			167,431.87	Assets-related

Automation Project of Dongguan Bureau of Industry and Information Technology	312,648.20			30,298.37			282,349.83	Assets-related
Integration of Informatization and Industrialization of Dongguan Bureau of Industry and Information Technology	33,633.06			11,325.10			22,307.96	Assets-related
Subsidy for Exhibition Hall Decoration	547,323.60			8,029.20			539,294.40	Assets-related
Subsidy for Residency and Decoration	949,166.20			13,924.20			935,242.00	Assets-related
Total	2,039,702.49			93,076.43			1,946,626.06	Assets-related

34. Other non-current liabilities

Unit: RMB

Item	Ending Balance	Beginning Balance
Special accounts payables	115,660.38	
Total	115,660.38	

35. Equity

Unit: RMB

	Beginning Balance	Increase/decrease in this change (+, -)					Ending Balance
		Issue new shares	Bonus	Share transferred from capital reserve	Others	Subtotal	
Total Shares	148,492,051.00			44,547,615.00		44,547,615.00	193,039,666.00

Other explanations:

The 2022 Annual General Meeting of the Company held on May 19, 2023 deliberated and approved the "Proposal on the 2022 Profit Distribution Plan", and disclosed the "2022 Annual Equity Distribution Implementation Announcement of ZKTECO CO., LTD." on May 25, 2023. The Company increased 3 shares per 10 shares to all shareholders based on the total share capital of 148,492,051 shares as of December 31, 2022, totaling 44,547,615 shares, After conversion, the total share capital of the Company increased to 193,039,666 shares.

36. Capital reserve

Unit: RMB

Item	Beginning Balance	Increase in the current period	Decrease in the current period	Ending Balance
Capital premium (share capital premium)	1,988,225,327.93		44,547,615.00	1,943,677,712.93
Other capital reserves	72,947,584.35	19,006,972.83		91,954,557.18
Total	2,061,172,912.28	19,006,972.83	44,547,615.00	2,035,632,270.11

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

Note 1: The decrease in share premium for the current period is due to the conversion of capital reserves to share capital.

Note 2: The increase in other capital reserves in this period is due to the confirmation of share-based payments for Class II restricted stocks, as well as the transfer of 10% of shares of Armatura Co., Ltd. (2,379 shares) to be held by the sub-subsidiary of the Company, ZKTECO Investment Inc., to LEE KYU WHAN for KRW 3,819.00 per share.

37. Other comprehensive income

Unit: RMB

Item	Beginning Balance	Amount incurred in the current period						Ending Balance
		Amount incurred before income tax in the current period	Less: Profit and loss included in other comprehensive income at early stage and transferred in the current period	Less: the net amount that is included in other comprehensive profits of prior period and retained earnings transferred into the current profits and loss	Less: income tax expenses	Attributable to parent company after tax	Attributable to minority shareholder after tax	
II. Other comprehensive income that will be reclassified into profit or loss	5,254,175.81	24,565,469.12				21,315,590.14	3,249,878.98	26,569,765.95

Translation difference of foreign currency financial statements	5,254,175.81	24,565,469.12				21,315,590.14	3,249,878.98	26,569,765.95
Total of other comprehensive income	5,254,175.81	24,565,469.12				21,315,590.14	3,249,878.98	26,569,765.95

38. Surplus reserve

Unit: RMB

Item	Beginning Balance	Increase in the current period	Decrease in the current period	Ending Balance
Legal surplus reserve	53,975,085.77			53,975,085.77
Total	53,975,085.77			53,975,085.77

39. Undistributed profit

Unit: RMB

Item	Current period	Previous period
Undistributed profits before adjustment at end of the previous period	788,571,917.98	607,725,356.63
Total undistributed profits in the adjustment beginning period (increase in "+", decrease in "-")	254,641.11	58,510.83
Undistributed profit at the end of the adjustment period	788,826,559.09	607,783,867.46
Plus: Net profits attributable to parent company in this period	88,754,335.62	192,435,924.03
Less: withdrawal of legal surplus reserves		11,393,232.40
Dividends payable on ordinary shares	51,972,217.85	
Undistributed profit at the end of the period	825,608,676.86	788,826,559.09

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 254,641.11.
- 2) Due to changes in accounting policies, the undistributed profit at the beginning of the period was RMB 254,641.11.
- 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.

40. 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	933,910,239.24	488,923,174.83	922,509,529.91	529,108,492.93
Other businesses	3,272,430.76		2,605,420.25	
Total	937,182,670.00	488,923,174.83	925,114,950.16	529,108,492.93

Revenue related information:

Unit: RMB

Contract classification	Division 1	Division 2	Operating revenue	Total
Goods type				
Including:				
Smart office products			171,992,572.40	171,992,572.40
Smart entrance and exit management products			684,986,802.49	684,986,802.49
Smart identity verification products			76,930,864.35	76,930,864.35
Others			3,272,430.76	3,272,430.76
Classification by region of operation				
Including:				
Domestic sales			306,584,149.97	306,584,149.97
Overseas sales			630,598,520.03	630,598,520.03
Market or customer type				
Including:				
Distribution			636,951,088.35	636,951,088.35
Direct sales			296,959,150.89	296,959,150.89
Others			3,272,430.76	3,272,430.76
Type of contract				
Including:				
Classification by time of transfer of goods				
Including:				
Classification by contract term				
Including:				
Classification by sales channel				
Including:				
Total			937,182,670.00	937,182,670.00

Information related to performance obligations:

None

Information related to the transaction price allocated to the remaining performance obligations:

The corresponding income amount for performance obligations that have been signed but have not yet been fulfilled or completed at the end of this reporting period is RMB 0.00.

Other explanations:

None

41. Tax and surcharges

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Urban maintenance and construction tax	1,240,447.26	1,728,203.39
Education surcharges	728,160.52	1,146,138.55
Property tax	804,766.17	769,846.44
Land use tax	53,192.27	499,789.56
Stamp duty	561,396.18	439,869.23
Local education surcharges	488,667.58	759,613.04
Other taxes and fees for overseas companies	5,173,139.87	3,099,896.85
Others	14,849.22	14,571.34
Total	9,064,619.07	8,457,928.40

42. Selling expense

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee remuneration	119,777,810.57	109,127,528.88
Depreciation and amortization expenses	1,698,736.19	3,175,349.88
Exhibition and conference fees	5,477,387.25	3,316,739.71
Transport cost	921,267.65	762,265.15
Maintenance and testing fees	2,790,387.44	2,094,843.75
Sales and service expenses	4,861,913.43	8,120,073.57
Rental expenses	2,448,767.43	2,517,090.57
Business entertainment expenses	1,588,838.83	809,959.34
Travel expense	11,115,530.61	7,611,024.84
Office allowance	3,097,812.40	3,205,518.09
Insurance premium	2,916,330.62	2,161,808.64
Agency fees	6,110,506.41	5,386,621.80
Advertising expenses	11,827,049.32	7,533,350.27
Amortization of right-of-use assets	7,485,296.72	7,022,417.01
Share-based payments	6,725,599.03	
Others	7,295,468.08	5,760,483.24
Total	196,138,701.98	168,605,074.74

43. Administrative expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee remuneration	27,180,420.22	27,703,330.81
Taxes	201,783.21	776,321.65
Office allowance	1,273,534.13	2,052,305.32
Depreciation and amortization	5,369,758.22	4,329,061.49
Business entertainment expenses	995,574.87	755,024.61
Repair fee	284,365.87	251,245.68
Travel expense	899,595.71	373,901.60
Rent and utilities	1,855,286.91	1,876,476.00
Car expenses	571,076.11	747,663.36
Low-value consumables	148,322.51	115,509.66
Agency fees	3,274,197.97	1,984,037.87
Communications fee	758,248.80	783,684.91
Amortization of right-of-use assets	4,496,496.02	3,663,326.93
Share-based payments	3,010,579.74	
Others	10,157,105.18	9,377,970.18
Total	60,476,345.47	54,789,860.07

44. R&D expense

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee remuneration	75,368,207.48	74,081,236.06
Depreciation and amortization	1,899,982.13	2,100,727.06
Office allowance	409,182.70	230,113.72
Travel expense	2,607,717.68	1,191,979.25
Business entertainment expenses	34,535.93	15,807.11
Rental fees and utilities	451,336.40	338,794.37
R&D material costs	2,697,441.96	5,312,201.37
Software and technical service fees	4,354,028.63	3,828,361.80
Testing and certification fees	1,106,017.65	679,327.05
Amortization of right-of-use assets	1,197,842.90	1,319,931.03
Share-based payments	7,403,999.48	
Others	3,453,808.78	2,996,063.88
Total	100,984,101.72	92,094,542.70

45. Financial expense

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Interest expense	1,807,293.55	1,516,520.94
Less: interest income	31,152,457.27	4,360,354.56
Exchange loss (gain)	-6,564,554.23	-12,600,353.33
Handling fee expenditure	1,014,262.29	740,557.99
Others	271,944.16	-9,844.75

Total	-34,623,511.50	-14,713,473.71
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46. 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	5,545,156.28	6,212,001.58
Other items related to daily activities	218,257.86	145,303.33
Including: refund of individual income tax handling fee	218,257.86	145,303.33
Total	5,763,414.14	6,357,304.91

47. Investment income

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Long-term equity investment income accounted by equity method	1,092,924.55	703,737.77
Investment income obtained from financial products	2,191,535.51	1,466,881.53
Forward foreign exchange settlement and sales contract	-2,046,795.00	-3,315,980.00
Total	1,237,665.06	-1,145,360.70

48. Income from changes in fair value

Unit: RMB

Sources of income from changes in fair value	Amount incurred in the current period	Amount incurred in the previous period
Trading financial asset	3,616.44	57,076.80
Trading financial liabilities	-7,049,098.87	-3,315,954.36
Total	-7,045,482.43	-3,258,877.56

49. Credit impairment losses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Bad debt losses on other receivables	-154,814.43	-397,445.76
Bad debt losses on accounts receivable	-2,604,890.77	-2,288,549.25
Total	-2,759,705.20	-2,685,995.01

50. Asset impairment losses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
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I. Inventory depreciation loss and contract performance cost impairment loss	-3,696,240.00	-3,208,323.93
II. Impairment losses on contract assets	2,400.00	-24,178.20
Total	-3,693,840.00	-3,232,502.13

51. Income from asset disposal

Unit: RMB

Source of income from asset disposal	Amount incurred in the current period	Amount incurred in the previous period
Income from disposal of non-current assets - fixed assets	-266,037.65	-84,726.60
Income from disposal of non-current assets - right-of-use assets	20,177.94	42,898.53
Total	-245,859.71	-41,828.07

52. 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	290.17		290.17
Gains from inventory profit		0.08	
Penalty income		500.00	
Others	280,752.19	692,045.05	280,752.19
Total	281,042.36	692,545.13	281,042.36

53. 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
1. Total loss in scrap of non-current assets:	186,561.24	225,031.28	186,561.24
Including: loss in scrap of fixed assets	186,561.24	225,031.28	186,561.24
2. External donations	178,252.92	44,979.01	178,252.92
3. Extraordinary losses		997,148.84	
4. Penalty expenses	45,606.31	14,906.19	45,606.31
5. Other	187,004.06	101,032.59	187,004.06
Total	597,424.53	1,383,097.91	597,424.53

54. Income tax expenses

(1) Income tax expense statement

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Current income tax expenses	17,332,087.13	9,954,639.10
Deferred income tax expense	-7,981,844.47	-4,020,684.45

Total	9,350,242.66	5,933,954.65
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(2) Accounting profit and income tax expense adjustment process

Unit: RMB

Item	Amount incurred in the current period
Total profits	109,159,048.12
Income tax expenses calculated based on statutory/applicable tax rates	16,373,857.22
The impact of different tax rates applicable to subsidiaries	-449,325.28
The impact of adjusting previous period income tax	1,735,366.04
The impact of non-taxable income	-4,990,717.20
The impact of non-deductible costs, expenses, and losses	1,962,110.31
The impact of deductible losses on unrecognized deferred income tax assets in the prior period of use	-842,270.56
The impact of deductible temporary differences or deductible losses on unrecognized deferred income tax assets in the current period	6,347,224.19
Deduction of technology development expenses	-10,633,698.60
Salary paid for the placement of disabled individuals with additional deductions	-13,444.92
The impact of tax rate changes on the beginning deferred income tax balance	39,964.39
Others	-178,822.93
Income tax expense	9,350,242.66

55. Other comprehensive income

Please refer to "VII. Note 37. Other Comprehensive Income" for details.

56. Cash flow statement items

(1) Other cash received related to operating activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Interest income	7,396,363.00	3,806,032.20
Received government subsidies	3,269,551.83	3,478,433.31
Current account	10,479,582.74	9,773,830.91
Restricted funds such as restricted guarantee deposit and funds in transit	28,500.00	2,484,355.21
Others	2,010,793.34	609,446.27
Total	23,184,790.91	20,152,097.90

(2) Other cash paid relating to operating activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
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Expense payment	97,959,328.93	80,676,050.30
Current account	21,076,460.86	22,618,286.81
Restricted funds such as restricted guarantee deposit and funds in transit	12,800.00	13,524,027.65
Others	3,432,113.10	2,440,343.27
Total	122,480,702.89	119,258,708.03

(3) Other cash received related to investing activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Total	0.00	0.00

(4) Other cash paid related to investing activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Investment losses on forward foreign exchange settlement and sales	2,046,795.00	3,315,980.00
Total	2,046,795.00	3,315,980.00

(5) Other cash received related to financing activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Total	0.00	0.00

(6) Other cash paid relating to financing activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Lease liability payment amount	16,527,983.10	15,370,357.75
Total	16,527,983.10	15,370,357.75

57. 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	99,808,805.46	76,140,759.04
Plus: provision for asset impairment	6,453,545.20	5,918,497.14
Depreciation of fixed assets, consumption of oil and gas assets and productive biological assets	14,793,934.77	12,046,101.52
Depreciation of right of use assets	14,326,297.01	13,243,858.10
Amortization of intangible assets	967,519.99	1,077,895.72
Long-term unamortized expenses	650,496.41	1,651,099.41
Loss from disposal of fixed assets, intangible assets and other long-term assets (gains expressed with "-")	245,859.71	41,828.07
Loss on retirement of fixed assets (gains expressed with "-")	186,271.07	225,031.28
Loss from changes in fair value (gains expressed with "-")	7,045,482.43	3,258,877.56
Financial expenses (gains expressed with "-")	-1,746,936.23	-3,297,031.83
Investment loss (gains expressed with "-")	-1,237,665.06	1,145,360.70
Decrease of deferred income tax assets (increase expressed with "-")	-7,121,514.67	-4,376,524.34
Increases of deferred income tax liabilities (decrease expressed with "-")	-461,480.54	355,839.89
Decrease of inventory (increase expressed with "-")	19,487,642.81	-634,712.92
Decreases of operational receivables (increase expressed with "-")	-55,447,007.82	-49,379,560.57
Increases of operating payables (decrease expressed with "-")	13,875,197.45	-80,836,080.58
Others	18,903,579.13	1,503,559.71
Net cash flows from operating activities	130,730,027.12	-21,915,202.10
2. Major investment and financing activities not relating to cash deposit and withdrawal		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets under financing lease		
3. Net change of cash and cash equivalents:		
Ending balance of cash	1,039,925,141.52	504,663,785.53
Less: beginning balance of cash	1,077,608,258.10	516,288,425.76
Plus: ending balance of cash equivalents		
Less: beginning balance of cash equivalents		
Net increase in cash and cash	-37,683,116.58	-11,624,640.23

equivalents		
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(2) Composition of cash and cash equivalents

Unit: RMB

Item	Ending Balance	Beginning Balance
I. Cash	1,039,925,141.52	1,077,608,258.10
Including: Cash on hand	2,643,551.19	2,646,715.85
Bank deposit available for payment at any time	1,032,754,450.40	1,072,431,575.41
Other monetary funds available for payment at any time	4,527,139.93	2,529,966.84
III. Ending balance of cash and cash equivalents	1,039,925,141.52	1,077,608,258.10

58. 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

59. Assets with restricted ownership or use right

Unit: RMB

Item	Ending book value	Reasons for restriction
Monetary funds	41,202,050.72	The bill deposit is RMB 40,776,865.92, funds in transit are RMB 425,166.07, and frozen litigation funds are RMB 18.73
Fixed assets	158,193,211.50	See other explanations
Intangible assets	44,343,479.82	See other explanations
Construction in progress	76,797,051.36	See other explanations
Total	320,535,793.40	

Other explanations:

The restrictions on the use rights of buildings and land are as follows:

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.

60. Foreign currency monetary items

(1) Foreign currency monetary items

Unit: RMB

Item	Ending foreign currency balance	Conversion rate	Ending equivalent RMB Balance
Monetary funds			282,107,256.03
Including: USD	26,636,428.14	7.2258	192,469,502.45
EUR	3,338,000.84	7.8771	26,293,766.42
HKD	1,410,425.26	0.9220	1,300,383.88
GBP	121,968.06	9.1432	1,115,178.37
MYR	684,525.37	1.5512	1,061,822.90
INR	41,816,721.05	0.0880	3,680,896.39
COP	199,764,430.32	0.0017	344,813.39
MXN	678,786.04	0.4235	287,499.38
PEN	126,142.61	1.9885	250,830.74
TRL	162,130.87	0.2785	45,149.48
ZAR	12,836,548.47	0.3864	4,959,834.81
THB	100,160,895.08	0.2034	20,376,128.06
DNS	9,218,578.16	1.9741	18,198,752.66
IDR	1,537,553,871.16	0.0005	743,178.16
CLP	406,579,378.00	0.0090	3,656,557.68
ARS	12,983,534.42	0.0282	366,148.59
RUB	10,193,045.57	0.0834	849,739.12
UYU	249.00	0.1920	47.81
KRW	105,896,545.00	0.0055	581,945.07
Brasilia	422,994.11	1.4878	629,311.35
SGD	411,862.96	5.3442	2,201,078.03
KES	1,024,028.60	0.0514	52,664.95
PYG	436,700.00	0.0010	434.30
NGN	79,405,501.30	0.0096	760,522.07
VND	656,852,665.00	0.0003	201,356.98
AUD	211.15	4.7992	1,013.35
JPY	18,907,495.00	0.0501	947,152.05
DZD	11,400.00	0.0533	607.62
CAD	133,575.77	5.4721	730,939.97
Accounts receivable			421,113,305.00
Including: USD	42,982,245.49	7.2258	310,581,109.47
EUR	2,250,076.77	7.8771	17,724,079.72
MYR	778,942.22	1.5512	1,208,280.55
INR	118,609,685.90	0.0880	10,440,559.50
COP	410,597,482.53	0.0017	708,732.33
MXN	41,484,466.61	0.4235	17,570,718.60
PEN	741,841.63	1.9885	1,475,129.47
TRL	4,406,374.55	0.2785	1,227,067.42
ZAR	8,922,515.95	0.3864	3,447,515.92
THB	18,424,625.69	0.2034	3,748,194.66
DNS	19,326,808.59	1.9741	38,153,802.38
CLP	165,768,536.00	0.0090	1,490,833.64
ARS	1,010,997.13	0.0282	28,511.13
KRW	1,335,823,352.00	0.0055	7,340,898.79
Brasilia	1,178,267.01	1.4878	1,752,971.94

SGD	89,895.74	5.3442	480,420.81
NGN	386,092,998.59	0.0096	3,697,882.92
VND	1,245,490.00	0.0003	381.80
JPY	722,920.00	0.0501	36,213.95
Long-term loan			107,390.06
Including: USD			
EUR			
ZAR	277,936.25	0.3864	107,390.06
HKD			
Other receivables			18,057,492.58
Including: USD	1,054,422.38	7.2258	7,619,045.21
EUR	65,892.45	7.8771	519,041.42
MYR	55,460.00	1.5512	86,028.51
INR	16,599,408.30	0.0880	1,461,154.78
COP	255,327,632.98	0.0017	440,721.04
MXN	5,593,957.23	0.4235	2,369,316.91
PEN	159,355.09	1.9885	316,872.74
TRL	61,923.39	0.2785	17,244.15
ZAR	111,693.73	0.3864	43,156.65
THB	5,304,242.85	0.2034	1,079,063.16
DNS	181,945.09	1.9741	359,184.86
IDR	30,000,000.00	0.0005	14,500.53
CLP	156,359,428.00	0.0090	1,406,213.15
ARS	1,401,701.06	0.0282	39,529.36
RUB	938,400.00	0.0834	78,229.34
KRW	86,690,000.00	0.0055	476,397.21
Brasilia	342,486.71	1.4878	509,536.11
SGD	54,858.78	5.3442	293,176.29
KES	464,999.00	0.0514	23,914.52
NGN	36,029,303.77	0.0096	345,077.86
VND	200,877,220.00	0.0003	61,578.54
JPY	9,951,496.00	0.0501	498,510.24
Accounts payable			10,658,243.04
Including: USD	118,225.35	7.2258	854,272.73
EUR	1,603.51	7.8771	12,631.01
MYR	40,116.36	1.5512	62,227.74
INR	6,641,016.86	0.0880	584,572.26
COP	948,629.00	0.0017	1,637.43
MXN	3,886,705.93	0.4235	1,646,211.75
PEN	20,460.49	1.9885	40,685.06
TRL	5,237.26	0.2785	1,458.45
THB	9,375,381.66	0.2034	1,907,271.07
DNS	707,573.56	1.9741	1,396,848.41
CLP	57,294,319.00	0.0090	515,274.49
ARS	563,558.74	0.0282	15,892.92
RUB	39,389.13	0.0834	3,283.66
Brasilia	273,868.62	1.4878	407,449.25
KES	26,755.51	0.0514	1,376.01
NGN	334,856,050.43	0.0096	3,207,150.80
Other payables			8,465,828.74
Including: USD	642,210.63	7.2258	4,640,485.56
EUR	200,641.16	7.8771	1,580,470.48

MYR	16,198.85	1.5512	25,127.35
INR	1,495,278.07	0.0880	131,621.12
MXN	302,438.93	0.4235	128,097.81
PEN	159,382.83	1.9885	316,927.90
TRL	251,016.79	0.2785	69,902.03
THB	1,082,932.03	0.2034	220,305.16
DNS	8,124.56	1.9741	16,039.01
CLP	3,916,908.00	0.0090	35,226.58
ARS	1,491,159.73	0.0282	42,052.19
KRW	72,108,517.00	0.0055	396,265.96
Brasilia	132,636.57	1.4878	197,330.64
SGD	14,228.70	5.3442	76,041.02
KES	263,000.00	0.0514	13,525.87
NGN	40,850,167.02	0.0096	391,250.65
VND	3,197,556.00	0.0003	980.20
JPY	3,676,672.00	0.0501	184,179.21

(2) Description of overseas operating entities, including for important overseas operating entities, disclosure of their main overseas operating location, recording currency, and selection basis. Reasons for changes in the recording currency should also be disclosed.

Applicable Not applicable

Subsidiaries	Registered place of business	Recording currency	Basis for adopting recording currency
ZKTECO CO.,LIMITED	Hong Kong	USD	Sales and procurement are mainly priced in USD
Armatura Tech Co.,Ltd.	Thailand	THB	Currency used in the place of operation
ZKTECO SECURITY L.L.C	Dubai	DNS	Currency used in the place of operation
ZKTECO EUROPE SL	Spain	EUR	Currency used in the place of operation
ZK TECHNOLOGY LLC	America	USD	Currency used in the place of operation
ZKTECO USA LLC	America	USD	Currency used in the place of operation
ZKTECO BIOMETRICS INDIA PRIVATE LIMITED	India	INR	Currency used in the place of operation
ZKTECO PANAMA ,S.A.	Panama	USD	Sales and procurement are mainly priced in USD
ZKTECO LATAM, S.A DE C.V.	Mexico	MXN	Currency used in the place of operation
ZK INTELLIGENT SOLUTIONS (PTY) LTD	South Africa	ZAR	Currency used in the place of operation
NGTECO CO.,LIMITED	Hong Kong	USD	Sales and procurement are mainly priced in USD

Note: Starting from 2023, ZKTECO SECURITY L.L.C. will replace its recording currency from US dollars to dirhams. The main reason is that dirham is a commonly used settlement currency in the local area, and the proportion of dirhams in sales settlement is higher.

61. Government subsidies

(1) Basic information of government subsidies

Unit: RMB

Category	Amount	Listed items	Amount included in current profits and losses
Value added tax is collected and refunded immediately	2,751,057.22	Other income	2,751,057.22
Dongguan Economic and Information Technology Bureau "Human Replacement by Machine" Fund	563,900.00	Deferred income/other income	29,499.58
Subsidy for Residency and Decoration of Management Committee of Xiamen Torch High-Tech Industry Development Zone	958,449.00	Deferred income/other income	13,924.20
Subsidy for Exhibition Hall Decoration of Management Committee of Xiamen Torch High-Tech Industry Development Zone	550,000.00	Deferred income/other income	8,029.20
Stabilization allowance	90,930.44	Other income	90,930.44
Automation Project Subsidy of Dongguan Bureau of Industry and Information Technology	512,000.00	Deferred income/other income	30,298.36
Industrial Support and Transformation and Upgrading Special Fund (Integration of Informatization and Industrialization) of Dongguan Bureau of Industry and Information Technology	301,320.00	Deferred income/other income	11,325.09
Value added tax deduction of 5%	3,053.49	Other income	3,053.49
Rewards for National Intellectual Property Advantage Enterprises	200,000.00	Other income	200,000.00
Rewards for high-tech enterprise recognition	500,000.00	Other income	500,000.00
One-time job expansion subsidy	45,000.00	Other income	45,000.00
Subsidies for enterprise R&D expenses	400,000.00	Other income	400,000.00
Singapore Employment Support Scheme	94,745.70	Other income	94,745.70
One-time Training Subsidy for Retention of Workers of Social Security Bureau	145,880.57	Other income	145,880.57
2022 Provincial Special Fund for Promoting High Quality Economic Development of Bureau of Commerce of	1,101,719.86	Other income	1,101,719.86

Dongguan City			
Graduates' Social Security Subsidies	29,797.67	Other income	29,797.67
Others	89,894.90	Other income	89,894.90
Total	8,337,748.85		5,545,156.28

(2) Return of government subsidies

Applicable Not applicable

Other explanations:

None

62. Others

None

VIII. Change of Merger Range

1. Changes in the scope of consolidation due to other reasons

Description of changes in the scope of consolidation caused by other reasons (for example, establishing new subsidiaries, liquidating subsidiaries, etc.) and their related situations:

S/N	Company Name	Establishment Date	Registered Capital	Percentage of shares	Reason for Change
1	ZKDIGIMAX PTE. LTD.	March 7, 2023	USD 20,000,000.00	80%	New establishment
2	ZKDIGIMAX PANAMA, S.A.	April 11, 2023	USD 10,000.00	80%	New establishment
3	ZKDIGIMAX COLOMBIA SAS	April 26, 2023	COP 10,000,000.00	80%	New establishment
4	ZKDIGIMAX (PTY) LTD	March 14, 2023		80%	New establishment
5	PT. ZKDIGIMAX EXCEL NOBLE	May 25, 2023	10,010,000,000.00 IDR	56%	New establishment
6	ZKTeco Yunlian (Xiamen) Technology Co., Ltd.	May 18, 2023	USD 300,000.00	80%	New establishment

IX. Interest in Other Entities

1. Equity in subsidiaries

(1) Composition of the enterprise group

Name of Subsidiaries	Main business place	Registration place	Nature of business	Percentage of shares		Acquisition method
				Direct	Indirect	
1. Xiamen Zkteco Biometric Identification Technology Co., Ltd.	Xiamen	Xiamen	Software development	100.00%		Acquisition
2. Shenzhen ZKTeco Biometric Identification Technology Co., Ltd.	Shenzhen	Shenzhen	Sales of goods	100.00%		Acquisition
2.1.ZK INVESTMENT S INC.	America	America	Established		100.00%	by investment
2.1.1.ZK TECHNOLOGY LLC	America	America	Sales of goods		76.92%	by investment
3. ZKTeco Sales Co., Ltd.	Dongguan	Dongguan	Sales of goods	100.00%		by investment
4. Hangzhou ZKTeco Hanlian E-commerce Co., Ltd.	Hangzhou	Hangzhou	E-commerce	100.00%		by investment
5. ZKCserv Technology Limited Co., Ltd.	Shenzhen	Shenzhen	Software development	51.00%		by investment
6. Dalian ZKTeo CO., Ltd.	Dalian	Dalian	Software development and sales	100.00%		by investment
7. XIAMEN ZKTECO CO., LTD.	Xiamen	Xiamen	Software development and sales	100.00%		by investment
7.1 ZKTeco Huayun (Xiamen) Integrated Circuit Co., Ltd.	Xiamen	Xiamen	Software development		51.00%	by investment
7.2 Xiamen ZKTeco Cloud Valley Design and Development Co., Ltd.	Xiamen	Xiamen	Software development		100.00%	by investment

7.3.ZKTECO VIETNAM TECHNOLOGY COMPANY LIMITED	Vietnam	Vietnam	Sales of goods		100.00%	by investment
8. ZKTECO (GUANGDONG) CO., LTD	Dongguan	Dongguan	Production and sales of goods		100.00%	by investment
9. Xi'an ZKTeco Co., Ltd.	Xi'an	Xi'an	Sales of goods		100.00%	Acquisition
10. Shenzhen Zhongjiang Intelligent Technology Co., Ltd.	Shenzhen	Shenzhen	Project construction and sales		51.00%	by investment
11. ZKTECO CO., LIMITED	Hong Kong, China	Hong Kong, China	Sales of goods		100.00%	by investment
11.1.ZKTECO TURKEY ELEKTRONIK SANAYI VE TICARET LIMITED SIRKETI.	Turkey	Turkey	Sales of goods		75.99%	by investment
11.2.ZKTECO LATAM, S.A. DE C.V.	Mexico	Mexico	Sales services		100.00%	by investment
11.3.ZK SOFTWARE DE MEXICO, S.A. DE C.V.	Mexico	Mexico	R&D services		51.00%	Capital increase and equity investment
11.4.ZKTECO COLOMBIA SAS	Columbia	Columbia	Sales services		100.00%	by investment
11.5.ZKTECO (M) SDN. BHD.	Malaysia	Malaysia	Sales of goods		51.00%	Acquisition
11.6.ZKTECO BIOMETRICS INDIA PRIVATE LIMITED	India	India	Sales of goods		99.15%	Capital increase and equity investment
11.7.ZKTECO EUROPE SL	Spain	Spain	Sales of goods		51.00%	Acquisition
11.7.1.ZKTECO IRELAND LIMITED	Ireland	Ireland	Sales services		51.00%	by investment
11.7.2.ZKTeco Deutschland GmbH	Germany	Germany	Sales of goods		51.00%	by investment
11.7.3.ZKTECO ITALIA S.R.L.	Italy	Italy	Sales of goods		48.09%	by investment
11.7.4.ZKTECO UK LTD	UK	UK	Sales of goods		51.00%	by investment
11.8.ZKTECO	Peru	Peru	Sales services		100.00%	Acquisition

PERU SOCIEDAD ANONIMA CERRADA						
11.9.ZKTECO THAI CO., LTD.	Thailand	Thailand	Sales of goods		99.80%	Acquisition
11.10.ZKTeco Chile SpA	Chile	Chile	Sales services		100.00%	by investment
11.10.1.SOLU CIONES INTEGRALES Y SISTEMAS SpA	Chile	Chile	Sales services		100.00%	by investment
11.11.ZKTECO SECURITY L.L.C	Dubai	Dubai	Sales of goods		100.00%	Acquisition
11.12.ZKTECO ARGENTINA S.A.	Argentina	Argentina	Sales of goods		60.00%	Acquisition
11.13.Limited Liability Company "ZKTeco biometrics and security"	Russia	Russia	Sales of goods		100.00%	by investment
11.14.ZKTECO Investment Inc.	America	America	Established		100.00%	by investment
11.14.1.ZKTEC O USA LLC	America	America	Sales of goods		80.00%	by investment
11.14.2.Armatu ra Co., Ltd.	Korea	Korea	Sales of goods		90.00%	Acquisition
11.14.3.ZKTec o Japan Co., Ltd.	Japan	Japan	Sales of goods		100.00%	by investment
11.14.4.ARMA TURA LLC.	America	America	Sales of goods		100.00%	by investment
11.15.PT. ZKTECO BIOMETRICS INDONESIA	Indonesia	Indonesia	Sales of goods		95.00%	by investment
11.16.ZK INVESTIMEN TOS DO BRASIL LTDA.	Brazil	Brazil	Established		99.68%	Acquisition
11.16.1.ZKTEC O DO BRASIL S.A. (formerly BIOMETRUS INDUSTRIA ELETRO- ELETRONICA S.A.)	Brazil	Brazil	Sales of goods		74.76%	Acquisition
11.17.ZKTeco Latam R&D S.A.	Argentina	Argentina	Sales of goods		99.20%	by investment

11.18.NGTEC O CO., LIMITED	Hong Kong, China	Hong Kong, China	Sales of goods		100.00%	by investment
11.19.ZKTECO BIOMETRIC LIMITED	Nigeria	Nigeria	Sales of goods		60.00%	by investment
11.20.ZKTECO PANAMA, S.A.	Panama	Panama	Sales of goods		99.86%	by investment
11.21.ZK INTELLIGENT SOLUTIONS (PTY) LTD	South Africa	South Africa	Sales of goods		100.00%	by investment
11.22.ZKTECO BIOMETRICS KENYA LIMITED	Kenya	Kenya	Sales of goods		100.00%	by investment
11.23.ZKTECO ROMANIA S.R.L	Romania	Romania	Sales of goods		100.00%	by investment
12. Hubei ZKTeco Co., Ltd.	Wuhan	Wuhan	Sales of goods	100.00%		by investment
13. Wuhan ZKTeco Perception Technology Co., Ltd.	Wuhan	Wuhan	Sales of goods		51.00%	by investment
14.ZKTECO SG INVESTMENT PTE. LTD.	Singapore	Singapore	Sales of goods	100.00%		by investment
14.1.ZKTECO SINGAPORE PTE. LTD.	Singapore	Singapore	Sales of goods		100.00%	by investment
14.2.Armatura Tech Co., Ltd.	Thailand	Thailand	Production and sales of goods		99.99%	Acquisition
14.3.ZKDIGIMAX PTE. LTD.	Singapore	Singapore	Sales of goods		80.00%	by investment
14.3.1.ZKDIGIMAX PANAMA, S.A.	Panama	Panama	Sales of goods		80.00%	by investment
14.3.2.ZKDIGIMAX COLOMBIA SAS	Columbia	Columbia	Sales of goods		80.00%	by investment
14.3.3.ZKDIGIMAX (PTY) LTD	South Africa	South Africa	Sales of goods		80.00%	by investment
14.3.4.PT. ZKDIGIMAX EXCEL NOBLE	Indonesia	Indonesia	Sales of goods		56.00%	by investment
14.3.5 ZKTeco Yunlian (Xiamen)	Xiamen	Xiamen	Sales of goods		80.00%	by investment

Technology Co., Ltd.						
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(2) Important partly-owned subsidiaries

Unit: RMB

Name of Subsidiaries	Minority shareholding ratio	Profit and loss attributable to minority shareholders in current period	Dividends declared for distribution to minority shareholders in the current period	Closing balance of minority interest
ZK TECHNOLOGY LLC	23.08%	13,239,941.91	12,771,360.00	13,331,297.52
ZKTECO USA LLC	20.00%	19,334.14	35,476.00	5,266,441.45

(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	80,155,815.87	779,426.38	80,935,242.25	33,621,605.27	111,103.97	33,732,709.24	71,976,229.04	1,110,736.14	73,086,965.18	28,686,703.92	475,387.16	29,162,091.08
ZKTECO USA LLC	33,481,769.29	986,057.30	34,467,826.59	7,900,315.58	201,717.38	8,102,032.96	40,257,368.66	1,147,107.78	41,404,476.44	15,808,239.19	272,710.13	16,080,949.32

Unit: RMB

Name of Subsidiaries	Amount incurred in the current period				Amount incurred in the previous period			
	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities
ZK TECHNOLOGY LLC	74,892,637.61	44,089,564.44	45,848,858.91	50,898,526.54	43,907,529.94	18,387,017.08	19,957,101.70	22,481,108.65
ZKTECO USA LLC	25,730,594.94	54,320.24	1,077,742.51	-1,237,106.93	42,681,731.43	2,641,232.45	3,798,388.28	-596,667.58

2. Transactions resulting in change of owners' equity in subsidiaries and the subsidiaries still being under control

(1) Change of owners' equity in subsidiaries

On February 15, 2023, the Company's sub-subsidiary, ZKTECO Investment Inc., transferred 10% of its shares (2,379 shares) in Armatura Co., Ltd. to LEE KYU WHAN for KRW 3,819.00 per share. After the transfer, LEE KYU WHAN held 10% of the shares in Armatura Co., Ltd. ZKTECO Investment Inc. holds 90% shares in Armatura Co., Ltd. and still controls Armatura Co., Ltd.

(2) Effect of transactions on minority equity and owners' equity attributable to the parent company

Unit: RMB

Acquisition cost/disposal consideration	
--Cash	47,632.71
-- Fair value of non-cash assets	
Total cost/disposal consideration	47,632.71
Less: Net assets of the subsidiaries calculated based on the proportion of assets acquired/disposed	-82,688.91
Difference	130,321.62
Including: Adjustment to the capital reserves	130,321.62
Adjustment to surplus reserve	
Adjustment to undistributed profit	

Other explanations:

None

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	
Xi'an Hi-Think Information Technology Co., Ltd.	Xi'an	Xi'an	Software and information technology services industry	19.89%		Long-term equity investment

(2) Major financial information of important associates

Unit: RMB

	Ending balance/current amount incurred	Beginning balance/amount incurred in the previous period
Current assets	10,053,025.40	9,875,903.92
Non-current assets	1,521,214.21	2,116,980.59
Total assets	11,574,239.61	11,992,884.51
Current liabilities	24,929,959.62	19,966,606.53
Non-current liabilities	345,193.16	337,468.89
Total liabilities	25,275,152.78	20,304,075.42
Minority interests		
Shareholders' equity attributable to the parent company	-13,700,913.17	-8,311,190.91
Net asset share calculated based on shareholding ratio	-2,724,618.40	-1,652,796.67
Adjustment matters		
--Goodwill		
--Unrealized profits from internal transactions		
--Others		
Book value of equity investment in associates		
Fair value of equity investments in associates with public offers		
Operating revenue	2,854,572.43	2,042,181.80
Net profit	-5,411,549.51	-6,410,736.39
Net profit from discontinued operations		
Other comprehensive income		
Total comprehensive income	-5,411,549.51	-6,410,736.39
Dividends received from associates this year		

(3) Excess losses incurred by joint ventures or associates

Unit: RMB

Name of joint venture or associate	Accumulated unrecognized losses accumulated in the previous period	Unrecognized losses in the current period (or net profit shared in the current period)	Accumulated unrecognized losses at the end of this period
Xi'an Hi-Think Information Technology Co., Ltd.	-12,164,220.89	-1,076,357.20	-13,240,578.09
ZKTECO SOLUTIONS INC.	-538,127.48	45,619.61	-492,507.87
PT. ZKTECO SECURITY INDONESIA	-14,844.38	-154,025.11	-168,869.49

X. Risks Related to Financial Instruments

The main financial instruments of the Company, in addition to derivative instruments, include bank loans, monetary funds, etc. The main purpose of these financial instruments is to finance the Company's operations. The Company has a variety of other financial assets and liabilities directly arising from its operations, such as accounts receivable and accounts payable.

The main risks caused by the Company's financial instruments are credit risk, liquidity risk, and market risk.

(I) Credit risk

The credit risk of the Company mainly comes from monetary funds, trading financial assets, notes receivable, accounts receivable, and other receivables. The management has established appropriate credit policies and continuously monitors the exposure to these credit risks.

The Company manages credit risks by portfolio classification. Credit risk mainly arises from bank deposits and accounts receivable. The Company's bank deposits are mainly deposited in banks with high credit ratings, and the Company expects that bank deposits do not pose significant credit risks.

For accounts receivable, the Company sets relevant policies to control credit risk exposure. The Company evaluates the credit qualifications of the debtor based on their financial position, credit history, and other factors such as current market conditions, and sets credit terms. Credit risk is centrally managed by customers and geographical regions. Due to the widespread dispersion of the Company's accounts receivable customer base in different geographical regions, there is no significant concentration of credit risk within the Company. The Company's maximum credit risk exposure is the carrying amount of each financial asset in the balance sheet. The Company has not provided any guarantee that may expose the Company to credit risk.

For the quantitative data of the Company's credit risk exposure arising from accounts receivable and other receivables, please refer to "Section X Financial Report VII. Consolidated Financial Reimbursement Item Note 3. Accounts Receivable" and "Section X Financial Report VII. Consolidated Financial Reimbursement Item Note 5. Other Receivables" in this report.

(II) Liquidity risk

Liquidity risk refers to the risk of the Company encountering a shortage of funds when fulfilling its obligations related to financial liabilities. The Company's policy is to ensure sufficient funds are available to repay maturing debts. Liquidity risk is centrally controlled by the Company's Finance Department. The Finance Department ensures that the Company has sufficient funds to repay debts under all reasonable forecasts by monitoring cash balances and rolling forecasts of cash flows for the next 12 months.

(III) Market risk

Market risk refers to the risk that the fair value or future cash flow of financial instruments will fluctuate due to changes in market prices. Market risk mainly includes interest rate risk and foreign exchange risk.

1. 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 loan contract for the Company's loans clearly stipulates the loan interest rate, so there is no significant risk of market interest rate fluctuations in the Company's financial liabilities.

2. Exchange rate risk

The foreign exchange risk faced by the Company is mainly related to its operating activities (when income and expenditure are settled in foreign currencies different from the Company's recording currency) and its net investment in overseas subsidiaries.

The presentation of the Company's foreign currency financial assets and foreign currency financial liabilities at the end of the period can be found in "Section X Financial Report VII. Consolidated Financial Reimbursement Item Note 60. Foreign Currency Monetary Items" of this report.

XI. 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		99,457,974.90		99,457,974.90
1. Financial assets measured at fair value and whose changes are included in the current profits and losses		99,457,974.92		99,457,974.92
(1) Debt instrument investment		99,457,974.92		99,457,974.92
Total assets continuously measured at fair value		99,457,974.90		99,457,974.90
(VI) Trading financial liabilities		7,049,098.87		7,049,098.87
Derivative financial liabilities		7,049,098.87		7,049,098.87
Total liabilities continuously measured at fair value		7,049,098.87		7,049,098.87
II. Continuous fair value measurement	--	--	--	--

2. Basis for determining the market value of continuous and non-continuous first level fair value measurement items

None

3. Qualitative and quantitative information on valuation techniques and important parameters used for continuous and non-continuous second level fair value measurement items

The Company divides its bank financial products into financial assets measured at fair value and whose changes are included in the current profits and losses, and subsequently measures them at fair value. At the end of the period, the expected income is calculated based on the expected return rate of the bank financial products, and it is used as the fair value with the principal at the end of the period.

4. Qualitative and quantitative information on valuation techniques and important parameters used for continuous and non-continuous third level fair value measurement items

None

5. Fair value of financial assets and financial liabilities not measured at fair value

Financial assets and liabilities not measured at fair value mainly include accounts receivable, other receivables, short-term loans, payables, other payables, lease liabilities, non-current liabilities due within one year, and long-term loans. The difference between the carrying amounts of financial assets and liabilities not measured at fair value and fair value is very small.

XII. Related Parties and Related 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	30.30%	30.30%

Explanation of the parent company of the enterprise

None

The ultimate controller of this enterprise is Che Quanhong.

Other explanations:

None

2. Subsidiaries of the enterprise

The enterprise's subsidiaries are detailed in IX. Equity in Other Entities 1. Equity in subsidiaries of the Notes.

3. Information of joint ventures and associates of the enterprise

For important joint ventures or associates of the enterprise, please refer to Chapter IX Equity in Other Entities. 3. Equity in joint ventures or associates of the Notes.

Related party transactions with the Company occurred in the current period, the information of other joint ventures or associates that have formed balances through related party transactions with the Company in the early stage is as follows:

Name of joint venture or associate	Relationship with the enterprise
ZKTECO SMART CITY (THAILAND) CO., LTD.	Joint venture
PT. ZKTECO SECURITY INDONESIA	Joint venture
ZKTECO SOLUTIONS INC.	Joint venture
CV Squared, Inc.	Joint venture
Guizhou Zhongjiang Intelligent Technology Co., Ltd.	Joint venture
Xi'an Hi-Think Information Technology Co., Ltd.	Joint venture
Silk ID Systems Inc.	Joint venture

Other explanations:

None

4. Conditions of other affiliated parties

Names of other related parties	Relationship between other related parties and the enterprise
Shenzhen ZKTeco Times Investment Co., Ltd.	A shareholder of the Company
Shenzhen JYHY Investment Enterprise (Limited Partnership)	A shareholder of the Company
Shenzhen JYSJ Investment Enterprise (Limited Partnership)	A shareholder of the Company
Dongguan LX Investment Partnership (Limited Partnership)	A shareholder of the Company
ZK TIMES CO., LIMITED	Controlling shareholder Shenzhen ZKTeco Times Investment Co., Ltd. holds 100.00% of the shares (dissolved on March 3, 2023)
Fujian Zhongkong Mining Co., Ltd.	The actual controller Che Quanhong serves as the supervisor of the Company and holds 50.00% equity, while Che Quanzhong, the younger brother of the actual controller Che Quanhong, serves as the Chairman and General Manager of the Company and holds 50.00% equity
Beijing Zhongkong Villa Agricultural Tourism Co., Ltd	Che Quanzhong, the younger brother of the actual controller Che Quanhong, serves as the Manager and Executive Director, holding 99.93% equity
Guangzhou Aiji Food Co., Ltd.	An enterprise in which independent director Zhuo Shuyan holds 20.00% equity, while her younger brother holds 80.00% equity and serves as Executive Director and General Manager
Ma Wentao	Director and Deputy General Manager
Jin Hairong	Director and General Manager
Fu Zhiqian	Director
Zhuo Shuyan	Independent director
Dong Xiuqin	Independent director
Pang Chunlin	Independent director
Jiang Wenna	Employee supervisor
Wu Xinke	Supervisor (no longer serve as a supervisor of the Company from April 7, 2023)
Liu Jiajia	Supervisor (no longer serve as a supervisor of the Company from April 7, 2023)
Yang Xianfeng	Supervisor (serve as a supervisor of the Company from April 7, 2023)
Wang Huineng	Supervisor (serve as a supervisor of the Company from April 7, 2023)
Wang Youwu	CFO
Guo Yanbo	Secretary of the Board of Directors and Deputy General Manager
Li Zhinong	Deputy General Manager
Wang Haitao	Executive Director and General Manager of the controlling shareholder ZKTeco Times
Wu Xiongxiang	Supervisor of the controlling shareholder ZKTeco Times
Mu Wenting	Deputy General Manager
MANISH DINESH DALAL	A shareholder holding 10.00% equity in subsidiary ZKTECO USA LLC
Lawrence John Reed	A shareholder holding 10.00% equity of subsidiary ZKTECO USA LLC and 0.01% equity of subsidiary Armatura Tech Co., Ltd; simultaneously holding 2.74% of the capital contribution share of JYLX, with JYLX holding 2.46% of the Company's shares
Shenzhen Huijiang Industrial Group Co., Ltd.	A shareholder holding 49.00% equity in subsidiary Shenzhen

	Zhongjiang
ITMOMENTUM.COM LIMITED	A shareholder holding 49.00% equity in subsidiary ZKCserv
TVCENLINEA.COM SA DE CV	An enterprise controlled by minority shareholders of subsidiary ZK SOFTWARE DE MEXICO, S.A. DE C.V.
PSD SECURITY, S.L. (formerly PROFESSIONAL SOFTWARE DEVELOPMENT,S.L.)	An enterprise controlled by the minority shareholder Fernando Ducay Real of subsidiary ZKTECO EUROPE SL; Fernando Ducay Real also holds 27.38% of the capital contribution share of JYLX, which holds 2.46% of the Company's equity
SECURITALY S.R.L	An enterprise controlled by minority shareholders of subsidiary ZKTECO ITALIA S.R.L
BIO CARD TECNOLOGIA S.R.L	An enterprise controlled by minority shareholders of subsidiary ZKTECO ARGENTINA S.A
SB-TELECOMS AND DEVICES LIMITED	A minority shareholder of subsidiary ZKTECO BIOMETRIC LIMITED
Zizi Zhongxing Health Culture (Shenzhen) Co., Ltd.	An enterprise in which independent director Zhuo Shuyan holds 39.00% equity, her spouse serves as Executive Director and General Manager, and holds 61.00% equity
Shanghai GF Law Firm (Shenzhen Branch)	An enterprise with independent director Zhuo Shuyan as partner
Chelian Innovation (Beijing) Science and Technology Center	An enterprise in which independent director Pang Chunlin holds 85.00% equity and serves as the Manager, Executive Director, and Legal Representative
Open Unmanned Farm Engineering Technology (Jiangsu) Co., Ltd.	An enterprise in which independent director Pang Chunlin holds 90.00% equity as the Executive Director and Legal Representative of the Company
Whole Process Unmanned Operation Technology Promotion (Jiangsu) Co., Ltd.	An enterprise in which independent director Pang Chunlin holds 100.00% equity as the Executive Director and Legal Representative of the Company
Shanghai Pateo Electronic Equipment Manufacturing Co., Ltd.	An enterprise with independent director Pang Chunlin serving as a director
Ningbo Yuping Times Venture Capital Partnership (Limited Partnership)	Actual controller Che Quanhong holds 97.50% share
Che Quanzhong	The actual controller Che Quanhong's younger brother
Shenzhen Qingyi Photomask Limited	Enterprises where independent director Pang Chunlin serves as a director (no longer serve as a director of the Company since April 2023)
Onman Intelligent Machinery (Beijing) Co., Ltd.	An enterprise in which independent director Pang Chunlin serves as the Executive Director, the Manager and Legal Representative of the Company
Qiaosuan Information Technology (Beijing) Co., Ltd.	An enterprise with independent director Pang Chunlin serving as the Executive Director

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 parties	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	1,523,554.19	1,400,000.00	Yes	1,729,350.95
PSD SECURITY, S.L. (formerly	Purchasing goods	9,150.04	5,000.00	Yes	0.00

PROFESSIONAL SOFTWARE DEVELOPMENT, S.L.)					
ZKTECO SMART CITY (THAILAND) CO., LTD.	Purchasing goods	3,900.71			52,751.36
Silk ID Systems Inc.	Technology license fee			No	201,308.93
Xi'an Hi-Think Information Technology Co., Ltd.	Service fee	559,759.24			0.00
PT. ZKTECO SECURITY INDONESIA	Marketing expenses	127,473.68			0.00

Note: The expected daily related party transaction limit of the Company is the maximum amount that both parties may sign a contract, and the actual amount incurred is determined based on the business development of both parties, resulting in a certain difference between the actual amount incurred and the expected amount. The difference in amount is relatively small and does not meet the criteria for review by the Board of Directors. The daily related party transactions of the Company in 2023 were based on the normal production and operation needs of the Company. The related party transactions comply with the principles of fairness, openness, and impartiality, and there is a certain difference between the actual amount incurred and the expected amount. This is mainly due to the Company's appropriate adjustments based on business conditions, and there is no situation that damages the Company and shareholders' rights and interests, which will not affect the independence of the Company.

Selling goods/rendering labor service

Unit: RMB

Related parties	Content of related party transaction	Amount incurred in the current period	Amount incurred in the previous period
Xi'an Hi-Think Information Technology Co., Ltd.	Selling goods	18,380.27	0.00
PT. ZKTECO SECURITY INDONESIA	Selling goods	852,201.76	736,167.14
ZKTECO SMART CITY (THAILAND) CO., LTD.	Selling goods	1,108,553.37	838,672.61
TVCENLINEA.COM SA DE CV	Selling goods	20,076,960.61	13,411,296.18
SECURITALY S.R.L	Selling goods	625,099.29	632,449.77
PSD SECURITY, S.L. (formerly PROFESSIONAL SOFTWARE DEVELOPMENT,S.L.)	Selling goods	1,920,743.51	3,771,629.03
BIO CARD TECNOLOGIA S.R.L	Selling goods	3,310.41	-206,278.54
ZKTECO SOLUTIONS INC.	Selling goods	2,298,463.42	4,743,693.63

Description of related party transactions for purchasing and selling goods, providing and receiving labor services

According to the substance over form principle, as long as it is recognized as a related party during the reporting period, the above table discloses all transactions of the related party that occurred during the reporting period.

(2) Related party lease

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	139,163.10	44,932.92

Note: PT. ZKTECO SECURITY INDONESIA began leasing the house and building of the subsidiary PT. ZKTECO BIOMETRICS INDONESIA on March 1, 2020, with a lease term from March 1, 2020 to February 28, 2022, and a contract renewal on February 21, 2022, extending the lease term to February 29, 2024.

The Company as lessee:

Unit: RMB

Name of lessor	Types of leased assets	Simplified rental fees for short-term leases and low value asset leases (if applicable)		Variable lease payments not included in the measurement of lease liabilities (if applicable)		Rent paid		Interest expense on lease liabilities assumed		Increased right-of-use assets	
		Amount incurred in the current period	Amount incurred in the previous period	Amount incurred in the current period	Amount incurred in the previous period	Amount incurred in the current period	Amount incurred in the previous period	Amount incurred in the current period	Amount incurred in the previous period	Amount incurred in the current period	Amount incurred in the previous period
Che Quanzhong	Houses and buildings	0.00	15,000.00			1,282,566.12	1,039,994.86	41,308.72	7,890.96	0.00	194,248.44
Xi'an Hi-Think Information Technology Co., Ltd.	Houses and buildings	0.00	50,000.00			93,256.20	54,500.00	3,501.28	0.00	79,054.58	0.00

Information of related leasing situation

(3) Related party fund borrowing and lending

Unit: RMB

Related parties	Lending amount	Start Date	Due Date	Remarks
Borrowing				
Lending				
ZKTECO SOLUTIONS INC.	361,290.00	March 28, 2021	December 31, 2024	The subsidiary of the Company, ZKTECO CO., LIMITED, signed a loan agreement with ZKTECO SOLUTIONS INC. on March 29, 2021, agreeing to provide a maximum loan of USD 240,000.00; on March 31, 2021, the amount of the loan remitted was USD 50,000.00, with an exchange rate of 6.5713 for the loan on the

				same day, which was converted into RMB 328,565.00. Both parties agreed to repay the loan within 12 months after its expiration, with an interest rate of 3.00%. The repayment deadline has expired, and ZKTECO SOLUTIONS INC. has not yet repaid it. After negotiation, the two parties have extended it for 21 months, until December 31, 2024. The ending exchange rate on June 30, 2023 is 7.2258, which is converted into RMB 361,290.00.
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(4) Compensation for key management personnel

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Compensation for key management personnel	4,541,331.25	2,903,753.05

(5) Other related party transactions

None

6. Accounts receivable and payable to related parties

(1) Accounts receivable

Unit: RMB

Project Name	Related parties	Ending Balance		Beginning Balance	
		Book balance	Bad debt reserve	Book balance	Bad debt reserve
Accounts receivable	Guizhou Zhongjiang Intelligent Technology Co., Ltd.	334,800.21	334,800.21	334,800.21	334,800.21
Accounts receivable	PT. ZKTECO SECURITY INDONESIA	5,141,880.33	382,496.63	4,038,062.35	287,436.39
Accounts receivable	ZKTECO SOLUTIONS INC.	11,589,102.73	579,455.14	14,290,503.53	714,525.18
Accounts receivable	TVCENLINEA.COM SA DE CV	16,663,593.67	833,179.68	18,800,631.46	940,031.57
Accounts receivable	SECURITALY S.R.L	266,372.01	13,318.60	159,062.06	7,953.10
Accounts receivable	ZKTECO SMART CITY (THAILAND) CO., LTD.	1,068,812.89	53,440.64	453,023.76	22,651.19
Accounts receivable	PSD SECURITY, S.L. (formerly PROFESSIONAL SOFTWARE	1,560,485.33	78,024.25	2,833,385.37	141,669.27

	DEVELOPMENT, S.L.)				
Other receivables	Guizhou Zhongjiang Intelligent Technology Co., Ltd.	522,994.11	522,994.11	397,428.70	397,428.70
Other receivables	ZKTECO SOLUTIONS INC.	385,714.22	110,287.49	366,547.87	36,132.41
Other receivables	Xi'an Hi-Think Information Technology Co., Ltd.	31,395.00			
Other receivables	Wu Xinke	7,225.80			
Other receivables	Yang Xianfeng	28,208.34			
Other receivables	Che Quanhong	31,946.67			
Other receivables	Wu Xiongxiang	14,869.95			
Other receivables	Liu Jiajia			20,893.80	
Prepayment	SB-TELECOMS AND DEVICES LIMITED			11,980.50	

(2) Accounts payable

Unit: RMB

Project Name	Related parties	Closing book balance	Opening book balance
Contract liabilities	CV Squared, Inc.	1,275,140.00	1,275,140.00
Contract liabilities	Silk ID Systems Inc.	54,465.70	52,496.86
Contract liabilities	SB-TELECOMS AND DEVICES LIMITED	18,381.71	17,717.25
Accounts payable	SB-TELECOMS AND DEVICES LIMITED	16,077.25	12,612.61
Accounts payable	ZKTECO SMART CITY (THAILAND) CO., LTD.	25,750.87	1,379.34
Accounts payable	TVCENLINEA.COM SA DE CV	504,050.10	428,030.88
Accounts payable	Xi'an Hi-Think Information Technology Co., Ltd.		268,420.07
Other payables	Shenzhen Huijiang Industrial Group Co., Ltd.	1,800,000.00	1,800,000.00
Other payables	PT. ZKTECO SECURITY INDONESIA		295,856.20
Other payables	Wu Xinke	22,592.69	18,525.84
Other payables	Wu Xiongxiang	34,202.10	

XIII. Share-based Payment

1. Overall information of share-based payment

 Applicable Not applicable

Unit: RMB

The total amount of various equity instruments granted by the	273,036.00
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Company in this period	
The total amount of various equity instruments exercised by the Company in the current period	0.00
The total amount of various equity instruments that have expired in the current period of the Company	0.00
The range of exercise prices for stock options issued by the Company at the end of the period and the remaining term of the contract	The grant price is RMB 18.70 per share, and the validity period is from the date of the first grant of restricted stocks to the date when all restricted stocks granted to the incentive object are attributed or invalidated, with a maximum of 48 months
The range of exercise prices for other equity instruments issued by the Company at the end of the period and the remaining term of the contract	None

Other explanations:

On September 29, 2022, the Company held the 19th Session of the Second Board Meeting, deliberated and approved the "Proposal on the Company's Restricted Stock Incentive Plan 2022 (Draft) and its Abstract", the "Proposal on the Company's Restricted Stock 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 October 17, 2022, the Company held the second extraordinary general meeting of 2022, deliberated and approved the "Proposal on the Company's Restricted Stock Incentive Plan 2022 (Draft) and its Abstract", the "Proposal on the Company's Restricted Stock 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". The incentive plan will grant restricted stocks with a total of not more than 2.9 million shares to incentive objects, including 2,689,972 shares for the first time and 210,028 shares reserved. The incentive plan grants 525 incentive objects for the first time, including directors, senior management, middle managers and core technology (business) backbones (excluding independent directors and supervisors) of the Company (including branches and subsidiaries). The grant price of restricted stocks in the incentive plan is RMB 18.70/share, and the grant date of restricted stocks for the first time is November 16, 2022.

According to the authorization of the second extraordinary general meeting in 2022, the Company held the 21st Session of the Second Board Meeting on November 16, 2022, and deliberated and approved the "Proposal on Granting Restricted Stock to Incentive Objects of 2022 Restricted Stock Incentive Plan for the First Time" and the "Proposal on Adjusting the List of Incentive Objects of Restricted Stock Incentive Plan in 2022 and the Number of Granted Objects". Considering that 17 of the incentive objects to be granted voluntarily gave up participating in the incentive plan due to personal reasons or resignation, adjustments have been made to the incentive objects and the number of grants in the incentive plan. After these adjustments, the number of incentive objects granted in the incentive plan has been adjusted from 525 to 508, and the number of restricted stocks granted for the first time has been adjusted from 2,689,972 to 2,655,900.

According to the authorization of the second extraordinary general meeting of shareholders in 2022, the Company held the Third Session of the Third Board Meeting on June 21, 2023, and deliberated and approved the "Proposal on Adjusting the Granting Price and Quantity of 2022 Restricted Stock Incentive Plan", "Proposal on Cancelling Some Granted but Not Affiliated Restricted Stocks", and "Proposal on Granting Reserved Restricted Stocks to the Incentive Objects of 2022 Restricted Stock 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 stocks in the 2022 restricted stock 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 stocks granted for the first time has been adjusted from 2.6559 million shares to 3.45267 million shares. The number of reserved restricted stocks 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 stock 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 stocks to 46 incentive objects who meet the grant conditions.

Considering that ① the incentive object Yang Xianfeng was elected as a supervisor of the Company on April 7, 2023, and according to relevant regulations, the supervisor cannot be the incentive object, a total of 7,020 Class II restricted stocks that have been granted but have not yet been affiliated shall not be attributed and shall be invalidated by the Company; considering that ② among the incentive objects, 16 objects do not meet the incentive qualifications due to their resignation, the corresponding 94,380 shares of Class II restricted stock that have been granted but have not yet been affiliated shall not be attributed and shall be invalidated by the Company. A total of 101,400 shares that have been invalidated and granted but have not yet been affiliated as mentioned above shall be invalidated by the Company and will not be affiliated. (Note: The number of invalidated shares as mentioned above is the number of shares adjusted according to the Company's 2022 equity distribution plan.)

2. Equity settled share-based payments

Applicable Not applicable

Unit: RMB

Method for determining the fair value of equity instruments on the grant date	Determination of Fair Value Based on the Black Scholes Model
Basis for Determining the Number of Exercisable Equity Instruments	On each balance sheet date during the waiting period, the Company predicts based on the latest number of exercisable rights, completion of performance indicators, personal assessment status, and other subsequent information
Reasons for significant differences between the current estimate and the previous estimate	None
Accumulated amount of equity settled share-based payments recognized in capital reserve	23,537,468.31
The total amount of expenses recognized for equity settled share-based payments in this period	18,903,579.13

Other explanations:

On November 16, 2022, the Company held the 21st Session of the Second Board Meeting, and deliberated and approved the "Proposal on Granting Restricted Stock to Incentive Objects of 2022 Restricted Stock Incentive Plan for the First Time". The independent directors of the Company expressed independent opinions on this matter, and believed that the conditions for granting stipulated in the Company's incentive plan had been met, the determined grant date was in line with relevant regulations, the scope of incentive objects stipulated in the Company's restricted stock incentive plan, and its subject qualification as the incentive object of the Company's restricted stock incentive plan was legal and effective. The Board of Supervisors verified the list of incentive objects granted on the grant date and issued verification opinions.

On June 21, 2023, the Company held the Third Session of the Third Board Meeting, and deliberated and approved the "Proposal on Adjusting the Granting Price and Quantity of 2022 Restricted Stock Incentive Plan", "Proposal on Cancelling Some Granted but Not Affiliated Restricted Stocks", and "Proposal on Granting Reserved Restricted Stocks to the Incentive Objects of 2022 Restricted Stock Incentive Plan". The independent directors of the Company have expressed independent opinions on this matter, believing that the grant date complies with the relevant provisions of the "Management Measures" and the Company's restricted stock incentive plan regarding the grant date. The Company and the incentive objects of reserved grant have not experienced any circumstances where rights and interests cannot be granted, and the grant conditions stipulated in the Company's incentive plan have been met. The Board of Supervisors verified the list of incentive objects granted on the grant date and issued verification opinions.

Therefore, the grant date of the first grant of restricted stocks is November 16, 2022, and the fair value of the granted restricted stocks is determined according to the Black Scholes model: RMB 20.08/share for the first phase and RMB 20.61/share for the second phase. The grant date of the reserved restricted stocks is June 21, 2023, and the fair value of the granted restricted stocks is determined according to the Black Scholes model: RMB 25.50/share for the first phase and RMB 25.87/share for the second phase.

Item	Fair value per share	Number of shares	The amount of share-based payment generated this time	Amortization total month	Amortization Month as of June 30, 2023	Recognized Amount of Capital Reserve as of June 30, 2023
November 16, 2022	20.08	1,726,335.00	25,117,309.37	12	7.5	15,718,237.86
	20.61	1,726,335.00	24,464,626.96	24	7.5	7,680,766.12
June 21, 2023	25.50	136,518.00	3,307,148.55	12	0.34	91,865.24
	25.87	136,518.00	3,355,134.63	24	0.34	46,599.09
<u>Total</u>		<u>3,725,706.00</u>	<u>56,244,219.51</u>	-	-	<u>23,537,468.31</u>

In summary, the total amount of share-based payments that the Company shall recognize is RMB 56,244,219.51. As of June 30, 2023, the cumulative amount included in share-based payments is RMB 23,537,468.31.

3. Cash settled share-based payments

Applicable Not applicable

4. Modification and termination of share-based payment

According to the authorization of the second extraordinary general meeting of shareholders in 2022, the Company held the Third Session of the Third Board Meeting on June 21, 2023, and deliberated and approved the "Proposal on Adjusting the Granting Price and Quantity of 2022 Restricted Stock Incentive Plan", "Proposal on Cancelling Some Granted but Not Affiliated Restricted Stocks", and "Proposal on Granting Reserved Restricted Stocks to the Incentive Objects of 2022 Restricted Stock 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 stocks in the 2022 restricted stock 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 stocks granted for the first time has been adjusted from 2.6559 million shares to 3.45267 million shares. The number of reserved restricted stocks 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 stock 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 stocks to 46 incentive objects who meet the grant conditions. The reserved grant date for the incentive plan has been determined to be June 21, 2023, with an adjusted fair value of RMB 25.50 per share for the first period and RMB 25.87 per share for the second period.

Considering that ① the incentive object Yang Xianfeng was elected as a supervisor of the Company on April 7, 2023, and according to relevant regulations, the supervisor cannot be the incentive object, a total of 7,020 Class II restricted stocks that have been granted but have not yet been affiliated shall not be attributed and shall be invalidated by the Company; considering that ② among the incentive objects, 16 objects do not meet the incentive qualifications due to their resignation, the corresponding 94,380 shares of Class II restricted stock that have been granted but have not yet been affiliated shall not be attributed and shall be invalidated by the Company. A total of 101,400 shares that have been invalidated and granted but have not yet been affiliated as mentioned above shall be invalidated by the Company and will not be affiliated. (Note: The number of invalidated shares as mentioned above is the number of shares adjusted according to the Company's 2022 equity distribution plan.)

5. Others

None

XIV. Commitment and Contingency

1. Significant commitments

Significant commitments on the balance sheet date

As of June 30, 2023, the Company has no significant commitments to be disclosed.

2. Contingencies

(1) Significant contingencies on the balance sheet date

1. ZKTeco filed a lawsuit against Zhongan Intelligent Control, Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen regarding a loan contract dispute

On July 31, 2019, the Company filed a lawsuit against Shenzhen Zhongan Intelligent Control Technology Co., Ltd. (hereafter referred to as "Zhongan Intelligent Control"), Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen in the Third People's Court of Dongguan City, Guangdong Province regarding a loan contract dispute, requesting judgment that Zhongan Intelligent Control repay the loan of RMB 7,757,380.00 and pay interest of RMB 262,560.75 (calculated from April 1, 2019 at an annual interest rate of 8.70% and temporarily recorded until July 31, 2019); request judgment that Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen bear joint and several payment responsibilities for the loan and interest; request that Zhongan Intelligent Control, Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen pay an attorney fee of RMB 240,000.00, a guarantee fee of RMB 8,200.00, and all legal costs in this case in the judgment.

The cause of action was in December 2017. Zhongan Intelligent Control borrowed RMB 7,000,000.00 from the Company for business development reasons, with a repayment deadline of May 9, 2018. Afterwards, Zhongan Intelligent Control was unable to repay the aforementioned loan, and after negotiation, the repayment date was changed to January 10, 2019. In October 2018, due to a shortage of working capital, Zhongan Intelligent Control proposed to advance the mold opening fee of RMB 757,380.00 to the Company, and the Company once again provided a loan of RMB 757,380.00 to Zhongan Intelligent Control. In April 2019, the Company signed a supplementary agreement with Zhongan Intelligent Control, stipulating that the loan and interest would be repaid on a monthly basis starting from April 2019. Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen would bear unlimited joint and several guarantee liability. After the contract was signed, Zhongan Intelligent Control did not repay on time.

The case has been accepted by the Third People's Court of Dongguan City, Guangdong Province. The case number is (2019) Y 1973 MC No. 12578. On October 31, 2020, Zhongan Intelligent Control was sentenced to repay the loan of RMB 7,757,380.00 and interest (with RMB 7,757,380.00 as the principal, calculated at an annual interest rate of 8.70% from April 1, 2019 to the actual payment date). Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen bear joint and several liability for the repayment of the above-mentioned debt scope. At the same time, Zhongan Intelligent Control shall bear the actual attorney fee of RMB 240,000.00 and preservation and guarantee service fees of RMB 8,200.00 in this lawsuit.

On October 29, 2020, the People's Court of Longgang District, Shenzhen City, Guangdong Province accepted the bankruptcy liquidation case of Zhongan Intelligent Control, with case number (2020) Y 0307 PS No. 33, and designated the bankruptcy administrator for the case. According to the (2020) Y 0307 P No. 30-1 "Civil Ruling" issued by the People's Court of Longgang District, Shenzhen on May 14, 2021, it was determined to confirm the creditor's rights recorded in the "Debt Statement of Shenzhen Zhongan Intelligent Control Technology Co., Ltd.", and the amount of the Company's ordinary creditor's rights was RMB 9,150,710.78. On July

2, 2021, the People's Court of Longgang District, Shenzhen City issued the (2020) Y 0307 P No. 30-4 "Civil Ruling", declaring Zhongan Intelligent Control's bankruptcy; on July 14, 2021, the People's Court of Longgang District, Shenzhen City issued the (2020) Y 0307 P No. 30-5 "Civil Ruling", approving the bankruptcy property distribution plan of Zhongan Intelligent Control. After the completion of the bankruptcy property distribution plan, the assets under the name of Zhongan Intelligent Control were insufficient to repay all of its debts, and the Company did not receive repayment.

On July 20, 2021, the People's Court of Longgang District, Shenzhen City, Guangdong Province issued the (2020) Y 0307 P No. 30-8 "Civil Ruling", ruling to terminate the bankruptcy proceedings of Zhongan Intelligent Control. As of the date of approval of the financial report, Zhongan Intelligent Control has not yet been deregistered.

2. ZKTeco filed a lawsuit against Zhikongtaike, Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen in the case regarding equity transfer dispute

On July 31, 2019, the Company filed a lawsuit against Shenzhen Zhikongtaike Biometric Technology Co., Ltd. (hereinafter referred to as "Zhikongtaike"), Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen in a dispute over equity transfer with the Third People's Court of Dongguan City, Guangdong Province, requesting that Zhikongtaike pay the remaining equity transfer fee of RMB 2,500,000.00 and interest of RMB 84,616.44 (calculated from April 1, 2019 at an annual interest rate of 8.70% and temporarily recorded until July 31, 2019), as well as liquidated damages of RMB 1,020,000.00 for non fulfillment of the agreement; request a judgment that Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen bear joint and several payment responsibilities for the loan, interest, and liquidated damages; request the judgment that Zhikongtaike, Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen pay the attorney fee of RMB 110,000.00, the guarantee fee of RMB 3,600.00, and all legal costs in this case in the judgment.

The cause of action was in August 2016, when the Company and Zhikongtaike jointly invested to establish Shenzhen Zhongan Intelligent Control Technology Co., Ltd. with a registered capital of RMB 10,000,000.00, the Company contributed RMB 5,100,000.00, holding 51.00% of the shares, and Zhikongtaike contributed RMB 4,900,000.00, holding 49.00% of the shares. After the establishment of Shenzhen Zhongan Intelligent Control Technology Co., Ltd., due to conflicts between the Company's and Zhongan Intelligent Control's business philosophy, after mutual consultation, the Company withdrew from Shenzhen Zhongan Intelligent Control Technology Co., Ltd. and transferred its equity to Zhikongtaike. On April 22, 2019, both parties signed an "Equity Transfer Agreement" and a "Guarantee Contract" regarding the transfer of equity. It was agreed that the Company would transfer its 51% equity to Zhikongtaike for RMB 5,100,000.00, and Zhikongtaike would pay RMB 2,600,000.00 in advance. The remaining RMB 2,500,000.00 would be paid and interest calculated over 21 months, and Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen would bear unlimited joint and several guarantee liability for the payable amount. After the contract was signed, both parties completed the equity transfer procedures as agreed, but Zhikongtaike did not make the remaining equity transfer payment as agreed.

The case has been accepted by the Third People's Court of Dongguan City, Guangdong Province, with case number (2019) Y 1973 MC No. 12579. On October 13, 2020, the court ruled that Zhikongtaike should pay the Company an equity transfer fee of RMB 2,500,000.00 and interest, as well as liquidated damages of RMB 1,020,000. Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen shall be jointly and severally liable for the above-mentioned debt scope. At the same time, Zhikongtaike, Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen shall bear the attorney fee of RMB 110,000.00 in this lawsuit.

On January 8, 2021, the Company submitted an application for compulsory execution to the Third People's Court of Dongguan City, requesting the enforcement of the (2019) Y 1973 MC No. 12579 judgment against Zhikongtaike, Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen. They shall repay the loan of RMB 2,500,000.00 and interest to the Company (with RMB 2,500,000.00 as the principal, calculated at an annual interest rate of 8.70% from April 1, 2019 to the actual repayment date), and pay liquidated damages of RMB 1,020,000.00, the attorney fee of RMB 110,000.00, and the guarantee fee of RMB 3,600.00 to the Company, and double the debt interest during the delayed performance period.

On June 24, 2021, the Company reached an "Implementation Settlement Agreement" (hereinafter referred to as the "Original Agreement") with Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen, agreeing that Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen shall bear joint and several liability for the equity transfer payment of RMB 2,500,000.00 and interest (with RMB

2,500,000.00 as the principal, and calculated at an annual interest rate of 8.7% from April 1, 2019) and liquidated damages of RMB 1,020,000 for Zhikongtaike to the Company within one year from the date of signing the settlement agreement. At the same time, they shall pay the attorney fee of RMB 110,000.00 and the guarantee fee of RMB 3,600.00.

The Company submitted an Implementation Settlement Agreement for compulsory measures against Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen to the Third People's Court of Dongguan City, Guangdong Province. On July 21, 2021, the Company applied to withdraw the enforcement application against Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen. On the same day, the Third People's Court of Dongguan City, Guangdong Province issued an enforcement notice (2021) Y 1973 Z No. 3006 to the Company, informing that the Company had not yet discovered any other property available for enforcement in Zhikongtaike, Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen. The court requested the Company to provide it with property clues available for enforcement within three days after receiving the enforcement notice, and if it failed to provide them within the time limit and did not provide other opinions in writing, the execution procedure would be terminated.

On September 9, 2021, the Company received the (2021) Y 1973 Z No. 3006-1 document of ruling issued by the Third People's Court of Dongguan City, Guangdong Province on July 22, 2021, ruling to terminate this execution procedure.

On June 24, 2022, the Company signed a settlement extension agreement with Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen, agreeing to extend the payment term by 6 months on the basis of the Original Agreement. Before December 24, 2022, Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen shall pay all the payable amounts to the Company. The debt interest during the delayed performance period shall be subject to the Original Agreement. If Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen fail to fulfill their payment obligations on time, the Company has the right to apply to the court to resume compulsory enforcement measures against them.

On December 24, 2022, the Company signed a settlement extension agreement with Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen, agreeing to extend the payment term by 1 year on the basis of the Original Agreement. Before December 24, 2023, Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen shall pay all the payable amounts to the Company. The debt interest during the delayed performance period shall be subject to the Original Agreement. If Liu Yuntian, Yan Pingjin, Zhang Peng, and Wang Gen fail to fulfill their payment obligations on time, the Company has the right to apply to the court to resume compulsory enforcement measures against them.

3. Case of unfair competition of Zokon Industry

On April 24, 2019, the Company filed a lawsuit with the Shenzhen Intermediate People's Court against Shenzhen Zokon Industry Development Co., Ltd. (hereinafter referred to as "Zokon Industry Development") for unfair competition disputes, requesting that Zokon Industry Development immediately stop the false propaganda and commercial defamation that affect the Company, immediately delete the articles and promotional materials that contain false propaganda and commercial defamation, and immediately stop unfair competition such as infringing the Company's logo and trade name, plundering the Company's goodwill through malicious trademark infringement litigation, and seizing the Company's competitive advantage; requesting the court to order Zokon Industry Development to apologize to the Company and publish a statement on its official website, well-known websites, and the front page of newspapers for a consecutive month to eliminate the negative impact caused; requesting the order to compensate the Company for economic losses and reasonable expenses paid by the Company to stop infringement, totaling RMB 8,000,000.00; requesting to order Zokon Industry Development to bear all the legal costs of the case.

The cause of action was that in order to plunder the goodwill and product reputation accumulated by the Company's years of operation in the "ZK" brand, Zokon Industry Development carried out false propaganda, commercial slander, intentional confusion, malicious trademark infringement litigation to plunder the Company's goodwill, occupied the Company's competitive advantage and conducted other unfair competition behaviors, which seriously violated the Company's legitimate rights and interests.

The case was accepted by Shenzhen Intermediate People's Court, Guangdong Province on May 27, 2019, with case number of (2019) Y 03 MC No. 1932. The judgment was made on December 29, 2020, ruling Shenzhen Zokon Industry Development Co., Ltd. to immediately stop the unfair competition behavior of false propaganda from the effective date of the judgment, immediately stop

publishing such claims as "Currently, the ZK brand has been the preferred brand for customers in the field of office equipment attendance and access control for many years, with high influence and market appeal, and high visibility"; "The first brand of Chinese patrol machines"; "ZK has become the largest production base for patrol products and the largest OEM/ODM supplier in China"; "The leader of the Internet of Things (IoT)"; "The world's leading personnel security management and asset equipment management solution provider"; "The first to build a domestic leading mobile terminal production line"; "Is establishing a leading position in Chinese Mainland"; "The leading level in China"; "Attendance access professional manufacturer * 15 years' brand * trustworthy"; immediately stop unfair competition behaviors of commercial slander against ZKTECO CO., LTD. and Shenzhen ZKTeco Biometric Identification Technology Co., Ltd. as of the effective date of the judgment, that is, immediately delete the article "True or False "ZKteco""; immediately stop the unfair competition behaviors of using F7 plus and F18 commodity names on fingerprint attendance access controls that have certain influences on ZKTECO CO., LTD. and Shenzhen ZKTeco Biometric Identification Technology Co., Ltd. from the effective date of the judgment; compensate ZKTECO CO., LTD. and Shenzhen ZKTeco Biometric Identification Technology Co., Ltd. for the economic losses and reasonable rights protection expenses of RMB 2 million within ten days from the effective date of the judgment; publish a statement on the front page of its official website (www.iface.lock.com) for one month within ten days from the effective date of the judgment to eliminate the adverse impact of its unfair competition on ZKTECO CO., LTD. and Shenzhen ZKTeco Biometric Identification Technology Co., Ltd. (the statement must be submitted to the Shenzhen Intermediate People's Court of Guangdong Province for review within five days after the effective date of the judgment). Where Shenzhen Zokon Industry Development Co., Ltd. fails to perform within the time limit, the Shenzhen Intermediate People's Court of Guangdong Province will publish the main content of this judgment in the Nanfang Daily, and the expenses incurred will be borne by Shenzhen Zokon Industry Development Co., Ltd.; other litigation requests from ZKTECO CO., LTD. and Shenzhen ZKTeco Biometric Identification Technology Co., Ltd. will be rejected. ZKTECO CO., LTD. and Shenzhen ZKTeco Biometric Identification Technology Co., Ltd. shall bear a case acceptance fee of RMB 30,000.00, while Shenzhen Zokon Industry Development Co., Ltd. shall bear a case acceptance fee of RMB 37,800.00.

On January 28, 2021, Shenzhen Zokon Industry Development Co., Ltd. filed an appeal to the Guangdong Higher People's Court, requesting the revocation of the judgments (I), (II), (III), (IV), and (V) of the civil judgment (2019) Y 03 MC No. 1932 issued by the Shenzhen Intermediate People's Court, Guangdong Province in accordance with the law, and the judgment (VI) of the civil judgment (2019) Y 03 MC No. 1932 shall be revised to reject all litigation requests from ZKTECO CO., LTD. and Shenzhen ZKTeco Biometric Identification Technology Co., Ltd., and ZKTECO CO., LTD. and Shenzhen ZKTeco Biometric Identification Technology Co., Ltd. shall jointly bear the first instance case acceptance fee and the second instance appeal acceptance fee. The Guangdong Higher People's Court has accepted this case, with case number (2021) YMZ No. 1431. On June 30, 2021, the Guangdong Higher People's Court issued a summons to the Company, notifying the Company that the case would be heard on July 14, 2021.

On September 5, 2022, the Guangdong Higher People's Court issued a civil judgment (2021) YMZ No. 1431, rejecting the appeal of Shenzhen Zokon Industry Development Co., Ltd. and upholding the original judgment.

On November 3, 2022, Shenzhen Zokon Industry Development Co., Ltd. filed a retrial with the Guangdong Higher People's Court, requesting the revocation of the civil judgment (2021) YMZ No. 1431 made by the Guangdong Higher People's Court and the judgments (I), (III) and (V) of the civil judgment (2019) Y 03 MMC No. 1932 made by the Shenzhen Intermediate People's Court, Guangdong Province, while maintaining the judgments (II) and (VI); the judgment (IV) was legally revised as: Shenzhen Zokon Industry Development Co., Ltd. shall compensate Shenzhen ZKTeco Biometric Identification Technology Co., Ltd. and ZKTECO CO., LTD. for economic losses and reasonable rights protection expenses totaling RMB 200,000 within ten days from the effective date of this judgment.

On November 10, 2022, the Shenzhen Intermediate People's Court, Guangdong Province issued a case acceptance notice (2022) Y 03 Z No. 5902, which filed and enforced the Company's application for compulsory execution of the civil judgment (2019) Y 03 MC No. 1932 of Shenzhen Intermediate People's Court by Shenzhen Zokon Industry Development Co., Ltd.

On February 15, 2023, the Guangdong Higher People's Court issued a notice of appearance for civil application retrial case (2022) YMS No. 17262.

As of the date of approval of the financial report, this case is still under retrial and review by the Guangdong Higher People's Court, and the court has yet to make a decision on whether to proceed with a retrial.

4. Lease contract dispute with Guizhou Yiyun Big Data Service Co., Ltd.

On April 23, 2020, Guizhou Yiyun Big Data Service Co., Ltd., as the plaintiff, filed a lawsuit against Guizhou Zhongjiang Intelligent Technology Co., Ltd. in the People's Court of Guanshanhu District, Guiyang City, claiming to request the termination of the legal relationship between the two parties regarding the lease of the house, the return of the house, payment of rent of RMB 923,390.28 and overdue interest (interest request judgment until the full payment of the rent), and compensation for rent-free period losses of RMB 208,800.00.

On May 26, 2020, Guizhou Yiyun Big Data Service Co., Ltd. filed a lawsuit with the People's Court of Guanshanhu District, Guiyang City, adding He Siting and Shenzhen Zhongjiang Intelligent Technology Co., Ltd. as co-defendants, and claiming to request that the defendants bear joint and several liability for rent, overdue interest, and compensation for losses during the rent-free period.

On July 31, 2020, Guizhou Zhongjiang Intelligent Technology Co., Ltd. filed a counterclaim with the People's Court of Guanshanhu District, Guiyang City, requesting Guizhou Yiyun Big Data Service Co., Ltd. to compensate for operating losses of RMB 972,275.00 and bear legal costs.

On December 23, 2021, the People's Court of Guanshanhu District, Guiyang City, Guizhou Province issued a civil judgment (2020) Q 0115 MC No. 2786, ruling that: I. Guizhou Zhongjiang Intelligent Technology Co., Ltd. shall vacate the site (house) (including shared area) with a construction area of 689m² located at No. 1, 8F, Building B, Morgan Center, Lincheng West Road, Guanshanhu District, Guiyang City within ten days after the judgment takes effect and return it to Guizhou Yiyun Big Data Service Co., Ltd.; II. Guizhou Zhongjiang Intelligent Technology Co., Ltd. shall pay a total rent of RMB 501,307.00 and a penalty for overdue payment to Guizhou Yiyun Big Data Service Co., Ltd. within ten days after the judgment takes effect (based on the unpaid rent and calculated at an annual interest rate of 3.85%, from April 23, 2020 to the date when the rent is fully paid); III. Guizhou Zhongjiang Intelligent Technology Co., Ltd. shall pay a rent free period loss of RMB 100,000.00 to Guizhou Yiyun Big Data Service Co., Ltd. within ten days after the judgment takes effect; IV. He Siting, the shareholder of Guizhou Zhongjiang Intelligent Technology Co., Ltd., and Shenzhen Zhongjiang Intelligent Technology Co., Ltd. shall bear joint and several liability for the payment obligations determined in the judgments (II) and (III); V. Reject other litigation requests from Guizhou Yiyun Big Data Service Co., Ltd.; VI. Reject all counterclaim requests from Guizhou Zhongjiang Intelligent Technology Co., Ltd.

On December 31, 2021, the subsidiary of the Company, Shenzhen Zhongjiang Intelligent Technology Co., Ltd., filed an appeal to the Intermediate People's Court of Guiyang City, request to maintain the judgments (I), (II), (III), and (VI) of the civil judgment (2020) Q 0115 MC No. 2786 issued by the People's Court of Guanshanhu District, Guiyang City; revoke the judgments (IV) and (V) of the civil judgment (2020) Q 0115 MC No. 2786 made by the People's Court of Guanshanhu District, Guiyang City; reject other claims of the appellee. On January 5, 2022, Guizhou Zhongjiang Intelligent Technology Co., Ltd. filed an appeal against the first instance judgment to the Intermediate People's Court of Guiyang City. On January 10, 2022, Guizhou Yiyun Big Data Service Co., Ltd. filed an appeal against the first instance judgment.

On March 29, 2022, the Intermediate People's Court of Guiyang City, Guizhou Province issued a notice to Guizhou Zhongjiang Intelligent Technology Co., Ltd. for the trial to be held on April 18, 2022.

On August 9, 2022, the Intermediate People's Court of Guiyang City issued a civil judgment (2022) Q 01 MZ No. 2230, rejecting the appeal and upholding the original judgment.

On December 2, 2022, the People's Court of Guanshanhu District, Guiyang City issued an enforcement notice (2022) Q 0115 Z No. 9258 and a report property order (2022) Q 0115 Z No. 9258, ordering the subsidiary of the Company, Shenzhen Zhongjiang Intelligent Technology Co., Ltd., He Siting, and Guizhou Zhongjiang Intelligent Technology Co., Ltd., to immediately fulfill the obligations determined in the civil judgment (2022) Q 01 MZ No. 2230, and ordering them to report truthfully the current property situation and such situation one year prior to the date of receiving the enforcement notice within five days after receiving the report property order. Shenzhen Zhongjiang has not yet made the relevant payment.

5. Disputes filed by Zokon Industry Development over infringement of trademark rights and unfair competition against the Company and Shenzhen Xinjiacheng Intelligent Technology Co., Ltd.

On April 22, 2021, Shenzhen Zokon Industry Development Co., Ltd. (hereinafter referred to as "Zokon Industry Development") sued the Company and Shenzhen Xinjiacheng Intelligent Technology Co., Ltd. to the Shenzhen Intermediate People's Court. The main claims of the lawsuit are as follows: (1) Request to order the Company and Shenzhen Xinjiacheng Intelligent Technology Co., Ltd. to immediately stop trademark infringement and unfair competition behaviors, and the Company and/or Shenzhen Xinjiacheng Intelligent Technology Co., Ltd. to immediately stop using the words "ZK Attendance Machine" or the identification of or containing "ZK" on relevant Internet platforms; (2) Request to order the Company to immediately stop the unfair competition behaviors of malicious trademark application and objection, that is, immediately stop the registration of "attendance machine, office punch, fingerprint checker and facial recognition equipment" products with "ZK" or "ZOKOTECH" logo or similar logo, and withdraw the objection application against the trademark "No. 40407655" and "ZOKOTECH" on the products of "fingerprint checkers, facial recognition devices, and computerized attendance clocks with fingerprint recognition" announced in the preliminary review notice; (3) Request a ruling for the Company to publish a statement on prominent positions of its official website homepage and the homepage of Tencent, Sina, and Nanfang Metropolis Daily for a consecutive week (including the ownership of the "ZK" trademark to the plaintiff and the defendant's commitment to stop infringement), in order to eliminate any adverse effects on the plaintiff; (4) Request to order the Company to compensate Zokon Industry for economic losses and reasonable expenses incurred by Zokon Industry to stop infringement, totaling RMB 5 million. Shenzhen Xinjiacheng Intelligent Technology Co., Ltd. shall bear joint and several liability for the Company's aforementioned debts within the range of RMB 300,000; (5) Request to order the Company to bear all the legal costs of this case.

On May 20, 2021, Shenzhen Intermediate People's Court issued the "Notice of Advance Mediation" (2021) Y 03 SQT No. 6668. On July 29, 2021, the Shenzhen Intermediate People's Court filed a case for trial, with the case number (2021) Y 03 MC 5383. On September 3, 2021, the Shenzhen Intermediate People's Court issued a "Notice of Appearance", "Evidence Proof Notice", and "Notice" to the Company. On November 22, 2021, the Shenzhen Intermediate People's Court, Guangdong Province issued a hearing summons to the Company, notifying the Company that the case would be heard on December 21, 2021.

On September 15, 2022, the Shenzhen Intermediate People's Court, Guangdong Province issued a civil judgment (2021) YMC No. 5383, ruling that: (1) The Company shall immediately stop using the "ZK Attendance Machine" in search keywords, page titles and contents of Baidu, 360, Sogou, WeChat official account, and stop using "ZK" in search keywords, brand areas, product names and details pages of Suning.com and JD platform; the Company and Shenzhen Xinjiacheng Intelligent Technology Co., Ltd. shall immediately stop using "ZK" in the search keywords, product names, and details pages of the 1688 platform, and immediately stop using "ZK" in the search keywords and product names on Taobao and Tmall platforms; Shenzhen Xinjiacheng Intelligent Technology Co., Ltd. shall immediately stop using "ZK" on WeChat official account; (2) The Company shall, within ten days from the date of legal effect of the judgment, compensate Shenzhen Zokon Industry Development Co., Ltd. for economic losses and pay reasonable rights protection expenses of RMB 500,000; (3) The Company and Shenzhen Xinjiacheng Intelligent Technology Co., Ltd. shall, within ten days from the date of legal effect of the judgment, compensate Shenzhen Zokon Industry Development Co., Ltd. for economic losses and pay reasonable rights protection expenses of RMB 100,000; (4) The defendant ZKTECO CO., LTD. shall publish a statement on the homepage of its website (www.zkteco.com) for a consecutive week within ten days from the effective date of the judgment, in order to eliminate the adverse effects caused by its trademark infringement on Shenzhen Zokon Industry Development Co., Ltd. If it fails to perform within the time limit, the court will publish the main content of this judgment in the Nanfang Metropolis Daily, and the expenses incurred shall be borne by the defendant ZKTECO CO., LTD.; (5) Reject other litigation requests from Shenzhen Zokon Industry Development Co., Ltd.

On September 15, 2022, the Company filed an appeal to the Guangdong Higher People's Court, requesting the revocation of the (2021) Y 03 MC No. 5383 civil judgment issued by the Shenzhen Intermediate People's Court, and the modification of the judgment to reject all litigation claims of Shenzhen Zokon Industry Development Co., Ltd. in the first instance.

On March 30, 2023, the Guangdong Higher People's Court issued a notice of case acceptance (2022) YMZ No. 4634. The Guangdong Provincial Higher People's Court held a trial on April 11, 2023.

As of the date of approval of the financial report, the Guangdong Higher People's Court has not yet made a second instance judgment.

6. Patent dispute with Hanwang Technology Co., Ltd.

On January 20, 2022, the Company received the "Notice of Responding to Civil Cases" and "Civil Complaints" and other relevant litigation materials from the Beijing Intellectual Property Court concerning the litigation cases numbered (2021) J 73 MC No. 1673-1679 and No. 1616, and Hanwang Technology Co., Ltd. (hereinafter referred to as Hanwang Technology) requested that: 1. The Company and Beijing Jingdong Century Information Technology Co., Ltd. immediately stop infringing the patent rights of Hanwang Technology, that is, immediately stop producing and selling infringing products (8 models including IFACE102/302/702/702-P); 2. The Company and Beijing Jingdong Century Information Technology Co., Ltd. jointly and severally compensate Hanwang Technology for economic losses of RMB 99,987,200.00 in total, reasonable expenses for notarization services of RMB 1,337,108.00, and purchase costs for infringing products of RMB 9,676.00; 3. The Company and Beijing Jingdong Century Information Technology Co., Ltd. shall bear the legal costs of this case.

On January 20, 2022, the subsidiary of the Company, XIAMEN ZKTECO CO., LTD. (hereinafter referred to as XIAMEN ZKTECO), received "Notice of Responding to Civil Cases" and "Civil Complaints" and other relevant litigation materials from the Beijing Intellectual Property Court concerning the litigation cases numbered (2021) J 73 MC No. 1617, and Hanwang Technology requests that: 1. XIAMEN ZKTECO and Beijing Jingdong Century Information Technology Co., Ltd. immediately stop infringing on patent rights of Hanwang Technology Co., Ltd. (hereinafter referred to as Hanwang Technology), that is, immediately stop producing and selling infringing products (UF100PLUS model); 2. XIAMEN ZKTECO and Beijing Jingdong Century Information Technology Co., Ltd. jointly and severally compensate Hanwang Technology for economic losses of RMB 9,120,000.00 in total, reasonable expenses for notarization services of RMB 31,555.00, and purchase costs for infringing products of RMB 456.00; 3. XIAMEN ZKTECO and Beijing Jingdong Century Information Technology Co., Ltd. shall bear the legal costs of this case.

The Company conducted a detailed comparison and analysis of the patents and related products involved in the Hanwang Technology Announcement. Based on the legal opinions provided by the lawyer hired by the Company, the management believes that the possibility of the Company being convicted of infringement and being liable for infringement compensation is relatively low. According to relevant provisions of the Accounting Standards for Enterprises, there is no need to accrue estimated liabilities.

On August 3, 2022, the Beijing Intellectual Property Court issued a hearing summons to the Company, informing the Company that the case would be heard on August 16, 2022. During the hearing, Hanwang Technology submitted a written application to the Beijing Intellectual Property Court on August 16, 2022 to withdraw the lawsuit against the Company and Beijing Jingdong Century Information Technology Co., Ltd. with case number of (2021) J 73 MC No. 1674. On August 17, 2022, the Beijing Intellectual Property Court issued a civil ruling (2021) J 73 MC No. 1674, allowing Hanwang Technology to withdraw its lawsuit against the Company and Beijing Jingdong Century Information Technology Co., Ltd., with the amount involved of RMB 3,751,741.00.

On June 30, 2023, the Company received 8 civil rulings issued by the Beijing Intellectual Property Court, which held that: "The patents involved in the case have been declared invalid by the State National Intellectual Property Administration according to law, and the effectiveness of the patent rights involved in the case has been in an uncertain state, that is, whether Hanwang (referring to Hanwang Technology) enjoys the rights of the patents involved in the case is uncertain, and whether it has a direct interest in the case is also uncertain, which does not meet the prosecution conditions specified in Article 122 of the Civil Procedure Law of the People's Republic of China". Based on this, a ruling was made to dismiss the prosecutions of (2021) J 73 MC No. 1616, (2021) J 73 MC No. 1617, (2021) J 73 MC No. 1673, (2021) J 73 MC No. 1675, (2021) J 73 MC No. 1676, (2021) J 73 MC No. 1677, (2021) J 73 MC No. 1678, and (2021) J 73 MC No. 1679 cases of Hanwang Technology.

As of the date of approval for the financial report, the Company has not received any notice of appeal from Hanwang Technology.

7. Dispute over the Invalidation of the Trademark "ZKTECH" No. 36806148

On January 17, 2022, the State National Intellectual Property Administration issued the "Award of the Request for Invalidation of the "ZKTECH" Trademark No. 36806148 "(SP Zi [2022] No. 0000015424), ruling that the trademark No. 36806148 would be declared invalid on office punch machines and attendance machines, and would be maintained on other goods.

On February 24, 2022, the Company proposed to Beijing Municipal Intellectual Property Office to revoke the "Award of the Request for Invalidation of the "ZKTECH" Trademark No. 36806148 "(SP Zi [2022] No. 0000015424) issued by the State National Intellectual Property Administration, with the State National Intellectual Property Administration as the plaintiff and the third party as Shenzhen Zokon Industry Development Co., Ltd.

On April 15, 2022, the Beijing Intellectual Property Court issued the Notice of Acceptance of Administrative Cases (2022) J 73 XC No. 6449 to accept the case.

On June 26, 2023, the Beijing Intellectual Property Court issued an administrative judgment rejecting the Company's litigation request. The Company is not satisfied with the verdict and filed an appeal on July 18, 2023. Currently, it has not received the case acceptance notice.

(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

XV. Events after the Balance Sheet Date

1. Important non adjustment matters

Unit: RMB

Item	Content	Number of impacts on financial position and operating results	The reason for the inability to estimate the number of impacts
Important external investment	<p>(1) On June 28, 2023, our subsidiary ZKTECO CO., LIMITED increased the capital of the sub-subsidiary of the Company ZKTECO PERU SOCIEDAD ANONIMA CERRADA by USD 220,000 through profit reinvestment. The increased capital was paid on July 3, 2023. After the capital increase, ZKTECO CO., LIMITED changed its shareholding in ZKTECO PERU SOCIEDAD ANONIMA CERRADA from 99.9% to 99.96%, and ZKTECO Investment Inc. changed its shareholding in ZKTECO PERU SOCIEDAD ANONIMA CERRADA from 0.1% to 0.04%. The capital increase procedures are still in progress.</p> <p>(2) Our subsidiary ZKTECO CO., LIMITED will subscribe for 2,445 newly issued shares of the sub-subsidiary of the Company ZKTECO EUROPE SL with a capital increase of EUR 2,149.71 per share, totaling EUR 5,256,040.95. After the subscription is completed, ZKTECO CO., LIMITED will hold 80% of the equity of ZKTECO EUROPE SL, and foreign shareholder FERNANDO</p>	0.00	

	DUCA Y REAL will hold 20% of the equity. The capital increase procedures are still in progress.		
Equity transfer	<p>(1) Our subsidiary ZKTECO CO., LIMITED will acquire 17.07% of the shares (700 shares) held by the foreign shareholder FERNANDO DUCA Y REAL in the sub-subsidiary of the Company ZKTECO EUROPE SL at a price of EUR 2,149.71 per share. After the acquisition is completed, ZKTECO CO., LIMITED will hold 68.07% of the equity in ZKTECO EUROPE SL, while the foreign shareholder FERNANDO DUCA Y REAL will hold 31.93% of the equity. On August 10, 2023, ZKTECO CO., LIMITED paid the subscription amount, and both parties have signed an Equity Transfer Agreement. The equity transfer procedures are still in progress.</p> <p>(2) On June 30, 2023, our subsidiary ZKTECO CO., LIMITED and the sub-subsidiary of the Company ZKTECO LATAM, S.A DE C.V. signed an agreement with the foreign shareholder SARAHÍ ZÚÑIGA RUIZ to acquire 49% of the shares (1,836,858 shares) of the sub-subsidiary of the Company ZK SOFTWARE DE MEXICO, S.A. DE C.V. held by the foreign shareholder at a price of MXN 1 per share. After the acquisition is completed, ZKTECO CO., LIMITED will hold 99% equity in ZK SOFTWARE DE MEXICO, S.A. DE C.V., and ZKTECO LATAM, S.A DE C.V. will hold 1% of the equity in ZK SOFTWARE DE MEXICO, S.A. DE C.V. The equity transfer procedures have not yet been completed.</p>	0.00	

2. Profit distribution

3. Description of other events after the balance sheet date

On August 7, 2023, Xiamen ZKTeco Cloud Valley Design and Development Co., Ltd. (hereinafter referred to as "XIAMEN ZKTECO Cloud Valley"), a subsidiary of the Company's subsidiary, XIAMEN ZKTECO Cloud Valley, received a "Registration Notice" issued by the Xiamen Municipal Market Supervision Bureau. XIAMEN ZKTECO Cloud Valley has completed the deregistration procedures in accordance with relevant procedures. After the completion of the cancellation, XIAMEN ZKTECO Cloud Valley will no longer be included in the Company's consolidated financial statements.

XVI. Other Important Events

1. Others

1. In August 2023, Dongguan Tangxia Sub-branch of Industrial Bank Co., Ltd. issued the "Comprehensive Credit Extension Plan for ZKTeco" to the Company, agreeing to grant the Company Group a credit of RMB 400 million (exposure of RMB 180 million), with a credit period of one year and a validity period of six months. Among them, a single entity credit of RMB 400 million (with an exposure of not more than RMB 150 million) was granted to the Company, and a single entity credit of RMB 150 million (with an exposure of not more than RMB 100 million) was granted to the wholly-owned subsidiary ZKTECO (GUANGDONG) CO., LTD. The credit and exposure use of the above two entities is based on the overall control of the Group's credit and exposure implementation line. It is agreed to grant the Company Group a credit line of RMB 400 million (exposure of RMB 180 million). Based on the current credit needs of the Company, after mutual consultation, the Group's credit line is controlled to be used within the credit line of RMB 280 million (exposure of RMB 180 million).

2. On August 22, 2022, Dongguan Tangxia Sub-branch of Agricultural Bank of China Ltd. issued a "Credit Statement", granting the Company a credit line of RMB 280 million, with a validity period from August 15, 2022 to August 15, 2023. Among them, RMB 50 million is other exclusive credit lines, occupied by bank acceptance and guarantee deposits; RMB 50 million is a low risk credit line, and 100% deposit is required for low risk businesses; RMB 180 million is a general credit line used for handling bank acceptance bills, working capital loans, trade financing loans, domestic letters of credit, foreign letters of credit, domestic letters of guarantee, and

foreign letters of guarantee. Among them, RMB 80 million is used for credit, and the guarantee way of the other RMB 100 million is pending. The specific guarantee method for new credit under this line must be approved by Agricultural Bank of China. The specific use of credit shall be implemented in accordance with the management measures for individual business, and the loan interest rate shall be implemented in accordance with the relevant regulations of Agricultural Bank of China. The proportion of deposit for handling bank acceptance bills and letter of guarantee business shall not be less than 30%, with the bank acceptance bill handling fee being 0.025% of the total invoicing amount. The original credit line has expired, and the new credit line is currently being applied for credit approval. The new credit extension plan is subject to the approval results.

3. On April 17, 2023, the Company signed a "Credit Line Agreement" numbered GED476790120230048 with Dongguan Branch of Bank of China Limited, granting the Company a bank acceptance bill limit of RMB 200 million, which is valid from the effective date of the Agreement to March 26, 2024.

4. On May 19, 2023, the Company approved the resolution of 2022 annual general meeting, deliberated and approved the "Proposal on Applying for Comprehensive Credit Line from Banks and Handling Bank Loans" formulated by the Company. In order to meet the potential funding needs of the Company's production, operation and business development, the Company and its controlling subsidiaries (including newly established controlling subsidiaries) plan to apply for a credit line of not more than RMB 2 billion in 2023 (including equivalent foreign currency, the same below) from commercial banks and other financial institutions, and plan to provide a total credit guarantee limit of not more than RMB 1 billion for the holding subsidiaries. The above credit extensions include credit, mortgage, guarantee, and margin. The credit line applied by the Company and its controlling subsidiaries to the bank in 2023 will ultimately be based on the actual credit line approved by the bank. The term of this authorization is from the date of approval at the 2022 annual general meeting to the time of the 2023 annual general meeting.

On January 30, 2023, XIAMEN ZKTECO CO., LTD. (hereinafter referred to as "XIAMEN ZKTECO"), a subsidiary of the Company, signed a "Credit Line Contract" numbered YXXXZE Zi No. 2023003 with Xiamen Branch of Industrial Bank Co., Ltd. The maximum principal amount of the credit line under this Contract is converted into RMB 40 million, and the specific types of credit line business include but are not limited to short-term working capital loans, medium-term working capital loans, working capital loans (technology innovation fund R&D loans), bank acceptance bills, non-financing letter of guarantee business, and bill pool financing business, which revolve within the limit. On January 30, 2023, XIAMEN ZKTECO signed a "Technology Innovation Fund Syndicated Loan Contract" numbered YXXXZYT Zi No. 2023003 with Xiamen Branch of Industrial Bank Co., Ltd. (hereinafter referred to as the "lender", "lead bank", "agent bank") and Xiamen International Trust Co., Ltd. (hereinafter referred to as the "lender", "participating bank"). All lenders agree to provide XIAMEN ZKTECO with a loan limit of not more than RMB 8,500,000.00 in total principal. The participating bank and the lead bank, as lenders, shall undertake loans in a ratio of 5:95. The commitment amount of the participating bank shall not exceed RMB 425,000.00, and the commitment amount of the lead bank shall not exceed RMB 8,075,000.00. The Contract stipulates that the borrower shall use each fund withdrawn for the R&D investment of XIAMEN ZKTECO. The fixed interest rate of the loan is 3.60%, with Xiamen International Trust Co., Ltd. bearing 1.60% of the interest expense. The loan term is 3 years, with quarterly interest payments. The repayment term: repay RMB 425,000.00 on July 21, 2023, RMB 425,000.00 on January 21, 2024, RMB 425,000.00 on July 21, 2024, RMB 425,000.00 on January 21, 2025, RMB 425,000.00 on July 21, 2025, RMB 425,000.00 on January 21, 2026, and RMB 5,950,000.00 on January 29, 2026. From January to June 2023, XIAMEN ZKTECO CO., LTD. actually borrowed RMB 3,700,000.00 (borrowed RMB 2,000,000.00 on April 11 and RMB 1,700,000.00 on June 12), and repaid RMB 185,000.00 on July 21, 2023.

5. On June 7, 2023, the Company signed a "Bank Credit" (Facility Letter No. CN11002483543-230412) with HSBC Bank (China) Limited Shenzhen Branch to extend the "Bank Credit" (Facility Letter No. CN11002483543-220601) signed by both parties on July 18, 2022. It is agreed that HSBC Bank (China) Limited Shenzhen Branch shall provide the Company with an acceptance credit of up to RMB 100,000,000.00 for bank acceptance bills, as a guarantee, and the Company needs to provide a margin guarantee.

6. Due to the needs of strategic planning and business development, the Company plans to use its own capital of RMB 48 million as a limited partner to cooperate with Xingniu Fund to establish an ecological innovation fund. The investment direction is "in the field of computer vision, multi-dimensional perception smart terminals, scene interactive robots, scene cloud service software, AR digital

twins, digital identity cards and upstream and downstream of the other track industry chains". The target raising scale of the ecological innovation fund is RMB 120 million. The Company plans to contribute RMB 48 million with its own capital as a limited partner, with a subscription ratio of 40%. Xingniu Fund, as a general partner and executive partner, contributed no less than RMB 1 million. Xingniu Fund shall be responsible for raising the remaining capital from other qualified specific investors.

On June 21, 2023, the Company held the Third Session of the Third Board Meeting and the Third Session of the Third Supervisory Board Meeting, and deliberated and approved the "Proposal on Establishing Ecological Innovation Fund and Related Party Transactions through Cooperation with Professional Investment Institutions". It was agreed that the Company and related parties would invest in the establishment of an ecological innovation fund. The related director, Mr. Che Hongquan, has avoided voting, the independent director has expressed corresponding pre-approval opinions and independent opinions, and the sponsor has issued a non objection verification opinion. This proposal does not need to be submitted to the Company's Board of Shareholders for review.

The Company, professional investment institutions, and related parties registered and established Xiamen Xingniu Yunyu Venture Capital Partnership Enterprise (Limited Partnership) for Ecological Innovation Fund on August 11, 2023. Xingniu Fund is the executive partner with a unified social credit code of 91350211MACRR4FEIP. The investment amount is RMB 120 million, and the partner information and subscription amount are as follows:

S/N	Partner Name	Partner Nature	Subscribed Capital Contribution (RMB '0,000)	Contribution Ratio
1	Hefei Xingniu Private Equity Fund Management Co., Ltd.	General partner	100.00	0.83%
2	ZKTECO CO., LTD.	Limited partner	4,800.00	40.00%
3	Che Quanhong	Limited partner	1,200.00	10.00%
4	Huang Jian	Limited partner	800.00	6.67%
5	Lian Hongxia	Limited partner	120.00	1.00%
6	Gao Zhongyou	Limited partner	1,500.00	12.50%
7	He Xunpeng	Limited partner	1,800.00	15.00%
8	Liu Qingsong	Limited partner	1,680.00	14.00%
Total			12,000.00	100.00%

XVII. Notes to Main Items in the Financial Statements of the Parent Company

1. Accounts receivable

(1) Disclosure of accounts receivable classification

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	3,285,441.45	0.56%	3,285,441.45	100.00%	0.00	3,224,671.15	0.54%	3,224,671.15	100.00%	0.00
Includ										

ing:										
Accounts receivable with insignificant single amount and bad debt reserve withdrawn separately	3,285,441.45	0.56%	3,285,441.45	100.00%		3,224,671.15	0.54%	3,224,671.15	100.00%	0.00
Receivable with combined provision for bad debt reserve	581,811,285.15	99.44%	6,475,561.08	1.11%	575,335,724.07	590,426,593.17	99.46%	5,532,259.48	0.94%	584,894,333.69
Including:										
Related party portfolio	471,488,095.61	80.58%			471,488,095.61	492,232,071.11	82.92%			492,232,071.11
Other receivables with provision for bad debt reserves based on a combination of credit risk characteristics	110,323,189.54	18.86%	6,475,561.08	5.87%	103,847,628.46	98,194,522.06	16.54%	5,532,259.48	5.63%	92,662,262.58
Total	585,096,726.60	100.00%	9,761,002.53	1.67%	575,335,724.07	593,651,264.32	100.00%	8,756,930.63	1.48%	584,894,333.69

Bad debt reserve made individually: 3,285,441.45

Unit: RMB

Name	Ending Balance			
	Book balance	Bad debt reserve	Accrual proportion	Reasons for provision
Shanghai Leqi Automation Technology Co., Ltd.	490,186.63	490,186.63	100.00%	Expected non-recoverable
Noble IT Solutions	423,880.24	423,880.24	100.00%	Expected non-

Co., Ltd				recoverable
Zicom Electronic Securit	378,957.08	378,957.08	100.00%	Expected non-recoverable
Shenzhen Xuhui Information Technology Co., Ltd.	326,350.00	326,350.00	100.00%	Expected non-recoverable
Gansu Fourth Construction Group Co., Ltd.	224,676.00	224,676.00	100.00%	Expected non-recoverable
VENDEMMIA COMERCIO INTERNACIONAL LTDA	205,079.19	205,079.19	100.00%	Expected non-recoverable
Tianjin Eagle Eye Biotechnology Co., Ltd.	193,330.00	193,330.00	100.00%	Expected non-recoverable
Hainan Zhongkong IOT Technology Co., Ltd.	176,179.00	176,179.00	100.00%	Expected non-recoverable
Wanqiao Information Technology Co.,Ltd.	165,900.00	165,900.00	100.00%	Expected non-recoverable
Baoneng Urban Development and Construction Group Co., Ltd.	155,292.00	155,292.00	100.00%	Expected non-recoverable
PONTO RHJ EIRELI - ME	102,083.28	102,083.28	100.00%	Expected non-recoverable
Guizhou Zhongjiang Intelligent Technology Co., Ltd.	77,919.46	77,919.46	100.00%	Expected non-recoverable
INTELLISMART TECHNOLOGY INC.	76,000.96	76,000.96	100.00%	Expected non-recoverable
Qianxinan Mengku Business Service Co., Ltd.	74,672.00	74,672.00	100.00%	Expected non-recoverable
Dongguan Yukong Security Technology Co., Ltd.	53,703.00	53,703.00	100.00%	Expected non-recoverable
KWK CELLPHONE AND ACCESSORIES	38,263.57	38,263.57	100.00%	Expected non-recoverable
Nanjing Xianji Technology Co., Ltd.	31,850.00	31,850.00	100.00%	Expected non-recoverable
Entropy Electronic Technology Yangzhou Co., Ltd.	31,122.66	31,122.66	100.00%	Expected non-recoverable
Iss Facility Services (Shanghai) Ltd.	28,152.00	28,152.00	100.00%	Expected non-recoverable
ELECTRONICA GHANA LIMITED	23,374.38	23,374.38	100.00%	Expected non-recoverable
Others	8,470.00	8,470.00	100.00%	Expected non-recoverable
Total	3,285,441.45	3,285,441.45		

Bad debt reserve made by portfolio: 6,475,561.08

Unit: RMB

Name	Ending Balance
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	Book balance	Bad debt reserve	Accrual proportion
Within 1 year (including 1 year)	105,113,392.85	5,255,669.65	5.00%
1-2 years (including 2 years)	3,296,195.21	329,619.52	10.00%
2-3 years (including 3 years)	1,461,899.39	438,569.82	30.00%
Over 3 years	451,702.09	451,702.09	100.00%
Total	110,323,189.54	6,475,561.08	

Explanation of the basis for determining the portfolio:

If the provision for bad debt reserve of accounts receivable is made based on the general model of expected credit losses, please disclose the relevant information of the bad debt reserve with reference to the disclosure methods of other accounts receivable:

Applicable Not applicable

Disclosure by aging

Unit: RMB

Aging	Ending Balance
Within 1 year (including 1 year)	576,643,246.10
1-2 years	3,493,696.60
2-3 years	2,587,913.32
Over 3 years	2,371,870.58
3-4 years	1,146,739.59
4-5 years	298,442.53
Over 5 years	926,688.46
Total	585,096,726.60

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

Provision for bad debt reserves in current period:

Unit: RMB

Category	Beginning Balance	Current period change amount				Ending Balance
		Provision	Return or reversal	Redeem/redemption	Others	
Accounts receivable with insignificant single amount and bad debt reserve withdrawn separately	3,224,671.15	60,770.30				3,285,441.45
Accounts receivable with significant individual amounts and separate provision for bad debt						

reserves						
Accounts receivable with consolidated provision for bad debt reserves according to the credit risk characteristics	5,532,259.48	943,301.60				6,475,561.08
Total	8,756,930.63	1,004,071.90				9,761,002.53

(3) Accounts receivable from top five borrowers classified based on the ending balance

Unit: RMB

Company name	Ending balance of accounts receivable	Proportion in the total ending balance of accounts receivable	Ending balance of bad debt reserve
Customer 1	183,994,681.89	31.45%	
Customer 2	162,810,655.32	27.83%	
Customer 3	25,245,347.93	4.31%	
Customer 4	19,419,764.68	3.32%	
Customer 5	14,252,264.80	2.44%	
Total	405,722,714.62	69.35%	

(4) Accounts receivable derecognized due to transfer of financial assets

No accounts receivable derecognized due to transfer of financial assets in current period

(5) The amount of assets and liabilities formed by transferring accounts receivable and continuing to be involved

If there are no transferred accounts receivable at the end of the period and they continue to be involved, the amount of assets and liabilities formed by the continued involvement shall be listed.

2. Other receivables

Unit: RMB

Item	Ending Balance	Beginning Balance
Interest receivable	156,947.22	122,433.25
Dividends receivable	14,000,000.00	
Other receivables	66,835,479.94	33,858,122.01
Total	80,992,427.16	33,980,555.26

(1) Interest receivable

1) Classification of interest receivable

Unit: RMB

Item	Ending Balance	Beginning Balance
Interest on related party loans	156,947.22	122,433.25
Total	156,947.22	122,433.25

2) Provision for bad debt reserves

Applicable Not applicable

(2) Dividends receivable

1) Classification of dividends receivable

Unit: RMB

Item (or the investee)	Ending Balance	Beginning Balance
XIAMEN ZKTECO CO., LTD.	14,000,000.00	
Total	14,000,000.00	

(3) Other receivables

1) Classification of other receivables based on nature of payment

Unit: RMB

Payment nature	Closing book balance	Opening book balance
Current account	62,718,385.43	26,728,933.46
Reserve funds and loans	5,106,859.98	3,231,834.22
Export tax refund	3,928,644.22	9,631,295.37
Guarantee deposit	1,772,546.94	1,910,792.36
Collection and payment on behalf of others	1,229,056.59	286,952.43
Withholding and paying social security and provident fund on behalf of others	972,241.65	960,569.04
Others		
Total	75,727,734.81	42,750,376.88

2) Provision for bad debt reserves

Unit: RMB

Bad debt reserve	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss in the future 12 months	Expected credit loss within whole duration (no credit impairment occur)	Expected credit loss within whole duration (credit impairment has occurred)	
Balance as of January 1, 2023	53,000.00		8,839,254.87	8,892,254.87
Balance as of January 1, 2023 in the current period				
Balance as of June 30, 2023	53,000.00		8,839,254.87	8,892,254.87

Changes in book balance with major changes in loss reserves during the current period

Applicable Not applicable

Disclosure by aging

Unit: RMB

Aging	Ending Balance
Within 1 year (including 1 year)	48,356,787.64
1-2 years	14,929,518.48
2-3 years	755,578.62
Over 3 years	11,685,850.07
3-4 years	2,794,709.77
4-5 years	8,092,386.10
Over 5 years	798,754.20
Total	75,727,734.81

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	
Other receivables with significant individual amounts and separate provision for bad debt reserves	6,012,062.77					6,012,062.77
Other receivables with provision for bad debt reserves based on a combination of credit risk characteristics	53,000.00					53,000.00
Other receivables with insignificant individual amounts but separate provision for bad debt reserves	2,827,192.10					2,827,192.10
Total	8,892,254.87					8,892,254.87

4) 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
ZKTECO (GUANGDONG) CO., LTD	Current account	36,145,723.70	Within 1 year	47.73%	
Shenzhen Zhongan Intelligent Control Technology Co., Ltd.	Current account	7,772,552.26	Over 3 years	10.26%	6,012,062.77
Wuhan ZKTeco Perception Technology Co., Ltd.	Current account	6,580,000.00	Within 1 year	8.69%	
Export tax refund	Export tax refund	3,928,644.22	Within 1 year	5.19%	
Shenzhen Zhikongtaike Biometric Technology Co., Ltd.	Current account	2,500,000.00	Over 3 years	3.30%	2,500,000.00
Total		56,926,920.18		75.17%	8,512,062.77

5) Other receivables derecognized due to transfer of financial assets

There are no other accounts receivable that have been derecognized due to the transfer of financial assets at the end of the period.

6) The amount of assets and liabilities formed by transferring other receivables and continuing to be involved

The amount of assets and liabilities formed by not transferring other receivables and continuing to be involved in this period.

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	1,151,771,457.95		1,151,771,457.95	781,906,396.17		781,906,396.17
Total	1,151,771,457.95		1,151,771,457.95	781,906,396.17		781,906,396.17

(1) Investment in subsidiaries

Unit: RMB

Investee	Beginning balance (book)	Increase or decrease in the current period				Ending balance (book value)	Ending balance
		Additional	Reduced	Impairme	Others		

	value)	investment	investment	nt provision			of impairment provision
Shenzhen ZKTeco Biometric Identification Technology Co., Ltd.	12,608,518.14					12,608,518.14	
Hangzhou ZKTeco Hanlian E-commerce Co., Ltd.	2,011,694.58	48,643.48				2,060,338.06	
ZKTECO CO., LIMITED	133,541,486.20	368,511.18				133,909,997.38	
XIAMEN ZKTECO CO., LTD.	100,650,998.35	2,673,858.31				103,324,856.66	
Xiamen Zkteco Biometric Identification Technology Co., Ltd.	38,986,734.80	4,422.13				38,991,156.93	
ZKCserv Technology Limited Co., Ltd.	510,000.00					510,000.00	
ZKTECO (GUANGDONG) CO., LTD	436,416,752.35	365,681,885.02				802,098,637.37	
Dalian ZKTeo CO., Ltd.	3,075,306.01	333,030.76				3,408,336.77	
Xi'an ZKTeco Co., Ltd.	78,563.62	175,411.32				253,974.94	
Shenzhen Zhongjiang Intelligent Technology Co., Ltd.	5,100,000.00					5,100,000.00	
Hubei ZKTeco Co., Ltd.	3,510,708.76	2,948.09				3,513,656.85	
ZKTECO SG INVESTMENT PTE. LTD.	45,281,854.44					45,281,854.44	
ZKTeco Sales Co., Ltd.	133,778.92	576,351.49				710,130.41	
Total	781,906,396.17	369,865,061.78				1,151,771,457.95	

(2) Investment in affiliated and joint ventures

Unit: RMB

Investor	Beginning balance (book value)	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	Other comprehensive income adjustment	Changes in other equities	Cash dividends or profits declared	Impairment provision	Others		

				zed under equity method	ents		d to pay				
I. Joint ventures											
II. Joint venture											

(3) Other descriptions

The increase in this period is due to the grant of Class II restricted stock equity incentive amount of RMB 5,865,061.78 to the incentive objects of the subsidiary, and the increase of RMB 364,000,000.00 to the subsidiary ZKTECO (GUANGDONG) Co., LTD.

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	667,441,845.59	470,747,145.91	803,423,874.84	611,165,964.32
Other businesses	659,500.56		1,169,752.68	
Total	668,101,346.15	470,747,145.91	804,593,627.52	611,165,964.32

Revenue related information:

Unit: RMB

Contract classification	Division 1	Division 2	Operating revenue	Total
Goods type				
Including:				
Smart office products			93,980,657.77	93,980,657.77
Smart entrance and exit management products			512,206,718.27	512,206,718.27
Smart identity verification products			61,254,469.55	61,254,469.55
Others			659,500.56	659,500.56
Classification by region of operation				
Including:				
Domestic sales			269,516,873.84	269,516,873.84
Overseas sales			398,584,472.31	398,584,472.31
Market or customer type				
Including:				
Distribution			606,951,317.71	606,951,317.71
Direct sales			60,490,527.88	60,490,527.88
Others			659,500.56	659,500.56
Type of contract				
Including:				
Classification by time of transfer of goods				
Including:				

Classification by contract term				
Including:				
Classification by sales channel				
Including:				
Total			668,101,346.15	668,101,346.15

Information related to performance obligations:

None

Information related to the transaction price allocated to the remaining performance obligations:

The corresponding income amount for performance obligations that have been signed but have not yet been fulfilled or completed at the end of this reporting period is RMB 0.00.

Other explanations:

5. Investment income

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Income from long-term equity investment accounted with cost method	24,000,000.00	40,000,000.00
Investment income from financial products	909,167.43	1,403,930.57
Forward foreign exchange settlement and sales contract	-2,046,795.00	-3,315,980.00
Total	22,862,372.43	38,087,950.57

XVIII. 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 (including the offsetting portion of the provision for asset impairment)	-433,635.76	
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 and continue to be enjoyed in accordance with certain standards or quotas)	3,012,356.92	

Capital occupancy fees charged to non-financial enterprises included in current profits and losses	26,607.00	
In addition to the effective hedging business related to the normal business of the Company, the profits and losses from fair value changes arising from the holding of trading financial assets and trading financial liabilities as well as investment income from the disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets	-7,809,909.35	Mainly due to investment gains and losses and changes in fair value generated by partial forward exchange settlement to hedge against exchange rate fluctuations risk
Other non-operating income and expenses other than the above items	-130,111.10	
Less: income tax impact	457,610.55	
Minority interest impact	-70,161.96	
Total	-5,722,140.88	

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

Applicable Not applicable

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

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

Applicable Not applicable

2. Net return on assets and earnings per share

Profit during the reporting period	Weighted average return on net assets	Earnings per share	
		Basic earnings per share (RMB/share)	Diluted earnings per share (RMB/share)
Net profit attributable to ordinary shareholders of the Company	2.85%	0.4598	0.4579
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profits and losses	3.03%	0.4894	0.4875

3. Differences in accounting data between domestic and foreign accounting standards

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

Applicable Not applicable

(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